

IV. SAVINGS AND LOAN ASSOCIATIONS *

In the United States, funds to build and buy homes are derived largely from the savings of the American people. The greater portion of the savings used for this purpose are first accumulated in savings and loan associations, mutual savings banks, life-insurance companies, and commercial banks.

For the first three of these types of thrift and home financing institutions, the Federal Home Loan Bank System acts as a central credit reserve system. The Federal Home Loan Bank Administration performs additional functions for savings and loan associations. The Bank Administration, for example, charters and supervises the Federal savings and loan associations. One of the component units of the Bank Administration is the Federal Savings and Loan Insurance Corporation which insures the safety of investments in all Federal associations and such State-chartered associations as apply and qualify for insurance.

FEDERAL HOME LOAN BANK DISTRICTS

There are 12 Federal Home Loan Banks. For purposes of the Federal Home Loan Bank System the Nation has been divided into 12 Federal Home Loan Bank Districts in each of which is located a Federal Home Loan Bank. The Banks make credit and deposit facilities available to associations within their Districts. The names and addresses of the 12 Federal Home Loan Banks and the area served by each are given in exhibit 19. The operations of these Banks have been discussed in the previous chapter

NUMBER AND ASSETS

The savings and loan associations which are members of the Federal Home Loan Bank System have been increasing rapidly in total resources, as shown in the following table:

Date	<i>Assets</i> (Thousands of dollars)			
	All member savings and loan asso- ciations	All State- chartered insured asso- ciations	All Federal associations	Uninsured nonmember associations ¹
June 30, 1938.....	3,704,259	769,827	1,210,744	2,113,306
June 30, 1939.....	3,935,641	899,654	1,439,988	1,943,049
June 30, 1940.....	4,232,681	983,367	1,725,817	1,957,681
June 30, 1941.....	4,626,920	1,131,625	2,028,138	1,292,245
June 30, 1942.....	4,885,049	1,255,307	2,205,921	1,170,926
June 30, 1943.....	5,249,414	1,454,920	2,426,079	1,061,147
June 30, 1944.....	5,962,319	1,702,292	2,881,276	1,001,640
June 30, 1945.....	7,013,906	2,021,536	3,528,027	1,016,706

¹ Estimated.

NOTE.—Figures for State chartered insured associations in this and the following tables include 4 insured associations which are not members of the Federal Home Loan Bank System. On June 30, 1945, these associations held total assets of \$6,394,100.

*As here used the term "savings and loan associations" includes cooperative banks and homestead associations.

Total assets of all member associations increased during the fiscal year 1945 by \$1,051,587,000, or 17.6 percent. Of the increase, \$646,751,000 represented the growth in Federal savings and loan associations. Insured State-chartered savings and loan associations, including the four which are not members of the Federal Home Loan Bank System, increased by \$319,244,000 in total assets. Federal associations grew more rapidly than did other types. For example, their growth during the reporting period was 22.4 percent compared with a growth of 18.8 percent for all State-chartered insured associations.

Uninsured savings and loan associations which are not members of the Bank System have been decreasing in total resources for several years. During the reporting period, however, uninsured nonmember associations reversed this trend. However, the growth was limited to \$15,066,000, or 1.5 percent.

Although total assets of members of the Federal Home Loan Bank System have increased substantially, the number of member savings and loan associations has declined from the maximum which was attained in 1938, largely because of mergers and consolidations. The decrease in number of associations since June 30, 1938, is shown in the following table:

Number

Date	All member savings and loan associations	All State-chartered insured associations	All Federal associations	Uninsured nonmember associations ¹
June 30, 1938-----	3,909	681	1,337	5,651
June 30, 1939-----	3,897	790	1,380	4,474
June 30, 1940-----	3,885	816	1,221	4,007
June 30, 1941-----	3,798	861	1,452	3,341
June 30, 1942-----	3,772	910	1,464	3,101
June 30, 1943-----	3,729	960	1,468	2,757
June 30, 1944-----	3,671	996	1,465	2,580
June 30, 1945-----	3,656	1,006	1,465	2,624

¹ Estimated

During the 1945 fiscal year the number of member associations decreased from 3,671 to 3,656 as a result of the termination of membership of 42 associations, while only 27 were admitted to membership in the System. The number of State-chartered insured associations continued the growth characteristic of recent years with a net increase of 10 State-chartered insured associations.

