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## AMERICAN BANKERS ASSOCIATION

DENVER, COLORADO

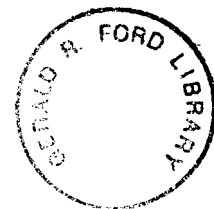
APRIL 28, 1975

THANK YOU FOR THAT KIND INTRODUCTION. I APPRECIATE BEING ASKED TO ADDRESS YOUR 15TH NATIONAL CONFERENCE AND TO HAVE A PART IN MARKING THE 100TH ANNIVERSARY YEAR OF THIS OUTSTANDING ORGANIZATION. I CONGRATULATE YOU ON ATTAINING THAT SIGNIFICANT MILESTONE.

YOUR INVITATION PROVIDES ME WITH MY FIRST PUBLIC FORUM SINCE BECOMING SECRETARY OF HOUSING AND URBAN DEVELOPMENT. I AM BEGINNING HERE WHAT I HOPE WILL BE A CONTINUING DIALOGUE WITH GROUPS IN THE PRIVATE SECTOR, REGARDING SOME OF THE GOALS AND PRIORITIES I HAVE ESTABLISHED FOR THE COMING YEAR.

HUD'S MISSION AS SET FORTH IN THE HOUSING ACT OF 1949, IS "A DECENT HOME AND SUITABLE LIVING ENVIRONMENT FOR EVERY AMERICAN FAMILY." THUS, "EVERY AMERICAN FAMILY" IS HUD'S CONSTITUENCY. TO SERVE THAT CONSTITUENCY, HUD MUST ADDRESS A VARIETY OF NEEDS.

I SEE FOUR MAJOR CHALLENGES IN THE COMING YEAR.



FIRST, WE MUST LOOK FOR NEW WAYS OF MAINTAINING FOR A SIGNIFICANT PROPORTION OF AMERICAN FAMILIES, A REALISTIC OPPORTUNITY FOR HOMEOWNERSHIP -- THAT MEANS A CONSTANT AND ADEQUATE SUPPLY OF MORTGAGE CREDIT.

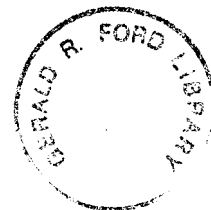
SECOND, WE MUCH PROVIDE ADEQUATE HOUSING FOR MORE LOWER INCOME FAMILIES.

THIRD, HUD AND THE PRIVATE SECTOR MUST PROVIDE NOT ONLY HOUSING BUT A SUITABLE LIVING ENVIRONMENT. IN MANY CASES, THAT MEANS PRESERVING OUR URBAN CENTERS FROM BLIGHT AND DECAY.

FINALLY, HUD MUST PROTECT THE CONSUMERS OF HOUSING IN THE MARKETPLACE. HERE IS WHERE WE PARTICULARLY NEED THE SUPPORT AND COOPERATION OF THE PRIVATE SECTOR.

LET ME DISCUSS BRIEFLY THESE FOUR CHALLENGES.

FIRST, REALISTIC OPPORTUNITY FOR HOMEOWNERSHIP FOR A SIGNIFICANT PROPORTION OF AMERICAN FAMILIES CANNOT BE ACHIEVED WITHOUT A STABLE AND ADEQUATE SUPPLY OF MORTGAGE CREDIT. THE CURRENT CRISIS IN THE HOUSING INDUSTRY IS AN EXAMPLE OF THE "FEAST OR FAMINE" CYCLES WHICH PLAGUE IT.



PERIODIC DISINTERMEDIATION FROM THRIFT INSTITUTIONS PRODUCES SCARCITIES OF MORTGAGE FUNDS, RESTRICTIVE MORTGAGE TERMS, AND PROHIBITIVELY HIGH INTEREST RATES, RESULTING IN SERIOUS DECLINES IN HOUSING STARTS. THE CATASTROPHIC DROP IN MORTGAGE LENDING AND HOUSING STARTS WHICH OCCURRED IN 1974 EXEMPLIFIES THESE PHENOMENA. AND, IT IS THESE PHENOMENA WHICH ACCOUNT FOR THE PRESIDENT'S GREAT CONCERN WITH THE PROSPECT OF A GROWING FEDERAL BUDGET DEFICIT. INCREASING REQUIRED TREASURY BORROWING WILL DEplete AVAILABLE CAPITAL AND DRIVE UP THE COST OF MONEY CREATING ANOTHER ADVERSE CYCLE IN THE ECONOMY IN GENERAL AND IN HOUSING IN PARTICULAR.

