The original documents are located in Box C16, folder "Presidential Presidential Handwriting, 3/18/1975" of the Presidential Handwriting File at the Gerald R. Ford Presidential Library.

Central Files

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 18, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: February Housing Starts

Seasonally adjusted housing starts changed little from January to February. The annual rate of private starts -- 977,000 units -- was above the December low of 880,000 units but the number of new housing units authorized remained depressed, particularly in the multi-family category. Because financial factors continue to be highly favorable, we expect an improvement soon with starts beginning to surge no later than in April.

These data were released at 2:00 p.m., Tuesday, March 18.

Gary L. Seevers

Gary L. Seevers
Member

Alan Greenspan
Chairman

Attachment

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Supplementary Material

Excluding interest credited on passbook accounts, savings and loan associations gained $3.1 billion of savings deposits in February and mutual savings banks had inflows of $0.7 billion. This represents an excellent showing. For S&L's one would have to go back to 1972 to find inflows of comparable size in the month of February. However, an unusually large proportion of the inflows is being used to repay advances from the Federal Home Loan Bank Board and to increase liquidity. Since the end of December repayments of FHLB advances have exceeded $1 billion per month and the aggregate S&L liquid asset ratio (liquid assets as a percent of savings and short-term borrowing) has risen from a low of 7.2 percent in September to 8.8 percent at the end of January. As a result, the FHLBB has felt free to announce an increase in the required liquidity ratio from 5 to 5-1/2 percent, effective April 1. This liquidity ratio had been reduced to unusually low levels to stem the housing decline in the Fall of 1974.

The effective mortgage interest rates on new homes have finally begun to decline after a long lag. They are still around 9.3 percent. While short-term rates in the money markets have fallen several percentage points since August, the mortgage interest rate was higher this February than it had been in August 1974. However, the yield required on commitments to purchase FHA/VA home mortgages four months from now is currently below 9 percent, while it was over 10 percent in August. Thus, the decline in mortgage interest may well accelerate over the next few months. On March 1, the FHA/VA ceiling rate was lowered from 8-1/2 to 8 percent.