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THE WHITE HOUSE
WASHINGTON

Davis/Martin
Jan. 16, 1990
Title: Habitat
Draft: Two

PRESIDENTIAL ADDRESS: HOME BUILDERS ASSOC., OMNI, ATLANTA
((Time)) FRIDAY, JAN. 19, 1990

((Thank you, Shirley Wiseman -- Martin Perlman, Mark Tipton, Jay Buchert, Kent Colton and Bob Bannister -- great to see you. Hasn't been so long, has it, since our last meeting in November?)) Newt Gingrich, Steve Bartlett, Chalmers Wylie

((And it's great to be back in Atlanta. In fact, I believe that it was in this very ~~hotel~~ hall, about a year and a half ago, that the Democrats held their 1988 Convention.\\ Of course, I have fond memories of that convention. It gave me an excuse to go fishing in Wyoming.))\\\

((But frankly, I never thought my silver foot would stand on the same spot as Ann Richards.))\\\\

In any event, it's great to be back among the Home Builders of America. ((I just hope you appreciate one thing -- it's not every day that this association gets to hear from someone who actually **lives** in public housing.))\\\

Before we moved to the White House, Barbara and I were a realtor's dream. We lived in 28 places in ~~44~~ 45 years. And yet, in real sense, wherever we lived -- whether it was in Houston,

Washington, New York or Beijing -- our family had one true home that we took with us wherever we went.

I remember the first place Barbara and I lived in, when George Junior was just a baby -- an old ramshackle shotgun house in the oil town of Odessa, Texas. It had a makeshift partition down the middle that cut the house into two apartments, leaving us with a small kitchen and a shared bathroom. An old water-drip window unit that cranked up like a West Texas dust storm still couldn't drown out the noise of the all-night parties next door.

Yet despite it all, Lord Byron was right -- a home is place in the heart. I can't speak for our neighbors, but for us, that little shack **was** home. And I have to wonder, and worry, how many families break apart because they can't afford to buy or rent a home even as half decent as our first place.\\

We cannot allow the high costs of housing to suffocate the financial life of America's young people. When it comes to housing, **this must not become a society of "haves" and "have nots."**\\\

To create decent housing people can afford, government must cut some redtape -- **and that's exactly what Jack Kemp and I propose to do.**\\ Industry, too, must cut its regulation -- for example, by easing up on the demanding, often redundant, paperwork necessary to get a mortgage in America.\\

(And while I'm at it, can I get something off my chest? As I travel around this country, I see so many new suburbs utterly denuded of trees -- ironic, since the new owners' first instinct

will be to plant as many trees as possible. So I respectfully suggest, as a former businessman, that leaving the original trees might be a shrewd sales strategy.)

But the truth is, there's one housing policy, and one sales strategy, that's better than all others combined -- **a healthy, growing economy.**\\ This first month of the 1990s marks the 86th month of economic growth in America. As Shirley says, it was housing that paved the way to the longest peacetime recovery in modern history. You built ten million homes in the '80s. And by working together, **the housing industry will help keep this country going strong in the '90s.**\\

But to keep America moving, we will need the cooperation of Congress. I can think of one simple action Congress can take to give the economic expansion a boost. It has already been debated. It has already won the support of the majority of Members. **What we need now is a simple up-and-down vote to cut the tax on capital gains.**\\

What would such a cut mean for America? Senator Bob Dole told me he was having lunch at a restaurant in New York. And just as he was getting ready to leave, Bob's waiter stopped him and said: "Senator, please pass this capital gains tax cut. I'm getting ready to sell my house, and a tax cut would mean a world of difference to my family." So when someone tries to convince you that this is a tax cut for the rich, remember that waiter. Remember the retiree who's selling a home. Remember the farmer and the small businessman.

A capital gains tax cut will help every American who holds a job or owns a home. So I call on the leaders of Congress to give the American people a break, **to let democracy work in the House and Senate.**\\\

Also vital to home buyer and home builder alike is a fair and stable rate of interest. A one-percent increase in the interest rate knocks ~~two~~ million families out of the market. But in the last few years, millions of families could afford a new home because mortgage interest rates have dropped from ~~14~~ 18 percent in the early 1980s to less than 10 percent today.\\ **And I want to see them come down even more.**\\ OMB

The 1990s must be another decade of lower taxes and lower interest rates. But to have a stable economy, it must also be a decade in which Washington, at long last, adopts fiscal policies as sound as those of the average American household.

None of us is allowed to spend our bonus before we earn it. Nor should Congress start planning where to spend a possible "peace dividend." To the extent that world events allow us to cut defense spending, then we should recognize that **cutting the federal budget deficit would be a true dividend for America's taxpayers.**\\\

And too often, Congress forgets that every house is the handiwork of an architect, a surveyor, a mason, a plumber, a carpenter, a painter and dozens of other working men and women. If Congress levies new burdens on our economy, it is these very people who will be put out of work.

But, of course, even if we **do** cut the capital gains tax; even if we **do** keep interest rates low; even if we **do** protect the economy -- this is cold comfort for those Americans who languish in the projects, or the thousands of others who know no shelter at all.

These Americans need help. And they need hope -- so that's just what I call our program -- HOPE, which stands for Home Ownership and Opportunity for People Everywhere.

Our program addresses the full range of housing concerns -- from shelter for the homeless, to affordable housing for low-income families, to greater access to jobs.

Let's start with what HOPE can do for first-time home-buyers. It's time Congress let Americans use their IRA savings to get into that first house.\\\

Then there are those who must live in the poverty and fear of public housing. They are disproportionately minority Americans. They suffer abuse from drug-dealing predators within -- and the last thing they need is abuse from without. And concerning the latter, let me say just one thing: Atlanta is a great, cheerful city that has proudly risen from the ashes of a distant past. And so for those who plan to revel in a rally of hate tomorrow, let them know this: **Atlantans, like all Americans, turn their backs on bigots.**

To escape violence and crime, to live in decent housing -- our public-housing tenants must first be empowered. Empowered to choose where they want to live. Empowered by housing vouchers.

Low-income families don't need us to build new public-housing horrors. They need decent low-income housing. And that's why I call on Congress to renew the low-income housing tax credit.\\\

Earlier, I discussed capital gains. But even this cut would not be enough for America's impoverished inner-cities -- often as desolate and shattered as a war zone. No, for these communities, we've got to go one step further and **eliminate the capital gains tax altogether with enterprise zones.**

There is something perverse about destructive practices that have kept the FHA out of the very places that need the most help. So my administration will ensure that FHA is true to its first mission -- to make housing affordable for low- and moderate-income families. **It's wrong to draw a red line around the inner city. It's not right or fair. And we're going to strike this redline policy altogether.**

The centerpiece of HOPE is to let all Americans enjoy the dignity of controlling their destiny -- and dignity is exactly what resident management projects allow, from the Kenilworth-Parkside project in Washington, D.C., ~~to the ((name)) right here in Atlanta.~~ Tenant management and tenant ownership is no longer an experiment -- **it's the future.**\\

But even more is needed. We are all going to have to work in a partnership to solve the problems of the helpless and the homeless. My administration is going to do its part by expanding emergency shelters. Late last year, I signed a bill that boosts

funding under the McKinney Act to reduce homelessness. And Jack will tell you of other steps we are taking.

You're certainly doing your part -- building and renovating shelters for the homeless; for battered women; for troubled children and retarded adults. And you're working with the Job Corps, taking the unskilled, the out-of-work, and training them for lifetime careers in construction and maintenance, and I congratulate you on your commitment.

But our partnership needs a third element -- that constellation of volunteers I call the Thousand Points of Light. I couldn't come to Atlanta, without taking note of one such point of light, a part-time carpenter and his wife who have provided shelter for so many in this very city -- former President Jimmy and Rosalynn Carter. They deserve our thanks, as do all the people behind Habitat for Humanity.\\

And so does a woman named Ella McCall. Ella once a homeless mother. Now she has her master's degree, and serves the homeless as a social worker at a shelter in Washington, D.C. When a family strives to move out of a shelter into a home, they need Ella. When a homeless mother wanders lost, with her children her in tow, she needs Ella. And when I look out the south window of the White House at dusk, and see the distant figures of ragged men bedding down for the night -- I pray to God that this country finds more people like Ella McCall.

wp
11-26-88

Your work in job training, Jack Kemp's work in tenant management and ownership, Ella McCall's work with the homeless --

all of this ultimately saves the taxpayers money. But this isn't about money. It's about caring.

And if it takes love to make a house a home, then perhaps the same could be said of a country. For the poorest among us, America must not just be a place to live in, but a home for all.

Thank you, God bless you and God bless America.

# # #

National Association
of Home Builders

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Legislative Update

TO: Executive Committee
FROM: Martin Perlman
RE: Legislative Update
DATE: January 5, 1990

Attached for your information and use are legislative updates prepared by the Government Affairs Division. I hope this will prove useful in keeping you up-to-date on the key legislative priorities.

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November 8, 1989
January 5, 1990 (Revised)

FEDERAL BUDGET

BACKGROUND

The Gramm-Rudman-Hollings Budget Act (GRH), requires Congress and the Administration to meet declining deficit targets each fiscal year, leading to a balanced federal budget by FY'93. The deficit target for the upcoming fisal year, FY'91, is $64 billion. Should Congress and the Administration fail to enact legislation by October 15, 1990, which comes within $10 billion of this target, automatic sequestration is triggered, whereby across-the-board spending cuts are activated to reduce the deficit to the actual target level. The sequester is lifted once Congress and the Administration agree on final budget reconciliation actions. Sequestration went into effect at the beginning of the current FY'90, which began on October 1, 1990, and it is expected to reduce the deficit by $4.6 billion in the 130 days Congress allowed it to remain in effect.

STATUS

The President's FY'91 budget will be submitted to Congress just prior to the convening of the Second Session of the 101st Congress. Details of the package remain sketchy, but it appears likely that sizeable cuts in the Defense budget, currently in excess of $300 billion, are likely. Several non-defense proposals of recent years which Congress has chosen to reject are also likely to reappear, including various "user fees" on mortgage credit program activity and other government loan guarantee programs.

The "savings" cut from defense may either be applied to deficit reduction or increased spending in other areas, with Congress ultimately making this decision in consultation with the Administration. Neither the Executive nor the Legislative branch has reached a consensus internally on this issue.

OUTLOOK

Much of the debate in the early months of 1990 may focus on the issue of whether to apply the savings from defense to domestic programs or towards deficit reduction. In addition, the political debate of raising taxes to meet the deficit targets will begin anew.

COMMITTEE JURISDICTION

Senate: Budget Committee

House: Budget Committee

November 8, 1989
January 5, 1990 (Revised)

FEDERAL BUDGET REFORM

BACKGROUND

Numerous bills, introduced during the First Session of the 101st Congress, addressing reform of the budget process remain pending for debate during 1990. The following are of particular interest to NAHB.

- Constitutional Amendment to Balance the Budget (**S.J.Res.183/H.J.Res.268**) -- Sen. Simon (D-IL) and Rep. Stenholm (D-TX) have introduced similiar legislation calling for ratification of an amendment to the Constitution to require a balanced federal budget. NAHB submitted a statement in support of this legislation.

- Base-Line Budgeting (**S.447**) -- Sen. Boschwitz (R-MN) has introduced legislation to deny automatic inflation increases from inclusion in the "baseline" from which Congress and the Administration "cuts" spending to meet the Gramm-Rudman-Hollings deficit reduction targets. The bill would disallow the current practice of calling actions that slow the rate of growth in spending "cuts".

- Joint Committee on the Budget (**S.391**) -- Sen. Domenici (R-NM) and Sen. Johnston (D-LA) have introduced legislation, supported at least in part by the Administration, calling for a Joint Committee on the Budget. The Joint Committee would be composed of the House and Senate leadership of both political parties, as well as the bipartisan leadership of the tax, spending, and the current budget committees in an effort both to expedite and unify the budgetary process. The Joint Committee would originate two-year budget resolutions, which would require the President's signature, but would continue the current annual appropriations process.

- Spending Control Enhancement Act (**S.6**) -- Sen. Dole (R-KS) and Sen. McCain (R-AZ) have introduced legislation to revamp the rescission process. The legislation would require Congress to vote within 10 days to restore all or part of a Presidential request to withhold specific funds appropriated by Congress. Under current law, inaction by Congress results in a defeat of a rescission request.

- Federal Credit Reform (**S.584/H.R.1120**) -- Sen. Heinz (R-PA) and Rep. Gradison (R-OH) have introduced legislation to change the way federal credit is treated within the budget. The purpose is to provide better control over the $1.3 trillion of outstanding federal credit. It would result, however, in "subsidies" being assigned to all credit programs -- the difference between the rate one would pay without a federal guarantee and the rate with the guarantee. The legislation also would consolidate all federal credit within the Treasury Department, although the individual programs would continue to be run by their respective agencies/departments.

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FEDERAL BUDGET REFORM (cont'd)

NAHB POSITION

NAHB supports an amendment to the Constitution to require a balanced federal budget, and legislation to provide for base-line budgeting without automatic inflation adjustments, a Joint Committee on the Budget and for the revamping of the rescission process. NAHB opposes either legislative or administrative changes in federal credit policy which could further restrict the use of federal insurance and loan guarantees on mortgage loans.

COMMITTEE JURISDICTION

Senate: Government Affairs Committee
Judiciary Committee

House: Government Affairs Committee
Judiciary Committee

November 8, 1989
January 5, 1990 (Revised)

TAX LEGISLATION

BACKGROUND

The Revenue Reconciliation Act of 1989 passed amidst the last minute flurry of activity prior to Congressional adjournment. Its passage marked the first time since 1981 that federal tax legislation contained more positive housing-related provision than negative.

Notably, the Act expands the exclusion from alternative minimum tax to all income derived from home construction contracts regardless of the amount of the taxpayer's production volume. Under prior law, large volume home builders (over $10 million annually) had to include this income in the AMT calculation. The Act also contained short-term extensions of the mortgage revenue bond, low-income housing tax credit and targeted jobs tax credit programs, as well as the provision which allows self-employed individuals to deduct 25% of their health insurance costs.

Of the many positive programmatic changes to the low-income housing tax credit, the most significant is the easement of the passive loss limitation as it relates to investors in the credit. Prior law phased-out the amount of passive losses/credits a taxpayer making over $200,000 could take, so that by $250,000 no passive losses/credits were available. The Act repeals this limitation as it relates to investors in the low-income housing tax credit. Inclusion of this provision is the first reversal of the passive activity rules enacted in 1986.

Even the potentially negative provisions of this Act were effectively fought. Once again, severe limitations to the ability to make like-kind exchanges of real estate were proposed. Once again, they were scaled back. Only the imposition of a two-year holding period for exchanges made between related parties was enacted, as well as a prohibition on tax-free swaps of foreign property for U.S. property.

While the onerous provisions regarding non-discrimination in employer-provided health care (Section 89) were repealed, this repeal was passed on the Federal Debt Ceiling bill rather than on Reconciliation.

The only major disappointment faced this year was the failure of Congress to re-enact favorable capital gains tax treatment. This issue will be revisited next year, however, and will be one of the driving forces behind any tax legislation.

Other issues that may arise this session include the expiring provisions, estate freeze provisions and the taxation of unrelated business income of associations. As always, the mortgage interest deduction is susceptible to attack. NAHB will seek to have the contributions-in-aid of construction, employee vs. independent contractor, and definition of "home construction contract" (i.e., inclusion of condominiums) issues considered.

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TAX LEGISLATION (cont'd)

STATUS

Congress likely will not begin to consider any of these issues until mid-March at the earliest.

OUTLOOK

The scope of tax action taken this year will depend largely on the political debate over capital gains. If capital gains passage is tied to an increased tax rate, a large omnibus tax bill is possible.

REASSESS

COMMITTEE JURISDICTION

Senate: Finance Committee

House: Ways and Means Committee

November 8, 1989
January 5, 1990 (Revised)

FINANCIAL INSTITUTIONS LEGISLATION

BACKGROUND

On August 9, 1989, the President signed into law the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA), a sweeping reform measure aimed at resolving the current thrift crisis and ensuring that a similar crisis does not recur. FIRREA provides for a substantial recapitalization of the federal insurance fund for thrift deposits, imposes new statutory and regulatory restrictions on permissible activities for thrifts and restructures the regulatory agencies overseeing the thrift industry. In addition to shifting some of the responsibilities of existing financial agencies, FIRREA also creates several new agencies -- at least two of which will be of direct interest to builders. The newly created Resolution Trust Corporation (RTC) is charged with resolving insolvent thrifts and disposing of the assets of those thrifts, including real estate assets. The newly established Federal Housing Finance Board (FHFB) replaces the Federal Home Loan Bank Board as overseer of the credit activities of the Federal Home Loan Banks. The FHFB will also oversee the Banks' new Community Investment and Affordable Housing programs, both required under FIRREA. The new FIRREA-created agencies, as well as those agencies restructured under the law, began carrying out their new missions the day the bill was signed into law.

OUTLOOK

Since returning from its August recess, the Congress has taken an active oversight role with respect to FIRREA's implementation. Both the Senate and House Banking Committees held hearings in October to receive testimony from the regulatory agencies on how FIRREA is to be executed. NAHB testified on October 19, 1989, before a House oversight panel on the RTC, expressing builders' concerns regarding the impact which the RTC's asset disposition policies may have on their industry, particularly in those regions already experiencing glutted real estate markets and dropping prices. NAHB will continue to work closely with both the Congress and the regulatory agencies to ensure that the homebuilding industry is not adversely affected by decisions made by the RTC or any of the other federal agencies charged under the legislation.

NAHB POSITION

NAHB worked closely with the House and Senate during the drafting of FIRREA, and will be closely monitoring the law's implementation, particularly as it may affect the homebuilding industry and the continued viability of a reliable housing finance delivery system. Because of its successful efforts in improving the legislation in a number of areas, NAHB supported final passage of FIRREA. Following is a brief summary of those aspects of FIRREA which are of most direct interest to NAHB:

FINANCIAL INSTITUTIONS LEGISLATION (cont'd)

° Loan-To-Value Ratios

The Senate version of FIRREA would have established maximum loan-to-value ratios for real estate loans from banks and thrift institutions.

The Congress agreed to delete this provision from the Conference Report on FIRREA. Instead, the appropriate federal banking agencies are charged with the responsibility of implementing loan-to-value ratios.

° Resolution Trust Corporation

The Resolution Trust Corporation (RTC) is charged with managing insolvent thrift institutions and disposing of their assets. The FDIC will be the exclusive manager of the RTC.

The general policies governing the RTC's duties are set by an Oversight Board consisting of five members. Serving as members of the Oversight Board are the Secretary of the Treasury (Chairman), the Chairman of the Federal Reserve Board, the Secretary of the Department of Housing and Urban Development and two persons appointed by the President.

FIRREA required the FDIC to establish a Real Estate Asset Division (READ) to assist and advise the RTC with respect to the management, sale or other disposition of real property assets. The Division is responsible for performing asset inventories and such other duties as the FDIC prescribes.

The RTC is required to adopt special asset disposition procedures to protect the economies of distressed areas. Distressed areas include the States of Arkansas, Colorado, Louisiana, New Mexico, Oklahoma and Texas.

The RTC is required to give low-income persons, public agencies and non-profit organizations three months within which to purchase moderate-priced RTC single-family properties before they are offered to the general public. With regard to moderate-priced multifamily properties, the RTC is required to give 45 days preference to public agencies, non-profit organizations and for-profit entities that agree to set-aside at least 35% of the units for low-income families. The RTC could provide loans to non-profit or agency purchasers of these properties at or below market interest rates.

FINANCIAL INSTITUTIONS LEGISLATION (cont'd)

° Capital Standards

FIRREA imposes new capital standards effective 120 days after the law's August 9, 1989, date of enactment.

Thrift institutions are required to maintain core capital of at least 3% of total assets and tangible capital of 1.5% of total assets, and to meet a risk-based capital standard.

Supervisory goodwill acquired before April 12, 1989, may be included in calculating core capital in decreasing amounts over the next five years. Beginning January 1, 1995, no supervisory goodwill may be included in core capital.

Failure to comply with the new capital standards prior to January 1, 1991, could result in the regulator of savings institutions restricting an institution's asset growth. After that date, increases in assets must be prohibited or restricted to an amount not exceeding net interest credited, accompanied by an increase in tangible capital of not less than 6%, and only in such "low-risk" assets as one- to four-family homes and fully secured consumer loans. In addition, the institution must comply with a capital directive, which can include restrictions on compensation and dividends.

° Qualified Thrift Lender Test (QTL)

Thrift institutions will be required to meet a tougher QTL test beginning July 1, 1991. The new test will require that 70% of "portfolio" assets be in qualifying assets, measured by a daily or weekly average over a two-year period. Portfolio assets are total assets minus the sum of goodwill and other intangible assets, fixed assets and liquid assets up to 10% of total assets.

Qualifying assets include single-family loans, multifamily loans, mortgage-backed securities, home equity loans, retail mobile home loans, home improvement loans, FSLIC, FDIC and RTC notes and certain loans on land that will be developed for residential purposes.

Up to 15% of the 70% requirement can be met by counting half the mortgage loans made and sold in 90 days, certain service corporation investments with heavy ties to residential real estate, starter home developments (double credit) and loans for churches, schools, nursing homes and small business (double credit if in areas of unmet needs). Five percent of the 70% requirement can be met with consumer and education loans.

FINANCIAL INSTITUTIONS LEGISLATION (cont'd)

An institution failing the QTL test will be required either to convert to a bank charter or restrict its activities. Three years after failing the test, an institution will be required to divest itself of investments not permissible for national banks and to repay advances.

° Non-Residential Loans

Investments in non-residential real estate are limited by FIRREA to four times an institution's capital.

° Affordable Housing

Two new advance windows are required by FIRREA to be established at FHLBanks. Under the Community Investment Program, which each bank is required to establish, members can borrow at the FHLBanks' consolidated obligations rate plus reasonable administrative costs for community-oriented mortgage lending. Each bank also is required to establish an Affordable Housing Program to subsidize the interest rates on advances to members for below-market rate long-term lending on low- and moderate-income owner-occupied rental housing.

To fund this program, the FHLBanks will contribute annually 5% of net income in 1990 through 1993 (but not less than a total of $50 million per year), 6% of net income in 1994 (but not less than a total of $75 million) and 10% of net income thereafter (but not less than a total of $100 million a year).

° Limits on Loans to One Borrower

In general, FIRREA subjects thrift institutions to the same limits on loans to one borrower as apply to national banks. Exceptions are provided for loans of up to $500,000 and real estate construction loans under certain circumstances.

° Appraisals

FIRREA requires, after July 1991, that any appraiser performing an appraisal in connection with a federally-related estate transaction must be state licensed or certifed.

COMMITTEE JURISDICTION

Senate: Banking, Housing and Urban Affairs Committee

House: Banking, Finance and Urban Affairs Committee

November 8, 1989
January 5, 1990 (Revised)

FEDERAL HOUSING LEGISLATION - HUD

BACKGROUND

In a rush for adjournment for 1989, Congress separated HUD reform legislation from a more comprehensive package in both the House and Senate and handed the HUD Secretary a major victory in the HUD Reform Act of 1989, which Congress passed on November 22, 1989, and was signed by the President on December 15, 1989.

The legislation will:

- Requires HUD to establish, and adhere to, published selection procedures in all HUD programs;
- Establishes a new HUD Chief Financial Officer and FHA Comptroller;
- Requires annual audited FHA financial statements;
- Eliminates private investor loans under FHA;
- Repeals the Title X Land Development Insurance program;
- Places dealers and loan brokers who origiante Title I Home Improvement Loans under stricter penalties for violations;
- Subjects both consultants and developers to more stringent controls and makes them subject to new penalties for violations of these requirements;
- Extends the current prepayment moratorium on privately owned, federally assisted projects, until September 30, 1990;
- Extends the reciprocity agreement on subdivision approval among FHA-VA-Farmers' Home for six months from date of enactment; and
- Establishes in law the procedures for determining rent increases in subsidized Section 8 projects in light of the Ranier View Ninth Circuit Court decision.

Additionally, numerous housing bills were introduced during the 101st Congress, action on which remains pending. A brief summary of the various proposals is listed below:

- Sen. Sasser (D-TN) and Sen. Heinz (R-PA) have introduced **S.197**, The Homeownership Assistance Act of 1989 -- to provide increased mortgage limits in high-cost areas, to lower downpayments for first-time homebuyers, and to modify the FHA-ARM and to promote two demonstration programs with no downpayment at the time of closing.

FEDERAL HOUSING LEGISLATION - HUD (cont'd)

No new authorization of funds would be needed for this legislation. The companion House bill, **H.R.182**, has been introduced by Rep. Price (D-NC) and Rep. Wylie (R-OH).

- Sen. Cranston (D-CA) and Sen. D'Amato (R-NY) introduced The National Affordable Housing Act, **S.566**, in March 1989, then modified it in late October, to include HUD reform and other changes. The bill focuses on expanded homeownership opportunities, an increased role for states and local governments in the production of affordable housing, direct rental assistance in the form of rent credits in lieu of either Section 8 certificates or vouchers, special needs housing for the elderly, the handicapped, the homeless and families with children who live in public housing and creates an Office of Preservation to address expiring federal commitments and preservation of the existing stock. Companion bills in the House are **H.R.1637**, introduced by Rep. Roukema (R-NJ), Rep. Rangel (D-NY) and Rep. Johnson (R-CT) and **H.R.1532**, introduced by Rep. Kleczka (D-WI).

- Rep. Gonzalez introduced **H.R.1180**, The Housing and Community Development Act of 1989, a comprehensive two-year bill. The legislation reauthorizes existing programs, incorporates The National Housing Trust provisions to assist first-time homebuyers with interest rate buydowns not to exceed 6% on a 30-year mortgage, and incorporates **H.R.973** described below.

- Rep. Frank (D-MA) and Rep. Kennedy (D-MA) have introduced **H.R.973**, The Affordable Housing Act, to add 5 million housing units over five years. The legislation authorizes $10 billion per year for each of the next five years to provide $9 billion a year in capital grants for the rehabilitation and new construction of low cost housing and $1 billion a year for community partnership grants to support cities and states that assist non-profit groups to construct and rehabilitate moderate and low-income housing. Funding for the legislation would come from an increase in the alternative minimum tax and transfers from the defense budget.

- Rep. Vento (D-MN) and Rep. Saiki (R-HI) have introduced **H.R.140**, Permanent Housing for Homeless Americans Act of 1989, to authorize $2 billion a year for two years to create 140,000 housing units a year for permanent housing for the homeless and those at or below 50% of the area median income.

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FEDERAL HOUSING LEGISLATION - HUD (cont'd)

- Sen. Mikulski (D-MD) has introduced **S.408**, The National Community Service Act, to establish a civilian volunteer service program modeled after the National Guard. In return for part-time service, volunteers would receive a $3,000 voucher annually for each year of service, maximum service of six years, which could be applied as a downpayment for the principal residence by first-time homebuyers or be used for educational expenses.

- Rep. Kanjorski (D-PA) has introduced **H.R. 3372**, to limit eligibility for FHA mortgage insurance based on borrower income of 115% or less of the applicable area median family income and 125% or less of the applicable statewide median income.

STATUS

Congress has not yet received the Administration's housing initiatives legislation, highlights of which were released by President Bush and HUD Secretary Kemp in October in speeches outlining the HOPE proposal -- Homeownership Opportunity for People Everywhere.

