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TABLE OF CONTENTS

	Page
Charges that increase the cost of mortgage loans	239
World trends in building activity and in industrial production	244
Current investments in mortgages by leading life insurance companies	249
Slow assets as defined by the Federal Home Loan Bank Board	251
Residential construction activity in the United States	253
Combined statement of condition of the Federal Home Loan Bank System	262
Growth and lending operations of the Federal Home Loan Bank System	264
Interest rates, Federal Home Loan Banks; rates on advances to member institutions	266
Federal savings and loan associations	267
Federal Savings and Loan Insurance Corporation	272
Home Owners' Loan Corporation	274
Table of applications received and loans closed, by months	274
Summary of operations of the Reconditioning Division	274
Resolutions of the Board	275
Directory of member, Federal, and insured institutions added during March	276

SUBSCRIPTION PRICE OF REVIEW

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Charges that Increase the Cost of Mortgage Loans

This is the third of a series of articles on practices prescribed for Federal savings and loan associations

COMPETITION for home-financing business is growing keener. Proof can be seen in the lower interest rates and more attractive terms offered borrowers. Particularly significant is the widespread adoption of the long-term amortized loan by institutions, such as insurance companies and commercial banks, which heretofore have made only short-term straight mortgage loans.

In this connection, a statement made in its report of June 1, 1934, by the committee of the New Jersey Building and Loan League, appointed to survey the weaknesses of the building and loan structure in that State, is enlightening.

We have taken into consideration the fact that the straight mortgage is generally recognized by other agencies as a thing of the past and that they must adopt the longer-term amortizing type of mortgage. This will bring additional competition into the field in which building and loan associations employ their members' savings.

Some of our delegates may be surprised to learn that several commercial banks in the State of New Jersey are loaning money on long-term amortizing plan mortgages . . .

This increase in competition for the patronage of home-owner borrowers is a healthy sign and highly desirable. It will compel lending institutions to study the needs of borrowers and to adapt their services to those needs. The purpose of the lending practices prescribed for Federal savings and loan associations is to enable them to compete successfully by offering the most attractive loan possible.

Loans are attractive to the extent that they are safe and at a reasonable cost. The

safest loan is the long-term amortized loan and that is the only kind that Federals may extend. The factors that determine the real cost of the loan to the borrower are many and frequently obscure. The nominal interest rate is generally only one of them. Unfortunately, when they undertake a loan many borrowers are not aware of all the other factors or do not take into account the additional burden they impose. The distress of the last 5 years has revealed in an unpleasant light to hundreds of thousands of home-owner borrowers these other factors that increase the cost and risk of mortgage loans. Much ill-will toward all types of home-financing institutions has resulted. Public demand that the nominal rate of interest shall be as nearly as possible the effective rate and indicate the true cost of the loan to the borrower is becoming imperative. Unquestionably, the institution that does most to eliminate especially the obscure charges which increase the cost of mortgage loans will enter the sharpening competition to recapture the good-will of borrowers with a distinct advantage.

OBJECTIVES SOUGHT FOR FEDERAL SAVINGS AND LOAN ASSOCIATIONS

THE objectives sought for Federal savings and loan associations are twofold: First, to reduce the number and amount of all additional charges to a minimum, and second, to bring all such charges that cannot or should not be eliminated into the open so that the borrower will understand exactly what he is paying and how much his loan

is costing him. The first step toward the realization of the second of these objectives is to make sure that the institution itself knows what its charges are. Accordingly, the charter of a Federal savings and loan association requires that "The association shall ascertain the total charges paid by the borrower, other than for the use of the money or for the privilege of an advance, and shall make and keep a record of the same and shall also make and keep a record of expenses incurred by the association in connection with the making of loans." Such records will reveal to the association's directors and to examiners whether its charges are out of line with "sound and economical home financing" or constitute a handicap to the association in the competition for the patronage of the best type of home-owner borrowers. At the same time, the records will supply the information that the borrower should have as to what his loan actually costs him.

CATEGORIES OF CHARGES

AN examination of the kinds of charges that home-financing institutions, particularly of the building and loan type, have been in the habit of making reveals eight major categories:

- I. Interest for the use of money.
- II. Charge for granting the loan, such as premium, commission, bonus, or discount.
- III. Fees for nonrecurrent services in connection with making the loan.
 1. Appraisal.
 2. Title examination and legal service, such as abstracting and loan closing.
 3. Recording.
 4. Credit investigation.
 5. Inspection in connection with construction loan.
 6. Conveyancing.

- IV. Fees for recurrent services, such as collections, follow-up of tax and insurance payments, periodic property inspection, etc.
- V. Fees for loan repayment prior to maturity.
- VI. Fines or penalties, such as for delinquency.
- VII. Charges that arise from failure to deduct payments on principal immediately.
- VIII. Charges that result under the share-account sinking-fund plan, from payment of a dividend less than the interest rate.

We shall begin the discussion of these groups of charges with the last one and work backwards, leaving the nominal interest rate and premiums, bonuses, commissions, and discounts to later articles in this series.

OBSCURE CHARGES IN SHARE-ACCOUNT PLAN

As was pointed out in the article on Plans for Loan Amortization in the March issue of the REVIEW, a major disadvantage of the share-account sinking-fund plan is that it makes possible relatively hidden charges. Whenever the dividend rate under the sinking-fund plan is less than the interest rate, the result is to increase the cost of the loan to the borrower and extend the period of repayment. Thus, with an interest rate of 6 percent and a dividend rate of 3 percent, the effective interest rate on a loan on which monthly payments equal 1/100 of the original principal loaned is found to be 7.92 percent.

Many borrowers have the idea that any dividend operates to reduce the cost of their loan as measured by the nominal interest rate. It is, therefore, not sufficient that they should know that their dividend rate is less than the interest rate they are paying. In any event, under the sinking-fund plan in the serial-partnership association, the borrower always runs the risk of having his dividend rate reduced or the

profits credited to his account recaptured, with a consequent increase in the cost of the loan. In some States, if the association in which he is a shareholder fails, the borrower may even lose a portion of his pledged share credits.

All these potential and actual charges can be eliminated at one stroke by the use of the direct-reduction plan of loan amortization. This plan is compulsory for Federal associations except in States where existing laws make its adoption for the time being impractical. The strength of the direct-reduction plan's appeal to the public is revealed in the letters from Federal savings and loan associations quoted on pages 267-8 of this REVIEW.

The additional charges imposed on a borrower by failure to apply payments on principal immediately are particularly undesirable because they are almost always unknown to the borrower. They can be easily eliminated by deducting every payment on principal from the outstanding balance as soon as it is paid.

No fines nor penalties of any kind may be imposed upon borrowers by Federal savings and loan associations. To compensate associations for the temporary idleness of principal repaid in advance of maturity, they are permitted to charge interest for a period not exceeding 90 days beyond the date of payment. Nevertheless, for the sake of gaining borrower goodwill and also of encouraging the turnover of their funds, Federal associations are discouraged from making this charge. The early-payer is the best type of borrower and it will profit the association to do nothing that will hazard and everything that will insure his possible future patronage and permanent good-will.

FEEES FOR RECURRENT SERVICES

THE handling of monthly collections, checking of tax and insurance payments, and similar recurrent services constitute an expense to the association for which it may legitimately charge the borrower. The

question is, How shall that charge be imposed? Practices vary between States and between associations. Some charge an initial lump-sum fee ranging from 1 to 5 percent of the loan. Others collect a percentage of the outstanding principal at each payment. But unquestionably the most desirable practice, where it is feasible, is to charge an interest rate sufficient to take care of the cost of these recurrent services. This method is the simplest and easiest for the borrower to understand. It is the customary practice in handling commercial loans. It eliminates the temptation to use the service charge as a means of increasing the effective interest rate and thus in a sense deceiving the borrower.

On the other hand, it is quite true that in several sections of the country custom is strongly in favor of charging a fee for these recurrent services, separate from the interest rate. Borrowers may prefer, for example, to pay 6-percent interest and one-half of 1 percent service charge rather than 6½-percent interest. Nevertheless, where the interest can be set at a rate that will include the fee for recurrent services, Federal associations are urged to do so. Where not, they are urged to limit the amount of the service fee to approximate the actual cost of the service.

NONRECURRENT FEES

NONRECURRENT as distinguished from recurrent service charges, are generally known as "loan-closing fees." As pointed out under III above, they include fees for appraisal, title search, recording, credit investigation, inspection on construction loans, and conveyancing. The first five of these represent essential services and, therefore, fees are justifiable. Here again, however, the ideal aimed at for Federal savings and loan associations is that these services should be provided at cost. The fees should not be used as an indirect means of increasing earnings.

To consider these various non-recurrent fees in some detail, it is perhaps unavoid-

able that they should vary between different regions of the country and possibly between different communities. But there seems less justification for variation of basic rates (i. e., service rates—not interest rates) within one community and above all within one lending institution.

H. S. Piquet, in his study of building and loan associations in New Jersey, reports appraisal charges on a \$5,000 loan ranging from \$1.50 to \$18, and attorneys' fees on a \$5,000 loan ranging from \$15 to \$125. This seems to reveal an undesirable lack of standardization. The only permissible variation in appraisal fees for comparable properties should be based upon differences in location requiring greater time to get to one property than another. Where titles are involved or beclouded, it is understandable that the charge should be greater than where the search requires less work. But they should, at least, be standardized on a time basis. Incidentally, the Home Owners' Loan Corporation has shown that the cost of title search can be reduced by approximately half if an association's business is sufficient to warrant the full-time employment of an attorney.

Credit investigation fees have been reduced to a standard through the activities of concerns operating on a national scope. It seem unwise to charge a borrower, as is sometimes done, \$5 for a credit report which costs the association \$2.

Fees for inspection service on construction loans have sometimes been made an excuse for an undue charge on a borrower. An association in a Middle Western State recently reported making a \$10,000 mortgage loan on a home costing \$20,000 to construct. It charged an inspection and service fee of 2 percent on the total cost of the home, rather than on the amount of its loan. Such practices will, in the long run, prove costly to any association following them.

A conveyancer is usually a real-estate broker who secures mortgage loans from a lending institution for borrowers. He has a personal interest in obtaining the

loan because it enables him to complete a sale of property. For him to charge a fee, therefore, as is frequently done seems improper.

ABUSE OF THE CONVEYANCING CHARGE

THE particular evil of the conveyancing charge, however, is that it may lead to an abuse of trust on the part of officers of building and loan associations. Sometimes the conveyancer, if an outsider, splits his fee with an officer of the association that grants the loan; sometimes the officer himself acts as conveyancer and charges a fee for granting a loan from his association. In either event, the practice constitutes a betrayal of trust toward the association's shareholders, whose funds the officer invests. The majority of building and loan associations frown upon the practice, and the laws of many States expressly forbid it. The Supreme Court of Pennsylvania has declared it unlawful for an officer of an association, including the conveyancer, to charge or receive a commission or fee, directly or indirectly, for granting or for assistance in obtaining a loan; and the law of New Jersey provides that officers, directors, employees, agents, or attorneys charging a fee for obtaining loans are punishable by fine or imprisonment. The Ohio law, enacted in 1934, is even more explicit and inclusive.

Loan-closing charges can be standardized at a level considerably below what has been customary in the past. The experience of the Home Owners' Loan Corporation in closing nearly 850,000 loans to home owners in every community in the land leaves no doubt on this score. The Corporation's loans average approximately \$3,000. Appraisal charges vary between \$5 and \$7.50. Title search averages \$30. Credit investigation costs uniformly \$1. Recording fees range from \$1.50 to \$5. The average total closing cost to the borrower is, therefore, under \$40. Obviously, the large scale of the Corporation's activities permits savings in cost to the borrower greater than many private institutions can

Federal Home Loan Bank Review

effect. Yet, there seems no justification for so wide a gap between the Corporation's average loan-closing charge of \$40 and the \$162.50 recently reported by a private association as the loan charge to the borrower on a \$3,000 loan.

A lending institution's policy on all charges that determine the real cost of the loan to the borrower will in the long run succeed or fail according to whether or not

it satisfies the public. Experience on nearly every side proves that the public prefers to any other kind of a loan a direct-reduction loan with all running charges incorporated in the interest rate and minimum single loan-closing charges. It would seem, therefore, good business on the part of associations to insure public approval by adapting their charge policy to this public demand.

World Trends in Building Activity and Industrial Production

THE recent erratic course of construction activity in relation to industrial production in leading industrial countries of the world is revealed in the accompanying series of tables and charts prepared by the Division of Research and Statistics of the Federal Home Loan Bank Board. The failure of building activity to respond in any uniform manner to the movement up or down of industrial production suggests that construction is largely controlled by special economic and political conditions in each country. The one characteristic common to building activity in all the countries surveyed seems to be its tendency to extremes. The volume of building is almost always proportionately greater than industrial production in periods of prosperity and suffers a greater drop in periods of depression.

The situation in the United States (chart 1) is unique in that there has been no continuous recovery in construction corresponding to the recovery in industrial production. What recovery in building activity took place in the latter part of 1933 in the United States was caused mainly by public works, and the decline in the curve since January 1934 is a result of the decline in Governmental contracts awarded.

Several factors may account for the failure of construction in the United States to recover as it has in Great Britain, Germany, and Italy. The first is that the volume of foreclosures led to a far more severe collapse of the mortgage market in the United States than took place in the European countries. Furthermore, in spite of

the great efforts of the Home Owners' Loan Corporation, of the Farm Credit Administration, and of the Reconstruction Finance Corporation, the American market has not yet been completely relieved of an overload of bad debts, whereas in the continental European countries, post-war inflation practically wiped out their mortgage debt.

A second factor that may have played some part in the retarded recovery of building activity in the United States is the marked recovery in wholesale prices, including those of construction materials. In other countries, as the charts reveal, wholesale prices either have not moved upward at all or have moved upward only slightly and generally after building construction and industrial production have turned upward. In the United States, recovery of wholesale prices has been almost continuous with and steadier than recovery of industrial production. Meanwhile, building activity continues to slip downward.

A third negative factor is the absence in the United States of the large Governmental subsidies to private residential building which have been provided in all European countries. It must be pointed out, however, that while construction subsidies have promoted building recovery in several European countries, the situation in France proves that they are by no means bound to do so. In spite of large Governmental subsidies to building in that country, the trend of building activity has been continuously downward since 1930.

CHART 1.—UNITED STATES
INDEXES OF INDUSTRIAL PRODUCTION, BUILDING
ACTIVITY AND WHOLESALE PRICES
(YEAR 1929 = 100)

Source: (1) Federal Reserve Board Bulletin.
 (2) F.W. Dodge.
 (3) Department of Labor.

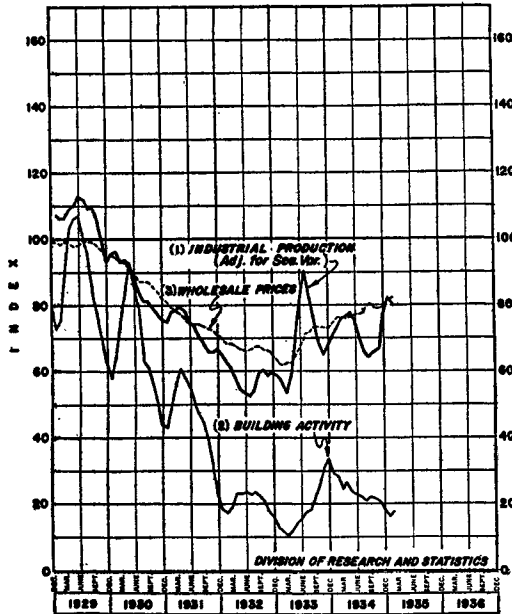


CHART 2.—GREAT BRITAIN
INDEXES OF BUSINESS AND BUILDING
ACTIVITY, AND WHOLESALE PRICES
(YEAR 1929 = 100)

Source: (1) The Annalist.
 (2) The Minister of Labor.
 (3) The Statist London.

