

are generally collected or serviced by the mortgage company and are then transmitted to the insurance company. The mortgage company thus earns its income through the originating and servicing of mortgages.

Nine out of ten mortgages purchased by the mortgage company for the insurance company would probably be FHA and VA mortgages. It was the Government-insured mortgage, with its standard contract and minimum risk, that stimulated out-of-state mortgage investing by financial institutions. This, together with the boom in home building, contributed much to the phenomenal growth of Southern mortgage companies.

Just how much they have grown and how much they have contributed to the expansion in Southern home building has been something of a mystery until recently. A survey of Southern mortgage companies conducted by this Bank, with splendid cooperation from the Mortgage Bankers Association, however, has now provided us with a wealth of quantitative data on mortgage company activity. This information should be highly reliable, since almost all important mortgage companies domiciled in District states participated in the survey.

According to the survey findings, the volume of outstanding mortgages serviced by mortgage companies in District states increased from \$1.1 billion in 1949 to \$5.3 billion in 1959, or about 400 percent. As might be expected, the rate of expansion was greatest in those states where building was most active. The amount of funds channeled into residential and other mortgages in individual District states, as well as the type and location of the financial institution providing the funds, is shown in the table on page 3.

These findings are significant because they quantify former generalizations. We now know that mortgage companies service many residential mortgages for insurance companies and mutual savings banks, located mostly in New York and New England, but more importantly we know to what extent they do so. These data, moreover, when combined with existing information from savings and loan associations, commercial banks, and insurance companies domiciled in District states, provide a reasonably clear picture of the structure of the Southern mortgage market.

### **What Is Past Is Prologue**

Will the supply of mortgage funds be adequate to finance the anticipated expansion in home building in the South in the year ahead? If the experience of the postwar years may be used as a guide, the answer is a resounding "Yes." In the past, expansion in population and households created a need for additional housing, and incomes rose sufficiently to pay for homes of higher quality and cost. With demographic and financial factors producing a strong demand for homes, market forces were set in motion which favored the development of two financial institutions concerned primarily with mortgage financing: the savings and loan association, which channeled local savings into local mortgages, and the mortgage company, which broadens the market by channeling funds from capital surplus areas into mortgages in areas with a savings deficit. If the effective demand for homes continues strong in the years ahead, mortgage funds will likely be forthcoming, for who can say what new financing techniques institutions may develop, or what new mortgage institutions may arise to challenge the old?

"What Is Past Is Prologue" is a line inscribed on the front of the National Archives building that stands solidly on Pennsylvania Avenue in the nation's capitol. We share the historian's view that the past is the key to the present and the introduction to the future, although by no means do we expect ourselves or our readers to be omniscient because of having retread the recent path of Southern home building and mortgage activity.

ALFRED P. JOHNSON

#### **Mortgage Market Statistics Sixth District, 1949 and 1959**

Detailed tables relating to mortgage market statistics of financial institutions in the Sixth District for the years 1949 and 1959 are available upon request to the Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

## *Georgia's Economy: Undecided at a High Level*

A look at the charts on the next page might raise some questions about the status of Georgia's economy and the direction in which it is headed. Some indicators have been declining for the last few months; some have shown persistent gains; the majority, however, have fluctuated to such a degree that it is difficult to tell which way they are going.

Lines on charts usually represent totals or averages of

a number of different factors, which may be following widely different trends. A closer look at the indicators charted, as well as a few others, therefore, may give us a better view of the economic scene.

Nonfarm employment, an important gauge of the health of an economy, usually does not change much between April and July in Georgia. This year, however, employment dropped 16,000 during that period, bringing the sea-

sonally adjusted index down 2 percent and wiping out most of the gain made during 1959.

The downturn was a result of offsetting changes in the various types of employment. Some smaller employers, such as service establishments, public utilities, banks, and insurance companies, added more new workers to their payrolls than they usually do in the spring and early summer. State and local governments, on the other hand, reduced their work forces substantially more than they normally do between April and July. Trade employment has not followed its customary pattern of rising during the early months of the year.

