



TREASURY DEPARTMENT

WASHINGTON

January 21, 1935.

Honorable Marriner S. Eccles,  
Governor, Federal Reserve Board,  
Washington, D.C.

Dear Governor Eccles:

Enclosed is an amended statement of the compromise  
agreement reached by the Housing sub-committee on Saturday.

Very truly yours,

A handwritten signature in cursive script, appearing to read "C. B. Upham".

C. B. Upham.

Agreements reached by sub-committee on Housing.

1. It was agreed that the borrowing power of HOLC should be extended by \$1,250,000,000, with the understanding that of this amount, \$900,000,000 would be used for loans to clean up mortgages in distress for which applications are already in hand, not to exceed \$100,000,000 for modernization and repair loans, and not to exceed \$250,000,000 for purchase of debentures of Home Loan Banks, and/or purchase of stock of Federal Savings and Loan Associations.

Mr. Coolidge disents in that he does not agree to any Federal funds for Home Loan Banks or Federal Savings and Loan Associations.

Mr. Fahey wants it understood that the above allocations are not mutually exclusive, but that the whole billion and a quarter might be used for loans, but not more than the quarter billion for the Home Loan Banks and savings and loan associations. He also wants it understood that there are 500,000 apparently eligible distress applications pending for which there are no funds. The Home Loan Bank Board is convinced that the situation cannot be cleared up this year with less than \$1.5 billion available.

2. It was agreed that the Home Loan Banks should establish a rediscount rate of three per cent on all mortgages bearing not in excess of five or six per cent interest.
3. It was agreed that National Mortgage Associations might be formed with capital of \$2,000,000.
4. It was agreed that the rate on insured mortgages would be five or six per cent, and that the rules and regulations of the FHA would be amended to permit sale direct, with continued servicing, to

individuals, trust funds, and private institutions.

Mr. Moffett had a reservation on this point.

5. It was agreed that insured mortgages would be made eligible for borrowing from Federal Reserve Banks.
6. It was agreed that Title I of the Federal Housing Act would be liberalized to permit the making of industrial modernization loans up to \$50,000. Whether these loans would be made by the Federal Housing Administration or by the Reconstruction Finance Corporation was not determined.