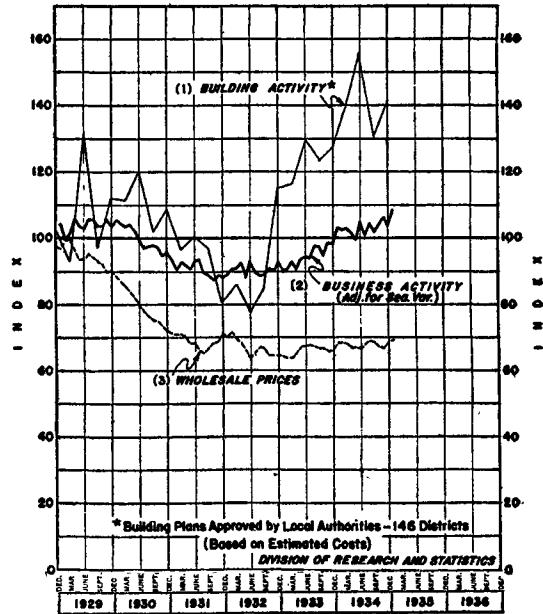


CHART 3.—GERMANY
INDEXES OF INDUSTRIAL PRODUCTION, BUILDING
ACTIVITY AND WHOLESALE PRICES
(YEAR 1929 = 100)

Source: (1) Institute für Konjunkturforschung.
 (2) Wirtschaft und Statistik.
 (3) Wirtschaft und Statistik.

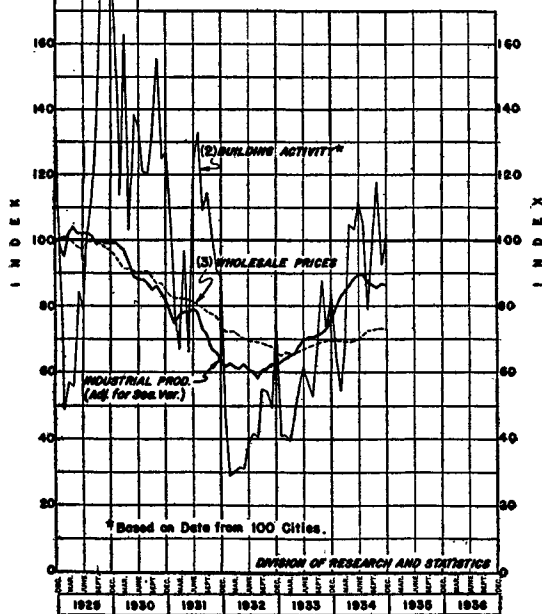


CHART 4.—ITALY
INDEXES OF INDUSTRIAL PRODUCTION, BUILDING
ACTIVITY AND WHOLESALE PRICES
(YEAR 1929 = 100)

Source: (1) The Annalist.
 (2)(3) Gazzette Ufficiale del Regno d'Italia
 dell' Instituto Centrale di Statistica.

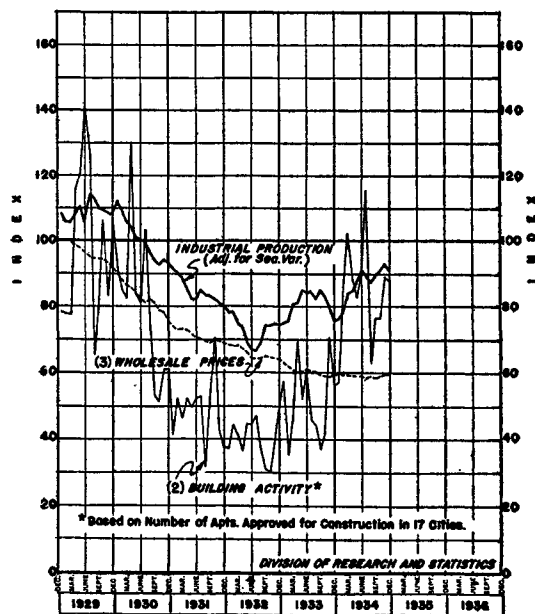


CHART 5.—FRANCE

INDEXES OF INDUSTRIAL PRODUCTION, BUILDING ACTIVITY AND WHOLESALE PRICES
(YEAR 1928 = 100)

Source: (1) The Annalist.
(2) Statistique Generale de la France.
(3) Statistique Generale de la France.

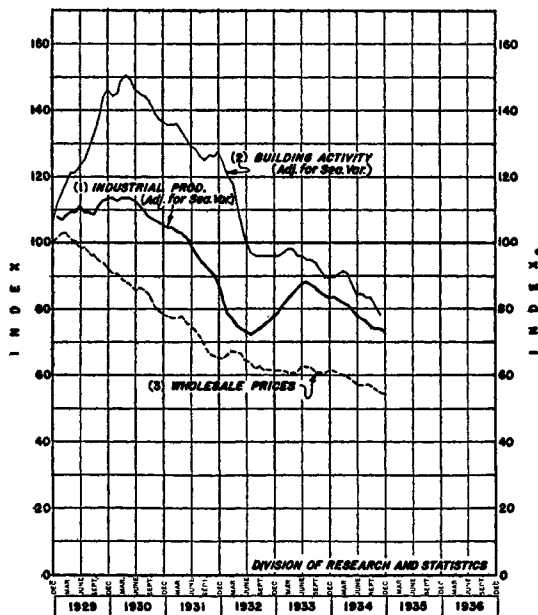


CHART 6.—INDEXES OF INDUSTRIAL PRODUCTION IN THE WORLD* AND SELECTED COUNTRIES

Adjusted for Seasonal Variation.

Source: (1) The Annalist.
(2) Institute für Konjunkturforschung.
(3) Federal Reserve Board Bulletin.

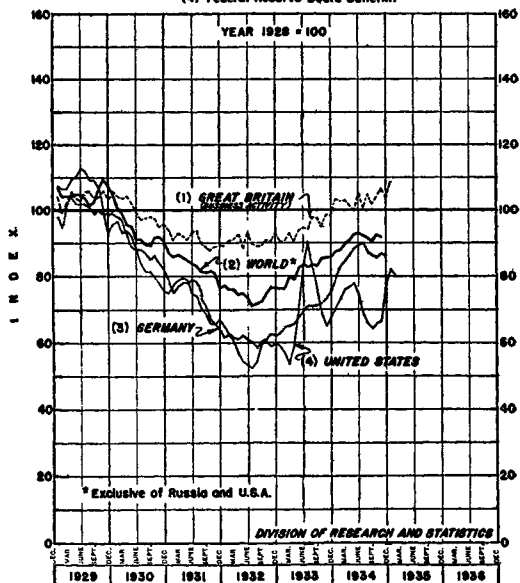
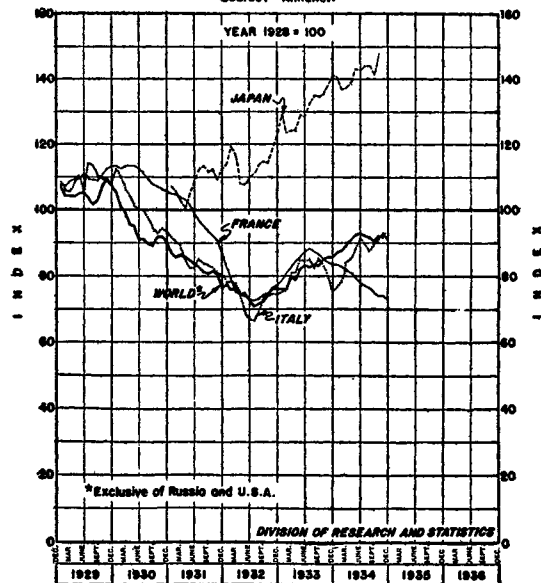


CHART 7.—INDEXES OF INDUSTRIAL PRODUCTION IN THE WORLD* AND SELECTED COUNTRIES

Adjusted for Seasonal Variation.

Source: Annalist.



BUILDING ACTIVITY IN EUROPEAN COUNTRIES

IN THE absence of an index of industrial production for Great Britain it has been necessary to use the more inclusive index of business activity. However, as industrial production plays so large a part in determining business activity and as the trends in the two rarely diverge for any length of time, it has seemed permissible to use the business activity index for purposes of getting a general comparison with industrial production in other countries.

At the bottom of the depression in Great Britain the percentage drop in either business activity or building activity was less than half that in the United States in the same period (chart 2). The British recovery in business activity from this relatively mild low is back to the 1928 level and there has been an unprecedented boom in construction. This boom seems to have been caused by the large volume of funds available for investment in building at low interest rates coupled with low construction costs. Some indications of a reaction to this building boom in Great Britain became evident at the end of 1934 and there are rumblings of a reaction in building activity.

There has been a disposition to attribute the rapid recovery of construction activity in Germany to public subventions, such as the 250,000,000 reichmarks made available for housing in 1934. The movement of both the construction and production curves in Italy closely resembles the fluctuations of these same curves in Germany (charts 3 and 4). The subsidy from the public treasury has been important in the housing recovery movement in Italy.

The trends of industrial production, building activity, and wholesale prices in France differ from those in the other

European countries studied in being uniformly downward (chart 5). The French production curve reached its post-depression high point in July 1933 soon after the United States went off the gold base and has declined since that date until it is now not far above the low of 1932. In spite of Government subsidies, building activity has followed the industrial production curve downward. This depressed condition in France is widely attributed to the country's effort to maintain the gold standard at the parity prevailing when Great Britain and the United States abandoned the gold base. Another contributing cause is said to be the general decline in the tourist traffic in recent years.

WORLD INDUSTRIAL PRODUCTION

CHARTS 6 and 7 compare the general trends of industrial production in the major industrial countries of the world. France furnished the only exception to the general upward trend.

Comparing the course of industrial production in the United States with that in other countries, we find that the United States suffered the largest percentage drop from 1929 to 1932. In the short space of three years, its industrial production fell off more than half, or 53.6 percent. The nearest comparable drop was that of Germany with 43.8 percent. It appears from chart 6 that industrial recovery in the United States has not come as close to the 1928 level, except for a brief moment in 1933, as in other countries which showed smaller percentage declines. Nevertheless, the United States has recovered a larger percentage from its loss than any other country except Germany (table 1).

Attention is called to the continuous upward movement of industrial production in Japan since 1931.

TABLE 1.—High and low indexes of building activity in selected countries, 1928–34

[1928=100]

Country	Pre-depression high	Low	Latest	Percent change	
				Low from high	Latest from low
United States.....	117.9 (May 1928).....	10.4 (March 1933).....	17.8 (February 1935) ..	-91.2	+71.2
Great Britain ¹	131.2 (June 1929).....	77.7 (June 1932).....	141.2 (December 1934) ..	-40.8	+81.7
Germany.....	194.7 (December 1929) ..	29.1 (February 1932) ..	101.5 (December 1934) ..	-85.1	+248.8
Italy.....	141.3 (June 1929).....	30.0 (October 1932).....	87.9 (December 1934) ..	-78.8	+193.0
France ²	150.4 (April 1930).....	78.3 (November 1934) ..	78.3 (November 1934) ..	-47.9	.....
Czechoslovakia.....	128.9 (August 1928)...	7.5 (December 1933)...	16.9 (November 1934) ..	-94.2	+125.3

¹ Quarterly indexes reported for the 3 months' period ending March, June, September, and December of each year.

² Adjusted for seasonal variation.

TABLE 2.—High and low indexes of industrial production in selected countries, 1929–34

[Indexes for all countries are adjusted for seasonal variation. 1928=100]

Country	Pre-depression high	Low	Latest	Percent change	
				Low from high	Latest from low
World ¹	109.8 (November 1929) ..	70.8 (July 1932).....	91.8 (November 1934) ..	-35.5	+29.7
United States.....	112.9 (June 1929).....	52.4 (July 1932).....	80.3 (February 1935) ..	-53.6	+53.2
Great Britain ²	106.0 (November 1929) ..	87.9 (October 1931).....	108.6 (January 1935) ..	-17.1	+23.5
Germany.....	104.0 (April 1929).....	58.5 (August 1932).....	86.1 (December 1934) ..	-43.8	+47.2
Italy.....	114.2 (July 1929).....	66.6 (July 1932).....	91.1 (December 1934) ..	-41.7	+36.8
France.....	113.4 (December 1929) ..	72.4 (July 1932).....	73.2 (December 1934) ..	-36.2	+1.1
Japan.....	.....	100.7 (April 1931).....	147.9 (October 1934) ..	.....	+46.9
Poland.....	108.0 (January 1929)...	46.5 (March 1933).....	67.1 (November 1934) ..	-56.9	+44.3

¹ Other than United States and Russia.

² Index of business activity.

TABLE 3.—High and low indexes of wholesale prices in selected countries, 1928–34

[1928=100]

Country	Pre-depression high	Low	Latest	Percent change	
				Low from high	Latest from low
United States.....	102.0 (September 1928) ..	61.8 (February 1933) ..	81.5 (January 1935) ..	-39.4	+31.9
Great Britain.....	104.6 (May 1928).....	63.8 (June 1932).....	69.3 (January 1935) ..	-39.0	+8.6
Germany.....	101.5 (May 1928).....	65.2 (January 1933) ..	73.0 (December 1934) ..	-35.8	+12.0
Italy.....	100.8 (November 1928) ..	58.4 (July 1934).....	59.8 (December 1934) ..	-42.1	+2.4
France.....	103.0 (March 1929).....	54.3 (December 1934) ..	54.3 (December 1934) ..	-47.3	.....
Japan.....	102.3 (September 1928) ..	54.9 (October 1931).....	81.1 (December 1934) ..	-46.3	+47.7
Czechoslovakia.....	101.7 (August 1928)...	65.9 (February 1934) ..	70.9 (January 1935) ..	-35.2	+7.6

Current Investments in Mortgages by Leading Life Insurance Companies

LIFE insurance companies are increasing their current investments in urban real-estate mortgages. Beginning in July 1934, the average monthly investments of 47 leading companies reported in the Wall Street Journal more than doubled as compared with the average for the preceding 18 months (table 1). As a result, these 47 companies invested \$49,528,508 in urban mortgages in 1934 compared with \$30,558,540 in 1933. The higher monthly rate has continued in the first 3 months of 1935 (see chart).

The investment in urban and in farm real-estate mortgages, however, still remains a very small percentage of total life insurance company investments (table 2. See also article on this subject in March REVIEW). Thus, in 6 months of 1928 these 47 companies placed 60.2 percent of all their investments in mortgages. A drop in these percentages appeared in 1929, bring-

ing the total down to 52 percent, and each year since 1930 has witnessed an accelerating decline to a low of 4.3 percent for both farm and urban mortgages in 1934.

Table 2 reveals erratic movements of life insurance company investments in both railroad securities and public utilities, with the trend generally downward since 1928. On the other hand, investments in Government securities has increased phenomenally—from 10.1 percent in 1928 to 80.4 percent in 1933. This was followed by a slight drop to 76.6 percent in 1934.

All life insurance companies have cash assets estimated at \$600,000,000 (see March REVIEW). If the perceptible upward trend of their investments in urban mortgages continues and gathers momentum, the real estate and construction fields may justifiably take encouragement.

