FISCAL IMPLICATIONS OF FEDERAL HOUSING PROGRAMS

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As a Nation we are unquestionably and irrevocably committed to substantial programs of Federal assistance for housing and community development. This commitment is evident from the legislative history of the past 25 years, including legislation enacted during the term of the present administration. Housing and community development have become vested not only with public interest but specifically with Federal interest.

There are many economic and other reasons for this remarkable change within the life span of one generation. Some of the current Federal programs for assisting housing are creatures of the great depression. They have been continued and expanded as Federal aid came to be considered essential to a sustained high level of residential construction, more adequate financing of homeownership, and the provision of better housing for those unable to maintain certain minimum levels of living. The housing programs of the prewar period have been supplemented by aids to improved community development, such as the urban renewal program and public facility loans, as urban blight and inadequate community facilities were increasingly viewed as national as well as local problems. The proliferation of Federal activities in this field, apparent from the simple list in table 1, reflects the generally accepted view of our community that it is a necessary and proper function of the Federal Government to help our citizens achieve higher standards of housing and urban environment than would be possible otherwise.

[1] This paper expresses the author's personal views and does not necessarily represent any positions taken by the National Bureau of Economic Research.

TABLE 1.—*Major Federal credit and grant programs for housing and community development*

A. LOANS AND INVESTMENTS [1]

Programs	Agency	Date established
Loans, mostly interim, for low-rent public housing	Public Housing Administration (HHFA)	1937
Purchase of FHA and VA mortgages	Federal National Mortgage Association (HHFA).	1938
Loans, mostly interim, for urban renewal projects	Urban Renewal Administration (HHFA)	1949
Long-term loans for college housing	Community Facilities Administration (HHFA).	1950
Long-term home loans for veterans in remote areas	Veterans' Administration	1950
Public facility loans for small local governmental units.	Community Facilities Administration (HHFA).	1955

B. LOAN INSURANCE OR GUARANTY [2]

Insurance of residential repair and modernization loans.	Federal Housing Administration (HHFA).	1934
Insurance of residential mortgage loans	do	1934
Guaranty of veterans home loans	Veterans' Administration	1944

C. GRANTS

Annual contributions for low-rent public housing	Public Housing Administration (HHFA)	1937
Capital grants for urban renewal projects	Urban Renewal Administration (HHFA)	1949

[1] Two additional programs involve statutory standby commitments for Treasury support. The Federal home-loan banks have authority to borrow from the Treasury up to $1,000,000,000, and the Federal Savings and Loan Insurance Corporation has similar authority to borrow up to $750,000,000.

[2] In addition, there are 2 programs involving an indirect guaranty of loans raised by local agencies. One is the low-rent public housing program. Here, the Federal Government undertakes an indirect guaranty of tax-exempt local housing authority bonds, by virtue of its contractual obligation to pay annual contributions designed to cover the debt service on the bonds. The other is the urban renewal program in which local agencies obtain loans from private sources by pledging a Federal loan commitment. A similar method is used by public housing authorities to obtain short-term financing.

It is fair to say that there is little difference today among most people about this principle. But the question of how far and how fast the Federal Government ought to go in applying the principle under particular circumstances and at a particular time is subject to considerable debate, as is the question of ways and means. Meanwhile, the objectives of better housing and community development have been reinforced by the objectives expressed in the Employment Act of 1946. A thriving home-building industry is widely held to be essential to long-term economic growth; and some of the Federal housing programs can be executed so as to aid in economic stabilization, although this point will require elucidation.

GROWTH OF PROGRAMS

The Federal aid programs in this sector of our economy have a substantial and growing impact on the Federal budget and on the demand for Treasury funds. Because they reflect deep-seated forces in our society, as well as strong pressures of powerful groups benefiting from them more directly, any realistic projection can only be in one direction—up.

The current and near-future position of housing and community development in Federal credit programs is indicated in table 2.

