

FOR IMMEDIATE RELEASE

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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE  
PRESS CONFERENCE  
OF  
CARLA HILLS  
SECRETARY OF THE  
DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

THE BRIEFING ROOM

3:10 P.M. EDT

SECRETARY HILLS: Thank you, Mr. President.

As the President has stated, we believe we have a constructive plan for assisting the home building industry.

First, the President has authorized the immediate release of the \$2 billion remaining under the Emergency Home Purchase Act of October of 1974.

Secondly, the President has indicated approval of extending authorization under that act by \$7.5 billion, which would enable us to purchase mortgages at the low market interest rates.

Thirdly, we are asking the Congress to extend coverage of that act to multi-family dwellings and condominiums, where we feel there is the greatest depressant.

Lastly, we have indicated that we would look favorably upon foreclosure relief legislation.

Now I am pleased to answer any questions that you may have.

Q Mrs. Hills, that \$7.5 billion, is that additional new money, or is that already accounted for in the budget?

SECRETARY HILLS: No, that would be an additional authorization, which we would look to Congress to approve.

Q Is it consistent with the President's economic policy of not spending additional money?

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SECRETARY HILLS: It would require us to spend some additional money, but in this program, we are having an outlay that subsidizes the difference between the purchase price of a mortgage at a below market interest rate and the selling price.

So, our outlay is not \$7.5 billion, but the percentage differential between the subsidized rate that we provide and the market rate at which we can sell the mortgage.

Q Mrs. Hills, that is going to push the budget deficit up above the \$60 billion that the President claims he was drawing the line at, isn't it?

SECRETARY HILLS: I anticipate that the cost of turning on the additional \$2 billion that remains under the 1974 act will be in the vicinity of \$60 million worth of outlay. However, it is very difficult to say because if the interest rates continue to descend, it may very well be that we could close that outlay considerably, when we sell our mortgages on the market.

Q And the \$7.5 billion?

SECRETARY HILLS: The same principle applies. We are simply asking for authorization of \$7.5 billion and, of course, we will watch the starts, the permits and the sales figures, and that would provide us with additional authority because after we utilize the \$2 billion that remains under the Emergency Home Purchase Act of 1974, our authority is exhausted.

Q Do you have a ball park guess in how much money it will take to authorize the \$7.5 billion, how much that will add to the budget?

SECRETARY HILLS: It is difficult to say because we would have to know what the interest rate would be at the time that that authorization would be used. I think that my nearest example can be the \$2 billion that we intend to use immediately, and there we compute an outlay of about \$60 million.

Q You would think it would be roughly the same ratio for the \$7.5 billion?

SECRETARY HILLS: Again, I would have to repeat that it depends on where the market rate is now. Right now, for single family mortgages, we look at a market rate that is just a trifle under 9 percent and under the program, the subsidized rate is 7-3/4 percent, so our cost is the differential between the 9 and the 7-3/4.

If the interest rate in the market drops, as it looks like it is going to continue to drop, and we are cautiously optimistic about it, then, of course, it cuts the differential between our purchase price and our sales price and, hence, our outlay.

Q Mrs. Hills, what would you estimate is the incoming range of the families in home buyers that would be helped by the President's program, and what is there in HUD's housing priorities for the very low income?

SECRETARY HILLS: The incoming range under the program is \$38,000 to \$41,000 as a mortgage, and we normally compute the people by a house roughly two and one-half times their income, so that gives you some sort of a formula for figuring the incoming range that we are addressing.

As far as the very low income groups, we have really felt that our rental subsidy program most directly responds to those needs.

Q Mrs. Hills, Who benefits by the subsidized interest rate? In other words, the home owner -- does that mean on his mortgage under this program he will only pay 7-3/4? Does that mean that he will continue to pay the 9 percent, but the Government will make up for the lender the remainder?

SECRETARY HILLS: No, that is not correct. The home owner benefits from the lower interest rate. If the subsidized interest rate is 7.5 percent, as is contemplated in the new legislation proposed by Congressman Brown and Lud Ashley, then the differential would be between 7.5 percent and the market.

The Government would buy the 7.5 percent mortgage from the lender, who is induced to make that mortgage by reason of a fee that he gets for making that mortgage. We then hold the 7.5 percent mortgage and have to sell it in the market, if the market is 7.5 percent. That is our outlay.

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Q Mrs. Hills, how many new homes will the President's program provide for America?

SECRETARY HILLS: The \$2 billion program which has attending a \$60 million outlay should create about 125,000 units or 125,000 jobs.

Q Over and above the number of starts we expect?

SECRETARY HILLS: I beg your pardon?

Q Is that in addition to the number of starts you would anticipate otherwise?

SECRETARY HILLS: I think in all candor it would be difficult to say that this is an incremental addition. There will be some incremental addition, but from the number of experts I have talked to in the market it is difficult to say that it all is an incremental addition. Indeed, that is very true of the legislation that we are vetoing.

Q On the \$7-1/2 billion, are you saying that that money will not necessarily be used? You are asking for the authorization, but you won't necessarily use it?

