# III

# Federal Savings and Loan Associations[1]

## PLACE OF FEDERAL ASSOCIATIONS IN THE HOME-FINANCING INDUSTRY

THE progress of Federal savings and loan associations during the fiscal year 1940 continued at a rapid pace. Private investments in the 1,429 [2] associations operating under Federal charter on June 30, 1940, totaled $1,268,000,000 as against approximately $991,000,000 for the 1,386 associations operating the year before. During the reporting period, these private local institutions, chartered and supervised by the Federal Home Loan Bank Board, made new mortgage loans in the amount of $457,816,000, an increase of 37 percent over the preceding fiscal-year period. At the same time, they repurchased investments of the U. S. Treasury and the Home Owners' Loan Corporation to the extent of $21,523,600. Despite such repayments and vastly increased lending operations, they were able to strengthen their cash position as well as their reserves.

After seven years of operation of Federal savings and loan associations, it appears appropriate to survey the place that this national system of home-financing institutions occupies within the savings and loan industry as a whole. At the end of the calendar year 1939, the combined assets of Federal associations represented 26 percent of all savings and loan assets in the United States. However, these institutions accounted for not less than 42 percent of the volume of new mortgage loans made by all savings and loan associations during the fiscal year 1940, and their mortgage holdings were equivalent to 32 percent of the total mortgage portfolio of all savings and loan associations.

[1] Federal savings and loan associations are chartered by the Federal Home Loan Bank Board pursuant to the provisions of Section 5 of the Home Owners' Loan Act of 1933. They are locally owned and managed, and can be said to serve the home mortgage credit field in much the same way that national banks serve the commercial credit structure of the country.

[2] One association is omitted from all statistical figures throughout this section because it had not fully completed organization prior to June 30, 1940. The difference between the 1,429 Federal savings and loan associations reported as chartered and the 1,421 Federal savings and loan associations listed as members of the Federal Home Loan Bank System is due to the lapse of time between the issuance or withdrawal of Federal charters and the issuance or withdrawal of membership certificates. The difference results from such time lapses mainly in the cases of conversions from State to Federal charter and terminations.

Federal savings and loan associations, operating on a uniform basis and offering simple, progressive lending and savings plans, benefit all sections of the country. Nearly 2,900 counties, or 94 percent of all counties in the United States, fall either wholly or in part within the fifty-mile lending radius or service area of these institutions. Measured in terms of assets, the West, the South, and the Middle West (with the exception of the Chicago area) show a much higher proportion of Federal associations to all savings and loan associations than the Northeast. This is due in part to the organization of new Federal associations in the sections of the country which had inadequate home-financing facilities before 1933—one of the objectives of the Act authorizing the establishment of Federal savings and loan associations.

The following table shows the combined assets of Federal savings and loan associations, by Federal Home Loan Bank Districts, as compared with the estimated assets of all operating savings and loan associations, for December 31, 1939, the latest date for which complete information is available:

*Assets of Federal savings and loan associations compared with total assets of all operating savings and loan associations, by Federal Home Loan Bank Districts, as of December 31, 1939*

| Federal Home Loan Bank District | Assets of Federal associations | Proportion to total operating savings and loan associations |
|---|---|---|
| United States | $1,576,155,000 | 28.5 |
| No. 1—Boston | 124,761,000 | 20.0 |
| No. 2—New York | 167,598,000 | 17.3 |
| No. 3—Pittsburgh | 73,428,000 | 14.1 |
| No. 4—Winston-Salem | 176,420,000 | 35.3 |
| No. 5—Cincinnati | 291,293,000 | 30.1 |
| No. 6—Indianapolis | 129,567,000 | 46.9 |
| No. 7—Chicago | 128,693,000 | 24.8 |
| No. 8—Des Moines | 104,811,000 | 40.1 |
| No. 9—Little Rock | 79,731,000 | 36.4 |
| No. 10—Topeka | 101,159,000 | 43.0 |
| No. 11—Portland | 78,258,000 | 51.2 |
| No. 12—Los Angeles | 120,436,000 | 41.8 |

In relation to total assets of the savings and loan industry, Federal associations lead in the Portland Federal Home Loan Bank District where they hold over one-half of all savings and loan assets. The Indianapolis Federal Home Loan Bank District shows the second highest proportion of Federal savings and loan associations to all associations, and the Topeka Federal Home Loan Bank District ranks third in this respect. In each of these three Districts and in the Los Angeles and the Des Moines Districts, the combined assets of Federal associations account for more than 40 percent of the total assets of all

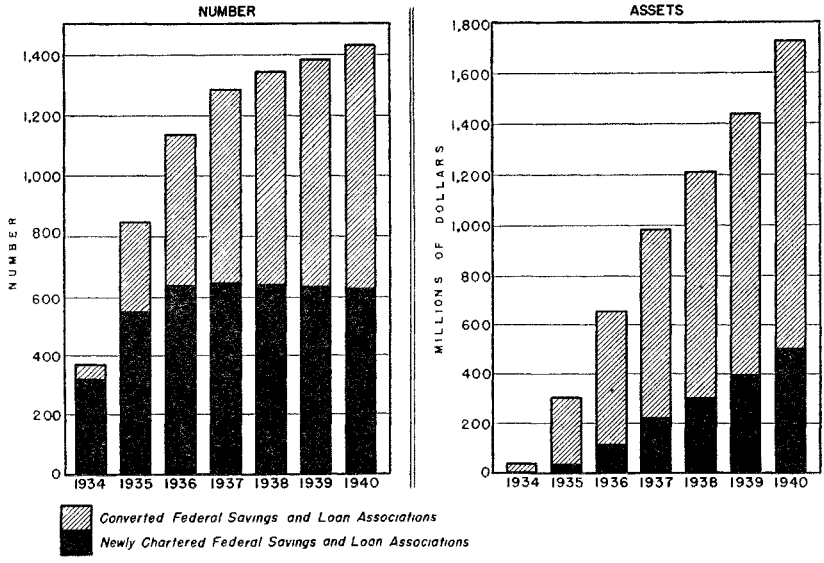
operating savings and loan associations. In the Boston, New York, and Pittsburgh Federal Home Loan Bank Districts they represent 20 percent or less of the total savings and loan assets. In dollar volume of assets, however, Federal associations are highest in the Cincinnati, Winston-Salem, and New York Districts.

## GROWTH IN NUMBER AND ASSETS

During the reporting period, a net increase of 43 associations chartered by the Federal Home Loan Bank Board brought the total number of Federal savings and loan associations to 1,429 as of June 30, 1940. At the latter date, the combined assets of Federal associations totaled $1,728,865,000 as compared with $1,442,069,000 on June 30, 1939. The growth in assets during 1940 was 19.9 percent as against 18.8 percent the year before.

CHART XXXII

NUMBER AND ASSETS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The net addition of 43 associations during the fiscal year 1940 was the result of 64 new charters issued and of 21 cancellations of existing charters. Of the new charters, 62 were for conversion of State-chartered associations to Federal charter, and only 2 for newly organized institutions.

As was pointed out in previous reports, the program for the establishment of Federal savings and loan associations, begun in 1933,

served two purposes: (1) to organize new Federal savings and loan associations in communities where sound thrift and home mortgage lending facilities were unavailable or inadequate; and (2) to develop under Federal charter a system of home-financing institutions that would combine the best standards and practices evolved in the long history of savings and loan associations. Except for isolated cases, the first part of this program has more or less come to a close; it has resulted in the organization of 633 new associations operating as of June 30, 1940, with combined assets of $506,588,000.

*Changes in number of Federal savings and loan associations, fiscal year 1940*

| Type of association | Number of associations June 30, 1939 | New charters issued | Charters cancelled | Number of associations June 30, 1940 |
|---|---|---|---|---|
| New associations | 636 | 2 | 5 | 633 |
| Converted associations | 750 | 62 | 16 | 796 |
| Total | 1,386 | 64 | 21 | 1,429 |

Of the 21 cancellations during the reporting period, 18 were occasioned by merger with other Federal associations, two were due to voluntary dissolution, and one charter was withdrawn because the association failed to complete organization. Thus, the majority of cancellations were caused by mergers within the Federal system of savings and loan associations and involved no reduction in assets.

