

## Office Correspondence

FEDERAL RESERVE  
BOARDDate April 23, 1935To Governor EcclesSubject: Mortgage Discount BankFrom J. M. Daiger

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As a result of my politely discouraging attitude in the conversations with Schmidt, Nelson, and MacDougall, of the National Association of Real Estate Boards, that organization has turned away from its plan to establish a mortgage-discount bank within the Federal Reserve System.

This does not mean, however, that there will not be another effort to establish some kind of mortgage-discount bank other than the national mortgage associations. A revised bill is being prepared, or has already been completed, to establish a mortgage-discount bank under what Schmidt referred to, in his last conversation with me, as "private auspices." I have no doubt, though, that it will look to a governmental guaranty of debentures, or else to capital subscription by the Government in the first instance.

The National Association of Real Estate Boards has been officially urging the establishment of a mortgage-discount bank for the past four or five years -- I think from the outset of the Federal Home Loan Bank legislation during the Hoover Administration. What they are after is, in practical effect, a GMAC for all classes of real estate mortgages.

The real author and chief sponsor of the plan is Schmidt. He is persistent, uncompromising, and quite incapable of thinking of mortgage financing outside the framework he has himself designed. Since he is now president of the National Association of Real Estate Boards, he is in a position to push his discount bank harder than ever.

I have been making various inquiries about the extent of the support for his forthcoming bill, and I am told, in substance, that if Schmidt died tomorrow the plan would be forgotten as far as the bulk of the Association membership is concerned.