6. Incentives to Self-help

Two measures had been enacted in the field of housing during the early depression years. In July 1932 the Hoover Administration created the Federal Home Loan Banking System to bolster a collapsing mortgage market by offering aid to building and loan associations. But the aid was totally inadequate and the collapse of the market continued. Then in June 1933 the Roosevelt Administration passed the Home Owners' Loan Act, which proved of enormous benefit to home-owners and creditor institutions alike.

Still, the HOLC check on mass foreclosures did not bring about a recovery in the economy. A home-owner whose mortgage was refunded and whose back interest and taxes were paid up by the HOLC did not have an added cent put into his hands with which he could buy the goods he wanted. Moreover, by the terms of the act, it applied only to mortgages that were in default; it did not help home-owners who tried by all means to keep up payments on their mortgages so that they would not be foreclosed. This group, along with those whose homes had been foreclosed, could be helped in the long run only by a reflation of the economy as a whole.

The significance of a new housing program that could revive the economy was not lost on President Roosevelt. He knew that almost a third of the unemployed were to be found in the building trades, and housing was by far the most important part of that trade. A program of new home construction, launched on an adequate scale, not only would gradually help put these men back to work but would act as the wheel within the wheel to move the whole economic engine. It would affect everyone,

from the manufacturer of lace curtains to the manufacturers of lumber, bricks, furniture, cement, and electrical appliances. The mere shipment of these supplies would affect the railroads, which in turn would need the produce of steel mills for rails, freight cars, and so on.

While all this was known to the President, his decision to initiate a housing program was reached by a back door approach. Specifically, by the end of 1933, while grudgingly acknowledging that the budget could not be brought into balance—as witness his budget message for 1934—Roosevelt endorsed the argument pressed on him by people like Lewis Douglas, then the Director of the Budget. It was Douglas's contention that if a program such as the Civil Works Administration was not ended in short order, the costs would exhaust the government since there would be no chance of ever getting CWA workers off the relief rolls.

It so happened that as Roosevelt was preparing himself at the end of 1933 to order a termination of CWA, in line with Douglas's arguments, a meeting of the National Emergency Council under the chairmanship of Frank Walker was held in the White House. This Council co-ordinated the work of the new emergency agencies that had come into being during 1933.

At the meeting of which I am speaking, John H. Fahey, chairman of the Federal Home Loan Bank Board asked for an added two billion dollars to be used in HOLC operations. The request was a reasonable one, and it came from a man who had done an excellent job in reorganizing the Home Loan Bank System following the inept management of its first administrator. But on hearing the request for more money Roosevelt is said to have thrown up his hands in horror. He asked the men grouped around his desk whether there was any way to get the government out of the lending business. Someone present suggested that a new housing program was at least a partial answer to the President's question. It was in this way that matters were brought to a head.

Roosevelt appointed Frank Walker as chairman of the President's Emergency Committee on Housing, with orders to explore the full implications of a housing program and what would be needed to get it under way. Other committee members included Harry Hopkins, Henry Wallace, Frances Perkins, Rexford Tugwell, John Fahey, and Averell Harriman. Harriman had been brought into this group because of his friendship with the President and his standing as a businessman. It was expected that he would later sell the final program to the President, the Treasury, and the business community at large. The economic adviser and secretary for the group proved to be a happy choice. He was Winfield W. Riefler, whose services Frank Walker had secured from the Federal Reserve Board after a wide canvass among universities and government agencies for their ablest economist.

All these developments were under way at about the same time that I joined the Treasury staff. I soon heard of the exploratory work that was being done when Riefler called at my office at the direction of Secretary Morgenthau. He indicated that a number of general ideas regarding a housing program had been advanced by various people, but no one had given them concrete shape. What I heard opened the sluice gates on my own thoughts about housing, and after a torrent of talk lasting many hours Riefler suggested that I become associated with Walker's committee as the Treasury's representative. This I did with the approval of Secretary Morgenthau, who could not at that time have had the faintest idea that I was to have the Treasury assume indirectly the role of a mortgage guarantor.

In March 1934 I attended my first meeting of Walker's committee. The major figures of the New Deal or their chief aides were present. At this and at a subsequent meeting Riefler's progress report was substantiated. Everyone agreed on the need to stimulate new construction and there was a uniformly keen

interest in doing something to that end. But the means by which it could be done had yet to be devised or decided.

