

# Cells may be slaves of future campus & city

Plant cells could be transformed into billions of microscopic slaves driven to produce the medicine, food and fuel demanded by future society, said a Texas A&M University chemist.

But for that to happen, more attention must be given to ways of deriving such compounds from plant tissue cultures, methods that are too expensive and unpredictable right now, said Dr. S.L. Lee of Texas A&M.

compounds, he explained, are the immense varieties of chemical makeup and reactions in plants, and the high expense of bringing tissue culture production to its optimal level.

Its application will likely be limited to synthesis of drugs such as anti-cancer solutions or antibiotics. But, said Lee, the technique is already being used to select and improve cell lines of crops and trees for improved production.

# Prime rate rises halt mortgage loans

By GARY A. WELCH  
Battalion Staff

Now that the prime lending rate has reached 15 percent for the first time in history, local savings and loans have virtually stopped giving home mortgage loans. This follows the action of local banks, who stopped giving home mortgage loans a few months ago, when the prime rate topped 14 percent.

"We're not making home loans right now," said J.B. Hervey, president of Community Savings and Loan. "About three weeks ago we stopped making them until the economy levels out a little. We are using the money instead for short-term investments."

The recent jump in the prime rate, the chief indicator of interest rates, has made it more profitable for lending institutions to invest funds in other areas. This is especially true in Texas, where state usury laws have only recently been amended to allow home loans with up to 12 percent interest. Banks, savings and loans and other lenders are now using funds to buy bonds, certificates of deposit and other short-term investments that are now yielding up to 14 percent, and no longer find it

profitable to lend money at 11 or 12 percent.

One reason interest rates have risen so much is the inflation rate, which has averaged over 10 percent for the last two years. Inflation tends to increase interest rates because it raises the cost of lending money, resulting in high finance charges that

**The housing investor most affected by the tight money situation, however, is the average home buyer, who usually must borrow money to make a purchase.**

are necessary to offset the currency's drop in value. High interest rates can also contribute to inflation by raising businesses' borrowing costs, which are usually passed on to the consumer through higher prices.

However, many area businessmen believe both the inflation rate and interest rates will peak during the first half of next year, making home loans feasible again.

"I am anticipating high interest rates for the rest of this year," Hervey said, "and to about the middle of next year." When the prime rate drops and home loans become profit-

able, he said, they will start making home loans again.

The current loan situation has had some effect on all people looking for housing in Bryan-College Station, especially those who are interested in housing as an investment.

The least effect has been on those who rent, because they do not require loans for housing. A person who rents is not really investing his money, he is only paying for a service, and receives no return on his money.

But renters can expect rising rents, which are loosely tied to inflation.

Marlene Farrar of A&M Apartment Placement Service said area rents now are about \$200 for unfurnished efficiency apartments, \$215 for one-bedrooms, \$250 for two-bedrooms and anywhere from \$250 to \$400 for two- and three-bedroom houses. If rents follow local and national trends, which have shown large increases in all highly inflationary years, they should rise about 10 percent a year in the near future.

The housing investor most affected by the tight money situation, however, is the average home buyer, who usually must borrow money to make a purchase. Home loans of this type are given for an average term of 25 to 30 years and cover an average of 80 percent of a home's cost, thus requiring a 20 percent down payment.

Loans from local institutions are not available to any of these investors. If they wish to buy they must obtain financing elsewhere. If they can find financing, however, the investment opportunities are good, even though high interest rates raise the cost of the investment and thus lower the yield.

For example, if a family head put \$10,000 down and borrowed \$40,000

at 12 percent for 30 years to buy a \$50,000 house, then when the loan is repaid in 30 years and the house has approximately quadrupled in value to \$200,000, the investor's profit would be about \$44,000. If the money had been available at 8 percent interest (the January 1978 prime rate), however, the profit

**Moderate increases are expected for apartments and other multi-family units, but construction of these units will not dominate the industry as it did in the mid-1970s housing boom, caused mainly by large increases in the student population at Texas A&M University.**

would have been around \$84,000 because the 4 percent reduction in the loan rate would have reduced total interest costs from \$106,000 to \$66,000.

Similarly, a person renting out a single house would make \$40,000 less over the same 30-year period with a 12 percent loan than with an 8 percent loan, a difference in return of over \$1,300 a year.

But even with high interest rates and the difficulty of getting financing, housing remains a good investment because it is one of the historically successful hedges against inflation, especially in this area, which is experiencing a steady population increase.

In the last four years, the average price of a house in Bryan-College Station has risen about 10 percent per year, while inflation has averaged about 8 percent. Other forms of investment, such as certificates of deposit and state, local and corporate bonds, have lagged behind inflation, yielding from 3 to 5 percent a year.

