Your suggestion that the premium for insurance should be based on the risk involved certainly is sound. The whole theory of the present set-up is fatally bad in that the premium charge is not based on the risk involved but rather on who happens to place the mortgage and for what purpose.

On Monday of this week we made an announcement in the local newspapers that we were prepared to receive applications for loans under Title II of the National Housing Act. We have since then had numerous applications and invariably the home owner has not only been disappointed but has expressed his surprize at the high rates involved. A few have made application, feeling that it is necessary to refinance their property notwithstanding the high rates. A few have very frankly stated that under existing conditions they were able to borrow money at lesser rates than those provided by the National Housing Act and only those who need to borrow an excess amount seem interested in pursuing the matter beyond the point of ascertaining the cost. We have had a few cases where the prospective borrower has reviewed the application blank, has handed it back to us and said he would not care to go through the complicated process of securing such a loan. I am giving you here the result of our actual experience with the public and feel confident the situation will only become more aggravated as the public becomes more familiar with the present regulations.

I might say for your information that the applicants seem to take kindly to the procedure of paying taxes monthly, even though they are paying them in advance, and feel this is going to relieve them of considerable worry each year over endeavoring to save sufficient to meet taxes when they become due. It does seem important, however, that some provision should be made for the protection of the borrower in the event of the failure of an approved mortgagee.