HOUSING FINANCE IN THE UNITED STATES OF AMERICA 1/

I. Economic and Fiscal Background

A. General

In 1956 for the eighth year in succession, American home builders started more than 1,000,000 new non-farm family dwelling units. The tremendous requirement for capital goods has made it increasingly difficult to maintain the pace for some types of capital outlays which was established in the years following the war. The total volume of savings has not increased as fast as have over-all demands for capital.

In the year 1956, largely because of a credit stringency, there was a moderate slowdown in the construction of houses most of which were single family units built for sale. The Government has been concerned about how far it should go in easing credit for the specific use of housing. In the four years preceding 1956, consumer prices had remained virtually stable. In mid-1957, consumer prices are somewhat higher than in mid-1956. The Bureau of Labor Statistics Index for City Wage Earner and Clerical Worker Families (1947-1949 equals 100) was 119.3 in April 1957 compared with 114.9 in April 1956. Though, the Government policy has been to forestall a continuation of such price increases, the Housing Act of 1957, approved July 12, gives permission to reduce required down payments on houses financed with mortgages that are insured by the Federal Housing Administration. As this is written, regulations to apply reductions have not been issued and the press is reporting arguments for and against such a step.

1/ Prepared for the Housing Committee of the Economic Commission for Europe, by Roy J. Burroughs, Rapporteur, July 1957.

B. <u>Annual Investment</u>

New non-farm residential building put in place totaled 15.6 billion in 1956. This represented about 3.8 percent of gross national product and 23.9 percent of private domestic investment. New residential construction constituted between the 3.3 percent of gross national product in 1949 and the 4.5 percent in 1950. Other years since 1949 it has been between these two extremes. The annual investment figures do not include farm housing. In 1956 estimated expenditures for farm operators' dwellings were $730 million. Small additional amounts were spent on farm dwellings not occupied by operators.

C. <u>Sources of Capital</u>

Though housing in the United States is financed almost entirely from private resources, various types of governmental arrangements are used to encourage such private investment; thus in 1956 when 1,118,100 family non-farm dwellings were started, 1,093,900 were privately owned and privately financed. Only 24,200 publicly owned dwellings were started in 1956. Data are unavailable to indicate what portion of the new structures were built by credit and what portion were financed from equity investments. It is known that in 1950 when a census was taken that about one-half of the houses were occupied by their owners and of these, approximately one-half were free and clear of mortgage debt. In the meantime, owner occupancy has risen to about 60 percent and undoubtedly the number of families with a high ratio of mortgage to home value has increased. The mortgage-free owner-occupied one-family home remains an important factor in the economic stability of the United States.

One-family dwellings occupied by tenants are usually owned by individual landlords, perhaps themselves former occupants. Such individual landlords are most commonly small investors with only one or a few houses to let. Multifamily apartment buildings, important chiefly in large cities, may be owned by individuals, corporations, or sometimes by cooperative groups.

D. Employment

The Department of Labor reports that employment by building construction contractors totaled 2,279,000 persons in 1955 when 1,328,900 non-farm houses were started. Of these 938,000 worked for general contractors who were engaged in construction of buildings, such as private residences, apartments, farm buildings, industrial and commercial structures, public buildings, and building alterations and repairs. Another 1,342,000 persons were employed by special trade contractors who were engaged in plumbing, painting, plastering, and carpentering. In that year the total civilian employment was 63,193,000 persons.

Although the above figures do not identify specifically those engaged in the construction of residential buildings, unofficial informed guesses indicate that approximately one-man-year of work on a building site is required to construct a house. Approximately an equal amount of labor is required in the manufacture of materials used in a family dwelling unit.

II. Rent Policy

Except in wartime, it is a policy of the Federal Government of the United States of America to maintain a free market in the sale and rental of family dwellings. Prices and rents are free to move in keeping with the relation between units available and the number of units consumers are willing to buy or rent at any of a given series of prices. Thus there is freedom of consumer choice within the limits of the individual family pocketbook and availability of space. The free market assures the rationing of space in keeping with the needs and buying power of the consumer. Construction is stimulated and guided by consumers' preferences. There are so many small-scale landlords and builders that price competition can be quite effective.