The number of Federal savings and loan associations has stabilized, in part because of wartime conditions. During the 1945 fiscal year, the 7 Federal associations which withdrew were exactly balanced by 7 additional Federal associations, the total number remaining unchanged at 1,465. Of the seven associations to which new Federal charters were granted, all were of the converted type. The following table shows the change in the average size of savings and loan associations in recent years.

FEDERAL HOME LOAN BANK ADMINISTRATION

Average size of associations

Date	All member savings and loan associations	All State-chartered insured associations	All Federal associations	Uninsured nonmember associations ¹
June 30, 1938	\$947,623	\$1,130,436	\$905,568	\$374,059
June 30, 1939	1,069,916	1,138,803	1,043,470	434,298
June 30, 1940	1,095,131	1,205,107	1,214,509	488,665
June 30, 1941	1,218,252	1,314,315	1,396,759	386,784
June 30, 1942	1,295,082	1,379,468	1,506,777	377,596
June 30, 1943	1,407,727	1,515,542	1,652,642	384,892
June 30, 1944	1,624,168	1,709,129	1,966,741	395,905
June 30, 1945	1,918,464	2,009,479	2,408,210	387,464

¹ Estimated

Since June 30, 1938, the average size of member associations has increased by 102.5 percent. This increase was caused by the rapid increase in total resources and a slow decline in numbers. The rapid growth in the size and financial strength of individual member associations promises well for the future of the Federal Home Loan Bank System. In comparison, it will be seen that there has been little net change since 1938 in the average size of nonmember uninsured associations.

The Congress, in providing for the establishment of Federal savings and loan associations, contemplated, first, that these associations would provide adequate thrift and home-financing facilities for localities which lacked such facilities and, second, anticipated that a group of home-financing institutions, operating with the highest standards and practices, would be developed under Federal charter. The average size of Federal savings and loan associations is growing more rapidly than that of other member associations. The average size of all Federal savings and loan associations has increased 165.9 percent since 1938 as compared with an increase of 77.8 percent for all State-chartered insured associations and an increase of 102.5 percent for member associations. In comparison, the net increase in average size for uninsured nonmember associations has been only 3.6 percent since June 30, 1938.

The major reason for the increase in total assets of savings and loan associations has been the continuous and substantial flow of private share capital into these associations. During the reporting period, new share investments and repurchases of share capital proceeded at the rate indicated in the following table:

(Thousands of dollars)

	New share investments	Repurchases	Net increase	Ratio of repurchases to new investments
All member savings and loan associations ¹	1,928,932	1,002,522	926,410	52.0
All State-chartered insured associations	575,624	300,950	274,674	52.3
All Federal associations	1,102,032	536,682	565,350	48.7
Uninsured nonmember associations ¹	150,154	104,155	54,999	65.4

¹ Uninsured members and nonmembers estimated.

It will be observed that less than half of the new share investments in Federal associations were offset by repurchases during the reporting period. This proportion of new share investments offset by repurchases was smaller for Federal associations than for either State-chartered insured associations or all member savings and loan associations.

Member associations have used the private share capital which they have received in part to retire the greater portion of their Government share investments. By authorizations of Congress in 1933, 1934, and 1935, the United States Treasury invested \$49,300,000 in Federal savings and loan associations; and the Home Owners' Loan Corporation invested \$223,856,710 in savings and loan associations. These investments were used to increase the funds available for home financing during the depression period. The outstanding balance of these investments had been reduced to \$51,256,050 at the beginning of the reporting period. During the 1945 fiscal year, the outstanding balance was further reduced to \$28,887,450, of which \$2,654,500 represented Treasury investment and \$26,232,950 represented HOLC investment.

