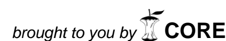
This PDF is a selection from an out-of-print volume from the National Bureau of Economic Research

Volume Title: The Role of Federal Credit Aids in Residential Construction

Volume Author/Editor: Grebler, Leo

Volume Publisher: NBER

Volume ISBN: 0-87014-354-9


brought to you by CORE
provided by Research Papers in Economics

Publication Date: 1953

Chapter Title: A Note on the Future of Federal Credit Aids

Chapter Author: Leo Grebler

Chapter URL: http://www.nber.org/chapters/c9297

Chapter pages in book: (p. 54 - 77)

4

A Note on the Future of Federal Credit Aids

Whichever of the data presented in the preceding sections are considered, it is clear that roughly half the market for residential construction and mortgage financing of new housing has come to operate directly under the auspices of the federal aid programs. The flow of mortgage funds into residential construction has been increasingly influenced by the terms and other stipulations, prescribed by laws and administrative rulings, under which the FHA and VA will accept mortgages for insurance or guaranty. For about half the total market, the pattern of interest rates, downpayment requirements, and amortization periods, as well as borrowers' credit ratings and location and physical design of new construction, have been subject to governmental as well as private decisions. Market forces operating on the mortgage interest rate can be modified by opening or widening the gates of the Federal National Mortgage Association and using this government agency as a primary source of funds almost equivalent to direct federal loans.

The scope of the government programs is such that political decisions can influence the volume and composition of building activity in an appreciable though as yet not fully determinable measure. This drastic change in the channeling of funds into investment has come about in the brief span of about 15 years and, accentuated by the exigencies of World War II, has reached a peak during the postwar period.

The size alone of the federal programs, both in absolute and relative terms, suggests the extent and intensity of their implications. The full effect of these operations on housing production and the flow of mortgage funds, as well as on the economy as a

whole, defies simple measurement. Their share in total residential construction and mortgage lending does not take account of their far-reaching indirect influences on building types in residential construction, land planning in new subdivisions, the structure of the housebuilding industry, the extent of home ownership, general lending practices, sources of funds, terms of conventional mortgages, and other facets of this complex business. Only a few of the implications of the governmental activities are selected for discussion here — those which have a bearing on the future course of capital formation and financing in this field.

An appraisal of the future role of federal credit aids must concern itself with at least three questions:

1. Does the observed increase in scope and intensity of federal aids since 1935 suggest a trend, or is it perhaps more adequately explained as a response to temporary pressures and maladjustments in housing markets?

2. Are there limits to the effectiveness of present means of federal assistance, and if so, what are the alternatives?

3. If the assumption of a trend is warranted, what consequences will arise for the volume and stability of capital formation and financing in this field?

In considering these questions, the investigator shifts from the relatively secure ground of historical analysis to a more treacherous field, where judgment plays a larger role; and his only qualification at this point is perhaps the development, through training and experience, of an attitude that should assure judicious consideration of all relevant factors and minimize if not prevent the injection of his own biases.

A Trend?

Each of the federal credit aids for private residential construction had a special justification when it was established. The mortgage insurance program of the FHA was enacted originally in response to "pump-priming" considerations and the need for improvements in the mortgage system. The principal steps toward more liberal

credit terms for FHA-insured loans were taken to meet crises in war housing and to help relieve the postwar housing shortage. The guarantee of veterans home loans was adopted as part of a program to ease the adjustment of ex-servicemen to civilian life. The use of the Federal National Mortgage Association for practically direct government lending operations was authorized as a stop-gap solution when the supply of mortgage funds for FHA and VA loans at fixed interest rates threatened to diminish.[1]

One might thus be led to believe that many if not all of these operations could be withdrawn if their original purposes were served or no major emergencies arose. However, here as in the interpretation of other events, it is necessary to distinguish sharply between the incidents that give rise to political actions and the more deep-seated forces that underlie the actions.

Basically, the development of federal aids for housing, comprising not only the activities analyzed in this paper but also public housing and assistance in urban redevelopment, must be viewed as part of a long-term social change which vests housing conditions, and not only those of the poor and indigent, with broad and probably intensifying public interest. This change seems to reflect basic attitudes of the community-at-large, although its intensity and, therefore, the pace and form of federal programs may vary over time and in different political and economic climates.[2] This broad concept was recognized by Congress in the "Declaration of National Housing Policy," which forms the preamble to the Housing Act of 1949. It is reflected in the organizational assembly of all federal agencies concerned with housing and credit for housing (except the Veterans Administration) in the Housing and Home Finance Agency; and while the organization of federal agencies is subject to change, it is unlikely that the forces pulling in the direction of an over-all federal strategy on housing activities will abate in the long run.

[1] For a more detailed account, see Miles L. Colean, *op. cit.*

[2] It is of interest to note in this connection that the platforms of the Democratic and Republican parties for 1944, 1948, and 1952 do not touch at all upon the FHA mortgage insurance and VA home loan guarantee programs or on the operations of the Federal National Mortgage Association. In contrast, they differ substantially on public housing and slum clearance and redevelopment whenever these items appear.

