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THE SECRETARY OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D. C. 20410

June 9, 1975

MEMORANDUM FOR: James Cannon
Domestic Council
The White House

Subject: Proposal for Domestic Council Hearings on National
Growth Issues

The attached work plan specifies a process for creating the President's 1976 Growth Report, through combining HUD funded research and the proceedings of a series of public hearings on "growth issues."

This work plan, in effect, amends the March 4, 1975 working paper sent to you that calls for some form of public involvement in producing the next report as well as relating it more directly to the annual budget and legislative deliberations of the President.

I am aware of a number of concurrent activities under White House auspices which deal with the search for directions that future domestic policies may take. The recent Conference on Domestic and Economic Affairs, in San Diego, is one example. Recently, we responded to the Council's February survey of Cabinet agency views on "national needs and policy issues." The attached work plan is yet another means to engender discussion on future policies. I believe the work plan we have developed is a concrete, achievable program that the Council can use, during this year, in discharging its assignment from the President to assess national needs.

So that we have a clear agreement on the respective roles that the Council and HUD will play, in preparing for the hearings and the next growth report, I draw your attention to Part V of the work plan. This part identifies several decision points on which there must be explicit understanding and guidance from the Council on how to proceed.

I would like to meet with you, the third week of June, to discuss this plan and agree on how to proceed. Mr. David Meeker, Assistant Secretary for Community Planning and Development will also be in attendance.


Carla A. Hills

Attachment

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PROPOSAL FOR DOMESTIC COUNCIL HEARINGS ON NATIONAL GROWTH ISSUES

I. BACKGROUND. On March 4, 1975, the Department of Housing and Urban Development submitted to James Cannon, Director of the Domestic Council, a working paper on options for development of the 1976 Growth Report. This report is required pursuant to Title VII, Section 703 of the 1970 Housing and Urban Development Act which mandates the President, through an identifiable unit of the Domestic Council to send to Congress in every even-numbered year a major statement on Federal policy regarding national growth and development. The major recommendation of the options paper is that the 1976 biennial report should result from a process of free interchange and deliberation between the White House, working through the Domestic Council, and major representative groups of business, industry, consumers and State and local governments. This recommendation reflects the President's style for "going to the public" on domestic policy matters.

The Domestic Council subsequently endorsed the concept of public participation and indicated that a series of open hearings could be held instead of the conferences originally proposed in the March 4 working paper.

This paper sets forth a general plan of action for conducting such hearings, relating testimony to be acquired at the hearings with HUD funded research on growth topics, and utilizing both the testimony and the research as the basis for substantive development of the 1976 Growth Report.



II. SUMMARY OF PLAN OF ACTION. The Domestic Council and HUD would embark upon a joint course of action leading to development of a draft 1976 report in late December 1975.

The Council would establish a core staff to schedule and manage (with contract assistance) public hearings to be held in October and early November. Seven hearings would be held in Washington on transportation, shelter, natural resources, community development, social services, manpower development, and government in the 1970's. Four regional conferences would be held simultaneously, each on the joint topic of energy needs/economic growth and change. After the hearings, the Domestic Council would arrange for a Presidential briefing to transmit the basic findings and insights presented by witnesses at the hearings.

HUD would fund and manage growth research studies and commissioned papers on four subjects:

1. National Growth Issues
2. The Impact of Federal Activities on Growth
3. State Experiences in Managing Growth
4. City and County Experiences

The HUD-funded issue papers would be particularly important, as they would be utilized as the organizing frame work for the hearings. Witnesses would be invited to present testimony in the context of the issue papers. After the hearings HUD would revise the papers, then assemble them with other HUD-funded research and the proceedings of the hearings, into a draft 1976 Growth Report.

During January 1976, HUD would revise the growth report, as the President may direct, to reinforce or strengthen policy positions that may be set forth in the 1977 budget and State of the Union addresses. The final growth report will also be submitted to the United Nations as the U.S. country report for the June 1976 Conference on Human Settlements.

III. PLAN OF ACTION. Following is a description of the essential process by which the 1976 report can be developed, through a combination of HUD funded research papers and a series of open hearings, to assist the President in formulating legislative and budgetary proposals.

A. Roles and Responsibilities

The Domestic Council would sponsor a series of open hearings to elicit voluntary testimony from public and private groups on various "growth issues." After the hearings, the Council would arrange to brief the President on summary findings and conclusions of the witnesses and their views on national growth. Basic protocol, and the underlying purpose of the Title VII statute, indicate the need for Domestic Council visibility and sponsorship of the hearings.

A Domestic Council Core Staff (assembled most efficiently by detail of senior personnel from Federal agencies) would handle all operations and logistics necessary to conduct the hearings and develop proceedings. The core staff would contract for

management and reporting services for the hearings, utilizing for example, the National Academy of Public Administration. Contract funds would be provided by HUD.

HUD would continue with its responsibility to organize a program of research studies for the 1976 report (completed) select and approve contractors (starting) and oversee their work. The Department would also arrange for distribution of draft research papers to invited witnesses, so that all testimony received would be organized around common themes and subject matter. HUD would also assemble the research papers and conference proceedings into the growth report.

HUD contractors would develop 1) nine study papers on "growth issues" 2) analyses of Federal impacts on growth 3) inventory of States experience with growth management and 4) selected summary of local government experiences.

The Federal interagency task force assembled for the 1974 report would be reconvened to function in a review capacity for the 1976 report, and to provide data and information to the HUD contractors who will undertake the research studies.

B. Research Program

HUD funded research will provide the basic substance both for the Report and the hearings. Particularly important will be the "growth issues" studies which will concentrate on nine topical areas.

Energy Needs and Resources
Economic Growth and Change
Natural Resources (non-energy)
Transportation
Shelter
Community Development
Social Services
Manpower Development
Government in the 1970's (Federal/
State/local)

These issue papers are designed to assist the President to implement Title VII through the assessment of current and foreseeable growth trends and the identification of policy issues related to those trends. The papers are to assess public policy issues likely to arise in the mid-range future (3-5 years) within the areas of assigned responsibility for each of the Cabinet agencies, thereby facilitating the translation of issues into understandable public policy options which in turn can be translated back to specific Cabinet agency responsibilities.

Appendix A presents the scope of work for the issue papers project.

The issues paper will serve the critical function of providing a structured agenda for the hearings. The papers would be circulated to appropriate public and private groups with a



request that their testimony respond directly to the issues posed and to the policy options, if any, they would support.

After the open hearings, the issue papers would be revised to include insights gained from the hearings and a summary report on consensus and dissenting views of the witnesses would be prepared for the Domestic Council and the President. It is anticipated that the summary report and the revised issue papers would be incorporated, substantially without change, in the 1976 report, as documentation of the views of major interest groups which have been presented to the Domestic Council and the President for consideration in domestic policy-making.

C. Hearings

Individual hearings would be conducted on each of the nine growth issue topics.

For efficiency and to reduce travel costs, seven of the hearings should be in Washington. Regional hearings (four simultaneously) would be held only for the economy and energy topics, to secure visibility elsewhere in the country and to learn about regional views on these two topics in particular.

In regard to timing, the hearings should be held in October and early November, the earliest practicable period by which HUD contractors would have draft issue papers prepared and circulated for pre-hearing review by invited witnesses.



Groups invited to submit voluntary testimony would represent a balance of public and private and national, state and local views. A cross section of groups would be invited to testify on each topic, e.g., the transportation hearing would receive commentary not only from "transportation" groups also from those concerned with housing, access to social services and economic growth.

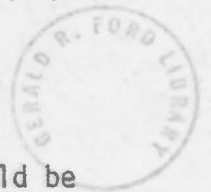
As suggested by William Baroody's office, appearances by the President or Vice President at one or more of the hearings should be strongly considered.

D. Formulation of Report for the President

As indicated in the calendar of events, the hearings would be completed about mid-November. Immediately thereafter the Domestic Council core staff, in cooperation with its management contractors and HUD support staff, would summarize the consensus and dissenting views of witnesses, prepare a written report and schedule a briefing for the President.

The purpose of the briefing would be to ensure timely and useful contributions, from the effort of producing the 1976 Report, to the President as the 1977 Budget and legislative programs are being considered.

HUD meanwhile would provide its contractors with guidance on revisions to the draft issue papers, to ensure that the insights gained and range of policy issues are fully representative of the positions presented at the hearings.



During December, after revision of the issue papers, HUD will assemble both its contracted research studies and proceedings of the hearings into a draft of the 1976 Growth Report, and initiate the required review cycles within the Executive Branch.