OUTLOOK

While housing leaders in Congress and among the industry are likely to call for early enactment of long-term housing policy, it would appear that final action on housing authorization is unlikely prior to September.

COMMITTEE JURISDICTION

Senate: Banking, Housing and Urban Affairs Committee

House: Banking, Finance and Urban Affairs Committee

November 8, 1989
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RURAL HOUSING PROGRAMS

BACKGROUND

Funding

The Conference Committee on Agriculture Appropriations recently reported out FmHA appropriations for FY'90. Total funding is $2,290,185,000. This is an increase of $104,732,000 over the FY'89 appropriations. For the first time, Farmers Home utilized virtually all of its 1989 rural housing appropriations, including 100 percent of the Section 502 very low-income appropriations.

The specific authorization of FY`90 FmHA appropriations is as follows:

Section 502 Low-Income	$797,532,000
Section 502 Very Low-Income	531,680,000
Section 504 Loans	11,330,000
Section 504 Grants	12,500,000
Section 509 Construction Defects	500,000
Section 514 Farm Labor Loans	1,480,000
Section 516 Farm Labor Grants	11,000,000
Section 515 Rental	579,900,000
Section 521 Rental Assistance	305,310,000
Section 523 Self Help TA	8,750,000
Section 523 Self Help Site Loans	500,000
Section 524 Site Loans	570,000
Section 533 Preservation	19,140,000
TOTAL	$2,290,185,000

Rural Housing Authorization Legislation

Both the House and Senate Banking Committees are considering legislation that includes rural housing programs. The House bill (**H.R.1180**) was introduced by the Chairman, Henry Gonzalez (D-TX) on March 1, 1989. The Senate legislation (**S.566**) was introduced on March 15, 1989, by Sen. Cranston (D-CA) and Sen. D'Amato (R-NY). **S.566**, The National Affordable Housing Act, was developed by the Committee over the past two years to address housing policy into the 1990's.

Section 502 Conversion to Section 515

At NAHB's request, the Senate bill allows for-profit developers to convert Section 502 inventory properties to Section 515. This legislation is currently restricted to nonprofit entities.

RURAL HOUSING PROGRAMS (cont'd)

Section 502 Deferred Loan Program

A deferred loan program under Section 502 is included in both **H.R.1180** and **S.566**. Under the bill, the borrower may defer repayment of not more than 20% of the principal (currently a homebuyer can get a loan reduced down to 1% interest) if an average of 10% of the states very low-income funds have not been used since November 30, 1989. Under the House bill, the borrower may defer mortgage payments up to 50% of the amount due at 1% taking into consideration income, taxes, insurance, utilities and maintenance. The House bill provides for a two-year demonstration limited to 10% of each year's 502 funding with a recapture provision.

NAHB opposes a deferred loan program as negative amortization may occur. Too much subsidy is also given to one household when there is overwhelming need and tight budgets. Additionally, the homeowner may still not be able to maintain the property even with the added subsidy.

Section 515 Prepayment Restrictions

The House bill, **H.R.1180** places a restriction on the prepayment provision of new Section 515 loans for up to 50 years. While **S.566** does not have a similar provision, it is likely that the rural prepayment section will be looked at by the Senate as well. NAHB has voiced strong concerns over unrealistic prepayment restrictions on both HUD and FmHA rental projects.

Underserved Areas

The Senate bill provides a set-aside of 1% of the funding in FY'90 and 2% in FY'91 for underserved rural areas. If the money is not used by September 1st of the fiscal year, it can be reallocated to other counties that meet the requirements of targeted areas. The Secretary is to designate 30 counties in FY'90 and 50 in FY'91 that have "severe, unmet housing needs," for this purpose. NAHB has reservations about these provisions because geographic designations often do not work.

The House bill simply states that the Secretary may not refuse to make a loan in an area that is excessively rural in character or remote.

Housing Opportunity Partnership Program (HOP)

S.566 expands the supply of affordable housing in rural areas through the HOP. HOP will be administered by the HOME Corporation which will also act as a secondary market entity. Rural communities will be eligible to receive assistance through HOP, which is a new program to provide housing production funding divided equally between cities and states. There is concern, however, that there is no requirement that states spend their money in rural areas.

RURAL HOUSING PROGRAMS (cont'd)

H.R.1180 does not have similar provisions, but does provide for a Community Housing Partnership Act for grants and loans to nonprofits and local government for low- and moderate-income family rental and homeownership units. In separate House legislation, a program similar to HOP was introduced.

Section 502 Loan Guaranty Demonstration:

In a last minute change, legislative language which would have exempted the Section 502 moderate income loan demonstration from the appropriations process was dropped in Conference last year. The original legislation passed in the 1987 Housing Act made provisions for a four-year pilot program to allow unused funds under Section 502 to be used for a moderate income program subject to appropriation's act approval. This legislation allowed the lesser of 10% of the current allocation or the average of the state's unused funds over the past three years to be used for moderate income families who have incomes between 80% and 100% of median.

This legislation made two important changes, however. First, it requires the FmHA to implement regulations within four months. An interim rule was published in the Federal Register on March 29. Second, it ensures that unused very low-income funds can be used for the program. Due to the targeting law, which states that 40% of the funds must go to very low-income families, this was unclear.

Other Rural Legislation

The Rural Housing Improvements Act of 1989 (**H.R.2388**) introduced on May 17, 1989, also provides a low- and moderate-income guaranty program. Income cannot exceed 100% of median and the mortgage amount cannot exceed FHA limits of $67,500-$101,250. Loans are guaranteed 100% by FmHA in areas not adequately served by other mortgage lending institutions. It also expands the Federal Agriculture Mortgage Corporation to create a permanent, less costly flow of mortgage credit.

Sen. Sanford also introduced legislation (**S.1371**) on rural housing on July 20, 1989. This legislation is similar to **S.566** in that it includes a Section 502 deferred loan program, conversion of Section 502 inventory properties to Section 515 and rural set-asides for underserved areas. (As compared to **S.566**, **S.1371** doubles the set-aside for underserved areas.)

RURAL HOUSING PROGRAMS (cont'd)

S.1371 includes a moderate-income guaranty program similar to **H.R.2388** but only provides for a 90% guaranty. This legislation also provides for two programs for non-profits: a capacity building grant program for technical assistance and preparation of applications and a Public-Private Partnerships Demonstration Program to provide grants to non-profit organizations for up to 60% of the development cost of a rental housing project.

STATUS

NAHB testified before the House and Senate Appropriations Committees on rural funding on April 12 and 20, 1989, respectively. The House Housing Bill (**H.R.1180**) was introduced on March 1 and the Senate bill (**S.566**) on March 15, 1989. A hearing on the rural section of **H.R.1180** was held on May 18, 1989, and on the rural section of **S.566** on June 21, 1989.

OUTLOOK

It is likely that additional funding will be provided for rural housing in FY'90. It is also likely that some form of the Cranston-D'Amato Affordable Housing Act will pass in the 101st Congress.

NAHB POSITION

NAHB supports additional funding levels for FmHA rural housing programs. NAHB supports the Section 502 moderate income loan guaranty program. NAHB supports 502 conversion to 515 for private developers. NAHB opposes 50 year prepayment restrictions on Section 515 projects.

COMMITTEE JURISDICTION

Senate: Banking, Housing and Urban Affairs Committee/Subcommittee on Housing and Urban Affairs
Appropriations Committee/Subcommittee on Agriculture, Rural Development and Related Agencies
Budget Committee

House: Banking, Finance and Urban Affairs Committee/Subcommittee on Housing and Urban Affairs
Appropriations Committee/Subcommittee on Rural Development, Agriculture and Related Agencies
Budget Committee

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VA HOUSING PROGRAMS

BACKGROUND

The VA Home Loan Guaranty Program has run into financial difficulties due to the economic downturn in our energy and agriculture producing states over the past few years. To counteract the high level of appropriations now needed to fund the VA program, the House passed, **H.R.1415**, the FY'89 Mortgage Indemnity Act, to try to make the program solvent. It is almost identical to legislation passed by the House last September. The Mortgage Indemnity Act requires the veteran to pay a 1-1/4% "premium" rather than the current 1% fee, with the government also contributing 3/4 of 1% over three years. If a downpayment of 5% or more is made, the veteran would only have to pay a 3/4% fee. The House passed this legislation on June 7, 1989.

The Senate VA Committee passed similar legislation (**S.1158/S.13**), The Home Loan Guaranty Restructuring and Solvency Act on June 27, 1989. The Senate legislation differs from the House by dropping the fee to 1/4% if a veteran makes a 10% downpayment, by allowing a 20% fee increase if it is needed and by permitting a veteran to increase his entitlement by paying a .01% fee for each $1,000 in increased entitlement with an overall cap of $5,000. The total of the guaranty and any downpayment may not exceed 25% of the purchase price.

NAHB urged Congress to reconsider implementing this program stating that it would likely cost more than the contributions being made. A Peat Marwick study on the Mortgage Indemnity Act said that the program would reach a deficit after four years from which it would not recover over the next 30 years. NAHB suggested that if additional fees are needed, they should be from the government's share. We also pointed out that now two revolving funds would exist (the current Loan Guaranty Revolving Fund and the Loan Indemnity Fund) and neither would be self-sufficient. We also opposed it on the grounds that it took away the benefit nature of the VA program. NAHB supported the optional entitlement increase provided in the Senate bill.

In all our Congressional testimony, NAHB has restated its support for an adjustable rate mortgage which was dropped in the Conference Agreement during deliberations on the 1987 VA Housing Act.

STATUS

Just prior to adjournment in 1989, Congress enacted the Veterans' Home Loan Indemnity and Restructuring Act of 1989. This Act raises the basic loan fee to 1.25%, and also protects veterans from liability to the VA due to foreclosure. Moreover, it raises the loan guaranty entitlement to a maximum of $184,000.

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VA HOUSING PROGRAMS (cont'd)

OUTLOOK

It is likely that additional funding will be provided for rural housing in FY'90. It is also likely that some form of the Cranston-D'Amato Affordable Housing Act will pass in the 101st Congress.

NAHB POSITION

NAHB opposes unnecessary fee increases on federal housing programs. NAHB supports an adjustable rate mortgage for VA buyers. NAHB continues to express reservations about the financial soundness of **H.R.1415, S.1158/S.13.**

COMMITTEE JURISDICTION

Senate: Veterans Affairs Committee

House: Veterans Affairs Committee/Subcommittee on Housing and Memorial Affairs

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MILITARY HOUSING

BACKGROUND

The Department of Defense (DoD) wrote legislation (Capehart Revitalization Act of 1989) to revive the 1950's Capehart program, which provided HUD insurance for turnkey construction for military family housing. DoD revised the Capehart program to include rehabilitation, as well as new construction, and urged that funding be provided on an installment basis. Because of problems with the Office of Management and Budget (OMB) which insisted that full funding for the program be scored in the first year, the Capehart Act was not included in DoD's FY'90 proposals.

In congressional report language last year, however, it was made clear that scoring of budgetary resources for any given year should be limited to the amount of the installment for that year. With the encouragement of House committee staff that the legislation has merit and will help in resolving our large military housing deficits, NAHB has met with the Congressional Budget Office (CBO) to try to resolve the Capehart scoring problem. CBO commented that we have provided them with an intelligent proposal and they are continuing to evaluate it.

NAHB testified before the House Armed Services Committee and the House Military Construction Appropriations Subcommittee on the Capehart Revitalization Act which includes the following provisions:

- Under the Capehart Act, builders would receive a lease of government land and a construction contract. The lease agreement would be with a special purpose shell corporation that is sponsored by the appropriate military service. When the houses are complete, the builder would place an FHA-insured mortgage on them, repay his construction loan and take any profit from the mortgage proceeds. The corporation would simultaneously be transferred to a military department. So that DoD becomes the owner of the property, the law gives authority for the Secretary of Defense to acquire capital stock in the mortgagor corporation and to guarantee the payment of the corporation's notes. The houses, thus, become government-owned family housing subject to a mortgage.

- The legislation also authorizes the DoD to contract with a "master developer" who would become the contractor for a number of projects on a regional or national basis. He could use his own workers or subcontract for design and construction. Preference must be given to bidders who primarily do business in the project's location.

MILITARY HOUSING (cont'd)

The Section 801 and 802 military family housing pilot programs, which were created in 1983, also encourage private-sector participation in providing family housing for the military. These programs, however, are subject to the annual appropriation of funds, which translates into a higher interest rate for financing each project and some builder reluctance to participate in the program. The Section 802 rental guaranty program generally has not been successful because it is based on a serviceman's allowance for quarters, which is not high enough to cover high land and construction costs when amortizing the loan. Authority for Section 801 expires September 30, 1989, and was extended in the FY'90 Defense Authorization bill for one year in the House and two years in the Senate. Section 802 authority expires on September 30, 1990. Report language in the FY'90 DoD bill states that Section 802 will not be extended unless changes made this year create a workable program. The changes made in Section 802 include a separate maintenance contract and provisions for utilities and other services to be provided by the government.

The FY'90 House DoD report states that "the portion of the defense budget allocated to military construction is inadequate" and calls for the Executive Branch to assist in overcoming budget scoring problems.

Real estate leasing authority (U.S.C.2667) also is used to encourage private-sector financing of military housing. Government owned land is leased to a privately-owned housing project at no cost. The government retains some control over the quality of construction, maintenance and rents. It is also dependent on a serviceman's allowance for quarters. A possible use of U.S.C.2667 is the Soldiers' Housing and Retirement Equity program called SHARE, which is also being considered at DoD. SHARE is designed to allow active service members to purchase cooperative privately-financed housing on military installations.

STATUS

NAHB's Military Family Housing Task Force has been meeting with the Air Force on producing a housing prototype. The revised Capehart plan is the result of these meetings. NAHB testified on the Capehart Revitalization Act before the House on March 20, 1989 and before the Senate on April 6, 1989. The FY'90 Defense Authorization bill has been acted on by both the House and Senate.

OUTLOOK

The DoD supports private-sector participation in providing military family housing and will continue to seek necessary legislative changes to provide suitable housing to retain military personnel in the service. Overcoming the budget scoring problem is the biggest obstacle to the construction of new military family housing.

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MILITARY HOUSING (cont'd)

NAHB POSITION

NAHB supports extension of the Sections 801 and 802 programs and legislation which gives the Department of Defense the option of long-term leasing of military housing from the private sector. NAHB supports revision to the Capehart legislation to provide housing for our military personnel.

COMMITTEE JURISDICTION

Senate: Armed Services Committee/Subcommittee on Readiness, Sustainability and Support
Appropriations Committee/Subcommittee on Military Construction

House: Armed Services Committee/Subcommittee on Military Installations and Facilities
Appropriations Committee/Subcommittee on Military Construction

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NATIONAL ENERGY POLICY

BACKGROUND

Several bills introduced in the Senate and House this year seek to establish a national energy policy to reduce global warming and the "greenhouse effect". One characteristic that the bills share in common is the formulation and implementation of more stringent conservation measures to be enforced within different types of industries to mitigate global warming. Some of the proposals would establish a numerical energy efficiency rating for residential buildings. While a mandatory uniform rating system would be unacceptable to the industry, the enactment of a voluntary rating system is probable.

The bills would also authorize long-term funding for the Department of Energy's renewable energy and energy conservation research programs. These research programs are critical to the housing industry because they would assist in finding ways to achieve higher energy efficiency levels that ultimately would lead to more affordable housing.

The following are some of the bills that have been introduced:

- **S.324** -- National Energy Policy to Reduce Global Warming
- **S.201** -- Protection of World Environment From Future Degradation
- **S.169** -- Amend National Science and Technology Policy
- **S.333** -- Global Warming Protection Act
- **S.1355** -- Residential Energy Efficiency Ratings Act
- **H.R.711** -- Amend Energy Policy and Conservation Act
- **H.R.1078** -- Global Warming Prevention Act
- **H.R.1216/S.488** -- Renewable Energy and Energy Efficiency Technology Competitiveness Act

STATUS

Senate and House committees are extensively examining the causes of the greenhouse effect and are considering a number of bills aimed at a variety of global warming issues.

H.R.1216/S.488, legislation to improve the commercialization and competitiveness of energy efficiency and renewable energy technologies, was approved at the end of the first session of the 101st Congress.

NATIONAL ENERGY POLICY (cont'd)

OUTLOOK

Legislation to mitigate global warming should get a lot of attention in 1990. The policy initiatives that have been placed on the table are inclusive of every type of industry, and some policy solutions may be enacted on a piecemeal basis.

NAHB POSITION

NAHB opposes mandatory rating of homes according to their energy efficiency level. However, NAHB supports legislation providing long-term funding for federal housing energy research programs, particularly the U.S. Department of Energy's solar and renewable energy and energy conservation programs. However, NAHB opposes any federally, state or locally mandated energy standards or labeling of homes according to their energy efficiency level.

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ENDANGERED SPECIES

BACKGROUND

In the early 1900's, Congress began efforts to protect individual species facing possible extinction. While the laws helped to protect the American Bald Eagle, grizzly bears and other identified species, it did little to identify potential threatened species.

In 1973, Congress passed the Endangered Species Act making it a federal offense to buy, sell, possess, export or import any species listed as endangered or threatened or any product made from such a species. The law also directed federal agencies to ensure that their actions, including granting construction permits to private companies, did not jeopardize listed species.

Congress has amended the law six times since 1973, including the five-year reauthorization of the Act last year.

STATUS

Environmental groups, for several years, have asked the Fish and Wildlife Service to take action on the backlog of over 1,000 species that qualify for listing as either endangered or threatened. Another 3,000 species have been nominated for listing and await further studies.

Many of these groups have learned to circumvent this listing procedure by using judicial review or emergency listing procedures to accomplish their goals. Recent court injunctions threatened northwest lumber production after concern was raised regarding the habitat of the spotted owl. In Utah and California, the emergency listing procedures of the desert tortoise have stopped housing projects.

Across the country, concern over particular species is causing major disruptions in land planning and development.

OUTLOOK

Although the Congress last year reauthorized the Endangered Species Act for another five years, NAHB has begun a major initiative toward improving the administrative and regulatory procedures of the statute. Furthermore, a broad based coalition is being formed to resolve problems in the implementation of the Act, while protecting threatened and endangered species.

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ENDANGERED SPECIES (cont'd)

NAHB POSITION

NAHB believes the Act should be amended to require a proposed listing of species to be accompanied by an economic impact statement, a determination by the Fish and Wildlife Service that the species can be recovered and that a notice of proposed listing be given to all affected landowners in critical habitat areas.

NAHB also believes authorization should be given for area planning processes to address multi-species conservation needs and to permit local, state and federal governments to enter into agreements for area-wide, long-range, maintenance and protection programs of protected habitats.

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COASTAL BARRIERS RESOURCE SYSTEM

BACKGROUND

The federal interest in coastal barriers began in the early 1980's when Congress and the Administration looked for ways to reduce the cost to the government of federal flood insurance. The solution was the prohibition of the issuance of new federal flood insurance coverage after October 31, 1983, for "any new construction or for substantial improvements of structures located on undeveloped coastal barriers." In 1982, Congress passed a more all-encompassing law, the Coastal Barrier Resources Act of 1982 (CBRA), which prohibited a variety of other forms of federal assistance for coastal barriers. Examples of prohibited federal expenditures include disaster relief, community block grants, FHA housing loans, water systems and sewer treatment grants, and flood control and beach erosion projects.

Under the law, the Secretary of Interior was directed to designate coastal barriers for inclusion under the Act and to define undeveloped coastal barriers. Upon the Secretary's recommendations, 186 units totaling 666 miles of shoreline and 452,834 acres of undeveloped, unprotected coastal barriers from Maine to Texas have been adopted as part of the system. Furthermore, a coastal barrier has been categorized as undeveloped using a density threshold of one structure per five acres.

The Act is unique in that it does not define specific areas included in the system but instead references a series of maps that depict the specific boundaries of the individual units. The units cannot be added to, or deleted from, unless Congress passes a law to do so. CBRA requires the Department of Interior to report to Congress suggested modifications to the system.

STATUS

In December 1988, the Secretary of Interior submitted to Congress a report recommending the Coastal Barriers Resource System be expanded from 186 units to 461 units, including coastal barriers on the Florida Keys, Virgin Islands, and Puerto Rico. Adoption of this recommendation would expand the system by 1.2 million acres along with more than 1,000 miles of shoreline.

Some groups have also recommended to Congress the inclusion of coastal barriers and shoreline along the Pacific and Great Lakes coasts. While the Department of the Interior has not agreed with these suggestions, they have completed a survey of 160 miles of Great Lakes shoreline in response to a request by Congress and have made an initial survey of barriers along the Pacific Coast.

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COASTAL BARRIERS RESOURCE SYSTEM (cont'd)

OUTLOOK

The House is currently considering **H.R.2840**, the Coastal Barrier Improvement Act of 1989, introduced by Rep. Studds (D-MA). H.R.2840 would reauthorize and amend CBRA to include the units recommended by the Department of Interior along the Gulf, Atlantic, and Caribbean coasts. It would also expand the system to areas along the Great Lakes identified as qualified for inclusion by the Department of Interior. Finally, it would require the Secretary to submit maps identifying boundaries of eligible coastal barriers along the Pacific coasts. Similar legislation is expected to be introduced in the Senate and consideration of CBRA is expected during the 101st Congress.

NAHB POSITION

NAHB currently is analyzing CBRA to determine what position to take regarding its reauthorization.

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CLEAN AIR

BACKGROUND

The Environmental Protection Agency (EPA) and states have been trying to reduce ozone and carbon monoxide pollution since passage of the 1970 Clean Air Act. Although pollution levels have been reduced, many areas have not met the standards. The blame is variously attributed to EPA, state and local regulators, Congress, pollution drifting from one state to another, insufficient scientific understanding, incorrect projections of emissions increases and opposition to expensive or unpopular controls.

EPA plans to impose a ban on construction of major polluting facilities in up to 13 metropolitan areas by early 1989. By November 1988, EPA had imposed the ban in the Los Angeles area, Ventura County, California and the Chicago area. The 100th Congress passed legislation prohibiting imposition of sanctions before August 31, 1988, but that moratorium has expired.

EPA is applying the ban only in areas for which states have not submitted and fully implemented state implementation plans that meet all Clean Air Act requirements. However, critics say that citizens lawsuits could force the ban to be imposed in all areas where the air did not meet the standards by the end of 1987.

All sides agree that legislation is needed, but there is much controversy over which pollution sources should be targeted for additional controls. Industry says many of the controls favored by environmentalists would not produce enough health benefits to be worth the cost. Another major issue is to what extent the Congress should mandate particular control measures rather than leave decisions on how to control pollution to EPA and others.

STATUS

Senate Majority Leader Mitchell (D-ME) has scheduled the Clean Air bill as the first order of business when the Senate returns on January 23, 1990. After a speedy committee mark-up with limited debate and few amendments a lengthy Floor debate is expected. In the House, the Administration's bill has become stalled during Subcommittee consideration in the Energy and Commerce Committee. However, the bill is expected to reach the House Floor by late spring or early summer.

NAHB is working on changes to provisions that may require onerous transportation control measures in non-attainment areas and the listing of certain substances used in building materials as hazardous pollutants.

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CLEAN AIR (cont'd)

OUTLOOK

Reauthorization of the Clean Air Act is certain to pose a test of political influence and cooperation. During the eight years of the Reagan Administration, little effort was made on behalf of the White House to revise the Clean Air Act. Without leadership from the White House, Congress fell into parochial bickering. With the appointment of William K. Reilly, a professional environmentalist, to be the Administrator of EPA, and President Bush's stated commitment to clean air, the mood is ripe on Capitol Hill for all parties to come together and forge a comprehensive piece of legislation.

NAHB POSITION

A resolution urging NAHB to place appropriate emphasis on Congress when it moves to reauthorize the Clean Air Act to ensure that the burden of air pollution control is not shifted from the point source (autos, power plants, industrial plants, etc.) to the "indirect source" (land use and transportation controls, i.e., subdivision development) was approved during the 1988 Fall Board of Directors meeting in Reno.

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INFRASTRUCTURE

BACKGROUND

With increasing attention being paid to America's aging and often stagnant infrastructure, Congress is finding itself bombarded with calls for a massive infusion of federal funds for public works. However, hamstrung by fiscal spending constraints, Congress is looking for alternative and innovative sources of funding.

During his confirmation hearing before the Senate Environment and Public Works Committee, Transportation Secretary Samuel K. Skinner recognized the problems of America's infrastructure and stated that he believed it should be part of a long-range transportation policy -- he further promised that developing this policy would be a priority item.

Secretary Skinner stated, "It's quite clear that our nation's infrastructure is in need of substantial funding and substantial repair. But before we find ways to solve these problems we've got to have a policy that lets us look long-range as to what our needs are going to be, identify the short-range steps and the areas that need immediate solution and then begin to implement those steps as part of a long-range plan." Commenting on additional highway spending, Skinner stated, "We've got to identify . . . just what is enough, what is realistic to do, and where we're going to raise the additional funding." Many in Congress think that they have innovative approaches to assist Secretary Skinner.

STATUS

Sen. Moynihan (D-NY) has introduced legislation to help finance infrastructure projects. **S.220** would set up a National Infrastructure Corporation to provide low-interest loans through a revolving fund for projects of regional and national importance. The loans would cover no more than 33% of the total cost of a project, with the rest of the cost to be picked up elsewhere. The corporation would be financed by interest on the unspent balances in transportation trust funds -- the interest is about $2.3 billion a year.

Sen. Domenici (R-NM) has also introduced legislation, **S.700**, which would provide tax-exempt status for bonds used to finance environmental infrastructure. Environmental infrastructure would include sewage, solid waste, hazardous waste or water facilities for the general public.

A handful of other bills have been introduced that would create emergency public works jobs to work on infrastructure repair projects and the establishment of federal programs to assist state and local governments with the repair and rehabilitation of aging public works facilities.

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INFRASTRUCTURE (cont'd)

NAHB POSITION

NAHB has long been involved with many infrastructure issues, such as the Clean Water Act. NAHB is working hard to make sure that infrastructure becomes and remains one of its long-term priorities. As part of this effort, a Builder Task Force on Infrastructure, charged with examining all facets of this issue including: financing, impact fees, the federal role, and state/local input, has been created to develop policy.

During the 1989 Atlanta Convention, the Board of Directors approved a broad infrastructure policy statement urging Congress to establish a category of tax-exempt financing instruments for infrastructure activities that would remove such instruments from state-imposed restrictions, allow favorable use of arbitrage, eliminate the application of the alternative minimum tax and shorten depreciation periods for such activities.

The Board also called for the establishment of state infrastructure banks to provide grants, loans, and credit-enhancement support for infrastructure activities -- and the establishment of a national infrastructure bank, similar to Fannie Mae, to provide long-term financing for infrastructure projects on "favorable" terms.

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CONSTRUCTION INDUSTRY LABOR LAW AMENDMENTS

BACKGROUND

Sponsors of the "anti-dual shop" legislation, also known as "anti-double breasting," (**H.R.931/S.807**) face an uphill battle trying to foster a majority of support in the House and Senate for the bill. **H.R.931/S.807** would impose the collective bargaining agreements of a unionized construction firm on all non-unionized construction firms over which it has substantial common ownership or control. It would change the balance of employment relationships in the construction industry by giving unions greater powers to organize employees. Current law adequately addresses illegal dual shops and pre-hire agreements.

