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2317 South Jackson St.
Denver, Colorado

March 10, 1945

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

Dear Sir:

In your search for practices which lead to inflation and particularly with reference to your desire to curb "margin" trading, please do not overlook the extreme example offered by real estate dealers and builders at the present time. It is common practice in Denver and I am sure elsewhere, for a builder to obtain permits to construct "war housing", obtain a 90% loan from the FHA and then rent the property for an amount which brings an extraordinarily large return on the equity. After renting for a few months, many of these housing units are sold at profits which must run from 100% to 500% or 600%.

In buying stocks on the Stock Exchange, a loan from a broker can be obtained equal to about 50% of the value of the stocks. Likewise, collateral loans can be arranged at banks at around the same level. But in buying "war housing", a loan of 90% can be obtained, and the ironical part of it is that the money is actually put up by a governmental agency and at a very low rate of interest.

In fact, builders many times include an exorbitant wage for themselves in determining the cost of the property, so that the loan is closer to 95% of the true cost. You can readily see that this leads to ownership of real estate on a very thin margin of equity and is a great inducement to speculate wildly in the construction of large housing units. If you are truly interested in curbing inflationary practices, the housing industry offers a far more flagrant situation than the stock market. Perhaps it would be wise to investigate these situations in the order of their importance.

Very truly yours,

(Signed) David F. Lawrence

March 14, 1945.

Mr. David F. Lawrence,
2317 South Jackson Street,
Denver, Colorado.

Dear Mr. Lawrence:

This is to acknowledge your letter of March 10 which deals with FHA practices or procedures, and I am, accordingly, referring it to Mr. John B. Blandford, Jr., Administrator of the National Housing Agency, for his information and such reply as he may care to make.

I appreciate your interest and courtesy in writing.

Sincerely yours,

M. S. Eccles,
Chairman.

ET:b

March 14, 1945.

Honorable John B. Blandford, Jr.,
Administrator,
National Housing Administration,
Washington 25, D. C.

Dear John:

Enclosed is a letter I received from Mr. David F. Lawrence of Denver, Colorado, which cites alleged practices in regard to FHA financing operations. I am not familiar with the situation to which he refers and thought possibly you would be interested to see it and might care to reply.

Accordingly, I have advised Mr. Lawrence that I was referring his letter to you. In case you feel that some reply is appropriate, I would appreciate having a copy for my own information.

With kindest personal regards,

Enclosure

ET:b

NATIONAL HOUSING AGENCY

WASHINGTON 25, D. C.

OFFICE OF THE ADMINISTRATOR

March 21, 1945

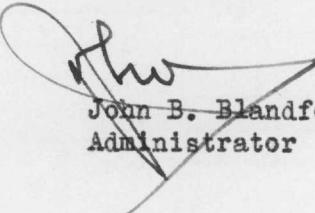
Marriner S. Eccles, Chairman
Board of Governors
Federal Reserve Bank
Washington, D. C.

Dear Marriner:

I think Mr. Lawrence misunderstands the entire
FHA financing operations, so I suggested that he visit
W. M. Bennett, FHA State Director in Denver.

Attached is a copy of my letter to Mr. Lawrence.

Sincerely,


John B. Blandford, Jr.
Administrator



MAR 21 1945.

Mr. David F. Lawrence
2517 South Jackson Street
Denver, Colorado

Dear Mr. Lawrence:

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve Bank, has asked me to reply to your letter of March 10.

No one questions that there has been a real estate inflation and we all are trying to combat it. However, the practices you cite in your letter to Mr. Eccles do not exist so far as I know.

In the first place, the Federal Housing Administration does not loan any money. All it can do is insure a mortgage loan made by a private lending institution. The presumption is that the private lending institution seeks to make a sound loan --and the FHA checks upon that loan for its own protection.

In the second place, if war housing is being sold at the profit you mention, it is a case for court action and we would appreciate some evidence.

It is true that FHA Title VI was passed by Congress in order to protect builders under wartime conditions. But as close a check as possible under such conditions has been made throughout the war program.

I suggest you pay a visit to W. M. Bennett, FHA State Director, 203-211 Boston Building, Denver. He may be able to explain some of the situations which trouble you.

Sincerely,

John B. Blandford, Jr.
Administrator

Mr. David F. Lawrence
2517 South Jackson Street

cc: Mr. Eccles

cc: Mr. Eccles

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