From the beginning of operations, the Federal Home Loan Bank Board has received 770 applications to charter newly organized Federal savings and loan associations, of which 137 were rejected, withdrawn, and cancelled, leaving 633 charters outstanding on June 30, 1940. Of the 1,279 applications for conversion from State to Federal charter registered from the beginning of operations, 386 were rejected, withdrawn, and cancelled, and 97 were on file awaiting final disposition, leaving 796 charters outstanding.

The conversion of existing associations from State to Federal charter is still progressing. During the last fiscal year, conversions were concentrated in the States of Pennsylvania (30), Wisconsin (9), and New Jersey (5). Federal charters were issued in New Jersey for the first time this year. Federal associations are now operating in each of the 48 States, the District of Columbia, Alaska, and Hawaii.

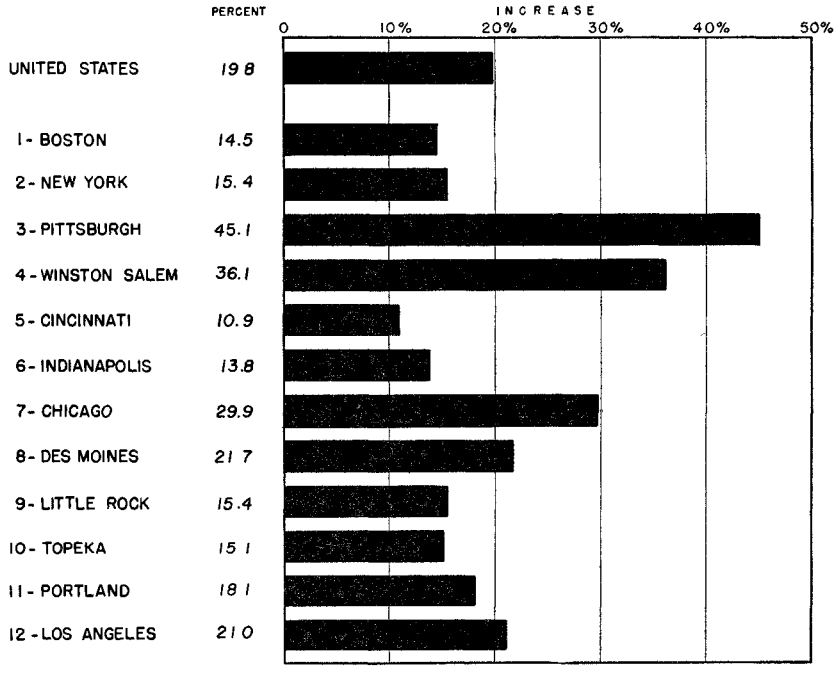
The largest gains in assets of Federal savings and loan associations during the fiscal year 1940 were in the Pittsburgh, Winston-Salem, and Chicago Districts. All Districts show an excellent trend, however, and even Cincinnati, the District with the smallest increase, registered a gain of 10.9 percent.

Exhibit 37 lists the number and assets of Federal savings and loan associations, classified by new and converted associations, for each of the fiscal-year periods from 1934 to 1940, and Exhibit 38 shows the number, assets, and mortgage loans outstanding of Federal associations, by Federal Home Loan Bank Districts and by States.

CHART XXXIII

PERCENT GROWTH IN ASSETS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS BY FEDERAL HOME LOAN BANK DISTRICTS

*FISCAL YEAR 1940*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The growth of Federal savings and loan associations is reflected in the increasing number of institutions in the higher asset brackets. At the end of the fiscal year 1938, slightly over 23 percent of all Federal associations were in the asset group of $1,000,000 and more. On June 30, 1940, approximately 32 percent of the associations were in that asset bracket. At the other end of the scale, the proportion of institutions with assets of less than $250,000 has decreased from 40 to 25 percent. Medium-sized associations, with assets from $250,000 to $1,000,000, constituted 42 percent of all Federal associations in 1940 as against 36 percent in 1938.

*Distribution of Federal savings and loan associations, by size groups*

| Asset size group | June 30, 1938 | | June 30, 1939 | | June 30, 1940 | |
|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent |
| All associations | 1,346 | 100 | 1,386 | 100 | 1,429 | 100 |
| Less than $100,000 | 219 | 16 | 146 | 10 | 89 | 6 |
| $100,000 to $250,000 | 320 | 24 | 308 | 22 | 275 | 19 |
| $250,000 to $500,000 | 241 | 18 | 284 | 21 | 309 | 22 |
| $500,000 to $1,000,000 | 250 | 19 | 264 | 19 | 296 | 21 |
| $1,000,000 to $2,500,000 | 218 | 16 | 260 | 19 | 300 | 21 |
| $2,500,000 and over | 98 | 7 | 124 | 9 | 160 | 11 |

The following table shows the distribution of Federal savings and loan associations by size of community:

*Distribution of Federal savings and loan associations, by size of community, June 30, 1940*

| Population group | Institutions | | Assets | | |
|---|---|---|---|---|---|
| | Number | Percent of total | Amount | Percent of total | Average size |
| Less than 2,500 | 143 | 10.0 | $74,761,000 | 4.3 | $523,000 |
| 2,500 to 5,000 | 218 | 15.2 | 71,189,000 | 4.1 | 327,000 |
| 5,000 to 10,000 | 229 | 16.0 | 126,950,000 | 7.4 | 554,000 |
| 10,000 to 25,000 | 238 | 16.7 | 201,081,000 | 11.6 | 845,000 |
| 25,000 to 50,000 | 129 | 9.0 | 164,000,000 | 9.5 | 1,271,000 |
| 50,000 to 100,000 | 104 | 7.3 | 189,642,000 | 11.0 | 1,823,000 |
| 100,000 to 250,000 | 93 | 6.5 | 261,631,000 | 15.1 | 2,813,000 |
| 250,000 to 500,000 | 91 | 6.4 | 264,977,000 | 15.3 | 2,912,000 |
| 500,000 to 1,000,000 | 80 | 5.6 | 125,594,000 | 7.3 | 1,570,000 |
| Over 1,000,000 | 104 | 7.3 | 249,040,000 | 14.4 | 2,395,000 |
| United States total | 1,429 | 100.0 | 1,728,865,000 | 100.0 | 1,210,000 |

For the United States as a whole, there is some preponderance in the number of associations in the smaller communities. Approximately 58 percent of all Federal savings and loan associations are located in cities of 25,000 or less. However, because of the lower average size of institutions in these localities, 72.6 percent of total assets of all Federal savings and loan associations are found in communities of 25,000 and over. From the standpoint of both number and average size, Federal associations are well distributed among the various size communities.

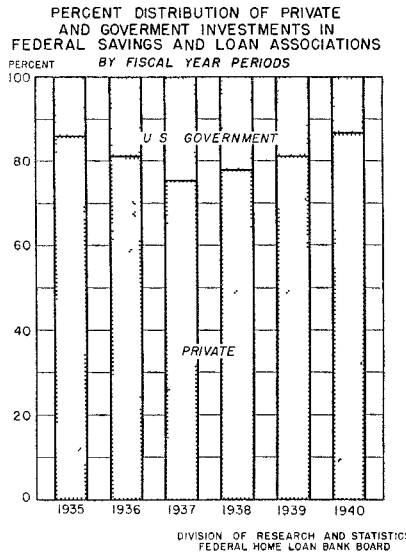
## PRIVATE CAPITAL DISPLACES GOVERNMENT INVESTMENTS

The principal measure of the success of Federal savings and loan associations is the continuous rapid growth of private investments in these institutions. During the fiscal year 1940, the number of individual private investors increased to 1,562,079 from 1,299,915,

or by 20 percent, and investments by private shareholders at the end of the fiscal year totaled $1,268,048,000 as against $990,872,000 the year before—a growth by 28 percent. At the same time, investments by the U. S. Treasury and the Home Owners' Loan Corporation were reduced to $197,267,900 from $217,025,500. As a result of these divergent trends, Government investments constituted only 13 percent of total investments in Federal associations as compared with 18 percent the year before.

