

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date December 5, 1945

To Chairman Eccles

Subject: Bill to prevent inflation in

From Ramsay Wood

residential real estate, H. R. 4761

Hearings are now being held by the House Banking and Currency Committee on a bill, H.R. 4761, introduced by Mr. Patman, to prevent "speculation and excessive profits in the sale of housing, and to insure the availability of real estate for housing purposes at fair and reasonable prices, and for other purposes." You have been invited to testify or submit a statement on this bill.

This memorandum sets out the significant provisions of H.R. 4761, and there is attached a statement which might serve as the basis of testimony or of a letter to the committee.

Provisions of E.R. 4761

1. There is created an Office of Housing Stabilization, headed by a Director of Housing Stabilization who shall be appointed by the President with the advice and consent of the Senate, and who shall receive \$12,000 per annum. The Director shall administer the Act, and shall have power to "issue directives on policy to those Federal departments and agencies which have functions relating to or affecting housing."

2. The Director is given broad powers to obtain any information he needs to carry out the policies of the Act, including the power to require anyone concerned in real estate transactions to testify and permit inspection of records and real estate.

3. The Director is authorized to establish maximum sales prices for housing accommodations by regulation or order, and such regulations or orders may be limited to particular geographical areas or to particular classes of accommodations.

a. The maximum sales price established for housing completed after the effective date of the Act is to be made up of: actual costs of construction, but not exceeding legal prices of materials and services; plus the fair value of land, but not less than the cost of land purchased before the effective date of the Act; plus the margin of profit generally prevailing on comparable units in 1941.

b. The maximum sales price established for housing accommodations completed and occupied on or before the

the effective date of the Act is to be "the price of the first bona fide sale" after the effective date. The regulations shall provide for making "appropriate adjustments in the maximum sales price where substantial improvements have been made subsequent to the last sale." (No specific provision is made for reducing the maximum price where deterioration has taken place, although the Director is authorized to classify and differentiate cases and to "provide for such adjustments and reasonable exceptions" as in his judgment are necessary to carry out the purposes of the Act.) The Director is authorized to make such provision as he deems necessary to prevent evasion of the Act.

4. The Director may, when in his judgment there is a shortage of building materials, allocate such materials "in such manner and upon such conditions as he deems necessary and appropriatewith particular regard for the need for the construction of low-cost housing accommodations and the need for housing accommodations for rental."

5. The Director may, by regulation or order, give preference to veterans of World War II and their families in the purchase or renting of housing completed after the effective date of the Act.

6. The Director, when in his judgment there is no practicable alternative for securing the construction of needed housing, is authorized to subsidize the construction of new low-cost housing.

7. Persons aggrieved by any action of the Director may petition a U. S. District Court for review of the action complained of.

8. The Director may apply to "the appropriate court" to enjoin violation or enforce compliance with the provisions of the Act establishing maximum prices. Willful violation of the price ceilings, and false statements, are punishable by a fine of \$5,000, imprisonment for one year, or both.

A seller who violates a regulation setting a maximum selling price may be sued within one year by the buyer for treble damages and costs, or, if the buyer does not sue within sixty days, by the Director.

(There does not seem to be any explicit provision for enforcing the terms of orders allocating building materials.)

Attachment

 RW