

REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

at the

MARTIN LUTHER KING, JR. CENTER

FOR NON-VIOLENT SOCIAL CHANGE

Seminar on

LABOR/MANAGEMENT/GOVERNMENT SOCIAL RESPONSIBILITY

Atlanta, Georgia

January 13, 1984

Thank you for that kind introduction. I'm pleased to commemorate with you the 55th birthday of Dr. Martin Luther King, Jr. I have great respect for him and his leadership in civil rights and non-violence, work which is being continued so earnestly and effectively here at the King Center. We cherish the legacy he left us. To properly honor that legacy, let us re-ignite our energies and our intellects in pursuit of his dream.

The programs carried out here at the Center, and activities such as this seminar, further our pursuit of Dr. King's dream. They are a fitting memorial to an honored and honorable man. Like him, they direct our attention and our actions to a better life, a better country and a better world for all our people.

The issue framed by this seminar, "Full Employment, Jobs and Economic Growth," will have a profound effect on the future of our country. We must not let our youth, especially black and other minority youth, drift aimlessly toward that future with dreams and aspirations unfulfilled. The information explosion, the rapid growth of high tech innovations...indeed, our very entry into the computer age...all raise serious questions for us to answer by our actions. What skills and knowledge will we need to compete and contribute through 1995 and beyond? How can we prepare today's youth to become tomorrow's leaders?

A great transformation is taking place in the world of work. We must meet the demands this transformation places upon us. And we can, if we work together.

As partners, we can meet the challenge of the future on the terms that Dr. King would understand and welcome. We must marshal our energies and pool our resources. Teachers and ministers, labor leaders and government officials, business leaders, neighbors...all of us can help prepare our youth to take their rightful place in the emerging marketplace of ideas and careers. Data already are available which suggest what that market will be like.

Last November's Monthly Labor Review contains projections on economic growth and career opportunities through 1995. Those projections tend to deflate at least one popular assumption: The industrial sector will not soon disappear. There will be changes in it, of course; but, the industrial sector will continue its role as a major source of employment. Although employment in the auto and steel industries is not likely to return to previous levels, manufacturing still is expected to account for almost one new job in six between 1982 and 1995. The computer and instruments industries are expected to lead employment growth in manufacturing during this period. And, just as they have in the past, service-producing industries will continue to generate most of the new jobs.

Strong growth in employment is projected in such industries as medical care, business services, and professional services. Expansion of high-technology industries will spur the growth of scientists, engineers and technicians, as well as computer specialists.

This information is useful. We can build on it in planning how to educate and enable our youth to compete in the marketplace of ideas and opportunity. It is our responsibility to help them grasp that opportunity.

We need to improve the educational process in many of our schools, especially those where controlling disruptions and reducing crime consume more time and effort than the act of educating. We need to blend respect and love with discipline and order, so our children can recognize how much we value them and their minds.

Our youth must have self-respect, and appreciation of their own self-worth, if they are to become leaders and responsible, contributing members of society. We must afford them the opportunity to prepare themselves for leadership, for the chance and the challenge to realize their promise, their potential.

We live in a great country, the best there is. We've entered a period of solid, sustained economic growth. It was heartening news to learn that unemployment dropped further again in December. Yet, our greatness still is flawed. Black unemployment remains consistently higher than white unemployment, usually double that rate or worse. For black teenagers, the rate of unemployment is simply disastrous...nearly 50 percent! This problem has lingered for decades, and we still have not solved it. I don't have the solution, and I doubt that anyone here has a complete, definitive answer to this and other hard-core unemployment. But, I have some ideas, as I'm sure many of you have.

We need to share our ideas, build on our experience, and experiment with new or promising concepts. We'll make better progress if we work not as adversaries but as partners.

There's a growing trend toward cooperation and partnership which President Reagan has helped to further with his Private Sector Initiatives Task Force, and the Advisory Council which grew out of it.

Labor unions and management have been more willing to collaborate in recent years, and Ray Donovan, the Secretary of Labor, tells me he's working to encourage this trend. At Labor, they've created a Division of Cooperative Labor-Management Programs to develop and deliver information and technical assistance which employers and unions can use to forge joint labor-management efforts.

At HUD, partnerships are a key part of almost all our programs. The Urban Development Action Grant Program, or UDAG, is a competitive means by which we deliver seed funds that help distressed communities attract private investment for economic revitalization efforts. UDAG is really effective in helping communities attract, or "leverage," private investment. Here in Atlanta, in the last three years alone, less than \$4 million in UDAG funds have drawn over \$26 million in private sector dollars. That's what we mean by "leveraging!"

We're also conducting a national demonstration called "Strategies for Cities and Counties." Through it, we're identifying strategic planning methods that offer ways for cities and towns to improve the local economy and the quality of life for their citizens.

Partnerships are an integral part of strategic planning. Business leaders, elected officials and community groups in cities and towns all over America have collaborated creatively to solve shared problems. We've established a computer-based system to build on this already-existing capability. This system enables local and State officials to tap into problem-solving strategies that have already worked for others.

I emphasize these particular programs for a good reason. In addressing local issues, it's vitally important for planning to begin and partnerships to form at the local level. The leadership of a community is best qualified to identify immediate and future needs. They're best equipped to evaluate existing resources and determine how to make the best use of them...as well as develop the strategies to meet the needs they've targetted as first priorities.

If a Federal program can offer some help, so much the better. Whatever the case, local initiative is essential.

There's an appropriate role for the Federal Government, of course. It will vary, depending on the local circumstance; but, it will always be proper...and probably necessary...for the Federal Government to help address the basic needs of our people. One thing is for sure, the Federal role is not to tell communities what their problems and needs are. I believe we serve well by providing technical assistance, and by delivering seed funding for local projects and efforts that won't succeed without our help.

With local cooperation, we can accomplish great things. It is said that fortune smiles on those who are prepared.

I am confident fortune will smile on all of us if we work together for an equitable, productive society. Our society will be equitable and productive, only when all our people...especially our minority youth...have been prepared to be full partners in the job and business market.

A program inaugurated by President Reagan last October is contributing to this preparation. The "National Partnerships in Education Program" encourages increased private sector involvement to improve the quality of education in communities throughout America. Institutions of every kind are urged to "adopt" schools, and the response has been excellent.

The President also asked all Federal agencies to support this initiative, and we at HUD are in the process of "adopting" Jefferson Junior High, near our headquarters in Wahington, D.C. When we've completed development of our partnership, we'll share our experience with our field offices to use as a model.

Present plans call for assistance in computer literacy and management development of the school's teachers. In addition, the HUD chapter of Blacks In Government, or BIG, will coordinate a tutorial program where HUD employees will assist students in their math, English and science courses.

This is one way we can help prepare our youth for the future...and for careers in the future. It will be an even greater challenge to reach full employment and stable economic growth in that future. If labor, management and Government work together as partners, we can meet that challenge. Then, black, Hispanic and white...men and women of every race and from all walks of life...will live in the world of peace, brotherhood and equality for which Dr. Martin Luther King, Jr., gave his life.

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REMARKS FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

ON THE OCCASION OF THE LISTING OF
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION SECURITIES
ON THE STOCK EXCHANGE OF SINGAPORE

Singapore

January 25, 1984

Good morning.

It is my great pleasure to join you for an historic event. Today, for the first time, we are listing GNMA securities on the Singapore Stock Exchange. We are well aware of Singapore's developing position as an international finance center. Our listing today of \$80 billion in GNMA securities should substantially enhance Singapore's position as the home of the Asian dollar. Our listing today is another step in the growing interdependence of Asian and American financial markets.

As the Cabinet officer in President Reagan's Administration responsible for housing and urban development, I take particular pleasure in listing our government-guaranteed housing securities on the Singapore Stock Exchange.

On my earlier visit to Singapore in 1982, I was most impressed by the comprehensiveness and success of the Singapore government's own housing programs. I know that both our countries share a commitment to achieving affordable homeownership for our citizens. I think of this listing as symbolic of our shared commitment.

The Government National Mortgage Association was established by the United States Congress in 1968 to channel funds from the capital market into the American mortgage market. In its 14-year history, GNMA has guaranteed nearly \$200 billion in mortgage-backed securities...a sure sign that individual and institutional investors have obviously been attracted by Ginnie Maes' safety, high yield, and liquidity.

Let me be a little more specific about the advantages of GNMA securities:

- o Ginnie Maes are truly secure. They carry the "full faith and credit guarantee" of the U.S. Government. The Government National Mortgage Association guarantees full and timely payment of monthly principal and interest due to investors.
- o Ginnie Maes deliver a high yield, currently about 100 basis points above a comparable-maturity U.S. Treasury security.
- o Ginnie Maes are the most widely held and traded mortgage-backed securities in the world and therefore enjoy high liquidity in the secondary market.

I might point out that, for institutional investors, such as insurance companies and pension funds, Ginnie Maes offer maturity ranges that may be particularly suited to their needs.

Our listing agent is the DBS Bank, one of Singapore's leading banks. We have enjoyed working with DBS Bank, and I am grateful to them, to the Singapore Stock Exchange, and to all who were involved in this listing. Their total cooperation with us has made this achievement possible.

I also congratulate Daiwa Securities Co., Ltd. and Salomon Brothers, Inc. for their major roles in initiating this event.

Today we celebrate the launching of Ginnie Maes in the Asian capital market — a beginning — one more way in which we, working together, can help build a vibrant international market for mortgages.

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REMARKS FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

at the

PRESENTATION ON GOVERNMENT NATIONAL MORTGAGE ASSOCIATION
SECURITIES

Tokyo, Japan

January 27, 1984

Thank you.

I bring greetings from President Reagan on this important occasion.

I think that this is both an historic occasion and a very satisfying one. The activities in Japan this past month, and particularly today's events represent the culmination of a joint effort that began over a year ago in 1982, when I first visited Japan and discussed with several Japanese businessmen the possibility of Japanese investment in American housing.

Today that possibility is a reality. With the recent ruling by the Minister of Finance recognizing GNMA's as securities, the GNMA market — a market of over \$150 billion and one of the chief sources of housing finance in America — is now open to investors in Japan. The seeds we planted in 1982 have blossomed and today's ceremonies mark the debut of a brand new relationship between our Nations financial communities. If we can nurture this relationship, our efforts will bear fruit. And not only will our two Nations benefit, our children — our future — will benefit as well.

We should all, therefore, take satisfaction in today's events. I have, first, the personal satisfaction of seeing a dream achieved. But I have even more satisfaction in knowing what the achievement of this dream will mean for Americans wishing to purchase homes. We have now opened up a new source of housing finance for the American homebuyer. The fact that the second largest capital market in the world can now invest freely in our mortgage securities could help to lower mortgage interest rates and so make housing more affordable for all Americans.

Today I take particular pleasure in announcing that a large block of newly issued GNMA securities is now being offered for sale to Japanese investors. With the sale of these securities, for the first time, Japanese capital will finance houses in America.

I make no pretense of having achieved this accomplishment alone. It is particularly gratifying to me and should be to all of us here today that what we have attained, we have attained by working together. It took the close and constant cooperation of my Department with DAIWA Securities Co., Ltd. and the help of Salomon Brothers, Inc. to make the sale of GNMA's in Japan possible. Our various representatives spent long hours in many sessions over the past year educating each other, pooling expertise and resources, and, step by step, overcoming obstacles and making the necessary decisions and commitments to achieve this end. Our joint efforts represent another step in solidifying the goodwill between our two countries. We should all take pride in our ability to work together for our mutual benefit.

And I do firmly believe that this occasion is one of mutual benefit.

The Japanese investors who buy our GNMA's will be getting a good deal.

1. GNMA securities are truly secure. They are backed by the "full faith and credit guarantee" of the U.S. Government. The Government National Mortgage Association guarantees full and timely payment of monthly principal and interest payments due to investors.

2. GNMA securities deliver a high yield, currently about 100 basis points above a comparable-maturity U.S. Treasury Security.
3. GNMA securities are the most widely-held and traded mortgage-backed securities in the world and therefore enjoy high liquidity in the secondary market.

GNMA thus offers safety, liquidity and advantageous yield. For the institutional investor, such as insurance companies and pension funds, it offers maturity ranges that may be particularly suited to their needs.

Earlier this week I was in Singapore to officially list certain of our GNMA securities on the Singapore Stock Exchange. We listed over \$80 billion in GNMA's in a range of interest rates to ensure that all potential Asian investors have easier access to a representative selection of our securities. With our listing in Singapore and with our initiatives today in Tokyo, I think we are well on our way towards achieving a world housing finance market.

So today we celebrate the launching of GNMA securities in the Asian capital market; a beginning in which, working together, we can help build a vibrant international market for mortgages.

These past decades have seen Japan and America forge a true kinship. Our people prize each others' courage, self reliance and enterprise. We also share a commitment to the free enterprise system which this exciting, new undertaking exemplifies.

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REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

at the

BLACK HISTORY MONTH CEREMONY

Washington, D. C.

February 2, 1984

GOOD AFTERNOON. THANK YOU FOR JOINING ME TODAY IN OBSERVANCE OF BLACK HISTORY MONTH AT HUD.

IT GIVES ME GREAT PLEASURE TO PARTICIPATE IN THIS 58TH ANNUAL NATIONAL CELEBRATION. WE CELEBRATE THE ROLE OF BLACK AMERICANS IN ALL SEGMENTS OF LIFE IN THIS NATION AND IN BLACK CULTURE AROUND THE GLOBE.

FOR THE NEXT MONTH, THE DEPARTMENT -- HERE AT CENTRAL OFFICE, AND IN REGIONAL AND FIELD OFFICES -- WILL SPONSOR MANY ACTIVITIES EXPLORING, LEARNING AND APPRECIATING ALL THAT BLACK AMERICANS HAVE DONE TO HELP BUILD THIS GREAT NATION. I CALL ON YOU TO JOIN IN THIS IMPORTANT SALUTE.

WE ALSO APPRECIATE THE VISIT OF OUR SPECIAL GUEST TODAY, VANESSA WILLIAMS, MISS AMERICA OF 1984. WE WELCOME VANESSA TO HUD AND THANK HER FOR BEING HERE TO SHARE THIS IMPORTANT TIME WITH US.

FOR THE PAST SEVERAL MONTHS, MUCH HAS BEEN SAID AND WRITTEN ABOUT PUBLIC EDUCATION, OUR SCHOOLS AND THE PURSUIT OF EXCELLENCE FOR ALL STUDENTS. MOST OF US ARE PROBABLY FAMILIAR WITH THE STRONG AND WEAK POINTS OF THE DEBATE.

PRESIDENT REAGAN HAS CALLED FOR A RE-EXAMINATION AND A NEW COMMITMENT AT THE LOCAL, STATE AND FEDERAL LEVEL TO IMPROVE OUR EDUCATIONAL SYSTEM. YOUNG MEN AND WOMEN MUST BE PROPERLY PREPARED TO ENTER ADULTHOOD AND THE LABOR MARKET.

THE THEME FOR THIS YEAR'S BLACK HISTORY MONTH OBSERVATION -- "BLACK AMERICANS IN THE STRUGGLE FOR EXCELLENCE IN EDUCATION" -- IS MOST TIMELY AND APPROPRIATE. IT FOCUSES ATTENTION ON THOSE RESPECTED AND BELOVED LEADERS WHO HAVE FURTHERED THE EDUCATIONAL OPPORTUNITIES FOR BLACK AMERICANS.

IT IS IMPORTANT TO REMEMBER AND HONOR THOSE LEADERS WHO HAVE LEFT THEIR INDELIBLE MARK IN HISTORY. LET THEIR ACCOMPLISHMENTS INSPIRE US ALL TO CONTINUE TO SEEK EDUCATIONAL EXCELLENCE. FOR THE DIFFERENCE BETWEEN A POOR EDUCATION AND A GOOD EDUCATION DETERMINES OUR VERY PLACE IN LIFE...AND WHETHER OR NOT OUR HOPES AND DREAMS BECOME REALITY.

MORE THAN ANY TIME IN HISTORY, IT IS CRITICAL THAT TODAY'S CHILDREN BE PREPARED TO COMPETE EFFECTIVELY AND SUCCESSFULLY IN THE JOB MARKET. JOBS THAT POORLY-EDUCATED WORKERS DEPENDED ON IN THE PAST ARE RAPIDLY DISAPPEARING AS OUR COMPUTER-ORIENTED SOCIETY ENTERS THE TURN OF THE CENTURY. NEW TECHNOLOGY IS RAPIDLY DEVELOPING OPTIONS FOR INCREASING PRODUCTIVITY AND REPLACING THE HANDS OF UNSKILLED LABORERS. OUR YOUNG PEOPLE MUST BE PREPARED TO MEET THAT CHALLENGE.

FREDERICK DOUGLASS, MARY MCLEOD BETHUNE AND ALEX HALEY, ARE LEADERS WHO UNDERSTOOD THAT EDUCATION AND INTELLECTUAL GROWTH IS WHAT ENABLES THE INDIVIDUAL TO MOVE BEYOND SURVIVAL. IT FREES A PERSON TO EMERGE FROM A MERELY TOLERABLE EXISTENCE INTO THE STIMULATING WORLD OF IDEAS AND PROGRESS.

DOUGLASS, AN OUTSTANDING FIGURE IN AMERICAN HISTORY, SPOKE OF THE IMPORTANCE OF EDUCATION, SAYING: "A LITTLE LEARNING, INDEED, MAY BE A DANGEROUS THING, BUT THE WANT OF LEARNING IS A CALAMITY TO ANY PEOPLE."

IT IS INCUMBENT UPON US TO SEE TO IT THAT OUR CHILDREN DO NOT FALL BY THE WAYSIDE FOR WANT OF LEARNING.

MRS. BETHUNE, FOUNDER OF PRESENT-DAY BETHUNE-COOKMAN COLLEGE, IS ANOTHER ACHIEVER IN BLACK AMERICAN HISTORY WHO PERSEVERED AND SUCCEEDED. SHE IS TODAY AN HONORED AND RESPECTED MEMORY OF OUR DETERMINED SPIRIT, THE SYMBOL OF A PROUD AND COURAGEOUS HERITAGE.

SHE CONCENTRATED ON EDUCATING AND UPLIFTING OUR YOUNG PEOPLE AT A TIME WHEN SUCH AN EFFORT WAS NOT FASIONABLE. IN BROADENING THEIR INTELLECTUAL HORIZONS, SHE BROUGHT BENEFIT TO ALL RACES AND NATIONALITIES.

MORE RECENTLY, ALEX HALEY ADDED TO OUR HISTORY AND MADE A SIGNIFICANT CONTRIBUTION BY EXPOSING AT A NATIONAL LEVEL THE FINE HERITAGE AND STRUGGLE OF ALL BLACK AMERICANS.

IN TRACING HIS LINEAGE TO "GAMBIA IN WEST AFRICA," HALEY WROTE HIS EPIC BOOK, "ROOTS." THROUGHOUT HIS BOOK, HALEY ENLIGHTENED COUNTLESS AMERICANS OF ALL RACES ABOUT SOME LESSER-KNOWN ASPECTS OF HISTORY. HE DRAMATIZED FOR ALL TO SEE THE STRENGTH AND RESILIENCY OF OUR WONDERFUL COMMUNITY.

HALEY REKINDLED FOR ALL BLACK PEOPLE THE FLAME OF PRIDE AND STRENGTH. WE CAN ALL REACH BACK TO OUR ROOTS, HALEY TAUGHT US, FOR THAT FORCE OF CHARACTER WHICH CANNOT BE DENIED AND WILL NEVER BE LOST.

HALEY'S SEARCH WAS PROMPTED BY THAT HOMESPUN HISTORY YOU AND I HAVE HEARD COUNTLESS TIMES FROM OUR PARENTS, GRANDPARENTS, AUNTS AND UNCLES -- HISTORY THAT WE HAVE ALWAYS APPRECIATED BUT WHICH WAS UNKNOWN TO THE DEPRIVED COMMUNITIES OUTSIDE OF OURS.

IT IS OUR RESPONSIBILITY -- YOURS AND MINE -- TO ENSURE THAT THE CONTRIBUTIONS AND GAINS MADE BY EDUCATORS AND LEADERS BEFORE US WILL SERVE AS JUST A BEGINNING. IT IS OUR DUTY TO ENCOURAGE TODAY'S YOUNG PEOPLE TO SEEK EVER GREATER HORIZONS. THEY MUST NEVER PERMIT THEMSELVES TO BE HELD BACK BY THE CONVICTION THAT THE ODDS ARE AGAINST YOU, THAT CIRCUMSTANCES DON'T FAVOR YOUR EFFORTS. THEY MUST LEARN TO MAKE THEIR OWN CIRCUMSTANCES IF THEY DON'T LIKE THE ONES THEY SEE AROUND THEM. LATER THIS MONTH, THE DEPARTMENT WILL PARTICIPATE IN PRESIDENT REAGAN'S "NATIONAL

PARTNERSHIPS IN EDUCATION" PROGRAM. WE'LL "ADOPT" A SCHOOL IN OUR NEIGHBORHOOD, NEARBY THOMAS JEFFERSON JUNIOR HIGH SCHOOL. HUD'S CHAPTER OF BLACKS IN GOVERNMENT -- LED BY BEVERLY HARDY AND ARETHEA WILLIAMS -- IS ASSISTING US IN THIS IMPORTANT EFFORT.

BUT, THERE IS MORE THAT ALL OF US CAN DO AS INDIVIDUALS. I URGE EACH OF YOU TO EXPLORE HOW YOU CAN INDEPENDENTLY CONTRIBUTE TO THE EDUCATIONAL ENRICHMENT OF THE SCHOOLS IN YOUR NEIGHBORHOOD. EACH OF US WILL BE BETTER FOR THAT EFFORT, AND ONE PRICELESS RESULT WILL BE VICTORY OVER IGNORANCE AND APATHY.

HISTORY, ALEX HALEY TOLD US, IS WRITTEN BY THE WINNERS. LET US NOT FORGET THAT, AS WE SUPPORT OUR CHILDREN IN THE STRUGGLE FOR EXCELLENCE. ALL OF US CAN BE WINNERS, TOO.

OUR GUEST TODAY, MISS VANESSA WILLIAMS, IS MISS AMERICA OF 1984. IN MY ESTIMATION, SHE IS BUT ONE EXAMPLE OF THE EXCELLENCE IN OUR COMMUNITY AND HOW PERSEVERANCE CAN LEAD TO SUCCESS.

LAST SEPTEMBER, MANY OF YOU WATCHED ON NATIONAL TELEVISION WHEN MISS WILLIAMS WAS CROWNED MISS AMERICA. IT WAS A PROUD MOMENT FOR OUR COUNTRY AND PARTICULARLY FOR OUR COMMUNITY.

MISS WILLIAMS HAS MANY ACCOMPLISHMENTS TO HER CREDIT. SHE HAS BEEN A PROFESSIONAL MAKE-UP ARTIST, CHOREOGRAPHER, AND MODEL. SHE HAS CHOREOGRAPHED, DIRECTED AND PERFORMED IN SEVERAL HIGH SCHOOL, COLLEGE AND COMMUNITY THEATRICAL PRODUCTIONS.

SHE WAS A PRESIDENTIAL SCHOLAR FINALIST IN DRAMA WHILE IN HIGH SCHOOL AND SHE APPEARS IN WHO'S WHO IN AMERICAN MUSIC, 1981.

MISS WILLIAMS DID NOT LIKE THE CIRCUMSTANCES SHE SAW AROUND HER. SHE CHANGED THEM BY GAINING KNOWLEDGE. SHE CHANGED THEM BY A BROAD APPLICATION OF HER EDUCATION. SHE CHANGED THEM BY PERSEVERANCE.

A JUNIOR AT SYRACUSE UNIVERSITY, SHE WON TWO BEAUTY TITLES -- MISS NEW YORK STATE AND MISS GREATER SYRACUSE -- PRIOR TO WINNING THE NATIONAL TITLE OF MISS AMERICA.

WE CERTAINLY EXPECT OUR MISS AMERICA TITLE HOLDERS TO HAVE A CAPTIVATING PRESENCE AND MISS WILLIAMS IS NO EXCEPTION. I KNOW YOU WILL BE AS IMPRESSED AS I AM BY HER POISE AND GRACE.

LADIES AND GENTLEMEN, IT IS A GREAT PLEASURE TO INTRODUCE TO YOU A WINNER -- MISS AMERICA OF 1984.

REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

for the

FAIR HOUSING POSTER CAMPAIGN

Dallas, Texas

February 23, 1984

It's a great pleasure to be in Dallas this afternoon. I always enjoy being among people like you, who have such pride in your city. Of course, you have good reason to be proud!

Dallas has been one of the stars of this economic recovery. Your city is the dynamic financial hub of the southwest. Dallas' economic growth has helped spur recovery throughout the region, and ultimately, throughout the country.

Your city is a "star" in more ways than one. The Republicans are very proud that the National Convention will be here in Dallas. How appropriate that Dallas should also participate in another event of national significance: HUD's nationwide fair housing campaign. I have made Fair Housing one of my foremost goals, and I know President Reagan supports it with his whole heart. Today, you are letting the world know that it is one of your foremost goals, as well. I welcome your active support of Fair Housing.

For many generations of American minorities, discrimination in housing — and discrimination in general — has been a constant challenge. A great deal of progress has already been made toward correcting the situation, but unfortunately, housing discrimination is still with us.

In his 1983 State of the Union message, the President promised to strengthen enforcement of our Nation's fair housing laws. Soon thereafter, he followed up on that pledge by proposing a series of amendments to put real teeth in the Fair Housing Act. Tough enforcement and swift justice are at the heart of the bill the President has sent to Congress.

I'll just comment briefly on the content of our proposed bill.

The law, as it stands, makes it illegal to discriminate on the basis of race, color, religion, sex, or national origin in the sale or rental of housing. Existing law also provides certain remedies for victims, stressing conciliation between complainants and alleged offenders.

We have found that, where the parties sit down to negotiate in good faith, the conciliation process is speedy and effective. On average, conciliation produces a settlement much more quickly than any court or administrative hearing process. Moreover, in 50 percent of all fair housing cases conciliated by HUD, complainants are provided with a dwelling, which is the ultimate objective of Title VIII.

The trouble with the existing law is that it really only works when the parties negotiate in good faith. But where good faith is not present, existing law doesn't bring enough cases to conciliation because the enforcement procedures are too weak. Currently, the Fair Housing Act permits the Attorney General to bring suit against offenders in multiple instances of discrimination, but provides no relief to individual victims except those very few who can afford to bring suit at their own expense.

This is the basic weakness in the existing law. Under our proposal, the Secretary of HUD would be authorized, when conciliation efforts fail, to recommend individual cases directly to the Attorney General for judicial enforcement. Our amendments would extend protection to the handicapped and would also provide

stiff penalties against offenders -- up to \$50,000 for a first offense and \$100,000 for a second -- in addition to injunctive relief. In other words, our amendments would make bigotry in housing a very expensive proposition. I'm hopeful that, in 1984, both houses of Congress will move forward on strengthening the Fair Housing Law .

It is my firm belief that our bill, when enacted, will be an effective weapon against the disgrace of housing discrimination. This Administration is committed to fairness, and that is why we have pledged the full backing of the Federal Government whenever and wherever even one person's constitutional rights are denied.

Even with these new amendments in place, however, we recognize that fairness will fully triumph only if non-governmental organizations join in the fight. To help make this possible, we have continued and strengthened Community Housing Resource Boards all across the Nation. These boards are voluntary associations in which private sector representatives, such as realtors, work with local officials to promote equal housing opportunity in their communities. The results of this team effort have been very encouraging.

This campaign is another such "team effort." A partnership among business, local government, and National government is making it possible. Mayor Taylor and his staff have been very supportive in our efforts to get the campaign off the ground. I want to especially thank the Dallas Board of Realtors, the Chamber of Commerce, Metroplex Builders, and TDI Winston for donating space and materials for the poster campaign. You may have also noticed a very impressive fair housing billboard -- donated by U.S. Homes and Dave Dozier.

We sincerely hope these efforts will touch the minds and hearts of all citizens who love liberty and respect the Constitution. I know the campaign will be a tremendous success because, after all, we're launching it in a real "star" of a city -- a city bound to shine in any cause or activity its citizens believe in.

Thank you for being here today, and for your commitment to fair housing for all Americans.

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REMARKS BY
SAMUEL R. PIERCE, JR.
Secretary of Housing and Urban Development

for the

KICK-OFF CEREMONY OF
FAIR HOUSING MONTH

Washington, DC

April 2, 1984

I want to thank you, Tony for that generous introduction. And, ladies and gentlemen, I want to thank you:

- For taking the time to join us on your lunch hour;
- And for helping us to commemorate another anniversary of the landmark Fair Housing Act.

You know, it's hard to believe that fully 16 years have passed since the Civil Rights Act of 1968 was enacted.

Remember what that Act made possible?

More than a decade and a half of proud achievement — a time in which racial barriers have been assaulted, ancient bigotries attacked.

Remember what that Act — The Civil Rights Act of 1968 — explicitly stated?

That "It is the policy of the United States," it read, "to provide, within constitutional limitations, for fair housing throughout the United States."

"Fair Housing."

The privilege — indeed, the inalienable right — of America's citizens — all of its citizens — to live where they choose, when they choose, for as long as they choose and can afford to do so.

As a nation, we've come a long way since 1968; as Americans, we still have a long way to go.

As human beings, we've done much to reaffirm the worth of every individual, regardless of color; as a people, we have much more left to do.

For — and there can be no mistaking it — bigotries still linger, inequities remain. Yes, we celebrate today the housing liberation of millions of Americans. But we should also remember that for too many of our brothers and sisters, the concept of "Fair Housing" remains more elusive than real.

Fair Housing.

Until it becomes universal, then none of us can rest securely.

Until it lives among all our neighbors, then none of us is free.

