

Eisenhower's Message to Congress on Housing

President Dwight D. Eisenhower

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To the Congress of the United States:

I submit herewith measures designed to promote the efforts of our people to acquire good homes, and to assist our communities to develop wholesome neighborhoods in which American families may live and prosper.

The development of conditions under which every American family can obtain good housing is a major objective of national policy. It is important for two reasons. First, good housing in good neighborhoods is necessary for good citizenship and good health among our people. Second, a high level of housing construction and vigorous community development are essential to the economic and social well being of our country. It is, therefore, properly a concern of this government to insure that opportunities are provided every American family to acquire a good home.

In working toward this goal, we must not be complacent. The Federal government must provide aggressive and positive leadership. At the same time actions and programs must be avoided that would make our citizens increasingly dependent upon the Federal government to supply their housing needs. We believe that needed progress can best be made by full and effective utilization of our competitive economy with its vast resources for building and financing homes for our people.

The building of new homes provides only a partial solution to the housing problem. The Nation has tremendous assets in its 37,000,000 existing non-farm homes. The fact that 20,000,000 of these are owner-occupied demonstrates the continuing efforts of our people to have their own homes, where they can raise their families in self-respect and in good surroundings. But 19,000,000 of our existing non-farm homes are more than 30 years old. We must encourage the conservation and improvement of our existing supply of homes for the important contribution this can make to the raising of national housing standards.

Our housing deficiencies continue to be serious. Millions of our people still live in slums. Millions more live in run-down, declining neighborhoods. The national interest demands the elimination of slum conditions and the rehabilitation of declining



neighborhoods. Many of our local communities have made good progress in this work and are eager to make further substantial improvements but are hard put to find the needed resources.

The knowledge, the skills, the resources and, most important, the will to do this job already exist in the Nation. We have a private homebuilding industry and home-financing institutions that are strong and vigorous. We have a highly skilled labor force. Savings are high. While some of our communities are financially hard-pressed, they are increasingly alert to the need both for improving their existing physical plants and for sound growth and development proportionate to their expanding populations. We have the unlimited resources which grow from the independence, pride and determination of the American citizen. I am convinced that every American family can have a decent home if the builders, lenders, and communities and the local, State and Federal governments, as well as individual citizens, will put their abilities and determination energetically to the task.

To help find the best way to meet our national housing needs, I recently appointed an Advisory Committee on Government Housing Policies and Programs, consisting of leading citizens experienced in the problems of housing, mortgage finance, and community development. Under the Chairmanship of the Housing and Home Finance Administrator, this Committee has made an exhaustive study of existing Federal housing programs. It has also analyzed numerous proposals for the development of a program better adapted to our present housing requirements. The conclusions of this Committee, and the results of our own studies and experience in administering present housing laws, are reflected in the recommendations I am about to propose. Several of these recommendations provide an entirely new approach to the task of meeting our housing needs.

I. NEIGHBORHOOD REHABILITATION AND ELIMINATION AND PREVENTION OF SLUMS

In order to clear our slums and blighted areas and to improve our communities, we must eliminate the causes of slums and blight. This is essentially a problem for our cities. However, Federal assistance is justified for communities which face up to the problem of neighborhood decay and undertake long-range programs directed to its prevention. The main elements of such programs should include:

First. Prevention of the spread of blight into good areas of the community through strict enforcement of housing and neighborhood standards and strict occupancy controls;

Second. Rehabilitation of salvable areas, turning them into sound, healthy neighborhoods by replanning, removing congestion, providing parks and playgrounds, reorganizing streets and traffic, and by facilitating physical rehabilitation of deteriorated structures;

Third. Clearance and redevelopment of nonsalvable slums.

Existing housing programs permit an effective attack on only the third of these essential tasks. A new approach will help our communities to deal effectively with the other two. I, therefore, make the following recommendations:

I. Title I of the Housing Act of 1949 should be broadened. It should make available a program of loans and grants for the renovation of salvable areas and for the outright elimination of nonsalvable slums. Under this program, there would be immediately available from existing authorizations approximately \$700,000,000 of loan funds and



\$250,000,000 in capital grant funds. As our communities are enabled by this broadened authorization to increase the scope and pace of their efforts, I shall request such additional loan and grant authorizations as can be effectively used.