During January 1976, the draft report can be reworked, as the President may direct, so that it reinforces and elaborates upon policy positions contained in the 1977 budget and State of the Union messages.

IV. CALENDAR OF EVENTS

The table following relates the roles of the Council, its core staff, HUD and its contractors, and the Federal interagency task force, to the major actions that need to be accomplished in order to conduct the hearings, brief the President by December 1975, and publish the next growth report by February 1976.

V. DECISION POINTS ON PLAN OF ACTION

It is essential that there be immediate and firm agreement, by principals in the Domestic Council and HUD, on the following points, in order to carry out this plan of action.

Process of Report Development and Presidential Involvement

1. For 1976, a public approach will be taken to preparing the growth report. Operationally, this will be accomplished by conducting open hearings to elicit voluntary testimony from public interest groups, state and local officials, and business leaders on what are the important national growth issues and appropriate Federal policy responses.

CALENDAR OF EVENTS

1976 NATIONAL GROWTH REPORT

TIME	DOMESTIC COUNCIL	DOMESTIC COUNCIL CORE STAFF	HUD	HUD CONTRACTORS	FEDERAL TASK FORCE
April 1975	Approve this proposal		develop research projects		
May	Assemble core staff	develop management plan for hearings	advertize/select/approve contractors		
June	Announce hearings	select/approve contractor to manage hearings	manage research contracts	contract start-up	review research programs and provide data and information to contractors
July		prepare invitational mail-out			
August	Send invitations to 50-60 groups to testify	supervise contractor preparations for hearings to include:			
September	Send draft papers or growth issues to invited witnesses	space arrangements " scheduling publicity transcribing preparation of proceedings	prepare distribution of issue papers to invited witnesses	complete draft papers on growth issues	review draft growth issue papers
October	Conduct 7 hearings in Washington, plus 4 regional hearings		coordinate with contractor in managing the hearings		
November	Conclude hearings by mid-month	submit proceedings to Domestic Council	arrange Executive Branch review of issue papers and other research work	revise issue papers; complete summary report draft on issues	
December	Advise President on principal findings of hearings, as input to 1977 Budget and legislation; review draft 1976 report		assemble research work into draft 1976 report; submit draft report to President	revise summary report; all other research studies due for completion	review draft 1976 report
January 1976	review final 1976 report		assemble final 1976 report		review final 1976 report

2. The Domestic Council will sponsor the hearings, rather than any Cabinet agency, as a matter of basic protocol and to lend visibility to the White House in fulfilling the requirements of Title VII.
3. A core staff, necessary for effective management of the hearings, will be assembled by directive of the Council and report directly to it.
4. The President should receive a major briefing and summary of the outcome of the hearings, the issues discussed and policy options considered. The purpose of the briefing would be to provide an organized means for transmitting public and private sector views on national growth to the President at a major decision stage of the annual budget and legislative cycles.

Substance of the Hearings

1. The hearings will be structured around the nine topical growth issues for which HUD is contracting study papers.
2. The issues will be cast in functional terms, such as housing and economic development, and oriented to the short term future (3-5 years), in order to assist the Domestic Council in fulfilling the February 13, 1975 Presidential directive regarding "assessment of national needs and policy issues," in a pragmatic fashion.

FOLLOW-UP

As soon as agreement is reached on these decision points, the Council's core staff should be identified, assembled and charged with formulation of a management plan for the hearings. HUD support staff will be made available to coordinate the development of HUD funded research work with the management plan and the scheduling of the hearings.

WORK STATEMENT
FOR
ANALYSIS OF SELECTED NATIONAL GROWTH
ISSUES/PUBLIC POLICY CHOICES

1. BACKGROUND. This statement proposes a limited solicitation of a cost reimbursable contract as part of the HUD research program in support of Title VII, Section 703(a) of the 1970 Housing Act requiring preparation of a biennial report on national growth.

Specific provisions of Section 703(a) call for the Report to include:

a summary of significant problems facing the United States as a result of urban growth trends and developments.

current and foreseeable needs in the areas served by policies plans and programs designed to carry out national growth policy.

recommendations for programs and policies for carrying out such national growth policy.

The Domestic Council on February 13, 1975 was charged by the President with the following responsibilities, among others:

- assess national needs and identifying alternative ways of meeting them;
- identify major policy problem areas requiring Administration attention and actions;
- coordinate the formulation of policy options in the domestic area;
- initiate fact finding analysis;
- develop policy options and recommendations for Presidential decision, administration action and legislation.

The 1974 Growth Report covered a broad range of issues affecting national growth under the topical headings of population, housing, regional growth, metropolitan change, quality of life, and rural development. The treatment of these issues was general, broad and cursory. The issues were not ranked in order of importance nor translated specifically into publicly debateable options for possible Federal policy and action.

The principal conclusion of the 1974 report was that the capacity of government (including the Federal government) to identify, analyze and deal effectively in a coordinated manner with growth issues needs to be strengthened.

The purposes of this project therefore include:

1. Assist the Domestic Council in its policy analysis and review responsibilities for the identification and analysis of selected issues, directly relatable to the topic of growth, i.e., economic change and physical development.
2. Conduct the work necessary to fulfill the intent of Section 703(a) mandating a biennial review and summary of significant growth problems, current and foreseeable needs related to growth, and recommendations for programs and policies to carry out national growth policy as a response to those needs.

On March 4, 1975 Domestic Council Director James Cannon received from HUD support staff a set of recommendations on how to develop the 1976 report. These recommendations were premised on the need and desirability to involve non-Federal, public and private sector groups in the formulation of the report.

The Domestic Council subsequently endorsed the concept of public participation, and indicated that a series of "open" hearings could be held. The hearings are tentatively scheduled for the early fall of 1975, and will be designed to elicit voluntary testimony from public interest groups, State and local officials, and business leaders on what are the important national growth issues and appropriate Federal policy responses.

The working papers to be prepared under this proposal will serve the critical function of providing a structured agenda for the hearings. It is HUD's intention to circulate the issue papers to appropriate public and private groups and to request that their testimony respond directly to the issues posed and to the policy options, if any, they would support.

After the open hearings, the issue papers would be revised to include insights gained from the hearings and a summary report on consensus and dissenting views of the witnesses would be prepared for the Domestic Council and the President. It is anticipated that the summary report and the revised issue papers would be incorporated, substantially without change, in the 1976 report, as documentation of the views of major interest groups which have been presented to the Domestic Council and the President for consideration in domestic policy-making.

It should be noted that, as the United States approaches the Bicentennial Year of Celebration, there are several public and private initiatives under way to develop reports that assess the Nation's past and reflect upon its future. The coincidence of the requirement for a Presidential report on national growth and development to be published in the same year as the Bicentennial provides impetus for and lends importance to a fresh and systematic attempt to define major growth issues that the country is likely to face, particularly under the conditions of economic change which the country is now experiencing. The 1976 Growth Report will function as a major White House statement exploring such issues.

SCOPE OF WORK

The contractor shall perform all tasks, as specified following, in order to produce 9 issue papers, each about 20-30 pages, on these topical areas.

- Energy Needs and Resources
- Economic Growth and Change
- Natural Resources (non-energy)
- Transportation
- Shelter
- Community Development
- Social Services
- Manpower Development
- Government in the 1970's (Federal, State, local)

Professional services necessary to carry out the work tasks shall be furnished by the contractor. Particular emphasis is placed upon the management capacity of the contractor to adhere to the performance schedule, because the completion of initial drafts of the issue papers are critical to the success of the open hearings.

The final issue papers and summary reports shall be in a style and format suitable for direct inclusion into the 1976 growth report.

- TASK 1. Establish review committees.** The contractor shall establish, with HUD concurrence, a review committee of 3 persons for each of the issue papers. Each committee shall consist of individuals with recognized professional credentials and specialized experience in the topical area represented by each issue paper. To the extent practical, each review committee shall include at least one representative of the Federal executive branch. The committees shall review their respective issue papers. One member of each committee shall be designated by the contractor to participate in a review of the summary report to be prepared by the contractor.
- TASK 2. Identify candidate subcontractors.** Subject to HUD concurrence the contractor shall identify potential subcontractors with known expertise to serve as authors for each of the issue papers. Subcontractors may be private consultants, university faculty, or individual staff within Federal agencies. Contractors shall determine subject to HUD concurrence the need for such subcontractors for each of the issue papers over and beyond the staff under the immediate employ of the contractor. In the event, that Federal employees are identified as potential subcontractors, HUD shall arrange for the availability of such personnel through interagency fund transfer or administrative detail.
- TASK 3. Develop frame of reference for issue papers.** The contractor subject to HUD review shall develop a frame of reference and set of specifications regarding the scope of treatment of subject matter for each of the 9 issue papers. This frame of reference shall serve to provide a uniform treatment and depth of analysis for each of the 9 topical areas. Within each topical area, the contractor shall specify with HUD concurrence, the minimum number and the nature of specific

issues to be addressed. The subcontractor may consider additional issues as approved by the contractor and HUD

The frame of reference shall include but not be limited to these criteria for the analysis of growth issues and policy choices.

