

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

OFFICE OF THE  
FINANCIAL ADVISER

March 26, 1938

Terms on which National Mortgage Association Operated by RFC

Will Make Loans and Purchase Mortgages Insured by FHA

Supplementing the information contained in the letter of March 22 from Mr. Jesse H. Jones, Chairman of the Reconstruction Finance Corporation, to Mr. Stewart McDonald, Federal Housing Administrator, there is given herewith a more detailed explanation of the terms on which the National Mortgage Association of Washington will make loans and purchase mortgages insured under Title II of the National Housing Act as recently amended:

1. Mortgages up to \$16,000, insured under Section 203 and covering one-family to four-family dwellings, will be purchased at a price equal to the unpaid principal plus accrued interest. Purchases will be limited to mortgages insured after January 1, 1937, and secured by properties on which construction was begun after January 1, 1936.

2. The association will expect the institutions from which it purchases mortgages insured under Section 203 to handle the subsequent servicing. As a fee for this servicing, the seller will be paid  $\frac{3}{4}$  of 1 per cent, to be retained out of the interest collected, where the mortgage bears 5 per cent and the mortgagor is not required to pay an annual service charge contracted for under the FHA regulations in effect prior to February 15, 1938. Where the mortgagor is required to pay such a service charge, the seller will be allowed  $\frac{1}{2}$  instead of  $\frac{3}{4}$  of 1 per cent out of interest collected. The servicing fee will be discontinued in cases where the mortgage is not properly serviced, and may be cancelled or altered by the association after five years from the date of the mortgage.

3. The association will make commitments to purchase for future delivery mortgages that are to be insured under Section 203 when the transaction is completed. For such commitments, the institution obtaining them will be charged 1 per cent of the amount of the commitment, but this will be remitted upon delivery of the mortgage in acceptable form. If delivery is not made, but a satisfactory explanation is given for non-delivery, the deposit will be returned.

NOTE: As no mortgage association operated or controlled by the United States or by any agency of the United States is permitted to originate loans insured under Section 203, the association owned and operated by the RFC will not deal directly with applicants for loans in amounts of \$16,000 or less. All such applications must be made to institutions that have qualified with the FHA as approved mortgagees to handle loans in this category.

4. Loans up to \$5,000,000, insured under Section 207 and covering regulated-dividend housing projects, and loans up to \$200,000, insured under Section 210 (added in the recent amendments) and covering groups of houses or apartment buildings, will be made directly by the association, or mortgages securing loans in these categories will be purchased at a price equal to the unpaid principal plus accrued interest. Purchases will be limited to loans insured on or after January 1, 1938, and submitted to the association for a commitment or approval prior to the beginning of construction.

5. Loans insured under Section 207 will be made by the association at  $4\frac{1}{2}$  per cent interest. An initial service charge of  $1\frac{1}{2}$  per cent will be made in cases where funds are to be disbursed by the association as construction progresses. All loans made or purchased under Section 207 will be serviced directly by the association.

6. Loans insured under Section 210 will be made at 5 per cent interest. An initial service charge of 2 per cent will be made in cases where funds are to be disbursed by the association as construction progresses. Unless the association itself elects to service the mortgage, a servicing fee of  $\frac{1}{2}$  of 1 per cent will be allowed out of interest collected on loans bearing 5 per cent per annum. Where the interest rate is less than 5 per cent, the servicing fee allowed will be the difference between  $4\frac{1}{2}$  per cent and the rate of interest on the loan. The servicing fee will be discontinued in cases where the mortgage is not properly serviced, and may be cancelled or altered by the association after five years from the date of the mortgage.

7. The association will make commitments to purchase, upon completion of construction, mortgages insured under Sections 207 and 210. In such cases a deposit of 1 per cent will be required but will be returned to the mortgagee under the same conditions as in the case of commitments on mortgages insured under Section 203.

Offerings of mortgages, or applications for loans or commitments, on the terms outlined above, should be addressed to the nearest agent of the association in the Federal Reserve district in which the property covered by the mortgage, or proposed to be financed, is located. A list of the agents of the association is attached to this memorandum.

