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December 13, 1974

SPARKMAN CHARGE: HOUSING

Q. What is the President's reaction to Senator Sparkman's charge that the Ford Administration has failed to implement programs included in the Housing and Community Development ~~of~~ Act of 1974?

A. The President is aware of the Senator's comments. However, we have been assured that the Housing and Community Development Act, which I believe was passed earlier this year, should be in operation shortly after the first of the year. Secretary Lynn and his staff are moving as rapidly as possible in developing appropriate regulations to implement the program. I am sure the Secretary can respond to your specific questions.

3 Billion dollar mortgage program.

Q. What Senator Sparkman was talking about was the "Section 235 ~~of~~ program." Why isn't that being implemented.?

A. This was one of the programs suspended by the Nixon Administration in January, 1973. There was some feeling that this was not the most appropriate way to solve the problems of housing the lower income families. The new legislation contains legislation authorizing -- not mandating federal action in this area. It is now called the "Section 8 program." Again, let me assure you that this program will be activated as soon as practicable.

A-18

Neglect of Housing Charged to Ford

Associated Press

Sen. John Sparkman (D-La.), who heads the committee with jurisdiction over housing legislation, accused President Ford Wednesday of continuing what he terms the Nixon administration's neglect of the nation's housing needs.

Sparkman said in a Senate speech that the Ford administration has failed to imple-

ment programs included in the 1974 Housing and Community Development Act.

He called upon the Senate proposal to defer budget authority to reject an administration authority for a home ownership assistance program.

Sparkman, chairman of the Banking, Housing and Urban Affairs Committee, said that housing is in one of its worst slumps since the Great Depression of the 1930s.

The senator said construction of housing is down more than 50 per cent from 1973 and that 400,000 recently built homes have gone unsold because inflated prices have made them too expensive for most buyers.

December 13, 1974

HOUSING MEETING

Q. The President is meeting with the Homebuilders at noon. What this all about?

A. It is expected to be a general discussion of the conditions in the housing industry and the federal efforts that are being taken to assist that industry. The President is seeking their recommendation regarding further action that could be taken to further assist the homebuilding industry.

Q. Was Secretary Lynn's replacement to be discussed?

A. I don't believe so.

December 18, 1974

HOUSING STARTS

Q: What does the President think about the figures on housing starts?

A: The November housing figures are disappointing but not unexpected.

Because of the lag effect in housing starts, these figures reflect the serious shortage of mortgage money earlier this year, and further justify the actions taken by the Congress and the President to make more mortgage money available.

We must continue to examine any and all actions that might be taken to improve the housing industry.

HOUSING STARTS

Question:

Do you have any comment about the continuing decline in housing starts?

Answer:

The December housing start figures are disappointing, but not unexpected.

Because of the lag effect of housing starts, these figures reflect a serious shortage of mortgage money earlier this year, and further justify the actions taken by the Congress and the President to make more mortgage money available.

These actions include:

- \$6.6 billion released in January under the GNMA FHA/VA Tandem Program;
- \$10.3 billion released by the Federal Home Loan Bank Board and GNMA in May;
- \$3 billion released under the Emergency Home Purchase Assistance Act of 1974 in October;
- \$3 billion released under the Emergency Home Purchase Assistance Act of 1974 in January 1975.

Additionally, FHA/VA mortgage insurance rates recently were dropped to 8-1/2%.

This support of the mortgage market, coupled with the first signs of net inflow of money into S&Ls, should produce a turnaround in housing starts in the coming months.

We will continue to examine any and all actions that might be taken to improve the housing industry.

Background:

In December, housing starts declined to a seasonally adjusted annual rate of 868,000 units, down 12.3% from the November pace of 990,000 units and off 38.1% from last December's rate of 1,403,000 units. It is the sixth consecutive month that homebuilding declined and the December rate was the lowest in eight years. Building permits rose to a seasonally adjusted annual rate of 802,000 units in December, up 9.9% from the November rate of 720,000 units and off 37.6% from last December's pace of 1,285,000 units.

