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RECONSTRUCTION FINANCE CORPORATION

WASHINGTON

JESSE H JONES
CHAIRMAN OF THE BOARD

November 23, 1937

Dear Mr. President:

Agreeable to your suggestion we had a meeting yesterday attended by Governor Eccles of the Federal Reserve Board, Stewart McDonald, Federal Housing Administrator, John Fahey, Chairman of the Home Owners' Loan Corporation, and myself.

Mr. McDonald and Mr. Eccles explained to us the proposed changes in the Federal Housing Act, and Mr. Eccles stated that he had gone over the proposed changes with you and that they met with your approval.

The changes as reported result in a reduction of the total cost of FHA insured mortgage money from $6\frac{1}{4}$ per cent per annum to $5\frac{1}{4}$ per cent on homes costing $6,000 or less. $5\frac{1}{2}$ per cent for the larger mortgages.

1. Insurance on homes costing under $6,000 and started before July, 1939, would be at the rate of one-quarter of 1 per cent per annum;

2. The down payment on homes costing $6,000 or less would be reduced from 20 per cent to 10 per cent;

3. Mortgages on new apartment buildings up to $200,000 would be insured to the extent of 80 per cent of the cost but not more than $1,000 per room. The insurance on these mortgages would be one-half of 1 per cent per annum;

4. Groups of buildings could be insured up to 80 per cent for a contractor or builder whether the houses are to be sold or rented. The insurance rate would be one-half of 1 per cent, but as the houses are sold and released from the bulk mortgage the purchaser could get a 90 per cent insured mortgage.

5. Limited dividend corporations can have mortgages insured up to 80 per cent of the cost but not to exceed $1200 per room on buildings or groups of buildings, the loans running from $200,000 to $10,000,000. The rate of insurance would be one-half of 1 per cent and the interest not over 5 per cent.

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6. Where limited dividend borrowers become in default the holder of the mortgage may transfer it to the Federal Housing Administration and get a government guaranteed certificate bearing 3 per cent;

7. National mortgage associations authorized under Title III of the Federal Housing Act would be authorized to insure twenty times their capital in debentures instead of twelve times as now provided;

8. After April 1, 1938, only mortgages will be eligible for insurance where the insurance is applied for before the house is constructed;

9. The present authority of the Housing Administrator to insure up to $1,000,000,000 mortgages on new homes and $1,000,000,000 on existing property will be changed, allowing a revolving amount of outstanding insured mortgages of $2,000,000,000 until the Act is repealed;

10. The government to furnish up to $50,000,000 capital for national mortgage associations.

The net of the changes is that the over-all cost of interest and insurance will be 5¼ per cent for the home of $6,000 or less, and 5½ per cent for the larger loans. The 5¼ per cent will be on homes built prior to July, 1939.

The Reconstruction Finance Corporation has authority to invest in the stock of the national mortgage associations when requested to do so by the President.

It is a liberal program and should stimulate building, and with proper administration will cost the taxpayer very little.

Sincerely yours,

(Signed) Jesse H. Jones

Chairman

The President
The White House

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