

Thousands of New Homes Needed in South Carolina

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Demand Is Declared in Lower Brackets

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South Carolina's home building industry today is enjoying a period of prosperity which never has been excelled in the history of the state, not even in the balmy days of the 1920s. More homes are being constructed for owner-occupants than ever before.

The reasons for this unprecedented number of new homes are numerous and perhaps can best be explained by outlining the part which the federal housing administration has played in the revival of the home building industry in this state.

Only a comparatively few families ever have been able to pay cash for their homes and as a result the great majority of new homes always have had to be financed through a system of mortgages.

Seven years ago next month a part of the national administration's alphabetical agencies, the FHA, was launched with a great deal of skepticism among well posted mortgage and real estate men. And probably with good reason.

The declared undertakings of the federal housing administration constituted an enormous task. These undertakings included the underwriting and insuring of home mortgages on a national scale, as a means of attracting private capital for investment. That one factor alone was faced with innumerable obstacles. But when we consider that the proposals were made at the depth of a national depression, when the mortgage investment field was practically dormant due to lack of private capital and the general disrepute into which mortgage investments had fallen, when the job that faced the federal housing administration was sufficiently hazardous to make even the strongest of hearts quake.

However, the vast number of new homes which have been built in the United States and even in Alaska, Hawaii and Puerto Rico under the FHA better housing program is sufficient evidence of the success with which the FHA has met.

In South Carolina during the nearly seven years of operations the fed-

eral housing administration has insured mortgages aggregating nearly \$21,000,000 on approximately 5,400

homes. And eight out of every ten homes which were financed with FHA insured mortgages were new, built to meet the FHA minimum construction requirements and property standards.

These mortgages were insured throughout the state. Today there are families in each of the state's 46 counties who have acquired their own homes through aid of the FHA's home finance plan.

DOWN PAYMENT PLAN

The marked success of the FHA in South Carolina can be attributed to two reasons. First, the FHA has adopted precautionary methods to improve the financial soundness of mortgages insured by us; the second, and equally important factor, is the instalment plan of financing which is applied to all FHA insured mortgages. The FHA plan has become generally accepted, not only by the public as a whole, but also by the most conservative of the financial institutions.

During each year of operation in South Carolina the federal housing administration has experienced progressive increases in both the number and dollar volume of home mortgages insured. And the general revival of the state's home building industry in these last seven years has been paralleled to the increase of FHA activities.

Since the establishment of the FHA with its low-ratio mortgage loan policy under which the buyer is required to pay only a small percentage of the total value as the down payment on his home and the balance payable over a period of as long as 25 years, a similar plan has been adopted by most other home finance institutions, such as building and loan associations, federal savings and loan associations and insurance companies. Under these plans, the mortgage is repayable in equal monthly instalments. In many instances, the monthly amount, which usually is less than the rent for similar housing accommodations would run, includes all fixed charges such as one-twelfth the annual costs for taxes and fire and other hazard insurance. This policy first was placed into general use by the FHA and has been accepted by others.

This system of "instalment buying" which has been applied to homes has played a large part in the revival of home building industry, since it has enabled hundreds of families to acquire their own homes with only a small down payment and the balance with that part of their income they had been paying for rent.

The influence of the FHA in South Carolina home construction has not been confined to the millions of dollars which it has released into the regular channels of trade through its encouragement of private capital for home mortgage investment. It has been responsible for the reemployment of thousands of building tradesmen who were forced into idleness by the collapse of the industry in the early '30s.

Another influence is evidenced by the salutary effect which the FHA exercised in construction standards it has established for the state's home building industry. And the FHA's policy of demanding that homes be built to meet these minimum construction requirements has acted as a severe curb for "jerry builders."

A third influence has been effected through the FHA minimum property standards. Through these requirements, neighborhood standards in many South Carolina cities and towns have been raised to a much higher classification. These FHA standards provide that every reasonable precaution must be taken to protect the area from adverse influences which would tend to lessen its desirability for residential purposes, and that adequate utilities and other facilities which would increase its desirability for residential purposes must be furnished.

EMPHASIS ON DEFENSE

Today there exists some uncertainty in the home building industry in this state due to the rapid expansion of national defense activities. Considerable enterprise in the industry which, under ordinary conditions, would be devoted to home building generally, is being expended in providing housing accommodations for defense workers or for other defense projects such as army camps, navy yard, factories, etc. This activity has diverted thousands of building tradesmen from their usual work of building homes and as a result many others, less competent if not altogether inexperienced, have been attracted to the home building industry. This has worked a hardship on contractors and builders.

Another uncertainty is the result of often-repeated reports that building costs have seen a large increase. These reports have been greatly exaggerated in South Carolina since investigations made by us show there has been no appreciable increase in building costs.

However, a considerable amount of this uncertainty is only an attitude of many operators, which is not supported by present market conditions. In spite of the large amount of defense activities in this state, there has been no decline in the demand by private citizens for homes.

NEED LOW COST HOMES

Especially is this true in the demand for low-cost homes in the \$3,000 and under price range. With the enormous potential market for this type of home only realized a few months before the present defense activities began, the demand has increased in recent months, rather than lessened. This is due to increased earnings of many who have obtained more lucrative employment in defense industries.

The market for low-cost homes, homes on which the monthly payments would be under \$25, has not been touched in South Carolina. Through 1940, the average value of homes bought through the federal housing administration's insured mortgage program, was in excess of \$4,200 in this state. Only comparatively few were in the \$3,000 and under price range.

What the future holds for the home building industry, no man can tell. But from present indications, the demand for new homes in South Carolina will continue in sufficient volume to keep the activity of industry at its present high, or an even higher, level for several years to come.