TRH
1/31/75

February 19, 1975

SUBJECT:

HOUSING BANKING AND CURRENCY
SUBCOMMITTEE PASSES HOUSING
CREDIT SUBSIDY

The House Banking and Currency Subcommittee yesterday passed a \$650 million bill to provide for new and additional subsidies for new home building. According to the bill, the Government would provide 6% mortgages to new home purchasers. The Federal Government will pick up differences between the 6% face rate and the actual rate.

What's your reaction to the House Banking and Currency Subcommittee's proposal?

GUIDANCE: As you know, we already have a \$52 billion budget deficit. We have included in the programs for the current fiscal year and the coming fiscal year 400,000 units of subsidized housing at a lifetime cost of \$26 billion, and these funds have not yet been utilized. We feel this is an appropriate number of units.

JGC

HOUSING STARTSQuestion:

Does the January rise in housing starts signify the long awaited turnaround for the housing industry.

Answer:

Although housing starts in January climbed sharply to 987,000 up from 874,000 in December, it would be premature to herald the turnaround in housing starts. While starts were up sharply, building permits continued to drop. Furthermore, seasonal adjustments may prevent an accurate assessment of the true housing picture. At best these figures should be treated as a modestly encouraging but unexpected statistic.

Background:

Through the use of an expanded GNMA tandem plan and through the Emergency Home Purchase Assistance Act, over \$22 billion have been pumped into the housing industry in the last year. Also the FHA/VA mortgage insurance rates were dropped to 8 1/2%. Because of the lag effect upon housing starts, a turnaround in housing starts was projected for the latter part of calendar 1975.

In January housing starts rose 12.3% from the December rate of 874,000 but remain off from last January's rate. However, building permits declined from the December rate of 802,000 units down 8% and off 50% from last January's pace of 1,282,000 permits.

FEDERAL ENCLAVE

Question:

Mr. President, Why do you support the repeal of the National Capital Service Area legislation in the Home*Rule bill?

Answer:

I see no reason why the Federal Government should attempt to run a special Federal district within the District of Columbia. While the Congress felt at one time that a Federal Enclave was a necessary reservation of authority, upon closer inspection the Congress apparently sees that the Enclave presents administrative and jurisdictional headaches without increasing the authority of the Congress or the Executive Branch. The Federal Government and the District of Columbia continue to administer to the needs of the Enclave as well as to that of the overall District of Columbia.

Background:

Article I Section 3 of the U. S. Constitution grants legislative authority to the Congress for the District of Columbia. The Home Rule Act delegated, to the District Government, authority over matters which are essentially local in nature. The Enclave Provision, known as the "Green Amendment", attempts to preserve the Enclave from the District Government by making it a separate jurisdiction. This proved impractical for the following reasons:

1. The expense involved in separate jurisdictions was prohibitive.
2. The administrative difficulties were extensive.
3. The Enclave could be resented by the local citizens.
4. The District of Columbia is the Nation's Capital throughout its entire boundaries not just on the Mall.
5. The Federal interest throughout the District of Columbia is not "essentially local in nature" and therefore does not require special legislation in that regard.

Supporting repeal legislation: Sterling Tucker, Chairman of the City Council; Mayor Washington; Mathias; Eagleton; Gude.

March 14, 1975

SUBJECT:

SENATE COMMITTEE VOTES HOME
BUYER TAX BREAK

The Senate Finance Committee yesterday voted to give a tax cut of up to \$2,000 for anyone who buys a home between April and December of this year.

What's your reaction to this proposal?

GUIDANCE: The Administration believes this is an inferior approach to that of the tax proposal put forward by the President. In effect, this would provide a windfall to over one million people who intend to buy a house anyway. *People who buy 100,000 houses?*

The key to returning housing starts to a good level is lower interest rates, lower inflation, and control of the Federal deficit. We believe this is a much more realistic approach.



JGC

March 19, 1975

SUBJECT:

HOUSING STARTS IN FEBRUARY

Housing Starts in February declined 1.9% from the previous month. This is a 48.1% decline from February 1974. Building permits also declined from the previous month, 1.3%. This is a decline from February 1974 of 49.2%.

What's your reaction to the further decline in housing starts and building permits?