OPERATIONS IN A WARTIME ECONOMY

Lending operations.—In order to make labor and materials available for the war effort, the War Production Board limited the construction of new homes largely to the war housing required by workers migrating to war-production centers and defense areas. Because of this, new residential construction was severely limited during the war and reached its low point during the 1945 fiscal year.

In consequence, construction loans made by member savings and loan associations decreased from \$114,705,000 during the 1944 fiscal year to \$89,438,000 during the 1945 fiscal year. This decline of 22 percent in construction loans contrasted with an increase in every other category of home loans made by these associations. This can be seen from the following table:

New loans made by member associations, by purpose

Purpose of loan	July 1, 1943, to June 30, 1944	July 1, 1944, to June 30, 1945	Percent change
Construction	\$114,705,000	\$89,438,000	-22.0
Home purchase	849,326,000	1,065,605,000	+25.5
Refinancing	147,366,000	164,137,000	+11.4
Reconditioning	27,186,000	28,987,000	+6.6
Other purposes	81,570,000	105,764,000	+29.7
Total	1,220,163,000	1,453,931,000	+19.2

During the fiscal year 1945, loans made to finance the purchase of homes continued the rapid increase of recent years, moving up by more than one-fourth over the previous reporting period to a total of \$1,065,605,000. These loans represented 73.3 percent of all home loans made by member institutions during the fiscal year 1945. This compared with 69.6 percent in the fiscal year 1944 and 60.9 percent in the fiscal year 1943. Exhibit 20 presents this shift in the purpose for which mortgage loans have been made during the last few years.

FINANCIAL OPERATIONS

Balance sheet.—In exhibit 21 is presented the combined balance sheet for all reporting member savings and loan associations for the calendar years 1943 and 1944. During the 1944 calendar year, the assets of State-chartered insured associations increased, as a percentage of the total for all member associations, from 28 to 28.4 percent. The assets of Federal savings and loan associations rose from 47.2 percent of the total to 49.3 percent.

As a result of the increased volume of new loans made, which has been discussed previously, holdings of first-mortgage loans, including interest and advances, by all member savings and loan associations increased from \$4,047,693,000 to \$4,273,720,000 during the 1944 calendar year, an increase of 5.6 percent. The first-mortgage loans held by Federal savings and loan associations increased by 7.4 percent during this period, while those held by State-chartered insured associations increased by 9.1 percent.

Real estate owned by member associations during the calendar year 1944 declined by 47.0 percent from \$69,512,000 at the beginning of the year to \$36,827,000 at the end of the year.

Cash held by all member savings and loan associations dropped from \$387,229,000 at the end of the 1943 calendar year to \$347,348,000 1 year later, a decrease of 10.3 percent. Cash held by Federal savings and loan associations decreased 9.1 percent in comparison with a decline of 13.4 percent on the part of State-chartered insured associations. Holdings of United States Government obligations continued the rapid increase of recent years. For all member associations, the growth was from \$738,648,000 to \$1,490,747,000, or 101.8 percent. For State-chartered insured associations, the increase was 99.0 percent, while the most rapid growth was that of Federal savings and loan associations whose holdings of United States Government obligations rose 116.2 percent.

The private repurchasable shares of member savings and loan associations increased 17.3 percent compared with an increase of 22.3 percent for Federal savings and loan associations and 18.6 percent for State-chartered member insured associations. Advances from Federal Home Loan Banks and other borrowed money increased from \$127,017,000 on December 31, 1943, to \$190,409,000 one year later, or by 49.9 percent. The advances and borrowings of Federal savings and loan associations increased by 56.4 percent during the year, while the advances and borrowings of State-chartered insured associations increased by 44.9 percent.

