

THE
FIRST NATIONAL BANK
CHICAGO

EDWARD E. BROWN
President

May 28, 1936

Dear Marriner:-

I have your letter of the twenty-fifth instant, and while I cannot say that Ross' statements are untrue, I am sure they do not reflect any general condition in this territory. I have had our Real Estate Mortgage Department check to see if by any possibility we were the bank referred to in Ross' letter, and I cannot find that anybody has any memory of any such situations as Ross described ever having been presented to us.

Prior to the early part of 1935 it was difficult, if not impossible, to get building loans in Chicago. Since that time it has been my observation that anybody who wanted to get a building loan, either from a bank or an insurance company, on a 50%, or even a 60%, basis could get it provided the house was of a standard design, located in a section of the city or a suburb in which there was a demand for houses, and provided the amount of the mortgage on any single residence was not over \$20,000. I know from our own experience that we cannot get enough of such mortgages at a 5% rate to satisfy our own demand and the demand of our trust estates.

There is very little residential building activity at the present time within the city proper, but there is a very considerable amount of building going on in the suburbs and houses are being put up in large numbers by builders who intend to sell them when completed.

It is true that there is practically no second mortgage money available in Chicago and no means available for financing the difference between a 50% and 60% loan and the sale price. Up to 1929 there were hundreds of second mortgage companies and purchasers of installment paper in the city of Chicago, but they all went bust, without any exception that I know of, and the banks which had made loans to them, of which we were unfortunately one, suffered very severe losses.

THE
FIRST NATIONAL BANK
CHICAGO

EDWARD E. BROWN
President

Mr. Eccles

- 2 -

May 28, 1936

I do not know when or how a private market for junior financing is going to open up. Building costs are very high, due to what I think is a short-sighted policy of the building trade unions in holding wages at high hour levels, and preventing the use of labor-saving devices and the erection of fabricated houses. Any second mortgage financing, whether public or private, so long as building costs remain at their present level, must be hazardous. The cost today in Chicago in building a fairly decent single residence is three or four times what it was during the period prior to the World War.

Personally, I feel that if building costs were at a reasonable level a private market for junior financing would develop.

As to the F. H. A. insured mortgages, my own opinion and that of this bank is that the whole theory of the Act is fundamentally unsound, and that ultimately the scheme will get into difficulties unless the government comes to its rescue, which I suppose it will do. Except for the Continental, no important bank in Chicago is handling F. H. A. mortgages, but I am sure that every important bank is only too glad to get all the good small mortgages, including construction mortgages on single residences, that it can; if not for the investment of its own bank funds then for the investment of trust funds, provided the mortgages can qualify as being fifty or sixty per cent loans.

I do not know whether you know Mr. Ross, but he is quite a character about here, some 70 years of age, and enjoys polemical discussions.

With best regards,

Sincerely yours,

Mr. Marriner S. Eccles,
Chairman of the Board of
Governors of the
Federal Reserve System,
Washington, D. C.

