

January 19, 1937

Dear Robert:

Mr. Eccles has told me of the conversation he had with you last week at the request of Mr. Frederic A. Delano, and has asked me to look over the memorandum and the copy of your letter to Mr. Draper that you left with him.

When you recently asked me if I would arrange for you to talk with Mr. Eccles, I told you quite frankly why I thought no practical purpose could be served by your relating to him the difficulties you have experienced in your efforts to finance the proposed apartment building on the Henderson property. After reading the papers that you left with Mr. Eccles, I am still unable to make any suggestion that I think would lead Mr. McDonald to alter his decision in regard to the method of financing proposed in your last correspondence with him.

The papers that you left with Mr. Eccles relate in the main to matters with which I am of course familiar, and which you have discussed with me frequently and at great length. I am also familiar with the correspondence that passed between you and Mr. McDonald from September 11 last to January 4. Copies of this correspondence were sent to me by Mr. McDonald on January 5, following an expression of interest on my part in some conversations which you told me you were having with the FHA people during the last two or three days of December.

You will recall your telling me, early in December, that the FHA people were urging you to re-submit the Henderson project. You asked me if I would not give you my candid and personal advice, in the light of my knowledge of your circumstances as well as of the Housing Act, as to whether it would be worth your while to go to the trouble and expense of the visits to Washington that your re-submission of the Henderson project would necessarily involve.

As you know, I expressed myself as at a loss to understand why the FHA people would make such a request of you at that time. My advice to you, however, was as candid and as personal as I knew how to make it. It was that, if I were in your place, I should not spend even the price of a five-cent telephone call in any further effort to promote the project unless and until the guaranty clause in Title II of the Housing Act were extended and the "persons of low income" and "low-cost housing" clauses eliminated from Section 207.

When I subsequently asked some of my friends at the FHA why they had urged you to re-submit in December a proposal that had been only recently rejected after prolonged negotiations, they assured me that they had not urged you to re-submit the project, and they expressed surprise and wonder as to how I might have obtained the impression that they had done so.

Both from what you have told me and from what I have observed over the past couple of years, I am sure that the FHA people have shown every desire to assist you and encourage you in your efforts to avail yourself of the provisions of the Housing Act governing low-cost housing. It seems to me quite obvious, though, that the Federal Housing Administrator must himself finally determine, in the case of any given housing project, whether the method of financing proposed is acceptable.

Knowing the considerate attention and willing cooperation that you have received from the FHA people, I feel that you do both yourself and them an injustice in your letter to Mr. Draper and in the memorandum you left with Mr. Eccles. I fully realize the chagrin you must feel, after all the effort you have put forth these several years past, at your inability to get through any of the housing projects that you have proposed to the various governmental agencies. Nevertheless, I believe you will realize, on reflection, that an Administrator should not be condemned because he is unwilling to "circumvent or ride rough-shod over" questions of law and policy.

I am writing to you in this manner because of my great friendly interest in you and my belief that the kind of housing projects which you have undertaken to advance through the FHA are greatly to be desired. You know, however, that I have never regarded the low-cost housing provisions of the Housing Act as

practicable, and that I have never regarded the existing form of the Act as suitable to the bond-issue method of financing.

Having gone into these matters exhaustively during the past two or three years, I am satisfied that the Act is in need of extensive amendment before any substantial progress can be made under it in the private financing of large-scale housing operations. I wish that the situation were otherwise, but until it is altered by Congress I do not see how the Federal Housing Administrator can be expected to alter his position with regard to bond issues designed to be sold to the general public.

With kindest regards, I am

Yours sincerely,

J. M. Daiger
Special Assistant to the Chairman

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