MASTER

TO THE HOUSE OF REPRESENTATIVES:

I am today returning, without my approval, H.R. 4485, the proposed Emergency Housing Act of 1975.

After careful examination of this bill and its provisions, it is my considered judgment that H.R. 4485, due to its cost, ineffectiveness, and delayed stimulus, would damage the housing industry and damage the economy.

This Administration is committed to a prompt recovery of the housing industry and to getting the construction workers ~~building trades~~ back to work -- which are crucial elements in our overall economic recovery.

To reaffirm my commitment to such prompt recovery and my support of ~~I support~~ the existing Federal mortgage assistance program, ~~and~~ I am today directing the release of the remaining $2 billion in these funds and requesting Congress to authorize another $7.75 billion in this assistance for housing. I will also support a workable plan to prevent mortgage foreclosures for home-owners who are out of work.

But H.R. 4485 is not acceptable for these reasons:

-- It could not be implemented without substantial delay, ~~immediately~~, and probably would actually provide a disincentive to ~~delay~~ some home purchases. Consequently it would delay for months putting construction workers ~~the building trades~~ back to work.

-- It is in some respects inequitable. In some areas of the country, families with $25,000 of income could qualify for benefits, while in other areas of the country, families with $6,000 of income could not qualify.

-- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense. ~~while providing better stimulus to the industry.~~

-- For the modest benefits that might come in housing, this bill is too expensive -- over $1 billion in additional Federal expenditures in FY 76, and ~~far~~ more in years to come.

 MASTER

This bill's provisions for the protection of home-owners who are presently unemployed or under-employed due to our economic conditions and who face foreclosure on their homes, though well intentioned, unnecessarily place the federal government in the retail loan-making business as a sole means of relief. Depository institutions have a stake in avoiding foreclosures and should be active participants in any such mortgage payment relief program.

I believe there is a better way both to stimulate jobs in construction and to provide standby protection for homeowners who may be threatened by ~~protect home-owners who are worried about losing their homes through~~ foreclosure:

1. To add impetus to the industry's recovery and to ~~To~~ put the building trades back to work, I am today directing the Secretary of Housing and Urban Development ~~immediately~~ to make available, immediately, under existing law, $2 billion previously authorized for mortgage purchase assistance.

   We know this program works, and this action will make new mortgage money available immediately from thrift institutions and other lenders. ~~banks and others who finance housing.~~ But since the mortgages the Federal government purchases ~~are~~ can be later resold, the cost to the Federal government is relatively low -- $60 million for FY 76. ~~and up to $125 million for FY 77.~~

2. To continue this effective tandem authority program, I propose that Congress extend this program ~~for another year~~ beyond its expiration date in October, and to expand ~~extend~~ it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress ~~to put~~ $7.75 billion more into this program to insure financing is available if needed ~~if we should need it~~ to ~~keep~~ sustain the ~~building trades at work and to sustain~~ the recovery of the housing industry. ~~Although I believe my recommendation with respect to this additional authorization is valid, I will be glad to carefully and sympathetically review any fiscally disciplined initiative in this regard.~~

MASTER

3. To protect home-owners against foreclosure, I ~~will~~ ~~support~~ commend the efforts of the sponsors of legislation recently introduced in the Congress that would confer standby authority on the Secretary of Housing and Urban Development to make mortgage payment relief loans or to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work. We want to preserve the good relationship between the home-owner and the bank or other institution which holds his mortgage -- and at the same time provide some fiscal protection to the lender who assists a home-owner. ~~whose payments may be delinquent until he goes back to work.~~

While there continue to be many problems in the housing industry, and while there is far too much unemployment among housing construction workers, there are clear signs of recovery in this vital part of the American economy.

During the current calendar year, funds needed for mortgage loans have been flowing into savings institutions at record levels -- $19.7 billion net during the first five months of this year alone, nearly quadruple the level of the same period last year. With this flow of funds, interest rates have fallen substantially from their peaks of last summer.

Meanwhile, the government has been providing unprecedented support to the housing industry. Since last October, the Government National Mortgage Association has committed to purchase nearly $9 billion in conventional, FHA and VA mortgages with interest rates down to 7-3/4 percent. And this March, a tax credit for unsold new homes was enacted into law.

There are now strong indications that new home construction and sales are responding to these actions. New home sales increased 25 percent in April, the largest increase in 12 years. Home building permits climbed 24 percent in April and an additional 9 percent in May. Also in May, housing starts -- which represent not only new homes but new jobs -- rose sharply.

MASTER

These favorable trends, however, do not mean that we have overcome our problem in housing. To the contrary, the level of home construction is still too low, and I fully agree with those who believe that a swift recovery in housing is a prime objective of national economic policy.

We must accelerate the improvement in housing that now appears to be coming about.

My action today to commit $2 billion for mortgage purchase assistance under the Emergency Home Purchase Assistance Act of 1974 will exhaust the current authorization under that Act. In proposing that this Act be extended, broadened to multi-family housing, and expanded by $7.75 billion, I am affirming that we have a tried and tested mechanism for supplementing and reinforcing housing construction.

Unfortunately, while H.R. 4485 does contain the multi-family amendment I have recommended, it fails to extend the current law, increase its authorization or effect any other improvements. Worse, it would authorize a variety of new and untried subsidies, including provisions for mortgages with mandated 6 and 7 percent interest rates and $1,000 down-payment grants. Since there appears to have been no consensus in favor of any one of these new subsidies, the bill adopts all of them in the hope that <u>something</u> will work.

The full implementation of these new subsidies, together with other provisions of the bill, would add ~~approximately~~ over $1 billion to the fiscal 1976 deficit and ultimately cost ~~approxi-mately~~ more than $2 billion. An addition to the budget of this magnitude to benefit a few home-buyers is inequitable as well as costly.

It is most important to housing that we maintain a firm line against ill-considered spending that adds to the growing deficit and necessitates Federal government borrowing which tends to drive up interest rates and depress housing construction. I believe that budgetary restraint is a key element in our effort to instill the kind of consumer confidence in the future that is essential to a vigorous housing market.

MASTER

Proponents of H.R. 4485 have argued that the budgetary costs of this bill would be outweighed by stimulating an upturn in housing starts, jobs and tax revenues. But critical defects in the bill concerning its relative cost, impact, timing and long-term implications will prevent it from achieving these objectives.

First, the levels of subsidy provided are excessively deep and costly. Under H.R. 4485, mortgages would be heavily subsidized so that they could bear lower interest rates than any previously available to other home-owners during the last ten years. These deep subsidies would require substantial Federal outlays. Moreover, experience demonstrates that a strong and healthy housing industry can be maintained without the deep subsidies contained in this bill.

