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BUILDING PRODUCTS EXECUTIVES CONFERENCE

OCTOBER 23, 1975

THANK YOU FOR INVITING ME TO YOUR 36TH ANNUAL CONVENTION.

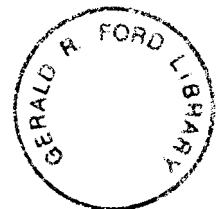
YOU HAVE A LONG DAY AHEAD.

SO, I'LL KEEP MY REMARKS SHORT -- AND GIVE THE MAJOR PORTION OF MY TIME OVER TO YOUR SPECIFIC QUESTIONS.

AS YOU KNOW -- SINCE MY CRITICS KEPT LETTING THE BIG SECRET OUT OF THE BAG DURING MY SENATE CONFIRMATION HEARINGS -- I DIDN'T START OUT AT HUD AS A "HOUSING EXPERT".

THAT HAS ITS ADVANTAGES -- BECAUSE IT RELIEVES ME OF THE NECESSITY OF BLINDLY FOLLOWING THE "EXPERTLY" ROUTED COURSES THAT HELPED LEAD THE HOUSING INDUSTRY INTO ITS PRESENT CONDITION.

TOGETHER, WE MIGHT NOT ALWAYS THINK THE SAME WAY -- BUT, LIKE THE REDS AND THE RED SOX, WE ARE BOTH THINKING ABOUT THE SAME THING.



MY ASSIGNED TOPIC IS "TODAY'S HOUSING NEEDS".

AND, I AM SURE WE ARE THINKING THE SAME THING ABOUT THE GREATEST HOUSING "NEED" OF ALL.

AND THAT IS: UNLESS WE ALL PULL TOGETHER TO GET AMERICA'S HOUSING INDUSTRY OUT OF THE SWAMP AND ONTO THE HARD GROUND OF ENERGETIC PRODUCTION, THIS NATION WILL NOT HAVE ENOUGH HOMES TO HOUSE AMERICA.

MY JOB ENTAILS MANY THINGS -- MANY LAWS, MANY ISSUES AND MANY PROBLEMS OF MANY INTEREST GROUPS.

BUT, THEY ALL BOIL DOWN TO MY ONE OVERRIDING CONCERN.

THERE ARE 16 MILLION AMERICANS LIVING IN SLUM CONDITIONS -- AND IT'S MY JOB TO HELP THIS NATION PROVIDE THEM WITH DECENT HOUSING IN A SUITABLE LIVING CONDITION.



IF YOU TOOK HUD'S ENTIRE BUDGET FOR ANY GIVEN YEAR AND SPREAD IT AROUND IN CASH GRANTS -- YOU MIGHT BE ABLE TO GIVE A PITTANCE TO EVERYONE LIVING IN A SLUM -- AND THAT WOULD SOLVE NOBODY'S HOUSING NEED.

IN TRUTH, HUD-SUBSIDIZED AND HUD-INSURED HOUSING (INCLUDING MOBILE HOMES) ACCOUNT FOR FAR LESS THAN ONE-QUARTER OF TOTAL BUILDING ACTIVITY IN ANY GIVEN YEAR.

BUT, IF HUD IS NEITHER THE WELL NOR THE PUMP OF THE INDUSTRY, IT CAN BE -- AND SHOULD BE -- A PRUDENT PRIMER.

BACK IN FEBRUARY, I COMMITTED MYSELF -- BOTH TO PRESIDENT FORD AND THE CONGRESS -- TO USE EVERY LAWFUL MEANS NECESSARY TO HELP GET THE HOUSING INDUSTRY BACK ON ITS FEET -- AS A LOGICAL PREREQUISITE TO THE ACCOMPLISHMENT OF HUD'S ULTIMATE MISSION OF HOUSING OUR LOWER INCOME FAMILIES.

AS YOU SO WELL KNOW, WASHINGTON ABOUNDS WITH "EXPERTS" WHO CAN TELL YOU AT A DROP OF A SYLLABLE, WHAT "SHOULD" BE DONE.



MY INTEREST HAS BEEN, AND IS -- IN WHAT "COULD AND CAN" BE DONE.

LAST FRIDAY, IT WAS MY PLEASURE TO ANNOUNCE THE REACTIVATION OF HUD'S HOMEOWNERSHIP SUBSIDY PROGRAM -- IN SUBSTANTIALLY REVISED FORM, TO SPUR NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION OF SINGLE-FAMILY HOMES FOR LOW AND MODERATE INCOME FAMILIES AND TO EXPAND OWNERSHIP OPPORTUNITY FOR THOSE INCOME GROUPS.