Perhaps the best aspect of investment in housing, however, is the eligibility for tax deductions. Both small investors and large ones, such as builders and realtors, can deduct from their taxable income both in-

terest payments on loans as

erty tax payments. Many large investors take

cess one step farther. Builders

realtors obtain large loans

speculative housing commo

for terms of 25 to 30 years, a

first few years can deduct the

payments, from their tax

come. After a few years, an

investor begins paying on the

principal of his loan and begins

tax advantage of interest pay

he can sell the housing unit

again, so both he and his bu

start this advantageous in

vestment process again.

In the last 10 years, buildi

experienced about a 50 per

cent jump in finance costs, but

increased their profits 50 per

cent mainly by taking maximum

advantage of these tax breaks

and cutting the costs of materials

and labor.

Even with the scarcity of

loans, the local housing ind

ustry is not expected to suffer.

In fact, interest rates begin to fall in

the future, the Bryan-College Sta

tion may see another boom simi

lar to the housing boom from 1973-7

5. Brazos County is rated as

one of the top 250 growth areas in

the country, with some predictio

of a 100 percent increase in popu

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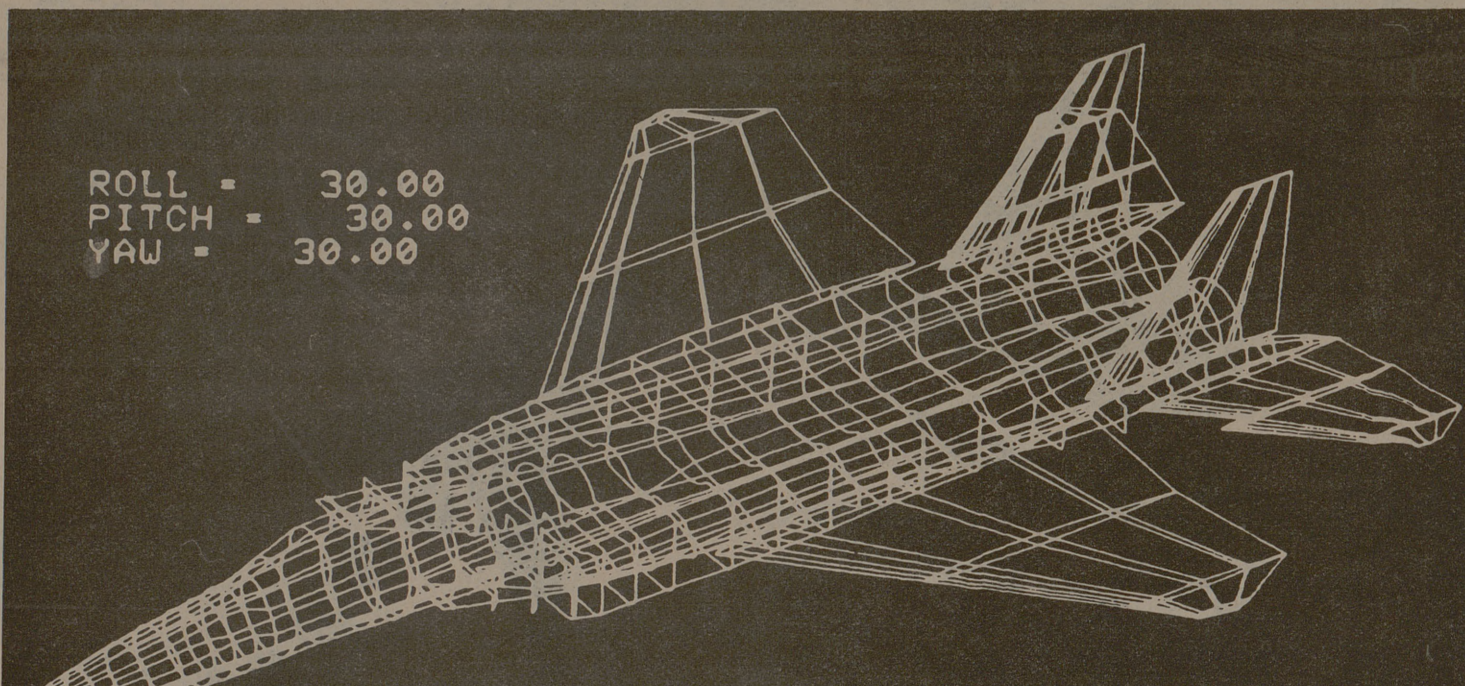
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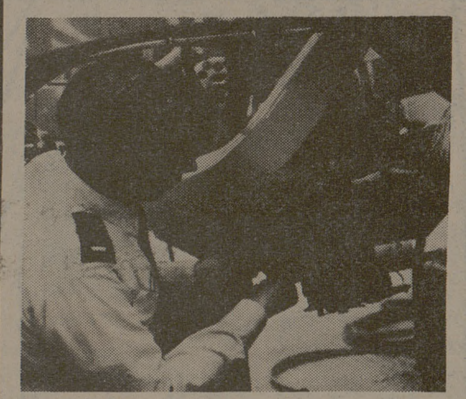


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