The following index figures, based on a comparable group of Federal savings and loan associations operating from 1935, through 1940, indicate that during this five-year period, private investments have more than doubled. In the fiscal year 1940, the increase over the preceding year was 24 percent.

CHART XXXIV




*Index of private repurchasable capital in comparable Federal savings and loan associations* [1]

[Average month 1936=100]

| Date | Private repurchasable capital | Percent increase over preceding year |
|---|---|---|
| June 30, 1935 | 91 | |
| June 30, 1936 | 100 | 10 |
| June 30, 1937 | 114 | 14 |
| June 30, 1938 | 133 | 17 |
| June 30, 1939 | 165 | 24 |
| June 30, 1940 | 205 | 24 |

[1] This index eliminates the effect of conversion of State-chartered into Federally-chartered associations, and the addition of newly established Federal associations during the period. Any growth of associations due to consolidation, merger, or purchase of assets from other institutions is not reflected in the index.

Exhibit 39 gives a summary of the number of private investors and the volume of private investments in Federal savings and loan associations, by Federal Home Loan Bank Districts and by States, for the past two fiscal years.

The reduction in Treasury and HOLC investments was brought about primarily by voluntary repurchases of such investments by the associations. Retirement of Treasury investments during the fiscal

year 1940 totaled $9,854,600, and repurchases of HOLC investments, $11,669,000, for an aggregate amount of $21,523,600. Of this amount, only $671,800, representing investments of the U. S. Treasury, was called by the Federal Home Loan Bank Board in accordance with Section 5 (j) of the Home Owners' Loan Act, while $20,851,800 reflected voluntary repurchases approved by the Federal Home Loan Bank Board.

*Repurchases of Government investments by Federal savings and loan associations (cumulative), June 30*

| Investing agency | 1936 | 1937 | 1938 | 1939 | 1940 |
|---|---|---|---|---|---|
| U. S. Treasury | $77,000 | $1,116,300 | $1,497,300 | $5,308,300 | [1] $15,162,900 |
| Home Owners' Loan Corporation | | 12,000 | 231,000 | 1,490,000 | 13,159,000 |
| Total | 77,000 | 1,128,300 | 1,728,300 | 6,798,300 | 28,321,900 |

[1] Of this amount, $671,800 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.

Cumulatively from the fiscal year 1936, when the first repurchases were registered, Federal savings and loan associations have retired Treasury investments in the amount of $15,162,900 and HOLC investments to the extent of $13,159,000, for a total of $28,321,900. As the above table indicates, the bulk of repurchases were in the fiscal year 1940, when they were more than three times the aggregate volume of all retirements in the four preceding years.

*Treasury and HOLC investments in Federal savings and loan associations*

| Investing agency | Investments outstanding June 30, 1939 | Additional investments fiscal year 1940 | Repurchases fiscal year 1940 | Investments outstanding June 30, 1940 |
|---|---|---|---|---|
| U. S. Treasury | $43,991,700 | | [1] $9,854,600 | $34,137,100 |
| Home Owners' Loan Corporation | 173,033,800 | [2] $1,766,000 | 11,669,000 | 163,130,800 |
| Total | 217,025,500 | 1,766,000 | 21,523,600 | 197,267,900 |

[1] Of this amount, $671,800 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.
[2] Only $295,000 was actually invested in Federal savings and loan associations by the Home Owners' Loan Corporation. The remaining $1,471,000 represents an increase in investments outstanding at the end of the year as a result of the conversion to Federal charter of State associations which had already received HOLC investments.

A summary of investments by the U. S. Treasury and the Home Owners' Loan Corporation in Federal savings and loan associations, by Federal Home Loan Bank Districts and by States, as of June 30, 1939, and June 30, 1940, is attached as Exhibit 40. Further information on Government investments and repurchases is given on pages 62–66.

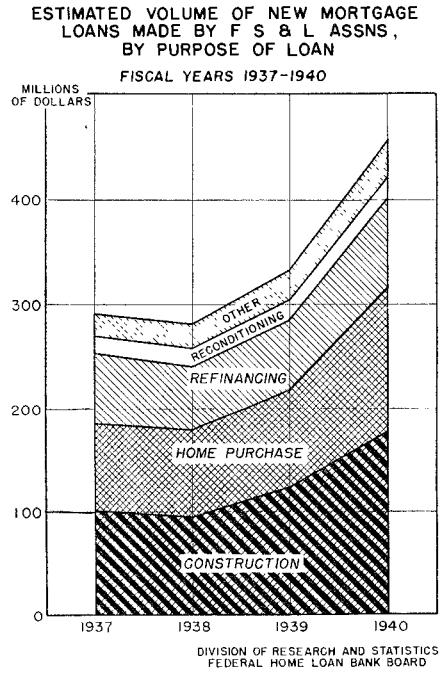
Dividends distributed by Federal savings and loan associations for the calendar year 1939 totaled $40,759,506, of which $33,432,287 went to private shareholders, $1,438,561 to the U. S. Treasury, and $5,888,658 to the Home Owners' Loan Corporation.

## INCREASED LENDING ACTIVITY

The large increase in private capital permitted Federal savings and loan associations again to expand their lending activity by considerable amounts. The estimated volume of new mortgage loans made by all Federal savings and loan associations in the fiscal year 1940 was $457,816,000 as against $333,959,000 in the preceding year.

Of the total amount loaned by Federal savings and loan associations during the reporting period, $179,141,000 was for new construction. Over the last five years, the proportion of construction loans to the total loan volume has steadily increased from 29 to 39 percent, while the proportion of refinancing loans declined from 34 to 19 percent. These trends toward growing importance of construction loans and declining importance of refinancing loans were common to all classes of home-financing institutions, as pointed out in an earlier section of this report (pages 32–35). However, they appear magnified in the data for Federal savings and loan associations.

CHART XXXV




In reality, the volume of refinancing in prior years was even greater than the foregoing figures indicate. Federal savings and loan associations make loans on the direct-reduction plan, and many borrowers converted their share-account sinking-fund loans to this basis when it became available. None of this recasting, if no change in mortgagee was involved, is reflected in the above figures.

*Distribution of loans originated by Federal savings and loan associations, by purpose of loan, fiscal-year periods*

| Purpose of loan | Amounts in millions of dollars | | | | | Percent distribution | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1936 | 1937 | 1938 | 1939 | 1940 | 1936 | 1937 | 1938 | 1939 | 1940 |
| Construction | $48,167 | $100,698 | $95,046 | $123,870 | $179,141 | 29.1 | 34.5 | 33.7 | 37.0 | 39.1 |
| Home purchase | 36,610 | 84,446 | 84,519 | 95,161 | 138,548 | 22.1 | 28.9 | 30.0 | 28.5 | 30.3 |
| Refinancing | 56,837 | 68,730 | 61,083 | 67,444 | 85,320 | 34.4 | 23.5 | 21.7 | 20.2 | 18.6 |
| Reconditioning | 7,314 | 16,795 | 17,588 | 18,542 | 20,669 | 4.4 | 5.8 | 6.2 | 5.6 | 4.5 |
| Other | 16,434 | 21,317 | 23,615 | 28,942 | 34,138 | 10.0 | 7.3 | 8.4 | 8.7 | 7.5 |
| Total | 165,362 | 291,986 | 281,851 | 333,959 | 457,816 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

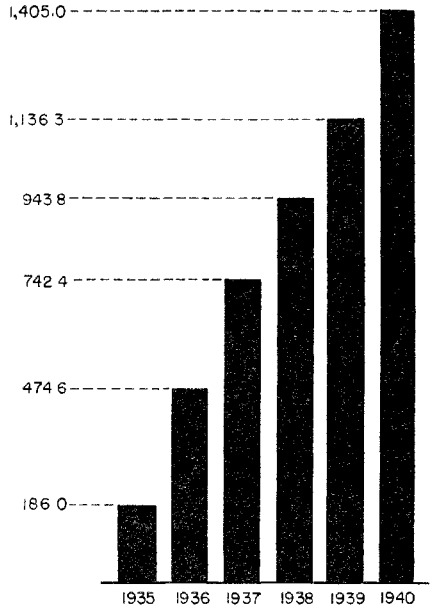
A summary of loans made by reporting Federal savings and loan associations during the year ended June 30, 1940, classified by purpose of loan, by Federal Home Loan Bank Districts and by States, is given in Exhibit 41.