STATUS

H.R.931 was referred to the House Subcommittee on Labor-Management Relations, and **S.807** was referred to the Senate Subcommittee on Labor.

OUTLOOK

The House is not likely to vote on **H.R.931** until either the Senate Labor and Human Resources Committee has reported out **S.807** or the Senate leadership makes a commitment to support the bill.

NAHB POSITION

NAHB opposes amendments to the National Labor Relations Act that would effectively bar "dual shop" operations or alter the enforceability of pre-hire agreements.

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DAVIS-BACON REFORM

BACKGROUND

A House/Senate conference on the FY'90 Defense Authorization bill (**H.R.2461/S.1352**) dropped an amendment that would have made minimal changes to the Davis-Bacon threshold while expanding the scope of the law. It had been attached to the House bill during the floor debate.

The amendment would have exempted all federally funded or federally assisted construction contracts of less than $50,000 and repair and renovation contracts of less than $15,000 from the Davis-Bacon Act. It also would have expanded the law, however, by giving individuals, associations and unions the right to sue employers in Federal District Courts for alleged violations of the Davis-Bacon Act. This expansion of the law could lead to extensive litigation against construction employers, and would change the way the law is enforced.

The Davis-Bacon Act currently requires contractors on federally funded or federally assisted construction projects of more than $2,000 to pay local prevailing wages as determined by the Department of Labor.

STATUS

A House/Senate Conference Committee agreed to drop the amendment that had been attached to the Defense Authorization bill.

OUTLOOK

Congress is expected to reconsider reform of the Davis-Bacon law next year.

NAHB POSITION

NAHB urges Congress to reform the Davis-Bacon Act by increasing the threshold significantly to allow for effective enforcement of the Act by the Labor Department and encourage small construction employers to bid on government projects.

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PARENTAL LEAVE

BACKGROUND

H.R.770/S.345, legislation requiring companies to provide unpaid, job-protected leave to workers has been side-tracked in the House and Senate after being favorably reported out of Committee last April in both Houses.

Below is a side-by-side comparison of the House and Senate bills.

	H.R.770	S.345
SPONSORS	Rep. Clay (D-MO), Rep. Roukema (R-NJ) Rep. Schneider(R-RI) Rep. Hawkins (D-CA) (151 co-sponsors)	Sen. Dodd (D-CT) Sen. Packwood (R-OR) Sen. Hatfield (R-OR) Sen. Jeffords (R-VT) (20 co-sponsors)
FAMILY LEAVE	10 weeks over 2 year period for birth, adoption or serious illness of a dependent.	10 weeks over 2 years same coverage
MEDICAL LEAVE	15 weeks over 1 year period for serious illness or injury.	13 weeks over 1 year same coverage
EMPLOYER COVERAGE	50 or more employees; 35 or more employees after 3 years of enactment.	20 or more employees
EMPLOYEE ELIGIBILITY	1000 hours within 12 month period with same employer.	900 hours within 12 month period with same employer.
CERTIFICATION	Employer may require doctor certification. Second opinion may be required at employer's expense.	SAME
STUDIES COMMISSIONED	Two-year study on effects on small business.	SAME

November 8, 1989
January 5, 1990 (Revised)

PARENTAL LEAVE (cont'd)

STATUS

The parental leave bills in the House and Senate have been reported out of committee and are ready for Floor consideration.

OUTLOOK

The only compromise guaranteed to bring opponents on board -- making the "leave" benefit voluntary, not mandatory -- is not open to negotiation. President Bush has threatend to veto any parental leave bill that is mandatory.

NAHB POSITION

NAHB opposes legislation that would establish a mandatory national policy on job leave for child or parental care.

November 8, 1989
January 5, 1990 (Revised)

OCCUPATIONAL DISEASE NOTIFICATION AND PREVENTION

BACKGROUND

Sen. Metzenbaum (D-OH) and Rep. Gaydos (D-PA) have introduced the High Risk Occupational Disease Notification and Prevention Act, **S.582/H.R.3067.** This legislation would establish a new federal bureaucracy within the Department of Health and Human Services (HHS) that would duplicate many of the responsibilities regarding occupational health concerns that now rest within the jurisdiction of the Occupational Safety and Health Administration (OSHA). It would create a Risk Assessment Board within HHS to determine employee populations at risk of incurring an occupational disease because of exposure to workplace hazards and individually notify those workers of the degree of risk.

S.582/H.R.3067 are very similar to high risk bills considered in the previous Congress. The new bills limit the costs of medical monitoring for small businesses, and prohibit stress claims related to any aspects of the notification process.

STATUS

S.582 was introduced in the Senate on March 15, 1989. The House bill, **H.R.3067**, was introduced on August 1, 1989.

OUTLOOK

Oversight hearings are expected to be held next year on **S.582/H.R.3067.** However, this legislation may take on a new dimension as Congressional committees begin consideration of legislation to reform the Occupational Safety and Health Administration.

NAHB POSITION

NAHB opposes legislation that would create a new federal program for health risk notification that would be costly and duplicate OSHA's responsibility to protect workers' health.

November 8, 1989
January 5, 1990 (Revised)

MANDATED BENEFITS

BACKGROUND

The Senate Committee on Labor and Human Resources reported legislation, **S.768**, that would require all employers to provide a minimum package of health insurance benefits to their employees working at least 17-1/2 hours per week.

Sen. Kennedy (D-MA) is the sponsor of the Senate bill, **S.768**, The Minimum Health Benefits for All Workers Act. Rep. Waxman (D-CA) is the sponsor of the House companion legislation **H.R.1845.**

The bills contain no medical or pre-existing condition exclusions and require employers to pay for 80% of the premium. The deductible would be limited to $250 for an individual and $500 for a family.

STATUS

On July 12, 1989, S.768 was marked-up by the Senate Labor and Human Resources Committee. The House has yet to act on **H.R.1845**, which was referred to the House Energy and Commerce Subcommittee on Health and the Environment.

OUTLOOK

Proposals to expand access to health insurance -- ranging from public-private sector initiatives to a universal health care arrangement -- will be explored by the House and Senate labor and tax-writing committees.

NAHB POLICY

NAHB opposes federal legislation mandating all private employers to provide all employees with specific minimum health benefits coverage.

November 8, 1989
January 5, 1990 (Revised)

JOB CORPS

BACKGROUND

Job Corps is a residential education and training program which supplies thousands of entry level workers for the housing and building industry.

STATUS

On November 21, 1989, Congress passed a deficit reduction measure, the Budget Reconciliation Act, which cut overall Job Corps funding for FY'90 by approximately 1.4% from the amount allocated in the Labor, Health and Human Services, and Education Appropriations bill.

Congress had approved Job Corps funding at $813 million in its FY'90 appropriations bill; however, the 1.4% reduction cuts back the final appropriation to $802.2 million. Compared to last year's $741.8 million appropriation, Job Corps will still receive an 8.1% boost in funding.

NAHB POLICY

NAHB supports the growth and expansion of construction craft training into additional training centers throughout the country. Job Corps represents a proven method of supplying the construction industry with a supply of well trained and motivated workers.

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November 26, 1988, Saturday, Final Edition

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Performed for NHBA in 11/89

HEADLINE: Friend to the Homeless Has Been There Herself

Anecdote

BYLINE: Patrice Gaines-Carter, Washington Post Staff Writer

BODY:

A stream of girls and boys runs through Ella McCall's door each afternoon. They hop off the school bus and head for her office to show off their "A" papers. They cry and tell her about the kids who taunt them and shout, "Dirty babies!" because they are homeless.

McCall, a social worker at Capitol City Inn, a Northeast Washington shelter for homeless families, draws each child onto her lap, wipes away all tears, and whispers, "Love ya, baby. Love ya."

McCall understands the children, residents say. Maybe that is because she is a mother of eight and grandmother of 12. Or because she is a confident, compassionate woman who has a master's degree in social work from Catholic University. Or perhaps because Ella McCall was once homeless herself.

For the children, McCall's office is a haven from their make-believe playground -- a discarded mattress lying next to a garbage dumpster outside the motel they call home. For teen-agers and parents, mostly women, McCall's office is a warm respite from their dim, narrow rooms.

"Some people say they are going to help us, but she does," said Joyce Stoddard, who lives at the shelter with her three children. "Whatever we need, if she doesn't have it today, she'll have it tomorrow -- even if she has to beg for it. They moved her from here one time and it was like taking away the sunshine from this place."

"Because of Ella's earlier years, she has a full understanding of what happens when people need an extra hug, an extra boost," said Andree Gandy, executive director of People Involvement Corporation, where McCall once worked. "She has made some people care for themselves, probably for the first time ever. When they achieve a goal you wonder whether they did it for themselves, or if they did it for her because she expected it from them."

McCall, who gives her age as "the very late forties," chooses her anecdotes carefully, mindful not to embarrass or hurt her own eight children.

She had her first child at age 14, when she was in the seventh grade at Shaw Junior High School in the District. She dropped out after one day of high school.

"At that time people looked down on you if you had a child," she said. "I was a baby raising a baby." She got jobs washing dishes and baby-sitting. When her spirits were low, she looked to her mother for inspiration. Her parents had

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divorced when McCall was young, and although her mother remarried, McCall's stepfather died when she was 9 years old. Her mother was left to bring up four children alone.

"I remember my mother working in the cafeteria of a hotel for $ 13 a week," McCall said. "We were poor, but I didn't know it until I was about 14. We lived in . . . a raggedy house, but with an extended family of aunts and uncles."

By the time she was 18, McCall had three children. Unable to find work in the District, she went to New York, leaving the babies behind to be cared for by her mother. In New York, she worked as a sleep-in domestic for a family on Long Island. On off days, she caught a train to Washington to visit her children.

Later, she worked a string of factory jobs, living in an apartment with some girlfriends. Her life went haywire for a while. "I didn't get involved in drugs, but I got involved with someone who was abusive to me," McCall said. She started working at bars, as a waitress and barmaid. She drank too much, too often, she said. She got married and had two more children.

Finally, she left her husband and found herself homeless. She spent a night riding one subway after another with her two small children. The next morning, she went to a Harlem welfare office, sobbing. Welfare workers gave her a room in a hotel that served as a group home for the homeless.

Later, she got a cold water flat and went on welfare. She dreaded visits by social workers, who "investigated you, dropping by anytime, looking under your bed for men," she said.

Soon she was leading and organizing welfare rights demonstrations, taking her babies with her on marches through New York streets.

McCall and her husband reunited and moved into a housing project. She enrolled in night school and got her high school equivalency diploma. The couple moved to the District, then separated again and eventually divorced, but not before having twins.

Back in Washington in 1968, McCall got a job as a counselor. Her supervisor, Gandy, encouraged her to enter a free college program. "Ella was a person filled to the brim with unrealized dreams," Gandy recalled. "But she found her niche -- her ability to be in a giving capacity to people evicted, very ill, hungry, very poor."

McCall graduated from American University with a degree in criminal justice. She went on to earn a master's in social work from Catholic University, even though "I hated social workers. I remembered they had given me the blues when I was on welfare."

She has been a social worker for 11 years now, most of that time counseling the homeless. McCall interviews new families and draws up a plan to move them out of the shelter. In an average day, she may counsel married couples or knock at a door to investigate reports that children are being left alone or abused.

There are 570 children at the shelter and they are all McCall's babies. "A lot of them have not been touched," she said. "It's not that their parents don't care, but they are going through so much."

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"It's like she's a doctor," said Susie Goldman, a board member of Voices from the Street, an organization that has organized homeless people into a theater group that performs its own works about homelessness. "Everyone who comes through her door believes she can make it all better, no matter how bad it is."

McCall is the only member of the troupe who is not currently homeless. During a recent performance at the National Home Builders Association Conference in the District, she spoke about "the most endangered children in the world," those at her shelter. Her voice rose with emotion as she interjected her own words into the script.

She repeated her street mantra, "Love ya, baby." She screamed "Save the babies! Save the babies!" Strangers walked over to her afterward, offering hugs, handshakes and compliments.

Alice Avery, who lives in the Capitol City Inn, said that after one of her many sessions with McCall, she was inspired to write a poem. It ends: "When they teach a course in good social work, the students one and all will have at the desk, the best of the rest, the master -- Ella McCall."

"I have tried to follow the adage that charity begins at home by teaching my children to care," said McCall, who has remarried and helped raise a stepson. Her younger children have collected clothes and donated them to the shelter. A daughter who is a nurse organized coworkers to put on a fair for children at the shelter. All of McCall's family members visit the shelter from time to time.

Voices from the Street has performed for members of Congress and for the cast of "Les Miserables." With the money she earns from performances, McCall has started the "Love ya baby fund" to buy diapers, take children to dinner or help buy school supplies and shoes.

"If I had money I'd like to build housing for homeless families," McCall said. "These children have a right to housing and a decent place to stay. We're losing our children. Everything I do is to help save the babies."

GRAPHIC: PHOTO, "IF I HAD MONEY I'D LIKE TO BUILD HOUSING FOR HOMELESS FAMILIES," SAYS SOCIAL WORKER ELLA MCCALL, WHO WORKS AT THE CAPITOL CITY INN IN NORTHEAST WASHINGTON. DUDLEY M. BROOKS

TYPE: DC NEWS, BIOGRAPHY

SUBJECT: DISTRICT OF COLUMBIA; HOMELESS; SOCIAL SERVICES

NAMED-PERSONS: ELLA MCCALL

ENHANCEMENT: AGE

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ENHANCEMENT: ABE

There cannot be named a pursuit or enterprise of human beings, in which there is so little possibility of failure, as praying for sanctification.—*J. W. Alexander.*

HOME.—To Adam paradise was home. —To the good among his descendants, home is paradise.—*Hare.*

Without hearts there is no home.—*Byron.*

Our home joys are the most delightful earth affords, and the joy of parents in their children is the most holy joy of humanity. It makes their hearts pure and good, it lifts men up to their Father in heaven.—*Pestalozzi.*

The first indication of domestic happiness is the love of one's home.—*Montlosier.*

A hundred men may make an encampment, but it takes a woman to make a home.—*Chinese Proverb.*

It was the policy of the good old gentleman to make his children feel that home was the happiest place in the world; and I value this delicious home-feeling as one of the choicest gifts a parent can bestow.—*Washington Irving.*

He is the happiest, be he king or peasant, who finds peace in his home.—*Goethe.*

When home is ruled according to God's word, angels might be asked to stay with us, and they would not find themselves out of their element.—*Spurgeon.*

Households there may be, well-ordered and abounding in comfort — families there may be, whose various members live in harmony and love—but homes, in their true sense, there cannot be where there is not one whom manly choice has made a wife and infant lips have learned to honor with the name of mother.—*Dudley A. Tyng.*

Home is the resort of love, of joy, of peace, and plenty, where supporting and supported, polished friends and dearest relatives mingle into bliss.—*Thomson.*

It is indeed at home that every man must be known by those who would make a just estimate either of his virtue or felicity; for smiles and embroidery are alike occasional, and the mind is often dressed for show in painted honor and fictitious benevolence.—*Johnson.*

The strength of a nation, especially of a republican nation, is in the intelligent and well-ordered homes of the people. —*Lydia H. Sigourney.*

Six things are requisite to create a "happy home." Integrity must be the architect, and tidiness the upholsterer. It must be warmed by affection, lighted up with cheerfulness; and industry must be the ventilator, renewing the atmosphere and bringing in fresh salubrity day by day; while over all, as a protecting canopy and glory, nothing will suffice except the blessing of God.—*Hamilton.*

The paternal hearth, that rallying place of the affections.—*Washington Irving.*

There is a magic in that little word, home; it is a mystic circle that surrounds comforts and virtues never known beyond its hallowed limits.—*Southey.*

Be it ever so humble, there's no place like home.—*John Howard Payne.*

Home is the seminary of all other institutions.—*E. H. Chapin.*

Eighty per cent of our criminals come from unsympathetic homes. — *Hans Christian Andersen.*

America's future will be determined by the home and the school. The child becomes largely what it is taught, hence we must watch what we teach it, and how we live before it.—*Jane Addams.*

There is no happiness in life, and there is no misery, like that growing out of the dispositions which consecrate or desecrate a home.—*E. H. Chapin.*

The most essential element in any home is God.—*Frank Crane.*

The family circle is the supreme conductor of Christianity.—*Henry Drummond.*

Many a man who pays rent all his life owns his own home; and many a family has successfully saved for a home only to find itself at last with nothing but a house.—*Bruce Barton.*

Christianity begins at home. We build our characters there, and what we become in after years is largely determined by our training and home environment. —*Tillman Hobson.*

Men are free when they are in a living homeland, not when they are straying and breaking away.—*D. H. Lawrence.*

NATIONAL ASSOCIATION
OF HOME BUILDERS

HOUSING BACKGROUNDER

THE PUBLIC AFFAIRS DIVISION
(202) 822-0406

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Housing Update

Forecast

The events of the year in housing were framed against a backdrop of a slowing expansion coming in for a "soft landing," a period in which growth slows to a crawl but a recession is averted.

Mortgage interest rates, a key determinant of housing sales and starts, peaked in the first quarter at more than 11 percent after hovering in the 10 1/2 percent range for most of 1988. By the end of 1989, after several ups and downs, effective interest rates (including points) were about 10 percent for fixed-rate mortgages.

The Federal Reserve Board, walking a narrow line between inflation and recession, kept tight reins on monetary policy throughout much of the year. NAHB was in close contact with the Federal Reserve Board during the year, and its senior officers met with Alan Greenspan, the board's chairman, several times to urge an easing of monetary policy to lower mortgage interest rates.

It was the Federal Reserve Board's gradual easing of monetary policy that resulted, during 1989's last quarter, in the lowest mortgage interest rates in more than a year.

The housing industry finished 1989 with 1.4 million housing starts, a 5.9 percent decrease from 1988. There were just over 1 million single-family starts, but multifamily housing continued the downward spiral caused by the Tax Reform Act of 1986 with only 382,000 starts.

NAHB projects about 1.4 million housing starts in 1990, about the same number of starts as in 1989.

Mortgage Interest Rates

Mortgage commitment rates went as high as 11.14 percent in 1989. Rates are expected to decline slightly to the 9 1/2 percent range during the first half of 1990 and increase slightly during the second half of the year.

Each one percent increase in the interest rate changes the home buying decisions of about 450,000 households during the course of a year and a one percent interest rate increase reduces by more than two million the total number of households with incomes high enough to qualify to purchase a median priced new home.

Housing Affordability

The nation's homeownership rate peaked in 1980 and has been dropping since then. The decline has been most pronounced among young households. The homeownership rate for households in the 24-29 age group fell from 43.3 percent in 1980 to 36.4 percent in 1987 and 35.9 percent in the third quarter of 1988. For households in the 30-34 age group, the rate fell from 61.1 percent to 53.5 percent in 1987. It dropped slightly during the first half of 1988, but in the third quarter increased to 54.2 percent.

Just as first-time buyers are having more difficulty finding affordable housing, renters are faced with an affordability crisis as well. Many households pay 30, 40 or even 50 percent of their incomes for rent and the rent burden has become particularly onerous for young single-parent families whose rents have increased from 34.9 percent of their incomes in 1974 to 58.4 percent in 1987.

Homes and Buyers

The median price of a new home sold during the third quarter of 1988 was $116,900, up from the median of $104,500 recorded in 1987.

About two-thirds of all new homes built today are larger "trade-up" homes with a full array of amenities. However, the first-time buyer market remains strong and an estimated 8.5 million young families will purchase their first homes during the next four years.

Housing's Direct Economic Impact

Residential construction stimulates the economy directly by generating jobs, wages and tax revenues and indirectly as the demand for goods and services created by the construction of new homes "ripples" through the economy.

Although it's difficult to gauge the indirect impact, the direct impact of residential construction on the economy is profound.

Five-Year Impact

From 1983 to 1987, the nation's home builders constructed 8.6 million new houses and apartment units, creating 2.5 million full-time jobs and generating $55 billion in wages each year. Local, state and federal tax revenues generated by the new construction totaled $113 billion over the five-year period. In addition, property taxes generated another $12 billion for local governments each year.

One-Year Impact

The construction of 1,000 single-family homes generates 1,800 worker-years of employment in construction and construction-related industries; $39.3 million in wages; $16.1 million in combined federal, state and local tax revenues; $1.6 million in local property taxes during the first year and $19 million in local property taxes over 20 years assuming a five percent annual increase in property values.

The construction of 1,000 multifamily units generates 882 worker-years of employment in construction and construction-related industries; $19 million in wages; $7.8 million in combined federal, state and local tax revenues; $900,000 in local property taxes during the first year; and $11.4 million in local property taxes over 20 years assuming a five percent annual rise in property values

Employment and Wage Impacts of Constructing 1,000 Housing Units in 1986

	Single-Family		Multifamily	
	Additional Employment (Man-Years)	Additional Wages ($ Million)	Additional Employment (Man-Years)	Additional Wages ($Million)
All Industries	**1,800**	**$39.3**	**882**	**$19.1**
Construction	750	18.2	376	9.1
On-Site	653	15.8	335	8.1
Off-Site	97	2.4	41	1.0
Land Development	235	5.7	65	1.6
Other Industries	815	15.4	441	8.4
Manufacturing	390	8.0	227	4.7
Trade, Transport. & Services	333	5.3	165	2.6
Mining & Other	93	2.1	49	1.1

The employment estimates are based on unpublished data from the Bureau of Labor Statistics, U.S. Department of Labor, of the employment requirements for building housing during 1981; NAHB assumes these employment requirements also apply to housing constructed in 1986. Average wages for each type of industry in 1986 are used to convert man-years into equivalent wages.

Tax Revenue Generated from the Construction of 1,000 Housing Units in 1986

(In Millions of Dollars)

	Single-Family	Multifamily
Income-Based Tax Revenues, Total	**$16.1**	**$7.8**
Federal Taxes	14.0	6.8
Personal Income Tax	4.7	2.3
Social Security Tax	5.2	2.5
Corporate Income Tax (Builders & Suppliers)	4.1	2.0
State Personal Income Tax	0.7	0.3
State and Local Sales Taxes	1.4	0.7
Local Real Property Taxes		
Revenue in First Year	1.6	0.9
Present Value Over 20 Years	19.0	11.4

The personal income taxes and Social Security tax use wage income as shown in the previous table. The corporate income tax and the real property tax are based on the average sales price of a new home in 1986. Other needed data, such as tax rates, are the most recent available.

Interest Rates

Mortgage interest rates are a crucial element in the homeownership affordability equation.

On a $100,000 mortgage, a two percent interest rate increase adds about $150 to the monthly mortgage payment.

Each one percent hike in the interest rate prices more than 200,000 potential buyers of a median priced home out of the new and existing housing market during the course of a year.

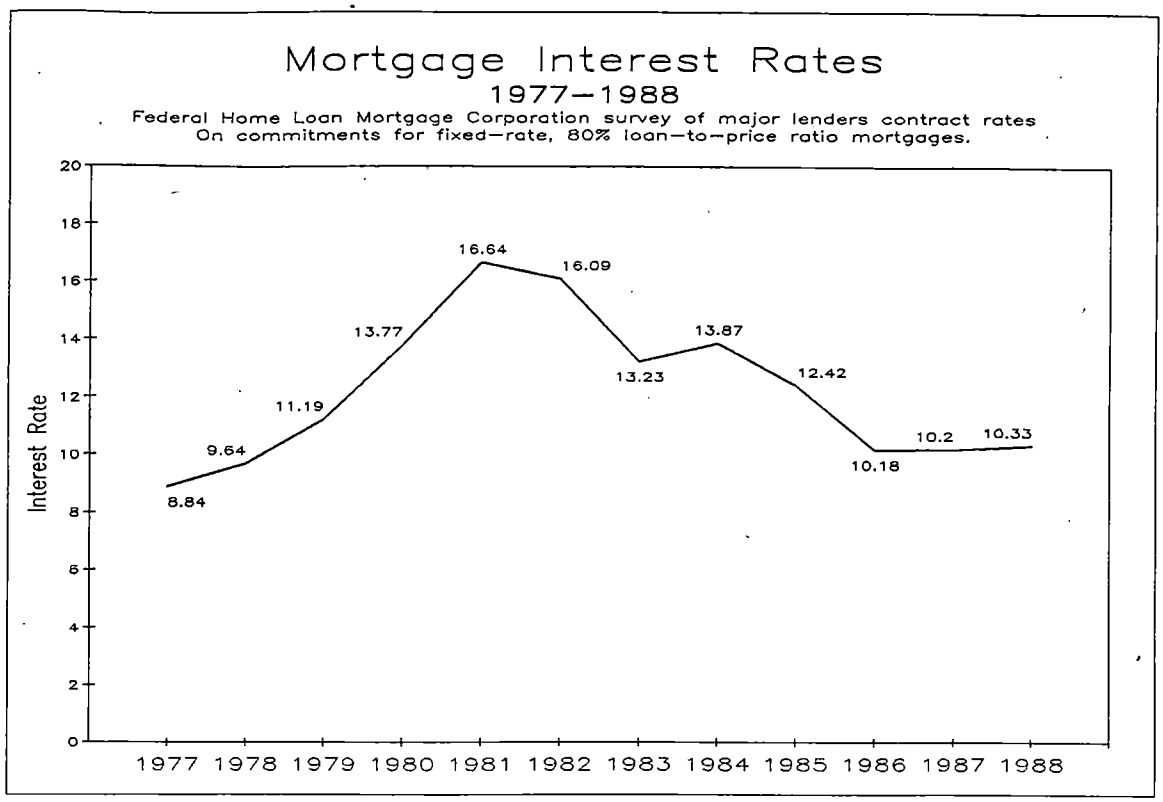
Mortgage Interest Rates -- 1988, 1989 by Month

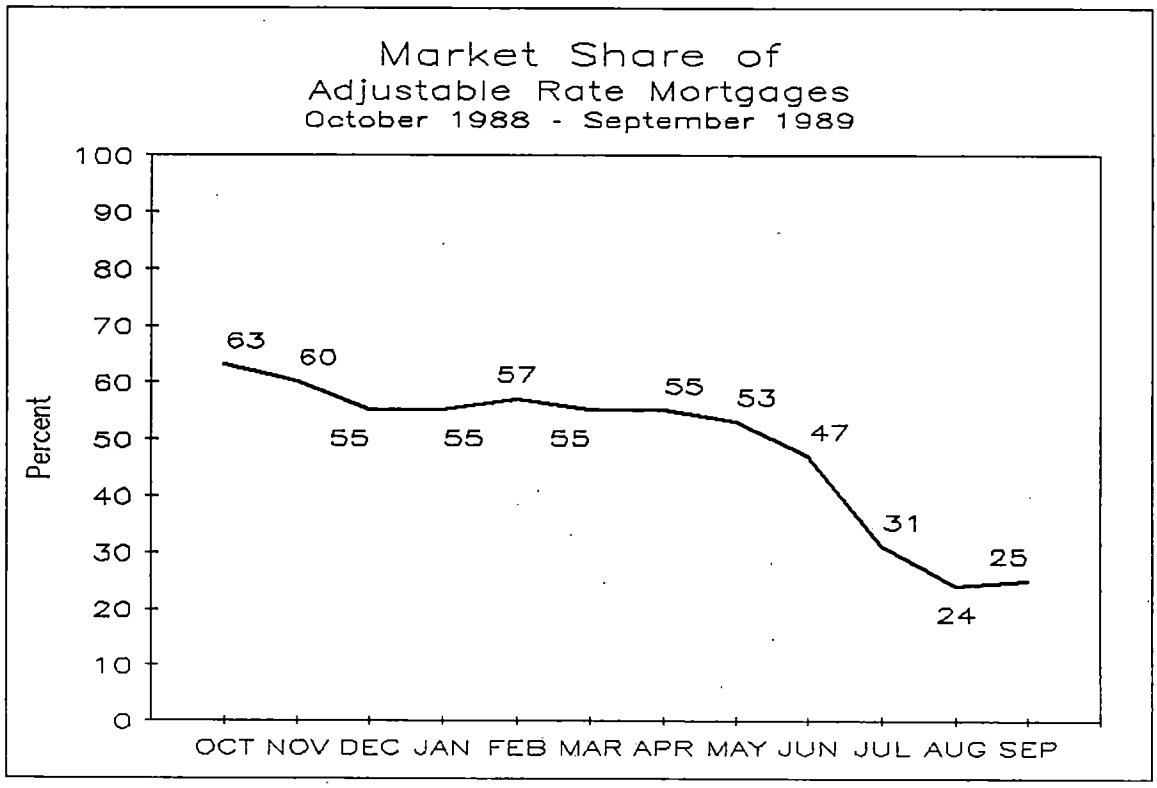
Month	Fixed(1)	Adjustable(2)	ARM Share(3)
1988			
January	10.97%	8.98%	65%
February	10.48	8.72	64
March	10.33	8.64	54
April	10.48	8.61	49
May	10.65	8.63	53
June	10.78	8.80	54
July	10.73	8.86	59
August	10.84	9.04	61
September	10.95	9.19	63
October	10.82	9.13	63
November	10.70	9.26	60
December	10.87	9.34	55
1989			
January	11.21	9.56	55
February	11.11	9.60	57
March	11.37	9.77	55
April	11.59	10.15	55
May	11.49	10.28	53
June	11.00	10.05	47
July	10.60	9.73	31
August	10.40	9.55	24
September	10.58	9.48	25
October	10.08	9.37	25

(1) Office of Thrift Supervision (formerly Federal Home Loan Bank Board) survey of major lenders' commitment rates for fixed-rate 75% loan-to-value mortgages (includes amortized value of points).