2. The Federal Housing Administration should be authorized to insure private credit used to rehabilitate homes in declining neighborhoods. This new program should be limited to specific areas where the local community has given adequate assurances that it will carry out a workable plan of neighborhood renewal.

3. A program of matching grants to States and metropolitan areas should be established to enable smaller communities and metropolitan area planning agencies to do the planning job which is necessary to arrest the spread of slum conditions. I recommend that the Congress authorize the appropriation of \$5,000,000 for this purpose.

II. CONSERVATION AND IMPROVEMENT OF EXISTING HOUSING

Because of the housing shortages that developed during the depression and war years, recent Federal housing activities have been directed mainly to increasing the production of new homes. But while the high demand for new homes will continue, and while private activity will be encouraged to meet that demand, we must also undertake the long-delayed job of maintaining existing homes in good condition. Millions of our people live in older homes in which they have invested their savings; our people and our economy will greatly benefit if these homes can be kept in good repair and are brought up to modern standards of comfort and convenience.

It is not enough, therefore, to rehabilitate homes in obsolete neighborhoods. To encourage the maintenance and improvement of homes wherever located, I recommend the following additional amendments to the National Housing Act:

1. The maximum permissible terms authorized for the insurance of loans on existing homes should be made comparable to those available for new housing. This amendment will end the present discriminatory policy which favors the purchasing of new as against existing homes. It should have the important additional advantage of facilitating the trading in of older homes on new home purchases.

2. The maximum loan which can be insured under Title I of the National Housing Act to repair and modernize single-family homes should be increased from \$2,500 to \$3,000 and the maximum term should be extended from three years to five years. Comparable revisions should be made in loan limitations and terms authorized for the rehabilitation of multiple dwellings. Since the terms of such loans have not changed for fifteen years, these adjustments are obviously needed to help our citizens repair and improve their homes.

III. HOUSING FOR LOW-INCOME FAMILIES

The continued lack of adequate housing, both new and used, for low-income families is evidence of past failures in improving the housing conditions of all of our people. Approval of my preceding recommendations will increase the opportunities of many families with low incomes to buy good older homes. But a more direct and more positive approach to this serious problem must be taken by the government. I recommend, therefore, a new and experimental program under which the Federal Housing Administration would be authorized to insure long-term loans of modest amounts, with low initial payment, on both new and existing dwellings, for low-income families. The application of this new authority should be limited to those families who must seek other



homes as a result of slum rehabilitation, conservation, and similar activities in the public interest. I recognize, as did the Advisory Committee, that this program represents a challenge to private builders and lenders. In order to assist them in meeting this challenge, a greater proportion of the risk should be underwritten by the Federal Housing Administration than it regularly insures. The successful development of this program will afford a much greater proportion of our lower income families an opportunity to own or rent a suitable home.

Until these new programs have been fully tested and by actual performance have shown their success, we should continue at a reasonable level the public housing program authorized by the Housing Act of 1949. I recommend, therefore, that the Congress authorize construction, during the next four years, of 140,000 units of new public housing, to be built in annual increments of 35,000 units. Special preference among eligible families should be given to those who must be relocated because of slum clearance, neighborhood rehabilitation, or similar public actions. The continuance of this program will be reviewed before the end of the four-year period, when adequate evidence exists to determine the success of the other measures I have recommended. In addition to this requested extension of the public housing program, the Housing Administrator will recommend amendments to correct various defects which experience has revealed in the present public housing program.

IV. HOUSING PROBLEMS OF MINORITY GROUP FAMILIES

It must be frankly and honestly acknowledged that many members of minority groups, regardless of their income or their economic status, have had the least opportunity of all of our citizens to acquire good homes. Some progress, although far too little, has been made by the Housing Agency in encouraging the production and financing of adequate housing available to members of minority groups. However, the administrative policies governing the operations of the several housing agencies must be, and they will be, materially strengthened and augmented in order to assure equal opportunity for all of our citizens to acquire, within their means, good and well-located homes. We shall take steps to insure that families of minority groups displaced by urban redevelopment operations have a fair opportunity to acquire adequate housing; we shall prevent the dislocation of such families through the misuse of slum clearance programs; and we shall encourage adequate mortgage financing for the construction of new housing for such families on good, well-located sites.

