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Interview with
James W. Stroud
August 6, 1971

Place of Interview: Dallas, Texas

Interviewer: Dr. Ronald E. Marcello

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(Signature)

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Oral History Collection

Mr. James Stroud

Interviewer: Dr. Ronald E. Marcello

Place of Interview: Dallas, Texas

Date: August 6, 1971

Dr. Marcello: This is Ron Marcello interviewing Mr. James Stroud for the North Texas State University Oral History Collection. The interview is taking place on August 6, 1971, in Dallas, Texas.

Mr. Stroud, during the New Deal era, served with the Home Owners Loan Corporation in the Dallas-Fort Worth area. And at this time I'm interviewing Mr. Stroud in order to get his experiences and reminiscences and impressions of the Home Owners Loan Corporation during that period when he was connected with it.

Mr. Stroud, in a previous interview you had given us a brief biographical sketch of yourself, but just for those scholars who perhaps might not see that earlier interview would you once again just give us a very brief biographical sketch of yourself. In other words, we would like to know where you were born, when you were born, your education, your occupation, so on and so forth.

Mr. Stroud: Well, yes, I was born in Dennison, Texas, on June 4, 1914. But my family only stayed there two years, and then we moved to Dallas, and I've lived here ever since. I attended the local public schools here, Woodrow Wilson High School, and Dallas College. My, I guess, early entry into business, and

. . . of course, you must realize, I didn't complete Dallas College but left there in '33, when we were in the depth of a real depression. And my father's business, which consisted of a number of retail food stores, was failing rapidly. And I went into the cotton business with John W. Hunt and Sons, who is the managing partner of Karl Hunt, who happened to be the president of the Dallas Cotton Exchange. About that time there was a rumor that the Home Owners Loan Corporation was going to move a large office into Dallas, a regional office. And Mr. Hunt succeeded in getting them to go in to the Cotton Exchange Building. I must tell you that when this rumor got out--in fact, when the first advanced group of employers, which were the personnel division came--there were thousands upon thousands of people standing in line in front of the Cotton Exchange to get a job.

Marcello: I'll bet there were. Let's go back a little bit. How old were you when the depression struck, let's say, in 1929?

Stroud: Well, I was fifteen then.

Marcello: You were still in high school, I assume, or had just started high school perhaps.

Stroud: Right, I just started to high school and . . . but we felt it very deeply because my father was sort of, I guess, an honorable man. Well, I know he was that. And instead of selling out and salvaging what he could out of it, he kept going to keep his employees on.

Marcello: How many employees did he have altogether?

Stroud: Oh, he must have had about 900.

Marcello: And what sort of a business was he in?

Stroud: Well, he operated a packing house, a slaughter house and three processing houses which cut up the meat and sold it to hotels and other things including thirty-two Helpy-Selfy stores. Well, that's sort of like your Piggly Wiggly now.

Marcello: I see.

Stroud: Of course, it was getting to where people just couldn't buy food. We would just have to have steak for breakfast, T-bone steak, because we couldn't sell it, and we had to eat it. But we couldn't buy a pair of shoes (chuckle). And, of course, the banks closed, and it was just extremely difficult.

Marcello: I was going to ask you just what Dallas was like during the depression.

Stroud: Well, it was almost in reality a ghost town. It did pick up somewhat when the government had put some support behind the cotton prices.

Marcello: I see. Now this had been done during the Hoover era, is that correct?

Stroud: Well, no. Actually the support had started a little bit during that Hoover thing, but what they were aiming for was ten cents a pound on cotton. And this was really thought to be something big. And that business was picking up a little bit, and, of course, most of our cotton then we were exporting because Japan was taking a large amount of it, and

Poland and England and France. As a matter of fact, Japan had two cotton companies over here. The largest ones--Japan and Southern Cotton Company, they were government-owned, actually--they would buy 25 to 50,000 bales in a whack, which was good for our economy. We didn't know it at that time, but I think this was part of their preparations for World War II.

Marcello: This is the Japanese?

Stroud: Right.

Marcello: In downtown Dallas or in Dallas itself, did you ever see long lines, you know, the bread lines and so on, that they used to talk about, or people looking for jobs all the time?

Stroud: Yes. Right down from the Cotton Exchange was the Salvation Army, and it was always crowded. And I'll always remember that there was a little tin barbecue shack right by the parking lot there at the Cotton Exchange where most of us used to eat lunch. And the fellow in there always was being besieged by people who said they were hungry and could they have a bowl of soup or something. Money was just absolutely nill . . . you just couldn't obtain it. And if you were making \$125 per month, you were a millionaire. It was unbelievable. I can remember during the cotton company employment where we used to not have individual bank accounts. We just used the company's bank account and drew

checks from there to pay our bills. And I'd have rather a heavy month because the insurance premiums would come due. And the head of this cotton company called me in and said, "My God." I think I had drawn something like \$300. Of course, it would have to be leveled out over the year, and he says, "You're making more money than the president of the bank." (Chuckle) And sure enough, this was true at that time. The salary wage was very, very low.

Marcello: Now was Dallas principally a cotton town at that time? Was this the major livelihood of a good many folks in Dallas?

Stroud: Dallas was, I guess, the largest inland cotton market in the whole country. And just a great number of the wealthier older families, well-established families, were in the cotton business.

Marcello: And I would assume this cotton industry employed thousands of people. Is that correct?

Stroud: Oh yes, yes. It was probably the largest employer in the city at that time.

Marcello: How did this depression affect you personally?

Stroud: Well, it was just through friendship that I was able to secure a job with this cotton company. I had previously worked for a couple of months for a company that paid twenty-five cents an hour, and this added up to a grand sum of \$11.00 a week. And I got on with this cotton company, I guess, because I had been very good in bookkeeping, and they needed somebody to keep their position on the cotton market

on the futures. That was very important.

Marcello: Was the depression the reason for your dropping out of college primarily?