CHART XXXVI [1]

GROWTH OF THE MORTGAGE PORTFOLIO OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

*FISCAL YEAR PERIODS 1935 THROUGH 1940*

(MILLIONS OF DOLLARS)




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Because of the substantial mortgage holdings of Federal savings and loan associations, principal repayments on existing loans have an increasing tendency to offset the dollar volume of new loans made. For this reason, the balance of loans outstanding, although growing rapidly in recent years, does not fully reflect the increase in lending activity.

## STATEMENT OF CONDITION AND OPERATIONS

A combined statement of condition for all operating Federal savings and loan associations as of December 31, 1939, is presented in Exhibits 19 and 20. The principal changes outlined in the preceding pages are reflected in an increase in private repurchasable capital from 65.9 percent of total resources at the end of 1938 to 70.8 percent at the close of 1939, in a decline in Treasury and HOLC investments from 16.6 to 13.2 percent, and in a growth of first-mortgage holdings from 79.8 to

[1] For actual figures, see Exhibit 42.

81.5 percent of total assets. The ratio of real estate owned to total assets fell from 7.5 to 5.7 percent, while the cash ratio increased from 4.9 to 5.6 percent.

To eliminate the effect of associations which were newly chartered or which merged during the year, selected balance-sheet items for a group of 1,344 identical Federal savings and loan associations, separated by new and converted associations, are summarized in Exhibit 43. As would be expected, the status of the newly organized, comparatively young associations varies significantly from that of the converted older associations. The newly organized associations experienced a greater proportional growth than the converted associations as to assets, private investments, and mortgage holdings. Property holdings of both types of associations were reduced, converted institutions showing the largest percentage decline. However, the ratio of real estate to total assets in new Federal associations is much lower than in the case of converted institutions. Reserves and undivided profits were accumulated by the new associations at a greater rate than by the converted institutions. On the other hand, the aggregate volume of reserves and undivided profits was proportionately less in new associations owing to the shorter period of operation.

The consolidated statement of operations for the calendar year 1939, attached as Exhibit 44, reflects the effect of increased lending activity on income. Gross operating income of the 1,384 Federal savings and loan associations operating during the calendar year 1939 was $78,255,000 as compared with $66,666,000 for 1,355 reporting associations the year before. Operating expenses were $22,242,000, or 28.4 percent of total gross operating income, which was a slight reduction from the ratio of 28.6 percent for the preceding year. Net income (after interest and nonoperating items) totaled $53,319,000 as compared with $44,351,000 reported the year before. Of this net income, 23.8 percent was allocated to reserves and undivided profits and 76.2 percent was distributed in dividends to shareholders. In 1938, these ratios had been 22.1 and 77.9 percent, respectively. Thus, an increasing proportion of net income was used by Federal savings and loan associations to strengthen their reserve position.

The aggregate expenditure for compensation during the year 1939 was $10,405,000, or 13.3 percent of gross operating income. Advertising, the second largest item of expense, amounted to $2,358,000, or 3 percent of gross operating income. The average expenditure for advertising per association was $1,704 as compared with $1,540 for

the preceding year.[3] While all of the important expense items were higher in dollar amounts than the year before, their ratios to gross operating income show little change.

Since operating ratios vary considerably according to the size of association, an analysis of such ratios grouped as to size of association is presented in Exhibit 45. These data may prove useful to local managers in evaluating and comparing operations with those of a number of associations of comparable size.

Dividend rates paid by Federal savings and loan associations continued the downward trend observed over a number of years. For the calendar year 1939, the average annual dividend rate (weighted by the amount of invested capital) was 3.39 percent as compared with 3.49 percent for the calendar year 1938 and 3.69 percent in 1935. From 1938 to 1939, all of the twelve Federal Home Loan Bank Districts showed reductions in average dividend rates. Of the 46 States in which Federal associations operated throughout the two-year period, 36 indicated lower rates and 9 unchanged rates, and only one State reported slightly increased dividends. The lowering of dividend rates was thus fairly general throughout the country. The wide range of dividend rates is indicated by the average of 2.58 percent for the State of New York, on the one hand, and the average of 4.08 percent for North Carolina, on the other. Exhibit 46 shows the average annual dividend rates paid by Federal savings and loan associations, by Federal Home Loan Bank Districts and by States, for the calendar years 1938 and 1939.

## LEGISLATION

At the beginning of the fiscal year, 42 States and one Territory had laws specifically permitting conversion of locally chartered member associations of the Federal Home Loan Bank System into Federal savings and loan associations. During the year, the State of Missouri has been added to this list.

By virtue of a provision of the Social Security Act Amendments of 1939, approved August 10, 1939, Federal savings and loan associations are now subject to the Federal Social Security taxes.

[3] For details concerning the business promotion expenditures of savings and loan associations, see Federal Home Loan Bank Review, April, May and June 1940.

# IV

## Federal Savings and Loan Associations

PUBLIC confidence in Federal savings and loan associations was once more evidenced by the rapid progress of these local thrift and home financing institutions during the 1941 fiscal year. Private share investments in the 1,455[1] associations operating under Federal charter on June 30, 1941, increased by $286,761,600, or 23 percent, during the reporting period. The substantial inflow of private capital was sufficient to permit Federal associations to repurchase $28,566,050 of share investments held by the United States Government, although requests for retirements totaled only $3,160,050. At the same time, cash resources and reserves were substantially increased and new mortgage loans totaled $550,058,000, an increase of 20 percent over the preceding year.

In providing for the establishment of Federal savings and loan associations in 1933, Congress contemplated that these institutions would serve two purposes: (1) To provide sound thrift and home financing facilities in communities previously lacking adequate savings and home mortgage lending resources, and (2) to develop under Federal charter a group of home financing institutions operating under the best standards and practices evolved in the long history of savings and loan associations. The first aim has largely been carried out, resulting in the establishment as of June 30, 1941, of 639 newly-organized Federal associations, with assets of $629,301,000. It is not contemplated that there will be any further substantial increase in the number of new associations.

The importance of Federal savings and loan associations as an active standardized thrift and home financing system is well illustrated by a few facts showing the place of Federals in the savings and loan industry as a whole.

[1] Three associations are omitted from all statistical figures throughout this section because they had not fully completed organization prior to June 30, 1941; also, one association in process of liquidation whose charter had not been cancelled on that date is excluded. The difference between the 1,455 associations reported as operating under Federal charter and the 1,452 Federal savings and loan associations listed as members of the Federal Home Loan Bank System is due to the lapse of time between the issuance of Federal charters and the issuance of membership certificates.

*Federal savings and loan associations compared with all operating associations*

[Amounts in thousands of dollars]

| Date | Number | | | Assets | | Percent of total |
|---|---|---|---|---|---|---|
| | All operating associations | Federal savings and loan associations | Percent of total | All operating associations | Federal savings and loan associations | |
| Dec. 31, 1937 | 8,870 | 1,323 | 14.92 | $5,600,408 | $1,108,931 | 19 80 |
| Dec. 31, 1938 | 8,289 | 1,366 | 16.48 | 5,543,099 | 1,312,585 | 23.68 |
| Dec. 31, 1939 | 7,719 | 1,409 | 18 25 | 5,524,337 | 1,577,981 | 28 56 |
| Dec. 31, 1940 | 7,209 | 1,441 | 19.99 | 5,716,514 | 1,873,350 | 32.77 |

At the close of 1940, Federal savings and loan associations represented, by number, 20 percent of all operating associations. Assets of these institutions, however, constituted approximately 33 percent of all savings and loan assets, and mortgage loans written by Federals during the fiscal year 1941 constituted 42 percent of loans written by the entire industry. It is estimated that at the close of the reporting period, the mortgage portfolio of Federal savings and loan associations comprised 35 percent of the outstanding mortgage loans held by all institutions of this type.