THE GOVERNMENT IS VERY CONCERNED ABOUT THE SUPPLY OF MORTGAGE CREDIT. IT HAS ENGAGED IN PREFERENTIAL TREATMENT OF THE MORTGAGE SECTOR OF THE CREDIT MARKET SINCE THE EARLY 1930'S. IN THE MIDST OF OUR WORST DEPRESSION IT CREATED A SYSTEM OF PRIVATE THRIFT INSTITUTIONS WHOSE INVESTMENTS WERE LIMITED TO MORTGAGES. AT THE SAME TIME THE FHA MORTGAGE INSURANCE PROGRAM BROUGHT ABOUT MARKET ACCEPTANCE OF THE LONG-TERM, LOW DOWNPAYMENT MORTGAGE, THEREBY MAKING HOME-OWNERSHIP A REALISTIC POSSIBILITY FOR MILLIONS OF FAMILIES.



BUT, THE CURRENT SYSTEM HAS NOT ENDED CYCLICAL FLUCTUATIONS IN THE AVAILABILITY OF MORTGAGE CREDIT. NOR HAS IT PROVIDED ADEQUATE MORTGAGE FUNDS DURING MAJOR PORTIONS OF THE ECONOMIC CYCLE. ACCORDINGLY, WE MUST FIND NEW WAYS TO STABILIZE THE AVAILABILITY OF MORTGAGE CREDIT.

TEMPORARY INTEREST SUBSIDIES WILL NOT SOLVE THE PROBLEM. IN A TIME OF SCARCE CREDIT, A SUBSIDY TO ONE SEGMENT OF THE HOUSING MARKET MAY ONLY SUBSTITUTE THOSE WHO BENEFIT FROM THE SUBSIDY FOR THOSE WHO WOULD HAVE BUILT HAD THE PRIVATE MARKET OPERATED WITHOUT INTERFERENCE. SUCH SUBSIDIES DISRUPT THE FINANCIAL MARKETPLACE WITHOUT INCREASING THE CREDIT AVAILABLE FOR RESIDENTIAL CONSTRUCTION OR CORRECTING THE DAMAGING FLUCTUATIONS.

HUD DOES NOT YET HAVE THE COMPLETE ANSWER TO THE DIFFICULT PROBLEM OF MORTGAGE CREDIT AVAILABILITY. WE URGE PASSAGE OF THE FINANCIAL INSTITUTIONS ACT IN THE BELIEF IT WILL HELP REDUCE THE SEVERITY OF HOUSING CREDIT CYCLES.



THE FINANCIAL INSTITUTIONS ACT CALLS FOR DIVERSIFICATION IN THE SERVICES OFFERED BY AND INVESTMENTS AVAILABLE TO VARIOUS KINDS OF FINANCIAL INSTITUTIONS. INTEREST-BEARING CHECKING AND CORPORATE SAVINGS ACCOUNTS WILL BE PERMITTED ON A NATIONAL BASIS FOR COMMERCIAL BANKS. THE RANGE OF SERVICES PROVIDED BY THE THRIFTS WILL ALSO BE INCREASED. THAT DIVERSIFICATION SHOULD NOT ONLY RELIEVE THE FINANCIAL COMMUNITY OF MUCH UNNECESSARY GOVERNMENT REGULATION, BUT ALSO INCREASE EFFICIENCY THROUGH THE PRESSURES OF INCREASED COMPETITION.

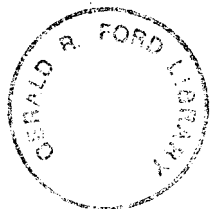
THE FINANCIAL INSTITUTIONS ACT LOOKS TOWARD THE ABOLITION OF ALL INTEREST RATE CEILINGS WITHIN 5-1/2 YEARS OF ENACTMENT. PRIOR TO THE END OF THAT PERIOD, THERE WILL BE A THOROUGH STUDY OF THE FINANCIAL MARKET AND THE WAY IN WHICH THE ACT HAS OPERATED. BASED UPON THE FINDINGS OF THE STUDY, THE ADMINISTRATION WILL RECOMMEND TO CONGRESS WHETHER TO ABOLISH INTEREST RATE CEILINGS.



