

# NORTHWESTERN Banker Newsletter

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## Housing In 1972: A Shift In Emphasis

*The following comments on the housing outlook for 1972 have been sent to the Northwestern Banker by Philip C. Jackson, president of the Mortgage Bankers Association of America:*

Housing was a star performer in the economy in 1971 and promises to continue at record levels in 1972. Even though residential construction accounted for a relatively small 4 percent of the Gross National Product (GNP), it accounted for about 14 percent of the growth in the GNP during 1971. The value of residential construction jumped by a third in 1971 and promises to show another 10 percent gain in 1972.

Traditionally, housing has been a counter-cyclical sector of the economy with strong gains recorded during early phases of business recoveries. Ample supplies of funds became available to the mortgage market in 1971, bringing the current surge in activity to meet the backlog of housing demand. In physical volume, the number of housing starts in 1971 reached a new record exceeding 2 million units. When mobile home shipments of over 500,000 units were added to the housing starts, total shelter production exceeded 2.5 million.

During 1972, the number of housing starts will increase slightly to 2.1 million units and mobile home shipments will also increase slightly. However, apartment production will become less important, slipping from 875,000 units to 750,000 units while single-family hous-

ing starts will exceed 1.3 million units, the highest since 1955.



While the economy was supported by the strength in housing activity during 1971, the strength in the economy will support housing activity in 1972. Each major sector of the economy — consumer spending, business outlays, state and local government purchases, federal government spending as well as construction activity — will show significant-to-strong gains in 1972. The GNP will increase a substantial 9.5 percent with the gain in real output of 6 percent and a somewhat smaller price increase of 3.5 percent. By every measure, 1972 will be a very good year for the economy with most of the problems of recovery moving close to resolution.

Housing programs will need to face a shift in emphasis during the coming year as the backlog of housing demand is satisfied. In most areas of the country, housing production is rapidly catching up with the need for new units, and in a few areas moderate overbuilding is apparent for some types of housing units. Vacancy rates have already begun to climb from the exceptionally low levels

of recent years, and the time necessary to rent new apartment units is stretching out reflecting the rising number of units being completed.

A reasonable economic forecast of housing demand in 1972, assuming no escalation of federal or state government subsidy programs, would be housing starts of 1.8 million units and mobile home shipments of 500,000 units. A more realistic political forecast would indicate adoption of additional programs or expansion of existing programs to stimulate housing starts in 1972 above 2.1 million units which would exceed the 1971 record. One inevitable consequence will be additional overbuilding in many housing markets. Yet the discipline of the market place does not apply to government-subsidized units which, because of their cheaper out-of-pocket cost, will drain eligible households from the private housing market.

The mix of housing starts, however, will reflect the limitations of private demand during 1972. Apartment starts are expected to decline in 1972 as cutbacks in private starts more than offset the stimulus from government multi-family programs. Single-family starts will increase further under very strong stimulus of government programs.

Financing this continued boom in housing activity will require additional funds from the various government credit agencies to help offset a modest reduction in funds available from the thrift institutions.

Interest rate levels during 1972 will

(Continued on back page)

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#### IOWA NEWS

**CHEROKEE:** Edwin M. Hartliep, 56, vice president, Steele State Bank, died recently following a heart attack.

**DES MOINES:** The Council of Administration of the Iowa Bankers Association has directed its legislative committee to meet again on January 25 to reconsider its support of a bill to restrict multi-bank holding companies and liberalize the state's bank office law.

The omnibus bill restricts a bank holding company to controlling no more than 10% of the total deposits in the state. Some banks within the Association — chiefly those identified with the newly-formed Iowa Independent Bankers Association — seek a 3% to 4% deposit ceiling because they feel the 10% limitation tends toward economic concentration.

The omnibus bill also liberalizes the Iowa bank office law — expanding the number of bank offices per bank, especially in urban areas, and authorizing additional functions, including the making of loans.

The legislative committee had voted 27-7 in support of the omnibus bill at a meeting Dec. 15 in Des Moines.

The Iowa Bankers Association staff announced late last month that because

of the sensitivity and importance of the banking structure issues, it would conduct a poll of the 665 member banks to gauge reaction to the omnibus bill.

Arthur E. Lindquist Jr., executive vice president and secretary, said the reaction from approximately 100 banks that responded to a Dec. 17 survey letter was overwhelmingly opposed to one or more provisions of the omnibus bank bill as now written. There were only a handful, he said, who supported the bill in its present form.

**LONE ROCK:** A charter trip to the Independent Bankers Convention is being planned for bankers and their wives by K. W. Jackson, president, Lone Rock Bank. The group will leave Des Moines on March 11 and return on March 19 after a side trip to Freeport in the Bahamas. Cost of trip is \$385, including hotels, ground and air transportation, and extras.

**RIPPEY:** Dwight M. Crumley has retired as active president of the bank following 54 years of service, according to H. A. Norgren, executive vice president.

#### NEBRASKA NEWS

**BELLEVUE:** A suit filed in Sarpy County District Court by the First National

Bank of Bellevue contends that the Bank of Bellevue should not be allowed to establish a facility in the Capehart housing addition near Offut Air Force Base. The suit also asks that the Bank of Bellevue be restrained from operating a facility in existence for several years on the base itself.

**NORTH PLATTE:** The State Department of Banking has denied an application for a bank charter for the proposed American State Bank at 420 Rodeo Road.

**OMAHA:** The State Department of Banking has reported that an application for a bank charter at the southwest corner of Custer and Nathan Hale Lane, Offut Air Force Base, has been withdrawn.