V. MODERNIZATION OF NATIONAL HOUSING ACT

There are certain deficiencies and numerous obsolete and unnecessary provisions in the National Housing Act. The Housing Administrator will present to the appropriate Committees of the Congress a number of proposals to modernize this basic law. These recommendations will include a scale of mortgage ceilings more realistically related to the increased cost of both single-family and multi-family structures and complementary revisions in mortgage ceilings for cooperative projects.

VI. ADJUSTMENT OF PERMISSIBLE TERMS OF GOVERNMENT INSURED OR GUARANTEED MORTGAGES

Because inflationary or deflationary pressures can be accentuated or diminished by mortgage credit terms, government operations in connection with the insurance or guarantee of mortgage loans should be judiciously adjusted to prevailing economic



conditions. The Congress has already given the President limited authority to adjust from time to time, in the light of economic conditions, the permissible terms on government guaranteed and insured mortgages. I urge the Congress to broaden this authority to cover all loans insured by the Federal Housing Administration and guaranteed by the Veterans Administration. Such authority would permit adjustments, within appropriate statutory limits, in maximum interest rates and in loan-to-value ratios and maturities. This action by the Congress would materially strengthen our ability to stabilize economic activity and high levels of production and employment. A fuller discussion of the importance of this recommendation will be included in the Economic Report to be submitted to the Congress on January 28.

VII. SECONDARY MORTGAGE MARKET

In recent years the Federal National Mortgage Association has functioned as a primary lender rather than as a secondary source of mortgage credit. As a result the Federal government now finds itself with substantial frozen investments in guaranteed and insured mortgages. Because of the terms on which these mortgages were written and the prices at which they were purchased, they are not readily salable in the private market. The following changes should therefore be made:

1. The Federal National Mortgage Association should be reorganized to require the users of the facility to invest funds on a basis which would eventually permit the full retirement of government funds from secondary mortgage market operations. The Federal government should be enabled to purchase the initial stock of the reorganized association, but private capital funds supplied by the users of the facility should be built up to speed the retirement of the government's initial investment.

2. The reorganized Federal National Mortgage Association should be given three basic responsibilities:

First, it should be authorized to issue its own non-guaranteed debentures on the private market. With the funds so obtained, it can perform a desirable service by buying mortgages at market rates in areas where investment funds are scarce, for resale in areas where there is a surplus of funds. There is need for an organization to carry out this true function of a secondary market.

Second, the new Association should be authorized to manage and liquidate present mortgage holdings which are government-owned assets. It should be made clear that such liquidation is to be accomplished in an orderly manner and in such a way as to protect the interests of the individual borrower. Since Treasury funds were used in the acquisition of these assets, all proceeds of this liquidation should be returned to the Treasury.

Third, the President should be enabled to authorize the Federal National Mortgage Association to borrow directly from the Treasury for the sole purpose of purchasing certain kinds and types of insured and guaranteed loans when the President determines such action to be necessary in the public interest. For this purpose the borrowing authority of the Association should be limited to a reasonable amount to be made available from the present Treasury borrowing authorization of the Association. Although outright primary support for certain types of loans may be desirable in the public interest from time to time, this support should be clearly identified as the direct use of Treasury funds for mortgage purchasing, and the extent of such support should be closely controlled.

Approval of these recommendations will correct the most serious defects of the present mortgage purchasing operations of the Federal government and will authorize an effective secondary market facility, relying primarily on private financing. It will also provide flexible authority under which the Federal government could directly purchase mortgages, should economic conditions and the public interest indicate the need for such action.

VIII. REORGANIZATION OF FEDERAL HOUSING ACTIVITIES

The present organization of Federal housing activities is unsatisfactory. The Housing and Home Finance Agency is a loosely knit federation of separate organizations. Its present structure is cumbersome, inefficient and lacks clear-cut recognition of administrative authority. The result is confusing to the public. Neither the Congress nor the Executive Branch can expect it to achieve good and efficient management under its present structure. I shall, therefore, submit to the Congress a reorganization plan to provide a better grouping of housing activities headed by an Administrator with adequate supervisory authority.

I believe that this message offers the means whereby our Nation may provide more and better homes for our families. By applying these recommendations we shall add to the comfort and the health of our people; we shall strengthen the economic and social fibers of our Nation; and we shall reinforce the freedom and self-reliance which have brought greatness to our land. I urge, therefore, that the Congress give to these recommendations its early and favorable consideration.

DWIGHT D. EISENHOWER