Federal savings and loan associations are required to operate on a uniform basis and under regulations designed to insure efficient, modern business operations. Both lending and savings plans are simple and easily understood, enabling Federal associations to meet with ease the current strong competition both for savings funds and mortgage loans. Although Federal associations, from the standpoint of years, represent the youngest group within the savings and loan industry, they have already set a standard for the industry as a whole and their influence has been responsible in no small degree for recent widespread improvement in the operating practices of all thrift and home financing institutions.

*Growth and Development of Federal Savings and Loan Associations*

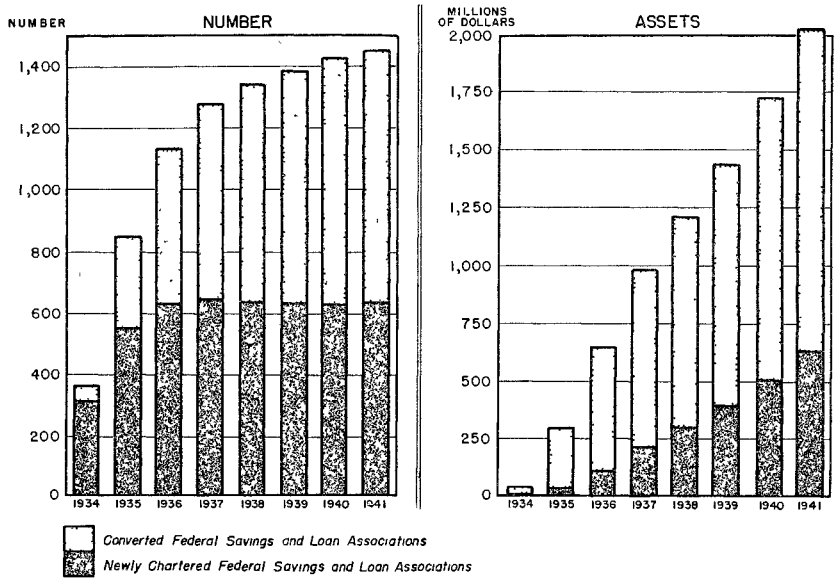
The number of operating Federal associations changed only slightly during the reporting period. There was a net increase of 26 associations, bringing the total number on June 30, 1941, to 1,455. On the same date, however, the combined assets of Federal associations reached the record-breaking figure of $2,029,639,000, as compared with $1,728,865,000 a year previous—a growth of 17 percent.

As the following chart shows, there have been practically no new Federal savings and loan associations chartered since 1936. Growth

since that time has been almost entirely in the number of older institutions which previously had been operating under State charters and converted to the Federal plan of operation. Assets of Federal savings and loan associations, on the other hand, show an excellent rate of increase whether taken from the standpoint of the progress of new institutions or gains made by older converted associations. It is natural, of course, because of the comparatively short time in which new associations have been operating, that their combined assets

CHART XLII

NUMBER AND ASSETS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

should be substantially smaller than in the case of converted associations which commenced operations as Federal institutions after growing to fairly good size prior to conversion.

The net addition of 26 Federal associations during the fiscal year 1941 was the result of 43 new charters issued and 17 cancellations of existing charters. Of the new charters, 36 were for the conversion of State-chartered associations and only 7 for newly-organized institutions. The cancellations of Federal charters during the reporting period resulted from 16 mergers with other Federal savings and loan associations, and one voluntary dissolution. Where a reduction in

425085—41——8

the number of institutions results from mergers, the system as a whole suffers, of course, no loss of assets.

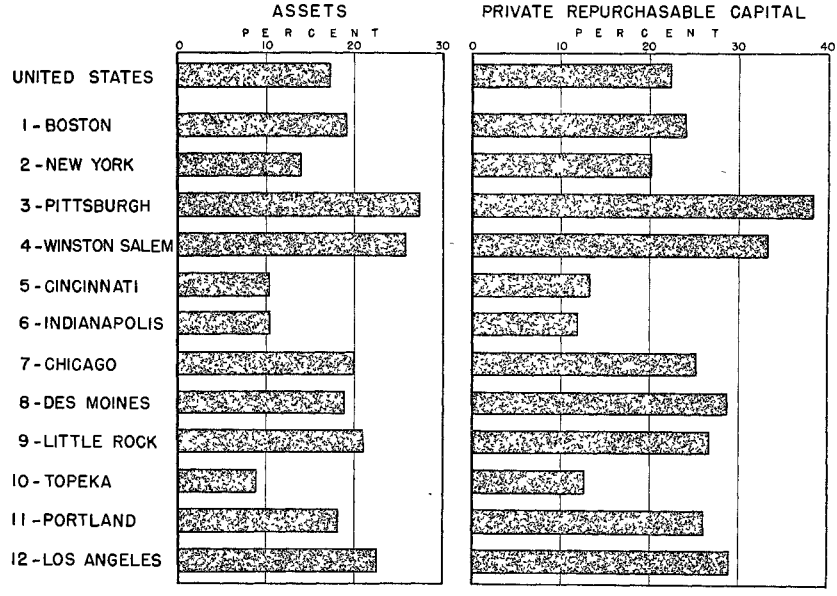
*Changes in number of Federal savings and loan associations, fiscal year 1941*

| Type of association | Number of associations June 30, 1940 | New charters issued | Charters cancelled | Number of associations June 30, 1941 |
|---|---|---|---|---|
| New associations | 633 | 7 | 1 | 639 |
| Converted associations | 796 | 36 | 16 | 816 |
| Total | 1,429 | 43 | 17 | 1,455 |

CHART XLIII

PERCENTAGE GROWTH IN ASSETS AND PRIVATE REPURCHASABLE CAPITAL OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

*U S AND F H L B DISTRICTS - FISCAL YEAR 1941 OVER 1940*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

At the close of the reporting period, 86 applications for conversion to Federal charter were on file with the Federal Home Loan Bank Board, as well as two requests for the issuance of new charters. Fifty percent of the Federal charters issued to converting associations during the fiscal year 1941 were granted to institutions located in the States of Pennsylvania, Wisconsin, and New Jersey. In each of these States, the savings and loan industry is undergoing a major program

of rehabilitation, not infrequently involving segregation, merger, and conversion to Federal charter. As shown by Chart XLIII, Federal savings and loan associations in the Pittsburgh, Winston-Salem, and Los Angeles Federal Home Loan Bank Districts showed the greatest percentage gains in assets during the reporting period. Progress was not restricted to these particular areas, however, and each District shows an excellent rate of growth. Exhibit 38 shows the number and assets of Federal savings and loan associations classified by new and converted associations for each of the fiscal years from 1934 through 1941; and Exhibit 39 summarizes the number, assets, and mortgage loans outstanding of Federal associations, by Federal Home Loan Bank Districts and by States.

The relatively little change in the number of Federal associations during the last few years, accompanied by the rapid rise in gross resources of these associations, has naturally meant a corresponding increase in the average size of Federal associations. At the close of the fiscal year 1941, the average Federal savings and loan association had assets of $1,395,000, as compared with $1,210,000 a year previous. The following table illustrates this trend by showing the distribution of Federal savings and loan associations by asset size groups at the close of the last three fiscal years. Thus, since June 30, 1939, the percentage of Federal associations in the asset group of $1,000,000 and more has increased from 28 to 38. At the other end of the scale, the proportion of Federal associations with assets of less than $250,000 has decreased during the last two years from 32 to 21.