For when any American is discriminated against, every American suffers. When any one of us is burdened by racism in housing, education, or employment, each of us is imperiled. Each of us falls.

This occasion — this kickoff of Fair Housing Month — says to all Americans: "You are equal and will be treated equally." And it warns those who would discriminate: As long as a single American is denied Fair Housing, that is one American too many.

As Americans, as government officials, and yes, as Children of God, how could we not act to stringently enforce the Fair Housing Act?

The answer is, of course, that since January 20, 1981, this Department has acted — and it will continue to act: Not because it is popular, but because it is right; and not only because we deserve no less, but also because this Nation can do no less.

I am proud to say that under this Administration, both voluntary and enforced compliance with this Act has risen.

We have opposed housing discrimination through both education and conciliation...education to show Americans that the system does work...conciliation to encourage landlords to obey the letter and spirit of the law. Even more, we've shown Americans that the more vigilantly their government enforces the law, the "fairer" Fair Housing will be.

We have also acted on another, even more crucial front.

Last year, we introduced legislation in Congress to further strengthen the enforcement plan of the Fair Housing Act.

As some of you know, until now the weakness with this law has been our necessity to prove a "pattern of practice" of discrimination. Without that, HUD can't ask the Justice Department to proceed against a violator.

Well, we intend to correct that weakness — so that if and when conciliation fails, HUD could be allowed to refer to Justice single complaints of discrimination. Justice could then file suit on the basis of individual cases — greatly increasing the possibility of bringing violators to heel while, at the same time, avoiding the creation of a whole new bureaucratic layer to deal with fair housing complaints.

We have also proposed expanding the law to include the handicapped among the groups protected from discrimination. And in addition, our proposal would greatly increase the size of the fines levied for violations of the law — up to as much as \$50,000 for a first offense and \$100,000 for subsequent offenses.

As you can see:

- Those left behind, we are helping to catch up;
- Those who have forsaken themselves, we are showing that others have not forsaken them;
- Just as all are born equal in dignity before God, we hope to prove that all can be made equal in dignity before Man.

Because, you see, that's what Fair Housing Month is all about. Dignity. Human dignity: The driving force each one of us can build upon.

Fair Housing Month can help ensure an equal chance at the starting line — so that each of us, by ourselves, can determine the finish line.

Fair Housing Month can reaffirm that we are a Nation of individuals — and that we should be judged, in the words of Dr. Martin Luther King, "Not by the color of their skin but by the content of their character."

And Fair Housing Month can say to all the world that ours is a Nation of hope and opportunity:

- Hope for families who need jobs and who dream of owning homes;
- And opportunity for all those who believe, as I do, in a society that is abundant and free.

As Secretary of Housing and Urban Development, I am proud to commemorate April, 1984 as Fair Housing Month. And I am proud, too, to introduce a woman who — during her entire life — has opposed the calumny of ignorance and infirmity, poverty and fear.

Carla A. Hills served as Secretary of this Department in the Ford Administration — at that time, the third woman to hold a Cabinet position. During 1974=75 she was Assistant Attorney General, Civil Division, U.S. Department of Justice — again, the third woman to hold such a post. In 1976, TIME Magazine named her as one of its 10 women of the year.

She is a lawyer, author, teacher, and graduate of Stanford University and Yale Law School.

She has been a colleague.

She has been an inspiration.

She has been — and remains — my friend.

Ladies and gentlemen, Carla Hills.

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STATEMENT OF
SECRETARY SAMUEL R. PIERCE, JR.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BEFORE THE SUBCOMMITTEE ON
HUD-INDEPENDENT AGENCIES OF THE
HOUSE COMMITTEE ON APPROPRIATIONS
APRIL 3, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

ONCE AGAIN, I AM PLEASED TO APPEAR BEFORE THIS COMMITTEE, THIS TIME TO PRESENT THE 1985 BUDGET PROPOSALS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. THIS IS THE FOURTH TIME I HAVE COME BEFORE YOU. MY ESSENTIAL MESSAGE REMAINS THE SAME--THE BEST WAY TO PROVIDE EFFECTIVELY FOR THE NATION'S HOUSING NEEDS IS TO KEEP INFLATION UNDER CONTROL AND TO BRING INTEREST RATES DOWN TO REASONABLE LEVELS.

MR. CHAIRMAN, I AM PROUD TO SAY THAT WE HAVE DONE JUST THAT. RUNAWAY INFLATION IS NO LONGER TAXING AWAY THE PURCHASING POWER OF THE AMERICAN HOMEBUYER. FOR THE GREAT MAJORITY OF THE AMERICAN PEOPLE, THE COST OF HOUSING IS ONCE AGAIN AFFORDABLE. THIS IS THE KEY--AFFORDABILITY THROUGH A HEALTHY ECONOMY.

DURING CALENDAR YEAR 1980, THE ANNUAL RATE OF INFLATION WAS 12.4 PERCENT. THIS WAS REDUCED SUBSTANTIALLY TO 3.9 PERCENT DURING 1982. THE RATE DECLINED EVEN FURTHER IN 1983 TO 3.8 PERCENT. DURING 1984, WE EXPECT A CONTINUATION OF THIS FAVORABLE ECONOMIC

SITUATION WITH, PERHAPS, ONLY A SLIGHT INCREASE IN THE INFLATION RATE. AN IMPROVED ECONOMIC PICTURE CAN ALSO BE SEEN BY COMPARING MORTGAGE INTEREST RATES FOR SINGLE FAMILY HOME PURCHASES. IN CALENDAR YEAR 1982, CONVENTIONAL MORTGAGE RATES AVERAGED 16.6 PERCENT. THIS WAS REDUCED TO 13.4 PERCENT IN 1983, AND WE ARE HOPEFUL OF RATES OF APPROXIMATELY THIS LEVEL, OR LOWER, IN 1984.

WHILE THESE INTEREST RATES ARE STILL TOO HIGH, THE IMPORTANT THING IS THAT THE HOUSING INDUSTRY IS BUILDING AND AMERICANS ARE BUYING. THIS CAN BE SEEN IN THE HOUSING STARTS FIGURES. FOR ALL OF CALENDAR YEAR 1982, STARTS--BOTH PUBLIC AND PRIVATE--WERE LESS THAN 1.1 MILLION. FOR CALENDAR 1983, STARTS INCREASED TO 1.7 MILLION. THIS PROGRESS IS EXPECTED TO BE SUSTAINED DURING CALENDAR 1984, WITH STARTS ESTIMATED TO CONTINUE AT 1.7 MILLION, OR HIGHER. IN FACT, IF THE FEBRUARY PACE WERE MAINTAINED FOR THE ENTIRE YEAR, STARTS WOULD APPROACH 2.2 MILLION. IN ADDITION, WE ESTIMATE APPROXIMATELY 290,000 UNITS OF MANUFACTURED HOUSING WILL BE PRODUCED IN 1984.

NOTWITHSTANDING THESE INDICATORS OF A REVITALIZED ECONOMY, WE RECOGNIZE EVEN MORE CAN BE DONE TO MAKE THE DREAM OF HOMEOWNERSHIP A REALITY FOR ALL SEGMENTS OF OUR SOCIETY. TOWARD THAT END, THE REAGAN ADMINISTRATION HAS BEEN IN THE FOREFRONT IN DEVELOPING AND ENCOURAGING INNOVATIVE NEW APPROACHES TO MORTGAGE FINANCING. IN PARTICULAR, WE ARE IMPLEMENTING A WIDE RANGE OF PROGRAMS AUTHORIZED BY THE 1983 AUTHORIZATION ACT WHICH ARE DESIGNED TO TARGET INSURANCE ACTIVITY TO FIRST TIME HOMEBUYERS, INNER-CITY RESIDENTS, RURAL AREAS AND INDIAN LANDS. IN MANY CASES, THESE NEW PROGRAMS WILL MAKE FINANCING AVAILABLE, AND AFFORDABLE, TO FAMILIES WHO ARE CURRENTLY UNABLE TO PURCHASE A HOME ON THEIR OWN.

THE 1983 ACT INCLUDES PROVISIONS TO REDUCE DOWNPAYMENT REQUIREMENTS ON MODERATELY PRICED HOMES; AND THE AUTHORITY TO PROVIDE INSURANCE FOR NEW FINANCING MECHANISMS, SUCH AS ADJUSTABLE RATE MORTGAGES, INDEXED MORTGAGES, AND SHARED APPRECIATION MORTGAGES. IN ADDITION, THE 1983 ACT ELIMINATES THE SECRETARY OF HUD'S AUTHORITY TO SET INTEREST RATE CEILINGS FOR INSURED LOANS. OUR EMPHASIS IS ON ASSURING AN ADEQUATE FLOW OF MORTGAGE CREDIT TO THOSE GROUPS OF PROSPECTIVE HOMEBUYERS--FIRST TIME BUYERS AND INNER-CITY RESIDENTS--WHICH TRADITIONALLY HAVE NOT BEEN WELL SERVED BY THE PRIVATE MARKET.

OF COURSE, HOMEOWNERSHIP IS NOT POSSIBLE FOR ALL. FOR MANY, RENTAL HOUSING IS THE BEST ALTERNATIVE. THIS DEPARTMENT HAS A SPECIAL RESPONSIBILITY TO HELP MEET THE HOUSING NEEDS OF PARTICULAR SEGMENTS OF SOCIETY--THE ELDERLY, THE HANDICAPPED, AND THE POOR. OUR CHALLENGE--FOR BOTH THE DEPARTMENT AND THIS COMMITTEE--IS TO CREATIVELY AND EFFECTIVELY MEET THESE NEEDS IN AN ENVIRONMENT OF COMPETING DEMANDS FOR LIMITED FEDERAL RESOURCES. IT IS NO SECRET THAT ONE OF THE GOALS OF THE REAGAN ADMINISTRATION HAS BEEN TO REDUCE FEDERAL SPENDING, BUT BUDGET TRIMMING DOES NOT HAVE TO MEAN LESS ASSISTANCE TO NEEDY FAMILIES. INDEED, THIS ADMINISTRATION BELIEVES THAT BY USING THE EXISTING SUPPLY OF RENTAL HOUSING, AND PROVIDING INCENTIVES TO FAMILIES AND COMMUNITIES, WE CAN ADEQUATELY HOUSE A GREATER NUMBER OF PEOPLE AT SIGNIFICANTLY REDUCED COST.

THAT IS WHY, FOR 1985, WE PROPOSE INCREMENTAL ASSISTANCE FOR SOME 87,500 FAMILIES UNDER THE HOUSING VOUCHER PROGRAM. THE VOUCHER PROGRAM EVOLVED FROM THE KNOWLEDGE GAINED IN THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM AND IS BASED ON THE SUCCESSFUL SECTION 8 EXISTING HOUSING PROGRAM, WHICH TODAY

SERVES SOME 750,000 FAMILIES. HOWEVER, THE VOUCHER PROGRAM WILL FUNCTION AT LESS OVERALL COST THAN THE PREDECESSOR SECTION 8 PROGRAM.

OUR BASIC PREMISE IS THAT SUFFICIENT UNITS ARE AVAILABLE NATIONWIDE TO MEET THE SHELTER NEEDS OF MOST NEEDY FAMILIES AND THE BEST WAY TO ASSIST THESE FAMILIES IS THROUGH AN INCOME SUPPLEMENT WHICH IMPROVES THEIR PURCHASING POWER. A UNIQUE FEATURE OF THE VOUCHER APPROACH IS THAT IT PROVIDES A SHOPPING INCENTIVE: THE FAMILY CAN SPEND LESS THAN THE LEVEL OF ASSISTANCE FOR HOUSING AND POCKET THE DIFFERENCE; OR IT CAN CHOOSE TO SPEND MORE OF ITS OWN RESOURCES IF IT VALUES HOUSING MORE HIGHLY.

WE BELIEVE STRONGLY THAT THE VOUCHER APPROACH IS THE WAY TO PROCEED IN THE FUTURE. OUR ESTIMATES SHOW THAT WE CAN HOUSE ABOUT THREE TIMES AS MANY FAMILIES WITH VOUCHERS AS WE COULD WITH PREVIOUS NEW CONSTRUCTION PROGRAMS. AT THE SAME TIME, WE ALSO RECOGNIZE THE UNIQUE NEEDS OF CERTAIN GROUPS--THE ELDERLY, THE HANDICAPPED, INDIANS AND LARGE FAMILIES--FOR NEW CONSTRUCTION OR

REHABILITATION. THUS, WHILE THE VOUCHER PROGRAM WILL SERVE MANY WITHIN THESE GROUPS AND IS THE MAINSTAY OF OUR OVERALL HOUSING POLICY, OUR BUDGET REQUEST INCLUDES FUNDING FOR SECTION 202 NEW CONSTRUCTION, INDIAN PUBLIC HOUSING, AND TWO NEW GRANT PROGRAMS OF RENTAL HOUSING CONSTRUCTION AND REHABILITATION. THE RESULT IS A COMPREHENSIVE APPROACH WHICH RELIES PRIMARILY ON VOUCHERS BUT ALSO MAKES USE OF CONSTRUCTION AND REHABILITATION PROGRAMS WHEN UNIQUE NEEDS OR LOCAL MARKET CONDITIONS WARRANT.

IN FISCAL YEAR 1984, WE PROPOSE TO IMPLEMENT THE RENTAL REHABILITATION AND RENTAL HOUSING DEVELOPMENT GRANT PROGRAMS, BOTH OF WHICH ARE DESIGNED TO INCREASE THE SUPPLY OF STANDARD RENTAL HOUSING. THE FIRST OF THESE PROGRAMS--THE RENTAL REHABILITATION GRANT PROGRAM--WILL MAKE GRANTS AVAILABLE TO STATES AND CERTAIN UNITS OF GENERAL LOCAL GOVERNMENT TO SUPPORT THE MODERATE REHABILITATION OF RENTAL HOUSING. IT WILL EMPHASIZE ASSISTANCE TO LARGE FAMILIES. GENERALLY, THIS WOULD INVOLVE REHABILITATION COSTS OF UP TO \$10,000 PER UNIT. THE

FEDERAL GRANT SHARE WOULD REPRESENT 50 PERCENT OF THE REHABILITATION COST, OR UP TO \$5,000, WITH POSSIBLE ADJUSTMENTS FOR HIGH COST AREAS. THE LEVEL OF REHABILITATION, HOWEVER, WOULD BE AT THE DISCRETION OF THE GRANTEE. STATES AND LOCAL GOVERNMENTS WHICH PARTICIPATE IN THE PROGRAM WILL BE RESPONSIBLE FOR ADMINISTERING THE PROGRAM, INCLUDING SELECTION OF PROJECTS.

A \$150 MILLION FUNDING LEVEL IS PROPOSED FOR EACH OF FISCAL YEARS 1984 AND 1985 WHICH WOULD SUPPORT THE REHABILITATION OF APPROXIMATELY 30,000 RENTAL UNITS EACH YEAR. TENANTS WHO LIVE IN UNITS TO BE REHABILITATED, OR WHO MOVE INTO THE UNITS, MAY BE ELIGIBLE ALSO FOR RENTAL SUBSIDIES UNDER THE HOUSING VOUCHER AND SECTION 8 EXISTING PROGRAMS.

THE SECOND NEW PROGRAM PROPOSED FOR IMPLEMENTATION IN FISCAL YEAR 1984 IS THE RENTAL HOUSING DEVELOPMENT GRANT PROGRAM. THIS PROGRAM WILL MAKE FEDERAL GRANTS AVAILABLE TO STATES AND LOCAL

GOVERNMENTS FOR SPECIFIC NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION PROJECTS. AS PROVIDED IN THE AUTHORIZING LEGISLATION, PROJECT ELIGIBILITY WOULD BE BASED ON FACTORS WHICH TAKE INTO ACCOUNT SEVERE SHORTAGES OF DECENT RENTAL HOUSING AND A LACK OF OTHER AFFORDABLE HOUSING ALTERNATIVES.

THE PROPOSED FUNDING LEVEL FOR THE RENTAL HOUSING DEVELOPMENT PROGRAM IS \$200 MILLION IN 1984 AND \$115 MILLION IN 1985. THIS WOULD SUPPORT THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF UP TO 10,000 AND 6,000 UNITS RESPECTIVELY. I SHOULD POINT OUT THAT THESE UNIT ESTIMATES ARE SUBJECT TO CHANGE SINCE SOME OF THE KEY PROGRAM DESIGN ISSUES ARE STILL BEING WORKED OUT AND ACTUAL RESULTS COULD FALL SHORT OF THESE BUDGET ESTIMATES. BECAUSE OF THE LEAD TIME REQUIRED FOR IMPLEMENTATION OF THIS NEW CONSTRUCTION PROGRAM, THE INITIAL PROJECT COMPLETIONS ARE NOT ANTICIPATED UNTIL FISCAL YEAR 1986.

HIGHLIGHTS OF 1985 BUDGET REQUEST

NOW, MR. CHAIRMAN, I WILL HIGHLIGHT THE KEY FIGURES AND PROPOSALS INCLUDED WITHIN OUR BUDGET REQUEST.

NET BUDGET AUTHORITY OF \$10.5 BILLION IS REQUESTED FOR 1985. THIS INCLUDES \$12.5 BILLION IN NEW BUDGET AUTHORITY OFFSET BY \$2 BILLION IN RESCISSIONS UNDER THE SECTION 236 AND RENT SUPPLEMENT PROGRAMS. THE \$10.5 BILLION FIGURE IS ABOUT \$3.2 BILLION LESS THAN THE 1984 BUDGET AUTHORITY ESTIMATE OF \$13.7 BILLION. THIS DECREASE IS THE RESULT, PRIMARILY, OF LESS BUDGET AUTHORITY BEING REQUIRED FOR THE SUBSIDIZED HOUSING PROGRAMS BECAUSE OF THE SAVINGS IN BUDGET AUTHORITY MADE POSSIBLE BY INITIATION OF THE HOUSING VOUCHER PROGRAM.

ANOTHER FACTOR WHICH RESULTS IN THE NEED FOR LESS BUDGET AUTHORITY IN 1985, AS COMPARED TO 1984, IS THAT ALL BUDGET AUTHORITY FOR THE RENTAL HOUSING DEVELOPMENT AND RENTAL REHABILITATION GRANT PROGRAMS-- FOR BOTH 1984 AND 1985--IS BEING REQUESTED IN 1984. ALREADY SUBMITTED TO THE COMMITTEE IS A 1984 SUPPLEMENTAL REQUESTING THE TRANSFER OF

\$615 MILLION FROM THE ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING ACCOUNT TO THESE NEW PROGRAMS. WE EXPECT THAT THESE PROGRAMS WILL OPERATE IN 1985 BASED ON BUDGET AUTHORITY PROVIDED DURING THE CURRENT YEAR.

MAJOR REQUESTS FOR 1985 INCLUDE BUDGET AUTHORITY OF \$6.3 BILLION FOR THE SUBSIDIZED HOUSING PROGRAMS, \$1.1 BILLION FOR PUBLIC AND INDIAN HOUSING OPERATING SUBSIDIES, \$3.5 BILLION FOR COMMUNITY DEVELOPMENT BLOCK GRANTS, AND \$440 MILLION FOR URBAN DEVELOPMENT ACTION GRANTS.

NET OUTLAYS ARE PROJECTED AT \$15.2 BILLION IN 1985 BASED ON GROSS DISBURSEMENTS OF \$21.8 BILLION OFFSET BY LOAN REPAYMENTS, ASSET SALES, AND OTHER REVENUE AND FEES OF \$6.6 BILLION. THE \$15.2 BILLION ESTIMATE IS \$650 MILLION LESS THAN THE 1984 OUTLAY FIGURE OF \$15.9 BILLION. THIS OUTLAY REDUCTION REFLECTS HIGHER PREMIUM RECEIPTS AND SALES OF ACQUIRED PROPERTIES UNDER THE FHA MORTGAGE INSURANCE PROGRAMS, AND A SUBSTANTIAL DECREASE IN GNMA TANDEM PROGRAMS SINCE THE MAJORITY OF PURCHASES UNDER THOSE NOW-TERMINATED PROGRAMS WILL HAVE OCCURRED IN 1984. AT THE SAME TIME, OUTLAY INCREASES IN THE SUBSIDIZED HOUSING PROGRAMS IN 1985 WILL SOMEWHAT OFFSET THE ANTICIPATED DECREASES JUST MENTIONED. OTHERWISE,

MOST PROGRAMS, INCLUDING COMMUNITY DEVELOPMENT BLOCK GRANTS AND URBAN DEVELOPMENT ACTION GRANTS, ARE EXPECTED TO SPEND AT ABOUT THE SAME LEVELS AS IN 1984.

FULL-TIME PERMANENT EMPLOYEES WILL DECLINE TO 11,910 IN 1985, A REDUCTION OF 187 FROM THE PROPOSED 1984 LEVEL OF 12,097 AND 517 FROM THE 1983 LEVEL OF 12,427 POSITIONS. THE REDUCED STAFFING REFLECTS IMPROVED MANAGEMENT PRACTICES, STREAMLINED OPERATING PROCEDURES AND THE USE OF CONTRACTUAL SERVICES, WHERE APPROPRIATE.

THE 1985 BUDGET INCLUDES A NUMBER OF MAJOR INITIATIVES AFFECTING THE DEPARTMENT'S HOUSING PROGRAMS, INCLUDING THE PROPOSAL FOR 87,500 INCREMENTAL VOUCHERS WHICH I HAVE ALREADY MENTIONED. IN ADDITION, WE ARE PROPOSING 12,500 NEW CONSTRUCTION UNITS CONSISTING OF 10,000 UNITS FOR THE ELDERLY AND HANDICAPPED UNDER THE SECTION 202 PROGRAM AND 2,500 INDIAN HOUSING UNITS. TOTAL INCREMENTAL HOUSING ASSISTANCE IN 1985, THEREFORE, IS 100,000 UNITS.

RECOGNIZING OUR INVESTMENT IN PUBLIC AND INDIAN HOUSING, WE ARE REQUESTING \$1.55 BILLION OF BUDGET AUTHORITY IN 1985 FOR THE MODERNIZATION OF EXISTING PUBLIC AND INDIAN HOUSING UNITS. THIS

BUDGET AUTHORITY WOULD SUPPORT APPROXIMATELY \$761 MILLION OF CAPITAL AND MANAGEMENT IMPROVEMENTS FOR THESE VALUABLE HOUSING ASSETS. THIS FUNDING REQUEST REPRESENTS A CONTINUING EFFORT TO RENOVATE THE EXISTING STOCK, AS PART OF THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM.

IN THE AREA OF COMMUNITY DEVELOPMENT, WE ARE REQUESTING \$3.5 BILLION FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM--THE SAME LEVEL AS APPROPRIATED IN 1984. FOR THE URBAN DEVELOPMENT ACTION GRANT PROGRAM, WE ARE PROPOSING AN APPROPRIATION OF \$440 MILLION, ALSO THE SAME LEVEL AS 1984. NO CHANGES TO THE AUTHORIZING LEGISLATION FOR EITHER THE BLOCK GRANT OR ACTION GRANT PROGRAMS ARE PROPOSED AS WE BELIEVE BOTH OF THESE PROGRAMS ARE WORKING WELL. ALSO, THE EFFECTS OF THE 1983 AMENDMENTS NEED TO BE ANALYZED BEFORE ANY FURTHER AMENDMENTS ARE PROPOSED. I DO WISH TO EMPHASIZE THE CONTINUING COMMITMENT OF THIS ADMINISTRATION TO HELP STATES AND LOCAL COMMUNITIES MEET THEIR COMMUNITY AND ECONOMIC DEVELOPMENT NEEDS THROUGH THE USE OF THE CDBG AND UDAG PROGRAMS.

ANOTHER COMMUNITY DEVELOPMENT INITIATIVE IS THE EXPANSION OF THE URBAN HOMESTEADING PROGRAM TO INCLUDE DEMONSTRATIONS FOR THE HOMESTEADING OF FHA-OWNED MULTIFAMILY PROPERTIES AND

LOCALLY-OWNED ONE-TO-FOUR UNIT PROPERTIES. THESE DEMONSTRATIONS WILL BE FUNDED WITHIN A TOTAL APPROPRIATION OF \$12 MILLION IN EACH OF FISCAL YEARS 1984 AND 1985.

THE BUDGET ALSO REQUESTS \$6.7 MILLION FOR THE FAIR HOUSING ASSISTANCE PROGRAM, AN INCREASE OF \$2 MILLION OVER 1984. THIS INCREASE REFLECTS OUR COMMITMENT TO ENFORCEMENT OF FAIR HOUSING AND THE PROMPT PROCESSING OF TITLE VIII COMPLAINTS. IN 1985, WE ALSO INTEND TO EMPHASIZE OUTREACH EFFORTS TO INCREASE PUBLIC AWARENESS OF THE PURPOSES OF TITLE VIII AND OTHER CIVIL RIGHTS MANDATES. FINALLY, THE BUDGET PROPOSES \$20.9 MILLION FOR RESEARCH. I URGE THE COMMITTEE TO CONSIDER THIS REQUEST FAVORABLY IF WE ARE TO MEET THE MYRIAD OF NEW RESEARCH RESPONSIBILITIES MANDATED BY THE 1983 AUTHORIZING LEGISLATION.

MR. CHAIRMAN, I WOULD LIKE TO INDICATE, AT THIS POINT, THAT NONE OF OUR 1984 OR 1985 BUDGET REQUESTS REQUIRE ENACTMENT OF AUTHORIZING LEGISLATION. THE MAJOR HOUSING AND COMMUNITY DEVELOPMENT INITIATIVES OF THE REAGAN ADMINISTRATION, WHICH INVOLVE FEDERAL FINANCIAL ASSISTANCE, HAVE BEEN ENACTED INTO LAW AND ONLY APPROPRIATION ACTION IS NOW REQUIRED. HOWEVER, TWO INITIATIVES REMAIN WHICH HAVE NOT YET BEEN PASSED BY CONGRESS--ENTERPRISE ZONES AND THE FAIR HOUSING

AMENDMENTS LEGISLATION. ALTHOUGH THIS COMMITTEE DOES NOT HAVE JURISDICTION OVER THESE LEGISLATIVE PROPOSALS, I WANT TO TAKE EVERY AVAILABLE OPPORTUNITY TO URGE THEIR SPEEDY PASSAGE. THE ENTERPRISE ZONE LEGISLATION IS NEEDED BECAUSE OF ITS IMPORTANCE AS AN ECONOMIC DEVELOPMENT TOOL. THE FAIR HOUSING AMENDMENTS SHOULD BE ENACTED TO STRENGTHEN THE FAIR HOUSING ENFORCEMENT POWERS OF THE FEDERAL GOVERNMENT.

ALSO, MR. CHAIRMAN, THE BUDGET REFLECTS AN ORGANIZATIONAL CHANGE OF THE DEPARTMENT'S HOUSING PROGRAMS. WE HAVE ESTABLISHED, AS YOU KNOW, A NEW ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING--WARREN LINDQUIST. ALL OTHER HOUSING PROGRAMS, INCLUDING THE MORTGAGE INSURANCE PROGRAMS, ARE THE RESPONSIBILITY OF MAURICE BARKSDALE, THE NEW FHA COMMISSIONER, WHO ALSO IS WITH ME HERE TODAY.

HOUSING PROGRAMS

NOW, MR. CHAIRMAN, I WOULD LIKE TO PRESENT MORE DETAIL ON THE 1985 BUDGET PROPOSALS.

SUBSIDIZED HOUSING

AS NOTED, WE MADE AN ORGANIZATIONAL CHANGE LAST YEAR AND ESTABLISHED A NEW ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING. AT THIS TIME, I WILL FOCUS ON THE PROGRAMS CURRENTLY BEING ADMINISTERED BY THE ASSISTANT SECRETARY FOR HOUSING/FHA COMMISSIONER AND ADDRESS THOSE HOUSING PROGRAMS TRANSFERRED TO THE NEW ASSISTANT SECRETARY LATER IN MY DISCUSSION.

INCREASED ASSISTANCE. I AM EXPECTING THE NUMBER OF FAMILIES ASSISTED UNDER THE DEPARTMENT'S SUBSIDIZED HOUSING PROGRAMS TO INCREASE GREATLY OVER THE NEXT SEVERAL YEARS. BY THE END OF 1981, APPROXIMATELY 3.3 MILLION HOUSING UNITS WERE RECEIVING ASSISTANCE UNDER THE DEPARTMENT'S HOUSING PROGRAMS AND OUR PROJECTIONS ARE THAT THIS NUMBER WILL GROW TO ALMOST 4 MILLION BY THE CLOSE OF 1985 AND TO ABOUT 4.4 MILLION UNITS BY THE END OF 1989.

BUDGET REQUEST. THE BUDGET FOR 1985 PROPOSES THE RELEASE OF \$6.24 BILLION OF NEW BUDGET AUTHORITY. THIS NEW AUTHORITY, IN ADDITION TO \$2.75 BILLION OF RECAPTURED BUDGET AUTHORITY, A

CARRYOVER OF \$82.5 MILLION FROM 1984 AND PERMANENT AUTHORITY AMOUNTING TO \$22.3 MILLION, WILL ALLOW US TO CARRY OUT A \$9.1 BILLION DOLLAR PROGRAM FOR 1985 IN SUPPORT OF 150,594 SECTION 8 AND PUBLIC HOUSING UNITS.

HOUSING VOUCHERS. AUTHORIZED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983 AS A DEMONSTRATION PROGRAM, WE ARE LOOKING TO HOUSING VOUCHERS TO PROVIDE A MAJOR PORTION OF OUR ASSISTANCE TO LOW-INCOME FAMILIES FOR 1985. OF THE 150,594 SECTION 8 AND INDIAN HOUSING UNIT RESERVATIONS PROPOSED FOR 1985, 91,000 WILL TAKE THE FORM OF HOUSING VOUCHERS (INCLUDING 87,500 INCREMENTAL VOUCHERS). SUBSIDY COSTS WILL BE REDUCED APPRECIABLY BY THIS ATTEMPT TO PROMOTE GREATER UTILIZATION OF THE EXISTING HOUSING MARKET. I MUST POINT OUT THAT, IN ADDITION TO BEING COST EFFECTIVE, THIS APPROACH ALSO OFFERS GREATER MOBILITY AND FLEXIBILITY TO PROGRAM BENEFICIARIES.