TABLE 2.—*Outstanding loans, guaranties, and insurance for housing and related programs, compared to total Federal loans, guarantics, and insurance* [1]

[Millions of dollars]

End of fiscal year—	Direct loans and investments			Guaranties and insurance		
	Total	Housing	Housing as percent of total	Total	Housing [2]	Housing as percent of total
1953	16,486	3,523	21	35,020	33,697	96
1954	15,352	3,094	20	40,460	37,625	93
1955	16,943	3,439	20	45,392	43,777	96
1956	17,116	3,672	21	51,097	49,901	98
1957 estimate	18,374	4,497	24	57,778	56,303	97
1958 estimate	19,567	4,987	25	65,471	63,765	97

[1] Special analysis F of the Federal budget. The estimates for 1957 and 1958 reflect the administration's budget for fiscal year 1958 and have been somewhat changed through legislation enacted during the 1957 session of Congress.

[2] Includes a relatively small amount of farm and business loans guaranteed or insured by the Veterans' Administration, as well as indirect Federal guaranties of local bonds referred to in footnote 2 of table I.

Direct Federal loans and investments outstanding in this sector in recent years were about $3.5 billion, or one-fifth of the total of such loans and investments which include agricultural, business, and foreign loans and investments as well as those for housing. According to the 1958 budget estimate, they will reach about $5 billion or 25 percent of the total at the end of the fiscal year 1958. As for guaranties and insurance which represent, of course, potential contingent liabilities rather than Federal outlays, the housing programs in recent years have accounted for 93 to 98 percent of the total. The amounts outstanding have increased from nearly $34 billion at the end of the fiscal year 1953 to about $50 billion in 1956 and are estimated to reach almost $64 billion in 1958. About 45 percent of the home mortgage debt is now underwritten by the Federal Government, as against 23 percent in 1945 and 13 percent in 1940.

In addition, there are two major Federal grant programs in this field. One is the urban renewal program, with recent capital grant reservations at the rate of about $250 million a year. The other is the public housing program, under which the Federal Government commits itself to annual subsidies usually for 40 years after completion of projects. These contributions now approximately $100 million a year; the maximum annual contributions authorized under outstanding contracts will soon approximate $200 million.

GROWTH POTENTIALS

Federal outlays in the form of loans or investments and grants are bound to increase markedly over the next few years. First, some of the programs are relatively new or were held back during the Korean hostilities and are just now beginning to hit their stride. In this class are urban renewal grants, first enacted in 1949, college housing loans, first enacted in 1950, public facility loans, first enacted in 1955, and mortgage purchases under the special-assistance program of the Federal National Mortgage Association, authorized in 1954 and later. While congressional authorizations over the past few years have reached sizable amounts, actual expenditures to date, be-

cause of the long lead times [2] characteristic of these programs, have been relatively small. But we are now reaching the stage where the increased authorizations of several years past begin to have their impact on the disbursement of Federal loans and grants. Long lead times create similar situations in some of the older programs, such as public housing. And this increase in spending is inevitable. Even if the Congress should decide to approve no additional authorizations, disbursements would still rise sharply over the next several years. Illustrations of the slow buildup of expenditures resulting from past authorizations are given in table 3.

TABLE 3.—*Status of selected Federal loan and grant programs at recent dates*

[Millions of dollars]

Program	Cumulative authorization [1]	Cumulative disbursements [2]	Annual disbursements [3]		
			1956	1957	1958
College housing loans	925	214	33	98	148
Public facility loans	100	(4)	----------	(4)	15
FNMA special-assistance purchases	1,100	24	(4)	24	196
Urban renewal grants	[5] 1,250	96	14	30	50

[1] Inclusive of authorizations approved in the Housing Act of 1957.
[2] As of June 30, 1957.
[3] As given in the 1958 budget for fiscal years; 1958 estimated.
[4] Less than $1,000,000.
[5] Excludes $100,000,000 available at Presidential discretion.