(2) Effective commitment rate for Adjustable Rate Mortgages with limited rate changes; 75% loan-to-value ratio (includes amortized value of points), reported by the Office of Thrift Supervision.

(3) Share of all loans closed by all major lenders that are Adjustable Rate Mortgages.


Mortgage Interest Rates
1977–1988
Federal Home Loan Mortgage Corporation survey of major lenders contract rates
On commitments for fixed–rate, 80% loan–to–price ratio mortgages.
Interest Rate
0
2
4
6
8
10
12
14
16
18
20
8.84
9.64
11.19
13.77
16.64
16.09
13.23
13.87
12.42
10.18
10.2
10.33
1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988


Market Share of
Adjustable Rate Mortgages
October 1988 - September 1989
Percent
0
10
20
30
40
50
60
70
80
90
100
63
60
55
55
57
55
55
53
47
31
24
25
OCT NOV DEC JAN FEB MAR APR MAY JUN JUL AUG SEP

Homeownership Rates: National and by Region

For the first time since the 1930s, the nation's homeownership rate has turned significantly downward, according to the U.S. Census Bureau. After climbing steadily from a rate of 43.6 percent in 1940, 55 percent in 1950, 61.9 percent in 1960 and 62.9 percent in 1970, to a peak rate of 65.8 percent in the third quarter of 1980, the homeownership rate started declining. Since 1986, when homeownership rates dropped to 63.8 percent, rates have ranged from 63.7 to 64.0 percent.

Homeownership Rates: National and by Region, 1974-1989

Year	National	Northeast	Midwest	South	West
1974	64.6%	59.3%	69.2%	66.7%	61.1%
1975	64.6	59.5	69.4	66.4	61.1
1976	64.7	59.7	69.3	66.4	61.3
1977	64.8	59.3	69.3	66.8	61.4
1978	65.0	59.9	70.2	67.3	60.8
1979	65.2	59.9	70.3	68.2	60.5
1980	65.6	60.7	70.1	68.3	60.4
1981	65.4	61.3	70.2	67.4	59.8
1982	64.8	61.1	69.4	66.7	59.4
1983	64.7	60.4	69.1	67.4	59.0
1984	64.4	61.2	68.4	67.0	58.5
1985	63.9	60.8	66.9	66.4	59.0
1986	63.8	61.4	66.9	66.1	58.4
1987	64.0	61.7	67.3	66.3	58.5
1988	63.8	61.3	67.5	65.8	58.5
1989 Q1	63.9	61.5	67.2	65.5	58.7
1989 Q2	63.9	62.0	67.8	65.9	57.7
1989 Q3	64.0	62.2	67.9	66.0	58.0

Homeownership Rates by Household Age

The recent trend toward declining homeownership rates has been concentrated among young households.

Homeownership Rates by Household Age, 1974-1989

(In percentages)

Year	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75 & up
1974	42.9	61.7	69.6	73.5	76.5	76.3	77.3	75.2	73.1	69.7	66.8
1975	43.1	62.2	69.0	73.9	77.1	77.2	77.7	76.3	73.6	69.4	67.3
1976	43.2	62.4	68.9	74.0	77.1	77.7	78.0	76.2	73.6	71.5	67.2
1977	42.6	62.3	69.1	73.8	76.8	78.5	76.9	77.4	74.0	71.1	67.2
1978	43.9	62.6	69.8	74.5	77.0	77.6	77.9	77.7	74.7	71.3	67.9
1979	44.0	61.7	70.4	74.9	76.9	78.3	78.6	77.8	75.8	72.5	67.4
1980	43.3	61.1	70.9	74.2	76.8	78.5	79.6	78.8	77.3	72.7	67.8
1981	41.3	58.8	68.6	73.6	76.1	78.0	79.7	79.7	77.5	75.2	70.0
1982	38.3	56.8	67.3	72.7	75.7	78.6	79.9	79.9	77.8	75.1	70.9
1983	38.0	55.1	66.2	72.6	75.1	78.7	80.0	79.7	78.6	75.3	71.9
1984	38.3	54.4	65.8	72.0	74.4	78.1	79.9	79.8	79.1	75.4	71.4
1985	37.3	53.6	65.1	71.1	74.0	77.3	79.0	79.7	79.3	76.7	69.7
1986	36.7	53.6	64.8	70.5	74.1	78.1	80.0	79.8	79.4	77.2	70.0
1987	36.4	53.5	64.1	70.8	74.6	77.8	80.0	80.4	79.5	77.7	70.8
1988	35.9	53.2	63.6	70.7	74.4	77.1	79.3	79.8	80.0	77.7	70.8
1989Q1	35.7	53.4	63.2	71.3	74.3	76.9	79.8	79.8	80.2	77.2	70.8
1989Q2	35.4	53.7	63.7	70.0	74.3	77.5	78.6	79.9	80.1	77.1	70.8

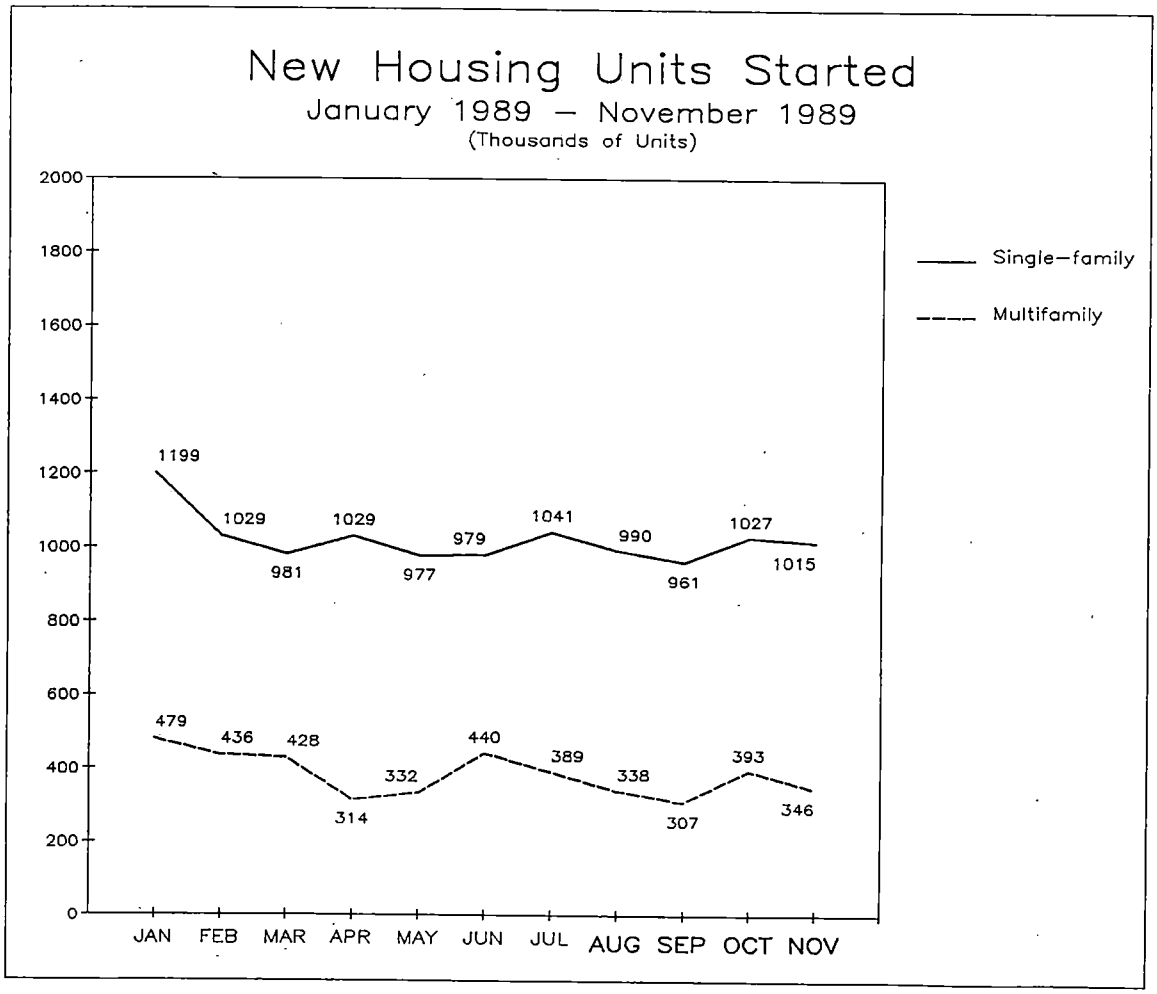
Housing Starts Review

Housing Starts: 1978 - 1990

Year	Single-Family	Multi-Family	Total
1978	1,433,000	587,000	2,020,000
1979	1,194,000	551,000	1,745,000
1980	852,000	440,000	1,292,000
1981	705,000	379,000	1,084,000
1982	663,000	400,000	1,062,000
1983	1,067,000	635,000	1,703,000
1984	1,084,000	665,000	1,749,000
1985	1,072,000	669,000	1,742,000
1986	1,180,000	625,000	1,806,000
1987	1,146,000	474,000	1,621,000
1988	1,080,000	407,000	1,488,000
1989	1,019,000	381,000	1,400,000
1990*	1,020,000	350,000	1,370,000

Source: U.S. Bureau of the Census

*NAHB forecast (Does not include public housing starts.)



Top 20 Metro Areas for Residential Building Permits: First 10 Months of 1989

Single-Family

1.	Riverside-San Bernardino	33,460
2.	Los Angeles-Long Beach	20,970
3.	Washington, D.C. MSA	19,140
4.	Atlanta	19,000
5.	Sacramento	13,810
6.	Philadelphia PMSA	12,360
7.	Orlando	11,900
8.	Detroit	11,660
9.	Baltimore MSA	11,390
10.	Chicago	11,180
11.	Minneapolis-St. Paul	10,850
12.	Seattle	10,750
13.	Phoenix	10,210
14.	Las Vegas	10,160
15.	Tampa-St. Petersburg	9,500
16.	San Diego	9,430
17.	West Palm Beach-Boca Raton	9,130
18.	Dallas	7,870
19.	Oakland, Calif.	7,650
20.	St. Louis	7,540

Multifamily

1.	Los Angeles-Long Beach	20,700
2.	Seattle	12,460
3.	Las Vegas	9,910
4.	Miami-Hialeah	9,820
5.	Atlanta	9,390
6.	Washington, D.C. MSA	8,760
7.	New York PMSA	8,620
8.	Portland, Oregon	7,900
9.	Chicago	7,370
10.	Anaheim-Santa Ana	7,330
11.	Orlando	6,860
12.	Riverside-San Bernardino	6,800
13.	Fort Lauderdale-Hollywood	6,740
14.	West Palm Beach-Boca Raton	5,790
15.	Detroit	5,640
16.	San Diego	5,220
17.	Minneapolis-St. Paul	4,750
18.	Charlotte-Gastonia	4,330
19.	Oakland, Calif.	4,110
20.	Milwaukee	4,010

National Residential Building Permit Activity: First 10 Months of 1989

	SINGLE FAMILY				MULTIFAMILY				TOTAL UNITS			
	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988
UNITED STATES	812	865	-6.2%	994	341	382	-10.7%	462	1,153	1,248	-7.6%	1,456
ALABAMA	6.98	8.16	-14.5%	9.67	2.92	2.27	28.7%	3.11	9.90	10.43	-5.1%	12.77
Birmingham	2.05	2.30	-11.2%	2.67	0.35	0.40	-12.3%	0.49	2.40	2.70	-11.3%	3.16
Mobile	0.46	0.43	7.9%	0.68	0.06	0.09	-36.2%	0.20	0.52	0.52	0.0%	0.88
ALASKA	0.40	0.45	-10.9%	0.49	0.19	0.29	-34.7%	0.32	0.59	0.74	-20.2%	0.80
ARIZONA	17.32	20.23	-14.4%	23.37	3.00	8.40	-64.3%	9.51	20.32	28.63	-29.0%	32.88
Phoenix	10.21	13.00	-21.4%	14.91	1.67	5.83	-71.4%	6.53	11.88	18.83	-36.9%	21.43
Tucson	2.20	2.69	-18.4%	3.05	0.33	1.91	-83.0%	1.94	2.52	4.60	-45.2%	5.00
ARKANSAS	3.90	3.98	-2.0%	4.70	1.44	1.38	4.2%	1.54	5.34	5.36	-0.4%	6.23
Little Rock-N.L.R.	1.11	1.24	-10.6%	1.43	0.31	0.08	291.3%	0.10	1.42	1.32	7.7%	1.54
CALIFORNIA	139.29	135.72	2.6%	160.74	60.69	77.11	-21.3%	92.63	199.98	212.82	-6.0%	253.37
Anaheim-Santa Ana	6.88	9.49	-27.5%	11.51	7.33	10.27	-28.6%	11.94	14.21	19.76	-28.1%	23.46
Bakersfield	3.30	2.45	34.5%	2.86	0.35	0.28	26.2%	0.29	3.65	2.73	33.7%	3.16
Los Angeles-Lng Bch	20.97	14.53	44.3%	17.68	20.70	26.63	-22.3%	32.61	41.67	41.16	1.2%	50.29
Oakland	7.65	8.44	-9.4%	9.67	4.11	3.29	24.8%	4.90	11.76	11.73	0.2%	14.57
Oxnard-Ventura	3.16	3.12	1.2%	3.68	1.56	1.11	40.0%	1.48	4.72	4.23	11.4%	5.15
Riverside-San Bern	33.46	37.21	-10.1%	43.20	6.80	7.72	-11.9%	9.92	40.26	44.93	-10.4%	53.12
Sacramento	13.81	11.41	21.0%	14.07	2.61	4.61	-43.5%	4.60	16.42	16.02	2.5%	18.68
San Diego	9.43	12.33	-23.5%	14.75	5.22	11.72	-55.5%	13.80	14.65	24.05	-39.1%	28.55
San Francisco	1.91	2.03	-6.0%	2.59	3.06	2.38	28.4%	3.14	4.97	4.41	12.6%	5.73
San Jose	2.26	3.00	-24.7%	3.69	1.89	2.37	-20.2%	2.79	4.15	5.37	-22.7%	6.49
Vallejo-Fairfld-Napa	4.94	4.59	7.6%	5.28	0.77	0.83	-7.2%	0.85	5.71	5.42	5.3%	6.13
COLORADO	7.89	8.40	-6.1%	9.74	1.81	2.52	-28.4%	3.12	9.70	10.93	-11.2%	12.86
Boulder-Longmont	0.78	0.78	-0.8%	0.91	0.20	0.07	164.9%	0.08	0.97	0.86	13.6%	0.99
Denver	3.28	3.45	-5.0%	4.01	0.93	1.78	-48.0%	2.07	4.21	5.23	-19.6%	6.08
CONNECTICUT	6.88	11.74	-41.5%	12.76	3.50	5.23	-33.0%	6.11	10.38	16.97	-38.9%	18.87
Hartford	1.37	2.69	-49.0%	2.95	1.69	1.10	54.0%	1.19	3.06	3.78	-19.1%	4.14
New Haven-Meriden	1.03	1.76	-41.5%	2.02	0.42	0.70	-39.8%	0.80	1.45	2.46	-41.0%	2.82
DELAWARE	4.09	4.85	-15.7%	5.89	1.00	1.37	-27.1%	1.54	5.08	6.22	-18.2%	7.42
Wilmington	3.42	3.92	-12.9%	4.84	0.91	1.13	-20.2%	1.59	4.32	5.05	-14.5%	6.43
DISTRICT OF COLUMBIA	0.08	0.24	-66.3%	0.25	0.21	0.58	-63.7%	0.60	0.29	0.82	-64.4%	0.85
Washington MSA	19.14	24.69	-22.5%	30.35	8.76	8.86	-1.2%	11.69	27.90	33.55	-16.8%	42.05
FLORIDA	91.05	94.69	-3.8%	110.32	50.85	50.97	-0.2%	60.28	141.90	145.65	-2.6%	170.60
Ft Lauder-Hollywood	5.80	5.88	-1.4%	6.86	6.74	6.93	-2.8%	8.07	12.54	12.81	-2.1%	14.93
Jacksonville	5.75	6.22	-7.6%	7.24	1.55	2.22	-30.0%	2.78	7.30	8.43	-13.5%	10.02
Miami-Hialeah	7.32	7.12	2.7%	8.23	9.82	7.60	29.3%	9.07	17.14	14.72	16.4%	17.30
Naples	1.80	1.83	-1.8%	2.15	3.67	3.39	8.3%	4.20	5.47	5.22	4.7%	6.35
Orlando	11.90	11.65	2.1%	13.35	6.86	6.53	5.1%	8.22	18.76	18.18	3.2%	21.57
Tampa-St Petersburg	9.50	10.68	-11.1%	12.40	3.56	6.44	-44.7%	7.48	13.05	17.12	-23.7%	19.88
W Palm-Boca Raton	9.13	9.51	-4.1%	11.49	5.79	4.98	16.2%	6.56	14.92	14.50	2.9%	18.05
GEORGIA	31.40	38.00	-17.4%	42.56	12.94	16.23	-20.3%	20.46	44.34	54.24	-18.2%	63.02
Atlanta	19.00	24.76	-23.2%	28.47	9.39	12.52	-25.0%	15.97	28.40	37.28	-23.8%	44.44
HAWAII	5.40	4.87	11.0%	5.74	3.18	1.74	83.0%	2.71	8.59	6.61	30.0%	8.45
Honolulu	1.50	1.78	-16.0%	1.95	1.64	1.18	39.6%	1.34	3.14	2.96	6.1%	3.29
IDAHO	3.08	2.49	23.8%	2.81	0.93	0.38	141.1%	0.41	4.01	2.87	39.5%	3.21
Boise City	1.30	1.02	27.4%	1.20	0.44	0.22	98.7%	0.22	1.74	1.24	40.1%	1.42
ILLINOIS	26.13	28.70	-9.0%	33.94	10.67	10.18	4.8%	15.21	36.80	38.88	-5.4%	49.15
Chicago	11.18	13.85	-19.3%	16.32	7.37	6.72	9.7%	10.31	18.55	20.57	-9.8%	26.64
Lake County	3.32	3.72	-10.8%	4.22	0.59	0.65	-9.1%	0.94	3.91	4.37	-10.6%	5.16
INDIANA	17.00	17.08	-0.5%	19.22	6.61	4.30	53.8%	6.03	23.62	21.38	10.5%	25.25
Ft. Wayne	1.18	1.31	-10.0%	1.71	0.29	0.19	52.4%	0.35	1.47	1.50	-2.1%	2.05
Gary-Hammond	1.81	1.47	23.2%	1.69	0.56	0.25	123.4%	0.29	2.37	1.72	37.9%	1.98
Indianapolis	5.29	5.48	-3.6%	6.58	2.50	1.45	72.5%	2.38	7.78	6.93	12.3%	8.97
IOWA	4.39	4.00	9.6%	4.41	2.12	1.65	28.4%	2.37	6.50	5.65	15.1%	6.79
Des Moines	1.36	1.31	3.7%	1.61	0.38	0.71	-46.8%	1.26	1.74	2.03	-14.1%	2.88
KANSAS	5.70	6.17	-7.6%	7.29	1.47	2.09	-29.9%	2.40	7.16	8.26	-13.2%	9.68
Wichita	1.48	1.49	-0.9%	1.75	0.17	0.24	-26.0%	0.23	1.65	1.73	-4.3%	1.98

	SINGLE FAMILY				MULTIFAMILY				TOTAL UNITS			
	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988
KENTUCKY	7.81	7.78	0.4%	8.96	4.03	4.10	-1.8%	4.41	11.84	11.89	-0.4%	13.36
Louisville	3.01	2.98	1.2%	3.38	1.15	0.92	25.5%	1.38	4.16	3.89	7.0%	4.76
LOUISIANA	4.28	4.45	-3.8%	5.43	0.86	1.14	-24.0%	1.85	5.15	5.59	-7.9%	7.27
Baton Rouge	0.75	0.71	6.5%	0.81	0.01	0.23	-96.5%	0.24	0.76	0.94	-18.5%	1.04
New Orleans	1.64	1.88	-13.0%	2.21	0.30	0.47	-35.9%	0.48	1.93	2.35	-17.6%	2.69
MAINE	4.35	5.55	-21.6%	6.84	0.97	1.95	-50.5%	1.96	5.31	7.50	-29.1%	8.80
Portland	0.82	1.20	-31.8%	1.63	0.27	0.47	-42.6%	0.31	1.09	1.67	-34.9%	1.94
MARYLAND	27.27	31.43	-13.2%	33.29	8.25	5.41	52.5%	6.27	35.52	36.83	-3.6%	39.57
Baltimore MSA	11.39	12.70	-10.3%	14.38	3.88	2.91	33.3%	3.66	15.26	15.61	-2.2%	18.03
MASSACHUSETTS	12.20	17.01	-28.3%	20.11	6.75	9.95	-32.2%	10.37	18.96	26.97	-29.7%	30.48
Boston	3.57	4.92	-27.3%	5.70	2.52	3.61	-30.2%	4.12	6.09	8.52	-28.5%	9.82
Springfield	1.02	1.69	-39.8%	1.88	0.60	1.05	-43.0%	1.25	1.61	2.73	-41.0%	3.12
MICHIGAN	28.44	27.09	5.0%	29.72	12.51	13.87	-9.8%	15.18	40.94	40.96	0.0%	44.91
Detroit	11.66	11.60	0.5%	12.92	5.64	6.62	-14.8%	7.75	17.30	18.22	-5.0%	20.67
Grand Rapids	3.02	2.73	10.6%	3.24	1.43	2.27	-37.1%	2.46	4.45	5.00	-11.1%	5.71
Lansing-E. Lansing	1.29	1.24	4.3%	1.43	0.47	0.60	-21.0%	0.63	1.76	1.84	-3.9%	2.06
MINNESOTA	16.46	17.61	-6.5%	19.24	6.07	7.46	-18.6%	9.14	22.54	25.07	-10.1%	28.38
Minneapolis-St Paul	10.85	12.08	-10.1%	13.76	4.75	5.85	-18.9%	6.98	15.60	17.93	-13.0%	20.73
MISSISSIPPI	3.84	3.93	-2.2%	4.92	1.41	2.01	-29.9%	2.48	5.25	5.93	-11.6%	7.40
Jackson	1.05	1.11	-5.4%	1.41	0.43	0.88	-51.0%	1.05	1.48	1.99	-25.7%	2.46
MISSOURI	12.50	14.52	-13.9%	16.10	4.53	7.09	-36.0%	7.38	17.04	21.60	-21.1%	23.47
Kansas City	5.64	6.38	-11.6%	7.39	0.76	2.78	-72.6%	3.21	6.40	9.16	-30.1%	10.60
St. Louis	7.54	9.11	-17.3%	8.35	1.76	2.60	-32.2%	3.18	9.30	11.70	-20.6%	11.53
MONTANA	0.46	0.49	-5.5%	0.56	0.11	0.19	-44.3%	0.23	0.57	0.68	-16.6%	0.79
NEBRASKA	3.32	2.91	14.0%	3.50	1.30	1.62	-19.8%	2.24	4.62	4.53	1.9%	5.74
Omaha	1.86	1.60	16.3%	1.95	0.53	0.85	-37.2%	1.13	2.39	2.44	-2.3%	3.08
NEVADA	13.11	10.16	29.0%	12.57	11.20	14.34	-21.9%	18.20	24.31	24.50	-0.8%	30.77
Las Vegas	10.16	7.57	34.2%	9.47	9.91	13.13	-24.5%	16.97	20.06	20.69	-3.0%	26.44
Reno	1.46	1.46	-0.5%	1.71	0.78	0.89	-12.2%	0.89	2.24	2.35	-4.9%	2.60
NEW HAMPSHIRE	4.55	6.32	-28.0%	7.71	1.31	3.52	-62.7%	3.98	5.86	9.84	-40.4%	11.69
Nashua	0.51	0.84	-39.2%	0.96	0.32	0.50	-35.7%	0.53	0.84	1.35	-37.9%	1.50
NEW JERSEY	21.46	28.67	-25.2%	28.45	8.35	11.40	-26.8%	12.46	29.81	40.07	-25.6%	40.91
Atlantic City	1.70	2.10	-18.9%	2.54	1.37	2.28	-39.9%	2.60	3.07	4.38	-29.9%	5.14
Bergen-Passaic	0.69	1.92	-64.2%	2.15	1.73	2.77	-37.8%	2.93	2.41	4.69	-48.6%	5.08
Middlesex-Somerset	3.90	4.32	-9.7%	4.77	1.19	1.70	-29.8%	1.52	5.09	6.01	-15.4%	6.28
Monmouth-Ocean	3.49	5.59	-37.5%	6.29	1.14	1.14	-0.3%	1.51	4.63	6.73	-31.2%	7.80
Newark	1.84	3.00	-38.8%	3.42	1.19	1.01	17.2%	1.15	3.02	4.01	-24.7%	4.57
NEW MEXICO	4.14	4.72	-12.2%	5.34	1.03	1.05	-2.5%	1.06	5.17	5.77	-10.4%	6.40
Albuquerque	1.53	2.01	-24.0%	2.30	0.44	0.34	31.1%	0.34	1.97	2.35	-16.1%	2.64
Las Cruces	0.56	0.65	-13.7%	0.72	0.18	0.17	6.5%	0.16	0.74	0.82	-9.5%	0.88
NEW YORK	26.88	31.72	-15.3%	37.50	13.72	13.08	4.9%	17.22	40.60	44.80	-9.4%	54.72
Albany-Schenectady	2.60	3.31	-21.3%	3.95	0.87	1.09	-20.2%	1.48	3.48	4.40	-21.0%	5.43
Buffalo	2.37	2.57	-7.8%	2.99	0.59	0.51	15.0%	0.57	2.96	3.09	-4.0%	3.56
Nassau-Suffolk	4.57	6.37	-28.2%	7.76	0.89	0.77	15.7%	1.17	5.47	7.14	-23.5%	8.93
New York PMSA	4.08	3.61	13.3%	4.27	8.62	7.89	9.2%	9.23	12.70	11.50	10.5%	13.50
Orange Co.	0.83	1.16	-28.4%	1.48	0.49	0.52	-6.1%	0.60	1.32	1.68	-21.5%	2.07
Poughkeepsie	0.38	0.34	10.9%	1.13	0.01	0.13	-95.3%	0.30	0.38	0.47	-18.2%	1.43
Rochester	3.25	3.58	-9.1%	4.10	0.41	0.29	44.2%	0.37	3.66	3.86	-5.1%	4.47
Syracuse	1.92	2.16	-10.8%	2.52	0.33	0.26	24.7%	0.36	2.25	2.42	-7.0%	2.87
NORTH CAROLINA	30.25	33.74	-10.4%	39.47	9.25	9.25	0.0%	10.85	39.49	42.99	-8.1%	50.32
Charlotte-Gastonia	6.86	7.18	-4.5%	8.42	4.33	4.19	3.3%	4.43	11.19	11.37	-1.6%	12.85
Greensboro-Wnstn Sal	4.32	4.94	-12.4%	5.80	1.29	1.03	25.4%	1.14	5.62	5.97	-5.9%	6.94
Raleigh-Durham	5.02	5.63	-10.9%	6.62	1.06	1.02	4.8%	1.20	6.08	6.65	-8.5%	7.82
NORTH DAKOTA	0.66	0.75	-12.1%	0.85	1.38	0.86	60.4%	0.97	2.03	1.60	26.7%	1.82
Fargo-Moorehead	0.34	0.36	-5.8%	0.46	1.05	0.55	91.0%	0.63	1.39	0.91	52.4%	1.08
OHIO	24.27	24.54	-1.1%	27.63	11.93	14.49	-17.6%	17.47	36.21	39.04	-7.2%	45.11
Akron	1.78	1.78	0.1%	2.05	0.74	1.15	-36.1%	1.30	2.52	2.93	-14.1%	3.35
Cincinnati	4.62	4.78	-3.3%	5.60	1.92	3.15	-38.9%	3.83	6.55	7.93	-17.5%	9.43
Cleveland	3.56	3.46	2.9%	3.99	2.48	1.69	46.6%	1.83	6.04	5.15	17.3%	5.81
Columbus	5.47	5.49	-0.5%	6.40	3.76	4.91	-23.3%	5.61	9.23	10.40	-11.2%	12.01
Dayton-Springfield	2.04	2.26	-9.8%	2.50	0.49	1.23	-60.2%	1.85	2.52	3.48	-27.5%	4.35
Toledo	1.10	1.22	-9.5%	1.39	1.08	1.48	-27.0%	1.56	2.18	2.70	-19.1%	2.95