A "PAYMENT STANDARD" WILL BE ESTABLISHED UNDER THE PROGRAM, EQUAL TO THE SECTION 8 FAIR MARKET RENT FOR EXISTING HOUSING, WHICH IS BASED ON THE RENTAL COST IN A PARTICULAR AREA OF MODESTLY PRICED

STANDARD HOUSING OF VARIOUS SIZES AND TYPES. THIS STANDARD WILL BE USED, IN COMBINATION WITH APPROPRIATE DATA ABOUT FAMILY INCOME AND COMPOSITION, TO DETERMINE THE FEDERAL SUBSIDY AMOUNT TO BE PROVIDED. TWO ADJUSTMENTS TO THE SUBSIDY AMOUNT, OVER THE 5 YEAR ACC TERM, MAY BE MADE AT THE DISCRETION OF THE PUBLIC HOUSING AUTHORITY WHICH IS RESPONSIBLE FOR ADMINISTERING THE PROGRAM.

USE OF A PAYMENT STANDARD AS A BASIS FOR SUBSIDY DETERMINATION RATHER THAN AS A CAP ON HOUSING COST WILL GIVE PROGRAM PARTICIPANTS THE OPTION OF PAYING MORE FOR RENTAL HOUSING--IF THEY CHOOSE TO DO SO. NO LONGER WILL THEIR OPTIONS BE LIMITED TO UNITS AT OR BELOW A "FAIR MARKET RENT" ESTABLISHED FOR PARTICULAR LOCAL HOUSING MARKET AREAS. AS I MENTIONED EARLIER, A FAMILY CAN ALSO CHOOSE TO PAY LESS RENT AND POCKET THE DIFFERENCE.

UNITS WILL BE MADE AVAILABLE UNDER THE VOUCHER PROGRAM IN A NUMBER OF WAYS, INCLUDING:

- TO ASSIST NEW FAMILIES (INCREMENTAL UNITS);
- TO REPLACE THOSE SECTION 8 CERTIFICATES THAT WOULD HAVE BEEN ISSUED THIS YEAR DUE TO NORMAL TURNOVER;

- FOR TENANTS OF PUBLIC HOUSING PROJECTS WHICH ARE SOLD OR DEMOLISHED; AND
- FOR TENANTS OF SECTION 8 NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION PROJECTS DISPLACED WHEN OWNERS FAIL TO RENEW THEIR CONTRACTS.

INCREMENTAL UNITS. AS I SAID, THE NUMBER OF FAMILIES WE WILL ASSIST UNDER THE SUBSIDIZED HOUSING PROGRAMS IS GOING TO GROW. OUR COMMITMENT TO THIS COURSE OF ACTION IS MANIFESTED IN THE FACT THAT THE 150,594 UNIT RESERVATIONS PROPOSED FOR 1985 INCLUDE 100,000 INCREMENTAL UNITS, AND THE REMAINDER OF THE NEW RESERVATIONS ARE FOR UNITS ALREADY ASSISTED IN SOME FASHION. OF THE 100,000 NEWLY ASSISTED UNITS, 87,500 WILL BE VOUCHER UNITS, 2,500 ARE TO BE PUBLIC HOUSING UNITS FOR INDIAN FAMILIES AND 10,000 ARE TO REPRESENT SECTION 8 NEW CONSTRUCTION AND SUBSTANTIALLY REHABILITATED UNITS USED IN SUPPORT OF THE SECTION 202 PROGRAM TO HELP HOUSE THE ELDERLY AND HANDICAPPED. FURTHERMORE, IT IS EXPECTED THAT SOME OF THESE INCREMENTAL VOUCHER UNITS WILL BE USED IN CONJUNCTION WITH THE NEW RENTAL REHABILITATION GRANT PROGRAM.

CONTINUED SUPPORT. IN ADDITION TO THESE 100,000 INCREMENTAL UNITS, SECTION 8 SUBSIDIES WILL BE PROVIDED FOR SPECIAL PURPOSE SET-ASIDES AND A NUMBER OF UNITS ALREADY BEING ASSISTED UNDER CURRENT SUBSIDY PROGRAMS. THESE INCLUDE SUCH SECTION 8 EXISTING SET-ASIDES AS LOAN MANAGEMENT (5,000 UNITS) PROPERTY DISPOSITION (5,000 UNITS); SECTION 23 CONVERSIONS (5,000 UNITS); CONVERSION OF RENT SUPPLEMENT/ SECTION 236 UNITS (32,094 UNITS); AS WELL AS 3,500 VOUCHERS DIRECTED TOWARD TENANTS OF DEMOLISHED OR SOLD PUBLIC HOUSING UNITS AND RESIDENTS OF UNITS IN PROJECTS WHICH NO LONGER PARTICIPATE IN THE SECTION 8 PROGRAM.

AN ESTIMATED 160,000 VOUCHERS WILL BE AVAILABLE FOR THOSE SECTION 8 EXISTING CERTIFICATES EXPECTED TO BE RELINQUISHED DURING 1985. THESE UNITS ARE NOT INCLUDED WITHIN OUR RESERVATION TOTALS BECAUSE THEY WILL BE FUNDED WITHIN THE CURRENT CONTRACT AUTHORITY AND NO NEW FUNDING WILL BE REQUIRED FOR THOSE VOUCHERS UNTIL THE EXISTING CONTRACTS EXPIRE.

RENTAL HOUSING DEVELOPMENT GRANTS

THERE WILL BE SOME SITUATIONS--SOME LOCALITIES--WHERE A SATISFACTORY SUPPLY OF SAFE, DECENT HOUSING MAY NOT EXIST. TO COVER THIS CONTINGENCY, I AM PROPOSING THAT TWO RECENTLY AUTHORIZED

PROGRAMS OF HOUSING CONSTRUCTION AND REHABILITATION BE IMPLEMENTED. IN 1984, \$615 MILLION IS PROPOSED FOR TRANSFER FROM THE ANNUAL CONTRIBUTIONS ACCOUNT IN SUPPORT OF THE RENTAL HOUSING DEVELOPMENT GRANT AND RENTAL REHABILITATION GRANT PROGRAMS IN 1984 AND 1985. THE DEVELOPMENT PROGRAM IS TO BE ADMINISTERED BY THE ASSISTANT SECRETARY FOR HOUSING AND THE REHABILITATION PROGRAM WILL BE ADMINISTERED BY THE ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT.

UNDER THE RENTAL HOUSING DEVELOPMENT GRANT PROGRAM, STATES, CITIES AND URBAN COUNTIES WOULD SELECT DEVELOPERS INTERESTED IN CONSTRUCTING OR SUBSTANTIALLY REHABILITATING PRIVATELY-OWNED MULTIFAMILY RENTAL HOUSING AND WOULD PROVIDE FUNDING TO THE DEVELOPERS IN THE FORM OF LOANS, INTEREST REDUCTION PAYMENTS, OR OTHER TYPES OF FINANCIAL ASSISTANCE. PROJECT ELIGIBILITY WOULD TAKE INTO ACCOUNT LOCATION FACTORS, SUCH AS SEVERE SHORTAGES OF DECENT RENTAL HOUSING AND A LACK OF OTHER AFFORDABLE HOUSING ALTERNATIVES. THE PROPOSED FUNDING LEVEL FOR THE PROGRAM IS \$200 MILLION IN 1984 AND \$115 MILLION IN 1985, WHICH, DEPENDING ON LOCATION AND COSTS,

WOULD SUPPORT THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF UP TO 10,000 AND 6,000 UNITS, RESPECTIVELY. THESE ESTIMATES MAY BE REVISED ONCE ALL PROGRAM DESIGN ISSUES ARE RESOLVED.

HOUSING FOR THE ELDERLY OR HANDICAPPED

THE BUDGET PROPOSES LOAN RESERVATIONS OF \$500 MILLION IN 1985 FOR THE SECTION 202 HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM. THIS IS EXPECTED TO SUPPORT 10,000 NEW OR SUBSTANTIALLY REHABILITATED UNITS IN CONJUNCTION WITH THE SECTION 8 PROGRAM. THE BUDGET ASSUMES THESE LOANS WILL BE OFFERED AT THE SAME INTEREST RATES AS OUTSTANDING TREASURY BORROWINGS PLUS A 1/4 OF ONE PERCENT ADMINISTRATIVE FEE.

NONPROFIT SPONSOR ASSISTANCE

NO APPROPRIATION IS BEING REQUESTED FOR THE NONPROFIT SPONSOR ASSISTANCE PROGRAM SINCE LOAN AMOUNTS CAN BE FUNDED FROM REPAYMENTS OF PRIOR YEAR LOANS. HOWEVER, A LOAN LIMITATION OF APPROXIMATELY \$1.9 MILLION FOR 1985 IS BEING REQUESTED IN ORDER TO ENABLE THE DEPARTMENT TO CONTINUE TO CARRY OUT A LIMITED PROGRAM TO ASSIST SPONSORS OF SECTION 202 PROJECTS.

HOMEOWNERSHIP ASSISTANCE

WE ARE NOT PROPOSING ANY NEW APPROPRIATIONS IN 1985 FOR THE SECTION 235 HOMEOWNERSHIP ASSISTANCE PROGRAM. BALANCES OF AUTHORITY REMAINING AVAILABLE WILL LAPSE, EXCEPT FOR AMENDMENTS TO CONTRACTS REACHING INSURANCE ENDORSEMENT. THE SUBSIDY RESERVATION PHASE OF THE CURRENT PROGRAM EXPIRED ON NOVEMBER 30, 1983 AND THE DEPARTMENT IS NOT PROPOSING TO IMPLEMENT THE RESTRUCTURED PROGRAM AUTHORIZED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.

RENT SUPPLEMENT PROGRAM

THE 1985 RENT SUPPLEMENT PROGRAM INCLUDES THE ANTICIPATED RECAPTURE OF AN ESTIMATED \$86.6 MILLION OF CONTRACT AUTHORITY AND \$1.8 BILLION OF BUDGET AUTHORITY AS A RESULT OF THE EXPECTED CONVERSION OF UP TO 34,372 INSURED RENT SUPPLEMENT UNITS TO SECTION 8 ASSISTANCE. ALL BUT \$5 MILLION OF THESE RECAPTURES ARE BEING PROPOSED FOR RESCISSION.

THE CONVERSION OF RENT SUPPLEMENT ASSISTED UNITS TO SECTION 8 ASSISTANCE PROVIDES A LONG-TERM SOLUTION TO THE EXISTING PROBLEM OF INADEQUATE FUNDING TO AMEND CONTRACTS FOR PROJECTS WITH RENT SUPPLEMENT UNITS. THE APPROXIMATELY \$5 MILLION OF RECAPTURES, NOT BEING PROPOSED FOR RESCISSION, WILL BE UTILIZED TO PROVIDE NECESSARY RENT INCREASES FOR THE INSURED RENT SUPPLEMENT UNITS WHICH ARE NOT SCHEDULED FOR IMMEDIATE CONVERSION TO THE SECTION 8 PROGRAM. THE STATE-AIDED PROJECTS WILL CONTINUE TO RECEIVE NEEDED AMENDMENTS IN ACCORDANCE WITH THE 1983 SUPPLEMENTAL APPROPRIATIONS ACT AND AS AUTHORIZED BY THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.

RENTAL HOUSING ASSISTANCE

THE BUDGET PROPOSES THAT DURING 1984 AND 1985 THE DEPARTMENT WILL CONVERT THE REMAINING 18,000 RENTAL ASSISTANCE PROGRAM (RAP) UNITS IN INSURED PROJECTS TO THE SECTION 8 PROGRAM. NON-INSURED STATE-AIDED PROJECTS WILL BE EXEMPTED FROM THE CONVERSION POLICY AND WILL CONTINUE TO RECEIVE SUBSIDY ASSISTANCE AND NECESSARY

AMENDMENTS IN ACCORDANCE WITH THE 1983 SUPPLEMENTAL APPROPRIATIONS ACT AND AS AUTHORIZED BY THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.

THE CONVERSION OF RAP UNITS WILL RESULT IN THE RECAPTURE OF CONTRACT AUTHORITY (\$8.6 MILLION) AND BUDGET AUTHORITY (\$192.0 MILLION). A SMALL AMOUNT OF THIS AUTHORITY WILL BE UTILIZED TO PROVIDE NEEDED AMENDMENTS TO UNITS NOT YET CONVERTED, AND REMAINING BALANCES OF AUTHORITY WILL BE PROPOSED FOR RESCISSION.

HOUSING PAYMENTS

FOR 1985, THE BUDGET PROPOSES THAT A PERMANENT INDEFINITE APPROPRIATION BE ENACTED FOR EACH OF THE SEPARATE PROGRAMS COVERED UNDER THE CURRENT "HOUSING PAYMENTS" CONSOLIDATED APPROPRIATION. THE APPROPRIATION COVERS LIQUIDATION PAYMENTS FOR SUBSIDIZED HOUSING PROGRAMS AND INCLUDES SUBSIDY PAYMENTS FOR SECTION 8, PUBLIC AND INDIAN HOUSING, SECTION 235, SECTION 236, RENT SUPPLEMENT AND COLLEGE HOUSING DEBT SERVICE GRANTS. THE REQUEST FOR PERMANENT INDEFINITE AUTHORITY WILL SIMPLIFY ACCOUNTING FOR THE PROGRAMS AND ENSURE THAT

THE AMOUNT OF THE APPROPRIATION WILL NEVER BE HIGHER OR LOWER THAN THE EXACT AMOUNT NEEDED TO LIQUIDATE THE PAYMENT COMMITMENTS FOR UNITS PLACED UNDER CONTRACT IN ACCORDANCE WITH PRIOR ACTS OF CONGRESS. IT IS ESTIMATED THAT \$11.7 BILLION IN LIQUIDATION REQUIREMENTS WILL BE NEEDED IN 1985 TO COVER CONTRACTS OUTSTANDING ON ABOUT 4 MILLION UNITS ELIGIBLE FOR PAYMENT DURING THE YEAR.

MORTGAGE AND LOAN INSURANCE

THE BUDGET RECOGNIZES THE IMPORTANCE TO THE ECONOMY OF A HEALTHY HOUSING INDUSTRY AND PROPOSES TO CONTINUE TO PROVIDE A SUBSTANTIAL LEVEL OF CREDIT SUPPORT TO THIS SECTOR. THE BUDGET PROPOSES A \$50.9 BILLION LIMITATION ON GROSS COMMITMENTS FOR MORTGAGE AND LOAN INSURANCE IN 1985, ALTHOUGH WE EXPECT TO COMMIT \$40.9 BILLION TO SUPPORT INSURANCE APPLICATIONS FOR 840,000 SINGLE FAMILY HOMES, 96,000 MULTIFAMILY UNITS, AND 240,000 INSURED TITLE I LOANS DURING 1985.

IN ADDITION, THE CONGRESS HAS ENACTED A WIDE RANGE OF PROGRAMS WHICH ARE DESIGNED TO BETTER FOCUS THE MORTGAGE INSURANCE ACTIVITIES OF THE FEDERAL GOVERNMENT TO THOSE GROUPS, SPECIFICALLY FIRST-TIME

HOMEBUYERS AND INNER-CITY RESIDENTS, WHO CANNOT BE FULLY SERVED BY THE PRIVATE MARKET. THE IMPLEMENTATION OF THESE PROGRAMS WILL RESULT IN AN EXPANSION IN HOMEOWNERSHIP OPPORTUNITIES FOR THESE GROUPS BY COMPLEMENTING THE ACTIVITIES ALREADY UNDERWAY IN THE CONVENTIONAL MARKET.

SPECIFICALLY, WE ARE PLANNING TO IMPLEMENT PROGRAMS TO PROVIDE INSURANCE FOR NEW FINANCING MECHANISMS INCLUDING ADJUSTABLE RATE MORTGAGES (ARMS), SHARED APPRECIATION MORTGAGES (SAMS) AND INDEXED MORTGAGES. THE CONGRESS ALSO ELIMINATED THE SECRETARY'S AUTHORITY TO SET INTEREST RATE CEILINGS FOR INSURED LOANS.

WE ALSO ARE PROPOSING A DIRECT LOAN LIMITATION OF \$65.4 MILLION UNDER THE TEMPORARY MORTGAGE ASSISTANCE PAYMENTS (TMAP) PROGRAM FOR 1985 FOR PAYMENTS ON BEHALF OF HOMEOWNERS WHO HAVE SUFFERED TEMPORARY LOSS OF INCOME DUE TO CIRCUMSTANCES BEYOND THEIR CONTROL. WE EXPECT THAT THIS PROGRAM WILL COMMENCE THIS SUMMER.

TO REIMBURSE THE GENERAL INSURANCE AND SPECIAL RISK INSURANCE FUNDS FOR ACTUAL LOSSES EXPERIENCED IN 1983, WE ARE REQUESTING A \$388 MILLION APPROPRIATION IN 1985. THIS APPROPRIATION IS NECESSITATED BECAUSE OF MORTGAGE AND LOAN INSURANCE CLAIMS. THE APPROPRIATION WILL BE USED ALSO FOR OTHER OPERATING EXPENSES IN 1985 AND TO REPAY PART OF THE OUTSTANDING TREASURY BORROWINGS. AS YOU KNOW, THESE APPROPRIATIONS HAVE ALLOWED THE DEPARTMENT TO HOLD THE LINE ON ADDITIONAL TREASURY BORROWINGS OVER THE YEARS AND THEREBY REDUCE THE STEEP RISE IN INTEREST COSTS TO THE FHA FUND. THIS HAS HELPED TO ENSURE THE FINANCIAL SOUNDNESS OF THE FUND.

TROUBLED PROJECTS/FLEXIBLE SUBSIDY PROGRAM

FUNDING FOR THE TROUBLED PROJECTS/FLEXIBLE SUBSIDY PROGRAM WILL BE PROVIDED IN 1985 BY USING UNOBLIGATED BALANCES ESTIMATED TO BE CARRIED OVER FROM 1984 AND TRANSFERS FROM THE RENTAL HOUSING ASSISTANCE FUND. NO NEW APPROPRIATION IS REQUESTED. THESE FUNDS WILL BE USED TO ADDRESS THE COMPREHENSIVE NEEDS OF AN ESTIMATED 133 FINANCIALLY TROUBLED PROJECTS IN 1985 AND KEEP THEM FROM GOING INTO DEFAULT AND/OR FORECLOSURE.

PUBLIC AND INDIAN HOUSINGPUBLIC AND INDIAN HOUSING DEVELOPMENT PROGRAMS

CONSISTENT WITH OUR POLICY OF ATTEMPTING TO MEET LOW-INCOME HOUSING NEEDS THROUGH THE SECTION 8 HOUSING VOUCHER PROGRAM WHENEVER FEASIBLE, WE ARE NOT PROPOSING TO FUND ADDITIONAL PUBLIC HOUSING CONSTRUCTION IN 1985. HOWEVER, WE RECOGNIZE THE FACT THAT ADDITIONAL NEW CONSTRUCTION MAY BE NEEDED TO HELP HOUSE THE INDIAN AND ALASKAN NATIVE POPULATIONS AND OUR BUDGET FOR 1985 INCLUDES \$391 MILLION OF BUDGET AUTHORITY TO BE USED TO SUPPORT THE FUNDING OF 2,500 INDIAN HOUSING UNITS. IN ADDITION, WE WILL CONTINUE TO HONOR OUR COMMITMENT TO ASSIST THOSE FINANCIALLY FEASIBLE PUBLIC HOUSING PROJECTS WHICH ARE IN THE PIPELINE. THE BUDGET INCLUDES \$300 MILLION OF BUDGET AUTHORITY FOR USE IN AMENDING PUBLIC AND INDIAN HOUSING CONTRACTS. THIS WILL PROVIDE ADDITIONAL AUTHORITY FOR THOSE PUBLIC HOUSING PROJECTS WHICH STILL REMAIN IN THE DEVELOPMENT PIPELINE. A PORTION OF THIS AUTHORITY ALSO WILL BE UTILIZED FOR INDIAN HOUSING OFF-SITE WATER AND SEWER PROJECTS AS WELL AS TO CORRECT DESIGN AND CONSTRUCTION DEFICIENCIES TO VARIOUS INDIAN HOUSING PROJECTS.

PUBLIC AND INDIAN HOUSING MODERNIZATION

THE 1985 BUDGET FOR ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING ALSO REFLECTS THE USE OF \$1.5 BILLION OF BUDGET AUTHORITY FOR PUBLIC AND INDIAN HOUSING MODERNIZATION WHICH IS PERFORMED UNDER THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM (CIAP). THIS FUNDING LEVEL WILL FINANCE AN ESTIMATED \$761 MILLION OF CAPITAL COSTS AS A PART OF OUR GOAL TO IMPROVE BOTH THE PHYSICAL CONDITION OF THIS VALUABLE STOCK OF HOUSING AND IMPROVE THE MANAGEMENT ACTIVITIES WHICH SUPPORT THE OPERATION OF THE PROJECTS.

PUBLIC AND INDIAN HOUSING LONG-TERM FINANCING

THE BUDGET PROPOSES THE USE OF \$907 MILLION OF BUDGET AUTHORITY IN 1985 FOR INTEREST RATE ADJUSTMENTS TO PERMIT THE SALE OF \$1.2 BILLION OF PERMANENT FINANCING INSTRUMENTS TO THE FEDERAL FINANCING BANK (FFB). THIS LONG-TERM FINANCING WILL BEGIN TO REPLACE SHORT-TERM FINANCING OF DEVELOPMENT AND MODERNIZATION COSTS OF PUBLIC AND INDIAN HOUSING UNDER EXISTING ANNUAL CONTRIBUTIONS CONTRACTS. THE PLAN TO MARKET INSTRUMENTS TO THE FFB IS CONSISTENT WITH THE ADMINISTRATION'S GOVERNMENT-WIDE CREDIT MANAGEMENT POLICY AND ALLOWS THE FFB TO COORDINATE GOVERNMENTAL FINANCING NEEDS.

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

AN APPROPRIATION OF \$1.1 BILLION IS REQUESTED IN 1985 FOR OPERATING SUBSIDIES FOR PUBLIC AND INDIAN HOUSING TO SUPPORT THE OPERATION OF DWELLINGS BY PUBLIC HOUSING AGENCIES AND INDIAN HOUSING AUTHORITIES. THE ESTIMATE IS BASED, PRIMARILY, UPON THE USE OF THE PERFORMANCE FUNDING SYSTEM (PFS) FORMULA IN CALCULATING OPERATING SUBSIDY REQUIREMENTS. THE APPROPRIATION REQUEST REFLECTS THE IMPLEMENTATION OF ENACTED LEGISLATION INCREASING THE MAXIMUM ALLOWABLE RENT LEVELS FOR TENANTS AND A REVISED DEFINITION OF ADJUSTED INCOME. THE ESTIMATE ALSO ASSUMES REVISED OPERATING SUBSIDY CALCULATIONS BASED ON THE IMPACT OF A "ROLLING BASE" UTILITY CONSUMPTION LEVEL, INCOME ADJUSTMENTS TO REFLECT ACTUAL INCOME RECEIVED, AND LIMITING PAYMENTS IN CASES OF EXCESSIVE VACANCY LEVELS.

BECAUSE RESOURCES AVAILABLE FOR 1984 ARE IN EXCESS OF FUNDING REQUIREMENTS FOR THE YEAR, THE BUDGET PROPOSES A RESCISSION OF \$331.4 MILLION FOR 1984.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATIONMORTGAGE-BACKED SECURITIES PROGRAM

MR. CHAIRMAN, I WOULD NOW LIKE TO DISCUSS THE PROGRAMS OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION.

WE PROPOSE THE CONTINUATION OF THE LIMITATION ON THE MORTGAGE-BACKED SECURITIES PROGRAM IN 1985 AT A LEVEL OF \$68.25 BILLION OF COMMITMENTS ISSUED, AND WE EXPECT \$42 BILLION OF ISSUES GUARANTEED.

THE PROPOSED COMMITMENT LEVEL IS THE SAME AS THE LIMITATION INCLUDED IN THE 1984 APPROPRIATION ACT. THE LEVEL PROPOSED FOR 1985 IS REALISTIC BASED UPON THE ESTIMATED LEVELS OF LOANS PROJECTED TO BE ACTUALLY INSURED BY FHA OR GUARANTEED BY VA IN 1985. IT SHOULD BE NOTED THAT THE CALCULATION OF THE REQUESTED COMMITMENT LIMIT IS BASED ON A MATHEMATICAL RELATIONSHIP, BETWEEN FHA AND VA VOLUME AND GNMA ACTIVITY.

DEBT FORGIVENESS

THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983 REPEALED GNMA'S AUTHORITY TO ISSUE NEW COMMITMENTS UNDER THE SPECIAL ASSISTANCE FUNCTIONS AND THE EMERGENCY MORTGAGE PURCHASE ASSISTANCE PROGRAMS, AND PLACES BOTH PROGRAMS INTO A LIQUIDATION STATUS. WE ARE PROPOSING APPROPRIATION LANGUAGE FOR FISCAL YEAR 1985 TO: (1) FORGIVE ALL OUTSTANDING TREASURY BORROWINGS ISSUED UNDER THESE PROGRAMS EFFECTIVE OCTOBER 1, 1984; AND (2) TRANSFER ALL REMAINING ASSETS AND LIABILITIES OF THE PROGRAM TO THE MANAGEMENT AND LIQUIDATING FUNCTIONS FUND UNDER THE FNMA CHARTER ACT. WE VIEW THE LATTER PROPOSAL AS A HOUSEKEEPING MATTER.

APPROVAL OF DEBT FORGIVENESS WILL ELIMINATE THE REQUIREMENT FOR INTEREST PAYMENTS DUE THE TREASURY AND, AS A RESULT, REDUCE THE OUTLAY AND BUDGET AUTHORITY REQUIREMENTS OF THE DEPARTMENT IN 1985 AND FUTURE YEARS. THE OUTLAY SAVINGS FROM DEBT FORGIVENESS IN 1985 ARE ESTIMATED AT \$1,212.5 MILLION UNDER THE TANDEM PROGRAM AND \$271 MILLION FOR THE EMERGENCY MORTGAGE PURCHASE ASSISTANCE PROGRAM. ANY RECEIPTS COLLECTED AS A RESULT OF PORTFOLIO LIQUIDATION WOULD BE RETURNED TO THE U.S. TREASURY.

IT MUST BE NOTED THAT THE PROJECTED OUTLAY SAVINGS TO THE DEPARTMENT UNDER THE DEBT FORGIVENESS PROPOSAL WILL NOT RESULT IN ANY REDUCTION IN THE FEDERAL DEFICIT. THIS IS BECAUSE THE REDUCTION IN DEPARTMENTAL OUTLAYS, RESULTING FROM REDUCED INTEREST PAYMENTS, IS OFFSET BY AN EQUIVALENT REDUCTION IN THE AMOUNT OF INTEREST COLLECTED BY THE TREASURY.

DEBT FORGIVENESS PERMITS THE FEDERAL ACCOUNTS TO BE ADJUSTED IN RECOGNITION THAT DEBT BEING CANCELLED CANNOT BE REPAYED. THE INABILITY TO PAY OFF THE DEBT DOES NOT REPRESENT A FAILURE, BUT RATHER WAS INHERENT IN THE ORIGINAL PROGRAM DESIGN.

SOLAR ENERGY AND ENERGY CONSERVATION BANK

MOVING NOW TO THE SOLAR BANK, THE BUDGET PROPOSES THAT NO ADDITIONAL BUDGET AUTHORITY BE ENACTED FOR THE SOLAR BANK PROGRAM IN 1985.

FOR THOSE FUNDS ALREADY APPROPRIATED, THE DEPARTMENT HAS TAKEN THE NECESSARY STEPS TO IMPLEMENT THE PROGRAM EFFECTIVELY THROUGH THE STATES AND TO MAKE THE SOLAR BANK OPERABLE. DURING 1983 THE

DEPARTMENT OBLIGATED ALL OF THE FISCAL YEAR 1982 APPROPRIATION, AS DIRECTED BY COURT ORDER, AS WELL AS \$8.5 MILLION OF THE 1983 APPROPRIATION. THESE FUNDS ARE NOW WITH THE STATES AND IT IS UP TO INTERESTED INDIVIDUALS TO MAKE USE OF THEM.

THE DEPARTMENT NOW INTENDS TO OBLIGATE THE REMAINDER OF THE 1983 APPROPRIATION AND ALL OF THE 1984 APPROPRIATION (EXCEPT A SMALL AMOUNT FOR 1985 SALARIES AND EXPENSES OF THE BANK) BY THE END OF FISCAL YEAR 1984.

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT BLOCK GRANTS

FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM, WE ARE REQUESTING \$3,468 MILLION, THE FULL AMOUNT AUTHORIZED. WITHIN THIS AMOUNT, WE EXPECT TO USE \$56.5 MILLION FOR FUNDING ACTIVITIES UNDER THE SECRETARY'S DISCRETIONARY FUND. THE MAJOR CATEGORIES OF ACTIVITIES UNDER THIS FUND ARE GRANTS TO INDIAN TRIBES AND INSULAR

AREAS, AND THE PROVISION OF TECHNICAL ASSISTANCE TO STATES AND UNITS OF LOCAL GOVERNMENT TO ASSIST THEM IN MAKING THE MOST EFFECTIVE USE OF THEIR CDBG FUNDS.

