

NATIONAL PRESS CLUB LUNCHEON WITH ALPHONSO JACKSON,
SECRETARY OF HOUSING AND URBAN DEVELOPMENT

SUBJECT: THE STATE OF AMERICAN HOUSING

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MR. ZREMSKI: Good afternoon, and welcome to the National Press
Club. My name is Jerry Zremski, and I'm Washington bureau chief for
the Buffalo News and president of the National Press Club.

I'd like to welcome club members and their guests who are here
today, as well as our audience that's watching on C-SPAN.

We're looking forward to today's speech, and afterwards, I will
ask as many questions as time permits. Please hold your applause
during the speech so we have as much time for questions as possible.
For our broadcast audience, I'd like to explain that if you hear
applause, it may be from the guests and members of the general public
who attend our luncheons and not necessarily from the working press.
(Laughter.)

I'd now like to introduce our head table guests, and ask them to
stand briefly when their names are called.

From your right, Theresa Whitfield of EthnoMedia Group; Dorothy
Gilliam, director of the Prime Movers Program at the School of Media
and Public Affairs at George Washington University; Neil Roland of
Bloomberg News; Ronald A. Rosenfeld, chairman of the Federal Housing
Finance Board and a guest of the speaker; Marcia Jackson, spouse of

HUD Secretary Alphonso Jackson. Skipping over the podium -- Melissa Charbonneau of CBN News, and vice chair of the National Press Club Speakers Committee. Skipping our guest for just one moment -- Barbara Reynolds, Reynolds News Service, and the Speakers Committee member who organized today's event; Brian Montgomery, assistant secretary for Housing and Federal Housing Commissioner, and a guest of the speaker; Damien Poletta (sp) of Dow Jones Newswire; James Tyson of Bloomberg News; and Steven Taylor of ABC News. (Applause.)

These days, the state of the American housing market is front-page news. After years of unprecedented growth, home values have leveled off, and they've even dropped in some markets.

And the magical mystery mortgages that fueled the nation's housing boom, the so-called subprime loans, are turning out to be more costly than expected for countless homeowners. Many are being forced into foreclosure.

Today we are honored to have the best possible news source with us to discuss such housing issues: U.S. Housing and Urban Development Secretary Alphonso Jackson. In nominating Mr. Jackson as the 13th secretary of Housing and Urban Development, President Bush called him one of America's most experienced and respected authorities on housing.

Before entering the private sector, Jackson served as president and CEO of the Housing Authority of the City of Dallas, which consistently ranked as one of the best-managed large-city housing agencies in the country during his tenure. Prior to that, Secretary Jackson was director of the Department of Public and Assisted Housing in Washington, D.C., and the director of public safety in St. Louis.

Secretary Jackson has worked at HUD to increase minority homeownership, to create more affordable housing and to fight homelessness. He also put in motion a reform plan that helped to completely remove HUD from the Government Accountabilities (sic) Office list of high-risk programs. This marked the first time in 13 years that no HUD programs were on that list.

Alphonso Jackson first joined the Bush administration in June of 2001 as HUD's deputy secretary and chief operating officer. As deputy secretary, Jackson managed the day-to-day operations of a \$32 billion agency and instilled a new commitment to accountability within HUD.

The U.S. Senate unanimously confirmed Jackson as the nation's 13th Housing secretary on March 31st, 2004. He is only the HUD secretary to have run a public housing and community development agency. And now he has the difficult responsibility of overseeing a housing market that's in the midst of great change. Here to tell us about the state of the American housing market is HUD Secretary Alphonso Jackson. Mr. Jackson, welcome. (Applause.)

SEC. JACKSON: Thank you very much.

MR. ZREMSKI: Welcome.

SEC. JACKSON: Thank you very much, Jerry, and good afternoon,

ladies and gentlemen.

The housing industry -- and all of its many facets -- is one of the most important parts of our economy. Residential fixed investment is a large slice of our gross domestic product -- in fact, 6 percent, or 767 billion (dollars), last year. If we include all of our housing services, the percentage is close to 20 percent, 3 to 4 percent more than the health care sector of our economy.

Housing is the driving engine for our global financial leadership, because housing represents a major national investment through infrastructure, purchases, construction, lending and equity. It was the housing market that kept our economy afloat after 9/11. And the work of our department is -- in providing incentives and programs that assist affordable housing and homeownership itself is a vital part of the American enterprise.

It is fair to say that homeownership is the embodiment of the American dream. See, the history of this country is one of settling cities and towns and constructing -- in the construction of housing on a vast historical scale, from the early settlements in Jamestown 400 years ago. Most recently townships incorporated across the continent is geographically and economically diverse. Homeownership, from my perspective, remains a vital asset of our country.

