

Discussion of  
“Credit Crunch in Housing under Regulation Q”  
By Pauline Liang

Discussion by Jonathan Rose

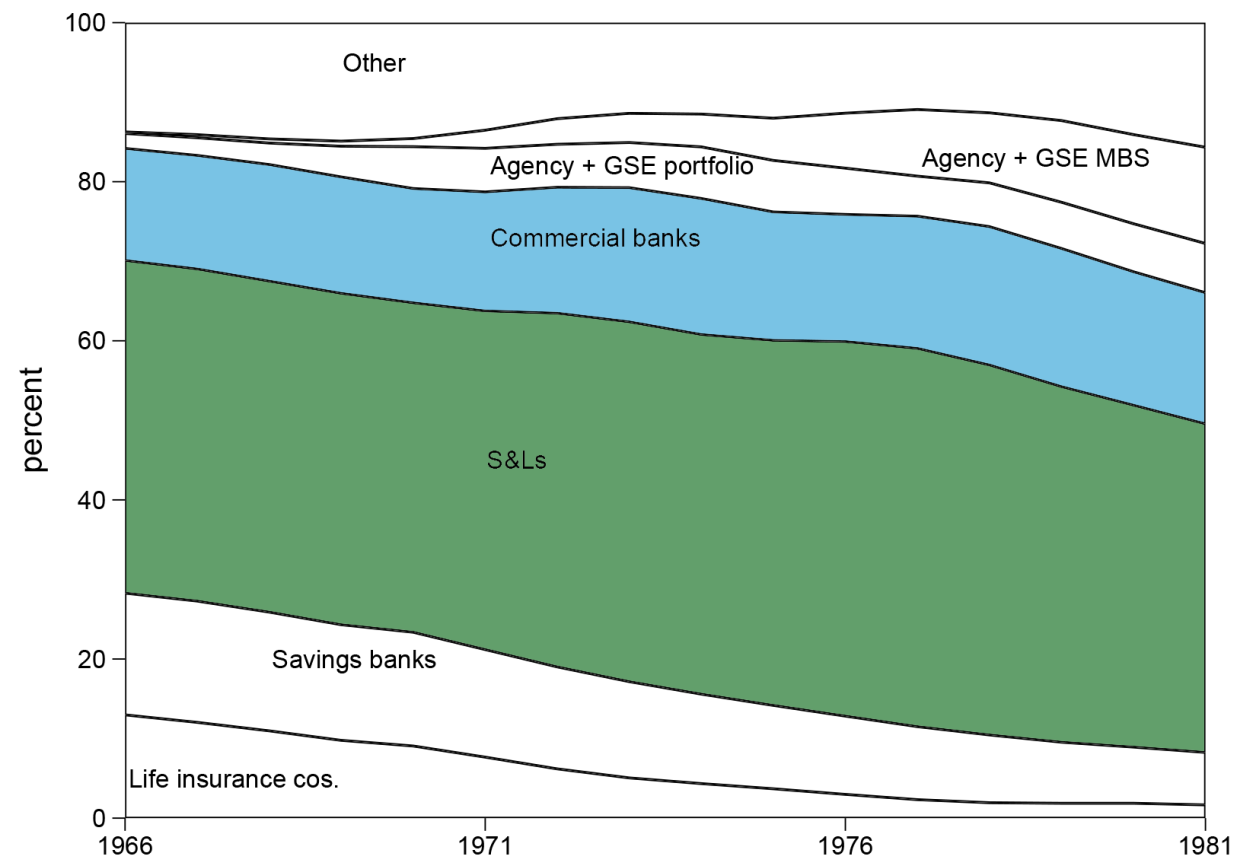
May 2026

NY Fed, Financial History Workshop

# 1. Commercial banks

Commercial banks did not pick up volume shed by S&Ls

- Did they want to?



