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SUBSCRIPTION PRICE OF REVIEW

THE FEDERAL HOME LOAN BANK REVIEW is the Board's medium of communication with member institutions of the Federal Home Loan Bank System and is the only official organ or periodical publication of the Board. The REVIEW will be sent to all member institutions without charge. To others the annual subscription price, which covers the cost of paper and printing, is \$1. Single copies will be sold at 10 cents. Out side of the United States, Canada, Mexico, and the insular possessions, subscription price is \$1.40; single copies, 15 cents. Subscriptions should be sent to and copies ordered from Superintendent of Documents, Government Printing Office, Washington, D. C.

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Distribution of Urban Home Mortgages by Types of Lenders in Five States

AN ANALYSIS of nearly \$1,000,000,000 of urban home-mortgage loans refinanced by the Home Owners' Loan Corporation in five Eastern States reveals that the relative importance of different types of lenders in the home-financing field varies greatly even between adjoining States. In addition, very considerable differences among these States in the average size of home mortgages and in the use of junior mortgages are shown.

The five States in which loans of the Home Owners' Loan Corporation were analyzed by the Division of Research and Statistics of the Federal Home Loan Bank Board are New York, New Jersey, Connecticut, Ohio, and West Virginia. Table 1 shows the distribution of first, second, and third mortgages by type of mortgagee which the Corporation replaced. The distributions for each State are estimates based on large samples. Thus, in New York, 39,805 loans were analyzed and the results extended to include the 79,609 loans closed in that State up to May 21, 1936. In Connecticut, the analyzed sample was 5,048 and the results were extended to 10,283 loans; in New Jersey, the sample was 18,242 out of 36,343 loans; in Ohio, 32,035 loans were surveyed and the results extended to 97,413; and in West Virginia, the sample of 2,470 loans was extended to 9,068. It is believed that such large samples insure a high degree of accuracy in the estimates for the larger number of loans.

DOMINANT TYPES OF LENDERS

IN CONNECTICUT, banks of all types and trust companies dominated the home-mortgage field with 66.1 percent in number and 67.4 percent in volume of first mortgages held. (It is unfortunate that mutual savings banks were not listed separately from commercial

banks. Undoubtedly it is the savings banks rather than the commercial banks which account for the prominent position among mortgagees held by this group of institutions in both Connecticut and New York.) These same types of institutions also led in New York but not by such wide margins. They had 33 percent in number and 34.3 percent in volume of first mortgages. In New Jersey, however, the building and loan associations were well out in the lead with 51.5 percent in number and 48 percent in volume. In Ohio, banks and trust companies and building and loan associations divided almost equally 84 percent of the first-mortgage business. Banks and trust companies, building and loan associations, insurance companies, and individuals shared the bulk of the West Virginia urban first-mortgage business. This was the only State in which insurance companies were an important element among replaced mortgagees.

The prominent position among first-mortgage lenders occupied by individual lenders in all States except Ohio is worthy of comment. Individuals were far and away the most active lenders on second and third mortgages in every State. Except for the miscellaneous group, banks and trust companies followed individuals in the number and amount of junior mortgages held in all five States. These data refer, of course, to mortgages made in past years and do not necessarily reflect the comparative activity of different types of institutions currently making loans on homes in these States.

The limited volume of loans analyzed and the relatively small geographical area covered do not permit of the use of this material to indicate the distribution of mortgages by type of mortgagees for the

country as a whole. However, it is interesting to compare the distribution of the dollar amount of mortgages held in these five States with the estimated distribution of all urban home mortgages held in the United States at the end of 1934 which appeared in the March 1936 issue of the REVIEW. In making the comparisons it must be remembered that the Home Owners' Loan Corporation had already taken over an estimated 12.4 percent of all mortgages from other holders as of December 31, 1934.

| | Estimated distribution of dollar amount of all urban home mortgages in the United States as of December 31, 1934 | Estimated distribution of dollar amount of mortgages replaced by Home Owners' Loan Corporation in five Eastern States |
|--------------------------------------|--|---|
| | Percent | Percent |
| Individuals | 21.4 | 21.1 |
| Banks and trust companies | 23.7 | 32.4 |
| Building and loan associations | 23.1 | 24.3 |
| Insurance companies | 8.5 | 4.4 |
| Finance and mortgage companies | 6.1 | 9.5 |
| Home Owners' Loan Corporation | 12.4 | ----- |
| All others | 4.8 | 8.3 |
| | 100.0 | 100.0 |

JUNIOR MORTGAGES

TABLE 2 shows what proportions of the number and amount of all mortgages re-

placed in each State are made up of first, second, and third mortgages. The large proportion of second mortgages in New York and Connecticut are striking. In New York they represented 30.1 percent in number and 13.3 percent in amount of all mortgages replaced while in Connecticut the proportions were 32.4 percent in number and 15.1 percent in amount. Ohio had the lowest proportion of second mortgages refinanced with 10.8 percent in number and only 2.1 percent in amount.

Table 3 shows, by States, the average size of first, second, and third mortgages replaced. The variations are considerable, with New York leading in amount. First mortgages there averaged \$4,421 whereas in West Virginia they averaged only \$2,090. New Jersey and Connecticut followed New York rather closely in average size of mortgage while Ohio was much nearer West Virginia.

Except in New Jersey the largest average-sized first mortgages replaced were held by insurance companies. In New York, New Jersey, and Connecticut, the average size of first mortgages held by building and loan associations was the lowest; in Ohio and West Virginia, those held by individuals were the lowest in average size.