	SINGLE FAMILY				MULTIFAMILY				TOTAL UNITS			
	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988	YTD OCT 1989	YTD OCT 1988	YTD PCT CHG	YEAR TOTAL 1988
OKLAHOMA	3.77	3.49	8.0%	4.33	0.75	0.37	102.7%	0.72	4.52	3.87	17.1%	5.05
Oklahoma City	1.73	1.64	5.7%	1.89	0.51	0.12	320.8%	0.13	2.23	1.76	27.2%	2.02
Tulsa	1.55	1.23	25.8%	1.43	0.04	0.06	-27.6%	0.06	1.59	1.29	23.4%	1.49
OREGON	9.61	7.75	23.9%	9.16	9.73	4.17	133.1%	4.89	19.33	11.93	62.1%	14.05
Portland	4.69	4.09	14.9%	4.73	7.90	2.78	183.8%	3.36	12.59	6.87	83.3%	8.09
PENNSYLVANIA	34.75	40.86	-14.9%	45.29	6.16	7.25	-15.0%	8.54	40.91	48.11	-15.0%	53.83
Allentown-Bethlehem	2.07	3.50	-40.8%	3.92	0.59	0.26	125.8%	0.29	2.66	3.76	-29.2%	4.21
Harrisburg-Lebanon	1.58	1.90	-16.9%	2.95	0.36	0.35	3.4%	0.68	1.94	2.25	-13.7%	3.63
Philadelphia PMSA	12.36	16.22	-23.8%	19.25	2.28	3.69	-38.1%	3.99	14.64	19.92	-26.5%	23.24
Pittsburgh	3.28	3.23	1.4%	3.84	0.64	1.59	-59.9%	1.71	3.92	4.83	-18.9%	5.55
Scrantn-Wilkes-Barre	2.19	2.54	-13.7%	4.83	0.39	0.41	-4.1%	0.70	2.59	2.95	-12.4%	5.52
RHODE ISLAND	2.33	3.12	-25.4%	3.66	0.79	2.13	-63.1%	2.41	3.12	5.26	-40.7%	6.07
Providence	1.45	1.91	-24.3%	2.21	0.57	1.77	-68.1%	1.99	2.01	3.68	-45.3%	4.20
SOUTH CAROLINA	12.52	13.60	-7.9%	17.09	4.71	4.43	6.2%	6.01	17.23	18.03	-4.5%	23.10
Charleston	2.12	2.49	-15.1%	2.95	0.15	0.20	-23.9%	0.30	2.27	2.69	-15.7%	3.25
Columbia	1.60	1.89	-15.5%	2.23	0.56	0.37	51.5%	1.28	2.16	2.26	-4.5%	3.50
Greenville-Spartnbrg	2.40	2.47	-2.7%	2.91	0.99	1.12	-11.9%	1.24	3.39	3.59	-5.6%	4.15
SOUTH DAKOTA	0.97	0.93	4.3%	1.09	0.60	0.58	3.8%	0.83	1.57	1.51	4.1%	1.92
Sioux Falls	0.34	0.37	-6.6%	0.42	0.40	0.35	14.1%	0.53	0.74	0.71	3.5%	0.95
TENNESSEE	16.99	18.30	-7.2%	19.40	5.57	6.24	-10.7%	8.41	22.57	24.55	-8.1%	27.80
Knoxville	2.08	2.04	1.8%	2.31	0.69	0.24	184.4%	0.57	2.77	2.28	21.3%	2.88
Memphis	4.48	4.60	-2.6%	5.33	2.50	2.12	18.3%	2.34	6.98	6.72	4.0%	7.67
Nashville	4.98	5.83	-14.6%	6.70	0.89	2.42	-63.3%	2.97	5.87	8.25	-28.9%	9.67
TEXAS	31.78	30.59	3.9%	35.88	3.41	4.06	-16.0%	4.60	35.19	34.65	1.6%	40.48
Austin	1.64	1.76	-6.4%	2.02	0.02	0.32	-93.7%	0.33	1.66	2.08	-19.8%	2.35
Dallas	7.87	7.89	-0.3%	9.02	0.13	1.20	-89.6%	1.47	7.99	9.09	-12.1%	10.48
Ft Worth-Arlington	4.36	4.29	1.6%	5.02	0.11	0.17	-35.1%	0.22	4.47	4.46	0.2%	5.24
Houston	7.22	5.63	28.4%	6.78	1.14	0.77	49.0%	1.06	8.37	6.39	30.8%	7.84
San Antonio	1.39	1.57	-11.0%	1.80	0.05	0.18	-70.5%	0.24	1.45	1.75	-17.2%	2.04
UTAH	4.87	4.87	-0.1%	5.86	0.40	0.38	3.7%	0.41	5.26	5.25	0.2%	6.27
Salt Lake-Ogden	2.78	3.01	-7.6%	3.39	0.11	0.13	-14.3%	0.15	2.90	3.14	-7.9%	3.55
VERMONT	2.68	3.23	-16.8%	3.70	0.62	1.37	-55.2%	1.11	3.30	4.60	-28.3%	4.81
Burlington	0.46	0.54	-14.6%	0.65	0.30	0.26	15.2%	0.29	0.76	0.80	-5.0%	0.94
VIRGINIA	37.29	42.31	-11.9%	48.20	12.29	14.61	-15.9%	18.28	49.57	56.92	-12.9%	66.49
Norfolk-Va. Beach	6.77	8.03	-15.6%	9.48	2.22	3.02	-26.4%	4.09	8.99	11.04	-18.6%	13.57
Richmond-Petersbrg	6.03	6.83	-11.7%	7.99	1.17	2.48	-52.8%	2.52	7.20	9.31	-22.6%	10.52
WASHINGTON	22.23	18.51	20.1%	21.48	17.95	18.97	-5.4%	23.57	40.18	37.48	7.2%	45.06
Seattle	10.75	9.21	16.7%	11.01	12.46	13.64	-8.6%	15.78	23.20	22.84	1.6%	26.79
WEST VIRGINIA	1.16	1.07	8.8%	1.30	0.19	0.36	-48.2%	0.48	1.35	1.43	-5.6%	1.78
Charleston	0.10	0.13	-25.8%	0.16	0.02	0.03	-25.8%	0.04	0.12	0.16	-25.8%	0.20
WISCONSIN	13.10	13.00	0.8%	14.77	9.66	7.71	25.4%	9.35	22.76	20.71	9.9%	24.12
Green Bay	0.41	0.39	6.2%	0.70	0.47	0.47	0.4%	0.72	0.88	0.86	3.0%	1.42
Madison	1.31	1.34	-2.3%	1.56	1.07	1.12	-4.5%	1.35	2.39	2.47	-3.3%	2.91
Milwaukee	3.01	2.92	2.9%	3.43	4.01	2.73	46.9%	3.54	7.01	5.65	24.1%	6.97
WYOMING	0.50	0.47	6.6%	0.50	0.03	0.18	-81.5%	0.21	0.53	0.65	-18.3%	0.71

SOURCE: Bureau of Census data from WEFA Group data base
Annual Data are based on annual survey and include revisions as well as data for additional localities.

New Home Prices

New Home Prices 1978 - 1989

Year	Median	Average	Quality Adjusted*
1978	$ 55,700	$ 62,500	$ 69,500
1979	62,900	71,800	79,500
1980	64,600	76,400	88,400
1981	68,900	83,000	96,700
1982	69,300	83,900	100,000
1983	75,300	89,800	103,000
1984	79,900	97,600	106,800
1985	84,300	100,800	110,000
1986	92,000	111,900	113,600
1987	104,500	127,200	116,800
1988	112,500	138,200	117,000
1988			
Jan	119,000	144,400	
Feb	110,900	137,600	117,200(QI)
Mar	108,900	133,200	
Apr	111,000	135,000	
May	110,000	133,500	116,800(Q2)
Jun	111,500	136,500	
Jul	118,000	141,300	
Aug	110,000	140,600	116,700(Q3)
Sep	116,000	142,700	
Oct	112,900	137,300	
Nov	110,400	137,300	116,400(Q4)
Dec	121,000	147,700	
1989			
Jan	113,000	138,600	
Feb	118,000	145,300	120,600(Q1)
Mar	123,000	149,000	
Apr	116,700	144,700	
May	119,000	145,100	119,000(Q2)
Jun	122,800	153,600	
Jul	116,000	140,300	
Aug	122,700	159,000	120,400(Q3)
Sep	121,500	151,900	
Oct	127,900	151,900	

Source: U.S. Bureau of the Census

*The quality adjusted index measures changes in the sales price of new homes based on 10 important characteristics of the houses sold: floor area, number of stories, number of bedrooms, air conditioning, type of parking, type of foundation, geographic division, metropolitan area, fireplace and lot size. 1982 = 100.

Existing Home Prices

Existing Home Prices, 1978 - 1989

Year	Median	Average
1978	$48,700	$ 55,500
1979	55,700	64,200
1980	62,200	72,800
1981	66,400	78,300
1982	67,800	80,500
1983	70,300	83,100
1984	72,400	86,000
1985	75,500	90,800
1986	80,300	98,500
1987	85,600	106,100
1988	89,300	112,800
1988		
Jan	88,100	109,500
Feb	88,900	110,900
Mar	88,900	111,600
Apr	88,000	109,600
May	92,600	118,000
Jun	90,200	115,400
Jul	90,700	114,700
Aug	91,500	115,400
Sep	88,500	112,600
Oct	88,900	112,300
Nov	88,500	112,400
Dec	88,700	112,000
1989		
Jan	89,700	113,000
Feb	91,900	117,800
Mar	92,000	116,100
Apr	92,900	118,000
May	92,600	118,000
Jun	93,400	118,800
Jul	96,700	122,100
Aug	94,800	120,800
Sep	94,300	118,400
Oct	92,100	116,500

Source: National Associaton of Realtors, Existing Home Sales.

Home Prices by City

San Francisco recorded the nation's highest average sales price for new and existing homes during the first three quarters of 1989. An Office of Thrift Supervision (formerly the Federal Home Loan Bank Board) survey of prices in 32 major metropolitan areas shows that Louisville, Ky. had the lowest average during the first and third quarters and Milwaukee recorded the lowest price during the second quarter. The national average was $133,600 during the first quarter, $139,700 during the second quarter and $137,800 during the third quarter. It was $129,400 in 1988.

Average Sales Price of New and Existing Homes

(In thousands)

City	1988	Q1-1989	Q2-1989	Q3-1989
Atlanta	$139.2	$149.2	$150.5	$154.3
Baltimore	139.0	158.1	149.2	156.4
Boston	190.3	184.2	182.2	170.2
Chicago	125.5	135.3	138.6	128.9
Cleveland	97.2	104.8	107.8	107.6
Columbus	101.4	126.9	115.2	115.2
Dallas-Ft. Worth	117.6	138.2	142.1	148.1
Denver	134.5	155.4	150.9	149.9
Detroit	98.2	100.0	109.5	116.1
Greensboro	107.5	100.9	92.6	113.2
Honolulu	167.2	186.8	206.1	205.0
Houston	117.0	120.1	128.3	105.4
Indianapolis	101.5	128.2	113.5	116.3
Kansas City	103.9	108.8	120.5	112.5
Los Angeles	190.9	196.2	202.4	206.7
Louisville	86.7	85.7	106.5	92.4
Miami	97.3	107.1	114.2	114.6
Milwaukee	97.0	111.9	88.6	127.5
Minneapolis	134.6	169.8	142.2	137.3
New York	195.1	193.5	202.6	190.0
Philadelphia	142.7	141.5	145.1	133.3
Phoenix	138.1	138.0	130.1	119.3
Pittsburgh	104.3	94.5	97.1	95.9
Portland	101.1	106.9	116.1	115.1
Rochester	99.1	92.3	109.6	108.0
St. Louis	100.8	96.1	107.6	101.4
Salt Lake City	111.4	123.8	145.3	105.8
San Diego	170.8	182.0	195.0	190.9
San Francisco	203.3	209.1	217.6	221.4
Seattle	135.6	147.0	138.2	153.9
Tampa	94.4	98.1	102.0	102.9
Washington, D.C.	197.5	185.3	204.4	193.2
Average	$129.4	$133.6	$139.7	$137.8

Source: Office of Thrift Supervision. Compiled by NAHB.

Volume of New and Existing Home Sales

Volume of New Home Sales		Volume of Existing Home Sales	
1976	646,000	**1976**	3,064,000
1977	819,000	**1977**	3,650,000
1978	817,000	**1978**	3,986,000
1979	709,000	**1979**	3,827,000
1980	545,000	**1980**	2,937,000
1981	436,000	**1981**	2,419,000
1982	412,000	**1982**	1,990,000
1983	623,000	**1983**	2,719,000
1984	639,000	**1984**	2,868,000
1985	687,000	**1985**	3,214,000
1986	750,000	**1986**	3,565,000
1987	671,000	**1987**	3,526,000
1988	676,000	**1988**	3,594,000
1989[1]	653,000	**1989**[2]	3,407,000
1990[1]	658,000	**1990**[2]	3,345,000

(1) National Association of Home Builders forecast.

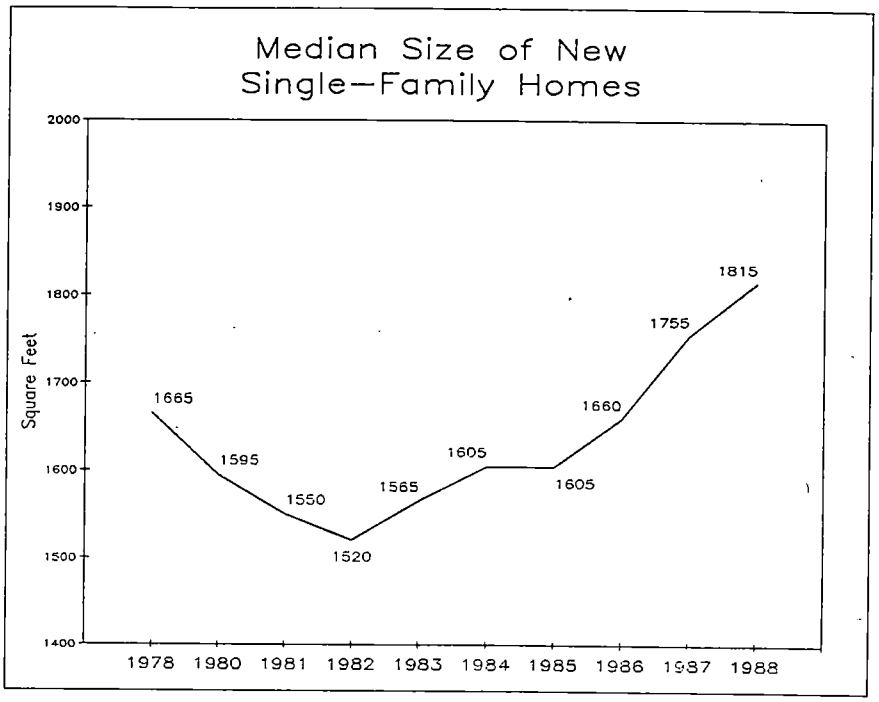
(2) National Association of Realtors forecast.

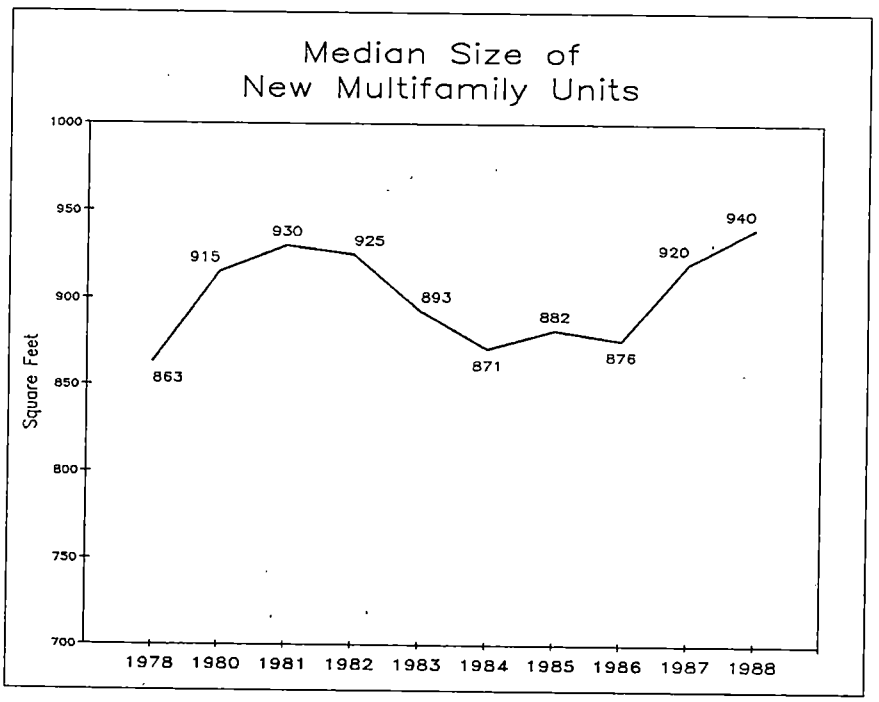
Sources: U.S. Bureau of the Census, NAHB, National Assocation of Realtors.

New Home Size

New single-family homes and multifamily units built in 1988 were larger than those constructed in 1987.

The median size single-family home had a total of 1,815 square feet in 1988, 60 square feet more than the median size home in 1987. The median for new multifamily units increased from 920 to 940 square feet from 1987 to 1988.





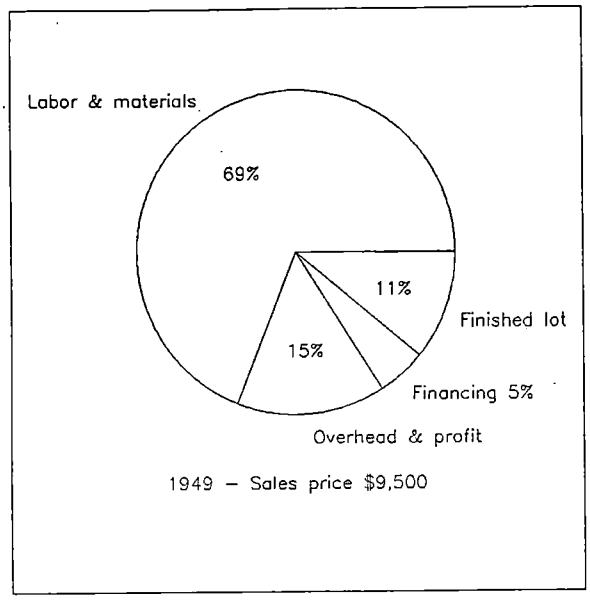
Characteristics of New Single-Family Homes

Homes With:	1972	1977	1979	1981	1983	1985	1986	1987	1988
Central Air Conditioning	43%	54%	60%	65%	70%	70%	69%	71%	75%
Two or More Bathrooms	53	70	74	70	72	77	80	83	88
One or More Fireplaces	38	61	62	55	57	59	63	62	65
Full or Partial Basements	37	44	42	33	32	35	37	39	39
Garage or Carport	78	81	80	75	75	75	79	82	82
Electric Heat	36	50	51	50	49	49	44	40	37
1,600 or More Square Feet	38	51	53	47	48	50	53	59	63
Four or More Bedrooms	23	23	23	20	18	18	20	23	26

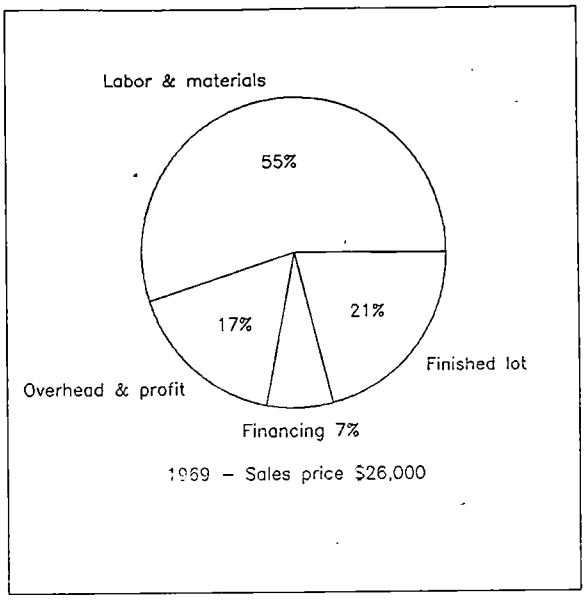
Source: U.S. Bureau of the Census

Cost Components of a New Single-Family Home

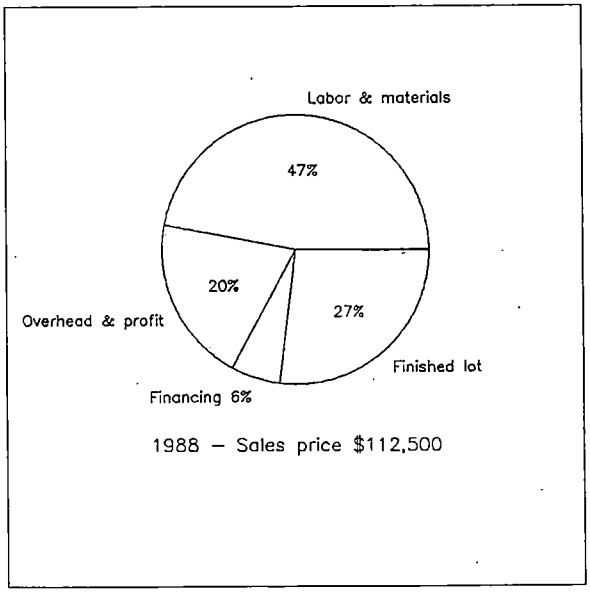
Recent technological advances in home building have significantly increased efficiency and reduced the proportionate costs of labor and materials. In 1949, labor and materials comprised 69 percent of the cost of a new single-family home. By 1988, the total had dropped to 47 percent. However, the drop was offset by a sharp increase in the cost of a developed lot.



1949 – Sales price $9,500



1969 – Sales price $26,000



1988 – Sales price $112,500

Affordability: Trends in Homeownership and Rental Housing

Although the majority of U.S. households enjoy the highest housing standards in the world, the number of Americans unable to find affordable housing is growing rapidly. And the nation's homeownership rate among young families, which has been dropping since the beginning of the 1980s, is expected to continue to decline in the 1990s, according to a recent report by the Joint Center for Housing Studies at Harvard University.

Raising the cash necessary for a downpayment and closing costs is the largest obstacle to homeownership for renters and the primary reason that homeownership rates continue to drop among young households, reports "The State of the Nation's Housing - 1989," which examines America's housing affordability crisis in detail.

It notes that of the 11.1 million households aged 24 to 35 in 1986, 81 percent lacked the accumulated wealth necessary to make the downpayment and cover closing costs and 64 percent did not have enough income to qualify for a loan on a typical starter home.

Contributing to the nation's housing affordability crisis, the report said, is another trend that is likely to persist in the future -- rapid depletion of the nation's supply of low-cost rental housing.

The primary victims of this long-term erosion of housing opportunities are young families unable to purchase their first home, lower income families paying 50 percent of their incomes for rent and millions of others who live in substandard housing or at the edge of homelessness, the study concluded.

And as long as these trends persist, the study notes, the gap between those who can afford decent shelter and those who can't will continue to widen, further polarizing the distribution of wealth and economic opportunity and blocking the upward mobility of millions of families.

Major Findings of the Study:

-Cutting the downpayment requirement from 20 to 10 percent and cutting the mortgage interest rate by 1 1/2 percent would bring the upfront and monthly costs of buying a typical starter home within the reach of another 670,000 households in the 25 to 34 age group.

-Inflation adjusted rents for poor households living in unsubsidized units increased 34 percent between 1974 and 1985.

