

104TH CONGRESS
1ST SESSION

S. RES. 80

Expressing the sense of the Senate on the impact on the housing industry of interest rate increases by the Federal Open Market Committee of the Federal Reserve System.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 24 (legislative day, FEBRUARY 22), 1995

Mr. DORGAN (for himself, Mr. BAUCUS, and Mr. REID) submitted the following resolution; which was referred to the Committee on Banking, Housing, and Urban Affairs

RESOLUTION

Expressing the sense of the Senate on the impact on the housing industry of interest rate increases by the Federal Open Market Committee of the Federal Reserve System.

Whereas the Federal Open Market Committee of the Federal Reserve System has increased interest rates 7 times during the 12 months preceding the date of adoption of this resolution, despite the absence of any serious threat of inflation;

Whereas the inflation rate declined to very modest levels during the 4 years preceding the date of adoption of this resolution;

Whereas the Board of Governors of the Federal Reserve System maintains that the Consumer Price Index overstates the true rate of inflation by as much as 50 percent;

Whereas increases in short-term interest rates have been accompanied by increases in long-term interest rates, reversing the downward trend that helped strengthen the national economy;

Whereas such higher interest rates will have a devastating impact on the economy, including home builders, homebuyers, and homeowners;

Whereas higher interest rates will increase the Federal deficit by adding \$171,000,000,000, over 5 years, to pay the interest on the national debt;

Whereas the housing industry is one of the most interest rate sensitive sectors of the economy;

Whereas some home mortgage payments have increased by hundreds of dollars per month because of the increase in interest rates by the Federal Open Market Committee;

Whereas the interest rate on a 30-year fixed rate mortgage increased from approximately 7 percent since February 4, 1994, to the level of 9 percent 12 months later, increasing the monthly payment on a \$100,000 home mortgage loan by more than \$140 per month;

Whereas homeowners with adjustable rate mortgages will spend an estimated aggregate increase of \$12,000,000,000 to \$15,000,000,000, in monthly payments during 1995; and

Whereas the National Association of Home Builders estimates that a 1 percentage point increase in mortgage interest rates means that approximately 4,000,000 house-

holds could not qualify to purchase a median-priced home: Now, therefore, be it

1 *Resolved*, That it is the sense of the Senate that—

2 (1) additional interest rate increases at this
3 time could risk throwing the economy into a recession;
4 sion;

5 (2) the Board of Governors of the Federal Reserve
6 System should act with caution so as not to
7 risk another recession; and

8 (3) the Board of Governors of the Federal Reserve
9 System should carefully weigh the effects of interest
10 rate increases on homeowners, homebuyers,
11 home builders, and American taxpayers when evaluating
12 interest rate policy.

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