The use of federal credit aids as tools in a broad program to improve housing conditions is supported by the still broader, widely accepted social objective of maintaining reasonably full employment. It is almost inconceivable that aids to housing production will not be incorporated in programs to combat unemployment if and when the time for such programs comes. In fact, existing aids will most probably be intensified and supplemented under such conditions, or they will be extended beyond their original expiration date. Such a contingency, for example, may affect the termination of the home loan program for veterans of World War II, now scheduled for 1957.

The employment of federal credit aids is supported also by a widely held notion that the housebuilding "industry," however defined, is backward in comparison with other industries meeting essential consumers' needs. In this view, new housing historically has been a luxury product available only to the upper income groups, and government action is necessary to compensate for the apparent inability of the industry to meet the need for houses of good standards within the reach of every family, or the average family, or however the "need" may be defined.[8]

The "trend" suggested by these observations is strengthened by the conviction of strategic groups that continued government aids are indispensable to effective operation of the processes by which new housing is built and marketed. Critical issues during the past few years provide vivid illustrations. One is the termination in 1945 of the wartime Title VI of the National Housing Act,

[8] This viewpoint permeates much of the housing literature of the past 20 years, government reports, and Congressional deliberations. Cf. U. S. Congress, Investigation of Concentration of Economic Power, Temporary National Economic Committee: Monograph No. 8, *Toward More Housing* (76 Cong., 3 Sess.) and *Hearings before the Temporary National Economic Committee* (76 Cong., 1 Sess.), Part 11, Construction Industry, 1940; Charles Abrams, *The Future of Housing* (Harper & Brothers, 1946), Chapters 5, 13; Robert Lasch, *Breaking the Building Blockade* (University of Chicago Press, 1946), pp. 7-10; and numerous statements in *Hearings before the Committee on Banking and Currency on S. 1592* (79 Cong., 1 Sess.); *Housing: Hearings before the Committee on Banking and Currency on S. 287, S. 866, S. 701, S. 801, S. 802, S. 803, and S. 804* (80 Cong., 1 Sess.), *passim*. See also *High Cost of Housing: Report of a Subcommittee of the Joint Committee on Housing* (80 Cong., 2 Sess., House Document No. 647, 1948); and Nathan Straus, *Two Thirds of a Nation* (Alfred A. Knopf, 1952).

with its "firm commitments" to builders and its generous financing terms, and its re-enactment in slightly modified form in 1946 after a short lapse, as part of the veterans emergency housing program.[4] Another is the liberalization in 1950 of financing terms for rental and cooperative housing projects under Title II of this Act when Section 608, designed to encourage rental construction under war and postwar conditions, was allowed to expire.[5] A third is the increase in 1950 of the guaranty for veterans home loans from 50 per cent of the loan amount not exceeding $4,000 to 60 per cent not exceeding $7,500, plus an extension of the maximum maturity from 25 to 30 years[6] — a revision that followed the falling off in the volume of these loans in 1948 and 1949 and one which contributed to the spectacular increase of housing starts in 1950. Still another example is the 1951 liberalization by Congressional action of housing credit restrictions imposed in 1950 under Congressional authority.[7]

In all these instances, consumers' and builders' and sometimes mortgage lending interests combined to produce demands for more potent federal aids when a decline in the volume of building occurred or threatened. The apparent dependence on the federal programs developed under conditions which, on the whole, were favorable to a high level of residential building activity. It will unquestionably be felt more acutely when circumstances are less favorable. Under such circumstances, any diminution of aids would be considered widely to be a calamity, and complete withdrawal would be held to spell disaster — regardless of what the real as distinguished from the anticipated impact of withdrawal may be.

War and postwar dislocations unquestionably accelerated the scope of government activities in this field, but it would seem more reasonable to anticipate a continued and growing role of the federal government than to expect a diminution or withdrawal of aids in the long run. This "trend" will not necessarily apply to the

[4] Public Law 388, Chapter 268, (79 Cong., 2 Sess.).

[5] Public Law 475, Chapter 94, (81 Cong., 2 Sess.).

[6] *Ibid.*

[7] Public Law 139, Chapter 378, (82 Cong., 1 Sess.).

FHA mortgage insurance system or the VA home loan guarantee program as they now stand. The share of FHA financing in new construction may not exceed 30 or 40 per cent unless there is a war or the relative attractiveness of FHA loans is drastically changed, and the importance of VA financing may diminish as distance from World War II increases. In fact, there seem to be narrow limits to the intensification of these aids in the future, as will be pointed out below, and the trend toward a greater role of the federal government in residential construction and its financing may express itself in the use of new financial devices.

Limits to Present Types of Aids

If the assumption of a "trend" is warranted, what are the limits to the use of the present types of aids, and what are the probable alternatives?

This question is perhaps most pertinent if declining employment and incomes are assumed. For it is in such a situation that the demands for increased federal aids will become most pronounced. The record of experience is not instructive on this point since the federal programs so far have operated on a broadly rising market.