THE REMAINING BLOCK GRANT FUNDS, NEARLY \$2.4 BILLION FOR ENTITLEMENT CITIES AND COUNTIES AND JUST OVER \$1 BILLION FOR THE STATE SMALL CITIES PROGRAM, WILL ENABLE US TO PROVIDE A SLIGHT FUNDING INCREASE OF \$12 MILLION FOR GRANTEES TO USE IN BUILDING ECONOMICALLY AND SOCIALLY VIABLE COMMUNITIES IN THIS COUNTRY. ENTITLEMENT FUNDING IN 1985 IS EXPECTED TO ASSIST 706 METROPOLITAN CITIES AND AN ESTIMATED 104 URBAN COUNTIES IN FURTHERING THE NATIONAL OBJECTIVES SET FORTH UNDER TITLE I. THESE COMMUNITIES USE THEIR GRANT FUNDS TO UPGRADE THEIR HOUSING STOCK, EXPAND ECONOMIC OPPORTUNITIES FOR THEIR CITIZENS AND IMPROVE THEIR PUBLIC FACILITIES AND SERVICES. OF PARTICULAR SIGNIFICANCE IS THE WAY STATES ARE USING THE BLOCK GRANT PROGRAM TO EXPAND OPPORTUNITIES FOR NEW JOBS AND TO ESTABLISH NEW LINKAGES WITH THE PRIVATE SECTOR. THE REQUEST OF \$1 BILLION WILL PROVIDE SUPPORT FOR 50 STATES, PLUS PUERTO RICO, UNDER THE SMALL CITIES PROGRAM.

CHANGES TO THE AUTHORIZING LEGISLATION LATE LAST YEAR NOW REQUIRE THAT STATES AND ENTITLEMENT COMMUNITIES USE A MAJORITY OF THEIR CDBG FUNDS FOR ACTIVITIES THAT BENEFIT LOW- AND MODERATE-INCOME PERSONS. THE DEPARTMENT HAS COMMUNICATED THE NEW REQUIREMENT TO GRANTEEES AND WILL BE AMENDING PROGRAM REGULATIONS ACCORDINGLY.

THE DEPARTMENT IS RECOMMENDING 1985 APPROPRIATION LANGUAGE TO PROHIBIT GRANTEEES, WHICH OPERATE REVOLVING FUNDS FOR REHABILITATION ACTIVITIES, FROM RECEIVING THEIR BLOCK GRANT FUNDS IN A SINGLE PAYMENT. CURRENTLY, GRANTEEES MAY DRAW DOWN SUCH FUNDS IN A LUMP SUM WHEN THEY ARE USED EXCLUSIVELY FOR REHABILITATION ACTIVITIES. THE DEPARTMENT HAS CONCLUDED THAT SUCH PAYMENTS ARE NOT NECESSARY TO ATTRACT PRIVATE FINANCING, IN CONJUNCTION WITH CDBG ASSISTED REHABILITATION, AND THAT THEY THEREFORE CONSTITUTE AN UNWARRANTED DRAIN ON THE FEDERAL TREASURY.

ALL BLOCK GRANT RECIPIENTS ARE EXPECTED TO MAXIMIZE BENEFITS FROM CDBG FUNDS BY UTILIZING OTHER LOCAL PUBLIC AND PRIVATE RESOURCES. IN THIS ENDEAVOR, RECIPIENTS ARE ENCOURAGED TO CONTINUE TO ESTABLISH AND MAINTAIN LOCAL PUBLIC/PRIVATE PARTNERSHIPS.

URBAN DEVELOPMENT ACTION GRANTS

THE BENEFIT OF SUCH PARTNERSHIPS IS DEMONSTRATED IN THE POPULAR UDAG PROGRAM WHICH USES FEDERAL DOLLARS TO LEVERAGE OTHER PUBLIC AND PRIVATE RESOURCES FOR ECONOMIC DEVELOPMENT PROJECTS IN DISTRESSED AREAS. IN A RECENTLY RELEASED REPORT ENTITLED "INSIGHTS INTO MAJOR URBAN DEVELOPMENT ACTION GRANT ISSUES," THE GENERAL ACCOUNTING OFFICE PROVIDED A VERY FAVORABLE REVIEW OF THE PROGRAM'S EFFECTIVENESS IN ACCOMPLISHING ITS ECONOMIC DEVELOPMENT OBJECTIVES.

CURRENTLY, ACTION GRANTS ARE LEVERAGING APPROXIMATELY \$5.70 FOR EACH DOLLAR OF ACTION GRANT FUNDS AWARDED. THIS PROGRAM HAS BEEN INSTRUMENTAL IN CREATING NEW PERMANENT JOBS, RETAINING JOBS THAT OTHERWISE WOULD BE LOST, AND PROVIDING CONSTRUCTION JOBS. THE AVERAGE COST FOR EACH JOB CREATED IS APPROXIMATELY \$7,500. LOCAL GOVERNMENTS CAN COUNT ON THIS PROGRAM TO STIMULATE ADDITIONAL PROPERTY AND OTHER TAX REVENUES. FOR 1985, WE ARE REQUESTING AN APPROPRIATION OF \$440 MILLION TO CONTINUE THIS HIGHLY SUCCESSFUL PROGRAM.

URBAN HOMESTEADING

WE BELIEVE THAT THE URBAN HOMESTEADING PROGRAM IS ANOTHER EFFECTIVE METHOD TO IMPROVE EXISTING HOUSING STOCK AND PROMOTE NEIGHBORHOOD REVITALIZATION. THEREFORE, WE ARE PROPOSING A \$12 MILLION APPROPRIATION IN 1985. OF THIS AMOUNT, \$3 MILLION IS TO BE USED FOR THE MULTIFAMILY HOMESTEADING DEMONSTRATION AUTHORIZED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983. THIS DEMONSTRATION WILL BE USED TO SPUR LOCAL INTEREST IN ADDRESSING THE PROBLEM OF DETERIORATED MULTIFAMILY HOUSING STOCK THROUGH THE HOMESTEADING OF HUD-HELD MULTIFAMILY PROPERTIES.

WE EXPECT THE REMAINING \$9 MILLION OF THIS APPROPRIATION TO SUPPORT THE CONVEYANCE AND HOMESTEADING OF 726 SINGLE FAMILY UNITS, AT AN AVERAGE OF \$12,400 EACH THROUGH THE REGULAR URBAN HOMESTEADING PROGRAM AND THROUGH THE LOCAL PROPERTY DEMONSTRATION PROGRAM, ALSO AUTHORIZED BY THE 1983 ACT. THIS LATTER PROGRAM IS AUTHORIZED AT NOT TO EXCEED \$1 MILLION IN EACH OF FISCAL YEARS 1984 AND 1985.

RENTAL REHABILITATION PROGRAM

THE RENTAL REHABILITATION PROGRAM IS LIKEWISE AUTHORIZED BY THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983. THIS PROGRAM IS DESIGNED TO SUPPORT THE VOUCHER AND SECTION 8 CERTIFICATE PROGRAMS BY INCREASING THE SUPPLY OF STANDARD HOUSING AVAILABLE TO LOWER-INCOME TENANTS THROUGH MODERATE REHABILITATION OF EXISTING UNITS.

ASSISTANCE WILL BE PROVIDED TO STATES AND UNITS OF GENERAL LOCAL GOVERNMENT ON A FORMULA ALLOCATION BASIS FOR REHABILITATION OF PRIVATELY-OWNED, PRIMARILY RENTAL RESIDENTIAL PROPERTIES, LOCATED IN LOWER INCOME NEIGHBORHOODS. IN EACH OF FISCAL YEARS 1984 AND 1985, \$150 MILLION WILL BE MADE AVAILABLE FOR REHABILITATION GRANTS VIA A TRANSFER OF \$300 MILLION IN 1984 FROM THE ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING ACCOUNT. THIS TRANSFER HAS BEEN PROPOSED IN OUR 1984 SUPPLEMENTAL APPROPRIATION REQUEST. IN ADDITION, SECTION 8 EXISTING HOUSING CERTIFICATES AND VOUCHERS WILL BE ALLOCATED IN

CONJUNCTION WITH THIS PROGRAM IN EACH OF FISCAL YEARS 1984 AND 1985. WITH ADDITIONAL FUNDS FROM OTHER PUBLIC/PRIVATE SOURCES, WE EXPECT AN ESTIMATED TOTAL REHABILITATION EFFORT OF \$300 MILLION IN EACH YEAR.

THIS PROGRAM REPRESENTS A NEW APPROACH TO COORDINATING PRODUCTION SUBSIDIES WITH RENTAL ASSISTANCE, THEREBY USING RATHER THAN REPLACING THE FREE MARKET. WE ANTICIPATE THAT THIS APPROACH WILL PRODUCE OVER 30,000 AFFORDABLE UNITS ANNUALLY.

TERMINATED PROGRAMS

OUR 1985 BUDGET PROPOSALS CALL FOR THE TERMINATION OF BOTH THE SECTION 108 LOAN GUARANTEE AND SECTION 312 REHABILITATION LOAN PROGRAMS. WE ARE AGAIN RECOMMENDING THE TERMINATION OF THE SECTION 108 LOAN GUARANTEE PROGRAM IN SUPPORT OF THE ADMINISTRATION'S OVERALL EFFORT TO REDUCE MARKET DISTURBANCES CAUSED BY FEDERAL GUARANTEES. WE ALSO RECOMMEND TERMINATION OF THE SECTION 312 PROGRAM, AS IT IS BEING REPLACED WITH THE MORE EFFECTIVE AND EFFICIENT RENTAL REHABILITATION GRANT PROGRAM.

AS OF DECEMBER 31, 1983, THE ASSETS AND LIABILITIES OF THE NEW COMMUNITIES FUND WERE TRANSFERRED TO THE REVOLVING FUND FOR LIQUIDATING PROGRAMS. THE ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT IS NOW RESPONSIBLE FOR THE CLOSE-OUT OF REMAINING NEW COMMUNITIES PROJECTS.

POLICY DEVELOPMENT AND RESEARCH

AN APPROPRIATION OF \$20.9 MILLION IS REQUESTED IN 1985 FOR THE RESEARCH AND TECHNOLOGY ACCOUNT TO CARRY OUT THE DEPARTMENT'S RESEARCH PROGRAM. WE WILL CONTINUE TO EMPHASIZE THE IMPROVEMENT OF THE EFFICIENCY, AND EFFECTIVENESS OF THE DEPARTMENT'S PROGRAMS AS WELL AS THE DEVELOPMENT OF PRACTICAL ALTERNATIVES TO THESE PROGRAMS.

PARTICULAR AREAS ON WHICH WE WILL CONTINUE TO FOCUS INCLUDE:

- STRATEGIES FOR INCREASING THE EFFICIENCY AND EFFECTIVENESS OF ASSISTED AND PUBLIC HOUSING PROGRAMS THROUGH REFORMS OF EXISTING PROGRAMS AND EVALUATION OF ALTERNATIVE PROGRAMS;

- ANALYSIS OF HOUSING FINANCE ISSUES, INCLUDING THE RELATIONSHIP BETWEEN TAX POLICIES AND HOUSING; THE EFFECT OF FINANCIAL INSTITUTION REGULATION AND REFORM; AND THE DEVELOPMENT OF ALTERNATIVE WAYS TO FINANCE HOUSING;
- ISSUES RELATED TO FAIR AND NONDISCRIMINATORY HOUSING;
- IDENTIFICATION OF NEW WAYS TO PROMOTE HOUSING AFFORDABILITY BY REDUCING THE COMPONENT COSTS OF HOUSING (COSTS OF DEVELOPMENT, BUILDING, FINANCING, AND OPERATING);
- THE DEVELOPMENT OF IMPROVED TECHNIQUES FOR THE MANAGEMENT OF COMMUNITIES AND FOR THE DELIVERY OF LOCAL GOVERNMENT SERVICES, AND THE IDENTIFICATION OF PROGRAMS AND TECHNIQUES SUCCESSFULLY USED BY NEIGHBORHOOD ORGANIZATIONS; AND
- URBAN POLICY DEVELOPMENT RESEARCH INCLUDING STUDIES OF URBAN CHANGE, CAPITAL INVESTMENT PATTERNS BY CITIES, AND RESEARCH ON NEW OR IMPROVED APPROACHES TO URBAN ECONOMIC DEVELOPMENT; AND THE IMPACT OF FEDERAL TAX AND GRANT POLICIES ON CENTRAL CITIES.

IN ADDITION, THERE ARE MAJOR NEW EVALUATION RESPONSIBILITIES WHICH MUST BE CARRIED OUT IN RESPONSE TO THE MANDATES CONTAINED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983. THESE INCLUDE EVALUATIONS OF THE HOUSING VOUCHER PROGRAM, THE RENTAL REHABILITATION GRANT PROGRAM, AND THE RENTAL HOUSING DEVELOPMENT GRANT PROGRAM. MOREOVER, WE PLAN TO CONDUCT A NUMBER OF EVALUATIONS OF OTHER PROGRAMS AND DEMONSTRATIONS CREATED BY THE 1983 ACT, INCLUDING: ALTERNATIVE MORTGAGE INSTRUMENTS FOR SINGLE AND MULTIFAMILY HOUSING, NEGOTIATED INTEREST RATES FOR FHA INSURED MORTGAGES, MULTIFAMILY HOMESTEADING, AND OTHERS.

FAIR HOUSING AND EQUAL OPPORTUNITY

WE ARE REQUESTING \$6.7 MILLION FOR THE FAIR HOUSING ASSISTANCE PROGRAM WHICH INCLUDES ASSISTANCE FOR SUBSTANTIALLY EQUIVALENT STATE AND LOCAL AGENCIES AND COMMUNITY HOUSING RESOURCE BOARDS. OF THIS TOTAL, \$4.7 MILLION WILL PROVIDE FOR THE CAPACITY BUILDING OF STATE AND LOCAL AGENCIES RECOGNIZED BY HUD AS SUBSTANTIALLY EQUIVALENT UNDER TITLE VIII OF THE CIVIL RIGHTS ACT OF 1968 AND TO REIMBURSE THOSE

AGENCIES FOR COMPLAINTS ACTUALLY PROCESSED. THIS AMOUNT FOR STATE AND LOCAL AGENCIES REPRESENTS AN INCREASE OF \$1 MILLION AND IS NECESSARY DUE TO AN INCREASE IN COMPLAINT ACTIVITY AND FOR ADDITIONAL AGENCIES COMING INTO THE PROGRAM.

THE REMAINING \$2.0 MILLION WILL PROVIDE TRAINING AND TECHNICAL ASSISTANCE TO COMMUNITY HOUSING RESOURCE BOARDS (CHRBs). COMMUNITY HOUSING RESOURCE BOARDS ASSIST THE DEPARTMENT IN DEVELOPING AND IMPLEMENTING VOLUNTARY AFFIRMATIVE MARKETING PROGRAMS. THE INCREASE OF \$1.0 MILLION RESTORES THE FUNDING TO ITS PRE-1984 LEVEL. THE CHRB FUNDING, TOGETHER WITH FUNDING FOR STATE AND LOCAL AGENCIES, PROVIDES AN EFFECTIVE ALTERNATIVE WHICH ALLOWS STATES AND LOCAL AGENCIES AND PRIVATE GROUPS TO FORM A PARTNERSHIP WITH HUD IN ENFORCING THE FAIR HOUSING LAW.

IN 1985, WE WILL ALSO CONDUCT OUTREACH THROUGH THE FUNDING OF LOCAL FAIR HOUSING AND/OR CIVIL RIGHTS GROUPS TO INCREASE PUBLIC AWARENESS OF THE PURPOSES, RIGHTS AND REMEDIES THAT EXIST UNDER CIVIL RIGHTS MANDATES.

WE WILL ALSO EMPHASIZE THE FULL IMPLEMENTATION OF SECTION 504 OF THE REHABILITATION ACT OF 1973 AS IT RELATES TO NONDISCRIMINATION ON THE BASIS OF HANDICAP IN HUD-ASSISTED PROGRAMS. THIS INCLUDES TRAINING OF HUD STAFF, PROVIDING TECHNICAL ASSISTANCE TO HUD RECIPIENTS TO ASSIST THEM IN COMPLYING WITH SECTION 504, AND PROVIDING INFORMATION TO DISABLED PERSONS AND GROUPS TO HELP THEM PARTICIPATE IN HUD PROGRAMS AND ACQUAINT THEM WITH THEIR RIGHTS.

IN 1985, WE ARE ALSO REQUESTING AN ADDITIONAL 23 POSITIONS CONSISTING OF 3 AT HEADQUARTERS AND 20 IN THE FIELD. THE ADDITIONAL HEADQUARTERS' POSITIONS ARE FOR INCREASED WORKLOAD IN THE AREA OF TITLE VIII AND TO PROVIDE ADDITIONAL SUPPORT TO THE COMMUNITY HOUSING RESOURCE BOARDS PROGRAM. THE TWENTY ADDITIONAL FIELD POSITIONS ARE FOR THE ENFORCEMENT OF SECTION 504 AND THE AGE DISCRIMINATION ACT OF 1975.

DEPARTMENTAL MANAGEMENT

OUR 1985 FUNDING REQUEST FOR SALARIES AND EXPENSES IS \$586.2 MILLION, A DECREASE OF \$3.4 MILLION FROM THE CURRENT 1984 ESTIMATE OF \$589.6 MILLION. THE 1984 ESTIMATE INCLUDES A REQUEST FOR A \$7.5 MILLION PAY RAISE SUPPLEMENTAL.

THE MAJOR REASON FOR THE DECREASE IN THE FUNDING REQUEST IS DUE TO A REDUCTION IN STAFF REQUIREMENTS. OUR 1985 STAFFING REQUEST IS FOR 11,910 FULL-TIME PERMANENT PERSONNEL, A DECREASE OF 187 FROM THE 1984 ESTIMATE OF 12,097. THE DECREASE CONSISTS PRINCIPALLY OF A REDUCTION OF 148 POSITIONS IN THE AREA OF DEPARTMENTAL MANAGEMENT. THE BALANCE OF 39 POSITIONS IS THE NET EFFECT OF A REDUCTION OF 92 POSITIONS FOR HOUSING PROGRAMS, INCLUDING PUBLIC HOUSING, PARTIALLY OFFSET BY AN INCREASE OF 53 FOR COMMUNITY DEVELOPMENT AND FAIR HOUSING ACTIVITIES.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

REMARKS PREPARED FOR DELIVERY BY
SAMUEL R. PIERCE, JR.
Secretary of Housing and Urban Development

for the

FAIR HOUSING POSTER CAMPAIGN

New York, New York

April 9, 1984

It's a great pleasure to be here in New York today. As a native New Yorker, I always enjoy being among people like you, who have such pride in this great city. Of course, you have good reason to be proud!

No one would dispute this city's reputation as a showcase for the best of America: in business and industry, in science, and in culture. Because of New York's reputation for excellence, many activities initiated here receive national attention. How appropriate, then, that New York should now participate in another event of national significance: HUD's nationwide fair housing campaign. I have made Fair Housing one of my foremost goals, and today, you're letting the world know that it is one of your foremost goals, as well. I welcome your active support of Fair Housing.

I'd like to take this opportunity to recognize a couple of very special people who are in the audience today. Hyang (CHONG) Kim and Robert Colucci, I'd like you to come up here for a minute so I can shake your hands. Ladies and gentlemen, these two children are the regional first and second-prize winners of HUD's Fair Housing Poster Contest. Let's give them a hand. (Pause for applause.)

For many generations of American minorities, discrimination in housing — and discrimination in general — has been a constant challenge. A great deal of progress has already been made toward correcting the situation, but unfortunately, housing discrimination is still with us.

In his 1983 State of the Union message, the President promised to strengthen enforcement of our Nation's fair housing laws. Soon thereafter, he followed up on that pledge by proposing a series of amendments to put real teeth in the Fair Housing Act. Tough enforcement and swift justice are at the heart of the bill the President has sent to Congress.

I'll just comment briefly on the content of our proposed bill.

The law, as it stands, makes it illegal to discriminate on the basis of race, color, religion, sex, or national origin in the sale or rental of housing. Existing law also provides certain remedies for victims, stressing conciliation between complainants and alleged offenders.

We have found that, where the parties sit down to negotiate in good faith, the conciliation process is speedy and effective. On average, conciliation produces a settlement much more quickly than any court or administrative hearing process. Moreover, in 50 percent of all fair housing cases conciliated by HUD, complainants are provided with a dwelling, which is the ultimate objective of Title VIII.

The trouble with the existing law is that it really only works when the parties negotiate in good faith. But where good faith is not present, existing law doesn't bring enough cases to conciliation because the enforcement procedures are too weak. Currently, the Fair Housing Act permits the Attorney General to bring suit against offenders in multiple instances of discrimination, but provides no relief to individual victims except those very few who can afford to bring suit at their own expense.

This is the basic weakness in the existing law. Under our proposal, the Secretary of HUD would be authorized, when conciliation efforts fail, to recommend individual cases directly to the Attorney General for judicial enforcement. Our amendments would extend protection to the handicapped and would also provide stiff penalties against offenders -- up to \$50,000 for a first offense and \$100,000 for a second -- in addition to injunctive relief. In other words, our amendments would make bigotry in housing a very expensive proposition. I'm hopeful that, in 1984, both houses of Congress will move forward on strengthening the Fair Housing Law .

It is my firm belief that our bill, when enacted, will be an effective weapon against the disgrace of housing discrimination. This Administration is committed to fairness, and that is why we have pledged the full backing of the Federal Government whenever and wherever even one person's constitutional rights are denied.

Even with these new amendments in place, however, we recognize that fairness will fully triumph only if non-governmental organizations join in the fight. To help make this possible, we have continued and strengthened Community Housing Resource Boards all across the Nation. These boards are voluntary associations in which private sector representatives, such as realtors, work with local officials to promote equal housing opportunity in their communities. The results of this team effort have been very encouraging.

This campaign is another such "team effort." A partnership among business, local government, and National government is making it possible. Mayor Koch, his staff, and his Fair Housing Task Force have given of their time and talent to help launch -- here in New York -- a bus poster campaign for Fair Housing. The Mayor's Task Force is one of the most outstanding groups of its kind.

I also want to especially thank the New York Fair Housing Compliance Committee and the Winston Network for donating space and materials for the poster campaign. You may have noticed some very impressive fair housing billboards throughout the City --also generously provided by the Compliance Committee and Winston.

We sincerely hope these efforts will touch the minds and hearts of all citizens who love liberty and respect the Constitution. I know the campaign will be a tremendous success because, after all, we're launching it in the city known for success -- the city bound to shine in any cause or activity its citizens believe in.

Thank you for being here today, and for your commitment to fair housing for all Americans.

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REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

at the

signing of

VIRGINIA'S ENTERPRISE ZONE LEGISLATION

and

COMMONWEALTH OF VIRGINIA'S FAIR HOUSING PROCLAMATION

Richmond, Virginia

April 23, 1984

Thank you, Governor Robb.

On behalf of my Department and all Americans who believe in social justice, I am delighted to receive these two documents.

- First, a copy of Virginia's Enterprise Zone legislation — recently passed by the Virginia General Assembly and signed by you, Governor, on April 9;
- And second, the Commonwealth of Virginia Fair Housing Proclamation.

Frankly, I can't think of any documents which would mean more to me personally — for ever since I became Secretary of Housing and Urban Development, these two ideas have ranked at the top of my agenda.

Enterprise Zones — a pioneering concept to create a productive, free-market environment in economically depressed areas.

Fair Housing — the inalienable right of all Americans to live where they choose, when they choose, for as long as they choose and can afford to do so.

In 1982 my Department sent legislation to the Congress calling for the creation of designated zones in large cities and small communities. By providing incentives to the private sector — for instance, relief from taxation, regulations, and other government-imposed burdens — we seek to create new businesses within these sectors, and to create new jobs for their residents.

Enterprise Zones work because incentives flourish.

The business seeking to expand gains a revitalized market. The entrepreneur seeking to locate gains tax advantages and other benefits. The governmental jurisdiction providing those benefits gains by 1) increasing its revenues from expanded tax rolls and 2) reducing its costs for social services. Finally, the individual worker wins the greatest victory of all. He gains a job, renewed self-respect, and most importantly, hope. To him, and to the disadvantaged everywhere, Enterprise Zones say: "Do not forsake yourselves. We have not forsaken you."

I would be remiss, of course, not to mention that Virginia's two Senators, John Warner and Paul Trible, co-sponsored our legislation. And I would be equally negligent not to congratulate the Commonwealth and Governor Robb for Virginia's initiative authorizing designation of six more Enterprise Zones.

Governor, you know a good idea when you see one.

Without even waiting for the U.S. Congress to act — and I trust, incidentally, that this year it will act — 22 States, including Virginia, have already enacted Zone legislation on their own...creating an estimated 21,000 jobs...luring more than \$450 million in private investment.

Yes, Enterprise Zones are an idea whose time has more than come.

And so also is Fair Housing — because even though, as a nation, we've come a long way since the Fair Housing Act of 1968 was adopted, as Americans, we still have a long way to go.

As you know, Governor, this marks National Fair Housing Month. It says to all Americans: "You are equal and must be treated equally." And it warns those who would discriminate: "As long as a single American is denied Fair Housing, that is one American too many."

That is why, last year, President Reagan submitted legislation to the Congress to further strengthen the enforcement plank of the Fair Housing Act.

Until now the weakness with the present law has been our necessity to prove "a pattern or practice" of discrimination. Without that, HUD is not allowed to ask the Justice Department to proceed against a violator.

Well, we intend to correct that weakness — so that if and when conciliation fails, HUD would be able to refer to Justice single complaints of discrimination. Justice could then file suit on the basis of individual cases. What would this accomplish? It would greatly increase the possibility of bringing violators to heel. At the same time, it would avoid the creation of a whole new bureaucratic layer to deal with Fair Housing complaints.

But that's not all our legislation proposes. We have also urged expanding the Fair Housing law to include the handicapped among the groups protected from discrimination. And even more, our proposal provides for stiff penalties against offenders — up to as much as \$50,000 for a first offense and \$100,000 for a second offense — in addition to injunctive relief.

Fair Housing.

Until it becomes universal, then none of us can rest securely.

Until it lives among all our neighbors, then none of us is free.

I thank you, Governor, for issuing your Fair Housing Proclamation. And I thank you, Virginia, for supporting the law.

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REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

before the

CHEMICAL BANK

THRIFT INDUSTRY LUNCHEON

New York, New York

April 24, 1984

It's a pleasure to be with you here in New York. This is my home town, so I'm always glad to have a chance to get back. But most important, this is the center of the U.S. finance industry. The "Big Apple" is also the largest wholesale and retail market for the securities of the Government National Mortgage Association.

Ginnie Mae, as she is known, is getting to be quite a young lady: she turns "sweet sixteen" this year. There was a time when it looked as if she might not reach that landmark. You may recall hearing talk of getting the Federal Government out of the secondary mortgage market, and doing away with Ginnie Mae. I'm glad to say that our fight for her survival — and her virtue — was successful.

We've protected Ginnie Mae because we believe there is an important role for a federally chartered corporation in the secondary mortgage market. Recent history certainly suggests as much.

GNMA guaranteed its first mortgage-backed security — probably the first in the world — back in 1970. As of March 8 of this year, the Association had guaranteed a total of \$200 billion in securities. Most of this growth occurred in the last few years. The amount of outstanding GNMA securities nearly tripled between January 1979 and January 1984 — from \$56.7 billion to \$162 billion.

The growth of the market for GNMA's has had a significant — and stabilizing — impact on the home mortgage industry. No longer does the homebuyer have to depend on the local availability of mortgage money. Instead, the needed financing can come from the global capital market.

What makes GNMA securities so attractive in today's market? They provide a practical alternative to direct investment in mortgages. They maintain the traditional commitment of the savings and loan industry to the housing industry — because they are nothing more than mortgages one step removed.

They offer greater liquidity than home loans. Trading in GNMA securities amounts to \$2 or \$3 billion a day. That means they can be sold very quickly. In addition, their homogeneity is an asset: aside from the maturity date, principal, and coupon rate, they're all alike. Once an investor becomes familiar with them, there are no further questions. This adds to their ready salability.

GNMA's are also a very secure investment. The Association guarantees payment of principal and interest — even if the mortgagor should default. That guarantee is backed by the full faith and credit of the United States, which is as firm a commitment as you can find. That guarantee runs to the timely payment of principal and interest, not just its eventual recovery.

It is also worth noting that the yield on GNMA's is between 50 and 100 basis points above that of comparable Treasury series, which have exactly the same guarantee. You don't have to be a banker to see the advantage there!

GNMA securities are flexible, too. The minimum investment can be as low as \$25,000, although larger amounts are generally more appropriate. What's more, a savings and loan association can hold its own loans in the form of GNMA's.

Until last summer, an institution would have had to put together at least \$1 million in loans to create its own pool. But that requirement changed last August with the introduction of GNMA II. The new program permits institutions to combine a package of as little as \$250 thousand in loans in one of the monthly "jumbo" pools that GNMA itself forms.

The resulting certificates have the same security as the original GNMA securities. In addition, the "jumbo" pool is made up of packages of mortgages from many different issuers throughout the Nation. The pools are usually very large. They enable a savings and loan association to turn its own loans, which originated in a small geographic area, into a piece of a much more diversified investment. This results in greater consistency of prepayments, and thus a little more certainty of yield.

Another advantage of GNMA II is that it has greatly simplified the paperwork for holders of certificates. Our host today, Chemical Bank, is the central paying and transferring agent for GNMA II.

Under the GNMA I program, an S&L that issued 1,000 certificates would have to keep track of up to 1,000 certificate holders. It would then be responsible for all the paperwork involved in issuing 1,000 separate monthly checks and "advice" statements and making the appropriate payments to the holders of all 1,000 certificates.

GNMA II brings the system into the computer age. Under the new program, the certificate holder receives a single monthly check from Chemical Bank, covering all certificates owned. The issuer needn't even know who the certificate holders are.