Being a newcomer on the Washington scene, I felt very self-conscious at these first meetings and listened more than I spoke. It was my impression that what I heard bore the imprint of social-service-worker thinking. As I recall what was said, "housing" to many committee members tended to mean "public housing" applied as part of a government-financed slum-clearance program in great cities. Private home construction, privately financed in communities across the land, held a lesser place in the views that were expressed.

For want of any better advice, I at last spoke up during one of these meetings to comment on the obvious. We were all agreed, I said, on the need for action, but I doubted whether a specific plan of action could emerge from a large group that met only at irregular intervals. Our task could be facilitated if the chairman appointed a subcommittee that could work out in legislative form what we wanted to have done. The draft could then be returned to the full committee, which could endorse, modify, or reject it.

This suggestion was adopted.

It perhaps should cause no surprise to report that I, as its proponent, was appointed to head the subcommittee. Together with Winfield Riefler, who served as its secretary, we secured an able technical staff consisting of Albert Deane, president of a General Motors subsidiary and an expert on consumer credit; J. M. Daiger, a housing expert; and Frank Watson, a young lawyer whose services we secured from the Reconstruction Finance Corporation. It was this task force that shaped what was to be the Federal Housing Authority.

At the outset we were guided by one general political directive. Frank Walker took a dim view of the mushroom growth of new emergency agencies and wherever possible wanted to avoid their further multiplication. Accordingly he asked that

our work should be drafted as an amendment to the act that set up the Home Loan Bank Board. In this way, John Fahey, the head of that Board, would be in a position to administer the whole of the government's housing-mortgage program.

The task force at first worked closely with Fahey, in keeping with Walker's directive. But as time passed, it became apparent that Fahey was strongly opposed to our program because he felt it would put the building and loan leagues to a disadvantage. The Home Loan Bank Board, it will be remembered, was closely identified with the interest of those leagues.

When these matters were belatedly explained to Frank Walker, he consented to a revision of our draft so that the proposed housing program would be entrusted to a new agency. Subsequently we were told to work in close co-operation with Harry Hopkins, whose CWA was about to terminate. Hopkins attended a few of our drafting meetings, but left no imprint on its work. He grasped the essential point, however, that a large-scale housing program might set in motion a complex of economic forces that could liquidate the relief program.

It was later disclosed that Hopkins had been designated by the President as the head of the housing program after its divorcement from control by Fahey's agency. But his appointment to that post never materialized. I have been told that the President withdrew Hopkins's name because of the opposition generated by a group of businessmen, led by Lewis H. Brown, the head of the Johns-Manville Company.

The economic and social conceptions that guided our drafting work were those that have been stated in different forms in these pages. I felt that in a depression the proper role of government should be that of generating a maximum degree of private spending through a minimum amount of public spending. This was the basic justification for deficit spending. A large-scale *public* housing program would not meet the foregoing specification. It would call for public ownership and government financing. This would increase the public debt. It

would meet with strong opposition from real-estate interests as well as financial institutions. It would be slow in getting under way. It would apply only to larger cities.

I wanted the housing program to be private in character, with all financing done on the grass-roots level by credit institutions of a community for the individuals who lived there. I felt that every kind of credit agency in the country with idle money on its hands should have a right to participate in the financing program. In particular, if banks that held excess reserves made loans for home construction, they would in the nature of things create the basis for new money and thereby build up the supply, which had been greatly contracted as a result of the deflation from 1929 onward. But how could the sources that held idle funds be induced to put them to use in the modernization and construction of homes? How could banks be induced to make loans of this sort?

The answers to these questions were expressed in the various parts of the housing act we drafted.

What was to be the first part of the act, or Title I, addressed itself to the modernization of homes and businesses. The details of the program represented a union between Albert Deane's practical knowledge of the costs of consumer credit and the scheme I advanced to finance that credit. In general terms, the amount of credit that could be authorized was limited to two thousand dollars for each loan. No collateral was required by an applicant for these loans. He was to be granted one on the strength of his character and job prospects alone, as judged by the local lending institution with which he dealt.