NOW, I'M PREPARED TO FACE THE FACT THAT THE "235 PROGRAM" -- AS IT'S CALLED -- ISN'T GOING TO BE LOVED BY EVERYBODY. BUT, WHATEVER ITS CRITICS MIGHT SAY -- THE NEW PROGRAM WILL HELP GET THE HOUSING MACHINE MOVING AGAIN.

IT MIGHT OCCUR TO YOU TO ASK: "IF 235 IS ALL THAT GREAT, WHY DID IT GET SHUT OFF IN THE FIRST PLACE?"

AND THE ANSWER TO THAT IS: UNDER THE OLD PROVISIONS, IT WASN'T VERY GREAT AT ALL. THE PARTS OF THE PROGRAM THAT DID WORK, WERE MORE THAN CANCELLED OUT BY ALL THE PARTS THAT DIDN'T WORK.



BECAUSE OUR "235 PUMP-PRIMER" WILL BE OF PRIME IMPORTANCE TO THIS AUDIENCE -- LET ME TAKE A FEW MINUTES TO CONSIDER ITS BASIC DESIGN.

PRESIDENT FORD HAS AUTHORIZED ME TO RELEASE PREVIOUSLY IMPOUNDED FUNDS -- INVOLVING \$264.1 MILLION IN NEW CONTRACT AUTHORITY.

THE PROGRAM WILL FOCUS ON NEW AND SUBSTANTIAL REHABILITATION. IT IS INTENDED TO MOVE "MAJOR SUPPLIES" -- NOT "COSMETIC KITS" -- TO BUILDING SITES.

BY TOTAL INDUSTRY YARDSTICK, \$264.1 MILLION MIGHT SEEM LIKE A SMALL PATCH ON THE ROOF. BUT, IT'S ENOUGH TO SUBSIDIZE MORE THAN 250,000 NEW UNITS OF HOUSING.

AND, 250,000 UNITS TRANSLATES INTO ABOUT SIX-AND-ONE-HALF BILLION DOLLARS IN NEW CONSTRUCTION ACTIVITY AND THE CREATION OF MORE THAN 500,000 NEW CONSTRUCTION JOBS.

ONE IMPORTANT KEY TO THE REVISED HOMEOWNERSHIP SUBSIDY PROGRAM IS THAT IT IS TARGETED TO THAT RANGE OF LOWER INCOME FAMILIES WHO HAVE BEEN AMERICA'S TRADITIONAL BUYERS OF NEW HOMES -- BUT WHO HAVE BEEN PRICED OUT OF THE MARKET BY THE INFLATIONARY SPIRAL.

THE PROGRAM WILL COVER THE FULL RANGE OF HOUSING STRUCTURES -- SINGLE-FAMILY DETACHED, TOWN HOUSES, CONDOMINIUMS AND COOPERATIVES -- SO THAT IT WILL HAVE APPLICATION TO OUR CITIES AS WELL AS OUR LESS DENSELY POPULATED AREAS.

RIGHT NOW, THERE ARE ONLY 60,000 NEW SINGLE-FAMILY HOMES ON THE MARKET, NATIONALLY, THAT SELL FOR LESS THAN \$30,000, AND, LAST YEAR, THE INDUSTRY ONLY SOLD ABOUT 100,000 HOMES IN THAT PRICE RANGE. IT IS HERE THAT THE INDUSTRY AND HUD CAN FIND MUCH COMMON GROUND.

UNDER THE NEW PROGRAM THE GOVERNMENT CAN SUBSIDIZE DOWN TO 5 PERCENT THE INTEREST ON A MORTGAGE IN THE RANGE OF \$20,000 TO \$25,000 HELD BY A PARTICIPATING LOW INCOME FAMILY.

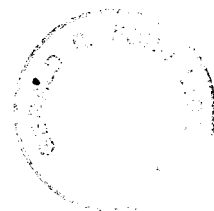


THE BENEFITED FAMILY MUST CONTRIBUTE AT LEAST 20 PERCENT OF ITS ADJUSTED GROSS INCOME TOWARDS THE MONTHLY MORTGAGE PAYMENTS, INSURANCE AND PROPERTY TAX. AS THE FAMILY INCOME GROWS THE 20 PERCENT CONTRIBUTION REDUCES THE AMOUNT OF THE NEEDED SUBSIDY.