Second, the bill would not work as intended even if it could be immediately implemented. Although supporters of H.R. 4485 have claimed that it would produce hundreds of thousands of additional housing units, evaluation by HUD and OMB does not suggest that the bill would have any impact of this magnitude or that the units produced would necessarily be additional to those that would be produced in the absence of such large subsidies. Those most likely to be influenced to buy under the bill would be families near the top of the eligibility range. These same families would be most apt to buy even without subsidy assistance on the scale proposed.

Third, because the bill could not be immediately implemented, it would actually impede an early recovery in housing starts. The subsidies which would be authorized include new approaches that have never been tried before. To make this assistance available, it would not only be necessary to secure appropriations and write regulations, but also to prepare a variety of new forms, establish procedures and familiarize government, lender and builder personnel throughout

MASTER

the country with them. Even given top priority, months could be required before implementation is completed. Thus, H.R. 4485 -- far from helping during the coming months -- would actually inhibit home purchases among those eligible for assistance, since these families would understandably want to wait until the subsidies become available.

Fourth, the bill has long-term impacts and implications that are inappropriate and undesirable for an "emergency" measure. One of the subsidy options included in the bill would require home-owners with 6 percent interest rate mortgages to make increasing monthly payments in the future, up to the full payments that would be required at current market interest rates. I believe there will almost certainly be intense pressures for relief against these phase-up provisions in years to come -- and thus for a continuation of the deep subsidies this option involves. Moreover, even if this approach works as intended, it would require substantial government outlays in future years when the economy may be operating at full capacity with inflationary forces at or approaching their peaks.

Fifth, the subsidy provisions of H.R. 4485 pose substantial problems of equity among those who would and would not be eligible for the relatively large subsidies provided. As the bill is written, substantial subsidies would be made available to families within a given income group. Other families with similar or even less income would receive no subsidy at all and would be expected to pay full market rate mortgages. These discrepancies would be very sharp and hard to justify. In some areas, it would permit families with incomes well over $25,000 to qualify while, in other areas, families with incomes as low as $6,000 would be ineligible.

Sixth, H.R. 4485 would make a number of undesirable changes in our housing and community development laws. For example, the bill would extend the homeownership program

MASTER

authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

Finally, the foreclosure provision of H.R. 4485 is too limited ~~would~~ in its mechanism for providing relief. ~~almost certainly cause more foreclosures than it prevented~~. This provision reflects the concern that mortgage foreclosures may soar during the recession. To date, no such trend has developed because private lenders have been cooperating with home-owners through forebearance and common sense arrangements. In fact, foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

~~Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would confer standby authority on the Secretary of Housing and Urban Development to co-insure lenders who withhold foreclosures.~~

Good housing is one of our greatest national assets, and our objective was and is to assist in the recovery of the housing construction industry and to help get the building trades workers back to their productive and meaningful skills. I shall be glad to work with the Congress toward this objective.

Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would protect home-owners from loss of their homes due to temporary economic hardship and which recognizes the provisions of such relief is both a matter of concern for the federal government and the depository institutions ~~on~~ or other mortgagees involved.

THE WHI'

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authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

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Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would protect home-owners from loss of their homes due to temporary economic hardship and which recognizes the provisions of such relief is both a matter of concern for the federal government and the depository institutions or other mortgagees involved.

Good housing is one of our greatest national assets, and our objective was and is to assist in the recovery of the housing construction industry and to help get the building trades workers back to their productive and meaningful skills. I shall be glad to work with the Congress toward this objective.

THE WHITE HOUSE,

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THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: June 21, 1975 Time: 1:30pm

FOR ACTION: Jim Lynn
HaxkFMarsh
Bill Seidman
Robert Hartmann
Ken Lazarus

cc (for information): Jim Cavanaugh
Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: June 23 Time: 11:00am

SUBJECT:

Proposed Veto message: H.R. 4485, Emergency Housing Act

ACTION REQUESTED:

___ For Necessary Action

x ___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

x ___ For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy JOhnston, Ground Floor West Win-

The attached message has been approved by Paul Theis.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: June 21, 1975 Time: 1:30pm

FOR ACTION: Jim Lynn
Jack Marsh
Bill Seidman
Robert Hartmann
Ken Lazarus

cc (for information): Jim Cavanaugh
Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: [redacted]une 23 Time: [redacted]

SUBJECT:

Proposed Veto message: H.R. 4485, Emergency Housing Act

6/23/75 message given to Judy Johnston @ 5:05 pm: Mr. Seidman has discussed his comments orally with Mr. Cannon.

ACTION REQUESTED:

____ For Necessary Action
____ Prepare Agenda and Brief
__x__ For Your Comments
__x__ For Your Recommendations
____ Draft Reply
____ Draft Remarks

REMARKS:

Please return to Judy JOhnston, Ground Floor West Win-

The attached message has been approved by Paul Theis.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
For the President

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.:

Date: June 18, 1975 Time: 700pm

FOR ACTION: Tod Hullin rdo
Max Friedersdorf
Ken Lazarus
Paul Theis
Bill Seidman rdo

cc (for information): Jim Cavanaugh
Jack Marsh
Robert Hartmann

FROM THE STAFF SECRETARY

DUE: Date: June 19 Time: 3:00pm

SUBJECT:

Enrolled Bill H.R. 4485 - Emergency Housing Act of 1975

ACTION REQUESTED:

___ For Necessary Action

_x_ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

_x_ For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

WASHINGTON

due: 6/23

ACTION MEMORANDUM

LOG NO.: 11:9

Date: June 21, 1975

Time: 1:30pm

FOR ACTION: Jim Lynn
Jack Marsh
Bill Seidman
Robert Hartmann
Ken Lazarus

cc (for information): Jim Cavanaugh
Max Friedersdorf

FROM THE STAFF SECRETARY

DUE: Date: June 23

Time: 11:00am

SUBJECT:

Proposed Veto message: H.R. 4485, Emergency Housing Act

ACTION REQUESTED:

____ For Necessary Action

x ____ For Your Recommendations

____ Prepare Agenda and Brief

____ Draft Reply

x ____ For Your Comments

____ Draft Remarks

REMARKS:

Please return to Judy JOhnston, Ground Floor West Win-

The attached message has been approved by Paul Theis.