For all member savings and loan associations, general reserves, undivided profits, and surplus rose from \$409,928,000 at the beginning of the 1944 calendar year to \$461,203,000 at the end of the year. Despite this 12.5 percent increase, general reserves, undivided profits, and surplus decreased from 7.4 percent of total assets to 7.2 percent during the calendar year. The reason for this was that total assets were increasing more rapidly than were general reserves, undivided profits, and surplus.

Statement of operations.—The combined statement of operations for all reporting member associations, Federal associations, State-chartered insured associations, and State-chartered uninsured associations is presented in exhibit 22. The gross operating income of the

3,652 reporting member savings and loan associations totaled \$269,897,946. Of this, 84.14 percent was obtained as interest from mortgage loans. For State-chartered insured associations, the percentage was 82.84 percent; for Federal savings and loan associations, 83.97 percent; and for uninsured State-chartered associations, 86.07 percent. The proportion of income obtained from mortgage loans continued to decrease slowly because of the fact that the associations are holding an increasing proportion of assets in the form of Government securities.

Of net income received, 70.47 percent was paid out as dividends by the reporting member associations. State-chartered insured associations paid 71.31 percent of net income as dividends and State-chartered uninsured associations paid 75.29 percent. Federal associations paid 67.30 percent, the smallest percentage of net income as dividends, thus permitting, comparatively, the largest transfers from net earnings to reserves and undivided profits.

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11 from the total 1 year before. Of the number employed on July 1, 1946, 213 employees were on the staff of the Examining Division.

Bank Districts

The Federal Home Loan Bank System includes 11 Federal Home Loan Banks which make central credit reserve facilities available to the home financing institutions of the Nation. When these Banks were created, the Nation was divided into 12 Federal Home Loan Bank Districts, in each of which a Federal Home Loan Bank was located. Each bank made credit and deposit facilities available to the home financing institutions within its territory.

Recently it became evident that a single Federal Home Loan Bank on the west coast would be able to operate more economically and to offer more adequate facilities to the thrift and home financing institutions in that area than the two Banks originally established there. Accordingly, on March 29, 1946, the Federal Home Loan Bank Districts of Portland and Los Angeles were combined to form the Federal Home Loan Bank District of San Francisco. The former Federal Home Loan Banks of Los Angeles and Portland were combined to form the Federal Home Loan Bank of San Francisco, with a home office in San Francisco and offices at Los Angeles, Calif., and Portland, Oreg. This consolidation made the Federal Home Loan Bank of San Francisco one of the largest Banks in the System. The Bank now serves 9 States and the Territories of Alaska and Hawaii. The names and addresses of the 11 Federal Home Loan Banks and the area served by each are given in exhibit 19.

IV. SAVINGS AND LOAN ASSOCIATIONS¹

Savings and loan associations and similar organizations of various local titles are the thrift institutions most directly and most exclusively concerned with long-term home financing, since the greater portion of their funds have traditionally been used for this purpose. Total resources of those associations which are members of the Federal Home Loan Bank System have been increasing rapidly, as can be seen from the following table. For comparison, the assets of uninsured nonmember associations are also listed.

Assets

[Thousands of dollars]

Date	All member savings and loan associations	All State-chartered insured associations ¹	All Federal associations	Uninsured nonmember associations ²
June 30, 1938	\$3,704,259	\$769,827	\$1,210,744	\$2,113,806
June 30, 1939	3,935,641	899,654	1,439,988	1,943,049
June 30, 1940	4,232,681	983,367	1,725,817	1,957,681
June 30, 1941	4,626,920	1,131,625	2,028,138	1,292,245
June 30, 1942	4,885,049	1,255,307	2,205,921	1,227,649
June 30, 1943	5,249,414	1,454,920	2,426,079	1,061,147
June 30, 1944	5,962,319	1,702,292	2,881,276	1,001,640
June 30, 1945	7,013,906	2,021,536	3,528,027	1,016,706
June 30, 1946	8,358,532	2,431,374	4,311,747	1,040,829

¹ Figures for State-chartered insured associations in this and the following tables include 4 insured associations which are not members of the Federal Home Loan Bank System. On June 30, 1946, these associations held total assets of \$7,264,700.