TABLE 1.—Investments in new mortgages on urban property made by leading life insurance companies, by months, 1933-35

[Source: Weekly reports of 47 companies taken from the Wall Street Journal]

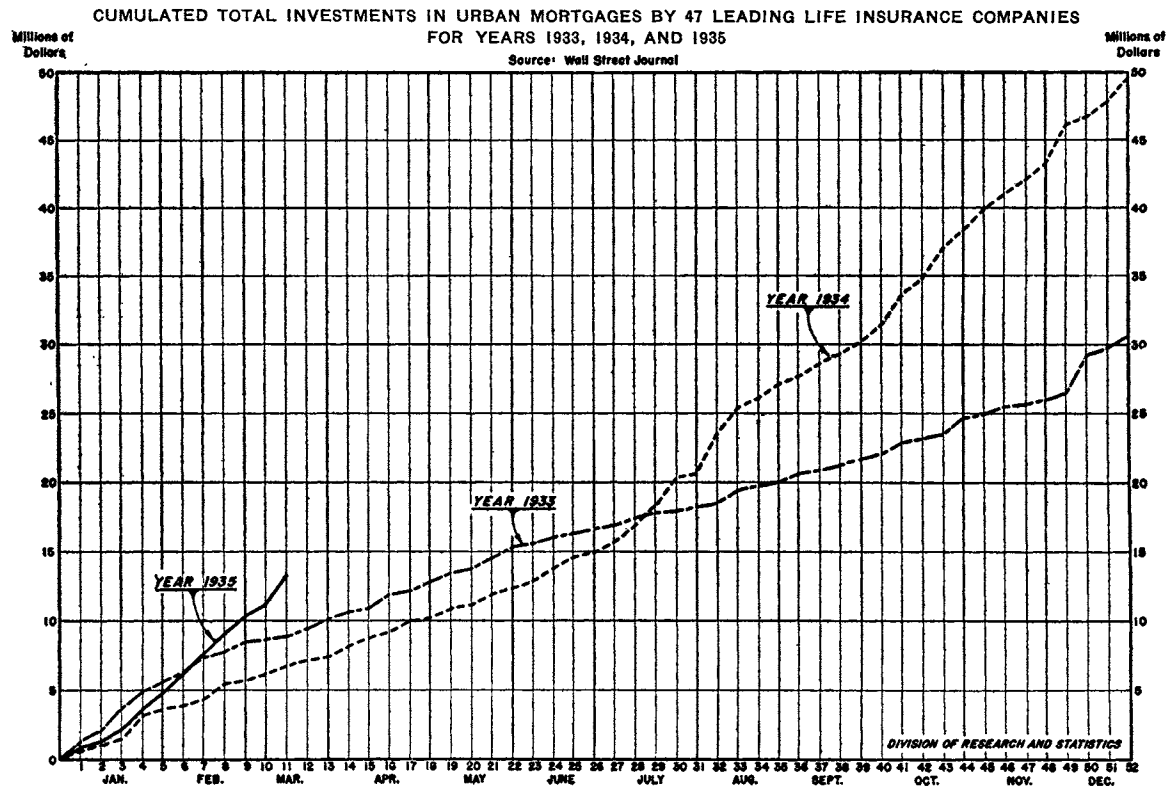
Months	1933	1934	1935	Months	1933	1934	1935
January	\$4, 882, 834	\$3, 138, 158	\$4, 827, 574	August	\$2, 099, 346	\$6, 665, 409	.....
February	2, 868, 474	2, 335, 078	5, 503, 067	September	1, 699, 759	3, 106, 553	.....
March	2, 437, 635	1, 909, 765	¹ 2, 980, 946	October	1, 743, 883	6, 818, 903	.....
April	1, 997, 717	2, 615, 746	.....	November	2, 509, 455	6, 226, 100	.....
May	2, 366, 752	2, 384, 263	.....	December	4, 565, 876	6, 267, 072	.....
June	2, 116, 543	2, 570, 082	.....	Yearly totals	30, 558, 540	49, 508, 508	.....
July	1, 270, 266	5, 471, 379	.....			

¹ First 2 weeks of March only.

TABLE 2.—Percentage distribution of new investments by 47 leading life insurance companies, 1928–35
 [Source: 1928–33, Weekly reports of 25 companies in New York Evening Post and Wall Street Journal. 1934–35, Weekly reports of 47 companies in Wall Street Journal]

Year and month	Monthly total	Mortgages		Railroad securities	Public utilities	Government securities	Miscellaneous securities
		Farm property	Dwellings and business property				
		1	2					3	4	5	6	7
Percent	Percent	Percent	Percent	Percent	Percent	Percent	
1928 (6 months).....	100.0	11.1	49.1	10.6	13.6	10.1	5.5
1929.....	100.0	8.7	43.3	8.4	7.4	11.3	20.9
1930.....	100.0	10.1	44.8	9.9	15.4	11.1	8.7
1931.....	100.0	7.6	36.5	10.3	20.4	20.1	5.1
1932.....	100.0	9.3	31.3	1.1	9.9	44.0	4.4
1933.....	100.0	3.5	3.7	3.5	6.5	80.4	2.4
1934.....	100.0	1.6	2.7	5.9	7.2	76.6	6.0
1934							
January.....	100.0	1.5	4.3	3.7	3.6	84.8	2.1
February.....	100.0	1.3	1.8	2.9	11.2	81.6	1.2
March.....	100.0	1.5	1.3	6.5	4.0	80.7	6.0
April.....	100.0	1.4	1.7	4.4	3.1	82.0	7.4
May.....	100.0	2.6	2.4	10.6	10.2	59.9	14.3
June.....	100.0	1.9	2.4	13.9	7.6	70.8	3.4
July.....	100.0	.9	3.0	6.3	4.8	79.3	5.7
August.....	100.0	1.9	5.5	13.7	11.5	59.8	7.6
September.....	100.0	.7	1.5	2.0	4.9	86.8	4.1
October.....	100.0	1.2	4.8	6.9	4.5	78.0	4.6
November.....	100.0	2.8	3.9	7.2	14.5	67.3	4.3
December.....	100.0	1.8	1.9	2.4	7.1	78.1	8.7
1935							
January.....	100.0	1.5	2.1	4.7	7.2	65.1	19.4
February.....	100.0	2.7	3.1	5.9	9.1	72.5	6.7
March ¹	100.0	1.2	2.4	4.9	7.1	77.5	6.9

¹ Based on figures for the first 2 weeks of March.



Slow Assets as Defined by the Federal Home Loan Bank Board

IN considering any application for insurance or for conversion of a building and loan association from State to Federal charter, the Federal Home Loan Bank Board carefully analyzes the association's slow assets. Such an analysis, to be effective and fair, requires a standard definition of slow assets. The Board has accordingly, after detailed study of many associations, worked out for the present 6 categories of such assets. Apart from their importance in determining whether or not an association qualifies for insurance or federalization, it is believed that these 6 categories constitute a valuable measuring rod by which an association at any time may obtain a useful picture of its liquidity and trend.

SIX CATEGORIES OF SLOW ASSETS

1. *Investment in furniture, fixtures, and office building.*—This figure should be net, which means that the reserves for depreciation of each item should be deducted from the asset figure.

2. *All real estate owned in the name of the association.*—The net return on real estate is usually small, particularly if an association charges all maintenance, such as taxes, insurance, and repairs, as expense. Some associations have been inclined to charge all maintenance and credit all rents to the real estate account. When this is done, it adds any net deficit to the capital value of the real estate and thus gives a false valuation. The practice should, therefore, be discouraged. On the

other hand, correct accounting and sound business management require that a fair yearly depreciation should be charged on all real estate owned, yet few associations now do this. If depreciation were charged each year, it is doubtful whether many associations would be able to show any net income on this asset.

3. *Real-estate contracts.*—Experience has shown that most real-estate contracts undergo very little reduction in principal. When they do, that is, when a contract purchaser shows that he can make his regular payments and reduce the unpaid principal to a reasonable amount, his contract is transformed into a first-mortgage loan. While real-estate contracts are carried on the books, therefore, they should be considered as slow assets.

4. *Loans in litigation.*—During the period in which a loan is in litigation, there is seldom any income to the association. Most loans that reach this stage eventually become real estate owned.

5. *Slow or delinquent loans.*—What constitutes a delinquent or a slow loan has often been debated. Some associations classify loans as delinquent or slow when 1 month's interest is due and unpaid. Others do not so classify them until interest is 6 months past due. Unpaid taxes or advances made on any loan are usually ignored. For practical purposes, the Board has set up the following classifications of slow or delinquent loans:

(a) When the amount of the unpaid interest, taxes, assessments, and insurance, either advanced or due, for the 3 years preceding the date

the loan is classified, equals or exceeds 5 percent of the unpaid principal due on the loan;

(b) When the balance due on the loan, that is, the balance of unpaid principal, plus delinquent taxes and assessments, delinquent interest, and advances for taxes, insurance, etc., exceed 50 percent of the original appraisal;

(c) If the loan has been recast, reformed, or refinanced since July 1, 1930, whether or not past due according to the present contract, and the unpaid principal plus delinquent interest, delinquent taxes and assessments, and advances for taxes, insurance, etc., exceed 75 percent of the original face (at the time the loan was originally made) of the mortgage so reformed;

(d) When the maturity date set in the mortgage is 6 months past due;

(e) When, under an acceleration clause, a mortgage has been declared 6 months past due;

(f) When any loan, not falling within any of the above classifications, has interest past due 6 months or more.

6. *Miscellaneous slow assets.*—These comprise items such as junior liens or second mortgages; deposits in other building and loan associations where such deposits are not available on demand or where such deposits or investments are not paying dividends; funds in closed banks; account receivable; bonds and warrants on which the interest is in default; and, prepaid and deferred expense.

Residential Construction Activity in the United States

RESIDENTIAL building for the first 13 weeks of 1935, ending March 31, shows an encouraging improvement over the same period in both 1933 and 1934 but continues well below the activity in 1932 (chart 2). The great expansion necessary, however, before building begins to approximate the average for the past 10 years of good and bad times is revealed by chart 1. The comparison in this chart of the average daily rate of construction activity for March in four selected periods shows that 1935 building was less than one-fifth of the March average for the past 10 years.

A comparison of the monthly totals of residential building for the first 3 months of 1935 reveals a resumption in March of the better rate of activity recorded in January and which was temporarily interrupted during February. Figures for March, based on 26 business days, show that the average daily value of residential construction contracts awarded was

more than 71 percent above the daily average in February, and over 19 percent higher than in March 1934 (table 1). This expansion of 71.6 percent in March building over February becomes more impressive when compared with the average February to March increase of 32.1 percent for the 3-year period 1932-34. Residential building activity so far this year is running more than 23 percent above the same period of 1934.

Total activity in nonresidential construction since January 1, due to the falling off in Governmental contracts let, remained at the end of March, almost as it was at the end of February, about 44 percent behind the total for the first quarter of 1934. This heavy drop in nonresidential contracts let was far too great to be offset by the increase in residential contracts let, so that the total of all construction contracts for the quarter was 35.5 percent less than in 1934.

TABLE 1.—Value of construction contracts awarded in 37 Eastern States and percentage changes for comparative periods

[Source: F. W. Dodge Corporation]

Type	Total for the period						Average daily ¹					
	March 1-31			January 1-March 31			(000 omitted)			Percent change		
	(000 omitted)		Per- cent change	(000 omitted)		Per- cent change	March 1935 ¹	Febru- ary 1935	March 1934	March 1935 from February 1935	March from February, 3-year average ²	March 1935 from March 1934
	1935	1934		1935	1934							
Residential	32, 207	28, 076	+14. 7	71, 234	57, 707	+23. 4	1, 239	722	1, 040	+71. 6	+32. 1	+19. 1
Nonresidential ⁴	90, 836	150, 270	-39. 6	226, 630	403, 819	-43. 9	3, 494	2, 540	5, 565	+37. 6	+17. 1	-37. 2
Total	123, 043	178, 346	-31. 0	297, 864	461, 526	-35. 5	4, 733	3, 262	6, 605	+45. 1	+20. 5	-28. 3

¹ Based on the following number of business days: March 1935—26, February 1935—23, March 1934—27.

² Based on preliminary reports for the entire month.

³ Represents the average of the percent change in March from February for the 3 years 1932-34.

⁴ Includes contracts for commercial buildings, public works, and utilities.

CONSTRUCTION ACTIVITY IN FEBRUARY

FEBRUARY residential construction expressed as a percentage of total construction registered a slight decrease from the January ratio, but was still higher than any other month since August 1933 (chart 3). Final figures for March indicate a new high ratio for 1935 due largely to the sharp rise in residential building. The extent to which total construction lags behind industrial production is emphasized by the sharp rise in industrial production which occurred in February (chart 4). Whereas industrial production had in February reached a level only 8 percent below the level in 1923-25, construction remains 76 percent below this same level.

CHART 1.—AVERAGE DAILY VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN 1935 COMPARED WITH SELECTED PERIODS

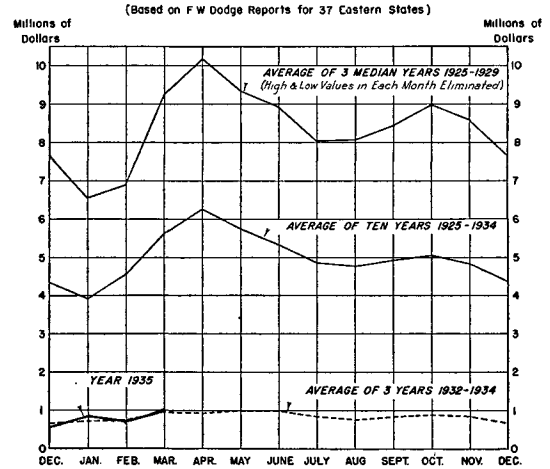


CHART 2.—VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN 37 EASTERN STATES, YEARS 1932, 1933, 1934, AND 1935

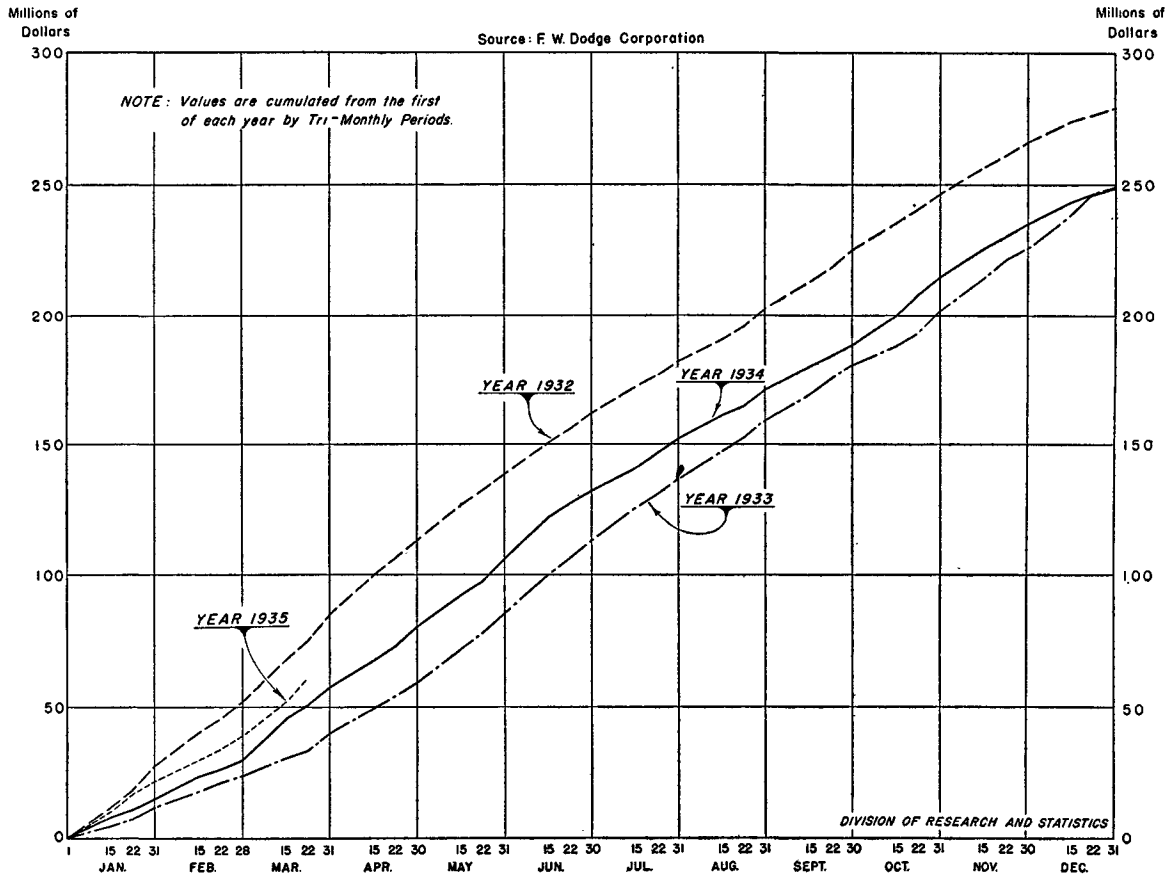


CHART 3.—VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN 37 EASTERN STATES, 1925-34. (DATA ALSO EXPRESSED AS A PERCENT OF TOTAL CONTRACTS AWARDED).