GUIDANCE: We are disappointed in the lack of improvement in the housing start and building permit figures for the month of February. We do recognize though that these figures are compiled from about two months ago, so there is a time lag that does not reflect the lower interest rates. In addition, funds continue to flow into the thrift institutions which we hope will produce improvements in housing starts and permits in the coming months.

JGC

Section 235 Homeownership Assistance

Background

- . On January 8, 1973, the Administration announced the suspension of the Section "235" program (effective January 5).
- . The suspension did not affect in any way Section "235" projects which had already received HUD approval; HUD has continued to process all bona fide commitments.
- . On July 19, 1974, the U.S. Court of Appeals for the District of Columbia ruled, in Pennsylvania versus Lynn, that--
 - the Executive can suspend a program if there is evidence that the program's performance is inconsistent with the policies and purposes for which it was enacted.
 - the Administration's action to suspend the Section 235 program was "reasonable" in the light of evidence contained in HUD's housing study (reference: "Housing for the Seventies").
- . On March 13, 1975, the Senate passed an "impoundment resolution" which purports to require use of the withheld contract authority under provisions of the Impoundment Control Act.
- . The Administration has indicated that it does not intend to release the unused Section 235 authority.
- . On April 15, the Comptroller General filed suit in the District Court, seeking an order to force release of the authority.

Administration's Position--

As to the merits of the Section 235 program:

- . The Administration believes that the Section 235 program is defective and cannot help realize the Nation's goal of a decent home and suitable living environment in an efficient and equitable manner.

- . Evidence of the program's deficiencies has convinced two of the three branches of Government that suspension of the Section 235 program is appropriate.
- . Release of the contract authority (\$264 million) would obligate the Federal Government to outlays of up to \$7.9 billion over the next 30 years (that is, \$264 million annually for 30 years).

As to the legal issues involved in the GAO suit:

- . The Attorney-General has advised the President that the Impoundment Control Act does not apply to reserves or impoundments established prior to its enactment (July 12, 1974); the Section 235 impoundment clearly falls into this category.

April 17, 1975

WHY ARE YOU AGAINST EMERGENCY AID FOR MIDDLE INCOME HOUSING?

QUESTION: It has been said that you are opposed to the House-passed emergency middle-income housing assistance measure (H.R. 4485) which would provide \$12 billion of home mortgage loans under new assistance programs subsidizing mortgages at 6 percent or 7 percent?

ANSWER: I am against this bill because it deals with the wrong problem. The supply of new mortgage funds is likely to be very substantial this year. For the first quarter of 1975, savings and loan associations had massive inflows of funds.

A good deal of the reluctance of individuals to buy new homes relates to their uncertainty about the economic situation, but there are already indications of some pickup in home demand.

The longer-range problem is the basic cost of a new home. Unless inflation and housing costs come under control, very few people are going to be able to afford new homes, whatever the mortgage interest rate may be.

My Financial Institutions Act of 1975 will help moderate the upward spiral in housing costs by providing a stable supply of housing credit. This will reduce sharp price increases by evening out the boom and bust pattern of housing construction. In contrast, the House measure provides only a temporary, ad-hoc means of dealing with this problem.

BACKGROUND: Net inflows of funds to Federal savings and loan associations in the first quarter this year were \$9.9 billion compared to \$5.5 billion in the first quarter of 1974.

June 6, 1975

SUBJECT:

HOUSE PASSES \$1.4 BILLION
HOUSING BILL

The House yesterday passed and sent to the Senate a \$1.4 billion housing subsidy bill, the Emergency Housing Act of 1975. This bill would help 400,000 middle-income families buy new homes and 300,000 homeowners avoid foreclosure.

What's your reaction to the House-passed housing subsidy bill?

GUIDANCE: As you know, the Administration considers this legislation objectionable and a strong veto candidate. The cost in 1976 of implementing this bill is estimated at \$1+ billion, in addition to budgetary considerations. The bill has many objectionable features of a programmatic nature, e.g. the mortgage interest reduction provision which poses a major threat to pushing upward housing prices and interest costs; the cash incentive payments which provide an unwarranted subsidy to middle-income families which are paid for by all taxpayers.