Source: Federal Reserve Z.1

# 1. Commercial Banks

Segmentation limits substitution effect

43% of mortgages are

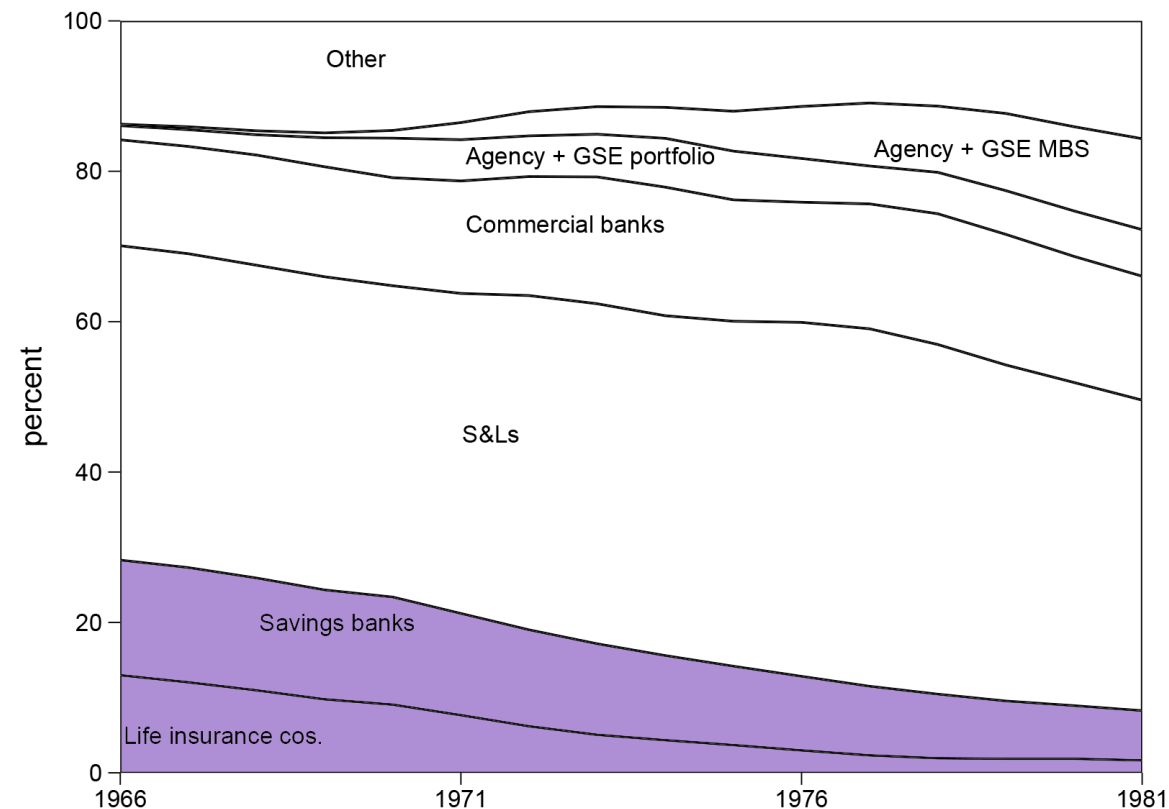
- Multifamily
- Other commercial
- Farm

Other loans .....	494,104
Real estate loans .....	126,173
Secured by farmland .....	5,797
Secured by residential .....	78,752
1- to 4-family residences .....	71,577
FHA insured .....	6,297
VA guaranteed .....	3,350
Other .....	61,930
Multifamily .....	7,175
FHA insured .....	1,064
Other .....	6,112
Secured by other properties .....	41,623

Source: Federal Reserve Bulletin, Dec. 1975

## 2. Life insurers leave the market

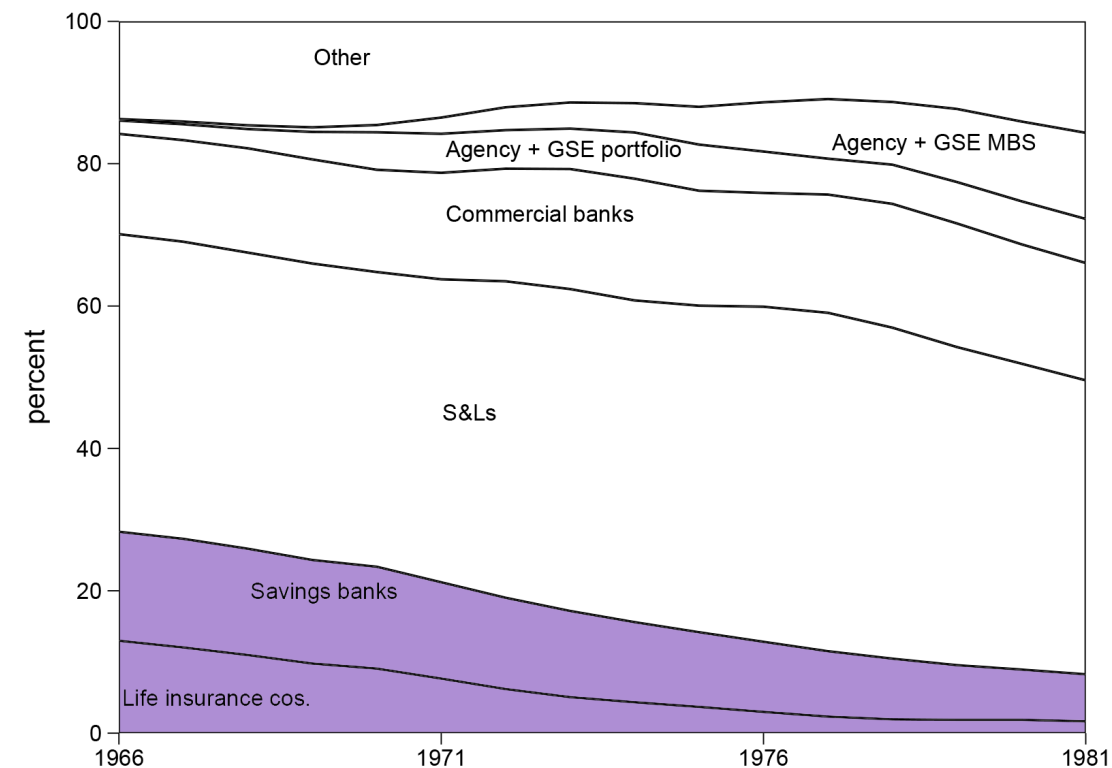
- Shift to assets with better inflation protection
  - Real estate
  - Commercial mortgages