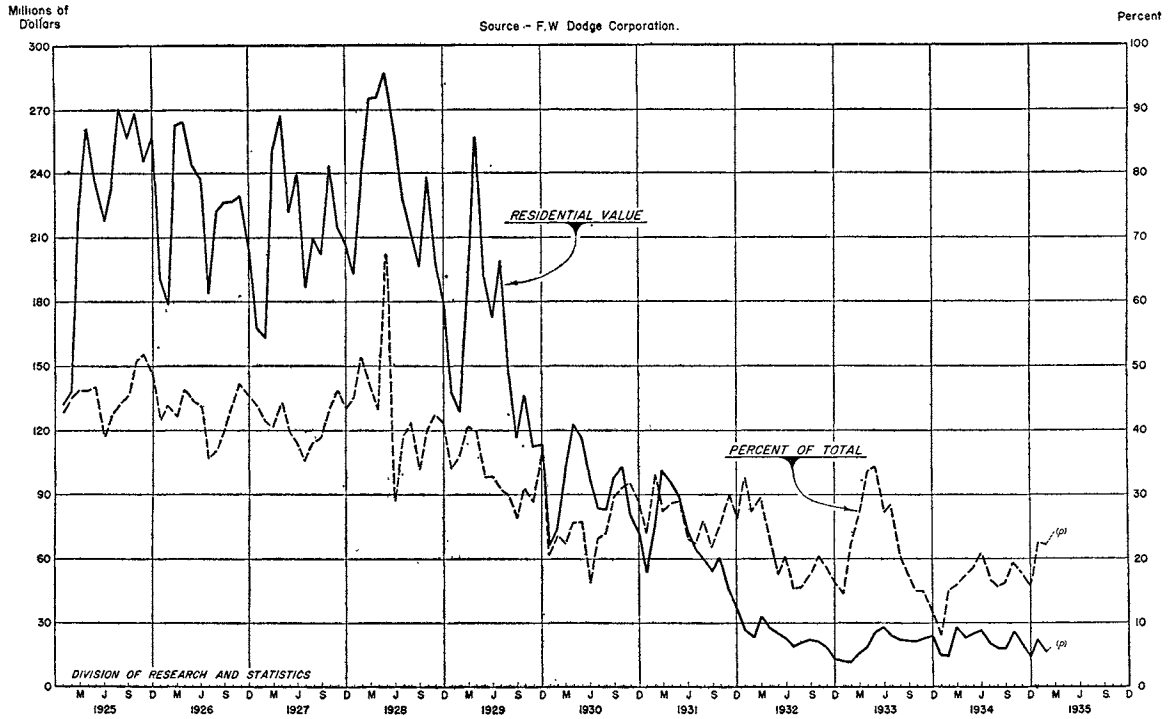


CHART 4.—INDEXES OF TOTAL CONSTRUCTION CONTRACTS AWARDED AND INDUSTRIAL PRODUCTION

Source: Federal Reserve Bulletin— Years 1923-1925 = 100

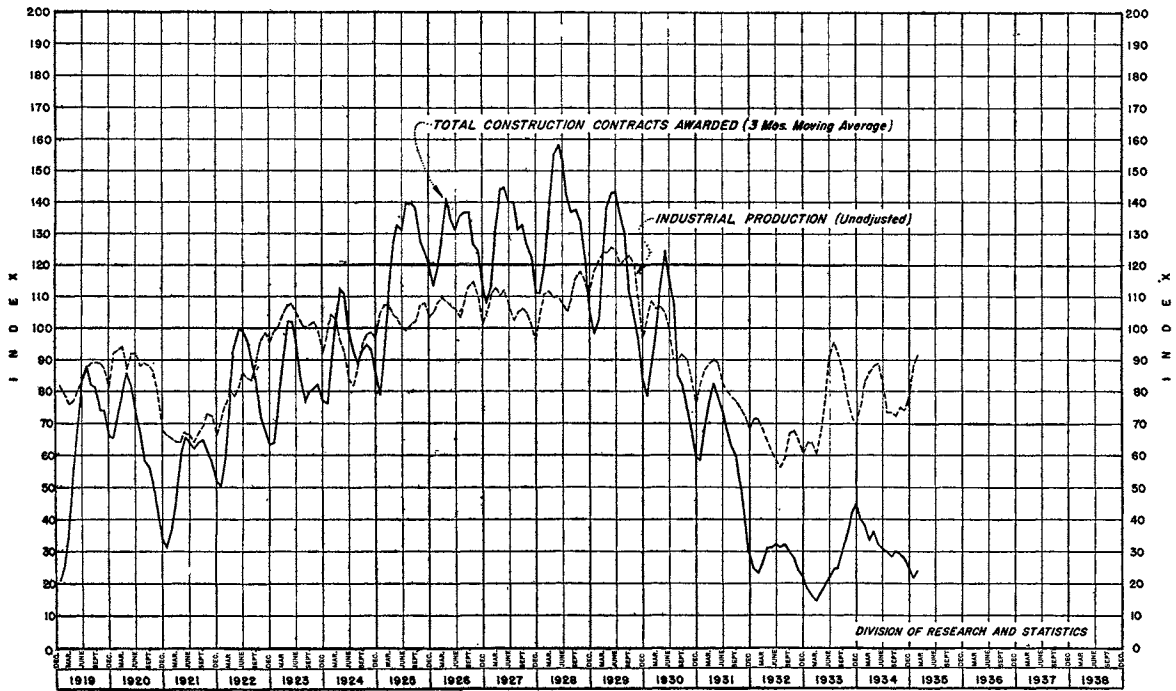


CHART 5.—INDEXES OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED, COST OF BUILDING, AND HOUSING RENTALS

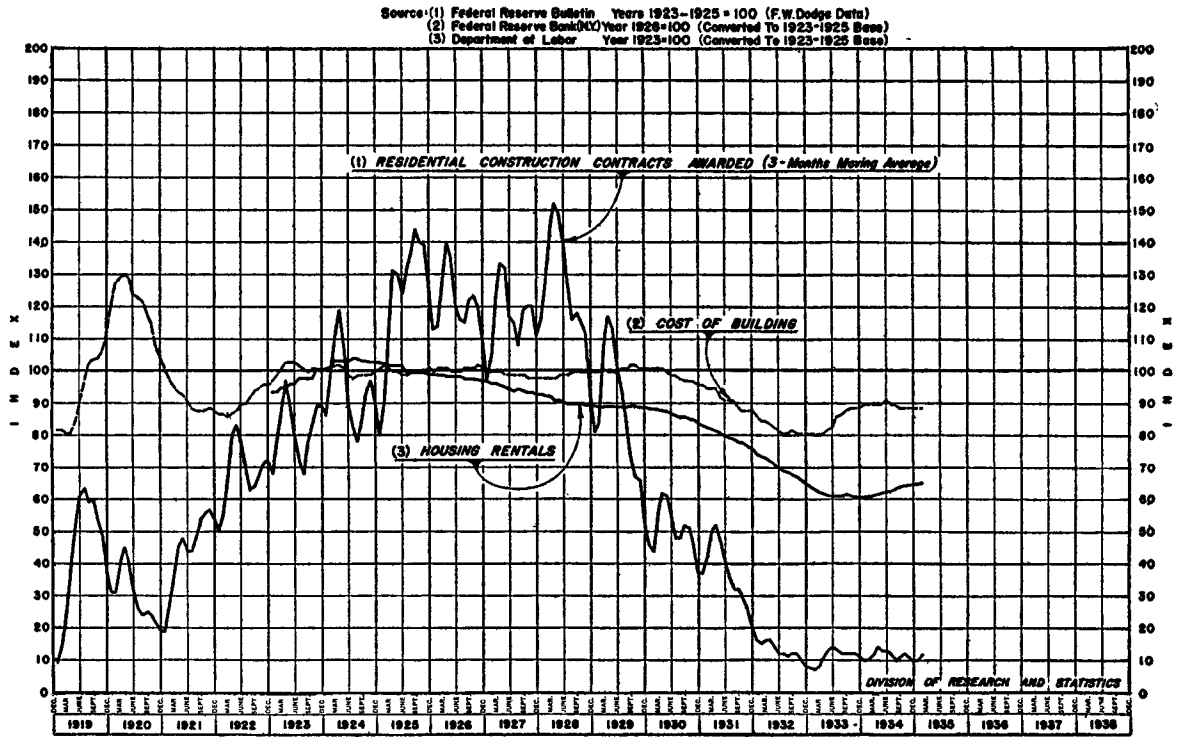
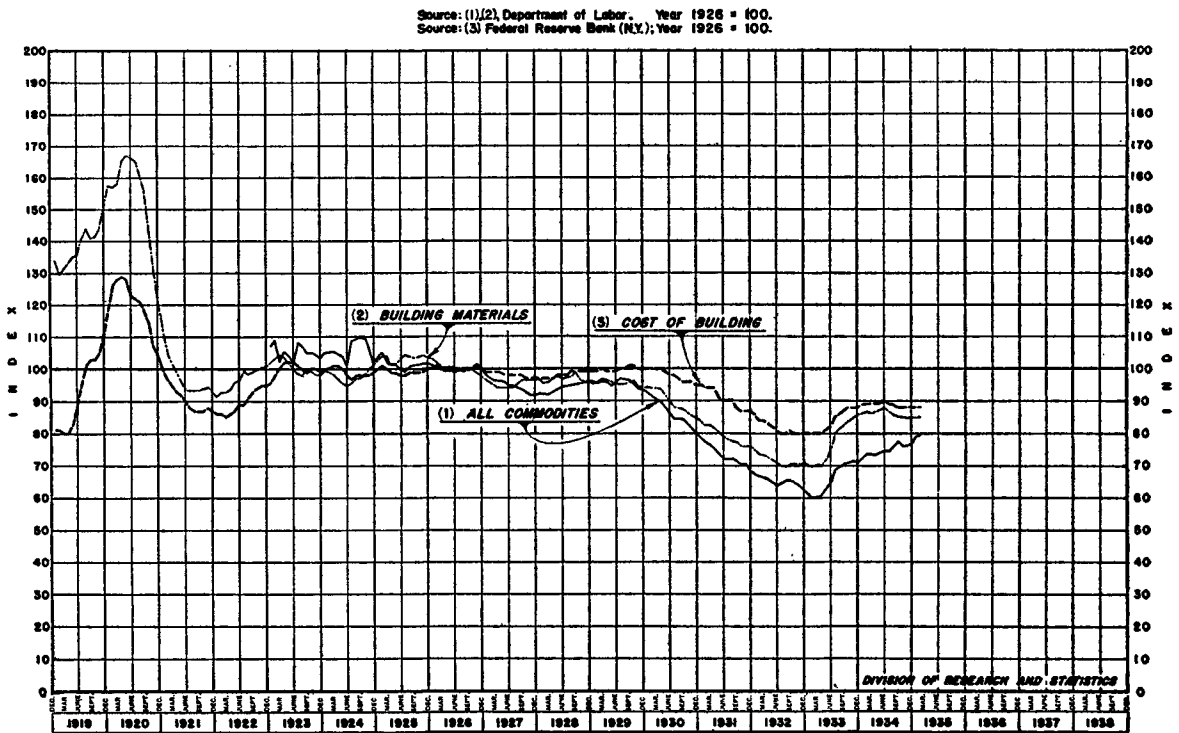


CHART 6.—INDEXES OF WHOLESALE PRICES AND COST OF BUILDING



RESIDENTIAL CONSTRUCTION IN RELATION TO RENTALS AND CONSTRUCTION COSTS

FOR over a year the cost of building curve (chart 5) has remained practically stable, whereas housing rentals have been steadily moving higher. Housing rentals have now reached the highest point since December 1932, and it seems reasonable to conclude that the upturn in 1935 residential-building activity is resulting partially, at least, from this rental stimulus. Building materials, and the cost of building (chart 6) have remained almost unchanged over a period of 6 months. On the other hand, all commodities continued the advance which has been in progress since February 1933, reflecting higher prices for farm products, foods, and chemicals and drugs.

NEW RESIDENTIAL CONSTRUCTION IN THE FEDERAL HOME LOAN BANK DISTRICTS AND BY STATES

HOME-FINANCING institutions have a special interest in knowing the trend in types of dwellings being built in their communities as well as in the number and value of new buildings. To provide this information the REVIEW inaugurates with this issue figures on the number and value of 1-family, 2-family, and combination home-and-business dwellings for which permits have been let in all cities of 10,000 or more population. The information is given for each Federal Home Loan Bank District (table 2). It is compiled by the Division of Research and Statistics of the Federal Home Loan Bank Board from data collected by the Bureau of Labor Statistics.

Table 2 makes available to member institutions in their respective Federal Home

Loan Bank Districts information on all new home construction eligible for financing by such members. (Information on 3-family dwellings is inaccessible as a separate group.) From this table, it is possible by means of monthly comparisons to trace new home building activity by Bank Districts both as to family provisions and as to the value of dwellings by type of structure.

The 1-family dwelling is clearly the predominant type of home unit, providing for 1,922 families of the 2,135 families provided for by 1- and 2-family structures in February 1935. The value of 1- and 2-family construction in February showed an increase of almost 9 percent in comparison with January 1935, and was practically 72 percent greater than in February 1934. All Bank Districts except Nos. 1 and 9 showed higher value of building in February than in January; while District No. 1 was the only District to register a lower value than in February 1934. Similar comparison as to type of dwelling can be made from these tables by any member institution.

In table 3 a comparison is made between the value of all building permits issued on all new 1- and 2-family dwellings and on total new residential buildings. It is worthy of note that 68.8 percent of the value of total residential building was accounted for by 1- and 2-family dwellings. Improvement in residential building was evidenced in February over January, and also over February 1934, in practically all the Bank Districts as well as in a large majority of the States.