Little is known about how the demand for new construction responds to changes in credit terms during the downward phase of a cycle. How much would the demand for new housing be stimulated if, under conditions of falling incomes, terms under a government mortgage insurance program were changed from, say, a 10 per cent minimum downpayment to zero downpayment, a 25-year maximum maturity to 35 years, and 4 per cent interest to 3½ per cent? Arithmetically, this change would produce a monthly mortgage carrying charge (level-payment) of $4.13 per $1,000 of purchase price of a single-family house, as against $4.75 before. The reduction in loan payments would be 13 per cent but the decline in total monthly outlays for housing would be much less, perhaps only 6 to 8 per cent; for real estate tax, maintenance, heating, and other operational expenses would not be affected by the decline in mortgage payments. The complete elimination of downpayment may be a stimulating factor when consumers as

well as business firms prefer liquidity. But cash outlays of several hundred dollars would still be required for closing costs, additional landscaping, and other incidental expenses usually associated with house purchase, even in the absence of downpayments; and uncertainty would still discourage the undertaking of fixed commitments.

The extension of maturities will have rapidly diminishing effects on mortgage carrying charges compared to the effects of past actions in this direction. The amount by which monthly level payments are reduced when the maturity of a 4 per cent loan is extended from 30 to 40 years is 59 cents per $1,000 of loan, as against $1.29 for an extension from 20 to 30 years. The per cent reduction is little over 12 per cent compared to 21 per cent.[8]

Moreover, the large supply in a falling market of existing housing at declining prices or rents, often in the nature of distress sales or rentals, would limit the volume of new housing that could be marketed even at greatly liberalized credit terms. An annual production of one million dwelling units, for example, equals little more than 2 per cent of the number of existing nonfarm dwelling units — about 42 million in 1952. If only one-tenth of the existing supply were offered at distress prices or rents[9] the quantity of old dwelling units coming on the market would be four times as large as the volume of new construction — a competing supply which would reduce the marketability of new housing even though the latter may be more attractive both in physical characteristics and in liberal debt-financing.

Limits would also exist in the supply of funds for mortgage loans by private institutions. The insurance of bank deposits and of accounts in savings and loan associations might relieve pressure that would otherwise accentuate the liquidity preference of financial institutions. But whether protection from runs on deposits and mortgage insurance would induce lenders to continue the financ-

[8] Cf. Ernest M. Fisher, Urban Real Estate Markets: *Characteristics and Financing* (National Bureau of Economic Research, 1951), pp. 71-2. For a general discussion of the effects of changes of loan terms in instalment financing, see also Avram Kisselgoff, *Factors Affecting the Demand for Consumers' Instalment Sales Credit* (Technical Paper 7, National Bureau of Economic Research, 1952).

[9] Distress prices or rents may be defined as those which reflect the actual or anticipated elimination of equities through foreclosure.

ing of new construction in the face of rising vacancies, defaults, and foreclosures is an open question.

Apart from higher interest rates there is little leeway left for making investments in insured or guaranteed mortgages more attractive under unfavorable business conditions. Further inducements might be covering more or all of the risks still left with the mortgagee (such as the excess of foreclosure costs over the maximum covered by FHA and liberalization of the "waste provisions" under which the mortgagee bears the risk of unusual damage to property after institution of foreclosure proceedings), or in making the interest rate and terms of FHA debentures exchanged for foreclosed properties more attractive.[10] In the case of VA loans, the maximum amounts and percentages of the guaranty could again be raised. The effectiveness of these inducements must be weighed against the conditions that would create caution and reluctance in lending on new construction.

If there are narrow limits to the effectiveness of more intensive use of mortgage insurance programs under conditions of business contraction, demands for "stronger medicine" will undoubtedly develop. The direction of any attempts to meet them can be inferred from scattered examples already on the record. Among these is the direct home loan program of the Veterans Administration, now of small magnitude and on legal maximum terms identical with those of private mortgage lenders making VA loans. Another is the Connecticut program under which the State Housing Authority grants direct mortgage loans at 1½ per cent interest with a maximum maturity of 25 to 30 years. These loans are serviced by mortgage lending institutions at the usual fee of 0.5 per cent. The state funds are obtained by short-term borrowing.[11] A third example is the New York City program of rental housing without cash subsidies, designed for income groups above the admission limits for public housing with cash subsidies.[12] In this case, rentals

[10] For an instructive discussion of these points, see *Mortgage Financing*, Hearings before the Senate Committee on Banking and Currency, (82 Cong., 2 Sess.).

[11] Chester Bowles, "The Role of the States," in Nathan Straus, *Two Thirds of a Nation* (Alfred A. Knopf, 1952), pp. 236 ff.

[12] Annual Reports of the New York City Housing Authority, 1949-1951.

are set to meet a debt charge based on low-cost, tax-exempt public financing, as well as operating costs and (reduced) charges in lieu of real estate taxes. Various schemes along similar lines have been enacted in other states. Finally, as was pointed out before, the Federal National Mortgage Association provides an instrument that can be used for primary lending on nonmarket terms even though private lending institutions might originate and service the loans.

If these observations are correct, the boundaries between "private" and "public" residential construction would become less determinate. To date, the term "public housing" has been reserved broadly for the programs under which public capital funds or subsidies are made available for projects owned and managed by public agencies. The record of European housing since World War I is replete with arrangements under which the distinction between private and public housing is difficult if not impossible to maintain. It is at least conceivable that forces at work in this country point in the same direction.