-Seventy-one percent of all single-parent households pay more than half of their incomes for rent.

-Although public attention tends to focus on the need to maintain the current stock of subsidized housing, curbing the loss of privately owned unsubsidized housing is also essential.

MOST CO. SHOULD DO THEIR PART - NOT FORCING PEOPLE TO DO REDUNDANT TASKS IN LOOKING FOR THEIR

Itemized Cost Breakdown of a New House

Although new home costs vary considerably throughout the nation, an itemized list of costs for the various components of a new house in the Chicago area provides a detailed picture of the many factors affecting the price of a new home today. The following is an actual breakdown of costs for a new home constructed by Cambridge Homes in a suburb of Chicago in the spring of 1989.

It is a two-story, four-bedroom house with a two-car garage.

Land and Lot Development Costs

Raw land	$17,000
Impact fees, school and other contributions	5,195
Mass earthwork	1,588
Engineering and soil testing	995
Sanitary and storm sewers, water mains	3,257
Streets, curbs and gutters	4,620
Overhead	750
Interest	4,500
Miscellaneous	752
Subtotal	**$38,657**

House Construction Costs

Excavation	$ 2,475
Foundation and flatwork	8,605
Steel	460
Carpentry, lumber and trusses	24,965
Windows and doors	2,573
Stairs	685
Roofing and siding	6,880
Gutters and downspouts	430
Plumbing	6,075
Electrical	4,418
Heating, ventilation and air conditioning	2,900

Insulation	1,255
Drywall and painting	8,000
Garage doors	415
Cabinets, counter tops and appliances	3,127
Tile and carpet	4,338
Trim material and hardware	2,618
Landscaping	2,440
Driveway	940
Village permit fees	6,884
Construction overhead	5,160
Interest	1,200
Subtotal	**$96,843**

Builder's Soft Costs

Sales commissions	$ 3,300
Closing costs	450
Advertising and marketing	4,200
General and administrative costs and profit	13,406
Warranty	1,000
Contingency	2,044
Subtotal	24,400
Total Price	**$159,900**

Materials Used in Constructing 1,700 Square Foot Single-Family Home

- 9,726 board-feet of lumber.
- 4,614 square feet of sheathing, including roof, wall and floor sheathing.
- 243 square feet of plywood for sheathing.
- 55 cubic yards of concrete -- three-fourths of which is poured concrete and the remainder concrete block.
- 2,528 square feet of exterior finish -- either aluminum siding, brick or wood.
- 1,992 square feet of asphalt shingles for roofing.
- 2,500 square feet of insulation.
- 6,484 square feet of gypsum wall board.
- 90 linear feet of ducting.
- 55 gallons of paint.
- 302 pounds of nails.
- 750 feet of copper wiring.
- 280 linear feet of copper pipe (water supply pipe).
- 100 plumbing fittings for water supply pipe.
- 170 feet of plastic pipe for drain, waste and vent piping, plus 70 fittings.
- 12 windows.
- 10 interior doors; 4 exterior doors; 1 sliding glass door.
- 2 bathtubs or 1 tub and a shower stall.
- 2 toilets.
- 3 sinks.
- 15 kitchen cabinets.
- 1 range, 1 range hood, 1 refrigerator, 1 dishwasher, 1 garbage disposal, smoke detectors.

Construction Trades and Crafts Required for Residential Building

It takes a multitude of trades and crafts to complete any residential building. Some of those required for a typical home are:

- Architect
- Draftsman
- Surveyor
- Excavator
- Cement mason
- Plumber
- Electrician
- Rough and finish carpenter
- Roofer
- Sheet metal mechanic
- Stone mason
- Brick mason
- Glazer
- Drywall hanger and finisher
- Heating, ventilation and air conditioning mechanic
- Welder
- Carpet installer
- Flooring installer
- Locksmith
- Wallcovering mechanic
- Trim Carpenter
- Asphalt installer
- Well driller
- Painter
- Gutter installer
- Telephone technician
- Supplier/vendor
- Insulation technician
- Siding technician

Building Codes

Construction in most jurisdictions throughout the U.S. is regulated at the local level by building and related codes which set forth specific requirements for materials, fire protection, structural design, light and ventilation, heating and cooling, sanitary facilities and energy conservation.

A few municipalities (mostly major cities) write and revise their own codes. However, most state, county or local jurisdictions adopt one or more of the major model codes, sometimes with local amendments.

These are codes which are written, maintained, revised and distributed by three major model code writing organizations. However, the jurisdiction has total authority for adoption and enforcement. Some states also have mandatory statewide building codes.

The three major model code writing organizations are:

- **The Building Officials & Code Administrators International (BOCA)**, which publishes the BOCA Basic/National Codes and is headquartered in Country Club Hills, Illinois.

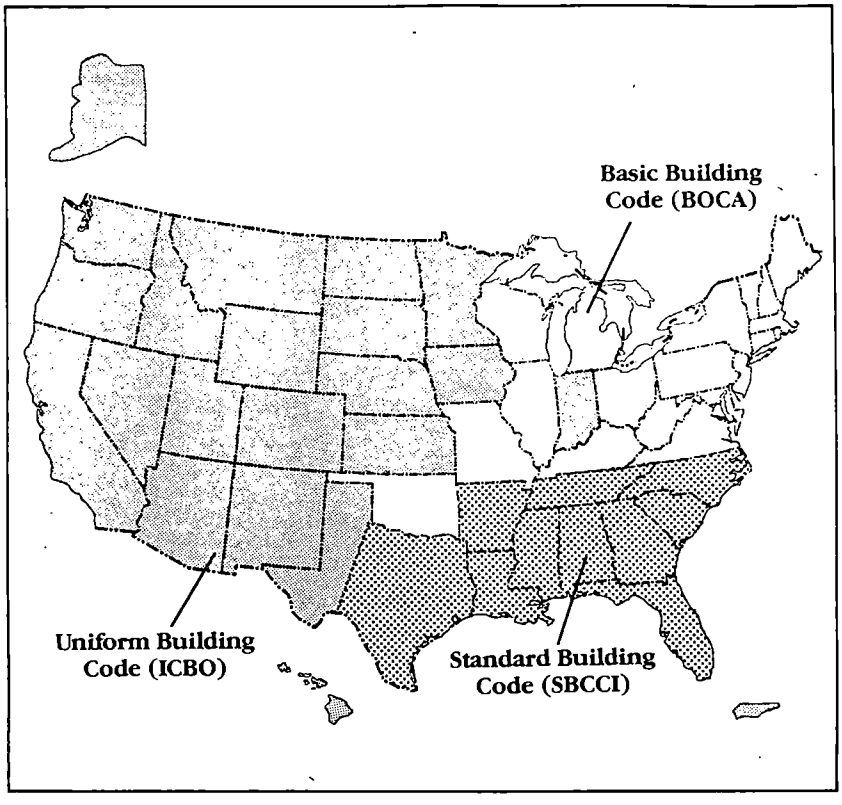
- **The International Conference of Building Officials (ICBO)**, which is headquartered in Whittier, California, and publishes the Uniform Building Codes.

– **The Southern Building Code Congress International (SBCCI),** which publishes the Standard/Southern Codes and is headquartered in Birmingham, Alabama.

All of these groups write, maintain, revise and distribute a building code, a plumbing code, a mechanical code, a housing code, a fire prevention code and other documents. Model codes are usually printed in new editions every three years with annual supplements published in the interim.

The Council of American Building Officials (CABO), which is headquartered in Falls Church, Virginia, was formed by the other three code groups to publish the CABO one & Two Family Dwelling Code, which many jurisdictions have adopted for single-family houses and duplex units. It also publishes the CABO Model Energy Code.

The approximate areas of model code usage are shown on the map below.



Rental Housing

Rental Vacancy Rates

(Percent)

Year	Total	5+ Units	Northeast	Midwest	South	West
1977	5.2%	7.1%	5.1%	5.1%	5.6%	5.0%
1978	5.0	6.7	4.8	4.8	5.5	4.8
1979	5.4	6.6	4.5	5.7	6.1	5.3
1980	5.4	7.1	4.2	6.0	6.0	5.2
1981	5.0	6.4	3.7	5.9	5.4	5.1
1982	5.3	6.5	3.7	6.3	5.7	5.3
1983	5.6	7.1	4.0	6.2	6.8	5.2
1984	5.8	7.5	3.7	5.9	7.9	5.2
1985	6.5	8.8	3.5	5.8	9.2	6.2
1986	7.4	10.4	3.9	6.9	10.1	7.1
1987	7.7	11.2	4.2	6.8	10.9	7.3
1988	7.7	11.4	4.8	6.9	10.2	7.7
1989 Q1	7.3	10.6	4.7	7.0	9.4	6.9
1989 Q2	7.3	10.9	4.6	6.9	9.5	6.9
1989 Q3	7.3	10.5	4.8	6.9	9.2	7.3

Source: Bureau of the Census

Median Asking Rents by Number of Bedrooms

Year	No Bedroom	One Bedroom	Two Bedrooms	3+ Bedrooms	Total
1978	$207	$227	$274	$350	$251
1979	225	246	293	350	272
1980	252	282	333	413	308
1981	353	315	374	437	347
1982	331	356	416	450	385
1983	320	355	417	535	386
1984	315	360	437	508	393
1985	347	388	469	550	430
1986	372	407	492	550	456
1987	499	461	551	646	517
1988	NA	497	596	650+	564

Source: Bureau of the Census

Townhouse Construction

Townhouses accounted for 10 percent of the nation's single-family starts in 1988, 25 percent of which were developed in the Northeast. In 1988, the Northeast accounted for only 17 percent of the nation's single-family starts but included 41 percent of national single-family townhouse starts.

The concentration reflects high land costs, strong demand, land use regulations and cultural traditions.

Between 1970 and 1985 the number of occupied, attached single-family homes in the nation increased by 116 percent while the total year-round housing stock increased 43 percent.

The majority of new townhouse single-family units in the Northeast are built for sale as condominiums. In other parts of the country townhouses are most commonly sold on a fee-simple basis.

In the West, especially California, land costs are as high as -- or higher than -- costs in the Northeast. But the regulatory attitude is different, so single-family detached homes are allowed to reach greater densities. Detached "patio homes" constructed at densities of 10 per acre and separated from their neighbors by only inches are common there.

Rapidly increasing land costs will continue to dictate a large townhouse supply in the Northeast. However, it may be partially offset by demand from trade-up buyers who generally prefer detached homes.

California is likely to be dominated by patio homes but if prices continue to rise, multifamily condominiums may become more prevalent there.

Many units that most people would consider to be single-family townhouses are considered by the Census Bureau to be multifamily units. The Census Bureau's definition of a single-family attached unit requires that it be separated from any adjoining unit by a single unbroken wall from the bottom of the basement to the roof. If, for example, a pipe goes from one unit through the wall to the next, the structure is considered to be multifamily.

Away from the East and West Coasts where land costs tend to be lower, there are fewer attached single-family homes.

Multifamily Housing

Due to a combination of factors, including the Tax Reform Act of 1986 and high vacancy rates in some areas, multifamily housing production is expected to fall to about 380,000 units in 1989, similar to production figures at the depths of the 1980-1982 recession.

Multifamily housing starts have been on the decline since 1986 because the new tax law eliminates incentives for construction. Some areas have continuing high rental vacancy rates and have imposed restrictions on growth. There also has been a decrease in the number of young adults, traditionally a major component of the rental market.

In 1980, there were 17.5 million persons aged 18 to 21, according to the U.S. Bureau of the Census. By 1985, that number had dropped to 15.8 million. In 1983, there were 13.05 million persons aged 22 to 24, but by 1985, the number had dropped to 12.9 million.

Most of the nation's multifamily units are rental properties. In 1988, for example, about 24 percent of all multifamily units started were "for sale" units. The balance were rental units.

Renters typically have lower incomes than home owners, and in recent years the gap has widened. The median income for renters was 65 percent that of home owners in 1970; it decreased to 56 percent in 1985.

Renters also have smaller average households than home owners. In 1985, 35 percent of all renting households consisted of one person; 65 percent consisted of two or more persons. By comparison, 17 percent of all home owner households consisted of only one person; 83 percent were made up of two or more persons.

Second Homes

At present there are between 4 and 5 million second homes in the U.S., including more than 500,000 mobile homes.

Ownership of second homes is concentrated among middle-aged, married couple households and that pattern implies strong demand for second homes and increased second home construction in coming years as the baby boomers reach middle age.

NAHB calculations indicate that second home construction has averaged 65,000 to 100,000 units annually thus far in the 1980s. However, given the size of the baby boom and the pattern of second home ownership, NAHB predicts a construction rate of 100,000 to 125,000 new second homes annually for the next several years.

Pre-Fabricated Housing Systems

Pre-fabricated, or industrialized, homes or components are partially assembled in a factory and then shipped to a building site where they are erected. Unlike "mobile homes" or "manufactured housing," pre-fabricated homes are constructed to meet nationally recognized model building codes.

There are several types of pre-fabricated or industrialized homes, including:

- **The Pre-Cut Home** -- All lumber and other materials for this type of home are pre-cut in a factory and shipped to the building site unassembled.

- **The Panelized Home** -- This type of home package includes wall panels and may include other items such as roof systems, floor systems and other materials and equipment. The exterior wall panels usually include sheathing, siding, windows and doors. Interior wall panels usually consist of 2-inch by 4-inch studs with rough frame openings for doors (called an open wall system). When the manufacturer also installs electrical and plumbing systems, insulation and wallboard, the product is called a closed wall panelized home.

- **The Modular or Sectional Home** -- The modular or sectional home is about 95 percent complete when it leaves the factory. Built to meet conventional building codes, it includes all plumbing, electrical and mechanical systems. The roof and exterior siding are installed in the factory. Interior trim, paint, wall coverings, carpeting, tile, flooring, cabinets and fixtures are all installed in the factory before the home is shipped to the building site, usually in two or more halves or modules. At the site, the modules are placed on the foundation. Modules can also be stacked to create apartments, condos, hotels and motels.

Mobile or Manufactured Homes

The HUD Code (Mobile) or Manufactured Home -- the mobile or manufactured home is manufactured to the HUD mobile home standard rather than a conventional building code. These homes, which leave the factory 100 percent complete, generally come in two sizes. Single-wide units are 12- to 14-feet-wide. Double-wide units are 28-feet-wide and look similar to a ranch house.

General Remodeling Market

– According to the U.S. Bureau of the Census, expenditures for residential remodeling in 1988 totaled $101.1 billion. This was a 7.4 percent increase over the 1987 total of $94.1 billion and up 105 percent from the $49.3 billion spent in 1983.

Expenditures for Residential Remodeling and Repairs 1980 - 1988

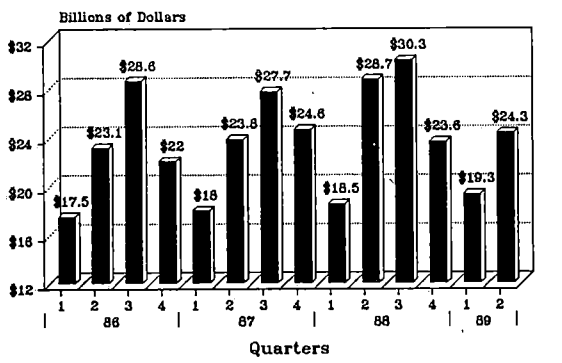
(Billions of Dollars)

Year	Total Expenditures	Maintenance and Repairs	Additions and Alterations	Major Replacements
1988	$101.1	$40.9	$43.3	$16.9
1987	94.1	38.2	40.0	15.9
1986	91.2	36.0	38.6	16.7
1985	80.3	35.4	28.8	16.1
1984	69.8	28.9	27.8	13.1
1983	49.3	18.1	20.3	10.9
1982	45.3	16.8	18.8	9.7
1981	46.3	16.0	20.4	9.9
1980	46.3	15.2	21.3	9.8

– The seasonally adjusted annual rate of remodeling expenditures for the second quarter of 1989 was $93.9 billion. NAHB predicts that 1989 residential remodeling expenditures will increase slightly to approximately $102 billion. Based on an analysis of U.S. Bureau of the Census figures, NAHB estimates that 75 percent of all remodeling/repairs are done by professional remodelers, 25 percent are done by homeowners.

Seasonally Adjusted Annual Rates of Remodeling Expenditures

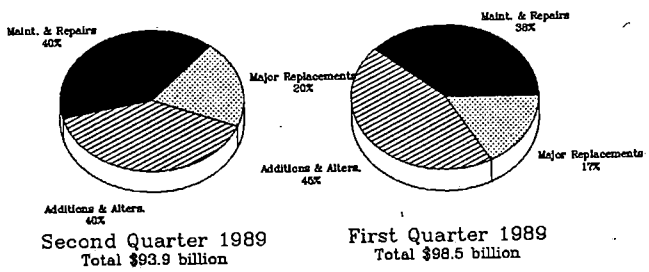
First Quarter 1986 - Second Quarter 1989



(Source: U.S. Bureau of Census)

Seasonally Adjusted Annual Rates of Remodeling Expenditures

First Quarter and Second Quarters 1989

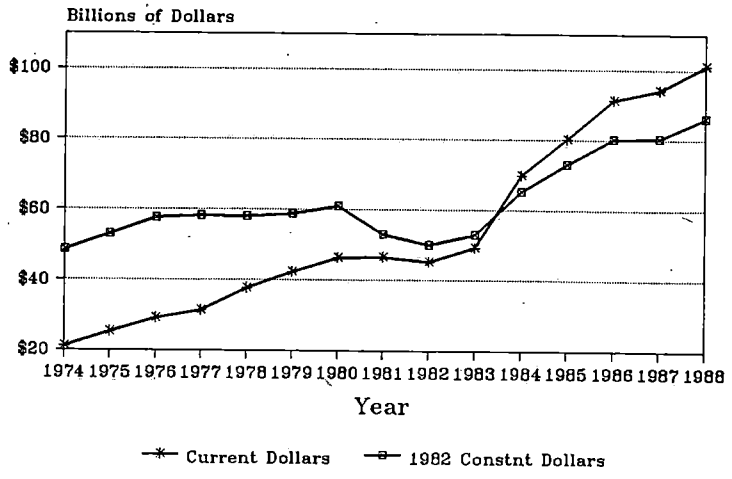


Second Quarter 1989
Total $93.9 billion

First Quarter 1989
Total $98.5 billion

(Source: U.S. Bureau of Census)

Total Expenditures for Residential Remodeling
1974 - 1988 in Billions of Current Dollars and Billions of 1982 Constant Dollars



Source: U.S. Bureau of Census

When residential remodeling expenditures are calculated in terms of 1987 constant dollars (to account for inflation) it becomes clear that the industry hovered around the $60 billion level from 1974 until 1983. The industry's real, dramatic growth took place between 1983 and 1986 and has since leveled off.

According to an NAHB survey, the top income producing remodeling activities are room additions, kitchen remodeling, and bathroom remodeling.

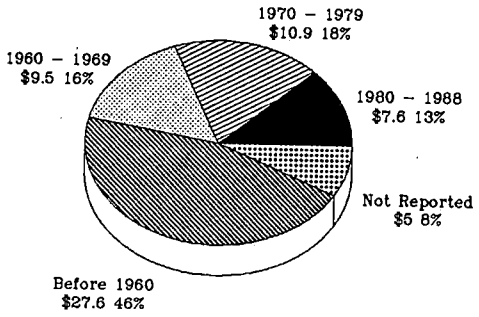
Remodeling Expenditures by Type of Work in 1987 and 1988

(Billions of Dollars)

	1987	1988
Painting	$11.5	$12.5
Plumbing	$8.5	$8.6
Roofing	$6.0	$6.7
Heating and Central Air Conditioning	$6.4	$7.5
Siding	$3.0	$4.1
Remodeling	$4.5	$4.4
Other	$54.1	$57.5

1988 Remodeling Expenditures for Owner-Occupied
One Unit Properties by Year Built

(Billions of Dollars)



– Out of the $60.8 billion spent remodeling single-family homes in 1988, $27.6 billion of the work was completed on homes built before 1960. Of that $27.6 billion, 55.8 percent was spent in the Northeast and Midwest. Of the newer homes (built between 1980 and 1988) that were remodeled, 56.1 percent were in the South and West.

Remodeling Activity for All Residential Properties
in 1986, 1987 and 1988 by Region

(Billions of Dollars)

	1986	1987	1988
United States	$91.3	$94.1	$101.1
Northeast	$25.7	$25.7	$31.0
Midwest	$18.6	$21.2	$21.3
South	$29.2	$30.1	$27.1
West	$17.8	$17.1	$21.6

– According to U.S. Department of Energy figures, there are 4,154,000 non-residential buildings in the U.S. with 58.2 billion square feet of floorspace. Total remodeling expenditures for these non-residential buildings is roughly estimated to be slightly more than residential; about $100 billion in 1987, almost all of which is professionally installed.

The Mortgage Market

Adjustable Rate Mortgages

Adjustable Rate Mortgages (ARMs) and Adjustable Mortgage Loans (AMLs) are catch-all phrases for a variety of mortgages with changeable interest rates.

Interest rates may be pegged to any one of a number of indexes, including the interest rates on three- or six-month Treasury bills; the yield on Treasury securities which mature in one, two, three or five years; the cost of funds index for savings and loans; or the Office of Thrift Supervision's national average contract mortgage rate for existing homes purchased. Interest rate and payment adjustments occur at regular intervals ranging from six months to five years, although one-year intervals are most common. The rate is usually determined by adding a set margin to the index.

Often lenders will offer an initial interest rate on ARMs that is below what it would be if the index rate were used. In these cases, the consumer should be aware that monthly payments may rise even if the index does not.

Most ARMs now include caps on how much either the interest rate or payment may change at any one adjustment date or over the life of the loan. Currently, the most popular ARM features a two percent annual interest rate cap and a five to six percent cap over the life of the loan. A few ARMs feature payment caps, which, unlike an interest rate cap, do not limit increases in the interest rate, and any unpaid interest is added to the principal. This is called negative amortization. Usually the borrower has the option of using the payment cap or paying an amount that will amortize the loan. If a consumer makes payments that are greater than those required to pay off the loan within the original term, there will be a more rapid reduction of the principal called accelerated amortization.

Graduated Payment Mortgages

Graduated Payment Mortgages (GPMs) were developed in the late 1970s to help buyers, particularly young, first-time buyers, qualify for mortgages in the face of rapidly rising housing costs. The GPM allows buyers to make smaller monthly payments in the early years of the loan when, theoretically, incomes are lower and monthly payments pose more of a burden. With a basic GPM, payments increase each year until they reach a fixed rate, usually after five to 10 years.

Because payments increase, these loans are suitable only for buyers who have good reason to believe their incomes will increase with time. In the long run, GPMs cost a bit more than fixed-payment loans because they usually involve negative amortization. Payments during the early years of the loan are not sufficient to cover all of the interest due and the unpaid portion is added to the principal. Because of the negative amortization feature, many lenders require a 10 percent downpayment with these loans. GPMs have recently been combined with 15-year loans. This combination usually involves little or no negative amortization.

A second type of GPM involves depositing a part of the downpayment in a pledged account. During the early years of the loan the lender draws on this account to supplement

monthly payments so that the buyer's monthly payment will be lower than it would be otherwise.

15-Year Mortgage

Mortgages amortized over 15 years require larger monthly payments than 30-year loans and allow an individual to pay off a mortgage in half the time as well as save on interest payments. For example, monthly payments on a $50,000 mortgage at 9.5 percent are $420 when repaid over 30 years and $522 over 15 years. Fifteen-year mortgages may carry interest rates slightly lower than those for 30-year loans.

Bi-Weekly Mortgages

Bi-weekly mortgages provide another means for paying off a mortgage more quickly. With a bi-weekly mortgage, the borrower makes half the regular monthly payment every two weeks. Because there are 26 two-week periods in the year, the borrower makes the equivalent of 13 monthly payments each year. This reduces the term of a 30-year mortgage to roughly 16 to 22 years. The lower the interest rate, the longer the term of the mortgage. To reduce the paperwork associated with the extra payments, most lenders require that payments be deducted automatically from a borrower's checking account. Bi-weekly payments may be used with either 30-year or 15-year loans.

Growing Equity Mortgages

With a growing equity mortgage (GEM), payments start out the same as those for a 30-year loan, but monthly payments increase each year for a number of years or for the term of the loan. Increases usually occur according to a fixed schedule -- say four percent each year. Unlike increases with the adjustable rate mortgage, with a growing equity mortgage all of the increase in payments goes toward reducing the mortgage principal. Thus the buyer accumulates equity in the home at an increased rate while the accelerated payment schedule gives the lender a certain degree of protection against inflation and increases in interest rates. A very popular GEM program involves level payments for the first six years with annual increases thereafter.

Buydowns

Some builders buy down interest rates for two or three years or for the term of the mortgage to help their buyers qualify for mortgages during periods of especially high interest rates.

Shared Equity Mortgages

Equity sharing treats the purchase of a home as an investment that can be shared between a resident owner and an investment owner. The investment owner contributes a share of the downpayment, the monthly payments, or both, and proportionately shares in the ownership of the property. Both purchasers may also share the tax benefits, but the type and amount of tax deduction would depend on the form of the agreement. Many lenders now limit this type of arrangement to immediate family members.

Land Lease

With a land lease, a home buyer purchases the house but not the land it's built on. Since only the house is financed, the required downpayment is less than if the total land/home package were mortgaged together. In many cases, combined mortgage and rental payments are lower than monthly mortgage payments would have been if both the house and land were financed. Generally, the buyer has the option to purchase the land at a later date.

Creative and Alternative Financing

In a typical creative financing arrangement for a resale unit, the buyer assumes an existing mortgage, makes a large downpayment and repays the remaining difference on the value of the home with a **second mortgage or deed of trust** carried back by the seller. Some second trust loans can be paid off in monthly installments over a few years while others are balloon loans with monthly payments based on a 25- or 30-year amortization schedule with the balance due after a few years.

In cases involving assumable loans, buyers may be able to arrange a **wraparound or all-inclusive deed of trust** that packages the old mortgage financing with the new into one lump-sum monthly payment. Wraparound financing may be arranged with a lender.

In a **lease-purchase** agreement, the buyer leases the home with an option to buy, usually lasting 12 to 18 months. The buyer pays "option money" for a purchase agreement stating the terms of the sale, except the effective date. That payment, and in some cases a portion of the monthly rent, can later be applied to the downpayment.

There are many variations on the techniques cited above. Creative financing usually requires outside legal assistance because of the many subtleties involved.

FHA & VA

Federal Housing Administration

Since its creation in 1934, the Federal Housing Administration (FHA) mortgage insurance program has increased the availability of home mortgages, lowered the cost of loans, pioneered new types of mortgage instruments with higher loan-to-value ratios and stimulated the development of a secondary market in residential mortgages.

FHA operates several mortgage insurance programs for both single-family and multi-family housing. The most frequently used FHA program is the self-supporting 203(b) program which provides for low downpayment mortgages on one- to four-family residences. The maximum loan amount for a one-family home ranges from $67,500 to $124,875 depending on local median prices.

FHA mortgage interest rates are no longer set by the Federal Housing Administration, so they fluctuate with market conditions.

Since it was established, FHA has financed more than 15 million homes with almost $300 billion in loans. Most FHA loans are sold on the secondary market to the Government National Mortgage Association (GNMA).

