

FEDERAL RESERVE BANK  
OF DALLAS

Dallas, Texas, July 15, 1952

REAL ESTATE CREDIT  
REGULATION X

*To All Persons Engaged in the Business of Extending Real Estate Credit in the  
Eleventh Federal Reserve District:*

There is quoted below a statement issued July 15, 1952, jointly by the Board of Governors of the Federal Reserve System and the Housing and Home Finance Administrator relating to provisions of the Defense Production Act Amendments of 1952.

“The Board of Governors of the Federal Reserve System and the Administrator of the Housing and Home Finance Agency announced today the procedures that will be followed in carrying out the new housing credit provisions of the Defense Production Act Amendments of 1952 and of the new Executive Order implementing those provisions.

“Under the amendments to the Defense Production Act, if housing starts for any consecutive three months fall below an annual rate of 1,200,000, residential credit controls shall be relaxed so as not to require a down payment of more than 5% of the transaction price. The amendments further provide that such relaxation shall begin not later than one month after the expiration of the consecutive three months during which housing starts were at an annual rate of under 1,200,000.

“The amendments to the Defense Production Act authorize the President to estimate the rate of housing starts and to announce the beginning or termination of a period of relaxed credit controls. This authority has been delegated by the President, in amendments to Executive Order 10161, to the Department of Labor with respect to estimates of starts and to the Federal Reserve Board and the HHFA with respect to required announcements.

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“Acting under that delegation, the following procedures have been determined upon:

“Housing starts will be estimated, for purposes of possible credit relaxation under the Amendments, beginning with starts for the month of June, 1952. These estimates will be made by the Labor Department’s Bureau of Labor Statistics, which will also make estimates of the annual rate of starts each month adjusted for seasonal variations in the rate of construction. The housing to be counted in the estimate shall consist of permanent, nonfarm, family dwelling units. BLS will transmit its estimates to the Federal Reserve Board.

“If the estimates show that for three consecutive months, starts are below a seasonally adjusted annual rate of 1,200,000, then the Federal Reserve Board, with the concurrence of the HHFA Administrator, will announce a period of residential credit control relaxation to begin not more than a month after the termination of the three-month period. For example, if housing starts during June, July and August are below a seasonally adjusted annual rate of 1,200,000 for each of those months, the period of credit control relaxation would begin not later than October 1.

“Such a period of relaxation could be terminated by the Board, with the concurrence of the Administrator, any time after construction starts during three consecutive months exceeded an annual rate of 1,200,000.

“The authority of the Federal Reserve Board and the Administrator of the Housing and Home Finance Agency to administer credit controls remains unchanged until a period of credit control relaxation has been announced, the two agencies pointed out. Both agencies made it clear, however, that no change in the down payment requirements on residential properties is contemplated at this time, particularly in view of the fact that these requirements were modified as recently as June 11.”

In this connection, it will be recalled that the current down payment requirements with respect to residential and multi-unit residential properties under Regulation X are those set forth in Amendment No. 10 to the Regulation, effective June 11, 1952. The down payment requirements under Regulation X with respect to nonresidential properties continues unchanged at 50 per cent of the “value” of the property.

Yours very truly,

R. R. GILBERT

President