Ownership is one of the common themes, maybe the greatest theme, of the American experience. Homeownership is one path to upward mobility, wealth creation and security retirement. See, a home is where we live, grow up together and grow old together. It is a place, a reflection of ourselves. It is where we find solitude and shelter. Housing is about equality, fairness, justice and rights. And I know firsthand housing issues were central to the civil rights movement. This was one of the places where civil rights was won and freedom secured. Along with food, water, education, housing is the most basic essentials of life.

In short, I think housing is very important. And housing has been a part of my work for a number of years. So I will tell you it is an honor to speak about the state of American housing and to do so in this forum.

The state of housing is a topic under much discussion at this moment. You might say that we have a daily dialogue about the state of housing. The booming rate of U.S. homeownership many decades were greeted with astonishment and pleasure. And this led to many investment opportunities in American housing on a global scale, not just on a national scale, and those investments brought wealth and money back into this country.

But today I will tell you the boom didn't last, and booms never do.

The red-hot housing market couldn't generate heat forever. There had to be a return to normalcy -- or a balance is what we call it. The correction that we're seeing today is definitely needed. I believe that we are in a search and adjustment period right now. But I'm an optimist. There is no reason to believe that we can't reignite the housing market. You must know that we're at full employment, real

income is up \$3,000 per person since President Bush took office and the population keeps growing. We have a high workforce participation. More and more people still want to buy homes today; that means gains in housing are real and can be sustained. It's also good news for the American homeowner.

But there's a problem. The recent problems with these exotic, subprime loans has generated great concerns. It has exposed problems that must be addressed today and in the future.

Just last week, the Federal Reserve indicated it had worries about the housing market, saying that the correction of the housing sector will continue to weigh heavily on the economy's activities through most of this year, somewhat longer than we previously expected. But I can tell you the good news is that we continue to see gains.

Also last week, we announced figures showing home prices continuing to appreciate -- although they do so at a moderate rate -- but the appreciation continues to outpace inflation.

So I'm here today to tell you that the sky has not fallen in as of yet, and I don't think it will fall in. But I will also say to you today we need to take measures not just to promote home ownership but to protect it for the long term. In other words, I think it's time for a clear assessment of what has been accomplished, what is happening now and where we need to go in the future to correct this problem.

So today I will start with homeownership.

Homeownership stands there all-time high, a historical level. Nearly 70 percent of all American families own a home. We should view this with pride. America has become, President Bush's term, the ownership society, where ownership is the core of this society. While we will always need rental properties, homeownership still continues to inspire the American dream.

And we have made significant gains for our minority community, but we have a long ways to go, still. Today, for the first time in the history of this country, 50 percent of minority families own a home. But compare that figures to non-minorities, where homeownership is at 74 percent. What is troubling is that we have a 24 percent gap between minority citizens and non-minority citizens. We have accelerated our progress in closing the gap.

Since President Bush came to office, in 2002, he set a goal to create 5.5 million new minority homeowners by the end of this decade. And I can tell you today, we are well over half, at 2.6, 2.7 million new black and Hispanic homeowners in this country. And I'm also confident that the goal will be reached in spite of the problems of the subprime market today. Our near-record rate of homeownership have a personal finance advantage. While people we may not be big savers -- while Americans we may not be big savers as defined by some of the economists in this country, the value of our investment in our home has grown every year that we've had that home.

Think about this. American home equity has grown from 6.6 trillion in 2000 to 10.9 trillion in 2006, a 60 percent increase over six years.

That's phenomenal growth. But the problem is the growth came with three problems.

The first is predatory lending, and I will say there is no place for it in the American housing or lending practice, no place at all. Predatory lenders have targeted home buyers, especially minorities, and successfully manipulated many of them into unwanted, illegal and unethical loans. For minority citizens in particular, affordable loans even today are still hard to come by. So when affordable loans are difficult to find, we have slick, sinister predatory lenders often appears as a valuable option. HUD will continue to aggressively pursue any predatory lender, but one thing is sure, the consumer must also be empowered with the tools to know and be able to spot a sham. The key is to be able to read and understand the fine print and also to know when to ask for help.

Last month, we convened a summit with leading stakeholders in the housing community to discuss the impact of this risky high-priced loans on American homeowners. The goal of that summit was to bring together investors, lenders, consumer advocates and decision makers to assess the housing situation and to offer ways to help those facing the difficulties of today.

