

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

# Office Correspondence

Date July 12, 1939

o Mr. Currie

Subject: \_\_\_\_\_

From Henry Edmiston

The information you wanted on the Federal Housing Administration and the Federal National Mortgage Association is shown below:

FEDERAL HOUSING ADMINISTRATION

	<u>1939 law</u> (Per cent per annum)	<u>1938 law</u> (Per cent per annum)
<u>Maximum interest rates and insurance premiums:</u>		
Section 203 - covering mortgages up to \$16,000 on new or old property.....	5 on declining balance	5 on declining balance
Insurance premium (1/2 to 1 per cent - law).....	$\frac{1}{2}$ " " "	$\frac{1}{2}$ " " "
Total.....	$\frac{5}{2}$ " " "	$\frac{5}{2}$ " " "
Section 207 - covering obligations up to \$5,000,000 of new large-scale projects...	$4\frac{1}{2}$ " " "	5 " " "
Insurance premium (no statutory amount).....	$\frac{1}{2}$ " " "	$\frac{1}{2}$ " " "
Total.....	5 " " "	$\frac{5}{2}$ " " "
Section 210 - covering mortgages of \$16,000 to \$200,000 on new construction....	(Repealed)	5 " " "
Insurance premium (no statutory amount).....		$\frac{1}{2}$ " " "
Total.....		$\frac{5}{2}$ " " "

\* January 1938 to July 1939 - Premium fixed at 1/4 per cent of declining balance on new small homes up to \$5,400.

Maximum maturity

<u>Section 203</u>		
New small homes up to \$5,400 mortgage.....	25 years	25 years
Other new homes and existing properties up to \$16,000.....	20 years	20 years
Section 207 - large-scale (no statutory limit) in practice generally 20-30 years.....	$26\frac{1}{2}$ years average	$26\frac{1}{2}$ years average
Section 210 - \$16,000 to \$200,000.....	(Repealed)	21 years

FEDERAL NATIONAL MORTGAGE ASSOCIATION

In practice they only buy Federal Housing Administration mortgages on new homes (built after January 1, 1936). No statutory minimum on rate but in practice mortgages are purchased to yield 4 1/4 per cent.

Types

	<u>Bought to yield</u>
Section 203 - regular	
If interest rate is 5 per cent - no service charge.....	4 1/4 %
" " " " 5 per cent plus 1/2 per cent service charge.....	4 1/2
" " " " less than 5 per cent but not less than 4 3/4 per cent - no service charge.....	4 1/4
" " " " less than 4 3/4 per cent Federal National Mortgage Association will not purchase	
Section 207 - large-scale	
(Purchased through May 31, 1939, only 9 totaling \$3,789,000..	4 1/4