Stroud: Oh, yes sir, yes sir. I think my father had fond hopes of me going to college and finishing. He died in 1934, and, of course, this just ended all thoughts of me going at that time or continue going. This cotton business was an exciting thing. It was almost like, you know, Las Vegas because the market was a gamble. You bought futures and you sold futures, and at the end of the day the market had gone up so many points, you know, and it made \$5,000 a day, and, of course . . .

Marcello: I would assume you weren't making too much money at this time though, were you?

Stroud: Oh no, no. But it was real good for the time. I guess and was in the top level because I was drawing around \$200 a month. And this was just really what you call a semi-executive position.

Marcello: How do you account for the fact that your company was doing fairly well, comparatively speaking?

Stroud: Oh, I think because Mr. Hunt was a very imaginative person and very dynamic. And he took steps where others faltered and made quite a fortune at this particular time in the market. Theoretically, you know, when you sell 100 bales of cotton to an actual buyer, then you would buy 100 bales on the cotton market to balance it, so if one went down, the other one

would go up, so it would kind of balance it off. But it was quite customary in those times to go long or short. If it was long you were a bull; and if it was short you were a bear. And fifty cents a day often could make a lot of difference. But it was a wonderful business. The unfortunate thing of the company I was with happened when it made a couple of bad, real large sales and got caught short and had to cease business. But Mr. Hunt through his knowledge and knowing the head of HOLC (Home Owners Loan Corporation) who had just moved down there, they gave him opportunity to recommend one person for employment. Well, he was like a senator, and he recommended me.

Marcello: I was going to ask you how you eventually did get attached with HOLC, and it was essentially through this Mr. Hunt? What was his full name?

Stroud: Karl G. Hunt. But in addition to his recommendation you had to have one congressman and one senator--Democrat--to endorse you.

Marcello: In other words this was a type of patronage position in a way, is that correct?

Stroud: Absolutely.

Marcello: Who did you have to endorse you?

Stroud: I had Senator Connally and Congressman Johnson.

Marcello: Congressman Johnson, now . . .

Stroud: Well, he was from Ellis County at that time.

Marcello: I was going to say that was too early for Lyndon Johnson. He didn't come in until 1938, I guess it was. I was going to ask you what the particular Congressman Johnson that was. But this was considered a patronage position?

Stroud: Oh, yeah. Well, it was patronage plus the fact that you had to take a test. I guess they could use this test in other ways. If you couldn't get your endorsement, they could say, "You didn't pass the test, period."

Marcello: How much competition was there for this job? Now you mentioned earlier that thousands of people were applying for just a few jobs.

Stroud: This job was set aside. This was handled almost secretly because they were just being besieged by hundreds and thousands of people. Later on when somebody would say, "Well, I'm quitting to have a baby," or something like that, immediately the word got out, and they would be standing in line outside the door. A government check in those days was like gold . . . the bank would just open their doors, the president would almost meet you at the front door and escort you in personally. This was better than money because this was something that was coming in regularly. But I had thought that I was going on to a position . . . well, I knew it wasn't as good as the one I had, but I thought it was supposed to pay \$105 a month. And in order to get on--and there was such a tight lid on jobs--I found out

when I got my notification that I was on as a messenger at \$75 a month less 10 per cent. There was an economy cut for all government employees of 10 per cent off. I was making about \$69 a month.

Marcello: Now what year was this?

Stroud: This was in January, 1935.

Marcello: In other words, you worked with the Cotton Exchange up until that time?

Stroud: Right. As a matter of fact, I kept on working for Mr. Hunt at night a little bit to help him clear up his office things-- those nights that we didn't work at HOLC.

Marcello: And you started out at HOLC as a messenger boy, is that correct, and worked your way up . . .

Stroud: Although I didn't do messenger work. I was in the accounting department.

Marcello: I see.

Stroud: And I did the accountant's work. But they would put you on as a mail clerk and assign you someplace else.

Marcello: In other words, this was an economy move, like you say, in order to pay you less money.

Stroud: Right. Our normal day was from eight o'clock until one in the morning. We were receiving at that time thousands of transfer of loans that had been kept in Washington and were now being sent down to the regional office. And we had to set them up and bill them. Many and many a week, we worked maybe to five o'clock in the morning and came back at eight o'clock with three hours of sleep--and set these loan cards

up in order not to miss any billings on them.

Marcello: Let's just go back a little bit and talk very, very briefly about the organization of the Home Owners Loan Corporation. Let's start from the top. Just exactly how was it organized, do you know, let's say from Washington on down to Dallas?

Stroud: Well, of course, the national office was in Washington, and then they had a number of regional offices such as the one in Dallas. Then from the Dallas regional office they had a number of district offices. They had a Dallas district office. They had one in Houston, one in San Antonio. These district offices were the ones who processed the loans.

Marcello: Okay, now what do you mean when you say they processed the loans?

Stroud: Well, for instance, to be eligible for a loan, you had to have received a letter threatening that you were going to be foreclosed.

Marcello: Right. This was a small home owner, in other words, is that correct?

Stroud: Right. Or you must have been at least ninety days behind in your payment. Very few people weren't in that condition. Or you could have been foreclosed, but if the final papers had not been processed, you could make an application. Well, the district office took these applications that you filled out. A person could fill out one that said, "They

foreclosed my home last week." So they could take it up and process it. And they would then examine the title just like any title company does now, and they would have tax experts in there who went back over the taxes. And they had a small administrative force, and then they had field inspectors who would go out and see if this was the property, and this was what it represented. They would take a picture of it and write up a report on it, and appraisal on it. The appraisal didn't mean as much as to get the small distressed home owners back in his own home.

Marcello: What was the limit? I think it was \$14,000 at one time wasn't it? Maybe that varies, but I'm not sure.

Stroud: Originally, I believe the limit was \$12,000, and then they raised it to \$14,000. There were many, many cases of where these mortgage holders would go back to people that they had foreclosed on houses and pay them to go back in and make a claim and ask for a loan.

Marcello: Why did they do this?

Stroud: Because the judgement that they got against the house, they couldn't sell it for.

Marcello: I see.

Stroud: It was just so depressed and . . .