We learned that half of all home owners facing foreclosure are afraid to pick up the phone and contact their lenders. They're afraid to pick up the phone and contact their lenders, because these people are so fearful, they're instilled -- instead of picking up the phone and asking for help, they end up losing their house. We also learned that while most people face foreclosure or afraid of their banks, they're much more open to talking to nonprofits, Barbara, and faith-based organizations about how they can get out of this process. That's why today the counseling and financial education is so important at HUD.

And I will tell you, when the president challenged us to create 5.5 million new minority home owners, one of the things that we said at that time -- now Senator Martinez was secretary then -- that one of the critical issues that we must face is housing counseling. At the time we entered office, we were spending somewhere between \$8 million and \$10 million a year on housing counseling. Last year we spent \$41 million, and this year we've asked for \$50 million to make sure who want to own a home have the ability to own a home. And I believe that we can stop predatory lending by working together; that is the government, the private sector and the home buyer. Such cooperation must remain persistent and a national priority.

Let's talk about the second problem, which is really the problem that we face today: the prevailing of exotic subprime loans, and let me explain to you what I mean by "exotic." In my mind, exotic loans is one that didn't take into account the financial situation or the ability of the borrower to pay back the loan. It is a loan with initial low teaser rates and payments that increases dramatically when the interest rate resets. And after the initial period of the loan,

all of a sudden they're faced with this huge increase. It is exotic because it is financially irresponsible to make these kinds of loans.

And I heard the other day that these loans in many cases, Jerry, are called suicide loans.

Now, most subprime loans don't fall into this category. Most of the subprime loans remain viable and will not result in foreclosure, but some are problematic, especially as home prices slow down and decrease. The subprime loans taken out in 2005 and 2006 have began (sic) to experience the increased payments, but our department believes that 80 percent of these subprime loans are sound. And as you know, the chairman of the Federal Reserve recently confirmed that most subprime loans will remain secure.

But the other 20 percent of these subprime loans, I will tell you today, are headed for trouble. The borrowers will have difficulties in affording the high payments of these loans. And another round of loan adjustments are due in 2008. We can help some of these people through HUD's Federal Housing Administration. There are tens of thousands of homeowners who reset the rate are about to be hiked that we could benefit by refinancing with federally insured loans.

It's important to note that our lending foreclosure rates are 1.3 percent, just half of the subprime average. FHA and its lenders actively work with people who are running into financial difficulties. They do this by extending loans, temporarily reducing the payments, or making partial claims through FHA insurance. We can help a lot more people.

The third problem is a loss of confidence by citizens and by some of our financial experts.

The lesson they draw from the subprime situation is that home ownership shouldn't be for everyone, that home ownership rates have hit the ceiling. Well, I'll tell you today, I strongly disagree.

Despite the problems of this market right now, home ownership as a goal is a good thing for Americans. And I recognize that home ownership is not for everyone. But I will tell you this, it should be an available option for all families.

When I was coming up, the last of 12 kids, I got all the wisdom the other 11 missed. (Soft laughter.) And my mother said something to me that was very important. She said that it might be insane to live with the dream, but it is madness to live without one.

So I believe that we should give every American the opportunity, if they so choose, to own a home. When we have problems like the exotic subprime market loans, we cannot retreat from our home ownership commitment. We just can't say, well, some people just shouldn't own a home. I'll tell you today, we can't abandon the American dream. Americans who are turned away from the prime lending still deserve a chance at the dream. So you will never hear me say that all subprime loans are bad. As the former chairman of the Fed, Alan Greenspan, said, the subprime market further democratizes access to credit, which helps expand opportunities for a wide array of

people. But we must have enough foresight to head off future problems by acting now. In other words, we can address the upcoming subprime problem if we have the wisdom to get ahead of the curve. And we had better get ahead of the curve or we're going to have serious problems, and one of the ways to do this is through legislation to modernize FHA.

I will say to you today here and to the Congress, we need this reform now. (Applause.) President Bush and I have repeatedly urged Congress to act. FHA is the mainstay of American housing enterprise.

Over the past 73 years, FHA has helped millions of families become homeowners. Late this month, when we celebrate the 34th million FHA customer, we will help many families stay in their homes.

I mentioned earlier that refinancing the FHA could help tens of thousands of families already in the subprime problem. If Congress passes FHA reform this summer, we can help hundreds of thousands, and we could do so without any cost. And I want to say this: We could help hundreds of thousands and we could do this without any cost to the taxpayers. (Applause.)

Let me give you an example. Let's take Mr. and Mrs. Antoine Downs (sp). They live in Landover, Maryland. They had a non-prime loan with a rate of 9.25 percent and they wanted to refinance. They could not qualify for another non-prime loan because the credit score was below the minimum threshold. Yet, this couple, the Downs (sp), had perfect mortgage history and had stable jobs. Through FHA, we were able to approve them for a 30-year fixed-rate mortgage at 6.5 percent, saving them over \$330 a month. (Inaudible) -- consultant told us that the Downs (sp) was an extremely happy couple. (Laughter.) I think I would be quite happy too.

