

FEDERAL HOUSING ADMINISTRATION,
OFFICE OF THE COMMISSIONER,
Washington, D.C., February 18, 1964.

HON. CHARLES LONGSTREET WELTNER,
House of Representatives,
Washington, D.C.

DEAR MR. WELTNER: I share your concern with the effect of increasing and noisier air traffic on residential values. The Federal Housing Administration and the Federal Aviation Agency have worked closely to understand and define the factors of the problem, but the fact remains.

I agree with you that the basic problem is the sharp decline in property values, and this, of course, reflects the market attitude itself. Houses subject to these noise disturbances and other hazards may be less desirable to the prospective buyer than others which are not so affected, and resales are slow and at reduced prices to meet the competition. The adverse effect varies widely, however, since some communities and some neighborhoods are much more air minded than others. In the latter the effect is sometimes negligible.

Other neighborhoods or sections of neighborhoods can be in locations where the noise or even direct physical hazards are such that, by FAA criteria of safety and human tolerance, the health and safety of people living in the area are endangered. In such areas the FHA does not insure mortgages on homes. Otherwise, the FHA does insure mortgages on homes affected by airports, but prices that the typical buyers in the open market will pay for them must be recognized. Otherwise we would be insuring mortgages, to be paid for by the new buyer, greater than the price paid, or inducing the new buyer to pay a price in excess of value. This could relieve the loss in value to the seller but create an unacceptable situation to a prospective buyer of either new or older homes.

The major problem then appears to be the loss in value to the homeowners themselves that arises from the changed environmental conditions of their homes. In varying degrees, such changes are not confined to airports but can and do arise from many sources, such as increasing commercial or manufacturing influences, new highways, city growth tendencies, and other factors of our ever-changing growth and progress.

In the case of airports, however, the change is often comparatively fast, obvious, and dramatic and often appears to arise from the larger necessities of our national progress with little opportunity for local neighborhoods to adjust themselves to these influences. Mortgage defaults may result, but such losses are considered part of the measured risk of mortgage insurance.

A separate appropriation to create a reserve fund specifically to cover losses due to mortgage default would serve only to protect the FHA, the mortgagee, and result in some benefit to the seller, but would in no way protect the innocent purchaser of such a property.

The problem is a serious one, and of concern to us all. We are constantly reviewing the matter to assure that our policy on the insurance of loans in noise affected neighborhoods is in keeping with our role of an insurer of mortgage loans. Thank you for the opportunity of giving you our position regarding this problem. Please let me know if you desire to discuss the subject further.

Sincerely yours,

P. N. BROWNSTEIN, *Commissioner*.

FEBRUARY 24, 1964.

HON. P. N. BROWNSTEIN,
Commissioner, Federal Housing Administration,
Washington, D.C.

DEAR MR. COMMISSIONER: I have your letter of February 18, and have discussed its content with several members of your staff. I can agree wholeheartedly with the matters set forth on the first page of your letter, and am certain that the problem is one which the FHA is very much aware.

However, the question comes as to its solution. To date, I have not been advised of any active plans to alleviate this situation.

In commenting on my specific suggestion of the reserve fund, you say it would serve to protect "the FHA, the mortgagee, and result in some benefit to the seller, but would in no way protect the innocent purchaser of such a property."

It has been my experience that the availability of financing is the primary problem (not the existing noise itself), when purchasers are sought for such