There are, however, requirements in the National Housing Act that the Federal Housing Administration must approve rent schedules proposed by mortgagors whose properties have been financed with the assistance of mortgage insurance provided by the Federal Housing Administration. Each of the 48 states has implicit authority, rarely used, to impose rent controls. In general, the control of rents in the USA has been only a wartime phenomenon.

III. Building Costs

According to the Department of Commerce, median selling prices for new one-family houses was $14,500 in 1956. The average floor area was about 1,230 square feet distributed predominantly between 1,000 and 1,499 square feet. The price of a new house was less than three times the average income of all families (buyers and non-buyers) in the same year.

Buyers of new houses can be expected to be somewhat higher in the income scale than the average. Families with incomes below the average would normally buy an older house or else lease one from someone else.

The relationship between the cost of the house and family income is further indicated by the experience of the Federal Housing Administration. For example in 1956 the median annual income of those who bought new houses, mortgages on which were insured by FHA, was estimated to be $6,054. The annual income of the average home buyer was 46 percent of the appraised value of the typical home. According to the Commissioner of the Federal Housing Administration, families with incomes from $2,500 to $15,000 were benefited by the insured mortgage program.

Over the years it is probable that the home buyer has obtained increasingly more for any given effort he has devoted to buying a house. Not only has labor effort in general been more productive but advancing technology both in construction and in types of equipment used in the house has given more utility for a given input. The FHA Commissioner recently stated, "Modern research is operating in three ways to produce a better house. It studies the requirements of today's families in both practical and aesthetic terms; it develops new materials and methods of construction to produce a home that will meet these requirements; and it investigates techniques for keeping costs within the reach of the average family." (FHA release July 1, 1957)

The dollar cost of construction has increased somewhat in recent years; for example, the Boeckh index of the cost of building residences (1947-1949 equals 100) increased from 119.1 in 1952 to 123.9 in 1955 and 129.3 in 1956. In the same period the United States Department of Labor Index of Housing Costs which covers rent, gas and electricity, fuel, furnishings and other operating costs, for city wage earner and clerical worker families was 121.7 in 1956 compared with 120.0 in 1955 and 114.6 in 1952. The index for rent alone was 132.7 in 1956; 130.3 in 1955; 117.9 in 1952.

The index of wholesale prices of building materials (1947-1949 equals 100) was 130.7 (preliminary) in April 1957 compared with 131.3 in April 1956. For the year 1955 the Index was 125.5 and the year 1952, it was 118.2.

The average hourly earnings in building construction was $2.80 in 1956 compared with $2.66 in 1955 and $2.31 in 1952. The average weekly hours worked in building construction was 36.4 in 1956 compared with 36.1 in 1955 and 38.1 in 1952.

IV. Housing Requirements

New non-farm housing production in the past has maintained a fairly close relationship to the net gains of non-farm population with about one new home built for every three persons added.

The demand for housing has been caused not only by population growth but by shifts of population from one part of the country to another, removal of extra or "doubled-up" families to separate households, and by the need to replace housing as it becomes worn out with age or is demolished to make way for something else. This requirement for increased dwelling space has been met both by new construction and by conversion of existing structures into any additional number of units.

In 1951 the Housing and Home Finance Agency estimated that by 1960 there would be a need for an additional 14,386,000 dwelling units. It was estimated that replacements and rehabilitation would account for 8,400,000 units and that 5,986,000 units would have to be added to the inventory. Since that time, and through 1956, 8,385,500 units have been built.

Population has grown more rapidly than was anticipated in 1951. The 1951 estimate had anticipated an increase of 5 million non-farm households in the decade 1950 to 1960. The current estimated increase from March 1950 to March 1957 is 6 million total households. However there are 7,000,000 new non-farm households, reflecting a sizeable shift from farm to non-farm living. In some cases a household will change classification without any physical change except that the occupant no longer operates or works on the farm land. But in general the statistics represent a physical movement of households away from the farms. Scientific and mechanized agriculture releases more and more people for other types of production.

