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Central File

THE PRESIDENT HAS SEEN *ds..*

Memorandum
to

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

September 17, 1974

MR7

MEMORANDUM FOR THE PRESIDENT

SUBJECT: August Housing Starts

Seasonally adjusted housing starts declined by 15 percent from July to August. The annual rate of private housing starts -- 1,126,000 units -- is the lowest since January 1970. Optional reading is attached.

These data are for release at 2:00 p.m. Wednesday, September 18, 1974.

William J. Fellner

William J. Fellner
Member

Alan Greenspan

Alan Greenspan
Chairman



Attachment

The supply of mortgage credit continued to contract in August. Effective interest rates on conventional home mortgages rose from 9.0 percent in July to 9.1 percent in August. New three to six month mortgage commitments issued by the thrift institutions now involve interest rates of 10 percent and more. Thus, the interest rates on mortgages actually made will continue to rise in the coming months.

Savings outflows from the thrift institutions have grown in August and were running at a rate of \$2 billion that month. While these outflows have been offset, in part, by increased (internally) subsidized and unsubsidized advances from the Federal Home Loan Bank Board, mortgage commitments have been reduced also. For the first time this year, new private housing units authorized in permit-issuing places fell to less than 1 million units at an annual rate in August.

All of these interrelated factors leading from the scarcity and high cost of mortgage funds to a reduction in planned housing starts make it unlikely that private starts will recover significantly from current levels in the months ahead. Increasing regulation Q ceilings on the interest rates that can be paid on time and savings deposits is being actively considered at this time to improve the competitive position of the thrift institutions and to slow the outflow of deposits.