Following is the Address delivered by Mr. Frank C. Walker before the Mortgage Bankers Association Convention at the Edgewater Beach Hotel, Chicago, on October 3, 1934.

I hesitated during my rather brief official career to give public utterance to the thoughts that were mine concerning the things that were being done by the current administration, and I was reluctant to discuss publicly my views concerning the attitude of the American people towards the New Deal.

Now I gladly come to you to speak- not as an economist, for I am not one- not as a political partisan, for honestly and frankly, I say to you, I am not a decided political partisan- not as part of the administration, for the tasks that were assigned to me now fall to the lot of another- I come merely as a citizen of the country, who like the rest of you is vitally interested in this nation and the well being of its people. I said I am not a political partisan- neither do I wish to be classed as a critic. This is the first invitation of this kind that I have accepted since I became identified with the administration. I gladly accepted it because I know that, at the time I was to appear before you, I would not be in official life, and because I felt that hers a grand opportunity would be afforded me to bring home a message to one of America’s finest and most representative financial groups.

I shall be candid and frank with you at the outset. I shall make the open confession that I am not a fair and impartial judge of the merits or demerits of the Federal Housing Act. I am decidedly biased in its favor. It is sort of step-child of mine, a waif lest on my doorstep, but it has endeared itself to me. I am intensely interested in its development into real, splendid manhood. Though the statement may be considered by you extravagant, I feel deeply that no measure passed by this administration gives forth greater possibilities for revival of industry and the reconstruction of the mortgage market than does this measure. Do not misunderstand me; I am neither its author nor its creator. It did not originate with me, but its possibilities have won me over completely.

In January of this year many activities of housing were found in practically every branch of government. The President requested the Executive Council and the National Emergency Council to coordinate these activities and to bring some order out of the chaos that existed. This measure is the result of that order, and came only after months of study, analysis and conferences by some of the leading economists, bankers, insurance and mortgage men of the country.

As these problems are also your problems, gentlemen, and at least one major aspect is particularly yours, it is appropriate that I should come before you today and tell you something of the background of the Act, and outline to you the future of this program as we see it. I do not propose to ago into the details of the National Housing Act as such, rather I propose to outline the problems which we found, the scope and place of the measures we developed, and the whole coordinated Federal housing program which we hope to achieve. Washington has been confronted with three major pivotal situations, each of which centers in the Federal housing program- the mortgage problem, the unemployment relief in the construction industry, and the housing problem. Much time and effort, as you know, has been devoted to these problems, and the major portion of the recovery activities has been directed to their alleviation. Since you gentlemen are especially interested in the mortgage situation, let us first turn our thoughts in that direction.

The total volume of outstanding mortgages, including farm, urban and commercial instruments, was estimated in the neighborhood of forty-five billions in 1930. This is by far the largest single block of private capital debt outstanding and it has bearing- a very important bearing, in fact- upon all of the problems growing out of the collapse of our capital markets and the attendant slump in the heavy industries whose products are sold largely though capital financing. These problems are peculiarly difficult in the case of mortgages became mortgages, unlike industrial bonds, are secured by individual properties, the ultimate value of which is difficult to evaluate even by the skilled appraiser. They lack almost completely, therefore, liquidity in times of depression, especially when, during the preceding boom, the aggregate volume of mortgage debt had been over0expanded and the placing of mortgage debt had been complicated in many cases by questionable financial practices.

The Federal Government has dealt with this problem from many angles. Banks and other financial institutions, which were embarrassed by their holdings of large portfolios of mortgages, have been sided freely though loans by the Reconstruction Finance Corporation. This activity has lifted some of the pressure on the market in general. It has not, however, represented the sort of activity which would encourage a resumption of mortgage lending.

In addition, in the case of farm mortgages and urban home mortgages, the Federal Government, through the Farm Credit Administration and the Home Owners Loan Corporation, has actively refinanced borrowers on a large scale, thus contributing toward the preservation of individual owners, and the further rehabilitation of mortgage- lending institutions.

The second major situation with which we have had to deal in Washington which has a bearing on the coordinated Federal housing program is the unemployment situation and the enormous continuing need for relief for large parts of our people. This unemployment is concentrated very heavy in the heavy industries, or in the dependent service industries, and particularly in the construction industry. It is clear that if we are going to escape the financial dangers which attend an indefinite continuance of the heavy load of relief which have had to carry during the last eighteen months these people must again find private employment. It is further clear that this employment must come in large part from the heavy industries, particularly the construction industry.

In this situation again the Federal Government has noted to alleviate conditions from many angles. In the first place, through the Federal Emergency Relief Administration it is carrying the largest proportion of the relief expense. Second, through the Public Works Administration it is providing current employment in the construction of useful public works for hundreds of thousands of the otherwise unemployed. This activity, however, we realize is temporary and does not solve the problem of the unemployment in these industries. The increase in Federal public works, in fact, tremendous as it has been, has not been sufficient to offset the deadline in public works undertaken by state, local and municipal and other public bodies in this country in normal years.

