The Housing Act of 1954 proposes a direct attack on the decay of homes and neighborhoods, eases FHA pressure for homes too cheap to be good (p.100)

New kind of modernization rehabilitates whole Boston neighborhoods, makes handsome profits, could become general under the new Housing Act (p.110)

The lumber dealers are tackling the modernization market, could go much further with better financing (p.126)

Modernization money must be found. For this enormous problem no solution has been approved (p.150)

Trade-ins could work under the new legislation, enabling millions of families to buy better new homes (p.132)

Architect remodelings supply stimulating ideas for modernizers (p.140 and below)
In survey after survey, consumers choose

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For more information about this wonder-working linoleum design, write Builders' Service Department. (HH-10)
Offsetting the decline in family formation, rising middle-class incomes, better design and easier credit should boost housing starts above this year's level

By Economist-Consultant Miles L. Colean

Forecasting 1954 homebuilders will start around 1,130,000 new family dwelling units. This makes 1954 the sixth year in a row with more than 1 million housing starts and probably the second largest housebuilding year on record, nosing out 1952's, 1,127,000 units for a total second only to 1950's all-time high of 1,396,000. With this permanence to look back on, what can we dare look forward to? Can such production be continued—for the next five years, or for even one more year?

The probabilities are that it can and will. In 1955 the amount of new housing started will be at least as large and in all likelihood larger than in 1954—probably reaching a total of 1,200,000 new family dwelling units. In 1955 the dollar volume of expenditures for new dwelling units is certain to be greater than in 1954—probably close to $12 billion. In 1955, the quality of new housing will be better than in 1954, as changing conditions in the market and new mortgage provisions (see below) cause the industry to seize better design and construction.

The apparently slack housing market in 1954, the forces of shifting income, biological change and easy credit were more than enough to make housing move ahead in 1955, the face of a general decline in other areas of the economy, and despite a fall in new family formation. In 1955, the income picture will be better, the style appeal of the new homes will be better, and buyers will feel more confident of the future. The bearish atmosphere of the year ahead will no longer be in evidence.

Casters Confounded. The apparently slacker housing demand year after year confounded most forecasters, who, basing predictions mainly on the dipping rate of marriage and family formation, have been unable to explain the building industry's high performance. The number of marriages has dropped from almost 2.3 million in 1948-50 to probably less than 900,000 in 1954. The number of married couples with four children can do a family's housing requirements both within metropolitan areas and between regions of the country, nor do they show an accumulation of two, three or four children. It is for this reason that the formation of new families has been increasing much more rapidly than those of the upper classes, but at present it is not enough to make housing move ahead.

All the underlying relationships between people and houses. Household statistics do not show the effects of great migratory movements both within metropolitan areas and between regions of the country, nor do they show how rapidly rising income, plus a rearrangement of income, is producing a new pervasive middle class incomes, better design and easier credit can be the effective factors which will continue to be important sources of demand next year and no doubt for several more years. The suburban drift is certain to continue. The industrialization of the South and the West is bound to have the same effect on the housing market in those regions as the formation of new families.

Upgrading. Potent as these factors are, they might not be enough to maintain an annual rate of better than 1 million new dwellings over the next several years, while the present birth rate of the depression is reflected in a low rate of family formation. But there are other more powerful influences. In combination, they promise to support a high volume of building through the trough years of family growth.

1. Most important is the continuing revolution in the amount and distribution of personal income, in terms of real buying power (see graph). Not only has the average family income been increasing over a long period at the rate of 2 to 2½% per year compounded (a difference of about $1,000 per family in the 1950 decade), but also the incomes of families in the lower ranges of income have been increasing much more rapidly than those of families in the upper ranges.

For example, the purchasing power (income on a constant price basis after allowance for federal income taxes) of the average family in the lowest fifth of the range increased 42% between 1941 and 1950, while that of the average family in the highest fifth increased by only 8%. This shift may slacken in the years ahead, but the general trend may be expected to continue.

Especially significant for the housing market is the fact that the number of families with incomes of less than $3,000 a year is declining, while a striking increase is taking place in the number of families with incomes of more than $4,000—the point at which the demand for new housing really becomes active.

What we have, therefore, is an increase in the number of families who can satisfy their desires for better living that is all out of proportion to the increase in the total number of families. Many of these families have come into, or have moved up within, the area of effective demand fairly suddenly, and consequently have their desires whetted by the newness of the opportunity to satisfy them. This has a powerful effect on the demand for housing. Moreover, because of the war-bred
Sidelights

Sell public housing?

Now that Congress had more or less turned off the flow of new public housing construction, the National Association of Real Estate Boards, long one of public housing's chief foes, turned its attention to trying by 1960 to rid the nation of what public housing had already been built (about 400,000 units). In NAREB's weekly news letter, Headlines, President Ronald J. Chinnock urged state realtor associations to back state and local laws to require any municipality to hold a referendum vote on liquidation of public housing "upon petition signed by 10% of the taxpayers." Instead of government ownership, Chinnock would have occupants or private investors buy and operate the properties. By such a method, Chinnock said, the "vicious grip of the housing authority in Washington on our cities can now be broken." In passing, the NAREB leader also ticked off some of the strongest inceptive aims at public housing recently. He wrote: "Public housing is bad because it is . . . a special privilege and a political racket, . . . a new kind of 'ghetto' which herds problem families together and accentuates their difficulties, an unfair tax burden on those who save and struggle to provide their own homes. . . . No nation or community ever solved a housing problem by making family shelter a public utility."

The automatic realtor

Automation is creeping up on the realty business. Town & Country, Boston real estate firm, has a new electronic machine into which it feeds data on the price, number of bedrooms, baths, etc., on houses listed and wanted by customers. The machine matches houses and prospects and arranges the day's work for salesmen. It was developed for the firm by Underwood Corp.

Electricians warned on costs

High labor costs for electrical work are driving a work away from electrical contractors, Donald B. Clayton Sr., president of the National Electrical Contractors Assn., warned 3,500 delegates of the AFL International Brotherhood of Electrical Workers at their convention in Chicago last month. Fringe benefits, extra pay for travel and hazardous work, restrictions on training, and use of labor-saving tools and other employment conditions increase per-unit work costs as much as 50%, making IBEW labor too expensive for home owners and small businesses, Clayton insisted. "[They] cannot afford to pay for omne hour's work more than they earn in two or three hours," said Clayton. "They resent it, especially the fringes, and as a result will go out of their way to find someone else to do their work." He also blamed high construction labor costs for growth of the widespread do-it-yourself cult.

Railroads v. prefabs

Acting on a complaint by National Home Improvement Bureau, the Interstate Commerce Commission approved a commodity rate for prefabricated houses just under one third lower than general merchandise commodity rate prevailing. Prefabricated houses have to pay on rail shipment years past. The cut has been partly nullified since ICC has given a preference to certain southern railroads at time to submit more amends. Some railroads already are letting National Homes take advantage of the rate. Under which National Pres. James P. Smith says he can ship a house 1,200 mi. by rail what it costs him to ship it 380 mi. by truck.

National contends it is entitled to only slightly higher than the going rate: lumber because 60% of the weight of product consists of millwork and lumber.

Segregation in housing

The National Urban League, 44-year-old service agency aimed at promoting equal economic opportunity and better race understanding, appears unhappy with Eisenhowe administration's educational approach to minority housing problems. Elegates to the League's annual conference in Pittsburgh listened somewhat coldly in Aug. as HHF Administrator Albert M. Cole warned that stringent new equal regulations in FHA will compel open occupancy in FHA and aided homes "would just make every blood of the abrasive clients that slow the down the real—perma—progress," Cole announced that HHF with President Eisenhower's approval, form an advisory committee on minority housing. It will work with the national volume credit expansion committee, set up by the housing law, to expand credit for minority borrowers.

A little later, delegates gave a stay to the resolution to Leeqi Miller of Los Angeles, a member of the NAACP legal committee, who declared education was enough. Said Miller: "Builders should be required to covenant with FHA that they discriminate in sales or rentals or built with FHA aid. . . . Public housing should be urged to regulate to forbid segregation in public housing, a resolution. League directors declared: the ghetto pattern of segregated housing be enforced, school integration may [as]
HA investigation veers toward the courts

Justice Dept., with new blast at Clyde Powell, says grand juries will hear evidence of 'criminal conduct' in agency

Sec. 608 promoter wins an injunction against FHA in its test case to try to recover windfall profits

As the housing industry could hope that the tumult and the shouting of the FHA investigation were about to die down (Sen. Homer Capehart's banking committee, about to up its cross-country circuit of hearings, was thinking of a junket to Japan), Attorney General Herbert Brownell raised a new and louder outcry.

Pumping off from Investigator William McKenna's parting report on HHFA's inquiry FHA, Brownell ordered a special grand jury investigation in Washington into charges of bribery and other criminal conduct in FHA programs. He instructed US Attorney A. Rover specifically to prevent evidence about Clyde L. Powell, ousted asst. FHA commissioner who was in charge of the profit-laden 608 rental program from start to finish. He announced the Justice Dept. was also asking US attorneys across the nation to present to grand juries "full testimony concerning criminal conduct uncovered by the investigator's investigation in their districts." Most of it, it was clear, would involve me with FHA in connection with official appointments.

McKenna's criticism that FHA inflated the price of houses by overappraising in its regular Sec. 203 program—a system that helped boost builder's profits. He wrote: "It appears that in recent years the long-term economic considerations [supposed yardstick of appraisal valuation in 203] have become less important and, in the interest of getting the business, FHA has concentrated upon seeing that its appraisals on single family new construction kept up with the market. What has been overlooked is the fact that FHA appraisals not only reflect the current price levels of houses, they also play a large part in establishing [them]. In some cases... it is obvious that such appraisals may have been the results of bribery..."

McKenna blamed some of the overappraising on an FHA policy, recently canceled by Commissioner Norman Mason, of basing the salary of local directors and their top aides on the volume of business they could maintain. But McKenna also observed: "Sec. 203 alone would justify the existence of FHA.

Can windfalls be recaptured? Meanwhile, FHA, on orders from HHFA, undertook to try to make a builder disgorge a mortgaging-out profit from a 608 apartment. The method: a little-used legal tool. To be able to take over reins of a mismanaged project, and more importantly to be able to threaten to, without resorting to foreclosure, FHA has always required project owners to assign it all the preferred stock in the project (usually a nominal 100 shares). FHA old-timers can recall only two cases where the method had been used, both under the old Sec. 207 rental program before 608 was hatched.

For its windfall test case, HHFA picked Sidney Sarner and his Linwood Park apartment cluster at Ft. Lee, N.J. Sarner had ducked behind the Fifth Amendment when the Senate banking committee questioned him about distributing $2,426,821 in windfall profits from a small "gratuity" to a man who had been developed. He put total windfalls in the 1,547 projects investigated at well over $100 million.

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to Linwood stockholders. Now, a member of violating his FHA charter, the开发利用 a call he a meeting of previous stockholders (i.e., FHA) to remove the director, elect a new slate which would then sue to recover the $2 million. Although FHA’s explanation of the dismissal raised the point that 608 corporates violated their charters when they paid off dividends through such a device as engaging in businesses other than building garages and pay TV-antenna charges from 608 profits, and 4) compelling tenants to rent garages and pay TV-antenna charges under awkward situations. Said Grace: “No, sir, I did not.”

in New York City, Thomas Grace (photo, p. 39) admitted it was paid $48,500 in fees by the Grace family law firm (he was a partner) while he was New York FHA director. He admitted the firm did most of its business representing clients before FHA. Committee Counsel William Simon asked: did Grace know it was unlawful for an FHA director to accept fees charged on FHA cases? Said Grace: “No, sir, I did not.”

In New York City, a mortgage man in Philadelphia: “It is really not a contract because the property is appraised, he can back out for any reason whatever after he gets FHA’s valuation. The Portland, Ore. Real Estate Board protested that this rule would upset use of earnest-money contracts. Moreover, cried the realtors, it puts FHA in a price-fixing role on real estate. Similar protests came from San Francisco, Kansas City and elsewhere. Said Robert H. Pease of Detroit Mortgage & Realty Co.: “I do not believe [price control] was the purpose, but it may tend to that. I think the regulation will lead many people to ignore FHA. New housing people do not care about the difference between the appraisal and the sales price because the margin has usually been very small, often just a few hundred. This regulation becomes important in the sale of a used house because time is always important. People sell either because they have bought another house or because they are moving. . . . If I were a lawyer I would not allow my client to sign an FHA contract. It is really not a contract because the prospective buyer can get out of it so easily. If he finds another home that is more attractive, he can always use the appraisal certificate as an excuse.”

He denounced FHA’s Mason for not showing “respect for the rights of a citizen possessing.”

**The road show.** The Senate banking committee took to the road in late August and September, held hearings in New York, Los Angeles, New Orleans, Chicago, Indianapolis, then headed back to Manhattan. Most of the proceedings followed a pattern. Capehart, or a stand-in presiding senator, would start with a prediction to the press that indictments would—or should—result from the disclosures. Then would come a parade of reluctant witnesses, who were becoming more and more disturbed at being judged by the alleged misdeeds of a few. Whether the current of opinion would shift was in doubt, but there were some evidences of enlightenment: the Washington Post and Times Herald, in a series of articles, defended the crash housing program following World War II, pointing out that both Republican and Democratic Congressmen had been adequately warned of excesses made possible in the housing laws for which they voted. NAHB blasted back at housing’s critics through a statement by President R. G. Hughes, Thomas P. Coogan, former president, urged homebuilders to “rise up and protest.”

Cracked he, in a mortgage market memo: Treasury 3½ bonds had risen to 112; “will the Senate call this a windfall for investors?”

**Fixed-rate applications, fed by appraisal-to-buyer rule, swamp FHA**

Appraisals and an expanding volume of business, FHA’s backlog of applications over half the country ballooned to such record that the agency was considering a step past its tradition: farming out work to the appraisers.

Next month, mortgage insurance requests piled up anywhere from two to ten times before understaffed field offices could handle them. Before a midsummer spurt in applications, processing time had been running about two weeks. But applications moved from 47,585 in July to 53,197 units in August (32,100 for new houses, 21,700 for others). By comparison, in August a year ago, the total was only 36,475. Congress had warned that building would be brisker this fiscal year because of ample mortgage credit and the stimulus of the new Housing Act. But the legislators sliced FHA’s office budget drastically, voting only $20,000—a bare $150,000 over the 1953-54 year appropriation for a much smaller volume.

**Price-fixing role?** Meanwhile, the backlog of applications was helping make FHA a target for outcries from the industry. The complaint stemmed from the Housing Act’s provision that every buyer be given the certificate of appraisal on his house before he closes on purchase. FHA ruled that in cases where the seller signs a purchase contract before

**Just red tape.** While irritation predominated, some housing men took the appraisal rule calmly. Said a Washington broker: “It involves a little more red tape and I think we’ll learn to live with it just like we’ve learned to live with VA and all the delays in getting CRVs.”

FHA hoped wistfully that realtors and builders would not deluge it with demands for conditional commitments on every piece of existing property which might be sold under FHA—the only visible way to have the FHA appraisals on hand when a buyer shows up. NAHB reported that it had suggested “several alternate courses of action to speed processing” but said FHA so far had not accepted them.

In shifting the Sec. 203 (i) program for low-priced houses to Sec. 203 (i), FHA almost left the project builder out in the cold. Reason: the program, which now permits a 95% mortgage up to $7,000 valuation (85% to builders), was primarily intended to help remote areas. In drafting the original regulations, FHA figured project builders would not operate in such spots, which it saw as far-out suburbs, usually on the wrong side of town. After NAHB protested, FHA backed down somewhat. Now, project builders are not ruled out if their operations are not on a scale to make an “urban area” of the site.
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IVE LISTENERS TOOK MANY NOTES ON NEW YORK PANELISTS' MARKET FORECASTS

A will give higher valuations for quality instruction, better design, new chief says

will change its policy to put new emphasis, in appraisals, on quality home construction, and better design. FHA underwriters will be told to stop penalizing on indoor-outdoor and other features of contemporary architecture.

Commissioner Norman P. Mason emphasized these new directions for the 20-year-old agency last month in talks at Chicago, Cleveland and New York sessions of the second marketing conference for building material and equipment manufacturers sponsored by House & Home and its sister magazine, Life. He said:

In accordance with the Housing Act of 1954 there is a move to FHA to return to fundamentals of product quality and performance, he said. . . . [By this] FHA will encourage the home owner to obtain livable house that in the long run will cost less money... With industry help, FHA underwriters will be told to stop penalizing on outdoor-living accommodations as it is afforded by functional and aesthetic features of contemporary architecture.

FHA underwriters will be told to stop penalizing on indoor-outdoor and use of quality products, the official will be reflected through the mortgage in lower maintenance and other features of contemporary architecture. . . .

A, in the interests of the home buyer, is to take a good look at these other costs. . . . It can and should give FHA its standards to give greater recognition to quality construction and improved design. No longer need FHA frown upon outdoor living as it is afforded by functional and aesthetic features of contemporary homes. This does not mean FHA has been lax in its appraisal standards. . . . There are ramifications of one FHA appraisal on another FHA appraisal. . . . How far should FHA go in approving the mortgage in lower maintenance costs and the use of quality products, the official will be reflected through the mortgage in lower maintenance in different rooms, to conserve fuel?"

More in '55. Mason and a panel of leaders from the homebuilding industry agreed that 1955 will see more homes go up than this year, that they will be bigger and better homes, with more and more modern design. The only question was: how much bigger a year? The commissioner predicted "record activity" both in new houses and rehabilitation of old ones. Other views:

- NAHB President R. G. (Dick) Hughes forecast 1955 starts would reach 1.5 million units. Former President E. M. (Manny) Spiegel predicted they would pass this year's by 10%.
- Henry G. Walttemade, chairman of NAREB's Realtor's Washington Committee, estimated starts would range from 1.3 to 1.35 million, "provided builders use realtors in their merchandising programs."
- Construction Economist Miles Colean, a comparative conservative, estimated starts would reach at least 1.2 million (see p. 37).
- James A. Price, head of National Homes Corp. and former president of the Prefabricated Home Manufacturers Institute, asserted prefabricated houses would total 75,000 to 85,000 next year. He claimed National would produce 50,000 of them. His company is now shipping 2,500 units a month, he reported.

Larger houses. The panel of experts saw a trend to bigger houses, above $12,000, and a simultaneous increase in low-cost units, under $7,000. Colean expected an upturn in $12,000 to $18,000 houses; not necessarily because of easier FHA terms, but because of the constantly swelling number of families entering the "effective market" with incomes exceeding $4,000 and $5,000 a year. On the other side of the market, Hughes reported that in August FHA offices in Texas alone received applications for 9,000 units of low-cost Sec. 203 (1) housing (formerly Title I, Sec. 8), which can now be sold for only 5% cash with mortgages up to $6,650 (formerly $5,700).

Team operation. As homebuilding has become industrialized, said Hughes and Spiegel, the builder has ceased to be a lone operator, but now can only function efficiently as one member of a seven-man team consisting of the site planner, the architect, the materials supplier, the builder, the realtor, the lender, FHA and VA (the government).

Hughes observed that builders will need the realtor more than ever in the future: "He's your direct contact with the buyer, he should be consulted from the planning stage." In concurrence, Walttemade noted that companies that consider their sales problems from the start usually ring up the best sales records. NAREB President Ronald J. Chinnock promised that NAREB would "develop new techniques" to help homebuilders merchandise both their new houses and older dwellings taken in trade-in deals. Chinnock observed that "relatively, people are still paying less for shelter than they did before World War II, and as long as that condition exists there is a wonderful opportunity" challenging all segments of homebuilding.

Design for drinking. All conference participants agreed contemporary design was on the sharp upswing. Architect John Highland of Buffalo, a member of the AIA committee on housing standards and design, said: "There is a wonderful opportunity" challenging contemporary design. The only question was: how much bigger a year? The commissioner predicted "record activity" both in new houses and rehabilitation of old ones. Other views:

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- Construction Economist Miles Colean, a comparative conservative, estimated starts would reach at least 1.2 million (see p. 37).
- James A. Price, head of National Homes Corp. and former president of the Prefabricated Home Manufacturers Institute, asserted prefabricated houses would total 75,000 to 85,000 next year. He claimed National would produce 50,000 of them. His company is now shipping 2,500 units a month, he reported.

Larger houses. The panel of experts saw a trend to bigger houses, above $12,000, and a simultaneous increase in low-cost units, under $7,000. Colean expected an upturn in $12,000 to $18,000 houses; not necessarily because of easier FHA terms, but because of the constantly swelling number of families entering the "effective market" with incomes exceeding $4,000 and $5,000 a year. On the other side of the market, Hughes reported that in August FHA offices in Texas alone received applications for 9,000 units of low-cost Sec. 203 (1) housing (formerly Title I, Sec. 8), which can now be sold for only 5% cash with mortgages up to $6,650 (formerly $5,700).

Team operation. As homebuilding has become industrialized, said Hughes and Spiegel, the builder has ceased to be a lone operator, but now can only function efficiently as one member of a seven-man team consisting of the site planner, the architect, the materials supplier, the builder, the realtor, the lender, FHA and VA (the government).

Hughes observed that builders will need the realtor more than ever in the future: "He's your direct contact with the buyer, he should be consulted from the planning stage." In concurrence, Walttemade noted that companies that consider their sales problems from the start usually ring up the best sales records. NAREB President Ronald J. Chinnock promised that NAREB would "develop new techniques" to help homebuilders merchandise both their new houses and older dwellings taken in trade-in deals. Chinnock observed that "relatively, people are still paying less for shelter than they did before World War II, and as long as that condition exists there is a wonderful opportunity" challenging all segments of homebuilding.
For 53 years, U/R has pioneered in making bathroom fixtures more beautiful—producing the first concealed front overflow lavatory, the first free-standing unit closet, and many other styling and performance “firsts.” That’s why U/R fixtures offer the very latest in beauty and dependability.

