



# Capitol Reports

## HUD Abolishes MPS

by Harlow G. Unger

For the first time in more than half a century, home builders in the U.S. began the new year free of all federal building-code restrictions.

In one of the most far-reaching actions of the Reagan administration's conservative "revolution," the U.S. Department of Housing & Urban Development (HUD) has abolished the Minimum Property Standards (MPS) of the Federal Housing Administration—the federal building codes that effectively provided a nationwide minimum standard for home construction everywhere in the U.S.

Abolition of the standards this past November was the latest step in a sweeping effort by the Reagan administration to reduce federal regulations and transfer governmental authority back to states and local communities.

As a result of the move, the only home-building codes now in effect in the U.S. are those of the states and local communities. In some states, such as New York, New Jersey and Connecticut, state and local codes are far stricter than the now-abandoned federal codes, and the Reagan administration's move will have little effect on construction activity or home design.

But there are as many—if not more—states and communities where builders could "conceivably go with papier-mache bathtubs," according to one critic.

"In fact," writes Louis Ripskis, a HUD employee who publishes a newsletter often critical of his own department, "the builder could go even further and eliminate the bathtubs altogether [in some communities]. Bathtubs would no longer be mandatory. They could be replaced by showers."

But the National Association of Home Builders (NAHB) contends that federal housing standards had become so detailed and burdensome that they were hurting the quality and attractiveness of modern housing as well as blocking creativity and progress.

"We believe that abolition of federal codes will cut housing costs in the U.S.," said an NAHB spokesman. "The builder will no longer have to build two standards. We look for it to cut red tape in getting Federal Housing Administration insurance."

The federal standards grew out of the National Housing Act of 1934—part of Franklin Roosevelt's New Deal legislation aimed at pulling the U.S. out of the Great Depression. Designed to apply to property purchased with federally guaranteed mortgages, they soon were applied universally to all housing built with any federal subsidies or guaranteed loans.

The federal codes eventually pervaded every area of home construction, because it was impossible for builders to know in advance whether buyers would purchase their homes with government-guaranteed loans. So it is little wonder that millions of American homes built over the past 50 years look so similar.

NAHB and other supporters of the Reagan administration's move contend that abolishing the federal codes will produce greater variety in both the quality and appearance of American housing.

But critics of the administration say the end of minimum property standards could mean a deterioration of housing quality and safety. After all, the standards did define minimum

levels of sound, durable construction, privacy, comfort, natural light, ventilation and sanitation, and they provided for safe water and heating and for low maintenance and operating costs.

The standards ensured proper foundations and good roofs on houses and apartment buildings, and they prohibited bathrooms that opened into living rooms or kitchens—a common practice prior to their enactment. Indeed, many rural communities with no building codes permitted construction and habitation of mere huts without any sanitation facilities.

Although local and state building codes in most populated areas are quite strict, codes in many rural areas are still weak or nonexistent. Moreover, state and local enforcement varies

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widely. In many instances, powerful builders can influence local boards to provide variances to existing codes or bribe local inspectors to overlook code violations.

Industry analysts agree that the most far-reaching effects of the Reagan administration's move will be felt in the faster-growing areas of the South and West, where building codes are less stringent, rather than in the older, more heavily populated areas of the Northeast.

There is little question that local builders in general will be pleased with the reduction of much red tape and find that they are finally able to build according to local codes, with which many are familiar. Moreover, in many instances, they'll be able to build more imaginatively designed housing.

Federal standards, for example, have prevented many builders of homes and condominiums in resort areas of New England and the Rocky Mountains from installing floor-to-ceiling windows that reach too close to the ground, because of the dangers of flooding—even when the ground sloped away precipitously from such buildings.

Critics of federal standards cite regulations like these as all-too-typical examples of federal codes that fail to provide for variations in local conditions. Indeed, large facilities like condos and dormitories often take on the appearance of barracks because of the universality and inflexibility of the federal codes.

Still other critics of the now-abolished codes say they prevented construction of low-cost housing for the poor. The Federation of Appalachian Housing Enterprises, which serves low-income groups, says federal standards raised costs above what many families could afford. The Federation has developed a design for a low-cost home that is "warm and dry" but

has small rooms, few cabinets and no closet doors—and therefore would not meet federal standards. Nevertheless, the organization maintains that it would provide "decent, affordable shelter for low-income" people.

But supporters of the codes say their abolition was too radical a step. "We think it is important to have a national code," says Hal Wilson of the Housing Assistance Council in Washington, DC. "The goal should be to make the requirements simpler and more flexible—not to wipe them out," he says.

As the debate rages on, however, the fact remains that federal building codes have been abolished, and builders will have to familiarize themselves with local codes if they want to put up any housing. •

## News & Notes

Real-estate experts say that the so-called economic boom in the South and West is confined to the urban centers of only a few states. The term "Sun Belt" is a media creation rather than a reality, they add, because growth trends like those in the South and West can be found just as easily in the suburbs of northern cities.

Even the high-growth areas in the Sun Belt are not as well off as their counterparts in the northern suburbs. New employment is one thing, but economic growth another, they report.

The Sun Belt boom also has a downside, the magnitude of which is just starting to be realized, and Florida is a case in point. Florida is \$30 billion behind in payments for roads, schools, and water and sewer services to accommodate the state's population growth.

Recognizing that the big-growth problems of Florida and Texas are likely to spread to other Southern states, officials in other states are watching Florida with interest. •

What's the highest interest rate prospective homebuyers will consider before they drop out of the market? According to one recent poll, 50 percent of more than 400 realtors surveyed report that it's between 13 to 14 percent. Buyers on the East Coast—where the cutoff is over 14 percent—are more likely to swallow high rates, realtors report.

Meanwhile, studies indicate that when mortgage interest rates increase, real-estate inflation decreases—and when mortgage rates are more sensible, home prices escalate faster.

Between 1973 and 1979, home prices inflated 10.1 percent a year, while inflation as measured by the Consumer Price Index (CPI) rose 8.2 percent. Between 1980 and 1984, home prices jumped only 5.5 percent, compared to 7.6 percent for the CPI.

What all this means is that housing prices got ahead of themselves in the earlier period and are now rising slower than the cost of other goods and services. This can't be expected to continue indefinitely, however. If interest rates stop rising, home prices are expected to catch up with the general rate of inflation. • • •

Young, first-time homebuyers over the next two to three years will want a 1,400-square-foot contemporary-styled, unattached house with three bedrooms that is located within a half-hour's drive from their office, according to one recent survey. They will be willing to pay \$886 a month, or 30 percent of their \$35,000-a-year combined income, for the house.

Noting that "builders who focus only on today are very shortsighted," the survey reports that tomorrow's first-time homebuyers do not want the maintenance-free convenience of small condo living. Rather, they want the same type of home their parents bought 20 years ago. Apparently, however, there is one aspect that was always thought to be essential for the ideal house that they, and a lot of other buyers, aren't that concerned about.

According to another recent poll, this one conducted by Coldwell Banker Real Estate in Coral Gables, Fla., the time-honored cliché—that "location, location and location" are the top three considerations of American homebuyers—no longer holds water.

The poll revealed that location placed a poor third—behind price and condition—in the minds of 1984 homebuyers. Price and condition were rated as "very important" by 75 and 74 percent of those surveyed, respectively, while only 58 percent placed location in the same category. •