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THE WHITE HOUSE

REMARKS OF THE PRESIDENT
TO THE
NATIONAL ASSOCIATION OF REALTORS

LAS VEGAS HILTON

9:57 A.M. PST

President Doherty, President-elect Leitch, ladies and gentlemen:

It is truly a great privilege and a very high honor to have the opportunity of appearing before this convention of the National Association of Realtors, and I thank you from the bottom of my heart for your warm and friendly welcome. It is nice to be here.

At the outset, I wish to pay a very special tribute to the members of the National Association of Realtors for all that you have achieved in the face of a very, very serious and difficult economic environment..

You know, I also think it is a help, as a matter of fact, when the complex problems we all deal with are at least recognized in part by others, and sometimes this happens in very strange ways.

Two weeks ago, I went back to my hometown of Grand Rapids, Michigan, for a rally in a tremendous college field house. And just as I was coming into the building, I heard the master of ceremonies ask the marching band to play one more selection, something that would be appropriate for the President of the United States. So they played "Nobody Knows the Troubles I've Seen." (Laughter)

One of the things I always admired about the members of the National Association of Realtors is that you are always optimists, and I am, too. Believe me, anyone who wears a WIN button in Las Vegas has to be an optimist.

Well, in the area of real estate, I am something of an optimist, too. The Ford family owns a condominium in Colorado, a house in Virginia, an apartment in Grand Rapids, and for the last three months, we have been living in a one-family dwelling at 1600 Pennsylvania Avenue. We call it home. I believe some of you might call it public housing. (Laughter)

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The White House is just one of some 70 million housing units in America today, and that figure is nearly double the number of 1940. The National Association of Realtors has played a very major role in bringing about this phenomenal growth, and I am delighted to be able to join in this well-deserved tribute and salute, I should say, to you and your association.

John Ruskin, the English author, wrote a book called, "The Seven Lamps of Architecture", and in this book he told us a very great truth. It is more important to build a life than to build a cathedral.

Your association is fortunate, however, to combine both -- to be involved in building good lives as well as good cathedrals. The cathedrals of this land are its home. It is the family home which is the foundation of what we call the American dream. Your industry and the housing industry are closely related. One hardly need look beyond this community to recognize that the housing industry is suffering the ill-effects of inflation more intensely than most other industries in our great Nation.

Primarily because of a sharp spurt in the cost of money -- although fortunately it has now started back down -- and shortages of mortgage money, housing sales are off substantially in many, many parts of America.

Unemployment in the construction industry is more than double the national average. It has always been higher, unfortunately, because of the nature of the industry. But we must reduce that figure.

Public officials would rather swallow this grim statistic than speak about it, but it is my duty to face unpleasant facts, unpleasant circumstances, and it is my responsibility to do something about them -- mine and the Congress'. I assure you that I will do more than my part in this situation.

In recent weeks, as you know, this Administration has authorized \$3 billion under the Home Purchase Assistance Act for the purchase of mortgages on new single family homes. This program aims to not only help ease the high jobless rate in the construction trade, but to add to our housing inventory.

This \$3 billion could mean up to 100,000 new homes for Americans with mortgage payments that they can afford. I know this action as first announced would not have helped you realtors directly. Your commodity is primarily in existing homes, not new homes under this program, but you understand, and you went along with us, because your commitment was to the industry across the board, and I salute all of you, and I thank you on this occasion today.

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I think you provide a good example for the rest of us. You did not say, "Me first." You said, "We first." "We" -- all Americans. Let's do what is best for America.

Now, as we face the Nation's major problems in the weeks and months ahead, it will be well to remember this. It is not I alone, the President, who faces these enormous tasks and problems. It is not you who must battle them individually and collectively. It is we who must win, or we will lose. The President and the Congress together, Republicans and Democrats alike, Nevadans and Michiganders and New Yorkers, rich and poor, black and white, young and old.

I am no arm twister -- never have been. And I see no reason to become a prophet of gloom. But in the weeks and the months ahead, I will call upon the American people -- and I underline people -- to sacrifice for the national good, and I happen to think that the American people will respond.

We, the Congress and I, must reduce Federal spending. At the same time, we, the Congress and I, must increase Federal tax revenues. And we, all of us, must save energy so that we will import less high-priced foreign oil.

Although you will be called upon to make additional sacrifices, so will your Government. I will send to the Congress shortly after it reconvenes, my recommendations for the reduction of Federal spending in 1975. These have been hard decisions for me. They will be equally hard decisions for the Congress.

But it is my strong and firm conviction that Uncle Sam must slim down to what I consider fighting trim for the battle ahead of us, all 213 million.

But even though Uncle Sam tightens his own belt, he should not tighten the noose on vital industry such as yours.

Earlier I mentioned that the Administration has made \$3 billion available for commitments to purchase mortgages on new single family homes. As you know, I have sought to curtail and cut additional Federal financial outlays as inflationary. At the same time, we have targeted expenditures under this new program to counteract the declines in production and employment in new home construction.

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However, there is authority under this new Act to purchase mortgages on existing homes as well.

As you know better than I, because your purchase of a new home often depends on the sale of an existing home, and for other reasons, we have concluded that provision should also be made for existing homes under this program.

Therefore, I have an announcement for you this morning. Effective today, up to 10 percent of each of the \$3 billion in commitments under this program can be used for mortgages on existing homes. Thank you very much.

