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NATIONAL CONSUMER INFORMATION CENTER CONVENTION

JANUARY 13, 1976

LIKE SO MANY CLICHES AND "ISM'S" THAT CLUTTER THE LANGUAGE OF THIS "THINK TANK" ERA -- "CONSUMER-ISM" ISN'T EVEN A BONAFIDE WORD.

YET, FOR A NOUN YOU WON'T FIND IN YOUR DICTIONARY, IT HAS SPAWNED A VERY VOCAL NATIONAL MOVEMENT.

UNFORTUNATELY, "CONSUMERISM" -- LIKE "ENVIRONMENTAL-ISM" -- BECAUSE OF ITS POPULARITY ON THE LECTURE CIRCUIT, RECEIVES A LOT OF SIMPLISTIC LIP SERVICE THAT CAN, TOO EASILY, MISLEAD US.

BECAUSE, IN FACT, THE ANSWERS TO THE SEEMINGLY OBVIOUS QUESTIONS OF WHAT WE NEED, AND WHAT WE WANT, ARE VERY OFTEN IN DIRECT CONFLICT.

IN THE VASTLY PERPLEXING PROBLEM OF PRODUCING VITALLY NEEDED ENERGY FROM OUR NATION'S NATURAL RESOURCES, WHILE MAINTAINING THE LIFE-SUSTAINING HEALTH OF OUR ENVIRONMENT WE CAN, AT LEAST, DEFINE THE CLEAR-CUT CHOICES.



NOT THAT WE ALWAYS MAKE THE WISEST ONES.

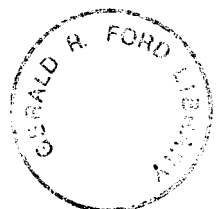
BUT, THE ISSUE OF CONSUMER PROTECTION IS FAR MORE SUBTLE. THE CAUSE AND EFFECT OF ANY GIVEN PROTECTIVE MEASURE IS NOT ALL THAT OBVIOUS.

A WELL-MEANING REGULATION DESIGNED TO CORRECT A WELL-DEFINED CONSUMER ABUSE CAN, AND OFTEN DOES, BECOME A HEAVIER CONSUMER BURDEN THAN THE ORIGINAL ABUSE.

THUS, THE AGENDA FOR THIS CONFERENCE PRESENTS TWO CRUCIAL ISSUES:

ONE: THE IMPACT OF GOVERNMENTAL REGULATORY PROGRAMS ON THE CONSUMER; AND

TWO: THE NEED FOR THE INVOLVEMENT OF CONSUMERS IN THE REGULATORY DECISIONS THAT WILL AFFECT THEM.



AND, THESE TWO ISSUES GET US DOWN TO THE CRUX OF THE CONSUMER PERPLEX:

.....HOW MUCH GOVERNMENT DOES THE CONSUMER NEED?

.....HOW MUCH GOVERNMENT DOES THE CONSUMER WANT?

.....AND, INDEED, HOW MUCH GOVERNMENT CAN THE CONSUMER STAND?

FOR THOSE OF US CHARGED WITH THE RESPONSIBILITY OF FINDING A WORKABLE BALANCE IN ANSWERING THOSE QUESTIONS, THERE ARE NO SIMPLE SHORT CUTS.

WE WANT ON THE ONE HAND TO PROVIDE PROTECTION TO THE CONSUMER WHILE KNOWING FULL WELL THAT WHEN THE GOVERNMENT GETS INTO THE ACT THE CONSUMER PAYS A PRICE AND THAT ONCE THE GOVERNMENT GETS IN, IT HARDLY EVER GETS OUT, SO THE CONSUMER KEEPS ON PAYING.



ONE OF THE GREAT BOOMS TO THE CONSUMER IN RECENT YEARS HAS BEEN THE EMERGENCE OF "TRUTH" IN MERCHANDISING -- IN ADVERTISING CLAIMS, ON CIGARETTE PACKAGES, ON FOOD CONTAINERS, ON LOAN CONTRACTS AND NEW CAR WINDSHIELDS.