1. Functional orientation. The subject matter shall be treated in functional terms so as to be relatable to appropriate cabinet agencies. For example, the issue paper on transportation shall treat the functional modes of highways, airways, waterways, railroads and mass transit. The purpose of this criterion is to insure that the analysis of the growth issues is cast in pragmatic and realistic terms, thereby facilitating the translation of the issue into understandable public policy choices, which in turn can be translated back to mission responsibilities of specific Cabinet agencies.
2. Three to five year outlook. The issue paper shall identify key problems and issues that can be reasonably anticipated over the mid-range future, i.e., the next three to five years. For example, the concern with the future of the Nation's railways now centered on abandonment in the Northeast and Northcentral portions of the country should include anticipation of further abandonment problems in the rest of the Nation's rail network. The intent of this criterion is to assist the Domestic Council in taking a forward look at public policy beyond the standard one year time frame of the annual Federal budget cycle and state of the union and Presidential message, and to help provide the executive branch with an expanded capability for future oriented policy analysis, consistent with the five year forward analysis required by the Congress under Budget Improvement Act of 1974.
3. Derivation from current conditions and trends. The growth issues identified and discussed should be plausible and realistic interpretations of problems likely to arise from current conditions and trends. For example, the current increase in the population group of the household formation age is bound to generate continuing demands for new household units over the next three to five years. The nature of this demand is more diverse than for the past generations, and ranges from elderly couples desiring to return intown from suburbs to an increasing number of households consisting of unrelated individuals. The mid-range housing issues therefore becomes a matter of identifying as precisely as possible the relative demands of these household types and appropriate private and public sector responses. The purpose of this criterion is to anticipate realistically future problems that can be expected to arise from current national conditions.
4. Geographic orientation. In order to meet the Congressional concerns for growth problems and issues in urban and rural America, the authors of each issue paper must demonstrate how the mid-term issues are manifested along a geographic continuum consisting of at a minimum central cities, older suburban areas, developing suburban areas, and rural areas. The purpose of this criterion is to provide a geographic frame of reference around which interrelationships can be drawn from the functionally stated issues.

5. Policy choices. Each author shall outline and develop possible strategies for dealing with the identified issues, indicating whether such issues can appropriately be solved by private action or public action, and if through public action, which level of government can best handle, in order to promote professional, technical, and ultimately policy debate. The authors for each issue paper shall present optional strategies cast in non-partisan terms for addressing the issues. Such options should represent a wide range of choices. Each author shall to the extent plausible and feasible develop options which represent a range of choice of public policies for responding to the identified growth problems. This range should vary from policies of acceptance, to mitigation, acceleration, or reversal of the problem.
- TASK 4. Develop draft issue papers. The contractor shall manage and direct the preparation of draft growth issue papers pursuant to the frame of reference. The contractor will also provide specific guidance on particular issues to be addressed within each of the nine topical areas. Additional issues suggested by the subcontractor in the course of developing the draft may also be addressed, subject to HUD concurrence. The contractor, in the course of developing the initial draft shall consult with appropriate Federal agencies for purposes of securing a continuing technical review, agency insights and available supporting or informative data such as completed research, budget documents, and policy studies. The draft working papers shall include executive summaries of the key issues identified and the policy options presented, to facilitate review by public and private organizations invited to testify at open hearings.
- TASK 5. Revise issue papers. The contractor shall revise each issue paper subsequent to review by the technical advisory committees and the outcome of the proposed open hearings on growth. The purpose of the revision is to add insights on issues acquired and to ensure that the range of policy options is broadly representative of the positions presented at the hearings.
- TASK 6. Preparation of summary report. The contractor shall assemble a report which highlights and describes the basic issues and the range of policy options identified in each of the nine papers along the geographical continuum identified in the frame of reference. The essential feature of the summary report will be identification and discussion of the interrelationships of such issues and policies as transportation, housing, energy requirements, as they are manifested in urban areas and in metropolitan areas and within the various sectors of metropolitan areas.
- TASK 7. Revision of summary report. Subsequent to review by the advisory committee and HUD, the contractor shall revise the summary report.

PERFORMANCE SCHEDULE

Assuming project start up on June 1, 1975, the contractor shall complete the work itemized under the above tasks as follows:

- Task 1: Within 4 weeks after the effective date of the contract (June 30).
- Task 2: Within 4 weeks after the effective date of the contract (June 30).
- Task 3: Within 4 weeks after the effective date of the contract (June 30).
- Task 4: Within 15 weeks after the effective date of the contract (Sept 13).
- Task 5: Within 25 weeks after the effective date of the contract (Nov 22).
- Task 6: Within 25 weeks after the effective date of the contract (Nov 22).
- Task 7: Within 28 weeks after the effective date of the contract, but no later than December 15, 1975.

PROGRESS REPORTS

Contractor shall submit five copies of monthly narrative progress reports which shall provide a brief factual summary of work accomplished on each task during the reporting period. Progress reports will identify current problems and proposed corrective actions in terms of schedules, cost and manpower utilization in order to adhere to the firm deadline of December 15, 1975 for completion of the project. Attached to the progress reports shall be fully executed:

1. Financial management report (HUD Form 533)
2. Scheduled performance report (HUD Form 534)
3. Manpower use report (HUD Form 535)

FINAL REPORTS

The contractor shall submit five copies of a final report not later than three months after completion of the contract. This report shall summarize the contractor's experience and problems with conduct of the project and recommendations if any for further policy relevant research which may be appropriate for Domestic Council consideration for the 1978 report.

PRODUCT REPORTS

The contractor shall submit 200 copies of the draft issue papers with executive summaries not later than September 13, 1975; 100 copies of the revised issue papers not later than November 22, 1975; 100 copies of the draft summary report not later than November 22, 1975; and 100 copies of the final summary report not later than December 15, 1975.



THE WHITE HOUSE

WASHINGTON

June 17, 1975

MEMORANDUM FOR THE PRESIDENT
FROM JIM CANNON *Jani*
SUBJECT EMERGENCY HOUSING ACT OF 1975
(HR 4485)

I. BACKGROUND

The Congress has forwarded to you the Emergency Housing Act of 1975 (HR 4485). The last day for action is Tuesday, June 24, 1975.

The most objectionable features of this legislation include two mortgage interest subsidies programs, a \$1000 home purchase incentive payment plan, a foreclosure relief program, and an extension of two undesirable housing programs. A more detailed summary is attached at Tab A. The outlay effect for FY '76 is estimated at well over \$1 billion and the total cost is estimated at over \$2.2 billion. HUD, OMB and the Domestic Council are in agreement that this bill should be vetoed.

II. CONGRESSIONAL SITUATION

In the House, Congressman Lud Ashley (D-Ohio) and Congressman Garry Brown (R-Mich) led a strong attack against the Conference Report. The House approved the Conference Report by a vote of 253-155, more than enough opposition votes to sustain a veto. However, a number of the members voting in opposition, including Congressman Brown, are counting on the Administration to propose some constructive alternatives. The Senate approved the Conference Report by a vote of 72-24.

Until recently, the National Association of Home Builders had been the major force behind this legislation with tacit support from the AFL-CIO. However, the AFL-CIO has decided to make a strong battle to override the anticipated veto. Congressman Ashley narrowly won re-election last year and is sensitive to labor pressure. His continued opposition to HR 4485 is critical in that many Democrats follow his lead on housing legislation.



As reported in this morning's Leadership meeting, to increase the probability of sustaining the anticipated veto, Congressman Ashley and Congressman Brown have urged the Administration to:

- propose an acceptable foreclosure program as an alternative to the Congress' foreclosure approach, and
- support legislation expanding activity under the Tandem Plan as an alternative to the Congress' interest subsidy programs.

