

A CRISIS IN HOUSING

"...the fault lies with the people themselves..."

(1959)

For the past two years the seriousness of the housing situation has increased. It has now reached the crisis period. As in every crisis the situation can either improve or completely deteriorate. Unfortunately there seem to be no prospects for improvement—the housing shortage is increasing rather than diminishing.

In a period of relative prosperity, or at least superficial prosperity, we are in the midst of a seriously declining housing market. Private homes and apartment buildings are just not being built fast enough to meet the needs of the nation. At a time when we should be building 1,700,000 units a year we are now building only one million units—and perhaps less than that this year.

What is the reason for this situation? For the past several years the interest rates on mortgage money have been steadily increasing. This is the major factor in the decline of the number of houses and apartments being built. The last session of Congress increased the interest rates on G.I. insured mortgages to 5¾%. The intent of increasing the interest rates on these mortgages, which are guaranteed by the government, was to induce financial institutions to make more mortgage loans to home owners. The factor which was not considered is that veterans and others cannot afford the monthly carrying charges to pay for housing at such high interest rates.

The rates on conventional mortgages, those not insured by the government, have continued to rise and now are at about 6 percent for interest and 2 percent for amortization. Families with average income cannot afford housing at these rates.

The Governor of New York put forward a program to finance middle income housing. He proposed to mix \$100,000,000 of public funds with \$200,000,000 of private funds from banks and insurance companies. This was a program we long

advocated. However, the interest rates demanded for the private money was so high that even when mixed with cheaper public funds the program will not provide housing to benefit the average working family very much.

On October 1st most of the savings banks increased the amount they would pay for the use of depositors' money from 3¼ to 3½%. A few days later the federal government offered the public 5% for the use of their money. Nearly a half billion dollars was invested by the people in these government notes in two days. This is part of the paradoxical situation that the people are rich in money but poor in housing. Large numbers of people are living in substandard conditions while drawing interest and dividends on their savings bank accounts, government bonds, and common stocks.

Their money is being used to rebuild not the slum area, but to rebuild Park and Fifth Avenues with ultra modern office buildings, and to finance plant expansion of factories they will never see. The savings of the people are being loaned to build luxury apartments in which most people will never live. Only office buildings and luxury apartments can afford to pay today's high interest rates.

If we tried to analyze who is responsible for such conditions we find that the fault lies not with the government, not with the bankers or insurance companies, but with the people themselves. For it is the people who have given their savings to others to manage for them. The people seem to be much more interested in dividends, than in housing. It is very probable that the housing situation is going to get much worse before it improves any. It is unlikely that the situation will improve until a great many people learn some responsibility in controlling their financial affairs.