

104TH CONGRESS
1ST SESSION

H. RES. 98

Expressing the sense of the House of Representatives on rising interest rates and the impact on the housing industry.

IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 24, 1995

Mr. WYNN submitted the following resolution; which was referred to the Committee on Banking and Financial Services

RESOLUTION

Expressing the sense of the House of Representatives on rising interest rates and the impact on the housing industry.

Whereas the Board of Governors of the Federal Reserve System and the Federal Open Market Committee has increased short-term interest rates 7 times in the 12-month period preceding the date of the introduction of this resolution, leading to an increase of two points in long-term interest rates;

Whereas during 1994, interest rates for conventional 30-year, fixed-rate mortgages jumped from 7 percent in January 1994 to 9¼ percent in December 1994 and this increase for conventional, fixed-rate mortgages translates into an additional monthly payment of \$140 on a \$100,000 mortgage;

Whereas the housing industry is the single most interest rate sensitive sector of the economy;

Whereas interest rate hikes have already had an impact on 1994 housing starts as sales of new homes fell during the last 2 consecutive months of such year;

Whereas housing economists project 1.09 million starts for single-family homes in 1995, a decline of about 8 percent from 1994;

Whereas the National Association of Home Builders projects that a 1 percentage point increase in mortgage rates renders 4,000,000 potential home buyers ineligible to buy median-priced homes under today's standard mortgage underwriting criteria;

Whereas the House of Representatives is concerned about future interest rate increases even though the availability of adjustable rate mortgages has somewhat mitigated the impact of previous interest rate increases;

Whereas any additional interest rate increase will severely inhibit adjustable rate mortgages from providing support to the mortgage market in 1995; and

Whereas there is normally a lag of between 6 to 9 months from the time the Board of Governors of the Federal Reserve System and the Federal Open Market Committee increase interest rates to the time the increase actually begins to slow the economy: Now, therefore, be it

1 *Resolved*, That it is the sense of the House of Rep-
2 resentatives that—

3 (1) the Board of Governors of the Federal Re-
4 serve System and the Federal Open Market Commit-

1 tee should act cautiously when considering any other
2 interest rate hike; and

3 (2) such Board or Committee should carefully
4 weigh the effects of past interest rate increases, and
5 consider that the economy may not have had time to
6 fully absorb the effects of these increases, before act-
7 ing to increase rates in the future.

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