



Your Money's Worth

By SYLVIA PORTER
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REAL ESTATE BOOM DYING TOO

Another boom which has been going on since World War II is dying under our eyes. It is the boom in real estate—and it flashes the warning of a steep rise in foreclosures, delinquencies, losses on sales of homes—unless leaders in government, finance and the housing field recognize the dangers in time, consider what safeguarding actions might be taken in advance.

This is the unmistakable implication of an investigation of the quality of home mortgages included among the scholarly papers submitted by the National Bureau of Economic Research in its just-published 42nd annual report. The study was made by Professor James S. Earley of the University of Wisconsin.

Throughout the entire postwar period—when terms of home mortgages have been progressively liberalized to an extent where there is no doubt that the quality of home mortgage debt has deteriorated—Earley points out that foreclosures and loss rates have "stood up very well." The reasons have been a combination of favorable circumstances—high employment, relative economic stability, rising house and residential land values, a rapid growth in population a high rate of formation of new families needing homes, general inflation.

As a result, "Most straitened borrowers have been able to sell their homes for more than enough to cover their indebtedness, and the holders of most defaulted mortgages have been able to sell the foreclosed properties without loss."

Now, though, Earley stresses, "There is increasing evidence that this favorable combination of circumstances is passing."

The rate of family formation has been declining recently—because of the simple fact that in the depression 1930s and early 1940s, the birth rate in our country went way down, and so today, in the early 1960s, there are fewer young folks to get married. This situation won't be reversed until the war baby crop reaches the marriage age and that won't be for another few years.

In addition, "Prices of existing houses in many areas have ceased to rise or have begun to fall." This means over-mortgaged families can't expect to be bailed out by price rises as in the past.

Simultaneously, vacancy rates, both on rental properties and on homeowner units have been climbing—from about 2.5 per cent in 1950 to 5-6 per cent in the mid-1950s to about 8 per cent last year. Again, this suggests hard-pressed families won't find it so easy to get out from under.

Earley admits conditions vary among sections of the country, but his conclusion is flat: "The general sellers' market in residential houses is disappearing."

This wouldn't be a cause for alarm were our residential mortgage debt of high quality, but much of it isn't. The average maturity of VA and FHA loans on new houses has risen from about 20 years in the early post-World War era to 29 years now, and a similar trend has occurred in the typical maturity of conventional residential mortgages. There has been a sharp increase in the ratio of loans to value—strengthening the "possibility of deterioration." In 1960 the average loan-to-value ratio topped 91 per cent for FHA loans and was at 97 per cent on VA loans.

Already, disturbing trends are emerging. The foreclosure rate which has been extremely low by all historical standards for many years—has increased from 1.96 per 1,000 houses in 1957 to 2.35 per 1,000 houses in 1958, to 2.65 in 1960.

The delinquency rate—reflecting the failure of borrowers to make scheduled mortgage payments promptly—began climbing rapidly in late 1957, and the economic advance which started in the spring of 1961 "has not prevented a further rise." This rate, Earley underlines, provides "sensitive and discriminating evidence."

Earley is saying trouble about home mortgage debt is on the way. Surely, the time for all authorities to think hard about what steps should be taken to avert such trouble as this is before it hits.

Two Medford Physicians Give Views on King-Anderson Plan

Two Medford physicians, whose personal political persuasions differ widely, appeared together at the Monday noon meeting of the Medford Chamber of Commerce Roundtable to register joint opposition to the proposed King-Anderson bill.

Dr. M. Donald McGeary, who spoke first, indicated his companion speaker, Dr. Thomas Rutter and said, "This is a little like having Barry Goldwater and Adlai Stevenson join in support of the same measure. Perhaps this will give you some indication that there are things wrong with this bill."

The two doctors did disagree with each other on several points during their talks and the discussion period afterward, but they were united—albeit for different reasons—in recommending the Roundtable that the King-Anderson bill is not the answer to the question of how medical care for the aged should be provided for.

Proud of Service
"I for one am proud of the record of service physicians have given to the people of this country," Dr. McGeary said. "Our medical statistics are superior to those of any other nation in the world."

The doctor then recalled a number of the diseases and ailments which have been controlled or eliminated in America through the efforts of medical research.