Source: Federal Reserve Z.1

### 3. Savings Banks struggle too

- If data is available, would include them in analysis with S&Ls
  - Particularly important in northeast
- Additional challenges
  - Branching restrictions

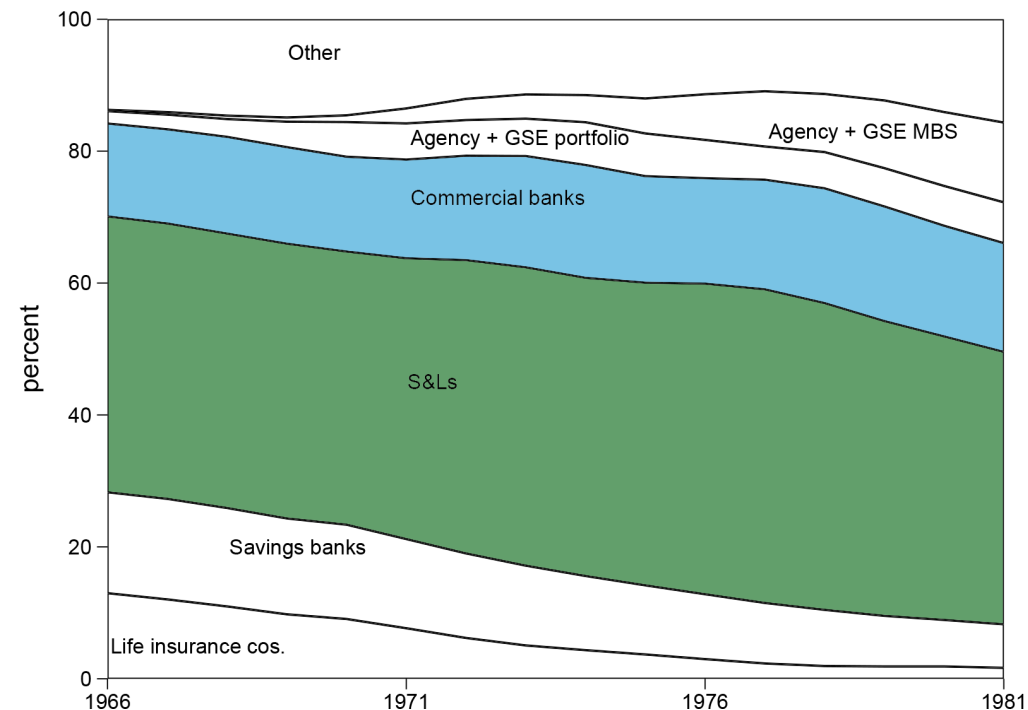


Source: Federal Reserve Z.1

# 4. S&Ls

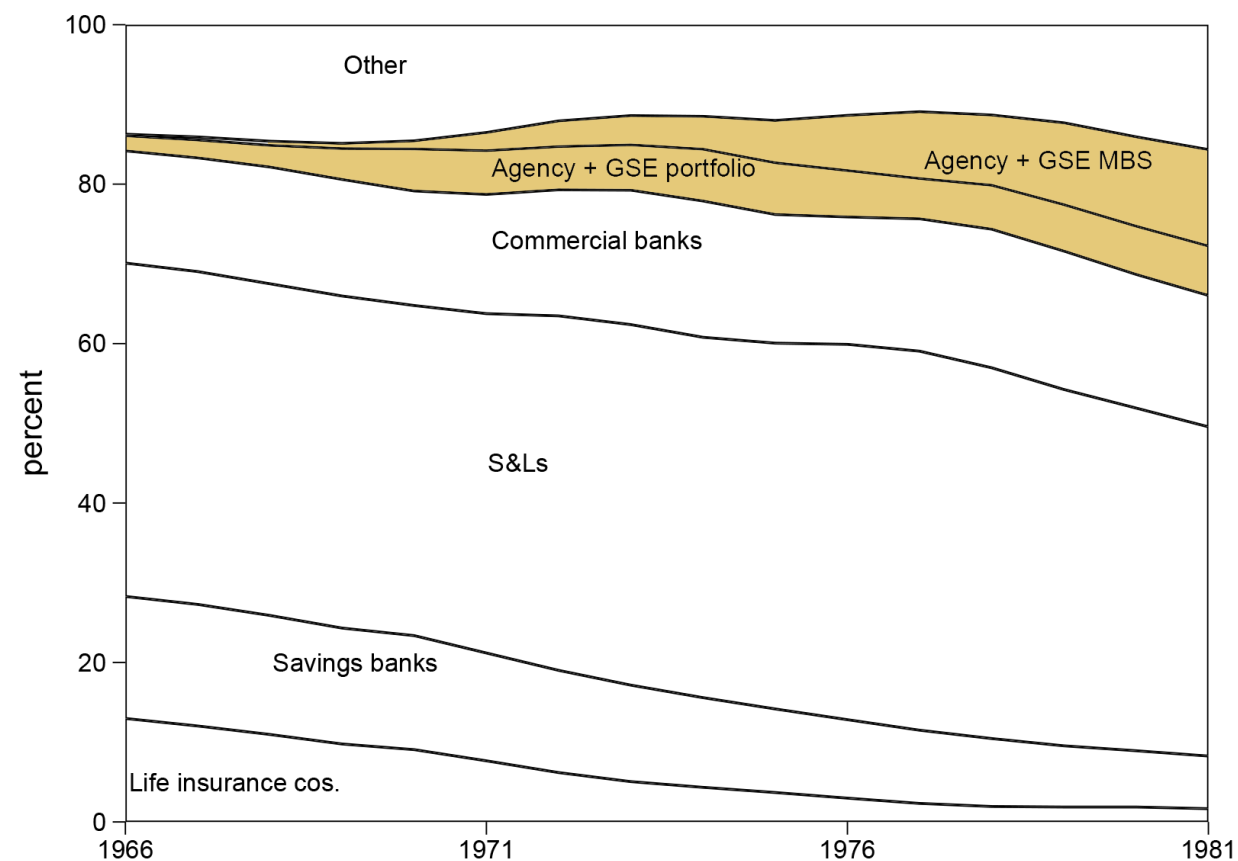
Attempts to help S&Ls with funding:

1. Federal Home Loan Banks
  - Can't raise enough funds to meet S&L needs
  - 1966 as example:
    - S&Ls originations fall to \$16.7b from ~ \$24 billion
    - FHLB advances outstanding increase on net by \$0.9 billion
2. Authorize private securitization  
but fails to take off
3. Create Freddie Mac  
But limited in first decade



# 5. Ginnie, Fannie, Freddie

- FHA, VA, Ginnie Mae, Fannie Mae
  - Worked with mortgage companies the most
- Freddie Mac
  - Designed to serve S&Ls
  - Much smaller than either Ginnie or Fannie as of 1980 though.



Source: Federal Reserve Z.1

# Comment - summary

- Several different funding mechanisms all had challenges simultaneously
- There were (insufficient) attempts to provide new funding to S&Ls
  - FHLBs
  - Freddie Mac
  - Private securitization
- With every other funding mechanism also under pressure, Reg Q had bite in the aggregate
- Maybe there a pocket of stability in FHA/VA markets?

# Ginnie + Fannie support FHA/VA market?

Hypothesis: FHA/VA market was less likely to be disrupted

1980 census statistics:

	<b>FHA or VA</b>	<b>Conventional</b>
Commercial Banks	5.7	17.3
S&Ls	13.9	53.3
Savings Banks	8.7	7.0
Life insurance companies	3.5	2.1
Ginnie + Freddie pools	33.1	4.4
Fannie Mae	14.0	3.1
Federal agency	10.0	0.9
Other	11.1	11.9
	100.0	100.0
Total outstanding	\$170 billion	\$476 billion