

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date September 17, 1945

To Chairman Eccles

Subject: _____

From H. S. Szymczak

Mr. Kramer dropped in on me the other day and discussed with me the real estate credit situation, which he considers inflationary. I asked him to point it up. He did so with four points in the memorandum that is attached.

If you want Mr. Kramer to drop in, I am sure he will be glad to do so. He is in Chicago now. His corporation (Draper and Kramer) is very large and they do an extensive business there. Should anything or can anything be done?



Memo on Real Estate Inflation
From Ferd Kramer to Governor Szymczak

- 1 - The Government is following two diverse policies in regard to real estate financing.
 - (a) The Federal Housing Administration is attempting to hold the line against inflation by national appraisal policy that pegs prices around the 1941 level.
 - (b) Those institutions whose savings are insured by the Government, such as building and loan associations and savings banks, are in many instances following present day market prices in their appraisals. Due to the terrific shortage and great demand for housing, these prices have been sky rocketing and are still going up.
- 2 - It seems to me that the mortgage operations of a savings institution should be at least as strictly controlled as the mortgage operations of companies who loan their own funds and have the double check of an FHA appraisal and the appraisal of the insurance company or other institution that purchases the mortgage from them. The savings institution gets its money from small depositors and except for an annual book audit, which in few cases actually checks the security behind the mortgage paper, has no real control over its appraisal and loaning practices.
- 3 - Remedy.
 - (a) Institute an appraisal system in savings institutions similar to the FHA, or
 - (b) A competent thorough test checking of the soundness of the appraisals and loans already on the books of the savings institutions.
- 4 - Until some form of credit control is established, price controls in the housing field should be maintained but the policy should be to get an adequate appraisal system established as quickly as possible, so that price controls can be released at the earliest possible date.

September 15, 1945