Needs to be written more in form of Strip Mining style and along lines of Senior Staff ~~disc~~ discussion today

JM

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

James E. Connor
For the President

THE WHITE HOUSE

WASHINGTON

June 21, 1975

MEMORANDUM FOR JUDY JOHNSTON

FROM TOD ~~HULLIN~~ TH

SUBJECT COVER MEMO TO THE PRESIDENT ON VETO OF EMERGENCY HOUSING ACT OF 1975

In the cover memo, Mr. Cannon should indicate:

> Per your request, Secretary Hills has discussed and cleared the content and thrust of this message with Congressman Garry Brown. Congressman Brown has been working closely with Congressman Ashley in an effort to sustain your veto.

TO THE HOUSE OF REPRESENTATIVES

I return herewith, without my approval, H.R. 4485, the Emergency Housing Act of 1975.

I can understand the Congress' desire to speed up the recovery in new home construction which is now underway. No other sector of the economy has suffered more than housing in recent years, and I am in complete agreement with the Congress that a swift recovery should be a prime objective of national economic policy.

The slump in housing, however, should not cause us to abandon good judgment and create a host of expensive and inequitable new programs in the hope that "something will work." Neither the Nation's taxpayers nor those families who depend on the housing industry for their well-being can afford mere gestures of concern for housing that ignore the real constraints on a more rapid housing recovery.

In my judgment, H.R. 4485 amounts to such a gesture. This bill is far more likely to hinder than help in our efforts to achieve a sound housing recovery and to deal effectively with our overall economic problems.

With funds continuing to flow into savings institutions at a record rate and with mortgage interest rates declining, the primary obstacle to a more rapid housing recovery is consumer uncertainty. Families must regain confidence in their own and the economy's future in order to be willing to make the kind of long-term commitment that a new home purchase requires. Many Members of Congress recognize this fact, as the debate on H.R. 4485 makes clear.

The Administration's economic policies are aimed at restoring consumer confidence as well as assuring that mortgage money will be in plentiful supply when consumers are ready to buy. We can only restore confidence by getting the economy moving forward again in a way that does not lay the foundation for a new round of double-digit inflation. And an adequate supply of mortgage money requires that we control the Federal deficit so as to avoid redirecting funds from housing to the U.S. Treasury.

The sharp increase in new home sales during the last several months, along with the significant increase in housing starts reported last week, clearly indicate that these policies are working.

What would the housing stimulus provisions of Title I of H.R. 4485 do? They would:

- duplicate authority already on the books to subsidize mortgage interest rates

- provide Federal subsidies to a small number of families, most of whom could--and probably would--purchase homes without Federal assistance

- saddle the rest of the Nation's taxpayers with the cost of these subsidies, which in some cases will continue for six years--long after the housing slump is over

- add over $700 million to the 1976 budget deficit.

Rather than speed up the housing recovery, Title I of H.R. 4485 is likely to slow it down. Were I to sign this bill, it would be months before the new programs could be implemented. First, HUD would have to secure appropriations, draft regulations, devise forms, establish procedures, and train staff. In the meantime, families that otherwise would be in the housing market would delay new home purchases to take advantage of the subsidies provided in the bill. By the time these programs have any impact, the housing recovery will be in high gear and the stimulus will add to the inflationary pressures which have plagued housing in the past.

None of the measures contained in Title I of H.R. 4485 addresses the problem of consumer uncertainty. In fact, to the extent bills such as this one raise doubts about the Federal Government's ability to control spending and limit inflation, consumer confidence will suffer and the housing recovery will be further retarded.

The Title I housing stimulus provisions of H.R. 4485 are referred to by the Congress as the "Emergency Middle Income Housing Act." I can assure you they will not be viewed this way by the vast majority of middle income families. The tax dollars of these families--as well as lower income families--will be used to subsidize 400,000 fortunate families, many of whom earn more than the median income, with some making as much as $27,000 a year!

Title II of H.R. 4485, estimated to cost as much as $250 million in fiscal year 1976, is aimed at helping families keep their homes when their incomes fall as a result of the recession.

Past experience indicates that foreclosures will not be widespread--that lenders will be patient with those families who in the past have demonstrated their credit worthiness, but who have suffered a drop in income through no fault of their own. Moreover, the Federal Government has a number of tools to deal with a widespread foreclosure problem should one develop.

However, I am willing to accept additional authority on a standby basis to supplement these tools--and the normal tendencies of lenders to forbear--provided the new authorities are well designed and can be implemented with equity to homebuyers and taxpayers alike.

While the homeowner relief sections of H.R. 4485 contain many attractive features, they also contain some serious deficiencies. Foremost among these is the requirement that HUD operate a small loan program to assist homeowners who are behind in their mortgage payments. The administrative burden of such a federally-run program would be immense, and could hamper the effectiveness of Federal aid.

I am confident that these problems can be corrected without in any way weakening the effectiveness of homeowner relief contemplated by the Congress. Consequently, I have directed Secretary Hills to work with the Congress to improve the homeowner relief provisions included in H.R. 4485. I have also asked the heads of the financial regulatory institutions to share with us their expertise regarding the problem of mortgage delinquencies.

Finally, I object to H.R. 4485's extension of two housing programs--Section 312 Rehabilitation Loans and Section 235 Homeownership Assistance--which the Congress itself agreed to phase out only last year. The Act phasing out these programs followed one of the most extensive reviews of Federal housing programs ever conducted. Nothing has happened in the interim to warrant the continuation of either program.

For these reasons, and because of the $1 billion in Federal outlays which the bill would lead to in fiscal year 1976, I must return H.R. 4485 without my signature.

THE WHITE HOUSE

June , 1975

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TO THE HOUSE OF REPRESENTATIVES:

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This Administration is committed to a prompt recovery of the housing industry and to getting the ~~building trades~~ construction workers back to work -- which are crucial elements in our overall economic recovery.

I support the existing Federal mortgage assistance program, and I am today directing the release of $2 billion in these funds and requesting Congress to authorize another $7.75 billion in this assistance for housing. I ~~also support a workable plan to prevent mortgage foreclosures for home-owners who are out of work.~~

I would also support legislation that provides - however, mortgage relief authority which could be implemented should the foreclosure rate increase.

But H.R. 4485 is not acceptable for these reasons:

-- It could not be implemented immediately, and probably would actually delay some home purchases. Consequently it would delay for months putting the ~~building trades~~ construction workers back to work.

-- It is in some respects inequitable. In some areas of the country, families with $25,000 of income could qualify for benefits, while in other areas of the country, families with $6,000 of income could not qualify.

-- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense.

-- For the modest benefits that might come in housing, this bill is too expensive -- $1 billion in FY 76, and far more in years to come.