IN FAIRNESS, WE SHOULD WELCOME SIMILAR DISCLOSURES OF THE HIDDEN COST OF GOVERNMENT IN EVERYTHING THE CUSTOMER BUYS.

IN HOUSING, FOR EXAMPLE, WE KNOW THAT OVER THE PAST DECADE THE PRICE OF THE AVERAGE HOME HAS GONE UP A FULL 14 PERCENT HIGHER THAN THE "COST OF LIVING" AS MEASURED BY THE CONSUMER PRICE INDEX. THERE IS NO QUESTION THAT INCREASINGLY COMPLEX FEDERAL, STATE AND LOCAL REGULATIONS, ORDINANCES, CODES, AND RESTRICTIONS HAVE SIGNIFICANTLY ADDED TO THE BUILDERS' COST OF DOING BUSINESS.

I AM NOT HERE TO ARGUE THE NEED FOR SUCH REQUIREMENTS AS BUILDING CODES, ENVIRONMENTAL IMPACT STATEMENTS, NO-GROWTH POLICIES, SEWER MORATORIA, OR RESTRICTIVE ZONING -- FAR FROM IT. ALL OF US HAVE VIEWED WITH SOME HORROR EXAMPLES OF SHODDY HOUSING DEVELOPMENTS -- TURNED SLUMS; AND, OF LAND USE ABUSE THAT BORDERS ON THE CRIMINAL.



I MENTION THEM HERE ONLY TO POINT OUT THAT OUR AWAKENED CONSUMER INTERESTS HAVE A COST TO THE CONSUMER.

I MAY AT TIMES ARGUE THE LOGIC OF THOSE REQUIREMENTS THAT CONFLICT OR THOSE THAT EMBODY RED TAPE THAT GETS IN THE WAY OF HOUSING RECOVERY.

BUT, MY POINT TODAY IS MORE CONCERNED WITH THE FUTURE TIGHT-ROPE WE MUST WALK TO MAKE SURE THAT THE CONSUMER IS BEING PROTECTED FROM THE ABUSES OF THE MARKET PLACE WITHOUT FALLING PREY TO THE EXCESSES OF THE GREAT PROTECTOR.

AND, IT IS IN THIS CONTEXT THAT I PERCEIVE HUD'S OWN ROLE IN CONSUMER AFFAIRS -- AN AREA WHICH I IDENTIFIED AS ONE OF MY HIGHEST PERSONAL PRIORITIES LAST YEAR IN MY FIRST PUBLIC ADDRESS AS SECRETARY OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT.

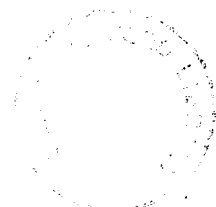
FOR INDEED THE CONSUMERS OF HOUSING ARE HUD'S PRIME CONSTITUENCY, AND WE HAVE A CLEAR MANDATE TO SEE THAT THEIR LEGITIMATE EXPECTATIONS ARE NOT BILKED -- BY DESIGN, DECEIT, NEGLIGENCE OR IGNORANCE. AND, WHERE THE HOUSING THEY BUY OR RENT IS INSURED OR ASSISTED WITH FEDERAL FUNDS, WE HAVE AN ADDITIONAL MANDATE TO MAKE CERTAIN THE TAXPAYERS' INVESTMENT IS HANDLED WISELY.

TO DISCHARGE THESE RESPONSIBILITIES MORE EFFECTIVELY HUD DEVELOPED AND ON NOVEMBER 16, 1975 PUBLISHED FOR COMMENT IN THE FEDERAL REGISTER A CONSUMER REPRESENTATION PLAN WHICH SEEKS TO ENCOURAGE GREATER CONSUMER ACCESS TO HUD DECISION-MAKING AND GREATER RESPONSIVENESS TO CONSUMER CONCERNS BY HUD POLICY-MAKERS.