Throughout the whole economy the confidence of lending institutions in the credit scheme was to be bolstered by the federal government, which stood ready to absorb losses up to twenty per cent of the aggregate loans that were made by any one institution that qualified as a lending agency. In precise terms, the government could absorb losses up to $200 million. But unlike a relief appropriation of a like amount, the $200-

million subsidy in this case would draw into the spending stream $1 billion of private funds. This short-run emergency measure would have the lasting effect of adding to the value of existing properties at a time when debtors got the greatest benefit from their expenditures. This, needless to say, is the safest condition under which one could go into debt.

The second part of the act, or Title II, was the heart of our program. By means of a revolution in the character of home mortgages we aimed to stimulate small-home construction for owner occupancy, as well as large-scale rental housing by corporations.

The thoroughgoing character of the revolution to which I have just referred may be grasped by means of a contrast. In the preceding decades many people felt it was bad business to lend more than fifty per cent of the appraised value of a home. It is true that the building and loan association made loans that ranged to eighty per cent or more of the appraised value; but they charged excessively high interest rates, which ran to more than eight to twelve per cent.

The prevailing view of what constituted a "sound mortgage loan" was reflected in state laws that restricted banks and insurance companies to a maximum loan of fifty per cent of the appraised value of a home. Moreover, in the case of national banks, the law limited the life of a loan to five years. Since very few people could make a down payment of fifty per cent on a new home, most of them took out second and third mortgages payable on an installment basis at high rates of interest. Furthermore, most of these second and third mortgages extended beyond the due date of the first mortgage. When first mortgages went into default during the depression years, second and third mortgages were wiped out.

In our new approach we set forth the principle of a high percentage of appraised value in a *single* mortgage, a reduction of interest rates, and a longer time of maturity, so that the mortgage could be put on a monthly amortized payment plan of

equal payments in smaller amounts. Because the proposed change was such a radical departure from all past rules, we recognized that private interests would never support or participate in the housing program on the proposed new basis unless they were backed up by some sort of government protection against losses. Halfway protection would be useless. On the other hand, if the government guarantee was of a direct character, it would invite the objection that it increased the government debt. Moreover, such a guarantee might develop into direct government lending such as the HOLC had undertaken in refunding defaulted mortgages. It was to avoid that very result that Roosevelt had brought Walker's committee into being in the first place.

The kind of guarantee ultimately embraced in the FHA law was largely the invention of Winfield Riefler. It was the FHA's now famous insurance principle, which avoided any direct encroachment by the government on the domain of private business, but which used the power of government to establish the conditions under which private initiative could feed itself and multiply its own benefits. By the terms of the scheme as it was originally conceived, the FHA insured a mortgage that did not exceed eighty per cent of the appraised value of a new home and lot whose total appraised value was not more than sixteen thousand dollars on a single family unit. Interest rates could not exceed five per cent, plus an insurance fee of one per cent, or a total of six per cent on the unpaid balance of the mortgage.

The insurance fee of one per cent was to be put into a fund that would be used to take up defaulted mortgages after the lender had foreclosed upon the property and delivered title to FHA. If the fund, together with the proceeds from the resale of the foreclosed properties, was not sufficient to take up the defaulted mortgages, then the FHA was authorized to issue 2½-per-cent bonds to the lender, guaranteed by the government and due three years after the mortgage would have matured.

It should be noted once again that in all of this the insurance

fund did not represent one penny of government money. The fund was all privately created. The government merely stood behind it with a guarantee that if the fund was not great enough to meet the losses suffered by the lender, then the losses would be made up through the use of public credit.

In all the foregoing the terms that applied to large-scale rental housing by corporations were the same as those that applied to small-home construction for owner occupancy, excepting that the builder had to submit for approval the rental schedules he proposed to charge, and was also limited in his dividends to a payment schedule that had to bear FHA approval.

The third part of the FHA Act, or Title III, authorized the creation of National Mortgage Associations which could buy up mortgages, large and small, and issue bonds against them in denominations that could be purchased by investors anywhere. In this way it was hoped that fluidity would be given to the whole mortgage market and that through the medium of the associations mortgage investment funds could flow from areas where such funds were in excess to those areas where they were lacking. The conception that underlay these associations was advanced by Charles A. Miller, a former president of the American Bar Association and an outstanding savings and mortgage banker.

What I have thus far described in broad outline represented the limit of the measure the task force drafted and submitted to the Walker committee.