The bill could undercut lender incentive to forbear and -- would put the federal government too deeply into the retail business of making loans to homeowners to pay off mortgages.

-- ~~Instead of protecting home-owners who are presently unemployed from having banks foreclose on their mortgages, this bill might~~ actually provoke fore~~closures.~~ ~~Moreover, this bill would put the Federal government in the retail business of making loans to home-owners to pay off mortgages -- and that is no business for the Federal government to be in.~~

I believe there is a better way both to stimulate jobs in construction and ~~to protect home-owners who are worried about losing their homes through foreclosure:~~ and to provide standby protection for homeowners who may be threatened by foreclosure.

1. ~~To put the building trades back to work,~~ To help support the job opportunities generated by the housing recovery, I am today directing the Secretary of Housing and Urban Development ~~immediately~~ to make available, under existing law, $2 billion previously authorized for mortgage purchase assistance.

   We know this program works, and this action will make new mortgage money available immediately from ~~banks and others who finance housing~~ thrift institutions and other lenders. But since the mortgages the Federal government purchases ~~are~~ can be later resold, the cost to the Federal government is relatively low -- $60 million for FY 76, and up to $125 million for FY 77.

2. To continue this effective tandem authority program, I propose that Congress extend this program ~~for~~ until ~~another year~~ beyond its expiration date in October, and to ~~extend~~ expand it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress to put $7.75 billion more into this program ~~if we should be needed to keep the building trades at work and to sustain the recovery of the housing industry.~~

I am aware of the fact that legislation has been introduced providing somewhat greater authority but funds can be what I believe the industry & Committee ... progress will

3. To protect home-owners against foreclosure, I ~~will~~ support legislation ~~recently introduced in the Congress~~ that would confer standby authority on the Secretary of Housing and Urban Development to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work.

~~Such~~ a this approach
could be implemented
IN A WAY THAT
would

~~We want to~~ preserve the good relationship between the home-owner and lender holding the ~~the bank which holds his~~ mortgage -- and at the same time provide some fiscal protection to the lender who assists a home-owner ~~whose payments may be lagging until he goes back to work.~~

While there continue to be many problems in the housing industry, and while there is far too much unemployment among housing construction workers, there are clear signs of recovery in this vital part of the American economy.

During the current calendar year, funds needed for mortgage loans have been flowing into savings institutions at record levels -- $19.7 billion net during the first five months of this year alone, nearly quadruple the level of the same period last year. With this flow of funds, interest rates have fallen substantially from their peaks of last summer.

Meanwhile, the government has been providing unprecedented support to the housing industry. Since last October, the Government National Mortgage Association has committed to purchase nearly $9 billion in conventional, FHA and VA mortgages with interest rates down to 7-3/4 percent. And this March, a tax credit for unsold new homes was enacted into law.

There are now strong indications that new home construction and sales are responding to these actions. New home sales increased 25 percent in April, the largest increase in 12 years. Home building permits climbed 24 percent in April and an additional 9 percent in May. Also in May, housing starts -- which represent not only new homes but new jobs -- rose sharply.

These favorable trends, however, do not mean that we have overcome our problem in housing. To the contrary, the level of home construction is still too low, and I fully agree with those who believe that a swift recovery in housing is a prime objective of national economic policy.

We must accelerate the improvement in housing that now appears to be coming about.

My action today to commit $2 billion for mortgage purchase assistance under the Emergency Home Purchase Assistance Act of 1974 will exhaust the current authorization under that Act. In proposing that this Act be extended, broadened to multi-family housing, and expanded by $7.75 billion, I am affirming that we have a tried and tested mechanism for supplementing and reinforcing housing construction.

Unfortunately, while H.R. 4485 does contain the multi-family amendment I have recommended, it fails to extend the current law, increase its authorization or effect any other improvements. Worse, it would authorize a variety of new and untried subsidies, including provisions for mortgages with mandated 6 and 7 percent interest rates and $1,000 down-payment grants. Since there appears to have been no consensus in favor of any one of these new subsidies, the bill adopts all of them in the hope that <u>something</u> will work.

The full implementation of these new subsidies, together with other provisions of the bill, would add approximately $1 billion to the fiscal 1976 deficit and ultimately cost approximately $2 billion. An addition to the budget of this magnitude to benefit a few home-buyers is inequitable as well as costly.

It is most important to housing that we maintain a firm line against ill-considered spending that adds to the growing deficit and necessitates Federal government borrowing which tends to drive up interest rates and depress housing construction. I believe that budgetary restraint is a key element in our effort to instill the kind of consumer confidence in the future that is essential to a vigorous housing market.

Proponents of H.R. 4485 have argued that the budgetary costs of this bill would be outweighed by stimulating an upturn in housing starts, jobs and tax revenues. But critical defects in the bill concerning its relative cost, impact, timing and long-term implications will prevent it from achieving these objectives.

First, the levels of subsidy provided are excessively deep and costly. Under H.R. 4485, mortgages would be heavily subsidized so that they could bear lower interest rates than any previously available to other home-owners during the last ten years. These deep subsidies would require substantial Federal outlays. Moreover, experience demonstrates that a strong and healthy housing industry can be maintained without the deep subsidies contained in this bill.

Second, the bill would not work as intended even if it could be immediately implemented. Although supporters of H.R. 4485 have claimed that it would produce hundreds of thousands of additional housing units, evaluation by HUD and OMB does not suggest that the bill would have any impact of this magnitude or that the units produced would necessarily be additional to those that would be produced in the absence of such large subsidies. Those most likely to be influenced to buy under the bill would be families near the top of the eligibility range. These same families would be most apt to buy even without subsidy assistance on the scale proposed.

Third, because the bill could not be immediately implemented, it would actually impede an early recovery in housing starts. The subsidies which would be authorized include new approaches that have never been tried before. To make this assistance available, it would not only be necessary to secure appropriations and write regulations, but also to prepare a variety of new forms, establish procedures and familiarize government, lender and builder personnel throughout

the country with them. Even given top priority, months could be required before implementation is completed. Thus, H.R. 4485 -- far from helping during the coming months -- would actually inhibit home purchases among those eligible for assistance, since these families would understandably want to wait until the subsidies become available.

Fourth, the bill has long-term impacts and implications that are inappropriate and undesirable for an "emergency" measure. One of the subsidy options included in the bill would require home-owners with 6 percent interest rate mortgages to make increasing monthly payments in the future, up to the full payments that would be required at current market interest rates. I believe there will almost certainly be intense pressures for relief against these phase-up provisions in years to come -- and thus for a continuation of the deep subsidies this option involves. Moreover, even if this approach works as intended, it would require substantial government outlays in future years when the economy may be operating at full capacity with inflationary forces at or approaching their peaks.