Consequences for Capital Formation and Financing

On the whole, past and projected federal policies in this field may be interpreted as efforts to raise permanently the proportion of total resources devoted to housing construction above the level that would be obtained from the interplay of market forces. To the extent that the efforts succeed, new residential construction will be maintained at a higher volume than would be possible without existing and prospective government aids.

Enough has been said about the uncertainties of consumers' reactions to more liberal credit terms to indicate that the quantitative effects are unpredictable. Moreover, government aid will be only one of many factors conditioning the future course of residential building. No comprehensive appraisal of long-term prospects for capital formation in this field is possible without analysis of all factors which seem relevant according to past performance. Such an analysis will be attempted in the forthcoming monograph. In the meantime, however, it is possible to sketch some of the prob-

lems and consequences of governmental efforts to raise the level of residential construction.

One of these problems concerns the interaction between new construction and the market for existing residential facilities. A high volume of new construction offered at financial terms much more advantageous than those for existing residential real estate might aggravate declines in occupancy and prices of old housing. The federal government itself, however, has a great stake in the residential mortgage debt on existing property, represented at the end of 1950 by the contingent liabilities involved in $22 billion of FHA and VA loans outstanding.[13] The government has therefore a substantial fiscal interest in avoiding any decline in prices that may directly or indirectly affect its contingent liabilities. Because the markets for new and old housing are closely interconnected, any drastic revision of financing terms in favor of new construction might involve corresponding changes for loans on existing residential real estate,[14] and possibly a transfer of insured or guaranteed loans from private to public holdings.

There is a question as to the effect of continued or strengthened government support of the housebuilding industry on its productive efficiency. The implied assurance of output may tend to slow down technological change or improved production processes, and may thus retard progress toward lower-priced or better products. It has been alleged, for example, that the government support received by the British housebuilding industry over the past 30 years has operated in this direction.[15] The record in this country, however, is none too clear and has never been adequately analyzed. By accelerating the development of large-scale operative builders, the FHA program may have raised efficiency. Moreover, the industry was not noted for advances in efficiency before the advent of federal aids when fluctuations in output were extreme, and

[13] This amount is the total of such loans outstanding. In the case of VA guaranteed loans, the guaranty itself covers only a portion of the principal, averaging roughly 50 per cent of the total amount of such loans.

[14] Existing houses originally built under FHA inspection are already eligible for loans on terms equal to those for the financing of new construction under FHA.

[15] Anglo-American Council on Productivity, *Productivity Team Report: Building* (London and New York, 1950), p. 4.

implied assurance of more stable production may foster rather than retard progress. Such an assurance will be more effective if the past practice of short-term and last-minute changes in housing legislation is modified. This practice has sometimes created uncertainties no less aggravating to builders and mortgage lenders than the uncertainties of market forces.

The timing of federal aids in any form will assume increasing significance if their influence on the volume of residential construction becomes more pronounced. In the first place, timing will have a bearing on the effectiveness of aids in meeting the objective of a larger, sustained volume of residential construction in price and rental ranges within the reach of a wider segment of the population. Second, the general economic and fiscal implications of federal housing programs will need to be considered.

It is instructive in this connection to examine the record of experience in the timing of government aids to date — a record covering more than 15 years.

A review of this record dampens any expectation that proper timing of federal credit aids might moderate the violence of long swings in residential construction. The policy of expansion of federal credit aids and liberalization of credit terms, inaugurated during the late thirties in a period of low construction volume and low prices and rents for existing residential real estate, was continued and intensified during the postwar years when pressures on all resources and particularly construction resources were great and prices rising or high.

"There has been little recognition in federal policy of the fundamental difference in the effects of liberal credit during periods of substantial underutilization of resources and during periods of full employment or overemployment of resources. During the thirties, of course, it was possible through liberal credit to stimulate the demand for housing without substantial rise in the cost of, and the price for, new dwellings. The large unused resources for construction could be brought back into employment without bidding up wages and materials prices. Moreover, the market for existing houses was a buyers' market in most areas and localities, and the large number of such houses offered for sale at distress or

near-distress prices served as a check on prices for new dwellings. When the volume of new construction is limited by materials and labor supply and a sellers' market prevails for existing houses, as was the case from VJ-day to late in 1948, liberal credit is likely to push up costs and prices rather than to increase production, i.e., to be inflationary."[16]

There is evidence that in a sellers' market more generous credit terms were eventually capitalized into higher house prices and larger loan amounts, which diminished the benefits of lower interest rates, longer amortization periods, and lower or no downpayment requirements. Liberalization of credit under these conditions tended to defeat its purpose of helping lower income groups to buy houses.

