

REMARKS BY SENATOR HUBERT H. HUMPHREY

NATIONAL HOUSING CONFERENCE

Washington, D. C.

March 10, 1975

I am delighted to be with you again today. I have worked with your organization since the time I first came to Washington in 1949. I can't count the number of times I've spoken to you over the years. In fact, much of my early thinking on shelter needs evolved from my continuous contact with all of the old friends in housing that I have worked with in this organization.

But this afternoon I must report to you that never in all the years I have been in Washington have our hopes and aspirations for providing a decent home and a suitable living environment for every American been so far from realization. The gap is much wider than any of us would have thought possible.

Today's disastrous situation has arisen from gross mismanagement of the economy by this Administration and its predecessor. This has been compounded by poor administration of housing programs by the Department of Housing and Urban Development, and the tragic policy blunders of the Federal Reserve Board.

The housing industry is undoubtedly in the midst of a depression. We have seen a 35% drop in housing starts in 1974. Unemployment has reached as much as 40% in certain areas among housing construction workers. And, incredibly, 650,000 homes in America today can't be sold, while 13 million Americans are housed inadequately.

It is tragic that every time the Fed and the money establishment find the economy in trouble, they rush in to treat inflation by tightening credit. In short, the easiest and most desirable way to solve our inflation problem, in their minds, is to stop housing production.

How easily they ignore a proven fact of our national economic life: When housing is depressed, the economy as a whole quickly follows.

What does the White House propose to do about the situation?

Not enough. Their programs will not restore confidence in our economy. They want to add to the cost of heating fuel. They want to cut taxes, but not enough and not on a continuing basis. They want to pare down budget deficits at the same time that over a quarter of their proposed deficit is to pay increased unemployment benefits.

People are afraid of our economic future. They hesitate to buy and to invest. They are not confident that this Administration will take the bold action needed.

We should be doing things that will inspire confidence, not things that point to doom. We have to put people back to work -- in housing, in home furnishings, in engineering, in appliance manufacture, in road construction, and on and on.

The problem in housing is also caused by maladministration of our existing housing programs by HUD. The list of abuses and derelictions is as long as your arm. We have gotten behavior from the administrators of HUD in the last three years that is downright irresponsible.

You people know the kinds of things I am talking about:

-- the impoundment of 235 and 236 funds;

- suspension of the low income turnkey programs
- suspension of the new communities program after failing to make supporting grants and assistance needed to make Title VII work;
- outright refusal to make operating assistance available to 236 projects for fuel and utility cost increases
- "reorganization" of FHA which confused lines of authority and created the worst morale problem of any agency in the federal government;
- stinginess in releasing money for emergency home ownership programs and water and sewer programs;
- and continued resistance to allowing rent increases to meet operating expenses.

Perhaps the worst of all is the Department's failure to implement the Section 8 program. This is a program they said would work; that they were willing to support. We went along with them.

However, not only is there a failure to get the program moving; but there also is indication that at lower levels of the HUD bureaucracy the regulations being developed will make the program completely unworkable.

What are we going to do about this?

First, we are going to do all we possibly can to see that the Federal Reserve is more responsive to economic reality. Our economy cannot function, much less prosper, in a monetary climate that is frigid and constrictive.

Second, the \$2.3 billion of impounded and delayed housing funds must be immediately released by the Administration.

Third, Congress should enact a short-term mortgage subsidy -- at once -- to cut interest rates back to a level that will enable our citizens to purchase homes.

Fourth, we must enact legislation which I have introduced today to create a Federal Housing Bank that will keep mortgage rates at an affordable level for most American families -- a maximum of 7% for the average home.

The Federal Housing Bank Act creates a bank with two central missions.

The first is to insulate housing production and sales from the contrived cycles of economic boom and bust.

The second purpose is to stimulate housing starts to a level that assures that we reach our goal each year in providing decent homes for our families.