You can depend on U/R for top fixture quality, too—the whitest white in the industry ... matched colors ... harder-than-steel surfaces that stay lovely ... performance backed by hydraulic laboratory research.

And when you show your prospect Universal-Rundle fixtures, he recognizes a familiar name, for he has seen U/R fixtures advertised in leading national magazines. He knows you are showing him quality!

Write for FREE Catalog!

U/R Luxury-Trim Fittings

The World’s Finest Bathroom Fixtures

by Universal•Rundle

Plants in Camden, New Jersey; Milwaukee, Wisconsin; New Castle, Pa.; Redlands, Calif.; San Antonio and Hondo, Texas
petition, profit margins are driving small builder out of business, says BLS official

"The biggest big homebuilders are not likely to need the money very much bigger. The small-volume producer (one and two houses a year) is driven out of business by growing competition, profit margins narrowing or profits margins. Conditions are most favorable for the "moderate-sized builder," where (25 to 99 homes a year) builder, "provides the average results are most favorable to increase the earning potential of the small homebuilder of the homebuilding industry." Riley also noted:

- Preliminary results of a BLS survey early this year indicated the median sales price of new homes (and probably the average price, too) was on the rise. In May it hovered between $13,000 and $14,000, compared to a range of $9,000 to $10,000 when BLS made its last survey in big metropolitan areas in 1951.
- Veterans have higher incomes, on average, than nonvets in the same age group. In the 25-to-34-year-old bracket, median income for 1952 was $3,600 for veterans, only $3,100 for nonveterans.

Military gets $75 million to build its own housing

Despite opposition of the year-old association of Wherry Act housing sponsors, Congress voted the armed forces $75 million for direct construction of military housing, the first such funds since prewar. That was $100 million less than the Pentagon wanted for some 11,967 units. Defense Dept. construction men can build its own housing, it must 1) certify that adequate housing at reasonable rates is not available in the locality involved, 2) exhaust the possibility of building Wherry housing, which is limited to permanent bases, and 3) decide needed homes cannot be provided through the new Sec. 222 of the 1954 Housing Act authorizing 95% FHA mortgages for men in service.

The Defense Dept. was planning to hire some 25 or 30 architect-engineer firms for design work. Already, Asst. Secretary Franklin G. Follett had engaged the Washington firm of Keyes, Smith, Satterlee & Lphetamine Associates to consult on space standards and other criteria.

"On the other hand, the medium- and large-scale operators who remained in the industry, and the well-founded firms of moderate to large size who may have entered since 1950, are likely to be well established. The number and scale of operations of the few very large residential builders is not likely to increase much, in my estimation, within the near future at least, unless we have something like a major industrial centralization program. Conditions favor the moderate-sized operative builder . . . . " Riley also noted:

NAHB director is elected head of American Legion

At its annual convention last month in Washington, the American Legion picked Builder-Realtor Seaborn P. Collins, 41, as its new national commander. Tall (6'-4"), graying and bespectacled, Texas-born Collins went into building after the war when he piloted transport planes over the India-China hump. He has built some 500 homes in Las Cruces, Alamogordo and Gallup, N. M., is a director of NAHB and president of Southwest Builders Inc. and Southwestern Lumber & Builders Supply Co., and former chairman of the Las Cruces planning board. In 1948-49, he was on the Legion's national housing committee.

On housing issues, the Legion stood pretty much pat. It maintained its position as the No. 1 political roadblock to the flexible FHA and VA interest rates the Eisenhower administration wants. It was pressure from veterans' lobbyists that persuaded Congress to strike out of the 1954 housing bill a provision giving the President power to vary interest rates to meet differing economic conditions. Last month, the Legion put itself on record against "any future proposal for the adoption of a new formula for GI interest rates" and endorsed perpetuation of the present law, which gives VA power to change the rate only between 4% and 41/2%.

As expected, the Legion also adopted a resolution opposing any transfer of GI home loan functions from VA to HIIHA, despite the self-evident fact that such a move could well save considerable money.

On VA's direct mortgage lending program, however, the Legion took a milder stand in defense of special privilege for veterans. Noting that "the recent tremendous expansion in GI home loans by private lenders met the demand for credit by veterans in nearly all areas," it urged "no further additions to the demand for credit by veterans in nearly all areas," it urged "no further additions to the revolving funds until early in 1955." Previously, the Legion has been inclined to demand expansion of direct home loans almost before VA could dish out the money it had. But VA is better heeded this year, having $377½ million instead of only $25 million to spread around each quarter. (Direct loans—supposedly made only where private VA mortgage money does not flow—are available in 2,369 (or 85%) of the nation's 3,100 counties. The Legion was also influenced by the new voluntary mortgage credit extension committee set up in the new Housing Act. It urged an end to direct lending—"an emergency expedient"—as soon as the credit committee has "demonstrated a satisfactory flow of funds from private sources for investment in GI loans throughout the country."
New idea for urban renewal: form a private corporation, boost rehabilitation standards

One of the tough problems in making the new concept of urban renewal work is how to rehabilitate decaying spots in cities to something more than the legal minimum standards of health and safety. Patch-up repairs to a legal minimum can (and often do) look nearly as repulsive as the menace they replaced.

Last month, homebuilders in Richmond, Va., were embarking on a venture which national NAHB and HHFA officials hoped might provide some solutions. They had formed a Home Builders Rehabilitation Corp. to stick to a role of letting individual contractors do repairs, steering owners of rundown property to reliable fix-up firms, helping get repair loans through normal lending sources. (To keep the corporation in the black, it will charge a one-point or smaller fee for arranging financing.)

Aim: marketability. How will the rehabilitation firm help get the declining neighborhoods really rehabilitated? When a city health or building department is set up as the sparkplug of a city-wide rehabilitation effort, the follow-up to make sure that housing violations are corrected properly is very time consuming, chiefly because it takes inspectors with a lot of technical know-how. Enforcement through the courts is slower still, and often fails as judges let violators off with token fines, as in New York City. Moreover, code enforcers can only insist on a minimum standard of decency. Under private leadership in Richmond, the men behind rehabilitation will shoot for a higher standard: the best the market will support.

One thing the rehabilitation corporation hopes the local market will support is a very low-priced replacement house for Negro slums too dilapidated to be worth repairing. "We learned through the Urban League," says Rathbun, "that the need for new, very low-priced housing in minority neighborhoods is enormous." Last month, Builder Ernest E. Mayo, president of Rehabilitation Corp., was building such a house in a declining (but not yet slum) Negro neighborhood. The house was described by Rathbun as "devoid of frills, not designed for speculation." He added: "As property owners are faced with the choice of repairing or selling, the corporation's role is ready to purchase dilapidated property at a fair price, demolish it—and award to the builder members, selected alphabetically, the opportunity of erecting a replacement."

In a three-block area of the city's worst Negro slums, workmen were sawing, hammering and plastering on some 13 homes, including a nine-unit row house being rehabilitated for an absentee-owner by Builder Jim White. One dilapidated two-story, four-room hovel, into which eight persons had been jammed, had been completely rebuilt (see cuts) by White to serve as a model and community headquarters for the cleanup effort. It is known as Carver House. City health inspectors under Dr. Edward Holmes were backing the drive with house-by-house code enforcement inspections. Results so far among the 70 structures in the three blocks: 7 completed repair jobs, 11 with no violations, 30 under repair (including five where contractors did such inadequate work that the builders' association pressured them into doing it over), and 22 under orders to make repairs.

Role of guidance. The rehabilitation corporation's major role as professional adviser for slum dwellers who want to fix up their homes has wide implications. For one thing, it has already begun an undeclared war on gyp repair operators. Another: it commands the respect and encouragement of some segments of the housing industry who have often looked askance at rehabilitation drives. As the Natl. Assn. of Housing and Redevelopment Officials has pointed out: "The idea of professional advice being available to assist the home owner in determining how he can best rehabilitate his house at the lowest cost is a good one. If coupled with this architectural advice, is also advice on available financing renewal corporation that may be will make direct loans, the home owners well have a greater inclination to und a fairly sizable rehabilitation job."

As Memphis, Little Rock and a few southern cities began studying whether to set up similar rehabilitation corpor S. Howard Evans of HHFA's slum clearance division told Richmond civic leaders program was solid enough so that the city might well be the first in the nation to certify for federal urban renewal funds. So far, Richmond's rehabilitators thought US money for the community improvement needed along with better housing would help their idea.

Ike remolds an antiqu farm house for $150,000

Like Eric Hodgins' fabled Mr. Blandin and Mamie Eisenhower last month we covering, reported Colliers, that a den dream house is no bargain. Four years ago when President is done, only about a quarter of his earnings, bought (for about $40,000) the place will be a 100' x 40', partly modern, traditional, 14-room, century-old farmhouse just 3 mi. historic Gettysburg, Pa. Disregarding a bit advice to build a new home, the Eisenhowers figured to renovate the old one for about $150,000, then sit back and farm its 189 acres.

But the dream project, which did not go der way until last November, is involving deal more than the Eisenhowers count. By the time Contractor Charles A. To (of Washington, D. C.) and Architect Osborne (of Penn State), both friends President, are done, only about a quarter place will be a 100' x 40', partly modern, 14-room, air-conditioned mansion. The completion date, originally last Aug now Christmas. Estimated cost: $150,000.
The 400 savings and loan officials who met in Chicago last month for a mortgage lending clinic were not sure they liked what the doctors ordered: an agonizing re-appraisal of their loan policies in light of more liberal FHA terms.

There is no doubt, the S&L men were told, that they will have to swallow more FHA loans, like it or not. Warned President Ralph R. Crosby of the US Savings & Loan League, which sponsored the clinic: "As the result of the new [housing] law we face increased competition from lenders specializing in FHA loans. . . . I am certain that several years from now, a much larger proportion of our loans will be FHA-insured—even though the earnings on them are lower and it is not quite like our business to pass the risk on to the government," Commented Clarence P. Bryan of the Cuyahoga Savings Assn., Cleveland: "We'll have to meet [the competition]. You can't be tied up with a builder who isn't selling houses on your terms while others are selling 25 to 30 year mortgages." Said Clarence Kefauver of the Columbia Federal S&L Assn., of Washington: "We are going to sell 4% loans and put the money into new FHA's. Conventional loans on a competitive basis would be too risky."

Outside money. Executive Director John Dickerman of NAHB put it even more bluntly. He warned that outside money would move in to meet the demand for more liberal terms even in communities where builders profess to prefer home-town lenders. Said he: "If you promise to sell a new house for $20,000 which must hold a hefty portion of deposits for several years in maturity and the ease in salability of a house with a 90% loan over that with only a 65% or 70% loan. My guess is that the FHA terms will be sufficiently important that brokers and builders in most areas are going to learn how to work with the FHA rules, however they are . . . ."

Under pressure from S&Ls, the federal Home Loan Bank Board was reported considering letting the 1,600 federally chartered S&Ls lengthen maturities from 20 to 25 years and to raise the permitted loan maximum—now limited to 80% . Such a change would be too risky."

What S&L officials really worried about was liberalization of FHA terms helping their arch-competitor, mutual savings banks. In midsummer, S&L assets surpassed those of mutual savings banks. Two decades ago S&L deposits were peanuts by comparison. S&Ls have attracted savings because their freedom to put nearly all their money to work in mortgages has let them pay higher interest rates, may well be smaller dividends. Warned James Downs Jr., president of Chicago's Real Estate Research Corp.: "The conventional mortgage will not comprise so large a percentage of the total mortgages. . . . Insurance companies are in the market full blast. Interest rates will not move upward. . . . If they change they will be down. . . . Savings and loan associations will have to increase their volume sharply or give consideration to a reduction of dividends."

**Used home impact.** Although FHA lenders were complaining that the backlog of appraisals was driving business in used houses to S&Ls, League President Crosby warned: "Speed and flexibility will have to be quite important to offset a difference of 10 or 15 years in maturity and the ease in salability of a house."

**Savings and loan league ponders how to meet new competition of easier FHA terms**
Local housing markets

A new compilation of facts on 75 cities is called 'major advance' in statistical research. HHFA says only seven US areas have adequate housing market studies

Statistics are the businessman's schmoo. They can be cut, sliced, larded, lied with, dipped into for profit and even, in rare instances, for pleasure. They are all over the economy. Yet they suffer on two counts: there are seldom enough of them and they are never in one place. These lacks have been evident in building statistics for some time—especially as regards information from the local level—and any effort to improve the situation helps. The latest effort is a privately compiled pamphlet of economic data on 75 metropolitan areas, aimed at filling part of the near void in figures to guide lenders and builders in the tricky housing market.

Tale of seven cities. During the postwar housing shortage, when lenders knew builders could sell anything they could put up, the lack of adequate data on local housing markets was pushed aside. Now that housing is harder to sell, the problem is more pressing. Yet HHFA researchers reported last month that only seven localities in the US have "a satisfactory flow of usable data on the housing market"—Los Angeles, Memphis, Miami, San Francisco, Seattle, Baltimore and Denver. As the agency observed: "In the absence of good usable local figures, too many businessmen fall back upon one or another of the many national forecasts or upon a consensus of several to provide them the facts as to what to expect in their particular community. As many have learned to their loss, the national figures [often do not] call the local tune."

Ex-NAHB President Thomas Coogan, now head of Housing Securities Inc., thought up the new study and called on Dr. Reinbold P. Wolff, director of the University of Miami's bureau of business and economic research, to do the work. The report is titled 75 Housing Areas and contains a page for each city (see cut). Plans are for a supplement to appear each month, bringing 25 of the cities up to date, to be mailed to Coogan's 1,000 investor-clients. The idea of assembling and sending out such data fits the avowed purpose of Housing Securities. Coogan started the organization four years ago because he thought there was great need for a mortgage clearing house—an agency to bring the money of New York into contact with real estate investors in other parts of the nation. There are 100 stockholders, but the prime purpose

In "The Need for Developing Local Housing Market Data," by Everett Ashley III, in Housing Research No. 7.

**Housing Market** facts compiled by Dr. Reinbold P. Wolff (l) show almost "no correlation between degree of individual buying of homes and a city's economic growth," he says. Adds President Tom Coogan (r) of sponsoring Housing Securities, Inc. "Arizona, California and Florida appear to grow for hedonistic reasons."

**TYPICAL PAGE SHOWS EASY-TO-READ F**

**RANK IN %**

**Site of Residents**

**Rate of Growth of Buying Power per**

**POPULATION AND HOUSING G**

**POPULATION**

**1920:** 25,005

**1925:** 27,285

**1930:** 29,505

**1935:** 31,790

**1940:** 34,415

**1945:** 40,400

**1950:** 46,600

**24 years growth (annual):
**

**4 years growth (annual):**

**CONSTRUCTION EMPLOYMENT**

**1948:** --

**1949:** 4,000

**1950:** 5,520

**1951:** 4,000

**1952:** 4,500

**INDEX OF MORTGAGE RECORDING**

**1948:** 100

**1949:** 123

**1950:** 145

**1951:** 145

**1952:** 152

**1953:** 167

**ECONOMIC INDICATORS**

**EMPLOYMENT**

**1948:** --

**1949:** --

**1950:** --

**1951:** --

**1952:** --

**1953:** --

**HOUSING CHARACTERISTICS**

**This area within 75 Area**

**Home Ownership:** 52.0%

**Rental Income and Rent:** 1950 1951 1952

**Average Annual Growth:** 12.8%
Bridgeport (not included in the Wolff report) that makes for interesting comparison when placed alongside the buying power and construction rates. About one fifth of dwelling units in a city are public housing built with federal subsidy. This proportion is increasing in new residential building. Real estate high rate of vacancies has cropped up because they were over the income ceiling ($3,500 a year). The income ceiling was raised then to $4,200 and allowable income range was $600, in addition, for each dependent child. Yet Bridgeport homebuilders complain about the number of public housing projects when some 700 families had to be accommodated by the zoning authorities to save a couple of state-subsidized public housing units. Service," cautions that it is not "perfect because they were over the income ceiling," he observed, "but it is so darn scattered...our task has been to pull together primary information." He was disappointed in the death of the requested supplementary appropriation before Congress for additions to BLS and Commerce construction figures. Every digit counts in the building process that Dr. Wolff uses in putting his evaluation on a single page. He thinks the two great deficiencies in housing statistics are a lack of basic information locally and a lack of an adequate basis for rating a housing area from an investor's viewpoint.

Joint effort. BLS is as aware of the need for bettering statistics on housing as anybody. About another housing market, Census Bureau statisticians last month had big news: in the first five months of this year, said Census, US home owners spent a whopping $3 billion on repairs, improvements, additions and alterations. Even bigger news was that this provided the first real statistical basis supporting the growing belief that the home repair business is as big as—or bigger than—the $12 billion-a-year new housing industry. It was the first time in its history that the government's best source of consumer spending data had actually gone out for itself and surveyed the multibillion dollar home improvement market. Most building experts thought the survey statistically sound. Census takers talked to 2,000 home owners in 86 areas. The bureau backed its projections with extensive field checks. Here is how it all added up:

<table>
<thead>
<tr>
<th>Expenditures by Purpose and Time: 1954</th>
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<tbody>
<tr>
<td>(millions of dollars)</td>
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<tr>
<td>Total Repairs and improvements</td>
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<tr>
<td>Additions and alterations</td>
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<tr>
<td>Additions Not reported</td>
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<td>Jan-March</td>
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<td>1,466</td>
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How many beans in the jar? Inevitably, construction economists ran to their files and adding machines, to make comparisons, formed estimates for the year. For years they have argued that home improvement was a fast market than most estimates—particularly the ever conservative Commerce Dept.’s—made them out to be. But with little more than the seats of their pants to go on, they have never been able to prove their point. With the new findings they should at least be able to start a good argument.

As one leading economist sizes it up:

- The figures apply only to owner-occupied residential buildings; expenditures on tenant-occupied buildings could probably raise it 50%.
- The study covers three months when activity is seasonally low; especially in the do-it-yourself class.
- "As Commerce itself points out, estimates for the first three months 'may represent a slight underestimate,' while home owners had no trouble recalling recent expenditures, money spent the first three months might have been forgotten." Hence the economist reasons: "A rough estimate for the year probably would be in the neighborhood of $8 billion."

The most recent trend has been the Commerce Dept.’s 1952 and 1953 estimates that $6½ billion was spent for repairs, maintenance, additions and alterations of all types of dwellings, owner-and-tenant-occupied. That was $1½ million below the new Census projection, which excluded tenant spending.

Budget Bureau demands cutback in housing in '55

Stern orders from the Budget Bureau last month told federal agencies to budget less spending in fiscal 1955-56. Included was a directive which (if carried out) would torpedo the new jobs given FHA by the 1954 Housing Act. It said: "New commitments for direct loans, mortgage purchases and guarantees and insurance of loans will be restricted so as to be consistent with the restrictive budget policies for other types of programs."

Housing budget men, used to this kind of talk from the Budget Bureau, indicated they would not take it too seriously.
HOUSING STATISTICS:
copper strikes threaten temporary short-age; Northwest lumber strike petered out

While the Pacific Northwest lumber strike boosted lumber prices in August and September, strikes at domestic and Chilean copper mines throttled down the copper supply to American consumers. Primary producers and smelters maintained the going price of 30¢ per lb., but small spot tonnages went at still premiums; price uncertainty also was acting as a handicap to fabricators in planning output schedules for coming months. Latest figures showed copper production declined more than 20% in August, raising once again a cry for releasing supplies from the government stockpile. Settlements both in Chile and at domestic mines seemed imminent by mid-September, but a temporary copper shortage seemed likely.

The end of the three-month lumber strike neared as both AFL sawmill workers and many CIO loggers agreed to return to work, pending August and September strikes at domestic and Chilean copper mines. Action of the Oregon-Washington governors' fact-finding board. With grades); prices stabilized at $69 to $71 MBF for 25% No. 2 and better 2 x 4 specified, while unspecified was down to $66. Quarter-inch AD mill workers and many CIO loggers agreed to return to work, pending August and September, strikes at domestic and Chilean copper mines. Action of the Oregon-Washington governors' fact-finding board.

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BUILDERS AT WORK:

Parades early

First cities held parades of homes in con-
struction as late as August, to attract preschool
builders. Last month, Port-
land, Ore., had a glass living-room wall
drawn. Lawrence W. Nelson, executive
vice president of the Minneapolis Home Builders
Assn., complained that Hayes was picked because
men in the university architecture school wanted
for the enclosed patio, sliding glass doors, great
views.

Cost cutting in St. Louis

St. Louis Builder Bert Duenke, whose Ridgewood
subdivision proved to other builders that contem-
porary design will sell outside California, says:
"Today, builders have got to watch costs like a
hawk." When he found his foundation subcon-
tactor using an "11" instead of an 8" wheel on
his trenching machine, Duenke had him switch
to the smaller size wheel, saved 11 yd. of con-
crete per foundation. At $1.50 per yd., Duenke
saved a tidy $16.50 per house. Another concrete-
saving technique: using pads instead of grade
beams under bearing walls of a slab house. Says
Duenke: "I saw 5 yd. of concrete, lots of form
work.

The interior is mahogany paneling and brick.

Modern hit in New Orleans

Architect-turned-builder Victor Bruno of New
Orleans had no trouble selling his speculatively
built glass-and-brick house with brick-enclosed
to-control policy by noting that profits would come
out of running a water system, sewage disposal
plant and businesses serving the community.