This brings us to the housing condition of our country. Here we find the most amazing contract in conditions. The American people are not well housed. They are not housed on a standard comparable with other elements in our civilization. Particularly in this true of the lower- income groups who have never been able to afford adequate housing. As a matter of fact, a visit to some of the mining and industrial centers, to the tenements districts of our great cities, shows a crying need. From the standpoint of health, sanitation had comfort they are a disgrace to American civilization. On the other hand, in many committees we find a temporary situation of oversupply, particularly in certain legalities where houses that are vacant because of delinquencies are pressing on the market. From a longer run point of view, however, we find in housing the present heavy volume of unemployment is likely to prove permanent, that this country, with foreign investment channels cut off, cannot find work for its people to do, that only a small proportion of our population is needed to feed us and clothe us, and that, therefore, a large group will remain permanently on our relief rolls. I am not now and never shall be a disciple of this creed that would ruin the morale of our people. I stand or fall, with the President, upon the proposition that it is not the destiny of any American to remain permanently on the relief rolls. As he so understandingly said: (Quote) Demoralization caused by vast unemployment is our greatest extravagance. Morally, it is the greatest menace to our social order. Some people try to tell me that we must make up our minds that for the future we shall permanently have millions of unemployed just as other countries have had them for over a decade. What must be necessary for those countri8es it is not my responsibility to determine.

But as for this country, I stand or fall by my refusal to accept as a necessary condition of our future a permanent army of unemployed. On the contrary, we must make it a national principle that we will not tolerate a large army of unemployed and that we will arrange our national economy to and our present unemployment as soon as we can and then to take wise measures against its return. I do not want to think that it is the destiny of any American to remain permanently on relief rolls. (End Quote). We have only to look around us at our present housing facilities to find a market for all of our enormous productive capacity. There are few families in this country who are so fortunate that they could not, provided they could afford it, use more housing, absorb more space, live in better physical conditions. We have the resources in this country so provide these housing by which we can utilize these capacities to the full. Our only problem is to find an intelligent method by with we can utilize these advantages for the good of all of us.

It is these three major situation which we are trying to coordinate in the housing program into a regenerative force that will not only help to lift us out of the depression but will also, provided we are skillful enough, afford a major outlet for our industrial capacity though the next generation, comparable to that which attended the development of the railroad and the automobile in the past.

It is a generally accepted fact that today we have in the neighborhood of 9 millions unemployed. Do you realize that a larger proportion of that best depends upon the building industry than upon any other industry for its support and maintenance? Do you understand and appreciate that the greatest lag in industry today is beyond question found in heavy industry? What great opportunity is here afforded to alleviate this condition!

We have no illusions about the magnitude of the task nor the nature of the enormous difficulties to be overcome. We do feel, however, that this combination of factors presents us with an opportunity of the first magnitude with a situation which will reward conscientious effort on our part with better results in national well-being than any other situation in the picture. We are under no illusions, furthermore, that these sought-for results can be obtained by administrative fiat from Washington. They will require painstaking cooperation and effort from state and local governments as well as form Washington. All that we can do is to try to formulate the general program, coordinate the thousands of diverse elements in the picture, and lend national support where national support is needed.

We do not propose to rely on direct Federal building or subsidy to achieve this result. That would be neither good building nor good finance. There are exceptional situations such as those represented by certain demoralized slum areas, or by subsistence homestead projects, where it is desirable to point the way out through direct Federal building or direct Federal aid to building. These activities are largely experimental, however, and cannot be looked to revive general industry or to raise the general standard of housing in this country. That happy result can only come about through the widest possible utilization of all the elements that deal with the housing situation, both private and public, on a sound basis. I feel strongly that we will not be able to revive building and provide really better housing facilities for the millions of our people which need them until and unless we achieve this result though methods which represent good industry, good real estate conditions and good finance.

The National Housing Act is designed to give a start to this program. Though it we hope (1) that the widespread need for modernization will provide building labor and the building material industries with a revival of activity during the coming year, (2) that the insurance of mortgages on existing homes of the better type will serve to liquefy the mortgage market and to make these mortgages ore widely attractive in investment circles, and (3) that the insurance of mortgages on new construction, where it is economically desirable, will provide renewed activity to the construction industry and increased employment to the building trades. We hope also through the standardization of practice that will be introduced in the insured mortgage to improve financial practices in home-lending and to lend support to the efforts of farsighted leaders in the housing field in their efforts to improve housing conditions generally, especially in the direction of better neighborhood standards and protection against neighborhood deterioration. Finally, through the insurance of mortgages upon low-cost housing projects we hope to unify and expand the efforts that have been made in so many committees to deal intelligently and realistically with the extremely difficult problems presumed by slum areas.

This is a sufficiently large order to occupy our energies for the present. Eventually, it is my hope that the Federal Government through its efforts toward coordination in this field, will be able to help achieve more uniform mortgage legislation, more equitable taxation practice, and also possibly to aid in the development of research facilities in construction methods.

