

FEDERAL HOUSING ADMINISTRATION
WASHINGTON, D. C.

J. M. DAIGER

ASSISTANT TO THE ADMINISTRATOR

June 10, 1939

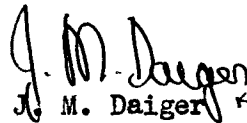
Dear Mr. Eccles:

Printed copies of the 1939 amendments to the National Housing Act have just come through, and I am enclosing a copy with the thought that you may wish to look it over or keep it available for reference.

The bill encountered, as you know, a good deal of difficulty and delay, but in the end came through in what may be regarded as a very satisfactory form for the next two years.

With appreciation of your interest, I am

Yours sincerely,


J. M. Daiger

Assistant to the Administrator

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

June 14, 1939.

Dear Matt:

This is to acknowledge with thanks
your letter of June 10 enclosing a copy of the
1939 amendments to the National Housing Act,
which I am very glad to have for my files.

Sincerely yours,

M. S. Eccles,
Chairman.

Mr. J. M. Daiger,
Assistant to the Administrator,
Federal Housing Administration,
Washington, D. C.

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[PUBLIC—NO. 111—76TH CONGRESS]

[CHAPTER 175—1ST SESSION]

[H. R. 5324]

AN ACT

To amend certain sections of the National Housing Act.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That subsections (a) and (b) of section 2 of the National Housing Act, as amended, are amended to read as follows:

“SEC. 2. (a) The Administrator is authorized and empowered upon such terms and conditions as he may prescribe, to insure banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment lending companies, and other such financial institutions, which the Administrator finds to be qualified by experience or facilities and approves as eligible for credit insurance, against losses which they may sustain as a result of loans and advances of credit, and purchases of obligations representing loans and advances of credit, made by them on and after July 1, 1939, and prior to July 1, 1941, for the purpose of financing alterations, repairs, and improvements upon or in connection with existing structures, and the building of new structures, upon urban, suburban, or rural real property (including the restoration, rehabilitation, rebuilding, and replacement of such improvements which have been damaged or destroyed by earthquake, conflagration, tornado, hurricane, cyclone, flood, or other catastrophe), by the owners thereof or by lessees of such real property under a lease expiring not less than six months after the maturity of the loan or advance of credit. In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made by such financial institution for such purposes on and after July 1, 1939, exceed 10 per centum of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted under this section and section 6, as amended, less the amount collected from insurance premiums and deposited in the Treasury of the United States under the provisions of subsection (f) of this section, shall not exceed in the aggregate \$100,000,000.

“(b) No insurance shall be granted under this section to any such financial institution with respect to any obligation representing any such loan, advance of credit, or purchase by it (1) if the amount of such loan, advance of credit, or purchase exceeds \$2,500; (2) if such obligation has a maturity in excess of three years and thirty-two days, unless such loan, advance of credit, or purchase is for the purpose of financing the construction of a new structure for use in whole or in part for residential or agricultural purposes; or (3) unless the obligation bears such interest, has such maturity, and contains such other terms, conditions, and restrictions as the Administrator shall

prescribe in order to make credit available for the purposes of this title."

SEC. 2. Section 2 of such Act, as amended, is further amended by adding at the end thereof the following new subsections:

"(f) The Administrator shall fix a premium charge for the insurance hereafter granted under this title, but in the case of any obligation representing any loan, advance of credit, or purchase, such premium charge shall not exceed an amount equivalent to three-fourths of 1 per centum per annum of the net proceeds of such loan, advance of credit, or purchase, for the term of such obligation, and such premium charge shall be payable in advance by the financial institution and shall be paid at such time and in such manner as may be prescribed by the Administrator. The moneys derived from such premium charges shall be deposited in an account in the Treasury of the United States, which account shall be available for defraying the operating expenses of the Federal Housing Administration under this title, and any amounts in such account which are not needed for such purpose may be used for the payment of claims in connection with the insurance granted under this title.

"(g) The Administrator is authorized and directed to make such rules and regulations as may be necessary to carry out the provisions of this title."

SEC. 3. Section 6 of such Act, as amended, is hereby repealed.