HOUSING PARADES

As late as August, to attract preschool
builders, the Portland show drew 48,495 visitors
seasonal rain seven of its nine days.

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Architect-turned-builder Victor Bruno of New
Orleans had no trouble selling his speculatively
built glass-and-brick house with brick-enclosed
patio, got commissions for three more like it and
expects to build ten more on sites yet to be
selected. The 1,000-sq.-ft. house sold the first
week it was opened. Price: $13,000 ($17,500 with
land). Says Bruno: "Biggest public approval was
for the enclosed patio, sliding glass doors, great
degree of privacy." Major orientation (two bed-
rooms and living area) are toward the patio.

The interior is mahogany paneling and brick.
The best weapon in the arsenal of Elizabeth Wood, an ex-schoolteacher whose scandal-free administration of the Chicago Housing Authority lasted 17 years, was a sharp, defiant tongue. With courage too often lacking in public administrators, she resisted almost constant efforts of Chicago officials to turn over the public's housing to private enterprise. She refused to take orders from John Fugard, chairman of the Chicago Housing Authority's board of commissioners, not of its former executive secretary.

Fugard pointed out that Kean, who takes over his duties Oct. 1, had experience at integration of Negroes in housing and at the 25th division. He indicated that the general (a man with no widespread experience at housing) could do the same in Chicago's public housing projects. An editorial writer for the Chicago Daily News commented: "The policies for which she claims credit and under which the authority has achieved the satisfactory public housing of the great majority of 13,000 Chicago families have been those of the commissionera, not of its former executive secretary."

Through all her campaigns, it was Miss Wood's toughness, her willingness to take her fights to the public, and her articulate tongue that vanquished her adversaries. Last month, that same tongue vanished Miss Wood. She was fired.

Architecture John Fugard, CHA board chairman, announced the firing after Miss Wood had wheeled out her strongest rhetoric to resist a demotion appointment. Miss Wood won. When his term expired, Kean was not reappointed.

The first of the trials cited by the Justice Dept. in its latest summary of results of the FHA investigation ended Sept. 18—with two acquittals. After a 10 hr., 15 min. deliberation, an all-Puerto Rican jury cleared politically potent Leonard D. Long, South Carolina's biggest builder, and Frederick D'A. Carpenter, former FHA director in Puerto Rico, of conspiring to defraud the US government. In June '53—ten months before the current investigation of FHA began—a San Juan federal grand jury charged that Long's multimillion dollar FHA-insured projects were "sub-standard, defective and structurally unsound" and that Carpenter "knowingly allowed" the houses to be built. (H&H, July '53 et seq., News). The trial lasted five months and 11 days. It cost the US an estimated $50,000, including $15,000 to lodge and feed the jury. Newsman Long spent $1,000 a day defending himself. Prosecutors were flabbergasted at the verdict. Long and friends celebrated with Scotch, champagne and rum. Said Long: "I think I will keep on doing business in this beautiful country."

Among new FHA district office chiefs W. Hines, 49, Bowling Green lawyer, senator, as state director for Kentucky; Evans, Texas mortgage man, as head of Lubbock office. L. J. Dumestre, retn chief in New Orleans, became new Carondelet Mortgage & Investment

Chairman of the Senate's banking and currency committee, was sworn in Sept. 1 for a four-year term as a member of the House Loan Bank Board. He fills a vacancy as a Republican on the bipartisan, three-man board. Dixon, a wily, white-haired man of 64, practiced law in Kentland, Ind., most of his life before joining the Senate banking committee in 1952. He observes tartly that when the government once gets into a field it never gets out. He has never had any experience in the savings and loan field, although he professes a strong admiration for such institutions because they are "close to the people." He firmly believes in the maxim that the market should be allowed to find its own level.

His hobby is traveling, if only as far as est ball park.

The scurry of politicians to dictate nan permanent deputy commissioner is giv extra trouble in filling the post. Since Greene retired when the FHA investig (amid much praise for his services sides), FNMA President Stanley J. B has been filling the slot. Meanwhile, vacancy, director of FHA's n examin vision, was filled with appointment of W. Diggle, 56, of Washington, D. C. (1947-52) director of operations for the expediter-controller.

Among new FHA district office chiefs W. Hines, 49, Bowling Green lawyer senator, as state director for Kentucky; Evans, Texas mortgage man, as head of Lubbock office. L. J. Dumestre, retiring chief in New Orleans, became new Carondelet Mortgage & Investment

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VA issues liberalized open-end rules, will still allow some appliance purchases

As the Veterans Administration issued its liberalized and simplified rules for open-end mortgage reborrowing under the new Housing Act of 1954, Washington economists saw a ready market of at least $500 million for the repair, modernization and enlargement of veterans' homes.

By latest calculations, more than 3 million of the 3.4 million veterans who have bought houses on VA-guaranteed loans still have some portion of their $7,500 guaranty entitlement available. Under the new law they can now apply this unused guaranty against increased borrowing for additions, repairs or alterations. Almost half of these houses were bought at least five years ago, and if these alone now required an average of only $300 each for repairs or improvements, the total outlay would pass $500 million.

No ban on equipment. VA's revised rules stipulate that any supplemental loans must be used to "substantially protect or improve the basic livability or utility of the property," the same requirement that applies to open-end reborrowing on FHA-insured mortgages under the new law (H&H, Sept., '54). But unlike FHA, the new VA rules are not so restrictive against financing many essential freestanding home appliances that do not become a firmly attached part of the structure or property.

Based on original veterans' legislation, rather than on the language of the new housing law, the new VA regulations specifically state that a portion (up to 30%) of a supplemental loan "may be disbursed for the maintenance, replacement, improvement, repair or acquisition of nonfixtures or quasi-fixtures, such as refrigeration, cooking, washing and heating facilities, which are related to or will serve to supplement the principal alteration." Supplemental loans will not be authorized for guaranty, however, if they are "principally or solely" for appliances or extraneous structural or property improvements.

Guaranty increased. VA previously allowed open-end re-advances and supplemental loans for home repairs, alterations and improvements, but on a technical point it previously did not increase the dollar amount of its outstanding guaranty to the lender on the higher loan balance, except in the cases of veterans who had bought homes before April 20, '50 and had used less than $4,000 of guaranty entitlement. Under the new law any unused portion of a veteran's 60% guaranty entitlement up to the maximum of $7,500 can now be applied to increase the dollar amount of guaranty to the lender on such loans.

In the case of veterans who have used their entire $7,500 guaranties, the VA also will authorize re-advances and supplemental loans, but when those mortgages are increased VA will not increase its outstanding dollar guaranties to the lender.

Liberalized rules. Under its revised regulations the VA will allow 43 1/2% interest on re-advances or supplemental loans, but no increase in the rate on the former unpaid balance. If house changes will cost less than $2,500, the VA will not require a new appraisal, nor VA inspection during the work. It will be necessary, however, to file a statement of "reasonable value" signed by an approved VA appraiser, who may be an official or employee of the loan institution.

Prior approval from VA will be required on supplemental loans exceeding $2,500, on re-advances by nonsupervised lenders, or on increased loans by a lender other than the holder of the original loan. For all supplemental loans exceeding $2,500 the VA will also require a new appraisal, compliance inspections and a "reasonable certificate confirming that the entire "will result in an enhancement in the of the property equal to or exceeding cost." If the original loan is in default extra loan can only be made if it will prove the ability of the borrower to tain his loan obligation.

VA and FHA fees and charges. Its updated regulations, VA was ex to issue a schedule allowing lenders to charge veteran borrowers a fee up to these extra repair, alteration or improvement loans, plus any customari penses for a credit report, title search, recording fees.

This compared with the maximum FHA authorized lenders to charge on these extra repair, alteration or improvement loans, plus any customary title search and recording fees.

Under separate regulations, VA also insures unsecured loans up to $1,000 b "pervised" lenders for home repairs, alterations or improvements, provided the interest does not exceed 5.7% per year on unpaid balance, or the discount is no more than $3 per $100 on a one-year basis repayment of the principal made in monthly installments.
less window—true functional unit
Eliminates sash, sash puttying and sash painting

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Architectural Forum, House & Home’s sister publication, is devoted to all types of building exclusive of houses.
This Housing Act of 1954 could be a very important law.

It could, in fact, be the most important social and economic legislation pushed through by the Eisenhower administration. It might even be the most important social and economic legislation since the Federal Reserve Act of 1913, comparable only to farm parity and labor union rights.

For it could open up a vast new frontier for homebuilding and home modernization that could be a mainstay of our national prosperity.

And it could change the way almost every American family lives by helping them own and maintain a better home on financial terms that they can afford.
Here is a direct attack on the two basic reasons

why so many homes and neighborhoods decay

Reason No. 1. People don't have the ready cash needed for home improvement and major maintenance and they find it too hard to borrow.

**Answer.** Help them in every way to borrow the money at 4 1/2% with up to 30 years to pay it back. Help them to borrow up to 90% of the value of their home. Help them through the open-end mortgage to borrow without the cost of refinancing. Help them with a dual mortgage commitment, under which they can know in advance how much they can borrow on the house as is and how much more they could borrow if the house were repaired or modernized. Help them even if they live in a decaying neighborhood where FHA has heretofore refused to function—provided there is a good community plan to restore the neighborhood. Help them use America's $100-billion-plus housing equity to finance the maintenance and modernization for lack of which that tremendous housing investment is wasting away.

Reason No. 2. It seldom pays to improve or modernize a property above the level of its neighborhood.

**Answer.** Spend many millions of federal dollars to help municipalities rehabilitate whole neighborhoods and so make it profitable to improve all the houses in those neighborhoods; but not a penny for communities that do not play their full part by adopting a workable program of their own to enforce housing standards and check the spread of blight.

This month *HOUSE & HOME* is devoting its entire issue to the potential impact of the new law on existing houses—an impact which could be much more important than the impact on new houses because in any given year there are nearly 50 times as many old houses as new.

**The New Housing Act...**

At month *HOUSE & HOME* will devote its entire November issue to the potential impact of the new law on existing homes. Briefly, what it does is this:

*The New Housing Act...* eases the tremendous pressure to make builders concentrate on homes too low priced to be good. It's little change in the financing of new homes valued at $8,000 or less, but it offers FHA help for the first time to finance homes valued at $9,000 or more, cut the down payments on valuations from 20 to 25% by as much as 52%.

the first time since the war the federal government is offering dynamic new incentives to improve existing homes, a drastic change in policy alone is enough to make the new law a milestone in housing history.

*HOUSE & HOME* gratefully acknowledges help of these 18 members of the President's Advisory Committee on Housing Policy, to all of whom the first draft of appraisal of the new Housing Act was submitted for comment and criticism:

George L. Bliss

Joseph Bohn

A. L. Camp, Jr.

H. L. Colean

R. J. Gray

H. G. Hughes

R. A. Lockwood

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Bruce Savage

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The new law could have the same dynamic effect on the improvement of existing houses that FHA and VA have already had on the building of new houses. It could have the same dynamic impact on the quality-house market that FHA and VA have already had on the low-cost house market. It could do much to halt the decay of our cities and prevent the growth of slums. It could make it easy for every American family to improve and modernize its present home or trade its old house in as down payment for a better new home. But...

the new Housing Act will not be such a big law unless and until...

... unless and until a lot of people in government and a lot of people in the homebuilding industry start thinking big instead of thinking small about the new law and how to make it work.
specifically ... before America can get

the full benefit of the new law

1. The President and Congress must recognize that in putting through this legislation they have done something far more important than they knew. They must take effective steps to restore confidence (and self-confidence) in the housing agencies they are discrediting. They must let FHA spend enough more of its own income to do its new job right. They must fix up some of the blind spots in the law that make many sections unworkable. (See p. 100.)

2. FHA must modernize and streamline its appraisal procedures, employ a lot more first-class appraisers at much better pay, and work out a new underwriting approach that will make its appraisals dynamic without sacrificing their integrity and soundness. (See p. 122.)

3. Lending institutions must put up far more money than they have ever before provided to finance neighborhood improvement and home modernization—on top of putting up more money to finance more new houses at higher prices than they have ever financed before. (See p. 150.)

4. Savings and loan societies, which are now the biggest single source of money to refinance existing homes, must come to terms with FHA and work out a way to take advantage of the new provisions. This will probably require additional legislation. (See p. 181.)

5. Homebuilders must wake up and realize that trade-ins could be as important as their new-house market as they are to the new car market. (See p. 132.)

6. Realtors must get into the act in a big way, perhaps by setting up used-house exchanges in every community where home owners can trade their old house in at the FHA valuation to provide the down payment required to buy a new house or a better used house. (See p. 134.)

7. All remodelers must recognize that this is far more than a shot in the arm to the upper- and middle-income repair and modernization market in which they have heretofore operated; this is their chance to tap completely new and different markets in millions of low-priced houses that today get little maintenance and no modernization. (See p. 110.)

8. Architects must take a new interest in designing economy, livability and delight into remodeling for the average family. They must develop a completely new discipline to get this good design at lowest cost for the client and lowest cost for themselves. (See p. 138.) Conversely, home owners, home remodelers and home remodeling investors must set a higher value on what the architect could do for them. For want of good design remodeling too often adds less value that it costs.

9. A broadly representative, nongovernmental organization must be formed (as the President’s Advisory Committee on Housing urged) to help promote and lead a dynamic program for renewal of the towns and cities of America. The public must be informed about this new legislation and public opinion must be mobilized so that citizens’ committees in communities all over the nation will take action to conserve and renew their existing housing.

A brief—the Housing Act will not work the way we all wish it would unless and until everybody concerned, from President Eisenhower down to the smallest subcontractor, pitches in to make it work.
For everyone in homebuilding
this is a great responsibility...

In many ways this is the homebuilding industry’s own Housing Act, and so every segment of the homebuilding industry has a direct and special responsibility for making it work.

This responsibility rests not only on the builders, the suppliers and the realtors. It rests in equal measure on the mortgage lenders, who so often like to disclaim responsibility for the industry they finance. In this case the mortgage lenders had a bigger voice than any other group in developing the legislation.

The new Housing Act did not originate with the President. It did not originate in the housing agencies. It did not originate in Congress. It originated in a joint recommendation from the leaders in every segment of the homebuilding industry, subsequently elaborated by a presidential advisory committee drawn largely from the industry. The President based his housing program on their recommendations and Congress accepted most of them, sometimes almost unchanged, sometimes changed beyond recognition.

No other industry has been offered such a chance to have so much of its program enacted into law. So homebuilding has a responsibility, not only to the government, but to all private enterprise to make this industry-conceived Housing Act work.

This responsibility is especially clear in those proposals which have to do with the improvement of existing homes.

Now what will happen if the homebuilders, the realtors, the lumber dealers, the mortgage leaders and the architects fall down on the job they asked the government to help them tackle?

This puts the industry in a very tough spot, for first the President and then Congress made enough changes in the industry’s recommendations so that many sections of the law just plain can’t be made to work until they are amended or much better implemented. This is particularly true of the rehabilitation of rental housing under section 220.

The thinking behind the new Housing Act

The philosophy of the home improvement provisions in the new Housing Act was developed step by step by the homebuilding industry’s leaders at three successive Round Table conferences sponsored by House & Home. At the Round Table on the too cheap house (House & Home, Oct. ’52) the industry first affirmed:

“We do not believe the construction of cheap new houses is the best (or even always a good) answer to the need for better housing for low-income families.

“We can provide good low-cost housing in most communities a lot more quickly and a lot more economically by modernizing old dwelling units than by building new ones. . . .

“Our present programs are blind to the potential of our 48 million existing buildings. Because of that blindness many present programs seek to meet, through new construction, needs which could better be met by better use of old construction.”

The Round Table which sent the open letter to President Eisenhower on housing policy amplified that first statement in part as follows (House & Home, Jan. 1953):

“The US housing problem can never be solved until we recognize the importance of maintaining, improving and rehabilitating the million existing dwellings.

“We believe amazing and momentous results might be achieved if the kind of mortgage insurance now available only for new construction could also be made available for improvements and modernization. . . .

“These results would be hastened if this better financing could enable homebuilders to participate directly in the reconditioning process by accepting old houses in trade as automobile dealers do and reconditioning them for resale. The sale of each new house could lead directly to the improvement of a succession of older dwellings.”

The Round Table on how to halt the spread of blight and the decay of our cities (House & Home, Oct. ’53) devoted its entire report to this same theme, beginning: “Perhaps the most pressing challenge to private enterprise and the profit system in America is the challenge to conserve and improve the 48 million homes we live in.

“Blight can be stopped only under the leadership of inspired and dedicated men, and only by harnessing every positive power: the dynamic of moral wrath, good citizenship, aroused public opinion, the dynamic of neighborhood pride, the dynamic of personal pride of ownership, and the dynamic of enlightened self-interest and the hope of honest profit.”

Thirteen of the 22 members of the President’s Advisory Committee on Housing Policy, the committee which blocked out the new Housing Act, were panel members at one or more of these Round Tables.
Some people will find ways to make a lot of money fixing up existing houses with the help of the new Housing Act. And no doubt a lot of other people will lose money letting smarter competitors get ahead of them.

Whenever the rules for doing business are changed, the men who are quick to take advantage of the new rules stand to profit most. Here is a change in the rules that could pour billions of added dollars into homebuilding and home modernization if all its provisions can be made to work. The profits for the smart ones on such a multibillion dollar change in the rules could be very big indeed.

Somewhere here the smart ones will find a fine new opportunity for

the architect (see p. 138)...
the builder (see p. 132)...
the realtor (see p. 134)...
the lumber dealer (see p. 126)...
the mortgage lender (see p. 150)...

In the past people engaged in homebuilding—architects, builders, mortgage lenders, lumber dealers and realtors—have been notoriously slow in adjusting themselves to the money-making and money-losing impact of change. It took the architects nearly 20 years to see that volume building was opening a far more profitable field for residential practice. Most of the homebuilders who saw FHA started missed the boat entirely. Many of today's most successful builders are men who moved into homebuilding from other occupations to seize the new opportunities the old-line builders were passing up.

Twenty years after FHA started the revolution in homebuilding there are still plenty of builders, plenty of money lenders, plenty of lumber dealers and plenty of building-material producers who don't understand what has happened and why and who keep expecting a return to the good old days of handicraft homebuilding to which their production was geared and out of which they used to make good money.

The profits some people will make under the new law will be great, but there is no reason why they should not be perfectly legitimate and perfectly honorable. They will cost the taxpayers not a penny if the FHA appraisals that permit those profits are sound and true. They will be the just, proper and necessary reward for an essential public service—for finding good ways to implement the new law and so help millions of American families to a better way of life by making their homes better places in which to live.

For a good example of the profits in modernization, turn the page
Before. 46-year-old building had no foundations, no inside bathrooms, no hot water, no heating, no floor plugs, no hanging closets. Top two apartments brought $23 and $22 a month, lower two had to be entered down alley at left, up outside stairs in rear. These rented for $12 and $9, bringing total income to $66 a month, only $792 a year. Space under rear of house was divided into four dark, dirty storage basements.

Under the new Housing Law, you can

look behind the dirt and find

After unpainted cedar shingles nailed over old siding give needed weather-tightness, insure little future maintenance. New trim paint, plant boxes, lantern, slab door complete inexpensive transformation.

Photos: Morley Baer
In doing over four narrow railroad apartments into three new ones, he put $16,000 into the building, nearly half of it for heating and inside plumbing that didn’t exist before. Monthly total rents have soared from $66 to $175 a month (see chart above), and when Campbell spends another $4,000 to convert the rear basements into a fourth unit, he expects to gross $575—almost nine times the income the building used to earn.

So far Campbell’s total investment is $30,000. To buy the lot, wreck and build the same square footage new would have cost about $55,000. Two local real estate agents estimate the building’s current resale value at close to $50,000, a 67% potential profit!

Says Campbell: “Comparative space cannot be built new for anything like the price of remodeling—if the remodeling is not overdone. If we fixed up a building of the same size that had at least some existing foundations and plumbing, the cost difference would have been even more spectacular.”

There are thousands of old houses like this ready for the plucking. Under the new Housing Law down payments are less, repayment period is extended to 30 years and maximum mortgage limits have gone up: on one and two-family houses from $16,000 to $20,000; on three-family houses from $20,500 to $27,500; on four-family buildings, like this one, from $25,000 to $35,000.
After. Old living-kitchen of typical apartment has become bright, spacious living room looking south over the city. Harmonious colors and small-scale furniture make room look bigger. Painted heart-redwood planks were ripped off old machine-planed and replaced. Inch-thick cork on party wall and ceiling of apartment below gives sound insulation, text...
Rear porches had outdoor benches and washtubs. Outside stairscapes secured sun and broad paseos. San Francisco.

Before. Hall past bedrooms to living-kitchen was dark and drab. Length was accented by horizontal lines of wall molding, linoleum on floor.

After. Living room at far end and bedroom with sliding doors (right) both share new light and space with hall. Hanging lantern, staggered pictures break up long vista.

All glass walls open to 7'-wide view. The most dramatic features in complete remodeling, they were surprisingly low items in over-all costs. Window walls like this totaled $600 for millwork, $200 for glass, (labor). Two new decks stretching the width of building were added, about $3 per sq. ft.
But what about the new Housing Act

The new Housing Act will stimulate home improvement in all price ranges—through the open-end mortgage, through the package mortgage, through trade-ins, through higher mortgage limits.

But the Act will achieve only half its purpose if it fails to open up a whole new modernization and improvement market in homes that today do not even get a fresh coat of paint every ten years—let alone any real money spent to keep them attractive and up-to-date.