There are many people like the Downs (sp). The story has been duplicated a thousand times. But FHA's ability to help is limited without statutory change. We have fixed as much of the process that we can internally and reduced red tape to make FHA more user-friendly. And I want to say a word today about the assistant secretary and the FHA commissioner, Brian Montgomery. I want to thank him first for his leadership in making these changes. But I want to thank him most for bringing the industry groups back into the fold. And he has done -- (applause) -- and he has done a wonderful job.

We need to be able to help more first-time homebuyers, low-income Americans -- the groups we're designed to serve, and we want to serve them safely. Again I reiterate, we need legislation to be able to do so we can help more people like the Downs (sp). If Congress allows us to set the premium commensurate with the rate, which makes a lot of sense, FHA will be able to help thousands of borrowers.

Imagine risk-based premium for an insurance company. Who could argue with that? Unfortunately, under today's restricted premium limit, the maximum loan amount, FHA simply cannot reach the borrowers who need the safety net that FHA can only provide. I asked you again, please work with us to ask Congress to get this legislation out by this summer.

I know some would like me to discuss a special issue, and I will today. I'd like to say something about New Orleans. It's a great city with great people. Hurricane Katrina was an unprecedented national disaster that kept almost the entire city underwater for six weeks.

We have learned from this experience. We will continue to work with New Orleans to bring them back home, but we want them to return to a better place than they left. I've always said, our goal is to make sure that anyone who wants to return home does, which is why HUD is committed to providing better, safe and more secure affordable housing.

And I want to say this with emphasis today. We are not going to simply renovate apartments that should be condemned. (Applause.) We are not going to merely replace dilapidated public housing that already exists. We have to do better than that, and that was our plan before Hurricane Katrina hit.

Later this week, I will be going to New Orleans to announce the redevelopment of 500 affordable housing units in the Ninth Ward. What this will do is reaffirm HUD's investment in the rebirth of the Ninth Ward, an area that was particularly hard-hit by Katrina. I will also open up nearly 100 new units in the city's downtown area.

But I want to make one thing real clear to you today. Amidst the shouting, the finger-pointing, the blame game, the charges of racism, headline-grabbing lawsuits against HUD that is post-Katrina, we are making progress in spite of them. But clearly we have more to do. I want to thank those who are working cooperatively, diligently, with vision and dedication to bring the city back to the swing of its culture and its tradition.

We have a responsibility as a people to care for those who are less fortunate. As an agency, our mission to serve the most economically disadvantaged. That is why I believe that public housing residents deserve something better than what they have -- new homes, a future in a socially and economically integrated community.

It would be irresponsible to simply give up on these residents. We cannot confine them, from my perspective, to a life of hopelessness and deep poverty. I worry that this is what public housing in New Orleans and other places have become.

I would like to thank the editorial page of The Washington Post when they said, "If New Orleans residents can come home to an apartment better than the one they fled, they should be applauded, not denounced in court." What public housing needs to become is something that people will be pleased to be in. It must be responsive to family needs. Healthy families make healthy neighbors. Healthy neighbors create healthy communities. It's time that we move low and moderate-income people to a better future.

Except for a few, public housing has not been the springboard to a brighter future. It has not been an environment which allows families to thrive and become self-sufficient. Instead, it has been and still fails many communities. We have made -- let me go back.

What might have made sense in the depression era does not make sense today. Over time, I worry that our public housing has been an abject failure. It must not be a trap, a process of creating a permanent underclass of people generation after generation, warehousing second-class citizens, producing despair and dangers with a poverty spirit.

Years ago I was a member of the President's Commission on Severely Distressed Public Housing, today which we know as HOPE VI. Our goal was to deconcentrate poverty. And the program has worked marvelous in places like Atlanta, Chicago, Dallas, Seattle, but many of the cities today are still sitting on farms, letting another generation stay in the dilapidated apartments that they're in. In my mind, many of these cities are perpetuating failure, including New Orleans, with the same situation.

They are not moving toward a positive future.

Well, today I'll say enough is enough. I believe America knows it can do better. We have the resources and the tools; we simply need to -- the will to do better. In my view, the American housing enterprise is so important to our economy that we must dream large and make dreams a reality. Our global financial leadership and strength will demand such an effort. I believe our children and their children will look back and think of our vision. As I said earlier, housing is more than the leading economic indicator; it is also where we shelter our loved ones, our possessions and our memories.