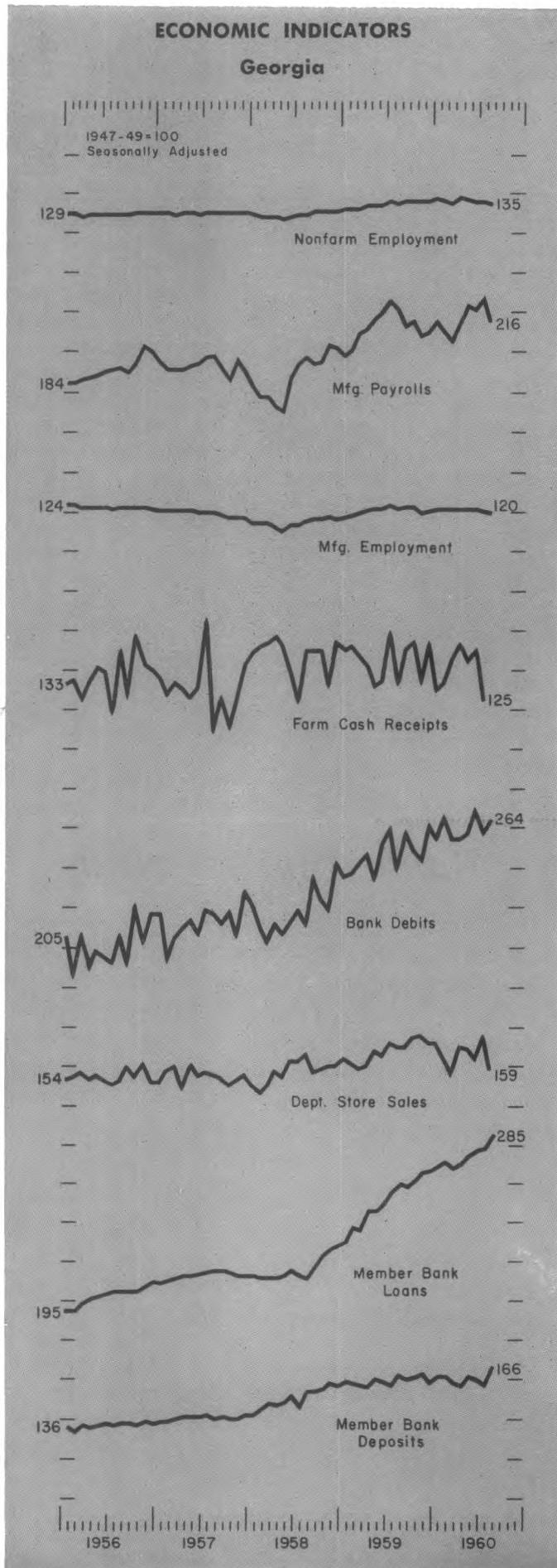
The most serious aspect of the drop in nonfarm jobs is the recent downturn in manufacturing employment. Between April and July, manufacturing work forces dropped almost 6,000, more than twice the usual decline in that period. A large part of the cutback was due to declines in textile and transportation equipment employment, although most other types slackened or failed to gain as much as they have in comparable periods of other years.

Just as the 1958-59 upturn in business activity in Georgia was accompanied by a revival of textile mill activity, so the current lack of vigor in the economy is paralleled by a reduction in textile employment and output. Employment in the state's cotton, woolen and synthetic fiber production and fabrication plants declined over 3,000 between March and July, following a 22-month period of almost uninterrupted gains. Coincident with the drop in textile jobs has been a mild downturn in apparel manufacturing work forces, which came after a 17-percent gain in less than a year and a half. In both these industries developments in the next few months will probably follow national patterns. Nationally, a substantial backlog of unfilled orders has helped keep textile production fairly high, but a steady decline in new orders has clouded the outlook.

Gradual cutbacks in the work force at a major aircraft assembly plant have been largely responsible for a drop of 4,000 in transportation equipment employment since last summer. Plant officials see no reversal of this trend in the immediate future. A pickup in automobile production following model change-over, however, may provide enough new jobs to counteract continued small declines in aircraft employment.

Despite the recent slide in the number of manufacturing workers, employment in the first six months of 1960 averaged about 1.5 percent above the comparable period of 1959. Manufacturing payrolls rose almost 3 percent, indicating an increase in average hourly earnings. Larger manufacturing payrolls, together with rising cash receipts from farm marketings, substantial increases in government wage rates, and larger earnings in other fields have provided Georgians with the higher incomes that are the basis for a continued high level of economic activity.

Total personal income in Georgia during the first half of 1960 amounted to about \$3.1 billion, according to this Bank's estimates, a gain of 5.5 percent over the comparable period last year. All sources of income shared in the increase, ranging from a fractional gain in farm cash receipts to an 11-percent rise in income from rent, divi-



dends, and interest payments. Substantial increases in government and wholesale and retail wage and salary payments also exceeded the overall gain and helped to establish a rate of increase almost as great as that of 1959.

According to most available indicators, Georgians have been spending their larger incomes at a record rate. During the first eight months of 1960, bank debits, which measure check payments by businesses, individuals, and state and local governments, averaged 7 percent above a year ago, a somewhat larger gain than that recorded in neighboring states. Department store sales increased one percent during the same period. Sales at furniture and household appliance stores, on the other hand, fell below year-ago volumes during the early months of the year.

