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Volume Author/Editor: Leo Grebler

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Chapter Author: Leo Grebler

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Appendix B

Changes in Terms of FHA-Insured Home Loans in the Housing Act of 1954

The Housing Act of 1954 raised the *maximum amount of mortgage* from \$16,000 to \$20,000. This was the first increase in the maximum since the FHA insurance program was enacted in 1934. The increase applied to both new and old homes.

The *maximum maturity of mortgages* was changed as follows:

	<i>Pre-1954 Act</i>	<i>1954 Act</i>
Existing homes	20 years	30 years or $\frac{3}{4}$ of re-
New homes	25 years	maining economic life,
New low-priced homes*	30 years	whichever is the lesser

* \$7,000 appraised value or less, plus \$1,000 for 3-bedroom house and \$2,000 for 4-bedroom house.

The *minimum down-payment requirement* before 1954 was 20 per cent on existing homes, and for the great majority of new homes it was 5 per cent on the first \$7,000 of appraised value plus 30 per cent on the excess amount provided the value did not exceed \$11,000. If the value exceeded \$11,000, the 20 per cent minimum for existing homes applied also to new homes. There was an additional program for low-priced homes, under which a 5 per cent minimum was required for homes appraised at not more than \$7,000, plus \$1,000 for 3-bedroom and \$2,000 for 4-bedroom houses. Ignoring this program whose volume was small, the down-payment requirements before and after the 1954 act are shown in Table 27. They indicate that the liberalization of the 1954 act was considerable for new homes, but more substantial for existing homes.

Changes in Terms of FHA-Insured Home Loans in the Housing Act of 1954

TABLE 27

Illustrations of FHA Minimum Down-Payment Requirements for Single-Family Homes before and after the Housing Act of 1954 ^a

Home Value (dollars)	Before 1954 Act				After 1954 Act ^b			
	Existing Homes ^c		New Homes		Existing Homes ^c		New Homes	
	Dollars	Per Cent	Dollars	Per Cent	Dollars	Per Cent	Dollars	Per Cent
7,000	1,400	20.0	350	5.0	700	10.0	350	5.0
8,000	1,600	20.0	650	8.1	800	10.0	400	5.0
9,000	1,800	20.0	950	10.6	900	10.0	450	5.0
10,000	2,000	20.0	1,250	12.5	1,200	12.0	700	7.0
11,000	2,200	20.0	1,550	14.1	1,400	12.7	1,000	9.1
12,000	2,400	20.0	2,400	20.0	1,700	14.2	1,200	10.0
15,000	3,000	20.0	3,000	20.0	2,400	16.0	2,000	13.3
18,000	3,600	20.0	3,600	20.0	3,200	17.8	2,700	15.0
20,000	4,000	20.0	4,000	20.0	3,700	18.5	3,200	16.0

^a Loans insured under Section 203 of National Housing Act.

^b For existing homes: 10 per cent on the first \$9,000 of house value and 25 per cent on the amount of value exceeding \$9,000. For new homes: 5 per cent on the first \$9,000 and 25 per cent on the excess amount. Down payments are rounded upward to nearest \$50 or \$100, depending on the mortgage amount, in accordance with FHA administrative practice.

^c Existing homes on which an FHA loan was insured at time of construction were eligible for the terms for new homes.