Congressman Reuss, Chairman of the House Banking, Currency and Housing Committee, is seeking a vote to override the veto prior to the June 27 recess. Given the strong support of organized labor, Congressman Reuss believes that he can persuade the leadership to try to override. It is anticipated that Speaker Albert will try to bring strong pressure to bear on other Democrats in support of an override.

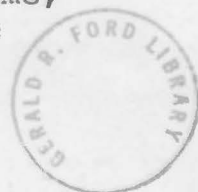
III. PROPOSAL

Secretary Hills believes that in order to sustain a veto, the Administration will have to propose positive alternatives to the Congress' foreclosure plan and interest subsidy programs.

HUD, OMB and the Domestic Council have reached agreement on an alternative foreclosure relief program which would be operated on the principle of co-insurance in lieu of the direct Federal loan approach proposed by the Congress.

The remaining issue is whether or not the President should propose an alternative to the interest subsidy programs proposed by the Congress. Secretary Hills believes that the Tandem Plan approach authorized in the Emergency Home Purchase Assistance Act of 1974 (Brooke/Cranston Act) is the most immediate, responsible and workable alternative. She proposes that you:

- allow release of the remaining Tandem Plan authority;
- support legislation extending the Tandem Plan for a year;
- support legislation expanding HUD's Tandem Plan to cover multi-family dwellings and condominiums, as well as adding additional mortgage purchase authority.



IV. OPTIONS

1. Do nothing at this time

PROS

- No increased outlays or additional Treasury borrowing will be necessitated.
- Improved credit conditions and increase in new home sales do not support the need for additional subsidies.
- Highlights Administration's determination to maintain budgetary control.

CONS

- Increases probability of a veto override.
- By failing to provide an alternative, undercuts friends of the Administration who have opposed the bill.
- Postures the Administration as insensitive to the crisis in the ailing housing industry.

This option not recommended by anyone.

Approve _____ Disapprove _____

2. Release the remaining Brooke-Cranston Act tandem authority to purchase up to \$2 billion in residential mortgages

PROS

- This does NOT cause a \$2 billion outlay in that the purchased mortgages are later resold. The program could cost very little or actually run at a profit, as occurred in 1971, if massive savings inflows substantially decrease interest rates between the purchase and resale, as predicted by the Administration's economists. HUD has administrative devices, such as charging discount points, to minimize costs. Estimated maximum outlay for FY '76 approximately \$60 million and up to \$125 million in FY '77.

- Is less expensive and intrusive on private market operations than the Congressionally posed alternatives. (Estimated outlays for FY, '76 in excess of \$1 billion).
- Mitigates, somewhat, the danger of a veto override.
- Demonstrates the willingness of the Administration to use its existing authority to assist housing, which is perceived as a crucial element to an overall economic recovery.
- Utilizes an existing rather than a new program.

CONS

- Although costs are speculative, could increase Treasury borrowing and have a maximum outlay impact of from \$60 to \$125 million in FY 76 and FY 77. The ultimate budget cost depends on the differential between the purchase price and sale price.
- Could be interpreted as a weakness in the Administration's resolve to control spending.
- Leaves the Administration with no other resources to assist housing should another downturn occur.
- Does not provide an Administration legislative alternative to the interest subsidy provisions of the Emergency Housing bill.

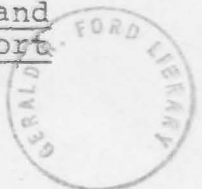
Recommended by Jack Marsh.

Approve _____ Disapprove _____

3. Release the remaining tandem authority to purchase and resell \$2 billion in residential mortgages and support legislation to extend and expand the standby tandem authority

PROS

- This does NOT cause a \$2 billion outlay in that the purchased mortgages are later resold. The program could cost very little or actually run at a profit, as occurred in 1971, if massive savings inflows substantially decrease interest rates between the purchase and resale, as predicted by the Administration's economists. HUD has administrative devices, such as charging discount points, to minimize costs. Estimated maximum outlay for FY 76 approximately \$60 million and up to \$125 million in FY 77.



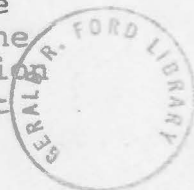
- Provides the greatest potential for ensuring that a veto of the Emergency Housing bill is sustained.
- Is less expensive and intrusive on private market operations than the Congressional posed alternatives. (Estimated outlays for FY 76 in excess of \$1 billion).
- Demonstrates the Administration's commitment to a recovery in the housing sector, which is perceived as a crucial element to an overall economic recovery.
- Gives the Administration an alternative legislative program to the Congressional package.
- The new authority would be discretionary.
- Provides additional standby authority, in case there is another severe downturn in housing.
- Permits tandem authority to be used to assist the multi-family sector which is the most seriously depressed.

CONS

- Although costs are speculative, could increase Treasury borrowing and have a maximum outlay impact of from \$60 to \$125 million in FY 76 and FY 77. The ultimate budget cost depends on the differential between the purchase price and sale price.
- Could be interpreted as a weakness in the Administration's resolve to control spending.
- May ultimately result in pressure being brought to bear on the Administration to release some of the additional standby tandem authority.

Recommended by Secretary Hills, Max Friedersdorf, Phil Buchen, Robert Hartmann, Jim Cannon.

Secretary Hills: Even if the veto is sustained, the Secretary believes that in absence of the actions she recommends, the Congress will quickly pass legislation combining foreclosure relief and a mortgage interest subsidy which will be extremely difficult to successfully veto.



Robert Hartmann: It is crucial that the President's next veto be sustained, and that when and if he gets overridden, that the AFL-CIO NOT be the agent that tamed the President when the veto-proof Congress failed. I therefore favor Option 3 if, indeed, it offers the best way to avoid an override.

Approve _____ Disapprove _____

NOTE:

Director Lynn recommends that you indicate your willingness to support legislation expanding and extending the Tandem Plan BUT that a determination on releasing the remaining Tandem authority be withheld at least until the latest housing starts and housing permits figures are released later this week.

Approve _____ Disapprove _____

JULY 2, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON SIGNING OF
H.R. 5398
THE EMERGENCY HOUSING ACT OF 1975
THE ROSE GARDEN

7/2/75

1:55 P.M. EDT

Let me make a comment or two.

First, distinguished Members of the Congress, Secretary Hills, distinguished members of labor and industry, and particularly the housing industry:

Obviously, I am very, very pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975. This proposed legislation which I will sign into law embodies basically the compromise provisions which we worked out with the House and the Senate.

I commend the Members of the Congress on both sides of the aisle and at both ends of the Capitol for quickly enacting this meaningful and I think effective housing legislation. This is an excellent example of the way in which the Congress and the Executive Branch can and should work together in the best interest of the American people.

This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these objectives and actions are crucial to our overall economic recovery.

This legislation provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association, which will be available, if required, to sustain the housing recovery presently underway. It also expands other types of housing construction, including condominiums.

The bill also meets the problem of mortgage foreclosures head-on. It provides standby authority for the Secretary of Housing and Urban Development to co-insure loans made by lending institutions to preclude mortgage foreclosures on homes whose owners are in temporary financial difficulty.

I hope and trust that the cooperation between the Congress and the Executive Branch shown by the effective action in this legislation, will continue in the future on other badly needed legislative proposals.

END

(AT 1:57 P.M. EDT)




STATEMENT BY THE PRESIDENT

I am pleased to sign into law H.R. 5398, the Emergency Housing Act of 1975. This Act embodies the alternative approach which I urged at the time of my veto of H.R. 4485 last Tuesday.

I commend Members of Congress of both parties for quickly enacting meaningful and effective housing legislation. This is an excellent example of the way in which the Congress and the Executive Branch can--and should--work together in the best interests of the American people.

This Administration is committed to a prompt recovery of the housing industry and to getting construction workers back on the job. Both of these actions are crucial to our overall economic recovery:

This legislation provides an additional \$10 billion of mortgage purchase authority to the Government National Mortgage Association which will be available if required to sustain the housing

JMC
Knows the Fine
I've run it by
Some members
MAY WOULD
SAY O.K.


recovery presently under way. It also expands coverage to other types of housing construction, including condominiums.

Last week I directed Secretary Hills to release \$2 billion in GNMA mortgage purchase funds. As a result of the swift enactment of this new housing bill by the Congress, those funds will be released at an interest rate of 7-1/2 percent. Condominium mortgages will also be eligible, thus assisting a hard-pressed sector of the housing industry. These funds will finance an estimated 65,000 units of housing and provide jobs for the building trades.