TABLE 2.—Number of families provided for and estimated value of building permits issued ¹ in all cities of 10,000 population or over by Federal Home Loan Bank Districts

[Source: Federal Home Loan Bank Board—Compiled from reports to U. S. Department of Labor]

Bank District	Number of families provided for by permits issued					Value of building permits issued (000 omitted)				
	February 1935	January 1935	Percent change ²	February 1934	Percent change ³	February 1935	January 1935	Percent change ²	February 1934	Percent change ³
ALL 1- AND 2-FAMILY DWELLINGS										
UNITED STATES.....	2, 135	1, 835	+16. 3	1, 110	+92. 3	\$7, 306. 3	\$6, 724. 5	+8. 7	\$4, 251. 1	+71. 9
1. Boston.....	53	87	-39. 1	52	+1. 9	252. 7	498. 6	-49. 3	420. 2	-39. 9
2. Newark.....	266	203	+31. 0	104	+155. 8	1, 099. 9	1, 043. 5	+5. 4	491. 8	+123. 6
3. Pittsburgh.....	62	54	+14. 8	22	+181. 8	406. 9	316. 2	+28. 7	142. 8	+184. 9
4. Winston-Salem.....	394	343	+14. 9	140	+181. 4	1, 133. 4	997. 7	+13. 6	516. 3	+119. 5
5. Cincinnati.....	107	89	+20. 2	51	+109. 8	504. 5	430. 8	+17. 1	245. 9	+105. 2
6. Indianapolis.....	70	46	+52. 2	29	+141. 4	403. 3	246. 4	+63. 7	197. 5	+104. 2
7. Chicago.....	40	31	+29. 0	24	+66. 7	218. 1	167. 2	+30. 4	140. 3	+55. 5
8. Des Moines.....	137	95	+44. 2	69	+98. 6	474. 9	292. 5	+62. 4	233. 7	+103. 2
9. Little Rock.....	408	383	+6. 5	176	+131. 8	760. 9	954. 4	-20. 3	391. 5	+94. 4
10. Topeka.....	104	73	+42. 5	74	+40. 5	382. 8	216. 6	+76. 7	236. 2	+62. 1
11. Portland.....	95	43	+120. 9	40	+137. 5	232. 5	126. 2	+84. 2	104. 5	+122. 5
12. Los Angeles.....	399	388	+2. 8	329	+21. 3	1, 436. 4	1, 434. 4	+0. 1	1, 130. 4	+27. 1
1-FAMILY DWELLINGS										
UNITED STATES.....	1, 922	1, 645	+16. 8	951	+102. 1	\$6, 726. 5	\$6, 111. 8	+10. 1	\$3, 726. 0	+80. 5
1. Boston.....	47	78	-39. 7	49	-4. 1	230. 2	462. 4	-50. 2	396. 0	-41. 9
2. Newark.....	249	171	+45. 6	74	+236. 5	1, 037. 6	860. 6	+20. 6	393. 6	+163. 6
3. Pittsburgh.....	50	49	+2. 0	20	+150. 0	367. 0	280. 7	+30. 7	134. 2	+173. 5
4. Winston-Salem.....	362	313	+15. 7	135	+168. 1	1, 097. 4	953. 5	+15. 1	509. 4	+115. 4
5. Cincinnati.....	101	79	+27. 8	45	+124. 4	486. 7	393. 3	+23. 7	215. 8	+125. 5
6. Indianapolis.....	67	44	+52. 3	28	+139. 3	393. 7	239. 4	+64. 5	191. 0	+106. 1
7. Chicago.....	38	28	+35. 7	22	+72. 7	211. 4	150. 3	+40. 7	137. 8	+53. 4
8. Des Moines.....	134	95	+41. 1	69	+94. 2	463. 9	292. 5	+58. 6	233. 7	+98. 5
9. Little Rock.....	347	330	+5. 2	139	+149. 6	643. 6	864. 0	-25. 5	280. 8	+129. 2
10. Topeka.....	104	65	+60. 0	70	+48. 6	382. 8	199. 6	+91. 8	225. 7	+69. 6
11. Portland.....	95	43	+120. 9	39	+143. 6	232. 5	126. 2	+84. 2	100. 6	+131. 1
12. Los Angeles.....	328	350	-6. 3	261	+25. 7	1, 179. 7	1, 289. 3	-8. 5	907. 4	+30. 0

¹ Estimate is based on reports from communities having approximately 95 percent of the population of all cities with more than 10,000 population.

² Percentage change February 1935 from January 1935. When the value of construction permits is small in two compared periods the percentage change has little significance as a measure of the course of recovery or decline in the volume of construction.

³ Percentage change February 1935 from February 1934.

TABLE 2.—Number of families provided for and estimated value of building permits issued in all cities of 10,000 population or over by Federal Home Loan Bank Districts—Continued

Bank District	Number of families provided for by permits issued					Value of building permits issued (000 omitted)				
	February 1935	January 1935	Percent change ²	February 1934	Percent change ³	February 1935	January 1935	Percent change ²	February 1934	Percent change ³
2-FAMILY DWELLINGS										
UNITED STATES.....	188	172	+9.3	146	+28.8	\$483.3	\$472.5	+2.3	\$468.2	+3.2
1. Boston.....	6	8	-25.0	2	+200.0	22.5	29.1	-22.7	6.0	+275.0
2. Newark.....	14	26	-46.2	26	-46.2	40.3	91.5	-56.0	83.2	-51.6
3. Pittsburgh.....	4	2	+100.0	0	(⁴)	13.4	14.0	-4.3	0	(⁴)
4. Winston-Salem.....	30	28	+7.1	4	+650.0	32.7	43.0	-24.0	6.4	+410.9
5. Cincinnati.....	2	10	-80.0	6	-66.7	8.4	37.5	-77.6	30.1	-72.1
6. Indianapolis.....	2	2	0	0	(⁴)	6.6	7.0	-5.7	0	(⁴)
7. Chicago.....	2	2	0	2	0	6.7	7.9	-15.2	2.5	+168.0
8. Des Moines.....	2	0	(⁴)	0	(⁴)	2.0	0	(⁴)	0	(⁴)
9. Little Rock.....	60	48	+25.0	36	+66.7	112.5	80.4	+39.9	109.6	+2.6
10. Topeka.....	0	8	-100.0	4	-100.0	0	17.0	-100.0	10.5	-100.0
11. Portland.....	0	0	0	0	0	0	0	0	0	0
12. Los Angeles.....	66	38	+73.7	66	0	238.2	145.1	+64.2	219.9	+8.3
JOINT HOME AND BUSINESS ⁵										
UNITED STATES.....	25	18	+38.9	13	+92.3	\$96.5	\$140.2	-31.2	\$56.9	+69.6
1. Boston.....	0	1	-100.0	1	-100.0	0	7.1	-100.0	18.2	-100.0
2. Newark.....	3	6	-50.0	4	-25.0	22.0	91.4	-75.9	15.0	+46.7
3. Pittsburgh.....	8	3	+166.7	2	+300.0	26.5	21.5	+23.3	8.6	+208.1
4. Winston-Salem.....	2	2	0	1	+100.0	3.3	1.2	+175.0	0.5	+560.0
5. Cincinnati.....	4	0	(⁴)	0	(⁴)	9.4	0	(⁴)	0	(⁴)
6. Indianapolis.....	1	0	(⁴)	1	0	3.0	0	(⁴)	6.5	-53.8
7. Chicago.....	0	1	-100.0	0	0	0	9.0	-100.0	0	0
8. Des Moines.....	1	0	(⁴)	0	(⁴)	9.0	0	(⁴)	0	(⁴)
9. Little Rock.....	1	5	-80.0	1	0	4.8	10.0	-52.0	1.1	+336.4
10. Topeka.....	0	0	0	0	0	0	0	0	0	0
11. Portland.....	0	0	0	1	-100.0	0	0	0	3.9	-100.0
12. Los Angeles.....	5	0	(⁴)	2	+150.0	18.5	0	(⁴)	3.1	+496.8

⁴ Represents an infinite amount of change due to comparison with zero in the particular period.

⁵ Includes 1- and 2-family dwellings with business property attached.

TABLE 3.—Estimated value of new residential building permits issued ¹ in all cities of 10,000 population or over by Federal Home Loan Bank Districts and by States

[Source: Federal Home Loan Bank Board—Compiled from reports to U. S. Department of Labor]

District and State	Value of all new residential building permits (000 omitted)					Value of all new 1- and 2-family dwelling permits ² (000 omitted)				
	February 1935	January 1935	Percent change ³	February 1934	Percent change ⁴	February 1935	January 1935	Percent change ³	February 1934	Percent change ⁴
UNITED STATES..	\$10,618.6	\$9,506.7	+11.7	\$5,278.0	+101.2	\$7,306.3	\$6,724.5	+8.7	\$4,251.1	+71.9
No. 1—Boston....	287.7	514.2	-44.0	420.2	-31.5	252.7	498.6	-49.3	420.2	-39.9
Connecticut...	78.6	108.5	-27.6	112.2	-29.9	78.6	108.5	-27.6	112.2	-29.9
Maine.....	14.0	10.5	+33.3	0	(⁵)	14.0	10.5	+33.3	0	(⁵)
Massachusetts	157.2	339.2	-53.7	263.1	-40.3	122.2	323.6	-62.2	263.1	-53.6
New Hampshire.....	3.7	7.0	-47.1	9.0	-58.9	3.7	7.0	-47.1	9.0	-58.9
Rhode Island..	34.2	49.0	-30.2	35.9	-4.7	34.2	49.0	-30.2	35.9	-4.7
Vermont.....	0	0	0	0	0	0	0	0	0	0
No. 2—Newark....	3,577.9	3,546.5	+0.9	528.3	+577.2	1,099.9	1,043.5	+5.4	491.8	+123.6
New Jersey...	312.6	187.7	+66.5	92.8	+236.9	292.6	187.7	+55.9	92.8	+215.3
New York....	3,265.3	3,358.8	-2.8	435.5	+649.8	807.3	855.8	-5.7	399.0	+102.3
No. 3—Pittsburgh.	411.4	321.1	+28.1	1,021.8	-59.7	406.9	316.2	+28.7	142.8	+184.9
Delaware.....	17.0	18.0	-5.6	0	(⁵)	17.0	18.0	-5.6	0	(⁵)
Pennsylvania..	337.1	257.5	+30.9	1,008.8	-66.6	337.1	252.6	+33.5	129.8	+159.7
West Virginia.	57.3	45.6	+25.7	13.0	+340.8	52.8	45.6	+15.8	13.0	+306.2
No. 4—Winston-Salem.....	1,490.8	1,046.7	+42.4	519.2	+187.1	1,133.4	997.7	+13.6	516.3	+119.5
Alabama.....	29.2	12.2	+139.3	1.7	+1,617.6	29.2	12.2	+139.3	1.7	+1,617.6
Dist. of Col...	552.6	455.2	+21.4	250.0	+121.0	389.1	409.2	-4.9	250.0	+55.6
Florida.....	281.1	292.0	-3.7	56.8	+394.9	278.2	292.0	-4.7	56.8	+389.8
Georgia.....	114.6	66.3	+72.9	37.5	+205.6	114.6	66.3	+72.9	37.5	+205.6
Maryland.....	21.5	26.5	-18.9	39.0	-44.9	21.5	26.5	-18.9	39.0	-44.9
North Carolina.....	313.3	71.5	+338.2	45.8	+584.1	129.1	68.5	+88.5	45.8	+181.9
South Carolina.....	64.9	62.9	+3.2	19.8	+227.8	58.1	62.9	-7.6	16.9	+243.8
Virginia.....	113.6	60.1	+89.0	68.6	+65.6	113.6	60.1	+89.0	68.6	+65.6
No. 5—Cincinnati.	546.6	472.3	+15.7	245.9	+122.3	504.5	430.8	+17.1	245.9	+105.2
Kentucky.....	81.1	67.4	+20.3	18.0	+350.6	49.2	67.4	-27.0	18.0	+173.3
Ohio.....	406.2	379.3	+7.1	201.2	+101.9	396.0	337.8	+17.2	201.2	+96.8
Tennessee.....	59.3	25.6	+131.6	26.7	+122.1	59.3	25.6	+131.6	26.7	+122.1
No. 6—Indianapolis	420.8	246.4	+70.8	197.5	+113.1	403.3	246.4	+63.7	197.5	+104.2
Indiana.....	68.0	40.4	+68.3	57.0	+19.3	50.5	40.4	+25.0	57.0	-11.4
Michigan.....	352.8	206.0	+71.3	140.5	+151.1	352.8	206.0	+71.3	140.5	+151.1

¹ Estimate is based on reports from communities having approximately 95 percent of the population of all cities with more than 10,000 population.

² Includes 1- and 2-family dwellings with business property attached.

³ Percent change of February 1935, from January 1935. When the number of permits is small in two compared periods the percentage change has little significance as a measure of the course of recovery or decline in the volume of construction.

⁴ Percent change of February 1935, from February 1934.

⁵ Represents an infinite amount of change due to comparison with zero in the particular period.

TABLE 3.—Estimated value of new residential building permits issued in all cities of 10,000 population or over by Federal Home Loan Bank Districts and by States—Continued

District and State	Value of all new residential building permits (000 omitted)					Value of all new 1- and 2-family dwelling permits ² (000 omitted)				
	February 1935	January 1935	Percent change ³	February 1934	Percent change ⁴	February 1935	January 1935	Percent change ³	February 1934	Percent change ⁴
No. 7—Chicago . . .	242.1	243.2	— .5	140.3	+72.6	218.1	167.2	+30.4	140.3	+55.5
Illinois	116.9	175.7	—33.5	114.3	+2.3	92.9	99.7	—6.8	114.3	—18.7
Wisconsin	125.2	67.5	+85.5	26.0	+381.5	125.2	67.5	+85.5	26.0	+381.5
No. 8—Des Moines	506.9	292.5	+73.3	233.7	+116.9	474.9	292.5	+62.4	233.7	+103.2
Iowa	13.8	24.3	—43.2	39.3	—64.9	13.8	24.3	—43.2	39.3	—64.9
Minnesota	119.6	23.0	+420.0	33.8	+253.8	119.6	23.0	+420.0	33.8	+253.8
Missouri	329.2	237.5	+38.6	148.7	+121.4	329.2	237.5	+38.6	148.7	+121.4
North Dakota	34.0	1.0	+3,300.0	5.3	+541.5	2.0	1.0	+100.0	5.3	—62.3
South Dakota	10.3	6.7	+53.7	6.6	+56.1	10.3	6.7	+53.7	6.6	+56.1
No. 9—Little Rock.	809.7	963.6	—16.0	405.0	+99.9	760.9	954.4	—20.3	391.5	+94.4
Arkansas	5.0	5.9	—15.3	14.8	—66.2	5.0	5.9	—15.3	14.8	—66.2
Louisiana	82.1	72.6	+13.1	20.4	+302.5	82.1	68.1	+20.6	20.4	+302.5
Mississippi	12.3	15.5	—20.6	34.6	—64.5	12.3	15.5	—20.6	34.6	—64.5
New Mexico	5.0	7.1	—29.6	0	(⁵)	5.0	7.1	—29.6	0	(⁵)
Texas	705.3	862.5	—18.2	335.2	+110.4	656.5	857.8	—23.5	321.7	+104.1
No. 10—Topeka . . .	469.6	216.6	+116.8	236.2	+98.8	382.8	216.6	+76.7	236.2	+62.1
Colorado	229.8	104.1	+120.7	50.7	+353.3	143.8	104.1	+38.1	50.7	+183.6
Kansas	77.1	17.6	+338.1	23.4	+229.5	76.3	17.6	+333.5	23.4	+226.1
Nebraska	35.4	34.2	+3.5	45.0	—21.3	35.4	34.2	+3.5	45.0	—21.3
Oklahoma	127.3	60.7	+109.7	117.1	+8.7	127.3	60.7	+109.7	117.1	+8.7
No. 11—Portland . .	259.0	129.6	+99.8	104.5	+147.8	232.5	126.2	+84.2	104.5	+122.5
Idaho	6.1	1.1	+454.5	0	(⁵)	6.1	1.1	+454.5	0	(⁵)
Montana	37.9	.8	+4,637.5	5.8	+553.4	37.9	.8	+4,637.5	5.8	+553.4
Oregon	46.2	28.1	+64.4	56.0	—17.5	46.2	28.1	+64.4	56.0	—17.5
Utah	16.8	11.8	+42.4	2.5	+572.0	11.8	11.8	0	2.5	+372.0
Washington	115.2	68.2	+68.9	32.4	+255.6	106.4	64.8	+64.2	32.4	+228.4
Wyoming	36.8	19.6	+87.8	7.8	+371.8	24.1	19.6	+23.0	7.8	+209.0
No. 12—Los Angeles	1,596.1	1,514.0	+5.4	1,225.4	+30.3	1,436.4	1,434.4	+ .1	1,130.4	+27.1
Arizona	23.6	16.3	+44.8	6.2	+280.6	23.6	16.3	+44.8	6.2	+280.6
California	1,569.5	1,497.7	+4.8	1,219.2	+28.7	1,409.8	1,418.1	— .6	1,124.2	+25.4
Nevada	3.0	0	(⁵)	0	(⁵)	3.0	0	(⁵)	0	(⁵)

⁵ Represents an infinite amount of change due to comparison with zero in the particular period.