Millions of houses get hardly a dollar for modernization from the day they are built to the day they fall apart, and so blight eats across neighborhood after neighborhood and our housing supply decays faster than we build new houses to replace it.

That’s the disgrace the new Housing Act sets out to correct through a new partnership of government and industry.

The homebuilding industry is as unprepared for this assignment as the government itself. Ask any builder about modernization and he will start advising you not to spend more than $1,200 fixing up a $20,000 house for a quick turnover, or he will tell you some pet idea for adding a bedroom, or squeezing a second bath into a too-small house. But don’t try to get his advice on how to spend $1,000 or $2,000 fixing up an old house in the $7,000 price class—the kind of house in which more than half our people live. You will draw a complete blank, for nobody ever does that.

The hard fact is that modernization is still a difficult, fussy, high-cost specialty

It is still in the handicraft stage where homebuilding itself was twenty years ago, before the government intervened with FHA and VA.

Now the government is intervening again to encourage a revolution in old-house modernization akin to the revolution it has already brought about in new house construction.

The government has taken the building industry at its word when the industry said: “We can provide good low-cost housing in most communities a lot more quickly and a lot more economically by modernizing old dwelling units...”

The new Housing Act aims to underwrite a whole new market for modernization. It aims to start a whole new business—the improvement and modernization of millions of modest homes that would otherwise continue sinking deeper into obsolescence and blight.

This new market cannot be a high-cost, high-profit deal. It calls for completely new techniques to streamline and economize an operation that has always heretofore been considered hopelessly involved. It calls for a lot of new thinking.

Some of the problems and opportunities of low-cost modernization

are illustrated on the following pages
"Must" reading for would-be modernizers: REHABILITATION AS A BUSINESS. National Association of Real Estate Boards, 1737 K St., N.W., Washington 6, D.C. 90 pp. 7½" x 10¾". Illus. $1


Houses like these?

Run-down houses in less-substantial sections of our cities should get a boost from the new legislation. Neighborhoods like this one outside Boston can be brought back from the brink of blight. To see how, turn the page.
A Turchon bargain, this 75-year-old, ten-room house sold for only $7,300 after a VA appraiser cut the valuation from $8,500. Two years later, painted and repaired (see right), the veteran buyer resold it for $12,500. Before modernization (see above), it was badly in need of paint and renovation outside and inside. Structure was sound so no major repairs were made. Resales like this one convince both Turchon and his bankers that old houses have more value than is generally recognized.

In old Boston, a dynamic realtor shows how the new Housing Act can be made to work

Fabian Bachrach

Vision and imagination characterize the work of 59-year-old Peter Turchon who has done more to prove that old houses have value than almost any other man. By modernizing old and very low-priced houses, he is demonstrating that this is one means of rehabilitating declining neighborhoods and at the same time providing low-cost housing in areas near where people work.

Biggest moderniz

In the Boston suburbs Realtor Peter Turchon is doing a spectacular job of restoring old houses and old neighborhoods. He might be called exhibit No. 1 in the modernizing business.

He buys, fixes up and sells some 500 houses a year. In 15 years he has been in business he has given new economic life to thousands of houses, low-cost homes to thousands of families. He has worked out a technique of doing business that could be used almost any city. So successful has he become that he has a $1 million-dollar business, seven sales offices and 26 salesmen.

If Turchon were to write a modernization manual, he undoubtedly would emphasize these six points:

1. Old houses have far more economic value and remainingful life than is generally believed.

2. They can be rehabilitated—at no great cost—to provide space at lower monthly rates than new houses.

3. Banks and other lending institutions will finance such endeavors, consider them good investments.

4. A modernizer can work successfully within the framework of government mortgage insurance (in his case VA, but also the new FHA rules).
Fast-decaying two-family house came to Turchon in an estate. In need of paint, dirty, rundown, it needed thorough overhauling. Turchon never wants appraisers to see a house in this condition.

1. The house was painted outside and inside, given two new furnaces and minor repairs and sold for $8,300. GI down payment was $450. Carrying charges are $72.50 monthly of which owner gets $34.50 from rent.

Boys and improves 500 houses a year

Even one builder or real estate man, working in a community, can be enormously effective in stopping neighborhood decay.

The modernization business is profitable for builder as well as buyer.

Volume and fast turnover

Turchon’s methods work in Boston, where old houses are a drug on a market, they should work even better in newer cities where houses have more value because they are scarcer. What is new and different about his operation is that he buys in volume, modernizes in volume and sells fast. A modest profit of less than 10% of the sales price adds up to a substantial annual profit plus long-term income from business properties which his firm, Homes, Inc., holds for itself or its affiliated companies.

Turchon buys his houses in groups when he can, purchasing at auction and from probate court sales of old estates. Very few of these houses are bought singly; they usually come in groups up to 80. He pays cash and has paid as much as $447,000 for one group of houses. Bankers and brokers know that Peter Turchon is in the market for houses and many purchases originate through them.

Another unique idea in the Turchon operation is his deep conviction that a two- or three-family house is a better buy for almost any family than a one-family house. As a result, about 90% of his houses are multifamily. “When a young man buys a two- or three-family house, the extra income helps him to pay off more of the mortgage faster than if he bought a single house,” says Turchon. “There were fewer foreclosures on owner-occupants of two- and three-family houses than on one-family houses during the thirties.” The rent of the other apartments also acts as a cushion in time of trouble. At the end of the mortgage period the home owner has a valuable, profit-producing property.

Several times a year the firm publishes a sales booklet that lists its properties. In the newest booklet there were 17 one-family houses that had an average sales price after fix-up of $7,963; 32 two-family houses averaging $9,090; 38 three-family houses at $10,989; 6 four-family houses at $12,180. In addition there were nine houses with one or more stores as part of the deal. Lowest-price house was a two-family at $4,900 and highest price was $29,000 for a four-family apartment and four stores. Prices are so low that buyers get a house of their own for about what their rent would be: from $30 to $60 a month. In fact, “pay like rent” is a standard Homes, Inc. slogan.
Turchon modernizes houses of all types and ages

Buying in groups he has to take what comes, the good and the bad. Because they have handled some ancient houses and seen them sell, Turchon and his staff have developed a fresh and optimistic approach to old houses. “Destruction is not the answer,” he says. “We think there is value in everything because we’ve seen that every house looks like a palace to someone.” Their typical buyer is a young veteran between 26 and 34 who is a working man, the son of people who have rented all their lives. Now, thanks to VA, he can become an owner, not of just a house but of a piece of income property.

What Homes, Inc. does to modernize the property must satisfy three buyers: the veteran, the VA and the bank which does the financing. Over 80% of Turchon sales are VA and consequently VA sets the pattern for other properties, too. “VA fixes the sales price and keeps it low,” says Turchon. “Appraisals are low because the appraiser has the vine-covered cottage in mind as the ideal house and these older houses do not look very good in comparison.”

Because VA fixes the sales price, the amount of modernization in any one house is limited by the harsh reality of the appraisal. If there is a vacancy in a house (whether one- or six-family) it is standard procedure to fix up that space. Then the modernized apartment becomes the new owner’s home. If there is no vacancy, Turchon cannot evict a renter but must find a buyer who, as future owner, can choose the apartment he wants to live in and then evict the tenant so repairs can be made. He seldom modernizes all apartments—first because there are tenants who do not want to move, but primarily because he could not get his money back. He will always do as much fixing up as the owner will pay for, encourages owners in a do-it-yourself program and will sell them paint, flooring, wallpaper, kitchen equipment and other items at his cost.

Painting: a new paint job outside is practically a standard practice. Homes, Inc. paints or papers the owner’s apartment (or all of a one-family house) and often does entrance halls. They patch interior plaster walls, then repaint or paper.

Structural changes: these cost money, are avoided when possible. In the first-floor store which was converted to an apartment (see p. 120), the company built new interior partitions, covered them with dry wall, added wallpaper. They also use dry wall to build a new ceiling in an old room that is too high. (See p. 152.)

Kitchens: nearly always redone in at least one apartment. Old houses have a coal or wood stove and a black iron These are ripped out, replaced with new white units. New units may be added; new asphalt tile or linoleum flooring stalled in about half the jobs. Kitchens are always painted

Bathrooms: no set rule. While Turchon likes to put in a new bath, “plumbing is the most expensive thing to do” says Turchon’s son-in-law Charles Norton, in charge of all work. The firm operates in about 20 different suburbs plumbing codes vary tremendously. They never know what plumbing inspector will require. In one house they remove old black kitchen sink, intending to put the new sink on if base. But a plumbing inspector turned a $40 item into a job by requiring new plumbing and a new vent dear to the “The archaic codes make plumbing short cuts practically impossible,” says Norton.

As a result they tend not to change plumbing if it is in order. If an old toilet with a ceiling-high wood tank is ok stays. Rather than repair an old tank, they would put in toilet. If a “walking tub” (with legs) is sound, it stays. But often put in new wall tile, new flooring, have completely reenvisioned many baths with new fixtures. “A new tub might only $75,” says Norton, “but maybe the plumbing in the w: a shower is $200 and $100 more for plastering and carp work, so you spend $300 to replace a tub.”

Wiring and lighting: new lighting fixtures are usual stalled. They are cheap, make a good showing and VA them. New wiring is added where necessary. Usually new veneer outlets are put in every room. Sometimes houses completely rewired; sometimes only one or two new circuits added to the system.

Floors: Homes, Inc. sands hardwood floors but most floor soft wood, which is cleaned, repainted or covered with lin

Heat: to satisfy VA and the bank, they usually modern heating system. They may put a warm-air furnace or a burning boiler in the basement, a floor furnace in a ground apartment or an oil-burning stove in the kitchen with a heater in the living room. “A large number of people range burner (oil-burning cook stove) in the kitchen to a air furnace in the basement,” says Turchon. “We put
Run down and in a poor neighborhood, old house (left) had so little market value Turchon found a do-it-yourself owner, a maintenance man who paid only $250 down, total of $5,600. Turchon’s carpenter helped with work which included turning two small rooms into a large room, new aluminum windows, new ceilings, linoleum floors, new kitchen and bath, all new paper and paint. Lot is over one acre. A Boston bank took a conventional mortgage.

To satisfy the insuring agency and the mortgage lenders of a family doesn’t use it, it rusts out in about four years.”

Prior repairs: Handling hundreds of houses a year, Turchon sees all kinds of conditions and, except for painting, has no standard procedure. He repairs masonry foundations, replaces a wood in plates, sills or elsewhere, adds new siding (see photos, right). He never covers wood siding, considers a good job is better. Roofs are always repaired.

Subcontract half the work

The firm has from a dozen to 25 key men on its payroll but also contracts about half the labor to men who work for them full time. All electrical work, plumbing and tiling is subcontracted, sub about half of the heating, painting, carpentry but usually their own floors and plasterwork. Both their own men and the ones who have been with them for years, can work with a minimum of instructions. While hourly rates are below those paid in new construction, their crews work a full year, can work inside all weather if weather is bad. All work is open shop, there are no dictational disputes.

When Homes, Inc. hires a new man they prefer a maintenance man to someone who has worked on new construction. A maintenance man has a better idea of how to do a job, has more imagination and is more likely to be a Jack of all trades. “Improvisation and invention” is the way Norton describes much of their work. Nothing would please Turchon more than if he could do a complete modernizing job in every building but from experience he knows that uncontrolled costs can mount rapidly.

We lose money,” he says, “only when we do too much. We bought one big house for $9,200 and put in new baths, a kitchen, heat, completely redecorated—a really picture-book job. We tried to sell it for around $21,000. But the market wouldn’t stand the price. We had to sell it for $17,000 and we lost $2,000.”

Says Charles Norton: “Knowing your market is basic—what buyers want and what is necessary in a particular area. You can do what you yourself would do if you were living there, in some areas and some price classes you have to have a powder room on the main floor. In others you don’t because people don’t expect it.” The emphasis which Homes, Inc. places on knowing the market has particular significance for new-house builders who can team up with a real estate broker to avoid trouble.

Within a year owner sold this $7,810 house for $9,500, then bought another Turchon house. Photo shows process of repainting when house was given new kitchen, bath, heating plant. Many old houses like this have good lines, take on entirely new look if given paint, minor repairs, freshening up.

Major repair jobs are done when necessary, as in this big house which got much new sheathing and siding, new windows and other work. Buying as he does in groups, Turchon takes what comes, modernizes each house so it is marketable in its area.

When plates and corner posts are rotted, they are torn out and replaced. Basic weaknesses like those shown right are never covered up as it is poor practice, would not pass careful scrutiny of VA or the lending institution.
Belief in old house value underlies Turchon operations

Central purchasing saves money
Homes, Inc., acts as a central purchasing agent even though much of the repair work is done by subcontractors. They purchase lighting fixtures, paint, wallpaper, plumbing supplies, kitchen and bath items, linoleum and other materials wherever they get a good buy, store them in the basement of their office building or in a warehouse which they own. Wallpaper costs them 20¢ to 50¢ a roll, an oil burner $65, and a 6’ combination stove, oven, sink and refrigerator is $365.

How you find buyers
To sell 500 old houses year after year takes a lot of skill and experience. A natural merchandiser, Turchon backs his salesmen with a steady stream of newspaper advertisements and sales material. His own staff sells about 90% of the houses; the rest are sold by outside brokers to whom he pays a full 6%. He circularizes hundreds of brokers. He builds a few new houses a year so has a wide variety of houses to offer a prospect. His seven sales offices are located prominently in the different suburbs, always have a window filled with photos and alluring prices. Sales costs, commission and advertising average about 2% of the selling price.

Most sales are made within 30 to 60 days after fix-up begins. An excellent time to sell is when the repair work is going on, as people like to see a house that is full of workmen. "Activity begets activity," says Turchon.

When a buyer is found, the credit forms are filled out, and not until then is a bank approached. A bank makes its own appraisal and if it will take a mortgage, a request for a VA commitment is made by the bank if a veteran is involved. Usually VA takes about a month to process the papers.

Boston banks will finance old houses
One of the most significant lessons to be learned from the Turchon operation is that bankers will buy mortgages on old houses. Bankers have learned to have confidence in Turchon, his buyers and his mortgages. Over the years they have seen buyers further improve their houses, resell at a considerable profit, or pay off the mortgages.

Much of Turchon’s good relationship with banks is due to basic philosophy that the bank’s investment must be protected at any cost. “No bank lost money on our houses in the decision,” he says, and he goes to great lengths today to make sure that banks have neither trouble nor losses from his buyers.

“If a buyer gets into trouble with payments, we lend him money. “If Turchon makes a loan to a buyer on a second mort, “we don’t bother him for payment as long as he is paying bank regularly.” He has made many loans without interest charges 4½% on most second mortgages. In effect he uses se mortgages as a form of open-ending, will lend to buyers for legitimate purpose including fixing up the building.

He goes on the assumption that people are honest and had to write off few bad debts. He has sold to many Negroes and found them honest and fair. “They are good credit risks.”

Since more than 80% of Turchon mortgages are VA, it is said that the banks take no risks. But even before VA was set he was getting conventional mortgages, gets up to 20% way now. Bankers like his business because it has proved to be sound.

Says President Charles Sloan of the East Cambridge Savings Bank: “Modernizing old houses takes imagination, capital, and integrity. Peter Turchon has them all. His business is good for the buyers and safe for banks.”
G. T. Dicksnn

New bathrooms replaced old with new flooring, wall tile, all equipment plus a new paint and wallpaper job. Kitchens and baths always get the major attention.

Location of this big house in Wellesley made it worth a modernization job. Homes, Inc. will spend as much house as market price justifies. Here house sold for $16,000 and warranted a new paint job outside, paint and paper, new flooring, furnace, bath and kitchen.

Peter Turchon gives much credit to the Boston bankers, whose good nature in helping working people to become home owners has civilized and rehabilitated neighborhoods.

FHA work like VA?

Turchon’s executive vice president and general manager of the company is Phil Stuart, who was chief evaluator in the Massachusetts FHA office for ten years. Consequently Homes, Inc. understands how FHA works and has a friendly relationship with the agency. Both Turchon and Stuart would like to believe that the new FHA Housing Act will stimulate the sale of old houses and make mortgage business for their firm. But they wonder if FHA can change so that modernizers can work in its framework. FHA needs a new philosophy on appraisal,” says Stuart, “and a liberal approach to old houses. It needs to raise its standards and not be so restrictive on what is eligible.” Says Turchon: “FHA has turned down one whole section as having outmoded usefulness. It rejects whole neighborhoods as valueless.”

They also point out that FHA will need many more appraisers to get any volume of old-house business. FHA has so few that by the time it could appraise a house and write up its report, Homes, Inc. would have the house fixed up and sold. Even a small builder, can afford to have a house ready for FHA examination.

“Example is the best teacher”

Now an old story to Homes, Inc. that when they modernize more houses in an old neighborhood they usually start a reaction toward improvement. In Lynn the firm acquired 200 houses in a neighborhood so run down that it was fast becoming a slum. Houses were in poor shape; yards were piled high with debris. Market value was $7,700 each, but Homes, Inc. sold these houses at $8,300 to $8,700 after they had been repaired and the yards had been cleaned up. “The whole neighborhood was improved because example is the best teacher,” says Turchon. He encourages neighbors and adjacent owners to improve their houses and has given them free paint if they would use it.

Large volume, low profit but some long-term gains

Buying in groups, Turchon gets 25, 50 or more houses and assorted properties for a lump sum, and consequently does not have a specific price on each house. He must make money on the group, but he does not know his actual profit until the last house is sold. He says his net profits (after sales costs and overhead) run slightly less than 3% of the selling price. On 500 houses a year, averaging around $10,000, this is a tidy sum.

But there is another side to the business which adds versatility and long-term gains. This is his practice of keeping some business properties and apartment houses for Homes, Inc. or its affiliated owning corporations. In many of his group purchases there are stores, small office buildings or apartments which either with or without modernization can be turned into profitable investments. These he keeps, and his family portfolio is now bulging with deeds to properties that gladden the eyes of astute New Englanders.

Peter Turchon has been successful because he believes in what he is doing. He is convinced an old house in his area is a far better value for the average low-income buyer than a new house. As he pours over the photographs of his houses, he is apt to exclaim: “Look at this: a three-family house for $8,000! Where else can you get housing values like this?”

Many new housebuilders would agree with him.
What's good about an old house
The builders have promised to "provide good low-cost housing in most communities a lot more quickly and a lot more economically by repairing and modernizing old dwelling units than by building new ones..."

**But what makes an old house worth modernizing?**

1. **More space for the money.** The older houses tend to be more spacious than the new houses most families feel they can afford to buy today. Under normal conditions realtors say you should be able to buy a "comparable amenity" in an old house 20% cheaper than in a new one. Many substantial old houses can be fixed up to include a rental unit that makes the property almost self-sustaining. This is the type most frequently chosen by volume remodelers like Turechon (p. 112).

2. **A central location.** The appeal of a short walk to work, to shops, schools, recreation, is important if the neighborhood is not slipping down the road to blight. Rule No. 1 for modernization is: Do not make a single house too good for its community. But volume remodelers can often avoid this danger by rehabilitating all the houses on a block simultaneously; and the new Housing Act offers many new federal aids to rehabilitate whole neighborhoods.

3. **Maturity.** Full-grown shade trees, established lawns, gardens, shrubbery lend dignity and charm which it may take new developments years to equal. Also, many people have sentimental attachments to old houses which reconcile them to inconveniences.

The standard for modernization is set by new houses

By definition, modernization means giving an old house the features that people are insisting on in new houses. To have your cake and eat it too—to have these advantages of the old house plus the things that make people want a new one—modernization usually means giving your old house as many as you can afford of these new-house features:

1. attractive kitchens
2. attractive bathrooms
3. adequate wiring
4. good heating
5. open planning, in many cases
6. enough windows and big enough windows
7. easy upkeep surfaces

and, along with other amenities, a general air of freshness, desirability and good living.
Fritz Burns takes a new look at old houses, shows

How to improve a neighborhood

Fritz Burns, one of the country's best-known builders, has just finished fixing up three old houses in downtown Los Angeles as a demonstration that modernization can be practical and profitable.

As national chairman of NAREB's "Build America Better" committee, Burns has been preaching to both realtors and builders about the need for rehabilitating our cities. Last year Burns began practicing what he preaches, has now staged a convincing demonstration of what one man can do to catch a neighborhood just before it slides downhill to become a slum. Not only has Burns modernized the old houses shown above, but his good example has stimulated the entire neighborhood to self-improvement.

Located on once aristocratic Bunker Hill, these houses are only a few minutes' walk from Los Angeles' Civic Center. Burns knew that people would pay good rent to live here if they could find decent houses. Capitalizing on the walk-to-work idea, Burns decided to renovate the two houses on the left completely but did only an exterior paint job on the house at the right as he did not want to disturb three clergymen who had rented it for many years.

With his son Pat acting as project boss, Burns pumped far more money into two of the houses than most modernizers would feel was economical. But the results have proved Burns was right and that a major rehabilitation job pays off in satisfactory rentals. The house on the left cost $7,000 and Burns spent $13,000 more in improvements. (See costs below, photographs opposite page.) Now it brings in $100 a month from each of two apartments, which Burns considers a fair return on his $20,000. The house in the center cost $6,000 to buy and $9,700 to remodel. The two apartments bring in a total of about $200 a month.

Cost breakdown on house at left: carpentry labor $4,978, dry wall, installed $1,468, plumbing $1,289, exterior painting $800, interior painting and papering $771, wiring $739, lumber $584, linoleum $551, heating $431, cabinets, vent hoods, fans $466, hardware $256, doors, windows $239, sheet metal $177, wrought iron $160, roofing $95.