Marcello: Did you have to be especially on the lookout for something like this happening? Was there anything you could do about it, let's put it that way?

- Stroud: Well, of course, it was fraud in one way, but if they were legitimate, well then, of course, they wanted to help them. If the company was trying to unload and hiring people to go back in and make these claims, well then, that was fraud, and we didn't want it.
- Marcello: Who usually held these mortgages to begin with? Banks and building and loan associations?
- Stroud: Building and loan associations and banks and insurance companies, just almost every one now that holds one. Sometimes it would be an individual who was in the mortgage loan business. But this was the greatest agency, and it did more to help people than any other agency that has ever been established by the Federal Government.
- Marcello: Now, you were helping primarily the middle class here, would you say. Is that a fair assumption?
- Stroud: Well, of course, a \$14,000 loan represented a very, very wealthy person at the time who had fallen on bad times, and we had almost anybody. I can just tell you frankly, there was quite a number of congressmen who had loans with the Home Owners Loan. President Roosevelt issued an executive order shortly after that and told them to get it transferred someplace else so that this money wouldn't be taken up by congressmen and would then be available to a poor person. But I can remember going through the files, and all of them had pictures in it, and some of them were just magnificent homes, just really beautiful homes. And, of course, this was

the beginning of the small interest rate. Actually, this is the beginning of what you might call the amortized financing where you applied your payment and then your interest was figured. By the way, my first job was figuring the interest on the unpaid balance and marking it down so the bookkeeping machine operators could post it on their machines. And we used Elliott-Fisher bookkeeping machines. There were only two regional offices that did this. The others used Remington-Rand Punch or IBM. Speaking of the district offices, they processed the thing and sent it to the regional offices, and the regional office was set up so that there was a treasury department, an accounting department, a tax insurance and insurance department. And then they had a mortgage loan department which was very small because this is the one that finally dealt with those loans that we had to take over to pay. Right at first, we did everything in the world to keep them from foreclosing on any loans that we were taking over. The treasury department would then mail a check out. And so many of our county and state and local governments were in such bad shape because people couldn't pay their taxes. And there would be, oh, as much as \$1 - 2,000 worth of back taxes.

Marcello: In other words, the Home Owners Loan Corporation in effect was helping to finance county government, too, is that correct?

Stroud: All the way through, and I mean it was pumping money right in to where it should have been. And counties immediately

became solvent. They could make the needed repairs, and this was a real boost because it came from there. And insurance companies were paid off on their premiums that were overdue, and this money was put into circulation when they took it over from the banks and the mortgage loan companies. I think it was one of the big things that ended the depression.

Marcello: It certainly helped it from getting any worse anyhow.

Stroud: By doing it, it wasn't wasting money because at the end, the Home Owners Loan Corporation was the only government agency that ever made money. And it died of a statutory act because it was limited to twenty years in the first place.

Marcello: I see.

Stroud: When it died it had turned over to the treasury its surplus of funds of several hundred million dollars. It had paid all of its expenses out of it. And I read a little article when I was in Washington four or five years ago that said it was the only agency that really did pay its way. But the accounting department was a big department in that we billed them for their taxes. We started the initial Tax and Insurance accounts. As far as I know, we were the first ones who ever set up a tax and insurance account. We included it in their payments. No action was taken on any loans. No letter was written unless it got more than ninety days behind. And we had, as I remember, 72,000 loans.

Marcello: I was going to ask you if that's how many loans you had outstanding here. Was this in the Dallas region now?

Stroud: In the Dallas region.

Marcello: What was the Dallas region? In other words, what did it encompass?

Stroud: As I remember, it was Texas, Oklahoma, and New Mexico.

Marcello: Texas, Oklahoma, and New Mexico comprised the Dallas region, and in that area there were how many thousands of outstanding loans?

Stroud: 72,000.

Marcello: 72,000 altogether. Well, am I correct in assuming that the Home Owners Loan Corporation bought the mortgages from the holders who couldn't carry them any longer?

Stroud: That's right.

Marcello: Is that essentially the way it worked?

Stroud: Actually they set up a new mortgage, loan, a new note. The note included any back taxes; they paid them all off.

Marcello: I was going to ask you, what did this exactly mean when we say they bought the mortgages? They bought the outstanding amounts that was due on the mortgage?

Stroud: That's right.

Marcello: In other words, if somebody had bought a house for \$14,000, and owed \$10,000 on it yet, you would buy the mortgage for \$10,000? Is this essentially the way it operated?

Stroud: Well, essentially, we would buy it for the principal plus the interest. . .

Marcello: Right, plus the interest.

Stroud: . . . providing that it met the criteria. If there was \$15,000 against it, and the appraisal was only \$5,000 well, then we wouldn't touch it . . .

Marcello: Oh, I see.

Stroud: . . . you still had to meet the criteria of an appraisal.

Marcello: I was going to ask you exactly how it was that somebody could get their home or their mortgage financed through the HOLC. And obviously there were certain criteria that had to be met.

Stroud: Oh, yes, it had to be appraised. I know a lot of mortgage companies in those days in order to clear these things accepted a lot less than what was against the house.

Marcello: I see. In other words, if there was a house that had an outstanding mortgage, let's say, of \$10,000, and it was only appraised at \$8,000, you wouldn't touch that mortgage, is that correct?

Stroud: That's right.

Marcello: Now this was appraised by representatives or investigators from the Home Owners Loan Corporation.

Stroud: That's right, from the district office.

Marcello: This was done from the district office.

Stroud: That's right.

Marcello: This was really the working level of the Home Owners Loan Corporation, is that correct?

Stroud: As far as taking over the loans, yes.

Marcello: Right, they were closer to the scene or the situation, whatever you wish to say, than the regional office or the national office.

Stroud: Well, you see, in our statutory acts there was also not only a limit as to how long Home Owners Loan Corporation could stay in existence. It was also how long that the loan period was open. In other words, by a certain date--I believe it was '36--then we cut off making loans.

Marcello: And then you were just in the market of receiving the money in payment for those loans, is that correct?