TABLE 1.—*Estimated distribution by types of mortgagee of urban home mortgages refinanced by the Home Owners' Loan Corporation in 5 Eastern States*

| Holder | 1st mortgages | | | | 2d mortgages | | | | 3d mortgages | | | |
|-------------------------|---------------|---------|---------------|---------|--------------|---------|--------------|---------|--------------|---------|-----------|---------|
| | Number | Percent | Amount | Percent | Number | Percent | Amount | Percent | Number | Percent | Amount | Percent |
| NEW YORK | 79,609 | 100.0 | \$351,955,888 | 100.0 | 34,640 | 100.0 | \$54,261,400 | 100.0 | 722 | 100.0 | \$858,048 | 100.0 |
| Individual | 20,993 | 26.4 | 81,272,374 | 23.1 | 25,888 | 74.8 | 39,452,014 | 72.7 | 572 | 79.2 | 662,088 | 77.2 |
| Bank and trust co. | 26,234 | 33.0 | 120,696,758 | 34.3 | 1,952 | 5.6 | 3,836,854 | 7.1 | 24 | 3.3 | 30,982 | 3.6 |
| Building and loan | 8,510 | 10.7 | 31,069,494 | 8.8 | 348 | 1.0 | 693,336 | 1.3 | 6 | .8 | 13,258 | 1.5 |
| Insurance co. | 3,496 | 4.4 | 18,952,494 | 5.4 | 32 | .1 | 44,320 | .1 | 0 | 0.0 | 0 | 0.0 |
| Fin. and mtg. co. | 13,178 | 16.5 | 68,664,334 | 19.5 | 872 | 2.5 | 1,178,014 | 2.2 | 2 | .3 | 2,180 | .3 |
| Estates | 1,836 | 2.3 | 7,826,618 | 2.2 | 732 | 2.1 | 1,198,762 | 2.2 | 34 | 4.8 | 53,524 | 6.2 |
| Miscellaneous | 4,928 | 6.2 | 21,094,096 | 6.0 | 4,470 | 12.9 | 6,791,782 | 12.5 | 70 | 9.7 | 66,656 | 7.8 |
| Unknown | 434 | .5 | 2,379,720 | .7 | 346 | 1.0 | 1,066,318 | 1.9 | 14 | 1.9 | 29,360 | 3.4 |
| NEW JERSEY | 36,343 | 100.0 | 153,673,736 | 100.0 | 9,337 | 100.0 | 14,159,300 | 100.0 | 92 | 100.0 | 116,365 | 100.0 |
| Individual | 7,777 | 21.4 | 30,641,380 | 19.9 | 6,639 | 71.1 | 10,111,197 | 71.4 | 57 | 62.1 | 77,349 | 66.5 |
| Bank and trust co. | 4,616 | 12.7 | 22,996,912 | 14.9 | 784 | 8.4 | 1,301,440 | 9.2 | 11 | 12.1 | 13,398 | 11.6 |
| Building and loan | 18,717 | 51.5 | 73,632,678 | 48.0 | 299 | 3.2 | 428,467 | 3.0 | 3 | 3.4 | 4,200 | 3.8 |
| Insurance co. | 691 | 1.9 | 3,526,173 | 2.3 | 19 | .2 | 23,807 | .1 | 0 | 0.0 | 0 | 0.0 |
| Fin. and mtg. co. | 2,181 | 6.0 | 12,737,040 | 8.3 | 280 | 3.0 | 378,280 | 2.7 | 2 | 1.7 | 1,536 | 1.0 |
| Estates | 690 | 1.9 | 2,840,040 | 1.8 | 159 | 1.7 | 235,638 | 1.7 | 0 | 0.0 | 0 | 0.0 |
| Miscellaneous | 1,308 | 3.6 | 5,480,520 | 3.6 | 998 | 10.7 | 1,428,138 | 10.2 | 11 | 12.1 | 11,682 | 10.1 |
| Unknown | 363 | 1.0 | 1,818,993 | 1.2 | 159 | 1.7 | 252,333 | 1.7 | 8 | 8.6 | 8,200 | 7.0 |

TABLE 1.—Estimated distribution by types of mortgagee of urban home mortgages refinanced by the Home Owners' Loan Corporation in 5 Eastern States—Continued

