

Private Home Building Seen Declining Over Tight Money

By A. ROBERT SMITH
Mail Tribune Correspondent

Washington - Private home construction, Oregon lumber's biggest market, appears headed for another decline due to a tightening mortgage money supply, according to trends now showing up within the government's home financing agencies.

A fall off from the strong recovery which housing made this summer—and which gave the lumber industry a hefty shot in the arm—may come within the next few months. It probably will not affect the predictions of housing officials that over a million new homes would be built this year.

Home construction was so good this summer that Housing Administrator Albert M. Cole last week increased his prediction for the 1958 total by 20,000 units to 1,120,000. This would be better than a 10 per cent increase of 1957's housing starts, 989,700, lowest in a decade.

Credit Easier
This spurt in home building was made possible in great part by a relaxation of credit restrictions by the Federal Reserve Board in an effort to combat the recession which was felt most severely in the early months of this year.

From mid-November of last year until May, 1958, the board approved reductions in discount rates for federal reserve banks in all 12 districts from 3½ per cent to 1¾ per cent in four states.

Credit became easier and more money began to flow into the mortgage market for new homes. Congress also passed a special anti-recession housing bill to stimulate building and purchasing even more by reducing down payment requirements on FHA-insured homes and allowing a slight increase in interest rates on mortgages.

But by August 15, the Federal Reserve Board was moving in the opposite direction once more to curb borrowing slightly. The discount rate went back up to 2 per cent in all 12 districts. A board spokesman explained that this was brought on by "a change in business conditions from a downturn to an upturn" and there were "manifestations of an inflationary trend" appearing once more. The board also raised margin requirements on purchase of securities from 50 to 70 per cent on Aug. 5, which is the way things stood last January before the margin was dropped.

This shift in tightening somewhat the money supply has served to bring another rise in interest rates, according to officials here. As a consequence, the supply of mortgage money is beginning to tighten up. This is seen in the statistics of the last few weeks compiled by the Federal National Mortgage Association, the government agency which buys and sells mortgages in its secondary market operations.

Sales to FNMA Increase
When money is plentiful, FNMA sells mortgages to investors looking for a good place to put some money. When money is tight, investors—banks, savings and loan associations—sell mortgages to FNMA to obtain more money.

For the past month, there has been a sharp increase of 200 per cent in the number of mortgages investors sold to FNMA. This indicates that mortgage money is growing tighter and can be expected to retard home construction accordingly unless there is a shift in the other direction.

Last summer, during the second quarter when housing picked up sharply as credit became easy, FNMA sold a record 30,500 mortgages worth \$355 million to investors with money to invest. But early in 1957, when credit was tight, FNMA purchased 33,800 mortgages worth \$388 million.

FHA officials reported that applications for FHA insurance for mortgages on new homes remained high through August. No information is yet available for September. The number of applications from January through August ranged from 17,272 in January to a high of 34,558 in May and 33,617 in August. For the same period last year, the highest number any month was 22,265 in August.

Substantial Influence
Another factor in the current trend is that the \$1 billion appropriated by Congress for anti-recession mortgage buying was consumed by Sept. 15. Purchases with this money involved a "subsidy" of a sort in that the mortgages were bought by FNMA at par.

"This had a substantial influence on the spurt in home building this summer," a FNMA official said, "and it helped the lumber industry quite a bit."

He estimated that the \$1 billion fund provided money for 80,000 new homes.

This special purchase program might still be underway had the House of Representatives not killed another housing bill shortly before adjournment. That bill contained \$500 million for FNMA mortgage buying, if the president thought it necessary to extend this anti-recession incentive to home builders beyond Sept. 15.

FNMA still has about \$1.5 billion available for its secondary market operations, but not for use in buying mortgages under subsidy terms.

Officials will be watching housing and mortgage loan figures closely in coming weeks to determine how strong a trend may be developing, for another decline in housing could act as a brake against a general recovery in the nation's economy and could send the lumber industry into another period of recession.

Subscriber's Address Mystifies Newspaper
Manchester, England - (UPI) - The Manchester Guardian reported today that an American reader regretfully declined to renew his subscription because "I passed on to a better world Aug. 3, 1958."