SEC. 4. The provisions of sections 1, 2, and 3 of this Act shall take effect on July 1, 1939.

SEC. 5. Section 202 of the National Housing Act, as amended, is hereby amended by striking out the word "create" and inserting in lieu thereof the word "created".

SEC. 6. Section 203 (a) of such Act, as amended, is amended to read as follows:

"SEC. 203. (a) The Administrator is authorized, upon application by the mortgagee, to insure as hereinafter provided any mortgage offered to him which is eligible for insurance as hereinafter provided, and, upon such terms as the Administrator may prescribe, to make commitments for the insuring of such mortgages prior to the date of their execution or disbursement thereon: *Provided*, That the aggregate amount of principal obligations of all mortgages insured under this title and outstanding at any one time shall not exceed \$3,000,000,000, except that with the approval of the President such aggregate amount may be increased to not to exceed \$4,000,000,000: *Provided further*, That the aggregate amount of principal obligations of all mortgages that cover property the construction of which was completed more than one year prior to the date of the application for insurance, and that are insured under this title after the effective date of this amendment and outstanding at any one time, shall not exceed 25 per centum of the total amount of the principal obligations of mortgages with respect to which insurance may be granted under this title after such effective date: *Provided further*, That on and after July 1, 1941, no mortgages shall be insured under this title except mortgages that cover property which is approved for mortgage insurance prior to the completion of the construction of such property, or which has been previously covered by a mortgage insured by the Administrator."

SEC. 7. Paragraph (3) of section 203 (b) of such Act, as amended, is amended by striking out the words "until July 1, 1939".

SEC. 8. Section 203 of such Act, as amended, is further amended by adding at the end thereof the following new subsections:

“(e) Any contract of insurance heretofore or hereafter executed by the Administrator under this title shall be conclusive evidence of the eligibility of the mortgage for insurance, and the validity of any contract of insurance so executed shall be incontestable in the hands of an approved mortgagee from the date of the execution of such contract, except for fraud or misrepresentation on the part of such approved mortgagee.

“(f) No mortgage which in whole or in part refinances a then existing mortgage shall be insured under this section unless the mortgagor files with the application his certificate to the Administrator that prior to the making of the application the mortgagor applied to the holder of such existing mortgage for such refinancing and that, after reasonable opportunity such holder failed or refused to make a loan of a like amount and on as favorable terms as those of the loan secured by the mortgage offered for insurance after taking into account amortization provisions, commission, interest rate, mortgage insurance premium, and costs to the mortgagor for legal services, appraisal fees, title expenses, and similar charges.”

SEC. 9. The last sentence of section 204 (a) of such Act, as amended, is amended to read as follows: “For the purposes of this subsection, the value of the mortgage shall be determined, in accordance with rules and regulations prescribed by the Administrator, by adding to the amount of the original principal obligation of the mortgage which was unpaid on the date of the institution of foreclosure proceedings, or on the date of the acquisition of the property after default other than by foreclosure, the amount of all payments which have been made by the mortgagee for taxes, ground rents, and water rates, which are liens prior to the mortgage, special assessments which are noted on the application for insurance or which become liens after the insurance of the mortgage, insurance on the mortgaged property, and any mortgage insurance premiums paid after either of such dates, and by deducting from such total amount any amount received on account of the mortgage after either of such dates, and any amount received as rent or other income from the property, less reasonable expenses incurred in handling the property, after either of such dates: *Provided*, That with respect to mortgages which are accepted for insurance prior to July 1, 1941, under section 203 (b) (2) (B) of this Act, and which are foreclosed before there shall have been paid on account of the principal obligation of the mortgage a sum equal to 10 per centum of the appraised value of the property as of the date the mortgage was accepted for insurance, there may be included in the debentures issued by the Administrator, on account of foreclosure costs actually paid by the mortgagee and approved by the Administrator an amount not in excess of 2 per centum of the unpaid principal of the mortgage as of the date of the institution of foreclosure proceedings, but in no event in excess of \$75.”