(See attached Guidance from May 13.)

JGC

MAY 13, 1975

SUBJECT: CONFEREES APPROVE MORTGAGE
INTEREST SUBSIDY BILL.

The House-Senate Conferees yesterday approved giving middle income home buyers a mortgage interest subsidy whereby home buyers would pay 6% interest instead of the current market rate of about 8-1/2% and HUD would make up the difference. In addition, the Conferees agreed to a flat \$1,000 grant from the government to induce home purchases. Also, there is a provision whereby the government would pay mortgage lenders up to \$250 a month for 24 months to assist unemployed homeowners.

Will the President veto the bill passed yesterday by the Conferees designed to curb mortgage foreclosures and provide interest subsidies to help families buy homes?

GUIDANCE: I should first point out that the Conferees just yesterday agreed to a final bill, so we have not yet had a chance to review the Conference report in any detail. Until that review is completed, it would be difficult for me to give you any prediction what the President will do on the bill.

However, I think you know from previous comments that the Administration has objected to this legislation for a variety of reasons. While we share the concerns of Congress for a speedy economic recovery that produced this legislation, we believe that this measure would be highly counter-productive and produce an estimated \$2 billion in additional federal deficits. This means additional money would have to be borrowed on the nation's credit markets, producing even higher interest rates than those that now prevail. As a consequence, potential homebuyers would find it even more difficult to enter the markets without a continuing and increasing federal aid in this area.

While the bill is well intentioned, this is the kind of economic medicine that will only make our problems worse.

Don't you have some compassion for those people who are unemployed and unable to meet their mortgage payments?

GUIDANCE: At the present time, the foreclosure rate is very low. If economic conditions should bring about an increase in mortgage delinquencies, this is not expected to cause a major increase in foreclosures because lenders tend to forebear. However, if an increase in foreclosures does present a problem in the future, we believe the federal government can cope with it under existing law. In fact, the federal government has already taken specific steps in this regard.

(More)

Wouldn't it be a good idea to make mortgage credit available by an interest subsidy in order to stimulate housing starts?

GUIDANCE: This bill would authorize paying subsidies to thousands of middle income families who would be in the home market even without this subsidy. The expense of the subsidy would be borne by other families including renters who are unable to afford a home and others who will continue to pay market interest rates above 6% on their home mortgages. Builders would capture some of these subsidies through higher prices which represent an undesirable inflationary aspect of this legislation.

In addition, the programs in this bill would take at least several months to implement which means that they will not be effective during the currently anticipated upturn in the housing industry.

What is the Administration doing now to assist the depressed housing industry?

GUIDANCE: Counting all forms of assistance--credit aids, subsidy payments, tax expenditures, and the like--Federal or federally sponsored agencies will assist over \$60 billion in housing activity during 1975 and 1976 combined.

Looking just at short-term aids, the Administration has authorized almost \$23 billion for mortgage support. These short-term credit measures were authorized to assist mortgages covering over 700,000 housing units during the period of residential credit stringency.

- . The FHLBB has advanced \$4 billion to savings and loan associations at subsidized interest rates to support mortgages covering 133,000 units.
- . The FHLMC has made commitments to purchase \$3 billion in mortgages to finance around 100,000 homes at below-market interest rates.
- . HUD's GNMA is authorized to purchase nearly \$16 billion of mortgages carrying below-market interest rates under the various tandem plans.
- . 333,000 Units with FHA or VA guaranteed mortgages are authorized for tandem support.
- . 167,000 Units will have conventional mortgages.
- . FHA mortgage insurance will aid the financing and refinancing of existing apartment buildings.
- . Construction loans will be made to nonprofit sponsors of the Lower-Income Housing Assistance Program.

July 2, 1975

Cost of H.R. 5398

Question

What impact will H.R. 5398--the Emergency Housing Act of 1975--have on the Federal budget?

Answer

This bill will have little immediate impact on the Federal budget. The key provisions of the bill--mortgage foreclosure relief and the expanded mortgage purchase program--represent standby authority which will only be used as needed. Thus, the budget impact will depend almost entirely on what happens in the housing sector over the next 12 months.