| Holder | 1st mortgages | | | | 2d mortgages | | | | 3d mortgages | | | |
|------------------------|---------------|----------|--------------|----------|--------------|----------|-------------|----------|--------------|----------|-----------|----------|
| | Num-ber | Per-cent | Amount | Per-cent | Num-ber | Per-cent | Amount | Per-cent | Num-ber | Per-cent | Amount | Per-cent |
| CONNECTICUT..... | 10,283 | 100.0 | \$38,590,832 | 100.0 | 5,010 | 100.0 | \$6,875,606 | 100.0 | 170 | 100.0 | \$181,059 | 100.0 |
| Individual..... | 1,769 | 17.2 | 6,039,366 | 15.7 | 3,397 | 67.8 | 4,718,433 | 68.7 | 118 | 69.5 | 96,052 | 53.2 |
| Bank and trust co..... | 6,797 | 66.1 | 26,018,916 | 67.4 | 581 | 11.6 | 974,918 | 14.1 | 23 | 13.4 | 62,537 | 34.4 |
| Building and loan..... | 535 | 5.2 | 1,679,900 | 4.4 | 45 | .9 | 55,710 | .8 | 0 | 0.0 | 0 | 0.0 |
| Insurance co..... | 103 | 1.0 | 558,054 | 1.4 | 5 | .1 | 2,760 | .1 | 0 | 0.0 | 0 | 0.0 |
| Fin. and mtg. co..... | 236 | 2.3 | 999,932 | 2.6 | 361 | 7.2 | 336,813 | 4.9 | 4 | 2.4 | 2,024 | 1.2 |
| Estates..... | 175 | 1.7 | 610,575 | 1.5 | 75 | 1.5 | 106,950 | 1.6 | 0 | 0.0 | 0 | 0.0 |
| Miscellaneous..... | 555 | 5.4 | 2,195,025 | 5.7 | 501 | 10.0 | 622,242 | 9.0 | 19 | 11.0 | 17,062 | 9.3 |
| Unknown..... | 113 | 1.1 | 489,064 | 1.3 | 45 | .9 | 57,780 | .8 | 6 | 3.7 | 3,384 | 1.9 |
| OHIO..... | 97,413 | 100.0 | 269,170,705 | 100.0 | 11,887 | 100.0 | 5,688,833 | 100.0 | 770 | 100.0 | 201,937 | 100.0 |
| Individual..... | 6,332 | 6.5 | 14,063,372 | 5.2 | 6,502 | 54.7 | 3,042,936 | 53.5 | 342 | 44.4 | 76,266 | 37.8 |
| Bank and trust co..... | 39,550 | 40.6 | 114,457,700 | 42.5 | 1,712 | 14.4 | 1,049,456 | 18.5 | 65 | 8.4 | 17,225 | 8.5 |
| Building and loan..... | 42,569 | 43.7 | 110,253,710 | 41.0 | 595 | 5.0 | 345,695 | 6.1 | 29 | 3.8 | 7,279 | 3.6 |
| Insurance co..... | 3,215 | 3.3 | 13,596,235 | 5.1 | 47 | .4 | 35,532 | .6 | 3 | .4 | 135 | .1 |
| Fin. and mtg. co..... | 682 | .7 | 1,898,688 | .7 | 475 | 4.0 | 192,850 | 3.4 | 3 | .4 | 231 | .1 |
| Estates..... | 390 | .4 | 932,100 | .4 | 262 | 2.2 | 159,820 | 2.8 | 25 | 3.3 | 4,750 | 2.4 |
| Miscellaneous..... | 4,675 | 4.8 | 13,968,900 | 5.2 | 2,294 | 19.3 | 862,544 | 15.1 | 303 | 39.3 | 96,051 | 47.5 |
| WEST VIRGINIA..... | 9,068 | 100.0 | 18,958,422 | 100.0 | 1,905 | 100.0 | 1,082,845 | 100.0 | 305 | 100.0 | 141,549 | 100.0 |
| Individual..... | 1,804 | 19.9 | 2,861,144 | 15.1 | 807 | 42.4 | 439,008 | 40.5 | 100 | 32.9 | 25,400 | 18.0 |
| Bank and trust co..... | 2,122 | 23.4 | 4,973,968 | 26.3 | 345 | 18.1 | 232,530 | 21.5 | 56 | 18.3 | 13,440 | 9.4 |
| Building and loan..... | 2,412 | 26.6 | 3,890,556 | 20.5 | 175 | 9.2 | 77,350 | 7.2 | 15 | 4.9 | 5,535 | 3.9 |
| Insurance co..... | 1,088 | 12.0 | 3,627,392 | 19.1 | 23 | 1.2 | 16,192 | 1.5 | 0 | 0.0 | 0 | 0.0 |
| Fin. and mtg. co..... | 336 | 3.7 | 722,064 | 3.8 | 55 | 2.9 | 47,465 | 4.5 | 0 | 0.0 | 0 | 0.0 |
| Estates..... | 100 | 1.1 | 190,300 | 1.0 | 50 | 2.6 | 36,750 | 3.3 | 4 | 1.2 | 1,104 | .8 |
| Miscellaneous..... | 1,206 | 13.3 | 2,692,998 | 14.2 | 450 | 23.6 | 233,550 | 21.5 | 130 | 42.7 | 96,070 | 67.9 |

TABLE 2.—Percentage distribution of urban home mortgages refinanced by H. O. L. C. in 5 Eastern States by priority of lien

| | 1st mortgages | | 2d mortgages | | 3d mortgages | |
|--------------------|---------------|--------|--------------|--------|--------------|--------|
| | Number | Amount | Number | Amount | Number | Amount |
| New York..... | 69.2 | 86.5 | 30.1 | 13.3 | .7 | .2 |
| New Jersey..... | 79.4 | 91.5 | 20.4 | 8.4 | .2 | .1 |
| Connecticut..... | 66.5 | 84.5 | 32.4 | 15.1 | 1.1 | .4 |
| Ohio..... | 88.5 | 97.8 | 10.8 | 2.1 | .7 | .1 |
| West Virginia..... | 80.4 | 93.9 | 16.9 | 5.4 | 2.7 | .7 |

TABLE 3.—Average amount of mortgages replaced by H. O. L. C. loans by States in 5 Eastern States

| State | Average unpaid balance | | |
|--------------------|------------------------|--------------|--------------|
| | 1st mortgages | 2d mortgages | 3d mortgages |
| New York..... | \$4,421 | \$1,566 | \$1,188 |
| New Jersey..... | 4,228 | 1,517 | 1,267 |
| Connecticut..... | 3,752 | 1,372 | 1,062 |
| Ohio..... | 2,763 | 478 | 262 |
| West Virginia..... | 2,090 | 568 | 464 |

A Summary of New Lending Features to Attract the Home-Owner Borrower

IN THE short period of four years since 1932, the home owner has moved out of a position of relative disadvantage among borrowers into the "most-favored customer" category. Prior to the depression he was largely at the mercy of a market in which the demand for money was greater than the supply, or in which new and rapidly expanding industries and other investments with promises of huge rewards had the first call on credit.