These two missions are achieved through the same mechanism: The purchase of mortgages with rates of interest of 1% over the rate on Treasury borrowings, but never above 7%. The Bank puts a ceiling on mortgage interest rates, while at the same time assuring that sufficient funds are available to encourage housing production.

Each year the Bank will survey the housing production needed to meet a ten year national housing goal. Once that determination is made, the Bank has a mandate to purchase mortgages sufficient to take us 1/10 of the way to that goal.

I don't believe that the Bank will need to purchase every mortgage -- perhaps only a quarter, at most.

The Bank will finance its purchases by issuing bonds, debentures or bills in the money markets.

If these markets discriminate between Federal Housing Bank bonds and U.S. Treasury securities by imposing higher rates, then the Bank may direct the Treasury to purchase Bank obligations with rates comparable to the lowest cost of Treasury borrowing.

This is not a costly bill. The Treasury will only pay the Bank if the rates on its borrowings rise about 7%. The Treasury will have a positive incentive to lend to the Bank at the lowest possible rate, because if it doesn't, it will have to pay a subsidy.

We do not need a huge subsidy. But we do need an instrument that will protect the shelter sector from those who have their hands grasped around the credit and money in this country. This bill will prevent the economy from going into a tailspin from policies that throw the shelter sector of the economy into a depression.

The Bank will also fit in with the existing arrangements through which homeowners purchase their mortgages. The Bank will not make any loans directly. The homeowner will still go down to his local savings and loan. What is changed, is that the local savings and loan will know that if it makes a mortgage loan to Mr. and Mrs. Homeowner, it will be able to make a fair profit on the transaction, sell the loan to the Federal Housing Bank, and obtain additional funds with which to make more mortgage loans.

Mr. and Mrs. Homeowner will know that they can obtain a mortgage loan with an interest rate of never more than 7%, on a home which provides adequate shelter without extravagance. The bill provides that maximum mortgage amounts are to be determined by reference to prototype costs for a moderate, but adequate, living unit with 1400 square feet of living space. This feature allows the Bank to keep abreast of price changes and differentials between metropolitan areas and regions.

I believe that the Federal Housing Bank is essential if the housing industry is to lead the economy out of the slide toward depression that has resulted from irresponsible fiscal and monetary policy.

I also believe that you, my friends in the housing industry, must help us in Congress monitor the performance of the new Secretary of Housing and Urban Development. For a party which prides itself on being the party of businessmen, there has been a sorry record of mismanagement in the past seven years. It has got to stop.

Yes, we have some tremendous problems in America today, and housing is certainly one of the most serious. But, let us not let the gloom and the pessimism that prevails in America today blind us to the equally great strength and promise our nation holds.

We have the most highly trained and able workers in the world. We have a system of enterprise that has been the most innovative and productive in history. And we have a form of government that has given our people more of the blessings of freedom and prosperity than any the world has seen.

That is why it is so frustrating to witness what is going on in America today -- the lost pride, the lost confidence, and the dwindling hope.

We lack energy today, and that is serious. We lack jobs for our people, and that is shameful. We lack decent housing, and that is a disgrace.

But what we really lack is strong, effective leadership. With it, problems can be boldly attacked; without it, we flounder around in dismay.

Congress must grab the torch and provide the progressive leadership that this nation so desperately needs, or we must reconcile ourselves to at least two more years with the nation adrift.

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NATIONAL HOUSING CONFERENCE

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MARCH 10, 1975

✓ Leon Weiner
from Scheurer

I AM DELIGHTED TO BE WITH YOU AGAIN TODAY. I HAVE WORKED WITH YOUR ORGANIZATION SINCE THE TIME I FIRST CAME TO WASHINGTON IN 1949. I CAN'T COUNT THE NUMBER OF TIMES I'VE SPOKEN TO YOU OVER THE YEARS. IN FACT, MUCH OF MY EARLY THINKING ON SHELTER NEEDS EVOLVED FROM MY CONTINUOUS CONTACT WITH ALL OF THE OLD FRIENDS IN HOUSING THAT I HAVE WORKED WITH IN THIS ORGANIZATION.