² Estimated.

¹ As used throughout this report, the term "savings and loan associations" includes cooperative banks, homestead associations, and similar thrift and lending institutions.

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During the reporting period, the total assets of member associations grew 19.2 percent, from \$7,013,906,000 to \$8,358,532,000. This increase of \$1,344,626,000 was the greatest in the history of the Bank System. Federal associations grew more rapidly than other types. Assets of Federal associations during the 1946 fiscal year increased 22.2 percent compared with a similar increase of 20.3 percent for State-chartered insured associations. In the record growth during the year, assets of Federal savings and loan associations increased by \$783,720,000 while those of State-chartered insured associations increased by \$409,838,000.

From the table given previously, it can be seen that the total resources of uninsured savings and loan associations which are not members of the Federal Home Loan Bank System decreased continuously for a number of years. During the fiscal years 1945 and 1946, this trend was reversed, but even now, the growth of uninsured non-member associations is small, when compared with that of member associations of the Bank System. During the reporting period, uninsured nonmember associations grew by only 2.4 percent.

The number of savings and loan associations included in the Federal Home Loan Bank System reached a peak in 1938. Since that time, there has been a continuing decrease in numbers largely resulting from mergers and consolidation, but this decrease was checked during the reporting period, as can be seen from the following table:

Number of associations

Date	All member savings and loan associations	All State-chartered insured associations	All Federal associations	Uninsured nonmember associations ¹
June 30, 1938	3,909	681	1,337	5,651
June 30, 1939	3,897	790	1,380	4,474
June 30, 1940	3,865	816	1,421	4,007
June 30, 1941	3,798	861	1,452	3,341
June 30, 1942	3,772	910	1,464	3,237
June 30, 1943	3,729	960	1,468	2,757
June 30, 1944	3,671	996	1,465	2,530
June 30, 1945	3,656	1,006	1,465	2,624
June 30, 1946	3,660	1,018	1,472	2,570

¹ Estimated

It can be seen that the number of member associations increased from 3,656 to 3,660 during the reporting period. The net increase of 4 member associations resulted from the fact that 29 associations merged or left the System, and 33 other associations became members.

Both Federal associations and State-chartered insured associations increased in number. The net increase of 12 in State-chartered insured associations compared with a similar increase of 10 for the previous fiscal year. In recent years, partly because of wartime conditions, the number of Federal associations had virtually stabilized. From June 30, 1942, to June 30, 1945, there was a net increase of only 1 Federal savings and loan association. During the period from June 30, 1945, to June 30, 1946, however, the number of Federal associations increased by 7. This resulted, in part, from the resumption of building and the lifting of wartime controls. The net increase of 7 Federal savings and loan associations during the fiscal year 1946 resulted from 8 Federal associations merging or withdrawing from the System and 15 additional Federal associations entering the System. Of the 15

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associations to which new Federal charters were granted, 8 were converted associations and 7 were newly formed associations.

As has been shown, the assets of member savings and loan associations have increased rapidly in recent years, while the number of member associations has been decreasing. As a result, there has been a rapid growth in the average size of the associations, as is shown in the following table:

Average size of associations

Date	All member savings and loan associations	All State-chartered insured associations	All Federal associations	Uninsured nonmember associations ¹
June 30, 1938-----	\$947,623	\$1,130,436	\$905,568	\$374,059
June 30, 1939-----	1,009,916	1,138,803	1,043,470	434,298
June 30, 1940-----	1,095,131	1,205,107	1,214,509	488,565
June 30, 1941-----	1,218,252	1,314,315	1,396,789	386,784
June 30, 1942-----	1,295,082	1,379,458	1,506,777	379,255
June 30, 1943-----	1,407,727	1,515,542	1,652,642	384,892
June 30, 1944-----	1,624,168	1,709,129	1,966,741	395,905
June 30, 1945-----	1,918,464	2,009,479	2,408,210	387,464
June 30, 1946-----	2,283,752	2,388,383	2,929,176	404,992

¹ Estimated.