While this work was under way, John Fahey, of the Home Loan Bank Board, seemed to go along with the program that was being evolved. But then, after the Walker committee had approved our draft and on the day when we called at the White House to gain the President's endorsement of our work, Fahey kicked over the traces. Speaking on behalf of the building and loan associations, which had hoped that no housing bill at all would be presented to Congress, Fahey insisted that if the bill

was presented, then these associations should be given an insurance scheme similar to that of the FDIC.

It was his contention that with the deposits of the banking system insured by the FDIC, the banks would get the savings funds of the public at very low rates of interest and could lend them profitably on FHA mortgages. In contrast, the building and loan companies, which were not covered by the FDIC, had to pay high rates of interest for savings and therefore had to lend their funds at rates higher than those permitted by the proposed FHA Act. This, said Fahey, would create unfair competition and would throw the mortgage business to the banks unless the government set up an insurance program similar to that of the FDIC to cover the savings associations.

I strongly objected to what Fahey wanted done, saying among other things that it had nothing to do with the housing program. Roosevelt listened to our sharp exchange of views. With an eye cast in the direction of the building and loan associations and their many friends in Congress, he shunned getting drawn into a controversy that might imperil the whole housing program. Consequently he asked that Fahey and I work out an insurance plan that would satisfy the needs of the associations.

Some sense of the boldness of these organizations can be gained from two small details. First, the General Counsel of the Home Loan Bank Board, who was a party to my negotiations with Fahey, later resigned his post and moved under his more proper colors as General Counsel for the Building and Loan League. Second, Morton Bodfish, the skilled lobbyist for the league, proceeded to sit in on the deliberations of government officials who were at work on the insurance plan.

The meetings for this purpose were held in my office in the Treasury Department. I was opposed from the outset to the presence of Bodfish, but tolerated it for a day or two because Fahey asked that he be there. When Bodfish made himself at home and asked for the moon, Winfield Riefler, who was also

a party to the negotiations, walked out of them in disgust on the second day of our meeting. I was obliged to remain and listen. Finally I too had my fill and asked Fahey if he would be good enough to come to future meetings without the lobbyist. He agreed to do this. With Bodfish excluded from our midst, Riefler returned to our group, and an agreement was reached on what became Title IV of the FHA act, which set up the Federal Savings and Loan Insurance Corporation under the Home Loan Bank Board.

The details of this insurance scheme need not be stated here, but it should be said that in later years all the protective provisions that were agreed to for the purpose of creating adequate reserve funds in the insured institutions as well as adequate reserve funds in the new insurance corporation were either weakened or eliminated under the lobbying pressure that Bodfish effectively directed.

Though Title IV was written into the FHA Act so as to appease the building and loan associations, formidable opposition at once developed in Congress to the part of the act that was to stimulate new housing. The part devoted to the emergency modernization program had fairly clear sailing. Hearings on the whole bill began on May 16 and ran through to May 24, 1934 in the Senate Banking and Currency Committee, and from May 18 to June 4 in the House committee.

The generalissimo for the attack was John Fahey, while Morton Bodfish served as his plans and operations officer. Their opposition, it seemed to me, came with poor grace and was entirely uncalled for in view of the agreement we had reached at the direction of the President. They got the insurance plan they wanted, but, as things developed, it seemed that they would have preferred to kill the whole housing bill even though they lost the insurance benefits contained in Title IV.

While the heart of the FHA involved a reform of the whole mortgage market, the character of the opposition that was encountered forced us to soft-pedal that theme. We were obliged

instead to speak merely of the effect the proposed bill would have in stimulating new construction. In the prevailing political atmosphere we could not point an accusing finger at the sort of mortgage practices that creditor agencies had used in the past, which led to their ruin, to the ruin of debtors, and to the cessation of building and employment in the construction industry.

As I have said, the building and loan associations were opposed to the FHA because they did not want to see commercial banks get into the home lending field. Many of the insurance companies and mutual savings banks likewise did not want to see a reform of the mortgage market on the favorable terms proposed by the FHA. Most of the banks were likewise opposed to it, even though the statute limited the amount of insured mortgages that could be held by the banks to sixty per cent of their time funds. This opposition was particularly true of the larger banks, which are habitually influenced by the position the large insurance companies take. Bankers as a group did not believe the commercial banking system should be encouraged to go into long-term mortgage financing of any kind.

