

JAMES A. GRAASKAMP COLLECTION OF TEACHING MATERIALS

V. INDUSTRY SEMINARS AND SPEECHES - SHORT TERM

I. Other Presentations In Which Either The Date And /
Or Sponsoring Organization Is Missing

6. Real Estate Finance/Mortgage Banking/Mortgage
Guaranty Insurance

n. "Government Mortgage Operations", no
date

Government Mortgage Operations

- I. 1949-1965 there were 5 major agencies within the Housing and Home Finance Agency which reflected the political realities and forces operating in the residential mortgage field.
 - A. FHA-Federal Housing Administration Insurance of conventional lenders to the benefit of mortgage bankers, home builders, and realtors.
 - B. PHA-Public Housing Administration to serve the anti-industry liberals as well as those who favored a highly rifled approach in a welfare mode to serve those too poor or too expensive to manage to be of interest to the private sector.
 - C. FNMA-Federal National Mortgage Association, a hybrid of private and public capital for secondary mortgage operations, providing an administrative device for treasury contributions to real estate and investment outlet to mortgage buyers.
 - D. URA-Urban Renewal Administration to administer federal contributions to municipal redevelopment to maintain political support of city politicians.
 - E. CFA-The Community Facilities Administration which supervised and financed a huge variety of pork-barrel projects from schools to public utilities in communities impacted by government actions like expansion of a military base or development of a dam or any other excuse.
 - F. All of these were related to specific parcels, projects, and functions in a planning agency with multiple layers of approvals and reviews despite little coordination or priority control.
 - G. Nevertheless by 1965 HHFA had achieved great influence on real estate development as suggested by a few statistics:
 1. Total FHA mortgage insurance in excess of \$105 billion, with assistance to home ownership or improvement in living conditions extended to more than 37 million families.
 2. More than 2 million Americans living in public housing projects with an improved standard of living;
 3. More than 790 communities actively participating in urban renewal programs involving nearly 1,700 projects approved in land areas of 124 square miles - the equivalent of 3 major cities;
 4. Some 400 open space grants worth about \$46 millions and covering 147,000 acres;

5. Urban assistance planning grants in the amount of \$100 million covering 2,286 projects;
 6. Commitments totaling about 160,000 units for housing older citizens;
 7. More than 2,500 college housing loans in the amount of nearly \$3 billion to accommodate more than 646,000 students in colleges and teaching hospitals, with about one-third of all students in institution-owned college housing throughout the country living in facilities assisted by the college housing program;
 8. Mass transit grants of more than \$110 million made to help communities and areas solve their problems.
- II. Efforts to coordinate this vast enterprise in a department of cabinet rank were frustrated for many years despite efforts by Eisenhower and Kennedy.
- A. Southern Democrats opposed the bill fearing that expansion of HHFA influence and eligibility for monies would be tied to desegregation. The home builders and the realtors feared a coordinated program would downgrade the emphasis on new construction and suburban homes. Republicans from rural areas did not want tax dollars diverted to urban areas unless farm support prices were right. Kennedy deliberately leaked information that he would appoint a black to the cabinet if HHFA were reorganized and vice-presidential candidate Lodge concurred but Nixon backed down to hold his vote in the south. This move is generally regarded as giving Kennedy Chicago and Philadelphia.
 - B. Johnson succeeded in creating HUD in September 1965 with a plan that made FHA semi-autonomous and largely in control of the mortgage banker and the National Association of Home Builders, who were further placated by putting the word "housing" first and foremost in the title Housing and Urban Development.
 - C. The National Association of Real Estate Boards which had fought public housing and urban renewal continued to oppose HUD and lost.
 - D. HUD was formed in September of 1965 and has been undergoing a variety of reorganizations ever since in order to;
 1. Redirect government efforts to the full complexity of urban needs.
 2. Shift decisions to regional and local areas as close to the field as possible.
 3. Create strong leadership from Washington by grouping related programs and functions under assistant secretaries.

4. Convert all agencies to a program-planning-budgeting system to measure the effectiveness relative to cost of all programs.
- III. In your reading assignments you should stress the chapters on those agencies which represent HUD, particularly the secondary mortgage markets. In addition, you should stress the current events in the House and Home Articles which have been handed out so that you can see the old battles are still being fought (for example, Carter proposing to shift from production subsidies to welfare).
- A. For the savings and loans, the federal home loan bank board operates the federal home loan mortgage corporation which was intended to buy and sell conventional mortgages insured by private mortgage insurers since its prototype, FNMA dealt only with FHA and VA paper.
 - B. The early functions of FNMA help you to understand its subdivision later into GNMA. Originally its duties were:
 1. Serve as a depository for old government mortgage programs such as HOLC and RFC.
 2. Administer US Treasury Funds intended to direct capital to special groups on non-market mortgage loans (special assistance).
 3. Sell bonds to raise capital with which to buy insured mortgages in areas where new loans were in short supply or sell bonds when mortgage funds were in excess supply.
 - C. In 1968 FNMA operations were limited to secondary mortgage functions while responsibilities for special assistance, liquidations of old programs, and short term treasury programs in real estate were transferred to GNMA.
 1. HUD retained some control of FNMA finance and one third of the board of directors are appointed by the President of the United States.
 2. When FNMA failed to sell mortgages during the last surplus of mortgage monies, President Carter was moved to request Congress that nine of the boards be appointed in order that it would be more responsive to government objectives.
 - D. A significant innovation in risk management created by FNMA is the free market system of auctions in advance for either insured or conventional loan purchases. The auction is for four months delivery time only.
 1. A bid takes the form of a proposal to sell at a price to provide a current yield upon delivery four months later so