

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

[Handwritten signature]
Office Correspondence

Date November 7, 1947

To M.S.E.

Subject: _____

From L.C.

The attached is a redraft of a statement which Wood gave me several days ago. I read it to Foley yesterday and he said his chief objection to it was that it did not stress the necessity of increasing the production of low-cost, low-priced housing, including rental housing. He apparently felt that without the inclusion of a statement to that effect the entire statement would give the impression that the present housing program was not desirable. He did not say that the inclusion of such a statement would make the entire statement acceptable, but he did not object specifically to any other part of it.

[Handwritten signature]

Attachment

Mortgage Credit for Housing

Ever since the end of the war the demand for housing has exceeded the available supply, resulting in inflationary developments in the urban real estate market. In part, this excessive demand is being sustained by record high levels of income, but it is also aggravated by the ready availability of mortgage funds on liberal terms. Families of low and middle income have been obliged increasingly to incur mortgage debt in order to satisfy their urgent needs for housing. This includes veterans, many of whom are acquiring homes on terms and at prices that are not in the veterans' own interest. Until the construction of additional dwelling units has more nearly caught up with housing demand, there is great danger that credit will be extended in excessive amounts, on terms which are too liberal and upon values which are not likely to be sustained. A substantial part of mortgage credit for housing is under Government sponsorship. To the extent feasible within the framework of existing legislation, Federal agencies engaged in urban housing finance, and Federal bank supervisory authorities, are being requested to cooperate in a program to discourage housing credit except on terms and upon valuations which are sound for the borrower and the lender and which will add as little as possible to inflationary pressures.

11/5/47
LC:ac