Before. Houses were over 50 years old, had been soundly built with red wood underpinnings, but were in poor repair. Although brick foundations were in good shape, exterior paint was nonexistent. Original houses had no plumbing so subsequent owners put plumbing into rear annexes.

After. Sparkling color job trims 25 years off the appearance of all Porch was removed from house at left; entrance of middle house modernized. Both were given new baths, kitchens, flooring, heat, 1
dition. House at right was only painted; tenants were left undisturb
Before. Living rooms were old-fashioned, dingy, lighting hopeless and ceilings disproportionately high.

After. Each apartment got new flooring, dropped ceilings. Repainted woodwork and walls, in cheerful colors, are becomingly lit. As plan shows, the upstairs rooms were combined to give better, more livable proportions.

Before. It is important when you clean up a back yard like this to get neighbors to follow suit.

After. To show how pleasant a back yard can be, Burns turned the lumber jungle into this screened patio. Although too costly for a typical remodeling, it demonstrates what owners or tenants can do themselves.

Before. Kitchens were relics of the dark ages, had no windows, were so dismal they kept the rents low.

After. Kitchens, new in every respect, sparkle with color and, since pantries were removed, with light. Bathrooms were also completely redone with new floors, all new plumbing equipment.
The new Housing Act cannot be much more than a blueprint of hopes until Congress and the administration a) start building FHA up in the public esteem instead of tearing it down; b) let FHA spend a lot more of its income and employ a lot more good people to do its vastly increased job right.

For the success of the new law would make FHA one of the most important, all-pervasive agencies of the federal government, touching closely the life of millions of families and changing the way they live through its cradle-to-the-grave influence on the homes in which they live—their design and construction standards, their price, their mortgage terms, their resale, their maintenance and, at last, their modernization.

Here are a few of FHA’s many new jobs

1. FHA must start playing an active and dynamic part in financing quality houses—a market FHA has heretofore left largely to the conventional lenders while concentrating its own operations in the market under $12,000.

2. FHA must start playing a dynamic role in the financing of existing houses—a field in which FHA has heretofore insured hardly one mortgage in ten. And remember—appraising a single old house may take almost as much time as evaluating a whole tract of standardized new houses.

3. FHA must stand ready to open all its present portfolio.

4. Before a used house is sold, FHA must stand ready to give either or both parties (through the mortgage banker) an appraisal which most people will construe as what the US government thinks it is worth. And FHA must stand ready to back this appraisal by insuring for a low premium a bigger mortgage than any non-FHA lender is allowed to take at that valuation.

How can FHA cope with all its new assignments with only 11 appraisers for the nine southern counties of New York (population more than 8 million), only three appraisers for the state of Massachusetts, only 18 appraisers in Los Angeles? The FHA staff may sound adequate when only its 5,000 total is mentioned. It does not look so big when you know nearly half of them are bookkeepers—most of them punching IBM cards for the $1½ million Title I repair loans now outstanding.

Even before the new Housing Act was signed, FHA was slower and further behind in its processing than ever before. Now Congress has multiplied the FHA underwriters’ potential workload many times over—but instead of allowing FHA to increase its expenditures in proportion, Congress slashed almost to nothing FHA’s request for permission to spend a little more of its own income and turned a deaf ear to the housing industry’s plea that FHA was paying its appraisers so poorly that FHA could not hope to hold its good men or attract good new men without great personal sacrifice.

This creates a very serious situation. And perhaps its most serious aspect is the implicit evidence that neither the administration that sponsored it nor the Congress that passed it really understood what a dynamic, far-reaching law they were enacting. This is part of the price the home-owning public and the homebuilding industry must pay for the confusions over FHA after April 12; perhaps instead of complaining we should all be cheering that among such distractions and alarms we got as good a law as we did.

But the new law cannot be more than half effective until the President himself takes vigorous and understanding action to restore confidence in FHA and until Congress comes back and finishes the job—which means

1. fixing up the sections which almost everybody knows are unworkable;

2. letting FHA spend enough of its income to meet its vastly greater obligations
The new Housing Act calls for new and radical thinking about FHA appraisals

The new Housing Act can be no better than FHA and its appraisal system.

Everything bold and new in the law is left up to FHA to implement. Every dynamic section is predicated on the hope and expectation that FHA can provide thousands upon thousands of appraisals that, by some miracle, will satisfy home owners, home buyers, builders, mortgage lenders and Senate investigators alike.

Every incentive and every encouragement offered to stimulate better construction and better modernization will be nullified unless the FHA appraisers translate those incentives into dollars and cents.

Consider two cases in point: 1. The law seeks to lower the down payments on better houses—but what good will that do if short valuations make higher down payments necessary? What builder will spend more money for better homes unless FHA will match his bigger spending in its appraisal?

2. The law provides for dual appraisals on present houses—one appraisal for the house as is, one appraisal for the house fixed up to FHA-approved specifications. What good will that do unless the fixed-up appraisal is enough higher to cover the cost of the work? Who will pay for the improvements if the appraiser says they will add less than their cost to the house’s value?

Only the best appraisers can answer questions like these. Only the best appraisers can decide quickly and correctly which improvements add less to value than their cost, and which improvements add more.

Section after section of the new law calls for brand-new thinking about a brand-new kind of appraisal—a new kind of appraisal which will be less concerned with what the house would realize on foreclosure under 1932 conditions than with how to encourage better living in old houses and new without sacrificing sound appraisal principles.

For FHA has two great advantages over a conventional lender: in case of depression foreclosure it can pay off in debentures instead of in cash and wait for the housing market to come back.

FHA is quite unprepared for the awesome responsibility the Act imposes on its underwriters

FHA has a fine system for appraising low-cost new construction—the very best, in fact—but FHA gets into trouble whenever it gets far beyond the field prescribed by its minimum property requirements—i.e., far beyond the $10,000 house.

Here are some unanimous criticisms of FHA appraisal policies and practices expressed to the FHA commissioner by the industry leaders sent to a House & Home Round Table to speak for the American Institute of Architects, the National Association of Home Builders, the Mortgage Bankers Association, the American Institute of Real Estate Appraisers, the National Association of Mutual Savings Banks, the National Retail Lumber Dealers’ Association, the Prefabricated House Manufacturers Institute, the Building Research Advisory Board and the Lumber Dealers Research Council:

“Today the odds are loaded against quality at almost every step in the FHA appraisal procedure . . .

“FHA has not kept up with the revolution in homebuilding FHA made possible . . .

“FHA must catch up with the technological practice that is fast obsoleting yesterday’s house . . .

“FHA has misunderstood the revolution in architecture and delayed its progress . . .

“We ask only that FHA appraisals be fair and stop discriminating against quality.”

Those criticisms were voiced before the attack on FHA following the Hollyday ouster April 12. That attack has so demoralized the underwriting section of FHA that the appraisers are afraid to use affirmative judgment on anything. “I can’t get fired for saving no” is now the guiding principle for far too many FHA appraisals.
Should FHA give up insuring home repair loans?

"Yes," says the American Bankers Assn. Twenty years have taught most banks that Title I loans are safe, profitable. So most banks no longer need FHA insurance.

The FHA investigation, it began to appear last month, has struck an unintended blow for private enterprise. With such widely publicized criticism of FHA's Title I repair program, with the new Housing Act and subsequent regulations tightening it drastically, the suggestion that banks should stop asking FHA to reinsure their repair loans and rely instead on their own judgment was finding more and more acceptance.

The big artillery behind returning home repair loans to private enterprise was wheeled out in August by the installment credit commission of the American Bankers Assn. In a 15-page pamphlet (House & Home, Sept. '54, News) the ABA argued with copious documentation that 20 years' experience with FHA repair loans has taught banks that Title I loans are as safe as they are profitable, so:

1. Most banks no longer need FHA insurance.
2. Most banks do not want to pay for FHA insurance.

The plain truth is that FHA has made a mountain of profit from its $3/4% repair loan insurance premium. Since 1939, despite losses from the frauds that prompted the scandal-hullabaloo, FHA has piled up a $27 million surplus out of its $118 million Title I premiums to date. In effect, the ABA was arguing that FHA Title I insurance was so overpriced it would save banks money to do without it.

As ABA itself reported, more and more banks were deciding on self-insurance. This month Bank of America, the nation's largest, planned to announce its own home improvement financing program. This thinking has been stimulated because of the recent investigation of FHA and the Housing Act of 1954 (which cuts FHA insurance from 100% to 90% of each loan and restricts financing to items improving the "basic livability or utility" of the property). It is the feeling of many top bank installment credit operators that the subsequent regulations may be so restrictive and so full of red tape that operating under them will be impractical.

The mere fact of being identified with a governmental insured loan program that could become the subject of congressional investigation and criticism may at times reflect unfavorably on all banks. This, coupled with the uncertainty of the future of FHA Title I and the possible recurrence of past inconveniences, is the reason why banks prefer to have their own plans in operation.

Why ABA urges that banks set up own loan programs

Excerpts from the ABA's argument that banks stop making FHA Title I repair loans because it is better business to make such loans on their own:

Over the years, more and more commercial banks engaged in the home improvement loan field have adopted their own modernization financing program. This thinking has been stimulated because of the recent investigation of FHA and the Housing Act of 1954 (which cuts FHA insurance from 100% to 90% of each loan and restricts financing to items improving the "basic livability or utility" of the property). It is the feeling of many top bank installment credit operators that the subsequent regulations may be so restrictive and so full of red tape that operating under them will be impractical.

Since 1939 when lending institutions were required to pay an insurance premium of 3/4 of 1% per annum on the face amount of the FHA Title I loan into a government insurance reserve, the FHA has been able to pay all its expenses and all the claims presented, and accumulate a surplus of over $27 million with over $30 million additional of unearned premiums:

<table>
<thead>
<tr>
<th>Year</th>
<th>Income (premiums 3/4% per annum)</th>
<th>Paid out:</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$118,355,880</td>
<td>Salaries and expenses $23,667,495</td>
</tr>
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<td></td>
<td>Losses and reserves for loss $46,181,965</td>
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<td></td>
<td></td>
<td>Surplus $27,191,490</td>
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</tbody>
</table>

The soundness of home-owner enterprise is amply demonstrated by this experience when the premium of 3/4% per annum for a 36-month loan is compared actual losses to date, it can easily be ascertained that the prudent lender could have prudently insured himself equally well without such insurance. This is the time for private banking to initiate and operate without reliance on government-sponsored insurance. The installment credit commission has a study among commercial banks the adopted their own plans. The results:

BANKS' EXPERIENCE WITH OWN PLANS

In every case, bank plans evaluate closed that their losses amounted to considerably less than the premium would have had if they had been insured under and paid premiums to FHA. In a number of instances the losses to date were about one third Title I insurance premium cost. The ingenuity is typical:

Since 1946, one bank has made more than $1 million in modernization loans under its own plan, and to date its loss ratio has a .5% of 1% of dollar volume before recoupment. Another bank has extended since 1948 a million in modernization loans on its own and its loss ratio before recoveries to May 31, 1953 was .97% and after recoupment it ratio amounted to .47%. In March '50, bank placed its own modernization plan in operation, and as of May 31, cumulated loss ratio to liquidation amounted to .62%. The other extreme is the experience of a bank that adopted a home improvement program years ago and to date has granted more than $1 million of such loans to property owners with loss experience of 1/10 of 1% of this volume.

PLANS IN OPERATION

Generally, the procedure being followed by banks in processing applications differs little from the procedure used in establishing other types of installment credit. The bank in relation to dealers and individual qualifications are about the same as under Title I.

There are two approaches to an un

HOW BIG IS THE FIX-UP MARI

For years, building experts have sensed official government figures on the amount of money going into repairs, maintenance additions to the nation's homes have far short of the real total. The Census Dept. had estimated such expenditures at $4 billion a year.

Last month, the Census Bureau came with new statistics that indicated the public works experts were right. Excluding fix-up's by tenants (included in the old estimate), Census estimated that US home owners $8 billion a year into improving and maintaining their homes.

(For details, see News, p. 49)
IZATION program, the over-the-counter and dealer originated business. On business, each application is negotiated customer directly with the bank and the procedure is handled by the lend­iture. The proceeds of the loan are y disbursed to the customer.
The dealer originated business, the applica­completely by the dealer/contractor to the bank for credit con­m. The procedure does not vary from the direct approach other than to make the business generated by the dealers and dealers themselves meet the credit Is and policy of the bank.

N AND APPRAISAL OF DEALER
A satisfactory relationship between and the dealer/contractor, the bank determine if the dealer meets these:
- Real responsibility. The success of this is predicated on the dealer's honest, ethical and scrupulous practices.
- Ancillary responsibility. Even though a policy is to be purchased on a non­basis, the bank should be certain dealer is able to conduct his business nd and profitable basis.
- Ground experience. Unless dealer ad experience, the bank cannot be of his ability to conduct his business nd and intelligent manner.
- Price and quality of work performed. The soil investigate some of the work he ad performed in order to determine it of customer satisfaction, the quality finished, and the type of work procedure of spot-check verification f a certain percentage of the jobs s should be adopted.

Verifying and sales policies. A dealer oblivious, misleading advertising and sure sales methods produces install­ebrate which is frequently unsatisfactory. r dissatisfaction and collection diffi­result. Size area. Poor, blighted, low eco­reases produce a high percentage of tive, substandard paper [but] an at­propriately located establishment cater t type of clientele and [yields] a de of installment paper.

ERMS
- on uninsured modernization con­reached from dealers in areas where mum FHA charge is used vary and, ul, run from $6 to $8 per $100, with ; most commonly used. Most banks us to 36 months.
- Interest vary as to what constitutes an ad­ress reserve. Some bankers believe a ve of 3% to 4% of outstandings r all contingencies. Others feel that iveres from 5% to 7% will provide a shion in the event of economic diffi­It takes time to build up reserves. e, the important question seems to ethod to be used to accumulate them.

Some banks with a sizable volume have set up 1% per year of the amount of each contract financed in their own reserve account and in a reasonable time have established adequate reserves. Other banks with a limited volume have arranged a 5% holdback on the amount due the dealer in addition to its own reserve percentage.
The big question that concerns manage­ment is whether to set up its own loss reserve account or to work out dealer reserve ar­rangements.

DEALERS' RESERVE FUND
- Several banks put $1 per $100 of the per annum rate into the dealers' reserve accounts. On three-year payment of $3 per $100 is credited to the account. A number of banks set up 20% of the per annum rate in this dealer reserve account. Generally, such arrange­ments are tied into an agreement which pro­vides that the bank may hold all of these reserves indefinitely. This idea has aroused no opposition by the dealers. Many dealers feel that such reserves could provide a retire­ment fund and are therefore quite concerned about the type of business they develop. Some banks prefer to set up these reserves under the respective dealer's accounts, while other banks prefer to establish an "aggregate dealer reserve" whereby the common fund is owned collectively by dealers under the terms of an "aggregate reserve agreement." These agree­ments give the bank broad powers to use the fund for expenses and losses as well as action on accounts charged to the reserve.

Title I premium is cut 13% to ease co-insurance sting
- As many an expert had expected, FHA de­cided last month to cut its insurance premiums on Title I repair loans. The reductions went into effect Oct. 1, timed to offset the sting of the 1954 Housing Act's new require­ments that lenders absorb 10% of any loss on a repair loan. (Previously, FHA insured 100% of each loan up to a maximum of 10% of total loans made; losses ran so low that the ceiling was almost never invoked.) The housing agency shaved premiums from .75% to .65% on small loans (a 13.5% drop) and from .5 to .45% on loans exceeding $2,500.

The success of this enforcement of Title I repair loans popular with the nation's lenders, the success of the new deal was an upsurge of interest on uninsured improvement lending. The reaction of Texas' biggest mortgage firm, T. J. Bêtes, was typical of many. Said Presi­dent John F. Austin Jr. : "We have about $15 million in unpaid Title I loans we are serv­i­cing. To keep that volume we must sign up about $12 million a year in new loans. From now on, we are going to stress uninsured loans and we have set a goal of 75% uninsured and 25% insured loans for our modernization portfolio. Before, our business was 100% insured." Developments elsewhere:

- In San Francisco, J. Frank Pendergast of FHA reported other California banks were preparing to follow the lead of the giant Bank of America in setting up a self-insured home repair loan program. (The Bank of America said it would continue to write some FHA Title I paper.) Said Joseph J. Paulsen, senior vice president of Anglo-California National Bank (which stopped making FHA Title I loans in Feb., '53): "We're very happy with our policy. Our losses are less than the amount we would have had to pay FHA for insurance."

- An aluminum siding manufacturer, Alside Corp. of Akron, Ohio, set up credit corpora­tions by-passing FHA completely, in coopera­tion with the Bank of St. Louis and Colonial Trust Co. of Pittsburgh.

- Johns-Manville announced an "honor roll" plan aimed at restoring "public confidence in honest salesmanship of home improvements."

The company will issue gold seal certificates to worthy dealers "in recognition of their integrity." Dealers will pledge to observe a code barring "exaggerated claims, false promises, misrepresented," and promise "a fair price for all labor and materials."

EDITORIAL
Should FHA increase its Title I premiums?
- The American Bankers Assn.'s recommendation that banks no longer need FHA insurance for their Title I loan program is well worth careful reading. FHA did a fine job in getting the banks started in this kind of business. When, as and if government's help is no longer needed, it is certainly a sound general principle that the government should let private enterprise take over.

For some time to come, however, there will be many places (especially small towns and rural areas) where the banks will not be willing to make home repair loans available at a reasonable rate without FHA insurance. As long as this condition continues, FHA will have to stay in the Title I field.

But perhaps the time has come when FHA should increase its charges for Title I insurance instead of cutting them as it has just done. One way would be for Congress to increase the 10% co-insurance. These higher charges would be:
1. Give the banks more incentive to operate without leaning on FHA;
2. Give FHA enough money to do a better job of checking up on the Title I work it insures instead of insuring a pig in a poke as heretofore.
Should the lumber dealer do it himself?

Now housing legislation offers lumber dealers one of the biggest growth potentials since FHA and VA financing turned pre-sale housing into one of the nation’s economic giants. The new legislation is underwriting a whole new modernization market. With the financing it provides, home modernization is bound to become big business—the kind that should attract the small-time operators in the building industry.

Lumber Dealer Frank E. Carey, Oklahoma City (15 years in and Oklahoma), says “Lumber dealers have not even used the surface of home modernization. No big lumber dealer really set his teeth into it. But there are growing signs that the lumber dealer will become US modernization headquarters.”

Should lumber deals find modernization attractive? Certainly because there is little profit left in new house construction, answers Al Carr, creator of the “House Supersal” advertising and sales promotion idea for home modernization. “Lumber dealers better not let themselves out of home modernization the way they let themselves out of new house construction by permitting other industries to move in on top of them.”

The fly-by-night appicator, for example, took things out of the lumber dealer’s stock in trade and sold hell out of them. “Dandy itinerant applicators, ‘snude shoe’ supersalmen, cutters,” and small-time operators have swiped much of the 2 billion spent annually on true modernization, not counting the 3 billion spent annually on maintenance and alterations. And in such areas as the South and the Pennsylvania coal towns, lumber dealers have done little more than dabble in home modernization. Several factors deterred them. One: inadequate training (now being remedied by the legislation). Another: the dealer’s unwillingness to alienate his contractor customers by doing the labor contract, “but the market potential is so great,” points out H. R. “Cotton” Northup, executive vice president of the National Retail Lumber Dealers’ Association, “that a lumber dealer need not worry about it.”

The fix-up market is catching.”

TOP LUMBERMEN ANSWER:

R. A. Schaub, Whiting, Ind., “This could be the salvation of lumber dealers. Those who do it are happy about it. The lumber dealer is a service dealer; he has something the little fellow doesn’t have, financing and product knowledge. When I started to package modernization jobs, six contractors threatened to start a yard in competition; one is left.”

H. R. (“Cotton”) Northup, executive vice president, NRRLD: “Selling materials in an era of stiff competition means lower profit for lumber dealers. They will continue to lose profit unless they control the sale.” (See text.)

Clarence Thompson, chairman, Lumber Dealers Research Council: “Right now maybe we’re a little behind the parade. Biggest reason we haven’t been doing it is lack of interest by mechanics. Biggest reason to do it is to raise the level of doing that kind of business—which the lumber dealer can do best. We’ll stay out at it as long as we can, but the time is fast drawing near when we won’t be able to.”

Watson Malone, Philadelphia: “In out-lying areas this may be a good idea, but it doesn’t make sense in big industrial areas like Philadelphia where there are plenty of specialists.”

 секретs to the question:

1. The lumberman, who has been hard-selling do-it-yourselfers, turn the tables on himself and take over the complete modernization job by doing it himself? Of should he continue to work for the contractor customers by more aggressive selling, stretching his profits through closer cooperation with contractors?

2. Experiences of lumber dealers who have contracted both new and modern materials for years and those who have recently taken on modernization business look, stock and barrel indicate some aggressive selling (about which lumber dealers have conceded for years) may not be the answer. Instead, their sound and beliefs point up the possibility that packaging and labor may bring them the same ingredient of success as seen in merchant building, prefabrication and modernization time. Here are the ideas of some progressive lumber dealers.