If, now, the position of the home-owner borrower has altered so much for the better, it is because of what seem to be fundamental changes in our economic situation. The depression brought home the fact that our frontier has disappeared. Our high degree of industrial development has, for the time being at least, limited the opportunities for new investments. Improvements in technical processes and changes in the financial structure of our large corporations have at the same time reduced the industrial demand for credit and increased the supply of credit available for general investment. Finally, the devaluation of the dollar coupled with gold importations has created a potential supply of credit two and one-half times as large as existed in 1929. In view of these circumstances, it is inevitable that financial institutions should look with new interest and new sympathy upon the hitherto neglected home owner whose need for funds seems to offer at once the greatest and the safest field for new investments.

As always happens whenever a large number of competing institutions discover a desirable market, intensive cultivation of

that market results. Success goes to the organization that sells the best product on the most favorable terms. Our financial institutions are for the first time faced with the fact that mortgage loans on homes are becoming a highly competitive product which must be *sold* to the home owner. Selling is facilitated not only by offering low interest rates, high-percentage loans, and long terms; it is facilitated also by offering inducements to home ownership such as protection against unsound construction and unwise investment.

Competitive selling of this sort means, necessarily, relatively lower returns on each loan. In compensation the lending institution must increase the safety of its investments and the volume of its business. Fortunately, protection of the borrower's interest, which is a potent factor in getting new business, is also perhaps the surest method of increasing the safety of the institution's investment. Thus, the lender has a double incentive to improve the product he has to sell to the borrower. As to increased volume of business, the practice of compensating for a narrow margin of return on the individual loan by increasing the number of loans made is merely the tardy application of the principle of mass production to the home-financing business.

AN ILLUSTRATION OF PROGRESSIVE FEATURES

A SYMBOL of the new attitude toward the home-owner borrower is furnished by a booklet called "Home Financing" recently issued by the First Federal Savings and Loan Association of Shreveport, Shreveport, Louisiana, in commemoration of its

fiftieth anniversary. The association was organized in 1887 as the Shreveport Mutual Building Association. Because it illustrates so many progressive features designed to attract borrowers, the REVIEW has obtained permission from Mr. Philip Lieber, president of the association, and who is also a past-president of the United States Building and Loan League, to summarize the contents of the booklet.

The frankness and completeness of information presented in "Home Financing" of itself must invite the confidence of borrowers and attract their business. The booklet's purpose is to explain the fundamental principles and processes of long-term home financing as well as to describe the specific services offered by the Shreveport association. Thus, it deals frankly with the confusion as to the effective costs of instalment lending which results from use of vague technical terms such as "5-percent discount". To show the reader what should be the month-by-month experience of loans at several rates of interest and with different monthly payments, 12 complete amortization tables on a \$10,000 loan are included. The tables show the amounts devoted to principal and interest and the balance outstanding each month during the life of the loan. Interest rates are $4\frac{1}{2}$ percent, 5 percent, $5\frac{1}{2}$ percent, and 6 percent. Terms for different tables range from 20 years down to 10 years.

Considerable space is devoted to an enumeration of the pitfalls attendant upon home construction and home financing. These give vivid emphasis to the value of the services offered by the association. It is instructive to list these services.

1. *Complete elimination of commissions, service fees, fines, and late collection charges.*

2. *Reduction of loan-closing charges to a minimum.* The total charge for all services including the appraisal with photograph and floor plan, title examination, and the recording of the mortgage is only

\$25. The association points out that this amount does not cover the cost of loan closing. Presumably the advertising appeal of this low cost justifies the institution in making up the deficit.

3. *The exclusive use of the direct-reduction plan of loan amortization*, which the association adopted in 1929. Each time the borrower makes a payment, the posting in his passbook is an itemized statement of the loan account showing the new balance due.

4. *Use of variable interest rates.* The association was one of the first in the country to adopt the policy of varying the interest rate according to the risk involved and the cost of servicing the loan. This plan permits the association to attract the highest-grade loans while at the same time serving those worthy borrowers who have less desirable securities.

5. *Maintenance of a low level of interest rates.* Effective interest rates charged by the association at present range from $4\frac{1}{2}$ percent to 6 percent. The purpose is to keep rates as low as is consistent with safety and a fair return to the shareholders and to permit the association to meet all competition.

6. *Term and percentage of loan.* Following the regulations prescribed for Federal savings and loan associations, the association will lend up to 75 percent of appraised value and for periods up to 20 years.

7. *Advisory home-building service and supervision of construction.* The association requires certain minimum standards in all construction it finances. Its building inspector checks the plans and submits an estimate of the value of the proposed improvements. During construction the inspector supervises the work to insure that it is meeting specifications. The association charges from one-half of 1 percent to 1 percent for this service. Inspection of construction was inaugurated in 1922 and has earned for the houses supervised by the association a superior rating in the commu-

nity. To protect itself as well as the borrower, the association has found it necessary to refuse to make a loan on a new home unless it has supervised the construction.

