



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 4, 1939.

Dear Sir:

Attached is a copy of a letter from Mr. Stewart McDonald, Administrator of the Federal Housing Administration, requesting that the Federal Reserve banks assist the Federal Housing Administration by obtaining such information for the Administration as it may request from time to time in regard to the experience, reputation and financial responsibility of project sponsors.

In this connection, it is noted from the minutes of the Conference of Presidents, held on Monday and Tuesday October 24 and 25, that it was the consensus of the Presidents that the Federal Reserve banks should comply with requests of the Federal Housing Administrator for credit reports but that charges should be made for such reports in the amount of the actual expense involved, the minimum charge for a report to be \$1.

The Board concurs with the view of the Presidents' Conference that the Federal Reserve banks should cooperate with the Federal Housing Administrator in furnishing him from time to time such information as they may be able to obtain in regard to the experience, reputation and financial responsibility of project sponsors. The Board does not feel, however, that the banks should charge for inconsequential expenses incurred in complying with the request of the Administrator and feels that the banks should not adopt the practice of making a minimum charge of \$1. It is understood, however, that ordinarily it requires the expenditure of a considerable amount of time and expense to obtain the information desired by the Federal Housing Administrator and under such circumstances the Board feels that the Federal Reserve banks should seek reimbursement on the basis of their actual costs.

Very truly yours,

Chester Morrill

Chester Morrill,
Secretary.

Inclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FEDERAL HOUSING ADMINISTRATION
Washington

November 25, 1938.

Honorable M. S. Eccles, Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Mr. Eccles:

Mr. Daiger has told me of your conversation with him regarding a suggestion made at the recent conference of Reserve Bank presidents to the effect that the Board of Governors instruct the Federal Reserve banks as to the handling of credit inquiries received from the Federal Housing Administration.

In accordance with the suggestion that you in turn made to Mr. Daiger, I am giving you this explanation of why the credit information obtained for us by the Federal Reserve banks is helpful to us in our larger insuring operations, and why we should appreciate the continued cooperation of the banks in obtaining for us, in connection with these larger insuring operations, such credit information as they may have in their own files or as they may obtain through other banking or credit sources.

As you know, our Rental Housing Division handles mortgage-insurance transactions in two categories. In one of these the mortgages may run up to \$200,000, in the other up to \$5,000,000; the average of the two, in actual practice, is at present around \$500,000.

You will see, both from the size to which these rental projects may run and from the amount of the average mortgage insured, that the credit factor is of more than ordinary importance in protecting our mortgage-insurance fund in the first instance and in protecting the Treasury against loss in the final accounting.

For the reasons I have related, I asked Mr. Daiger some time ago if he would not undertake to supplement the credit information which our Rental Housing Division obtains through the usual reporting agencies with information obtained through the Federal Reserve bank or branch in the district in which the sponsors of these larger projects are located. We have made it clear,

in requesting the assistance of the Reserve banks in this matter, that such credit information as they transmit to us will be treated in the strict confidence which is customary in the handling of credit information and that we shall of course be glad to defray any expense which the banks may incur in obtaining information for us.

What we desire in the case of each project is to obtain as much information as is practicable with reference to the experience, reputation, and financial responsibility of the project sponsors. The several Federal Reserve banks and branches from which we have obtained reports have been most cooperative, and we are very grateful for their assistance.

Sincerely yours,

(Signed) Stewart McDonald

Stewart McDonald
Administrator