

and \$98.0 in December. In January 1966 it was \$97.1 and \$96.4 in February. (See table 3 and chart 2.)

William C. Magelssen, vice president of the Security Trust & Savings Bank in Billings, Mont., has commented that, "increase of interest rates will force many one-, two-, or three-house part-time contractors out of the business. I look for rates to increase possibly another 2 points on FHA. It is ironic that the Federal Housing Administration did not move their rates to 5½ percent. I feel that this is an economic blunder due to the increasing yields of prime corporate bonds."

But it is not only the FHA money which is expensive. The interest on conventional loans has increased. In addition, money is harder to get. "With \$6,800 down payment on a \$26,800 house, the lending institution told me I can get only an \$18,000 loan instead of \$20,000. So I lost a good solid buyer," said another builder. "From where I sit it looks like the money situation is not going to improve soon," commented an east coast builder. Most of the indications bear him out. Money is going to be even more expensive in the future. There also seems to be a real danger of having less money this year than what the real estate market will need.

The best estimate available at this time show a possible shortage of funds for home mortgage of \$1 to \$3 billion. The decline of \$1 to \$1.5 billion in availability of funds has been predicted by John E. Horne, Chairman of the Federal Home Loan Bank Board. The \$3 billion shortage in funds was estimated by Dr. Robinson Newcomb in an analysis prepared for the National League of Insured Savings Association. An analysis by the economics department of NAHB shows, likewise, a possibility of shortage in funds between \$1.5 to \$2.5 billion in 1966. These estimates have been summarized in two tables.

TABLE 1.—Mortgage requirements for 1- to 4-family housing

[Dollars in billions]

	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957
New home requirements.....	\$18.0	\$17.5	\$17.5	\$17.5	\$16.5	\$14.5	\$14.0	\$14.8	\$10.6	\$10.5
Existing home requirements.....	20.5	20.0	19.4	19.4	17.6	16.7	15.4	17.4	16.8	13.7
Gross requirements.....	38.5	37.5	36.9	36.9	34.1	31.2	29.4	32.2	27.4	24.2
Total prepayment and retirement.....	21.5	21.5	21.5	21.2	20.7	19.4	18.9	19.1	17.3	15.7
Net requirement of new capital.....	17.0	16.0	15.4	15.7	13.4	11.8	10.5	13.2	10.1	8.6
Outstanding, end of year.....	230.6	213.6	197.6	182.2	166.5	153.0	141.3	130.9	117.7	107.6
Starts for year (1-family).....	980	964	972	1020	991	974	995	1234	1064	969

TABLE 2.—Possible net increase in home mortgage holdings 1965 and 1966

[In billions of dollars]

	1965	1966
Savings and loan.....	7.8	7.0
Mutual savings banks.....	2.8	2.5
Insurance companies.....	1.6	1.5
Banks.....	2.6	2.0
Individuals, etc.....	1.2	1.5
Total available funds for home mortgages.....	16.0	14.5
Net requirement of new capital.....	-----	16.00-17.00

NOTE.—Possible shortage in 1966: \$1,500,000,000 to \$2,500,000,000.

Source: Estimated from Federal Home Loan Bank Board, home mortgage debt, 3d quarter 1965.

First, illustrating the possible net increase in home mortgage holdings in 1965 and 1966, and second, shows the mortgage requirements for one- to four-family housing, 1957 to 1966. These figures show that homebuilding will very likely need between \$16 to \$17 billion available in 1966. This, then, will mean a possible shortage of between \$1.5 to \$2.5 billion for mortgages.