Sales tax receipts, an indicator of retail sales and of spending for certain services, utilities, and manufactured products, exceeded the year-ago figure almost 5 percent during the first half of 1960. Receipts increased most in northwestern Georgia, the extreme southeastern part of the state, and in the Augusta area. Greater incomes, partly due to increased textile production earlier in the year and a turn-around in prices received for broilers, accounted for the gain in tax receipts in the northwestern area. Major construction projects have bolstered employment, income, and spending in the other two areas. Slackened sales, as measured by sales tax receipts, were confined mainly to the rural areas of central and southwest Georgia, where bad weather in the early months of 1960 made the farm income situation uncertain, putting a damper on spending.

ROBERT M. YOUNG

## Bank Announcements

On September 7, the newly organized Southside Atlantic Bank, Jacksonville, Florida, opened for business as a nonmember bank and began to remit at par for checks drawn on it when received from the Federal Reserve Bank. Officers are C. C. Space, Chairman; John H. Ek, President; J. L. Turner, Vice President and Cashier; Randall Hall and J. W. Kesler, Assistant Cashiers. Capital stock totals \$480,000 and surplus and undivided profits amount to \$240,000.

On September 12, the Baker Bank and Trust Company, Baker, Louisiana, a nonmember bank, began to remit at par. Warren J. Landry is President, and Reymond E. Coxe is Cashier. Capital totals \$200,000 and surplus and undivided profits \$300,000.

On September 24, the newly organized Louisiana Bank and Trust Company, Crowley, Louisiana, opened for business as a nonmember, par-remitting bank. Officers are John V. Unverzagt, President; Elmo F. Orgeron, Executive Vice President and Cashier; Clyde Horn and William L. Hoffpauer, Assistant Cashiers. It has capital stock of \$400,000 and surplus and undivided profits of \$100,000.

The second volume of "Readings in Southern Finance" entitled *Credit Needs of Business Borrowers and Lending Policies and Practices of Commercial Banks in the Southeast* is ready for distribution. In this collection of reprints from the *Monthly Review*, the studies describe how commercial banks have met the credit needs of businesses with different economic characteristics. Address requests to Research Department, Federal Reserve Bank of Atlanta, Atlanta 3, Georgia.

## Debits to Individual Demand Deposit Accounts

(In Thousands of Dollars)