Another reason for expecting further increases in the fiscal impact of Federal aids to housing and community development is the historical tendency toward larger authorizations as programs initiated on a modest scale are expanded and liberalized. Thus, the authorization for Federal capital grants in the urban renewal program has been increased from an initial $100 million a year to $350 million. In 1956, relocation payments for residents and businesses displaced by urban renewal projects were enacted as an exclusive Federal responsibility, without local cost sharing. In 1957, the maximum Federal relocation payment per business firm was raised from $2,000 to $2,500. Strong demands are being made by local interests to increase the Federal share from two-thirds to three-fourths of the net project costs of urban renewal projects. The total authorization for college housing loans has been raised successively from $300 million in 1950 to $925 million. Educational service facilities such as cafeterias, dining halls, student unions, and infirmaries have been made eligible for such loans in addition to the faculty and student housing covered in the original law. And the Housing Act of 1957 provides for inclusion of housing facilities at nonprofit hospitals in this program. Mortgage purchases by the Federal National Mortgage Association (FNMA) under its special-assistance program, with funds coming from the Treasury, have been authorized for an increasing number of purposes, and the total amount authorized has now reached $1.1 billion. The expansion of this program has resulted for the most part from the proliferation of FHA mortgage insurance provisions for special purposes, such as

[2] That is, the time lapse between the congressional authorization or administrative reservation of funds and the disbursement of funds. In the college housing program, common lead times seem to be 18 to 24 months. In the urban renewal program, lead times in many cases exceed 5 years.

housing for the elderly, relocation housing, cooperative housing, urban renewal housing, and military housing. All of these are being underpinned by access to FNMA, and that means the Treasury, for financing.

Third, the potentials of some of the programs in this field are spectacular if we are going to meet the underlying needs. With cumulative grant authorizations for urban renewal already exceeding $1 billion, we have only begun to poke into slums. We could probably spend $650 million a year in Federal grants alone without running out of slums within 25 years.[3] The limiting factors here are the ability of localities to match the Federal grants, the current low rate of housing vacancies and the resulting difficulties of vast tenant relocations, the problem of finding sponsors for competitive projects,[4] and the real danger of artificially raising slum land prices by a huge acquisition program. Nevertheless, annual capital grant disbursements of about $250 million in 1961 and of as much as $500 million in the midsixties are real possibilities. As for the college housing program, it does not take a great deal of imagination to visualize anual loan disbursements reaching $300 million in the near future and total loans outstanding of $4 billion within a decade.

In the case of the Federal National Mortgage Association, it is pertinent to note that its total mortgage portfolio has risen from $2.5 billion at the end of the calendar year 1954 to more than $3.7 billion despite the brave legislative effort of 1954 to restrain the use of this Government facility and despite its rather conservative administration during the past few years. This increase is due mainly to FNMA's support of the market for Government-underwritten home mortgages in 1956 and 1957 through its so-called secondary market operation, which has been largely financed by nonguaranteed debentures issued to private investors. The bulk of FNMA mortgage loan purchases resulting from the stepped-up special-assistance program and acquired with Treasury funds, which was mentioned earlier, is still to come. On the other hand, the Association has been unable to sell its pre-1954 portfolio of mainly 4-percent and 4¼-percent mortgages as was hoped at that time, and these holdings must be considered frozen except for the slow collection of principal from borrowers. Thus, the total FNMA portfolio may well approximate $4 billion to $5 billion in a few years, without any economic emergency such as the one that gave rise to the Home Owners' Loan Corporation which, with a portfolio of $3 billion, was considered truly a gigantic Government operation.

Suggested Guidelines

It is clear, then, that the demands for Treasury funds arising in the housing sector will be growing rapidly, certainly at a more rapid rate than the rate of increase in Federal revenues that can be projected under conditions of steady economic growth. This prospect, however,

[3] The report of the President's Advisory Committee on Housing Policies and Programs of December 1953 includes an estimate of $24 billion for the total cost of removing or rehabilitating slums. On this basis, an annual total of $1 billion, involving $666 million of Federal capital grants and $334 million of local grants on the present matching formula, would do the job within 24 years. The cost has probably increased since the report was published.