OTHER FINANCIAL INSTITUTIONS, SUCH AS CREDIT UNIONS, WILL BE DRAWN INTO MORTGAGE LENDING BY THE LIBERALIZED PROVISIONS OF THE ACT. DIVERSIFICATION OF SERVICES AND INVESTMENTS BY INSTITUTIONS HEAVILY INVOLVED IN MORTGAGE FINANCE COULD REDUCE THEIR VULNERABILITY TO ECONOMIC CYCLES. THE ABOLITION OF INTEREST RATE CEILINGS COULD STEM THE FLIGHT OF FUNDS FROM LENDING INSTITUTIONS TO THE CAPITAL MARKET DURING PERIODS OF TIGHT MONEY AND HIGH INTEREST RATES.

TO ENCOURAGE BROADER INVESTMENTS IN RESIDENTIAL MORTGAGES THE ACT PROVIDES A TAX CREDIT OF BETWEEN 1-1/2 PERCENT AND 3-1/2 PERCENT OF THE INTEREST INCOME RECEIVED FROM MORTGAGE ASSETS, WHERE AT LEAST 10 PERCENT OF AN INSTITUTION'S PORTFOLIO IS MAINTAINED IN QUALIFIED RESIDENTIAL MORTGAGE LOANS. THIS IS SIMILAR TO THE TAX TREATMENT CURRENTLY ENJOYED BY THRIFT INSTITUTIONS IN CONNECTION WITH BAD DEBT RESERVES.

THIS MORTGAGE INTEREST TAX CREDIT HAS A COUNTER CYCLICAL EFFECT BECAUSE THE RATE ADVANTAGE OF MORTGAGES WILL RISE DURING TIMES OF TIGHT MONEY MAKING MORTGAGES RELATIVELY MORE ATTRACTIVE TO INVESTORS WHEN CREDIT IS SCARCE.



THE FINANCIAL INSTITUTIONS ACT HAS BEEN CRITICIZED BOTH FOR DOING TOO MUCH AND FOR DOING TOO LITTLE. SOME SAY IT CHANGES COMPETITIVE POSITIONS IN THE INDUSTRY WITHOUT GOOD REASON. BUT WE SEE THE ACT AS SEEKING TO PROVIDE FOR A LESS REGULATED MARKET IN WHICH ALL BANKING INSTITUTIONS CAN COMPETE MORE EFFECTIVELY. THE BENEFITS TO BANKING FROM THIS DEREGULATION SEEM TO ME TO FAR OUTWEIGH ANY FEATURES WHICH ARE SEEN ON A SHORT-RUN BASIS TO FAVOR ONE GROUP OF INSTITUTIONS OVER ANOTHER. DEREGULATION WILL HELP PROVIDE A MORE CONSTANT AND MORE ADEQUATE SUPPLY OF MONEY WHICH IS ESSENTIAL TO A HEALTHY AND STABLE HOUSING INDUSTRY. A FREER MARKET IS WORTH SEEKING.

THOSE WHO SAY THAT THIS ACT DOES NOT DO ENOUGH MUST REMEMBER THAT WE HAVE NOT AS YET PASSED THIS ACT. WE CAN ONLY PROCEED ONE STEP AT A TIME. TAKE THIS STEP, AND IF THE RESULTS ARE AS WE ANTICIPATE, WE CAN TAKE THE NEXT STEP. IT IS NOT EASY TO REVERSE THE TREND TOWARD HEAVIER REGULATION. MODEST AS SOME MAY THINK THE PROPOSED ACT MAY BE, ITS THRUST IS IN THE RIGHT DIRECTION.





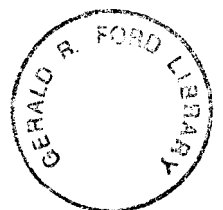
WE ARE TAKING OTHER STEPS TO IMPROVE MORTGAGE CREDIT. PROCEDURES ARE BEING STREAMLINED TO SERVE BETTER BOTH LENDERS AND HOME PURCHASERS. FOR EXAMPLE, HUD HAS INITIATED A PARTIAL CO-INSURANCE PROGRAM. IN RETURN FOR ASSUMING A PORTION OF THE RISK, MORTGAGE LENDERS CAN ELIMINATE MOST OF THE RED TAPE ASSOCIATED WITH GOVERNMENT MORTGAGE INSURANCE. THE LENDER WILL TAKE OVER CREDIT AND PROPERTY UNDERWRITING FUNCTIONS NOW PERFORMED BY FHA.

