

Office Correspondence

FEDERAL RESERVE
BOARD

Date January 15, 1935

To Governor Eccles
om Mr. DaigerSubject: Further modification of regula-
tions governing Title II.

611 16 852

In writing the attached memorandum, I covered all the points that you mentioned yesterday afternoon, but I omitted three additional points that I think are important also. My reason for not including them in today's memorandum is twofold; first, a desire to keep the memorandum short; second, the assumption that these points can be taken up later if the Committee's reaction to today's memorandum is favorable.

1. The regulations governing Title II still contain restrictions as to the population of the community (6,000) in which the mortgagee is located, and as to the unimpaired capital (\$50,000) and surplus (\$50,000) of the mortgagee. These restrictions, it seems to me, might well be removed in the case of lending agencies that are supervised and examined by State or Federal authorities. What I particularly have in mind is the desirability, as a practical matter, of having at least one approved mortgagee, regardless of its size, in every county seat, regardless of its size.

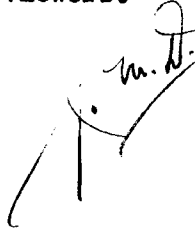
2. The regulations make it mandatory that amortization payments be on a monthly basis. This is a difficult mental hazard for institutions that have had no previous experience in the monthly amortization of their mortgage loans. In the first place, they will get the mistaken impression that a great deal of additional labor is involved in handling these accounts; in the second place,

they will get the equally mistaken impression that the cost of handling such accounts is in proportion to the number of installments. A more practicable regulation would be one stipulating that amortization payments be required monthly, quarterly or semi-annually, in the discretion of the mortgagee. There certainly are many borrowers who can be relied on to meet quarterly or semi-annual payments, and who would have as much reason as their bank for not wishing to put their mortgages on a monthly installment basis.

3. There seems to me to be the same reason for simplifying the appraisal procedure that there is for simplifying the credit investigation. It seems to be unduly burdensome to have the borrower bear the cost of a dual appraisal when the Federal Housing Administration, on the one hand, has established definite standards of appraisal practice, and when the mortgagee, on the other hand, has to be approved by the Housing Administration as responsible in the first instance, and then has to run the risk of loss of interest and delay in the collection of principal in the event of default. The decision to operate under a system of independent appraisal of all properties, through a far-flung staff of appraisers, seems to have been taken without a realization

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of the opportunity,afforded by Title II, to place a great
deal of reliance on the approved mortgagees and a relative-
ly small staff of expert reviewers.

A handwritten signature in black ink, appearing to be "M. J.", written in a cursive style.