[4] In some cities such as New York there is already a notable tendency to devote urban renewal projects to noncompetitive land uses by nonprofit institutions.

should not be used as occasion for indiscriminate, across-the-board cuts of authorizations or expenditures in this sector. Without a high sustainable volume of residential construction in the long run, economic growth itself could be impeded. We must face the fact that home-building activity has to some extent become dependent on the Federal instrumentalities developed during the past generation, so that we may incur undue economic risks if major aids were withdrawn. Moreover, no fair-minded person can deny that the persistence of a vast acreage of slums in many cities is a blot on our current economic and social scene and that governmental aids are required to remove it; or that marginal families need assistance in obtaining sanitary homes. No fair-minded person can ignore the record of at least a century, which demonstrates clearly that the institutions of the private market in this sector have been less efficient in providing a decent minimum for all than is true for most, if not all, other essentials.

What the prospect of ever-increasing calls on Treasury funds requires is a more careful husbanding of Federal resources devoted to housing and community development and, beyond this particular sector, a comprehensive and more rational approach to the whole area of Federal credit and grant programs. To accomplish these objectives, the following points are suggested for consideration:

1. Concentrate the use of Federal funds for housing and community development, either loans or grants, on special high-priority programs. Conversely, avoid slipping into the use of Federal funds for sustaining general activity in this sector solely because interest rates are high or rising.
2. Discard the notion that a given or growing volume of residential building is necessary under all circumstances in the short run in order to achieve satisfactory economic growth.
3. Review the programs for housing and community development, some of which were designed in the great depression or in anticipation of a major postwar depression, as to their place and functions in a high-level economy.
4. Undertake a thorough appraisal of Federal credit and grant programs in all sectors so as to obtain a comprehensive view of their longer run economic and fiscal impact and to be in a better position for assigning priorities.
5. Minimize uncertainties of the hundreds of thousands of private and public decisionmaking units by reducing the frequency of omnibus housing legislation, which in the recent past has been on an annual basis.

The remainder of this paper will be devoted to an elaboration of these points.

The use of Treasury funds

In the past, Federal financing has been utilized basically under two sets of circumstances. It has been invoked for programs which could clearly not be executed without low-cost Treasury funds. In other cases, programs were partly diverted from private to public financing in order to shelter them from high or rising interest rates. Several times in the past, including the recent past, we have slipped into substantial use of Treasury funds in a misplaced and ineffectual attempt to insulate housing generally from the competition for savings. This

slippage usually has resulted from (*a*) unduly severe limitations on maximum interest rates on insured or guaranteed loans, which in periods of generally high costs of borrowing channel these loans to the Federal National Mortgage Association rather than to private lending institutions; (*b*) the statutory establishment of above-market prices for mortgages that FNMA must pay in its special-assistance purchases (which removes these loans from effective competition by private lending institutions); or (*c*) setting interest rates on direct loans at such low level that the hoped-for participation of private capital cannot possibly be forthcoming. The latter case applies clearly to college housing loans, for which interest rates since 1955 have been so low that practically all loan demands have been coming to the Federal counter.

These attempts to shelter certain programs from the effects of changes in the cost of funds are misplaced because public financing is not essential for carrying out the programs. Home building and home purchase generally depend more upon availability of mortgage funds at reasonably low downpayments and on reasonably long maturities than upon low rates of interest. Also, when the mortgage insurance and guaranty schemes were developed the Congress did not intend to force submarket rates of interest in exchange for Federal underwriting of risk. The quid pro quo was rather a loan with lower downpayment and longer maturity than would be extended without insurance.

