

DECEMBER 1950

- The two specific government regulatory orders which have been issued to control volume of construction have by now been pretty well digested by the industry and inevitable objections--some valid, some selfish--have appeared in recent weeks. Regulation X, issued by the Board of Governors of Federal Reserve System with the concurrence of HHFA, imposes credit restrictions on housing loans. NPA Order M-4, issued by the new National Production Authority in Dept. of Commerce, prohibits commencement of certain types of construction.
- Regulation X, briefly, calls for down-payments on non-government insured housing (similar restrictions on FHA loans had already gone into effect) ranging from 10% in the price range \$5000 and under, to 50% at \$25,000 and over. Preference for veterans will amount in most cases to 10 percentage points.
- Stated reason for Regulation X is to limit production of new housing to between 800,000 and 850,000 units next year. Home builders reply that restrictions are such a sharp change from former easy credit situation that demand will fall sharply--and far fewer than the target number of homes will result in 1951. Architects' business will probably suffer mainly in the work for spec. builders, who will be much shyer at starting projects. The custom-designed house will also undoubtedly fall off in volume, though not to such a great extent. For properties over \$20,000 in value, the outstanding credit may now be only \$11,700 plus 10% of the value over \$20,000 but not less than 50% of value.
- Further, Regulation X limits construction loans on houses to a term of 20 years in most instances. This provision has been widely criticised as a move backward after a long, slow period of progress toward lengthier amortization periods, to the benefit of a family with a tight monthly budget.
- Order M-4, which had been anticipated in some form by the building fraternity, was much more drastic than expected. On the surface it prohibited start of construction after October 27, 1950, of any structure for recreation, amusement, or entertainment purposes. Most active building types stopped are theaters, clubs, gymnasias and stadia, community recreation buildings.
- However, the paragraph in Order M-4 that caused groans of agony was one on "policy" which said in part: "It will be the policy of NPA to further limit or prohibit construction of additional types of projects...If such action becomes necessary, any such construction commenced after the effective date of this part may be halted, even though its commencement at the present time is not forbidden..."
- Obviously this left owners, architects, and builders completely at sea on many projects that could later be considered as "not increasing the nation's productive capacity." Knowledge that other types of buildings may be stopped was bad enough, but the fact that they could be stopped after a permitted start seemed to many a bit rugged, and was actually more arbitrary than any of

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