

May 14, 1934

[Message to Congress]

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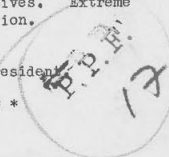
FOR THE PRESS

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May 14, 1934.

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STEPHEN EARLY
Assistant Secretary to the President



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~~Draft of Housing Message
prepared by Harry Hopkins~~

May I draw your attention to some important suggestions for legislation which should tend to improve conditions for those who live in houses, those who repair and construct houses, and those who invest in houses?

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Many of our homes are in decadent condition and not fit for human habitation. They need repairing and modernizing to bring them up to the standard of the times. Many new homes now are needed to replace those not worth repairing.

The protection of the health and safety of the people demands that this renovizing and building be done speedily. The Federal Government should take the initiative immediately to cooperate with private capital and industry in this real-property conservation. We must lay the groundwork for this effort before Congress adjourns its present session.

The purpose of the program is twofold: First, to return many of the unemployed to useful and gainful occupation; Second, to produce tangible, useful wealth in a form for which there is great social and economic need.

The program consists of four major, interrelated divisions:

1. Modernization, repair, and new construction;
2. Mortgage insurance;
3. Mortgage associations, and
4. Building and loan insurance.

The modernization phase of the program will furnish national guidance and support for locally-managed renovizing campaigns throughout the country and protection for home owners against unwarranted cost

advances. For these purposes and to assure adequate financing at low cost and on moderate terms of repayment, a new Governmental agency is required.

Modernization of commercial and industrial structures is envisioned, as well as residential, but the new features providing Governmental assistance are confined largely to home improvements.

Loans to individuals will be made by private agencies which will be insured by a Governmental agency against loss up to a certain percentage of their advances. This insurance against loss on the rehabilitation loans will be met by the Government and will be confined to advances of credit that meet standards and conditions designed to protect both the home owners and the cooperating agencies.

To make funds available for new home construction and to improve the mortgage market, the second phase of the program is long-term mortgage financing. It provides mutual mortgage insurance under Governmental direction to enable private agencies to make first-mortgage loans on newly constructed houses up to 80 per cent of the appraised value of the property, and to make new mortgages on existing homes up to 60 per cent of the appraised value of the property. The loans will usually carry not more than five per cent interest and will be amortized by periodic payments over 20 years. Similar insurance arrangements are provided to help finance low-cost residential projects of the slum-replacement type.

The third phase provides for the incorporation of mortgage associations under strict Federal supervision to increase the amount of mortgage funds available in regions where interest rates are unduly high because sufficient local funds are lacking. The activities of

these associations will be limited almost entirely to insured residential mortgages.

Insurance for share and certificate holders in building and loan associations, similar to the insurance provided for bank depositors, is the fourth phase of the program. These institutions are custodians of the funds of small savers, and it is essential that they should be given every reasonable protection. Insurance of this type is necessary in order to arrest any further drain on these institutions and to put them in a position to resume their normal useful functions.

I believe that the initiation of this broad ^{and sound} program will do much to alleviate distress and to raise perceptibly the standards of good living for many of our families throughout the South.