All of this explains the appeal of GNMA's to S&Ls and other institutional investors, and all of it is probably pretty obvious to you. What I'd like to consider now, however, is the retail market for GNMA securities — the small, but growing, share held by individual investors.

Households now account for only about 3 percent of the GNMA securities outstanding: \$4.1 billion as of February, 1984. But the retail market has been increasing rapidly. Between September 1979 and February of this year its average annual compound rate of growth was more than 25 percent.

Assuming, again, that GNMA volume grows at a \$30 billion annual rate, the retail share will be about \$8 billion outstanding by 1988.

GNMA securities are attractive to many individual investors for much the same reasons they appeal to institutions:

- Safety is undoubtedly the primary factor. GNMA's, with their "full faith and credit" guarantee, are as safe as Treasury securities.
- The assurance of timely payment will also be important to individuals, especially those dependent on their GNMA income for all or part of their living expenses.

- As noted, the yield on GNMA exceeds that of similarly backed Treasury instruments. What's more, the investor's monthly income is further increased because a portion of the original investment is returned with each month's interest payment.
- This relatively high yield makes GNMA securities especially attractive to investors seeking the highest possible current income. That includes America's growing population of senior citizens. Their numbers, incidentally, are expected to increase by 13 percent — from 27.6 million last year to 31.2 million by 1988.
- Individuals, like institutions, can purchase a certificate in a GNMA "pool" for a minimum of \$25,000. Those who wish to invest even smaller sums can put as little as \$1,000 into a unit investment trust or mutual fund offering GNMA securities. At present, such funds are offered by Shearson/American Express, Merrill Lynch, Dean Witter, Prudential-Bache, and Paine Webber.
- Many financial institutions are developing a variety of reinvestment plans. These will serve investors who wish to plow their monthly checks back into additional GNMA securities.

Obviously, GNMA's are not the ideal investment for every individual. But they are gaining acceptance as an addition to a growing number of personal portfolios — quite likely including those of some of your depositors.

There are two other new developments at GNMA that I would like to touch on briefly. One is the increasingly international nature of the the Association's business, which of course reflects the growth of a global money market. Last year, for the first time in history, GNMA securities were listed on an overseas market: the Luxembourg Stock Exchange. Sales in Europe have already topped \$400 million.

In January of this year, we saw GNMA's listed on the Singapore Stock Exchange and offered for sale in Japan. The market in the Far East is just beginning to grow, but some experts estimate it could eventually total about \$1 billion a year.

I'm sure you can appreciate the detailed negotiations that were required to accomplish this innovative entry into the international market. In Japan, for instance, a ruling had to be obtained from the Ministry of Finance that defined GNMA's as "securities" for Japanese investment purposes. Since the Japanese have not in the past been willing to see their Yen invested widely outside their own country, this alone was an important breakthrough.

Bringing foreign capital into the American housing market through GNMA will help keep U.S. interest rates down. It will benefit the housing industry, lenders like yourselves, and the American homebuyer; it will even help improve our overall balance of payments. The proposed repeal or modification of the 30 percent interest withholding on all foreign accounts will also tend to increase foreign investment.

Right now, I know a shortage of funds for investment in mortgages is not your immediate problem. It may therefore not seem critically important to open up new sources of capital in foreign markets. But experience tells us — and this is a reminder, not a prediction — that shortages of capital do occur. Increasing investment from abroad today could delay or even prevent tomorrow's potential "crunch."

There is another innovation now in the works at GNMA. Last November, Congress enacted legislation that will, for the first time, permit the Federal Housing Administration — FHA — to insure Adjustable Rate Mortgages. Regulations to implement FHA's insurance for ARMs have been written.

I know I don't have to emphasize to this audience the significance of this development. ARMs are steadily increasing as a share of the home mortgage market, and the availability of FHA-insured ARMs will unquestionably intensify that trend.

FHA-insured ARM loans will be eligible for inclusion in GNMA mortgage pools. Although the details won't be firm until the regulations have been approved, by this summer both the FHA-insured ARM loans and ARM-backed GNMA securities will be available.

While the yield from ARM-backed securities will vary as rates are adjusted, they will retain the security, liquidity, homogeneity, and flexibility of other GNMA's. For lending institutions that wish to hold mortgages in liquid form, and whose volume of ARM loans is increasing, the new ARM-backed GNMA's should be particularly attractive.

The growing importance of the secondary mortgage market is a fact of life today. GNMA's role in it is, and will remain, a vital one. In this rapidly changing market, the Association is adapting and innovating. Its securities provide a vehicle for investment in housing that is attractive to both institutions and individuals.

All in all, Ginnie Mae at 16 is a healthy young woman with a strong record of accomplishment and a bright future. We at HUD are proud of her, and I commend her to you.

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REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

Secretary of Housing and Urban Development

at the

INTERRACIAL COUNCIL FOR BUSINESS OPPORTUNITY

21st ANNUAL DINNER

New York, New York

April 25, 1984

Good evening. Thank you for inviting me to keynote your 21st annual dinner. I have great admiration for the Interracial Council for Business Opportunity. I respect your organization, your membership and your ideals. I especially admire your advocacy of the free enterprise system for minorities. Some years back I was directly involved with ICBO activities. And, I served on your original Board of Directors. So, tonight I've come home...to New York...and to ICBO. It's great to be here.

For the moment, let's regard ICBO not collectively as an organization, but as one person...an individual who personifies your work and your ideals. If we think of ICBO as a flesh and blood individual, this would be the year you reach your majority.

You're 21 years old.

A wonderful age. An age of idealism, confidence, energy.

We think of the 21-year-old as young and strong.

We think of minds fresh with ideas...ready to tackle the world...to take on all problems.

Twenty-one.

What an age. Full of spirit and determination.

Now, don't you feel younger? Stop thinking of your own chronological age. Think of your organization's youth. Twenty-one years young.

I congratulate you on reaching your majority.

For an organization, 21 years conveys even more. It conveys endurance and stability.

When an organization weathers 21 years, and is still going strong, it's been doing something right. It's been meeting a need...and meeting it well. Certainly this is true of ICBO.

I applaud you for proving over and over again that minority business is good business.

You deliver a message that needs to be heard. You advocate a perspective...the encouragement and nurturing of minority businesses...that serves us all. You provide a service...as management consultant and investment banker...that helps minority firms to prosper and grow.

Indeed, the stance you take and the work you do is vitally important and totally productive. For, minority business is good business.

There's been a negative attitude among far too many people...for far too long...that minority firms are less competent than non-minorities. You know the attitude. It suggests that minority firms are "given" business, but non-minorities "earn" their business.

What bunk.

I don't believe we give anyone our business who doesn't earn it. That just doesn't make sense. It's condescending. And, it's bad business.

When I conduct business with a minority firm, I expect performance and product that is competitive or better...and I usually get it.

Of course, a great many people don't realize that members of the minority business community are as competent and competitive as non-minorities. They fail to understand that minority capabilities, in fact, are quite often superior. They've had to be. We've had to substantially out-perform others just to overcome bigotry and prejudice.

That's not a complaint. It's just a fact of life. It's a fact that the minority business person can use to advantage.

No, we don't "give" business to minority firms. It does make sense to open up opportunities to them, though. And, that's what we do. It enhances competition. It expands our options. And, because they are minority firms, it helps correct past discrimination.

I have confidence in the capabilities of the minority business community. I make sure that every possible and appropriate activity of my Department, HUD, makes use of, and benefits from, those capabilities.

As we in the public service sector and the private sector involve minority firms in our activities, recognition of minority capabilities and performance will grow. Others will learn what we know: minority entrepreneurs have delivered...and are delivering...solid, high-quality service and product day-in and day-out. They're building a track record based on performance and reliability.

Minority business owners increase their level of business with my Department because they're aggressive, competitive, productive and trustworthy. Minority firms do business with HUD for one reason. As John Houseman says of Smith-Barney: "They earn it."

I'll give you an example.

There's a company called B-I Contractors in Munster, Indiana. They do a fair amount of contract work with HUD under our Consolidated Supply Program.

With this program, we collect bids nationwide from companies wanting to provide products and services to public housing authorities, or PHAs. These bids cover everything from the sale of ranges and refrigerators to window shades, security screens and steel doors, as well as the installation, service and repair of goods sold. The successful bidders are then invited by PHAs to enter into purchase and service contracts.

B-I Contractors is a minority business enterprise. Its controlling owner and president is Lee Brown. For 17 years, Mr. Brown was in the contract sales division of Sears. He saw an opportunity to contract with PHAs through HUD's Consolidated Supply Program, but Sears wouldn't try it. His co-worker, an engineer named Rich Ingram, saw merit in the idea. So, he teamed up with Lee Brown and, in 1976, they formed B-I Contractors.

Brown and Ingram have a simple, but effective, business philosophy: Give the customers the best value for the dollars they spend.

Their philosophy apparently works. For 1983-84, they're doing \$15 million worth of business with PHAs — selling, installing and servicing kitchen cabinets. At the same time, they're doing a \$2 million business with PHAs in steel replacement door systems.

During its 8-year lifetime thus far, B-I Contractors has done over \$40 million in business with PHAs under Consolidated Supply. The program managers tell me they've had one written complaint during that time, and that B-I took care of it right away.

Lee Brown says he owes his success with B-I to the Consolidated Supply Program. With that record, I'd say he owes his success to the way he does business.

Lee believes in minority entrepreneurship for others, as well. About 35-40 percent of the firms he subcontracts with are MBE. A high percentage of his employees are minorities, and I understand his staff here in New York City looks like the United Nations membership.

Many of the people B-I employs are residents of the housing authority they are servicing. And, they hire local craftsmen from the union halls to keep the money they spend in the area they serve.

The next time someone suggests that minority firms are "given" anything, remember Lee Brown and B-I Contractors. There's no "gift," no altruism, involved...just sound business.

Other MBE's have earned our trust and our business. Mr. James Griffin is president of Comprehensive Marketing Systems. His firm provides technical assistance to State and local governments participating in HUD's Rental Rehab Demonstration program. They're also servicing loans in our rehabilitation loan program. Over the past three years, Comprehensive Marketing has performed well enough to earn nearly \$7 million in contract business with HUD.

There are others, of course. The point is that minority firms are producing, are delivering, are competing...and they're doing it effectively. They use sound management and responsible business practice.

Sure, we encourage and recruit MBE contractors. I'm proud we do. The Consolidated Supply Program I mentioned is a good example. In 1980, our MBE sales under it totalled \$5 million. In 1982, they were over five times greater...\$27 million in minority business sales. For fiscal 83, the program had \$50 million in MBE contracts.

We're getting results with this program. And, we're proving that outreach can make a difference. About two weeks ago, we opened bids for contracts under Consolidated Supply. Of the 46 bidders who qualified, 13 were MBE's.

All told, minority business participation at HUD has grown to about \$948 million for Fiscal 83. We're second among all Federal agencies...quite a feat, since we are one of the smaller agencies.

Frankly, I'm pleased with the initiative we've taken. We set the pace to increase MBE participation in our grant programs, our indirect programs, if you will. It was gratifying to see President Reagan make this thrust Federal Government-wide. Last July, he issued Executive Order #12432 which expanded the concept of MBE. It urges contacting grant recipients and providing incentives to increase MBE participation.

I'm also proud of our record with the Minority Bank Deposit Program. Again in the first quarter of fiscal 83, we're first among Federal agencies, as we have been since 1977. Our first quarter average daily deposits totalled well over \$125 million in minority banks.

Finally, I've awarded nearly \$14-1/2 million to minority contractors from the Secretary's Discretionary Fund since I came to HUD.

I believe in outreach, in equal opportunity, in a fair chance for everybody. But, I assure you, none of these contracts was a "gift." They were earned by hard work, initiative, and competence.

Well, I don't want to preach too long on this theme, like a young minister I heard about.

You see, this young man learned that his first ministry would be in a small rural town. Well, his first sermon had to be something special, so he worked on it for weeks. When it came time for his first service, he went to the pulpit, and the congregation was one solitary farmer.

The minister didn't know what to do. Here was this terrific sermon he'd worked on, and his congregation was just one man. Finally, he came down from the pulpit and told the farmer his concern. The farmer said "Well, I can't tell you what to do; but, if I took a wagon of hay out to feed my cattle, and only one of 'em showed up, I'd feed it."

The minister thanked the farmer, returned to the pulpit, and began his sermon. He spoke for an hour, and he was just getting warmed up. He went on another hour, and almost ran through the third hour before he finally finished the sermon.

The farmer sat there stock still, respectful and quiet, so the minister again came down from the pulpit. He asked the farmer, "Well, what did you think?" The farmer looked up at him and said, "Son, you remember that wagon of hay? Well, if only one cow showed up, I'd feed it for sure. But, I wouldn't give it the whole load!"

I think I'll keep that farmer in mind.

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REMARKS PREPARED FOR DELIVERY BY
SAMUEL R. PIERCE, JR.
Secretary of Housing and Urban Development

at the

CORNELL LAW SCHOOL
ALUMNI LUNCHEON

New York, New York

April 27, 1984

It's a great pleasure for me to be here today. I feel as if I've come home. I'm back in New York City, which is my home town; and back in the company of my fellow alumni of Cornell Law School.

I don't mean to cast aspersions on Washington. It's a lovely city, and a stimulating place to live and work. But it can be frustrating. Sometimes I think that the city's architect, Pierre L'Enfant, knew what he was doing when he designed the Capitol as a city going around in circles!

Just between us lawyers, I suspect the problem is that Washington is full of economists. You know, economics isn't really a science. It's inexact, imprecise. There are no clear answers. If you poll 50 economists on a given issue, you'll end up with 55 different opinions.

No wonder it's difficult for any Administration to formulate and carry out a sensible economic policy.

Difficult, but not impossible.

There's been a lot of talk about how well the Reagan Administration is doing in domestic policy. Depending on which "expert" you consult, you can get any answer you want to that question.

But, as that one-time New York Governor, Al Smith, used to say, "Let's look at the record."

When this Administration took office, the annual inflation rate was 12.5 percent. Last year, it was 3.8 percent. That's progress!

Interest rates are lower, too, even with the most recent upticks. The prime rate was 21.5 percent in January 1981, so the current 12 percent is a big improvement.

As 1981 began, we were sliding into a recession. It was a severe one, and it took us two years to climb back out. But unemployment — which naturally went up during the recession — is barely higher today than when President Reagan took office. What's more, a larger number of Americans are working now than ever before. That's progress, too.

Manufacturing capacity utilization — that's one of those arcane economic terms they throw around in Washington — reached a three-year high in March. Industrial production is up. Housing starts and permits are running above last year's levels, despite a weather-induced drop last month.

You — and everyone else — are paying lower income tax rates: a full 25 percent lower.

All of this is progress.

We still have to get interest rates further down, and solve the problem of the budget deficit. But I think any objective analysis would say we've accomplished much in the last three years.

At my Department, Housing and Urban Development, or HUD, we're playing an important part in that progress. We are committed to encouraging home ownership, and to assuring adequate housing for those unable to provide it for themselves. We're developing new programs that will do more with less — that will meet today's needs with today's limited resources. And, we're working to stimulate private sector involvement — and investment — in improving our cities and towns.

Let me give you a few examples.

We've broadened the scope of the Federal Housing Administration and targeted it to serve those who need it most. FHA, as it is known, insures home mortgages — permitting them to be offered at lower interest rates than conventional loans. In the past, HUD set the FHA interest rate.

Under legislation enacted last November, the FHA loan rate can be negotiated by the buyer and lender — that is, set by the free market. The same law will allow FHA to begin this summer to insure Adjustable Rate Mortgages. These measures will make FHA loans more attractive to first-time home buyers and others of limited means.

We're also working to make housing more affordable. The inflation of the 1970's put the American dream of home ownership beyond the reach of many. We want to correct that, but not through price controls or market intervention.

Our vehicle is the Joint Venture for Affordable Housing. This program brings together builders, State and local governments, consumers, and HUD in a partnership effort to bring down housing costs. In demonstration projects around the Nation, we're cutting red tape, reducing procedural delays, and eliminating arbitrary zoning regulations. Builders are also being encouraged to use innovative, cost-effective construction techniques.

The results are encouraging. A Joint Venture home costs as much as 20 percent less than similar homes in the same areas. And the houses are selling well. We're now working with major construction and financial trade groups, and with local government associations, to make the lessons of the Joint Venture available nationwide.

HUD is also concerned with the needs of those for whom home ownership, and even modest rental housing, is an unaffordable luxury. Here, our goal is to provide access to housing for the needy at lower cost than in the past.

The old approach to assisted housing was primarily one of new construction of subsidized units. The problem was cost: our debt for assisted housing was expected to reach \$250 billion — a quarter of a trillion dollars — in 1982. We simply couldn't go on adding to that burden indefinitely.

Several studies indicated that the real housing problem of the poor was affordability, not availability. This suggested that extensive new construction was unnecessary. Instead, we proposed a system of housing certificates, or vouchers, to be

given to poor families to use in renting the housing of their choice. Vouchers would give the poor mobility. They would be able to "shop around" for housing, rather than being limited to available subsidized projects. Or a family could supplement its voucher in order to rent a larger or better unit.

With a demonstration voucher program now approved, we are shifting from new construction to the rehabilitation of existing housing — which is much less expensive. Where local housing shortages do exist, we will continue to build new units. We will also continue building special housing for people with special needs, such as the elderly and handicapped.

This approach has already enabled us to halt and reverse the escalation of our housing debt. It peaked at \$244 billion in 1982 — \$6 billion less than anticipated. We expect it to drop to \$230 billion by 1985. At the same time, the number of units of assisted housing has risen: from 3.2 million in 1981 to 3.7 million this year, and an expected 4 million by 1985.

That's what we mean by doing more with less!

We're continuing HUD's popular and successful urban development grant programs. In addition, we've proposed a major new initiative for economic revitalization: Enterprise Zones.

This proposal is based on our recognition that the real engine of economic progress in America is our dynamic private sector. Government can help reinvigorate our cities, but they will not thrive without a healthy infusion of free enterprise.

Enterprise Zones are an exciting new approach to creating jobs and opportunities where none now exist. The plan will encourage economic expansion — but not through government subsidies. Rather, the Zones will attract private investment by offering relief from taxation and other government-imposed burdens on economic activity.

The States and localities will be responsible for the design of their proposed Federal Enterprise Zones. They will be encouraged to include their own incentives to complement those offered by the Federal plan.

Now, some have argued that this is an untested concept. Not true! Some 22 States have already established their own Enterprise Zone programs — and they're working. Although the State programs aren't dependent on Washington, the Federal plan will offer additional incentives and enhance the success of State Zones.

The Senate passed our Enterprise Zone initiative last year. The House Ways and Means Committee — for reasons I won't suggest were political — delayed holding hearings until the very end of the session. But more than half the Committee members, and a majority of the House, are now cosponsors of our bill. We think we have a good chance of getting the program enacted this year.

Enterprise Zones won't solve our urban problems overnight. But the program is a new approach, a vehicle for putting the creative, dynamic energy of private enterprise to work. I think it's an idea whose time has come.

I want to close with a few words about another initiative that is especially important to me. HUD is responsible for administering the Fair Housing Law — for insuring equal access to housing for all. We've proposed amendments to strengthen the enforcement mechanisms in the existing law.

The problem at present is that, when the conciliation process fails, the Federal Government cannot act unless a "pattern or practice" of discrimination is proven. That often leaves it to the individual victim of discrimination to pursue his or her complaint by bringing suit. I needn't tell you how expensive and time-consuming that process can be!

Our proposal would make it possible for me, as Secretary of HUD, to refer unresolved individual complaints to the Justice Department for prosecution. It would also, for the first time, impose civil penalties on those found in violation of the law. The fines are stiff enough, incidentally, to make discrimination a dauntingly expensive proposition.

All in all, I am proud of the record of my Department in the first three years of the Reagan Administration. We haven't accomplished all that we set out to do, but we've made a good start. On this non-partisan occasion, I don't want to suggest that we'd like another four years to finish the job.

Whether or not you agree, I've enjoyed having the opportunity to visit with my fellow Cornell Law School alumni.

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STATEMENT OF
SECRETARY SAMUEL R. PIERCE, JR.
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
BEFORE THE SUBCOMMITTEE ON
HUD-INDEPENDENT AGENCIES OF THE
SENATE COMMITTEE ON APPROPRIATIONS
MAY 1, 1984

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

WITH YOUR APPROVAL, I WILL SUMMARIZE MY STATEMENT NOW AND SUBMIT THE FULL STATEMENT FOR THE RECORD. ONCE AGAIN, I AM PLEASED TO APPEAR BEFORE YOU TO PRESENT THE 1985 BUDGET PROPOSALS OF THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT. MY ESSENTIAL MESSAGE REMAINS THE SAME. THE BEST WAY TO PROVIDE EFFECTIVELY FOR THE NATION'S HOUSING NEEDS IS TO KEEP INFLATION UNDER CONTROL AND TO BRING INTEREST RATES DOWN TO REASONABLE LEVELS.

MR. CHAIRMAN, I AM PROUD TO SAY THAT WE HAVE DONE JUST THAT. RUNAWAY INFLATION IS NO LONGER TAXING AWAY THE PURCHASING POWER OF THE AMERICAN HOMEBUYER. FOR THE GREAT MAJORITY OF THE AMERICAN PEOPLE, THE COST OF HOUSING IS ONCE AGAIN AFFORDABLE. THIS IS THE KEY--AFFORDABILITY THROUGH A HEALTHY ECONOMY.

DURING CALENDAR YEAR 1980, THE ANNUAL RATE OF INFLATION WAS 12.4 PERCENT. THIS WAS SUBSTANTIALLY REDUCED TO 3.9 PERCENT DURING 1982 AND DECLINED TO 3.8 PERCENT IN 1983. IN 1984, WE EXPECT THIS FAVORABLE ECONOMIC TREND TO CONTINUE WITH, PERHAPS, ONLY A SLIGHT INCREASE IN THE INFLATION RATE.

ONE IMPORTANT RESULT IS THAT THE HOUSING INDUSTRY IS BUILDING AND AMERICANS ARE BUYING. THIS CAN BE SEEN IN THE HOUSING STARTS FIGURES. PUBLIC AND PRIVATE STARTS IN CALENDAR 1982 TOTALED LESS THAN 1.1 MILLION. THEY INCREASED TO 1.7 MILLION IN 1983. WE EXPECT TO SUSTAIN THIS PROGRESS DURING 1984. IN FACT, STARTS FOR THE FIRST QUARTER WERE 372 THOUSAND. WHEN SEASONALLY ADJUSTED, THIS FIRST QUARTER ACTIVITY WOULD MEAN A 1984 TOTAL OF MORE THAN 1.95 MILLION. IN ADDITION, WE ESTIMATE APPROXIMATELY 290,000 UNITS OF MANUFACTURED HOUSING WILL BE PRODUCED THIS YEAR.

THESE INDICATORS SHOW A REVITALIZED ECONOMY. BUT, WE RECOGNIZE THAT MORE CAN BE DONE TO MAKE THE DREAM OF HOMEOWNERSHIP A REALITY FOR ALL AMERICANS. TO THAT END, THE REAGAN ADMINISTRATION HAS TAKEN THE LEAD IN DEVELOPING AND ENCOURAGING INNOVATIVE APPROACHES TO MORTGAGE FINANCING. IN PARTICULAR, WE ARE IMPLEMENTING A WIDE RANGE OF PROGRAMS, AUTHORIZED BY THE 1983 AUTHORIZATION ACT, DESIGNED TO TARGET INSURANCE AND CREDIT TO FIRST TIME HOMEBUYERS, INNER-CITY RESIDENTS, RURAL AREAS AND INDIAN LANDS. IN MANY CASES, THESE NEW PROGRAMS WILL MAKE FINANCING AVAILABLE, AND AFFORDABLE, TO FAMILIES WHO ARE CURRENTLY UNABLE TO PURCHASE A HOME OF THEIR OWN.

OF COURSE, HOMEOWNERSHIP IS NOT POSSIBLE FOR ALL. THIS DEPARTMENT HAS A SPECIAL RESPONSIBILITY TO HELP MEET THE RENTAL HOUSING NEEDS OF PARTICULAR SEGMENTS OF SOCIETY--THE ELDERLY, THE HANDICAPPED, AND THE POOR. OUR CHALLENGE IS TO MEET THESE NEEDS CREATIVELY AND EFFECTIVELY IN AN ENVIRONMENT OF COMPETING DEMANDS FOR LIMITED FEDERAL RESOURCES. ONE OF THE GOALS OF THE REAGAN ADMINISTRATION IS TO REDUCE FEDERAL SPENDING, BUT BUDGET TRIMMING NEED NOT MEAN LESS ASSISTANCE TO NEEDY FAMILIES. INDEED, THIS ADMINISTRATION BELIEVES THAT BY USING THE EXISTING SUPPLY OF RENTAL HOUSING, AND PROVIDING INCENTIVES TO FAMILIES AND COMMUNITIES, WE CAN ADEQUATELY HOUSE A GREATER NUMBER OF PEOPLE AT SIGNIFICANTLY REDUCED COST.

THAT IS WHY, FOR 1985, WE PROPOSE INCREMENTAL ASSISTANCE FOR SOME 87,500 FAMILIES UNDER THE HOUSING VOUCHER PROGRAM. THE VOUCHER PROGRAM EVOLVED FROM THE EXPERIMENTAL HOUSING ALLOWANCE PROGRAM, AND IS BASED ON THE SECTION 8 EXISTING HOUSING PROGRAM. IT THUS HAS A LONG HISTORY OF BOTH SOLID RESEARCH AND PRACTICAL TESTING IN A SUCCESSFUL ONGOING PROGRAM. WE DO NOT BELIEVE THAT FURTHER TESTING IS REQUIRED. WE KNOW THAT VOUCHERS WILL WORK. MOREOVER, THE VOUCHER PROGRAM PROVIDES THE ONLY MEANS OF MEETING THE NEED FOR HOUSING SUBSIDIES AT A REASONABLE COST.

WE HAVE MADE SURE THAT THE SUBSIDY PROVIDED UNDER OUR NEW PROGRAM IS SUFFICIENT TO MEET THE COST OF OBTAINING DECENT HOUSING. THE LONG TERM BUDGET AUTHORITY RESERVED FOR A VOUCHER UNIT IS LOWER THAN A COMPARABLE AMOUNT UNDER SECTION 8 EXISTING BECAUSE OF DIFFERENCES IN CONTRACT TERM AND THE MECHANISM FOR FUNDING FUTURE RENT INCREASES. BUT, WE EXPECT THE FIRST YEAR COST TO BE VIRTUALLY IDENTICAL UNDER BOTH PROGRAMS. THE REAL DIFFERENCE IS THAT WE ARE REPLACING A SUBSIDY MECHANISM THAT BUILDS IN FUTURE RENT INCREASES WITH ONE THAT GIVES AN INCENTIVE TO LIMIT FUTURE RENT ESCALATION. THUS, THERE WILL BE SAVINGS BUT THEY WILL ONLY OCCUR OVER TIME. WE ARE PROPOSING FULL IMPLEMENTATION OF THE VOUCHER PROGRAM BECAUSE WE FEEL IT IS A BETTER PROGRAM--NOT AS A WAY OF REDUCING OUTLAYS IN THE SHORT-RUN.

OUR BASIC PREMISE IS THAT SUFFICIENT UNITS ARE AVAILABLE NATIONWIDE TO PROVIDE SHELTER FOR MOST NEEDY FAMILIES. THE BEST WAY TO ASSIST THESE FAMILIES IS THROUGH AN INCOME SUPPLEMENT WHICH IMPROVES THEIR PURCHASING POWER. A UNIQUE FEATURE OF THE VOUCHER APPROACH IS THAT IT PROVIDES A SHOPPING INCENTIVE: THE FAMILY CAN SPEND LESS THAN THE LEVEL OF ASSISTANCE AND POCKET THE DIFFERENCE; OR IT CAN CHOOSE TO SPEND MORE OF ITS OWN RESOURCES IF IT VALUES HOUSING MORE HIGHLY.

WE BELIEVE STRONGLY THAT THE VOUCHER APPROACH IS THE WAY TO PROCEED IN THE FUTURE. OUR ESTIMATES SHOW THAT WE CAN HOUSE ABOUT THREE TIMES AS MANY FAMILIES WITH VOUCHERS AS WITH PREVIOUS NEW CONSTRUCTION PROGRAMS. BUT, WE ALSO RECOGNIZE THE UNIQUE NEEDS OF CERTAIN GROUPS--THE ELDERLY, THE HANDICAPPED, INDIANS, AND LARGE FAMILIES--FOR NEW CONSTRUCTION OR REHABILITATION. WE ALSO RECOGNIZE THAT THERE ARE POCKETS OF SHORTAGE IN CERTAIN AREAS. THUS, OUR BUDGET REQUEST INCLUDES FUNDING FOR SECTION 202 NEW CONSTRUCTION, INDIAN PUBLIC HOUSING, AND TWO NEW GRANT PROGRAMS OF RENTAL HOUSING CONSTRUCTION AND REHABILITATION. THE RESULT IS A COMPREHENSIVE APPROACH WHICH RELIES PRIMARILY ON VOUCHERS, BUT ALSO MAKES USE OF CONSTRUCTION AND REHABILITATION PROGRAMS WHERE NEEDED.

