Ogden, Utah
August 19, 1936

Mr. Fred E. Smith, President,
First Security Trust Co.,
Salt Lake City, Utah

Dear Fred:

The enclosed memorandum dated August 4th from Mr. Daiger was received just prior to my departure from Washington. This, together with the bulletins referred to, which are also attached, I am sure will be of interest to yourself and Mr. Granville.

With best regards,

Sincerely yours,

M. S. Eccles

Enclosures

SUBJECT	F. H. A.
	W. W. Anderson George S. Eccles
FROM	M. S. Eccles
REFERENCE	
DATE	August 19, 1936

The enclosed copy of memorandum dated August 4th from Mr. Daiger, is forwarded for your information.

M. S. ECCLES

Enclosure

C
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August 4, 1936

To Mr. Eccles
From J. M. Daiger

When you get out home, you might be interested in bringing to the attention of Mr. Fred Smith and Mr. Granville the five bulletins thus far issued by the Technical Division of the FHA. The bulletins thus far published deal with prefabrication, modern design, contract documents, small houses, and neighborhood planning. A sixth bulletin, on mechanical equipment, is in preparation.

As the FHA has passed from the ballyhoo stage to the stage of more orderly operation, the work of the Technical Division has gained in importance and emphasis, and I think now stands out as the most creditable part of the FHA performance. I do not refer only to the studies that it has made, but more particularly to the practical assistance it has given to operators with either large-scale apartment projects or sub-division projects.

As you know, I felt some apprehension last year about the extent to which new construction was being concentrated in the higher-priced brackets. I am still quite convinced that we can not have a long-sustained revival in residential construction unless we get the very reverse of the price-boosting process that Moffett undertook to inaugurate when he was made Federal Housing Administrator. McDonald has himself been afraid, as Moffett was, to face the price-reduction question. However, McDonald has more recently made an approach to the price question by the indirect means of the small house.

For my own part, I have been pressing the small-house matter with the FHA people ever since last fall, when I first began to formulate the legislative proposals for 1936. The failure to get the legislation that would have encouraged and facilitated the small-house development has of course been a handicap. Nevertheless enough definite progress has been made to make it evident that a huge market can be developed if the price question is frankly faced.

Up to June 30, 1935, for example, the average mortgage accepted for insurance by the FHA on new construction was $4,946. For the first six months of this year the average was $4,814; for the month of June, $4,644. This declining tendency, reflecting the emphasis given by the FHA this year to small-house construction rather than the mere "Build! Build! Build!" ballyhoo, is actually against the general trend indicated by the figures of the Bureau of Labor Statistics on building permits issued for single-family dwellings. These show a gradual rise from $3,800 in February 1935 to $4,688 in February 1936.

In other words, I would say that the trend of new construction under the Housing Act reflects a more healthful condition than the trend of new construction generally. This is a fair conclusion even though the average new house under the Housing Act is built to sell at a higher price than the average of all new houses. The latter figure necessarily reflects a great volume of construction that would not be up to the standards required for mortgage insurance. The most recent figures that I have on the FHA small-house program show that, for the period from May 9 to July 3, 25 per cent of the applications for insurance of new construction covered mortgages under $3,000.

Some scattered information that is not yet sufficiently complete to indicate a definite trend does, however, show the attitude of various sub-division operators. It appears that in Detroit about half a dozen new sub-divisions are starting construction in the $3,500-to-$4,500 price range; in Queens County, within the Greater New York area, one large sub-division is selling houses in the $2,500-to-$3,500 price range; in Queens County also there are a number of operations in the $3,500-to-$4,500 price range; in Chicago six or eight new sub-divisions are projected in the $4,000-to-$6,000 price range; in St. Louis there is a good deal of activity in the $3,500-to-$4,500 price range, which I am told is a decided departure for that city; in Portland, Maine, there are two or three new sub-divisions where the price is around $2,500; in San Antonio houses are being built to sell as low as $1,500, though the bulk of the activity is in the $3,000-to-$3,500 price range; in the Rio Grande Valley (Arizona and New Mexico) there is a good deal of activity in the $2,500-to-$3,500 price range.

Washington, D. C., diverges sharply from the general trend. Here the prices run from $4,700 to $12,000, without any marked concentration in any one price range. Several new sub-divisions are in prospect, however, in which the prices will run from

$3,500 to $4,750. In the California cities there is also a wide distribution, with a great deal of activity throughout the state at prices from $3,000 upward.

I am going into the question of mortgage policy from the standpoint of the Federal Reserve System in a memorandum that I am writing for Mr. Ransom on Regulation A, and I shall send you a copy of that memorandum.