

Office Correspondence

FEDERAL RESERVE
BOARDDate May 3, 1935.To Governor EcclesSubject: Architectural Forum articleFrom Lauchlin Currieon real estate loans.*L.C.*

4-0 16-852

I should not recommend your making further use of the figures given in this article to demonstrate that a high percentage of real estate loans does not mean a high percentage of failures. In the first place, the percentages are for all member banks. While the average percentage of real estate loans for all member banks in a district may have been low, the percentage for the banks which failed may have been very high. In the second place, the real estate percentages are for the period 1929-1934, while the failure percentages are for the period 1921-1934. Obviously real estate holdings in 1929-1934 could not have been responsible for high or low failures in the years 1921-1928. In the third place, only loans on urban real estate are included, although loans on farm land are of equal importance in the small country banks which make up the largest proportion of failures.

I think that our figures on the percentage composition of suspended national banks are more conclusive.