	Aug. 1960	July 1960	Aug. 1959	Percent Change		
				Aug. 1960 from July 1960	Aug. 1960 from Aug. 1959	8 Months from 1960 to 1959
<b>ALABAMA</b>						
Anniston . . . . .	41,850	42,305	41,674	-1	+0	+2
Birmingham . . . . .	901,020	826,752	717,287	+9	+26	+4
Dothan . . . . .	34,925	33,104	31,585	+6	+11	+8
Gadsden . . . . .	38,436	35,979	35,073	+7	+10	-1
Huntsville* . . . . .	65,467	59,015	60,402	+11	+8	-0
Mobile . . . . .	303,130	279,471	270,686	+8	+12	+5
Montgomery . . . . .	171,504	149,997	158,590	+14	+8	-1
Selma* . . . . .	23,894	21,994	23,091	+9	+3	+5
Tuscaloosa* . . . . .	54,737	52,034	51,412	+5	+6	+6
Total Reporting Cities	1,634,963	1,500,651	1,389,800	+9	+18	+3
Other Cities† . . . . .	782,416	697,297	686,793	+12	+14	+5
<b>FLORIDA</b>						
Daytona Beach* . . . . .	61,705	59,630	57,797	+10	+11	-0
Fort Lauderdale* . . . . .	192,881	187,810	178,304	+3	+8	+4
Gainesville* . . . . .	39,957	43,462	36,455	-8	+10	+11
Jacksonville . . . . .	879,318	783,739	744,780	+12	+18	+6
Key West* . . . . .	15,802	14,300	13,476	+11	+12	-0
Lakeland* . . . . .	79,886	71,392	70,351	+12	+14	+7
Miami . . . . .	847,425	833,401	781,864	+2	+8	+3
Greater Miami* . . . . .	1,255,999	1,236,037	1,157,618	+2	+8	+2
Orlando . . . . .	246,576	237,163	230,415	+4	+7	+6
Pensacola . . . . .	87,396	84,322	87,912	+4	-1	+1
St. Petersburg . . . . .	199,959	211,036	199,602	-5	+0	-0
Tampa . . . . .	410,367	384,284	394,404	+7	+4	+2
W. Palm-Palm Bch.* . . . .	118,263	117,589	114,369	+1	+3	-2
Total Reporting Cities	3,588,109	3,430,764	3,285,483	+10	+11	+10
Other Cities† . . . . .	1,621,280	1,609,869	1,465,699	+10	+11	+6
<b>GEORGIA</b>						
Albany . . . . .	54,858	50,955	53,256	+8	+3	+7
Athens* . . . . .	40,005	40,651	35,709	-2	+12	+7
Atlanta . . . . .	2,209,861	2,018,820	1,990,180	+9	+11	+7
Augusta . . . . .	113,982	109,182	108,032	+4	+6	+6
Brunswick . . . . .	25,749	24,713	22,304	+4	+15	+5
Columbus . . . . .	113,650	103,255	103,166	+10	+10	+4
Elberton . . . . .	11,043	10,698	9,258	+3	+19	+10
Gainesville* . . . . .	48,240	50,262	48,058	-4	+0	-2
Griffin* . . . . .	19,890	17,377	18,266	+14	+9	+4
LaGrange* . . . . .	18,203	21,198	19,119	-14	-5	-4
Macon . . . . .	128,835	119,024	117,597	+8	+10	+3
Marietta* . . . . .	30,904	32,694	31,711	-5	-3	+4
Newnan . . . . .	19,651	18,961	19,959	+4	-2	+12
Rome* . . . . .	49,550	47,813	42,619	+4	+16	+14
Savannah . . . . .	202,791	191,308	188,436	+6	+8	-0
Valdosta . . . . .	43,453	34,121	48,451	+27	-10	-2
Total Reporting Cities	3,130,665	2,891,032	2,856,121	+8	+10	+6
Other Cities† . . . . .	1,017,702	975,894	887,654	+4	+15	+9
<b>LOUISIANA</b>						
Alexandria* . . . . .	69,769	71,566	72,780	-3	-4	+1
Baton Rouge . . . . .	281,476	265,618	263,966	+6	+7	+2
Lafayette* . . . . .	60,951	59,733	61,270	+2	-1	-4
Lake Charles . . . . .	74,779	75,331	84,359	-1	-11	-9
New Orleans . . . . .	1,377,647	1,307,356	1,302,882	+5	+6	+3
Total Reporting Cities	1,864,622	1,779,604	1,785,257	+5	+4	+2
Other Cities† . . . . .	629,663	597,075	591,573	+5	+6	+2
<b>MISSISSIPPI</b>						
Biloxi-Gulfport* . . . . .	53,738	49,978	49,498	+8	+9	+4
Hattiesburg . . . . .	37,832	38,876	35,857	-3	+6	+6
Jackson . . . . .	337,763	323,673	278,015	+4	+21	+6
Laurel* . . . . .	28,215	26,393	28,451	+7	-1	+5
Meridian . . . . .	46,736	42,067	42,914	+11	+9	+0
Natchez* . . . . .	22,088	21,820	23,053	+1	-4	+2
Vicksburg . . . . .	20,712	19,306	18,214	+7	+14	+5
Total Reporting Cities	547,084	522,113	476,002	+5	+15	+5
Other Cities† . . . . .	273,057	265,576	268,920	+3	+2	+5
<b>TENNESSEE</b>						
Bristol* . . . . .	45,214	46,632	43,713	-3	+3	+3
Chattanooga . . . . .	327,721	304,902	332,198	+7	-1	+0
Johnson City* . . . . .	42,893	43,225	41,311	-1	+4	+4
Kingsport* . . . . .	83,291	86,911	82,713	-4	+1	+5
Knoxville . . . . .	250,050	238,413	217,203	+5	+15	+5
Nashville . . . . .	797,546	706,915	705,552	+13	+13	+2
Total Reporting Cities	1,546,715	1,426,998	1,422,690	+8	+9	+2
Other Cities† . . . . .	622,284	593,177	579,513	+5	+7	+4
<b>SIXTH DISTRICT</b>						
Reporting Cities	17,258,560	16,290,049	15,695,505	+11	+10	+4
Other Cities . . . . .	12,312,158	11,551,162	11,215,353	+11	+10	+4
Total, 32 Cities	4,946,402	4,738,887	4,480,152	+10	+10	+6
Total, 32 Cities	10,638,041	9,905,047	9,585,870	+7	+11	+4
<b>UNITED STATES</b>						
344 Cities . . . . .	241,809,000	223,608,000	208,130,000	+8	+16	+7

\*Not included in total for 32 cities that are part of the national bank debit series.  
†Estimated.