

● PSF: Subject File

Federal Loan Agency

NOTE: The quoted body of this
memo from memo for FDR
from Jim Rowe 2/27/41
Original filed Rowe folder.

ORIGINAL FILED HOME TOGETHER
WITH THE HOME FILE
SEND FROM BUREAU FILE
AND CHECKED COPY OF THIS

Feed Loan
2-41

PSF
F.L.A.

COPY

March 1, 1941

MEMORANDUM FOR

HON. JESSE JONES

I have just got the following memorandum from a very good friend of yours and mine:

"Former Congressman Luce

"I quote from the present issue of Newsweek: 'Ex-Representative Robert Luce, veteran Massachusetts Republican defeated last fall, has been given a minor RFC job. Though bitterly anti-New Deal, he used to speak favorably of the R. F. C.'

"I do not know whether this is accurate, but I do know you have never had a worse enemy than was Luce in Congress. He had a perfect record of opposition. In the meanwhile, your New Deal supporters are unable to get jobs.

"I have also been told reliably that during the campaign the RFC hired at least one attorney who was at that time wearing a Willkie button while applying for the job."

What about it?

F. D. R.

RECONSTRUCTION FINANCE CORPORATION
ELECTRIC HOME AND FARM AUTHORITY
THE RFC MORTGAGE COMPANY
DISASTER LOAN CORPORATION
FEDERAL NATIONAL MORTGAGE ASSOCIATION
METALS RESERVE COMPANY
RUBBER RESERVE COMPANY

PSF Fed. Loan Agency
Fidelity 2-41
FEDERAL HOUSING ADMINISTRATION
HOME OWNERS LOAN CORPORATION
FEDERAL HOME LOAN BANK BOARD
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
EXPORT-IMPORT BANK OF WASHINGTON

FEDERAL LOAN AGENCY WASHINGTON

JESSE H. JONES
FEDERAL LOAN ADMINISTRATOR

file

March 20, 1941

Dear Mr. President:

If the British are required to sell their United States investments on a forced sale basis, they will probably not be able to realize their fair value, and the fact that these investments are hanging over the market will have a depressing effect on the entire market, and in that way adversely affect investments of our own citizens.

Furthermore, the British have made a point of the fact that many of their investments in this country are an important factor in their economic affairs. The income from them is being used to buy our products, and otherwise to provide them with dollar exchange.

I think we all feel that the British should pay as long as they can, and should use their foreign investments to fight the war and to buy war supplies. But it may not leave a very good feeling with them if they are forced to sell investments that are vital to their existence.

I suggest that we arrange to lend on these investments at approximately the cost of money to us, and for a period -- not too long -- that will enable them to sell in an orderly way, and probably save some of these investments by applying the earnings toward interest and in liquidation of the debt.

In the case of the Viscose, as I understand the deal, it was hurried and forced, the bankers advancing \$40,000,000, and agreeing to account to the British for 90% of the sale price over the \$40,000,000 advance, and their fees of \$2,700,000, and expenses estimated at \$150,000.

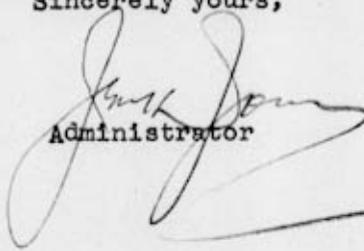
In other words, from the total sale price, after paying the advance and the bankers' fees and expenses, aggregating approximately \$43,000,000, the bankers take 10% of any excess.

The company is in excellent shape with almost \$40,000,000 cash on hand and a substantial amount of other liquid assets. Its earnings for the past two years have been approximately \$9,700,000 a year. This may have been before income taxes, but even allowing for taxes, the net earnings would be more than \$7,000,000 a year.

If the bankers should sell the property at say \$75,000,000, which would not be a big price, the bankers' total fees will be in the neighborhood of \$6,000,000, or a net to the British of approximately \$68,000,000. The British will be justified in feeling that this is a very big price to pay the bankers, particularly since they are selling their choicest United States investment.

If we had loaned \$68,000,000 against the property at 3%, the earnings would have paid the interest on the loan, and amortized the entire debt in approximately ten years, based upon the last two years' earnings.

Sincerely yours,


Administrator

The President
The White House