

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 13, 1937.To Mr. DaigerSubject: Letter of 1/8/37 from James
W. Collins, President, Mortgage
Bankers Association of America.From Chairman Eccles

Am sending you the attached for your consideration and preparation of a reply. Would suggest you discuss the matter with Mr. McDonald before drafting the reply. I will be glad to have you call me on the telephone if you desire, after talking to Mr. McDonald.

MORTGAGE BANKERS ASSOCIATION of AMERICA

NATIONAL
HEADQUARTERS



III W. WASHINGTON ST.
CHICAGO

OFFICE OF THE PRESIDENT
JAMES W. COLLINS
TRACY LOAN & TRUST CO.
SALT LAKE CITY, UTAH

Chicago, Illinois.
January 8, 1937

Mr. Marriner Eccles, Governor,
Federal Reserve Bank Board,
Washington, D. C.

My dear Marriner:

Yesterday I had a meeting with four organizations who are greatly interested in mortgage lending; namely, the United States Building and Loan League, the American Life Convention, the Mutual Savings Banks, and the Mortgage Bankers Association. These four trustee groups have in excess of \$15,000,000,000. of mortgage loans, and our meeting was to discuss problems which were vital to all of us.

Among other things, the Federal Housing plan was considered, and I was delegated to communicate with you and Mr. McDonald, the Administrator of the Federal Housing Administration, with the thought that it may be possible for the representatives of each of the above groups to discuss with you some suggestions we have for the change of the law, with the hope and thought that this Act will have the cooperation and support of these lending groups.

I know, at the time this Act was drawn, that you were keenly interested in it and had a great deal to do with its making, and if any changes are made by Congress that you will be among the first to be consulted. I am also writing Mr. McDonald asking if it is possible for representatives of each of the above groups to meet with you and him before this is considered by Congress.

We would much prefer to have a meeting the latter part of January or the first of February, if this date is not too late. We desire to make no fight for or against any changes Congress may see fit to make but to see if we can not have our minds meet on some amendments which we believe would be an improvement in the Act and meet with the approval of the administration and the trustee groups who are keenly interested in mortgage lending.

Sincerely yours,

James W. Collins
President.

JWC:MM

P. S. I am leaving tonight for Salt Lake City and I have discussed with Fred Smith some changes which we both agree would be an improvement in the existing law.

January 21, 1937

Dear Jimmy:

Since receiving your letter telling me that representatives of four national associations interested in mortgage lending wish to meet with the Federal Housing Administrator and myself, I have been told that Mr. McDonald has written to you saying that he would undertake to arrange such a meeting at your convenience in February. Mr. McDonald's answer to you was written, however, before I had an opportunity to take up your letter for reply.

You say that the purpose of the proposed meeting would be to discuss suggestions which the four national associations wish to advance for changes in the Housing Act, "with the hope and thought that this Act will have the cooperation and support of these lending groups." I take it from this that the persons who represented the four national associations at the recent meeting in Chicago regard such cooperation and support as lacking up to the present time.

On the other hand, I understand from the last summary which I received from the FHA (figures through November 1936) that more than 5,000 institutions have made loans under Title II of the Housing Act, and that of these more than 1,300, or somewhat over 25 per cent, are of the types of lending institutions mentioned in your letter.

That is to say, 1,025 are building and loan associations, 112 are mortgage companies, 106 are insurance companies, and 95 are savings banks. Since these account for something more than 35 per cent of the loans made under Title II, it would not seem that cooperation and support are wanting on the part of numerous individual institutions of the types which you mention, regardless of any contrary attitude on the part of the four national associations. Hence I wonder to what extent the meeting recently held in Chicago and the meeting

now proposed to be held in Washington can be regarded as representative of the 1,300-odd institutions that I have just enumerated.

Furthermore, I am impressed by the fact that neither the National banks nor the State banks and trust companies, which are of course also greatly interested in mortgage lending, were represented at the Chicago meeting through their national association. Nor is it apparently the intention of the proponents of the Washington meeting to ask group representatives of the National banks and the State banks and trust companies to join them in advocating whatever changes in the Housing Act the persons who met in Chicago have in mind.

This strikes me as being the more singular in view of (1) the large proportion of the funds now on hand and legally available for mortgage lending that is held by the savings departments of the National banks and the State banks and trust companies, and (2) the number of National banks (1,813) and State banks and trust companies (2,005) that have made Title II loans. In other words, I find it difficult to comprehend the reasoning that excludes such an important element as this from a meeting of other "trustee groups."

It is of course true, as you say, that I have a very natural interest in the Housing Act. As the Treasury representative on the President's Committee on Housing three years ago, I had an active part in formulating the system of single-mortgage financing which the Act established. I still regard it as highly important to encourage this system of financing and to prevent a revival of the practices which the permanent provisions of the Housing Act were designed to abolish. Moreover, in the very nature of my present position I am concerned with the whole question of mortgage credit no less than with other forms of credit, and am therefore interested in the bearing of the Housing Act on that question.