For example, the rate of foreclosures has been fairly constant recently, and consequently, there is no need to implement the mortgage foreclosure relief provisions of the bill at this time. If the rate continues to hold steady, we would not incur higher outlays on account of these provisions. Should the rate of foreclosures increase significantly, however, the program could add to the Federal budget. Since the bill authorizes two alternative forms of assistance for homeowners, there is no way of estimating the cost of this program even if it is implemented.

Similarly, the cost of the mortgage purchase amendments will depend in part on the extent to which credit conditions warrant the release of additional funds under the program. If the full \$10 billion in additional mortgage purchase authority were released, outlays would total approximately \$835 million in 1976 & subsequent years. (The housing construction subsidies contained in H.R. 4485, which the President vetoed last week, would have cost over \$1.4 billion.)

Extension of the Rehabilitation Loan Program, which the Administration opposed, would increase outlays by approximately \$125 million if the full amount authorized were appropriated and released in 1976.

(Note: These outlays would be in addition to the \$60 million anticipated in 1976 as a result of the \$2 billion in mortgage purchases approved by the President on June 24.)

July 22, 1975

SUBJECT:

HUD INEPTNESS CHARGED

ABC reported that HUD authorized 54,000 rent and construction subsidies for poor people during the last week of June, more than it had approved in all of the rest of the year. However, this represents less than half the amount Congress has authorized.

Any reaction to charges that HUD is moving too slowly?

GUIDANCE: Mrs. Hills has addressed this in a number of forums and indicates that she too is dissatisfied with the delays in implementing the newly authorized lower income housing assistance program.

However, Mrs. Hills has pointed out that the new program is complex because of new regulations, and that HUD is being very deliberate in implementing the program to avoid some of the problems of the past.

The President's 1976 budget proposes the approval of 400,000 units and Secretary Hills expects to meet that target if Congress provides sufficient contract authority.

HOUSING

- Q. Your Administration expects that a recovery in housing will be a key factor in the recovery of the economy. Yet housing starts are recovering quite slowly. Do you still expect housing to recover on schedule or will you be re-examining policies to stimulate housing?
- A. Housing starts, following the sharp 15 percent rise in May, declined slightly in June by 5 percent to an annual rate of about 1.1 million. We interpret the slight June decline as a temporary reversal. The evidence still suggests that the housing recovery is getting underway. The basic factors affecting the housing outlook have continued to show improvement. Inflows of funds into the savings institutions have been at record levels and mortgage rates have declined somewhat.

We are always examining and re-examining our economic policies. In the housing area especially, however, we are convinced that policies which do not come to grips with the basic problem of inflation and inflation-caused high interest rates are likely to do little more to help housing than policies which shuffle funds around in the money markets without providing any significant overall benefits to housing.

August 6, 1975

HOUSING STARTS

- Q. Earlier today it was announced that housing starts dropped slightly in September. Is the housing industry going to recover or are increasing interest rates going to push it down?
- A. The recovery in the housing industry is under way; however, it has been slow and it is fragile. There will be ups and downs. I believe that conditions in the housing industry will improve and that the housing industry will gain strength in the coming year. The reactivation of the Section 235 program should help sustain the recovery.

Background

Since January 1974, \$19.5 billion of subsidized mortgage market support has been channeled through the following agencies:

Federal Home Loan Bank Board - \$4 billion

Federal Home Loan Mortgage Corporation - \$3 billion

Government National Mortgage Association - \$12.5 billion
(\$9 billion since October 1974)

Additionally, Secretary Hills announced on October 17 the reactivation of an administratively modified Section 235 program. This will allow HUD to use \$264.1 million over the next two years in funds already authorized to subsidize over 250,000 new single family units as a tool to revitalize the housing industry and create construction jobs.

	Sept. 1975	% change from Aug.
Private housing starts	1,240,000	- 2
Single family starts	906,000	- 8
2-4 unit starts	73,000	+10
Multi-family starts (5+ units)	261,000	+22

TRH 10/17/75

December 16, 1975

SUBJECT:

HOUSING STARTS FOR NOVEMBER

The Commerce Department at 2 o'clock today released the latest Housing Starts report for the month of November. There was a drop of 5.6%; however, housing starts are the highest since November 1974.