The bill meets the problem of mortgage foreclosures head on. It provides standby authority for the Secretary of Housing and Urban Development to co-insure loans made by lending institutions or to make mortgage relief payments to other lenders to preclude mortgage foreclosures. Presently, mortgage foreclosures and defaults have remained level, at rates less than those which prevailed during the mid-1960s, indicating that private lenders are cooperating with homeowners. However, if foreclosure

rates rise significantly, this legislation will enable us to act quickly to keep owners from losing their homes.

I hope the cooperation between the Congress and the Executive Branch shown in this legislation will continue in other badly-needed measures.

EMBARGOED FOR RELEASE
UNTIL 1:45 PM EDT
Wednesday, July 2, 1975

JULY 2, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

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I hope the cooperation between the Congress and the Executive Branch shown in this legislation will continue in other badly-needed measures.

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July 2, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

THE EMERGENCY HOUSING ACT OF 1975 (H.R. 5398)

President Ford today signed the Emergency Housing Act of 1975. When he vetoed H.R. 4485, an action sustained by the House of Representatives, the President urged enactment of alternative housing legislation.

This Act includes provisions addressing mortgage foreclosure, and expands the mortgage purchase programs of the Government National Mortgage Association (GNMA or Ginnie Mae), as recommended by the President at the time of his veto.

BACKGROUND

A housing recovery is now clearly under way from the depressed levels of the last year. During this period, \$15.5 billion, including \$2.0 billion released last week, has been committed by the Federal government -- an unprecedented level of financial support to the housing industry. H.R. 5398 continues this effective program.

FEATURES OF THE EMERGENCY HOUSING ACT OF 1975

1. Extension of the GNMA Mortgage Purchase Program

H.R. 5398 expands the Emergency Home Purchase Assistance Act of 1974, enacted at the President's urging in October. This bill:

- increases the GNMA mortgage purchase authority by \$10 billion and extends the 1974 Act's expiration date to July 1, 1976;
- fixes a mortgage interest rate ceiling of 7-1/2% under this program;
- expands coverage to include condominium mortgages.

2. Mortgage Foreclosure Relief

The Act provides the Secretary of Housing and Urban Development with standby authority to assist homeowners facing foreclosure by:

- co-insuring loans or credits advanced by lending institutions;
- making mortgage relief payments to lenders on behalf of eligible homeowners.

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Mortgage foreclosures and defaults have remained level demonstrating that private lenders are cooperating with homeowners during this temporary economic situation, indicating no present need for mortgage foreclosure relief assistance. Foreclosure rates are less than the rates which prevailed during the mid-1960s.

3. Other Provisions of the Act

In addition to the foregoing, the Emergency Housing Act of 1975 includes several provisions added by the Congress:

- extending the low interest rehabilitation loan program to July 1, 1976 and providing a \$100 million authorization, subject to the appropriation process;
- extending for seven months the deadline for applications for financial assistance to correct defects in certain homes insured under the National Housing Act;
- deferring until January 1, 1976, a prohibition against mortgage loans on certain properties located in flood prone areas of communities not participating in the Federal Flood Insurance Program.

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STATEMENT ON HOUSE ACTION SUSTAINING THE
HOUSING VETO

PRESIDENTIAL PRESS CONFERENCE

Wednesday, June 25, 1975

- 1 -

I COMMEND THE HOUSE OF REPRESENTATIVES FOR ITS VOTE TO
SUSTAIN MY VETO OF THE HOUSING LEGISLATION.

THIS VOTE DEMONSTRATES A GROWING SENSE OF FISCAL
RESPONSIBILITY IN THE CONGRESS AND THE REALIZATION BY AN
INCREASING NUMBER OF CONGRESSMEN THAT ECONOMIC RECOVERY NEED NOT
BE BOUGHT AT THE PRICE OF UNWISE LEGISLATION AND COSTLY INFLATION.

I AM PREPARED TO WORK WITH THE CONGRESS IN REACHING OUR COMMON OBJECTIVES: A REVITALIZED HOUSING INDUSTRY, MORE JOBS IN CONSTRUCTION, AND A SOUND ECONOMY. I AGAIN URGE THE CONGRESS TO EXTEND FOR ANOTHER YEAR THE EMERGENCY HOME PURCHASE ASSISTANCE ACT OF 1974 AND TO EXPAND IT BY ANOTHER 7.75 BILLION DOLLARS AS QUICKLY AS POSSIBLE.

TO HEAD OFF POSSIBLE FORECLOSURES OF HOMES WHOSE OWNERS ARE TEMPORARILY OUT OF WORK, I AGAIN ASK THE CONGRESS TO ACT EXPEDITIOUSLY ON LEGISLATION INTRODUCED BY CONGRESSMEN LUD ASHLEY OF OHIO AND GARRY BROWN OF MICHIGAN AND OTHERS TO PROVIDE MORTGAGE PAYMENT RELIEF LOANS AND CO-INSURANCE FOR LENDERS WHO REFRAIN FROM SUCH FORECLOSURES.

- 4 -

TOGETHER, WE WILL MEET AND SOLVE THESE PROBLEMS.

END OF TEXT



OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
UPON VETOING H.R. 4485
THE EMERGENCY HOUSING ACT OF 1975

THE BRIEFING ROOM

3:05 P.M. EDT

I would like to make a relatively short statement, and then Secretary Hills will follow with an extensive briefing.

To help speed the recovery already underway in the housing industry, whose health is absolutely vital to our overall economic recovery, I have today directed Secretary Hills, head of Housing and Urban Development, to release \$2 billion in previously authorized Federal funds to assist in the purchase of home mortgages.

This action will immediately make new mortgage money available to home buyers. To help put more workers in the building trades back to work, I am requesting the Congress to authorize an additional \$7 billion 750 million for this program and to extend it for another year until July 1, 1976.

To prevent the possibility of foreclosures on homes whose owners are temporarily out of work, I am also requesting the Congress to move as rapidly as possible on legislation introduced by Congressman Lud Ashley of Ohio and Congressman Garry Brown of Michigan, and others, to provide mortgage payment relief loans and co-insurance for lenders who refrain from such foreclosures.

This legislation will protect home owners and head off needless foreclosures. The steps I have announced today are the best way to meet the problems of housing in this country at the present time.

I am, therefore, vetoing H.R. 4485 because it will hamper the recovery now underway and will add to the oversize Federal deficit.

Now, let me introduce Secretary Hills, who will fill you in on my proposals to protect home owners, stimulate home building and provide more jobs for the building trades.

Secretary Hills?

END (AT 3:09 P.M. EDT)

JUNE 24, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

THE EMERGENCY HOUSING ACT OF 1975 (H.R. 4485)

FACT SHEET

President Ford today vetoed the Emergency Housing Act of 1975. Simultaneously, the President directed the Secretary of the Department of Housing and Urban Development to release the remaining \$2.0 billion in mortgage purchase authority available to the Government National Mortgage Association (Ginnie Mae or GNMA).

The President advised Congress that he would support alternative housing legislation to extend and expand the Emergency Home Purchase Assistance Act, enacted at his request in October 1974.

BACKGROUND - HOUSING INDUSTRY NOW IMPROVING

During 1974 housing starts declined markedly. To help stem this decline, GNMA has committed to purchase federally-insured mortgages at below market interest rates down to 7-3/4%. In October a bipartisan majority of Congress enacted the Emergency Home Purchase Assistance Act which extended the GNMA mortgage purchase authority to include home loans which are not federally insured -- so-called "conventional" mortgages. In all, GNMA has committed \$13.5 billion to purchase mortgages with below market interest rates. To date, \$3 billion of these mortgages have actually been purchased; \$1 billion in commitments have been cancelled by the recipients; and the other \$10 billion in commitments remain in the hands of mortgage lenders and is available to support the sale of new homes.

The unprecedented level of mortgage purchase support activity -- \$13.5 billion over the past year, \$9.0 billion since October -- is contributing to the housing recovery which is now clearly under way.

In addition, the President's 1976 Budget proposes Federal support for 400,000 units of housing under the new Lower Income Housing Assistance Program.

Also, Congress recently enacted a tax credit for buyers of unsold housing, at a cost of \$750 million.

Signs of the housing recovery include:

- as the rate of inflation has declined markedly, savings deposits in the nation's thrift institutions have soared to record levels during 1975 -- up \$19.7 billion in the first five months, nearly four times the increase during the comparable 1974 period and a third higher than in the previous record year (1972)
- new home sales increased 25% in April -- the largest increase in 12 years
- home building permits jumped 24% in April and an additional 9% in May

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- housing construction starts gained 14% in May
- mortgage interest rates have dropped significantly from record highs of last summer.