8. *Collection of taxes and insurance premiums as a part of the monthly payment.* As a service to its borrowers who find annual taxes difficult to pay in a lump sum, the association a number of years ago undertook to accept one-twelfth of the annual taxes and insurance premiums in addition to the regular monthly payments. At the end of the year, the association pays the borrower's taxes and premiums for him. The association makes no charge for its service, the use of which is optional with the borrower.

9. *Systematic appraisal practices.* A representative of the association photographs the property, records its measurements and floor plan, and estimates the cost of construction. A separate committee visits the property and makes a market-value appraisal.

10. *Prompt consideration of all applications.* If no unusual problems are involved, regular procedure permits the application to be passed on the second day after being received.

11. *A life insurance plan to pay off the mortgage in case of death of the borrower.* The association has arranged with a large, old-line life insurance company to write special, low-cost policies to cover the reducing balance due on the mortgage loan. It pays the premium for the borrowers and collects the amount in monthly instalments. This insurance feature is optional with the borrower and does not result in any profit nor commission for the association.

12. *Permission to pay off the entire loan or any part of it at any time without extra charge.*

13. *Facilities for easy transfer of loans.* In the event of sale of property securing a loan, the association permits transfer of the loan without any other ceremony than the appearance of the seller and the buyer at the institution's office to sign the necessary papers. The fee charged is 50 cents on each \$1,000 of original loan.

It is unnecessary to underline the extent to which the foregoing services must protect the association's investments and attract the most desirable borrowers. At the same time, they assure the home owner of a better home at lower cost than he could possibly obtain without them.

Neighborhood Standards as They Affect Investment Risk

This is the eleventh in a series of articles defining the neighborhood standards essential to safety of investment.

SPECIAL assessments have too often forced home owners to default on their mortgages and so have led to foreclosures. The losses suffered by lending institutions during the depression demonstrated the danger of lending on homes not supplied with the essential public services. They justify the rule that no loan should ever be made in a neighborhood nor on a home in which the essential services are not already installed or definitely provided for on terms that the buyer will be able to meet.

In an urban community the essential public facilities are sewers, water, graded and paved streets, electricity, gas, and telephone. The first four, at least, are as vital to successful home ownership as a leak-proof roof. Yet many home-financing institutions which would not think of lending on a dilapidated structure have readily financed properties lacking the facilities essential to sanitation, convenience, and comfort. The theory is, of course, that the home owner will himself see to their installation. Unfortunately, not one home buyer in a hundred realizes that the provision of the essential services represents about 20 percent of the total cost of the small single-family home.¹ In other words, if a man spends \$3,200 for his unserved house and lot, he may have to spend an additional \$800 to obtain the public facilities

essential to make the dwelling livable. It is no wonder, then, that thousands of home owners who have spread their means thin in order to budget the \$3,200 expenditure are forced under by the unforeseen special assessments to cover the costs of paving, sewers, and so on.

The cumulative effect of such involuntary defaults on the part of several homeowner borrowers from a single home-financing institution can be very serious. An illustration in point is furnished by a large savings and loan association, situated in a Middlewestern State, which the depression forced into liquidation. This association took over property on which it had loaned approximately \$2,000,000, only to find that the unpaid assessments and taxes exceeded both the value of the property and the balance of the principal outstanding on the loans. The association had no alternative but to turn the property over to the city in settlement of tax claims and write off a \$2,000,000 loss.

If mortgage loans on inadequately serviced homes have in the past proved costly to lending institutions, altered conditions seem bound to make them more so in the future. The trend toward higher-percentage loans, running for 15- and 20-year periods, and at lower interest rates, compels institutions to demand that the physical risk of the security be reduced to the minimum.

¹ See Planning for Residential Districts, Vol. 1, Reports of the President's Conference on Home Building and Home Ownership, pages 125, 151-162.

DISCOURAGEMENT OF HOME OWNERSHIP

THE dangers of financing homes unserved with public facilities are not limited to the risk of loss on the homes financed. Less readily measurable but perhaps none the less serious to lending institutions is the discouragement to home ownership in general resulting from the disillusionment suffered by purchasers of unserved homes. Pending the installation of adequate facilities the buyer must live under inconvenient and possibly insanitary conditions. He is faced with inevitable delays and disagreements with other property owners as to the character and quality of services and the dates of their installation. The alternate mud and dust in the streets and the makeshift sanitary facilities tend to defeat pride of appearance and to reduce the neighborhood to a suburban slum. Nothing discourages home ownership as much as disillusioned home owners. Every family victimized by substandard living conditions as well as by unforeseen special assessments is an argument against home ownership to many other families. The far-sighted home-financing institution will do all it can to avoid discouragement of the basic human desire for home ownership on which the success of its business depends.

SUGGESTED PROCEDURE

IN CONSIDERING what a home-financing institution can do to avoid these risks and evils, we find, as usual, different solutions required for entirely new subdivisions and for those already partly built up. A large

proportion of the sites in every city on which the new homes of the next few years will be built are undoubtedly in subdivisions already laid out but only partly served with the essential public facilities. These sites are frequently in favorable locations in relation to industry and transportation and from every point of view it is desirable that they should be utilized and that home-financing institutions should finance homes on them. However, to be rendered suitable for homes, these sites must be properly equipped with paved streets, sewers, water mains, gas mains, and electricity, and the cost charged to the homes served. To protect itself and the borrower, the lending institution must make sure that the borrower is able and willing to pay the eventual assessments for the provision of these facilities.