We have a personal stake in housing that goes beyond money. This is about the ability of each one of us to live in a place of our own, secure in the knowledge that we own it, it is ours, it is our home. The feeling of ownership and security is felt by the vast majority of our citizens. It is a feeling shared by the vast majority of people around the world. Our commitment to home ownership remains steadfast. It is unfair to say that the American dream should not be for everyone. We must recognize that problems in the market is not a problem with the dream. We need to promote and protect home ownership to keep America's dream alive for many to come.

In closing, if we do this, we have done what we should do. We are the fortunate people sitting here in this audience. Now, again, I close with something that my mom and dad taught me and I've tried to actualize and live in my life. They simply said that as human beings, we come into this world with nothing on; we're leaving out of this world with nothing on. All that matters is how well we treat and respect people and serve them in between. That is the goal of us at HUD, to serve them well.

Thank you for inviting me to address you today. (Applause.)

MR. ZREMSKI: That is, I believe, the first standing ovation at an NPC luncheon this year. (Laughter, laughs.) And yet we still have many questions -- (laughter, laughs) -- such as: How long will it take before we know how bad the subprime crisis is or is the worst over?

SEC. JACKSON: I think that between Chairman Bernanke and myself, I think we know right now. As I said, 80 percent of those loans in

the subprime market are going to be fine, it's the 20 percent. And if we can get the FHA modernization legislation passed quickly, we can probably address about 70-80 percent of those loans.

MR. ZREMSKI: Specifically, how would HUD help families and individuals who have been bamboozled by these subprime lenders?

SEC. JACKSON: Well, we can refinance the loans. But let me make it clear: I don't think we should be the bail-out agency, where low and moderate income persons have had serious difficulties and been bamboozled. I think it's our responsibility to help them, and we're going to do everything our power to make sure they keep their home.

See, one of the things that we've done, Jerry, which is very important, as I said, we've gone from \$10 million in housing counseling to this year asking for \$50 million. If we can counsel people very well, let them know what is expected, they can begin to keep their homes, and we've been very successful with the 26 or 20 -- with -- 2.6, 2.7 million homeowners that we've been counseling under the president's new program.

MR. ZREMSKI: Is HUD planning any specific measure to deal with the disparate impacts that the subprime lending crisis is having on minority families?

SEC. JACKSON: Well, it's not only minority families. I wish I could tell you that was the case. We have some young, well-educated kids, who I call yuppies, buppies and guppies -- (laughter) -- that have made these exotic loans. And I like to use an example that is a true story. One person -- two young people; one, Alyssa (sp), bought a BMW, the wife did, and the husband bought a Mercedes. And then they went out and got them a \$400,000 home, and they had zero down.

Well, they're in trouble. And I'm not for bailing them out, because both of them are college grads, graduate degrees. But for the person who was bamboozled, that didn't read the fine print, then I am in many ways.

And let me say this to you today. Think about this. We're sitting in this room very educated, and most of us didn't read the fine print when we bought our home. We just took for granted, because we were dealing with a reputable lender, like a bank, and they were regulated, that they would not cheat us. That has not been the case with these subprime loans.

MR. ZREMSKI: Does HUD have an estimate of the number or the percentage of subprime borrowers who might qualify for traditional mortgage financing?

SEC. JACKSON: We think that of that 20 percent, probably 50, 55 percent, 60 percent of low and moderate income person who have been bamboozled, and we think it's our responsibility to try to help them get out of this process.

MR. ZREMSKI: The subprime loan crisis appears to have caught many people, including government official, by surprise. Why is that?

SEC. JACKSON: No, we were not caught by surprise, Jerry. Let me say this to you. We knew that this was coming; we just didn't know it was coming as quickly as it came. Because we had no way of knowing when many of these teasers would kick in. And we projected that the market would begin to correct itself about 18 months ago, and we were right. We just didn't realize that it would be 20 percent, 22 percent of these loans.

So we knew it was coming. And that's why we have been talking about for the last two years telling many of the people that we've been counseling, stay away from these subprime loans; read the small print. We do that with our counseling programs. And if you do that, you will know exactly what you are getting into.

We had a family just in Atlanta that Congressman Scott called me about. They did not read their rate. They were somewhat older. And when it came due, they were shocked. Now they could pay it, but it was going to have a devastating effect on their family.

So we were able to work it out with that family. And we've been able to work it out with a number of families, just like I talked about the Downs (sp) that's gone from 9.25 percent to 6 percent. And that makes a big difference. That's \$330 that they're saving.

MR. ZREMSKI: The chairman of the Mortgage Bankers Association blames mortgage brokers for the subprime lending crisis. But the president of the National Association of Mortgage Brokers blames Wall Street, federally-chartered banks, state-chartered lenders and underwriters for the crisis. Who's right? (Laughter.)

