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8. Unless otherwise determined by the Board or exempted by the terms of paragraphs 6 and 7, a copy of this resolution shall be printed in each NBER publication as described in paragraph 2 above.
As a further and urgently necessary step in the program to promote economic recovery, I ask the Congress for legislation to protect small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments incurred during the period of higher values and higher earnings power.

Implicit in the legislation which I am suggesting to you is a declaration of national policy. This policy is that the broad interests of the nation require that special safeguards should be thrown around home ownership as a guaranty of social and economic stability, and that to protect home owners from inequitable enforced liquidation, in a time of general distress, is a proper concern of the Government.

The legislation I propose follows the general lines of the farm mortgage refinancing bill. The terms are such as to impose the least possible charge upon the national Treasury consistent with the objects sought. It provides machinery through which existing mortgage debts on small homes may be adjusted to a sound basis of values without injustice to investors, at substantially lower interest rates and with provision for postponing both interest and principal payments in cases of extreme need.

The resources to be made available through a bond issue, to be guaranteed as to interest only by the Treasury, will, it is thought, be sufficient to meet the needs of those to whom other methods of financing are not available.

At the same time the plan of settlement will provide a standard which should put an end to present uncertain and chaotic conditions that create fear and despair among both home owners and investors.

Legislation of this character is a subject that demands our most earnest, thoughtful and prompt consideration.

— Message from President Roosevelt to Congress, April 13, 1933
Contents

Preface ix
Acknowledgments xiii

1 Introduction 1

2 The Patchwork Mortgage Market in the 1920s 9

3 The Mortgage Crisis 20

4 Pressures for Government Action 31

5 The Economic Rationale for the HOLC 41

6 An HOLC Primer 54

7 The Lenders’ Good Deal 70

8 The Borrowers’ Good Deal 82

9 Repairing Mortgage and Housing Markets 103

10 The Cost to Taxpayers and Subsidies to the Housing Market 112

11 Conclusion 120

Appendix:

Walking through the Analysis of the Impact of the HOLC 133

Notes 147

References 161

Index 167
In 2008, the Home Owners’ Loan Corporation (HOLC) was in the news for the first time in half a century. The HOLC was a New Deal program created in 1933 to respond to the Depression-era mortgage crisis, and with the advent of a new crisis in 2007, politicians from all parts of the spectrum believed it to be an informative precedent for new legislation. Barack Obama reviewed the history: “Roosevelt purchased a whole bunch of homes. Over time, home values went back up, and in fact [the] government made a profit.” Hillary Clinton stated, “I’ve proposed a new Home Owners’ Loan Corporation,” and John McCain suggested something similar: “I would order the secretary of the treasury to immediately buy up the bad home loan mortgages in America and renegotiate at the new value of those homes.” Economists agreed that policy makers should learn from the HOLC’s history. Robert Shiller, of Yale University, noted that “[i]n the short run, a new institution modeled on the old Home Owners’ Loan Corporation of the 1930s would go far in helping to shore up confidence in the mortgage market.” Alan Blinder, of Princeton University, called for a revival: “It is said that history never repeats itself. But sometimes there are sequels. Now is the time to re-establish the Incredible HOLC.”

Remarkably, seven decades after the HOLC’s creation, there were no readily available answers to some fundamental questions about the program. To those pondering the HOLC in 2008, it was not immediately apparent how the HOLC had successfully obtained such a large size—having refinanced roughly one-fifth of the nation’s nonfarm home mortgages—nor was it clear exactly how the HOLC interacted with borrowers and lenders. There were deeper questions as well, such as whether the HOLC contributed to the recovery of housing and mortgage markets. And there was a claim that the HOLC had turned a profit, repeated every time the HOLC was discussed (or so it seemed). Moreover, much was unknown about the background to the HOLC, including the broader history of real estate and mortgage finance between the two world wars.

This monograph provides the first modern, comprehensive analysis of the HOLC that gathers in one place all that we and others have learned about the HOLC over the past several years. In this effort, the authors owe a large intellectual debt to C. Lowell Harriss, whose 1951 study, History and Policies of the
Home Owners’ Loan Corporation, is an invaluable documentary guide to HOLC operations and laid the foundation for this book. Our work does not supplant Harriss’s but rather adds to it with analysis of important unanswered questions about the HOLC, such as those raised in the previous paragraph.