I wish to add a final word regarding the position, the responsibilities, and the opportunities of the mortgage banker in this program. One of the outstanding facts that has impressed itself on my mind during the last year has been the multiplicity of factors that diversified in a physical sense, so that what is true of one town is false in another, or even in other sections of the same town. In addition even on the site of construction there is little organized unity of interest. If one wishes to obtain an automobile he can obtain one by a simple retail purchase. If he wishes to go into its qualities or cost he can inform himself by contracting simply the automobile retailer and the manufacturer. This whole industry, in other words, is integrated in a simple, logical producing and selling organization. Anyone who would build, on the other hand, must take into consideration land location and land costs, neighborhood trends, and taxation rates; he must deal with a variety of business and professional interests, such as the various supply manufacturers, architects, contractors and sub-contractors, to say nothing of the various building trades. Finally, he must deal with finance, this is, of course, an old story with all of us, so old and habitual as to be taken almost as a matter of course. The variety and complexity of the situation is brought home anew, however, to anyone in Washington who is concerned either with code making or with coordination in the housing field. Among all of these diverse elements, the mortgage banker comes nearer to having a comprehensive and unified approach than any other. He after all is responsible for arranging the financing of that finished product which we call a house and must, therefore, as a matter of course, take into consideration every diverse element in land assembly, labor utilization, and construction which enters into that final product. He financed on a long-term basis, furthermore, and is more directly concerned than anyone else, except of course the owners, with the ultimate soundness of the venture, with the trend of the investment. Occupying this field as he does, he stands at a pivotal point in all housing developments. The granting or withholding of mortgage money, for example, could accomplish much toward better city development and the elimination of decaying neighborhood trends.

The mortgage banker, more than any other single element in this pi9cture, can, if he will, be a unifying and constructive element in developing this new housing program. Through his help and cooperation, we will be able to achieve that happy combination which we all desire, of better housing at a cost within the income of the mass of our people, houses, furthermore, that are not only soundly constructed but are also located in decent neighborhoods of stable values.

I am not one who is easily stirred, but I can remember well how deeply impressed was I when the President, on the steps of the Capitol, took oath of office and asked Divine guidance in the days to come. His sincerity omight the imagination of the American people and inspired an almost unanimous feeling of faith and confidence in him and his cause.

He pledged you he would make definite efforts to raise the values of agricultural products. It has been done.

He told you of the strategy of then growing loss through foreclosure of small homes and farms. The mental pain and anguish and the economic loss of it all has been stopped.

He indicated the need for a reconstruction of our banking system, then at its lowest ebb in our history. With speed that was amazing to the banking world, assistance was rendered, the damaged structure repaired, and reconstruction brought about in orderly fashion and to make assurance doubly sure a system of Deposit Insurance set up.

He decided the speculation of the New Era that had raised much havoc. A Securities Commission had begun to function and will continue to function sanely, reasonably and effectively.

He directed your attention to the problem of better use of land, national planning, supervision of transportation, communications, utilities. Action has been taken in all of these matters.

I attempt no brief in support of the proposition that there is perfection in the administration of all of these policies. Reasonable men do not hope for perfection. Men honest with themselves know that it is beyond human possibility. I feel that honest, sincere and able effort has been and is being made by those entrusted with administrative responsibility.

I am certain that he has kept faith and will continue to keep faith with the American people.

I am not certain that in solving our common problems that all of us are keeping faith with ourselves and with our own institutions. I sometimes wonder if the traditions handed down to us by the pioneers that all of us are keeping faith with ourselves and with our own institutions. I sometimes wonder if the traditions handed down to us by the pioneers of our country in industry, commerce and government are being carried on. I wonder if the same spirit of sacrifice that animated them now animates us. We saw recently the sorry spectacle that shattered the traditions of the sea, and made man wonder if the proud worthwhile spirit of man was weakening. I pray, God, that our early traditions shall always carry on and that we shall always continue our real American ideals.

I sometimes wonder if we think too much and speak too much and proclaim too often of our rights. Might it not be well to have a greater sense of appreciation of our duties and obligations?

Isn’t it true that the President caught the temper of you, and me and of the American people when he said, on March 4th, 1933: “This nation asks for action and action now. Our greatest primary task is to put people to work. This is no unsolvable problem if we face it wisely and courageously.” At that time he gave expression to the thoughts of the American people. He has given us action, and in giving it, it has sometimes seemed to me that we as a people have come to rely too much on government to bring results, and to neglect our own responsibilities. I tell you, frankly, gentlemen, that private industry must come forward and do its part. Did not his most recent message convey a call to you, when he said: “We count, in the future as in the past, on the driving power of individual initiative and the incentive of fair private profit, strengthened with the acceptance of those obligations to the public interest which rest upon us all. We have the right to expect that this driving power will be given patriotically and wholeheartedly.”

The National Housing Act is a concrete expression of the principles which the President was expressing in these quotations I have given. It requires action on the part of the government, but it requires equally the driving force and initiative of private enterprise. That comes as one of your duties. Its success lies with you. And so we ask you here for action and action now.