As stated at the beginning of this article, home-financing institutions should make no loans in *new* subdivisions on homes to which the essential facilities are not already available. The adoption of this rule by institutional home-mortgage lenders generally would probably do more than anything else both to insure adequate public services and to prevent unwise and wasteful subdivision. It is self-evident that land which cannot bear the cost of minimum facilities such as paving, water mains, and sewers is not ready for urban development.

In closing, it may be pointed out that the provision of adequate facilities constitutes no problem where a new subdivision is developed as part of or as a complete neighborhood unit.

Washington Association Reports on Test Installation of the Home-Building Service

THE success of a 3-month trial use of a home-building service for borrowers has determined the Perpetual Building Association of Washington, D. C. to continue the service permanently. Mr. E. C. Baltz, secretary of the association, who is also Second Vice President of the United States Building and Loan League, reports that the plan has already brought a number of desirable construction loans to the association, that it has increased the volume of regular business, shown exceptional promise as a means of bettering the association's investments, made friends and future business for the association, and even attracted new investors. Mr. Baltz's formal statement follows:

The Perpetual Building Association inaugurated a Home Building Service Department March 1, 1936. This step was taken after careful consideration of various available means of bettering the quality of our mortgage investments, reducing the percentage of loan rejections resulting from incompetent treatment of plan, design or specifications, and of increasing our volume of loans on choice small home properties.

With the aid of the Federal Home Loan Bank Board, national sponsors of the program, and the Washington Chapter of the American Institute of Architects, a mutual arrangement for technical service was worked out between a group of registered local architects (Architects Small Home Service of Washington) and our association. A number of attractive architectural designs for small homes were drawn by each architect and placed on display at our offices. The architects stood by to provide an advisory and supervisory service, including examination of the building site, adaptation of prepared plans to the prospect's home requirements, complete and detailed working drawings and specifications, taking of competitive contract bids and a

specified number of visits to the site to inspect materials and to supervise construction.

To acquaint the public with the program, a series of advertisements featuring the Plan was published in the five leading Washington dailies—advertisements appearing weekly both in financial sections and in the real estate and building sections of the Saturday and Sunday papers. A descriptive pamphlet was also prepared for distribution over the counter.

On May 30, 1936, after three months operation, over 1,000 persons had visited our offices in response to newspaper advertising. Of this total some 273 were recorded as prospective home builders—having a lot or cash and an active desire to proceed immediately with their homes. Some 184 prospects had revisited the association for further information, and some 65 prospects had reached the stage of conference with the architects.

About 20 prospects had reached the stage where architectural plans, complete specifications and competitive construction bids had been submitted to us with formal application for construction loan. We feel that the great majority of applications developed under the service will materialize into actual loans—and that the percentage of acceptable applications will be considerably higher than on our regular run-of-the-mill applications for construction loans, where, in many cases, poor design or unsuitable and insufficient specifications account for a restricted commitment, or a flat rejection.

In addition to the new business attracted directly to the Home Building Service Department, our advertising campaign has evidently increased our regular construction loan applications, as evidenced by actual construction loans made. As satisfied owners of homes built under this service become active points of promotion, a further substantial business in owner-built projects should come to us.

One helpful factor in connection with the handling of these home building service loans is the fact that we have available several com-

petitive bids from qualified contractors, thus enabling us to base our appraisal of the improvements on a carefully prepared construction bid rather than on a rough estimate.

Although it is apparent that the permanent benefits of the service are accumulative, Perpetual feels that the results to date amply justify the time, effort, and money invested. What is of the greatest importance, is the definite demonstration that the public will accept the building and loan association as the place to come for sound, disinterested home building advice and that a desirable loan market can be developed in low cost, custom built homes.

PERPETUAL BUILDING ASSOCIATION,
(Signed) E. C. BALTZ, *Secretary*.

Since the above report was made, a gratifying number of applications under the home-building service plan have been translated into loans closed and several houses are under construction. Further, additional prospects now in the hands of the architects are rapidly developing into the loan-closing stage, giving indication that the experimental period will bear fruit in a substantial volume of business.

SPECIAL PROBLEMS ENCOUNTERED

BECAUSE the vast majority of home-building service prospects are starting from

"scratch" they must be helped over several important decisions before they become prospective borrowers. This rather painstaking development of the prospect involves a technic new to most home-financing institutions and one which differs from that employed in dealing with the usual construction-loan applicant, where preliminaries such as plans, specifications, and estimated costs have already been determined before the loan was brought to the association.

Among the special problems which the trial of the home-building service by the Washington association brought to light were those of technically qualified personnel to handle applicants; appraisal of properties built under the plan; aiding applicants to secure suitable lots; and effective follow-up of leads. These subjects will be discussed in detail in subsequent issues of the REVIEW.

Effective advertising is, of course, vital to the success of the plan. The response to newspaper advertising used by the Perpetual was gratifying. A selected group of advertisements are reproduced on the accompanying page.

PERPETUAL Announces This New Home Building Service Plan

FOR THE BENEFIT
OF HOME BUILDERS
IN WASHINGTON
AND VICINITY

THE HOME BUILD-
ING SERVICE PLAN

This architectural advisory and supervisory service, is made available through the cooperation of the ARCHITECTS SMALL HOME SERVICE, which has the approval of the Washington D C Chapter of the AMERICAN INSTITUTE OF ARCHITECTS. The PLAN is for the benefit of those desiring to finance new homes through the PERPETUAL BUILDING ASSOCIATION.

