

Remarks of Robert P. Forrestal  
Meeting to Encourage Support of First Housing Development  
Corporation of Florida, Inc.  
September 22, 1989

GOOD MORNING.

THANK-YOU ALL FOR JOINING US HERE TODAY. BEFORE I CALL UPON CLIFF HARDY TO TALK ABOUT HIS PROPOSAL, I'D LIKE TO TALK WITH YOU FOR A MOMENT ABOUT THE PRESSING NEED FOR AFFORDABLE HOUSING IN FLORIDA AND THROUGHOUT THE NATION.

ACCORDING TO A REPORT PREPARED IN MARCH 1988 BY THE NATIONAL HOUSING TASK FORCE, ENTITLED A DECENT PLACE TO LIVE, ONE IN SEVEN AMERICANS, OR ABOUT 32 MILLION PEOPLE LIVE BELOW THE POVERTY LINE. THE POVERTY LINE IS AN INCOME LEVEL OF \$11,203 ANNUALLY FOR A FAMILY OF FOUR OR \$5,572 FOR AN INDIVIDUAL. ALMOST A THIRD OF ALL HOUSEHOLDS IN THIS COUNTRY EARN LESS THAN \$15,000 A YEAR. IN 1986, ONE FOURTH OF ALL JOBS DID NOT PAY ENOUGH TO RAISE A FAMILY OF FOUR ABOVE THE POVERTY LINE. THIS ISN'T ALL THAT SURPRISING GIVEN THAT A PERSON WORKING FULL TIME AND PAID \$4.00 AN HOUR WILL ONLY EARN \$8,320 IN A YEARS' TIME.

POVERTY IS NOT UNFAMILIAR TO THOSE OF US WHO HAVE LIVED IN THE SOUTH FOR ANY APPRECIABLE LENGTH OF TIME. IN FACT, THE SOUTH HAS MORE THAN 90 PERCENT OF ALL COUNTIES IN THE NATION WITH PERSISTENT POVERTY, DEFINED AS PER CAPITA INCOME IN THE LOWEST 20 PERCENT FOR THE LAST THREE DECADES. WHILE THE MAJORITY OF THOSE LIVING IN POVERTY ARE WHITE, A DISPROPORTIONATE NUMBER OF BLACKS AND HISPANICS ARE POOR. IN FACT, BLACKS MAKE UP 20 PERCENT OF

THE SOUTH'S TOTAL POPULATION, BUT COMPRISE 40 PERCENT OF ITS POOR.

NOT SURPRISINGLY, THE ABILITY OF THOSE LIVING NEAR THE POVERTY LINE TO OBTAIN AFFORDABLE AND DECENT HOUSING IS LIMITED. IN ADDITION TO THEIR LIMITED INCOMES, MANY OF THESE PEOPLE HAVE LIMITED EDUCATION AND RESTRICTED MOBILITY TO JOB SITES. THAT'S NOT TO SUGGEST THAT LOW-INCOME PEOPLE DO NOT WANT TO WORK. IN FACT 40 PERCENT OF THOSE LIVING IN POVERTY DO WORK FULL OR PART TIME JOBS, ALMOST EXCLUSIVELY IN THE SERVICE TRADES AND BLUE COLLAR JOBS.

ONE PROBLEM IS THAT, AS LOCAL ECONOMIES IMPROVE, HOUSING NEEDS INCREASE, BUT THE AVAILABILITY OF LOW COST HOMES AND RENTAL UNITS OFTEN DECLINES. IN A STATE LIKE FLORIDA, WHICH IS DEPENDENT TO A LARGE EXTENT ON THE SERVICE INDUSTRIES, A REDUCTION IN AFFORDABLE HOUSING CAN BE DEVASTATING TO SERVICE COMPANIES BY REDUCING THE POOL OF PROSPECTIVE EMPLOYEES AND BY CONTRIBUTING TO INCREASED ABSENTEEISM DUE TO LENGTHY COMMUTES. THE DECLINE IN AFFORDABLE HOUSING OFTEN REQUIRES PEOPLE TO EITHER MOVE TO THE INNER CITIES, WHERE CRIME AND POVERTY ARE CONCENTRATED, OR OUT TO THE RURAL AREAS, WHERE POVERTY IS IN FACT MORE SEVERE ALTHOUGH LESS EVIDENT TO THE GENERAL PUBLIC.

THE AVAILABILITY OF AFFORDABLE HOUSING SOLVES MANY PROBLEMS. WHEN PEOPLE HAVE A VESTED INTEREST IN THEIR NEIGHBORHOOD THROUGH HOME OWNERSHIP OR DECENT, AFFORDABLE RENTAL UNITS, CRIME PROBLEMS

OFTEN DECLINE. UPWARD MOBILITY IS ENHANCED. BUSINESSES ARE PROVIDED WITH A STABLE SOURCE OF LABOR. BANKS CAN OBTAIN A MORE STABLE SOURCE OF DEPOSITS AND MAKE HIGHER QUALITY CONSUMER AND BUSINESS LOANS. THE TAX BASE IMPROVES.

