

January 28, 1937

Dear Stewart:

When I arrived at my office this morning, Mr. Robert W. Aldrich Rodger was waiting there to ask me if I would suggest to him how he might arrange a meeting between you and Mr. Stanton Griffis, one of the partners of Hemphill, Noyes & Co., to discuss the financing of large-scale housing projects by means of bond issues. Mr. Rodger also wished to know whether I should be willing to talk with Mr. Griffis or to join you in talking with him.

In this connection, Mr. Rodger gave me a memorandum which he had prepared and of which I am enclosing a copy herewith. He said that this memorandum represented the basis on which he wished to arrange an appointment for Mr. Griffis.

As my relationship with Mr. Rodger and his wife has been a very friendly one, and as I believe that their unsuccessful efforts to promote various housing projects have driven them to distraction, and perhaps also to pecuniary distress, I have tried to be even more than ordinarily patient in dealing with Mr. Rodger. However, like yourself, I find him somewhat of a problem, and I therefore wish you to know what I told him this morning.

I told Mr. Rodger that in my opinion such a meeting as he proposed should be arranged directly with you by Mr. Griffis. Mr. Rodger said that he himself represented Mr. Griffis and wished to arrange the meeting for him. I repeated that in my opinion the request should come directly from Mr. Griffis to you.

As to myself, I reminded Mr. Rodger that I occupied a subordinate position in one agency of the government, whereas you were the executive head of another agency of the government; and that I could not with propriety, unless at your specific request,

take part in any meeting the purpose of which I knew was to discuss a matter that was solely within your province and on which you had already given your decision.

As to the memorandum given to me by Mr. Rodger, I told him that it undertook to speak for investment bankers generally--something that he was not in a position to do, and that in fact could be done only by a duly authorized committee of the Investment Bankers Association or some other representative group. I told him further that, as parties at interest in promoting or financing the Henderson project, he and Mr. Griffis would do better to confine their discussion to that project and let the investment bankers speak for themselves on the matters dealt with in the memorandum.

Yours sincerely,

(Signed) Matt Daiger

J. M. Daiger  
Special Assistant to the Chairman

Hon. Stewart McDonald  
Federal Housing Administration  
Washington, D. C.

Enclosure

COPY

STATEMENT

The key log in the housing jam has always been a lack of adequate financing. But billions are available at a word from the FHA Administrator.

QUESTION

What should be the proper attitude of the FHA Administrator toward the proposal of investment bankers that they be permitted to pour billions of dollars into the FHA large-scale apartment and community housing program, on a bond issue basis, for public subscription?

ANSWER

Our system of mortgage financing is archaic and cumbersome. It affords but poor security to the investing public, and, as now operated and controlled, it constitutes the chief obstacle in the way of decent homes, at a lower cost, for the larger part of the lower income groups. Consequently, if the industry is to build better homes, at a lower cost, for a wider market, it must be financed like the other heavy industries by long term bond issues, the transaction financed in a free money market, at a price determined by the supply and demand for money. Because it is economically unsound and socially unjust, we must put a stop to the practice of financing our basic industry at the will of, and at a price fixed by, the Mortgage Monopoly.