ALSO, WE ARE LOOKING FOR, AND WE WILL FIND, NEW SOURCES OF INVESTMENT FUNDS WHICH ARE LESS SUBJECT TO CYCLICAL PRESSURES FOR USE IN MORTGAGE FINANCE.

AND, WE WILL ASSIST IN THE DEVELOPMENT OF NEW KINDS OF MORTGAGE INSTRUMENTS TO SEE IF THERE ARE ALTERNATIVES TO THE LONG-TERM STABLE PAYMENT MORTGAGE WHICH COULD INCREASE THESE AREAS WHERE YOUR INDUSTRY CAN CONTRIBUTE VALUABLE INSIGHTS AND EXPERIENCE.

PERHAPS OUR MOST VISIBLE EFFORTS THIS YEAR WILL BE SEEN IN OUR FIRM DETERMINATION TO IMPROVE THE OPERATION OF FHA. IT CAN BE MADE MORE EFFICIENT. FHA HAS A LARGE GROUP OF LOYAL AND DEDICATED EMPLOYEES, AND I AM PERSONALLY COMMITTED TO MAKING SUCH CHANGES IN PROCEDURES, AND WHERE NECESSARY IN STRUCTURE, TO ENABLE THEM TO SERVE MORE EFFECTIVELY THOSE SEGMENTS OF THE MARKET FOR WHICH FHA HAS PARTICULAR IMPORTANCE. A MORE EFFICIENT FHA WILL ENABLE MORE FAMILIES TO ENJOY THE BENEFITS OF HOMEOWNERSHIP AT AN EARLIER STAGE IN THEIR LIVES.

WITH RESPECT TO OUR RESPONSIBILITY TO PROVIDE HOUSING FOR THE POOR, WE MUST RECOGNIZE THAT FOR MANY PEOPLE, THE ISSUE IS NOT HOW TO PURCHASE A BETTER HOME BUT RATHER HOW TO SECURE DECENT SHELTER. SEVEN MILLION AMERICAN FAMILIES LIVE IN SUBSTANDARD HOUSING AND ARE UNABLE TO AFFORD ANY BETTER. ANOTHER NINE MILLION ARE PAYING A DISPROPORTIONATE SHARE OF THEIR INCOME FOR THE MOST MODEST OF HOUSING ACCOMMODATIONS. PUT ANOTHER WAY, 16 MILLION HOUSEHOLDS IN AMERICA ARE OFFICIALLY CLASSIFIED AS "HOUSING POOR".



THE GOVERNMENT IS CONCERNED. BEGINNING WITH THE HOUSING ACT OF 1937, THE FEDERAL GOVERNMENT HAS ASSISTED LOWER INCOME FAMILIES TO LIVE IN DECENT HOUSING. SINCE THE PASSAGE OF THE HOUSING ACT OF 1968, THE FEDERAL GOVERNMENT CAUSED MORE SUBSIDIZED HOUSING UNITS TO BE CONSTRUCTED THAN HAD BEEN BUILT IN THE ENTIRE 35 YEARS OF PRIOR GOVERNMENT INVOLVEMENT.

AND YET MANY OF OUR REMEDIAL MEASURES HAVE SPAWNED NEW AND DIFFICULT SOCIAL PROBLEMS. HOUSING LOWER INCOME FAMILIES HAS TOO OFTEN MEANT NEW PROJECTS BUILT EXCLUSIVELY FOR LOWER INCOME FAMILIES. SERIOUS SOCIAL PROBLEMS HAVE BEEN CREATED BY THIS FOCUS.

THE NUMBER OF ELIGIBLE FAMILIES THAT CAN BE HOUSED IN SUCH PROJECTS IS LIMITED BECAUSE NEW CONSTRUCTION IS THE MOST COSTLY METHOD OF PROVIDING HOUSING ASSISTANCE.

FOR THOSE FEW LOWER INCOME FAMILIES WHO DO HAVE ACCESS TO SUCH FEDERALLY ASSISTED HOUSING, THERE IS LITTLE OR NO CHOICE AS TO WHERE OR IN WHAT TYPE OF HOUSING THEY WILL LIVE.