The average size of member savings and loan associations has increased by 141 percent since June 30, 1938, while nonmember uninsured associations have increased by only 8.3 percent during the same period. The increasing strength of the Federal Home Loan Bank System is caused by this rapid growth in the financial resources of individual associations. Federal savings and loan associations are growing more rapidly than other member associations. The average size of Federal savings and loan associations has increased 223.5 percent since 1938 as compared with an increase of 111.3 percent for State-chartered insured associations.

The major reason for the increase in total assets of savings and loan associations has been the continuous and substantial flow of share capital into these associations. During the reporting period, new share investments and repurchases of share capital proceeded at the following rate:

Investments and repurchases, fiscal year 1946

[In thousands of dollars]

	New share investments	Repurchases	Net increase	Ratio of repurchases to new investments
All member savings and loan associations-----	\$2,602,197	\$1,556,166	\$1,046,031	59.8
All State-chartered insured associations-----	763,855	447,731	316,124	58.6
All Federal associations-----	1,506,606	897,369	609,237	59.6
Uninsured nonmember associations-----	206,213	130,636	75,577	63.4

Slightly less than three-fifths of the new share investments of member associations were offset by repurchases during the fiscal year 1946. This proportion of repurchases was more than in the previous fiscal year, perhaps as a result of the fact that, with the end of hostilities,

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many individuals had to liquidate their investment in savings and loan associations in order to move or to prepare for peacetime conditions.

By authorizations of Congress in 1933, 1934, and 1935, the United States Treasury invested \$49,300,000 in Federal savings and loan associations and the Home Owners' Loan Corporation invested \$223,856,710 in savings and loan associations. This was done to increase funds available for home financing during the depression. Because of the rapid influx of private share capital in recent years, member associations have been able to retire most of this Government investment. By the beginning of the 1946 fiscal year, the outstanding balance of these investments had been reduced to \$28,887,450, and during the year this balance was further reduced to \$19,394,850. Of this, \$1,410,600 represented Treasury investment and \$17,984,250 represented the Home Owners' Loan Corporation's investment.

Lending operations

A high light of the reporting period was the increase in loans made by member associations to finance newly constructed dwelling units. During the war, in order to make more labor and materials available for the war effort, new residential construction had been severely limited. With the coming of peace and the removal of wartime controls, such construction increased rapidly. As a result, loans made by member associations to finance construction increased more rapidly than the volume of new loans made for any other purpose. This can be seen from the following table:

New loans made by member associations, by purpose

Purpose of loan	July 1, 1944 to June 30, 1945	July 1, 1945, to June 30, 1946	Percent increase
Construction.....	\$89,435,000	\$393,902,000	340.4
Home purchase.....	1,065,605,000	1,775,396,000	66.6
Refinancing.....	164,137,000	230,649,000	40.5
Reconditioning.....	28,987,000	53,257,030	83.7
Other purposes.....	105,764,000	183,436,000	73.4
Total.....	1,453,931,000	2,636,640,000	81.3

Loans made by member associations during the 1946 fiscal year to finance new residential construction were more than four times the volume of loans made for the same purpose during the previous year. In contrast, loans made to finance home purchases increased by only two-thirds. However, the volume of loans made for the latter purpose has increased so rapidly in recent years that, during the reporting period, these loans represented 67.3 percent of all home loans made by member associations.

Presumably, as the conditions of a free economy return, and the volume of new building becomes large enough to meet the accumulated demand for housing, home lending will return to the prewar pattern. For this reason, it might be well to note the changes which have occurred in recent years in the purposes for which home loans have been made by member associations of the Bank System, as shown by the following table.