Of the 38.9 million married couples in 1957, only 1.2 million did not maintain their own households. Ten years earlier there were 2.9 "doubled-up" or extra families in households. This is one of the most flexible factors in the real estate market, the number changing with economic conditions and availability of space.

The results of a sample inventory soon to become available will reflect the results of demolitions, conversions, and changes in vacancies.

V. Output of Dwellings

Non-farm housing started in the United States in the years 1950 through 1956 totaled 8,385,000 dwelling units. The starts represent from 26 to 38 percent of the net gain in population when the two series are expressed as five-year moving averages.

The actual number of dwelling units started in the years 1950 through 1956 follows:

1950	1,396.0
1951	1,091.0
1952	1,127.0
1953	1,103.8
1954	1,220.4
1955	1,328.9
1956	1,118.1

In the second quarter of 1957, 2.6 percent of the inventory of dwelling units for year - round use (and not dilapidated) was for sale or rent.

VI. Sources of Output

Small-scale builders and owner-builders constitute the largest number of those engaged in the construction of housing. For the year 1949, for which surveys are available, 33 percent of dwelling units were started by those who built only one unit a year; 24 percent by those who constructed 100 or more units in the year; 25 percent of the dwelling units by those who constructed from 10 - 99 units in the year; and another 24 percent, by those who built from 2 - 9 units in the year. Excluding houses built by owner-users, a third of the other buildings were built by those who built 100 or more units in the year and only 8 percent by those who built one unit in the year. From another point of view, of the 988,760 private dwelling units started in 1949, 270,600 were by the owner-builders, mainly those who lived in the finished product. The remaining 697,470 units were started by operative builders and general contractors.

Nearly all construction was done by the private builder for private ownership. When in 1956, 1,118,100 dwelling units were started, only 24,200 of this total were publicly owned. The latter were built by local housing authorities with certain assistance from the Federal Government.

VII. Financial Methods

In the brief space of this report it is impossible to give a comprehensive picture of housing finance in the United States. In the near future an up-to-date copy of a paper by the Housing and Home Finance Agency entitled, "Summary Description of Housing Finance in the United States," will be sent to the ECE Secretariat. Also available to the Secretariat will be a copy of the 9th Annual Report of the Housing and Home Fianace Agency and Housing in United States - a graphic presentation.

The financing of housing in the United States is done almost altogether through private resources. Private ownership of houses built by private enterprise and financed by private institutions represents the normal and almost all prevailing situation. This spirit of enterprise is cultivated by the Federal Government.

The Federal Government has a definite goal which was stated in the Housing Act of 1949. This goal is "... the realization as soon as feasible of the goal of a decent home and a suitable living environment for every Anerican family..."

The means recommended by Congress for attainment of that goal is that "... private enterprise shall be encouraged to serve as large a part of the total need as it can..."

It is the purpose of Government to use its resources in such a manner as "... to enable private enterprise to serve more of the total need..."

Private enterprise is thus enabled to provide the means for improvement of housing. Government provides favorable conditions to make this possible. The success of this policy is evident throughout the land.

A. Public Housing

Public Housing represents a very small fraction of total housing in the United States. In recent years more than a million non-farm dwellings have been built annually. Housing built for ownership by local housing authorities has represented from 19,000 to 71,000 units out of this total. Nevertheless the publicly financed housing has been useful in contributing toward the national policy with respect to those families whose incomes are insufficient to support adequate housing.

1. Capital

The Public Housing Administration makes loans and annual contributions to about 800 local housing authorities organized under enabling statutes of most of the States. According to the Housing Act of 1956, new contracts are limited to those localities which have been certified as having a "workable program" for the prevention and elimination of slums and blight. The responsibility of local housing authorities usually covers a municipality or county. They provide housing for families of low income. The Housing Act of 1956 also made special provision for housing for elderly families and for elderly single persons (65 years of age or over).