It gives you a choice of appropriate designs, and provides technical inspection and supervision of construction, all at extremely low cost.

- 1 Insures efficient architectural design, sound materials and good workmanship.
- 2 Eliminates excessive cost due to faulty design and construction.
- 3 Reduces future repair bills, and gives longer life to the house.
- 4 Assures a house suited to its neighborhood.
- 5 Relieves the home-owner-builder of the detailed care usually required.
- 6 Assures the operative builder a more readily salable property

BETTER VALUE FOR
EVERY DOLLAR YOU
SPEND IN BUILDING
OR MODERNIZING
HOMES

To prospective builders of small homes, costing less than \$7500, extend an invitation to call at our offices, and inspect the variety of home plans especially prepared for the Washington area, by registered architects of the ARCHITECTS SMALL HOME SERVICE. We will gladly point out the many ways in which the HOME BUILDING SERVICE PLAN will save your money, and give sounder value in the property

REAL ESTATE LOANS
AS LOW AS
\$7.50
PER MONTH
ON \$1000

PERPETUAL BUILDING ASSOCIATION

11th AND E STREETS N. W. • ESTABLISHED 1881

ARTHUR G. BISHOP
Chairman of the Board

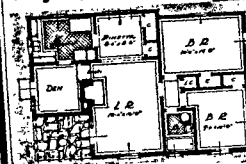
MARVIN A. CUSTIS
President

Member of Federal Home Loan Bank System, United States Building and Loan League, and the District of Columbia Building and Loan Association

LARGEST IN WASHINGTON • ASSETS OVER \$1,000,000

HALF The
RENT You're
Paying Now . .

\$35.
PER MONTH



Home building is
EASY through the
HOME BUILD-
ING SERVICE
PLAN. Let us at
plan its advantages
to you

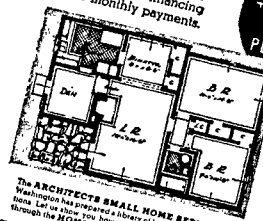
.. will BUY a home this size, through the
new HOME BUILDING SERVICE
PLAN. ✱ After your moderate initial
cash payment, this nominal monthly
outlay will buy and carry your home.

PERPETUAL BUILDING ASSOCIATION
11th AND E STREETS N. W. • ESTABLISHED 1881

What Price

an apartment
comparable
in size and
plan to this
HOME that
you can OWN
for as little as

\$35.
PER MONTH



The ARCHITECTS SMALL HOME SERVICE of
Washington D C has prepared a library of home design sugges-
tions. Let us show you how attractive homes are available
through the HOME BUILDING SERVICE PLAN.

PERPETUAL BUILDING ASSOCIATION
11th AND E STREETS N. W. • ESTABLISHED 1881

FREE YOURSELF of the Cares and Details of HOME BUILDING

through the new HOME BUILDING
SERVICE PLAN offered by PERPETUAL to
its home builders.

The PLAN offers you a complete architect-
ural advisory and supervisory service at
extremely low cost.

- Appropriate Design • Suitable
Materials • Good Workmanship are
assured to you through the profes-
sional guidance of the ARCHITECTS
SMALL HOME SERVICE.

A variety of attractive architectural designs to
choose from, and competent technical inspec-
tion and supervision of construction, assure full
value for every dollar you invest in your home.

Come in and find out about this low
cost service and our liberal policy of
home loans on soundly-built homes.

REAL ESTATE LOANS
AS LOW AS
\$7.50
PER MONTH
ON \$1000

PERPETUAL BUILDING ASSOCIATION
11th AND E STREETS N. W. • ESTABLISHED 1881

ARTHUR G. BISHOP
Chairman of the Board

MARVIN A. CUSTIS
President

EDWARD C. BALTZ
Secretary

Continuance of the Savings and Loan Division

THE Home Owners' Loan Act of 1933, as Amended, charged the Federal Home Loan Bank Board with the duty of encouraging local thrift and local home financing and of promoting, organizing, and developing savings and loan associations. To accomplish these tasks the Board established a Savings and Loan Division, including a body of field organizers.

The encouragement of local thrift and home financing since 1933 has been largely dependent on the rehabilitation of those thrift and home-financing institutions that were in distress. Frozen institutions had to be given some liquidity, withdrawal demands had to be met, funds made available for new loans, and above all, public confidence restored in this type of institution. The various features of the Federal program were designed to further these practical steps. Accordingly, the Savings and Loan Division adopted a 5-point program: (1) To give technical advice on the problems confronting savings and loan associations; (2) to aid associations in obtaining use of the facilities of the Federal Home Loan Banks; (3) to encourage and aid associations to get their share accounts insured; (4) to encourage and supervise the organization of new Federal savings and loan associations and the conversion of State-chartered associations that desired it; (5) to encourage and aid associations needing funds to obtain investments in their shares from the Home Owners' Loan Corporation.

The field agents of the Division are experienced savings and loan executives with a thorough knowledge of all aspects of the Federal program for aid and encouragement of the thrift and home-financing business. They have explained that program to local associations. They have given associations in difficulty the benefit of their counsel and of their experience with similar problems in other associations. They have appeared before directors' and stockholders' meetings to explain the nature and value of share insurance, segregation of assets, federalization, and similar steps contemplated by the directorate to rehabilitate their institution. They have helped associations to fill out the necessary forms and reports in connection with applications for bank membership, share insurance, federalization, and share purchase by the Corporation. By serving as contact men between local associations on one side and the Federal Home Loan Banks and the Board on the other, they have reduced misunderstandings and delays and contributed to the success of the program of rehabilitation.

