

STRICTLY CONFIDENTIAL

Draft - Press Release to
accompany Executive Order
on Speculative Controls

The President today issued an Executive Order authorizing the Board of Governors of the Federal Reserve System to carry out a program for regulating credit used in farm and urban real estate transactions, under the general policy directives of the Economic Stabilization Director.

The action is intended to put the government in a position to check speculative inflation in the farm and urban real estate markets, lest the rise of prices in this previously uncontrolled field should defeat the successful stabilization of prices which has been achieved elsewhere in the economy. The Executive Order was the result of a recommendation by the Economic Stabilization Director, based upon studies made by various government agencies, and was made with the unanimous support of the Economic Stabilization Board.

The program authorizes the Board of Governors of the Federal Reserve System to prescribe such regulations as it deems necessary governing the use of credit extended in purchasing farm and urban real estate subject to policy directives of the Economic Stabilization Director. The Economic Stabilization Director, William H. Davis, has informed the President that he intends to direct the Board of Governors to exempt from control guaranteed loans under the G. I. bill of rights, tenant purchase loans by the Farm Security Administration, loans in connection with the first sale of priority-assisted new construction for which maximum prices are established, and housing in the process of construction at the time the present Executive Order is issued. The exemption of priority-assisted new construction re-

flects the Economic Stabilization Director's desire to avoid any impediment to new construction.

A statement from the Economic Stabilization Director declared;

"A steady and rapid development of housing construction in the reconversion period so far as the supplies of material and labor will permit is a basic element of economic stabilization. The control of credit in the real estate field should be so developed as to put a damper on speculative resales and should not interfere with new construction undertaken with priority assistance."

The Executive Order was issued under the Trading with the Enemy Act of 1917, as amended by the First War Powers Act of 1941, which is the statutory basis of the Board of Governors' Regulation W controlling consumer credit.

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