↳ BUT THIS AFTERNOON, I MUST REPORT TO YOU THAT NEVER IN ALL THE YEARS I HAVE BEEN IN WASHINGTON HAVE OUR HOPES AND ASPIRATIONS FOR PROVIDING A DECENT HOME AND A SUITABLE LIVING ENVIRONMENT FOR EVERY AMERICAN BEEN SO FAR FROM REALIZATION. THE GAP IS MUCH WIDER THAN ANY OF US WOULD HAVE THOUGHT POSSIBLE.

[TODAY'S DISASTROUS SITUATION HAS ARISEN FROM GROSS MIS-
MANAGEMENT OF THE ECONOMY BY THIS ADMINISTRATION AND ITS
PREDECESSOR. THIS HAS BEEN COMPOUNDED BY POOR ADMINISTRATION OF
HOUSING PROGRAMS BY THE DEPARTMENT OF HOUSING AND URBAN DEVELOP-
MENT, AND THE TRAGIC POLICY BLUNDERS OF THE FEDERAL RESERVE BOARD.

h THE HOUSING INDUSTRY IS UNDOUBTEDLY IN THE MIDST OF A
DEPRESSION. WE HAVE SEEN A 35% DROP IN HOUSING STARTS IN 1974.

h UNEMPLOYMENT HAS REACHED AS MUCH AS 40% IN CERTAIN AREAS
AMONG HOUSING CONSTRUCTION WORKERS. AND, INCREDIBLY, 650,000
HOMES IN AMERICA TODAY CAN'T BE SOLD, WHILE 13 MILLION AMERICANS
ARE HOUSED INADEQUATELY.

IT IS TRAGIC THAT EVERY TIME THE FED AND THE MONEY
ESTABLISHMENT FIND THE ECONOMY IN TROUBLE, THEY RUSH IN TO TREAT
INFLATION BY TIGHTENING CREDIT. ^{in their minds} IN SHORT, THE EASIEST AND
MOST DESIRABLE WAY TO SOLVE OUR INFLATION PROBLEM, ~~IN THEIR~~
~~MINDS~~ IS TO STOP HOUSING PRODUCTION.

↳ HOW EASILY THEY IGNORE A PROVEN FACT OF OUR NATIONAL
ECONOMIC LIFE: ^{namely} WHEN HOUSING IS DEPRESSED, THE ECONOMY AS A
WHOLE QUICKLY FOLLOWS.

↳ WHAT DOES THE WHITE HOUSE PROPOSE TO DO ABOUT THE SITUATION?

↳ NOT ENOUGH. THEIR PROGRAMS WILL NOT RESTORE CONFIDENCE IN
OUR ECONOMY. THEY WANT TO ADD TO THE COST OF HEATING FUEL. THEY
WANT TO CUT TAXES, BUT NOT ENOUGH AND NOT ON A CONTINUING BASIS.

✓ THEY WANT TO PARE DOWN BUDGET DEFICITS AT THE SAME TIME THAT

OVER A ^{third} ~~QUARTER~~ OF THEIR PROPOSED DEFICIT IS TO PAY INCREASED

UNEMPLOYMENT BENEFITS.

✓ PEOPLE ARE AFRAID OF OUR ECONOMIC FUTURE. ✓ THEY HESITATE
TO BUY AND TO INVEST. ✓ THEY ARE NOT CONFIDENT THAT THIS

ADMINISTRATION WILL TAKE THE BOLD ACTION NEEDED.