There may be some question whether the record after World War II represents a fair test of the political and social difficulties that beset a policy designed to bring greater stability to residential construction. The test has been limited to a postwar period in which a severe housing shortage and the problem of providing housing for veterans created unusual pressures. Nevertheless, it may be reasonable to draw this much of an inference: the fact that housing has been increasingly clothed with public interest and that the volume of residential building is subject to strong governmental influences does not of itself assure greater stability. A real conflict may exist between the social objective of economic stability and the social objective of maximum volume of housing construction when there is full employment and general pressure on resources. In such a situation, "housing production cannot be maximized without sacrifice of economic stability," and "economic stability cannot be maintained without sacrifice of maximum housing construction."[17]

Whatever the merits of this analysis as applied to the years fol-

[16] Leo Grebler, "Stabilizing Residential Construction — A Review of the Postwar Test," *American Economic Review* XXXIX, No. 5, September 1949, pp. 901-2. On the relationship between credit terms and price levels, see also Ernest M. Fisher, *Urban Real Estate Markets*, pp. 69-90, and "The Role of Credit in the Real Estate Market," address before the 41st Annual Meeting of the American Life Convention in Chicago, October 7-11, 1946.

[17] Leo Grebler, *op. cit.*, p. 906.

lowing World War II, the need for meshing existing and new federal aids to residential construction with general fiscal and economic policy is becoming increasingly apparent. It was recognized in the institution of Regulation X after the outbreak of the Korean hostilities and in accompanying restrictions on FHA and VA mortgage loans. The principle is also embodied in the provision of federal funds for urban redevelopment and of federal contributions for public housing.[18] But the transformation of principle into practical policy always requires statesmanship in the face of social pressures and, more fundamentally, a balancing by the community-at-large of reasonable expectations of long-run benefit against apparent or real short-term advantages. The solution of this problem will in large measure determine whether the government's influence on residential construction will tend toward greater stability in this important sector of the economy.

Finally, a trend toward a larger role of the federal government in the financing of residential construction would loosen if not break the nexus between the savings process and investment in new residential real estate. Historically, the flow of funds into housing construction has been determined by the economic forces affecting the volume of savings and the alternative attractions of different types of investment, that is, new residential construction has competed with all other potential uses of savings. While the insurance or guarantee of residential mortgages has influenced their attractiveness relative to other investment outlets, direct government lending (already foreshadowed in the operations of the Federal National Mortgage Association) would tend to divorce the level of investment in new housing more clearly from the level of savings and the competition of other potential uses of savings. The federal

[18] Section 102 (c) of the Housing Act of 1949 stipulates that the annual amount of the federal notes and obligations authorized for loans to local public agencies for urban redevelopment may be increased by specified amounts "upon a determination by the President, after receiving advice from the Council of Economic Advisers as to the general effect of such increase upon the conditions in the building industry and upon the national economy, that such action is in the public interest." Section 304 (a) of the Act contains identical language in regard to the maximum amount of annual contributions which the Public Housing Authority is authorized to contract with local housing authorities. (Public Law 171, 81 Cong.)

government, too, may have to borrow money and may have to accommodate itself to changing conditions in the market for capital funds. But it has means of influencing that market which are beyond the power of private financial institutions. The restraints on federal financing for housing or any other purposes are less direct than those which operate on private financial institutions, and the choice of the use of federal funds for alternative investments is a matter of public decision rather than of relative attractiveness of investment outlets.

In conclusion, it appears that the level and timing of residential construction expenditures during the next few decades will depend more on political decisions than on the market-oriented decisions which were controlling before the thirties. Government interest and activity in this field will attempt to maintain a high volume of capital formation in residential construction, even in the face of declining market demand. The test of the effectiveness of such a policy under adverse conditions is yet to come. While it is true that political decisions can modify the operations of market forces, history is also replete with instances in which economic forces have modified the aspirations of the body politic. The most recent example in the field of government aids to private residential construction was the increase of maximum interest rates on VA and FHA home loans to 4½ per cent in the spring of 1953, which was a belated adjustment to changed conditions in capital markets as well as a reflection of changed monetary policy.

In any event, governmental efforts to maintain a high level of residential building will most likely involve major changes in the institutional arrangements for allocating funds to new building activity. Under the FHA and VA programs the government to date has sought to meet its objectives by incentive, persuasion, and the assumption of risks. In this framework, many of the existing institutional arrangements in the creation and ownership of residential mortgage debt have been preserved. There is a real question whether these arrangements will or can be maintained if the public demand for new financial tools, such as direct lending by government, grows in intensity.

TABLE **8**

New Nonfarm Dwelling Units Financed with FHA-Insured and VA-Guaranteed Loans Compared with All Privately Financed New Dwelling Units Started 1935-1951

	FHA STARTS				TOTAL PRIVATELY FINANCED STARTS		
	Total (1)	*One- to Four-Family Houses*[a] (2)	*Multifamily Structures*[b] (3)	VA STARTS[c] (4)	*Total* (5)	*One- and Two-Family Houses* (6)	*Multifamily Structures* (7)
1935	13,964	13,226	738	....	216,000	190,000	26,000
1936	49,376	48,752	624	....	304,000	252,000	52,000
1937	60,003	56,980	3,023	....	332,000	281,000	51,000
1938	118,741	106,811	11,930	....	399,000	334,000	65,000
1939	158,119	144,657	13,462	....	458,000	392,000	66,000
1940	180,091	176,645	3,446	....	530,000	474,000	56,000
1941	220,387	217,091	3,296	....	620,000	562,000	53,000
1942	165,662	160,204	5,458	....	301,000	270,000	31,000
1943	146,154	126,119	20,035	....	184,000	154,000	30,000
1944	93,259	83,604	9,655	....	139,000	125,000	14,000
1945	41,159	38,897	2,262	6,000	208,000	193,000	15,000
1946	69,033	67,122	1,911	83,000	662,000	614,000	48,000
1947	228,818	178,052	50,766	211,000	846,000	774,000	72,000
1948	291,053	213,443	77,610	102,000	914,000	810,000	104,000
1949	360,538	249,465	111,076	105,000	989,000	827,000	162,000
1950	485,933	327,866	158,064	200,000	1,352,000	1,193,000	159,000
1951	263,523	188,252	75,271	149,000	1,023,000	938,000	85,000
1935-1951	2,945,813	2,397,186	548,627	856,000	9,477,000	8,383,000	1,094,000

