

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

**OFFICE OF THE
FINANCIAL ADVISER**

November 26, 1937

Dear Marriner:

As it appears from accounts in this morning's papers that the President has deferred the sending of the housing message until Monday, I am writing to urge you to call the White House this morning and recommend the elimination from the message of a paragraph that I am satisfied can only result in embarrassment to the President, to the party leaders in Congress, and to yourself and myself as the principal authors of the program.

I refer, of course, to the paragraph suggesting that the insurance of mortgages after April 1, 1938, be confined to housing completed after that date. This is the paragraph which you had me insert in the draft (next to the final draft) that was read at the White House conference last Tuesday afternoon. You will recall that I had purposely omitted it from the preceding drafts because of its questionable and controversial character.

The point involved is one on which you and I have never agreed, because I have always thought of the National Housing Act primarily as a new and improved method of mortgage financing, whereas you have always regarded it primarily as a pump-priming device. I think that in the present circumstances, when we are dealing with a law that has been in actual operation for more than three years, and under which five or six thousand lending institutions are doing business, we ought to take a realistic and practical view of the matter, rather than a prejudiced view.

When you reached this particular question in the discussion, in the recent meetings with General Wood, Mr. Swope, Mr. Colt, Mr. Turner, and Mr. McGrady, you said very frankly that there was a considerable difference of opinion with regard to it, and that you recognized it as debatable.

In the discussion that then ensued, I argued against your proposal on the grounds both of financial practice and of public policy, and concluded with the assertion that it was politically impossible, and was certain to be defeated by Congress. Your comment on this was that you agreed with me that Congress would reject the proposal, but that you thought it nevertheless ought to be made on the ground of expediency and as a trading point.

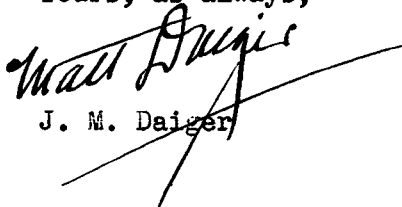
It is these circumstances that I would urge you to reflect upon before you finally put the President in the position of advocating a measure that many Senators and Congressmen, as well as many financial institutions, will most certainly resent and resist. In other words, we are deliberately dividing our own supporters, and precipitating a controversy over something that has nothing whatever to do with the large immediate purpose of the new program.

I have said all along that I thought the proposal to repeal the insurance of mortgages on existing construction has not been impartially and adequately considered in these recent discussions, and that the consequences of such an action have not been realized because the proposal has not been approached in an open-minded manner.

What I am saying now is to forget all this for the moment, and recognize the fact that the President is being pushed into making a statement that he has no need or occasion to make, and that he presumably would not make if he knew as much about it as you and I know.

This is a personal letter, written as the result of long, serious reflection yesterday when I was out in the country and quite detached from Washington influence. I realize that it is pretty plain-spoken, but I hope that you will take it in the friendly and cooperative spirit in which it is written.

Yours, as always,


J. M. Daiger

Honorable Marriner S. Eccles
Board of Governors of the Federal Reserve System
Washington, D.C.