*Distribution of Federal savings and loan associations, by size groups*

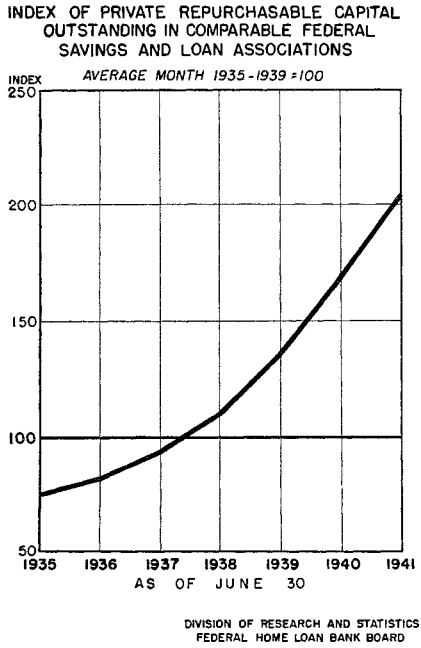
| Asset size group | June 30, 1939 | | June 30, 1940 | | June 30, 1941 | |
|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent |
| All associations | 1,386 | 100 | 1,429 | 100 | 1,455 | 100 |
| Less than $100,000 | 146 | 10 | 89 | 6 | 57 | 4 |
| $100,000 to $250,000 | 308 | 22 | 275 | 19 | 252 | 17 |
| $250,000 to $500,000 | 284 | 21 | 309 | 22 | 292 | 20 |
| $500,000 to $1,000,000 | 264 | 19 | 296 | 21 | 305 | 21 |
| $1,000,000 to $2,500,000 | 260 | 19 | 300 | 21 | 347 | 24 |
| $2,500,000 and over | 124 | 9 | 160 | 11 | 202 | 14 |

*Gain in Private Capital*

During the fiscal year 1941, the number of individuals who have entrusted their savings funds to Federal savings and loan associations increased from 1,562,079 to 1,806,852. Their investments reached a new high on June 30, 1941, of $1,554,809,600, an increase of 23 percent as compared with the total volume of investments outstanding a year

previous. To eliminate the inflation of private capital trends which has resulted from the addition of new associations to the Federal savings and loan system, an index has been prepared on the experience of a comparable group of Federal savings and loan associations which have been operating over the past six years. As the following chart indicates, private capital during this period has more than doubled and during the past fiscal year alone showed an increase of 21 percent.

CHART XLIV*




* For figures, see Exhibit 40.

Exhibit 41 summarizes, by Federal Home Loan Bank Districts and by States, the number of private investors and the volume of private investments held by Federal savings and loan associations.

In contrast to the steady increase in the volume of private capital invested in Federal savings and loan associations, the past few years have witnessed a steady decline in the volume of Government funds invested in these associations. During the fiscal year 1941, investments held by the United States Treasury and the Home Owners' Loan Corporation declined from $197,267,900 to $169,246,850.

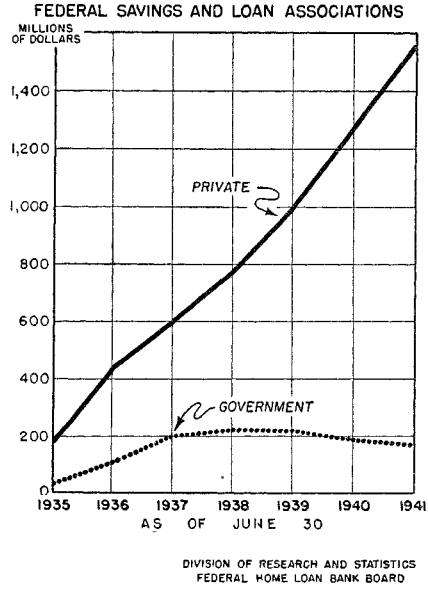
Approximately 93 percent of the amount of Government investments so far retired by Federal savings and loan associations is accounted for by voluntary repurchases. Investments called by the Federal Home Loan Bank Board under the terms of the Home Owners' Loan Act of 1933 have amounted to only $3,831,850 as compared with gross retirements of $56,887,950. As in the case of member institutions as a whole, the rate at which private capital has been received by Federals has made it possible for them to repay the Government at a faster rate than was contemplated by Congress. As a result of increasing private share subscriptions and decreasing Government capital investments, the ratio of Government money to total capital outstanding declined from 13 to 10 percent during the reporting period.

*Repurchases of Government investments by Federal savings and loans associations, cumulative, June 30*

| June 30 | United States Treasury | | Home Owners' Loan Corporation | |
|---|---|---|---|---|
| | Total repurchased | Amount called | Total repurchased | Amount called |
| 1936 | $77,000 | | | |
| 1937 | 1,116,300 | | $12,000 | |
| 1938 | 1,497,300 | | 231,000 | |
| 1939 | 5,308,300 | | 1,490,000 | |
| 1940 | 15,162,900 | $671,800 | 13,159,000 | |
| 1941 | 25,629,100 | 2,759,800 | 31,258,850 | $1,072,050 |

By the close of the fiscal year 1941, the cumulative investment of the Government in Federal savings and loan associations totaled $226,134,800. Of this amount, $49,300,000 represented share purchases by the Secretary of the Treasury, and the remainder investments by the Home Owners' Loan Corporation. No new investments have been made by the Treasury since November 1935 when the total amount appropriated by Congress for this purpose was exhausted. New investments by the Home Owners' Loan Corporation during the fiscal year amounted to only $275,000.

CHART XLV




The President's Budget Message for the Fiscal Year 1941 outlined a plan of recapturing approximately $700,000,000 from the capital funds of various Government agencies. The investments of the United States Treasury in the shares of Federal savings and loan associations were one of the items included in this program. Since voluntary repurchases have brought about a substantial reduction in the $49,300,000 capital investment of the Treasury to $23,670,900 at the close of the current fiscal year, and because of the increased need for private funds in home financing institutions to assist in the Nation's program of

defense housing, the President withdrew his request for the complete retirement of capital stock owned by the Government in Federal savings and loan associations.

*Treasury and HOLC investments in Federal savings and loan associations*

| Investing agency | Investments outstanding June 30, 1940 | Additional investments fiscal year 1941 | Repurchases fiscal year 1941 | Investments outstanding June 30, 1941 |
|---|---|---|---|---|
| U. S. Treasury | $34, 137, 100 | | [1] $10, 466, 200 | $23, 670, 900 |
| Home Owners' Loan Corporation | 163, 130, 800 | [2] $545,000 | [3] 18, 099, 850 | 145, 575, 950 |
| Total | 197, 267, 900 | 545, 000 | 28, 566, 050 | 169, 246, 850 |

[1] Of this amount $2,088,000 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.
[2] Only $275,000 was actually invested in Federal savings and loan associations by the Home Owners' Loan Corporation. The remaining $270,000 represents an increase in investments outstanding at the end of the year as a result of the conversion to Federal charter of State associations which had already received HOLC investments.
[3] Of this amount, $1,072,050 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.

A summary of investments by the United States Treasury and the Home Owners' Loan Corporation in Federal savings and loan associations, detailed by Federal Home Loan Bank Districts and by States, will be found in Exhibit 42.

During the calendar year 1940, dividends paid to the United States Treasury and the Home Owners' Loan Corporation by Federal savings and loan associations amounted to $6,226,287, of which $1,003,948 went to the United States Treasury and $5,222,339 to the Home Owners' Loan Corporation. Since the first investments were made in these institutions in 1934, total dividends to the United States Government, both Treasury and HOLC, have amounted to $33,166,182. This represents a weighted average return over the seven-year period ending with December 31, 1940, of 3.5 percent.

### *Expanded Lending Activity*

Mortgage lending activity of Federal savings and loan associations broke all previous records during the fiscal year 1941. The total volume of mortage loans written during the reporting period is estimated at $550,058,000 as compared with $457,816,000 during the fiscal year 1940, an increase of 20 percent.

As previously pointed out, the past few years have shown a decided movement toward an increasing proportion of construction and home purchase loans in the lending activity of savings and loan associations (see pp. 46-8). Federal savings and loan associations show a particularly strong trend in this direction. Thus, over the last five years, the proportion of construction loans has risen from 29 to 41 percent

of total, and home purchase lending, from 22 to 33 percent. Refinancing, on the other hand, has declined in relation to total from 34 to 15 percent.