Craig Ruffin, Ruffin & Payne, Richmond, Va.: “Much thought, additional time, intensive schooling are needed to achieve this university among lumber dealers. It would be quite a task in metropolitan areas. Most effective work can be done in rural areas or small towns where dealers have an open mind and have shown willingness to catch on to new merchandising ideas.”
Listen to these lumber dealers:

"I watched contractors grow rich on my leads"

Thomas T. Restrick, Restrick Lumber Co., DETROIT

Until April '54, Restrick Lumber farmed out modernization leads to contractors. After they grew rich, Restrick decided to do the job itself. "Profit on modernization work," says Restrick, secretary-treasurer, "looked a lot better than the 2% net we made on materials. Until the babies start raising their own families (about when modernization will be bigger business),

Listen to these lumber dealers:

"We get all the grief, we might as well get some of the gravy"

Lawrence, who has been in business for 40 years, gets daily calls from people who want the name of a reliable contractor for a major addition, alteration or modernization. "You can't buy that kind of advertising," says he. "Well, we want to put that kind of business in our cash register instead of giving it away. If we recommend a carpenter contractor, often he falls down on the job — and we get the blame. We do most of the work anyway — handle advertising, get financing for bigger jobs, so we might as well go whole hog and handle the labor contract as well."

Beginning next year Lawrence will take over the complete modernization job, use a four-point plan:

1. **The contractor.** "We have to sell him and subcontractors on the idea that we are creating rather than taking away their business. We are going to point out that he is going to have easier business because it will be all laid out for him; he will have no selling or financing to handle, and when a job is done, he'll be paid. In the past if he has been lucky, he has been able to pay us for materials."

2. **Advertising.** "We must advertise that ours is the place to come for modernization, acquaint customers with our service."

3. **Personnel.** "We have to have more qualified people. Best bet would be a combination estimator and architect or designer to appraise the cost."

4. **Financing.** "We are going to have to work more closely than ever with the mortgage people. We even have some private investors lined up to invest in modernized property."

"There is not only an opportunity but a need for the lumber dealer to get his feet wet on the whole operation," says he. His company will concentrate on what he calls true modernization and major additions, "not on piddling maintenance jobs."
942 when he changed the name of his company Raup Lumber to Raup Lumber & Construction.

Matt Burt has already done over 2,000 modernization jobs this year. Says he: "If we don't take the whole job, we frequently lose the materials as well."

This is what Burt offers:

- A survey of the job. "People are tired of waiting around with many small-time contractors."

- Questions, samples, sketches. "Our ace in the hole is a blueprint. We handle all architectural problems legally allowed us. Architects like us to handle complicated jobs, anyway."

- A detailed estimate. "We make two sales for what we make: labor and materials."

- Materials furnished and installed. "We know what materials are needed. This gives us time to order or make them up as the work progresses. It beats waiting for the contractor to come in late looking for something we have not got in stock."

- A contract binding to both parties. "Customers want and are entitled to a package deal which gives them a one-stop purchase for the complete job."

- Personal supervision of the job. "By doing the work ourselves we better understand other contractors' problems, learn how to help the do-it-yourself trade."

- Aid in financing. "We were one of the first firms in our area to finance through FHA. We know its advantages and can see even more since the new housing legislation."

- "We believe from our success the lumber dealer should complete the entire job down to financing. Lumber dealers who learn to do it themselves can strengthen their own industry through modernization."

"Why work so hard for modernization contractors?"

B. W. McClanahan, McClanahan & Son, COLUMBUS, MISS.

McClanahan, in business since 1902, has always had the labor contract on modernization and remodeling. He says: "I know other lumber dealers in communities don't package the whole modernization deal, and I tell them they're very foolish. Why do the modernization contractors in the big communities set lumber dealers bidding against each other and get all our savings and a nice healthy profit on labor to boot. The dealer is left with very little of the jobs the really small contractor gets are too big for us to handle. If we ever farm out a contract, we make sure a reliable contractor gets it."

- Will our method work in other places? I firmly believe there is an opening in any locality for packaging materials and labor. And I have argued with my friends in these localities."

"Are our own best customer for modernizing materials?"  

Henry Amsden, Amsden Lumber Co., WICHITA

Amsden is not afraid of losing contractor business. "I tell them 'yes, we contract' and I tell them we aren't hurting them a bit because we sell our jobs at a higher price; so we're protecting their market. Besides, we help keep out the fly-by-night applicator. When winter comes and the small fellow has few or no jobs we hire him at regular mechanic's wages."

- Customer satisfaction—"One thing we do that the small contractor doesn't think of is to guarantee satisfaction. We have to—our reputation is at stake. We don't want to black out a whole area for other work by not doing a good job."

- Open-end solution—"No city area should be allowed to be run down for lack of money. The open-end mortgage is an excellent preventive. Unfortunately, the mortgage lenders I know won't permit these loans because they do not know about them or haven't yet had time to catch up with the new legislation."

Title I loans will not and cannot do the job on big modernization because repayments are too stiff.
Medford Leake, Leake & Goodlett, Inc., TUPELO, MISS.

"A one-contract plan for modernization is the most satisfactory way a lumber dealer can maintain business that is rightfully his."

Broscoholic Brothers, Broscoholic Lumber Co., SUNBURY, PA.

"We operate our construction department in a separate building to avoid contractor complications."

Frank E. Carey Jr., Carey Lumber Co., OKLAHOMA CITY

"Mortgage lender, not contractor, is biggest modernization hurdle."

"Any prospective customer who plans to modernize who plans to modernize prefers to deal with one contractor," says Medford Leake. "Few can handle the complexity of finance and construction. And that puts the lumber dealer where he can be of invaluable service. By furnishing the entire material and labor needs in one contract he relieves the buyer of the coordinating job. We've done it that way for 25 years. It's the only way we know of doing business."

"Our plan is simple, direct and efficient; our structural service helps the customer with his plans. For a foreman, appointed for each individual job, is responsible for supervision until the whole job is done. We've done it that way for 25 years. It's the only way we know of doing business."

"We've done it that way for 25 years. It's the only way we know of doing business."

"A one-contract plan for modernization is the most satisfactory way a lumber dealer can maintain business that is rightfully his."

"On modernization work," says Russell Broscoholic, manager of the Broscoholic construction department, "we are primarily interested in packaging the complete job. As a lumber dealer and contractor our job is rather ticklish, so we handle work that doesn't interest most contractors, operate our construction department in a separate building to avoid conflicts."

"Sometimes the Brososcihoues subcontract some work. Says Russell: "At times we also help contractors in their estimates and planning." Here the Brososcihoues have a distinct advantage: older brother David, administrative officer of the firm, is a graduate architect; Russell is a graduate engineer, employs two engineers. The brothers are skeptical about how much good the recent legislation will do. Says Russell: "Here bankers still remember the thirties. Open-end loans are simpler and cheaper than FHA Title I. Unfortunately, it is a tough job to get the bankers to see it that way."

"The open-end mortgage offers an almost limitless market for home modernization," says Carey. "I gage lender [particularly in Texas] would use lumber dealer would be in clover. Unfortunately present reaction of lenders in my area is not encouraging."

"Mortgage lender, not contractor, is biggest modernization hurdle."

"Carey is not convinced that lumber dealers come the general contractors "except in towns dealers cannot qualify qualified men to do the work."

"We are dedicated to selling home modernization through our contractor friends. But it requires close working relationship—so close that employees can quote the customers a package excluding labor. This requires considerable expense. We help the contractor figure costs and give him the package price."

"The old system of waiting for the contractor bring modernization jobs to the lumberyard work because few contractors can promote the work. Through strong promotion, advertising and mis-selling, we sell the contractor's services for him."

"This can almost entirely overcome the me the itinerant roofing, siding and flooring contractor who is gouging the public by doing an inferior job at high cost. Our 73-year reputation and advertising make it tough for the suede-shoe boys."

"We know many lumberyards are already in general contractors. But we can't subscribe to direct competition with our customers. There are too many peaks and valleys in house construct modernization. The contractors can bring us business. Besides, even at present we would require a reorganization to equal the business contractors have."

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"The open-end mortgage offers an almost limitless market for home modernization," says Carey. "I gage lender [particularly in Texas] would use lumber dealer would be in clover. Unfortunately present reaction of lenders in my area is not encouraging."

"Mortgage lender, not contractor, is biggest modernization hurdle."

"Carey is not convinced that lumber dealers come the general contractors "except in towns dealers cannot qualify qualified men to do the work."

"We are dedicated to selling home modernization through our contractor friends. But it requires close working relationship—so close that employees can quote the customers a package excluding labor. This requires considerable expense. We help the contractor figure costs and give him the package price."

"The old system of waiting for the contractor bring modernization jobs to the lumberyard work because few contractors can promote the work. Through strong promotion, advertising and mis-selling, we sell the contractor's services for him."

"This can almost entirely overcome the me the itinerant roofing, siding and flooring contractor who is gouging the public by doing an inferior job at high cost. Our 73-year reputation and advertising make it tough for the suede-shoe boys."

"We know many lumberyards are already in general contractors. But we can't subscribe to direct competition with our customers. There are too many peaks and valleys in house construct modernization. The contractors can bring us business. Besides, even at present we would require a reorganization to equal the business contractors have."

"Carey Lumber has 15 yards scattered throughout Texas and Oklahoma."
is a traditional lumber dealer only in the sense that he farms out modernization contracts to well-known contractors. He believes that aggressive merchandising is the chief answer to lumber-dealer ills. A 50 average lumber dealer is 20 years behind the times. He is where small retail shops were several decades ago. Yet he has the biggest retail potential of any in America. Lumber dealers make an average of 3.26% net profit, a little larger than the grocery chains that have a greater turnover. Carr, who has built a tidy little business of selling his "House Doctor" advertising and sales promotion to other lumber dealers (chiefly in the Southwest), does not blame the contractors with whom he works for his low profit margin. He has worked successfully getting them leads and selling them materials. Two of them speak below:

Voelezke, Al Carr Lumber Co., PONCA CITY, OKLA.

"There is more money in modernization than new housebuilding"

"In modernization contractors look at a house blindfolded"

Mel Crisp, who is doing a $200,000 yearly gross, got his start working with "House Doctor" Al Carr.

Says Crisp: "I've grown big enough to build houses, but there is more money in modernization. Some new homes are so old-fashioned that I can stay in business just bringing them up to date."

"The do-it-yourself movement helps my business tremendously because people start modernizing, get into trouble and have to call me. A modernizer is often a man who repairs all sorts of repairs."

Here are Crisp's major criteria for a remodeler (or lumber dealer):

**Estimating ability.** "It's hardly worth anyone's while to work for someone else if he can estimate accurately himself. It's one of the most important jobs in modernization."

**Sales ability.** "Carpenter repairmen and modernizers are a dime a dozen, but they're not salesmen. Anybody can call a lumberyard, get materials and call in a carpenter to do the job. But the modernizer who is able to sell the complete service is the man who stays in business."

**Supervision.** "This is the biggest headache. Modernizers often have to plan as work progresses. They can't stick on an additional $50 for a plan or blueprint—that half the time mechanics wouldn't read anyway."

**Firm price.** "I get my price down to where it should be from the start. If I think people are getting competitive bids I walk out on them. I never break down my costs for the customer. I will tell a customer how much I will take off if they complete a certain amount of work themselves; that's as far as I'll go."

**Quick-closing deal.** "Although modernizers cannot pressure customers, they must handle details quickly get the contract wrapped up the same day. Delays mean lost business."

**Good financing.** "Personally, I think an FHA Title I loan extended to five years would have done more to help the modernizer than anything else. The recent FHA legislation did not help even a little bit. Crisp goes to savings and loan associations to finance business over $1,000, otherwise to banks, says: "We can always get an open-end loan on home-town mortgages. Really needy folks have to rely on Title I—because they haven't enough equity in their houses—and that's rough on them."

**Personal-appearance and courtesy.** "Workmen must not look as though they could scare a housewife to death; otherwise she'll call up and demand someone else. Mechanics have to be courteous and realize they are invading privacy to a certain extent."

R. W. Voelezke, PONCA CITY

Voelezke, a big general contractor in Ponca City, (schools, commercial buildings, custom houses) 30 to 25% of his business in remodeling, gets of his leads through Lumber Dealer Al Carr. Voelezke: "Most remodeling contractors get out of cars blindfolded. They don't see the opportunities ace them, or they fail to realize that the first selling job is usually just a door opener. The good modernization contractor is an observant cuss. When lined up to modernize a kitchen, he looks around if the porch roof or floor is in good shape, or the screens need replacement, if roof flashing repair. It's not at unusual to go out on a repair job, do a good selling job and land a modernization contract for $1,500 or even more."

Like Modernization Contractor Crisp, Voelezke finds most kitchens he is asked to bring up to date have paneled doors and butterfly hinges ("dust catchers that must be pointed out to women"), old-fashioned countertops ("only 32" high; they ought to be 36" high so a woman doesn't tire bending over them). The beauty Crisp and Voelezke find out of date high-back sinks have wet rot on the wall behind them. Both make every effort to sell the housewife on a flat-rimmed, ledge-back sink. Other modernization opportunities: "A venting hood or fan over the range, kitchen cabinets with toe space, deeper worktops and twin windows facing south when a room is added."
The importance of trade-ins

Will the new easy financing for used homes under the Housing Act of 1954 turn the new-house market upside down as the new easy financing for used cars turned the new car market upside down after 1930?

Thirty years ago 90% of all new cars sold for less than $500. Ford prices started at $260!

Today there is not a cheap new car on the market. The cheapest Ford is about $1,350, and anyone who wants to pay less than $1,350 buys a used car. Detroit cannot build a new car good enough to compete with the used car in the low-price field!

There were two reasons for this big change in the auto market:

1. Thirty years ago there were not yet enough good used cars to satisfy the needs of all the families who bought the model-T.
2. Thirty years ago it was harder to buy used cars on time than new ones.

But today: 1. There are 45-million pre-1954 cars on the road, most of them still good for thousands of miles.
2. Old cars can be bought on the same easy terms as new.

The housing market in 1954 is very much like the auto market in 1924. We still don’t have enough good used homes to satisfy the low-price market, and before the new Housing Act the most liberal FHA financing was available only for new construction (it took twice as much cash to buy an old house for $4,000 as it took to buy a new house for $8,000).

Now both these conditions are being changed, and changed very rapidly.
1) The homebuilders are adding at least 400,000 more units to the housing supply each year than we need to keep up with net new family formation. And
2) the new Housing Act provides 90% financing for old houses up to $9,000, plus the same easier financing it allows new houses above that figure.

How many builders have stopped to ask themselves if this change in used-house financing will affect their own business as the new easy financing for used cars affected the auto market after 1930? How many builders have asked themselves if trade-ins will soon be as important in selling a new house as they are in selling a new car? How many builders have thought themselves that trade-ins could open up a far more profitable market for houses, just as they have for cars?

So far only a handful of builders like Dick Hughes and Alan Brockbank take the trade-in house idea seriously. Most builders say they cannot be bothered as long as sales are good, explain that trade-ins are profitable only if you can overcharge the buyer enough on a new house to let him overcharge you on his old home.

But what will happen as more and more good homes become available, as their price is brought down by the law of supply and demand and as the easy new financing catches hold? Will the homebuilders, like the automakers, soon find it too tough and too unprofitable to compete with used houses in the low-priced market?

In many cities that would be bad news for builders who try to stick to the cheap-house market. On the other hand:

Trading in old houses could enable millions of families to buy more expensive new homes than they could otherwise afford—just as trading in used cars provides the down payment for most new-car sales.

That would be good news for builders of quality homes.

It would also be good news for everyone with a stake in home improvement and home modernization, for like used cars all these trade-in houses would have to be reconditioned for resale. And that would put the homebuilders, like the new car dealers, up to their necks in fix-up and modernization, whether they do the modernization themselves or subcontract it to modernization specialists.
These builders say trade-ins work

In Phoenix, Ariz., B. M. Schreiber expects to trade for about 25 houses a year under a plan allowing the owner 95% of the appraisal set by the builder’s salesman. Owner is allowed 60 to 90 days to sell it himself, and if he gets more than the guarantee he keeps the difference. First houses taken in have led to sales “we wouldn’t have made without the plan.” Says Schreiber: “Under the new Housing Act, we believe this plan will have even greater value. For those builders who can afford to have some capital tied up—but not for long—we believe the trade-in has real possibilities.”

In Texas, NAHB President Dick Hughes, who has been talking up trades to builders for two years, has been trying them out for himself. In the past year he has taken about 100 trades in the several west Texas towns in which he builds, has found that they were the turning point in many sales.

In Oakland, Calif., Dean Morrison reports seven trades during a slow sales period last winter. After paying 5% real estate brokers’ commissions, he lost $110 to $150 on each house “because the buyers overvalued their properties and would not trade at realistic prices.” Had the new Act been in effect with its lower requirements for down payments, says Morrison, “we feel it would have been much easier to sell the houses at better prices.”

In Portland, Ore., Edwin Sandberg says “trade-ins have proved a very good business-getter for us. However, they do tie up cash from time to time.” He has taken in about 30 houses in trades in the past four years.

In Jacksonville, Fla., Joseph O. Shaffer has traded in about 25 houses in the past 18 months, losing on none and making a profit on some. Generally he trades at “the FHA valuation less 5% for commission and cost of FHA renovation.” Most trade-in houses are fixed up, but no houses are taken in that require more than $3,000 to modernize. “Our trade-in program,” says Shaffer, “has been very successful and a necessity in view of our $20,000 to $30,000 price class and conventional financing, which requires large down payments.”
Millions of families would like to buy better homes if they could be sure of selling the home they already own.

Every year an estimated 27% of the 20 million nonfarm families who rent move to a new home better suited to their changing income, or better suited to their changing family size, or better suited to where their jobs or their friends are located. As tenants they are free to move as their needs change up or down.

But only an estimated 14% of the 24 million home-owner families move. As owners they find it much harder to adjust their housing to their changing requirements.

Home ownership under the very low FHA and VA down payments has rightly been called "the new type of tenancy." But once a man has accepted the obligations of this new type of tenancy, he cannot move until he can find someone willing to take his home off his hands.

The new Housing Act undertakes to solve the problem in two ways:

1. It cuts roughly in half the cash required to buy an existing dwelling. It used to take at least $1,800 cash to buy a $9,000 house; now the FHA down payment minimum is only $900. It used to take at least $9,000 cash to buy a $25,000 house; now the FHA down payment is only $5,000.

2. It lifts the mortgage ceiling to $20,000—$4,000 higher than the old FHA limit and at least $5,000 higher than most banks were willing to go on even the neatest homes without FHA insurance.

By thus making used houses more negotiable the new law automatically makes them more valuable. Overnight it may have added $25 billion to the value of our 50 million homes.

And here is another very important way

the new law may make houses easier to sell—by making it easier for buyer and seller to agree on a price. If FHA can develop used-house appraisal policies that command respect and confidence, the range for haggling and bargaining will be made much narrower.

Few sellers will expect to get much more than FHA says the house is worth; no buyer will expect to get the house for less than the 90% mortgage FHA will issue on houses up to $9,000.

All this should give the real estate men just what they want most—a much more active market and a much easier market—a market in which they can make many more sales in much less time. And remember—every time a family sells one house it probably has to buy another, so every sale starts a chain reaction of other sales.

The hope of such a lively market should make it well worth-while for the realtors to put some first-class thinking and some concentrated effort into getting it started. They have at least as big a stake as the builders in the trade-in plan for house sales.

Some realtors are already talking of a trade-in tie-up with individual builders. But such a limited collaboration would be small potatoes compared to what would happen if the realtors in each community could provide a used-house exchange where any owner of a fairly good house could trade it in at the FHA valuation (less the sales commission) to provide the down payment for buying a better used house or a better new house by any builder in town.

Such a housing exchange would need banking support. It might require additional legislation to provide FHA advance commitments to ease this interim financing for old houses as it does for new. For tax reasons, if for no other, it would require some device to avoid any intermediate transfer of title. It might need a lot more things.

But if the realtors could work out such a plan with the bankers and the builders, it would be the best thing that ever happened to the real estate fraternity and the housing market. It would make a good home a liquid asset, as good as gold for the purchase of another house.

The new Housing Act will make present homes much easier to
In Jackson, Miss., Floyd Kimbrough has traded in about 1,000 houses in the past 14 years. (One of his car card posters reads: “Trade in your old outhouse for a new one.”) Kimbrough has never been afraid of trades “because I got into the building business through old housing. If I could make only $1 profit on an old house I could still make a good living from the fringe profits I make on such sidelines as real estate commissions and selling insurance policies.” Kimbrough has worked on modernized work, does not hesitate to take in old houses needing repairs. He particularly likes “to get the worst house on a street because I can build it up to the neighborhood.”

In Memphis, Tenn., Russell Wilkinson and Robert Snowden take in about ten houses a year in trades, “normally on the basis of the FHA or VA appraisal less 6% for commission and discount on sale of a loan.” They usually make a profit on sale of the old house plus the commission. (FHA appraisals come through in ten days in Memphis, a VA appraisal in three weeks. Wilkinson and Snowden say people who come in to trade generally accept the FHA or VA appraisal as a realistic estimate of resale value.) They get many trade offers, expect many more now that buyers need less equity to buy old or new houses. These two partners consider trades essential and profitable, and will trade to the extent their capital permits. As it is, they avoid actual trades about 20 times a year by selling buyers’ old houses for them before their new houses are ready. Wilkinson and Snowden take no houses requiring modernization because they have no crews trained for that kind of work.

Ft. Wayne builder shows the way, working with realtors

Top house-trader in the US is John Worthman of Ft. Wayne, who sells 80% of his custom-built houses by taking old houses as down payments, or offering to trade. He makes money on almost every house he takes in trade and believes trades are essential to any volume builder now. “When new sales get really competitive,” he says, “the builder who does not trade will be as outmoded as an auto dealer who tells you first to sell your old car before you come in to buy a new one.” He has spread the gospel far and wide. His procedures (described on the next page) are being followed by many other merchant builders.