Stroud: That's right.

Marcello: I didn't realize that.

Stroud: Or if we took a loan back and resold it, then it be a new loan.

Marcello: Why did they stop in 1936? Did they assume that the country was kind of getting out of the depression by that time?

Stroud: Yes. And there was some outcry at that time that maybe we were running in competition as the economy picked up . . .

Marcello: With private businesses.

Stroud: . . . with private businesses.

Marcello: I see.

Stroud: But by '36 things had become a lot better.

Marcello: Things had turned the corner . . .

Stroud: They had really turned the corner, yes . . .

Marcello: . . . we were by no means out of the depression . . .

Stroud: No, no.

Marcello: . . . but things weren't getting any worse.

Stroud: That's right. That's right. As a matter of fact, by that time I'd gotten three raises.

Marcello: What were you up to now?

Stroud: Let's see, I was up to \$150 a month.

Marcello: Now were you still single at the time?

Stroud: No, I was married.

Marcello: You were married by this time.

Stroud: But it was a good wage then. My credit, when they found out I worked for the federal government, was good any place, anywhere, at any time, for any amount.

Marcello: I see. That's something I think is very important and needs to be a part of the record--just how much that federal check did mean.

Stroud: It meant everything. A merchant--I said the banks before--but I mean merchants and everyone were . . . you were really something being a federal employee then. But you know recently, or in the past ten or fifteen years, federal employees have been looked down on as sort of a curse, or a hanger-on, or almost welfare. But at that time it was quite a honor to be a federal employee. At the time I went to work, believe it or not, there were only about--and this includes everything--700,000 civilian employees.

Marcello: How many employees were there at the Dallas regional office of the Home Owners Loan Corporation. Could you estimate this?

Stroud: I'd estimate that we had about 300-350.

Marcello: So that generated a pretty substantial payroll then?

Stroud: Oh, yes, definitely, definitely. This kind of varied as we went into it and the more loans we got. We then put on more. But I'm talking about originally.

Marcello: Sure.

Stroud: But the accounting department was the largest part of it because of the fact that this was where we actually handled each account by a person at least once a month. In those days they had no overtime then. Overtime was unheard of.

Marcello: Right. And you said that sometimes your day started at eight o'clock in the morning and ended at one o'clock the next morning . . .

Stroud: Well, it sometimes ran until three or four o'clock in the morning. At one time they asked us to make up for my records what we had--how much overtime we had put in--and I had put in 2,000 hours.

Marcello: What accounted for so much overtime?

Stroud: Well, the very mass handling of the loans had been originally set up in Washington, and there were no supporting documents. And we brought them down and set them up on a card which I'd say was about 18 x 24.

Marcello: Now what do you mean when you say these loans came down from Washington. How did Washington get hold of them, or these mortgages?

Stroud: The district office, see, had been set up before the regional office, so they were processing them and were sending them up there to Washington.

Marcello: I see.

Stroud: At one time Washington was sending the checks out, and so what we would get was a proof sheet. And it would indicate "Loan A - \$2,694," and all it was bringing over a balance \$2,500. And maybe this was six months old. So we would have to set it up and go back and search through thousands of little slips of receipts and see if there were any payments made on it, bring it up to date, and bill them.

Marcello: I see.

Stroud: And then there was the thing that they were very particular about balancing out every month. And this meant that you had to go through every card and see if the posting machine made a mistake on it. This is the reason I'm wearing glasses today because you just got so that your eyes got dull. You knew you were looking for \$5.20, and many times you'd say I'd pay him the \$5.20 (chuckle), to balance, but no, you had to do it.

Marcello: Your accounting methods were kept that closely?

Stroud: Well, we had accounting methods, and then we had a separate auditing office under the direct direction of Washington who checked everything.

Marcello: In other words, they were trying to see that every penny was spent for a specific purpose.

Stroud: Oh, every single penny was accounted for. I remember later on in the program where they finally said anything under fifty cents when it was final or closed out or made a payment, we could write off. In other words, we were billing people for ten cents or twenty-five cents when they paid their loan off, and then they said fifty cents. And then there was a big outcry, "Good gosh, fifty cents! You mean you're not going to collect fifty cents?" But I think this is another step forward, you know, with practices that are handled by a lot of mortgage loan people today.

Marcello: I think you brought something out that is very interesting within the course of this interview so far. And that is the indirect benefits that the Home Owners Loan Corporation contributed to Dallas as well as a direct benefit. Obviously the direct benefit was saving an individual's home.

Stroud: Right.

Marcello: But then you've mentioned several of the indirect benefits already. In the process of saving that person's home. The Home Owners Loan Corporation was providing money to the counties to carry on its functions. Then also, here was the payroll of 300 employees which again helped to generate quite a bit of purchasing power, I would assume, within the city of Dallas.

- Stroud: A tremendous amount because in those days you came in debt a little bit, and you spent almost all of your money that you took in. And a lot of people, young people like I was . . . I bought my first car that year. It was a 1935 Chevrolet. It cost a magnificent sum of \$815 (chuckle).
- Marcello: Was it black?
- Stroud: It was black (chuckle).
- Marcello: They didn't come in too many different colors at that time, I don't believe.
- Stroud: It didn't have a radio or a heater (chuckle). Yes, I would say this really boosted the economy of Dallas. Our regional director who is Joseph R. Smith, III, was one of the leading citizens of Dallas and still is.
- Marcello: He was a Democrat, too, I would suppose.
- Stroud: Yes, he was a very hard-nosed Democrat.
- Marcello: Were there any Republicans employed by the HOLC in Dallas? Well, there just wasn't too many Republicans around at that time.
- Stroud: Well, you see, we were not part of the civil service system.
- Marcello: Right, this is considered an executive agency of some sort.
- Stroud: An executive agency, and it is said--and I don't know if it's true--that when Roosevelt was elected that they went in and sealed the personnel files, and if you were a Republican, you were gone (chuckle). There was a very strong feeling against Republicans, I believe.
- Marcello: What do you think about the patronage system?