Fifth, the subsidy provisions of H.R. 4485 pose substantial problems of equity among those who would and would not be eligible for the relatively large subsidies provided. As the bill is written, substantial subsidies would be made available to families within a given income group. Other families with similar or even less income would receive no subsidy at all and would be expected to pay full market rate mortgages. These discrepancies would be very sharp and hard to justify. In some areas, it would permit families with incomes well over $25,000 to qualify while, in other areas, families with incomes as low as $6,000 would be ineligible.

Sixth, H.R. 4485 would make a number of undesirable changes in our housing and community development laws. For example, the bill would extend the homeownership program

authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

(1) ~~Finally, the foreclosure provision of H.R. 4485 would almost certainly cause more foreclosures than it prevented.~~ ~~This provision reflects the concern that mortgage foreclosures may soar,~~ ~~during the recession~~. To date, ~~no such trend has developed because~~ private lenders have been cooperating with home-owners through forebearance; ~~and common sense arrangements.~~ In ~~fact,~~ foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

(2) A preferable approach would be to share this burden with private lenders through a federal program of coinsurance

place the entire burden of foreclosure relief upon a Federal direct loan program.

Nonetheless, I can appreciate the desire of Congress to enact Standby legislation, and I will support legislation which would confer ~~standby~~ Such authority on the Secretary of Housing and Urban Development to co-insure lenders who withhold foreclosures.

Good housing is one of our greatest national assets, and our objective was and is to assist in the recovery of the housing construction industry and to help get the building trades workers back to their productive and meaningful skills. I shall be glad to work with the Congress toward this objective.

THE WHITE HOUSE,

OMB

which the Congress enacted at my Request

TO THE HOUSE OF REPRESENTATIVES:

I am today returning, without my approval, H.R. 4485, the proposed Emergency Housing Act of 1975.

After careful examination of this bill and its provisions, it is my considered judgment that H.R. 4485 would not be in the best interests ~~damage the~~ of the housing industry ~~and damage~~ or the economy.

This Administration is committed to a prompt recovery of the housing industry and to getting the construction workers ~~building trades~~ back to work -- which are crucial elements in our overall economic recovery.

I support the existing Federal mortgage assistance program and I am today directing the release of the remaining $2 billion in ~~these~~ funds available. In addition I am ~~and~~ requesting Congress to authorize another $7.75 billion ~~in this assistance~~ for this housing program. I also support appropriate ~~a workable plan~~ legislation authorizing assistance to ~~to prevent mortgage foreclosures for~~ home-owners who are out of ~~work~~ and threatened with mortgage foreclosure.

~~But~~ H.R. 4485 is not acceptable for these reasons:

-- It could not be implemented immediately, and ~~probably~~ would actually delay some home purchases. ~~Consequently it would delay for months putting the building trades back to work.~~

-- It is ~~in some respects~~ inequitable. In some areas of the country, families with $25,000 of income could qualify for benefits, while in other areas ~~of the country~~, families with $6,000 of income could not qualify.

-- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense.

-- For the modest benefits that might come in housing, this bill is too expensive -- over $1 billion in FY 76, in additional Federal expenditures and ~~far~~ more in years to come.

(generally prefer previous listing)

[illegible] nothing!

[illegible] narrow! [illegible] we only [illegible] about unionized workers (e.g., bldg trades)?

vague - what [illegible] B? [illegible] budget [illegible] W/C [illegible] on [illegible]

Not so. Our #2 was that wouldn't have much impact at any time.

This should be coupled w/ disc. of proposal on p. 2

suggests it would be implemented immediately

damage or benefits

Δ

-- Instead of protecting home-owners who are presently unemployed from having banks foreclose on their mortgages, this bill might actually provoke foreclosures. ~~Moreover~~, This bill would put the Federal government in the retail business of making loans to home-owners to pay off mortgages -- and that is no business for the Federal Government to be in.

① Take [illegible] ② attack [illegible] compromise [illegible] agreed to

I believe there is a better way both to stimulate jobs in construction and to protect home-owners who are worried about losing their homes through foreclosure:

1. To ~~put~~ Aid the ~~building trades back to work~~ housing construction industry I am today directing the Secretary of Housing and Urban Development ~~immediately~~ to make available, under existing law, $2 billion previously authorized for ~~mortgage~~ The purchase of below market interest rate mortgages ~~assistance~~.

HUD says it will take a week to get it going

~~We know this program works, and~~ This action will stimulate additional home sales ~~make new mortgage money available immediately from banks and others who finance housing. But~~ Since the mortgages the Federal government purchases are later resold, the cost to the Federal government is ~~relatively low~~ small -- $60 million ~~for~~ in FY 76 ~~and up to $125 million for FY 77~~.

(bad economics)

i.e., making zero mortgage money available ?!!

2. To continue the availability of this ~~effective tandem authority program~~ mechanism for assisting the housing industry, I propose that Congress extend this program ~~for another year~~ beyond its expiration date in October, and to ~~extend~~ broaden it to cover conventionally financed multi-family housing, including condominiums. In addition, I request ~~authorization from~~ that Congress ~~to~~ replenish the original authorization for ~~put~~ $7.75 billion ~~more into~~ this program ~~if we should need it~~ in the event additional funds are warranted ~~to keep the building trades at work and~~ to sustain the recovery of the housing industry.

needs to be explained

even the Democrats don't go this far

40% unemployed

Suggest: we're carrying a complement [illegible] [illegible] [illegible] on continuing basis,

again, strengthens commitment to a program

3. ~~(We protect home-owners against foreclosure~~, I will, also support legislation recently introduced in the Congress that would confer standby authority on the Secretary of Housing and Urban Development to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work. We want to preserve the good relationship between the home-owner and the bank which holds his mortgage -- and at the same time provide some ~~fiscal~~ protection to the lender who assists a home-owner in the event foreclosures become widespread. ~~whose payments may be delinquent until he goes back to work~~.

While there continue to be many problems in the housing industry, and while there is far too much unemployment among housing construction workers, there are clear signs of recovery in this vital part of the American economy.

During the current calendar year, funds needed for mortgage loans have been flowing into savings institutions at record levels -- $19.7 billion net during the first five months of this year alone, nearly quadruple the ~~level of~~ increase for the same period last year. With this flow of funds, interest rates have fallen substantially from their peaks of last summer.

?