Realtors have played an important part in Worthman’s success with trades. He develops business for realtors, and splits commissions with them.

In a revolutionary move, Worthman has now taken a long step forward to expand his trade-in operation, capitalize on his long experience in trading and modernizing houses. He has just formed Trade-in Homes Inc., a subsidiary corporation. This will be a clearing-house in Ft. Wayne. Its purposes:

- It will take over the trade-in agreements and advance money to the building companies.
- It will take title to and improve properties taken in trade from other companies and builders.
- It will offer any of its holdings for trade for almost any other type of property. These can be old or new houses, land, business property or any other asset in which there is a fair opportunity to make a sales commission or a profit by remodeling or by a change in use, such as converting to commercial or multifamily use.
- It will lessen the fluctuation of capital required by the Worthman company in handling trades (the company has anywhere from $25,000 to $200,000 tied up in old houses at a time).
- It will safeguard the builder on trade-in mortgages, real estate contracts, long-term commercial leases.

Most important, Worthman says, this clearing-house operation—in which realtors will probably become part owners—will convince customers for new houses “that any holding we have is eligible for immediate trade.” Trade-in Homes will advertise. Worthman is going all-out for this business.
Worthman counts heavily on trades, semitrade

Taking old houses in trade for new helped make John Worthman the No. 1 Ft. Wayne builder in dollar volume. He feels other builders should trade. "The first builders in any community who successfully establish themselves in the various means of handling trade-ins will be in the driver's seat to handle this vast 50% potential market of existing homes. Builders have had a ten-year heyday in selling to the new-family-formation buyer. A large percentage of these small homes should now be traded in, refinanced, then sold to oncoming new families and retired couples. Half of all existing homes are potential trade-ins."

Worthman gets more trade offers than he can handle, without asking for them. Nearly all come from people who have already modernized—and often overmodernized, wasting money. Although he frequently takes a house that needs remodeling, he cautions builders that they should have experts to do such work. Almost never does he get stuck with a house and lose money.

His favorite trade method: under a "guarantee-to-trade" contract, he advances credit to a buyer amounting to 80 or 85% of Worthman's valuation of the old house. The customer is urged to sell it before his new house is ready. If it hasn't sold by then, Worthman takes it in. Actually, he has to take title to an older house in few cases. The owner or a realtor almost always sells it for more than the guarantee.

A time-limit conditional option is sometimes used, under which the prospect pays $200 for an option to buy a house under construction. If he does not get his down-payment money by selling his house by the time the new house is ready, the option is voided and the earnest money returned. This method is an alternative to trading.
$45,000 house was sold by taking 1939 house in trade of trades can be complicated at times, but Worthman finds it satisfactory. In the case illustrated, he first traded $45,000 house, taking in as part payment a house he him­nad built in 1939 for $33,000. He found a family that wanted 1939 house and offered two old rental properties for it on a ht trade. Worthman did not want those two houses. How­he found in his files a man owning a store and adjacent low who was interested in trading for better rental prop­Worthman learned that he could redevelop the store and low location into a filling station and make money leasing three-way deal was worked out—so store owner got the Id houses, gave 1939 house to the family that had owned d houses, and Worthman the store location. (The former owner later traded one of the two old houses for another, interested in trading he has taken out a realtor's license will go to work for Worthman.)

Store and bungalow will be converted to filling station by Worthman

Worthman traded these two houses for store and adjacent bungalow

How to trade with FHA help

A new pamphlet, "FHA Financing of Trade­ins," has just been issued by NAHB's mort­gage finance committee, of which V. O. Bud Stringfellow is chairman and Hugh Askew is director. Here is a condensation of the sug­gested procedure for handling trades.

To determine the maximum insurable mort­gage on the trade-in property "as is," the own­er makes application with $20 fee for FHA conditional commitment. After appraisal is made, builder and owner agree on trade-in value and owner makes application through lending institution for FHA loan on new house and transaction is completed in usual way. Builder accepts deed to the trade-in house and assumes mortgage.

To get firm commitment for FHA loan on an old house, builder consults with FHA on ext­ent of modernizing to be done. After this has been determined, builder returns conditional commitment and applies for firm (dual) com­mitment. When firm commitment is granted, he gets interim financing to cover improve­ments and does modernization. Purchaser of modernized house makes application for FHA loan, closes in his own name, with builder paying off existing mortgage and cost of im­provements.

If unable to sell the property within the term of the dual commitment, builder closes the loan and pays off mortgage and cost of im­provements. The trade-in house may then be rented until builder decides to sell it. If the property is sold subject to the builder's mort­gage, he should require FHA approval of the purchaser and the execution of an assumption agreement in order to avoid further liability and continuing limitation of his (the build­er's) credit.
It's time for the architects to...
"The architect is now sadly missed on most modernization and rehabilita­tion work. As a result, most modernization is corny and contributes less than its cost to the value of the house or the improvement of the neighborhood. . . .

"This is at once a challenge and an opportunity for the architectural pro­fession which has still to work out a compensation basis to make its pro­fessional services broadly available on any but the biggest or costliest mod­ernization jobs."

This unanimous verdict of the Round Table on how to halt the decay of our existing homes (H&H, Oct. ’53) is as true today as it was a year ago. The average man would no more go to an architect for a remodeling job than he would go to a custom bootmaker for a shoeshine. Why? First, because most people think an architect would cost too much, and remodeling is a dol­lars-and-cents (mostly cents) proposition; second, because, conversely, many architects believe remodeling offers far more headaches than profit.

Both these objections are partly true, partly false and wholly unfortunate. The architect’s help is so badly needed in the remodeling field that some way must be found to make his employment profitable to architect and client alike.

Architects experienced in remodeling believe the solution will involve:

1. Putting fees on an hourly rather than a percentage basis, for every job is so different that a percentage will almost certainly work out either too high or too low. For minimum jobs the architect can be employed for little more than some good advice and some sketches on the back of an envelope. For more elaborate jobs including complete supervision his services are far more demanding than on a new house.

2. A clear understanding on the architect’s part of the difference between designing from scratch and making the best of an existing situation.

Remodeling is much closer to decoration and stage design than to organic architecture, in which planning, appearance and construction interlock into an integrated whole. The first rule of low-cost remodeling is to let the structure alone, and so the remodeling architect will spend most of his time covering up the structure despite the fact he was told at architectural school that there is no greater crime.

Because the cost and compensation problems are still unsolved, not enough architects are making a direct contribution to remodeling for the average family.

Indirectly, however, they are making perhaps the most important contri­bution of all through the creative ideas they are working out on custom jobs —ideas which can be widely borrowed and adapted. Four examples of this architect contribution are shown on the next ten pages.

Some of these ideas proved surprisingly economical even on a custom basis. All of them were profitable, for they added far more than their cost to the value of the property.
There are thousands of old houses in the US that face the wrong way: their living rooms and porches face the street (which used to be a nice place to look out on before it became a gasoline alley); their kitchens are far removed from where you can park your car; and their back yards are so inaccessible that outdoor living is all but impossible.

Under the new law which encourages house-remodeling, most of these wrong-way houses can be turned around to take advantage of a private view and of a rear garden that can serve as a big outdoor room for at least half the year.

The two examples shown on these six pages are typical of wrong-way houses in all parts of the country. In each case the basic problem faced by the architect was how to turn the old house around by 180°—without lifting it off its foundations. And in each case the architect showed how much handsome, useful and well-oriented living space could be salvaged from the obsolete house he started with.
Photographer Hans Namuth bought this house for $8,500, he got an
two-story, three-bedroom structure, full of cramped little rooms that
the wrong way through windows that were too small for him to enjoy
the wrong view.

was a typical wrong-way house: living room and porch faced the street;
back yard was an extension of the sad little kitchen porch (which meant
it had, in time, turned into a junk heap); only the upstairs bedrooms
be left unchanged.

, like many wrong-way houses, this one was in good structural shape,
and a full basement, a good heating plant, some 1,350 sq. ft. of living area,
were lot (with a creek, some large willows, and a nice view), and there
handsome little barn toward the back of the property. All in all, the
had many potentialities.

take advantage of these hidden assets, Architect Robert Rosenberg
the downstairs plan completely, converted the original five little
es and front porch into two spacious rooms. In addition, he opened up
back of the house with glass walls, and extended the new rear living room
rear patio designed as a private and useful outdoor room.

LOCATION: Watermill, L.I., N.Y.
ROBERT HAYES ROSENBERG, architect
JAMES ROSE, landscape consultant
BENNETT & WAZLO, general contractors
Age of house: 25 years
Bought for $8,500 ($6,000 VA mortgage)
Modernized for $7,060
(including kitchen equipment, landscaping, etc.)
Total cost: $15,560
Resale value: comparable houses in this area
have been sold recently for between $17,000 and $20,000
New kitchen occupies old front porch. Dining area is in former living room.

New living room (view 1 in plan) takes place of four little cubicles in old house. Built-in shelving minimizes breaks in wall. White paint on ceiling, walls and floors adds to sense of spaciousness.
Laid out handsome lot, pleasant views

...kitchen porch (view 2 in plan) is now glassy part of new living
overlooks rear patio formed by main house, barn and fence. Wil­
trow right grow along edge of creek. Bay is just visible beyond.
will be remodeled some day to form guest house or rental unit.
at night-lighting is by outdoor fixtures placed to illuminate foliage.
are supplemented with a few indoor lights.
After: two-story living room and porch now face the garden and overlook a lake. Cost of remodeling the old woodshed alone was $5,000. Additional $7 spent on rest of house, especially bedroom areas.

How to trade a woodshed for a

Many old houses have lean-to's that were tacked onto them almost as thought. Such lean-to's—woodsheds, kitchen porches or just plain bins—can come in very handy if you switch the old house around.

This house is a good example. At some point since it was built in acquired a back woodshed with an attic on top. When the owner de move the parlor from the street side to the garden side, his architect di! that the woodshed would make a wonderful two-story living room. By out the rear wall and filling the opening with glass, by tearing out the floor and using part of the attic as a study-balcony designed to over living area and by moving the kitchen over to one side, Architect opened this wrong-way house to the garden and the lake view. A por sion for the living room completed the change. The old parlor, me became a guest bedroom complete with bath.

The modernization included several minor changes in upstairs b came to $12,000 all told. Since the old house had been "thrown in" as when the property was bought, the owner in effect acquired a thoroughgern five-bedroom, two-living-room house for the cost of the alteration.
Study-balcony overlooks living area, gets plenty of light and handsome view through two-story glass wall. Dramatic living room was carved out of drab woodshed by imaginative device of ripping out part of old second floor. Long used by architects, this device is second only to glass walls as a means of adding spaciousness to an old house.

Placement cost about $1,000. Prefab metal fireplaces with metal or a flue can be installed for much less they require no special foundations.

LOCATION: Scipio Center, N. Y.
DANIEL W. B. WARNER, architect
T. R. BEARDSLEY, general contractor
Age of house: 95 years
Modernized for $12,000
Resale value estimated at $16,000 plus
One of the most unfortunate things that ever happened to American living was the nonsensical vogue for “Spanish villas” that swept the country the roaring twenties. More than most other “styles” this one was the visible dark center halls and boxy, almost windowless rooms.

But a good many of these houses can be salvaged for today’s living—witness this eye-opening job by Architect Sam Marx. His scheme:

1) Leave the center hall for convenient circulation but tear away partitions either side, throwing hall, living and dining rooms into one big, continuous space; 2) Rip out a broad stretch of wall on the entrance side, replace glass, set 4’ beyond the old building line to make room for lush tropicaling inside; 3) Put sliding window walls in the living room, opening it to south breeze, sun and gardens.

LOCATION: Bel Air, Calif.

MARX, FLINT & SCHONNE, with ALBERT CRIZ, architects

ECKBO, ROYSTON & WILLIAMS, landscape architects

L. D. RICHARDSON & CO., contractors

Photos (above & right, opp.): Julius Shulman

After (view 1 in plan). Partition separating front hall and dining room has been replaced by simple, low railing. Visually, dining room has become half again as the dramatic change of level is now apparent. Small window and door seen have given way to all-glass wall forming planting bay. Pipe column at center, ing position of old front wall, supports beam for upper floor.

Open up interiors for spec
After (view 2 in plan). Living room in far background shares hall and dining space through enlarged opening. Hall itself can now be furnished and used as pleasant vestibule and space for overflow party crowds. Low ceiling with flush lights has replaced old beamed ceiling and chandelier.

After. Living room (left) and study (right) have big sliding window walls to take advantage of south sun and breeze, landscaped terraces.
How to turn an old barn into

The first thing many city dwellers do when they begin to think about moving to the country is to look for a nice, old barn to remodel into a new house. This 180-year-old Connecticut barn offered a particularly handsome solution to that rather common problem.

People like old barns because 1) they contain a lot of usable space and 2) they are often handsomely constructed out of rough, hand-hewn timbers and this construction tends to go very well with modern design. Architect Philip Johnson kept these reasons in mind when he set about designing the remodel. He kept the barn space undivided and revealed the simple beauty of the barn structure by setting it off against plain, white backdrops and large expanses of glass. He also retained the stone fireplaces from an earlier remodeling. Principal change: a 43'-long glass wall applied to the outside of the structural frame on the south facade, with a shorter glass panel to the north. Sleeping quarters were located in a small addition to the west.
Glass wall replaced old south facade, was applied to the outside of structural frame. Interior spot and floodlights were hung among the rafters.

Terrace and walled garden have been closely related to interiors. Downlights along roof fascia are major illumination, cut down reflections in glass at night.

modern house

LOCATION: Madison, Conn.

J.P. C. JOHNSON, architect

JARD KELLY, lighting designer

SEVIGNE, general contractor

Old barn: 180 years

The barn had been badly remodeled once before, some time before 1910. Architect Johnson removed false overhangs applied at that time. Low-slung addition in rear contains sleeping areas.
Where will the money come from

Even in this year of easy money, only $7.2 billion is being added to the residential mortgage market—roughly $1 billion more from the insurance companies, $2 billion more from the banks, $3.5 billion more from the savings and loan societies, $.8 billion more from “others.” That $7.2 billion is more than America invests each year in all corporate bond issues combined, plus all state and local bond issues combined. It is nearly half of all the money America saves each year at the highest saving rate in peacetime history.

Now the full implementation of the new Housing Act would call for a vastly greater annual increase in the mortgage total. Specifically, the new Housing Act calls for more mortgage money in these seven ways—and, remember, any change in the FHA mortgage pattern quickly forces a parallel change in the conventional mortgage terms:

1. It reduces down payments, often by as much as 50%, adds the difference to the mortgage.
2. It slows down the rate of repayment. On a 30-year FHA mortgage only 20% need be paid off in the first ten years.
3. It encourages home owners to buy more expensive houses financed by bigger mortgages.
4. It encourages builders to start more houses to take advantage of the easier sales offered by easier financing.
5. It shifts the financing of many home improvements from short-term bank credit to long-term mortgage credit under the open-end mortgage.
6. It encourages much bigger mortgages on good existing homes than lenders have been willing to make without the possibility of mortgage insurance.
7. It invites mortgaging of existing houses to pay for their modernization or rehabilitation. The figure most often thrown out for this item alone is $5 billion a year.

The total of all these potential added demands for mortgage money adds up to many billions. This could indeed be a tremendous boost to the economy—if the money can be found.

So far the people who seem to have worried most about where to find the money are the homebuilders. They suggested solving the problem by the simple short cut of having Fanny May buy any FHA mortgage that could not otherwise be sold at par, making the US treasury pick up the check for any loan private capital would not accept. Congress held up its hands in horror at any such free and unlimited coinage of mortgages, thinned Fanny May down instead of fattening her up, and turned the homebuilders’ proposal down cold. So far no one else has offered a workable alternate that will provide more than a fraction of the new money needed before the full impact of the new Housing Act can be felt.

Where the money will come from is still the big unanswered question
What about FHA and the savings and loan societies?

For the past 20 years they have coexisted in a sort of cold war avoiding outright conflict only because 1) FHA played a relatively small part in mortgaging expensive homes and a relatively passive role in mortgaging existing homes, whereas 2) the savings and loan societies, theoretically unable to lend more than 80%, were thereby handicapped in financing the volume builders who provide most of the FHA-VA activity and who rely on FHA and VA for the very low down payments and easy terms they consider essential to easy selling.

Rightly or wrongly, the volume builders have always considered the savings and loan societies the mortal enemies of FHA, but that mortal enmity has been watered down by the fact that FHA and the savings and loan societies each had the advantage in a separate field.

Now the new law gives FHA lenders special advantages and privileges in both the fields in which the savings and loan societies have heretofore found their biggest market. Specifically:

It lets FHA insure higher percentage mortgages than the savings and loans' 80% maximum 1) on any new house valued at less than $25,000, or 2) any old house valued at less than $25,000.

The new Housing Act will not achieve its full potential until it can enlist the wholehearted participation of the savings and loan societies

As the fastest-growing pool of mortgage money in the country, they offer the one best hope of providing much of the additional financing the new legislation envisages.

Before the new Housing Act can work right, new legislation may well be needed to let the savings and loan societies take advantage of FHA insurance on the risk portion of the mortgage beyond the 80% limit.

Perhaps the ultimate solution might be borrowed from the British system, where the savings and loan societies are able to lend beyond their 80% limit if the home buyer pays a single 7½% mortgage insurance premium on the overage up to 90% and can go up to 95% loans if the builder puts part of the sales price into a reserve to protect the top 5%. Significantly, this British system has operated safely on a strictly private enterprise basis with no help from the government, though the premiums are substantially lower than the premiums FHA charges in this country.
Before. Basement was unsightly with heating and cooling equipment, overhead ductwork, laundry appliances and tubs, hot water heater, various pipes and wires. Badly lighted space was used only as storage room and workshop.

After. New fir plywood ceiling hides ducts and new light boxes. Fridge and laundry are now behind partitions of pressed chipboard. Floor is covered with linoleum. Basement is now attractive playroom.

The additive principle: key to economical modernization

An old house almost always offers more space for the money than a new one, and sometimes a good many other advantages as well (see p. 118). But cheap cubage, obviously, is not enough to attract the average buyer or renter. To transform an old house into competitive merchandise, the remodeler has to add the features that today's customers have learned to look for in new houses: handsome, durable surfaces inside and out; adequate wiring, heating and cooling; modern kitchens; better bathrooms; convenient storage.

But watch out: the biggest headaches in any modernization job are the hidden ones.

You never know what you're going to find behind shabby walls, floors and ceilings, behind old roofing and siding. The more you cut into existing finish and structure to rewire, replumb, replaster and replace, the more problems you are apt to uncover. All of these little surprises mean mounting delays and costly on-site labor.

On the other hand, even a child could estimate pretty accurately what it would cost to place needed new pipes and wires against the face of an old partition and build a new dry wall in front, hiding crumbled plaster, pipes, wires. By the same token, laying a new floor on top of an old one is usually far easier to cost-predict, quicker to do, than ripping up and replacing bad boards, blocks or tile. Valuable time and money saved this way by carpenters, plumbers, plasterers and electricians can be put toward such modern necessities as kitchen fans and bathroom cabinets—which are far more appealing to the customer.

Of course there are exceptions to the rule, when you are sure that a patch job or a resurfacing job can be done cheaper (or when structure is unsound). But in most cases the best rule is to

add, do not subtract
ceiling furred down 1d hides deterioration, wires. Acoustical tile be used for kitchens, ins. Dropped ceiling (below) conceals ducts, lighting, brings high line to scale.

storage wall provides full-access wardrobe in most old beds, can hide pipes, wires, ts that have been adding remodeling.

flooring laid over old: linoleum, tile, sub- and carpeting. Cover ess you can sand down refinish a handsome without undue labor.

New cove lighting can be concealed between dropped ceiling and wall. Trough is ideal for strip lights and curtain track on window wall.

New dry wall built out from old, hides irregularities, crumbling plaster, pipes, wires, is often faster and cleaner than replastering. Wallboards give total coverage; canvas, burlap or heavy wallpaper can be used for walls in better condition.

New wiring: lay new three-wire system against old wall before covering with new. Don't cut into walls to replace obsolete wiring; disconnect circuit. Use plug-in strip as shown. Bring main service board up to 100 amp.

A new shell fits easily inside the old

In an old house where you have cheap cubage, don't be afraid to throw a little of it away if this can save you labor. Today people don't mind smaller rooms, but they do want durable finishes, better storage, more electrical outlets. The additive principle—building walls out, building floors up, building ceilings down—can give them these features at less cost, without making rooms too small. In sketch above: ideas that "waste" materials to save labor.
Paint and pattern: the cheapest

Line and color can be made to perform some very effective retelling tricks at low cost. Just remember these basic principles

1. **To make any surface seem to advance** toward the cover it with a rich, warm color (reds, yellows, browns) or a pattern (wallpaper with large figures, fabric or paneling strong texture lines). These can make a large room look small especially if the trim in the room is painted a contrasting color.

2. **To make any surface seem to recede**, cover it with a neutral, cool color (off-white, light blues, greens or grays), no pattern or a subdued pattern (small-figured wallpaper, lig textured fabric or paneling). These will make a small room larger, especially if all trim is “painting out” in the same color.

3. **Play down bad features**—uneven surfaces, unsightly p and radiators, ornate trim, outside chimneys—by painting t the same color as the over-all surface behind. A dull or dark wi will minimize the shadows that make such eyesores stand out.

