New Tool for Two-Family Homes

What happens on the streets of a city is often decided in the board rooms of banks. "Safe" fiscal policies have sent whole neighborhoods down the drain. "Enlightened" policies can carry such high economic risks that the private sector hesitates to embrace them. The older, or inner, city is the most common victim of these conflicting forces.

It is therefore encouraging that the problem is being addressed by the Federal Home Loan Bank Board, which sets the lending policies of all savings and loan associations. The board has proposed that associations be allowed to make a full mortgage loan on a two-family house even if the owner makes no more than a 5 percent down payment. If finally approved, as it should be, this proposal would replace the present minimum requirement of a 20 percent down payment. Any association could invest up to half its assets in such mortgages.

The liberalized terms are meant particularly to facilitate the purchase and repair of sound but decaying housing in older neighborhoods. That would permit many neighborhoods—such as the working-class communities of older New England cities, with their rows of wooden double-decker houses—to qualify for loans, and therefore for stabilization and upgrading. Such a policy not only broadens housing options but also promotes neighborhood conservation; it is policy that recognizes the needs of cities and offers a constructive urban objective.

Although the proposal would permit easier mortgages, it does not require the associations to grant them. Policy at the local level will be a critical factor. And the Home Loan Bank Board, a Federal agency, must still define the kind and amount of housing that will qualify under the new rules. One problem familiar to New Yorkers is that two-family homes often house three families. These, too, should be made eligible for the liberalized mortgages. It would be a travesty of good intentions if confusion and local inaction blunted this promising tool of neighborhood revitalization.