## Deficits running down auto, housing credit

By Tim Richard staff writer

Federal deficits — not housing mortages — are crowding auto buyers out if the credit market, says one of the

of the credit market, says one of the nation's top lenders.
"Housing is not the villain but the victim," David O. Maxwell, chairman of the Federal National Mortgage As-sociation (Fannie Mae), told the Eco-nomic Club of Detroit.

"There has been a decline of dramat-ic proportions for housing in the na-tion's capital," he warned solemnly Monday.

MAXWELL, 53, replied — often sharply — to the criticism of former Budget Director David Stockman that housing is the "spolled child" of government which is soaking up vast amounts of credit.

A one-time Philadelphia lawyer, Maxwell said Detroit auto makers and housing builders should be friends —

like the cowboy and the farmer — because both industries are "vulnerable to high voltatie interest rates."

"The federal government is never crowded out of the crodit market. The Treasury bids for the funds they need, and get them," said the Fannie Mae chief executive.

He likened the housing market to a white gowned damsel tied by a villain to a railroad track and being run over by a train labeled "swollen deficits."

STOCKMAN, A former southwestern Michigan congressman, erred in assuming all credit comes from a single market, Maxwell said.

"The (capital) pie is not fixed. Two-thirds of industrial investment is financed not by borrowing but from retained carnings and depreciation. We can coax more funds into the credit market," said Maxwell, citing Fannie Mac's sale of overseas debenture bonds—one even itsuud in the Japanees yen.

Maxwell refused to point a

Resganesque finger at federal social programs for unbalancing the budget. Instead, Maxwell — who was chief counsel to the Housing and Urban Development Department when Michigan's George Romney was secretary during the first Nixon term — said more tax revenues must be raised, elither through higher rates or through trimming of deductions.

MAXWELL DEPLORED Americans' rate of personal saving — 2.5 percent of national income, one of the lowest rates in the industrialind world.

In an interview, he advocated tar-free asvings accounts for persons building a nest egg for a down payment on a bouse, saying such a policy has been implemented in both France and West Germany.

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As a national priority, bousing has suffered, Maxwell said, citing the deciline in HUD's appropriations under the Reagan Administration from \$30 billion in 1981 to \$11 billion currently.

He was introduced by Robert Mylod, chairman of Michigan National Corp., the bank bolding company and a tormer president of Fannie Mac. Mylod credited Maxwell with turning Fannie Mae around from losing \$1 million a Mae around from losing \$1 million a Mae around from losing \$1 million a fan in 1981 to earning a profit currently.

ter tor housing runos, and 3) issuing its own mortgage-backed securities. With assets of \$97 billion, Famile Mae employs 1,900 persons in Washing-ton, Atlanta, Chicago, Dallas, Houston, Los Angeles, Philadelphia and New York.

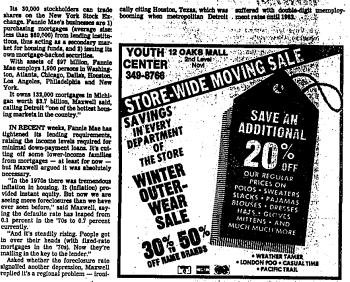
York.

It owns 132,000 mortgages in Michigan worth \$3.7 billion, Maxwell said, calling Detroit "one of the hottest housing markets in the country."

IN RECENT weeks, Famile Mae has tightened its lending requirements, raising the income levels required for minimal down-payment loans. It's cut-ting off some lower-income families from mortgages—at least for now—but Maxwell argued it was absolutely necessary.

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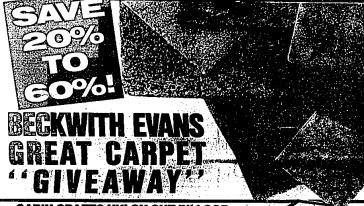
BORN IN the Great Depression of the 1930s as a federal agency, Fannie Mae was rechartered by the federal government as a private corporation in 1968, Lyndon Johnson's last year in official control of the contr





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