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Percentage of new loans made by member associations by purpose

[Fiscal Years]

	1939	1940	1941	1942	1943	1944	1945	1946
Construction.....	32.0	33.4	35.9	29.2	12.5	9.4	6.2	14.9
Home purchase.....	31.6	33.2	35.8	44.9	60.9	69.6	73.3	67.3
Refinancing.....	19.9	18.6	15.5	14.3	16.5	12.1	11.3	8.7
Reconditioning.....	6.1	5.2	4.6	4.1	3.2	2.2	2.0	2.0
Other purposes.....	10.5	9.6	8.2	7.4	6.8	6.7	7.3	7.0

NOTE: The percentages for each year do not always add up to 100 because of the effect of rounding off.

Before the Nation entered the war, the volume of loans made for construction was approximately equal to the volume of those made for home purchase. Home construction and home financing, perhaps, cannot be considered as having returned to normal, until some approach has been made to this former equality of construction and home-purchase loans. Residential construction and the volume of construction loans must increase greatly before this prewar relationship returns.

The shift in the purpose for which mortgage loans have been made during the last few years is shown by dollar amounts for each quarter year in exhibit 20.

Financial operations

Balance sheet.—A combined balance sheet for all reporting member savings and loan associations is presented in exhibit 21 for the calendar years 1944 and 1945. Total assets of the 3,658 member associations reporting as of December 31, 1945, were \$7,681,494,000, which was 19.6 percent more than the total of \$6,422,762,000 reported 1 year earlier by 3,656 associations.

The proportion of assets held by Federal savings and loan associations has increased to more than one-half of the total. As of December 31, 1945, Federal savings and loan associations held 51.0 percent of the assets of all reporting member associations, as compared with 49.3 percent on December 31, 1944, and 47.2 percent on December 31, 1943. The proportion held by State-chartered insured associations increased more slowly. The latter associations held 28.6 percent of the assets on December 31, 1945, compared with 28.4 percent on December 31, 1944, and 28.0 percent on December 31, 1943.

During the 1945 calendar year, first-mortgage loans held by member savings and loan associations rose by 12.9 percent from \$4,273,720,000 on December 31, 1944 to \$4,823,418,000 1 year later. First-mortgage loans held by Federal savings and loan associations increased by 15.6 percent during this period, and those held by State-chartered insured associations increased by 13.9 percent. In comparison, first-mortgage loans held by uninsured State-chartered member associations rose only 6.1 percent.

Real estate owned by member associations continued the rapid decline of recent years. This real estate dropped more than one-half, from \$36,827,000 at the beginning of the 1945 calendar year to \$18,279,000 at the end of the year.

Member savings and loan associations at the end of the 1945 calendar year held \$383,896,000 in cash compared with \$347,348,000 1 year before, an increase of 10.5 percent. Cash held by Federal savings and loan associations rose 16.7 percent compared with a rise of 11.0

percent for State-chartered insured associations. Cash held by uninsured State-chartered member associations decreased by 3.4 percent.

United States Government obligations held by reporting member associations continued to increase rapidly. For all member associations, the growth during the calendar year 1945 was from \$1,490,747,000 to \$2,181,169,000, a rise of 46.3 percent. United States Government obligations held by State-chartered insured associations rose 49.9 percent; those of Federal savings and loan associations rose 49.6 percent; and those of uninsured State-chartered member associations rose 31.0 percent.

Private repurchasable shares of member savings and loan associations increased by 18.3 percent during the 1945 calendar year. For Federal savings and loan associations, the increase was 21.3 percent, and for State-chartered member insured associations the increase was 19.6 percent. This compared with an increase of only 9.8 percent in the private repurchasable shares of State-chartered uninsured member associations.

Advances from Federal Home Loan Banks together with other borrowed money increased rapidly. This total was \$324,734,000 at the end of the 1945 calendar year, compared with \$190,409,000 1 year before, an increase of 70.5 percent. Advances and borrowings of Federal savings and loan associations increased by 66.4 percent. For State-chartered uninsured member associations, the increase was only 35.2 percent.