SUBSIDY PAYMENTS CAN CONTINUE (1) THROUGHOUT THE TERM OF THE MORTGAGE; (2) UNTIL THE PROPERTY IS SOLD; OR (3) UNTIL THE FAMILY'S FINANCES REACH THE POINT WHERE 20 PERCENT OF ADJUSTED GROSS INCOME ALLOWS IT TO COVER THE MONTHLY MORTGAGE, INSURANCE AND TAXES.

WE ARE IN THE PROCESS OF DRAFTING THE NECESSARY REGULATIONS. WE HOPE TO HAVE THEM OUT FOR COMMENT IN EARLY NOVEMBER, AND TO HAVE THIS NEW PROGRAM READY FOR IMPLEMENTATION BY THE FIRST OF THE YEAR.

THERE ARE SIGNIFICANT CHANGES IN OUR REINCARNATED PROGRAM WHICH WILL SAFEGUARD AGAINST THE BAD RISK FEATURES OF THE PAST, AND, AT THE SAME TIME, TO GIVE LASTING VITALITY TO THE NEW HOUSING MARKET IT CREATES.

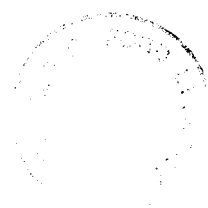


FIRST, WE WILL ENSURE THAT THE UNITS ARE DISTRIBUTED ON A GEOGRAPHICALLY FAIR BASIS, WHICH WILL COUNTER THE COMPLAINT THAT THE OLD PROGRAM WAS CONCENTRATED IN ONLY A FEW STATES.

SECOND, WE WILL RESTRICT THE UNITS IN SUBDIVISIONS TO 30 PERCENT SO AS TO PREVENT THE CONCENTRATION OF SUBSIDIZED FAMILIES IN A HORIZONTAL GHETTO.

THIRD, BY SUBSIDIZING THE INTEREST RATE DOWN TO 5 PERCENT -- NOT 1 PERCENT AS UNDER THE OLD PROGRAM, WE WILL DECREASE THE DIFFERENTIAL BETWEEN AVAILABLE INTEREST RATES AND HENCE DECREASE THE CHARGES OF INEQUITY THAT PLAGUED THE OLD PROGRAM. IT WILL ALSO SPREAD THE SUBSIDY ASSISTANCE TO MORE FAMILIES THAN IN THE PAST.

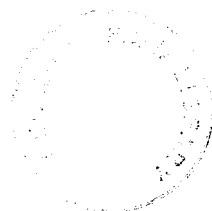
FINALLY, AND MOST IMPORTANTLY, WE WILL REQUIRE A 3 PERCENT DOWN PAYMENT SO THAT WITH TRANSFER COSTS, THE HOMEBUYER WILL HAVE AN INVESTMENT IN THE HOME OF \$1500 TO \$2000, NOT \$200 AS UNDER THE OLD PROGRAM.



THESE REQUIREMENTS WILL FOCUS THE PROGRAM ON FAMILIES IN THE \$9,000 TO \$11,000 INCOME BRACKET -- THE UPWARDLY MOBILE FAMILIES ON THE LOWER END OF THE NATION'S INCOME CURVE -- WHO HAD THE GREATEST RECORD OF SUCCESS UNDER THE OLD 235 PROGRAM.

THAT CERTAINLY DOES NOT MEAN THAT HUD IS TURNING ITS BACK ON OUR LOWEST INCOME FAMILIES.

IT MERELY REFLECTS THE HARD EXPERIENCE OF HUD AND THE INDUSTRY WITH THE HOMEOWNERSHIP SUBSIDY PROGRAM. WE LEARNED THAT IT IS SIMPLY NOT REALISTIC TO EXPECT THE VERY POOR WHO CANNOT AFFORD THE MORTGAGE PAYMENTS, LET ALONE THE INEXORABLE COSTS OF UPKEEP, UTILITIES AND TAXES TO MAKE A SUCCESS OF HOMEOWNERSHIP. WE PAID DEARLY FOR THAT LESSON. HUD NOW HOLDS TITLE TO OVER 20,000 ABANDONED 235 HOMES.