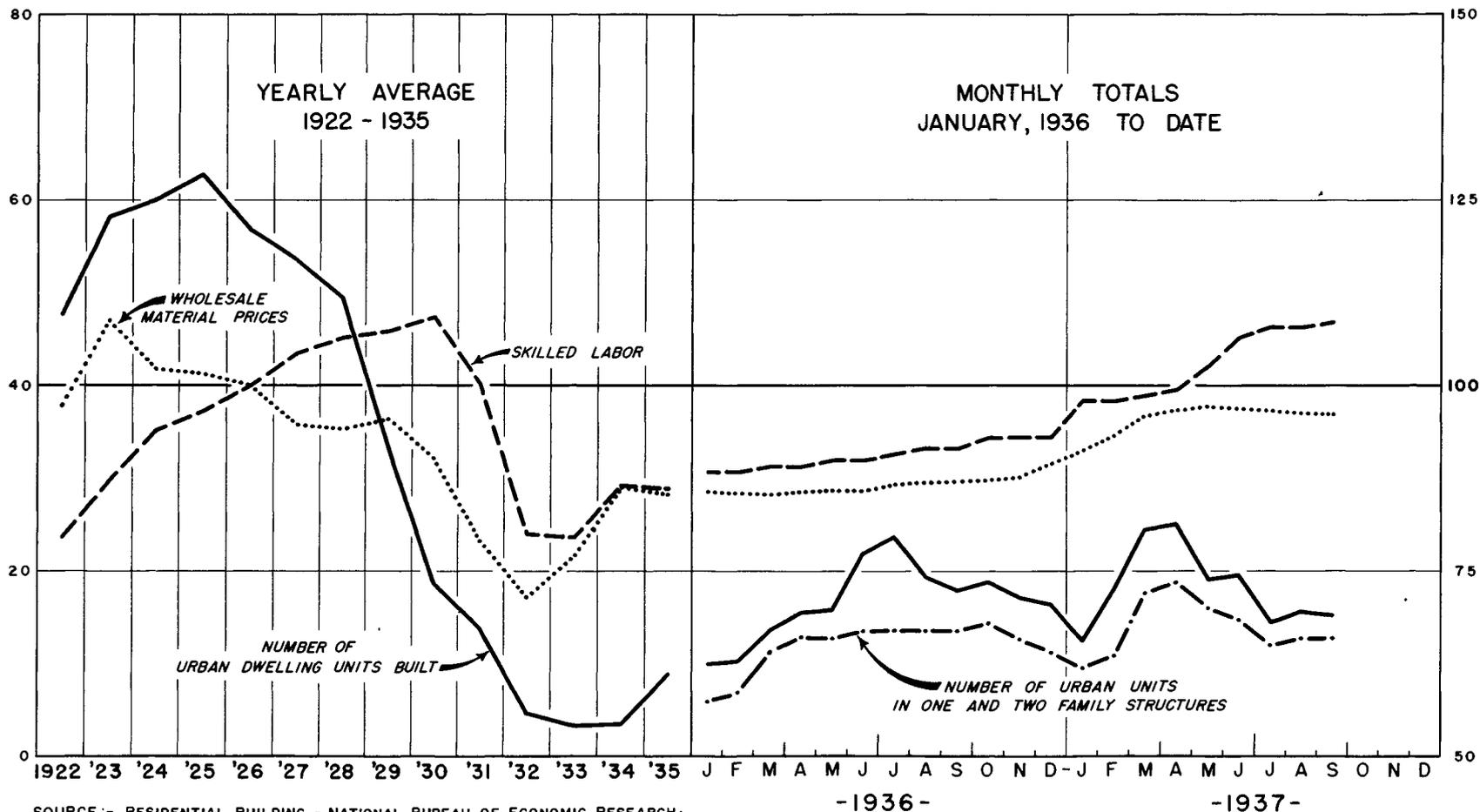
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# RESIDENTIAL BUILDING VOLUME AND CONSTRUCTION MATERIALS AND LABOR COSTS