The attempts to shelter housing in general from the competition for savings are also ineffectual. Even a generous allocation of public funds will not replace the private funds driven away from the housing programs because of noncompetitive interest rates. For example, FHA and VA loans made during the past 4 years by private lenders averaged nearly $9 billion a year. It is difficult to visualize a situation under which even a quarter of this amount would be appropriated annually for this purpose, save another great depression. Because we can only go a small part of the way toward replacing private funds by public funds (quite apart from the question whether we should travel at all in this direction), insistence on submarket rates of interest has sometimes defeated the very purpose of home-financing legislation. Thus, after the Congress in 1956 extended the veterans home-loan program by 2 years, the Congress in 1957 wrote a premature finis on the program by maintaining a 4½ percent maximum interest rate. Failure to adjust the rate has, in fact, acted as an unintended but potent selective credit control in disfavor of home building, as well as of veterans.[5]

While logic may dictate completely flexible interest rates on insured loans, practical considerations of public policy in my view argue in favor of maintaining maximum rates. But these rates should be sufficiently high to allow flexibility through administrative action. This was the policy adopted in 1934, when the National Housing Act established a maximum interest rate of up to 6 percent for FHA-insured home loans, with administrative discretion to set lower rates.

[5] According to testimony of an official of the Veterans' Administration, "it is abundantly clear that the direct [veterans' home] loan program cannot begin to fill the void that has been created due to the unattractiveness of the GI 4½-percent interest rate." (Hearings before the Subcommittee on Veterans Affairs of the Senate Committee on Labor and Public Works, June 3, 1957.)

The ceiling rate has never been invoked. The administrative discretion granted in 1934 could have been used with greater effectiveness in the postwar period if it had not been for the more restrictive interest ceilings on veterans' home loans and the difficulty of discriminating between FHA and VA loans.

In the case of college housing loans, there is real question whether other kinds of aid to colleges would not deserve greater priority. And if the national interest should be served most by housing assistance is it necessary or fair in the light of social priorities to place the entire burden of financing the full cost of construction on the Federal Government? An interest rate based on the current cost of funds to the Treasury plus administrative expenses would of itself deflect some of the loan demands to the private counter. Also, it may perhaps not be unfair to ask the colleges to contribute a modest proportion of the total construction costs through private loans or other private funds or in the case of State institutions, through State budgets.

In summary, it is suggested that the use of Federal funds be limited to carefully selected high-priority programs and that inhibitions to the fullest participation of private capital be removed.[6]

The role of housing in economic growth

The "slippage" into increased use of Federal funds is sometimes occasioned by the astonishingly widespread view that housing, year by year, must make a more or less fixed contribution to economic activity. Consequently, a decline in home building has come to be considered a national calamity, no matter what the circumstances are, and is used as an added reason for the employment of Treasury funds. There is just enough validity in the view that long-run prosperity would be difficult to maintain while home building was languishing to give this notion a degree of respectability. But if applied to the short run, the idea of an ever-normal housing sector does not stand up under scrutiny. In a growing economy some sectors will always surge forward while others are temporarily left behind. To give the latter artificial support would only increase the inflationary pressures on an economy operating at a high level, impede necessary adjustments of products or prices, and result in more severe instability at a later point.

Thus, stimulated by the easy-credit policies initiated in mid-1953, housing production expanded at a spectacular pace in 1954 and early 1955 while other economic sectors, notably business investment and Federal expenditures, were declining. The sharp increase in residential construction helped prevent the development of cumulative deflationary pressures that might have resulted from these downward movements and was an important factor in keeping the recession of 1953–54 within bounds. But an attempt to use Federal aids for maintaining the 1954 pace of home building later, when the whole economy was moving forward at a fast clip, would only have added to the threats of inflation. An economic policy that allows reasonable fluctuations in the housing sector does not use housing as the beneficent balance wheel of the economy but rather preserves the flexibility essential to steady economic growth without ruinous inflation.

[6] These guidelines apply to the division between private and Federal funds. There may also be a question of the proper division between Federal and State responsibilities in some of the housing programs. This question is intimately related to the general problem of the fiscal and functional division of labor between the Federal and State Governments, which is now being examined by a Presidential commission.