Notes to Table 8:

[a] Based on FHA first compliance inspections, excluding a small number of new dwelling units financed under Title I, Class 3 of the National Housing Act.

[b] Includes rental and cooperative housing projects and military housing (Secs. 207, 213, 608, and 803); Sec. 611 projects included under 1- and 4-family houses.

[c] Estimated on basis of first mortgage loans guaranteed by VA prior to June 1950, since then based on VA first compliance inspection.

Source: Housing and Home Finance Agency, *Housing Statistics*, January 1952, p. 38. The comparison between starts under the FHA and VA programs with total starts is only approximate in respect to units for owner-occupancy and rental. In this comparison, one- and two-family houses reported by the Bureau of Labor Statistics are assumed to be built for owner occupancy, and units in three- or more family dwellings (multifamily structures) are assumed to be built for rent. The classification of FHA starts by units in one- to four-family houses and rental projects does not quite match the BLS classification. Likewise, some of the new houses bought on VA guaranteed loans may contain one or more dwelling units for rent. However, the proportion of dwelling units in FHA and VA financed two- to four-family houses (as against single-family houses) has been very small. Finally, definitions of type of structure vary. For example, a group of row houses for rent may be classified by FHA as a multifamily (rental) housing project and by the BLS as single-family houses.

TABLE 9

FHA and VA Loans Made on One- to Four-Family Houses in Million Dollars and as a Per Cent of Total Loans of This Kind 1935-1951

	FHA-INSURED LOANS		VA-GUARANTEED LOANS		FHA AND VA AS PER CENT OF TOTAL
	Amount (1)	*Per Cent of Total* (2)	*Amount* (3)	*Per Cent of Total* (4)	(5)
1935	94	4.2	....	....	4.2
1936	309	13.4	....	....	13.4
1937	424	16.4	....	....	16.4
1938	473	19.4	....	....	19.4
1939	669	23.0	....	....	23.0
1940	736	21.0	....	....	21.0
1941	890	22.6	....	....	22.6
1942	958	28.9	....	....	28.9
1943	762	22.7	....	....	22.7
1944	707	17.7	....	....	17.7
1945	474	9.7	192	3.9	13.6
1946	422	4.2	2,302	23.0	27.2
1947	895	8.0	3,286	29.3	37.3
1948	2,109	18.6	1,881	16.6	35.2
1949	2,198	19.9	1,424	12.9	32.8
1950	2,489	15.5	3,073	19.2	34.7
1951	1,935	....	3,614	....	....

SOURCE, BY COLUMN:

(1) Housing and Home Finance Agency, *Annual Report, 1950*, Table 4, p. 238, and *Housing Statistics*, January 1952, p. 48. Excludes a small amount of home mortgages insured under Title I, Class 3.

(2), (4) Totals estimated by Home Loan Bank Board, "Estimated Home Mortgage Debt and Lending Activity, 1950."

(3) Housing and Home Finance Agency, *Annual Report, 1950*, Table 18, p. 133, and *Housing Statistics*, January 1952, p. 50. The 1945 figure includes small amount of VA loans closed in 1944.

(5) Sum of Cols. 2 and 4.

TABLE 10

FHA and VA Loans Held by Principal Types of Lenders in Million Dollars and as Per Cent of Their Residential Loans Year-Ends, 1940-1950

END OF YEAR	FHA AND VA MORTGAGES	TOTAL RESIDENTIAL MORTGAGES[a]	FHA AND VA AS A PER CENT OF TOTAL
	A Life Insurance Companies[b]		
1940	$ 668	$ 2,887	23.1
1941	815	3,235	25.2
1942	1,096	3,625	30.2
1943	1,286	3,835	33.5
1944	1,408	3,819	36.9
1945	1,425	3,632	39.2
1946	1,484	4,021	36.9
1947	2,260	5,005	45.2
1948	3,482	6,754	51.6
1949	4,672	8,232	56.8
1950	6,597	11,035	59.8
	B Mutual Savings Banks[c]		
1947	807	3,937	20.5
1948	1,334	4,758	28.0
1949	1,943	5,569	34.9
1950	3,006	7,054	42.6
	C Insured Commercial Banks[d]		
1950	4,799	9,344	51.4
	D Insured Savings and Loan Associations[e]		
1947	2,025	6,592	30.7
1948	2,326	7,783	29.9
1949	2,658	9,037	29.4
1950	3,242	11,188	29.0

[a] Totals as estimated in the forthcoming monograph.