FEDERAL HOME

Combined statement of

	Combined	Boston	Newark	Pittsburgh	Winston-Salem
ASSETS					
Cash on hand in banks and U. S. Treasury	\$30, 272, 283. 53	\$4, 227, 930. 61	\$1, 170, 891. 13	\$225, 923. 80	\$2, 542, 088. 09
Loans outstanding:					
Members	76, 563, 045. 65	2, 358, 427. 62	13, 581, 506. 20	10, 848, 917. 71	5, 149, 474. 44
Affiliated banks	600, 000. 00	600, 000. 00	0	0	0
Other	7, 003. 75	0	0	0	0
Total loans	77, 170, 049. 40	2, 958, 427. 62	13, 581, 506. 20	10, 848, 917. 71	5, 149, 474. 44
Accrued interest receivable	435, 490. 56	16, 648. 17	61, 529. 06	65, 733. 60	27, 722. 77
Investments, U. S. Government	2, 240, 604. 16	99, 281. 25	109, 293. 75	137, 900. 00	0
Other assets	44, 047. 74	3, 116. 18	3, 639. 35	3, 158. 58	6, 005. 44
Total assets	110, 162, 475. 39	7, 305, 403. 83	14, 926, 859. 49	11, 281, 633. 69	7, 725, 290. 74
LIABILITIES AND CAPITAL					
Liabilities:					
Current	3, 851, 353. 35	245, 062. 46	25, 900. 00	901, 438. 38	30, 000. 00
Fixed	0	0	0	0	0
Total liabilities	3, 851, 353. 35	245, 062. 46	25, 900. 00	901, 438. 38	30, 000. 00
Capital:					
Capital stock, fully paid, issued and outstanding:					
Members	21, 009, 500. 00	1, 949, 000. 00	2, 764, 800. 00	1, 559, 300. 00	1, 846, 000. 00
U. S. Government	81, 645, 700. 00	5, 000, 000. 00	11, 500, 000. 00	8, 500, 000. 00	5, 700, 000. 00
Total	102, 655, 200. 00	6, 949, 000. 00	14, 264, 800. 00	10, 059, 300. 00	7, 546, 000. 00
Subscription to capital stock:					
Members and applicants	2, 487, 900. 00	31, 500. 00	654, 500. 00	204, 700. 00	97, 400. 00
Less balance due	1, 179, 762. 88	13, 925. 00	267, 550. 13	108, 900. 00	47, 750. 00
Total	1, 308, 137. 12	17, 575. 00	386, 949. 87	95, 800. 00	49, 650. 00
U. S. Government	43, 095, 300. 00	7, 467, 500. 00	7, 463, 200. 00	2, 646, 300. 00	3, 508, 200. 00
Less balance due	43, 095, 300. 00	7, 467, 500. 00	7, 463, 200. 00	2, 646, 300. 00	3, 508, 200. 00
Total	0	0	0	0	0
Surplus:					
Reserves:					
As required under section no. 16 of act	882, 682. 77	42, 745. 44	105, 902. 92	92, 399. 09	61, 700. 44
U. S. Government, 2-percent dividend	544, 932. 78	16, 164. 39	37, 178. 08	27, 479. 46	18, 427. 39
Other	0	0	0	0	0
Surplus, unallocated	920, 169. 37	34, 856. 54	106, 128. 62	105, 216. 76	19, 512. 91
Total surplus	2, 347, 784. 92	93, 766. 37	249, 209. 62	225, 095. 31	99, 640. 74
Total capital	106, 311, 122. 04	7, 060, 341. 37	14, 900, 959. 49	10, 380, 195. 31	7, 695, 290. 74
Total liabilities and capital	110, 162, 475. 39	7, 305, 403. 83	14, 926, 859. 49	11, 281, 633. 69	7, 725, 290. 74

LOAN BANK SYSTEM

condition as at Feb. 28, 1935

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
\$3,395,730.72	\$2,987,956.76	\$2,260,964.41	\$2,352,798.47	\$4,703,211.15	\$2,190,328.48	\$2,143,833.72	\$2,070,626.19
14,755,831.63	4,714,657.64	10,549,170.33	3,408,459.36	3,297,490.99	3,603,822.66	1,700,391.05	2,594,896.02
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	7,003.75
14,755,831.63	4,714,657.64	10,549,170.33	3,408,459.36	3,297,490.99	3,603,822.66	1,700,391.05	2,601,899.77
65,666.11	33,820.36	69,062.15	24,836.49	16,559.89	25,538.47	8,770.71	19,602.78
512,716.40	490,277.34	456,686.65	43,577.03	77,000.00	50,000.00	213,871.74	50,000.00
1,300.43	5,256.08	6,197.25	2,807.57	1,956.14	3,636.53	1,506.61	5,467.58
18,731,245.29	8,231,968.18	13,342,080.79	5,832,478.92	8,096,218.17	5,873,326.14	4,068,373.83	4,747,596.32
630,118.83	82,230.25	1,054,714.80	262,117.12	497,645.00	496.25	110,130.26	11,500.00
0	0	0	0	0	0	0	0
630,118.83	82,230.25	1,054,714.80	262,117.12	497,645.00	496.25	110,130.26	11,500.00
4,456,000.00	1,962,200.00	1,927,800.00	919,900.00	1,240,500.00	929,700.00	489,100.00	965,200.00
12,775,700.00	6,000,000.00	10,000,000.00	4,500,000.00	6,100,000.00	4,700,000.00	3,310,000.00	3,560,000.00
17,231,700.00	7,962,200.00	11,927,800.00	5,419,900.00	7,340,500.00	5,629,700.00	3,799,100.00	4,525,200.00
696,600.00	73,700.00	190,900.00	104,800.00	195,800.00	91,800.00	42,200.00	104,000.00
325,652.75	39,150.00	122,140.00	47,750.00	122,920.00	34,750.00	20,750.00	28,525.00
370,947.25	34,550.00	68,760.00	57,050.00	72,880.00	57,050.00	21,450.00	75,475.00
0	577,400.00	4,173,900.00	2,894,900.00	2,672,400.00	2,633,600.00	2,650,000.00	6,407,900.00
0	577,400.00	4,173,900.00	2,894,900.00	2,672,400.00	2,633,600.00	2,650,000.00	6,407,900.00
0	0	0	0	0	0	0	0
189,598.81	75,743.41	120,917.40	43,781.64	67,243.19	30,951.21	24,952.88	26,746.34
41,302.26	19,397.26	32,328.77	14,547.95	19,720.54	138,136.98	97,655.78	82,593.92
0	0	0	0	0	0	0	0
267,578.14	57,847.26	137,559.82	35,082.21	98,229.44	16,991.70	15,084.91	26,081.06
498,479.21	152,987.93	290,805.99	93,411.80	185,193.17	186,079.89	137,693.57	135,421.32
18,101,126.46	8,149,737.93	12,287,365.99	5,570,361.80	7,598,573.17	5,872,829.89	3,958,243.57	4,736,096.32
18,731,245.29	8,231,968.18	13,342,080.79	5,832,478.92	8,096,218.17	5,873,326.14	4,068,373.83	4,747,596.32

Growth and Lending Operations of the Federal Home Loan Bank System

DURING the first 2 months of 1935 repayments to the Federal Home Loan Banks amounted to nearly \$14,000,000, reducing the total amount of loans outstanding to \$77,170,049 at the end of February. This represents the smallest amount outstanding since October 1933, and may be compared with the peak of \$94,000,000 reached in February 1934. This increased volume of repayments was accompanied by a further decrease in the volume of new loans made, with the result that the Federal Home Loan Banks, at the end of February, had over \$30,000,000 cash lying unused.

As has been pointed out in previous issues of this REVIEW, the increase in repayments to the Federal Home Loan Banks reflects the liquidity which the operations of the Home Owners' Loan Corporation have given building and loan associations. These associations have obtained about \$1,000,000,000 in readily marketable bonds in exchange for slow loans. As a result, it is safe to say that building and loan associations are more liquid than they have been in years.

This condition points to the necessity for an intensive quest for new loans on the part of these thrift, home-financing institutions. Excessive liquidity is unnatural for building and loan associations. They are not deposit institutions, liable to unpredictable demands, but long-term investment agencies. Compared to the commercial paper in which banks invest, the long-term, amortized mortgages of building and loan associations constitute inevitably

“frozen” assets. They have no need for large cash reserves. One of the principal reasons for the establishment of the Federal Home Loan Bank System was to provide these home-financing institutions a reserve of cash on which to draw for unforeseen emergencies and to encourage them to re-invest immediately the cash flowing back to them constantly from their investments.

Idle cash is far more of a liability to building and loan associations than it is to banks because money costs the associations much more. The liquidity mania is, therefore, as expensive to building and loan associations as it is illogical. In periods of prosperity the general faith in future returns leads people to prefer investments rather than cash. Then, when the downward trend starts, cash becomes more important than investments. Soon the popular psychology accomplishes a complete about-face and everyone prefers cash to any investment, no matter how good. Until this attitude is reasonably modified business must stand still.

Business activity feeds upon itself. Loans provide work and activity and these in turn create a demand for more loans. Everyone realizes the extensive need for refinancing of home mortgages, particularly of short-term, straight mortgages, and no one any longer denies the expanding need for new home construction. It would be foolish to pretend that need alone is enough to create a market. Capacity to pay is equally essential. There are many home owners who could afford to carry a long-term loan if they could get their present short-term loan refinanced, and there

are many potential home owners who could afford to buy a home. The successful home-financing institution will be the institution that makes an active search for such desirable customers. That they can be found is proven by the experience of those institutions that are actively seeking and making loans. Many of them have reported to the Federal Home Loan Bank Board that they are finding a demand for good 40-percent, 50-percent, and 60-percent loans, representing the cream of the home-mortgage business. The resources of the Federal Home Loan Bank System will en-

able member institutions to take care of whatever demand for loans they may stimulate.

FEDERAL HOME LOAN BANK INTEREST RATES

FURTHER reduction in interest rates on advances to member institutions were made effective April 1 by the Pittsburgh, Winston-Salem, and Cincinnati Banks. Pittsburgh cut its effective rate on long-term loans from 4¼ percent to 4 percent, Winston-Salem from 4½ percent to 4 percent, and Cincinnati from 4¼ percent to 3½ percent (table 2).

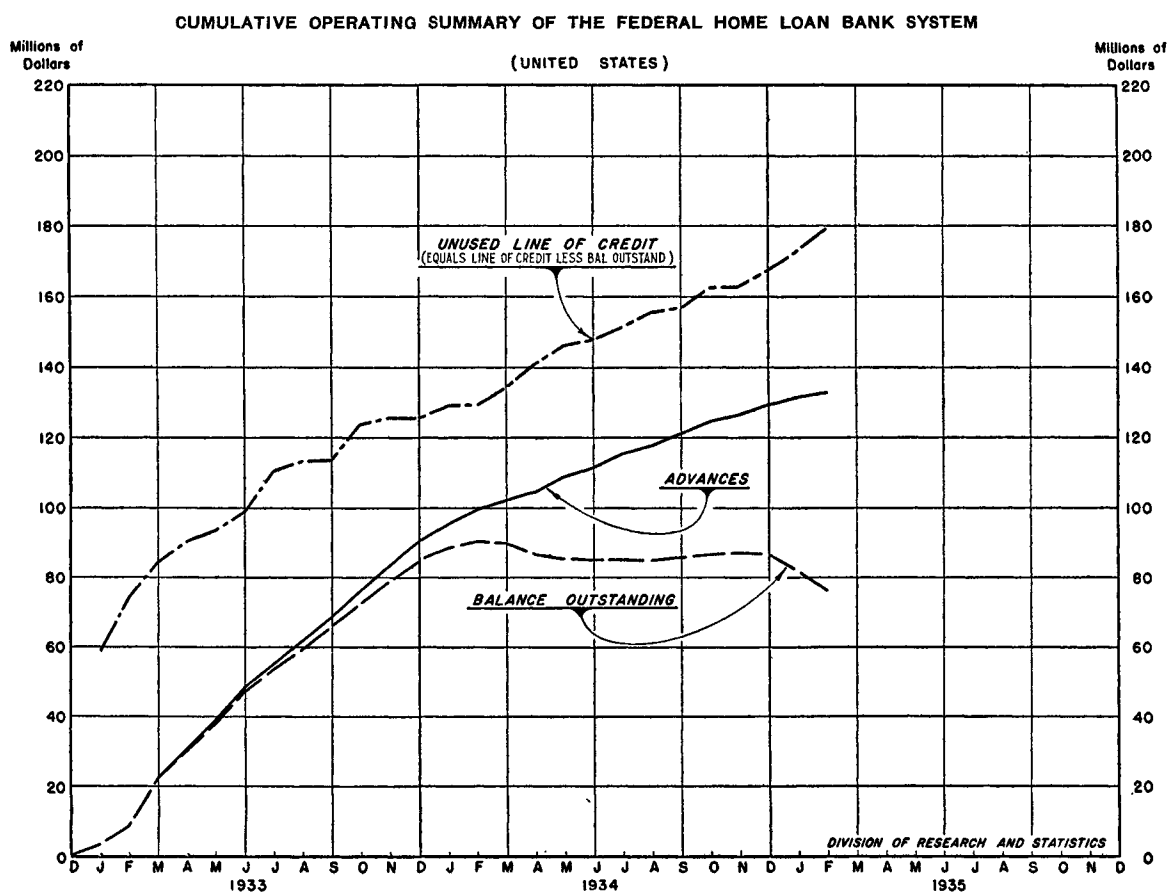


TABLE 1.—Growth, trend of lending operations, line of credit, and unused credit of the Federal Home Loan Bank System

Month	Members		Line of credit (cumulative) (000 omitted)	Loans advanced (cumulative) (000 omitted)	Loans advanced (monthly) (000 omitted)	Repayments (monthly) (000 omitted)	Balance outstanding at end of month (000 omitted)	Unused line of credit ¹ (000 omitted)
	Number	Assets (000 omitted)						
1932								
December	118	\$216, 613	\$23, 630	\$837	\$837	.....	\$837	\$22, 793
1933								
June.....	1, 337	1, 846, 775	146, 849	48, 817	8, 825	\$179	47, 579	99, 270
December	2, 086	2, 607, 307	211, 224	93, 865	8, 632	889	88, 442	122, 782
1934								
June.....	2, 579	3, 027, 999	232, 926	116, 467	3, 650	4, 243	86, 248	146, 678
December	3, 072	3, 305, 088	254, 085	133, 745	2, 904	3, 360	87, 258	166, 827
1935								
January.....	3, 131	3, 320, 975	254, 930	135, 978	2, 232	6, 905	82, 585	172, 345
February.....	3, 161	3, 332, 545	255, 836	137, 303	1, 326	7, 641	77, 170	178, 666

¹ Derived by deducting the balance outstanding from the line of credit.

NOTE.—All figures, except loans advanced (monthly) and repayments, are as of the end of month.

TABLE 2.—Interest rates, Federal Home Loan Banks; rates on advances to member institutions

Federal Home Loan Bank	Rate in effect on Apr. 1	Type of loan
	<i>Percent</i>	
1. Boston.....	3½	All loans written for 1 year or less. All loans for more than 1 year are to be written at 4 percent, but billed at 3½ percent during the period in which short-term loans carry this rate.
2. Newark.....	4	All loans.
3. Pittsburgh.....	4	All loans for 1 year or less. All loans for more than 1 year are to be written at 5 percent, but on authorization from borrowing members, the Bank will credit the interest charged their accounts with the difference between 5 and 4 percent per annum.
4. Winston-Salem.....	4	All loans secured by H. O. L. C. bonds.
	4	All loans for 12 months or less. All loans for more than 1 year are written at 4½ percent, but interest collected at 4-percent rate.
5. Cincinnati.....	3½	All loans written for 1 year or less. All loans written for longer periods will be at 4 percent, but billed at 3½ percent during the period in which short-term loans carry this rate.
6. Indianapolis.....	4	All secured loans.
	5	All unsecured loans.
7. Chicago.....	3½	All loans written for 1 year or less. All loans for more than 1 year are to be written at 4½ percent, but billed at 3½ percent during the period in which short-term loans carry this rate.
8. Des Moines.....	4	All loans secured by H. O. L. C. bonds.
	4	That portion of any loan in excess of \$250,000.
	4½	All other loans.
9. Little Rock.....	4	All loans.
10. Topeka.....	4	Do.
11. Portland.....	4	All loans secured by H. O. L. C. bonds (limit 1 year).
	4½	All other loans.
12. Los Angeles.....	3½	Loans written for 1 year or less that are made for the express purpose of meeting maturities, paying withdrawals, or the calling of higher-rate certificates.
	4½	All other loans.