The Senate Banking and Currency Committee that considered the housing measure was equal to this combined opposition. Thanks to the leadership of Senators Robert F. Wagner and Alben W. Barkley, it reported a bill to the Senate that followed the main outline of the one sent it by the White House. The opposition within the committee was most persistently voiced by Senator Thomas P. Gore of Oklahoma, who had evidently not yet recovered from the shock of my testimony before the Senate Finance Committee, of which he had been a member in February 1933. In this he was joined by Senator Hamilton F. Kean of New Jersey, who fancied himself an expert on the monetary system of the nation and who seemed more anxious to demonstrate his knowledge in this field than to consider the problem before the committee.

The testimony I offered to the Senate Banking and Currency Committee in support of the housing measure represented the

first time I appeared before that body. The atmosphere, whose tone was set by Senator Barkley, was a jovial one. After I had stated my name, residence and occupation, the following colloquy developed around the character of my first name, Marriner:

Senator Barkley: Are you a real "mariner" from Utah?

Mr. Eccles: Yes, sir; I am from Utah. I do not know that I am a real "mariner"; I am from Utah, however.

Senator Barkley: You are so close to the Great Salt Lake that I did not know but what you were a real mariner.

Mr. Eccles: Well, if this drought continues we might have to become pedestrians instead of mariners.

I was to appear before the Senate Banking and Currency Committee many more times in future years. If I believed that all future testimony would also unfold against a background of sweetness and light, I was completely disillusioned. The next time I came before the committee, or more especially a subcommittee on banking, it was Senator Carter Glass who sat as the presiding officer. The atmosphere on that occasion was of an abrasive sort, with the teeth of all men set on edge.

While the Senate committee, as I have said, did not bend before the forces that were hostile to the proposed housing measure, it was otherwise in the House Banking and Currency Committee. Ironically, this same committee a year later was to be my staunch ally in pressing for the banking bill of 1935. Then it was the Senate committee, under the influence of Senator Glass, that represented the greatest obstacle to the enactment of the bill. As for the housing bill before the House committee in May and June of 1934, the net result of its work was an emasculated version cut to the wishes of Morton Bodfish. In this enfeebled form it was reported out of the committee for consideration by the House of Representatives.

Fortunately, one member of the House committee who strongly favored the original version of the measure refused to

give up the fight. He was Representative Fred J. Sisson of New York. Joined by Representative John J. O'Conner, a powerful member of the Rules Committee (who was later purged by Roosevelt, but who at this time was still in the New Deal camp), the two men set about to salvage the housing program. They submitted several amendments of the sort that put back into the bill what had been cut out of it. The success they won in the vote on the amendments showed they had great strength in the House as a whole and could make all their views prevail. Accordingly, those who supported the emasculated version had the bill reported back to the House committee for further deliberation.

As the committee reconsidered its work and then dealt with the Senate version in a conference committee, I learned for the first time of the enormous role the clock plays in any legislation. Congress was due to adjourn on June 30. It had completed all its work except a final vote on the housing bill. On June 30 the clock was stopped while the conferees composed their differences, and under this sort of pressure this piece of "must" legislation emerged from the conference with its main provisions intact. The FHA was launched on its career as an independent agency.

Once the bill was signed by the President, the problem of who would administer it arose. As I've already said, Harry Hopkins had by this time been eliminated as the administrator-designate, because of the opposition of various business interests. General Hugh Johnson was eliminated for various other reasons. Charles Edison, later to be Secretary of the Navy and then Governor of New Jersey, was extremely anxious to get the post. My own candidate was Albert Deane. He had been a party to all the drafting work, understood with extraordinary clarity what the measure was designed to do, and on the basis of his previous experience seemed to me to be well qualified to administer the whole program.

But President Roosevelt was of a different mind. He did not

think Deane was sufficiently well known to the public. As the President put it, he wanted some "window dressing" for the new program. In the meantime Frank Walker, acting on the advice of the President, sent J. M. Daiger to New York to canvass the banking fraternity in the hope of finding the required window dressing. Daiger came up with an able candidate who was prepared to leave an important post in a New York bank in order to administer the whole FHA program. But evidently there was a slip somewhere.

At about the time this search was on, President Roosevelt left for a cruise. I don't know whether he settled the matter before he left or whether it was settled by someone else. In any case, I have been told that while the President was at sea, his secretary, Marvin McIntyre, put through a call to James A. Moffett in New York. As an official in one of the large oil companies in charge of foreign operations, Moffett no doubt knew the way leases are secured on oil fields in the Middle East, but this had no relationship to a mortgage on a new bungalow in Broken Bow, Nebraska.