"After these many remarkable achievements, now all of a sudden other people come along and try to tell us how this problem of medical care for the aged should be solved. It makes me a little angry," Dr. McGeary said emphatically.

Doctors As A Group
Doctors as a group, Dr. McGeary insisted, are educated and knowledgeable politically and economically. Further, he said they know more about medical care programs than lay people do.

He said that proposals similar to King-Anderson in other countries in the world have been unanimously unsuccessful, and noted that 900 physicians in the Canadian province of Saskatchewan have sworn to strike on July 1 if certain medical care proposals are put into practice there.

Dr. McGeary warned that such legislation as the King-Anderson bill could only have a debilitating effect of the high standard of service currently maintained by the medical profession in the United States.

Fall By Wayside
"When government steps into medicine," he said, "certain things fall by the wayside."
The speaker conceded, however, that the medical profession warrants criticism for not having come forward with a reasonable alternative to present to the American people.

Dr. Rutter, who prefaced his remarks by saying that he spoke only for himself, said it is difficult now to view these medical care proposals objectively.

"The weeds of partisan interest have grown so high, they have obscured the issues," he said.

Unlike his colleague, Dr. Rutter strongly criticized the American Medical Association.

"The AMA has done a wretched job of leading us," he said. "The association's record in matters of this sort have been very poor. They've been against everything since the year 1."

Broadcasting Statements
"In this particular issue," he continued, "the AMA has been guilty of throwing up red herrings, and broadcasting misleading statements."

"Is there a need for some plan to help the aged meet whatever medical expenses they may incur?" the doctor asked.

As far as he was concerned, Dr. Rutter said, the answer was a flat affirmative. He said he had seen too many cases of people who lead independent, self-sufficient lives during their productive years, only to be "wiped out" by an illness requiring hospitalization during the late years of their lives.

But, the speaker protested, grafting such a proposal as the King-Anderson bill on to the Social Security program is the wrong way to do it.

Social Security, which he described as a "welfare instrument designed to protect the people from want and destitution," is already in financial trouble, Dr. Rutter said.

Unearned Increment
"There is an annual unearned increment of debt building up," the doctor warned, "so that now an individual pays 20 per cent more into the program than what his benefits will become."

The problem will be grievously worsened, he said, by tacking medical care onto a program that is already in debt.

Another feature of the Anderson bill which Dr. Rutter said particularly disturbed him was that "everyone was included in the measure, willy-nilly." Many people don't need it, he argued, therefore the inclusion of all is unnecessary. Participation in the program should be voluntary, he stated.

Roundtable Chairman Bill Longmore said after the program that he will make an effort to schedule a speaker at some future meeting to present arguments in favor of the King-Anderson measure or some similar medical care proposal.

Former Railroad Company Turns To Nuts and Bolts

New York - (UPI) - About the only relationship between MSL Industries, Inc., today and the company which it once was, explained the president, is a concern over connections.

It once was a railroad operation, the Minneapolis and St. Louis Railway company.

But late in 1960 all of its railroad properties went to the Chicago and North Western, and it acquired Heads and Threads, an importer and distributor of nuts, bolts, screws and washers; the Universal Screw company; the Stevens Socket Screw company, and the Joliet Wrought Washer company, Wisconsin Bolt & Nut company, an affiliate of Universal, also was bought by MSL.

It has added others since, one only last week.

Tax Loss Carried Over
From its railroad operation, MSL carried over two things, said President Arnold R. Meyer. One was an estimated tax loss carry forward credit of \$25 million, from the sale of the railroad properties, and the other was an idea, which persisted for several months, that it still had railroad interests. This is not the case, explained Meyer, "but we still run into people who think so."

Headquarters of the operation are in Chicago, and Meyer was here to appear before the New York Security Analysts, to whom he described the company's favorable sales and earnings picture.

"None of the railroad traces are left," said Meyer.

"There isn't an operating railroad man left."

Exams Announced For Federal Posts

United States Civil Service commission has announced examinations to fill several positions. Included are a transmitter and receiver operator and maintenance technician for filling positions of the U.S. Information agency's Voice of America program; automotive mechanic; mobile equipment servicer; mobile equipment mechanic; unit aide; conservation engineering aide; appraisers and reality officers; and engineering aide. Additional information and applications may be obtained from the Post Office and from the Eleventh U. S. Civil Service region, Federal Office building, Seattle 4, Wash.

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