To maintain a strong financial position, savings and loan associations must have an adequate cushion of general reserves and undivided profits. It is difficult to maintain the present proportion of general reserves and undivided profits to total assets, because assets are increasing at a record rate. The general reserves and undivided profits of all member savings and loan associations increased from \$461,203,000 on December 31, 1944, to \$533,064,000 on December 31, 1945, an increase of 15.6 percent. Despite this increase, general reserves and undivided profits were only 6.9 percent of total assets at the end of the 1945 calendar year compared with 7.2 percent 1 year before and 7.4 percent 2 years before.

General reserves and undivided profits held by Federal associations increased by 21.3 percent during the reporting period. For State-chartered insured member associations the increase was 14.2 percent and for State-chartered uninsured member associations the increase was 9.1 percent.

Statement of operations.—Exhibit 22 presents the combined statement of operations for all reporting member associations, with figures given separately for Federal associations, State-chartered insured associations, and State-chartered uninsured associations. For 3,655 reporting member savings and loan associations, gross operating income in the calendar year 1945 totaled \$296,842,990. Of this, 80.37 percent was obtained as interest from mortgage loans. For Federal savings and loan associations the percentage was 79.25 percent; for State-chartered insured associations 79.58 percent; and for State-chartered uninsured associations 83.89 percent. The proportion of income obtained from mortgage loans is decreasing slowly because the associations hold an increasing proportion of assets in the form of Government securities.

Reporting member savings and loan associations paid out as dividends 66.52 percent of the net income received. The proportion of net

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income paid as dividends was 67.59 percent for State-chartered insured associations, and 72.82 percent for State-chartered uninsured associations. Federal associations paid only 62.94 percent, thus permitting, comparatively, the largest transfers from net earnings to reserves and undivided profits. As a result, the general reserves and undivided profits of Federal associations, as pointed out previously, are increasing more rapidly than those of State-chartered associations.

Savings and mortgage lending

During the 1945 calendar year, all savings and loan associations received more than a billion dollars of new savings. During the same period, the associations made \$1,913,000,000 of new residential loans. However, because of repayments, the outstanding home mortgage debt held by savings and loan associations increased only \$577,000,000 during the year.

The volume of residential construction is increasing and will probably remain at a high level for several years. This will create a tremendous demand for funds for mortgage financing. To meet their responsibilities, savings and loan associations must receive a satisfactory flow of new savings and must maintain suitable liquidity during the years ahead when the demand for mortgage loans for residential financing is expected to absorb most of the available funds.

The flow of savings into savings and loan associations and the mortgage loans made by the associations are discussed in more detail in the next chapter.

V. INDIVIDUAL SAVINGS AND HOME FINANCING¹

In harmony with its congressional mandate, the Federal Home Loan Bank System is primarily concerned with the flow of savings into thrift institutions and the use of these savings to finance home construction and home purchase. This is discussed in the following paragraphs.

Savings of individuals

Long-term savings of individuals continued, during 1945, the rapid increase of wartime years. The increase each year during the last few years in savings held in savings and loan associations, life insurance companies, savings deposits in banks, postal savings, and United States savings bonds is shown in the following table:

Calendar year:	Increase each year in savings in selected media
1941	\$4,422,000,000
1942	9,103,000,000
1943	15,689,000,000
1944	20,291,000,000
1945	18,082,000,000

The net increase in these savings rose each year during the wartime period, but the net increase in 1945 was not so great as in the previous year, although still far more than in any prewar year.

Exhibit 8 shows the distribution of long-term savings from 1938 through 1945. The following table shows the gain in long-term savings in 1945, with a break-down to indicate the increase in each of the selected types of savings media:

¹ Because most of the data are available on a calendar year basis, this chapter deals largely with the calendar year 1945 rather than the fiscal year 1946.