✓ WE SHOULD BE DOING THINGS THAT WILL INSPIRE CONFIDENCE,
NOT THINGS THAT POINT TO DOOM. ✓ WE HAVE TO PUT PEOPLE BACK TO

WORK -- IN HOUSING, IN HOME FURNISHINGS, IN ENGINEERING, IN

APPLIANCE MANUFACTURE, IN ROAD CONSTRUCTION, AND ON AND ON.

in water and sewer projects

↳ THE PROBLEM IN HOUSING IS ALSO CAUSED BY MALADMINISTRATION
OF OUR EXISTING HOUSING PROGRAMS BY HUD, THE LIST OF ABUSES
AND DERILCTIONS IS AS LONG AS YOUR ARM. WE HAVE ~~GETTEN~~ *had*
BEHAVIOR FROM THE ADMINISTRATORS OF HUD IN THE LAST THREE YEARS
THAT IS DOWNRIGHT IRRESPONSIBLE.

YOU PEOPLE KNOW THE KINDS OF THINGS I AM TALKING ABOUT:

- ↳ THE IMPOUNDMENT OF 235 AND 236 FUNDS;
- ↳-- SUSPENSION OF THE LOW INCOME TURNKEY PROGRAMS
- ↳-- SUSPENSION OF THE NEW COMMUNITIES PROGRAM AFTER FAILING
TO MAKE SUPPORTING GRANTS AND ASSISTANCE NEEDED TO
MAKE TITLE VII WORK;

L- OUTRIGHT REFUSAL TO MAKE OPERATING ASSISTANCE AVAILABLE
TO 236 PROJECTS FOR FUEL AND UTILITY COST INCREASES;

L- "REORGANIZATION" OF FHA WHICH CONFUSED LINES OF
AUTHORITY AND CREATED THE WORST MORALE PROBLEM OF ANY
AGENCY IN THE FEDERAL GOVERNMENT;

L- STINGINESS IN RELEASING MONEY FOR EMERGENCY HOME
OWNERSHIP PROGRAMS AND WATER AND SEWER PROGRAMS;

L- AND CONTINUED RESISTANCE TO ALLOWING RENT INCREASES TO
MEET OPERATING EXPENSES.

L- PERHAPS THE WORST OF ALL IS THE DEPARTMENT'S FAILURE TO
IMPLEMENT THE SECTION 8 PROGRAM *the leased housing program* THIS IS A PROGRAM THEY SAID
WOULD WORK; THAT THEY WERE WILLING TO SUPPORT. WE WENT ALONG
WITH THEM,

L HOWEVER, NOT ONLY IS THERE A FAILURE TO GET THE PROGRAM MOVING; BUT THERE ALSO IS INDICATION THAT AT LOWER LEVELS OF THE HUD BUREAUCRACY THE REGULATIONS BEING DEVELOPED WILL MAKE THE PROGRAM COMPLETELY UNWORKABLE. So -

L WHAT ARE WE GOING TO DO ABOUT THIS?

① L FIRST, WE ARE GOING TO DO ALL WE POSSIBLY CAN TO SEE THAT THE FEDERAL RESERVE IS MORE RESPONSIVE TO ECONOMIC REALITY, OUR ECONOMY CANNOT FUNCTION, MUCH LESS PROSPER, IN A MONETARY CLIMATE THAT IS FRIGID AND CONSTRICTIVE.

② SECOND, THE 2.3 billion ^{AND DELAYED} OF IMPOUNDED HOUSING FUNDS MUST BE IMMEDIATELY RELEASED BY THE ADMINISTRATION.

3 THIRD, CONGRESS SHOULD ENACT A SHORT-TERM MORTGAGE

SUBSIDY -- AT ONCE -- TO CUT INTEREST RATES BACK TO A LEVEL

THAT WILL ENABLE OUR CITIZENS TO PURCHASE HOMES.

4 FOURTH, WE MUST ENACT LEGISLATION WHICH I ~~HAVE~~ **HAVE** INTRODUCED

TODAY TO CREATE A FEDERAL HOUSING BANK THAT WILL KEEP MORTGAGE

RATES AT AN ~~AFFORDABLE~~ ^a LEVEL ^{that} FOR MOST AMERICAN FAMILIES ~~can pay~~ -

a MAXIMUM OF 6.9% FOR THE AVERAGE HOME

L THE FEDERAL HOUSING BANK ACT CREATES A BANK WITH TWO

CENTRAL MISSIONS.