Commented the Guardian: "Our New York manager is still wondering what to say in his reply and where to send it."

Washington - (UPI) - Republicans stepped up their congressional campaign today under the new battle cry that President Eisenhower's policies in the Middle and Far East have "maintained the peace."

As the final three weeks of the campaign opened, Democrats blasted back by accusing the GOP of raising "phony" issues. They urged Democratic candidates to fight back by dwelling on unemployment, the "farm mess, the high cost of living, the defense lag, the drift and confusion in foreign policy."

Vice President Richard M. Nixon, number two gun in the GOP campaign arsenal, hits the trail today for his third stump tour. He will speak in California, Utah and Wyoming where Republicans are fighting hard to save Senate seats in the Nov. 4 election.

President Eisenhower, the top Republican of them all, will start his own speaking schedule on behalf of GOP candidates later in the week.

Eisenhower described as "good news" the Chinese Communists' decision to extend their cease fire in the Formosa Strait for two more weeks.

Speaking in New York City Sunday, the President said the extension offered renewed opportunity to settle the Far East crisis through diplomatic negotiations.

Firmness Cited
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"It is results that the American people are interested in," he said. "It is not how you get them, it is the result."

Alcorn also said "we maintained the peace" in the Middle East because of Eisenhower's "firm position" after the revolt in Iraq.

The Democratic Advisory Council described the Eisenhower foreign policy earlier as "six years of leadership vacillation."

"They have led us to the brink of isolation from our allies and to the brink of

having to fight a nuclear war inadequately prepared and alone," the committee said in a week end pronouncement.

The GOP chairman Sunday charged that "left-wingers" controlled the Democratic Party. He named Party Chairman Paul M. Butler, Michigan Gov. G. Mennen Williams, Sen. Wayne Morse (D-Ore.) and Walter P. Reuther, president of the AFL-CIO United Auto Workers.

In a letter to the Democrats Butler said "just a little placency and relaxation" by party workers "can mean the loss of a good number of close races."

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Portland Man Drowns in River
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The body of Toivo W. Mattson, 59, was found by a search party a short distance from where the wreckage of the boat washed up on the beach near here.

Rudolph R. Rautio, 55, the dead man's half brother, walked into the Coast Guard station at Cape Disappointment shortly after sunrise Sunday. He told Coast Guard officers that he and Mattson set out in the trawler from Depoe Bay bound for Astoria when they encountered heavy fog and rough water as they neared the mouth of the Columbia.

Mattson, who had operated the craft, radioed the Coast Guard that the trawler was in trouble and had hit rocks "on the south jetty." Coast Guard boats and a plane searched the area until 4 a.m., then halted until sunrise.

Rautio said he and Mattson decided to abandon the trawler and agreed they would attempt to swim to rocks of the jetty. Rautio said he made it to the rocks but that Mattson vanished in the water.

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Gravity Pull Less
Dr. William W. Kellogg, acting chairman of the International Geophysical Year earth satellite panel, explained in an interview this was because the rocket was so far away the pull of the earth's gravity was only one four-hundredths as much as at the

surface of the earth. If a 200-pound man could be placed on a scale at that distance he would "weigh" only half a pound. The 82-pound rocket's "weight" by the same measurement was only slightly more than two-tenths of a pound.

Kellogg said a better way to picture the situation is to consider that the acceleration of gravity, 32 feet per second at the surface of the earth, was only 1/400th as much or less than an inch per second-at that altitude.

The rocket, with very little speed left, consequently fell over in a great arch before it began to pick up real speed in its descent toward the earth.

Kellogg noted the pull of gravity continues indefinitely into space but just keeps growing less and less. He said at the great altitude reached, the rocket could have been placed in an orbit around the earth if it could have been given a push in almost any direction.

Newport, Ore. - (UPI) - Attorney General Robert Y. Thornton, Democratic nominee for Congress, predicted substantial development of Oregon's port cities along with expansion of trade with the Orient in a speech here Sunday.

"I do not seek to take anything away from the Port of Portland but I want to see Astoria, Newport, St. Helens and other cities in Oregon become major seaports," he said.

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