THE PUBLIC HAS UNTIL FEBRUARY 24, 1976 TO COMMENT ON THIS PLAN. FOR THAT REASON I THOUGHT IT MIGHT BE USEFUL TO PRESENT FOR YOUR CRITICAL APPRAISAL OUR EXPERIENCE IN ITS DEVELOPMENT.

THE FIRST STEP -- NOT SURPRISINGLY, BUT A STEP THAT STRANGELY IS SOMETIMES OVERLOOKED: -- CALLED FOR HUD'S SENIOR POLICY OFFICIALS TO SPECIFY HUD'S MISSIONS AS A PUBLIC INSTITUTION.

THEY, UNDERSTANDABLY, LISTED HUD'S FOUR MAJOR ORGANIZATIONAL THRUSTS AS ITS MISSIONS -- HOUSING, URBAN DEVELOPMENT, EQUAL OPPORTUNITY AND DISASTER ASSISTANCE -- EACH CORRESPONDING TO AN ESTABLISHED COMPONENT WITHIN THE DEPARTMENT.



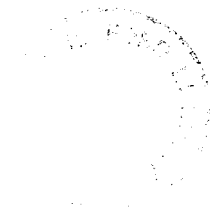
HOWEVER, EACH OFFICIAL SPOKE OF A FIFTH MAJOR MISSION -- ONE THAT DID NOT CORRESPOND TO ANY EXISTING OFFICE IN THE DEPARTMENT AND ONE THAT HAD NOT BEEN ESTABLISHED AS A HUD PRIORITY, PER SE.

EACH CALLED FOR A "CONSUMER PROGRAM" IN WHICH A MAJOR HUD MISSION -- ALONG WITH THE BASIC FOUR ALREADY IDENTIFIED -- IS "TO ASSURE THAT THE BASIC RIGHTS OF CONSUMERS ARE CONSIDERED AND RESPECTED IN ALL HOUSING AND COMMUNITY DEVELOPMENT ACTIVITIES."

SO, WE DEVELOPED OUR CONSUMER REPRESENTATION PLAN TO FOCUS ON FIVE POLICY "MUSTS":

ONE: DESIGN POLICIES AND PROCEDURES WITH A CLEAR UNDERSTANDING (AND IN UNDERSTANDABLE LANGUAGE) OF HOW THEY AFFECT THE CONSUMERS.

TWO: PROVIDE CONSUMERS WITH THE TIME AND OPPORTUNITY TO PRESENT THEIR VIEWS BEFORE ANY NEW PROGRAM IS LOCKED INTO FINAL DESIGN.



THREE: PROVIDE CONSUMERS WITH ACCESS TO RELEVANT BACKGROUND MATERIALS SO THAT THEIR VIEWS CAN BE FACTUALLY SUPPORTED.

FOUR: PROVIDE THE SERVICES OF KNOWLEDGEABLE CONSUMER ADVOCATES WITHIN HUD TO HEAR, ADVISE AND REPRESENT CONSUMERS ON TECHNICAL ISSUES.

FIVE: KEEP LINES OF COMMUNICATION WITH CONSUMERS OPEN AND ASSURE THAT CONSUMER QUESTIONS ARE APPROPRIATELY AND PROMPTLY ANSWERED.

TO PUT THIS PLAN IN ACTION AND TO CONSOLIDATE AND STRENGTHEN REGULATORY FUNCTIONS ALREADY ASSIGNED TO HUD, I AM ESTABLISHING AN OFFICE OF ASSISTANT SECRETARY FOR CONSUMER AFFAIRS AND REGULATORY FUNCTIONS, AND I EXPECT THE PRESIDENT TO NOMINATE A CANDIDATE SHORTLY.

THIS OFFICE WILL HAVE MAJOR PROGRAM RESPONSIBILITIES AND HARD-HITTING ENFORCEMENT AUTHORITY.



IT WILL HAVE THE NECESSARY STRENGTH TO COMBAT INDUSTRY ABUSES WHERE THEY OCCUR AND WILL PROVIDE A REASONED VOICE IN ENCOURAGING INDUSTRY CORRECTION AND SELF-REGULATION WHERE GOVERNMENT INTERVENTION IS INAPPROPRIATE.