Nonetheless, further improvement will be necessary to return housing to a strong, healthy state. The President's release of the additional \$2.0 billion in GNMA funds will supplement the forces of recovery.

OBJECTIONABLE FEATURES OF THE HOUSING ACT OF 1975

The President advised the Congress that H.R. 4485 would increase the Federal deficit by over \$1.0 billion in Fiscal Year 1976 and increase Federal expenditures by more than \$2.0 billion over the life of the program. In addition to the budget impact, the President cited other specific defects:

Housing Construction Subsidy

The bill contains three new housing subsidies: (1) \$1,000 homeownership grants, (2) subsidy payments, to be phased out over six years, which could reduce mortgage interest rates to 6%, (3) a mortgage purchase assistance program with interest rates set at 7%. Depending upon the choice a buyer made, subsidies would be worth up to \$3,000, or in some situations as high as \$6,500.

This approach is unsound and misguided because

- the legislation could not be immediately implemented due to time needed for appropriations, regulations, and training -- many families would postpone purchases waiting for new subsidies;
- even when finally implemented, the bill would not have the impact predicted, since most of those assisted would have purchased without assistance -- additional starts would number 50,000-80,000, not 400,000 as claimed by proponents;
- the legislation would prescribe interest rates well below the level needed for a sound and healthy housing industry; mortgage interest rates have not been as low as 6% in 10 years -- in 1973, starts exceeded 2 million when interest rates were in excess of 7-1/2%;
- the 6% subsidy would be difficult to terminate; despite the phase out provisions in the bill, intense pressures would develop for extending the subsidy once purchasers were faced with higher mortgage payments;
- the bill would create enormous inequity among citizens of different regions of the country -- benefitting persons with incomes in excess of \$25,000 in some areas while precluding persons with incomes as low as \$6,000 in other areas.

Other Objectionable Provisions

Other provisions of the bill would reverse decisions made last year in the Housing and Community Development Act of 1974 after the most comprehensive review of Federal housing policy ever conducted. These provisions would

- extend the deep homeowner interest subsidies (Section 235) which Congress last year decided to phase out;

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- extend and expand the rehabilitation loan program which was consolidated last year into the community development block grant program;
- divert rental assistance funds from the newly-authorized program of lower income rental housing (Section 8).

Also, the President indicated that the bill's mortgage foreclosure relief provision relied unnecessarily upon government funding and administration.

ALTERNATIVE HOUSING APPROACH

Instead of the scattergun approach embodied in H.R. 4485, the President recommended other approaches to stimulate housing recovery and to deal with mortgage foreclosures.

EXTENSION OF THE GNMA MORTGAGE PURCHASE PROGRAM

The release of the \$2 billion in mortgage purchase assistance funds exhausts the statutory amount authorized in the Emergency Home Purchase Assistance Act of 1974. The President supports legislation which would

- extend the mortgage purchase act, scheduled to expire on October 18, 1975;
- increase the GNMA mortgage purchase authority by \$7.75 billion,
- extend coverage to include multi-family apartment and condominium mortgages, the area of the housing industry that is most depressed;
- modify the statutory language which mandates a fluctuating mortgage interest rate that has caused confusion and uncertainty in the housing industry.

MORTGAGE RELIEF LEGISLATION

During the recent period of economic recession, mortgage delinquencies -- i.e., late submission of monthly payments -- have risen. However, mortgage foreclosures and defaults have remained level confirming survey reports that private lenders are cooperating with homeowners during this temporary economic situation, indicating no present need for mortgage foreclosure relief assistance.

- while delinquencies have increased during the past year at the nation's thrift institutions, the level is still significantly below that which prevailed during the early 60's;
- foreclosure rates have held steady at about one-half of one percent -- less than the rates prevailing during the mid-1960's.

The President would support appropriate standby legislation of a temporary nature that could be quickly implemented should foreclosure rates rise significantly. Such legislation would co-insure lenders who forebear against losses they might sustain because of eventual non-payment. Legislation which includes authority for a co-insurance program has already been introduced in the Congress.

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BUDGETARY IMPACT

Full implementation of the bill would result in the following outlays:

	<u>FY 1976</u>	<u>FY Transition Quarter</u> (millions of dollars)	<u>FY 1977</u>	<u>Total Thru FY 1977</u>
Title I				
Home Purchase Assistance <u>1/</u>	714	180	534	1,428
Title II				
Foreclosure Relief	250	125	125	500
Title III				
Rehabilitation Loans <u>60</u>	<u>60</u>	<u>5</u>	<u>60</u>	<u>125</u>
Total	1,024	310	719	2,053

1/ Assumes recipients select the home purchase assistance option carrying the largest subsidy

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PRESIDENTIAL STATEMENT OPENING PRESS BRIEFING, TUESDAY,
JUNE 24, 1975

To help speed the recovery already underway in the housing industry, whose health is vital to our overall economic recovery, I have today directed the Secretary of Housing and Urban Development, Carla Hills, to release \$2 billion in previously-authorized Federal funds to assist in the purchase of home mortgages. This action will immediately make new mortgage money available to home buyers.

To help put workers in the building trades back to work, I am requesting the Congress today to authorize an additional \$7.75 billion for this program and to extend it for another year *until July 1, 1976.* ~~past its October expiration date.~~

To prevent the possibility of foreclosures on homes whose owners are temporarily out of work, I am also requesting the Congress to move as rapidly as possible on legislation introduced by Congressman Lud Ashley of Ohio and Congressman Garry Brown of Michigan and

others to provide mortgage payment relief loans and co-insurance

for lenders who refrain from such foreclosures. This legislation will

protect homeowners and head off needless foreclosures.

I believe ^T the steps I have announced today are the best way to
 meet the problems of housing in this country. I am therefore, vetoing
hangover ~~the~~ *the economic*
 H. R. 4485 because it will ~~damage~~ *the* recovery now underway. *

Now I want to introduce Secretary Hills who will fill you in
~~my program~~ *I am proposing to further stimulate*
 on the ~~details~~ and be available for your questions.

Thank you.

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~~the housing~~
 industry,
 your home
 building and
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 building trade
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* and substantially boost the

JUNE 24, 1975

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE HOUSE OF REPRESENTATIVES:

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

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

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

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

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

- It could not be implemented without substantial delay, and probably would actually provide a disincentive to some home purchases. Consequently it would delay for months putting construction workers back to work.
- It is in some respects inequitable. In some areas of the country, families with \$25,000 of income could qualify for benefits, while in other areas of the country, families with \$6,000 of income could not qualify.
- The levels of mortgage subsidies (down to 6% in some cases) would give some buyers an excessive benefit at the taxpayers' expense.
- For the modest benefits that might come in housing, this bill is too expensive --- over \$1 billion in additional Federal expenditures in FY 76, and more in years to come.

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

I believe there is a better way both to stimulate jobs in construction and to provide standby protection for homeowners who may be threatened by foreclosure:

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

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

2. To continue this effective tandem authority program, I propose that Congress extend this program beyond its expiration date in October, and to expand it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress to put \$7.75 billion more into this program to insure financing is available if needed to sustain the recovery of the housing industry.
3. To protect home-owners against foreclosure, I commend the efforts of the sponsors of legislation recently introduced in the Congress that would confer standby authority on the Secretary of Housing and Urban Development to make mortgage payment relief loans or to co-insure lenders who refrain from foreclosing on home-owners who are temporarily out of work. We want to preserve the good relationship between the home-owner and the bank or other institution which holds his mortgage --- and at the same time provide some fiscal protection to the lender who assists a home-owner.

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

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

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

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

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

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

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

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

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

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

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

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

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

Third, because the bill could not be immediately implemented, it would actually impede an early recovery in housing starts. The subsidies which would be authorized include new approaches that have never been tried before. To

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make this assistance available, it would not only be necessary to secure appropriations and write regulations, but also to prepare a variety of new forms, establish procedures and familiarize government, lender and builder personnel throughout the country with them. Even given top priority, months could be required before implementation is completed. Thus, H.R. 4485 -- far from helping during the coming months -- would actually inhibit home purchases among those eligible for assistance, since these families would understandably want to wait until the subsidies become available.

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

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

Sixth, H.R. 4485 would make a number of undesirable changes in our housing and community development laws. For example, the bill would extend the homeownership program authorized under Section 235 of the National Housing Act. It would also extend and expand the program of subsidized government rehabilitation loans authorized under Section 312 of the Housing Act of 1964. These provisions would reverse decisions the Congress itself enacted last year after one of the most extensive reviews of Federal housing policy ever conducted. Also objectionable are the provisions which would divert funds from the new leased housing program, and establish special rules for certain State agency housing projects assisted under Section 236 of the National Housing Act.