L THE FIRST IS TO INSULATE HOUSING PRODUCTION AND SALES

FROM THE CONTRIVED CYCLES OF ECONOMIC BOOM AND BUST.

L THE SECOND PURPOSE IS TO STIMULATE HOUSING STARTS TO A
LEVEL THAT ASSURES THAT WE REACH OUR GOAL EACH YEAR IN PROVIDING
DECENT HOMES FOR OUR FAMILIES.

L THESE TWO MISSIONS ARE ACHIEVED THROUGH THE SAME MECHANISM:
THE PURCHASE OF MORTGAGES WITH RATES OF INTEREST OF 1% OVER THE
RATE ON TREASURY BORROWINGS, BUT NEVER ABOVE ~~1%~~ THE BANK PUTS
A CEILING ON MORTGAGE INTEREST RATES, WHILE AT THE SAME TIME
ASSURING THAT SUFFICIENT FUNDS ARE AVAILABLE TO ENCOURAGE
HOUSING PRODUCTION.

EACH YEAR THE BANK WILL SURVEY THE HOUSING PRODUCTION
NEEDED TO MEET A TEN YEAR NATIONAL HOUSING GOAL. ONCE THAT
DETERMINATION IS MADE, THE BANK HAS A MANDATE TO PURCHASE
MORTGAGES SUFFICIENT TO TAKE US 1/10 OF THE WAY TO THAT GOAL.

I DON'T BELIEVE THAT THE BANK WILL NEED TO PURCHASE EVERY MORTGAGE -- PERHAPS ONLY A QUARTER, AT MOST.

THE BANK WILL FINANCE ITS PURCHASES BY ISSUING BONDS, DEBENTURES OR BILLS IN THE MONEY MARKETS.

IF THESE MARKETS DISCRIMINATE BETWEEN FEDERAL HOUSING BANK BONDS AND U.S. TREASURY SECURITIES BY IMPOSING HIGHER RATES, THEN THE BANK MAY DIRECT THE TREASURY TO PURCHASE BANK OBLIGATIONS WITH RATES COMPARABLE TO THE LOWEST COST OF TREASURY BORROWING.

THIS IS NOT A COSTLY BILL. THE TREASURY WILL ONLY PAY THE BANK IF THE RATES ON ITS BORROWINGS RISE ABOUT ^{6%} ~~7%~~ THE TREASURY WILL HAVE A POSITIVE INCENTIVE TO LEND TO THE BANK AT THE LOWEST POSSIBLE RATE, BECAUSE IF IT DOESN'T, IT WILL HAVE TO PAY A SUBSIDY.

WE DO NOT NEED A HUGE SUBSIDY BUT WE DO NEED AN INSTRUMENT
THAT WILL PROTECT THE ^{Housing sector} ~~SHELTER SECTOR~~ FROM THOSE WHO HAVE THEIR
HANDS ~~GRABBED~~ AROUND THE CREDIT AND MONEY IN THIS COUNTRY. THIS
BILL WILL PREVENT THE ECONOMY FROM GOING INTO A TAILSPIN FROM
POLICIES THAT THROW THE SHELTER SECTOR OF THE ECONOMY INTO A
DEPRESSION.

THE BANK WILL ALSO FIT IN WITH THE EXISTING ARRANGEMENTS
THROUGH WHICH HOMEOWNERS PURCHASE THEIR MORTGAGES, THE BANK
WILL NOT MAKE ANY LOANS DIRECTLY. THE HOMEOWNER WILL STILL GO
DOWN TO HIS LOCAL SAVINGS AND LOAN. WHAT IS CHANGED, IS THAT
THE LOCAL SAVINGS AND LOAN WILL KNOW THAT IF IT MAKES A MORTGAGE
LOAN TO MR. AND MRS. HOMEOWNER, IT WILL BE ABLE TO MAKE A FAIR

PROFIT ON THE TRANSACTION, SELL THE LOAN TO THE FEDERAL HOUSING
BANK, AND OBTAIN ADDITIONAL FUNDS WITH WHICH TO MAKE MORE MORTGAGE
LOANS.