*Volume of new mortgage loans made by Federal savings and loan associations, by purpose of loan*

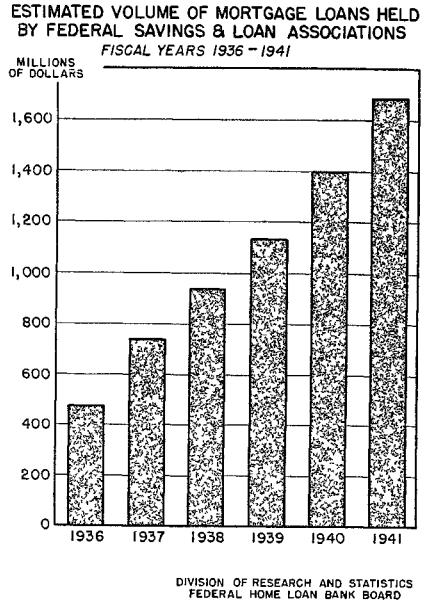
[Amounts in thousands of dollars]

| Fiscal year | Volume of loans made | Construction | Purchase of homes | Refinancing | Reconditioning | Other |
|---|---|---|---|---|---|---|
| | | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| 1936 | $165,362 | 29.1 | 22 1 | 34.4 | 4.4 | 10.0 |
| 1937 | 291,986 | 34.5 | 28.9 | 23.5 | 5.8 | 7.3 |
| 1938 | 281,851 | 33.7 | 30 0 | 21.7 | 6.2 | 8.4 |
| 1939 | 333,959 | 37.0 | 28.5 | 20.2 | 5.6 | 8.7 |
| 1940 | 457,816 | 39.1 | 30.3 | 18.6 | 4.5 | 7.5 |
| 1941 | 550,058 | 41.4 | 32.9 | 15.3 | 4.1 | 6.3 |

Exhibit 43 summarizes, by Bank Districts and by States, loans made by reporting Federal savings and loan associations during the 1941 fiscal year, classified by purpose of loan.

Total loans held by Federal savings and loan associations increased from $1,404,952,500 on June 30, 1940, to $1,688,241,200 at the close of the reporting period. Because of the increasing principal repayments received on direct-reduction loans, and also because an increasing number of associations are selling enough loans to build up a revolving fund to make FHA insured mortgages in defense areas, the total current lending activity of these associations is not reflected entirely in trends from year to year in the volume of loans held.

CHART XLVI




*Financial Operations*

The principal developments outlined on the preceding pages are reflected in the combined comparative statement of condition of all Federal savings and loan associations at the close of the calendar years 1939 and 1940. (See Exhibits 34 and 35.) Total assets increased 18.5

percent during this period. The major gains are reflected in mortgage loans outstanding (up 20.9 percent), and cash on hand and in banks (up 27.2 percent).

Mortgage holdings represented 83.2 percent of total resources on December 31, 1940, as compared with 81.5 percent a year previous; real estate owned dropped from 5.7 percent to 4.1 percent of total assets and cash on hand increased as a ratio to total resources from 5.6 to 6.0 percent.

The liability side of the balance sheet shows a gain of 24.6 percent in private capital, while Government capital declined and reserves and undivided profits rose from $76,089,000 to $90,476,000. Because combined figures are somewhat distorted as a result of newly-chartered associations and mergers, selected balance-sheet items for a group of 1,394 identical Federal savings and loan associations, separated by new and converted institutions have been prepared to obtain a more accurate basis for comparison. This material will be found in Exhibit 44. Operating trends of the newly-organized Federal savings and loan associations vary significantly from those of older converted institutions. Thus, new associations show a more rapid growth in assets, private investments, and mortgage holdings. Property owned by both types of institutions showed a good decline with older associations showing the better percentage record. On the other hand, the ratio of owned property to total resources, as might be expected, is much lower in the case of new Federals.

Reserves and undivided profits have been accumulated at a more rapid rate by new institutions, but the ratio of reserves and undivided profits to total assets is considerably lower in new associations due to the shorter period of time in which they have been operating.

The consolidated statement of operations for Federal savings and loan associations during the calendar year 1940 (Exhibit 45) shows clearly the effect of increased lending activity on association income. Gross operating income of the 1,428 reporting Federal savings and loan associations during the calendar year 1940 amounted to $92,292,000 as compared with $78,255,000 for 1,384 reporting associations during 1939. Operating expenses aggregated $25,932,000 in 1940 as against $22,242,000 during the previous year. The ratio of operating expense to gross operating income shows a slight reduction from 28.4 percent during 1939 to 28.1 percent during 1940. Net income for the year 1940 (after interest and nonoperating items) aggregated $63,493,000 for reporting Federal associations as compared with $53,319,000 the year previous.

The increasing proportion of net income which is employed to strengthen the reserve position of Federal savings and loan associations is evidenced by the fact that 27.3 percent of 1940 net income was allocated to reserves and undivided profits as compared with 23.8 percent in 1939 and 22.1 percent in 1938. Dividend payments during 1940 took 72.7 percent of net income as compared with 76.2 percent in 1939.

The largest single operating expense of Federal savings and loan associations during 1940 was the cost of compensation to officers, directors, and employees. Expenditures for this item aggregated $12,088,000, or 13.1 percent of gross operating income. The next largest item in the list of operating expenses is advertising which aggregated $2,691,000 during 1940, or 2.9 percent of gross operating income. Increasing emphasis on business promotion activities resulted in an average advertising cost of $1,884 per association in 1940 as compared with $1,704 the year previous.[2]

Because operating ratios of Federal savings and loan associations vary considerably with the size of individual associations, a tabulation of ratios on the basis of nine size groups is presented in Exhibit 46. This material may prove useful to individual association executives in comparing the operations of their own association with those of a number of institutions of comparable size.

The dividend rates paid by Federal savings and loan associations on invested share capital have been declining steadily for the last several years. During the calendar year 1940, the average rate for all associations, weighted by the amount of invested capital, was 3.25 percent as compared with 3.39 percent during 1939, and 3.49 percent in 1938. During the year 1940, each of the Federal Home Loan Bank Districts showed a reduction in the average dividend rate paid by Federal associations. A downward trend in a large majority of the States likewise supports the observation that a reduction in rates is general throughout the country. There is a wide variation in the rates paid by Federal associations in different localities, as indicated by the fact that during 1940, rates ranged from a low of 2.42 percent in New York to a high of 4.03 percent in New Mexico. Exhibit 47 shows the average annual dividend rates paid by Federal savings and loan associations in each of the Federal Home Loan Bank Districts and States during the calendar years 1939 and 1940

[2] For a detailed analysis of business promotion expenditures of savings and loan associations, see *Federal Home Loan Bank Review*, May, June, August, and October 1941.

# III

## FEDERAL SAVINGS AND LOAN ASSOCIATIONS

### Number and Assets

The number of savings and loan associations operating under Federal charter shows little change during the current reporting period. On June 30, 1942, Federal savings and loan associations numbered 1,464 as compared with 1,452[1] a year previous. This net change of 12 was the result of 25 additions and 13 terminations. Only four of the additions during the reporting period represented newly-organized associations. The remaining 21 involved converting associations which had previously operated under State charter.

The 13 terminations were the result of nine mergers and two voluntary and two involuntary liquidations. Cancellations resulting from merger and consolidation of existing institutions do not, of course, represent a withdrawal of assets from the Federal Savings and Loan System.

In providing for the establishment of Federal savings and loan associations, Congress contemplated that these institutions would serve two purposes: First, to provide adequate thrift and home financing facilities in localities which lacked them, and second, to develop under Federal charter a group of home financing institutions operating under the highest standards and practices.

[1] Revision necessitated by certain changes in reporting procedure adopted during the 1942 fiscal year.

The number of Federal savings and loan associations newly chartered under the terms of the Home Owners' Loan Act of 1933 has remained virtually constant for the last six years, and it is not contemplated that any substantial number of new charters will be issued in the future. There were 640 new Federal associations on June 30, 1942, as compared with 824 institutions which had converted from State to Federal charter.