- Stroud: Oh, I don't hold too much with it. I've seen it work to a disadvantage for a lot of people. I think civil service is an excellent system.
- Marcello: You are saying this as a former government employee, I gather, and as a legislator perhaps.
- Stroud: As a legislator and as a former government employee who used both. That is the patronage system, and also I later used it as a civil service employee in the Census Bureau. But I filled 22,000 jobs by the patronage system, so I can feel and know both sides of the question on this.
- Marcello: I would assume that everybody working in the Dallas office was a Democrat.
- Stroud: Yes sir. That is an assumption that couldn't be questioned.
- Marcello: Well, as you mentioned a while ago, you had to have the endorsement of one senator and one congressman, and as I recall, every senator and every congressman at that time from Texas was Democrat anyhow, was he not?
- Stroud: Now there was a small number of people--of people who transferred from Washington down here and opened up the office. Mr Smith was one of them, and personnel man, Mr. Moore, and his assistant, Mr. Steve White, and Mr. Ball, who was the regional accountant. He was one of them. But these were just the top men, and the rest of them were hired, and they furnished the experience, of course. And this was a hard-nosed organization because they knew that they had hundreds of people wanting your job, and they directed you almost in

a military fashion of what you did and how long you worked. And if you said, "I'm not going to work any overtime," well, that was the last of you. You had no appeals.

Marcello: In other words, they made it known that you ought to be grateful for having this job, for having a job.

Stroud: Right. And they dictated your dress.

Marcello: You mentioned something about this earlier before we started the tape. Would you mind mentioning something about this again?

Stroud: Well, there was a directive out that in the first place you had to wear a coat. The next thing would be no loud neckties, and in those days a loud necktie was anything that was more than a solid color (chuckle). And no loud shirts, especially no short sleeve shirts. They felt that since you were a public figure, your conduct was under the supervision of a government at night, too. And you were expected not to visit any spots that were not within good conservative feelings, and if you did, well, that was the end of you. It was really like having a hard taskmaster at the head of it who had the authority, and I can very well remember .

Marcello: He could hire and fire?

Stroud: . . . we were doing some experimenting later on on the interest charged on loans and different ways of doing it. I had been directed to perform part of this, and I had partially done a couple exhibits, and I took them up to the regional director and showed them to him and he said, "Well, go ahead and fix this out and put your explanations under it this way here,

the one you've got on the side." So I went back and . . . oh, it took some three or four days working day and night to have all these figures put in here. This was carrying it through a twenty year period. And then when I came down to the bottom where it came to an explanation, I got kind of worried because I didn't feel that I had enough confidence in myself--when this project was going to be presented to Washington. So I took it up to the regional director and said, "I just wonder if these explanations here before I put them on there are all right, or do you want to change them?" and he said, "Mr. Stroud, I told you to put those figures and that explanation on there, and I intend for you to do that. You go right back and put it on there." I said, "But don't you want . . ." "Go back and do that." And I went back and had them all typed on there. And he took it all right. But he didn't want this to be his words or his idea. He wanted it to come from those who did the work and this is what he decided. You had to appreciate him, I mean he had confidence in you, but at the same time he expected you to do exactly what he said, no if's, and's, but's, or anything. I respected him, I still do both as supervisor and a person. He is a great person.

Marcello: What do you think of Franklin Roosevelt? We haven't even mentioned him at all yet. What sort of changes did you see come about from your observations in Dallas after the election of Franklin Roosevelt?

Stroud: Oh, he was a fearless man and a very liberal President. And I think that without his leadership qualities and I say this leadership extended to this Home Owners Loan Corporation because this idea and conception of taking over these mortgage loans originated with Herbert Hoover. President Hoover lacked either the imagination or the drive or the courage to go ahead and authorize the selling of bonds because this was all done not by appropriation from the treasury, but by the selling of Home Owners Corporation bonds. And this was a corporation.

Marcello: Oh, they got the money from the Home Owners Loan Corporation through bonds.

Stroud: Through bond issues.

Marcello: Who bought these bonds?

Stroud: Banks. I don't think they got down to where they went to individuals, or things like this, or insurance companies.

Marcello: What would be the advantage of buying these bonds? Did they pay a fairly good interest rate?

Stroud: Yes, they paid perhaps more . . . as I remember the face value of the bond was guaranteed, but not the interest.

Marcello: I see.

Stroud: This is an unusual thing . . .

Marcello: And it was through these bonds that the Home Owners Loan Corporation got the money to finance these mortgages, or to refinance these mortgages.

- Stroud: This was the largest bond issue of this kind up to that time that had ever been issued.
- Marcello: I hadn't known that. How much money was outstanding in bond issues? Do you have any idea?
- Stroud: No, but there were 72,000 loans, and I would imagine that our loan average in this region was around \$3,000. I'd say that would be over \$210,000,000 right here in this region.
- Marcello: That was just in this region?
- Stroud: Right. So, overall, there was quite a number. And I say Roosevelt went ahead and pushed it because I think he was farsighted enough to see that this was going to help the community, and it was going to help it down at the bottom, the grass roots, where you always have to do if your economy is bad. That's where you have to do it. And this, along with a number of other New Deal ideas, is the thing that literally got you from the bottom and just lifted you up by your own bootstraps. It wasn't the banks so much that needed the help, but it was the people at the bottom--the counties, the cities, the home owners. Put this money in circulation and turn it. The faster you have turned it, the better off it will be. And put confidence back in people.
- Marcello: Yes, this is something else that needs to be a part of the record because this is one of the things that apparently the Home Owners Loan Corporation did. It restored the faith of the people in our government.