As I have some doubt, however, as to the advisability of my participating directly in the discussion which you propose to have with the Federal Housing Administrator, I should appreciate your letting me know the circumstances under which the Chicago meeting originated and who attended it, and also who would probably represent the four associations at the proposed meeting in Washington. I shall give you a definite answer with regard to my own attendance after you have fixed a meeting date with Mr. McDonald;

but if for any reason I do not attend I shall undertake to have a representative present who is familiar with the Housing Act and who knows my views regarding it.

Let me hear from you further about the changes in the existing law which you and Fred Smith think would be an improvement. I am sure that the law can be improved in a good many respects, and I should like to know what you and Fred have to suggest.

With kindest regards, I am

Sincerely yours,

M. S. Eccles
Chairman

Mr. James W. Collins, President
Mortgage Bankers Association of America
Tracy Loan & Trust Company
Salt Lake City, Utah



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Form 16 P.W.

1PO MO 59 DL

MX Salt Lake City Utah 1030am Jan 22²² PM 1 22

Marriner Eccles,

Washington

Regarding my letter of January eighth hope that when our interim committee are in Washington from third to sixth of February that we may have during that period an opportunity of conferring with you on federal housing bill in which all of us are vitally interested. Will you kindly wire if we may have a short visit with you.

James W Collins

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

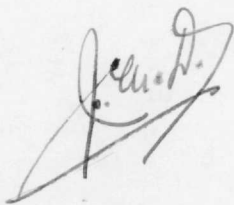
Office Correspondence

Date January 26, 1937To Mr. EcclesSubject: Meeting Proposed by Mr. JamesFrom J. M. DaigerW. Collins

Mr. McDonald called me this afternoon to say that he had received a letter from Mr. Collins acknowledging Mr. McDonald's letter expressing willingness to arrange the proposed meeting in February. Mr. Collins said that as soon as he had also heard from you he would get in touch with the representatives of the several interested groups with a view to fixing the date.

Mr. McDonald has today written to Mr. Collins, telling him that he has received a copy of your letter to Mr. Collins and that he is in complete agreement with what you have said. He has told Mr. Collins that he will now wait until the latter has ~~again~~ had an opportunity to write to you in answer to your letter.

What Mr. McDonald would prefer is to avoid a meeting at which it would be necessary to have a number of representatives of various lending groups. He hopes that matters may so turn out that he will be able to suggest that Mr. Collins himself come to Washington to discuss with him whatever proposals the four groups that recently met in Chicago have in mind.



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III W. WASHINGTON ST.
CHICAGO

OFFICE OF THE PRESIDENT
JAMES W. COLLINS
TRACY LOAN & TRUST CO.
SALT LAKE CITY, UTAH

January 26, 1937

Mr. Marriner S. Eccles, Chairman
Board of Governors Federal Reserve System
Washington, D. C.

My dear Marriner:

I am just in receipt of your favor of January 21st in reply to a letter I sent in behalf of four national organizations who are vitally interested in mortgage lending, with the thought that we would meet again in Washington on dates that are now being set, probably the 4th and 5th of February, with the thought that while there we could meet with Mr. McDonald, of the Federal Housing Administration and yourself.

These four organizations, American Life Convention, National Association of Mutual Savings Banks, the Mortgage Bankers Association of America and the United States Building and Loan League, held their meeting in Chicago, as they did a year ago, to discuss general reports on mortgage conditions, the activities of each group, including comment on the general trend of interest rates and various other matters pertaining to mortgage lending. In the agendum which was before us was included Federal Housing Act, Home Owners' Loan Corporation, Permanent Housing Policies, Tax Burdens on Real Estate, Building Costs, and other general items of interest to mortgage lending, including moratoriums by states (Nebraska has just introduced a bill granting a two year moratorium on foreclosures.)

I will endeavor to answer the questions asked in your letter, not as a representative of the groups, but individually as I gain the thoughts that pertain to their policies. I appreciate with each group that the members have different ideas, and still the associations, as a rule, naturally have general policies, as have all organizations.

The Mortgage Bankers Association of America, at its meeting in Memphis, commended the temporary governmental activities, but opposed the permanency of Government lending agencies. This same action was taken a short time later by the United States Building and Loan League at its meeting in New York City, and still many individual members of both of these organizations make, as you state in your letter, loans under Title II of the Housing Act.