Federal Savings and Loan Associations

THE Federal Home Loan Bank Board has received a number of letters from Federal savings and loan associations in all parts of the country describing the effect of federalization on their business. Extracts from these letters are given herewith. Attention is called especially to the success of the direct-reduction plan of loan amortization.

From an association in Kentucky:

The . . . First Federal Savings and Loan Association was organized as a State-chartered association in October 1915, converted into a Federal savings and loan association March 3, 1934, and insured October 29, 1934. . . . On November 18, 1930, the failure of a large bank in this city started a run on the association, which resulted in it getting over 1 year behind in paying withdrawals. . . . even when it caught up with its withdrawals . . . active advertising campaigns for new money were fruitless. . . .

We turned to federalization with the thought that it would help us regain public trust. Shortly before receiving Federal charter all applicants for withdrawals were notified to come to the office and get their money. The charter came and we immediately began to advertise in the newspapers and over the radio that we were doing business under a Federal charter.

The result was an entire change in the attitude of the public. We began to sell shares. Money accumulated so that we reluctantly paid off borrowed money to the Federal Home Loan Bank of Cincinnati. Assets reached the bottom in June, and since that time have been gradually increasing at the rate of an average of \$35,000 per month. While we admit an upturn in general business conditions in 1934, this has not enabled State-chartered associations of this State to overcome the liquidating movement and do new business. It was the prestige of the Federal charter and it alone that turned the tide. Insurance of shares came and speeded up business more.

Kentucky has the share-reduction loan, and we had operated on this plan for nearly 20 years. We hesitated about adopting the direct-reduction loan. . . . Of course, we see now that it is the

Federal Home Loan Bank Review

only type of loan with which we could have loaned out over \$600,000 in about a year of business. Prestige brought confidence and thrift business, the direct-reduction loan brought home-financing business.

Today we are doing business equal to some of the high business periods prior to November 1929. Of course, the public does not know intuitively that we are Federal, that our shares are insured, and that we lend on the direct-reduction plan. We advertise. . . .

Yours very truly,

(Signed) _____,
President.

From an association in New York:

. . . This association had been a State association for approximately 50 years at the time we federalized, but in common with other State associations, for 3 or 4 years had made no mortgages. Not only that, but we had been losing the confidence of our members, as was shown by the very substantial withdrawals.

Shortly before federalization, as a State association, we had withdrawal notices filed to the amount of \$2,700,000. A vigorous campaign, together with federalization, completely eliminated all of these notices so that at this time we are making repurchases on demand in any amount.

We are the only large savings and loan association in this city making a substantial number of mortgage loans. The consistent increase in payments on shares, together with the reduction in demands for repurchase, indicates a great restoration of confidence on the part of our members. . . .

(Signed) _____,
Secretary.

From an association in Oklahoma:

.
Permit me to say at the start that the Act providing for supervision of Federal savings and loan associations, passed by Congress on June 13, 1933, in my opinion, more nearly met the demand of shareholders and the public in general than anything that they have ever been offered

267

heretofore and, insofar as this institution is concerned, the public attitude is highly favorable and satisfactory.

When this association began talking federalization and in preparation of same, we had withdrawal notices on file in the approximate amount of \$1,059,000, which had been on file for a period of some 4 years. The fact that we have been able to retain approximately 50 percent of the total withdrawal notices canceled, in the association, even though these shareholders had waited for such a long period of time for their funds, is an accomplishment that seems nothing short of a miracle to me, and should convince any building and loan executive of the possibilities in store for the future of their institutions if they are progressive and soundly conducted.

We have been receiving new loan applications as fast as it is possible to handle them with present facilities. We have, at present, applications in excess of \$100,000. This amount was selected from two or three times that amount inspected by the association's appraisers.

The monthly reduction type loan, plus the insurance feature, Federal supervision, and a progressive and friendly attitude, in my opinion, will rehabilitate these home-financing institutions beyond doubt on a safer basis than has ever been possible prior to Government participation in this field. . . .

(Signed) _____,
President.

From an association in Colorado:

In answer to your inquiry concerning our experience since federalizing, I wish to state that we have had more and better applications for loans since receiving our Federal charter than at any time within the last 20 years.

Our charter was granted on March 6, 1934. On May 1 we opened our books as a Federal association and commenced making direct-reduction loans. Since that time we have placed on our books about \$65,000 of that class of loans.

In meeting the public we have found direct-reduction loans and Government supervision to be great talking points. When people find out that they are given books showing the exact amount of their indebtedness and the application of their funds to interest and principal with no mystery as to credits or debits, they are well pleased.

We find that when we offer our public monthly reduction loans backed by a Federal charter and Federal insurance we have a winning hand. To our investing shareholders a Federal charter, Federal inspection, and Federal insurance gives

an assurance of safety which completely satisfies them.

(Signed) _____,
Secretary.

From an association in Nebraska:

The doors of our institution have been open for business not quite 6 weeks. . . .

We are receiving funds every day from every conceivable source. We are getting large amounts from safety vaults, postal savings, home banks, and from savings accounts, where in this city the rate of interest has just been reduced. The satisfaction of the investing public is exactly 100 percent.

Our applications for loans for the most part represent choice security. . . . We are operating on the direct-reduction plan, which seems to be the long-looked-for millenium on the part of borrowers.

I have been identified with the mortgage banking business for some 15 years, representing loans for exacting eastern insurance companies and local private investors, and later I was the executive officer of one of our local building and loan associations, and in reviewing all of the various forms of investment and mortgages, it is my mature conclusion that the system of Federal savings and loan associations provides everything that could be desired, and in my judgment, will be one of the greatest factors in re-establishing normal business conditions.

(Signed) _____,
Secretary-Treasurer.

OPERATIONS OF FEDERALERS DURING FEBRUARY

A MORE than seasonal increase in new mortgage loans marked the operations of 150 converted and 395 new Federal savings and loan associations during February (table 1). These 545 associations loaned during the month a total of \$4,043,543, bringing the volume of business outstanding on their books at the end of February to \$95,943,168. In other words, their loans in a single month represented over 4 percent of the total of all loans outstanding at the end of the month. What is perhaps more striking evidence of expanding activity is that the 150 converted associations increased the *net* business on their books by 1¼ percent in the 4-week period.

The volume of mortgages made in February by the converted associations represented an increase of 29 percent over the January total, and by the new associations

an increase of 3 percent. These additional loans were accompanied and made possible by an increase of \$3,164,500 in subscriptions by the United States Treasury to shares in these associations.

Loans for refinancing represented 60 percent of all loans made during February. This may furnish a clue to the secret of the success of Federals in finding new business.

During February, 39 Federal savings and loan associations with total assets of

\$21,142,866 were granted charters (table 2). Of this number, 16 were new and 23 were converted from State-chartered associations. They are fairly well spread throughout the country, District No. 6 being the only one in which no additions took place during the month. These activities brought the total number of Federal associations to 727, of which 518 are new and 209 converted, with combined total assets of \$203,051,350.

TABLE 1.—Federal savings and loan associations—Combined summary of operations for February 1935 compared with January 1935

	395 new associations			150 converted associations		
	February	January	Change January to February	February	January	Change January to February
Total subscriptions at end of month:			<i>Percent</i>			<i>Percent</i>
Private share accounts.....	38,402	36,504	+5.2	136,464	137,751	-0.9
Shares privately subscribed.....	386,772	360,629	+7.3	1,972,246	2,012,878	-2.0
Shares per account (average).....	10	10	0	14.4	14.6	- .1
Share liabilities at end of month:						
Paid on private subscriptions.....	\$9,236,944	\$8,373,508	+10.3	\$95,210,647	\$95,473,412	- .3
Treasury subscriptions.....	9,146,300	7,754,800	+18.0	7,019,600	5,246,600	+33.8
Total.....	18,383,244	16,128,308	+14.0	102,230,247	100,720,012	+1.5
Average paid on private subscriptions..	242	229	+5.7	697	693	+ .6
Repurchases during month.....	216,858	123,398	+75.7	1,747,804	4,326,981	-59.6
Mortgage loans made during month:						
a. Reconditioning.....	209,541	224,672	-6.8	142,628	115,962	+23.0
b. New construction.....	442,566	387,005	+14.3	183,762	162,839	+12.8
c. Refinancing.....	1,250,361	1,211,364	+3.2	1,184,364	933,674	+26.9
d. Purchase of homes.....	254,220	269,833	-5.8	376,101	250,839	+50.0
Total for month.....	2,156,688	2,092,874	+3.0	1,886,855	1,463,314	+28.9
Loans outstanding end of month.....	15,931,030	13,706,171	+16.2	80,012,138	79,014,021	+1.3
Borrowed money from—						
Federal Home Loan Banks.....	748,097	555,518	+34.6	7,509,142	7,875,616	-4.6
Other sources.....	128,603	27,253	+372.0	1,670,775	1,666,510	+ .3
Total.....	876,700	582,771	+50.5	9,179,917	9,542,126	-3.8

¹ This total includes loans made for purposes other than those listed.

TABLE 2.—Number and assets of Federal savings and loan associations by Federal Home Loan Bank Districts and by States

	Number						Assets		
	Dec. 31, 1933	June 30, 1934	Dec. 31, 1934	Feb. 28, 1935			Feb. 28, 1935		
				Total	New	Con- verted	Total	New	Converted
District No. 1:									
Connecticut.....			5	5	4	1	\$180,387	\$32,356	\$148,031
Maine.....				1		1	553,063		553,063
Massachusetts.....		1	1	1	1		167,612	167,612	
New Hampshire.....									
Rhode Island.....									
Vermont.....									
Total.....	0	1	6	7	5	2	901,062	199,968	701,094
District No. 2:									
New Jersey.....		10	23	26	5	21	19,895,664	365,482	19,530,182
New York.....									
Puerto Rico.....									
Virgin Islands.....									
Total.....	0	10	23	26	5	21	19,895,664	365,482	19,530,182
District No. 3:									
Delaware.....									
Pennsylvania.....		10	15	18	17	1	743,697	422,413	321,284
West Virginia.....		7	11	13	8	5	5,644,092	173,031	5,471,061
Total.....	0	17	26	31	25	6	6,387,789	595,444	5,792,345
District No. 4:									
Alabama.....	2	7	13	13	13		299,196	299,196	
District of Columbia.....									
Florida.....	8	27	43	44	42	2	1,743,950	1,463,270	280,860
Georgia.....	3	7	19	24	17	7	1,230,825	303,015	927,810
Maryland.....			1	4		4	814,134		814,134
North Carolina.....		2	4	5	3	2	651,699	362,019	289,860
South Carolina.....	3	9	15	20	14	6	1,943,468	394,221	1,549,247
Virginia.....	2	4	7	10	7	3	1,026,785	71,684	955,101
Total.....	18	56	102	120	96	24	7,710,057	2,893,405	4,816,652
District No. 5:									
Kentucky.....	1	10	18	19	13	6	19,015,885	158,756	18,857,129
Tennessee.....		20	25	30	25	5	3,210,884	440,721	2,770,163
Ohio.....		8	18	25	17	8	15,999,642	1,783,317	14,216,325
Total.....	1	38	61	74	55	19	38,226,411	2,382,794	35,843,617
District No. 6:									
Indiana.....	3	18	22	22	22		1,283,839	1,283,839	
Michigan.....	2	6	9	9	9		554,562	554,562	
Total.....	5	24	31	31	31		1,838,401	1,838,401	
District No. 7:									
Illinois.....	2	21	49	53	15	38	19,564,337	878,607	18,685,730
Wisconsin.....		13	21	22	20	2	1,303,369	417,685	885,684
Total.....	2	34	70	75	35	40	20,867,706	1,296,292	19,571,414

TABLE 2.—Number and assets of Federal savings and loan associations by Federal Home Loan Bank Districts and by States—Continued

	Number						Assets		
	Dec. 31, 1933	June 30, 1934	Dec. 31, 1934	Feb. 28, 1935			Feb. 28, 1935		
				Total	New	Con- verted	Total	New	Converted
District No. 8:									
Iowa.....	2	16	23	23	18	5	\$1,014,274	\$335,738	\$678,536
Minnesota.....	3	13	18	20	15	5	2,639,311	57,821	2,581,490
Missouri.....	2	17	25	28	16	12	20,413,957	450,086	19,963,871
North Dakota.....		3	3	3	3		88,834	88,834	
South Dakota.....		1	3	3	2	1	729,008	27,304	701,704
Total.....	7	50	72	77	54	23	24,885,384	959,783	23,925,601
District No. 9:									
Arkansas.....	8	20	27	31	27	4	3,004,497	1,052,859	1,951,638
Louisiana.....	6	8	11	12	9	3	10,993,839	127,150	1,086,689
Mississippi.....	2	14	15	16	16		709,446	709,446	
New Mexico.....		1	9	9	9		148,522	148,522	
Texas.....	5	27	58	71	60	11	6,790,730	771,660	6,019,070
Total.....	21	70	120	139	121	18	21,647,034	2,809,637	18,837,397
District No. 10:									
Colorado.....	1	12	17	19	14	5	2,227,333	251,002	1,976,331
Kansas.....		7	15	17	12	5	1,193,008	259,506	933,502
Nebraska.....	1	6	7	10	8	2	384,829	150,275	234,554
Oklahoma.....		6	19	24	4	20	39,115,614	69,084	39,046,530
Total.....	2	31	58	70	38	32	42,920,784	729,867	42,190,917
District No. 11:									
Alaska.....			2	4		4	1,421,409		1,421,409
Idaho.....									
Montana.....									
Oregon.....	3	12	20	20	18	2	1,786,474	758,587	1,027,887
Utah.....			1	1	1		31,910	31,910	
Washington.....		16	22	24	10	14	12,434,108	636,760	11,797,348
Wyoming.....			1	1		1	269,874		269,874
Total.....	3	28	46	50	29	21	15,943,775	1,427,257	14,516,518
District No. 12:									
Arizona.....			1	1	1		5,265	5,265	
California.....		10	22	25	22	3	1,802,386	930,258	872,128
Hawaii.....		1	1	1	1		19,632	19,632	
Nevada.....									
Total.....		11	24	27	24	3	1,827,283	955,155	872,128
Total for system.....	59	370	639	727	518	209	203,051,350	16,453,485	186,597,865

Federal Savings and Loan Insurance Corporation

TEN State-chartered associations and 55 Federal associations were insured by the Federal Savings and Loan Insurance Corporation during the month extending from February 21 to March 20. The fact that most of the 10 State associations were in Louisiana, Ohio, Montana, and California, in which no State-chartered institutions had previously been insured, reflects the effort made by the Corporation to surmount the difficulties peculiar to each State. Once the first State-chartered association in any State is insured and a method of procedure established, the way is made easier for other associations desiring insurance.

In accordance with its purpose to simplify supervision wherever consistent with sound practice, the Board recently made a change in field examination procedure. This change provides for the elimination under certain conditions of the detailed information forms which are normally required from an applicant association and substitution of an immediate field examination by the Examining Division. The Board has also amended the rules governing the cost of examination, so that now associations will be billed for the entire cost instead of on an arbitrary basis as heretofore. This new procedure should prove fair both to the applicant and to the Corporation and should avoid the difficulties that have been presented in this connection.

Up to March 20, 692 institutions had received insurance, bringing the total number of insured shareholders up to 366,840. The combined assets of these associations totaled \$235,013,358, while the total share and creditor liabilities were \$213,260,847.

The number of applications for insurance received from State-chartered institutions increased 50 percent over the previous 30-day period. Up to March 20, applications had been received from 877 associations of all types.

The effects of insurance on investments in thrift institutions is shown by the following excerpts from letters sent to the Corporation.

From an association in Missouri:

. . . I think the public's attitude is best revealed by the fact that when we took our first steps toward conversion in 1933, we were only able to pay 15 percent per month on withdrawal notices. Sixty days after conversion, we had no notices more than 30 days old. We not only attracted new investors, but borrowers as well, as we completed \$44,000 in loans from the date of our conversion, June 30, to December 31.