Public understanding of the aims of economic stabilization policies is badly in need of clarification and improvement, for it is vital to the successful conduct of these policies. We must learn to understand that stabilization efforts cannot be oriented toward stability or proportionate growth in individual sectors or industries. Any attempt in this direction would be self-defeating. They should be directed so far as possible, however, toward preventing clearly unsustainable rates of growth in major sectors, and they must attempt to reconcile occasional conflicts between the Federal Government's commitment to advance housing and its commitment to help maintain economic stability.

While maintenance of a given level of residential construction is no sufficient reason for increasing use of Federal funds so long as the economy is growing, other policies may be called for in an altogether different setting when private funds are generally shying away from investment and resources are unemployed on a large scale. In such a situation, some of the housing programs could indeed be used advantageously for countercyclical purposes, as well as for accelerated advancement of program objectives. The FHA program of insurance of repair and modernization loans probably ranks high in this respect, in terms of speed and wide dispersion of expenditures that can be generated. Liberalization of downpayments and perhaps maturities under the FHA residential mortgage-insurance programs would at least help moderate a decline in home building, but they would do so only if the ammunition of easy terms was not already shot away during economic prosperity. In a serious general recession, increasing FNMA support would be called for and is, in fact, provided in existing legislation. Other programs, such as urban renewal, have such long lead times that they are in a more dubious category.[7]

Reexamination of programs

A reexamination of the place and functions of our housing programs in a high-level economy has been long overdue, and I believe this is true for social programs generally. Some of the housing programs were designed during the great depression on assumptions quite different from the realities of the postwar era, and need to be reconsidered in light of the national policy formulated in the Employment Act of 1946. The suggestion for reexamination does not argue for curtailment, nor does it necessarily promise a reduction of Federal expenditures. It does invite an effort at fresh thinking which should at least produce more effective spending of Federal funds.

This need is illustrated by the public low-rent housing program, though it is by no means limited to it. The public-housing program was originally designed to help solve the problem of families with insufficient incomes to command adequate housing. One-third of our families were said to be in this group, which implied that a large percentage of normal families with employed breadwinners, as well as others, would need subsidized housing for an indefinite time. And the solution was the rental housing project in public ownership, usually large and institutional, often of the skyscraper type in big metropolitan areas, visually and otherwise segregated from the rest

[7] For a more comprehensive discussion, see the writer's Housing Policies to Combat Depression in Policies to Combat Depression (National Bureau of Economic Research, universities program), Princeton University Press, 1956.

of the community, tightly regulated by a paternalistic management, and expensive to operate not because luxuries are provided but because rental housing requires services which in this country of high wages are costly.

In the postwar period, there has been a pronounced shift in the nature of the problem, at least in the larger cities. With the increase in real income, the proportion of "normal" families seeking public housing has declined, and the occupancy by what a recent issue of the Journal of Housing called troubled and troublesome families has risen. While average incomes of public-housing occupants have not kept pace with the general rise in incomes, operating costs of projects have been creeping up, with the result that the Federal Government's annual contribution, for many years below the maximum provided by contract with local agencies, is rapidly approaching the maximum in many cases. And even stanch advocates of public housing have come to question the solutions of yesteryear.[8] Why not use rehabilitated old housing as well as new? Is public landlordism essential or desirable? Is the "project" approach socially sound? Should subsidies be applied to the family or the dwelling unit? Would subsidized home ownership be preferable to tenancy for at least some of the public-housing occupants? What portions of the population should a clearly subsidized low-rent housing program in a growing and high-level economy serve? Would problem families be helped more by intensified social services, with less emphasis on physical housing standards?