SEC. 10. Section 204 (g) of such Act, as amended, is amended by adding at the end thereof the following new sentence: “The power to convey and to execute in the name of the Administrator deeds of conveyance, deeds of release, assignments and satisfactions of mortgages, and any other written instrument relating to real property or any interest therein heretofore or hereafter acquired by the Adminis-

trator pursuant to the provisions of this Act, may be exercised by the Administrator or by any Assistant Administrator appointed by him, without the execution of any express delegation of power or power of attorney: *Provided*, That nothing in this subsection shall be construed to prevent the Administrator from delegating such power by order or by power of attorney, in his discretion, to any officer, agent, or employee he may appoint."

SEC. 11. The last sentence of section 205 (b) of such Act, as amended, is amended by inserting after "expenses incurred" the words "prior to July 1, 1939".

SEC. 12. The first sentence of section 207 (c) of such Act, as amended, is amended to read as follows:

"(c) To be eligible for insurance under this section a mortgage on any property or project shall involve a principal obligation in an amount—

"(1) Not to exceed \$5,000,000; and .

"(2) Not to exceed 80 per centum of the amount which the Administrator estimates will be the value of the property or project when the proposed improvements are completed: *Provided*, That such mortgage shall not in any event exceed the amount which the Administrator estimates will be the cost of the completed physical improvements on the property or project, exclusive of the following: Public utilities and streets; taxes, interest, and insurance during construction; organization and legal expenses; and miscellaneous charges during or incidental to construction; and

"(3) Not to exceed \$1,350 per room for such part of such property or project as may be attributable to dwelling use.

The mortgage shall provide for complete amortization by periodic payments within such term as the Administrator shall prescribe, and shall bear interest (exclusive of premium charges for insurance) at not to exceed 4½ per centum per annum on the amount of the principal obligation outstanding at any time."

SEC. 13. Section 210 of such Act, as amended, is hereby repealed: *Provided*, That the Administrator is authorized to insure under said section any mortgage for the insurance of which an application has been filed with him prior to the effective date of this Act.

SEC. 14. Title II of the National Housing Act, as amended, is further amended by adding at the end thereof the following new section:

"LABOR STANDARDS

"SEC. 212. (a) The Administrator shall not insure under section 207 or section 210 of this title, pursuant to any application for insurance filed subsequent to the effective date of this section, a mortgage which covers property on which there is or is to be located a dwelling or dwellings, or a housing project, the construction of which was or is to be commenced subsequent to such date, unless the principal contractor files a certificate or certificates (at such times, in course of construction or otherwise, as the Administrator may prescribe) certifying that the laborers and mechanics employed in the construction of the dwelling or dwellings or the housing project involved have been paid not less than the wages prevailing in the locality in which the work was performed for the corresponding classes of laborers and

mechanics employed on construction of a similar character, as determined by the Secretary of Labor prior to the beginning of construction and after the date of the filing of the application for insurance.

“(b) The Administrator is authorized to make such rules and regulations as may be necessary to carry out the provisions of this section.

“(c) There is hereby authorized to be appropriated for the remainder of the fiscal year ending June 30, 1939, and for each fiscal year thereafter, a sum sufficient to meet all necessary expenses of the Department of Labor in making the determinations provided for in subsection (a).”

SEC. 15. The last sentence of section 301 (b) of such Act, as amended, is amended to read as follows: “If the Administrator is of the opinion that the establishment of such an association is desirable to provide a market for mortgages insured under title II and is in the public interest, that the incorporators transmitting the articles of association are responsible persons, and that such articles of association are satisfactory in all respects, he may issue or cause to be issued to such incorporators a certificate of approval, and the association shall become, as of the date of issuance of such certificate, a body corporate by the name set forth in its articles of association.”

SEC. 16. Paragraph (4) of section 301 (c) of such Act, as amended, is amended to read as follows:

“(4) To conduct its business in any State of the United States, or in the District of Columbia, Alaska, Hawaii, or Puerto Rico, and to have one or more offices in such State, or in the District of Columbia, Alaska, Hawaii, or Puerto Rico, one of which offices shall be designated at the time of organization as its principal office.”

Approved, June 3, 1939.