We had believed that our largest problem would be to secure good loans for our funds, but at our regular board meeting, March 6, the board authorized \$35,800 in loans on 17 pieces of property with a total appraised valuation of \$70,000. Nearly \$10,000 of this amount goes for new construction or modernization.

Added to the prestige of our Federal charter, insurance of shares, which we secured late in December, is causing an increase in our number of stockholders and shares subscribed. We were able to lower our dividends December 31, from 5 percent to 4 percent without causing a single repurchase.

We believe the Federal program is the salvation of the building and loan business.

(Signed) _____,

Secretary.

The two following excerpts are from insured institutions in different sections of California:

Since the receipt of our insurance certificate we have more than doubled the amount of private investments in this association. We are becoming better known in this city and are getting increasingly more inquiries and are con-

stantly starting a few new accounts. During the first 3 business days of March we took in a little over \$4,000 in new money.

(Signed) _____,
Secretary.

. . . Since receiving our Insurance Certificate from the Federal Savings and Loan Insurance Corporation, we find that having this certificate is the main reason for our doing business in any volume today.

The response from the general public after they knew that our accounts were insured up to \$5,000 was to place with us an amount of money which far exceeded our fondest expectations. When they realize that their principal is protected they have no hesitancy in placing funds with us, and I have never in all my experiences seen such a favorable reaction toward anything as has been in our case here.

(Signed) _____,
Secretary.

Federal Savings and Loan Insurance Corporation—Applications received and institutions insured by monthly periods

APPLICATIONS RECEIVED

Date	Number of applications				Total assets		
	Total	New F. S. and L. A.	Converted F. S. and L. A.	State-chartered associations	New F. S. and L. A.	Converted F. S. and L. A.	State-chartered associations
From date of opening to Nov. 20, 1934.	456	320	102	34	\$6,913,220	\$75,834,632	\$49,728,735
From Nov. 21 to Dec. 20.....	99	58	25	16	564,269	39,709,824	19,308,688
From Dec. 21, 1934 to Jan. 22, 1935....	113	29	34	50	183,297	40,536,670	100,003,754
From Jan. 23 to Feb. 20.....	113	36	62	15	386,528	73,602,038	16,959,195
From Feb. 21 to Mar. 20.....	96	22	42	32	160,081	36,777,422	41,714,842
Grand total to Mar. 20.....	877	465	265	147	8,207,395	266,460,586	227,715,214

INSTITUTIONS INSURED

Date	Number			Number of shareholders	Share and creditor liabilities			Total assets	
	Total	New and converted F. S. and L. A.	State-chartered associations		Total	New and converted F. S. and L. A.	State-chartered associations	New and converted F. S. and L. A.	State-chartered associations
From date of opening to Nov. 20, 1934.....	284	283	1	.....	\$50,915,834	\$43,434,364	\$7,481,470	\$46,783,933	\$8,426,127
From Nov. 21 to Dec. 20.	143	141	2	.....	32,675,224	26,570,291	6,104,933	29,637,522	6,620,059
From Dec. 21, 1934 to Jan. 22, 1935.....	100	96	4 ¹	240,620	60,398,420	59,157,802	1,240,618	64,554,647	1,353,234
From Jan. 23 to Feb. 20..	82	82	0	48,645	33,068,555	33,068,555	0	36,878,051	0
From Feb. 21 to Mar. 20..	65	55	10	77,575	36,202,814	14,723,471	21,479,343	16,459,334	24,300,451
Grand total to Mar. 20.....	674	657	17	366,840	213,260,847	176,954,483	36,306,364	194,313,487	40,699,871

¹ Number of shareholders whose accounts were insured from date of opening to Jan. 22, 1935.

Home Owners' Loan Corporation

Applications received and loans closed by months

Month	Applications received (number)	Loans closed ¹	
		Number	Amount
1933			
From date of opening through Sept. 30	403, 114	593	\$1, 688, 787
October	129, 504	3, 424	10, 164, 678
November	99, 232	10, 946	31, 445, 827
December	90, 946	22, 286	62, 621, 051
1934			
January	123, 189	30, 339	86, 143, 838
February	136, 132	32, 940	93, 499, 995
March	168, 273	52, 260	150, 213, 639
April	145, 772	56, 172	171, 490, 768
May	119, 791	64, 172	208, 293, 766
June	97, 679	71, 768	223, 440, 191
July	66, 157	78, 046	235, 467, 606
August	72, 022	69, 738	202, 442, 864
September	39, 317	59, 240	179, 299, 857
October	35, 675	65, 813	201, 211, 532
November	14, 171	54, 468	170, 544, 562
December	² 2, 173	54, 036	169, 018, 847
1935			
January		54, 990	166, 836, 150
February		36, 542	104, 919, 941
Grand total to Feb. 28, 1935	1, 743, 147	817, 773	2, 468, 743, 899

¹ These figures are subject to adjustment.

² Receipt of applications stopped Nov. 13, 1934. The December figures are the result of various adjustments and audits of the number of applications received during the preceding months.

Reconditioning Division—Summary of operations June 1, 1934, to March 28, 1935 ¹

Period	Applica- tions re- ceived for recondi- tioning loans	Total contracts executed		Total jobs completed	
		Number	Amount	Number	Amount
June 1, 1934, to Dec. 27, 1934	464, 836	185, 229	\$32, 709, 701	134, 902	\$20, 732, 554
Dec. 28, 1934, to Jan. 31, 1935	32, 673	44, 809	7, 904, 126	13, 717	2, 840, 677
Feb. 1, 1935, to Feb. 21, 1935	13, 593	19, 649	3, 760, 685	7, 898	1, 931, 850
Feb. 22, 1935, to Mar. 28, 1935	28, 414	8, 897	1, 878, 240	12, 621	2, 404, 735
Grand total to Mar. 28, 1935	539, 516	258, 584	46, 252, 752	169, 138	27, 909, 816

¹ These figures are subject to correction.

Resolutions of the Board

I.—RECOMMENDING STATE LEGISLATION AFFECTING INSURED SHARES

In view of the double protection given investors in Federal savings and loan associations—through Federal regulation and examination of these institutions and Federal insurance of their shares—the Board feels that their shares are fully qualified to be legal investments for trust funds of all kinds. Consequently, to encourage a much-needed increase in the flow of funds into the home-financing field, the Board on March 4, passed the following resolution:

Be it resolved by the Federal Home Loan Bank Board that it is deemed desirable that legislation be enacted in all of the States to provide that all shares issued by any Federal Savings and Loan Association duly chartered by and under the supervision of the Federal Home Loan Bank Board, which shares are insured by the Federal Savings and Loan Insurance Corporation, shall be legal investments for trust funds of every kind and nature.

II.—AMENDING THE RULES AND REGULATIONS FOR THE INSURANCE OF SAVINGS AND LOAN ACCOUNTS AFFECTING THE LENDING AREA

Section 10 of the insurance regulations establishes the conditions under which an insured institution may make loans on properties situated more than 50 miles

from its principal office. Paragraph (4) of subsection (d) of section 10 reads:

“The amount of the loan shall not exceed 60 percent of the appraised value of the property.”

To enable a small number of building and loan associations that operate over wide areas in sparsely settled regions to acquire insurance, the Board has modified this requirement to permit such associations to grant loans up to $66\frac{2}{3}$ percent of appraised value. However, such loans may only be made on approval of the Board and with certain limitations. Also, when the property is other than a home or combination home and business property, the loan is restricted to 50 percent of the appraised value. The resolution reads as follows:

Be it resolved by the Board of Trustees of Federal Savings and Loan Insurance Corporation that paragraph (4) of subsection (d) of section 10 of the Rules and Regulations for Insurance of Savings and Loan Accounts be amended to read as follows:

“(4) The amount of the loan shall not exceed 60 percent of the appraised value of the property when secured by a home or a combination home and business property, and shall not exceed 50 percent of the appraised value of the property when secured by other improved real estate, provided, that upon application, the Board of Trustees may authorize loans up to $66\frac{2}{3}$ percent of the appraised value upon homes or combination homes and business properties in specified areas, where ability to service such loans is shown to the satisfaction of the Board of Trustees.”

Directory of Member, Federal, and Insured Institutions

Added during March

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN FEBRUARY 25, 1935, AND MARCH 23, 1935¹

(Listed by Federal Home Loan Bank Districts, States, and cities)

DISTRICT NO. 1

MASSACHUSETTS:

Boston:

The Union Co-Operative Bank of Boston, 39 Court Street.

NEW HAMPSHIRE:

Keene:

Keene Building & Loan Association.

DISTRICT NO. 2

NEW JERSEY:

Camden:

The Argonne Building & Loan Association, Broadway and Cooper Street.

Ocean City:

The Ocean City Building & Loan Association, 813 Central Avenue.

DISTRICT NO. 3

PENNSYLVANIA:

Cheltenham:

Rowland Building & Loan Association, Cheltenham Bank Building.

Philadelphia:

The Buckley Building & Savings Association, 1934-36 East Cumberland Street.

Trevoze:

Trevoze Building & Loan Association.

DISTRICT NO. 4

ALABAMA:

Huntsville:

Huntsville Building & Loan Association, 4 West Side of Square.

MARYLAND:

Baltimore:

The Lithuanian Hollins St. Hall Building & Loan Association, 851 Hollins Street.

Title Permanent Building & Loan Association, Incorporated, 447 East Twenty-fifth Street.

Union Square Building Association, Incorporated, 215 North Calvert Street.

¹ During this period 22 Federal savings and loan associations were admitted to membership in the System.

NORTH CAROLINA:

Mt. Gilead:

Peoples Mutual Building & Loan Association.

DISTRICT NO. 7

ILLINOIS:

Chicago:

Concordia Building & Loan Association, 815 West Sixty-third Street.

Karluy Tyn Building & Loan Association, 5100 Marshfield Avenue.

Slovak Building & Loan Association "Choc", 2434 South California Avenue.

Peru:

The Workmen's Loan Association of Peru, National Bank Building.

DISTRICT NO. 8

MINNESOTA:

Minneapolis:

Prudential Building & Loan Association, 111 South Fourth Street.

DISTRICT NO. 10

NEBRASKA:

Lincoln:

Fidelity Savings & Loan Association, 223 South Thirteenth Street.

Sidney:

Sidney Loan & Building Association.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN FEBRUARY 25, 1935, AND MARCH 23, 1935

NORTH CAROLINA:

Greensboro:

Greensboro Building & Loan Association.

PENNSYLVANIA:

Altoona:

Phoenix Building & Loan Association of Altoona, Pa.

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN MARCH 1, 1935, AND MARCH 27, 1935

(Listed by Federal Home Loan Bank Districts, States, and cities)

DISTRICT NO. 2

NEW YORK:

Rochester:

Equity Federal Savings & Loan Association of Rochester, 92 Portland Avenue (converted from Equity Cooperative Savings & Loan Association).

DISTRICT NO. 3

PENNSYLVANIA:

Philadelphia:

Germantown Federal Savings & Loan Association,
38 Maplewood Avenue.

Polish American Federal Savings & Loan Association of Philadelphia, 3173 Richmond Street (converted from The Polish American Savings-Building & Loan Association).

DISTRICT NO. 4

FLORIDA:

New Smyrna:

First Federal Savings & Loan Association of New Smyrna.

GEORGIA:

Brunswick:

Brunswick Federal Savings & Loan Association, 513 Gloucester Street (converted from Home Building & Loan Association).

MARYLAND:

Cumberland:

First Federal Savings & Loan Association of Cumberland, 66 Pershing Street (converted from The Midland Building & Loan Association, Incorporated).

VIRGINIA:

Covington:

Covington Federal Savings & Loan Association.

DISTRICT NO. 5

OHIO:

Columbus:

First Federal Savings & Loan Association of Columbus, 2369 West Broad Street (converted from The Hilltop Building & Loan Association).

TENNESSEE:

Kingsport:

Kingsport Federal Savings & Loan Association, First National Bank Building (converted from Kingsport Building & Loan Association).

DISTRICT NO. 6

INDIANA:

Muncie:

Muncie Federal Savings & Loan Association, Main & Walnut Streets (converted from Muncie-Peoples Savings & Loan Association and consolidated with Muncie Federal Savings & Loan Association).

South Bend:

South Bend Federal Savings & Loan Association, 214 Sherland Building.

DISTRICT NO. 7

ILLINOIS:

Chicago:

Oakley Federal Savings & Loan Association of Chicago, 2119 South Leavitt Street (converted from Oakley Building & Loan Association).

St. Paul Federal Savings & Loan Association of Chicago, 2116 West Twenty-second Street (converted from St. Paul Building & Loan Association).

Lansing:

First Federal Savings & Loan Association of Lansing (converted from Oak Glen Building & Loan Association).

Marengo:

Marengo Federal Savings & Loan Association (converted from Marengo Building & Loan Association).

Rock Island:

Black Hawk Federal Savings & Loan Association, 603 Safety Building (converted from Black Hawk Building & Loan Association).

WISCONSIN:

Columbus:

Columbus Federal Savings & Loan Association.

DISTRICT NO. 8

IOWA:

Independence:

Independence Federal Savings & Loan Association.

Iowa City:

First Federal Savings & Loan Association of Iowa City, 114 South Clinton Street.

DISTRICT NO. 9

ARKANSAS:

Little Rock:

Pulaski Federal Savings & Loan Association.

LOUISIANA:

Bastrop:

Bastrop Federal Savings & Loan Association, Franklin Street (converted from the Bastrop Building & Loan Association).

TEXAS:

Beaumont:

First Federal Savings & Loan Association of Beaumont (converted from Jefferson County Investment & Building Association).

DISTRICT NO. 10

COLORADO:

Canon City:

First Federal Savings & Loan Association of Canon City.

NEBRASKA:

Cozad:

First Federal Savings & Loan Association of Dawson County.

OKLAHOMA:

El Reno:

El Reno Federal Savings & Loan Association, 207 East Woodson (converted from El Reno Building & Loan Association).

Pawhuska:

Osage Federal Savings & Loan Association of Pawhuska (converted from Osage County Savings & Loan Association).

DISTRICT NO. 11

IDAHO:

Boise:

Boise Federal Savings & Loan Association (converted from State Building & Loan Association, Incorporated).

WYOMING:

Cheyenne:

Cheyenne Federal Savings & Loan Association, 402 East Seventeenth Street.

DISTRICT NO. 12

CALIFORNIA:

Laguna Beach:

First Federal Savings & Loan Association of Laguna Beach.

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN MARCH 1, 1935, AND MARCH 27, 1935

ALABAMA:

Selma:

Selma Federal Savings & Loan Association.

KENTUCKY:

Williamsburg:

Williamsburg Federal Savings & Loan Association.

OREGON:

Ashland:

Ashland Federal Savings & Loan Association.

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN MARCH 1, 1935, AND MARCH 27, 1935¹

DISTRICT NO. 5

OHIO:

Cincinnati:

Eagle Savings & Loan Association, 914 Main Street.

DISTRICT NO. 8

MISSOURI:

Nevada:

Farm and Home Savings & Loan Association of Missouri, 221 West Cherry Street.

DISTRICT NO. 9

LOUISIANA:

Baton Rouge:

Baton Rouge Building & Loan Association, 330 Florida Street.

Louisiana—Continued.

Baton Rouge—Continued.

The Capital Building & Loan Association, Corner Church and Florida Streets.

Citizens Building & Loan Association, 1210 Louisiana National Bank Building.

Jefferson Homestead Association, 545 Lafayette Street.

DISTRICT NO. 11

MONTANA:

Great Falls:

The Mountain States Building & Loan Association, 17 Third Street, North.

DISTRICT NO. 12

CALIFORNIA:

Monterey:

Educational Building & Loan Association, 449 Alvarado Street.

San Francisco:

Franklin Mutual Building & Loan Association, 995 Market Street.

Santa Cruz:

Santa Cruz County Building & Loan Association, 88 Pacific Avenue.

¹ During this period 50 Federal savings and loan associations were insured.

FEDERAL HOME LOAN BANK DISTRICTS