Veterans Administration

The Veterans Administration (VA) Home Loan Guaranty allows eligible veterans to obtain mortgage loans with little or no downpayment. The maximum loan amount without a downpayment is generally $184,000.

The maximum interest rate on VA loans is set by the Veterans Administration and most VA loans are sold on the secondary market to the Government National Mortgage Association.

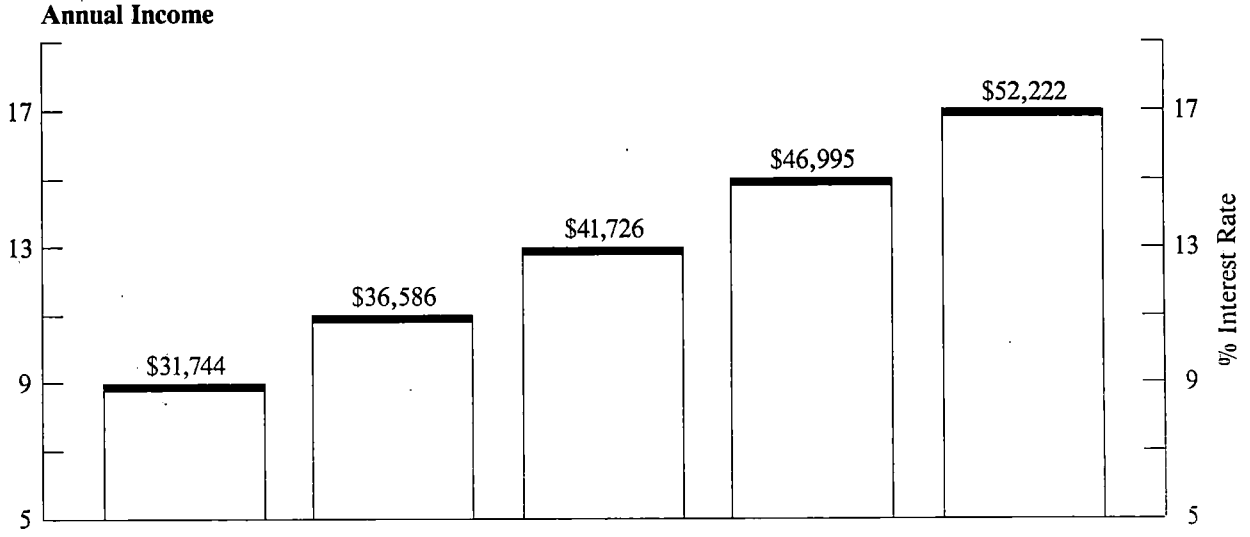
The VA has guaranteed more than 12.5 million home loans since the inception of its loan guaranty program in 1944.

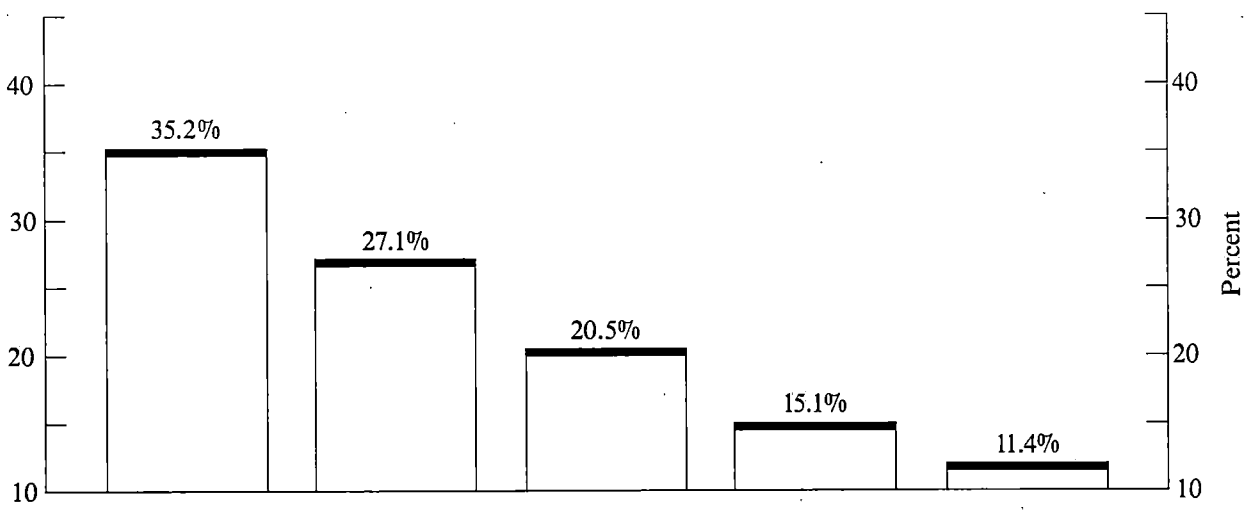
Affordability of Housing

Based on a 30 year mortgage of $76,500 ($85,000 purchase); fixed rate[1] (10% downpayment)

As the interest rate decreases, so do total monthly expenses and annual income requirements. At the same time, the number of families able to afford the lower costs increases.

Assuming that expenses equal 28% of the income:



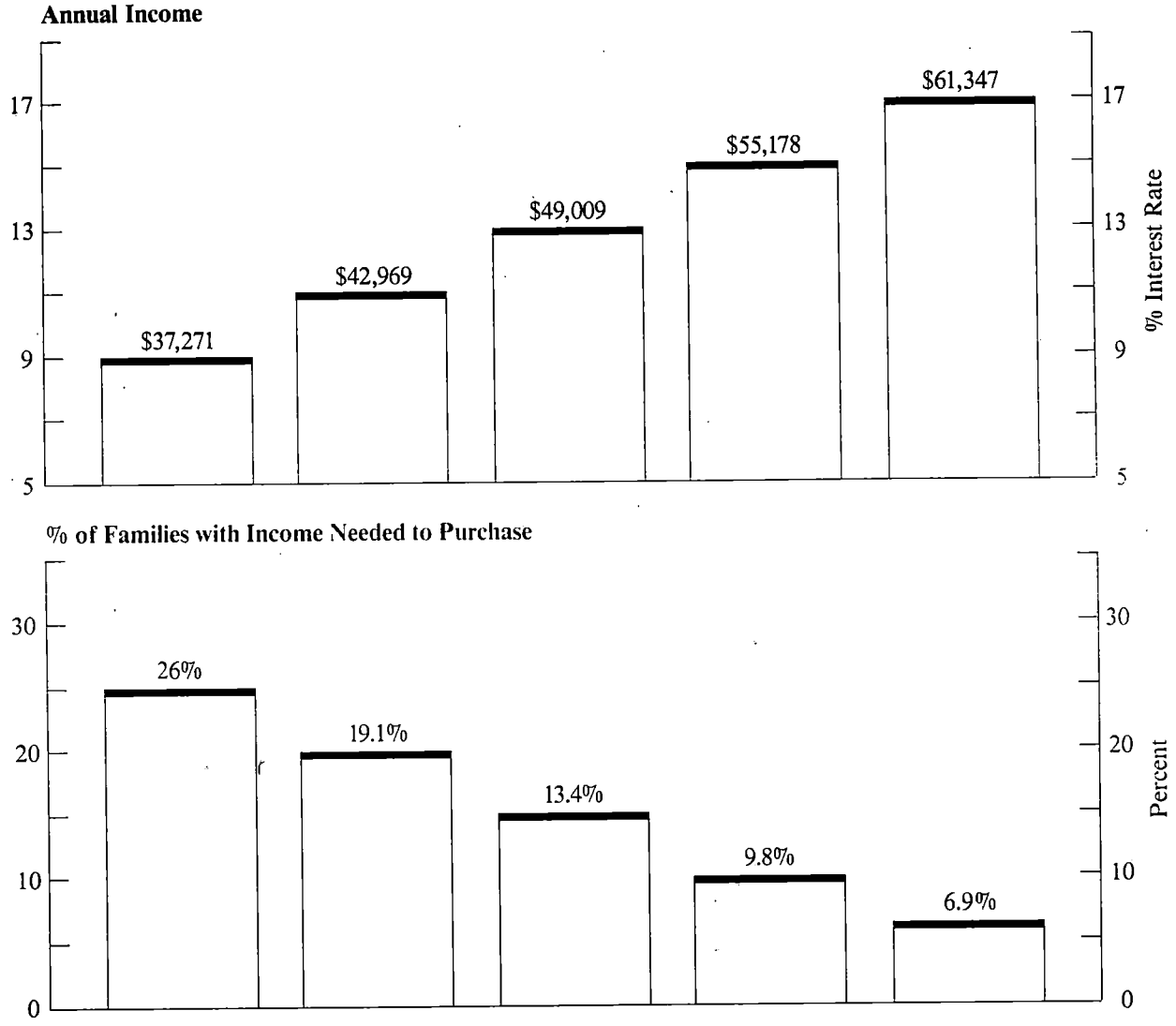


Interest Rate	Monthly Principal & Interest Payment	Property Taxes & Insurance	Total Monthly Expenses	Annual Income Needed to Afford	Number of Families w/Income Needed	Percent
9%	$ 616	$125	$ 741	$31,744	21,833,000	35.2%
11	729	125	854	36,586	16,806,000	27.1
13	849	125	974	41,726	12,718,000	20.5
15	972	125	1097	46,995	9,354,000	15.1
17	1094	125	1219	52,222	7,074,000	11.4

continued ►

Affordability of Housing *Continued*

Based on a 30 year mortgage of $90,000 ($100,000 purchase); fixed rate[1] (10% downpayment)



Interest Rate	Monthly Principal & Interest Payment	Property Taxes & Insurance	Total Monthly Expenses	Annual Income Needed to Afford	Number of Families w/Income Needed	Percent
9%	$ 725	$145	$ 870	$37,271	16,136,000	26.0%
11	858	145	1003	42,969	11,828,000	19.1
13	999	145	1144	49,009	8,324,000	13.4
15	1143	145	1288	55,178	6,085,000	9.8
17	1287	145	1432	61,347	4,265,000	6.9

[1] Figures are based on a current estimate of 62,000,000 families in the U.S. and the assumption that all families are in the housing market. A 1983 family income distribution estimated by NAHB is applied.

Mortgage Payment Tables

Principal and Interest Payment for a Fixed-Rate 15-Year Loan

Interest Rate

Loan Amount	8%	8.5%	9%	9.5%	10%	10.5%	11%	11.5%	12%
$ 5,000	$ 48	$ 49	$ 51	$ 52	$ 54	$ 55	$ 57	$ 58	$ 60
10,000	96	98	101	104	107	111	114	117	120
15,000	143	148	152	157	161	166	171	175	180
20,000	191	197	203	209	215	221	227	234	240
25,000	239	246	254	261	269	276	284	292	300
30,000	287	295	304	313	322	332	341	350	360
35,000	334	345	355	365	376	387	398	409	420
40,000	382	394	406	418	430	442	455	467	480
45,000	430	443	456	470	484	497	511	526	540
50,000	478	492	507	522	537	553	568	584	600
55,000	526	542	558	574	591	608	625	643	660
60,000	573	591	609	627	645	663	682	701	720
65,000	621	640	659	679	698	719	739	759	780
70,000	669	689	710	731	752	774	796	818	840
75,000	717	739	761	783	806	829	852	876	900
80,000	765	788	811	835	860	884	909	935	960
85,000	812	837	862	888	913	940	966	993	1,020
90,000	860	886	913	940	967	995	1,023	1,051	1,080
95,000	908	936	964	992	1,021	1,050	1,080	1,110	1,140
100,000	956	985	1,014	1,044	1,075	1,105	1,137	1,168	1,200

Mortgage Payment Tables

Principal and Interest for a Fixed-Rate 30-Year Loan

Interest Rate

Loan Amount	8%	8.5%	9%	9.5%	10%	10.5%	11%	11.5%	12%
$ 5,000	$ 37	$ 38	$ 40	$ 42	$ 44	$ 46	$ 48	$ 50	$ 51
10,000	73	77	80	84	88	91	95	99	103
15,000	110	115	121	126	132	137	143	149	154
20,000	147	154	161	168	176	183	190	198	206
25,000	183	192	201	210	219	229	238	248	257
30,000	220	231	241	252	263	274	286	297	309
35,000	257	269	282	294	307	320	333	347	360
40,000	294	308	322	336	351	366	381	396	411
45,000	330	346	362	378	395	412	429	446	463
50,000	367	384	402	420	439	457	476	495	514
55,000	404	423	443	462	483	503	524	545	566
60,000	440	461	483	505	527	549	571	594	617
65,000	477	500	523	547	570	595	619	644	669
70,000	514	538	563	589	614	640	667	693	720
75,000	550	577	603	631	658	686	714	743	771
80,000	587	615	644	673	702	732	762	792	823
85,000	624	654	684	715	746	778	809	842	874
90,000	660	692	724	757	790	823	857	891	926
95,000	697	730	764	799	834	869	905	941	977
100,000	734	769	805	841	878	915	952	990	1,028

*For mortgages over $100,000 add the appropriate figures. For example, the principal and interest on a 30-year $100,000 mortgage at 10 percent interest is $878 and the principal and interest on a 30-year $5,000 mortgage at 10 percent is $44. Thus the total principal and interest payment on a $105,000 mortgage is $878 plus $44 or $922 per month.

Mortgage Revenue Bonds

Tax-exempt mortgage revenue bonds (MRBs) issued by state and local housing agencies provide funds for home mortgages at rates about 2 percent below the market rate and help alleviate the housing affordability problem. They are restricted to first-time buyers of modestly priced homes. In 1985, states and localities issued $12 billion in mortgage revenue bonds providing financing for an estimated 236,000 home purchases.

Uncertainty stemming from congressional efforts to revise the tax laws covering tax-exempt bonds, along with lower interest rates, reduced the amount of mortgage revenue bonds issued in 1986. States and localities issued only about $6 billion in mortgage revenue bonds, providing financing for an estimated 117,000 home purchases.

In 1987 and 1988, the new tax law's lower home purchase price ceilings and new borrower income limits restrained mortgage revenue bond activity, with roughly $7.5 billion to $8 billion in bonds issued each year.

Although authority to issue mortgage revenue bonds was slated to expire at the end of 1988, Congress extended it through 1989 with additional restrictions. Late in 1989, Congress again extended authority to issue mortgage revenue bonds for an additional nine months.

Since their inception, mortgage revenue bonds have funded the purchase of more than one million homes by first-time buyers.

Mortgage Delinquency

Mortgage Delinquency

(Seasonally Adjusted Rate)
(30 or more days past due)

Year	Q1	Q2	Q3	Q4
1980	4.88	4.98	5.01	5.01
1981	5.23	5.23	5.33	5.21
1982	5.28	5.53	5.57	5.74
1983	5.69	5.61	5.37	5.69
1984	5.39	5.50	5.92	5.82
1985	6.06	5.82	5.75	5.72
1986	5.72	5.68	5.50	5.35
1987	5.18	5.02	4.75	4.94
1988	4.79	4.85	4.78	4.74
1989	4.61	4.53	NA	NA

Source: Mortgage Bankers Association, National Delinquency Survey.

Secondary Mortgage Market

Government National Mortgage Association

GNMA, or Ginnie Mae, was established as an arm of HUD in 1968 to provide support for government-related housing programs. In the past, GNMA has bought mortgages initiated through government subsidized programs. However, GNMA's chief operation is its mortgage-backed security (MBS) program, begun soon after the agency opened.

Under the MBS program, lenders package FHA/VA mortgages into pools of loans with the same interest rate and of the same type -- 203(b) loans in one pool, Section 245 GPMs in another. The lender then warrants to GNMA that the loans conform to GNMA's standards and agrees to make timely monthly payments to investors, whether or not individual home owners make their monthly payments.

GNMA does not issue the security, nor does it buy or hold the mortgages. The lender issues the security and, along with the custodian, holds the mortgages. GNMA guarantees that the registered securities holders will receive the timely payment of monthly principal and interest as well as any early repayment of the loans. The GNMA guarantee carries the full faith and credit of the U.S. Government. This successful market rate program has been a model for conventional mortgage-backed securities.

Federal National Mortgage Association

FNMA, or Fannie Mae, the largest single investor in residential mortgages, was established by Congress in 1938 to buy FHA-insured loans where credit was scarce. FNMA became a private, for-profit corporation in 1968 and began buying conventional loans in 1970.

The functions FNMA had performed in support of government subsidized housing programs were transferred to GNMA under HUD jurisdiction. FNMA continues to buy FHA/VA loans.

FNMA buys mortgages from lenders and, until recently, held most of them in its portfolio. FNMA finances its purchases through its mortgage portfolio income by issuing short-term discount notes and intermediate-term debentures and by charging fees for the service it offers. FNMA also has a $2.25 billion stand-by line of credit with the U.S. Treasury that has yet to be used.

As a portfolio holder of loans, FNMA was caught in the same earnings squeeze that has affected savings and loans. The income from its older loans was lower than its cost of funds. In order to assure a closer match of its cost of funds over the long term with the income from new loans, FNMA began packaging loans into mortgage-backed securities during 1981. In recent years, Fannie Mae's mortgage-backed securities activity has far exceeded its portfolio purchases.

In addition to conventional and FHA/VA fixed rate loans, Fannie Mae will purchase adjustable mortgage loans, graduated payment mortgages, growing equity mortgages, loans on land lease properties, loans involving buy-downs or refinancing, loans on condominiums, loans on permanently sited mobile homes or manufactured housing, second

mortgages and home seller loans. A negotiated transactions desk will consider specially designed programs that do not fit into any of the standard programs.

Federal Home Loan Mortgage Corporation

FHLMC, known as either Freddie Mac or The Mortgage Corporation, was established in 1970 to provide a secondary market for conventional loans. Much of its business is with savings and loan associations, but it also buys mortgages from commercial banks and mortgage bankers.

FHLMC buys whole loans or participations in loans and takes title to them. Unlike Fannie Mae, however, Freddie Mac does not hold large numbers of loans in portfolio. Rather, it immediately packages the loans in large pools and sells participation certificates to investors. Participation certificates, known as PCs, are a form of mortgage-backed security.

Freddie Mac also operates a mortgage swap program, called the Guarantor program, to help mortgage lenders increase their liquidity. The program permits mortgage lenders to convert mortgages into more easily marketable participation certificates.

Freddie Mac will purchase 30-year and 15-year conventional fixed-rate loans, certain adjustable rate mortgages, loans on condominiums and manufactured housing, second mortgages, loans involving land leases and refinancing loans. It also operates a negotiated transaction desk for loans that do not conform to standard Freddie Mac programs.

Demographic Trends

Population

The U.S. population is expected to grow by 2.1 million yearly between 1989 and 1992, or .85 percent each year. Population growth will slow to .75 percent a year between 1992 and 1995.

Much more important to the building industry are changes in the population by age, because each age group constitutes a different type of market. The nation experienced a "baby bust" in the 1920s and 1930s followed by a "baby boom" from 1945 to 1962, another "bust" from 1963 to 1973 and a "baby boomlet" after 1973.

Based on these patterns, the population is expected to change as follows between 1990 and 1992:

Age	Change
10-14	Change from decline to increase
15-24	Continued decline
25-29	Change from increase to decline
30-34	Growth will slow
35-54	Rapid growth
55-64	Continued decline
65-75	Growth will slow
75 +	Rapid growth

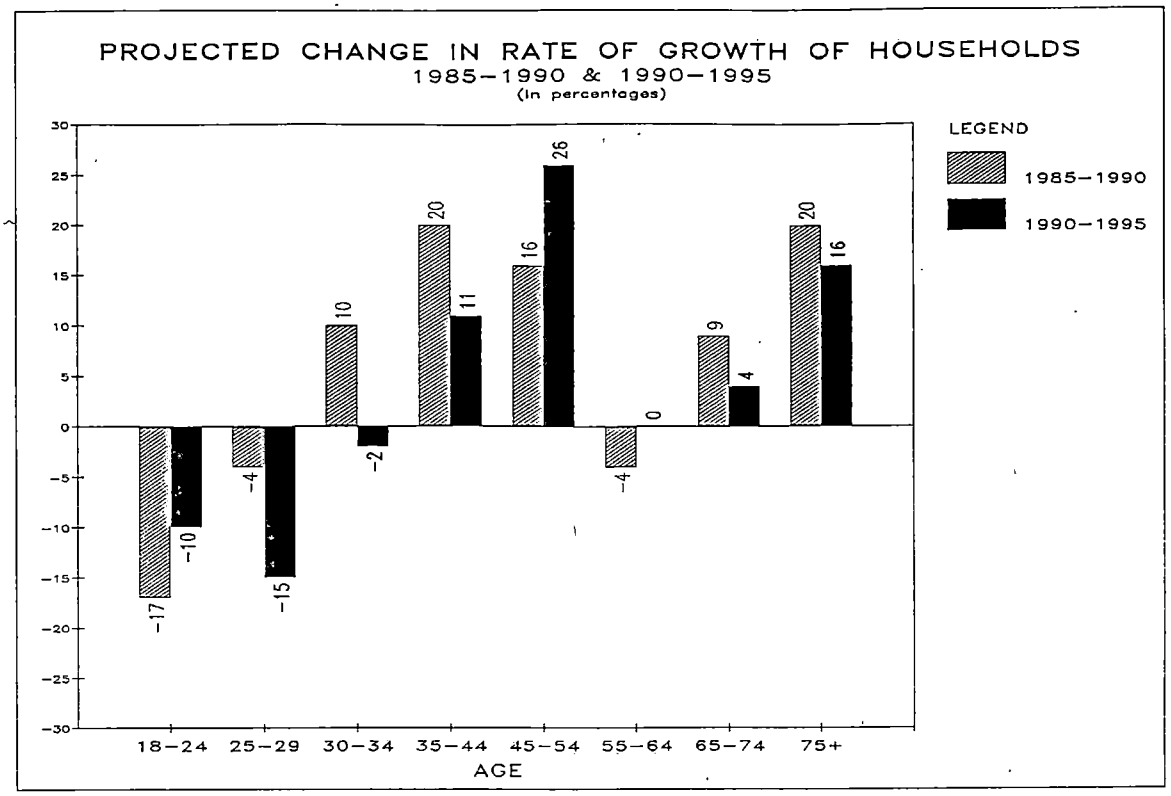
This pattern implies a significant decline in the young adult market, strong expansion among those in the middle years (a higher income group in general), stability among younger seniors and rapid expansion among older seniors. The period from 1992 to 1995 shows the same pattern.

Household Growth

The direct determinant of housing demand is not population growth but household growth. It can vary radically with short-term economic conditions and is affected over longer periods by social trends such as marriage and divorce rates as well as the tendency for young adults to live with parents or roommates. The types of households being formed also affect housing demand.

In 1990, the number of households is expected to grow by 1.4 million. After 1990, there will be a steady decline in household growth as the "baby bust" generation of 1963-1973 moves through the primary household formation ages of 25 to 35.

Projected changes in the rate of growth of different age households, based on work by the Joint Center for Housing Studies of Harvard University, are shown below.



The highest growth categories in 1990 will be:

- Singles, age 35 to 44
- Married couples, age 35 to 44
- Singles, age 75+

The categories showing significant declines will be:

- Married couples, age 18 to 29
- Married couples, age 55 to 64

In general, married couple households will continue to decline in each age group. This trend reflects the aging of the "baby boom" generation with its higher never-married or divorce rates, as well as expectations of an even greater tendency to be single among younger people than has appeared previously. If marriage at a younger age comes back into fashion, these projected patterns would change.

Migration Patterns

In 1989 and 1990 the regional pattern of population growth will continue as in the past with the Sunbelt showing more rapid growth than the Snowbelt. However, population flows may slow. Some areas such as the Northeast that have traditionally experienced outmigration now have low or declining unemployment rates while some of the usual recipient areas are suffering high unemployment.

A continued decline in mobility rates -- resulting from an aging population, more dual-earner households and other factors may also influence regional growth.

Another key factor affecting regional population growth will be regional differences in the age structures of households. In general, areas that have experienced steady in-migration now have relatively younger populations because migrants tend to be young. Those areas with younger populations will experience more natural population increases -- more births and fewer deaths. And they will also experience relatively stronger growth (or less decline) in the demographic groups comprising the starter home markets.

Within regions and even states there has been significant variation in the growth rates of non-metropolitan areas relative to metropolitan areas. In the 1980s there was a return to the long-term expansion of metropolitan areas and shrinkage of the non-metro sector. This was in large part because of continuing growth in the service sector and declines in manufacturing, agriculture and mining.

Historical Perspective

Housing in 1940

In 1940, the U.S. Census Bureau's first housing census found that owner-occupied homes had a median value of $2,938. The median gross rent was $27.28 per month.

The Census also found that about 64 percent of the nation's 37.3 million housing units were single-family detached homes.

More than a million pre-Civil War housing units were still occupied in 1940.

In 1940, 31 percent of the nation's homes did not have running water and 45 percent did not have complete private plumbing.

The 1940 housing census also found that about 14.3 million units -- or less than half of all homes -- had central heat. Steam and hot water systems were more popular than warm air furnaces. And of the 19.8 million housing units without central heating, almost 16 million relied on stoves for heat.

About 15 million homes in 1940 had mechanical refrigeration equipment while another 9.3 million relied on ice. About 9.9 million used other means of cooling such as spring houses or had no means of protecting perishable foods.

Housing Today

The Nation's Housing Stock

68.1 percent of the nation's 84.6 million occupied housing units are one-unit homes; 11.9 percent are in buildings with two to four units. Another 15.3 percent are mobile homes.

33 percent of the nation's housing units are in the South; 26 percent are in the Midwest; 21 percent are in the Northeast and 20 percent are in the West.

97.6 percent of the nation's year-round units have complete plumbing facilities and 98.5 percent have private kitchens. Almost 52 percent are heated by warm-air furnaces, 16 percent by steam or hot water and 3 percent by heat pumps. Fifty-nine percent of all occupied units are air conditioned.

American living space compares favorably with other countries. According to the United Nations Yearbook, the number of residents per housing unit in capital cities ranges from 8.66 in Seoul, Korea, to just 1.81 in West Berlin. Washington, D.C. has 2.4; Moscow, 4.1; London, 2.61; and Rome 2.96.

Throughout the nation, new housing construction in concentrated in metropolitan areas. In 1987, about 88 percent of all residential units authorized by building permits were located within metropolitan areas.

America's 100 Millionth Home

The nation's 100 millionth home, a three-bedroom ranch-style house in the Atlanta suburb of Lawrenceville, Ga., was occupied in April of 1987.

The house was designated by NAHB following a determination by the U.S. Census Bureau that America's 100 millionth home would be completed by the end of March. The South was the likeliest location of the home because new construction in the South has been twice that of any other region since 1980.

The 1,850-square-foot home sold for more than $98,000.

Profile of the National Association of Home Builders

A federation of more than 800 state and local associations nationwide, NAHB has more than 157,000 members.

About one-third of all members are builders, the majority of whom construct fewer than 25 units per year. The remainder of the membership consists of associates in allied fields such as mortgage finance and building products and services.

The association was founded in 1943 and is headquartered in Washington, D.C. It has an annual budget of more than 31 million.

As the "Voice of America's Housing Industry," NAHB is dedicated to serving the needs of individual members and its state and local associations. It provides management services to state and local associations and keeps members and associations informed about changes in building techniques, marketing, financing, legislation, government regulations, consumer attitudes and preferences, and specialized fields within the housing industry.