The total assets of Federal savings and loan associations on June 30, 1942, amounted to $2,205,921,000, an increase of 8.8 percent as compared with the same figure a year previous. Although this represents a new high point in the resources held by Federal savings and loan associations, the gain during the reporting period failed to equal that of the preceding year, either on a percentage basis or in dollar amount. This is not unexpected in view of the general decline in the rate of growth of all savings and loan associations as a result of war conditions. (See p. 19.)

In comparison with the entire savings and loan industry, Federal savings and loan associations now represent approximately 21 percent of all institutions by number. On the other hand, as a result of rapid growth and proved ability to meet local competitive conditions, Federal associations now hold approximately 36 percent of the assets of all operating associations in the country.

The number of Federal associations and their assets, by Federal Home Loan Bank Districts and by States, as of the close of the last two fiscal years, will be found in Exhibit 19.

Current Trends in Share Capital

The close of the reporting period marked a new peak in the number of investors in Federal savings and loan associations as well as in the gross

volume of savings entrusted to these institutions. On June 30, 1942, there were 1,939,200 individual investors whose total investments amounted to $1,735,932,000 as compared with 1,805,500 and $1,553,712,000, respectively, a year previous. Again, it must be noted, however, that in line with other major trends, the increase in private savings held by Federal associations took place at a much slower rate than during preceding fiscal-year periods.

The following index figures, based on a comparable group of Federal savings and loan associations operating for the past eight fiscal years, indicate the rapid strides made by these institutions in attracting investments from the public. It will be noted that the index shows an increase of only 11 percent during the 1942 fiscal year as compared with a gain of 21 percent during the previous reporting period.

Index of Private Repurchasable Capital in Comparable Federal Savings and Loan Associations*

(Average month 1935-1939 = 100)

| Date | Private Repurchasable Capital | Percent Increase Over Preceding Year |
|---|---|---|
| June 30, 1935 | 75 | -- |
| June 30, 1936 | 82 | 9 |
| June 30, 1937 | 94 | 15 |
| June 30, 1938 | 110 | 17 |
| June 30, 1939 | 136 | 24 |
| June 30, 1940 | 169 | 24 |
| June 30, 1941 | 204 | 21 |
| June 30, 1942 | 227 | 11 |

*This index eliminates the effect of conversion of State-chartered into Federally-chartered associations, and the addition of newly-established Federal associations during the period. Any growth of associations resulting from consolidation, merger, or purchase of assets from other institutions is not reflected in the index.

Federal savings and loan associations report a substantial reduction in the volume of Government share investments during the current reporting period. On June 30, 1942, total outstanding investments of the Home Owners' Loan Corporation and the U. S. Treasury amounted to $151,299,700 as compared with $169,246,550 a year previous--a drop of 10.6 percent. As a net result of declining Government investments, on the one hand, and increasing private investments, on the other, the ratio of Government share capital to total declined from 10 percent on June 30, 1941, to 8 percent on June 30, 1942.

Mortgage Lending Activity

Mortgage lending activity of Federal savings and loan associations during the 1942 fiscal year followed the same general trends shown by all member institutions,[2] although the falling off in lending volume during the closing months of the reporting period was even sharper than in the case of State member institutions. From July through December 1941, Federal savings and loan associations wrote mortgage loans in the total amount of $304,451,000, an increase of 12.6 percent as compared with the same six-month period a year earlier. During the six months from January through June 1942, however, lending by Federal associations showed a drop of 31.0 percent as compared with the January-June 1941 total and amounted to only $210,115,000. This decline was severe enough to overbalance the gains made during the previous six months, with the result that the fiscal year as a whole shows a decline of $35,402,000, or 6.4 percent, when compared with the 1941 fiscal year.

An analysis of the current mortgage lending activity of Federal savings and loan associations, on the basis of the purpose for which loans

[2] See pp. 15-17.

are granted, shows marked changes during the 1942 fiscal year. Whereas loans to finance the construction of new homes during the 1941 reporting period amounted to $227,811,000, or 41.4 percent of total loans made, the current reporting period shows loans for this purpose in the dollar amount of only $174,035,000, or 33.8 percent of total. Loans to finance the purchase of existing homes, on the other hand, increased over one-fifth during the twelve months ending June 30, 1942. Home purchase loans aggregated $217,137,000, or 42.2 percent of total loans written, as compared with $180,834,000, or 32.9 percent of total during the 1941 fiscal year--a change accounted for, no doubt, by the more intensive demand for existing structures in many communities.

As the table below indicates, loans for refinancing, reconditioning, and miscellaneous purposes show declines both in dollar volume and in relation to total activity during the reporting period.

Distribution of Loans Originated by Federal Savings and Loan Associations, by Purpose of Loan, by Fiscal-Year Periods

| | Amounts in Thousands of Dollars | | | | | Percent Distribution | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Purpose of Loan | 1938 | 1939 | 1940 | 1941 | 1942 | 1938 | 1939 | 1940 | 1941 | 1942 |
| Construction | $95,046 | $123,870 | $179,141 | $227,811 | $174,035 | 33.7 | 37.0 | 39.1 | 41.4 | 33.8 |
| Home purchase | 84,519 | 95,161 | 138,548 | 180,834 | 217,137 | 30.0 | 28.5 | 30.3 | 32.9 | 42.2 |
| Refinancing | 61,083 | 67,444 | 85,320 | 84,303 | 74,475 | 21.7 | 20.2 | 18.6 | 15.3 | 14.5 |
| Reconditioning | 17,588 | 18,542 | 20,669 | 22,388 | 19,002 | 6.2 | 5.6 | 4.5 | 4.1 | 3.7 |
| Other | 23,615 | 28,942 | 34,138 | 34,722 | 30,007 | 8.4 | 8.7 | 7.5 | 6.3 | 5.8 |
| Total | 281,851 | 333,959 | 457,816 | 550,058 | 514,656 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

## Financial Operations

The activities of Federal savings and loan associations just outlined are reflected in the consolidated balance sheet for all associations at the end of the calendar years 1940 and 1941.[3] Total resources increased almost 16 percent

[3] For detailed information on trends shown by consolidated balance sheets for Federal associations at the end of 1940 and 1941, see the July 1942 issue of the Federal Home Loan Bank Review.

during this period. Most of this gain is accounted for by a rise in first mortgage holdings of 17.7 percent and a growth in cash of 22.4 percent. Real estate owned was reduced by one-third to $51,819,000 and now represents only 2.4 percent of total assets. The other side of the balance sheet shows a gain of 20 percent in private capital, a decline of almost 12 percent in Government share investments, and an increase of over 22 percent in general reserves and undivided profits.

A consolidated statement of operations for all Federal savings and loan associations for the calendar year 1941 is given in Exhibit 17. Gross operating income of the 1,456 reporting associations totaled $107,282,600 as compared with $92,292,000 for the 1,428 associations reporting for the previous calendar year.

Operating expenses amounted to $30,175,200, or 28.1 percent of gross operating income in 1941. Net income after interest and nonoperating items totaled $74,288,600 as compared with $63,493,000 during 1940. Reserves and undivided profits received 29.8 percent of total net income; the remaining 70.2 percent was disbursed in the form of dividends. In 1940 the corresponding ratios were 27.3 and 72.7 percent, indicating that associations are using an increasing proportion of current income to strengthen their reserves.

The rates at which dividends were paid by Federal savings and loan associations during 1940 followed the general downward trend of the previous several years. The average annual dividend rate in 1941, weighted by the amount of invested capital, was 3.13 percent as compared with 3.25 percent in 1940 and 3.39 percent in 1939. Each of the Federal Home Loan Bank Districts

and practically all of the 48 States show a lower average rate in 1941 than in 1940, indicating that the downward revision in rates is general throughout the country. Exhibit 18 shows the average annual rates paid by Federal associations, by Federal Home Loan Bank Districts and by States, for the calendar years 1940 and 1941.