[b] For FHA and VA mortgages: Institute of Life Insurance, *Life Insurance Fact Books*, except for 1945 and 1946, which include rough estimates for VA loan holdings. FHA holdings were $1,394 million in 1945 and $1,228 million in 1946.

[c] For FHA and VA mortgages: Reports "Mutual Savings Bank Mortgage Loan Activities" of the National Association of Mutual Savings Banks.

[d] Federal Deposit Insurance Corporation, *Report No. 33*. Figures as of June 30.

[e] Home Loan Bank Board, *Statistical Summary*, 1950 and 1951.

TABLE 11

Transfers Among Mortgagees of FHA-Insured Home Loans 1935-1950

(dollar amounts in millions; numbers of loans in thousands)

	FACE AMOUNT OF LOANS TRANSFERRED				
	Total[a] (1)	*Excl. of Federal Agencies*[b] (2)	NUMBER OF LOANS TRANSFERRED (3)	NUMBER OF LOANS IN FORCE AT YEAR END (4)	COL. 3 AS A % OF COL. 4 (5)
1935-36	65	54	n.a.	....	....
1937	115	93	n.a.	....	....
1938	199	153	n.a.	....	....
1939	309	230	n.a.	....	....
1940	401	343	n.a.	....	....
1941	442	400	n.a.	....	....
1942	492	462	n.a.	....	....
1943	594	480	n.a.	....	....
1944	463	429	n.a.	....	....
1945	478	395	n.a.	....	....
1946	266	244	56	940	6.0
1947	278	276	51	912	5.6
1948	887	784	134	1,088	12.3
1949[c]	1,100	841	157	1,302	12.1
1950[c]	1,421	1,292	202	1,511	13.4

[a] Face amount of loans purchased and sold. Includes resales but excludes inter-federal agency transfers.

[b] Column 1 minus net purchases or sales of federal agencies as shown in Table 13.

[c] Beginning 1949 data include mortgages insured under Sec. 603 pursuant to Sec. 610.

n.a. = not available.

SOURCE: *Annual Reports* of Federal Housing Administration.

TABLE 12

Purchases and Sales of FHA-Insured Home Mortgages by Private Institutional Mortgage Lenders
(millions of dollars)

	COMMERCIAL BANKS		INSURANCE COMPANIES		SAVINGS AND LOAN ASSOCIATIONS		SAVINGS BANKS		TOTAL	
	Purchases	*Sales*	*Purchases*	*Sales*	*Purchases*	*Sales*	*Purchases*	*Sales*	*Purchases*	*Sales*
1938	54	80	64	8	6	16	8	1	132	105
1939	87	114	94	12	7	18	18	0	206	144
1940	123	121	55	22	8	33	34	3	220	169
1941	126	149	198	25	7	30	29	5	360	209
1942	142	168	244	16	5	31	35	6	425	220
1943	194	151	263	25	23	24	40	2	520	202
1944	132	142	187	25	9	30	63	1	391	198
1945	173	125	190	22	14	18	46	4	423	169
1946	121	70	99	20	5	14	21	2	246	106
1947	98	86	133	25	3	21	30	1	294	163
1948	157	253	437	60	3	48	90	3	737	364
1949	86	281	569	80	4	73	145	7	804	541
1950	230	320	757	74	17	64	268	11	1,272	669

SOURCE: *Annual Reports* of Federal Housing Administration. Annual data prior to 1938 are not available.

TABLE 13

Purchases and Sales of FHA Loans on One- to Four-Family Houses by Federal Agencies 1935-1950 (amounts in thousands of dollars)

	PURCHASES		SALES	
	Amount	*Per Cent of All Purchases*[a]	*Amount*	*Per Cent of All Sales*[a]
1935-36	$ 10,242	15.8	$ 73	*
1937	28,720	24.9	6,426	5.6
1938	56,447	28.3	10,489	5.3
1939	87,865	28.4	9,002	2.9
1940	63,644	15.9	5,584	1.4
1941	47,184	10.7	4,762	1.1
1942	39,576	8.1	9,842	2.0
1943	41,568	7.0	156,004	26.3
1944	48,339	10.4	13,976	3.0
1945	20,848	4.4	104,256	21.8
1946	910	*	23,095	8.7
1947	179	*	1,914	0.7
1948	104,264	11.8	1,461	*
1949	259,880	23.6	991	*
1950	82,432	5.8	211,591	14.9
Total	$892,098	11.9	$559,466	7.4

[a] Per cent of total purchase and sales by all mortgagees, as shown in column 1 of Table 11.

*Less than 0.5 per cent.

SOURCE: FHA *Annual Reports*. Sales include resales. Federal agencies include the RFC Mortgage Company, Federal National Mortgage Association, Federal Deposit Insurance Corporation, U. S. Housing Corporation.

