April 12, 1933.

Hon. Herbert H. Lehman,
Governor of the State of New York,
Albany, N. Y.

Dear Governor Lehman:

I was glad to read of the passage by the Legislature of two very important bills which you favored dealing with mortgages in the hands of widely scattered owners - the one creating a State controlled corporation to handle the problems of certificate holders of guaranteed mortgages, and the other giving broader and sounder powers to the Trustees of bond issues to handle problems of reorganization with adequate protection against self-seeking minority groups.

On the other hand, I was greatly disappointed that no bill was passed concerning foreclosures of mortgages held by individuals and individual institutions. I know that you were interested in the problem.

My brother-in-law, Edgar A. Levy, told me of his talk with you when he visited Albany to press the passage of one of the several bills dealing with the subject and providing for a moratorium on foreclosure proceedings in the discretion of the Court. As I gather from the newspapers the bill that he advocated did not pass and the problem remains unsolved. I do believe it very important that there be some coherent action so far as institutions are concerned which hold mortgages on real estate. At the present time each institution is a law to itself and handles its problems in its own way. Some have been convinced of the wisdom of complete cooperation with an owner, anxious to conserve his equity, but at the same time willing to turn over all income from the property to the mortgagee. Others are still rigid and unyielding in their attitudes, refusing to make any concessions so far as interest rates are concerned, and in some cases even so far as amortization payments are concerned, and preferring to foreclose and take over property even though the owner is ready to give them, by way of assignment of rents, every bit of income that the property produces.

I am sure that this latter group of institutions will in time be converted by somewhat disastrous experience to the sounder viewpoint, but this educational process is slow, and owner after owner is being dispossessed in the process.

Would it not be possible for you to consider calling a more or less formal conference of the heads of life insurance companies, savings banks and trust companies, including leading real estate representatives as well, in order to try to arrange for a more unified attitude toward the problem; greater cooperation with the owners who are struggling to conserve their assets; possibly some
formal arbitration or conciliation machinery for working out plans fair to mortgagor and mortgagee alike; and other matters along this line. I understand the Savings Banks have already instituted a central conference committee. The trust companies have been particularly hard to deal with because of fear of criticism and because of real or fancied limitations on their powers, some of which, as I understand it, will be cured as a result of legislation passed by the Legislature and before you for consideration. More uniform action by all of such companies, however, will be a great step forward.

I believe that the time is ripe for such conference. Recently the owners of apartment houses in the east side section of Manhattan have been able to secure very generous cooperation from the lending institutions in an effort to prevent cut throat rental competition - cooperation which a year ago it would have been quite impossible to obtain. I believe that today the heads of the bigger institutions are now convinced of the need of working together.

If at any time, after you have rested from the labors of the session and are at leisure, you care to talk over these matters further with Mr. Levy and myself, we are always at your disposal, either in Albany or New York. I do believe since legislation failed to pass, that there must be developed in the near future some informal machinery for the handling of the foreclosure problem and that you can best bring about the creation of such machinery.

Faithfully yours,