Stroud: That's right. You can imagine, you know, a person losing their home or about to lose it. And this is all they had in this world. No matter if they did owe a lot of money on it. Probably the husband's job just barely was able to feed them, and they were just really down. And here it was, they were restored, they were helped, and this was their government that was doing it, and they kept on, and the morale increased. As their morale increased, they went on and they took their clothes to the cleaners more times than they did before, and they bought another quart of milk. This was the greatest thing, I think, that happened. I think that Roosevelt was one of the greatest, I don't know if any other President could have done this. I think that there will always be just one Franklin Roosevelt because of his makeup. He could have fell flat on his face, very easily. People that were very strong Hoover supporters were saying this too: "He is going to bankrupt the government." Well, what they were saying was that he was going to bankrupt the people, because people are the government, but he just went merrily along. Now I think he was very ruthless in his political dealings. But sometimes a strong man in order to conquer a very bad situation just has to be ruthless, has to be strong.

Marcello: Well, in addition to buying the mortgages or in addition to rewriting the mortgages or whatever you call it, is it true that the Home Owners Loan Corporation also would finance

immediate payments for taxes and home repairs also? Did it do that as well? Do you remember?

Stroud: Yes, for taxes and needed improvements. I think the tax thing was one of the largest pay-offs . . .

Marcello: And this is where the counties would benefit?

Stroud: This is where the counties and the cities would benefit . . .

Marcello: Right.

Stroud: . . . because there were millions and millions of dollars worth of taxes paid, and counties had gotten to the point where they couldn't get any money, and the taxes couldn't be paid, and they were using warrants to pay for that. And warrants were being discounted as much as 90 per cent. I had an old warrant that I bought for 10 per cent on the dollar. It was prior to going to work when I was in school. It was paid to me for doing some accounting work, and I kept that thing, and within four or five years, it was full value. And it was a result of the Home Owners Loan Corporation.

Marcello: And now another question comes to mind here. We've mentioned the fact that the Home Owners Loan Corporation would buy these mortgages from the original owner. Then, I assume the individual home owner would be paying off that mortgage to the HOLC, is that correct?

Stroud: Right.

Marcello: Now, what was the advantage of doing this rather than doing it, let's say, through one's private banker or a building and loan association or an insurance company? Was the

interest rate lower, and was the term extended for the payment of that mortgage? In other words, what was the advantage of having the Home Owners Loan Corporation do it? The individual home owner was still having to pay back that loan.

Stroud: Right. Well, there were three advantages. First, the interest was a lot lower.

Marcello: What was the going interest rate at that time privately, in the private sector?

Stroud: Oh, I'd hate to say. It was all the way up to 15 per cent sometime

Marcello: Fifteen per cent in some cases.

Stroud: And mostly 10 per cent in all cases.

Marcello: Usually no less than 10 per cent.

Stroud: No less than 10 per cent.

Marcello: And what was the Home Owners Loan Corporation charging?

Stroud: Five per cent.

Marcello: Five per cent interest--that's an advantage.

Stroud: Then they had some 6 per cent loans. There were very, very few of them that started out originally. I think we had less than 500 here, but 5 per cent was the thing.

Marcello: What was the difference between the 5 per cent loan and the 6 per cent loan?

Stroud: Well, I think they started out, as well as I remember, at 6 per cent . . .

Marcello: And they just lowered it to 5.

Stroud: . . . they just lowered it to 5, and then we lowered it to 4 1/2. You didn't have to do anything. We just lowered it.

And then we would take an amortization of which you could get a ten year or a fifteen year and later on a twenty year loan.

Marcello: Pardon my ignorance, but would you explain to me personally what amortization is?

Stroud: Well, it means, say, in a fifteen year loan, that your loan is amortized when you will pay the interest and principal in equal monthly installments over a fifteen year period, and then it will be paid off.

Marcello: I see.

Stroud: It also means that you only pay the interest on your unpaid balance each month.

Marcello: Right.

Stroud: Now a lot of people buying a home in those days would borrow \$5,000.

Marcello: And they would keep paying the interest on that \$5,000?

Stroud: That's right. And, say, it was 10 per cent. Well, that's \$500. And they could even incorporate this as a note for ten years, so that they had really a \$5,000 interest, and \$5,000 on the principal--\$10,000.

Marcello: I see what you mean. In other words, this was a practice that the Home Owners Loan Corporation did not engage in?

Stroud: That's right.

Marcello: That was another advantage then.

Stroud: I think they instituted for the first time low-interest amortized loans.

Marcello: And this is what amortized means. You just keep paying on the balance rather than the original principal.

Stroud: That's right. See, because even banks, you know, don't make that sort of loan. It was just on the full amount, simple interest.

Marcello: Now was the extent of a payment also stretched out a little bit?

Stroud: Oh, yes. Yes I think fifteen year loans were almost unheard of.

Marcello: I see.

Stroud: I know twenty year loans were unheard of.

Marcello: And this is what the Home Owners Loan Corporation did?

Stroud: Right.

Marcello: I thought we needed to get this also as a part of the record, you know. For somebody who didn't know or who does not know, they would simply assume that it was kind of like taking the mortgage from one person or one group and simply giving it to another group with no real benefits. But there were obviously, as you mentioned, at least three or four benefits that the home owner could get in having the Home Owners Loan Corporation take over that loan.

Stroud: And then for the first time they provided for a tax and insurance deposit account where they would add to your payment a small amount each month. And then when your taxes were due they were paid out of this account. And a man didn't

have to pay his taxes all at one time. Up until that time for most of the mortgage loans, a person had to pay his own taxes. And it would come along, and taxes would come due, and it would be \$2 or \$300. Well, they couldn't pay them. But by being able to pay them in small amounts each month, and building up their account, and then paying the insurance the same way, well, this again helped the counties and the cities by a prompt payment of the taxes. And we paid those taxes for them out of the account. Home owners didn't have to bother with it, and they were not tempted with "Well, I'll keep this money for a doctor bill here." This was tax money and this was what it was paid for, and it was paid by federal check. We paid them several thousand at a time to different counties and different cities. These were guidelines--the interest rate, the amortization, the tax and insurance account--were guidelines for future mortgage companies that exist today. Almost all of them now have these things. They run on this principle. I think even some of these experiences that we learned in Home Owners Loan are carried out later in some part in the FHA, although they were more of an insurance phase of it.

Marcello: Let's talk about some of the problems which might have come up in your lending operation. How about so far as appraisal was concerned? What were some of the problems involved in appraising houses?

