

## FEDERAL HOME LOAN BANK SYSTEM

Membership in the Federal Home Loan Bank System reflected a net increase of 51 members during the year to a total of 3,981 on December 31, 1951. These institutions, with estimated assets of \$18,415,000,000, comprise 3,950 savings and loan associations, 25 savings banks, and 6 insurance companies. There were 44 applications for membership pending at the end of the year.

On December 31, 1951, 2,220 member institutions representing 55.8 percent of total membership were borrowers from the Federal Home Loan Banks as compared with 2,278 member borrowers or 58.0 percent a year previously.

A comparison of the 1951 lending operations of the Federal Home Loan Banks with those of prior years, is presented in Exhibit 1 of this Summary. With advances of \$422,977,074 and repayments setting an all-time high of \$432,997,025, advances outstanding on December 31, 1951, stood at \$805,936,767 or a decrease of \$10,019,951 from the record year-end high of \$815,956,718 outstanding at the close of 1950. It should be pointed out, however, that the average amount of advances outstanding during the calendar year 1951 exceeded \$772,000,000, while such average for 1950 was less than \$520,000,000.

Secured advances outstanding on December 31, 1951, reached a new month-end high of \$596,622,190 and represented the borrowings of 1,479 members and one nonmember mortgagee. On the same date, unsecured advances of \$209,314,577 were held by 978 member institutions. Secured advances outstanding on December 31, 1951, accounted for 74 percent and unsecured advances for 26 percent of the total, whereas such percentages on December 31, 1950, were 70 and 30, respectively.

Primarily as the result of an amendment to the Federal Home Loan Bank Act, effective June 27, 1951, requiring each member to acquire and hold stock in its Federal Home Loan Bank in an amount equal to two percent of its net home mortgage loans, the member-owned capital stock of the Federal Home Loan Banks increased \$88,105,125 during the year to a new high of \$270,651,625. Also during the year, the balance of the Government-owned capital stock in the amount of \$56,021,900 was retired at par. The capital stock of the eleven Federal Home Loan Banks is now wholly owned by their respective member institutions.

As will be noted from Exhibit 2, the capital structure of the Federal Home Loan Banks as of the close of 1951 and 1950 was as follows:

|                                | <u>December 31, 1951</u> | <u>December 31, 1950</u> |
|--------------------------------|--------------------------|--------------------------|
| <b>CAPITAL STOCK</b>           |                          |                          |
| Members:                       |                          |                          |
| Stock Subscribed               | \$271,374,700            | \$182,597,900            |
| Less: Unpaid Subscriptions     | <u>723,075</u>           | <u>51,400</u>            |
| Total Paid in by Members       | 270,651,625              | 182,546,500              |
| U. S. Government -- Fully Paid | <u>-0-</u>               | <u>56,021,900</u>        |
| Total Paid-in Capital          | 270,651,625              | 238,568,400              |
| <b>SURPLUS</b>                 |                          |                          |
| Legal Reserve                  | 15,735,677               | 14,476,647               |
| Reserve for Contingencies      | 5,510,758                | 5,624,807                |
| Undivided Profits              | <u>10,580,756</u>        | <u>9,801,851</u>         |
| Total Surplus                  | <u>31,827,191</u>        | <u>29,903,305</u>        |
| Total Capital                  | <u>\$302,478,816</u>     | <u>\$268,471,705</u>     |

Funds required by the Banks are obtained from capital stock payments and deposits by members, and from public or private sales of the Banks' consolidated obligations. Although an amendment to the Federal Home Loan Bank Act, effective June 27, 1950, authorizes the Secretary of the Treasury to purchase obligations of the Federal Home Loan Banks to a total not exceeding \$1,000,000,000 outstanding at any one time, no request for such purchases has as yet been made.

During the calendar year 1951, eleven public offerings of consolidated obligations of the Federal Home Loan Banks were made in the total amount of \$843,500,000 while nine issues totaling \$875,000,000 were retired. At the close of the year seven issues were outstanding in the total amount of \$529,500,000, including \$5,000,000 of two issues maturing February 15, 1952, which had been acquired and were held by two Federal Home Loan Banks.

Time deposits of members in the Federal Home Loan Banks amounted to \$217,258,089 and demand deposits were \$43,977,691, or a total of \$261,235,780 on December 31, 1951. This represents an increase of \$37,138,921 over total deposits of \$224,096,859 on December 31, 1950. The increase consisted principally of time deposits.

During 1951 interbank deposits of \$9,500,000 were made. At the close of 1951 interbank deposits totaled \$1,500,000 as compared with \$1,000,000 a year previous.

Investment securities owned (excluding consolidated Federal Home Loan Bank obligations held) increased from \$197,435,500 at the close of 1950 to a total of \$248,112,500 on December 31, 1951. During 1951 investment securities were purchased at an aggregate cost of \$540,950,000, while sales and maturities approximated \$491,587,000.

A comparative condensed statement of income and expense of the eleven Federal Home Loan Banks for the calendar years 1951 and 1950 is given in Exhibit 3. This exhibit reflects that the earned operating income of the Banks during the year totaled \$21,974,713, an increase of \$6,495,241, which is due almost entirely to a larger interest income on advances resulting principally from a higher average amount outstanding and, to a lesser extent, upward adjustments in rates of interest charged by some Banks. Non-operating income decreased from \$595,392 in 1950 to \$92,722 during 1951, principally because of a decline in profit on sales of securities.

Operating expenses during 1951 totaled \$15,729,514 and represented a 65 percent increase over the 1950 total. The principal increase is confined to costs of consolidated obligations which reflect a 140 percent increase over the 1950 costs.

Net income for 1951, slightly less than the 1950 figure for reasons set forth above, and the net income from the beginning of operations through December 31, 1951, were distributed as follows:

|                                | Calendar Year<br>1951 |                | October 1932 to<br>December 31, 1951 |                |
|--------------------------------|-----------------------|----------------|--------------------------------------|----------------|
|                                | <u>Amount</u>         | <u>Percent</u> | <u>Amount</u>                        | <u>Percent</u> |
| Dividends Paid:                |                       |                |                                      |                |
| U. S. Government               | \$ 62,500             | 1.0            | \$26,176,170                         | 33.5           |
| Members                        | <u>4,297,262</u>      | <u>68.3</u>    | <u>19,376,004</u>                    | <u>24.8</u>    |
| Total                          | 4,359,762             | 69.3           | 45,552,174                           | 58.3           |
| Retirement Fund--Prior Service | 11,501                | 0.2            | 667,460                              | 0.9            |
| Legal Reserve                  | 1,259,030             | 20.0           | 15,735,677                           | 20.2           |
| Contingent Reserve             | - 114,048             | -1.8           | 5,510,758                            | 7.0            |
| Undivided Profits              | <u>778,904</u>        | <u>12.3</u>    | <u>10,580,756</u>                    | <u>13.6</u>    |
| Total Net Income               | \$6,295,149           | 100.0          | \$78,046,825                         | 100.0          |

Dividend declarations by the Banks during 1951 ranged from 1 percent to 2-1/4 percent per annum. It will be noted from the above tabulation that dividend payments for 1951 equaled 69.3 percent of the 1951 net income, while dividends since the beginning of operations equal but 58.3 percent of the cumulative net income.