IN FISCAL YEAR 1984, WE PROPOSE TO IMPLEMENT THE RENTAL REHABILITATION AND RENTAL HOUSING DEVELOPMENT GRANT PROGRAMS. THESE ARE BOTH DESIGNED TO INCREASE THE SUPPLY OF STANDARD RENTAL HOUSING. THE RENTAL REHABILITATION GRANT PROGRAM WILL MAKE GRANTS AVAILABLE TO STATES AND LOCAL GOVERNMENTS TO SUPPORT THE MODERATE REHABILITATION OF RENTAL HOUSING. GENERALLY, THIS WOULD INVOLVE REHABILITATION COSTS OF UP TO \$10,000 PER UNIT. THE FEDERAL GRANT SHARE WOULD REPRESENT 50 PERCENT OF THE REHABILITATION COST, OR UP TO \$5,000, WITH

POSSIBLE ADJUSTMENTS FOR HIGH COST AREAS. THE LEVEL OF REHABILITATION, HOWEVER, WOULD BE AT THE DISCRETION OF THE GRANTEE. PARTICIPATING STATES AND LOCAL GOVERNMENTS WOULD BE RESPONSIBLE FOR SELECTING PROJECTS AND ADMINISTERING THE PROGRAM, WHICH WILL EMPHASIZE PROVIDING UNITS FOR LARGE FAMILIES.

A \$150 MILLION FUNDING LEVEL ANNUALLY IS PROPOSED FOR FISCAL YEARS 1984 AND 1985, TO REHABILITATE APPROXIMATELY 30,000 RENTAL UNITS EACH YEAR. TENANTS WHO LIVE IN UNITS TO BE REHABILITATED, OR WHO MOVE INTO THE UNITS, MAY ALSO BE ELIGIBLE FOR THE HOUSING VOUCHER AND SECTION 8 EXISTING PROGRAMS. THE INTERIM REGULATIONS IMPLEMENTING THE RENTAL REHABILITATION PROGRAM HAVE BEEN PUBLISHED.

OUR PROPOSED RENTAL HOUSING DEVELOPMENT GRANT PROGRAM WILL MAKE FEDERAL GRANTS AVAILABLE TO STATE AND LOCAL GOVERNMENT FOR SPECIFIC NEW CONSTRUCTION AND SUBSTANTIAL REHABILITATION PROJECTS. AS PROVIDED IN THE AUTHORIZING LEGISLATION, PROJECT ELIGIBILITY WOULD TAKE INTO ACCOUNT SEVERE SHORTAGES OF DECENT RENTAL HOUSING AND A LACK OF AFFORDABLE ALTERNATIVES.

THE PROPOSED FUNDING LEVEL FOR THE RENTAL HOUSING DEVELOPMENT PROGRAM IS \$200 MILLION IN 1984 AND \$115 MILLION IN 1985, FOR CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF UP TO 10,000 AND 6,000 UNITS RESPECTIVELY. THESE UNIT ESTIMATES ARE SUBJECT TO CHANGE, SINCE SOME OF THE KEY PROGRAM DESIGN ISSUES ARE STILL BEING WORKED OUT. BECAUSE OF THE LEAD TIME REQUIRED FOR IMPLEMENTATION OF THIS NEW CONSTRUCTION PROGRAM, THE INITIAL PROJECT COMPLETIONS ARE NOT ANTICIPATED UNTIL FISCAL YEAR 1986. WE EXPECT TO SUBMIT THE PROPOSED REGULATIONS FOR THE DEVELOPMENT PROGRAM TO CONGRESS SHORTLY.

HIGHLIGHTS OF 1985 BUDGET REQUEST

NOW, MR. CHAIRMAN, I WILL HIGHLIGHT THE KEY FIGURES AND PROPOSALS INCLUDED WITHIN OUR BUDGET REQUEST.

NET BUDGET AUTHORITY OF \$10.5 BILLION IS REQUESTED FOR 1985. THIS INCLUDES \$12.5 BILLION IN NEW BUDGET AUTHORITY, OFFSET BY \$2 BILLION IN RESCISSIONS UNDER THE SECTION 236 AND RENT SUPPLEMENT PROGRAMS. THE \$10.5 BILLION FIGURE IS ABOUT \$3.2 BILLION LESS THAN THE 1984 BUDGET AUTHORITY ESTIMATE OF \$13.7 BILLION. THIS DECREASE IS THE RESULT, PRIMARILY, OF LOWER REQUIREMENTS FOR THE SUBSIDIZED HOUSING PROGRAMS BECAUSE OF THE SAVINGS MADE POSSIBLE BY INITIATION OF THE HOUSING VOUCHER PROGRAM.

ANOTHER FACTOR CONTRIBUTING TO THE NEED FOR LOWER BUDGET AUTHORITY IN 1985 IS THAT ALL BUDGET AUTHORITY FOR THE RENTAL HOUSING DEVELOPMENT AND RENTAL REHABILITATION GRANT PROGRAMS--FOR BOTH 1984 AND 1985--IS BEING REQUESTED IN 1984.

NET OUTLAYS ARE PROJECTED AT \$15.2 BILLION IN 1985, BASED ON GROSS DISBURSEMENTS OF \$21.8 BILLION OFFSET BY LOAN REPAYMENTS, ASSET SALES, AND OTHER REVENUE OF \$6.6 BILLION. THE \$15.2 BILLION ESTIMATE IS \$650 MILLION LESS THAN THE 1984 OUTLAY ESTIMATE. THIS REDUCTION REFLECTS HIGHER PREMIUM RECEIPTS AND SALES OF ACQUIRED PROPERTIES UNDER THE FHA MORTGAGE INSURANCE PROGRAMS, AND A SUBSTANTIAL DECREASE IN THE GNMA TANDEM PROGRAM SINCE THE MAJORITY OF PURCHASES UNDER THE NOW-TERMINATED PROGRAM WILL HAVE OCCURRED IN 1984. THE SAVINGS WILL PARTLY OFFSET THE OUTLAY INCREASES IN OUR SUBSIDIZED HOUSING PROGRAMS. MOST OTHER PROGRAMS ARE EXPECTED TO SPEND AT ABOUT THE SAME LEVELS AS IN 1984.

FULL-TIME PERMANENT EMPLOYEES WILL DECLINE TO 11,910 IN 1985, A REDUCTION OF 187 FROM THE PROPOSED 1984 LEVEL OF 12,097 AND 517 FROM THE 1983 LEVEL OF 12,427 POSITIONS. THE REDUCED STAFFING REFLECTS IMPROVED MANAGEMENT PRACTICES, STREAMLINED OPERATING PROCEDURES, AND THE USE OF CONTRACTUAL SERVICES, WHERE APPROPRIATE.

THE PROPOSED 1985 BUDGET AUTHORITY OF \$6.3 BILLION FOR THE DEPARTMENT'S SUBSIDIZED HOUSING PROGRAMS INCLUDES FUNDING FOR 87,500 INCREMENTAL VOUCHERS. WE ARE ALSO PROPOSING 12,500 NEW CONSTRUCTION UNITS, CONSISTING OF 10,000 UNITS FOR THE ELDERLY AND HANDICAPPED UNDER THE SECTION 202 PROGRAM AND 2,500 INDIAN HOUSING UNITS. THIS BRINGS OUR TOTAL INCREMENTAL HOUSING ASSISTANCE IN 1985 TO 100,000 UNITS.

WE ARE REQUESTING BUDGET AUTHORITY OF \$1.1 BILLION FOR PUBLIC HOUSING OPERATING SUBSIDIES AND \$1.55 BILLION FOR THE MODERNIZATION OF EXISTING PUBLIC AND INDIAN HOUSING UNITS. THE LATTER FIGURE WOULD SUPPORT APPROXIMATELY \$761 MILLION OF CAPITAL AND MANAGEMENT IMPROVEMENTS FOR THESE VALUABLE HOUSING ASSETS. THIS REPRESENTS A CONTINUING EFFORT TO RENOVATE THE EXISTING STOCK THROUGH OUR COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM.

OUR BUDGET REQUEST INCLUDES \$3.5 BILLION FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM--THE SAME LEVEL AS APPROPRIATED IN 1984. FOR THE URBAN DEVELOPMENT ACTION GRANT PROGRAM, WE ARE PROPOSING AN APPROPRIATION OF \$440 MILLION, ALSO THE SAME LEVEL AS 1984. NO CHANGES ARE PROPOSED IN THE AUTHORIZING LEGISLATION FOR EITHER OF THESE PROGRAMS. WE BELIEVE BOTH ARE WORKING WELL, AND THE

EFFECTS OF THE 1983 AMENDMENTS SHOULD BE ANALYZED BEFORE FURTHER AMENDMENTS ARE PROPOSED. LET ME REITERATE THE CONTINUING COMMITMENT OF THIS ADMINISTRATION TO HELP STATES AND LOCAL COMMUNITIES MEET THEIR COMMUNITY AND ECONOMIC DEVELOPMENT NEEDS THROUGH THE CDBG AND UDAG PROGRAMS.

THE URBAN HOMESTEADING PROGRAM IS BEING EXPANDED TO INCLUDE DEMONSTRATIONS FOR THE HOMESTEADING OF FHA-OWNED MULTIFAMILY PROPERTIES AND LOCALLY-OWNED ONE-TO-FOUR UNIT PROPERTIES. THESE DEMONSTRATIONS WILL BE FUNDED WITHIN A TOTAL APPROPRIATION OF \$12 MILLION IN EACH OF FISCAL YEARS 1984 AND 1985.

THE BUDGET ALSO REQUESTS \$6.7 MILLION FOR THE FAIR HOUSING ASSISTANCE PROGRAM, AN INCREASE OF \$2 MILLION OVER 1984. THIS INCREASE REFLECTS OUR COMMITMENT TO ENFORCEMENT OF FAIR HOUSING AND THE PROMPT PROCESSING OF TITLE VIII COMPLAINTS. IN 1985, WE WILL EMPHASIZE OUTREACH EFFORTS TO INCREASE PUBLIC AWARENESS OF THE PURPOSES OF TITLE VIII AND OTHER CIVIL RIGHTS MANDATES. FINALLY, THE BUDGET PROPOSES \$20.9 MILLION FOR RESEARCH. I URGE THE COMMITTEE TO CONSIDER THIS REQUEST FAVORABLY SO WE CAN MEET THE NEW RESEARCH RESPONSIBILITIES MANDATED BY THE 1983 AUTHORIZATION.

MR. CHAIRMAN, NONE OF OUR 1984 OR 1985 BUDGET REQUESTS REQUIRE ENACTMENT OF AUTHORIZING LEGISLATION. THE MAJOR HOUSING AND COMMUNITY DEVELOPMENT INITIATIVES OF THE REAGAN ADMINISTRATION INVOLVING FEDERAL FINANCIAL ASSISTANCE HAVE ALREADY BEEN ENACTED INTO LAW. ONLY APPROPRIATION ACTION IS NOW REQUIRED.

HOWEVER, TWO INITIATIVES REMAIN WHICH HAVE NOT YET BEEN PASSED BY CONGRESS--ENTERPRISE ZONES AND OUR FAIR HOUSING AMENDMENTS. ALTHOUGH THIS COMMITTEE DOES NOT HAVE JURISDICTION OVER THESE PROPOSALS, I TAKE EVERY AVAILABLE OPPORTUNITY TO URGE THEIR SPEEDY PASSAGE. THE ENTERPRISE ZONE LEGISLATION IS NEEDED BECAUSE OF ITS IMPORTANCE AS AN ECONOMIC DEVELOPMENT TOOL. THE FAIR HOUSING AMENDMENTS SHOULD BE ENACTED TO STRENGTHEN THE FAIR HOUSING ENFORCEMENT POWERS OF THE FEDERAL GOVERNMENT.

ALSO, MR. CHAIRMAN, THE BUDGET REFLECTS AN ORGANIZATIONAL CHANGE OF THE DEPARTMENT'S HOUSING PROGRAMS. WE HAVE ESTABLISHED, AS YOU KNOW, A NEW ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING--WARREN LINDQUIST. ALL OTHER HOUSING PROGRAMS, INCLUDING THE MORTGAGE INSURANCE PROGRAMS, ARE THE RESPONSIBILITY OF MAURICE BARKSDALE, THE NEW FHA COMMISSIONER, WHO ALSO IS WITH ME HERE TODAY.

MR. CHAIRMAN, THIS CONCLUDES A SUMMARY OF MY OPENING STATEMENT. I WOULD LIKE TO INSERT THE FULL STATEMENT IN THE RECORD AND WILL BE HAPPY TO RESPOND TO ANY QUESTIONS YOU MAY HAVE.

SUBSIDIZED HOUSING

AS NOTED, WE MADE AN ORGANIZATIONAL CHANGE LAST YEAR AND ESTABLISHED A NEW ASSISTANT SECRETARY FOR PUBLIC AND INDIAN HOUSING. AT THIS TIME, I WILL FOCUS ON THE PROGRAMS CURRENTLY BEING ADMINISTERED BY THE ASSISTANT SECRETARY FOR HOUSING/FHA COMMISSIONER AND ADDRESS THOSE HOUSING PROGRAMS TRANSFERRED TO THE NEW ASSISTANT SECRETARY LATER IN MY DISCUSSION.

INCREASED ASSISTANCE. I AM EXPECTING THE NUMBER OF FAMILIES ASSISTED UNDER THE DEPARTMENT'S SUBSIDIZED HOUSING PROGRAMS TO INCREASE GREATLY OVER THE NEXT SEVERAL YEARS. BY THE END OF 1981, APPROXIMATELY 3.3 MILLION HOUSING UNITS WERE RECEIVING ASSISTANCE UNDER THE DEPARTMENT'S HOUSING PROGRAMS AND OUR PROJECTIONS ARE THAT THIS NUMBER WILL GROW TO ALMOST 4 MILLION BY THE CLOSE OF 1985 AND TO ABOUT 4.4 MILLION UNITS BY THE END OF 1989.

BUDGET REQUEST. THE BUDGET FOR 1985 PROPOSES THE RELEASE OF \$6.24 BILLION OF NEW BUDGET AUTHORITY. THIS NEW AUTHORITY, IN ADDITION TO \$2.75 BILLION OF RECAPTURED BUDGET AUTHORITY, A CARRYOVER OF \$82.5 MILLION FROM 1984 AND PERMANENT AUTHORITY AMOUNTING TO \$22.3 MILLION, WILL ALLOW US TO CARRY OUT A \$9.1 BILLION DOLLAR PROGRAM FOR 1985 IN SUPPORT OF 150,594 SECTION 8 AND PUBLIC HOUSING UNITS.

HOUSING VOUCHERS. AUTHORIZED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983 AS A DEMONSTRATION PROGRAM, WE ARE LOOKING TO HOUSING VOUCHERS TO PROVIDE A MAJOR PORTION OF OUR ASSISTANCE TO LOW-INCOME FAMILIES FOR 1985. OF THE 150,594 SECTION 8 AND INDIAN HOUSING UNIT RESERVATIONS PROPOSED FOR 1985, 91,000 WILL TAKE THE FORM OF HOUSING VOUCHERS (INCLUDING 87,500 INCREMENTAL VOUCHERS). SUBSIDY COSTS WILL BE REDUCED APPRECIABLY BY THIS ATTEMPT TO PROMOTE GREATER UTILIZATION OF THE EXISTING HOUSING MARKET. I MUST POINT OUT THAT, IN ADDITION TO BEING COST EFFECTIVE, THIS APPROACH ALSO OFFERS GREATER MOBILITY AND FLEXIBILITY TO PROGRAM BENEFICIARIES.

A "PAYMENT STANDARD" WILL BE ESTABLISHED UNDER THE PROGRAM, EQUAL TO THE SECTION 8 FAIR MARKET RENT FOR EXISTING HOUSING, WHICH IS BASED ON THE RENTAL COST IN A PARTICULAR AREA OF MODESTLY PRICED STANDARD HOUSING OF VARIOUS SIZES AND TYPES. THIS STANDARD WILL BE USED, IN COMBINATION WITH APPROPRIATE DATA ABOUT FAMILY INCOME AND COMPOSITION, TO DETERMINE THE FEDERAL SUBSIDY AMOUNT TO BE PROVIDED. TWO ADJUSTMENTS TO THE SUBSIDY AMOUNT, OVER THE 5 YEAR ACC TERM, MAY BE MADE AT THE DISCRETION OF THE PUBLIC HOUSING AUTHORITY WHICH IS RESPONSIBLE FOR ADMINISTERING THE PROGRAM.

USE OF A PAYMENT STANDARD AS A BASIS FOR SUBSIDY DETERMINATION RATHER THAN AS A CAP ON HOUSING COST WILL GIVE PROGRAM PARTICIPANTS THE OPTION OF PAYING MORE FOR RENTAL HOUSING--IF THEY CHOOSE TO DO

SO. NO LONGER WILL THEIR OPTIONS BE LIMITED TO UNITS AT OR BELOW A "FAIR MARKET RENT" ESTABLISHED FOR PARTICULAR LOCAL HOUSING MARKET AREAS. AS I MENTIONED EARLIER, A FAMILY CAN ALSO CHOOSE TO PAY LESS RENT AND POCKET THE DIFFERENCE.

UNITS WILL BE MADE AVAILABLE UNDER THE VOUCHER PROGRAM IN A NUMBER OF WAYS, INCLUDING:

- TO ASSIST NEW FAMILIES (INCREMENTAL UNITS);
- TO REPLACE THOSE SECTION 8 CERTIFICATES THAT WOULD HAVE BEEN ISSUED THIS YEAR DUE TO NORMAL TURNOVER;
- FOR TENANTS OF PUBLIC HOUSING PROJECTS WHICH ARE SOLD OR DEMOLISHED; AND
- FOR TENANTS OF SECTION 8 NEW CONSTRUCTION OR SUBSTANTIAL REHABILITATION PROJECTS DISPLACED WHEN OWNERS FAIL TO RENEW THEIR CONTRACTS.

INCREMENTAL UNITS. AS I SAID, THE NUMBER OF FAMILIES WE WILL ASSIST UNDER THE SUBSIDIZED HOUSING PROGRAMS IS GOING TO GROW. OUR COMMITMENT TO THIS COURSE OF ACTION IS MANIFESTED IN THE FACT THAT THE 150,594 UNIT RESERVATIONS PROPOSED FOR 1985 INCLUDE 100,000

INCREMENTAL UNITS, AND THE REMAINDER OF THE NEW RESERVATIONS ARE FOR UNITS ALREADY ASSISTED IN SOME FASHION. OF THE 100,000 NEWLY ASSISTED UNITS, 87,500 WILL BE VOUCHER UNITS, 2,500 ARE TO BE PUBLIC HOUSING UNITS FOR INDIAN FAMILIES AND 10,000 ARE TO REPRESENT SECTION 8 NEW CONSTRUCTION AND SUBSTANTIALLY REHABILITATED UNITS USED IN SUPPORT OF THE SECTION 202 PROGRAM TO HELP HOUSE THE ELDERLY AND HANDICAPPED. FURTHERMORE, IT IS EXPECTED THAT SOME OF THESE INCREMENTAL VOUCHER UNITS WILL BE USED IN CONJUNCTION WITH THE NEW RENTAL REHABILITATION GRANT PROGRAM.

CONTINUED SUPPORT. IN ADDITION TO THESE 100,000 INCREMENTAL UNITS, SECTION 8 SUBSIDIES WILL BE PROVIDED FOR SPECIAL PURPOSE SET-ASIDES AND A NUMBER OF UNITS ALREADY BEING ASSISTED UNDER CURRENT SUBSIDY PROGRAMS. THESE INCLUDE SUCH SECTION 8 EXISTING SET-ASIDES AS LOAN MANAGEMENT (5,000 UNITS) PROPERTY DISPOSITION (5,000 UNITS); SECTION 23 CONVERSIONS (5,000 UNITS); CONVERSION OF RENT SUPPLEMENT/ SECTION 236 UNITS (32,094 UNITS); AS WELL AS 3,500 VOUCHERS DIRECTED TOWARD TENANTS OF DEMOLISHED OR SOLD PUBLIC HOUSING UNITS AND RESIDENTS OF UNITS IN PROJECTS WHICH NO LONGER PARTICIPATE IN THE SECTION 8 PROGRAM.

AN ESTIMATED 160,000 VOUCHERS WILL BE AVAILABLE FOR THOSE SECTION 8 EXISTING CERTIFICATES EXPECTED TO BE RELINQUISHED DURING 1985. THESE UNITS ARE NOT INCLUDED WITHIN OUR RESERVATION TOTALS BECAUSE THEY WILL BE FUNDED WITHIN THE CURRENT CONTRACT AUTHORITY AND NO NEW FUNDING WILL BE REQUIRED FOR THOSE VOUCHERS UNTIL THE EXISTING CONTRACTS EXPIRE.

RENTAL HOUSING DEVELOPMENT GRANTS

THERE WILL BE SOME SITUATIONS--SOME LOCALITIES--WHERE A SATISFACTORY SUPPLY OF SAFE, DECENT HOUSING MAY NOT EXIST. TO COVER THIS CONTINGENCY, I AM PROPOSING THAT TWO RECENTLY AUTHORIZED PROGRAMS OF HOUSING CONSTRUCTION AND REHABILITATION BE IMPLEMENTED. IN 1984, \$615 MILLION IS PROPOSED FOR TRANSFER FROM THE ANNUAL CONTRIBUTIONS ACCOUNT IN SUPPORT OF THE RENTAL HOUSING DEVELOPMENT GRANT AND RENTAL REHABILITATION GRANT PROGRAMS IN 1984 AND 1985. THE DEVELOPMENT PROGRAM IS TO BE ADMINISTERED BY THE ASSISTANT SECRETARY FOR HOUSING AND THE REHABILITATION PROGRAM WILL BE ADMINISTERED BY THE ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT.

UNDER THE RENTAL HOUSING DEVELOPMENT GRANT PROGRAM, STATES, CITIES AND URBAN COUNTIES WOULD SELECT DEVELOPERS INTERESTED IN CONSTRUCTING OR SUBSTANTIALLY REHABILITATING PRIVATELY-OWNED MULTIFAMILY RENTAL HOUSING AND WOULD PROVIDE FUNDING TO THE DEVELOPERS IN THE FORM OF LOANS, INTEREST REDUCTION PAYMENTS, OR OTHER TYPES OF FINANCIAL ASSISTANCE. PROJECT ELIGIBILITY WOULD TAKE INTO ACCOUNT LOCATION FACTORS, SUCH AS SEVERE SHORTAGES OF DECENT RENTAL HOUSING AND A LACK OF OTHER AFFORDABLE HOUSING ALTERNATIVES. THE PROPOSED FUNDING LEVEL FOR THE PROGRAM IS \$200 MILLION IN 1984 AND \$115 MILLION IN 1985, WHICH, DEPENDING ON LOCATION AND COSTS,

WOULD SUPPORT THE CONSTRUCTION OR SUBSTANTIAL REHABILITATION OF UP TO 10,000 AND 6,000 UNITS, RESPECTIVELY. THESE ESTIMATES MAY BE REVISED ONCE ALL PROGRAM DESIGN ISSUES ARE RESOLVED.

HOUSING FOR THE ELDERLY OR HANDICAPPED

THE BUDGET PROPOSES LOAN RESERVATIONS OF \$500 MILLION IN 1985 FOR THE SECTION 202 HOUSING FOR THE ELDERLY OR HANDICAPPED PROGRAM. THIS IS EXPECTED TO SUPPORT 10,000 NEW OR SUBSTANTIALLY REHABILITATED UNITS IN CONJUNCTION WITH THE SECTION 8 PROGRAM. THE BUDGET ASSUMES THESE LOANS WILL BE OFFERED AT THE SAME INTEREST RATES AS OUTSTANDING TREASURY BORROWINGS PLUS A 1/4 OF ONE PERCENT ADMINISTRATIVE FEE.

NONPROFIT SPONSOR ASSISTANCE

NO APPROPRIATION IS BEING REQUESTED FOR THE NONPROFIT SPONSOR ASSISTANCE PROGRAM SINCE LOAN AMOUNTS CAN BE FUNDED FROM REPAYMENTS OF PRIOR YEAR LOANS. HOWEVER, A LOAN LIMITATION OF APPROXIMATELY \$1.9 MILLION FOR 1985 IS BEING REQUESTED IN ORDER TO ENABLE THE DEPARTMENT TO CONTINUE TO CARRY OUT A LIMITED PROGRAM TO ASSIST SPONSORS OF SECTION 202 PROJECTS.

HOMEOWNERSHIP ASSISTANCE

WE ARE NOT PROPOSING ANY NEW APPROPRIATIONS IN 1985 FOR THE SECTION 235 HOMEOWNERSHIP ASSISTANCE PROGRAM. BALANCES OF AUTHORITY REMAINING AVAILABLE WILL LAPSE, EXCEPT FOR AMENDMENTS TO CONTRACTS REACHING INSURANCE ENDORSEMENT. THE SUBSIDY RESERVATION PHASE OF THE CURRENT PROGRAM EXPIRED ON NOVEMBER 30, 1983 AND THE DEPARTMENT IS NOT PROPOSING TO IMPLEMENT THE RESTRUCTURED PROGRAM AUTHORIZED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.

RENT SUPPLEMENT PROGRAM

THE 1985 RENT SUPPLEMENT PROGRAM INCLUDES THE ANTICIPATED RECAPTURE OF AN ESTIMATED \$86.6 MILLION OF CONTRACT AUTHORITY AND \$1.8 BILLION OF BUDGET AUTHORITY AS A RESULT OF THE EXPECTED CONVERSION OF UP TO 34,372 INSURED RENT SUPPLEMENT UNITS TO SECTION 8 ASSISTANCE. ALL BUT \$5 MILLION OF THESE RECAPTURES ARE BEING PROPOSED FOR RESCISSION.

THE CONVERSION OF RENT SUPPLEMENT ASSISTED UNITS TO SECTION 8 ASSISTANCE PROVIDES A LONG-TERM SOLUTION TO THE EXISTING PROBLEM OF INADEQUATE FUNDING TO AMEND CONTRACTS FOR PROJECTS WITH RENT SUPPLEMENT UNITS. THE APPROXIMATELY \$5 MILLION OF RECAPTURES, NOT BEING PROPOSED FOR RESCISSION, WILL BE UTILIZED TO PROVIDE NECESSARY

RENT INCREASES FOR THE INSURED RENT SUPPLEMENT UNITS WHICH ARE NOT SCHEDULED FOR IMMEDIATE CONVERSION TO THE SECTION 8 PROGRAM. THE STATE-AIDED PROJECTS WILL CONTINUE TO RECEIVE NEEDED AMENDMENTS IN ACCORDANCE WITH THE 1983 SUPPLEMENTAL APPROPRIATIONS ACT AND AS AUTHORIZED BY THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.

RENTAL HOUSING ASSISTANCE

THE BUDGET PROPOSES THAT DURING 1984 AND 1985 THE DEPARTMENT WILL CONVERT THE REMAINING 18,000 RENTAL ASSISTANCE PROGRAM (RAP) UNITS IN INSURED PROJECTS TO THE SECTION 8 PROGRAM. NON-INSURED STATE-AIDED PROJECTS WILL BE EXEMPTED FROM THE CONVERSION POLICY AND WILL CONTINUE TO RECEIVE SUBSIDY ASSISTANCE AND NECESSARY AMENDMENTS IN ACCORDANCE WITH THE 1983 SUPPLEMENTAL APPROPRIATIONS ACT AND AS AUTHORIZED BY THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983.

THE CONVERSION OF RAP UNITS WILL RESULT IN THE RECAPTURE OF CONTRACT AUTHORITY (\$8.6 MILLION) AND BUDGET AUTHORITY (\$192.0 MILLION). A SMALL AMOUNT OF THIS AUTHORITY WILL BE UTILIZED TO PROVIDE NEEDED AMENDMENTS TO UNITS NOT YET CONVERTED, AND REMAINING BALANCES OF AUTHORITY WILL BE PROPOSED FOR RESCISSION.

HOUSING PAYMENTS

FOR 1985, THE BUDGET PROPOSES THAT A PERMANENT INDEFINITE APPROPRIATION BE ENACTED FOR EACH OF THE SEPARATE PROGRAMS COVERED UNDER THE CURRENT "HOUSING PAYMENTS" CONSOLIDATED APPROPRIATION. THE APPROPRIATION COVERS LIQUIDATION PAYMENTS FOR SUBSIDIZED HOUSING PROGRAMS AND INCLUDES SUBSIDY PAYMENTS FOR SECTION 8, PUBLIC AND INDIAN HOUSING, SECTION 235, SECTION 236, RENT SUPPLEMENT AND COLLEGE HOUSING DEBT SERVICE GRANTS. THE REQUEST FOR PERMANENT INDEFINITE AUTHORITY WILL SIMPLIFY ACCOUNTING FOR THE PROGRAMS AND ENSURE THAT THE AMOUNT OF THE APPROPRIATION WILL NEVER BE HIGHER OR LOWER THAN THE EXACT AMOUNT NEEDED TO LIQUIDATE THE PAYMENT COMMITMENTS FOR UNITS PLACED UNDER CONTRACT IN ACCORDANCE WITH PRIOR ACTS OF CONGRESS. IT IS ESTIMATED THAT \$11.7 BILLION IN LIQUIDATION REQUIREMENTS WILL BE NEEDED IN 1985 TO COVER CONTRACTS OUTSTANDING ON ABOUT 4 MILLION UNITS ELIGIBLE FOR PAYMENT DURING THE YEAR.

MORTGAGE AND LOAN INSURANCE

THE BUDGET RECOGNIZES THE IMPORTANCE TO THE ECONOMY OF A HEALTHY HOUSING INDUSTRY AND PROPOSES TO CONTINUE TO PROVIDE A SUBSTANTIAL LEVEL OF CREDIT SUPPORT TO THIS SECTOR. THE BUDGET PROPOSES A \$50.9 BILLION LIMITATION ON GROSS COMMITMENTS FOR MORTGAGE AND LOAN INSURANCE IN 1985, ALTHOUGH WE EXPECT TO COMMIT \$40.9 BILLION TO

SUPPORT INSURANCE APPLICATIONS FOR 840,000 SINGLE FAMILY HOMES, 96,000 MULTIFAMILY UNITS, AND 240,000 INSURED TITLE I LOANS DURING 1985.

