

CONTINENTAL FINANCE CORPORATION

307 WEST EIGHTH STREET

TRINITY 0011

LOS ANGELES, CALIFORNIA

Handwritten:
L. W. King
Draft 1/24/35

April 13th, 1935.

Mr. Marriner S. Eccles, Govenor,
Federal Reserve Board,
Washington, D. C.

Dear Marriner:

Knowing of the interest taken by you in the Federal Housing Administration program, I feel justified in submitting the following plan of operation of the Continental Finance Corporation.

Under date of November 13th, 1933, our plan was submitted to the Reconstruction Finance Corporation in Washington, with a request for financial assistance up to \$2,000,000, this fund to be released thru associated lumber yards of this Corporation, in order to supply the necessary capital for needed new construction. Our plan was approved and we were instructed to proceed with the organization of our company. Since that time the Federal Housing Act came into existance and our operation has now been confined to this plan of financing. As we are dependent upon the banks for building capital we have found a lack of co-operation and a policy tending to discourage the prospective home builder.

Our organization has the full support of the Federal Housing Administration and we can become a vital factor toward the success of this program. We have at the present time, several hundred thousand dollars in building projects that can qualify for insured loans, however our problem is to provide capital for interim financing, to be used only during the period of construction and operate independ^{of} the banks. The initial amount required in order to handle our present business needs would be at least \$500,000, this to be handled through a bank trusteeship which we have arranged for. Loans are to be made only after the Federal Housing Administration has qualified the application for an insured loan.

We realize this money must come from private sources and if obtained, we can pay a seven percent rate of interest over a designated period of time. We have a

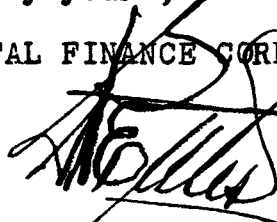
ready market for insured loans and the capital required would operate as a revolving fund during the period of construction only.

Our earning power will justify a seven percent rate of interest as we bring under control the building material accounts both retail and wholesale. In other words, we have signed up with several of the major lumber yards in Los Angles allowing us a 10% brokerage on the retail account and a compensating amount of wholesale business for the manufacturer.

The object of this letter is to obtain from you a possible source from which this capital can be obtained, with the understanding that the project must stand on it's own merits and justify the consideration. I will consider it a very great favor if you choose to give some advice and assistance in behalf of our efforts. The Corporation directorate consists of a number of prominent business men of this City and is substantial in every respect.

Sincerely yours,

CONTINENTAL FINANCE CORPORATION

A handwritten signature in black ink, appearing to read "R. S. Eccles", is written over the typed name. The signature is stylized and somewhat cursive.

R. S. Eccles, Vice-Pres.

April 26, 1935

Mr. R. S. Eccles,
Continental Finance Corporation
307 West Eighth Street
Los Angeles, California

Dear Roland:

From what you tell me of the ideas you have in mind for the Continental Finance Corporation, I take it that you have been considering your available building projects in the aggregate rather than as separate operations, or as a series of operations, and that it is for this reason you are looking for a private source of working capital of \$500,000 or more.

Your prospect of getting under way would be much better, I believe, if you put aside for the time being the idea of raising such a sum as this, and undertook instead to finance the projects separately. There would be the more reason for doing this since, as you say, (1) the projects qualify for insurance under the National Housing Act and (2) you have a ready market for insured loans.

In these circumstances, the general approval that you say has already been given to your plan of operation by the Reconstruction Finance Corporation and the Federal Housing Administration should be of very real assistance to you.

What I would suggest is that you make a practical test of financing one of your operations through existing means, selecting for this purpose a project that you know would be attractive and salable, and that under ordinary circumstances would appeal to any bank as sound. This would imply, of course, among other things, that it was brought to you by a reputable and responsible contractor or developer, who would carry out the work and perhaps be the actual principal.

You would be able to offer to a lender, then, three commitments that would assure the safety of a construction loan -- the commitment of the contractor to build, the commitment of the Federal Housing Administration to insure, and the commitment of an approved mortgagee to take the insured mortgage on completion of the project.

All these commitments can be (and in fact should be) obtained in advance of your applying to a bank for a construction loan. Having obtained them, your next step would be to try to obtain a construction loan through the usual sources, preferably under the terms of Section 24 of the Federal Reserve Act as amended by Section 505 (b) of the National Housing Act. Your prospect of obtaining such a loan should be greatly enhanced by your having the commitments that I have referred to already in hand.

However, if you should still be unable to obtain the loan, I would suggest that you get in touch with the secretary of the Industrial Advisory Committee at the Federal Reserve Bank of San Francisco with a view to determining whether your company or the contractor, having been unable to obtain a construction loan from the usual sources, would be able to qualify for a working-capital loan under the terms of Section 13b of the Federal Reserve Act.

While you are about it, you might also put the project up to the new RFC Mortgage Company and ask whether it would finance the construction on that or similar projects -- that is, if the usual sources fail after you have followed the course that I have outlined. There is a loan agency of the RFC at the Federal Reserve Bank of San Francisco.

I shall be interested to hear how your efforts work out.

Sincerely yours,

M. S. Eccles.
Governor

JMD