Over the past several years, the three of us (through independent research projects) have assembled new databases from printed, mimeographed, and microfilmed HOLC records and employed modern statistical and theoretical tools to investigate important unanswered questions about the HOLC. Rose, for example, uncovered the sample of loans that had been collected by Harriss, which had been microfilmed and placed in a box stored on the Upper East Side of Manhattan for decades. In an analysis outlined in chapter 7, Rose used the data to describe how the HOLC often accommodated lenders when balancing the need to secure the participation of those lenders with the desire to give principal reductions to borrowers. Two groups of researchers—Fishback with Alfonso Flores-Lagunes, William Horrace, Shawn Kantor, and Jaret Treber; and Snowden with Charles Courtemanche—used more standard policy evaluation tools to assess the HOLC’s impact during the mid- and late 1930s on home ownership, housing prices, and new home construction. Independently, both groups of researchers assembled data sets covering HOLC activity in every county of the United States and, through analyses that are described in chapter 9, reached similar conclusions. The HOLC improved prices and home ownership, but not enough to completely reverse the damage to both that occurred during the mortgage crisis.

These three research projects ended in articles published in academically oriented economic journals. After completing these independent studies, we worried that leaving our published research findings in academic journals would make that knowledge inaccessible to a general audience. We also realized that we had learned much more about the HOLC and its era than we had been able to include in those articles, and did not want those findings to be lost, as knowledge about the HOLC had been lost in the past. While two chapters in this book contain versions of our prior work, the rest represent additional analysis that pulls together a wide variety of sources, including dusty volumes and government reports published in the 1930s, 1940s, and 1950s; contemporary press accounts of the HOLC; and the documentary history of the program as it was recorded in correspondence, operations manuals, and other mimeographed, carbon-copied, handwritten, and published documents that are held in the National Archives.
In sum, our published research is summarized in chapters 7 and 9, while the rest of this book covers important aspects of the HOLC and its era that we believe are not well known at this point by anyone except us. We begin in chapter 1 by using the actual stories of several HOLC borrowers to introduce the program and by summarizing our principal results. From there, the book is laid out in four parts.

The first part provides the context for the HOLC. We characterize, in chapter 2, the institutions and contracts that defined mortgage finance in the 1920s, an era with a booming housing market and a corresponding expansion of mortgage debt. As described in chapter 3, the mortgage finance market was in deep crisis by 1933 despite previous attempts to unwind its problems at the state and federal levels over the previous four years. The continued crisis prompted a broad public consensus behind the HOLC Act's passage, as summarized in chapter 4. This part of the book concludes with chapter 5, which examines the rationale for the HOLC from the public policy perspective that economists use to assess such market interventions.

The second part of the book consists of chapter 6, which is a primer on the HOLC. We hope this will serve as a valuable reference for anyone interested in learning the basic aspects of how the HOLC operated.

The third part of the book analyzes the HOLC as an economic intervention. Chapter 7 details Rose’s work about how the HOLC interacted with lenders. Chapter 8 considers borrowers. That chapter, along with the story of Joshua Clark told in the introduction, describes what it was like to be a home owner with a mortgage loan during the Great Depression, and gives a clear picture of how Americans benefited from assistance by the HOLC. Joshua’s lender said, “We are not willing to carry him.” That summarizes the era better than any other words we can muster. Chapter 9 synthesizes the work of the two research teams regarding how the HOLC affected mortgage and housing markets over the decade of the 1930s.

The analysis closes in chapter 10 by providing a detailed accounting of the costs of the HOLC to the US Treasury and the nation's taxpayers. We debunk the popular conception that the HOLC made a profit. Instead, it was likely the source of a small loss to taxpayers, a loss that should be weighed against the benefits it provided to borrowers, lenders, and mortgage and housing markets.

In the book’s conclusion, we discuss what we have learned about the HOLC, and relate the book to the recent mortgage crisis and efforts that have
been made to mitigate it. Crises of these sorts are rare events. Each therefore deserves study on its own and for the sake of comparison. The value of history here is not to uncover exact parallels to current events, however, but to clarify how the incentives and behavior of borrowers, lenders, and other economic actors during crises transcend vastly different institutional contexts to shape the impacts and effectiveness of policy. Along the way, the Depression provides us with a still powerful reminder of how things could go so wrong, and the HOLC provides an important alternative view of how policy can address such a crisis.

In writing this book, we have benefited from the support and insights of many colleagues. First and foremost are our co-authors. The research underlying this book benefited tremendously from Snowden’s collaboration with Charles Courtemanche and Fishback’s collaboration with Alfonso Flores-Lagunes, William Horrace, Shawn Kantor, and Jaret Treber. We thank several people for valuable insights after reading early versions of the manuscript, including Claudia Goldin, Joe Elling, two anonymous referees, students in Fishback’s graduate economic history class at the University of Arizona, and Alison and James Rose.

A note on a convention we use throughout the text. Many details from the case files of individual HOLC borrowers are available from documents at the National Archives. We changed the names of any borrowers whose information is taken from these files. For those interested in conducting further research, the citations still lead to the boxes at the archives.

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Finally, a disclaimer: the views expressed here are solely the responsibility of the authors and should not be interpreted as reflecting the views of the Board of Governors of the Federal Reserve System or of anyone else associated with the Federal Reserve System.
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