The municipalities must assure (1) tax exemption, which is partially offset by payments in lieu of taxes, not in excess of 10 percent of shelter rent, and (2) demolition of unfit dwellings (or compulsory repair, etc.) in a number equivalent to those newly constructed. The Public Housing Administration contracts to pay the local authorities annual amounts which permit them to cover the gap between economic rent and what the tenants can afford to pay. There must remain a spread of 20 percent "between the upper rental limits for admission to the new housing and the lowest rents at which private enterprise is providing a substantial supply of comparable housing." (HHFA Annual Report, 1954.)

PHA is authorized to make preliminary loans to local housing authorities to plan low rent housing projects. During construction, the PHA may advance initial funds until the outstanding debt is sufficient to permit the local housing authority to float short-term notes. The interest cost of the notes in the money market has recently been less than the interest rate charged by the PHA, so that by and large the local authorities look to the private market, rather than to the PHA, for construction financing.

Financing may follow any one or a combination of three methods:

a. "Local authorities may sell to private investors serial bonds maturing over periods not in excess of 40 years. Payment of interest and principal of these bonds is secured by a pledge of the annual contributions to be paid by PHA..." "Their security features are comparable to obligations directly guaranteed by the Federal Government."
(HHFA Annual Report, 1953.)

b. "Local authorities can borrow capital funds from PHA for periods up to 40 years at an annual cost equal to the cost of long-term money to the Federal Government.." (HHFA Annual Report, 1953.) at the time a contract for a project is approved. Presently, bonds held by PHA are being refinanced through private investors who at the end of 1954 held 95 percent of the obligations of local housing authorities."

c. It should be noted that local authorities may sell to private investors short-term notes, generally running from 6 months to 1 year. These temporary notes are secured by a commitment of PHA to loan amounts sufficient to cover principal and interest of the temporary notes at their maturity. This arrangement may extend for some time into the period after construction has been completed.

"All of the above obligations of local authorities, like other obligations of State and local public bodies, are exempt from all Federal income taxes. In addition, the obligations of local authorities are usually tax exempt in the authority's own State." (HHFA Annual Report, 1953.)

2. Annual Subsidies

As indicated by the Annual Report for 1955, "Under the 1937 Housing Act, as amended, PHA makes annual contributions to assist local housing authorities in maintaining the low-rent character of public housing projects. The annual contributions contracts entered into with housing authorities after approval of a development program establish the maximum annual contribution fixed by law. The amount of the contribution is limited to a percentage of the project's development cost.

"When a project is substantially completed, the local housing authority sells its long-term bonds to private investors. The proceeds from the sale are used by the housing authority to repay all loans from the Federal Government, plus all accrued interest. Money thus obtained by the local authority is protected by PHA's agreement to pay annual contributions. Local housing authority long-term bonds mature in such a way that the debt service (amortization plus interest) will be about the same each year. The annual contribution is sufficient each year to pay the debt service, but is further reduced annually by the funds the authority has available from income after meeting operating expenses, exclusive of debt service."

The maximum annual contribution that might have been paid in the fiscal year 1955 totaled about 91 million dollars. The actual contributions paid were less than 67 million dollars or 73 percent of the maximum that would have been paid had the local authorities needed such assistance.

3. Rent

The median monthly gross rent (including heating and all utilities, whether supplied by the project or the family) of families admitted by local authorities to public housing projects during, for example, the first 6 months of 1955 was $34. The average rental per unit of all projects of all authorities (with some variations in the utilities covered) was $33.31 per family per month in the fiscal year ended June 30, 1955.

Local authorities vary in their rental policies. In many instances, rents are graded in such a manner as to take account of family income in relation to family size.

4. <u>Tenants</u>

In addition to income limits, tenants are selected by reference to conditions of housing in which they live. Moreover, families being displaced by slum clearance or other public activities involving demolitions are frequently given shelter in public dwellings. It is now the policy to make some special provisions for elderly people.