IN ADDITION, THE CONGRESS HAS ENACTED A WIDE RANGE OF PROGRAMS WHICH ARE DESIGNED TO BETTER FOCUS THE MORTGAGE INSURANCE ACTIVITIES OF THE FEDERAL GOVERNMENT TO THOSE GROUPS, SPECIFICALLY FIRST-TIME HOMEBUYERS AND INNER-CITY RESIDENTS, WHO CANNOT BE FULLY SERVED BY THE PRIVATE MARKET. THE IMPLEMENTATION OF THESE PROGRAMS WILL RESULT IN AN EXPANSION IN HOMEOWNERSHIP OPPORTUNITIES FOR THESE GROUPS BY COMPLEMENTING THE ACTIVITIES ALREADY UNDERWAY IN THE CONVENTIONAL MARKET.

SPECIFICALLY, WE ARE PLANNING TO IMPLEMENT PROGRAMS TO PROVIDE INSURANCE FOR NEW FINANCING MECHANISMS INCLUDING ADJUSTABLE RATE MORTGAGES (ARMs), SHARED APPRECIATION MORTGAGES (SAMs) AND INDEXED MORTGAGES. THE CONGRESS ALSO ELIMINATED THE SECRETARY'S AUTHORITY TO SET INTEREST RATE CEILINGS FOR INSURED LOANS.

WE ALSO ARE PROPOSING A DIRECT LOAN LIMITATION OF \$65.4 MILLION UNDER THE TEMPORARY MORTGAGE ASSISTANCE PAYMENTS (TMAP) PROGRAM FOR 1985 FOR PAYMENTS ON BEHALF OF HOMEOWNERS WHO HAVE SUFFERED TEMPORARY LOSS OF INCOME DUE TO CIRCUMSTANCES BEYOND THEIR CONTROL. WE EXPECT THAT THIS PROGRAM WILL COMMENCE THIS SUMMER.

TO REIMBURSE THE GENERAL INSURANCE AND SPECIAL RISK INSURANCE FUNDS FOR ACTUAL LOSSES EXPERIENCED IN 1983, WE ARE REQUESTING A \$388 MILLION APPROPRIATION IN 1985. THIS APPROPRIATION IS NECESSITATED BECAUSE OF MORTGAGE AND LOAN INSURANCE CLAIMS. THE APPROPRIATION WILL BE USED ALSO FOR OTHER OPERATING EXPENSES IN 1985 AND TO REPAY PART OF THE OUTSTANDING TREASURY BORROWINGS. AS YOU KNOW, THESE APPROPRIATIONS HAVE ALLOWED THE DEPARTMENT TO HOLD THE LINE ON ADDITIONAL TREASURY BORROWINGS OVER THE YEARS AND THEREBY REDUCE THE STEEP RISE IN INTEREST COSTS TO THE FHA FUND. THIS HAS HELPED TO ENSURE THE FINANCIAL SOUNDNESS OF THE FUND.

TROUBLED PROJECTS/FLEXIBLE SUBSIDY PROGRAM

FUNDING FOR THE TROUBLED PROJECTS/FLEXIBLE SUBSIDY PROGRAM WILL BE PROVIDED IN 1985 BY USING UNOBLIGATED BALANCES ESTIMATED TO BE CARRIED OVER FROM 1984 AND TRANSFERS FROM THE RENTAL HOUSING ASSISTANCE FUND. NO NEW APPROPRIATION IS REQUESTED. THESE FUNDS WILL BE USED TO ADDRESS THE COMPREHENSIVE NEEDS OF AN ESTIMATED 133 FINANCIALLY TROUBLED PROJECTS IN 1985 AND KEEP THEM FROM GOING INTO DEFAULT AND/OR FORECLOSURE.

PUBLIC AND INDIAN HOUSING

PUBLIC AND INDIAN HOUSING DEVELOPMENT PROGRAMS

CONSISTENT WITH OUR POLICY OF ATTEMPTING TO MEET LOW-INCOME HOUSING NEEDS THROUGH THE SECTION 8 HOUSING VOUCHER PROGRAM WHENEVER FEASIBLE, WE ARE NOT PROPOSING TO FUND ADDITIONAL PUBLIC HOUSING CONSTRUCTION IN 1985. HOWEVER, WE RECOGNIZE THE FACT THAT ADDITIONAL NEW CONSTRUCTION MAY BE NEEDED TO HELP HOUSE THE INDIAN AND ALASKAN NATIVE POPULATIONS AND OUR BUDGET FOR 1985 INCLUDES \$391 MILLION OF BUDGET AUTHORITY TO BE USED TO SUPPORT THE FUNDING OF 2,500 INDIAN HOUSING UNITS. IN ADDITION, WE WILL CONTINUE TO HONOR OUR COMMITMENT TO ASSIST THOSE FINANCIALLY FEASIBLE PUBLIC HOUSING PROJECTS WHICH ARE IN THE PIPELINE. THE BUDGET INCLUDES \$300 MILLION OF BUDGET AUTHORITY FOR USE IN AMENDING PUBLIC AND INDIAN HOUSING CONTRACTS. THIS WILL PROVIDE ADDITIONAL AUTHORITY FOR THOSE PUBLIC HOUSING PROJECTS WHICH STILL REMAIN IN THE DEVELOPMENT PIPELINE. A PORTION OF THIS AUTHORITY ALSO WILL BE UTILIZED FOR INDIAN HOUSING OFF-SITE WATER AND SEWER PROJECTS AS WELL AS TO CORRECT DESIGN AND CONSTRUCTION DEFICIENCIES TO VARIOUS INDIAN HOUSING PROJECTS.

PUBLIC AND INDIAN HOUSING MODERNIZATION

THE 1985 BUDGET FOR ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING ALSO REFLECTS THE USE OF \$1.55 BILLION OF BUDGET AUTHORITY FOR PUBLIC AND INDIAN HOUSING MODERNIZATION WHICH IS PERFORMED UNDER

THE COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM (CIAP). THIS FUNDING LEVEL WILL FINANCE AN ESTIMATED \$761 MILLION OF CAPITAL COSTS AS A PART OF OUR GOAL TO IMPROVE BOTH THE PHYSICAL CONDITION OF THIS VALUABLE STOCK OF HOUSING AND IMPROVE THE MANAGEMENT ACTIVITIES WHICH SUPPORT THE OPERATION OF THE PROJECTS.

PUBLIC AND INDIAN HOUSING LONG-TERM FINANCING

THE BUDGET PROPOSES THE USE OF \$907 MILLION OF BUDGET AUTHORITY IN 1985 FOR INTEREST RATE ADJUSTMENTS TO PERMIT THE SALE OF \$1.2 BILLION OF PERMANENT FINANCING INSTRUMENTS TO THE FEDERAL FINANCING BANK (FFB). THIS LONG-TERM FINANCING WILL BEGIN TO REPLACE SHORT-TERM FINANCING OF DEVELOPMENT AND MODERNIZATION COSTS OF PUBLIC AND INDIAN HOUSING UNDER EXISTING ANNUAL CONTRIBUTIONS CONTRACTS. THE PLAN TO MARKET INSTRUMENTS TO THE FFB IS CONSISTENT WITH THE ADMINISTRATION'S GOVERNMENT-WIDE CREDIT MANAGEMENT POLICY AND ALLOWS THE FFB TO COORDINATE GOVERNMENTAL FINANCING NEEDS.

PAYMENTS FOR OPERATION OF LOW-INCOME HOUSING PROJECTS

AN APPROPRIATION OF \$1.1 BILLION IS REQUESTED IN 1985 FOR OPERATING SUBSIDIES FOR PUBLIC AND INDIAN HOUSING TO SUPPORT THE OPERATION OF DWELLINGS BY PUBLIC HOUSING AGENCIES AND INDIAN HOUSING AUTHORITIES. THE ESTIMATE IS BASED, PRIMARILY, UPON

THE USE OF THE PERFORMANCE FUNDING SYSTEM (PFS) FORMULA IN CALCULATING OPERATING SUBSIDY REQUIREMENTS. THE APPROPRIATION REQUEST REFLECTS THE IMPLEMENTATION OF ENACTED LEGISLATION INCREASING THE MAXIMUM ALLOWABLE RENT LEVELS FOR TENANTS AND A REVISED DEFINITION OF ADJUSTED INCOME. THE ESTIMATE ALSO ASSUMES REVISED OPERATING SUBSIDY CALCULATIONS BASED ON THE IMPACT OF A "ROLLING BASE" UTILITY CONSUMPTION LEVEL, INCOME ADJUSTMENTS TO REFLECT ACTUAL INCOME RECEIVED, AND LIMITING PAYMENTS IN CASES OF EXCESSIVE VACANCY LEVELS.

BECAUSE RESOURCES AVAILABLE FOR 1984 ARE IN EXCESS OF FUNDING REQUIREMENTS FOR THE YEAR, THE BUDGET PROPOSED A RESCISSION OF \$331.4 MILLION FOR 1984. THIS PROPOSAL WAS NOT APPROVED BY THE CONGRESS.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION

MORTGAGE-BACKED SECURITIES PROGRAM

MR. CHAIRMAN, I WOULD NOW LIKE TO DISCUSS THE PROGRAMS OF THE GOVERNMENT NATIONAL MORTGAGE ASSOCIATION.

WE PROPOSE THE CONTINUATION OF THE LIMITATION ON THE MORTGAGE-BACKED SECURITIES PROGRAM IN 1985 AT A LEVEL OF \$68.25 BILLION OF COMMITMENTS ISSUED, AND WE EXPECT \$42 BILLION OF ISSUES GUARANTEED.

THE PROPOSED COMMITMENT LEVEL IS THE SAME AS THE LIMITATION INCLUDED IN THE 1984 APPROPRIATION ACT. THE LEVEL PROPOSED FOR 1985 IS REALISTIC BASED UPON THE ESTIMATED LEVELS OF LOANS PROJECTED TO BE ACTUALLY INSURED BY FHA OR GUARANTEED BY VA IN 1985. IT SHOULD BE NOTED THAT THE CALCULATION OF THE REQUESTED COMMITMENT LIMIT IS BASED ON A MATHEMATICAL RELATIONSHIP, BETWEEN FHA AND VA VOLUME AND GNMA ACTIVITY.

DEBT FORGIVENESS

THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983 REPEALED GNMA'S AUTHORITY TO ISSUE NEW COMMITMENTS UNDER THE SPECIAL ASSISTANCE FUNCTIONS AND THE EMERGENCY MORTGAGE PURCHASE ASSISTANCE PROGRAMS, AND PLACES BOTH PROGRAMS INTO A LIQUIDATION STATUS. WE ARE PROPOSING APPROPRIATION LANGUAGE FOR FISCAL YEAR 1985 TO: (1) FORGIVE ALL OUTSTANDING TREASURY BORROWINGS ISSUED UNDER THESE PROGRAMS EFFECTIVE OCTOBER 1, 1984; AND (2) TRANSFER ALL REMAINING ASSETS AND LIABILITIES OF THE PROGRAM TO THE MANAGEMENT AND LIQUIDATING FUNCTIONS FUND UNDER THE FNMA CHARTER ACT. WE VIEW THE LATTER PROPOSAL AS A HOUSEKEEPING MATTER.

APPROVAL OF DEBT FORGIVENESS WILL ELIMINATE THE REQUIREMENT FOR INTEREST PAYMENTS DUE THE TREASURY AND, AS A RESULT, REDUCE THE OUTLAY AND BUDGET AUTHORITY REQUIREMENTS OF THE DEPARTMENT IN 1985 AND FUTURE

YEARS. THE OUTLAY SAVINGS FROM DEBT FORGIVENESS IN 1985 ARE ESTIMATED AT \$1,212.5 MILLION UNDER THE TANDEM PROGRAM AND \$271 MILLION FOR THE EMERGENCY MORTGAGE PURCHASE ASSISTANCE PROGRAM. ANY RECEIPTS COLLECTED AS A RESULT OF PORTFOLIO LIQUIDATION WOULD BE RETURNED TO THE U.S. TREASURY.

IT MUST BE NOTED THAT THE PROJECTED OUTLAY SAVINGS TO THE DEPARTMENT UNDER THE DEBT FORGIVENESS PROPOSAL WILL NOT RESULT IN ANY REDUCTION IN THE FEDERAL DEFICIT. THIS IS BECAUSE THE REDUCTION IN DEPARTMENTAL OUTLAYS, RESULTING FROM REDUCED INTEREST PAYMENTS, IS OFFSET BY AN EQUIVALENT REDUCTION IN THE AMOUNT OF INTEREST COLLECTED BY THE TREASURY.

DEBT FORGIVENESS PERMITS THE FEDERAL ACCOUNTS TO BE ADJUSTED IN RECOGNITION THAT DEBT BEING CANCELLED CANNOT BE REPAID. THE INABILITY TO PAY OFF THE DEBT DOES NOT REPRESENT A FAILURE, BUT RATHER WAS INHERENT IN THE ORIGINAL PROGRAM DESIGN.

SOLAR ENERGY AND ENERGY CONSERVATION BANK

MOVING NOW TO THE SOLAR BANK, THE BUDGET PROPOSES THAT NO ADDITIONAL BUDGET AUTHORITY BE ENACTED FOR THE SOLAR BANK PROGRAM IN 1985.

FOR THOSE FUNDS ALREADY APPROPRIATED, THE DEPARTMENT HAS TAKEN THE NECESSARY STEPS TO IMPLEMENT THE PROGRAM EFFECTIVELY THROUGH THE STATES AND TO MAKE THE SOLAR BANK OPERABLE. DURING 1983 THE DEPARTMENT OBLIGATED ALL OF THE FISCAL YEAR 1982 APPROPRIATION, AS DIRECTED BY COURT ORDER, AS WELL AS \$8.5 MILLION OF THE 1983 APPROPRIATION. THESE FUNDS ARE NOW WITH THE STATES AND IT IS UP TO INTERESTED INDIVIDUALS TO MAKE USE OF THEM.

THE DEPARTMENT NOW INTENDS TO OBLIGATE THE REMAINDER OF THE 1983 APPROPRIATION AND ALL OF THE 1984 APPROPRIATION (EXCEPT A SMALL AMOUNT FOR 1985 SALARIES AND EXPENSES OF THE BANK) BY THE END OF FISCAL YEAR 1984.

COMMUNITY PLANNING AND DEVELOPMENT

COMMUNITY DEVELOPMENT BLOCK GRANTS

FOR THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM, WE ARE REQUESTING \$3,468 MILLION, THE FULL AMOUNT AUTHORIZED. WITHIN THIS AMOUNT, WE EXPECT TO USE \$56.5 MILLION FOR FUNDING ACTIVITIES UNDER THE SECRETARY'S DISCRETIONARY FUND. THE MAJOR CATEGORIES OF ACTIVITIES UNDER THIS FUND ARE GRANTS TO INDIAN TRIBES AND INSULAR AREAS, AND THE PROVISION OF TECHNICAL ASSISTANCE TO STATES AND UNITS OF LOCAL GOVERNMENT TO ASSIST THEM IN MAKING THE MOST EFFECTIVE USE OF THEIR CDBG FUNDS.

THE REMAINING BLOCK GRANT FUNDS, NEARLY \$2.4 BILLION FOR ENTITLEMENT CITIES AND COUNTIES AND JUST OVER \$1 BILLION FOR THE STATE SMALL CITIES PROGRAM, REPRESENT A SLIGHT FUNDING INCREASE OF \$12 MILLION. THESE FUNDS WILL ASSIST GRANTEEES IN BUILDING ECONOMICALLY AND SOCIALLY VIABLE COMMUNITIES. ENTITLEMENT FUNDING IN 1985 IS EXPECTED TO ASSIST 706 METROPOLITAN CITIES AND AN ESTIMATED 104 URBAN COUNTIES IN FURTHERING THE NATIONAL OBJECTIVES SET FORTH UNDER TITLE I OF THE 1974 AUTHORIZING ACT. THESE COMMUNITIES USE THEIR GRANT FUNDS TO UPGRADE THEIR HOUSING STOCK, EXPAND ECONOMIC OPPORTUNITIES FOR THEIR CITIZENS AND IMPROVE THEIR PUBLIC FACILITIES AND SERVICES. OF PARTICULAR SIGNIFICANCE IS THE WAY STATES ARE USING THE BLOCK GRANT PROGRAM TO EXPAND OPPORTUNITIES FOR NEW JOBS AND TO ESTABLISH NEW LINKAGES WITH THE PRIVATE SECTOR. THE REQUEST OF \$1 BILLION WILL PROVIDE SUPPORT FOR 50 STATES, PLUS PUERTO RICO, UNDER THE SMALL CITIES PROGRAM.

CHANGES TO THE AUTHORIZING LEGISLATION LATE LAST YEAR NOW REQUIRE THAT STATES AND ENTITLEMENT COMMUNITIES USE A MAJORITY OF THEIR CDBG FUNDS FOR ACTIVITIES THAT BENEFIT LOW- AND MODERATE-INCOME PERSONS. THE DEPARTMENT HAS COMMUNICATED THE NEW REQUIREMENT TO GRANTEEES AND WILL BE AMENDING PROGRAM REGULATIONS ACCORDINGLY.

THE DEPARTMENT IS RECOMMENDING 1985 APPROPRIATION LANGUAGE TO PROHIBIT GRANTEES, WHICH OPERATE REVOLVING FUNDS FOR REHABILITATION ACTIVITIES, FROM RECEIVING THEIR BLOCK GRANT FUNDS IN A SINGLE PAYMENT. CURRENTLY, GRANTEES MAY DRAW DOWN SUCH FUNDS IN A LUMP SUM WHEN THEY ARE USED EXCLUSIVELY FOR REHABILITATION ACTIVITIES. THE DEPARTMENT HAS CONCLUDED THAT SUCH PAYMENTS ARE NOT NECESSARY TO ATTRACT PRIVATE FINANCING, IN CONJUNCTION WITH CDBG ASSISTED REHABILITATION, AND THAT LUMP SUM DRAWDOWNS CONSTITUTE AN UNWARRANTED INCREASED COST TO THE FEDERAL TREASURY.

ALL BLOCK GRANT RECIPIENTS ARE EXPECTED TO MAXIMIZE BENEFITS FROM CDBG FUNDS BY UTILIZING OTHER LOCAL PUBLIC AND PRIVATE RESOURCES. IN THIS ENDEAVOR, RECIPIENTS ARE ENCOURAGED TO CONTINUE TO ESTABLISH AND MAINTAIN LOCAL PUBLIC/PRIVATE PARTNERSHIPS.

URBAN DEVELOPMENT ACTION GRANTS

THE BENEFIT OF SUCH PARTNERSHIPS IS DEMONSTRATED IN THE POPULAR UDAG PROGRAM WHICH USES FEDERAL DOLLARS TO LEVERAGE OTHER PUBLIC AND PRIVATE RESOURCES FOR ECONOMIC DEVELOPMENT PROJECTS IN DISTRESSED AREAS. IN A RECENTLY RELEASED REPORT ENTITLED "INSIGHTS INTO MAJOR URBAN DEVELOPMENT ACTION GRANT ISSUES," THE GENERAL ACCOUNTING OFFICE PROVIDED A VERY FAVORABLE REVIEW OF THE PROGRAM'S EFFECTIVENESS IN ACCOMPLISHING ITS ECONOMIC DEVELOPMENT OBJECTIVES.

CURRENTLY, ACTION GRANTS ARE LEVERAGING APPROXIMATELY \$5.70 FOR EACH DOLLAR OF ACTION GRANT FUNDS AWARDED. THIS PROGRAM HAS BEEN INSTRUMENTAL IN CREATING NEW PERMANENT JOBS, RETAINING JOBS THAT OTHERWISE WOULD BE LOST, AND PROVIDING CONSTRUCTION JOBS. THE AVERAGE COST FOR EACH JOB CREATED IS APPROXIMATELY \$7,500. LOCAL GOVERNMENTS CAN COUNT ON THIS PROGRAM TO STIMULATE ADDITIONAL PROPERTY AND OTHER TAX REVENUES. FOR 1985, WE ARE REQUESTING AN APPROPRIATION OF \$440 MILLION TO CONTINUE THIS HIGHLY SUCCESSFUL PROGRAM.

URBAN HOMESTEADING

WE BELIEVE THAT THE URBAN HOMESTEADING PROGRAM IS ANOTHER EFFECTIVE METHOD TO IMPROVE EXISTING HOUSING STOCK AND PROMOTE NEIGHBORHOOD REVITALIZATION. THEREFORE, WE ARE PROPOSING A \$12 MILLION APPROPRIATION IN 1985. OF THIS AMOUNT, \$3 MILLION IS TO BE USED FOR THE MULTIFAMILY HOMESTEADING DEMONSTRATION AUTHORIZED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983. THIS DEMONSTRATION WILL BE USED TO SPUR LOCAL INTEREST IN ADDRESSING THE PROBLEM OF DETERIORATED MULTIFAMILY HOUSING STOCK THROUGH THE HOMESTEADING OF HUD-HELD MULTIFAMILY PROPERTIES.

WE EXPECT THE REMAINING \$9 MILLION OF THIS APPROPRIATION TO SUPPORT THE CONVEYANCE AND HOMESTEADING OF 726 SINGLE FAMILY UNITS, AT AN AVERAGE OF \$12,400 EACH THROUGH THE REGULAR URBAN HOMESTEADING

PROGRAM AND THROUGH THE LOCAL PROPERTY DEMONSTRATION PROGRAM, ALSO AUTHORIZED BY THE 1983 ACT. THIS LATTER PROGRAM IS AUTHORIZED AT NOT TO EXCEED \$1 MILLION IN EACH OF FISCAL YEARS 1984 AND 1985.

RENTAL REHABILITATION PROGRAM

THE RENTAL REHABILITATION PROGRAM IS LIKEWISE AUTHORIZED BY THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983. THIS PROGRAM IS DESIGNED TO SUPPORT THE VOUCHER AND SECTION 8 CERTIFICATE PROGRAMS BY INCREASING THE SUPPLY OF STANDARD HOUSING AVAILABLE TO LOWER-INCOME TENANTS THROUGH MODERATE REHABILITATION OF EXISTING UNITS.

ASSISTANCE WILL BE PROVIDED TO STATES AND UNITS OF GENERAL LOCAL GOVERNMENT ON A FORMULA ALLOCATION BASIS FOR REHABILITATION OF PRIVATELY-OWNED, PRIMARILY RENTAL RESIDENTIAL PROPERTIES, LOCATED IN LOWER INCOME NEIGHBORHOODS. IN EACH OF FISCAL YEARS 1984 AND 1985, \$150 MILLION WILL BE MADE AVAILABLE FOR REHABILITATION GRANTS VIA A TRANSFER OF \$300 MILLION IN 1984 FROM THE ANNUAL CONTRIBUTIONS FOR ASSISTED HOUSING ACCOUNT. THIS TRANSFER HAS BEEN PROPOSED IN OUR 1984 SUPPLEMENTAL APPROPRIATION REQUEST. IN ADDITION, SECTION 8 EXISTING HOUSING CERTIFICATES AND VOUCHERS WILL BE ALLOCATED IN CONJUNCTION WITH THIS PROGRAM IN EACH OF FISCAL YEARS 1984 AND 1985. WITH ADDITIONAL FUNDS FROM OTHER PUBLIC/PRIVATE SOURCES, WE EXPECT AN ESTIMATED TOTAL REHABILITATION EFFORT OF \$300 MILLION IN EACH YEAR.

THIS PROGRAM REPRESENTS A NEW APPROACH TO COORDINATING PRODUCTION SUBSIDIES WITH RENTAL ASSISTANCE, THEREBY USING RATHER THAN REPLACING THE FREE MARKET. WE ANTICIPATE THAT THIS APPROACH WILL PRODUCE OVER 30,000 AFFORDABLE UNITS ANNUALLY.

TERMINATED PROGRAMS

OUR 1985 BUDGET PROPOSALS CALL FOR THE TERMINATION OF BOTH THE SECTION 108 LOAN GUARANTEE AND SECTION 312 REHABILITATION LOAN PROGRAMS. WE ARE AGAIN RECOMMENDING THE TERMINATION OF THE SECTION 108 LOAN GUARANTEE PROGRAM IN SUPPORT OF THE ADMINISTRATION'S OVERALL EFFORT TO REDUCE MARKET DISTURBANCES CAUSED BY FEDERAL GUARANTEES. WE ALSO RECOMMEND TERMINATION OF THE SECTION 312 PROGRAM, AS IT IS BEING REPLACED WITH THE MORE EFFECTIVE AND EFFICIENT RENTAL REHABILITATION GRANT PROGRAM.

AS OF DECEMBER 31, 1983, THE ASSETS AND LIABILITIES OF THE NEW COMMUNITIES FUND WERE TRANSFERRED TO THE REVOLVING FUND FOR LIQUIDATING PROGRAMS. THE ASSISTANT SECRETARY FOR COMMUNITY PLANNING AND DEVELOPMENT IS NOW RESPONSIBLE FOR THE CLOSE-OUT OF REMAINING NEW COMMUNITIES PROJECTS.

POLICY DEVELOPMENT AND RESEARCH

AN APPROPRIATION OF \$20.9 MILLION IS REQUESTED IN 1985 FOR THE RESEARCH AND TECHNOLOGY ACCOUNT TO CARRY OUT THE DEPARTMENT'S RESEARCH PROGRAM. WE WILL CONTINUE TO EMPHASIZE THE IMPROVEMENT

OF THE EFFICIENCY, AND EFFECTIVENESS OF THE DEPARTMENT'S PROGRAMS AS WELL AS THE DEVELOPMENT OF PRACTICAL ALTERNATIVES TO THESE PROGRAMS.

PARTICULAR AREAS ON WHICH WE WILL CONTINUE TO FOCUS INCLUDE:

- STRATEGIES FOR INCREASING THE EFFICIENCY AND EFFECTIVENESS OF ASSISTED AND PUBLIC HOUSING PROGRAMS THROUGH REFORMS OF EXISTING PROGRAMS AND EVALUATION OF ALTERNATIVE PROGRAMS;
- ANALYSIS OF HOUSING FINANCE ISSUES, INCLUDING THE RELATIONSHIP BETWEEN TAX POLICIES AND HOUSING; THE EFFECT OF FINANCIAL INSTITUTION REGULATION AND REFORM; AND THE DEVELOPMENT OF ALTERNATIVE WAYS TO FINANCE HOUSING;
- ISSUES RELATED TO FAIR AND NONDISCRIMINATORY HOUSING;
- IDENTIFICATION OF NEW WAYS TO PROMOTE HOUSING AFFORDABILITY BY REDUCING THE COMPONENT COSTS OF HOUSING (COSTS OF DEVELOPMENT, BUILDING, FINANCING, AND OPERATING);
- THE DEVELOPMENT OF IMPROVED TECHNIQUES FOR THE MANAGEMENT OF COMMUNITIES AND FOR THE DELIVERY OF LOCAL GOVERNMENT SERVICES, AND THE IDENTIFICATION OF PROGRAMS AND TECHNIQUES SUCCESSFULLY USED BY NEIGHBORHOOD ORGANIZATIONS; AND

- URBAN POLICY DEVELOPMENT RESEARCH INCLUDING STUDIES OF URBAN CHANGE, CAPITAL INVESTMENT PATTERNS BY CITIES, AND RESEARCH ON NEW OR IMPROVED APPROACHES TO URBAN ECONOMIC DEVELOPMENT; AND THE IMPACT OF FEDERAL TAX AND GRANT POLICIES ON CENTRAL CITIES.

IN ADDITION, THERE ARE MAJOR NEW EVALUATION RESPONSIBILITIES WHICH MUST BE CARRIED OUT IN RESPONSE TO THE MANDATES CONTAINED IN THE HOUSING AND URBAN-RURAL RECOVERY ACT OF 1983. THESE INCLUDE EVALUATIONS OF THE HOUSING VOUCHER PROGRAM, THE RENTAL REHABILITATION GRANT PROGRAM, AND THE RENTAL HOUSING DEVELOPMENT GRANT PROGRAM. MOREOVER, WE PLAN TO CONDUCT A NUMBER OF EVALUATIONS OF OTHER PROGRAMS AND DEMONSTRATIONS CREATED BY THE 1983 ACT, INCLUDING: ALTERNATIVE MORTGAGE INSTRUMENTS FOR SINGLE AND MULTIFAMILY HOUSING, NEGOTIATED INTEREST RATES FOR FHA INSURED MORTGAGES, MULTIFAMILY HOMESTEADING, AND OTHERS.

FAIR HOUSING AND EQUAL OPPORTUNITY

WE ARE REQUESTING \$6.7 MILLION FOR THE FAIR HOUSING ASSISTANCE PROGRAM WHICH INCLUDES ASSISTANCE FOR SUBSTANTIALLY EQUIVALENT STATE AND LOCAL AGENCIES AND COMMUNITY HOUSING RESOURCE BOARDS. OF THIS TOTAL, \$4.7 MILLION WILL PROVIDE FOR THE CAPACITY BUILDING OF STATE AND LOCAL AGENCIES RECOGNIZED BY HUD AS SUBSTANTIALLY EQUIVALENT UNDER TITLE VIII OF THE CIVIL RIGHTS ACT OF 1968 AND TO REIMBURSE THOSE AGENCIES FOR COMPLAINTS ACTUALLY PROCESSED. THIS AMOUNT FOR STATE

AND LOCAL AGENCIES REPRESENTS AN INCREASE OF \$1 MILLION AND IS NECESSARY DUE TO AN INCREASE IN COMPLAINT ACTIVITY AND FOR ADDITIONAL AGENCIES COMING INTO THE PROGRAM.