You ask why National banks and State Banks and trust companies who are today greatly interested in mortgage lending were not represented at Chicago through their National Association. This Interim Committee is composed of the same groups that have met in previous years. In the organization of the Mortgage Bankers Association are many banks and trust companies who regard mortgage lending as one of

their major activities; for example, I will take our own state, with which we are familiar. The following institutions have membership in the Mortgage Bankers Association: Zion's Savings Bank & Trust Company; Walker Bank & Trust Company; First Security Trust Company, Tracy Loan & Trust Company and Cache Valley Banking Company, of Logan. These five institutions are practically the only banking institutions in our state who have any amount of mortgage loans. Tracy Loan & Trust Company has made over four hundred Title I loans and several hundred thousand dollars of Title II loans. However, it is not possible to add a large amount to our own portfolio and we dispose of them to approved mortgagees, including the Trust Department of the First Security Trust Company, and some temporarily to the R. F. C. Mortgage Company, because as yet we have been unable to find a life insurance company or a large financial institution in the market for them. The First Security Trust Company makes these loans and resells them, as you know, to other banks of the First Security Corporation or to the National Life Insurance Company of Vermont. The Walker Bank & Trust Company and Zion's Savings Bank & Trust Company have made some of these loans for their own portfolio because of the large amount of idle money on hand, but at least one of these institutions feels that they have now taken all that they are able to carry. This condition, I think, generally prevails in other sections of the country. At our meeting, comments made by the Building and Loan Associations and Life Insurance Companies were somewhat along the lines of the limited amount they could carry of FHA loans. We have endeavored to secure the opinions of banks and trust companies who are members of our association who have for years made mortgage loans.

One point we desired to discuss was the fact that to date, according to your figures and the information we had before us, approximately two-thirds of Federal Housing long time loans have been taken by national banks and trust companies, most of whom previously were not making real estate loans, and the institutions who have most of their funds in real estate mortgages, frankly, feel that changes should be made in the Federal Housing Act before they can feel safely responsible in accepting such securities, and it is for this reason that we desired to discuss several important phases of the Act with you.

One of the most important is the refinancing of existing loans that are now carried on a satisfactory basis between mortgagor and mortgagee simply because the mortgagor can secure larger amounts. I believe you advised me at the time this Act was formulated that you personally opposed the loaning of 80% on old houses and restricted the amount of such loans to approximately 50%, but the Act was afterwards changed, making the same amount of a loan on refinancing as you did on new homes. The experience of those who devoted their lifetime to loans has been that it is possible to safely make a larger loan on a new home properly supervised, and which is usually located in better districts, than on an old home which has already taken a great part of the depreciation and in addition thereto is subject, in many cases, to obsolescence.

The losses of experienced lenders have not been from new homes, but from old homes. If the Federal Housing Act is limited on the 80% basis to new homes, it would serve the purpose, as we view it, of creating employment, building housing which is necessary through long-time single plan lending and protect the insurance fund rather than have this better class of loans draw from the funds of steep loans on refinancing which have caused the losses to mortgage lenders in the past. It also creates a tremendous competitive operation between the Government Agencies and private funds, which are not eligible under the Act. I will be happy later to give you many such examples as have happened throughout the country.

I believe I have answered your question as to letting you know the cir-

cumstances under which the Chicago meeting originated and those who attended the meeting were officers, in most cases the President or Past-President, the Executive Secretary and in some cases another member of each group.

Many good things have come from the Federal Housing Administration to protect mortgage lending, and still, I believe many things can be changed which will ultimately protect the borrower, the investor and the Government guarantee as long as this agency is in existence, and when it does desire to withdraw, the loans on its books may be liquidated without loss to the Government, if proper precautions are taken now.

Our attitude is entirely friendly to the officials of the organization, but those of our members who make the loans, and those who may make them, have their own individual opinions as to security of loans offered. However, as a whole they must review the safety practice from experience that has existed in time passed gained from their own individual experience, as well as observation of forms of lending that have violated good lending practices.

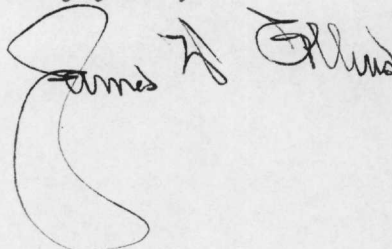
I do not want you to feel that I have been over-anxious, but it is necessary to call men from different sections of the country, and we have sent out a call to meet the 4th and 5th of February at Washington, not only to discuss the Federal Housing matters, but other matters pertaining to Government lending agencies. We have been cordially invited by other agencies to cooperate with them and it is our hope and intention to so govern our acts that we will be helpful in the progress of the Government and Nation, and it was in that spirit that we suggested a conference with you.

Fred Smith is in California and is expected home within the next day or two and I will review with him the suggestions that he has before I leave for the east next Sunday.

We would like to have a short session with you at such time as you suggest on these dates or we will stay longer, if necessary. If it is possible, will you please advise me at Salt Lake by January 31st, or at Chicago, % Mortgage Bankers Association, 111 W. Washington Street.

With appreciation of your good letter and with kind personal regards, I remain, as ever

Sincerely yours,

A handwritten signature in dark ink, appearing to read "James H. Ellard". The signature is written in a cursive style with a large, looping initial "J" and a distinct "H".

JWC:B

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Form 2-C

Washington, D. C., January 29, 1937.

James W. Collins,
c/o Tracy Loan & Trust Company,
Salt Lake City, Utah.

Will be glad meet your committee while in Washington Suggest time be arranged after they arrive here

M. S. ECCLES

COLLECT