The original documents are located in Box C10, folder "Presidential Handwriting, 1/18/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

January 18, 1975

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

BRA

MEMORANDUM FOR THE PRESIDENT

Subject: December Housing Starts

Seasonally adjusted housing starts declined by 12 percent from November to December. The annual rate of starts -- 868,000 units -- was the lowest since October 1966.

There is a strong possibility that the December figure is the lowest that will be recorded in the current housing cycle. The monthly rate of starts is unlikely to be much above the one million level in the first quarter of 1975. We expect that starts will rise significantly above that extremely depressed level in the spring on a seasonally adjusted basis.

William Fellner

William J. Fellner
Member

Alan Greenspan
Chairman

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Supplementary Material

Excluding interest credited on passbook accounts, savings and loan associations gained $0.5 billion of savings deposits in December. Since inflows in December are usually depressed by seasonal factors, this result is quite consistent with the $1 billion inflows of November. Preliminary evidence for the first ten days of January is that inflows are accelerating. However, savings and loan associations have used the inflows since October to improve their liquidity, and they may reduce their $21 billion indebtedness to the Federal Home Loan Bank System before attempting to increase their mortgage lending aggressively, thus driving down mortgage interest rates.

In December, interest rates on mortgage loans actually made still did not decline although the decline in forward commitment rates has continued. By January 10, almost the entire authority granted to GNMA on October 18 to commit to purchase $3 billion of conventional home mortgages was used up. The demand for commitments had swelled after the interest rate was cut from 8-1/4 percent to 8 percent under this program on January 2. Increased commitments may result in increased starts only with a lag of several months, and the increase in these subsidized starts will be partly offset by declines in unsubsidized starts. Nevertheless, the October 18 program should be a factor in shoring up starts in the early part of 1975 when such help is most needed. It will also result in $3 billion of mortgages, and several billion more under earlier programs, having to be financed by GNMA or the Federal Financing Bank in 1975 when the mortgages are delivered.

While new private housing units authorized appear to have increased 10 percent from November to December, most of the increase was due to temporary New York City tax factors boosting permits in the borough of Manhattan before the close of the year. Hence the development of permits is consistent with a slow and indecisive recovery over the near term.