SEC. JACKSON: I'll let them decide who is right. (Laughter, applause.)

MR. ZREMSKI: But who do you think is right?

SEC. JACKSON: I'm not going to get between Joe Frazier and Muhammad Ali. (Laughter.)

MR. ZREMSKI: What is your view of the legislation proposed by Senator Schumer, which would channel several hundred millions of dollars to community groups to help work with homeowners facing foreclosure?

SEC. JACKSON: The other thing that I don't get into is second-guessing senators and congresspeople. You know, I was asked a question, Jerry, once when I was speaking at a major university. They said, tell me the two best senators you like and the two best senators you dislike the most, the two best congresspeople you like, the two best you dislike the most. And I said to them, I like all 534 of them. (Laughter.)

And I will say the same thing to you. I will not second-guess Schumer. But if you ask me once I leave office, I might tell you something. (Laughter, applause.)

MR. ZREMSKI: Any thoughts on giving several hundreds of millions

of dollars to these community groups?

SEC. JACKSON: No, I don't -- if that's what you mean, I think it's a good idea. Because many of the community groups, as I said a few minutes ago to Robert, are the people who do the work. They're the closest to the persons, not us. See, what we don't understand is, government can give money, but government really can't change very much.

And that's very important.

So I believe that if we can give money to entities or help entities like the National Housing Partnership create more affordable housing, that's what we should be doing. We should not be trying to do that ourselves, because we're not in the mood -- in a position to do it.

So we try to find good community-based organizations, work with them -- good faith-based organizations -- and work with them to make sure that things change in that community.

MR. ZREMSKI: New York state legislators are developing a new set of standards for subprime lenders. If new standards are needed in New York to protect homeowners from predatory lenders, why not federal standards to correct the national problem?

SEC. JACKSON: And that's a very fair question. And I must tell you that I'm really torn between having federal standards and not having federal standards. And I know that seems like a political way of getting around it. I think we should let the free market work, but at the same time we've let the free market work and we've seen the results of what happened.

So if I were leaning, I would say I'm probably 65 percent toward federal legislation to make sure that this doesn't happen again. But I'm not solidly convinced that that's the best way.

So it is clear to me that one of the problems we face is that New York might get a stringent act but Texas might have a very loose act. And until we can find some way of making sure this does not happen again, I'm not -- I'm just really, Jerry, not sure. I just -- as I said, I'm about 65 percent leaning toward federal action. And if for some reason in the next four to six months we see an escalation of this process, then probably I will move closer to federal action.

MR. ZREMSKI: Any beginning ideas on what kind of federal legislation there could be, what it might look like?

SEC. JACKSON: Well, let me say this. When Congress calls us up and asks us, we'll give them advice, but I won't give them advice pre-- (laughter) -- because that's the other thing you don't do, because, you know, you have -- have to be very careful because have C-SPAN here. (Laughter.)

You know, you have 534 (sic) massive egos up there. So unless they ask you, you don't volunteer anything.

MR. ZREMSKI: According to a recent Mortgage Bankers Association report, home mortgage applications are falling, and last week they fell 7.3 percent, a statistic which reflections caution among prospective homeowners.

What, in your view, will reverse this trend?

SEC. JACKSON: They're right -- being very positive. As I said in my speech, the subprime market has really created some serious problems, and people are a little cautious. So what we did when we had the summit -- when Brian (sp) put on the summit for us -- he and Frank Davis (sp) -- is we were trying to make the investors, the bankers still more comfortable in this process, and if we do that, I'm convinced this spring we will see the market again begin to soar -- not at the same pace, and we don't want it to soar at the same pace or increase at the same pace; we want a more moderate pace -- we will see people begin to believe again in the market and begin to buy.

One of the problems that we've had with this market is that we really have not, as I said in the speech a few minutes ago, we have not really looked at the ability of many of these people to pay the loans. It became such a hot industry -- so that they would sell the loans, then sell them through mortgage-backed securities, the bank would buy the loan, and everybody was making a lot of money. And we didn't think about this and the long-term effects. So we began to think in long-term effects, and I think when we do that, people will come back to the market.

I would suggest this: You might see a slump in the Midwest, the Southwest and the Southeast, but everything west of Utah, east of Virginia, I think you're still going to see a booming market.

MR. ZREMSKI: What are the risks and potential costs should Congress this year not create a stronger regulator for Fannie Mae and Freddie Mac?

SEC. JACKSON: There's great risks.