DWELLING UNITS  
BUILT  
IN THOUSANDS

MATERIAL AND LABOR  
INDEXES  
1926 = 100



SOURCE:- RESIDENTIAL BUILDING - NATIONAL BUREAU OF ECONOMIC RESEARCH;  
FEDERAL HOUSING ADMINISTRATION

WHOLESALE MATERIAL PRICES - BUREAU OF LABOR STATISTICS  
SKILLED LABOR RATES - ENGINEERING NEWS - RECORD

FEDERAL HOUSING ADMINISTRATION  
DIVISION OF ECONOMICS AND STATISTICS  
CHART NO. 575 A B

20-064

RESIDENTIAL BUILDING VOLUME  
AND  
CONSTRUCTION MATERIALS AND LABOR COSTS

<u>Yearly</u>	Number of Urban Dwelling Units Built (a) <u>(Monthly Average)</u>	Index of Whole- sale Material Prices (b) <u>(1926=100)</u>	Index of Skilled Labor: Hourly Wage Rates (c) <u>(1926=100)</u>
1922	47,750	97.3	79.6
1923	58,200	108.7	87.2
1924	60,000	102.3	94.0
1925	62,750	101.7	96.5
1926	56,800	100.0	100.0
1927	53,600	94.7	104.4
1928	49,500	94.1	106.4
1929	33,300	95.4	107.3
1930	18,600	89.9	109.2
1931	13,700	79.2	100.2
1932	4,700	71.4	80.0
1933	3,300	77.0	79.5
1934	3,400	86.2	86.5
1935	8,800	85.3	86.0
 <u>Monthly</u>			
<u>1936</u>			
JAN	9,000	85.7	88.4
FEB	9,300	85.5	88.4
MAR	13,700	85.3	89.2
APR	15,600	85.7	89.2
MAY	15,800	85.8	90.0
JUN	21,900	85.8	90.0
JUL	23,700	86.7	90.8
AUG	19,400	86.9	91.6
SEP	17,900	87.1	91.6
OCT	18,900	87.3	93.1
NOV	17,200	87.7	93.1
DEC	16,500	89.5	93.1
 <u>1937</u>			
JAN	12,500	91.3	97.9
FEB	18,000	93.3	97.9
MAR	24,500	95.9	98.7
APR	25,000	96.7	99.4
MAY	19,100	97.2	102.6
JUN	19,500	96.9	106.6
JUL	14,400	96.7	108.0
AUG	15,600	96.3	108.0
SEP	15,200	96.2	108.7

Source:

- |   |                                      |
|---|--------------------------------------|
| (a) National Bureau of<br>Economic Research | Federal Housing Administration       |
| (b) Bureau of Labor Statistics              | Division of Economics and Statistics |
| (c) Engineering News-Record                 | October 29, 1937                     |

## DESCRIPTION OF SERIES

### Number of Urban Dwelling Units Built

This series is comprised of annual estimates, divided by twelve for the years 1922 to 1935 inclusive so as to place them on a comparable basis with the monthly figures from January 1936 to date.

The yearly estimates from 1922 to 1935 inclusive are those of the National Bureau of Economic Research. The monthly figures from January 1936 to June 1937 were compiled by K. C. Beede on the basis of estimates by six-month periods, prepared by the Bureau of Labor Statistics. The figures for July, August, and September 1937, were estimated by assuming the same percentage change relative to a year ago in total urban building as occurred in some 1,500 reporting cities of 2,500 population and over.

### Index of Wholesale Building Material Prices

This is the well-known series compiled by the Bureau of Labor Statistics as a part of its monthly price statistics on 784 commodities.

### Index of Skilled Labor Hourly Wage Rates

This index is based on the wage data reported monthly to the Engineering News-Record by correspondents in 20 principal cities of the United States. The figures on skilled labor are computed from the average wages actually paid to carpenters, bricklayers, and structural iron workers, whether union or non-union or both.