THE NEW OFFICE WILL CONSOLIDATE SEVERAL HUD CONSUMER PROTECTION PROGRAMS, SUCH AS MOBILE HOME STANDARDS.

CONCERN OVER THE QUALITY OF MOBILE HOME CONSTRUCTION, AND POSSIBLE SAFETY DEFECTS HAS LED TO HUD'S PROMULGATION OF NATIONAL STANDARDS WHICH COVER VIRTUALLY ALL ASPECTS OF MOBILE HOME PLANNING, SAFETY, CONSTRUCTION AND DURABILITY. THERE ARE, FOR EXAMPLE, SPECIFIC STANDARDS DEALING WITH FIRE SAFETY AND WIND RESISTANCE. THE FINAL MOBILE HOME STANDARDS HAVE ALREADY BEEN PUBLISHED AND WILL GO INTO EFFECT IN JUNE.

ONCE THE STANDARDS ARE IN EFFECT, MANUFACTURERS MUST ASSURE COMPLIANCE UNDER STRICT INSPECTION AND CERTIFICATION PROCEDURES. PROVISIONS ARE ALSO MADE FOR DEFECT NOTIFICATION AND THE REPAIR OF CERTAIN DEFECTS AT THE MANUFACTURER'S EXPENSE.



CONSUMERS HAVE BEEN DIRECTLY INVOLVED IN THE DEVELOPMENT OF THIS PROGRAM, THROUGH THE NATIONAL MOBILE HOME ADVISORY COUNCIL, MANY OF WHOSE MEMBERS REPRESENT CONSUMER GROUPS.

HUD'S OFFICE OF INTERSTATE LAND SALES WILL ALSO BE PART OF THE NEW OFFICE. IT IS A WATCHDOG AGAINST FRAUD AND DECEIT IN THE ONCE NOTORIOUS HUNTING GROUNDS OF LAND SALES SPECULATORS.

IT REQUIRES FULL DISCLOSURE TO PROSPECTIVE BUYERS AND VOIDANCE OF ANY SALE WHEN DISCLOSURE IS NOT FORTHCOMING.

ITS FIELD REVIEW STAFF INVESTIGATES POTENTIAL VIOLATIONS OF THESE CONSUMER PROTECTION STANDARDS BY SEEKING OUT DEVELOPERS WHO HAVE NOT COMPLIED.

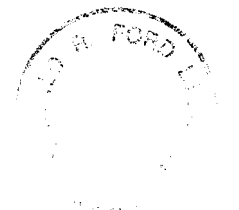


CERTAINLY, NOBODY ARGUES THE NEED FOR TOUGH LAWS TO PROTECT THE UNSUSPECTING CONSUMER FROM LAND SWINDLERS. AND, THE FOREMOST ADVOCATES OF STERN CONTROL ARE THE NATION'S GOOD REALTORS WHOSE INDUSTRIAL REPUTATION IS ENDANGERED BY THE SHODDY PRACTICES OF A FEW.

THE NEW OFFICE WILL ALSO ADMINISTER THE REAL ESTATE SETTLEMENT PROCEDURES ACT WHICH PROTECTS THE CONSUMER AGAINST HIDDEN COSTS, KICKBACKS, AND OTHER ABUSES OF REALTY TRUST.

THIS ACT -- KNOWN AS RESPA IN THE HOUSING AND REAL ESTATE TRADES -- IS A GOOD EXAMPLE OF A WELL-INTENTIONED CONSUMER PROTECTION IDEA TAKEN BEYOND THE MEASURES NECESSARY TO CORRECT THE KNOWN ABUSES -- AND, RESULTING, INSTEAD, IN EXCESSIVE PAPER WORK, TIME DELAYS AND EXTRA COSTS WHICH ADDED TO THE PRICE OF THE HOUSE.

THE ACT HAS UNDERGONE LEGISLATIVE REVISION.



