

SENATOR ROBERT MORGAN

*Mr. Robert Morgan
Atlanta, Georgia
29 Oct 78*

I suppose that it would be customary in a meeting such as this, coming as it does on the heels of the recent adjournment of the 95th Congress to review for you all of the accomplishments of your elected representatives for the past two years. I'm not going to do that -- for several reasons. For one thing, I am not sure that you folks would classify everything that was done by the 95th Congress as being an "accomplishment". I am reminded of a quotation I saw recently. It came

from a court decision by an appellate judge in a New York case decided in the mid 1800's. I didn't read the entire decision, so I don't know what may have prompted the judge to say what he did, but what he said was, "No man's life, liberty or property is safe while the legislature is in session".

In a later time, he may have been deciding a case on the Truth-in-Lending Act, or maybe the RESPA. Hopefully, the judge is not literally correct, but there are times when we become so disappointed, disillusioned and frustrated by the legislative process that it makes us wonder.

- 3 -

133393
AT

Seriously, however, I was told that your program this morning included a rather comprehensive review of the actions taken in the Congress during the past year, and I certainly don't want to bore you by re-hashing all of that.

There were a few things, however, that were done this past year that I was able to be a part of -- things that, in my judgment, represented constructive steps toward improving the delivery of financial services to our people.

After all, that is what we are striving to do -- meet the needs of

people for financial services. I have a rather simplistic approach to issues that affect the financial industry. I am not for or against Mortgage Bankers, or for or against Savings and Loan Associations, or for or against Commercial Banks or Savings Banks. I am for meeting the needs of people for capital and credit, whether those people be in business, in industry, or simply as consumers. All of these people have a variety of financial needs, and, wherever possible, we should let private financial institutions meet those needs. In those areas where the private sector cannot or will not meet a real need for capital or credit, then the government must step in with programs that either

provide sufficient inducements to the private sector to get them into solving the problem, or create instrumentalities or institutions that can solve it. In all of this, competition is the best friend the people have, and wherever possible, competition should be encouraged, and it should be made possible for all types of financial entities to get in there and tackle the problem.

On the matter of access to the Federal Home Loan Mortgage Corporation (Freddie Mac) for Mortgage Bankers, I joined with 9 other members of the Senate Banking Committee in a letter to Chairman McKinney on March 20th, in which we recommended changes in the

regulations governing "Freddie Mac" sellers and servicers. Frankly, I don't recall all of the details, but our purpose was to eliminate needless restrictions on the role that could be played by Mortgage Bankers in this area. Hopefully, this matter has now been resolved by the Housing and Community Development Act of 1978, which includes a provision assuring access to "Freddie Mac" for Mortgage Bankers. It remains to be seen how this provision will be implemented, but we shall be keeping an eye on it, as I am sure you will.

By the way, I want to take this opportunity to compliment you on your

fine staff in Washington. They have been most helpful to me as a freshman Senator; and it was a result of their hard work and legislative know-how that both the House and the Senate agreed to identical language on the "access" issue in their housing bills this year. It was a significant accomplishment, and you have reason to be proud of the work being done by Burton Wood, Bruce Johnson, and the others of your staff.

Some of you may know that I serve as Chairman of the Subcommittee on Rural Housing. I am aware of the interest that your industry has expressed in participating in the

programs of the Farmers Home Administration, and I think that this is good. Your staff has told me something about the possibilities and the potential for participation in rural housing programs by Mortgage Bankers, particularly in the FmHA's Guaranteed Loan Program. This program has been on the books for some time, but it was never implemented. When the Rural Housing Subcommittee was created last year, I became its first Chairman, and I set about trying to re-design that program so that it could attract private lending institutions to join with the FmHA in meeting the critical needs of rural people for housing. We have made progress. We eliminated

unrealistic limitations and restrictions on the terms and conditions of these loans, and I believe that the program will become a reality. Your staff tells me that certain changes -- mostly administrative changes, but possibly some legislative refinements as well -- may be necessary in order to achieve participation in the program by Mortgage Bankers. I want you to know that I stand ready to work with your staff in every way that I can to accomplish that. My staff and the staff of the Subcommittee is available to help, and I am confident that there will be a role for Mortgage Bankers to play in our rural housing programs.

There is other "unfinished business" that I know is of interest to you. Matters such as the simplification and consolidation of our national housing laws, the question of the need for a National Development Bank, and others. I don't think we have heard the last of the controversy over "Fannie Mae's" Board of Directors, either.

Certainly, I expect to support an effort to simplify and consolidate the mortgage insurance programs under the National Housing Act. This is not a new problem. It has been around for some 7 or 8 years; and during that time, we have seen the

FHA, which used to be our star performer in housing, reduced to an almost insignificant force. The Senate has acted on bills to revamp these programs twice in the last 6 years. The Administration has repeatedly evidenced support of this effort. I feel quite sure that legislation on this will be a top priority in the new Congress. I expect to support it, and I predict that an early accomplishment of the 1st Session of the 96th Congress will be a revitalization of the FHA and a simplification of mortgage insurance programs.

I also feel that proposals to establish a National Development Bank

will come up next year. This is going to be a tough one, and I don't know at this point just where I might come down on it. I can tell you that I expect to apply that simplistic approach that I mentioned earlier to it. If it can be shown that a real need exists -- a need that is not being, or cannot be, met by the private sector -- and that meeting this need will serve our national interest, then I might support such a plan. In any event, we will take care to assure that all segments of the private financial community have a maximum opportunity to participate.

Let me say just a word about "Fannie Mae". I think you know that

I was opposed to the proposal to shake-up the composition of "Fannie Mae's" Board of Directors. I am still opposed to it. Nevertheless, I believe that the controversy over the proposal served a useful purpose.

You know, sometimes all of us get so wrapped-up in the day-to-day demands of our work that we fail to see or recognize forces that are in play around us. They may be forces that, even when we do look at them, we feel that they really are not a legitimate concern of ours, or we may feel that the old way of doing things prevents us from doing anything about it. Yet, the forces are there and it is a real

world we live in. I am talking about the housing needs of our inner cities, and the housing needs of the rural poor, as well as the problems created everywhere by the fact that many people simply cannot afford to buy a home on today's market. These are problems that must be solved. The controversy between HUD and "Fannie Mae" served to point up one of these problems and this needed to be done. "Fannie Mae" has acknowledged that. Nevertheless, I doubt that we have heard the last of it.

In conclusion, let me say that I am looking forward to next year. We

are going to have some changes. That is for sure. The Senate is losing its greatest champion of Housing -- John Sparkman of Alabama. Others will be leaving the Senate or possibly leaving the Committee. We can't know all of that until the new Congress is organized. I expect to stay on the Banking Committee, and I hope that I may have an opportunity to expand my role in Housing. It is the nation's most critical social problem, and it has a lot more to do with our economic, fiscal, and monetary problems than many people are willing to admit. We are going to continue to tackle it, and I look forward to having your help.