YOU ARE ALL AWARE OF THE FISCAL PROBLEMS CONFRONTING THE FEDERAL GOVERNMENT. THE FEDERAL DEFICIT HAS STRAINED THE GOVERNMENT'S ABILITY TO ADDRESS THE NATION'S CRITICAL HOUSING SHORTAGE. HERE IN FLORIDA, THE STATE'S SALES TAX REVENUES HAVE NOT KEPT PACE WITH THE ECONOMY. THE SERVICE SECTOR, WHICH IS LARGELY UNTAXED, IS GROWING FASTER THAN THE TAXED GOODS SECTOR. THE RESULT IS A GROWING STATE WITH INCREASING NEEDS AND A RELATIVE DECLINE IN AVAILABLE STATE REVENUES.

AS A RESULT OF AN INCREASE IN OUR COMMUNITIES' SOCIAL AND ECONOMIC PROBLEMS, THE NEED FOR COORDINATED PUBLIC AND PRIVATE INVOLVEMENT TO ADDRESS AFFORDABLE HOUSING AND OTHER NEEDS IS EVIDENT EVERYWHERE, INCLUDING THE STATE OF FLORIDA. IT IS CLEAR THAT NO ONE GROUP CAN SOLVE THESE PROBLEMS ALONE. SCARCE PUBLIC RESOURCES MUST BE LEVERAGED WITH PRIVATE FUNDS IN WAYS THAT ARE CREATIVE AND EFFECTIVE.

THE NEED FOR INCREASED BANK INVOLVEMENT HAS BECOME PAINFULLY EVIDENT TO MANY BANKERS AS THEIR APPLICATIONS TO EXPAND GEOGRAPHICALLY AND DIVERSIFY THEIR PRODUCT LINES HAVE COME UNDER ATTACK BY VARIOUS COMMUNITY GROUPS WHO COMPLAIN THAT BANKS HAVE NOT MET THE CREDIT NEEDS OF THEIR COMMUNITIES. AT THE SAME TIME

THE REGULATORS AND BANKERS ARE AWARE THAT CONVENTIONAL BANKING SERVICES AND PRODUCTS OFTEN ARE INSUFFICIENT TO ADDRESS THE SPECIAL CIRCUMSTANCES OF LOW- AND MODERATE- INCOME PEOPLE.

AT THE FEDERAL RESERVE BANK, OUR COMMUNITY AFFAIRS STAFF HAS BEEN RESEARCHING SOME OF THE PUBLIC/PRIVATE PARTNERSHIP PROGRAMS THAT ARE CURRENTLY PROPOSED OR HAVE BEEN IMPLEMENTED. THE BETTER PROGRAMS ALL INVOLVE BANKS. MANY OF THESE PROGRAMS INVOLVE A SHARED RISK AMONG MANY BANKS. THEY ALSO PROVIDE A FAIR RETURN ON THE BANKS' INVESTMENTS. TO ACHIEVE THE SCALE NECESSARY TO FULLY ADDRESS THE PROBLEMS IN FLORIDA AND ELSEWHERE IN THE NATION, THESE TWO FEATURES -SHARED RISK AND PROFITABILITY- ARE VITAL. IN ADDITION, A COMPETENT STAFF AND PROVEN TRACK RECORD ARE NECESSARY BEFORE BANK INVOLVEMENT CAN REASONABLY BE EXPECTED.

WE BELIEVE THAT THE FIRST HOUSING DEVELOPMENT CORPORATION OF FLORIDA HAS ALL OF THE ESSENTIAL INGREDIENTS NECESSARY TO PROPERLY ADDRESS MANY OF THE AFFORDABLE HOUSING NEEDS OF THE VARIOUS LOW-AND MODERATE- INCOME COMMUNITIES IN FLORIDA. IT OFFERS MANAGEMENT COMPETENCE AND EXPERIENCE AND A PROVEN TRACK RECORD. AS SUCH, WE BELIEVE THAT FIRST HOUSING PROVIDES AN EXCELLENT OPPORTUNITY TO HAVE A SIGNIFICANT IMPACT IN YOUR STATE IN A WAY THAT WE TRUST WILL PROVIDE ENORMOUS FUTURE DIVIDENDS IN THE FORM OF INCREASED DEPOSITS, PROFITABLE LOANS, AND HIGH LEVELS OF COMMUNITY GOODWILL.

AT THIS TIME I WOULD LIKE TO TURN THE PROGRAM OVER TO CLIFF  
HARDY, THE PRESIDENT OF FIRST HOUSING DEVELOPMENT CORPORATION,  
AND ASK HIM EXPLAIN MORE ABOUT THE DETAILS OF HIS PROPOSAL AND  
ANSWER ANY QUESTIONS YOU MAY HAVE.