

June 21, 1937.

My dear Senator:

Enclosed is a memorandum prepared by our Division of Research and Statistics analyzing Mr. Tarnowsky's housing plan, a brief on which you forwarded to me with your letter of June second. This analysis undertakes to deal with the proposal with special emphasis on the financial guarantee, as you requested. I understand that Mr. Tarnowsky has discussed this plan from time to time since last summer with members of our staff as well as with those in the Housing Administration and in Public Works.

It appears to be the general feeling that there are many serious difficulties involved, including the probably limited market for \$4,000 to \$5,000 houses on which the purchasers would be able to meet the relatively large monthly payments. It appears, also, that a number of the calculations are optimistic, to say the least, and would encounter various practical problems, such as, the acquisition of cheap land adjacent to cities and having adequate transportation; the problem of getting wage concessions from the building trades, and the question of whether 30-year "insured" bonds could be marketed at the suggested rate. However, on the whole, the plan is an ingenious and thoughtful one, notwithstanding the various practical difficulties which would have to be solved to make it workable.

I believe that Mr. Tarnowsky was employed at the Federal Housing Administration for about a year and more recently worked for three or four months at the Bureau of Labor Statistics doing field work on a study of wage rates in the construction industry. He has, therefore, had some

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direct experience with the government in the housing field,  
but has not as yet been able to satisfy those authorities  
who have studied his plan that it has been worked out  
sufficiently on a practical basis.

Sincerely yours,

M. S. Eccles,  
Chairman.

Honorable Robert M. LaFollette, Jr.,  
United States Senate,  
Washington, D. C.

enclosure

 ET:b