5. <u>Costs and Standards</u>

The Public Housing Administration works closely with local housing authorities during the planning stage for projects to assure the maintenance of property planning and structural standards. The PHA publication entitled "Standards for Planning and Design of PHA Aided Low-Rent Public Housing" provides a guide. There is also a review of maintenance, operations, and tenant relations throughout the life of a project with a view to encouraging the use of prodedures that have the test of widespread experience. The actual responsibility is left to local authorities. Management "clinics" or seminars for local housing authority officials have given them an opportunity to exchange experiences.

B. <u>Private Housing with Public Aid</u>

The United States Government uses loans and grants very sparingly for private housing. The Veterans Administration makes a limited number of direct loans to former servicemen who live in isolated communities where they are unable to obtain credit for housing through the customary private channels. Also the Farmers Home Administration of the U.S. Department of Agriculture makes direct loans, contributions, and grants to farmers of low income for the construction and improvement of farm housing, in cases where other forms of credit are unavailable. Recently not all of the appropriated funds have been used.

The Housing and Home Finance Agency through its operating units, The Urban Renewal Administration and the Community Facilities Administration, makes various types of grants and loans for planning, urban improvement, community facilities and the like. The Urban Renewal Administration is conducting a large and very wide-spread program to rid the country of slums and prevent the spread of neighborhood deterioration. Under this program the communities are given the grants so as to rid themselves of the undesirable housing. When new housing replaces the old which has been demolished, except for a few public housing projects, there is no subsidy. Subsidies are used to wipe the slate clean but not to draw the new picture. (This is explained in detail in the two HHFA publications mentioned at the beginning of this section on Finance.)

C. <u>Private Unassisted Housing</u>

Although the United States Government uses very little money for direct grants or loans for new housing, it freely uses its power to encourage private enterprise.

The Federal Housing Administration insures mortgages made by private lending institutions. For a premium fee paid to FHA the lender largely eliminates the risk of loss. The Veterans Administration guarantees lenders against a substantial portion of the loss they may experience in making loans to former servicemen. For a small premium paid by the local associations, The Federal Savings and Loan Insurance Corporation protects investors in savings and loan associations against the loss of their investment. A much larger investment in mortgages on residential properties is made possible than would otherwise be the case. Similarly, savings deposits in the banks, some of which are invested in mortgages, are insured by the Federal Deposit Insurance Corporation.

At the end of June 1956 about 16 percent of the outstanding mortgages secured by 1 to 4-family residential properties was insured by the Federal Housing Administration. Approximately 28 percent was guaranteed by the Veterans Administration. This left about 56 percent of so-called "conventional" mortgages which was neither insured nor guaranteed. However, a substantial share of the conventional mortgages was held by institutions whose investors were protected by insurance of their shares or deposits.

The estimated mortgage debt for June 30, 1956 on 1 to 4-family structures outstanding by type of holder is:

Institutions	Billions of dollars
Total	94.2
Savings and loan associations	32.3
Life insurance companies	19.1
Commercial banks	15.9
Mutual savings banks	12.0
Federal National Mortgage Association *	2.5
Individuals and all others	12.4

*Not a primary lender but a secondary holder of mortgages originated by others.

By the year-end the total had risen to 99.2 billion dollars.

At the present time the major responsibility of the Federal Government for housing, (most of which is private unassisted housing), centers in the Administrator of the Housing and Home Finance Agency. The Office of the Administrator is responsible for a variety of policy and program functions; also for the general coordination and supervision or direction of the constituents.

Among the constituent agencies and units which primarily encourage private enterprise are:

1. The Federal Housing Administration which insures private institutional lenders against loss on residential mortgages and loans for repairs, etc.
2. The Federal National Mortgage Association which has the responsibility for maintaining a secondary market for mortgage loans by purchasing certain FHA-insured and VA-guaranteed mortgages.