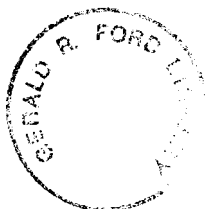


TOO OFTEN THE CONCENTRATION OF LOWER INCOME FAMILIES IN GOVERNMENT-SUBSIDIZED PROJECTS HAS CREATED NEW GHETTOS IN WHICH THE PROBLEMS OF THE RESIDENTS AND THE COMMUNITY ARE COMPOUNDED.

AND, TOO OFTEN NEW CONSTRUCTION TO HOUSE THE POOR HAS LEFT THE CENTRAL CITIES BLIGHTED, DECAYED, AND FINALLY ABANDONED.

OUR EXPERIENCE OVER THE PAST 35 YEARS HAS TAUGHT US THAT THERE ARE NO ALL-PURPOSE ANSWERS. BUT, WE HAVE LEARNED THAT THESE CRUCIAL SOCIAL PROBLEMS ARE MOST SUSCEPTIBLE TO SOLUTION WHEN THE FEDERAL, STATE AND LOCAL GOVERNMENTS WORK TOGETHER WITH THE PRIVATE SECTOR. EACH LOCALITY HAS SPECIAL NEEDS AND EACH SHOULD BE GIVEN THE CHANCE TO DEVELOP ITS OWN MODEL.

HUD IS NOW IMPLEMENTING A NEW RENTAL SUBSIDY PROGRAM, THE SECTION 8 PROGRAM, AUTHORIZED BY THE HOUSING AND COMMUNITY DEVELOPMENT ACT OF 1974 WHICH REPRESENTS, I BELIEVE, A PROMISING AND FLEXIBLE NEW APPROACH TO HOUSING THE POOR.

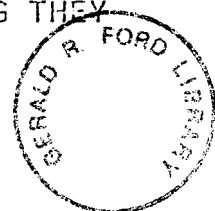


IT INTRODUCES THE COMPETITION OF THE MARKETPLACE REGARDING THE DESIGN AND LOCATION FOR NEW CONSTRUCTION. IT IMPOSES MARKET DISCIPLINE ON THE COST OF HOUSING FOR LOW INCOME FAMILIES BECAUSE THOSE COSTS ARE NOT PERMITTED TO EXCEED MARKET RENTS.

BESIDES NEW CONSTRUCTION, SECTION 8 CAN BE USED FOR STANDARD EXISTING HOUSING AND FOR REHABILITATION OF SUBSTANDARD STOCK. THIS APPROACH CAN HELP TO STEM THE FLOW OF FAMILIES FROM THE INNER CITY.

FINALLY, SECTION 8 ALLOWS AN ELIGIBLE FAMILY TO KNOW HOW MUCH IT CAN AFFORD TO SPEND FOR HOUSING WITH ITS SUBSIDY AND TO CHOOSE ITS OWN HOME AND LIVING ENVIRONMENT. THESE LOWER INCOME FAMILIES WILL HAVE A FREEDOM AND RESPONSIBILITY WITH RESPECT TO THEIR HOUSING WHICH THEY HAVE NEVER HAD BEFORE.

HUD IS ALSO CONDUCTING A LARGE-SCALE EXPERIMENT WITH A DIRECT CASH ASSISTANCE PROGRAM. THAT STUDY SHOULD PROVIDE ANSWERS TO THE IMPORTANT QUESTION OF WHETHER RELIANCE ON THE HOUSING DEMANDS OF THE POOR WILL BETTER MEET THEIR NEEDS THAN OUR PAST PRACTICE OF BUILDING STRUCTURES, HOPING THEY WILL BE INHABITED AND PROPERLY MAINTAINED.

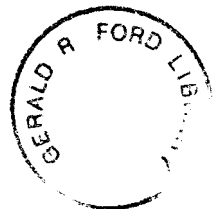


IN ADDITION TO EFFORTS TO ASSIST EVERY FAMILY TO OBTAIN A STANDARD UNIT OF HOUSING, WE MUST GIVE ATTENTION TO THE ENVIRONMENT IN WHICH THAT STRUCTURE IS LOCATED. WE NEED TO DEVELOP WAYS TO ENSURE THE RATIONAL AND SOCIALLY PRODUCTIVE GROWTH OF OUR COMMUNITIES.

