

# Bank of Canada

Ottawa, November 16th, 1939.

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

Dear Mr. Eccles,

I write to inform you of the Government's decision that it is not in the public interest at the present time that the Central Mortgage Bank should commence active operation.

In announcing its decision, the Government referred to the basic problem of revaluing mortgage properties, pointing out that "the existing state of war and the uncertainties regarding the effect which war may have on incomes and real estate values make conditions so abnormal and unstable that it would be impracticable at the present time to make, with any degree of assurance, valuations that would provide an equitable and permanent basis for sound debtor-creditor relationships."

A further consideration involved was the substantial amount of national credit that would have been required in the operation of the Central

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Mortgage Bank, which in view of the prospective heavy demands for war purposes, the Government felt was undesirable.

The Government stated that the Central Mortgage Bank Act "is not to be repealed, and the Central Mortgage Bank will retain its corporate structure, and as opportunity offers, it will be in a position to pursue certain phases of its activities particularly research and investigation respecting the business of lending money on real estate security."

Yours sincerely,



Deputy Governor

November 21, 1939.

My dear Mr. Gordon:

On behalf of Chairman Eccles, who is temporarily absent on a belated vacation, permit me to acknowledge receipt of your letter of November 16 with regard to your Government's decision not to commence active operation of the proposed Central Mortgage Bank at the present time.

May I again express appreciation of your courtesy in keeping us advised of important developments of this character?

Sincerely yours,

Elliott Thurston,  
Special Assistant  
to the Chairman.

Honorable Donald Gordon,  
Deputy Governor,  
Bank of Canada,  
Ottawa, Canada.

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