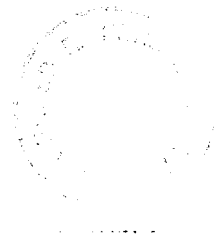


WE NOW KNOW THAT WE CAN BETTER HELP OUR VERY POOR WITH OUR -- SECTION 8 -- RENTAL SUBSIDY PROGRAM. UNDER THAT PROGRAM THE GOVERNMENT PAYS THE DIFFERENCE BETWEEN 15 OR 25 PERCENT OF THE FAMILY'S INCOME AND THE FAIR RENTAL COST FOR DECENT HOUSING. THE LANDLORD PAYS THE COST OF UPKEEP, UTILITIES AND TAXES AND REFLECTS THOSE COSTS IN THE RENT, BUT AS THE RENT INCREASES, SO DOES THE SUBSIDY.

THE NEW "235" HOMEOWNERSHIP PROGRAM DOVETAILS WITH OUR RENTAL SUBSIDY PROGRAM TO ATTACK A LONG-STANDING NEED OF OUR HOUSING POOR.

AND, THAT IS THE NEED TO BREAK UP THE SELF-DEFEATING -- CONCENTRATION OF LOWEST INCOME FAMILIES IN ONE NEIGHBORHOOD.

IT IS THAT FACTOR -- NOT THE AGE OF A BUILDING OR A NEIGHBORHOOD -- THAT HAS BEEN THE HISTORIC BREEDER-REACTOR OF THE NATION'S GHETTOS, AND EVENTUALLY SUCCEEDS IN DESPOILING AN EVER WIDENING RING OF VALUABLE REAL ESTATE.



WE HAVE COME TO THE REALIZATION IN THE LAST HALF DECADE THAT AMERICA'S RESOURCES ARE PRECIOSLY FINITE. WE CANNOT LONG SURVIVE THE GAME OF HOUSING CHECKERS THAT MAKES TODAY'S DEVELOPMENT TOMORROW'S SLUM.

NO CITY AND NO TOWN CAN LONG ENDURE IF ITS TAXPAYING CITIZENS MERELY PACK UP AND MOVE OUT -- AS THE ONLY ANSWER TO PROBLEMS OF ECONOMIC INTEGRATION.

THE "IDEA" OF PROVIDING A HEALTHY MIX OF INCOME FAMILIES IN DEVELOPMENT PLANNING FOR THE FUTURE ISN'T JUST A MATTER OF COMPASSION -- IT'S A MATTER OF COMMON SENSE.

AND, IN BOTH OUR HOMEOWNERSHIP AND RENTAL SUBSIDY PROGRAMS, WE HAVE WRITTEN A SAFEGUARD -- DESIGNED TO BREAK UP THE SELF-DEFEATING -- CONCENTRATION OF LOW INCOME FAMILIES IN ONE NEIGHBORHOOD.

HUD'S RENTAL SUBSIDY FORMULA FOR NEW AND SUBSTANTIALLY REHABILITATED MULTI-FAMILY UNITS REQUIRES A RANGE OF TENANT INCOMES TO ASSURE AGAINST HOUSING ONLY THE POOREST FAMILIES WITH THE POOREST FAMILIES. THE SUBSIDY IS OPEN-ENDED TO COVER FLUCTUATING COSTS -- AND TO ASSURE THE OWNER OF A CONTINUED REASONABLE RETURN ON HIS INVESTMENT.



THE SAME STRATEGY APPLIES TO THE NEW 235 HOMEOWNERSHIP SUBSIDY. THE RULE THAT NOT MORE THAN 30 PERCENT OF HOMES IN ANY DEVELOPMENT WILL BE SUBSIDIZED SEEKS TO ENSURE THE FUTURE VIABILITY OF THE UNITS THAT WE WILL BUILD TODAY.

BUT, WE WON'T ACHIEVE A HEALTHY HOUSING INDUSTRY WITHOUT A STEADY SUPPLY OF REASONABLY PRICED MORTGAGE FUNDS.

SO, IN ADDITION TO ASSISTING OUR VERY POOR WITH A RENTAL SUBSIDY AND FAMILIES OF MODEST MEANS THROUGH THE HOMEOWNERSHIP SUBSIDY, THIS ADMINISTRATION HAS MOVED DECISIVELY TO ENSURE GREATER AVAILABILITY OF MORTGAGE CREDIT FOR FAMILIES OF MODERATE MEANS.