URBAN DECAY IS ONE OF THE MOST SERIOUS HUMAN ENVIRONMENT PROBLEMS. IN TOO MANY CITIES THERE ARE BLOCK UPON BLOCK OF ABANDONED HOUSES NOT FAR FROM OVERCROWDED TENEMENTS. ABANDONMENT OF OUR CENTRAL CITIES BY LARGE SEGMENTS OF THE POPULATION HAS CREATED ENORMOUS SOCIAL AND ECONOMIC COSTS.

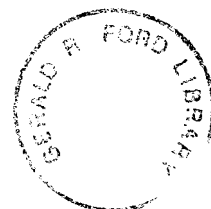
AS CORE AREAS OF OUR CENTRAL CITIES ARE ABANDONED, SUBSTANTIAL STOCKS OF HOUSING GO TO WASTE.

AS THOSE NEIGHBORHOODS DECAY AND BECOME BLIGHTED, THE RESULTS IMPACT MOST HEAVILY UPON THE POOR, WHO ARE LEFT BEHIND. AND, OUR URBAN SLUMS BREED THE SOCIAL ILLS WHICH ARE THE BANE OF OUR COLLECTIVE CONSCIENCE.



WE MUST ATTACH A HIGH PRIORITY TO THE PRESERVATION OF OUR CITIES. SECTION 8 ALONE CANNOT STEM THE TIDE OF URBAN DECAY. ACCORDINGLY, CONGRESS AND THE ADMINISTRATION HAVE RESPONDED TO THIS PROBLEM WITH COMMUNITY DEVELOPMENT GRANTS, WHICH GIVE FUNDS DIRECTLY TO LOCAL GOVERNMENTS AND AFFORD LOCAL OFFICIALS WIDE LATITUDE IN UTILIZING THESE FUNDS WITHIN THEIR COMMUNITIES. THE COMMUNITY DEVELOPMENT PROGRAM IS BASED UPON THE CONCEPT OF SPECIAL REVENUE-SHARING. IT CONSTITUTES AN AMBITIOUS EXPERIMENT IN NEW FEDERALISM BY WHICH OUR COMMUNITIES ARE ENCOURAGED TO FIND NEW WAYS TO REVITALIZE THEIR URBAN ENVIRONMENT.

FINALLY, HUD IS CURRENTLY PLAYING A FAR MORE IMPORTANT ROLE IN PROTECTING THE CONSUMERS OF HOUSING. THE PRIVATE MARKETPLACE HAS CHANGED SIGNIFICANTLY IN THE LAST DECADE. THE RULE OF LET THE BUYER BEWARE HAS GIVEN WAY TO A RULE OF LET THE SELLER BE HONEST, THE BUYER BE KNOWLEDGEABLE, AND THE PRODUCT BE SERVICEABLE.



HUD IS INCREASINGLY BEING GIVEN A REGULATORY ROLE BY CONGRESS IN CONSUMER PROTECTION. FOR EXAMPLE, HUD IS NOW PROMULGATING SAFETY AND DURABILITY STANDARDS FOR MOBILE HOMES PURSUANT TO TITLE VI OF THE COMMUNITY DEVELOPMENT ACT OF 1974.

HUD IS ALSO IMPLEMENTING THE REAL ESTATE SETTLEMENT PROCEDURES ACT WHICH WILL AFFECT NEARLY EVERY RESIDENTIAL REAL ESTATE TRANSACTION IN THE COUNTRY. IN ENACTING THAT LAW, CONGRESS STRUCK THE BALANCE BETWEEN THE NEEDS OF CONSUMERS AND THOSE OF THE MARKETPLACE, OPTING FOR DISCLOSURE RATHER THAN OUTRIGHT REGULATION. WE EXPECT THAT LAW TO BENEFIT ALL PARTIES TO THE REAL ESTATE TRANSACTION -- BUYER, SELLER AND LENDER -- BY MAKING THOSE PARTICIPANTS BETTER INFORMED. HUD'S GENERAL COUNSEL, ROBERT ELLIOTT, WILL BE DISCUSSING THE COMPLEXITIES OF THAT IMPORTANT PIECE OF LEGISLATION WITH YOU ON WEDNESDAY.

OUR OTHER CONSUMER PROTECTION ACTIVITIES INCLUDE PROPOSED LEGISLATION CONCERNING ENERGY EFFICIENCY STANDARDS FOR RESIDENTIAL CONSTRUCTION AND A STUDY OF THE CONDOMINIUM MARKET LOOKING TOWARD POSSIBLE LEGISLATIVE PROPOSALS CONCERNING THIS GROWING SEGMENT OF THE HOUSING INDUSTRY.