↳ MR. AND MRS. HOMEOWNER WILL KNOW THAT THEY CAN OBTAIN
A MORTGAGE LOAN WITH AN INTEREST RATE OF NEVER MORE THAN 6
ON A HOME WHICH PROVIDES ADEQUATE SHELTER WITHOUT EXTRAVAGANCE.

↳ THE BILL PROVIDES THAT MAXIMUM MORTGAGE AMOUNTS ARE TO BE
DETERMINED BY REFERENCE TO PROTOTYPE COSTS FOR A MODERATE, BUT
ADEQUATE, LIVING UNIT WITH 1400 SQUARE FEET OF LIVING SPACE.
THIS FEATURE ALLOWS THE BANK TO KEEP ABREAST OF PRICE CHANGES
AND DIFFERENTIALS BETWEEN METROPOLITAN AREAS AND REGIONS.

I BELIEVE THAT THE FEDERAL HOUSING BANK IS ESSENTIAL IF THE HOUSING INDUSTRY IS TO LEAD THE ECONOMY OUT OF THE SLIDE TOWARD DEPRESSION THAT HAS RESULTED FROM IRRESPONSIBLE FISCAL AND MONETARY POLICY.

I ALSO BELIEVE THAT YOU, MY FRIENDS IN THE HOUSING INDUSTRY, MUST HELP US IN CONGRESS MONITOR THE PERFORMANCE OF THE NEW SECRETARY OF HOUSING AND URBAN DEVELOPMENT. FOR A PARTY WHICH PRIDES ITSELF ON BEING THE PARTY OF BUSINESSMEN, THERE HAS BEEN A SORRY RECORD OF MISMANAGEMENT IN THE PAST SEVEN YEARS. IT HAS GOT TO STOP.

L YES, WE HAVE SOME TREMENDOUS PROBLEMS IN AMERICA TODAY,
AND HOUSING IS CERTAINLY ONE OF THE MOST SERIOUS. BUT, LET US
NOT LET THE GLOOM AND THE PESSIMISM THAT PREVAILS IN AMERICA
TODAY BLIND US TO THE EQUALLY GREAT STRENGTH AND PROMISE OUR
NATION HOLDS.

L WE HAVE THE MOST HIGHLY TRAINED AND ABLE WORKERS IN THE
WORLD. WE HAVE A SYSTEM OF ENTERPRISE THAT HAS BEEN THE MOST
INNOVATIVE AND PRODUCTIVE IN HISTORY. AND WE HAVE A FORM OF
GOVERNMENT THAT HAS GIVEN OUR PEOPLE MORE OF THE BLESSINGS OF
FREEDOM AND PROSPERITY THAN ANY THE WORLD HAS SEEN.

THAT IS WHY IT IS SO FRUSTRATING TO WITNESS WHAT IS GOING
ON IN AMERICA TODAY -- THE LOST PRIDE, THE LOST CONFIDENCE,
AND THE DWINDLING HOPE,

WE LACK ENERGY TODAY, AND THAT IS SERIOUS. WE LACK JOBS
FOR OUR PEOPLE, AND THAT IS SHAMEFUL. WE LACK DECENT HOUSING,
AND THAT IS A DISGRACE,

↳ BUT WHAT WE REALLY LACK IS STRONG, EFFECTIVE LEADERSHIP,
WITH IT, PROBLEMS CAN BE BOLDLY ATTACKED; WITHOUT IT, WE FLOUNDER
AROUND IN DISMAY.

↳ CONGRESS MUST GRAB THE TORCH AND PROVIDE THE PROGRESSIVE
LEADERSHIP THAT THIS NATION SO DESPERATELY NEEDS, OR WE MUST
RECONCILE OURSELVES TO AT LEAST TWO MORE YEARS WITH THE NATION
ADRIFT,

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