Stroud: Well, we didn't have too much problem because . . .

Marcello: That was done in the district office, is that correct?

Stroud: . . . the district, and there were a lot of appraisers that were out of jobs, so we could really take the cream of the crop. And I think the appraisal was done very fair, and to my knowledge no one was ever prosecuted for over-appraising or for being in conspiracy to fraud the Home Owners Loan Corporation.

Marcello: Did you have some sort of an investigative body to make sure that there was no fraud or conspiracy among the Home Owners Loan Corporation's employees or anything like that?

Stroud: We had a legal department, of course, and it was headed by Judge A. M. Frazier, who was a Texan from Hillsboro, Texas. And then, of course, we had the auditing department which was a separate division operating directly from Washington, which not only went into the auditing figures but also auditing appraisals and auditing other papers in there. They went completely through to see that the taxes that were paid were actually owed and so on and so forth.

Marcello: How about loan criteria. Did any problems ever creep up here in establishing various loan criteria? Now we've already mentioned some of them, I think, within the course of the interview. We mentioned, for example, that you couldn't loan the home owner any amount of money above what his house was appraised for. And was this one of the principle criteria

that was used here in determining loans? Was there anything else which helped to determine loans?

Stroud: Well, of course, he had to be in default of his loans.

Marcello: Right.

Stroud: At least by ninety days.

Marcello: I see. This is something else that I think is very important. In other words, if you were able to make your payment, you were not eligible for the HOLC?

Stroud: No, if you were a home owner and were up on your payments, you were not eligible at all. Now I'm not quite sure but what some people got behind theirs . . .

Marcello: Very quickly.

Stroud: . . . perhaps by the urging of the mortgage companies who wanted to clear the mortgages on their books. Companies were very sluggish and their capital was tied down, and they couldn't move it, and, of course, they were really in distress then. I'm sure there were a lot of companies that suggested to some of their customers, "Oh, this is a good thing, and you'd better get on it. You'll never get that low rate again. Get behind." (Chuckle) This was not a wholesale thing, but I'm sure that some of this happened. And it would be very hard to really get this out unless you got a person and put him under oath and so on. And I'm quite sure that there were a number of loans where they'd actually gone past the gate where they are eligible, where

they reinstated them and actually put the people back in their homes or hired other people to go back in there in order to liquidate it.

Marcello: How about loan servicing? Did any problems ever creep up here? Now this would be more or less in your area, your line of work. What were some of the problems involved in loan servicing?

Stroud: Well, actually loan servicing was a separate division. All we did was report those loans that were delinquent in excess of 90 days. And as I say, unless you were over ninety days they did nothing. And loan servicing mostly was done from correspondence.

Marcello: I see.

Stroud: And it went through about three stages. And at the last stage, by this time you knew exactly whether the person abandoned their home or whether something else had happened, or they just couldn't do it or wouldn't do it.

Marcello: This brings up an interesting question. Were there a lot of cases where people did actually abandon their homes?

Stroud: Not as many as . . .

Marcello: This probably happened prior to the coming of the Home Owners Loan Corporation.

Stroud: Yes, that's right. With that many loans and under the circumstances, remarkably few loans were foreclosed either through abandonment or failure to make payment. Just very remarkable!

Marcello: The Home Owners Loan Corporation was becoming quite a landlord. Were there occasions when it had to foreclose on home owners when they fell behind in their payments or couldn't make their payments or wouldn't make their payments?

Stroud: You mean on those loans where they had foreclosed and then had resold them?

Marcello: No, what I'm saying is, suppose that the individual home owner could not make his payments to the Home Owners Loan Corporation or did not pay off his loan. Then I assume that you would foreclose. Isn't that correct?

Stroud: Right. And this is where I was saying that we had very few of those foreclosures.

Marcello: There were very few of them?

Stroud: Quite remarkable with the situation as it existed that they were such a small amount.

Marcello: You mentioned a while ago, for example, that there were 72,000 mortgages or loans altogether that the Home Owners Loan Corporation had. Would you kind of estimate how many you think had to be foreclosed by HOLC?

Stroud: I knew this exactly at one time. It seems to me like there was something like 7,000.

Marcello: 7,000 out of 72,000.

Stroud: Yes. Less than 10 per cent.

Marcello: Is that below normal? Percentage-wise, is that more or less than what a bank or an insurance company would foreclose?

Stroud: Yes, way below normal. Of those most of them were resold quite quickly.

Marcello: Do you perchance know offhand about what percentage of mortgages a bank might have to foreclose on. I'm just trying to get some sort of a comparison here. Maybe this is an unfair question for you.

Stroud: No, I understand generally that in our present economy right now that quite a number . . .

Marcello: Are foreclosed?

Stroud: Yes.

Marcello: But, you, of course, don't know percentages there and that stands to reason.

Stroud: Cars, too. Of course, you know a lot of people would rather have their home foreclosed than their car.

Marcello: That's probably true. (Chuckle) How much control did the Washington office exert over the regional offices of the Home Owners Loan Corporation.

Stroud: Very little.

Marcello: Did they mainly issue the guidelines that you had to follow?

Stroud: Yes. They set the regulations concerning, well, what could qualify a person for a loan. They set the qualifications on appraisals. But their other directives were very general, and the regional director had full authority.

Marcello: In other words there was very little interference from the Washington office with the regional operations.

Stroud: As a matter of fact, this Joseph R. Small came down here as regional director, and when it finally closed up he was still regional director. And this is some twenty, twenty-five, or thirty years later. You just can't find this anyplace else. Of course, later on we were blanketed under civil service, but the head of an agency usually doesn't last much more than ten or fifteen years because of the influence from Washington.

Marcello: I see.

Stroud: They had very, very little interference from the Washington office.

Marcello: Did you ever know anything about the national head of the Home Owners Loan Corporation? This would have been John Fahey? Did you ever get to see him, or did he ever visit the Dallas office at any time?