SECRETARY HILLS: We will watch the market and use it as needed, just as we use the \$16 billion that we have put out over the last 18 months to support mortgages, as an on-needed basis.

Q A question on the timing of this action by the President: Housing starts, apparently, are starting to go up. Last month there was an improvement. Why didn't the President take these two actions when the housing industry was at the depths of its recession? Why did he take it the day that he announced he was vetoing the bill from Congress?

SECRETARY HILLS: We ran out of money under our Emergency Home Purchase Program and under what we call our Tandem Program, I believe, on March 27. At that time this legislation was pending on the Hill, and we felt it would be extraordinarily complex to have our program subsidizing mortgage rates at one level, and the combination of subsidies that is being offered at six percent, seven percent, \$1,000 cash assistance, and I believe that we thought it wise to wait and see what the legislation would be when it was finally offered to the President.

Q Can you tell us what are the advantages of doing this this way rather than the way the bill in Congress called for stimulating the industry?

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SECRETARY HILLS: The principal advantages are that the program that we are utilizing is in place, the regulations are drafted, and we can turn on the authorization immediately. The trouble with the legislation that has been presented to the President is that it is highly complex and it would be very difficult to implement it for several months. We would need to appraise the value of the property as they have a \$38,000 appraisal figure. We would have to certify the income of the recipient. We would have to address market values in 3,000 different marketing areas, and by the time the appropriations, the regulations and the procedures were implemented, we would not have any benefit until late fall or perhaps even early winter.

We need the help if we are addressing an emergency now, and the program that the President is utilizing can be used now.

Q How many new jobs will this create?

SECRETARY HILLS: We figure about two jobs per year for every \$30,000 in mortgage, so that with our \$2 billion program we anticipate that we would get 65,000 mortgages and about 125,000 or 130,000 jobs, and the multiple applies with each additional increment under the Emergency Home Purchase Act.

Q Mrs. Hills, with the average down payment running somewhere between 20 to 30 percent and you are contemplating a \$38,000 to \$40,000 mortgage figure, doesn't that kind of benefit the upper level without really getting down to what used to be called middle America? Aren't you hitting along about a \$50,000 to \$65,000 range of houses?

SECRETARY HILLS: Well, as I mentioned to you, we anticipate that the house purchased is about two and a half times the family income, and the 20 or 30 percent down payment that you allude to is not a universal fact. I think if you pick up the real estate section, you will find that down payments can be as low as five percent.

Q Mrs. Hills, could you go over those figures again? I may have misunderstood, but I thought you said earlier that the \$2 billion would create 125,000 mortgages.

SECRETARY HILLS: I believe I misspoke myself, and I am sorry.

Q 55,000?

SECRETARY HILLS: The 65,000 mortgages and double the jobs.

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Q Mrs. Hills, this program, as I understand it, is already underway, but you ran out of money. Could you tell us how much has been spent in this program for this fiscal year that we are just now about ending?

SECRETARY HILLS: The last 10 months we have spent in excess of \$9 billion under this program, and when I say "spend" perhaps I should explain.

The nature of the program is to make a commitment to the lender that you will buy the below-market interest rate mortgage. We have outstanding now in excess of \$9 billion of commitments. We are beginning to make deliveries on those. That means that the lender is actually utilizing that with a mortgage, and so that we expect that to very strongly help our summer starts now.

Q So you are continuing a program at about the same level that it has been running; is that correct? If you take the \$2 billion, you are asking for additionally, plus \$7.5 billion for the next fiscal year, that would be about \$9.5 billion, and you said we would run it about \$9 billion for the first 10 months.

Are you saying you are just going to continue a program essentially at the same level that it now has been running at?

SECRETARY HILLS: No, I am replenishing a program. I think that we will see the benefits of the former use of the program rather substantially. Keep in mind that our sales permits and starts jumped up last month and we feel that that is a direct causal relationship to the monies that we put out in January.

Since we have run out of money and we are not convinced that the problems in the home-building industry are at an end, we are asking Congress to replenish the monies.

Q Mrs. Hills, have you had any assurance from industry that it would accept the co-insurance program where you are in effect asking them to pay a premium to pick up part of the loss?

SECRETARY HILLS: We have had extensive discussions with constituent groups that would be affected by the co-insurance program and we think we have a positive response. That is not to say that everyone is favorably inclined toward the program, but we do believe and we have had extensive public comment and we are encouraged by the results that we think we will get.

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Q Mrs. Secretary, did you take up this with any of the appropriate Congressional leaders before announcing it here today?

SECRETARY HILLS: You mean the extension of our emergency home purchase authority?

Q In place of the bill that came down to the President's desk from Congress.

SECRETARY HILLS: We have discussed this with Congressional leaders as to their desires in this regard.

Q What was their reaction?

SECRETARY HILLS: Many of them felt that this was a far better program than the difficult and complex program that had been offered in the omnibus bill presented to the President. 4485 is extremely difficult to implement and necessarily has the delay I alluded to. It has an unrealistic interest rate subsidy.