THE REMAINING \$2.0 MILLION WILL PROVIDE TRAINING AND TECHNICAL ASSISTANCE TO COMMUNITY HOUSING RESOURCE BOARDS (CHRBs). COMMUNITY HOUSING RESOURCE BOARDS ASSIST THE DEPARTMENT IN DEVELOPING AND IMPLEMENTING VOLUNTARY AFFIRMATIVE MARKETING PROGRAMS. THE INCREASE OF \$1.0 MILLION RESTORES THE FUNDING TO ITS PRE-1984 LEVEL. THE CHRB FUNDING, TOGETHER WITH FUNDING FOR STATE AND LOCAL AGENCIES, PROVIDES AN EFFECTIVE ALTERNATIVE WHICH ALLOWS STATES AND LOCAL AGENCIES AND PRIVATE GROUPS TO FORM A PARTNERSHIP WITH HUD IN ENFORCING THE FAIR HOUSING LAW.

IN 1985, WE WILL ALSO CONDUCT OUTREACH THROUGH THE FUNDING OF LOCAL FAIR HOUSING AND/OR CIVIL RIGHTS GROUPS TO INCREASE PUBLIC AWARENESS OF THE PURPOSES, RIGHTS AND REMEDIES THAT EXIST UNDER CIVIL RIGHTS MANDATES.

WE WILL ALSO EMPHASIZE THE FULL IMPLEMENTATION OF SECTION 504 OF THE REHABILITATION ACT OF 1973 AS IT RELATES TO NONDISCRIMINATION ON THE BASIS OF HANDICAP IN HUD-ASSISTED PROGRAMS. THIS INCLUDES TRAINING OF HUD STAFF, PROVIDING TECHNICAL ASSISTANCE TO HUD RECIPIENTS TO ASSIST THEM IN COMPLYING WITH SECTION 504, AND PROVIDING INFORMATION TO DISABLED PERSONS AND GROUPS TO HELP THEM PARTICIPATE IN HUD PROGRAMS AND ACQUAINT THEM WITH THEIR RIGHTS.

IN 1985, WE ARE ALSO REQUESTING AN ADDITIONAL 23 POSITIONS CONSISTING OF 3 AT HEADQUARTERS AND 20 IN THE FIELD. THE ADDITIONAL HEADQUARTERS' POSITIONS ARE FOR INCREASED WORKLOAD IN THE AREA OF TITLE VIII AND TO PROVIDE ADDITIONAL SUPPORT TO THE COMMUNITY HOUSING RESOURCE BOARDS PROGRAM. THE TWENTY ADDITIONAL FIELD POSITIONS ARE FOR THE ENFORCEMENT OF SECTION 504 AND THE AGE DISCRIMINATION ACT OF 1975.

DEPARTMENTAL MANAGEMENT

OUR 1985 FUNDING REQUEST FOR SALARIES AND EXPENSES IS \$586.2 MILLION, A DECREASE OF \$3.4 MILLION FROM THE CURRENT 1984 ESTIMATE OF \$589.6 MILLION. THE 1984 ESTIMATE INCLUDES A REQUEST FOR A \$7.5 MILLION PAY RAISE SUPPLEMENTAL.

THE MAJOR REASON FOR THE DECREASE IN THE FUNDING REQUEST IS DUE TO A REDUCTION IN STAFF REQUIREMENTS. OUR 1985 STAFFING REQUEST IS FOR 11,910 FULL-TIME PERMANENT PERSONNEL, A DECREASE OF 187 FROM THE 1984 ESTIMATE OF 12,097. THE DECREASE CONSISTS PRINCIPALLY OF A REDUCTION OF 148 POSITIONS IN THE AREA OF DEPARTMENTAL MANAGEMENT. THE BALANCE OF 39 POSITIONS IS THE NET EFFECT OF A REDUCTION OF 92 POSITIONS FOR HOUSING PROGRAMS, INCLUDING PUBLIC HOUSING, PARTIALLY OFFSET BY AN INCREASE OF 53 FOR COMMUNITY DEVELOPMENT AND FAIR HOUSING ACTIVITIES.

MR. CHAIRMAN, THAT CONCLUDES MY PREPARED REMARKS. I WILL BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

REMARKS PREPARED FOR DELIVERY BY
SAMUEL R. PIERCE, JR.
Secretary of Housing and Urban Development

at the

NEW COMMUNITIES CONFERENCE

Washington, DC

May 11, 1984

Thank you for that introduction, Dr. Bobo. I want to personally welcome our distinguished guests from abroad:

From France, Mr. Bertrand Avril, Technical Advisor to the Minister for Urban Development and Housing; and Mr. Michel Dresch, Secretary-General of the Central Group on New Towns.

From the Netherlands, are Mr. J. M. Koopman, Director General for Housing, and Mr. J. P. Van Der Jagt, Deputy Head of the Directorate for Housing and Urban Renewal.

I am also most pleased to welcome Mr. Jack Zapasnik, Secretary-General of the International New Towns Association, as well as Mr. Lester Gross, the president of the association, an organization headquartered in The Hague.

Thank you for joining us in today's conference.

Honored guests, conference participants, ladies and gentlemen: your presence here and your active interest in the "new towns" concept is indeed welcome. Today's conference offers us an opportunity to share information, ideas and insights into past and ongoing experiences with new town development. I'm confident each of us will learn from the experiences shared here. Let us keep in mind that what did not work...and why...often can be as instructive as what worked very well.

We will benefit, I'm sure, from the experience and ideas which the French representatives soon will impart to us from their perspective. The advantages of regional planning and minimal reliance on loans and loan guarantees, I understand, contributed greatly to the more successful of the French new towns.

I'm equally confident that we'll gain valuable information and ideas from the Dutch representatives and the Netherlands experience. The development of growth centers built around smaller communities, and of growth cities clustered around smaller urban centers are designed, I believe, to accommodate overspill growth from the large cities and to accomplish decentralization. Of course, our approach did not include such a strong central government role. Yet, while our perspective and approach differs from the French and Dutch approach, it is useful for us to understand more fully how each of us has addressed similar purposes with different program models.

Clearly, there are lessons we in the United States can learn from the experiences of our Dutch and French friends. I trust you will likewise gain useful insights and information from the representatives here from our communities and industries.

We have long recognized that sharing information and experiences among our communities can multiply our problem-solving capabilities. This exchange of urban experiences, problem-solving techniques and strategies, is gaining new momentum here in America. But, of course, urban problems and innovations don't stop at the water's edge, nor at our borders. I had my appreciation of this fact reinforced last year when I chaired the first meeting of urban affairs ministers of the 24-member countries of the Organization for Economic Cooperation and Development, or OECD. The French and Dutch ministers were most articulate and cogent participants at that OECD meeting in Paris.

One of the major themes at that meeting was the need for cooperation between the different levels of government, and between the public and private sectors. This is particularly germane to the economic development of urban regions.

This "cooperation," or "partnership," theme is a concept which I have advocated throughout my tenure as Secretary of HUD. To my mind, it is just common sense to use the strengths of all levels of government, and of both sectors...public and private...to work toward agreed-upon objectives.

The need for cooperation, or partnerships, has become generally accepted; but, this has not always been the case. There was for some time here in America an almost adversarial relationship between the public - or governmental - institutions and the business and corporate world. This was apparent in the government's tendency to over-regulate industry and business. At the same time, there was less than full appreciation of the capabilities and sophistication of State and local governments. This was evident in the skeptical or condescending manner adopted by the Federal Government...and often the business community...toward State and local governments.

Such attitudes and almost-hostile relationships are hardly productive. They certainly aren't conducive to orderly economic growth and community revitalization.

But, in recent years, there has been...as weather forecasters say...a "warming trend" between the public and private sectors as each has recognized the role and equities of the other. This growing respect and appreciation for each other's capabilities is having a positive influence on the way we govern and the way we do business.

From my perspective, if the Federal Government is less high-handed with local governments, community groups and the business community...if we accept the legitimacy of their motives, their separate and distinct responsibilities...then, we can sort out the issues and opportunities on which we can cooperate to reach goals that further our mutual self-interest.

There is a parallel appreciation growing in the business community that it is in their own best interest to promote and work for attractive, economically strong and stable communities.

The tendency of both the public and private sectors to be more receptive to cooperative ventures is evident throughout our society. The Urban Development Action Grant, or UDAG, program is a prominent example. Support for the program came from many sectors: mayors, governors, the business community and the Congress. UDAG formalizes cooperation in a way that assures the greatest possible chance for success.

UDAG funds leverage, or attract, considerably greater private investment. They're used only where they are absolutely essential for a project to proceed...and where the local government and business community have demonstrated their commitment by action and investment.

Building on our experience with UDAG, we've proposed legislation to establish federally encouraged and assisted Enterprise Zones here in America. This again demonstrates how we benefit from shared experiences.

We studied the British Enterprise Zone experience, gaining useful insights and understanding from that concept. We then modified considerably their model, tailoring it to meet our particular needs.

We're urging passage of our Enterprise Zone bill in this session of Congress. Although federally-recognized Zones are not yet a reality, 22 States have already enacted their own Enterprise Zone program, and others have them under consideration. Many city governments are establishing "development districts," a version of Enterprise Zones.

The similarities between the Enterprise Zone and UDAG programs are striking...and intentional. Each seeks to revitalize distressed areas. Each virtually requires close cooperation between local governments and the business sector, with strong community-wide support. Both encourage investment and job creation by offering incentives.

We're always looking for ways to encourage investment. Evidence of that is found in some of the well-known tax advantages of the Economic Recovery Tax Act, such as accelerated depreciation, which promote investment.

Initiatives like these are central to our support of the economic rejuvenation of America's cities and towns. We've built partnerships with State and local governments, and with the business community. These partnerships are putting people back to work and rebuilding America's confidence.

We're proud that the Community Development Small Cities Block Grant Program is being well run by the States. Forty-seven States have assumed responsibility for the program and 50 percent more grants were awarded to small cities in 1983 than in 1981, which was the last year we operated the program.

We're continuing to provide technical assistance to State and local governments, often in very substantive ways. With the National League of Cities, the International City Managers Association and Arthur Andersen and Company, we've formed a partnership which identifies planning methods to improve the local economy and quality of life. Called the "Strategies for Cities and Counties," this partnership is based on the experience of private industry, which uses strategic planning in marketing and other areas.

With these and all of our initiatives, we acknowledge the forces at work in the marketplace and offer the means to influence those forces. In other words, we work to deliver economic and social benefits to the community by seeking to turn existing conditions and circumstances to advantage.

As I see it, this is a thoroughly pragmatic approach. And, it serves a noble and honorable purpose. Here today, we should keep in mind this use of the pragmatic to achieve that which is noble.

This conference looks at a concept that is majestic in its vision, simple in its appeal. The dreams and ideals that sparked development of new towns are alive within us today. The spirit that drove us to seek the perfect, equitable and functional community drives us still.

Let us learn from the innovations that worked in our new communities. Let us profit from the problems that worked against success. And, let us apply what we learn here today to build better communities that will endure and serve our people well.

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REMARKS PREPARED FOR DELIVERY BY
SAMUEL R. PIERCE, JR.
Secretary of Housing and Urban Development

at the

INTERNATIONAL SYMPOSIUM ON DISTRICT HEATING AND COOLING

Washington, D.C.

June 4, 1984

Thank you for that introduction. Fellow participants and honored guests: Good morning and welcome to the Symposium on District Heating and Cooling. On behalf of the United States Government, I extend a sincere welcome to each of you, and most especially to our participants from foreign countries. We consider you good neighbors in spirit and good friends by your actions. I have had the opportunity to visit some of your homelands and I still remember the honor and courtesies your governments extended to me. I only hope we can be as gracious and considerate to you during your time here.

I know my government, my fellow citizens and I will benefit from your observations and experience, and from the knowledge and insights afforded us by all participants in this symposium.

I want to express my sincere appreciation to the National Academy of Science for organizing and hosting this symposium. This in itself is an acknowledgement that modern district heating systems have gained sufficient recognition to warrant renewed consideration by the scientific community.

I am delighted to join with you in making this event possible. It is indeed an occasion of great significance.

We are here:

- o to review the state of district heating development in each country;
- o to compare the circumstances, environment, and culture in which that development is taking place;
- o to examine the roles played by the public and private sectors;
- o to assess what further steps can be taken to encourage wider use of district heating and cooling and obtain its many benefits; and,
- o to establish a sounder basis for the exchange of information and technology.

During the next three days, many eminent and responsible officials will discuss the development of district heating and cooling, or DHC, in their countries from the public and private perspective. To set the stage for that exchange, let's take a brief look at the history of DHC here in the United States.

District heating was developed here in the U.S., and used in the northeast and midwest during the 19th century. Some high density urban areas...New York City and Philadelphia, for example...retained its use, along with a few other major areas. But, when gas, oil and electricity became cheap commodities, our use of district heating almost disappeared.

Sometimes, we are given a chance to learn old lessons anew. The energy crises of the 1970's demonstrated the disadvantages of our reliance on imported oil. The escalation of import oil costs contributed to unprecedented jumps in the rate of inflation. At the same time, we have begun to regard more seriously the finite limits to fossil fuels.

Our initial response to these converging circumstances was to adopt strong conservation measures and reduce our consumption of oil. This meant a change in lifestyles, resulting in some inconvenience, for many Americans. But, for those of low income or on fixed incomes...such as the elderly...that "inconvenience" became, in fact, hardship and deprivation. Some were reduced to heating but one room in cold weather. Some have had to make a painful choice between heat for comfort and food for little more than survival. With such experience as a stimulus, common sense dictates a search for alternate energy systems.

District heating and cooling holds promise as one such alternative. The potential it holds as a cost-effective energy technology had never been fully explored here in America. Yet, a growing appreciation of its benefits has begun to take root and spread here. Meanwhile, Europe has been showing us the possibilities. We might well be in the early stages of a re-birth of district heating as an important energy option for many of our communities.

This symposium, and the experience and analyses which will be provided by many of you, should influence the future use of district heating as an energy technology here in the United States. I trust that the exchange of information and ideas here will prove beneficial to all our friends of other Nations, as well.

It occurs to me that many of you may wonder why Sam Pierce is keynoting a symposium on district heating. As Secretary of Housing and Urban Development, my responsibilities center more on housing needs, community development and the general quality of life in urban and small town America. Certainly, the Energy Department has a more obvious connection to this issue; and, of course, Secretary Hodel and his Department are well represented here today, and will be throughout the symposium. We have enjoyed an unusually successful collaboration with the Energy Department in encouraging district heating use.

Let me assure you, my interest in DHC is more than academic.

About three years ago, I made official visits as a representative of the United States Government to the Federal Republic of Germany, Denmark and Sweden. My principal purpose was to exchange information on national housing programs. I gained useful insights to a variety of housing concepts, including some innovative approaches to housing for the elderly. I was particularly impressed with rehabilitation programs I saw, and this reinforced my commitment to stress greater use of existing structures through rehabilitation here in the United States. Perhaps the most lasting impression I came away with, however, was the efficiency and practicality of the district heating systems in use in those three countries. I was introduced to the variety of district heating approaches being used and the importance given to it by individuals, business and government as a part of their approach to saving energy and, particularly, reducing oil imports.

Seeing the European experience, I became convinced that our Federal Government had a responsibility to demonstrate what modern district heating systems could do for our cities and, as a result, for our country. I believe the marketplace is best suited to make most of our choices in such areas. I also believe it is an appropriate function for

government to help gain exposure to such concepts as district heating so others...local governments and the business community...can make informed decisions on the concept's local applicability.

My idea was to help a number of cities and towns utilize district heating. I anticipated that their experience would enable the concept to grow and spread. I feel so strongly about this that I personally took the lead for our initiatives on demonstrating the potential economic importance of these systems.

Clearly, district heating has proved sufficiently versatile and flexible to suit an incredibly varied set of physical and financial circumstances. That's important to the United States. If there is anything at which we excel it is variety. This is especially true of the forms, sizes, and responsibilities of local government; the ownership of utilities; and the nature of commerce and industry that dominate each of the 18,000 communities that make up this country.

There are several attributes of DHC which are particularly salient for U.S. cities, their economies, and their development:

First, our National Laboratories estimate that each quad of energy delivered by DHC systems will generate an investment of \$46 billion. (A quad, incidentally, is the amount of energy required to heat and cool 7 million homes for one year.)

Second, nearly \$20 billion of that \$46 billion would be spent on labor ...creating jobs for thousands of people with low and moderate skills in the cities where they are needed.

Third, if we reached our optimum potential for DHC development during the 1990's, over \$100 billion new dollars would be invested in our cities.

Fourth, much of the energy used for DHC will be obtained from sources now being wasted in the production of electric power plants. This can reduce our dependence on foreign oil imports.

Fifth, the reduced increase in energy costs which DHC makes possible will help restore the competitiveness of older, denser areas.

Finally, investment in DHC attracts businesses and rejuvenates local tax bases by stimulating investment in new plant and equipment.

All of these advantages, plus district heating's positive impact on the environment, provide incentives to investment that can help revitalize American cities...a major goal of my Department.

I am particularly concerned to see more of our public housing served by modern district heating and cooling systems. I'm quite gratified that four of the cities being assisted by my Department are tying public housing projects into their systems.

Here's an overview of what we in the United States have accomplished in the last three years with modest government involvement and a good bit of technical leadership:

- o We've helped over 30 cities in their development of DHC
- o Four of these cities have systems in operation
- o Two are under construction
- o Nine more are in advanced stages of design and financial packaging.

In addition, these cities have joined in the conduct of conferences and seminars for other cities and for States. Two States have subsequently created assistance programs for determining feasibility and completing design and financial packaging. These State efforts are directly modelled on HUD's program. I'm very pleased to see this multiplier effect taking place. To keep up the momentum in this growing industry, I have just approved assistance for another four cities in completing their systems design and financial packaging.

Currently, we estimate that our assistance to these cities will result in initial capital investments of over \$110 million. That is what we call "leverage" in the United States. I'm very pleased with the payback on our investment, and especially with the payoff for those cities who will reap a reduced rate of increase in their energy costs.

We do not dictate or specify how local systems are to be configured, or owned, or operated. We put in the seed money to leverage local resources — both public and private — and then let local circumstances dictate the configuration, ownership and customer base for a system which that community deems to be the most practical and beneficial.

Our major insistence has been that local community and economic development agendas must be fully considered, and the DHC project integrated into them.

We have found it important in the formative stages of DHC systems for the project to have a local Advisory Committee that represents all of the parties who have a vital stake in the outcome of the project. Such an Advisory Committee has multiple purposes and uses. By far its most important function is to keep the project from spending all of its resources determining the technically optimal system design. The Advisory Committee keeps the project team's attention on the equally important issues of an assured initial customer base, designing a system which will meet the tests of the financial community, and determining the most satisfactory ownership and operating arrangements.

During the last three years, we've learned a great deal about what will cause district heating projects to succeed or fail in the U.S. Papers being given at this symposium will illustrate this. Now, our greatest challenge is to continue building on the base that has been established. Certainly the most recent events in the Middle East remind all of us that we are never secure from the threat of a new energy "crisis."

We've been fortunate to have a breathing spell since 1979 in which to start putting our "energy house" in order. We've made great gains in conservation at some cost in life styles and business operations. As a result, we've reduced total levels of U.S. energy consumption. We can make further improvements in consumption; but, to do so, we must shift our attention to improvements in our efficient use of energy. District heating presents us with the opportunities we need to bring about improved efficiencies. We will continue our efforts, and I know that what U.S. representatives gain from this symposium can play an important part in the achievement of our goals.

I consider it an honor to collaborate with each of you in conducting this symposium. I am confident the experience and ideas we share here will benefit our fellow citizens and people of other countries all around the world.

STATEMENT OF

SAMUEL R. PIERCE, JR. DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT
Secretary

FEB 4 1985

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WASHINGTON, D.C. 20410



at the

**NEWS CONFERENCE ON THE
FY 86 BUDGET**

Washington, DC

February 4, 1985

"We have come to a turning point, a moment for hard decisions." With these words, President Reagan laid the great challenge of 1985 before the American people in his second Inaugural Address. He reminded us that "an almost unbroken 50 years of deficit spending has finally brought us to a time of reckoning."

And he asked us: "If not us, who? If not now, when?"

Clearly 1985 is the year when all of us...all the departments and agencies of government, and all the American people...must make small sacrifices for the national good.

In the past four years of the Reagan Administration, we have conquered inflation. We have reduced the tax burden on the individual citizen and indexed tax rates to future inflation. And we have achieved not just an economic recovery, but a new era of prosperity. Last year our gross national product grew faster than in any other year in a generation.

There are two major economic challenges still before us. We must bring the Federal budget under control. And we must insure that the fruits of our prosperity are shared as widely as possible. But we cannot do the latter unless we also do the former. If we try, we will end up sharing not prosperity, but national bankruptcy.

And so President Reagan has offered a budget for Fiscal 1986 that reflects the present reality. It demands fiscal restraint from every part of government. For unless we all share this responsibility, no one will accept it.

The Department of Housing and Urban Development is not exempt. We must...we shall...do our part. And at the same time, we shall continue to meet our obligation to help those who are truly in need; to expand home ownership opportunities; and to participate in the revitalization of America's cities and towns.

We have made a good start during the past four years. HUD has reduced expenditures and begun to diminish our total debt for assisted housing programs. Yet we have increased the number of assisted housing units we provide — from 3.2 million in 1981 to 4 million this year.

We have streamlined FHA while substantially increasing its ceiling on mortgage insurance commitments. To make home ownership easier, we have introduced a variety of FHA-insured alternative mortgages. And we have emphasized urban and economic development efforts that involve cooperation with the private sector.

Our efforts to accomplish more with less have thus far succeeded. And they will continue.

HUD is not getting out of the housing business. The FY 86 budget entails no such thing. It imposes a two-year moratorium on incremental subsidized housing units, on our new voucher program, and on rental rehabilitation grants. And there will be a one-year partial moratorium on funding for public housing modernization. These programs — let me emphasize this — are to be returned to full strength once the immediate fiscal emergency is past.

FHA will continue under its present mortgage insurance commitments ceiling of \$50.9 billion. Most of the reduction in budget authority will be balanced by an expected net increase in receipts —from \$802.2 million this year to \$1.33 billion in FY 86. An increase of 1.2 percent in Single Family up-front mortgage premiums is proposed, this will bring FHA premiums into line with those on proposed for VA mortgages.

The only housing-related program that we propose to terminate is the Rental Housing Development Grant, or HODAG, program.

Our most important urban economic development program, Community Development Block Grants, will be continued at a funding level of \$3.125 billion in FY 86. This represents a reduction of 10 percent from 1985.

Urban Development Action Grants, HUD's other major development program, will be terminated by the FY 86 budget. Now, as many of you know, I have strongly supported UDAG in the past and fought for its continuation. But the current budgetary reality requires sacrifice, and UDAG is a case in which HUD must contribute to that sacrifice. That was one of the "hard decisions" of which the President spoke.

There are other factors here that should be recognized. First, UDAG's purpose has been to make possible redevelopment projects that could not have been carried out without it. But our economy is now substantially stronger than it has been in a good many years. Under these conditions, many projects that would have needed UDAG funding will become viable with private sector financing alone. The healthier our economy becomes — and reducing the deficit will improve its health — the less we will need programs like UDAG.

Secondly, even for communities that cannot generate adequate private investment, there is an alternative to UDAG. I refer to President Reagan's Enterprise Zones initiative. Enterprise Zones will offer tax and regulatory incentives to attract private sector capital to depressed communities. They will create jobs and wealth — and new tax revenues —just as UDAGs have done, but at lower cost.

Our Enterprise Zone proposal has languished far too long on Capitol Hill. By enacting it this year, Congress can simultaneously replace UDAGs and contribute to the reduction of the deficit. We will be urging that they do so.

We will also continue to pursue strenuously our goal of achieving fair housing and equal opportunity. This, as you know, has been a major concern of mine for many years, and one on which I have concentrated here at HUD. The President shares that sense of priority. In his Inaugural Address, he issued a clear call for "opportunity for all our citizens":

"Let us resolve," he said, "that we the people will build an American opportunity society in which all of us — white and black, rich and poor, young and old — will go forward together, arm in arm."

At HUD, we are especially determined to insure fair housing — the equal access to housing — for all Americans. And so our one new undertaking next year will be a Fair Housing Initiatives program, to be funded at \$10 million in FY 86. This will be part of an expanded national effort to bring both public and private resources and energies to bear on the problem of discrimination in housing.

In addition, our existing Fair Housing Assistance Program will be continued at a funding level of \$5 million. This brings the total budget authority for fair housing programs to \$15 million, up from \$6.7 million in 1985. Outlays will also rise: from \$7.8 million to \$11 million. I think that these increases, in the face of budget-tightening measures elsewhere, demonstrate the depth of our commitment to equal housing opportunity.

On the administrative side, the 1986 budget calls for a reduction of 735 full-time positions — from 11,602 to 10,867. As we have in the past, we will make as many of these cuts as possible through attrition. Based on these figures and the 5 percent pay reduction proposed by the President, we anticipate that we will be able to reduce funding for salaries and expenses by \$35.5 million.

I realize that some of these measures appear drastic, especially to those directly affected. But they will not prevent HUD from continuing to fulfill our mandate. We will go on providing housing for those most in need. The \$38.1 billion in the assisted housing pipeline at the end of FY 85 will provide an additional 207,000 units of housing even during the moratorium period. We will continue to encourage home ownership, and to use FHA and the Government National Mortgage Association to insure that prospective homeowners can find financing at affordable rates.

We can no longer postpone the day of reckoning. There is only one answer to the President's questions. If not us, no one. If not now, it will be too late.

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REMARKS PREPARED FOR DELIVERY BY

SAMUEL R. PIERCE, JR.

SECRETARY



NEW YORK FEDERAL EXECUTIVE BOARD

OBSERVANCE OF THE FIRST

MARTIN LUTHER KING, JR. FEDERAL HOLIDAY

JANUARY 13, 1986

NEW YORK CITY

Thank you, Joe, for that kind introduction.

Good afternoon.

Members of the New York Federal Executive Board, honored guests, ladies and gentlemen...it is a great pleasure to join with you in paying tribute to the memory of a man of peace.

Today, we celebrate a forthcoming event which is truly momentous in the history of our great country. Our celebration takes place one week to the day before the first national holiday in honor of the Reverend Martin Luther King, Jr. It is our tribute to the man and to the lofty ideals which are his legacy to us.

In preparing for this national holiday, we give recognition to the man and his message. Dr. Martin Luther King, Jr. dedicated his life as a teacher. He taught us the vital importance of racial equality and nonviolent social change. He taught us that we must learn "to live together as brothers, or we will perish together as fools."

Our holiday in his name is an acceptance of his legacy. It declares for the American people a willingness...indeed a commitment...to strive for peace and equity. For our country to be the "sweet land of liberty," he told us, we must "let freedom ring" for all her people.

It is in this spirit of liberty, peace and equity that we are gathered here today.

President Reagan has called on us to fulfill Dr. King's dream by making his holiday "...a celebration of freedom and justice which will unite all our citizens."

That is a goal worthy of our heritage as a Nation. It is a challenge we dare not ignore...an opportunity for us to grasp, at long last, the full potential of our greatness as a people.

We are the sons and daughters of natives and immigrants. We are the children of trailblazers and tradesmen. Our ancestors were slaves and slaveholders, soldiers and ministers. We are descended from princes and paupers, merchants and farmers.

We are every shade and size found in the human race. We are glorious in our diversity.

The complexity and scope of our diversity is the very source of our strength as a people. Within our borders, we have welcomed immigrants and cultures from every corner of the world. We have established ourselves as the most thoroughly pluralistic society on earth.

More than two hundred years after our birth as a Nation, we remain a haven for people from other lands. Citizens of European, Asian and African nations...citizens from the Caribbean and Mediterranean areas...proud people from all points of the globe...seek refuge on our shores.

They come to thrive in our land of opportunity. And they stay to season the wealth of our experience with our skills and customs...fulfilling their dreams as they enrich our lives.

This diversity we continue to welcome and enfold within our shores is a living link to our proud heritage. The new immigrants rekindle our appreciation of the Declaration of Independence. They redefine the meaning of those words which Dr. King delivered so eloquently: "...We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness."

With these words to guide him, Martin celebrated the unity of purpose we share as a people. He revered the ideals and goals of our forefathers, and he gave them strength and resonance for the people of today.

Martin treasured the liberty for which the founders of our country sacrificed and fought. He gave his life while working to extend and safeguard that birthright - the essence of individual liberty - for all our people.

He knew the lesson our founding fathers taught us: out of unity comes strength.

The early Americans were united in their commitment to freedom. Martin reminded us to honor that commitment.

The early Americans were implacable in their pursuit of self-determination. Martin reminded us to respect the right of self-determination for even the least among us.

But, perhaps greater than any other gift he left us, Dr. King bestowed upon us a yearning for peace through unity. He knew that our ideals and aspirations weave the threads which unify us as a people. He knew that only as a unified people can we fulfill the promise of a better tomorrow.

Dr. King knew our weaknesses and our faults. But, he knew, as well, that we can rise above them. We are not a perfect people. Too often, our days are burdened with dispute and rancor. But, neither were the first patriots strangers to discord and conflict. Today, as then, divisions and disagreements are commonplace in our life. But, we can resolve our differences and become unified for the common good.

Yes, we are a complex and flawed people who sometime dishonor ourselves through ignorance and prejudice. Yet, we are a magnificent people...for we recognize our failings, our inequities...and we strive to set them right.

It is long past time for us to build on our better natures. There is far more that unifies us than sets us apart. Let us emphasize our kinship. Let us act on our better instincts. Let us truly become "...one Nation, under God, indivisible, with liberty and justice for all."

As we prepare to honor Martin Luther King, Jr., on his holiday, let us spread the light which shines forth from his dream. Let us rededicate ourselves to peace and justice throughout our great land.

Let us earn for ourselves the spiritual prosperity which our pioneer and patriot forbears lived and died to ensure. Let us live the dream which they and Martin Luther King, Jr. taught us to seek. And, let us live our lives according to these words of wisdom from Martin:

"We must use time creatively...and forever realize that the time is always ripe to do right."

Thank you.