Meanwhile, the government has been providing unprecedented support to the housing industry. Since last October, the Government National Mortgage Association has committed to purchase nearly $9 billion in conventional, FHA and VA mortgages with interest rates down to 7-3/4 percent. And this March, a tax credit for unsold new homes was enacted into law.

There are now strong indications that new home construction and sales are responding to these actions. New home sales increased 25 percent in April, the largest increase in 12 years. Home building permits climbed 24 percent in April and an additional 9 percent in May. ~~Also~~ In May, housing starts -- which represent not only new homes but new jobs -- rose sharply.

These favorable trends, however, do not mean that we have overcome our problem in housing. ~~To~~ ON the contrary, the level of home construction is still too low, and I fully agree with those who believe that a swift recovery in housing is a prime objective of national economic policy.

We must accelerate the improvement in housing that IS now ~~appears to be~~ coming about.

My action today to commit $2 billion for mortgage purchase assistance under the Emergency Home Purchase Assistance Act of 1974 will exhaust the current authorization under that Act. In proposing that this Act be extended, broadened to multi-family housing, and expanded by $7.75 billion, I am affirming that we have a tried and tested mechanism for supplementing and reinforcing housing construction.

Unfortunately, while H.R. 4485 does contain the multi-family amendment I have recommended, it fails to extend the current law, increase its authorization or effect any other improvements. Worse, it would authorize a variety of new and untried subsidies, including provisions for mortgages with mandated 6 and 7 percent interest rates and $1,000 down-payment grants. Since there appears to have been no consensus in favor of any one of these new subsidies, the bill adopts all of them in the hope that <u>something</u> will work.

The full implementation of these new subsidies, together with other provisions of the bill, would add ~~approximately~~ OVER $1 billion to the fiscal 1976 deficit and ultimately cost ~~approximately~~ MORE THAN $2 billion. An addition to the budget of this magnitude to benefit a few home-buyers is inequitable as well as costly.

It is most important to housing that we maintain a firm line against ill-considered spending that adds to the growing deficit and necessitates Federal government borrowing which tends to drive up interest rates and depress housing construction. I believe that budgetary restraint is a key element in our effort to instill the kind of consumer confidence in the future that is essential to a vigorous housing market.

Proponents of H.R. 4485 have argued that the budgetary costs of this bill would be outweighed by stimulating an upturn in housing starts, jobs and tax revenues. But critical defects in the bill ~~concerning its relative cost, impact, timing and long-term implications~~ will prevent it from achieving these objectives.

<u>First, the levels of subsidy provided are excessively deep and costly</u>. Under H.R. 4485, mortgages would be heavily subsidized so that they could bear lower interest rates than any previously available to other home-owners during the last ten years. These deep subsidies would require substantial Federal outlays. Moreover, experience demonstrates that a strong and healthy housing industry can be maintained without the deep subsidies contained in this bill.

<u>Second, the bill would not work as intended even if it could be immediately implemented</u>. Although supporters of H.R. 4485 have claimed that it would produce hundreds of thousands of additional housing units, available evidence ~~evaluation by HUD and OMB~~ does not suggest that the bill would have any impact of this magnitude or that the units produced would necessarily be additional to those that would be produced in the absence of such large subsidies. Those most likely to be influenced to buy under the bill would be families near the top of the eligibility range. These same families would be most apt to buy even without subsidy assistance on the scale proposed.

[illegible]: HUD's

<u>Third, because the bill could not be immediately implemented, it would actually impede an early recovery in housing starts</u>. The subsidies which would be authorized include new approaches that have never been tried before. To make this assistance available, it would not only be necessary to secure appropriations and write regulations, but also to prepare a variety of new forms, establish procedures and familiarize government, lender and builder personnel throughout

the country with them. Even given top priority, months could be required before implementation is completed. Thus, H.R. 4485 -- far from helping during the coming months -- would actually inhibit home purchases among those eligible for assistance, since these families would understandably want to wait until the subsidies become available.

Fourth, the bill has long-term impacts and implications that are inappropriate and undesirable for an "emergency" measure. One of the subsidy options included in the bill would require home-owners with 6 percent interest rate mortgages to make increasing monthly payments in the future, up to the full payments that would be required at current market interest rates. I believe there will almost certainly be intense pressures for relief against these phase-up provisions in years to come -- and thus for a continuation of the deep subsidies this option involves. Moreover, even if this approach works as intended, it would require substantial government outlays in future years when the economy may be operating at full capacity with inflationary forces at or approaching their peaks.

Fifth, the subsidy provisions of H.R. 4485 pose substantial problems of equity among those who would and would not be eligible for the relatively large subsidies provided. As the bill is written, substantial subsidies would be made available to families within a given income group. Other families with similar or even less income would receive no subsidy at all and would be expected to pay full market rate mortgages. These discrepancies would be very sharp and hard to justify. In some areas, it would permit families with incomes well over $25,000 to qualify while, in other areas, families with incomes as low as $6,000 would be ineligible.

Sixth, H.R. 4485 would make a number of undesirable changes in our housing and community development laws. For example, the bill would extend the homeownership program

authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

Finally, the foreclosure provision of H.R. 4485 would almost certainly undermine existing incentives that ~~cause more foreclosures than it prevented.~~ induce mortgage lenders not to foreclose on delinquent [illegible] This provision reflects the concern that mortgage foreclosures may soar during the recession. To date, no such trend has developed because private lenders have been cooperating with home-owners through forebearance ~~and common sense arrangements~~. In fact, foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would confer standby authority on the Secretary of Housing and Urban Development to co-insure lenders who withhold foreclosures.

Good housing is one of our greatest national assets, and our objective was and is to assist in the recovery of the housing construction industry and to help get the ~~building~~ Construction ~~trades~~ workers back to their productive and meaningful skills. I shall be glad to work with the Congress toward this objective.

THE WHITE HOUSE,

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Hills

TO THE HOUSE OF REPRESENTATIVES:

I am today returning, without my approval, H.R. 4485, the proposed Emergency Housing Act of 1975.

After careful examination of this bill and its provisions, it is my considered judgment that H.R. 4485 ~~would~~ c[ould] damage the housing industry and damage the economy.

This Administration is committed to a prompt recovery of the housing industry and to getting the ~~building trades~~ construction workers back to work -- which are crucial elements in our overall economic recovery. OK

I support the existing Federal mortgage assistance program, and I am today directing the release of $2 billion in these funds and requesting Congress to authorize another $7.75 billion in this assistance for housing. ~~I also support a workable plan to prevent mortgage foreclosures for home-owners who are out of work.~~ No

I would also support legislation that provides homeowner mortgage relief authority which could be implemented should the [illegible] rate worsen.

