

FEDERAL RESERVE BOARD

WASHINGTON

ADDRESS OFFICIAL CORRESPONDENCE TO
THE FEDERAL RESERVE BOARD

X-9266

July 23, 1935.

SUBJECT: Classification of Loans under
Title I of the National Housing
Act.

Dear Sir:

This supplements the Board's letter of September 4, 1934 (X-7997) relative to the classification of loans under Title I of the National Housing Act. The inclosure with that letter contained the following statement:

"The Board feels that the examiners for the Federal Reserve Banks should be instructed that no part of the loans made under the provisions of Section 2, Title I of the National Housing Act should be classified as slow, doubtful, or loss so long as the insurance provided by the Federal Housing Administration adequately covers the loans or portions thereof which might otherwise be so classified."

The principle expressed above applies to all loans insured under the provisions of Section 2 of Title I of the National Housing Act, including loans in excess of \$2,000 but not in excess of \$50,000 for which provision was made in the amendment to the National Housing Act approved May 28, 1935.

In this connection, however, it should be noted that the regulations issued by the Federal Housing Administration provide for the segregation of insurance reserves calculated on advances of credit

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not exceeding \$2,000 from those calculated on advances of credit from \$2,000 to \$50,000, and that claims for loss on either class of notes will be paid only out of the respective insurance reserves.

Very truly yours,

A handwritten signature in cursive script that reads "Chester Morrill". The signature is written in dark ink and is positioned below the typed name.

Chester Morrill,
Secretary.

TO ALL FEDERAL RESERVE AGENTS.