After all, we have not even enjoyed six percent mortgage rates for nearly 10 years, and it has a long-range impact under the guise of having an emergency program. So all in all we think that the program offered by the President is far superior.

Q Do you think that what the President has offered today will in any way soften an all-out veto fight?

SECRETARY HILLS: Well, if I were voting on this bill from the point of view of the Legislature, I would be attracted by a constructive alternative that has the merit of this proposal.

Q Mrs. Hills, there seems to be some kind of a paradox here. Prior to this briefing people that I have talked to in the Administration point to the inflationary aspects of the bill that the President has vetoed. Today you have been speaking of your approach to it primarily because any inflation that is in effect now in the housing industry needs to be boosted now, yet others have said -- and you have implied elsewhere in your comments here -- that the housing industry is going to recover anyway, and that by the time the bill in Congress passed it would not have any effect, the housing industry would have recovered, and that therefore it would be inflationary.

Now there is some kind of paradox going on here because it is headed uphill anyway, and further down the line it is going to create inflation. Why do you need to boost it now?

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SECRETARY HILLS: We need to make a delicate balance. Clearly, the home-building industry reacts most violently to the inflationary trend and so we are very cautious at the inflationary spiral.

At the same time, we do not see the housing industry in a robust state. I am being candid with you to suggest that this year is not going to be a booming year and so we would like to do something that molds, and helps the recovery that we see coming now and we are very fearful of a bill that would be implemented far down the road, maybe as much as five months in advance, which would give assistance at the very time that we think we have achieved recovery.

So it is a balance between the inflationary aspect not being so costly that we drive interest rates up and adversely affect the mortgage credit market, and at the same time trying to take a step that is intelligent now so that we will guide the recovery of the home-building industry and lead it up to a healthy state.

We think that after a great deal of study, this is the way to proceed.

Q Mrs. Hills, when would this \$2 billion have been released if you had not been directed today by the President to release it?

SECRETARY HILLS: The \$2 billion is subject to a release on authorization by the President, so it would have been released at the time that the President approved it.

Q But in the normal course of events, if you followed the pattern of the earlier releases under this program, when would that likely have been?

SECRETARY HILLS: Well, there is no likelihood. It needs to be approved as an outlay measure, first by OMB, and then by the President, so that any prior release would have had to be approved in the same manner in which it was approved today.

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Q Mrs. Hills, first, the \$2 billion and later the \$7.5 billion, did this require Congressional action of any kind?

SECRETARY HILLS: Yes, the \$2 billion is pursuant to existing authorization and merely takes the approval of the Administration, which has been forthcoming. The \$7.5 billion, which is recommended by the President, requires Congressional authorization.

Q Mrs. Hills, is your appearance before the Republican policy group to talk about this bill an indication that the White House is afraid that it is going to be more difficult to sustain this veto in Congress than the past one?

SECRETARY HILLS: I don't know what you mean by more difficult. We are very anxious that this bill, which we think properly addresses our problem, be passed and I am delighted to talk to any group who has any question or has any interest in the subject.

Q My question is simply, how do you assess the prospects of this veto being sustained?

SECRETARY HILLS: I am cautiously optimistic.

Q Mrs. Hills, do you deny that there is any connection between your announcing this extra funding today coinciding with the President's announcement of the veto and the fact that there is going to be an overriding effort coming up with the release of this money, which might lessen the likelihood of the veto being overridden?

SECRETARY HILLS: I can't deny it, but in trying to be candid with you, I have to say that I discussed this prior to the conclusion of this legislation and that it was the complexity of having a multitude of interest rates floating that caused us to wait these few weeks to see what was going to happen.

Keep in mind that as of the 1st of June, it was the first time that we ran out of money under the program.

Q When do you expect to send the Administration's bill to the Hill to extend coverage?

SECRETARY HILLS: Those bills have already been introduced. Congressman Brown and Congressman Ashley have both introduced measures that would meet with the Administration's approval and follow the Administration's approach.

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Q Have you talked to George Meany?

SECRETARY HILLS: I have not discussed it with the gentleman.

Q I understand that your department has done some research on this tandem program and has been unable to find any statistical connection between housing starts and the tandem program. Are you familiar with that research and, if so, how does one justify a program to help the housing market and housing starts with such a program?

SECRETARY HILLS: Yes, I am familiar with the analysis that is given, and anytime you have an interest subsidy program, you have a danger of some substitution of effect, and that is one of the reasons why I strongly disagree with the claim of our opposition with respect to the incremental effect that their legislation would get.

I think there will be some effect of people who will try to take advantage of interest rates that are below market, but it is very difficult to accurately weigh precisely what that effect will be.

Q Excuse me, if I could just follow up. I understand that the research shows that you cannot pinpoint either one way or the other that it definitely has a stimulative effect on starts, not even some effect.

SECRETARY HILLS: I disagree with that because I have talked to economists who find some effect, but it is difficult to say that is all an incremental effect. I think that would be inaccurate.

THE PRESS: Thank you, Mrs. Hills.

END (AT 3:35 P.M. EDT)