But H.R. 4485 is not acceptable for these reasons:

-- It could not be implemented immediately, and probably would actually delay some home purchase. Consequently it would delay for months putting the ~~building trades~~ construction workers back to work. OK

-- It is in some respects inequitable. In some areas of the country, families with $25,000 of income could qualify for benefits, while in other areas of the country, families with $6,000 of income could not qualify.

-- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense.

-- For the modest benefits that might come in housing, this bill is too expensive -- $1 billion in FY 76, and far more in years to come.

The bill could undercut lender INCENTIVE to forbear and would put the Federal government too deeply into the retail business of making loans to homeowners to pay off their mortgages.

NO

-- Instead of protecting home-owners who are presently unemployed from having banks foreclose on their mortgages, this bill might actually provoke foreclosures. ~~Moreover, this bill would put the Federal government in the retail business of making loans to home-owners to pay off mortgages -- and that is no business for the Federal government to be in.~~

I believe there is a better way both to stimulate jobs in construction and ~~to protect home-owners who are worried about losing their homes through foreclosure~~:

and to provide standby protection for homeowners who may be threatened by foreclosure

OK

1. ~~To put the building trades back to work~~, I am today directing the Secretary of Housing and Urban Development [redacted] to make available, under existing law, $2 billion previously authorized for mortgage purchase assistance.

Support ~~To help sustain the job producing housing recovery~~ Jobs stimulated by the housing recovery

OK

We know this program works, and this action will make new mortgage money available immediately from thrift institutions & other lenders ~~banks and others who finance housing~~. But since the mortgages the Federal government purchases can be ~~are~~ later resold, the cost to the Federal government is relatively low -- $60 million for FY 76, and up to $125 million for FY 77.

through mortgage lenders and other lenders

OK

2. To continue this effective tandem authority program, I propose that Congress extend this program ~~for~~ 2 [redacted] beyond its expiration date in October, and to expand ~~extend~~ it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress to put $7.75 billion more into this program ~~if it should be needed to keep the building trades at work and to sustain the recovery of the housing industry.~~

OK

OK

NO

H

will

NO

3. To protect home-owners against foreclosure, I ~~will~~ support legislation ~~recently introduced in the~~ [redacted] that would confer standby authority on the Secretary of Housing and Urban Development to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work. ~~We want to~~ preserve the good relationship between the home-owner and lender holding the ~~the bank which holds his~~ mortgage -- and at the same time provide some fiscal protection to the lender who assists a home-owner, w[redacted]

NO

NO

~~but~~ this approach could be implemented in a way that would

OK

While there continue to be many problems in the housing industry, and while there is far too much unemployment among housing construction workers, there are clear signs of recovery in this vital part of the American economy.

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~~Finally, the foreclosure provision of H.R. 4485 would almost certainly cause more foreclosures than it prevented. This provision reflects the concern that mortgage foreclosures may soar, during the recession.~~ To date, ~~no such trend has developed because~~ private lenders have been cooperating with home-owners through forebearance; ~~and common sense arrangements. In fact,~~ foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

Nonetheless, I can appreciate the desire of Congress to enact Forestry legislation, and I will support legislation which would confer ~~standby~~ Such authority on the Secretary of Housing and Urban Development to co-insure lenders who withhold foreclosures.

A preferable approach would be to share this burden with private lenders through a federal program of co-insurance.

Good housing is one of our greatest national assets, and our objective was and is to assist in the recovery of the housing construction industry and to help get the building trades workers back to their productive and meaningful skills. I shall be glad to work with the Congress toward this objective.

place the entire burden of foreclosure relief upon a Federal direct loan program.

NO

THE WHITE HOUSE,

CHARLIE

TO THE HOUSE OF REPRESENTATIVES:

I am today returning, without my approval, H.R. 4485, the proposed Emergency Housing Act of 1975.

After careful examination of this bill and its provisions, it is my considered judgment that H.R. 4485, due to its cost-ineffectiveness and delayed stimulus, would damage the housing industry and damage the economy.

This Administration is committed to a prompt recovery of the housing industry and to getting the building trades back to work -- which are crucial elements in our overall economic recovery.

To reaffirm my commitment to such prompt recovery and my ~~I~~ support of the existing Federal mortgage assistance program, ~~and~~ I am today directing the release of the remaining $2 billion in these funds and requesting Congress to authorize another $7.75 billion in this assistance for housing. I will also support a workable plan to prevent mortgage foreclosures for home-owners who are out of work.

But H.R. 4485 is not acceptable for these reasons:

-- It could not be implemented ~~immediately~~ without substantial delay, and probably would actually ~~delay~~ provide a disincentive to some home purchases. Consequently it would delay for months putting the building trades back to work.

-- It is in some respects inequitable. In some areas of the country, families with $25,000 of income could qualify for benefits, while in other areas of the country, families with $6,000 of income could not qualify.

-- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense while providing little stimulus to the industry.

-- For the modest benefits that might come in housing, this bill is too expensive -- $1 billion in FY 76, and far more in years to come.

INSERT A C

This statement has no back-up facts or valid argument - see page 7 - and would be a red-flag to Ashley - I suggest attached language -

~~Instead of protecting home-owners who are presently unemployed from having banks foreclose on their mortgages, this bill might actually provoke foreclosures. Moreover, this bill would put the Federal government in the retail business of making loans to home-owners to pay off mortgages -- and that is no business for the Federal government to be in.~~

I believe there is a better way both to stimulate jobs in construction and to protect home-owners who are worried about losing their homes through foreclosure:

1. To add impetus to the industry's recovery, and to put the building trades back to work, I am today directing the Secretary of Housing and Urban Development immediately to make available, under existing law, $2 billion previously authorized for mortgage purchase assistance.

   We know this program works, and this action will make new mortgage money available immediately from banks and others who finance housing. But since the mortgages the Federal government purchases ~~are~~ can be later resold, the cost to the Federal government is relatively low -- $60 million for FY 76, and up to $125 million for FY 77.

2. To continue this effective tandem authority program, I propose that Congress extend this program for another year beyond its expiration date in October, and to extend it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress to put $7.75 billion more into this program ~~if we should need it~~ to insure financing is available to keep the building trades at work and to sustain the recovery of the housing industry. Although I believe my recommendation with respect to this additional authorization is valid, I will be glad to carefully and sympathetically review any fiscally disciplined initiatives in this regard.

