

**FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C.**

**ABNER H. FERGUSON
GENERAL COUNSEL**

November 18, 1937.

Mr. J. M. Daiger,
Federal Housing Administration,
Washington, D. C.

Dear Mr. Daiger:


During my telephone conversation with you this morning I undertook to point out that the Reconstruction Finance Corporation could subscribe for a substantial amount of stock in a National Mortgage Association without involving the government in any additional expenditure of money due to the fact that the Association could immediately, upon its formation, purchase from the RFC Mortgage Company insured mortgages which it now holds.

On November 12 the RFC Mortgage Company had on hand insured mortgages in the amount of \$34,146,615.24 and had outstanding commitments to purchase additional insured mortgages in the amount of \$10,388,466.76. This makes a total of \$44,535,082 of insured mortgages which the RFC Mortgage Company would hold, if it fulfills all of its outstanding commitments and neither buys nor sells any more of these mortgages.

The result of this is that if the Reconstruction Finance Corporation would subscribe for \$50,000,000 of stock in a National Mortgage Association, it would be required to put up cash, in addition to its mortgages, in the amount of \$5,464,918 in order to pay its subscription. Of course it could subscribe for any amount less than the amount of its mortgages without the final advancement of any cash. The technical machinery would be for the Reconstruction Finance Corporation to put up the amount of its subscription in cash and then for the National Mortgage Association immediately to purchase with that cash an equivalent amount of mortgages held by the RFC Mortgage Company.

In accordance with your request, I am enclosing herewith forms of Application For Authority to Establish a National Mortgage Association, Articles of Association, Certificate of Approval, and Regulations, which we have prepared for use in connection with the organization of National Mortgage Associations under Title III of the National Housing Act.

Very truly yours,


Abner H. Ferguson,
General Counsel.

Enclosures.