TABLE 13

Purchases and Sales of FHA Loans on One- to Four-Family Houses by Federal Agencies 1935-1950 (amounts in thousands of dollars)

	PURCHASES		SALES	
	Amount	*Per Cent of All Purchases*[a]	*Amount*	*Per Cent of All Sales*[a]
1935-36	$ 10,242	15.8	$ 73	*
1937	28,720	24.9	6,426	5.6
1938	56,447	28.3	10,489	5.3
1939	87,865	28.4	9,002	2.9
1940	63,644	15.9	5,584	1.4
1941	47,184	10.7	4,762	1.1
1942	39,576	8.1	9,842	2.0
1943	41,568	7.0	156,004	26.3
1944	48,339	10.4	13,976	3.0
1945	20,848	4.4	104,256	21.8
1946	910	*	23,095	8.7
1947	179	*	1,914	0.7
1948	104,264	11.8	1,461	*
1949	259,880	23.6	991	*
1950	82,432	5.8	211,591	14.9
Total	$892,098	11.9	$559,466	7.4

[a] Per cent of total purchase and sales by all mortgagees, as shown in column 1 of Table 11.

*Less than 0.5 per cent.

SOURCE: FHA *Annual Reports*. Sales include resales. Federal agencies include the RFC Mortgage Company, Federal National Mortgage Association, Federal Deposit Insurance Corporation, U. S. Housing Corporation.

Other National Bureau Publications

STUDIES IN URBAN MORTGAGE FINANCING (BOOKS)

1 *Urban Mortgage Lending by Life Insurance Companies* (1950) — 202 pp., 2.50
R. J. Saulnier

2 *The Impact of Government on Real Estate Finance in the United States* (1950) — 190 pp., 2.50
Miles L. Colean

3 *Urban Real Estate Markets: Characteristics and Financing* (1951) — 208 pp., 3.00
Ernest M. Fisher

4 *History and Policies of the Home Owners' Loan Corporation* (1951) — 224 pp., 3.00
C. Lowell Harriss

5 *Commercial Bank Activities in Urban Mortgage Financing* (1952) — 152 pp., 2.50
Carl F. Behrens

OCCASIONAL PAPERS

3 *Finished Commodities since 1879: Output and Its Composition* (1941) — .25
William H. Shaw

5 *Railway Freight Traffic in Prosperity and Depression* (1942) — .25
Thor Hultgren

10 *The Effect of War on Business Financing: Manufacturing and Trade, World War I* (1943) — .50
C. H. Schmidt and R. A. Young

11 *The Effect of War on Currency and Deposits* (1943) — .35
Charles R. Whittlesey

12 *Prices in a War Economy: Some Aspects of the Present Price Structure of the United States* (1943) — .50
Frederick C. Mills

13 *Railroad Travel and the State of Business* (1943) — .35
Thor Hultgren

14 *The Labor Force in Wartime America* (1944) — .50
Clarence D. Long

15 *Railway Traffic Expansion and Use of Resources in World War II* (1944) — .35
Thor Hultgren

17 *National Product, War and Prewar* (1944) — .50
Simon Kuznets

18 *Production of Industrial Materials in World Wars I and II* (1944) — .50
Geoffrey H. Moore

19 *Canada's Financial System in War* (1944) — .50
Benjamin H. Higgins

20 *Nazi War Finance and Banking* (1944) — .50
Otto Nathan

22 *Bank Liquidity and the War* (1945)
Charles R. Whittlesey .50

23 *Labor Savings in American Industry, 1899-1939* (1945)
Solomon Fabricant .50

24 *Domestic Servants in the United States, 1900-1940* (1946)
George J. Stigler .50

25 *Recent Developments in Dominion-Provincial Fiscal Relations in Canada* (1948)
J. A. Maxwell .50

27 *The Structure of Postwar Prices* (1948)
Frederick C. Mills .75

28 *Lombard Street in War and Reconstruction* (1949)
Benjamin H. Higgins 1.00

29 *The Rising Trend of Government Employment* (1949)
Solomon Fabricant .50

30 *Costs and Returns on Farm Mortgage Lending by Life Insurance Companies, 1945-1947* (1949)
R. J. Saulnier 1.00

31 *Statistical Indicators of Cyclical Revivals and Recessions* (1950)
Geoffrey H. Moore 1.50

32 *Cyclical Diversities in the Fortunes of Industrial Corporations* (1950)
Thor Hultgren .50

33 *Employment and Compensation in Education* (1950)
George J. Stigler 1.00

34 *Behavior of Wage Rates during Business Cycles* (1950)
Daniel Creamer 1.00

35 *Shares of Upper Income Groups in Income and Savings* (1950)
Simon Kuznets 1.00

36 *The Labor Force in War and Transition: Four Countries* (1952)
Clarence D. Long 1.00

37 *Trends and Cycles in Corporate Bond Financing* (1952)
W. Braddock Hickman .75

38 *Productivity and Economic Progress* (1952)
Frederick C. Mills .75

TECHNICAL PAPERS

3 *Basic Yields of Corporate Bonds, 1900-1942* (1942)
David Durand .50

4 *Currency Held by the Public, the Banks, and the Treasury, Monthly, December 1917-December 1944* (1947)
Anna Jacobson Schwartz and Elma Oliver .75

5 *Concerning a New Federal Financial Statement* (1947)
Morris A. Copeland 1.00

7 *Factors Affecting the Demand for Consumer Instalment Sales Credit* (1952)
Avram Kisselgoff 1.50

8 *A Study of Aggregate Consumption Functions*
Robert Ferber (in press)