Other constituent agencies and units of the Housing and Home Finance Agency which supplement the privately financed phase of housing are:

1. The Public Housing Administration which makes loans and annual contributions to local public housing authorities for provision of housing to low income families.
2. The Urban Renewal Administration which provides loans and grants to local public agencies for slum clearance and redevelopment and rehabilitation. Such funds are for initial planning, for acquisition and clearance of slum areas, and

for preparation for redevelopment largely by private agencies in those cities with "workable programs" for the prevention and elimination of slums and blight. This Administration also makes grants for urban planning for small cities and regional or metropolitan areas.

3. The Community Facilities Administration which makes loans, if comparable credit is not otherwise available, to localities where there is a shortage of water and sewage systems, and other public facilities. In addition to such loans for actual construction, funds are made available for the planning of future public works upon the agreement of the applicant to repay such funds when it starts the construction of the public work planned therewith. This Administration also makes loans to colleges for housing students and faculty.

The Federal Home Loan Bank Board, now independent of HHFA, is composed of three appointed officials who serve as a policy making body within the executive branch of the Government. This Board is responsible for the policy and regulations of the entire Home Loan Bank System, and the Federal Savings and Loan Insurance Corporation. It is also responsible for the chartering, regulation and supervision of about 1,700 Federal Savings and Loan Associations. The Home Loan Bank system is made up of eleven Banks owned by approximately 4400 member thrift and home financing institutions, largely savings and loan associations. Some savings banks also hold stock in the Banks. The member institutions are enabled to obtain credit on the collateral of home mortgages from the Home Loan Banks. The Banks in turn obtain funds from the capital market by sale of consolidated debentures. These debentures are not guaranteed in any way by the Government. However, they represent a very excellent form of investment and are bought freely by commercial banks. They commonly are issued for intermediate periods of time, usually for not more than twelve months.

Savings and loan associations are the base for the system. Shareholders in the Federal Savings and Loan Associations have the bulk of the votes for the boards of directors. Each borrower also has a single vote. The shareholders are protected against loss of their savings accounts by the Federal Savings and Loan Insurance Corporation. It is controlled by the Federal Home Loan Bank Board. This Corporation, which has been self-supporting through premiums and fees, guarantees individual deposits in insured savings and loan associations up to $10,000 each. It is financed by a premium charged participating associations. The Corporation also is authorized to borrow up to $750 million from the Treasury if the Board determines that the Corporation needs to do so, and the Secretary of the Treasury is directed to make such loans up to that amount. The Corporation is instrumental in affecting improved methods of management of the associations. Sometimes it arranges consolidation, reorganization, or liquidation of unsuccessful associations. The examining division of the Federal Home Loan Bank Board makes regular audits of participating institutions.

As of June 30, 1956, 1955 savings and loan associations held over $32 billion of a total of over $94 billion of outstanding debt secured by mortgages on 1 to 4-family non-farm homes. These loans quite commonly bear 4½ to 6 percent interest. They are usually amortized over 12 to 20 years. Generally they amount to about two-thirds of the value of the property. Associations usually serve primarily their own cities or counties. Federal Associations may make loans for alteration, repair, or improvement of houses in amounts not exceeding $3,500.

VIII. Annual Charges

The following gives the charges per family per month for all locally-owned projects eligible under the U.S. Housing Act Program for annual contributions from the Federal Government in fiscal year ended June 30, 1955:

Item	Average per Month per family
(Continental Projects Only)	
Operating receipts:	
Rental income	$33.31
Other income	.69
Total receipts	$34.00
Operating expenditures:	
Management expenses	4.34
Operating services	1.52
Utilities	8.10
Repairs, maintenance, and replacements	7.54
Payments in lieu of taxes	2.46
Collection losses	.18
Other operating expenses	1.80
Sub-Total	25.94
Provision for operating reserve	1.83
Operating improvements	.43
Nonoperating expenses	.11
Sub-Total	2.37
Total Expenses	28.31
Residual receipts before adjustments	5.69
Plus prior year gain applied to current year deficit and other adjustments	.41
Less operating gain	.23
Less excess of debt service over fixed contribution	.07
Residual receipts, continental projects	5.80