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3. To protect home-owners against foreclosure, I ~~will~~ commend the efforts of the sponsors of ~~support~~ legislation recently introduced in the Congress that would confer standby authority on the Secretary of Housing and Urban Development to make mortgage payment relief loans or to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work. We want to preserve the good relationship between the home-owner ~~and the bank~~ or other institution which holds his mortgage -- and at the same time provide some fiscal protection to the lender who assists a home-owner whose payments may be delinquent until he goes back to work.

While there continue to be many problems in the housing industry, and while there is far too much unemployment among housing construction workers, there are clear signs of recovery in this vital part of the American economy.

During the current calendar year, funds needed for mortgage loans have been flowing into savings institutions at record levels -- $19.7 billion net during the first five months of this year alone, nearly quadruple the level of the same period last year. With this flow of funds, interest rates have fallen substantially from their peaks of last summer.

Meanwhile, the government has been providing unprecedented support to the housing industry. Since last October, the Government National Mortgage Association has committed to purchase nearly $9 billion in conventional, FHA and VA mortgages with interest rates down to 7-3/4 percent. And this March, a tax credit for unsold new homes was enacted into law.

There are now strong indications that new home construction and sales are responding to these actions. New home sales increased 25 percent in April, the largest increase in 12 years. Home building permits climbed 24 percent in April and an additional 9 percent in May. Also in May, housing starts -- which represent not only new homes but new jobs -- rose sharply.

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These favorable trends, however, do not mean that we have overcome our problem in housing. To the contrary, the level of home construction is still too low, and I fully agree with those who believe that a swift recovery in housing is a prime objective of national economic policy.

We must accelerate the improvement in housing that now appears to be coming about.

My action today to commit $2 billion for mortgage purchase assistance under the Emergency Home Purchase Assistance Act of 1974 will exhaust the current authorization under that Act. In proposing that this Act be extended, broadened to multi-family housing, and expanded by $7.75 billion, I am affirming that we have a tried and tested mechanism for supplementing and reinforcing housing construction.

Unfortunately, while H.R. 4485 does contain the multi-family amendment I have recommended, it fails to extend the current law, increase its authorization or effect any other improvements. Worse, it would authorize a variety of new and untried subsidies, including provisions for mortgages with mandated 6 and 7 percent interest rates and $1,000 down-payment grants. Since there appears to have been no consensus in favor of any one of these new subsidies, the bill adopts all of them in the hope that something will work.

The full implementation of these new subsidies, together with other provisions of the bill, would add approximately $1 billion to the fiscal 1976 deficit and ultimately cost approximately $2 billion. An addition to the budget of this magnitude to benefit a few home-buyers is inequitable as well as costly.

It is most important to housing that we maintain a firm line against ill-considered spending that adds to the growing deficit and necessitates Federal government borrowing which tends to drive up interest rates and depress housing construction. I believe that budgetary restraint is a key element in our effort to instill the kind of consumer confidence in the future that is essential to a vigorous housing market.

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Proponents of H.R. 4485 have argued that the budgetary costs of this bill would be outweighed by stimulating an upturn in housing starts, jobs and tax revenues. But critical defects in the bill concerning its relative cost, impact, timing and long-term implications will prevent it from achieving these objectives.

First, the levels of subsidy provided are excessively deep and costly. Under H.R. 4485, mortgages would be heavily subsidized so that they could bear lower interest rates than any previously available to other home-owners during the last ten years. These deep subsidies would require substantial Federal outlays. Moreover, experience demonstrates that a strong and healthy housing industry can be maintained without the deep subsidies contained in this bill.

Second, the bill would not work as intended even if it could be immediately implemented. Although supporters of H.R. 4485 have claimed that it would produce hundreds of thousands of additional housing units, evaluation by HUD and OMB does not suggest that the bill would have any impact of this magnitude or that the units produced would necessarily be additional to those that would be produced in the absence of such large subsidies. Those most likely to be influenced to buy under the bill would be families near the top of the eligibility range. These same families would be most apt to buy even without subsidy assistance on the scale proposed.

Third, because the bill could not be immediately implemented, it would actually impede an early recovery in housing starts. The subsidies which would be authorized include new approaches that have never been tried before. To make this assistance available, it would not only be necessary to secure appropriations and write regulations, but also to prepare a variety of new forms, establish procedures and familiarize government, lender and builder personnel throughout

the country with them. Even given top priority, months could be required before implementation is completed. Thus, H.R. 4485 -- far from helping during the coming months -- would actually inhibit home purchases among those eligible for assistance, since these families would understandably want to wait until the subsidies become available.

Fourth, the bill has long-term impacts and implications that are inappropriate and undesirable for an "emergency" measure. One of the subsidy options included in the bill would require home-owners with 6 percent interest rate mortgages to make increasing monthly payments in the future, up to the full payments that would be required at current market interest rates. I believe there will almost certainly be intense pressures for relief against these phase-up provisions in years to come -- and thus for a continuation of the deep subsidies this option involves. Moreover, even if this approach works as intended, it would require substantial government outlays in future years when the economy may be operating at full capacity with inflationary forces at or approaching their peaks.

Fifth, the subsidy provisions of H.R. 4485 pose substantial problems of equity among those who would and would not be eligible for the relatively large subsidies provided. As the bill is written, substantial subsidies would be made available to families within a given income group. Other families with similar or even less income would receive no subsidy at all and would be expected to pay full market rate mortgages. These discrepancies would be very sharp and hard to justify. In some areas, it would permit families with incomes well over $25,000 (?) to qualify while, in other areas, families with incomes as low as $6,000 would be ineligible.

Sixth, H.R. 4485 would make a number of undesirable changes in our housing and community development laws. For example, the bill would extend the homeownership program

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authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

Delete

[illegible] new language [illegible]

Finally, the foreclosure provision of H.R. 4485 would almost certainly cause more foreclosures than it prevented. This provision reflects the concern that mortgage foreclosures may soar during the recession. To date, no such trend has developed because private lenders have been cooperating with home-owners through forebearance and common sense arrangements. In fact, foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would confer standby authority on the Secretary of Housing and Urban ~~Development to co-insure lenders who withhold foreclosures.~~

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THE WHITE HOUSE,

C

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This provision . . .

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INSERT A page 2 (top) C

~~Though well intentioned,~~ This bill's provision for the protection of home-owners who are presently unemployed or under-employed due to our economic conditions and who face foreclosure on their homes, though well intentioned, unnecessarily place the federal government in the retail loan making business as a sole means of relief. Depository institutions have a stake in avoiding foreclosures and should be active participants in any such ~~step~~ mortgage payment relief program.

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Gerald R. Ford

THE WHITE HOUSE,
June 24, 1975