RESPA STILL PROTECTS HOMEBUYERS FROM KICKBACKS AND OTHER SPECIFIC ABUSES. IT ALSO REQUIRES THAT PROSPECTIVE PURCHASERS BE PROVIDED WITH AN ESTIMATE OF SETTLEMENT COSTS WHEN THEY APPLY FOR A LOAN. THIS SHOULD ENCOURAGE CONSUMERS TO SHOP FOR SETTLEMENT SERVICES, PROVIDE MORE COMPETITION AND, AS A RESULT, LOWER COSTS. CONSUMERS ALSO ARE ADVISED OF SETTLEMENT COSTS ONE DAY PRIOR TO SETTLEMENT TO SIMPLIFY THAT OTHERWISE BEWILDERING TRANSACTION FOR THE HOMEBUYER.

LEGISLATION PENDING IN CONGRESS CONCERNING FEDERAL ENERGY CONSERVATION STANDARDS AND CONSUMER PROTECTION STANDARDS FOR CONDOMINIUM SALES, IF ENACTED, WOULD ALSO FALL WITHIN THE PURVIEW OF THE NEW OFFICE.

THE CONSUMER OFFICE WILL BE CHARGED WITH MAINTAINING OPEN LINES OF COMMUNICATION BETWEEN HUD AND CONSUMER GROUPS AS WELL AS INDIVIDUAL CONSUMERS. CONSUMERS AS INDIVIDUALS AND AS A GROUP EXPECT AND DESERVE PROMPT AND ACCURATE RESPONSES FROM THEIR GOVERNMENT.



EVEN MORE IMPORTANT, THE PROBLEMS OF CONSUMERS CAN TELL US A GREAT DEAL ABOUT THE OPERATION OF OUR PROGRAMS AND THE NEED FOR NEW HUD INITIATIVES. THE NEW OFFICE WILL OVERSEE A SYSTEM TO ENSURE THAT CONSUMER COMPLAINTS ARE TAKEN INTO ACCOUNT IN OUR PROGRAM DESIGNS.

OUR EXPERIENCE HAS TAUGHT US THE IMPORTANCE OF THIS PROCESS.

FOR MANY YEARS FHA HAD ACCEPTED INDUSTRY SELF-INSPECTION AND BUILDER CERTIFICATION FOR CARPETING QUALITY.

BUT, AS THE PRACTICE GREW -- AND TIME DID ITS TESTING -- HUD BEGAN TO REAP CONSUMER COMPLAINTS -- ENOUGH OF THEM, AT LEAST, TO LAUNCH A WIDE-SPREAD INSPECTION.

IN THIS INSTANCE THE CONSUMERS WERE RIGHT. FHA TESTS OF "APPROVED" CARPETING SHOWED THAT A HIGH PROPORTION DID NOT MEASURE UP TO REASONABLE DURABILITY STANDARDS. SO HUD LOWERED THE BOOM.



FHA NOT ONLY HAS ESTABLISHED STRICT STANDARDS AND TIGHT QUALITY CONTROL, BUT NOW REQUIRES THIRD-PARTY INSPECTION TO ASSURE THE HOMEBUYER THAT ALL IN-BUILT CARPETING MEETS FHA SPECIFICATIONS.

FINALLY, THE NEW OFFICE WILL HAVE THE TECHNICAL EXPERTISE TO EXPRESS THE CONSUMER VIEWPOINT ON COMPLEX AND IMPORTANT DEPARTMENTAL POLICY DECISIONS. AS AN ASSISTANT SECRETARY, THE CONSUMER ADVOCATE WILL SIT IN THE HIGHEST COUNCILS OF DEPARTMENTAL DECISION-MAKERS.

THE NEW CONSUMER OFFICE WILL NOT, HOWEVER, OBTVIATE THE RESPONSIBILITY OF HUD'S OTHER PROGRAM OFFICES TO PROTECT THE CONSUMER. FOR EXAMPLE, FHA WILL CONTINUE TO PLAY A MAJOR ROLE IN PROTECTING THE PURCHASERS OF HOMES WITH FHA-INSURED MORTGAGES.