Councils addressing needs of specialized fields within the housing industry include the Building Systems Council (pre-fabricated or industrialized housing), the National Commercial Builders Council, the National Council of the Multifamily Housing Industry, the NAHB Remodelors Council, the National Sales and Marketing Council, the Rural Housing Council and the Seniors Housing Council. Four standing committees address the needs of small volume, medium volume, large volume and custom single-family home builders.

NAHB's various divisions analyze housing policy issues, take the housing industry's story to the public through the media, monitor and work toward improving the housing finance system and analyze and forecast economic trends.

In addition, the association represents the industry's interests on Capitol Hill and strives to ensure that housing remains a national priority when laws are made and policies set.

Each year the association holds an annual convention and exposition. The convention, which attracted more than 65,000 persons in 1989, features educational seminars and exhibits of the latest in products and services for the housing industry. The NAHB Annual Convention and Exposition will be held in Atlanta in 1990 and 1991.

NAHB has several close affiliates focusing on specialized aspects of the housing industry. They include:

- **HOW** -- The Home Owners Warranty (HOW) program provides a 10-year new home buyer protection plan. The plan is administered by the Home Owners Warranty Corporation which began as an NAHB subsidiary and has since become an independent mutual company.

- **NAHB National Research Center, Inc.** -- The NAHB National Research Center develops, tests and evaluates new materials, methods, standards and equipment to improve America's housing and to make it more affordable.

- **Home Builders Institute** -- NAHB's educational arm, the Home Builders Institute develops and administers a wide range of educational and job training programs. It is also responsible for developing the educational programs at NAHB's annual convention and exposition, "The Builders' Show."

For more information about NAHB or a copy of the "Contact" brochure listing all NAHB departments, staff contacts and telephone numbers, call the Public Affairs Division at (202) 822-0405.

THE WHITE HOUSE

WASHINGTON

SCHEDULE OF THE PRESIDENT

FOR

ATLANTA, GEORGIA

JANUARY 19, 1990

EVENTS:

Staff Photo with NAHB Executive Committee Members and Capitol Club Members
Address National Association of Home Builders

DRESS:

Men	-Business Suit
Women	-Day Dress

CONTACTS:

Presidential Advance Office John G. Keller, Jr.	- 202/456-7565
Trip Coordinator Patricia L. Conrad	- 202/456-7565
Atlanta, Georgia Signal	- 202/395-1522

ADVANCE:

Rick Pharr	-LEAD
Kelley Gannon	-PRESS
Tony Germano	-USSS
Bill Hilton	-WHCA
Bruce Caughman	-MIL AIDE
Pat Stamper	-AFI

WEATHER:

Chance of Showers/High 60's

SCHEDULE OF THE PRESIDENT

FOR

ATLANTA, GEORGIA

FRIDAY, JANUARY 19, 1990

GUEST AND STAFF INSTRUCTIONS:

7:45 am	Vans depart West Basement en route Andrews Air Force Base.
8:15 am	Those Guests and Staff with own transportation should arrive Distinguished Visitor's Lounge for check-in.
8:30 am	Guests and Staff manifested on Marine One, proceed to South Lawn for boarding.

8:45 am (E.S.T.) THE PRESIDENT boards Marine One and departs White House en route Andrews Air Force Base.

MARINE ONE MANIFEST:

THE PRESIDENT
Mrs. Bush
A. Card
M. Fitzwater
T. McBride
D. Valdez
Doctor
Mil Aide
2 USSS

(Flying Time: 10 Minutes)

8:55 am THE PRESIDENT arrives Andrews Air Force Base and proceeds to board Air Force One.

9:00 am (E.S.T.) — THE PRESIDENT departs Andrews Air Force Base en route Atlanta, Georgia.

(Flying Time: 1 Hour 35 Minutes)
(Interchange: No)
(Time Change: None)
(Food Service: Breakfast)

10:35 am (E.S.T.) — THE PRESIDENT arrives Dobbins Air Force Base and proceeds to Motorcade.

Met by:

The Honorable Johnny Isakson
State Representative and House Minority Leader

The Honorable Harrill L. Dawkins
State Senator and Chairman, Senate Industry and Labor Committee

The Honorable Maynard Jackson
Mayor of Atlanta

Miss Jackie Sue Gingrich
Daughter, Congressman Newt Gingrich

Mr. Fred Cooper
Former Georgia Chairman, Bush-Quayle '88

Mr. John Linder
Republican Candidate for Fourth Congressional District

Dr. Philip Secrist
Chairman, Cobb County Board of Commissioners

Brigadier General Dale Baumler
14th Air Force Commander

Colonel Bill Haber, Commander
Dobbins Air Force Base

10:40 am — THE PRESIDENT boards Motorcade and departs Dobbins Air Force Base en route Omni Coliseum.

MOTORCADE ASSIGNMENTS:

Lead	R. Pharr
Spare	T. McBride Doctor
LIMO	THE PRESIDENT Sec. Kemp
Follow Up	
Control	A. Card S. Rogich Mil Aide
Support	M. Fitzwater J. Keller Official Photographer Medic
WHCA	
Staff I	D. Demarest J. Wray
Camera I	
Camera II	G. Fendler
Wire I	
Wire II	
Guest I	Sec. Lujan F. Bracken
Guest II	F. McClure Sen. Fowler Rep. Gingrich
Staff Van	All Remaining Staff
Guest Van	All Remaining Guests

Press Van I	J. Herrick
Press Van II	
Press Van III	

(Drive Time: 20 Minutes)

GUEST AND STAFF INSTRUCTIONS:

Upon arrival at Omni Coliseum, Guests and Staff will be escorted to Staff Viewing Area or Holding Room.

Please board Motorcade no later than 12:00 pm for transport to Dobbins Air Force Base.

11:00 am THE PRESIDENT arrives Omni Coliseum and proceeds to Hospitality Room.

Met by:

Ms. Shirley McVay Wiseman
President, NAHB

Mr. Martin Perlman
President Elect, NAHB

Mr. Mark E. Tipton
Vice President and Treasurer, NAHB

Mr. Robert J. Buchert
Vice President and Secretary, NAHB

Mr. Dale Stuard
Immediate Past President, NAHB

Mr. Kent W. Colton
Executive Vice President and CEO, NAHB

Ms. Patsy Garner
Chairman - Conventions Committee, NAHB

EVENT: STAFF PHOTO WITH NAHB EXECUTIVE COMMITTEE MEMBERS AND CAPITOL CLUB MEMBERS

CLOSED PRESS

11:03 am — THE PRESIDENT arrives Hospitality Room and begins participation in Staff Photo.

11:23 am — THE PRESIDENT concludes participation in Staff Photo, departs Hospitality Room and proceeds to Off-Stage Announcement Area, Main Hall.

11:24 am — THE PRESIDENT arrives Off-Stage Announcement Area and holds briefly.

EVENT: ADDRESS NATIONAL ASSOCIATION OF HOME BUILDERS

OPEN PRESS

RUFFLES AND FLOURISHES

OFF-STAGE ANNOUNCEMENT

HAIL TO THE CHIEF

REMARKS

TELEPROMPTER

11:25 am — THE PRESIDENT is announced onto Stage, proceeds to Podium and assists in symbolically opening The 46th Annual Convention.

11:27 am — THE PRESIDENT concludes participation in opening the Convention and proceeds to Seat.

11:29 am — THE PRESIDENT is introduced for Remarks by Ms. Shirley McVay Wiseman, President , NAHB.

11:30 am — THE PRESIDENT Remarks.

11:45 am — THE PRESIDENT concludes Remarks and, accompanied by Secretary Kemp, departs Main Hall and proceeds to Holding Room.

11:46 am — THE PRESIDENT, accompanied by Secretary Kemp, arrives Holding Room.

12:03 pm — THE PRESIDENT departs Holding Room and proceeds to Motorcade.

12:05 pm — THE PRESIDENT boards Motorcade and departs Omni Coliseum en route Dobbins Air Force Base.

MOTORCADE ASSIGNMENTS:

Same as on Arrival.

(Drive Time: 20 Minutes)

12:25 pm — THE PRESIDENT arrives Dobbins Air Force Base and proceeds to board Air Force One.

12:30 pm (E.S.T.) — THE PRESIDENT departs Atlanta, Georgia en route Miami, Florida.

(Flying Time: 1 Hour 45 Minutes)
(Interchange: Yes)
(Time Change: None)
(Food Service: Lunch)

HOME BUILDERS ASSOC., OMNI, ATLANTA
11:00 A.M. FRIDAY, JAN. 19, 1990

((THANK YOU, SHIRLEY WISEMAN, MARTIN PERLMAN -- GOOD TO SEE A FELLOW HOUSTONIAN -- MARK TIPTON, JAY BUCHERT, KENT COLTON AND BOB BANNISTER -- GREAT TO SEE YOU. HASN'T BEEN SO LONG, HAS IT, SINCE OUR LAST MEETING IN NOVEMBER? AND, OF COURSE, WE HAVE NEWT GINGRICH, CHALMERS WYLIE AND STEVE BARTLETT.))

((AND IT'S GREAT TO BE BACK IN ATLANTA. IN FACT, I BELIEVE THAT IT WAS IN THIS VERY HALL, ABOUT A YEAR AND A HALF AGO, THAT THE DEMOCRATS HELD THEIR 1988 CONVENTION.\\ OF COURSE, I HAVE FOND MEMORIES OF THAT CONVENTION. IT GAVE ME AN EXCUSE TO GO FISHING IN WYOMING.))\\\

((BUT FRANKLY, I NEVER THOUGHT MY SILVER FOOT WOULD STAND ON THE SAME SPOT AS ANN RICHARDS.))\\\\

IN ANY EVENT, IT'S GREAT TO BE BACK AMONG THE HOME BUILDERS OF AMERICA. ((I JUST HOPE YOU APPRECIATE ONE THING -- IT'S NOT EVERY DAY THAT THIS ASSOCIATION GETS TO HEAR FROM SOMEONE WHO ACTUALLY LIVES IN PUBLIC HOUSING.))\\\

BEFORE WE MOVED TO THE WHITE HOUSE, BARBARA AND I WERE A HOME BUILDER'S AND A REALTOR'S DREAM. WE LIVED IN 28 PLACES IN 45 YEARS. AND YET, IN A REAL SENSE, WHEREVER WE LIVED -- WHETHER IT WAS IN HOUSTON, WASHINGTON, NEW YORK OR BEIJING -- OUR FAMILY HAD ONE TRUE HOME THAT WE TOOK WITH US WHEREVER WE WENT.

I REMEMBER THE FIRST PLACE BARBARA AND I LIVED IN, WHEN GEORGE JUNIOR WAS JUST A BABY -- A TINY RAMSHACKLE SHOTGUN HOUSE IN THE OIL TOWN OF ODESSA, TEXAS. IT HAD A MAKESHIFT PARTITION DOWN THE MIDDLE THAT CUT THE HOUSE INTO TWO APARTMENTS, LEAVING US WITH A SMALL KITCHEN AND A SHARED BATHROOM. AN OLD WATER-DRIP WINDOW UNIT THAT CRANKED UP LIKE A WEST TEXAS DUST STORM STILL COULDN'T DROWN OUT THE NOISE OF THE ALL-NIGHT PARTIES NEXT DOOR.

OF COURSE, THAT FIRST HOUSE BARBARA AND I LIVED IN COULDN'T COMPARE TO THE NEW "SMART HOUSES" THAT YOU, IN THE NAHB, ARE BUILDING. WE WERE FORTUNATE THAT THE WIRING EVEN WORKED, WHILE TODAY YOU ARE PUTTING TELEPHONE, TELEVISION AND POWER TOGETHER ON ONE MASTER CABLE, LINKED TO A COMPUTER. IT'S REMARKABLE WHAT FREE ENTERPRISE AND AMERICAN INGENUITY CAN DO.

YET DESPITE IT ALL, LORD BYRON WAS RIGHT -- A HOME IS A PLACE IN THE HEART. I CAN'T SPEAK FOR OUR NEIGHBORS, BUT FOR US, THAT LITTLE SHACK WAS HOME. AND I HAVE TO WONDER, AND WORRY, HOW MANY FAMILIES BREAK APART BECAUSE THEY CAN'T AFFORD TO BUY OR RENT A HOME EVEN HALF AS DECENT AS OUR FIRST PLACE.\\

WE CANNOT ALLOW THE HIGH COSTS OF HOUSING TO SUFFOCATE THE FINANCIAL LIFE OF AMERICA'S YOUNG PEOPLE. WHEN IT COMES TO HOUSING, THIS MUST NOT BECOME A SOCIETY OF "HAVES" AND "HAVE NOTS."\\\

THE FACT IS THAT FOR THE LAST DECADE AND A HALF, THE COST OF NEW HOMES -- THE COST OF THE AMERICAN DREAM -- HAS BEEN ESCALATING. YOUNG COUPLES JUST STARTING OUT, LOW AND MODERATE-INCOME AMERICANS, UNMARRIED PEOPLE TRYING TO INVEST IN THE FUTURE -- MANY ARE FINDING THEMSELVES PRICED OUT OF THE HOME MARKET, ESPECIALLY NEW HOMES.

TO CREATE DECENT HOUSING THAT PEOPLE CAN AFFORD, THE GOVERNMENT AND PRIVATE SECTOR MUST CUT SOME REDTAPE. SO I HAVE ASKED JACK KEMP TO CONVENE A BLUE RIBBON COMMISSION TO IDENTIFY THESE BARRIERS TO AFFORDABLE HOUSING CONSTRUCTION AND TO MAKE RECOMMENDATIONS ON HOW TO ELIMINATE THEM.

(AND WHILE I'M AT IT, CAN I GET SOMETHING OFF MY CHEST? AS YOU KNOW, AS I TRAVEL AROUND THIS COUNTRY, I HAVE ENCOURAGED THE PLANTING OF TREES -- AND EVEN PLANTED A FEW MYSELF. BUT IN THESE SAME TRAVELS, I SEE SO MANY NEW SUBURBS UTTERLY DENUDED OF TREES -- IRONIC, SINCE THE NEW OWNERS' FIRST INSTINCT WILL BE TO PLANT AS MANY TREES AS POSSIBLE; IRONIC ALSO BECAUSE TREES CLEAN OUR AIR. SO I RESPECTFULLY SUGGEST, AS A FORMER BUSINESSMAN, THAT LEAVING THE ORIGINAL TREES MIGHT BE A SHREWD SALES STRATEGY. IT'S GOOD FOR BUSINESS, AND IT'S GOOD FOR THE ENVIRONMENT.)

BUT THE TRUTH IS, THERE'S ONE HOUSING POLICY, AND ONE SALES STRATEGY, THAT'S BETTER THAN ALL OTHERS COMBINED -- A HEALTHY, GROWING ECONOMY WITH LOW, LONG-TERM INTEREST RATES.\\ THIS FIRST MONTH OF THE 1990S MARKS THE 86TH MONTH OF ECONOMIC GROWTH IN AMERICA. AS SHIRLEY SAYS, IT WAS HOUSING THAT PAVED THE WAY TO THE LONGEST PEACETIME RECOVERY IN MODERN HISTORY. YOU BUILT NEARLY TEN MILLION SINGLE-FAMILY HOMES IN THE '80S, AND NEARLY FIVE MILLION MULTI-FAMILY UNITS. AND BY WORKING TOGETHER, THE HOUSING INDUSTRY WILL HELP KEEP THIS COUNTRY GOING STRONG IN THE '90S.\\

THE ENGINE OF HOMEOWNERSHIP IN AMERICA IS THE PRIVATE ENTERPRISE SYSTEM. AND BY HELPING THOSE ENTREPRENEURS AND RISKTAKERS, MORE AMERICANS WILL HAVE ACCESS TO THE DREAM OF HOMEOWNERSHIP AND DECENT HOUSING.

BUT TO KEEP AMERICA MOVING, WE WILL NEED THE COOPERATION OF CONGRESS. I CAN THINK OF ONE SIMPLE ACTION CONGRESS CAN TAKE TO GIVE THE ECONOMIC EXPANSION A BOOST. IT HAS ALREADY BEEN DEBATED. IT HAS ALREADY WON THE SUPPORT OF THE MAJORITY OF MEMBERS. WHAT WE NEED NOW IS A SIMPLE UP-OR-DOWN VOTE TO CUT THE TAX ON CAPITAL GAINS.\\

SOME CALL A CAPITAL GAINS TAX CUT A FAVOR FOR THE RICH. THEY SHOULD KNOW BETTER. THEY SHOULD KNOW WHAT YOU KNOW -- THAT A CAPITAL GAINS TAX CUT FAVORS ECONOMIC GROWTH, JOBS AND OPPORTUNITY FOR WORKING AMERICA. IT FAVORS EVERY AMERICAN WHO MAKES A LIVING, DAY AFTER DAY, BRICK BY BRICK, HAMMER ON NAIL.

A CAPITAL GAINS TAX CUT WILL HELP EVERY AMERICAN WHO HOLDS A JOB OR OWNS A HOME. SO I CALL ON THE DEMOCRAT LEADERS OF CONGRESS TO GIVE THE AMERICAN PEOPLE A BREAK, AND TO LET THE HOUSE AND SENATE WORK THEIR WILL BY HAVING AN UP AND DOWN VOTE ON THE CAPITAL GAINS TAX CUT.\\\

ALSO VITAL TO HOME BUYER AND HOME BUILDER ALIKE ARE LOW AND STABLE RATES OF INTEREST. A ONE-PERCENT INCREASE IN THE INTEREST RATE KNOCKS MILLIONS OF FAMILIES OUT OF THE MARKET. IN THE LAST FEW YEARS, MILLIONS OF FAMILIES COULD AFFORD A NEW HOME BECAUSE MORTGAGE INTEREST RATES HAVE DROPPED FROM 18 PERCENT IN THE EARLY 1980S TO LESS THAN 10 PERCENT TODAY.\\ AND I WANT TO SEE THEM COME DOWN EVEN MORE.\\

THE 1990S MUST BE ANOTHER DECADE OF LOWER TAXES AND LOWER INTEREST RATES. BUT TO HAVE A STABLE ECONOMY, IT MUST ALSO BE A DECADE IN WHICH WASHINGTON, AT LONG LAST, ADOPTS FISCAL POLICIES AS SOUND AS THOSE OF THE AVERAGE AMERICAN HOUSEHOLD.

NONE OF US IS ALLOWED TO SPEND OUR BONUS BEFORE WE EARN IT. NOR SHOULD CONGRESS START PLANNING WHERE TO SPEND A POSSIBLE "PEACE DIVIDEND." TO THE EXTENT THAT WORLD EVENTS ALLOW US TO CUT DEFENSE SPENDING, THEN WE SHOULD RECOGNIZE THAT CUTTING THE FEDERAL BUDGET DEFICIT WOULD BE A TRUE DIVIDEND FOR AMERICA'S TAXPAYERS AND OUR CHILDREN'S FUTURE. WE MUST GET THE DEFICIT DOWN.\\\

AND TOO OFTEN, CONGRESS FORGETS THAT EVERY HOUSE IS THE HANDIWORK OF AN ARCHITECT, A SURVEYOR, A MASON, A PLUMBER, A CARPENTER, A PAINTER AND DOZENS OF OTHER WORKING MEN AND WOMEN. IF CONGRESS LEVIES NEW BURDENS ON OUR ECONOMY, IT IS THESE VERY PEOPLE WHO WILL BE PUT OUT OF WORK.

BUT, OF COURSE, EVEN IF WE DO CUT THE CAPITAL GAINS TAX; EVEN IF WE DO KEEP INTEREST RATES LOW; EVEN IF WE DO PROTECT THE ECONOMY -- THIS IS COLD COMFORT FOR THOSE AMERICANS WHO LANGUISH IN THE PROJECTS, OR THE THOUSANDS OF OTHERS WHO KNOW NO SHELTER AT ALL.

THESE AMERICANS NEED HELP. AND THEY NEED HOPE -- SO THAT'S JUST WHAT I CALL OUR PROGRAM -- HOPE, WHICH STANDS FOR HOME OWNERSHIP AND OPPORTUNITY FOR PEOPLE EVERYWHERE.

OUR PROGRAM ADDRESSES THE FULL RANGE OF HOUSING CONCERNS -- FROM SHELTER FOR THE HOMELESS, TO AFFORDABLE HOUSING FOR LOW-INCOME FAMILIES, TO GREATER ACCESS TO JOBS.

LET'S START WITH WHAT HOPE CAN DO FOR FIRST-TIME HOME-BUYERS. IT'S TIME CONGRESS LET AMERICANS USE THEIR IRA SAVINGS TO GET INTO THAT FIRST HOUSE.\\\

THEN THERE ARE THOSE WHO MUST LIVE IN THE POVERTY AND FEAR OF PUBLIC HOUSING. THEY ARE DISPROPORTIONATELY MINORITY AMERICANS. THEY SUFFER ABUSE FROM DRUG-DEALING PREDATORS WITHIN -- AND THE LAST THING THEY NEED IS ABUSE FROM WITHOUT. AND CONCERNING THE LATTER, LET ME SAY JUST ONE THING: ATLANTA IS A GREAT, CHEERFUL CITY THAT HAS PROUDLY RISEN FROM THE ASHES OF A DISTANT PAST. AND SO FOR THOSE WHO PLAN TO REVEL IN A RALLY OF HATE HERE TOMORROW, LET THEM KNOW THIS: ATLANTANS, LIKE ALL AMERICANS, TURN THEIR BACKS ON BIGOTS.\\

TO ESCAPE VIOLENCE AND CRIME, TO LIVE IN DECENT HOUSING -- OUR PUBLIC-HOUSING TENANTS MUST FIRST BE EMPOWERED. EMPOWERED TO CHOOSE WHERE THEY WANT TO LIVE. EMPOWERED BY HOUSING VOUCHERS.

LOW-INCOME FAMILIES DON'T NEED US TO BUILD NEW PUBLIC-HOUSING HORRORS. THEY NEED DECENT LOW-INCOME HOUSING. AND THAT'S WHY I CALL ON CONGRESS TO EXTEND THE LOW-INCOME HOUSING TAX CREDIT.\\\

EARLIER, I DISCUSSED CAPITAL GAINS. BUT EVEN THIS CUT WOULD NOT BE ENOUGH FOR AMERICA'S IMPOVERISHED INNER-CITIES -- OFTEN AS DESOLATE AND SHATTERED AS A WAR ZONE. NO, FOR THESE COMMUNITIES, WE'VE GOT TO GO ONE STEP FURTHER AND ELIMINATE THE CAPITAL GAINS TAX ALTOGETHER WITHIN ENTERPRISE ZONES.

THERE IS SOMETHING PERVERSE ABOUT DISCRIMINATORY LENDING PRACTICES THAT HAVE KEPT THE FHA OUT OF THE VERY PLACES THAT NEED THE MOST HELP. SO MY ADMINISTRATION WILL ENSURE THAT FHA IS TRUE TO ITS FIRST MISSION -- TO MAKE HOUSING AFFORDABLE FOR LOW- AND MODERATE-INCOME FAMILIES. IT'S WRONG TO DRAW A RED LINE AROUND THE INNER CITY. IT'S NOT RIGHT OR FAIR. AND WE'RE GOING TO REPLACE THE REDLINE WITH A GREENLINE FOR OPPORTUNITY AND JOBS FOR THE FUTURE.\\\

THE CENTERPIECE OF HOPE IS TO LET ALL AMERICANS LIVE IN DIGNITY AND CONTROL THEIR DESTINY -- AND DIGNITY IS EXACTLY WHAT RESIDENT MANAGEMENT PROJECTS ALLOW. TENANT MANAGEMENT AND TENANT OWNERSHIP IS NOT JUST AN EXPERIMENT -- IT'S THE FUTURE.\\

BUT EVEN MORE IS NEEDED. WE ARE ALL GOING TO HAVE TO WORK IN A PARTNERSHIP TO SOLVE THE PROBLEMS OF THE HELPLESS AND THE HOMELESS. MY ADMINISTRATION IS GOING TO DO ITS PART BY EXPANDING HOMELESS ASSISTANCE. LATE LAST YEAR, I SIGNED A BILL THAT BOOSTS FUNDING UNDER THE MCKINNEY ACT TO REDUCE HOMELESSNESS. OUR HOPE PROPOSAL WILL TIE SHELTER WITH BASIC SERVICES FOR THOSE IN NEED. AND SECRETARY KEMP, I KNOW, WILL TELL YOU OF OTHER STEPS WE ARE TAKING.

YOU'RE CERTAINLY DOING YOUR PART -- BUILDING AND RENOVATING SHELTERS FOR THE HOMELESS; FOR BATTERED WOMEN; FOR TROUBLED CHILDREN AND RETARDED ADULTS. AND YOU'RE WORKING WITH THE JOB CORPS, TAKING THE UNSKILLED, THE OUT-OF-WORK, AND TRAINING THEM FOR LIFETIME CAREERS IN CONSTRUCTION AND MAINTENANCE, AND I CONGRATULATE YOU ON YOUR COMMITMENT.

BUT OUR PARTNERSHIP NEEDS A THIRD ELEMENT -- THAT CONSTELLATION OF VOLUNTEERS I CALL THE THOUSAND POINTS OF LIGHT. I COULDN'T COME TO ATLANTA, WITHOUT TAKING NOTE OF ONE SUCH POINT OF LIGHT, A PART-TIME CARPENTER AND HIS WIFE WHO HAVE PROVIDED SHELTER FOR SO MANY IN THIS VERY CITY -- FORMER PRESIDENT JIMMY AND ROSALYNN CARTER. THEY DESERVE OUR THANKS, AS DO ALL THE PEOPLE BEHIND HABITAT FOR HUMANITY.\\

AND SO DOES A WOMAN NAMED ELLA MCCALL. ELLA WAS ONCE A HOMELESS MOTHER. NOW SHE HAS HER MASTERS DEGREE, AND SERVES THE HOMELESS AS A SOCIAL WORKER AT A SHELTER IN WASHINGTON, D.C. WHEN A FAMILY STRIVES TO MOVE OUT OF A SHELTER INTO A HOME, THEY NEED ELLA. WHEN A HOMELESS MOTHER WANDERS LOST, WITH HER CHILDREN IN TOW, SHE NEEDS ELLA. AND WHEN I LOOK OUT THE SOUTH WINDOW OF THE WHITE HOUSE AT DUSK, AND SEE THE DISTANT FIGURES OF RAGGED MEN BEDDING DOWN FOR THE NIGHT -- I PRAY TO GOD THAT THIS COUNTRY FINDS MORE PEOPLE LIKE ELLA MCCALL.

YOUR WORK IN JOB TRAINING, JACK KEMP'S WORK IN TENANT MANAGEMENT AND OWNERSHIP, ELLA MCCALL'S WORK WITH THE HOMELESS -- ALL OF THIS ULTIMATELY SAVES THE TAXPAYERS MONEY. BUT THIS ISN'T ABOUT MONEY. IT'S ABOUT CARING.

AND IF IT TAKES LOVE TO MAKE A HOUSE A HOME, THEN PERHAPS THE SAME COULD BE SAID OF A COUNTRY. FOR THE POOREST AMONG US, AMERICA MUST NOT JUST BE A PLACE TO LIVE IN, BUT A HOME FOR ALL.

THANK YOU, GOD BLESS YOU AND GOD BLESS AMERICA.

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