OVER THE PAST YEAR AND A HALF HUD, THROUGH OUR SO-CALLED TANDEM PROGRAM, HAS OFFERED TO PURCHASE \$15.5 BILLION WORTH OF MORTGAGES THAT BEAR INTEREST BELOW THE MARKET RATE. TODAY, THE TANDEM INTEREST RATE IS 7-1/2 PERCENT WHEREAS THE MARKET INTEREST RATE FOR A SINGLE-FAMILY MORTGAGE IS ABOUT 9 PERCENT.



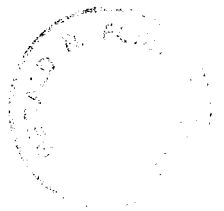
FOR THE FAMILY NEEDING A \$35,000 MORTGAGE, A 7-1/2 PERCENT TANDEM MORTGAGE INSTEAD OF A 9 PERCENT MARKET MORTGAGE, SAVES IT \$9,500 OVER THE LIFE OF THE MORTGAGE OF ABOUT \$20 A MONTH. CLEARLY, ITS HOMEOWNERSHIP OPPORTUNITIES ARE EXPANDED.

THE TANDEM PROGRAM HAS COMPENSATED TO A SIGNIFICANT DEGREE FOR THE RAPIDLY RISING COSTS OF HOME FINANCING AND HAS THUS SERVED TO CUSHION THE SEVERITY OF THE DEPRESSION IN HOUSING.

THE \$15.5 BILLION IS SUFFICIENT TO ASSIST MORE THAN 500,000 HOMEOWNERS.

CERTAINLY I AM NOT STANDING HERE TELLING YOU THAT THESE PROGRAMS ALONE WILL MAKE EVERYTHING COME UP ROSES THE DAY AFTER TOMORROW.

WE BOTH KNOW THAT HOUSING STARTS FOR THE FIRST THREE QUARTERS OF THIS YEAR, ALTHOUGH DEFINITELY IMPROVED AND IMPROVING, ARE 23 PERCENT BELOW THOSE FOR THE SAME PERIOD LAST YEAR.



AND, WE BOTH KNOW THAT NO SINGLE TOOL CAN ADEQUATELY CORRECT EVERY INDUSTRY PROBLEM.

BUT, THE NEW 235 PROGRAM WITH OUR RENTAL SUBSIDY PROGRAM AND OUR TANDEM PROGRAM BLEND TO MAXIMIZE HOUSING OPPORTUNITIES IN A VARIETY OF CIRCUMSTANCES.

WE MUST CONTINUE TO USE THESE TOOLS -- WITH CAUTION -- WITH AN EYE ON THE TOTAL ECONOMY.

WE KNOW THAT IF WE MAKE EXCESSIVE USE OF THESE STIMULANTS, WE WILL INJURE THE HOUSING INDUSTRY JUST AS IT IS REGAINING ITS HEALTH.

WE ALL KNOW THAT BY REQUIRING MUCH GREATER TREASURY BORROWING WE WILL DRIVE UP THE COST OF MORTGAGE MONEY GENERALLY AND DRIVE AWAY THOSE HOMEBUYERS WHO WOULD OTHERWISE HAVE ENTERED THE MARKET.

THE INDUSTRY IS FORGING AHEAD -- SLOWLY, BUT STILL SURELY. THE UPWARD CURVE IS SAW-TOOTHED, BUT IT IS SAW-TOOTHING ITS WAY IN THE RIGHT DIRECTION.



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SINCE DECEMBER, THE LOW POINT OF THE DEPRESSION, STARTS
HAVE CLIMBED MORE THAN 40 PERCENT.

BY NATURE, I'M PRETTY CAUTIOUS ABOUT MAKING PREDICTIONS
ON ANYTHING SO CHANCEY AS THE PROBABLE RECOVERY RATE OF ANY
INDUSTRY IN TODAY'S ECONOMY.

BUT, I HONESTLY BELIEVE THE HOUSING INDUSTRY HAS FULLY
TURNED THE CORNER. IT'S UP TO BOTH OF US TO NURTURE IT TO
ROBUST HEALTH.

IN THE LONG RUN, THE MOST IMPORTANT NEED TO ANY INDUSTRY
IS THE NEED FOR INDUSTRY CONFIDENCE.

I THINK YOU HAVE ENOUGH EVIDENCE ON THE BOOKS TODAY
TO JUSTIFY IT.

THANK YOU VERY MUCH.