WE APPRAISE HOMES TO BE PURCHASED WITH FHA MORTGAGE INSURANCE AND MAKE THAT APPRAISAL AVAILABLE TO THE PROSPECTIVE PURCHASER. WE ALSO REQUIRE BUILDERS TO FURNISH ONE YEAR WARRANTIES TO BUYERS OF NEW FHA-INSURED HOMES.

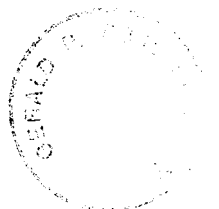


EVERY FHA-INSURED PROPERTY MUST MEET MINIMUM PROPERTY STANDARDS. MANY OF THOSE FHA STANDARDS HAVE BECOME GENERAL INDUSTRY STANDARDS FOR QUALITY AND DURABILITY -- WHICH MAY PROVE THAT AMERICAN INDUSTRY IS RESPONSIVE TO ENLIGHTENED CONSUMER PRACTICES AND WILL VOLUNTARILY ADAPT TO BETTER IDEAS FOR CONSUMER PROTECTION.

OUR CONSUMER PROTECTION FORMULA IS PLAIN AND SIMPLE. IF THE BUILDER DOESN'T COMPLY WITH THE REQUIREMENTS, HE DOESN'T PARTICIPATE IN FHA PROGRAMS.

THESE FEW EXAMPLES DEMONSTRATE SPECIFIC AREAS IN WHICH HUD CAN, AND MUST, ACT ON BEHALF OF THE NATION'S CONSUMERS.

BUILDING PRACTICES VARY BY THE CLIMATE OF THE REGION AND THE TERRAIN ON WHICH A HOME IS BUILT; BY LOCAL MODES, CUSTOMS, ETHNICS, INCOMES, AVAILABLE MATERIALS AND THE COMPETENCE OF THE BUILDER.



THE FEDERAL GOVERNMENT CAN NO MORE WRITE A RIGID SET OF REGULATIONS GOVERNING EVERY CONSUMER PROBLEM IN EVERY ONE OF THOSE A-TYPICAL HOMES THAN IT CAN DESIGN A "TYPICAL" HOUSE TO ACCOMMODATE THE NEEDS OF EVERY AMERICAN FAMILY.

SO, ONE OF OUR FIRST RESPONSIBILITIES IS TO BE HONEST ABOUT OUR LIMITS. GOVERNMENT CAN ESTABLISH SOME MINIMUM LEVELS OF QUALITY AS IN THE MINIMUM PROPERTY STANDARDS, AND IT CAN PROVIDE REMEDIES FOR THE MOST COMMON ABUSES AS IN INTERSTATE LAND SALES.

BUT OFTEN, THE MOST EFFECTIVE FEDERAL ROLE IS AS AN "ENABLING AGENT" -- WORKING IN PARTNERSHIP WITH STATE AND LOCAL GOVERNMENT; WITH CONSUMERS AND THE MAKERS OF CONSUMER PRODUCTS -- PROVIDING EXPERTISE AND, WHERE NEEDED, SEED MONEY, TO ACHIEVE OUR COMMON CONSUMER GOALS.

THE ONLY WAY WE CAN MAKE SURE THAT OUR DESIGNS FOR CONSUMER PROTECTION ARE FEASIBLE, REASONABLE, PRACTICAL AND ENFORCEABLE IN THIS DEMOCRACY -- IS TO MAKE SURE THAT WHAT WE DO FOR CONSUMERS IS WHAT CONSUMERS SAY THEY WANT AND NEED.



THIS CONFERENCE, TODAY, AND THE DEDICATION OF THE MANY GOOD PEOPLE LIKE YOU WHO ARE ENGAGED IN CONSUMER AFFAIRS, ARE THE CONSUMER'S BEST HOPE FOR THE KIND OF FUTURE PROTECTION THAT PROTECTS CONSUMERS WITHOUT PENALIZING THEIR FREEDOM OF CHOICE.

THANK YOU VERY MUCH.