4. **Play up good features**—handsome fireplaces, trim, s ters, front door, scrollwork—with contrasting colors. For insta on the outside of a house, a dark body color (dull gray, blue, brown) absorbs fussy jigs and jogs; white trim calls attention good features and provides the sharp contrast that gives an house a crisp, tailored look.

5. **To make north rooms brighter**, use light, warm col to minimize sun glare, make south rooms a darker or cooler c

6. **One or two bright accents** (e.g. front door and shut can make any house twice as inviting.
Outside

Before. This 100-year-old Illinois house was an ugly conglomeration of wings and porches, jumbled roof lines. Roofing and siding were badly deteriorated.

After. Central part was built out to enclose larger living room. Fir siding laid over old clapboards gives insulation, longer, lower appearance.

Make an old house look new

A renovation job was done on this old Alexandria, Va., house by Architect Owner Charles Goodman. Red fir plywood siding was applied over old exterior, stained in sharp contrast with new trim pieces. New windows at first floor are integrated with east facade, have sliding sash panels. Existing windows on second floor have new sunscreens. New glass gallery and liv­ing room were added at right.
In the kitchen, add: cabinets, continuous counters, new finishes appliance outlets, vent fan; arrange kitchen in efficient work triangle and open it up to dining and play areas.

Before. Remodeler Mrs. Una Hanbury found this slum house one block from the Capitol in Washington. Old basement kitchen seemed almost beyond repair.

After. New walls and new tile floor were laid over modern cabinets and appliances added. Vent fan, great improvement, would be better located over...
In the bathroom add: more storage, waterproof walls, better lighting, built-in tub shower, privacy partitions between fixtures

Before. All fixtures of this typical, not-so-old bathroom were in working order, but claw-footed tub and exposed radiator made it unsightly and dated.

After. Designer Paul Krauss boxed in tub, faced wall with plastic hardboard. Radiator was enclosed with perforated metal and lumber for less than $5.

Bathrooms can be created where none existed before. Designer John Campbell used old cabinets with sliding fronts for back-to-back kitchen and bath areas (106). It is not the common storage problem.

Before

After. Many old houses are in sore need of a second bath or powder room. Look around for a walk-in closet, a pantry, or even an alcove or understairs space where a minimum bath can be added to relieve the inevitable strain of a one-bath house. It need not be on an outside wall: FHA approves inside baths as long as you put in a vent fan of proper capacity to the outside, leave air space under bathroom door or set louvers in door near bottom.
Throughout the house add storage

In old bedrooms, a new storage wall can provide the hanging, shelf and drawer space so often missing. This one has adjustable shelves for growing child.

New study-bedroom in remodeled Mill Valley, house has neatly compartmented wardrobe. Storage walls for old rooms can be job-built or bought from

Old attics can be transformed from dark, catch-all storage space to additional bedrooms, family rooms or rental units. Architect Mary Lund Davis turned this Parkland, Wash. attic (left and below) into an apartment for three college students. Note how knee walls take care of all bulk storage needs.

Built-in unit has pull-out leaves for desks, leaving floor space free. At far end, bed is rolled into special alcove when not in use. Whole gable end has been opened up with glass. Old attics need insulation, ventilation above. Desirable: vent fan, sound-deadening felt under floor.
Before. Protruding chimney front left useless niches on either side, made high, formal room seem even higher. Heavy moldings, old light fixtures added little to looks.

After. Architects La Farge, Knox & Murphy built out shelves, storage cabinets to line of fireplace front. New horizontal lines of flush wall make room seem wider, lower.

Built-ins can utilize awkward recesses
add air conditioning to an old house

To replace an obsolete heating plant like this

... which new system is best for you?

To modernize an old house with air conditioning, the easiest and cheapest way is to use room units. Ductwork is no problem and models now available can be built into a closet or a wall like a recessed TV set. The whole job can be done for as little as $300 per unit installed.

Experts predict that of the nation's 200,000 houses which may get central air conditioning in 1955, about half will be existing houses. To do this job new kinds of equipment specially designed for remodeling are already on the market. A central system usually works better than individual room units if an entire house is to be cooled. But ductwork is almost always the big problem, as discussed on these two pages.

1. The "add-on" unit was designed for adding cooling to an existing furnace. A cooling coil section is (right) inserted in the supply duct of existing furnace. The furnace blows the year around. An air-cooled coil section is spitted outside where air and no water is needed. Refrigerant pumped to and from the cooling coil per pipes. Cost: about $900 for a 2-

2. Year-round combination unit rep heater with new furnace and cooling casing, needs only one set of ducts, fits into basement corner or closet. Many families installing air conditioning pay extra for this unit even if existing furnace is still operative they prefer to start fresh with new installed costs start at about $750 cost of heating alone.

3. The attic cooler is a horizontal unit designed for use where space is premium. Unit can go in an attic a late air through furred-down hall in National prefabs (H&H, Nov. also can be suspended from a close ment ceiling, used in tandem with boiler or be tied into ducts of heating system.

4. Small-duct systems have the advantage of using 3½" or 4" round ducts which are squeezed into existing partitions an around corners almost like conduit. Though blowers are oversized to deliver air at higher velocities, the equipment is size and cost to conventional syst

5. Console units are de luxe tioners suitable for cooling two rooms. For example, one could be a closet with stub ducts channelled to adjacent bedrooms. Similarly, a unit could handle the living area, zoned cooling and simplified. These units are usually air-cooled located close to an outside air so

6. Chilled-water air conditioning: cooling with hot-water heating using pipes (which must be insulated). No ducts are needed. Re replaced by special convectors (those used in offices. In addition, water compressor unit goes next to boiler (to simplify pipe cc

160
Use this checklist before air conditioning

Engineers have accumulated a mine of information on air conditioning old houses. Based on this knowledge, here is a practical checklist for builders and architects:

- **Does the attic have enough insulation?** Biggest cooling problem is the huge heat load from the roof that builds up oven-like temperatures in the attic. Engineers find most attics "inadequately insulated." So your first step should be a thorough attic investigation; 4" to 6" of ceiling insulation, or the equivalent in aluminum foil, almost always pays off in lower air-conditioning costs. In addition, both gables should be opened up with big ventilating louvers. Or put in a 24" attic fan that blows hot air out one gable, pulls fresh air in the other.

- **Do unshaded windows and leaky walls add to cooling costs?** "Emphatically yes," say experts. Big glass areas hit by hot sun should get shading devices. Walls should get 3" of bulk insulation or three-ply foil. Contractors report that every $100 spent on cutting the heat load this way saves $200 by paving the way for a smaller, cheaper cooling system. (See "Five top priorities for designing an air-conditioned house," H&H, Aug. '53.)

- **Can existing heating ducts be salvaged for cooling?** Cooling generally calls for bigger ducts than for heating alone so have a trained dealer measure the old ducts to see if they are big enough. "Heating ducts almost always work out," says one top engineer, "but some modifications may be needed." The basement trunk line may need to be expanded, an extra duct run to a big room facing south (the easiest rooms to heat in winter are often the hardest to cool in summer). Ductwork is the most expensive part of the installation so it rates thorough advance planning.

- **Can you keep the existing warm-air grilles?** Proper air diffusion is far more critical in cooling than in heating. Air conditioning calls for a double-deflection grille. This type has both vertical and horizontal louvers that can be opened, closed or slanted so the right amount of air is diffused in the right direction for each room. If warm-air grilles are simple stamped metal outlets with fixed louvers they should be replaced.

- **Is the furnace blower big enough for cooling, too?** In about half of the cases, yes. If so you can save by buying a stripped-down summer cooler that hooks up to the furnace fan. Adding a 2-ton cooling system usually requires a 9" existing blower and a 3-ton system requires an 11" blower.

- **What do you do in a house with wet heat or no control heat?** Either put in a chilled-water system, console units (see opposite), or window units. In some compact old houses engineers say that a ductwork system is still your best bet, furring down the ducts in a central hall, for instance, with stub duct branches to the rooms around. The hot-water boiler remains for heating.

- **Is the present wiring adequate?** Most air conditioning will need at least a separate three-wire, 30-amp, circuit, a main electric board of 100-amp, capacity. If the house does not have this big a board, add it—even without air conditioning modern lighting and appliance loads demand it. Other solution is using a gas-operated conditioner which needs only electricity for its blower.
Dark-stained siding of new addition creates a strong contrast with newly whitewashed facade of the old house, lending three-dimensional strength to front elevation. Existing garage at right was subdued by being painted a neutral gray.

New entrance is at side of addition, away from direct street view. All-glass wall on this side allows privacy with plenty of light. In making additions, it is often cheaper and better looking to use a flat roof than to try to tie new gables into old.

Literally millions of two- and three-bedroom houses built war have become too small for today's larger families. House pictured here, many of them were built without attics or basements, and with a floor plan that did not consider future additions.

By cleverly working a 460 sq. ft. wing onto the front in-line plan, Architect Nemeny has adapted it to any sit up to six. This means the owners, who now have four can remain in a familiar, established community. Even means they have brought the house up to a size com with a good, constantly improving location on Long Island Shore. The house now has a much wider market ap gained more in over-all value than the $5,300 (include architect's fee) spent on the addition. Here is what Nemi within one simple rectangle:

1. Two more children's bedrooms.
2. A much-needed playroom.
3. A spacious entrance hall and coat closet.
4. A depth of facade enhancing an elegant in-line rar
om is separated from entry by big birch storage wall, far side for coats, near side for children’s clothes and in plan how doorway to bedroom hall was cut through giving access to baths, other bedrooms.

es four big differences

in divides sleep- from play space. Big windows istas lacking in where all rooms ed toward the floor is radiant g in with exist slightly mottled shows dirt less plain colors.

LOCATION: Kings Point, N. Y.
GEORGE NEMENY, architect of addition
RAYMOND & RADO, architects of original house
ANDREW JOHNSON, contractor
If a new highway is headed your way

should you get into house moving?

Many a sturdy house can be bought for a few hundred dollars, moved and modernized for a few thousand, and sold readily at a substantial profit. Even a busy homebuilder might find it worth while to pay some attention to the possibilities, especially if a new highway is planned for his area—since it is estimated that highways account for 50,000 houses moved or wrecked each year.

Every week, hundreds of well-built houses are sold around the nation for less than $1,000, sometimes less than $100. They cost many thousands to build. These houses in the path of new highways are bought by public bodies and offered, singly or in groups, to the highest bidders. If they do not move they go down under bulldozers.

A few builders find it more profitable to buy, move, modernize and sell these houses than to build new ones. Some have made twice what they spent, others have barely broken even. But they all agree that they have learned enough to be ready to do the job at a profit the next time they get a chance.

They agree too that the headaches in house moving are many and great. Yet almost no one admits losing money. And the man who ends up living in a moved house usually has a better house than he could buy for the same money elsewhere. (Movers nowadays seldom even put a crack in the wallpaper, much less do serious damage, largely because of special equipment, a single piece of which may cost $150,000.)

The case histories on these pages show some of the possibilities for enterprising builders to get into the act—at a profit.

Two moved houses netted 50% profit in Nyack, N.Y.

Two years ago, Builder and Remodeler Elton Lewis developed an unusual sideline—furnishing a complete moving and remodeling service to people whose houses had to be moved from the path of the New York Thruway. Now he is buying houses himself, having them moved, fixing them up—and selling them at a profit of many thousands of dollars each.

Seven years ago, someone built the 42' x 50' brick house at right for about $25,000. Lewis recently bought it for $1,800, paid $7,000 to move it (including $1,000 for cutting and splicing utility wires), and is spending $3,500 to remodel it inside and out on a $1,500 lot more than 2 mi. from the original site. He is sure to get back at least 50% more than the $13,800 he spent.

The same profit picture holds on a smaller frame house he bought for $1,000, moved for $3,800 and is remodeling and expanding for $3,000 on a lot next to the brick house.
year-old house was cut in two by three carpenters in two days. 20-ton hydraulic jacks lifted the 150-ton top a few inches. Then lid off on three greased beams to a new location 260' away. Total carpentry, moving and new foundation came to $5,000.

can lop off the top

e choice lots in most cities and towns, and scattered over

aryside, sit huge old monstrosities of houses, impossible

en, eating up taxes. Each floor in one of these

ontains more square feet than most modern homes. Well,

er an enterprising builder from moving the top

lace else, modernizing both halves and selling the two

le large homes at a profit?

ough it may seem, this is physically and economic-

ble. In fact, one old Long Island mansion has actually

ected, as the pictures here show. The mover and builder

ed the job for the lawyer, Howard Ellis Cox, in Long

ay the same is possible on other old homes,

ought three choice lots, one with an 1876 house on it.
ed a wing to one lot, slid the top two floors to another,
naking a two-story home out of the remaining part. The

ow the possibilities. For about $35,000 Cox thus owns

tive home and two houses (one with two apartments)
e can rent for fat sums in fashionable Westhampton.
Houses sell hot off the lot in Los Angeles

Five years ago, five men with no previous experience in house-building formed a partnership called An-Deez House Sales when they saw an opportunity that Los Angeles builders didn't see. What they saw was a program for “freeway paths” that would displace hundreds of houses, most of them small but perhaps worth something after being moved and modernized.

An-Deez hit something like a jackpot. Partner Fred Shubin says his company has been buying and selling about 350 houses a year, and there seems to be no end in southern California of houses to buy, move, fix up and sell. Thomas Sibley of California’s highway division says the state is selling about 250 houses a month. About 80% in the Los Angeles area are bought by An-Deez and other “professional buyers” (not builders or movers) who purchase for cash and sell on a time-payment plan. An-Deez advertises “No down payment. Pay like rent.”

Shubin explains that his company usually “processes” three-bedroom frame houses bought from the state for $800 to $1,500. The company moves them to its lot in southeastern Los Angeles, remodels the fronts, changes “anything inside that is really ancient looking like plumbing or cabinets” and sells them for $3,500 to $5,000. The sales price includes cost of moving a house to a new lot. Shubin says the average buyer pays about $1,200 to have the house set on a new foundation and connected with utilities.

Houses are bought at public auction held weekly by the California highway division. Public bodies almost always pay the original owner well, then allow him to buy his house back for 10% if he wishes. If he doesn't, houses sell at auction or on bids.
ten the 30 houses that moved to old subdivision in Toledo

irty moved together in Toledo, 38 in Chicago

of the 30 houses that moved to old subdivision in Toledo

Frame house in highway path, appraised at $16,500, was sold by road contractor for a few hundred dollars. New owner has $17,500 home after spending a total of $12,500. Charges for raising wires along 1,000-yd. house moved came to $800. A builder could have made profit of $4,000 on this house.

If you plan to move one house or many, here are some things to watch out for:

- Be sure you have some place to move the houses to. Ten years ago in New Jersey a man bought 112 houses only to learn that Builder Emanuel Spiegel had cornered all the available property on the expectation he would have the lowest bid. Eventually they teamed up and split a small profit after moving the houses, fixing them up and selling them. “The market was still soft then,” Spiegel recalls. “A year later we would have netted a quarter of a million dollars.”

- Use the Jack-of-all-trades workmen if you can. Men who know how to construct a new house usually do not know how to fix up old houses.

- Get a complete estimate of wire and cable costs. They can run into thousands of dollars. The distance a house moves is unimportant; what counts is the number of wires to move, trees to trim, etc.

oledo two leading builders teamed up last year to rescue a ver of houses threatened by a new highway. Paul Fuller George Schuster bought 30 of 150 houses up for sale, had moved to an old subdivision that had never been a success, deled them elaborately and are now completing their last . They have made almost no profit. “We don’t know yet how going to come out,” Schuster says. “Wiring and plumbing us a lot more than we figured. We were 25% off on our esti­of improvement costs, I would guess. But we were pioneer­If we knew then what we know now, we might have made $0 a house. This sort of thing could be done profitably around country.”

bussey and Fuller found their biggest headache was getting $000 financing to do the job. Banks were rough on discounts, report. They had no trouble selling the houses. In their on, buying houses to move is economically feasible only there are ten or more to handle.

icago, exactly the opposite opinion is expressed by H. M. $y, who two years ago handled a somewhat similar opera­involving 38 houses. The houses were moved short distances $ route of the Congress St. superhighway and a little was spent ing them up on their new foundations.

was not particularly profitable,” Bussey says. Lots were to find and high priced. Bussey thinks house moving on a scale is not practical in a large city because utility lines are umerous to pay for moving.
More letters about the new law (see p. 64)

Unrealistic costs

A "community" exchange for used houses will not be so prac
go as a trade-in program retaining the competitive incentive when it is diminished in a "community" exchange.

Also: the home-improvement sections will not work until unrealistically high cost of rehabilitation is substantially redi
Modernization and standardization of building codes and elimination of featherbedding by labor unions are essentials in bringing prices in line.

Alexander Sum
Past president, N.
Member, President's Advisory Cam

Realty brokers are the best bet to start used house exchanges

Your suggestion of used house exchanges in every community is breathtaking in its potential. If the realtor-broker ever had a market created for him, this is it!

I would like to see the National Institute of Real Estate Brokers combine with House & Home to bring such a great opportunity to fruition.

In its inception I would like to see this program implemented by those true realtor-brokers whose yearly sales volume on existing houses is large enough to permit them to speak with authority and who are not in the realtor-builder classification. The realtor-builder has a divided interest.

New thinking about appraisals

"The new Housing Act can be no better than the FHA appraisal system."

In this one succinct sentence you have expressed the basic truth which will most affect the success or failure of the Housing Act.

We have all witnessed the failure of the GI Bill of Rights in too many instances to make possible home ownership in existing housing for many GI's through its unrealistic and outmoded appraisal system. Many GI's were forced to buy small, two-bed new houses when actually their family requirements were for two- and four-bedroom old houses.

These larger homes could have been made available at the price if the VA depreciation factor had not lowered their appraised price so far below their current market price.

The net result would have been fewer fringe-area eyesores, family frictions in too-small housing, a not nearly so critical school building problem with its soaring tax requirements, a new lease on life for good, older residential areas that have much to offer the young family of four or five.

If we can have the "new kind of appraisal" from FHA of the one that you speak there will be a rebirth and revitalization of our residential areas the like of which America has never seen.

Bruce Sar
Member, President's Advisory Cam
A appraisals

I don't believe many FHA local office underwriters are afraid of their judgment. Much of their judgment is poor because, in part, 1) they are p-to-date on values (public opinion on houses), 2) they are too circumscribed by complicated underwriting procedures up for years in the Washington office.

Rodney Lockwood
Past president, NAHB
Member, President's Advisory Committee

The architects' chance

They [the architects] never had such a royal opportunity, but they want their fee fixed first. . . . Instead of standing off and pointing at the terrible job the builders do, they should be offering helpful ideas on how to modernize and beautify. . . . It is my considered opinion that as materials continue to inch themselves up higher and higher an architect is more and more important to the builder, as mistakes can be eliminated on the drafting board instead of in the field.

Alan Brockbank
Past president, NAHB

The death sentence for private mortgage lending?

Your editorial develops these requirements, but I believe you have understated the full magnitude of FHA operations necessary to make the act effective. If the Housing Act is to have any real impact, the percentage of mortgage recordings under FHA control will have to be at least doubled, to at least 25% of the total.

Add to this basic increase the fact that underwriting scattered individual existing houses is much more complex and you raise the figure still higher. Then throw in the additional assignments given FHA by the Act and you have added elements which will require an increase in personnel, operating problems, and skilled administration of at least 1,000%. Such an expansion is truly Gargantuan!

Total localization

With FHA astride the mortgage lending operations of this country, performing all the necessary underwriting functions, setting up from a central headquarters minimum and maximum requirements for determining "sound" properties, "sound" borrowers, and "sound" mortgage transactions, and indeed taking all the risk of capital loss, what happens to the private lenders?

True, the nation's housing requires considerable improvement. True, a vital key to this improvement is credit. True, private lenders cannot assume all the risks in the kind of credit needed for upgrading our housing stock. But is total socialization of risk the only answer to this admitted need for partial socialization of risk?

Charles Wellman
Vice chairman of the legislative committee
National Savings & Loan League
New panelings cover old walls in a variety of designs and finishes

Often the cheapest and easiest way to reold walls is to install a new surface rigid, dilapidated plaster or wood. Remodelers' rajah's choice of panelings in easy-to-hand: fast-to-install—planks and sheets up to 4 with new materials coming from the manufacturers almost weekly. Four of the latest are:

*Harborite* is a plastic-faced plywood, grain appearance, that can be used inside or outdoors. Dark brown plastic hides the grain of the wood and provides a near-perfect surface for painting. Standard 4' x 8' panels are 5/16" thick; 7/16" for use without sheathing, and 7/16" for use with sheathing. Retail price for 5/16" panel: 31/2¢ per sq. ft.; 7/16", 38¢.

*Balura*, in name and appearance, is exotic and expensive. It has the expensive, imported hardwood face of the panels over a core of less-costly woods. Like *Tru-Wood*, the 4' x 8' panel is prefinished and waxed, so that nailing to studs or walls is the only labor involved. The panels are machined to permit butting without showing. Retail price: 53¢ per sq. ft.

*Kalabord* and *Kalatex* are two versions of a solid hardboard paneling, the first being a hardboard face laminated to a plywood back (1/4" thick), while the second is a solid hardboard panel used directly over walls, exterior application. Wholesale price: *Kalabord*, $145 per M; *Kalatex*, $130 per M. F.O.I.

*Tru-Wood* hardwood panels bring paneling to the do-it-yourself class, for the nine hardwood faces available are complete even to hanging and waxing. The 4' x 8' sheets are 5/16" thick; 7/16" are 41¢ per sq. ft. unfinished; 46¢ per sq. ft. finished and waxed.


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