I think -- I will say this about the management of both Fannie Mae and Freddie Mac. I think they're both trying to do the right thing, but I do think that we need a strong regulator. And the more time we don't have that strong regulator, again the stronger that Fannie and Freddie becomes, it becomes more difficult to regulate them. Clearly, I think it's important that we get legislation out this year to have a strong regulator, and in that regulator, we might not have anything to do, the Fed might not have a role to play, and that's not really important. What is important is that we have a regulator to make sure that if one of these entities fails, it is not a duplication three or four times of what we had in the savings and loans industry, and the only way we can do that is by having a strong regulator.

MR. ZREMSKI: Can Fannie Mae and Freddie Mac play a role in helping address the problems in the subprime market?

SEC. JACKSON: Yes. And I've talked to both of them, and they

are. And I'm very pleased. As I said a few minutes ago, I think the leadership at both Fannie and Freddie is good leadership. They're wonderful human beings who are really trying to make a difference, and they have been extremely cooperative with HUD in this area and in many other areas, so I just don't want to say specifically this area. I do think that both of the leaders, both of the CEOs have been extremely responsive.

MR. ZREMSKI: What do you see as the prospects of the FHA legislation passing?

SEC. JACKSON: We hope it passes. We think that it's looking good. I think the subprime loan problem has given us -- given Congress the impetus to pass this legislation.

See, FHA has been around, and it's helped all these people. And if we can get the legislation passed -- and I do believe we will -- just think -- first of all, we can curb 50, 55 percent of the people who are facing the subprime problem today and help them, and I think that's our responsibility. But we can't bail out everyone, and it's not a bailout program, but I really believe that we can make a change, and Fannie and Freddie have been very active in doing that.

MR. ZREMSKI: You talked a little bit about Hurricane Katrina and the rebuilding of the Gulf Coast. If you could do one thing to make things come back faster there and for the housing to be rebuilt faster there and in a better way, what would that be?

SEC. JACKSON: First of all, I would ask the people to drop the lawsuits -- (soft laughter) -- and we could get about creating communities that are integrated both socially and economically. And I will say this today, that -- you know, it baffles me that people say, well, HUD does not want the residents to come back, specifically because they're black. Well, I think this morning I woke up and I was still black. (Laughter.) So I'm not sure what they're talking about. (Applause.)

And I, as I said to Barbara, was on the Pettus Bridge in 1965 with Congressman John Lewis. I have the dog bite in my left leg. If anybody cares about people having decent, safe and sanitary places to live, I do. We should not put them back in the drug-infested, killing-infested environment that they came out of, and anyone who says that really don't care that much about these people. (Applause.)

MR. ZREMSKI: Even in the midst of this adjustment in the housing market, affordable housing remains an issue in many communities. What more can the federal government do to address this issue?

SEC. JACKSON: That's a fair question. It's very difficult when you talk about places east of Virginia, the District, many of Virginia's areas, west. We have created the HOME program, the SHOP program, and I must commend Enterprise, Habitat for Humanity, but it's going to be very, very difficult if we do not remove these regulatory barriers that keep people from being able to build affordable housing.

The best example I can tell you is California. Before a house

ever comes out of the ground, it's somewhere between 105 (thousand dollars) and \$115,000 because of regulatory barriers. So that means if you build a \$200,000 home, it's \$315,000. That's wrong. If we can get counties, cities, states to work with us, we can change that. And that's why we created America Affordable Housing Commission. We have been working with cities and states and we've been very, very positive about that situation.

So I think it's our task to help communities understand that these regulatory barriers are something that hurts them and doesn't help them. In fact, I was speaking about four or five months ago at the Ronald Reagan Library, and I was talking with the mayor who was from Thousand Oaks. And I asked a specific question. I said, "If you have an earthquake" -- and they're on the earthquake fault -- "the people who serve you could not get to you because they live an hour and a half to two hours away," but yet they have all of this land real close to Thousand Oaks. And the answer that one person gave, they said, "Well, you know, my house is 2.2-something million dollars" -- I don't correctly remember. He said, "But I don't want a \$200,000 or \$300,000 home next to me."

Well, my answer is simply this I would love to have the firefighter who protects me close to me, or the police who protects me close to me, or the teachers who teach my kids close to me rather than two hours away from me, because by the time they're driving two hours, they're irritable and they might not do the job they could do if they were close to you. (Laughter, applause.)

MR. ZREMSKI: The Bush administration has made many attempts to change the Section 8 housing program. In a perfect world, what would that program look like?

SEC. JACKSON: In a perfect world, I would hope you would be on a Section 8 voucher three years, or 3-1/2 years at most, and move out. When the Section 8 program was created, it was created as an interim step from public housing to market-rate housing.