MORE CAN AND WILL BE DONE AT HUD TO ENSURE CONSUMER CONFIDENCE IN HOUSING. OUR NEW CONSUMER PROTECTION ROLE REQUIRES US TO FACE A NUMBER OF DIFFICULT ISSUES CONCERNING OUR REGULATORY FOCUS, THE PROPER BALANCE BETWEEN THE NEEDS OF THE CONSUMER AND THE NEEDS OF THE MARKETPLACE, AND THE INTERRELATIONSHIP BETWEEN FEDERAL, STATE AND LOCAL GOVERNMENTS.

OUR CHALLENGE IS TO PERFORM OUR ROLE OF CONSUMER PROTECTION WITHOUT SO ENCUMBERING THE HOUSING INDUSTRY WITH REGULATIONS THAT THERE WILL BE NO CONSUMERS TO PROTECT. WITH THAT PROBLEM WELL IN MIND AND WITH THE FULL COOPERATION OF GROUPS IN THE PRIVATE SECTOR, SUCH AS YOURS, WE CAN DO THE JOB.

NOW, LET ME ADMIT THAT ALL OF MY WORDS HAVE IGNORED WHAT IS OBVIOUS: THE HOUSING INDUSTRY TODAY IS IN A TERRIBLE SLUMP, A SLUMP THAT THREATENS OUR NATIONAL HOUSING GOALS AND INDEED OUR NATION'S ECONOMY.

NONE OF THE EFFORTS AT HUD WHICH I HAVE MENTIONED WILL PULL THE INDUSTRY OUT OF THE SLUMP. HUD HAS NO MASSIVE SPENDING PROGRAM BEFORE CONGRESS.



WE SEE THE KEY TO IMPROVED HOUSING AS IMPROVED CONSUMER CONFIDENCE. CONFIDENCE THAT INFLATION IS UNDER CONTROL; CONFIDENCE THAT THE JOBLESS RATE WILL DECLINE; AND, MOST OF ALL, CONFIDENCE THAT OUR ECONOMY IS UNDER INTELLIGENT DIRECTION. WE EXPECT THE HOUSING INDUSTRY TO IMPROVE AHEAD OF GENERAL ECONOMIC IMPROVEMENT, BUT HOUSING CANNOT STAY ON THE TRACK IF THE OVERALL ECONOMY FALLS OFF THE TRACK.

IT IS ALL TOO EASY TO SAY THAT WE CAN SPEND OUR WAY OUT OF THE HOUSING SLUMP. BUT IF THIS NATION YIELDS TO THAT TEMPTATION, WE ARE VERY LIKELY TO FIND OURSELVES IN A NEW AND CRIPPLING INFLATIONARY SPIRAL. THAT EVENT WOULD EXACERBATE THE FEAST AND FAMINE CYCLES IN THE HOUSING INDUSTRY AND DESTROY MUCH OF ITS PRODUCTIVE CAPACITY.

HUD CAN AND WILL CONTINUE TO DEVELOP PROGRAMS TO STIMULATE AND TO GUIDE THE HOUSING INDUSTRY AS IT RECOVERS ALONG WITH THE GENERAL ECONOMY SO THAT ITS FUTURE WILL BE MORE STABLE, SO THAT ITS CYCLES WILL BE LESS EXTREME, SO THAT MORTGAGE CREDIT WILL BE MORE READILY AND STEADILY AVAILABLE, SO THAT MORE FAMILIES CAN SHARE IN THE BENEFITS OF A REJUVENATED ECONOMY, AND SO THAT CONSUMERS OF HOUSING CAN HAVE MORE CONFIDENCE IN THE HOUSING THEY SELECT.



THIS IS THE PHILOSOPHY THAT WILL GUIDE HUD IN THE MONTHS AHEAD. I LOOK TO THE PRIVATE SECTOR, AND MORE PARTICULARLY ON SUCH WELL RESPECTED GROUPS SUCH AS YOURS, FOR COUNSEL, FOR CONSTRUCTIVE CRITICISM, AND MOST IMPORTANTLY, FOR A SPIRIT OF COOPERATION IN MEETING OUR COMMON GOAL OF "A DECENT HOME AND SUITABLE LIVING ENVIRONMENT FOR EVERY AMERICAN FAMILY."

THANK YOU.

