Final Report to The Congress of The United States Relating to the Operations, Realization, and Liquidation of The Home Owners' Loan Corporation

Introduction

This report covers the operations and liquidation of the Home Owners' Loan Corporation. It summarizes and reviews the cumulative results of operation to June 30, 1951 from the date of inception, June 14, 1933, when the Corporation was created by the Federal Home Loan Bank Board pursuant to the authorization and direction therefor contained in the Home Owners' Loan Act of 1933, approved June 13, 1933. All assets of the Corporation have been realized. Its bond issues have been called or have matured and all have been redeemed except a relatively small amount of called or matured outstanding bonds for which funds for the redemption thereof have been deposited in the Treasury of the United States. Its capital stock has been retired by repurchase at par value from the Secretary of the Treasury and the amount thereof has been paid into the Treasury of the United States and the receipts for the capital stock have been canceled. Its surplus or accumulated funds have been paid into the Treasury of the United States.

The prime purpose for which Home Owners' Loan Corporation was created is succinctly stated in the title of the Home Owners' Loan Act, viz., "An Act To provide emergency relief with respect to home mortgage indebtedness, to refinance home mortgages, to extend relief to the owners of homes occupied by them and who are unable to amortize their debt elsewhere, ***, and for other purposes." The scope of the authority of the Corporation to provide such emergency relief is covered by sub-sections (d), (e), (f), (g) and (m) of Section 4 of the Act, under which the Corporation was authorized for a period of three years after June 13, 1933, the date of enactment of the Act, to acquire and carry, as first liens, distressed home mortgages and other obligations and liens in existence on the date of the Act which could not be financed otherwise and which were secured by real estate, held in fee simple or on a leasehold under a long-term lease, upon which there was a dwelling for not more than four families used by the owner as his home or held by him as a homestead and having a value not exceeding $20,000.00. The liens so acquired were required to be secured by duly recorded home mortgages amortized by monthly payments sufficient to retire the interest and principal of the loans within a period of 15 years. Quarterly, semiannual or annual payments were permissible, in the judgment of the Corporation. The "Mead -Barry Act," approved August 11, 1939, authorized the Corporation in its judgment to extend the time for payment of any delinquent installment, or to extend and revise the terms of any mortgage to provide for amortization by monthly payments within a maximum period of 25 years instead of the original maximum of 15 years. This change was not effective until more than three years after expiration of authority for the making of the original loans.

In addition to the foregoing general limitations, the Act conditioned the types of loans which the Corporation could make, e.g.:

(Section 4(d) Loans) Where the lien holder would accept the Corporation's bonds in exchange for his lien, the loan could be up to 80% of the Corporation's appraised value of the real estate, but in no case in excess of $14,000.00. The amount of the loan in such case would include the face value of the bonds plus accrued interest and cash advances to pay taxes and assessments on the real estate, to provide necessary maintenance and repairs, and to meet the incidental expenses of the transaction including not in excess of $50 to the lien holder as the difference between the face value of the bonds plus accrued interest and the purchase price of the mortgage, obligation or lien. The interest charge on loans of this type would be at a rate not exceeding five per centum per annum on the unpaid balance of the obligation;

(Section 4(f) Loans) Where the lien holder would not accept the Corporation's bonds in exchange for his lien and the Corporation found that the home owner could not obtain a loan from ordinary lending agencies, the loan could be up to 40% of the Corporation's appraised value of the real estate. The amount of the loan in such cases would include the amount of cash advanced to the home owner as the purchase price of the mortgage, obligation or lien plus cash advances to pay taxes and assessments on the real estate, to provide necessary maintenance and repairs, and to meet the incidental expenses of the transaction. The interest charge on such loans would be at a rate not exceeding six per centum per annum on the unpaid balance of the obligation;

(Section 4(e) Loans) Where the property was not otherwise encumbered, loans in cash could be made up to 50% of the Corporation's appraised value of the real estate to pay taxes and assessments, to provide necessary maintenance and repairs, and to meet the incidental expenses of the transaction. The interest charge on such loans would be at a rate not exceeding five per centum per annum on the unpaid balance of the obligation;

(Section 4(g) Loans) The Corporation was authorized to exchange bonds and to advance cash to redeem or recover homes lost by the owners by foreclosure or forced sale by a trustee under a deed of trust or under power of attorney, or by voluntary surrender to the mortgagee subsequent to January 1, 1930. In such cases, the loan could be up to 80% of the Corporation's appraised value of the real estate, but in no case in excess of $14,000.00. The amount of the loan would include the face value of the bonds exchanged to the title holder for his investment, plus accrued interest on the bonds and cash advances to pay taxes and assessments on the real estate, to provide necessary maintenance and repairs, and to meet the incidental expenses of the transaction including not in excess of $50 to the title holder as the difference between the face value of the bonds plus accrued interest and the purchase price of the title holder's investment. The interest charge on loans of this type would be at a rate not exceeding five per centum per annum on the unpaid balance of the obligation;

(Section 4(m) Advances) In all cases where the Corporation was authorized to advance cash to provide for necessary maintenance and to make necessary repairs it was further authorized to advance cash or exchange bonds for the rehabilitation, modernization, rebuilding, and enlargement of the homes financed; and in all cases where the Corporation had acquired a home mortgage or other obligation or lien it also was further authorized to advance cash or exchange bonds to provide for the maintenance, repair, rehabilitation, modernization, rebuilding, and enlargement of the homes financed and to take an additional lien, mortgage, or conveyance to secure such additional advance or to take a new home mortgage for the whole indebtedness. The total indebtedness, including Section 4(m) advances, could not exceed the respective amounts or percentages of value of the real estate prescribed for the various types of loans authorized by the Act. The authority for these advances was not included in the original Act but was added thereto by an amendment approved April 27, 1934 together with the provision that not to exceed $200,000,000 (subsequently increased to $400,000,000) of the proceeds derived from the sale of bonds of the Corporation could be used for such advances.

The following schedule shows the number of loan accounts and the amount of original loans acquired during the three-year period, June 13, 1933 to June 12, 1936, when the Corporation, under the aforenoted provisions of the Act, was authorized to acquire such loans.

	Number of Loan Accounts	Amount of Original Loans
Sec. 4(d) loans	1,006,516	$3,080,840,545
Sec. 4(e) loans	8,991	6,477,280
Sec. 4(f) loans	2,314	3,184,826
Sec. 4(m) loans	(*)	2,948,670
	1,017,821	$3,093,451,321

* Supplemental loans on 8590 original loans included in the other classifications of loan accounts.

The annual reports to the Congress submitted by the Federal Home Loan Bank Board, the Federal Home Loan Bank Commissioner, the Home Loan Bank Board, and the annual reports on the audit of the Home Owners' Loan Corporation, prepared by the Corporation Audits Division, General Accounting Office, and submitted by the Comptroller General, contain detailed information pertaining to the organization, policies, operations, working methods, and the liquidating activities of the Corporation, together with pertinent charts, schedules, and exhibits which are not presented in the same format in this report.