Stroud: I don't remember him ever visiting the Dallas office. I think the only top official that I remember is what we used to call the supervising auditor. He paid a visit down here.

Marcello: I see.

Stroud: And occasionally a top official, a regional accountant or a regional treasurer from some other regional office, would come over. As I remember, we were under the Home Owners Loan Bank Board, this operated under a board. They operated just a little bit differently because when they liquidated Washington's holding of these loans and decentralized down at the regional office, well, they cut out the upper-echelon really. And they had a very small staff going.

Marcello: Now you've already mentioned Mr. Smith who was the head of the Dallas regional office. Who were some of the other major personnel in the Dallas operation?

Stroud: Well, Judge Frazier, A. M. Frazier, was head of the legal department, and he was from Hillsboro. And Mr. J. C. Anderson was the regional treasurer. And after he left he was with one of the banks in Oak Cliff. I think he is still over there. And we had Mr. W. W. Solmon, and he is with the Southern Trust Mortgage Company.

Marcello: Here in Dallas?

Stroud: Yes, which kind of followed his fame from the Home Owners Loan right into this. I think they took him in on this account.

Marcello: I see.

Stroud: And we had a Mr. J. D. Ooley, who was regional accountant, and he went to Missouri and retired. And we had a fellow named Mr. Dent Hand, who was a regional accountant, and he went to Denver.

Marcello: What kind of administrators was the Home Owners Loan Corporation looking for? In other words, what kind of qualifications did one of the top administrators have to have, or what was he supposed to have?

Stroud: They were, really at that time, looking into a business background. I think Mr. Anderson had previously been with a bank and was ideal for this treasurer's position. And Mr. Hand was a C.P.A., and he fit in with that. Mr. Smith was an executive of, oh, I think it was with the Underwood-Elliott

Corporation. But usually in the top echelons they looked for those people with business backgrounds.

Marcello: And who were good Democrats.

Stroud: And who were good Democrats.

Marcello: Was there ever very much political interference, let's say, around election time? Did anybody ever come around--the local Democratic chairman or something--and say, "Look, you better vote for such and such a candidate." Was there ever anything of this sort?

Stroud: No, sir. Being a patronage organization, there was less political activity than I've ever seen in any organization, a lot less than some of them that's under civil service now. I can never remember anyone from any political party ever coming inside the floors that we kept there. As a matter of fact, they had no solicitors at all of any kind. They were very strict on who even got on . . . the doors were even locked on the stairway.

Marcello: And there were really no federal regulations against this at that time either, were there?

Stroud: No.

Marcello: This was 1935 and 1936. You didn't have the Hatch Act or anything yet.

Stroud: No. This was the administrator, and he kept it that way.

Marcello: Even though he, himself, was a political appointee and was a good Democrat.

Stroud: I knew most of them quite well before I left there, and I

don't really remember any of them that came from a political background, such as congressman, or worked in a congressman's office or in a senator's office, or one of these things.

Marcello: How did the banks and building and loan associations and other lending institutions look upon the HOLC?

Stroud: They loved it.

Marcello: For what reason?

Stroud: Well, because they were getting rid of their problem mortgages.

Marcello: I see.

Stroud: The people that couldn't pay or wouldn't pay were not putting fresh cash into it, and so they took it and turned it into capital. Well, this is heaven-sent for them.

Marcello: Now how about as times got better? Did their attitude towards HOLC change?

Stroud: Well, they discovered, of course, in the first place that HOLC proved that with the right kind of policies that people could pay. Here's what you did. You took the worse loan anywhere . . .

Marcello: The high risk loans, in other words.

Stroud: . . . the high risk loans that nobody else would take, that people couldn't get refinanced under any conditions, and you made them work with a very, very small amount of foreclosure. So then as time went on, I think that they were probably very wise in cutting off the year that you could accept any new loans because it was beginning to feel a little competitive.

And as a matter of fact, we had a lot of loans that were paid down to a certain percentage that were refinanced with a private company. So we stopped as you know, they wanted to make a big alteration plan, and we didn't go in for anything more than the necessary repairs to keep it. And if they wanted, say, to add two rooms or something like that, and they wanted to refinance it, they'd go back to the mortgage companies.

Marcello: Now I think you had mentioned previously that after 1936 the Home Owners Loan Corporation did not extend any more loans.

Stroud: Right.

Marcello: Did not buy any more mortgages. And it was simply a case of the economy getting better for the most part?

Stroud: Right.

Marcello: Then from that time on the Home Owners Loan Corporation was primarily concerned with seeing that those mortgages were paid off.

Stroud: That's right. We were a liquidating organization.

Marcello: And the duration of the Home Owners Loan Corporation was twenty years did you say?

Stroud: Well, I think this was extended because those loans that we did foreclose on, we would sell and refinance in some cases, and they did have a later date on it. I think it was about twenty-two years from 1936, or it might have been 1956 or '57. See, we had added a few more offices because they start loaning in '34. Those were the earliest loans.

Marcello: What do you think was the greatest contribution that the Home Owners Loan Corporation made to the country during the period of its existence?

Stroud: I think it started us out of this deep-seated depression. I think this was the first push to it. I think it contributed because it went down beneath the surface and helped those people and the only people that could start the wheels turning again. And I can't say too much about them paying off the old taxes because this really helped out. I think the single contributing factor in helping the economy was paying off the taxes and retiring these high risk mortgages from the loan companies. And the greatest thing, of course, was to help those people from losing their homes and helping business get fresh capital.

Marcello: There is something else, I guess, before we close this interview that we ought to mention now. The Home Owners Loan Corporation was mainly concerned with financing urban mortgages. Is this correct? Wasn't there another organization altogether for the rural areas, let's say for farms and things like that. You had your Farm Credit Administration and things like that, did you not?

Stroud: Yes, we had a limit. I forget exactly what it was. It seemed to me like it was fifteen acres.

Marcello: I see.

Stroud: It could be in the rural area . . .

Marcello: I see. It could have been a small town, in other words.

Stroud: Yes, and I don't know for sure, but it was about fifteen acres, something like that. That was the maximum size.