The above table is limited to projects located in continental United States. There are other projects in the Commonwealth of Puerto Rico and in territories of the United States. Including these non-continental projects interest and amortization averaged

$24.95 per month per family unit. Actual contributions required to be made by the Federal Government were $18.23 per month. This would indicate a slightly higher residual receipt from the non-continental than the continental projects, the average residual receipts for which were $5.80. The difference between interest and amortization and the actual contributions paid by the Federal Government averaged $6.72 for all projects including continental and non-continental locations.

Comparable data for privately-financed rental housing is not available. However, the monthly rental for multi-family rental housing projects insured by FHA averaged $94.27 in 1955.

In 1956 the median FHA insured home mortgages on new homes was $11,010 while the median property value as appraised by FHA was $13,203 per dwelling; the typical market price of land on which the house was built was $1,887. The mortgagors' median annual effective income was $6,054 (estimated earning capacity before taxes for approximately the first third of the mortgage term). As stated previously in this paper, families with incomes from $2,500 to $15,000 were benefited by the insured mortgage program of FHA.

The typical mortgage term was more than 25 years. The average value of the property was a little more than twice the borrower's income. A typical mortgage payment including property taxes, hazard insurance, and the FHA insurance premiums as well as interest and amortization was $81.70 per month. The typical dwelling was composed of 5½ rooms including 3 bedrooms and contained 1064 square feet exclusive of basement, attic, or garage. In about 7 out of 10 cases some provision was made for shelter of one or more automobiles. The prospective monthly housing expense (monthly payment plus costs of household operation and property maintenance and repair) was estimated at about $104.60 or nearly one-fifth of effective income.

IX. Incomes

As of December 31, 1955 the median income limit for eligibility for public housing projects (net income after statutory exemptions) for the average size family was $2,600 per year. About 34 percent of all localities had limits of $2,400 or less and about 10 percent had limits above $3,000.

As indicated in the preceding section, the median annual effective income of borrowers receiving FHA insured mortgages in connection with new homes was $6,054 in 1956. This may be compared with $5,484 in 1955.

X. Taxation

Publicly-financed housing may not be taxed. However, Federal law stipulates that local authorities may make payments in lieu of taxes not to exceed 10 percent of shelter rent (rental charges for shelter only, not including heat and utilities.)

A number of States seek to encourage home ownership by exempting the first few thousand dollars of the value of the house occupied by the owner from taxation by the State or any of its minor jurisdictions. Such exemptions would not apply to assessments for such publicly provided services as water and sewage lines, paving, and the like. These are commonly paid by assessments against property owners.

XI. The Burden of Housing Subsidies

In the fiscal year ended June 30, 1955 the maximum annual contribution that legally might have been paid by the Federal Government to the local housing authorities was a little more than $91 million. Not all of this amount was needed to cover the spread between income and outgo by local authorities. The contribution actually paid was only 73 percent of this or less than $67 million. In a country with a gross national product in the year 1955 of $390.9 billion, this amount of subsidy is comparatively minor.

The bold strokes the Federal Government has taken to help pay for the clearance of slums is quite another matter. The Urban Renewal Administration is now authorized to make capital grants of $1,250 million. Such an amount will permit the clearance of many thousands of slum dwellings each year and foster construction activity of some considerable multiple of the capital grants. As of March 1957 a total of 440 projects of this nature had been approved. Perhaps of even greater importance, to be eligible for these Federal benefits localities must have undertaken "workable programs" to do those things that are necessary to prevent the formation of future slums and to maintain the quality of existing satisfactory neighborhoods.

XII. Concluding Remarks

Private enterprise is the mechanism whereby the Federal Government of the United States expects to achieve most of the social objectives set forth in the housing policy. The attainment as soon as feasible of the goal of a decent home and a suitable living environment for every American family is that policy.