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

Nonetheless, I can appreciate the desire of Congress to enact legislation, and I will support legislation which would

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protect home-owners from loss of their homes due to temporary economic hardship and which recognizes the provisions of such relief is both a matter of concern for the federal government and the depository institutions or other mortgagees involved.

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

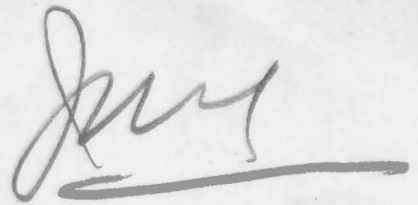
GERALD R. FORD

THE WHITE HOUSE,

June 24, 1975.

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TO THE HOUSE OF REPRESENTATIVES:



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

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

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

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

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

-- It could not be implemented ^{without substantive delay,} ~~immediately,~~ and probably would actually ^{provide a disincentive to} ~~delay~~ some home purchases.

Consequently it would delay for months putting ^{construction workers} ~~the building trades~~ back to work.

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

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

-- For the modest benefits that might come in housing, this bill is too expensive -- ^{Over} \$1 billion ^{in additional Federal expenditures} in FY 76, and ~~for~~ more in years to come.

MASTER

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

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

To add impetus to the industry's recovery and to 1. ~~put~~ put the building trades back to work, I am

today directing the Secretary of Housing and Urban Development ~~immediately~~ ^{immediately} to make available, under existing law, \$2 billion previously authorized for mortgage purchase assistance.

We know this program works, and this action will make new mortgage money available immediately from thrift institutions and other lenders.

~~banks and others who finance housing.~~ But since the mortgages the Federal government purchases ~~are~~ can be later resold, the cost to the Federal government is relatively low -- \$60 million for FY 76, ~~and~~ ~~to \$125 million for FY 77.~~

2. To continue this effective tandem authority program,

I propose that Congress extend this program ~~for~~ ^{expand} ~~another year~~ beyond its expiration date in October, and to ~~extend~~ ^{expand} it to cover conventionally financed multi-family housing, including condominiums. In addition, I request authorization from Congress to put \$7.75 billion more into ~~this program~~ ^{to insure} ~~if we should~~ financing is available ~~need it~~ to keep the building trades at work and to sustain the recovery of the housing industry. ~~Although I~~

~~believe my recommendation with respect to this additional authorization is valid, I will be glad to carefully and sympathetically review any fiscally disciplined initiative in this regard.~~

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Finally, the foreclosure provision of H.R. 4485 ^{is too limited} ~~would~~ in its mechanism for providing relief. ~~almost certainly cause more foreclosures than it prevented.~~

This provision reflects the concern that mortgage foreclosures may soar during the recession. To date, no such trend has developed because private lenders have been cooperating with home-owners through forbearance and common sense arrangements. In fact, foreclosures rates have remained stable -- actually, at a level lower than that experienced during the mid-1960s.

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

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

THE WHI!


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

THE WHITE HOUSE
WASHINGTON

June 18, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: — JIM CANNON

FROM: JAMES CONNOR 

SUBJECT: EMERGENCY HOUSING ACT OF 1975
(HR 4485)

Your memorandum of June 17, 1975 to the President on the above subject has been reviewed and the following was noted:

Option 1 - Do Nothing at this time - Disapproved

Option 2 - Release the remaining Brooke-Cranston Act tandem authority to purchase up to \$2 billion in residential mortgages - Disapproved.

Option 3 - Release the remaining tandem authority to purchase and resell \$2 billion in residential mortgages and support legislation to extend and expand the standby tandem authority - Approved.

Please follow-up with appropriate action.

cc. Don Rumsfeld



cc: Dunham
Sent to: Hallinan

THE WHITE HOUSE
WASHINGTON

June 18, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JIM CANNON
FROM: JAMES CONNOR *JC*
SUBJECT: EMERGENCY HOUSING ACT OF 1975
(HR 4485)

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Please follow-up with appropriate action.

cc. Don Rumsfeld

JUN 19 1975



THE WHITE HOUSE

WASHINGTON

June 17, 1975

MEMORANDUM FOR

THE PRESIDENT

FROM

JIM CANNON *Jai*

SUBJECT

EMERGENCY HOUSING ACT OF 1975
(HR 4485)

I. BACKGROUND

The Congress has forwarded to you the Emergency Housing Act of 1975 (HR 4485). The last day for action is Tuesday, June 24, 1975.

The most objectionable features of this legislation include two mortgage interest subsidies programs, a \$1000 home purchase incentive payment plan, a foreclosure relief program, and an extension of two undesirable housing programs. A more detailed summary is attached at Tab A. The outlay effect for FY '76 is estimated at well over \$1 billion and the total cost is estimated at over \$2.2 billion. HUD, OMB and the Domestic Council are in agreement that this bill should be vetoed.

II. CONGRESSIONAL SITUATION

In the House, Congressman Lud Ashley (D-Ohio) and Congressman Garry Brown (R-Mich) led a strong attack against the Conference Report. The House approved the Conference Report by a vote of 253-155, more than enough opposition votes to sustain a veto. However, a number of the members voting in opposition, including Congressman Brown, are counting on the Administration to propose some constructive alternatives. The Senate approved the Conference Report by a vote of 72-24.

Until recently, the National Association of Home Builders had been the major force behind this legislation with tacit support from the AFL-CIO. However, the AFL-CIO has decided to make a strong battle to override the anticipated veto. Congressman Ashley narrowly won re-election last year and is sensitive to labor pressure. His continued opposition to HR 4485 is critical in that many Democrats follow his lead on housing legislation.



As reported in this morning's Leadership meeting, to increase the probability of sustaining the anticipated veto, Congressman Ashley and Congressman Brown have urged the Administration to:

- propose an acceptable foreclosure program as an alternative to the Congress' foreclosure approach, and
- support legislation expanding activity under the Tandem Plan as an alternative to the Congress' interest subsidy programs.

Congressman Reuss, Chairman of the House Banking, Currency and Housing Committee, is seeking a vote to override the veto prior to the June 27 recess. Given the strong support of organized labor, Congressman Reuss believes that he can persuade the leadership to try to override. It is anticipated that Speaker Albert will try to bring strong pressure to bear on other Democrats in support of an override.

III. PROPOSAL

Secretary Hills believes that in order to sustain a veto, the Administration will have to propose positive alternatives to the Congress' foreclosure plan and interest subsidy programs.

HUD, OMB and the Domestic Council have reached agreement on an alternative foreclosure relief program which would be operated on the principle of co-insurance in lieu of the direct Federal loan approach proposed by the Congress.

The remaining issue is whether or not the President should propose an alternative to the interest subsidy programs proposed by the Congress. Secretary Hills believes that the Tandem Plan approach authorized in the Emergency Home Purchase Assistance Act of 1974 (Brooke/Cranston Act) is the most immediate, responsible and workable alternative. She proposes that you:

- allow release of the remaining Tandem Plan authority;
- support legislation extending the Tandem Plan for a year;
- support legislation expanding HUD's Tandem Plan to cover multi-family dwellings and condominiums, as well as adding additional mortgage purchase authority.



IV. OPTIONS

1. Do nothing at this time

PROS

- No increased outlays or additional Treasury borrowing will be necessitated.
- Improved credit conditions and increase in new home sales do not support the need for additional subsidies.
- Highlights Administration's determination to maintain budgetary control.

CONS

- Increases probability of a veto override.
- By failing to provide an alternative, undercuts friends of the Administration who have opposed the bill.
- Postures the Administration as insensitive to the crisis in the ailing housing industry.

This option not recommended by anyone.

Approve _____ Disapprove _____

2. Release the remaining Brooke-Cranston Act tandem authority to purchase up to \$2 billion in residential mortgages

PROS

- This does NOT cause a \$2 billion outlay in that the purchased mortgages are later resold. The program could cost very little or actually run at a profit, as occurred in 1971, if massive savings inflows substantially decrease interest rates between the purchase and resale, as predicted by the Administration's economists. HUD has administrative devices, such as charging discount points, to minimize costs. Estimated maximum outlay for FY '76 approximately \$60 million and up to \$125 million in FY '77.