#### ILLINOIS NEWS

**CHICAGO:** Members of the Illinois Bankers Association will hold their 20th Annual Public Relations and Marketing Conference, January 27-28, at the Sheraton-Chicago Hotel.

The group will take an in-depth look at "Marketing During the Profit Squeeze." The opening luncheon speaker will be Lt. Gov. George Nigh of Oklahoma. Registration will start at 11:00 A.M. on Thursday, January 27 in the East Room Foyer, 9th Floor, according to Conference Chairman William R. Beckmann, director of PR and Advertising for National Boulevard Bank, Chicago. President of the IBA public relations division is Marvin R. Strunk, senior vice president, Madison Bank & Trust, Chicago. The conference will adjourn Friday noon.

**DEERFIELD:** A permit to organize has been issued to establish the Deerbrook State Bank at the Deerbrook Shopping Center. Total capital will be \$1,000,000. Organizers include: Donald Brown, Northbrook; Fred C. Griffiths, Park Ridge; Charles Kimball, Chicago; C. T. Mitchell, Western Springs, and Robert J. Wilson, Naperville.

**NAPERVILLE:** An application for a permit to organize has been made for a bank to be known as the Indian Hill Bank and Trust Company. Total capitalization would be \$1,000,000. Organizers

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#### MINNESOTA NEWS

**BROOKLYN CENTER:** Joe Kolar, former president of the Calumet State Bank, has been named president of the Brooklyn Center State Bank.

**CALUMET:** Romane Kaufmann of Anoka has been elected president of the Calumet State Bank.

**MINNEAPOLIS:** A Federal district court in Minneapolis at the request of the State Commerce Commission and the Independent Bankers Association of Minnesota has issued a temporary restraining order against Comptroller of the Currency William B. Camp from proceeding with a scheduled hearing on the application by the First National Bank of Minneapolis to relocate one of its branches here. First National seeks to relocate its north side office at W. Broadway and Washington Avenue South across the city to 53rd and Lyndale Avenue.

**NEW HOPE:** Hearings will begin February 15 on a new application for a state bank here. This is the second application filed by Milton C. Honsey, William J. Egan and Willard H. Honsey. The first application, filed Dec. 15, 1970, was denied.

**NORWOOD:** Clinton D. Kurtz, former vice president of the Blue Earth State Bank, has been elected vice president and



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director of the Citizens State Bank.

**RICHFIELD:** Funeral services were held recently for James C. Hazlett, 63, president of the Summit State Bank. He died while vacationing in Florida.

**WAYZATA:** Robert B. Frick has been named president of Wayzata State Bank & Trust Company, succeeding Wayne Blackmarr, who has been named chairman and chief executive officer. Mr.

Frick has been executive vice president. His father, Alvin C. Frick, was president of the bank from 1933 to 1959.

#### NORTH DAKOTA NEWS

**FARGO:** A public hearing is scheduled for January 21 in Bismarck on a charter application for a state bank to be located in the West Acres shopping center. Proposed name of the bank is Union State Bank of Fargo.

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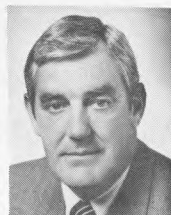
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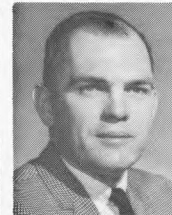
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## Housing in 1972

(Continued from Page 1)

show little identifiable trends during most of the year, though an upward thrust should be expected as the rise in economic activity accelerates late in the year. A repetition of a seasonal upturn in the spring would be expected though the amount of rise in interest yields should be much smaller than in recent years. A special feature of mortgage interest yields is the return to a positive yield spread between single-family mortgages and high-grade corporate bonds. This yield spread deteriorated in late 1970 so that during most of 1971 the highly unusual situation of a negative yield spread prevailed between home mortgages and corporate bonds.

With the problems of adequate supplies of housing units and availability of mortgage financing fading into history, it is time to turn attention to the problems of people. The direct subsidization of consumers is the preferred means of pursuing social goals that are not otherwise met. Direct subsidies avoid the warping of financial institutions. They are visible and they are less inflationary than borrowings of the federal government or federal agencies.

In addition to being extremely costly, the present housing interest subsidy programs are in many instances most inequitable. Citizens who have worked hard for many years to acquire decent shelter have been angered because some

new neighbors with comparable or higher incomes have been able to obtain subsidies from the federal government to purchase the same or even better housing. A program is needed which will screen applicants for housing subsidies more carefully so that inequities will be non-existent or minimal. An expanded housing allowance program could accomplish this result.

### WYOMING

**GREELEY:** Dale Hinman has been named chairman of the board of the Greeley National Bank. He has served as president since 1959 when he joined the bank. Mr. Hinman is a director of the Denver branch of the Federal Reserve Bank, and continues to serve as chief executive of the Greeley Bank.

### MONTANA NEWS

**BOZEMAN:** Montana Bankers will hold their Annual Agricultural Credit Conference, January 27-29 at Montana State University. Registration will start at 9:00 Thursday morning, January 27. The program will start this same day at 1:30 P.M. with a panel discussion on "What's New In Our Area." A social hour and smorgasbord will be held at Holiday Inn starting at 6:00 P.M.

The Friday meeting will start at 9:00 A.M. and will continue throughout the day. A social hour and banquet will again be held at Holiday Inn, and a basketball game between Montana State

and Gonzaga will follow. Workshop sessions will be held Saturday A.M. Registration is being handled by Wayne Gibson, Security Bank and Trust Company, Billings,

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