But as the years went on, once we made that leap, that 70 percent of the people must be 30 percent or less than median, we created a subprime housing market called Section 8, which is basically no different in many cases than public housing. They're on the vouchers, eight, nine 10 years. That was not the reason the program was created. It was created as an interim step.

And I'll say this to you, all of these people who preach and advocate these vouchers being in perpetuity, I ran three major housing authorities, and I've never seen a person or very few people who wanted to be in public housing on a voucher in perpetuity. Most of them want to get out. My position is this: If we work with them to find skills and jobs, rather than creating a perpetual underclass, we can do that. So I say to you, if I have my way, I would have Congress pass legislation that limit the amount of time that they're on the voucher and then have to move up.

Now, I know what people are going to say. "Boy, that is sure not compassionate on Jackson's point." Well, my position is simply this:

People do what is expected out of them. I remember when I was in Dallas and I came before Congress, and I said I'd like to do a pilot program where everybody in Dallas pay rent. And we started with a \$25 a month rent. Now let me tell you what they said, Barbara, about me. They said, many of the people in the industry, they said, "Well, you know, a lot of these people are going to be out on the street because they can't pay." Well, low and behold, nobody left and they paid that \$25, because if you demand respect, you'll get respect. If you demand responsibility, you'll get responsibility.

And so when I did that, if you go to Dallas today, you can't tell public housing because they're paying rent. And today it's a minimum of \$50. So I think that if you expect something out of people, they will do it, but if you a very paternalistic and patronizing and telling people what they can't do, they won't do.

You know, I remember something that my father said that is very, very important. My father was very sick my junior year in college, and when the social worker came to see him, she said, "Mr. Arthur, you're entitled to four things.

You're entitled to Social Security, Social Security supplement, food stamps and welfare."

And he looked at the nurse and says, "No, I'm only entitled to two. I've only earned two: Social Security and Social Security supplement. There will be no food stamps and no welfare in this household. If it comes to that place, we'll go down to the church where we go, and they'll take care of it." I'm saying expect something out of people. (Applause.)

MR. ZREMSKI: We're almost out of time, but before I ask the last question, I've got a couple of other matters to take care of. First of all, let me remind everyone of our future speakers. On Wednesday, Senator John Kerry from Massachusetts will be joining us. On Thursday, former Governor Mike Huckabee of Arkansas, a Republican presidential candidate, will be here. And on Monday, June 11th, James Baker and Lee Hamilton will be here to present the Gerald R. Ford Journalism Awards.

Next, to show our appreciation, something for your office -- (laughter) --

SEC. JACKSON: Exactly. (Chuckles.)

MR. ZREMSKI: -- and something for your home.

SEC. JACKSON: Thank you very, very -- (applause) --

MR. ZREMSKI: (Chuckles.)

And lastly, a question that's a little bit more personal. Tell us about the first home you ever bought and how you felt when you bought it.

SEC. JACKSON: (Chuckles.) Well, let me tell you the first home that I remember moving in: at 2402 Lawrence Street in south Dallas,

when my mom and dad -- we left the rental house, and we went to a house that was brick and had central air. (Laughter.) I thought there could be nothing better in the world than that.

And then when I bought my first home, it was unbelievable because I bought -- it was an old home in St. Louis that had 18 rooms and sat on about an acre of land. And I had to renovate it, and it was the greatest feeling, renovating the home. And when I went to bed that night -- I'll never forget -- I called my mother, and I said to her -- I said, you know, there's quite a difference -- living in an apartment and living in your own home.

And it is, because just as the young lady said to President Bush right outside of Philadelphia when we went to see her -- she had had her first baby at 16, the second baby at 17, the third baby at 19. She decided that she was going to change the quality of her life. She went to the community college and got a nursing degree and went on to Temple and got a B.S. But she had bad credit, and we helped her in a counseling program -- and I'm going to get to answer your question -- we helped in the counseling program because it's basically the way I felt when we had our first home. And I was told about it, and I said to President Bush, I said, "You know, we should go see her." And we did go see her. But the most important thing is, is I know the people in the county area was wondering, how in the world did this lady get the president to come to see her?

So we drove up, and the most important thing that she said when we got there, with her son and daughter -- two daughters and a son, she said, "Mr. President, welcome to my home." That's the way I felt -- "my home." (Applause.)

MR. ZREMSKI: Thank you very much. Appreciate it.

I'd like to thank you all for coming today. I'd also like to thank National Press Club staff members Melinda Cooke, Pat Nelson, Jo Anne Booze and Howard Rothman for organizing today's lunch. Also thanks to the NPC Library for its research.

Thank you. We're adjourned. (Sounds gavel.) (Applause.)

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