He was informed that the President wanted him to administer the whole of the new housing program. To Moffett's credit, he replied with complete candor that he had never heard of the FHA before that time. But he was told to come to Washington anyway, and in due course was appointed Federal Housing Administrator and confirmed in that post of central importance to any plan that would take the government out of the lending business. There is no question that Moffett wanted to do a competent job, but he did not understand what the statute just passed was meant to accomplish.

We managed, however, to secure the appointment of Albert Deane as a deputy administrator in charge of the modernization program under the FHA Act. As a result, excellent headway was made in this area. While the government was prepared to absorb losses up to twenty per cent of the aggregate losses, those actually encountered totaled only five per cent.

Thus, at a cost of $50 million to the government as against an anticipated cost of $200 million, this part of the bill succeeded in generating $1 billion of useful private expenditures.

Deane's success showed what could be done by a person who understood fully what the legislation was meant to do, who was in sympathy with its objectives and was willing to take to the hustings and advertise the prospect the measure opened to all who owned homes and businesses and needed credit for repairs and improvements. In fact, the success of the FHA modernization program was so great that while it was thought at first that the $200-million government subsidy would limit the life of the program, Congress by a later appropriation increased this government's stimulus to private spending by another billion dollars. Moreover, this new grant was made under conditions where the aggregate losses the government could absorb were decreased from twenty to ten per cent. Despite this decrease in the size of the guarantee, the volume of loans increased instead of diminishing.

In contrast with this success, the part of the FHA that aimed at getting new home construction under way, which was the heart of the housing measure, stood still for very unromantic reasons. The man whom Moffett chose as its deputy administrator was a retired New York commercial banker whose experience in no way qualified him for the task he was asked to perform. Like other bankers—and there were notable exceptions such as the forward-looking Robert V. Fleming of the Riggs Bank in Washington, D.C.—the deputy was opposed in principle and in detail to the whole program. He had no interest in bringing to the door of creditor institutions the sort of individuals who would ask for loans to build new homes. Similarly, he had no interest in battering down the almost solid opposition to the program offered by the financial community.

Apart from the enervating touch of the deputy, the proposed new home-construction program remained ineffective for a number of years because of still other reasons. There was the

practical difficulty of setting up an adequate national appraisal system. This admittedly took time. But the time was needlessly prolonged. Furthermore, when rules and regulations were at last promulgated, they were so rigid and restrictive in their text and application that about the only people who could avail themselves of the program were those who did not need it. The result was a very meager amount of new home construction in contrast with what had been hoped for. As a result, mass unemployment continued, private funds remained idle, the government had to increase its lending operations, and the public debt grew. It was not until 1938, when the provisions under this part of the bill were liberalized and when a new administrator for the whole of the FHA Act was brought in, that the potentialities of new home construction began to show themselves. Of this, more in another place.

The part of the FHA Act that authorized the creation of mortgage associations also was threatened by death through inertia. No financial group availed itself of the chance to organize any of these associations. Particular hostility to the idea was expressed by the large banks and by almost all the insurance companies. I can account for their opposition in but one way. They probably felt that if they did not buy up any insured mortgages, the whole housing program would fall through. Related to this was their persistent belief that somehow the depression would end without government action. When it did end, they could return to the halcyon days of the high mortgage rates and terms to which they were accustomed.

The reasoning in support of this belief led to a peculiar result. To help the housing program get off the ground despite the opposition it encountered, the RFC organized a Federal National Mortgage Association as provided for in the FHA law. It is now better known as "Fannymay" after the initials FNMA. It immediately provided a market for the insured FHA mortgage loan. When the private lending institutions saw that an agency of the government would do what they had refused to

do, they knew their opposition to the whole mortgage scheme would lead them nowhere. And gradually the FHA loan over the years came to be recognized as a most desirable and profitable credit instrument.

Nevertheless, up to the time of this writing, no private lending group has set up a "Fannymay" of its own. By an inexplicable abberration, some bankers, and insurance men prefer to buy government securities yielding two and a half per cent or less. The government in turn lends this money to the RFC to purchase the more remunerative insured mortgages. Bankers and insurance men may assail the government for getting into the credit business, but balk at taking the only sort of action that would end any need for the government to remain in the credit business.