- Is less expensive and intrusive on private market operations than the Congressionally posed alternatives. (Estimated outlays for FY '76 in excess of \$1 billion).
- Mitigates, somewhat, the danger of a veto override.
- Demonstrates the willingness of the Administration to use its existing authority to assist housing, which is perceived as a crucial element to an overall economic recovery.
- Utilizes an existing rather than a new program.

CONS

- Although costs are speculative, could increase Treasury borrowing and have a maximum outlay impact of from \$60 to \$125 million in FY 76 and FY 77. The ultimate budget cost depends on the differential between the purchase price and sale price.
- Could be interpreted as a weakness in the Administration's resolve to control spending.
- Leaves the Administration with no other resources to assist housing should another downturn occur.
- Does not provide an Administration legislative alternative to the interest subsidy provisions of the Emergency Housing bill.

Recommended by Jack Marsh.

Approve _____ Disapprove _____

3. Release the remaining tandem authority to purchase and resell \$2 billion in residential mortgages and support legislation to extend and expand the standby tandem authority

PROS

- This does NOT cause a \$2 billion outlay in that the purchased mortgages are later resold. The program could cost very little or actually run at a profit, as occurred in 1971, if massive savings inflows substantially decrease interest rates between the purchase and resale, as predicted by the Administration's economists. HUD has administrative devices, such as charging discount points, to minimize costs. Estimated maximum outlay for FY 76 approximately \$60 million and up to \$125 million in FY 77.



- Provides the greatest potential for ensuring that a veto of the Emergency Housing bill is sustained.
- Is less expensive and intrusive on private market operations than the Congressional posed alternatives. (Estimated outlays for FY 76 in excess of \$1 billion).
- Demonstrates the Administration's commitment to a recovery in the housing sector, which is perceived as a crucial element to an overall economic recovery.
- Gives the Administration an alternative legislative program to the Congressional package.
- The new authority would be discretionary.
- Provides additional standby authority, in case there is another severe downturn in housing.
- Permits tandem authority to be used to assist the multi-family sector which is the most seriously depressed.

CONS

- Although costs are speculative, could increase Treasury borrowing and have a maximum outlay impact of from \$60 to \$125 million in FY 76 and FY 77. The ultimate budget cost depends on the differential between the purchase price and sale price.
- Could be interpreted as a weakness in the Administration's resolve to control spending.
- May ultimately result in pressure being brought to bear on the Administration to release some of the additional standby tandem authority.

Recommended by Secretary Hills, Max Friedersdorf, Phil Buchen, Robert Hartmann, Jim Cannon.

Secretary Hills: Even if the veto is sustained, the Secretary believes that in absence of the actions she recommends, the Congress will quickly pass legislation combining foreclosure relief and a mortgage interest subsidy which will be extremely difficult to successfully veto.



Robert Hartmann: It is crucial that the President's next veto be sustained, and that when and if he gets overridden, that the AFL-CIO NOT be the agent that tamed the President when the veto-proof Congress failed. I therefore favor Option 3 if, indeed, it offers the best way to avoid an override.

Approve _____ Disapprove _____

NOTE:

Director Lynn recommends that you indicate your willingness to support legislation expanding and extending the Tandem Plan BUT that a determination on releasing the remaining Tandem authority be withheld at least until the latest housing starts and housing permits figures are released later this week.

Approve _____ Disapprove _____



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ington Post

REAL ESTATE

Homes



SATURDAY, AUGUST 2, 1975

D1

Chipping Away at America's Dream

By **Kenneth R. Harney**

Second of two articles

Twenty five years ago, two out of three families could afford to buy a median-priced new home. Today, fewer than one out of five

most Americans because incomes in the U.S. haven't kept pace with the sharp rises in costs of land, materials, labor, mortgage credit and energy. The costs associated with buying a typical new home, in fact, have risen twice as fast as the

by 57 per cent, property taxes by 64 per cent, and fuel and utilities by 62 per cent.

Before 1965, only 6 per cent of all new houses constructed sold for more than \$35,000. In the Washington

floor of a suburban condominium.

Clearly, if rises in the cost of housing continue to outstrip rises in income, we can't remain a nation of home owners in the traditional sense. Sixty three per cent of all American fami-

substantially at the 63 per cent American Dream. Al-

ready real estate brokers across the country are worrying about softness in the "move up" resale market; people who have owned their homes and would like a newer one are now staying



THE WHITE HOUSE

WASHINGTON

August 12, 1975

MEMORANDUM FOR JACK MARSH
FROM JIM CANNON *J. Cannon*
SUBJECT OLD DOMINION SAVINGS AND LOAN:
FEDERAL HOME LOAN MORTGAGE CORPORATION
CAPITAL REQUIREMENTS

PURPOSE: You forwarded for our review the attached correspondence from Old Dominion Savings and Loan (Tab A) complaining that the Federal Home Loan Mortgage Corporation's (FHLMC) \$5 million capital requirement for participating private mortgage insurance companies is arbitrary and restricts the entry of smaller companies into the industry. This memorandum provides brief background to the capital requirement issue and attaches a response for your signature (Tab B).

BACKGROUND: FHLMC purchases mortgages insured by private mortgage insurance companies (PMIs). By statute, FHLMC is required to establish eligibility requirements for participating PMIs. Under the FHLMC regulations, eligible PMIs must meet capital requirements of \$5 million. The mortgage insurance industry at large has, according to FHLMC, viewed the \$5 million as a minimum which should be raised. Recent entries into the national mortgage insurance business have been capitalized at multiples of the FHLMC requirement.

Three small PMIs capitalized at well under \$5 million are complaining that the requirement is discriminatory. These companies are Secura Insurance, Mid Atlantic and Home Guaranty (the subject of the attached request).

RECOMMENDATION: FHLMC is a quasi regulatory agency under the Federal Home Loan Bank Board. The issue is a regulatory matter which has been brought to the attention of the Counsel's office. I suggest you sign the attached acknowledgement. Counsel's office (Chapman) concurs.

ACTION: The attached response is for your signature (Tab B).



THE WHITE HOUSE

WASHINGTON

August 30, 1975

Dear Fred:

Thank you very much for your letter of July 17 regarding the Federal Home Loan Mortgage Corporation's capital requirements for private mortgage insurance companies.

It seems to me that your comments have great merit, and I am hopeful that an appropriate resolution of the problem can be found.

As you know, the Federal Home Loan Banking Board and the Federal Home Loan Mortgage Corporation are quasi-regulatory agencies, and it is our policy to work through the office of Philip Buchen, Counsel to the President, in resolving matters relating to them. I have talked with Phil about your letter, and I am sure he will look into the matter.

I very much appreciate your bringing this matter to my attention.

With best wishes and warm personal regards,

Sincerely,

John O. Marsh, Jr.
Counsellor to the President

Mr. Fred L. Glaize, Jr.
Old Dominion Savings and Loan Association
Post Office Box 826
202 West Boscawen Street
Winchester, Virginia 22601



THE WHITE HOUSE

WASHINGTON

LOG NO. 7501228
REQUEST

November 28, 1975

MEMORANDUM FOR:

JIM CANNON

FROM:

TOD HULLIN *File*

SUBJECT:

Detroit

ISSUE: Will HUD insure the mortgage for a proposed development called International Towers?

BACKGROUND: The proposed development of International Towers would be located on the Detroit River, west of Cobo Hall and south of Jefferson in downtown Detroit. The proposal under consideration is the first phase of a larger development potentially totalling up to 3,000 units. All of the buildings in subsequent phases, as well as the first phase, would be high-rise construction. The phase under consideration at this time would have 915 units in two buildings.

At the present time, a proposal to insure the International Towers project has not been officially submitted. However, in preliminary discussions with the developer, HUD has tentatively concluded that the stability and depth of the luxury high-rise market in the area in which this project is to be located is at best tenuous. Over 3,000 apartments in this area have been analyzed. More than 60% are HUD insured developments. Almost all of the HUD insured apartments are in some form of financial distress with several of the mortgages in default and others actually owned by HUD.

A final decision on this proposal cannot be made until an official proposal is submitted. However, HUD's preliminary economic analysis seems to indicate that the market will have a difficult time supporting a project as large as International Towers.

Recently, Secretary Hills had an interview with Storer Broadcasting in which she was asked about the International Towers project. At that time, she indicated that HUD had some economic problems with the project in that the luxury high-rise market in the Detroit area was "soft." Detroit Mayor Coleman Young is a supporter of this project and has asked for a meeting with Secretary Hills to discuss it.

This is not an issue in which we should become involved. It should be worked out between the developer and HUD.