In my view, the need for some kind of housing subsidy to help those clearly unable to pay the economic cost of sanitary housing will continue even in a high-level economy. After 10 years of practically unbroken prosperity, millions of people are still living in slums for reasons of economic necessity. But it is equally clear that the current program is incapable of meeting this need. Instead of devising a better program and one meeting with more general acceptance, however, the public-housing issue has become hopelessly deadlocked in ideology. Instead of devoting ourselves to a reexamination of ends and means, we have continued the program of 1937 without comprehensive review of experience and have played the numbers game, that is, the ostensible issue nearly every year has been whether 35,000 public-housing units or some other number ought to be authorized.

Other housing programs are also overripe for overhaul. As was mentioned earlier, we have used the FHA mortgage insurance device excessively for all sorts of special purposes until by my latest count there are 11 different insurance funds, and because my count was made without the benefit of a battery of lawyers, it is by no means authoritative. There is great need of simplification. The abundance of special-purpose programs is in danger of "balkanizing" the FHA mortgage insurance system and of creating artificial housing submarkets with their own financing and price structure, depending on who occupies the dwellings or where the dwellings are located.

Overall review of credit and grant programs

In view of the rapid expansion of old and the initiation of many new programs in the postwar period, a thorough overall review of

[8] See, for example, Catherine Bauer, The Dreary Deadlock of Public Housing, Architectural Forum, May 1957, and the symposium in response to her article in the June 1957 issue of Architectural Forum.

Federal credit and grant programs, comprising housing and other sectors, is badly needed. In the legislative process, every one of these programs is, of course, carefully gone over by the appropriate committees of the Congress. It is respectfully suggested, however, that this kind of review does not obviate the need for a more comprehensive across-the-board appraisal every few years. The Joint Economic Committee is perhaps in the best position to perform this service and make recommendations for consideration by the cognizant committees. Such a review should enable the Congress to have before it a comprehensive picture of Federal credit and grant commitments, and of their effects on current and future cash and administrative budgets as well as on the economy as a whole, when individual programs are considered. It would also help the Congress in assigning more deliberate priorities to programs or reassessing past priorities in the light of current and prospective conditions. It is not unfair to say, for example, that the terms of Federal loans in some cases are due to historical accident. They were established at a time when general credit conditions were quite different from those prevailing in recent years, and are now disproportionately liberal in relation to the terms for other programs which were enacted later under different circumstances.

The objective of the proposed review would not necessarily be to establish uniform conditions for Federal loans or grants but rather a pattern more consistent with the current congressional evaluation of the needs of various kinds of recipients.

Frequency of housing legislation

Finally, it is respectfully suggested that less frequent housing legislation may, in the words of the outline for this study of Federal expenditure policies, "minimize government interference in decisions by business and consumers about use of resources."

It has become the rule to adopt every year what has come to be known as an "omnibus" housing bill, that is, a bill dealing with a large variety of major programs, if not all programs, in this sector. Likewise, loan and grant authorizations are often made for 1 year. This procedure has created continuous discontinuity. It has added greatly to the uncertainties faced by the hundreds of thousands of consumers, builders, mortgage lenders, and local public agencies affected by housing legislation. It has unnecessarily complicated the work of administering agencies. It has made it extremely difficult for cities to maintain long-range planning operations in connection with urban renewal and public-housing programs. The rules of the game are changed too often with confusing and disruptive results. Sometimes, a program has barely been initiated before its provisions are revised. Yet, the operative results of an amendment or new program enacted during the summer in most cases cannot really be appraised the next spring when the strategically important work of congressional committees is performed. In some programs, money authorizations for several years, rather than a single year, and a degree of continuity are more important to good performance at the local and national level than are the amount of authorization or revisions of the basic statute.

There will always be need, of course, for relatively minor perfecting amendments for one program or another. There will also be less frequent occasion for initiating new programs. From time to time, comprehensive review and overhaul of existing legislation is called for, as was already indicated. But there is real question whether annual omnibus legislation is needed in a sector in which certain basic statutes have evolved over many years, and whether such legislation is not an unstabilizing influence. Moreover, because of the timelags in most of the housing programs, legislation based mainly on a temporary condition rather than on consideration of the longer run implications is in danger of being out of date when it becomes operative.