The decline is due to a 6.9% drop in single family homes and a 41% drop in two to four unit constructions. Apartment buildings, which declined in October, rose 14.8% in November. Building permits are up 4% (the highest increase in 19 months, May 1974). The greatest increases were in the NorthEast and West, with declines in the South.

JGC

March 10, 1976

SUBJECT:

HOME INSULATION BILL

Yesterday the Senate approved a bill to authorize \$165 million over a three-year period to help low-income families insulate their homes. The House had already passed a similar bill, to which we had given our approval.

Will the President sign the home insulation bill?

GUIDANCE: The bill first has to go to conference.

The House bill is acceptable as passed. The Senate bill contains some provisions which we don't like. First, it would make the eligibility criteria too broad, and we're afraid that the resources would not be targeted to the people who need them most. Secondly, it would place the responsibility for administering the program partially in FEA and partially in the Community Services Administration. This, we feel, would prevent good management of the program.

ME

*Jack Zedler -
Duzona
Report on
Sherry -
April 15*

June 25, 1976

SUBJECT:

HUD MORTGAGE SUBSIDY
PROGRAM

The Post this morning ran the story that Harry Staller, head of the HUD Washington office, stated that only \$10.8 million of the \$63.8 million authorized for HUD's mortgage subsidy program for low and middle-income families (for FY 76) had been spent, and because of the low ceilings on eligibility for the program, there was little prospect of spending the rest. In the District, none of the allotted amount has been spent, presumably because of the expensiveness of homes in D.C.

Does the Administration plan to correct this problem, and is it true that the President may veto the HUD authorization that contains an increase in the individual subsidy ceiling?

GUIDANCE: As Mr. Staller's speech indicated, this is obviously a matter of some concern to the Department of Housing and Urban Development. It is my understanding that they are currently reviewing the issue of raising the amount a family can spend on a house and still receive a subsidy, although they have not yet made any recommendations on the subject.

As for the appropriations bill, I understand that the conference committee will be reopening discussion of the HUD bill in the next few days. While the President has not committed himself to either signing or vetoing the bill, Mrs. Hills has never recommended to him that he veto it (contrary to the implication of the story).

ME



THE WHITE HOUSE
WASHINGTON

FROM BOB ELLIOTT -- STATEMENT ON SUPREME COURT
CASE

The Supreme Court has decided that the Gautreaux case should go back to the United States District Court for further proceedings in line with the decision. In the further proceedings, the District Court is to consider whether to grant release against HUD to encourage subsidized housing in communities around Chicago, and if so, what specific release should be granted under existing housing and community development programs.

The Supreme Court underlined the role of local governments. The Court stated that a "remedial plan designed to ensure that HUD will utilize its funding and administrative powers in a manner consistent with affording relief to the respondents need not abrogate the role of local governmental unites in the Federal Housing Assistantce Program."

This is a complex case, going back many years, and HUD will be presenting its views to the District Court under the Supreme Court's decision. HUD will seek the best manner to carry out the Supreme Court's decision as the suit progresses.

(Elliott's telephone No: 703-347-7653)

Q. What do you think about the recent action by the Supreme Court concerning public housing?

A. It is my understanding that ^{WHAT} ~~all~~ the Supreme Court did was hold that, where a locality has engaged in discriminatory housing practices, the remedial order of the federal trial court may extend beyond the boundaries of that locality. It did not, however, order such a remedy in this case. Rather, it remanded the case to the lower Court for a further hearing and determination as to what remedy was appropriate in the case. Therefore, there is no specific plan to comment upon at this point and time.

I feel and have repeatedly stated that local governments must be entrusted with the decisions as to how to use Federal funds and where to construct new housing and for whom. I do not believe these kinds of decisions should be forced upon localities by the Federal Government. I do believe that Federal funds must not be used in a manner which discriminates against any American, and, of course, I will uphold all Federal laws in the housing area.