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December 9, 1947.

Dear John:

Because of the meeting of the Federal Open Market Committee, I am unable to attend the meeting this morning to discuss measures to combat the inflationary effects of mortgage credit. I have three suggestions which I think should be considered:

1. There should be no further authorization of mortgage insurance under Title VI of the National Housing Act except for multiple-unit rental projects. For such rental projects the maximum insured mortgage should be 90 per cent of long-term stabilized value.

2. Government insurance of mortgages for the purchase of old houses, except by veterans, should be suspended. Appraisals for insured or guaranteed loans on both old and new houses should be made by FHA, using the standards established for insurance under Title II of the National Housing Act. Mortgages should not be eligible for insurance or guarantee if the total borrowing of the mortgagor exceeds \$9,000.

As far as possible, these changes should be made by administrative regulation; but to the extent necessary, Congress should be asked to authorize changes in present programs to apply for a temporary period.

3. The so-called "warehousing plan" for GI loans made by members of the Federal Home Loan Bank System should not be adopted, and no other Government-financed secondary markets for mortgages should be allowed to operate.

Adoption of these three points would, I think, go far toward restraining further inflation in the real estate market, thereby helping to reduce inflationary pressures generally.

Sincerely yours,

(M. S. Eccles /s/)

The Honorable John W. Snyder,
Secretary of the Treasury,
Washington, D. C.