That is, the Federal Government under this plan or program will strengthen the existing home mortgage market by about \$300 million, assisting both the buyer and the seller. This will ease the burden somewhat, but I emphasize that the ultimate solution will not be provided by the Government. The victories must and will be won in the free marketplace, and you know it better than I.

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Without question, mortgage credit is the life-blood of the real estate industry. Today, after a long drought that began in the spring of this year, we are seeing a reversal in the outflows from the savings institutions. If money is available to the savings and loan associations, there will be more money available for mortgages. If money is available for mortgages, home sales will rise. It is just that simple.

There are, however, other hopeful signs of a greater availability of credit. Interest rates have started downward. Even more significantly, rates on forward commitments have begun to decline.

For instance, the average yield of a four-month commitment to purchase FHA-VA mortgages was 9.9 percent in Fannie Mae's auction of November 4 compared to 10.6 in September of this year. This indicates that mortgages on both new and existing homes will be available on somewhat easier terms in the future.

The dramatic decline in short-term interest rates over the last three months is particularly encouraging, and please take note, if you will, that this was not produced by any undue inflationary expansion of the money supply. Rather, this decline stemmed from a return to a more normal market in business loan demand. As the yields on instruments that compete with savings deposits decline, the supply of funds to and from the thrift institutions will continue to grow.

In short, the signs are becoming quite clear that the real estate picture will brighten. And as inflation recedes, which it will, we expect that the forces suppressing, not only new construction, but sales as well, on new and existing homes will ease.

The \$300 million funding which will be made available to strengthen the existing home market is only part of the \$7 billion 750 million Home Purchase Assistance Act approved by the Congress. In signing the bill into law, I referred to some shortcomings in that act. If Congress really wants to help when it reconvenes next Monday, why not include in that new legislation privately financed, multi-family projects and individual condominium units?

Rising land costs and rising material costs underline the importance of utilizing all of our housing resources. Condominiums and rental housing are a very vital part of our national housing program, and I hope and trust that Congress will respond.

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Our inner cities must not be denied assistance because the high cost of land could be, and in many instances is, a barrier to a housing assistance program. The public knows all too well that the housing needs of our major metropolitan areas, the inner cities, must be met in significant part through the construction of rental housing.

Further, I believe that more fundamental reforms are necessary to put a clamp on the up and down cycles in the housing industry. The current downturn should be a clear indication that the stopgap and patchwork solutions of the past are not adequate for the future.

In my judgment we must make basic changes in the way in which we supply capital, in the way in which we supply credit for the housing industry. The cyclical variations in the industry that you represent may thus be brought within more reasonable limits.

Therefore, let me mention another piece of legislation that is currently before the Congress. There is a bill called the Financial Institutions Act, which is one of 31 economic proposals that I recommended to the Congress on October 8.

Enactment of this bill would do a great deal to moderate these cyclical swings in housing credit. For one thing, it would reduce the structural differences between commercial banks and thrift institutions and help them to compete more effectively during periods of high interest rates and it would provide, also, a broader range of financial services for consumers.

In addition, it would offer a higher rate of return for savers. But even more importantly to the real estate business in particular, it would attract greater investor interest in the mortgage market through the mortgage interest tax credit. This would offer investors a tax credit of 1-1/2 to 3-1/3 percent, depending, of course, on the percentage of their portfolio in mortgages.

Significantly, and this is quite important, unlike other tax proposals, the benefit under the mortgage interest tax credit must go to the mortgagee. In short, I believe that the passage of the Financial Institutions Act would provide very, very significant benefits for the housing industry. In particular, it would moderate the traditional boom-and-bust cycles in your great industry, and I will press for enactment when Congress returns next week.

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Let me leave you with this final thought. You come from all parts of this vast, vast Nation. You represent its length and breadth, its diverse people and its differing viewpoints. And indeed, you individually and collectively reflect the aspirations and the inspirations of all Americans. You, as salesmen and saleswomen, see daily the workings of this great free society that we have.

You see it in your communities every day of every year. And all of this activity can be summed up in one word in your business -- sales. And sales are the result of both aspiration and inspiration, not to mention just a little perspiration.

Somehow the word has gone out that the best way to defeat inflation and to revitalize the economy is to curtail buying. Nothing could be further from the truth, and I strongly oppose that point of view.

I believe a free society means precisely that -- a free market -- and sales are the heartbeat of a free market. Instead of curtailing purchases, I say to consumers quite simply buy wisely, shop smarter. To you in sales, I say sell harder, sell more aggressively.

What we need at this time in this country are more tough Yankee traders and more supersalesmen, and I am sure you are in the latter category.

Even while dealing with these very practical matters, a Nation must never lose its vision. I remember a story about Michelangelo. The sculptor was chiseling a block of marble. Every day a very small boy came and shyly watched his labors. He never said a word to Michelangelo.

Then one day, the magnificent figure of David appeared. The astonished boy finally broke his silence and asked Michelangelo, "But how did you know he was there?"

Vision, imagination -- these are the qualities that make a people great. Americans have these qualities, they always have. And we, as a Nation, will respond to the challenges that we face.

Inflation will be cooled. Despite some economic weakness -- recession, business fallback, call it what you will -- there will be an upturn in the Nation's economic patterns. In fact, here in Las Vegas, where it is legal, I will even bet on it.

Thank you very much.