The success of this work has led many savings and loan associations and organizations to request the Board to continue the Savings and Loan Division. The Fourteenth Annual Convention of the Southwest Building and Loan Group, held in Wichita, Kansas, in April, passed a unanimous resolution petitioning the Board to maintain the services of the Division. Re-

cently a large delegation of savings and loan executives came to Washington from West Virginia at their own expense to urge continuation of the work. The presidents of the 12 Federal Home Loan Banks also requested that the Division be retained.

The Board has acceded to these requests, particularly as the personnel of the Savings and Loan Division are also much needed to assist the Federal Home Loan Banks in the performance of their supervisory duties. They will be needed not only to assist in getting the Home Owners' Loan Corporation's funds properly in-

vested but also to represent the Corporation in the protection of these investments. They will perform a similar promotional and supervisory service for the Federal Savings and Loan Insurance Corporation. In view of this distribution of their duties, the Division with a reduced personnel will for the present be financed from three sources: (1) The Congressional appropriation authorized for this purpose in Section 6 of the Home Owners' Loan Act, as Amended; (2) the Federal Savings and Loan Insurance Corporation; and (3) the Home Owners' Loan Corporation.

Monthly Lending Activity of Savings and Loan Associations

DURING May, 2,660 savings and loan associations representing every State reported total new loans for all purposes of \$38,278,300. The number of associations actually making loans during the month was 2,066 while 594 reported no loans made. Combined assets of all reporting associations (for the most part as of May 31, 1936) were \$2,340,643,700.

The accompanying table breaks down by States and by Federal Home Loan Bank Districts the number and volume of loans and the purposes for which they were made. For the United States as a whole, the reporting associations made mortgage loans on 1- to 4-family nonfarm homes to 14,940 borrowers in the amount of \$34,263,900. Analyzing these nonfarm home

loans by purpose, we find 29.2 percent in dollar amount were for new construction; 33.3 percent, for the purchase of homes; 28 percent, for refinancing; and 9.5 percent, for reconditioning.

These percentages may be compared with the distribution of loans made in April when reporting associations devoted 25.4 percent for new construction and 35.1 percent for refinancing.

Because of the great value of these reports to the savings and loan business in making it possible to present the public with a concrete figure of business done, all associations are urgently requested to cooperate in making a full monthly return possible.

Monthly lending activity and total assets, as reported by 2,660 building and loan associations in May 1936

[Source: Monthly reports from building and loan associations to the Federal Home Loan Bank Board]

[Dollar amounts are shown in thousands of dollars]

| Federal Home Loan Bank Districts and States | Number of associations | | Loans made in May according to purpose | | | | | | | | | | Total assets, May 31, 1936 ² | |
|---|------------------------|----------------------|--|--------------|---|--------------|--------|-------------|------------------------------|--------|---------------------------|---------|---|------------------|
| | | | Mortgage loans on 1- to 4-family nonfarm homes | | | | | | Loans for all other purposes | | Total loans, all purposes | | | |
| | Construction | | Home purchase ¹ | | Refinancing and reconditioning ² | | | | | | | | | |
| | Submitting reports | Reporting loans made | Number | Amount | Number | Amount | Number | Amount | | Number | Amount | Number | | Amount |
| | | | | | | | | Refinancing | Reconditioning | | | | | |
| UNITED STATES..... | 2, 660 | 2, 066 | 3, 011 | \$10, 015. 1 | 4, 494 | \$11, 397. 9 | 7, 435 | \$9, 593. 6 | \$3, 257. 3 | 2, 617 | \$4, 014. 4 | 17, 557 | \$38, 278. 3 | \$2, 340, 643. 7 |
| No. 1—Boston..... | 148 | 131 | 176 | 659. 3 | 337 | 977. 5 | 598 | 727. 8 | 433. 7 | 196 | 272. 9 | 1, 307 | 3, 071. 2 | 257, 376. 4 |
| Connecticut..... | 31 | 24 | 50 | 153. 1 | 14 | 39. 4 | 63 | 143. 3 | 14. 4 | 5 | 3. 5 | 132 | 353. 7 | 15, 491. 5 |
| Maine..... | 17 | 14 | 7 | 10. 9 | 34 | 64. 7 | 40 | 27. 1 | 12. 7 | 10 | 13. 8 | 91 | 129. 2 | 10, 799. 5 |
| Massachusetts..... | 82 | 77 | 89 | 408. 9 | 197 | 633. 0 | 361 | 405. 3 | 353. 9 | 93 | 145. 5 | 740 | 1, 946. 6 | 195, 128. 2 |
| New Hampshire..... | 10 | 9 | 8 | 18. 1 | 27 | 56. 7 | 38 | 29. 9 | 14. 7 | 24 | 25. 6 | 97 | 145. 0 | 9, 215. 8 |
| Rhode Island..... | 4 | 4 | 16 | 45. 8 | 56 | 166. 6 | 66 | 65. 5 | 28. 1 | 46 | 35. 0 | 184 | 341. 0 | 24, 382. 6 |
| Vermont..... | 4 | 3 | 6 | 22. 5 | 9 | 17. 1 | 30 | 56. 7 | 9. 9 | 18 | 49. 5 | 63 | 155. 7 | 2, 358. 8 |
| No. 2—New York..... | 320 | 175 | 251 | 1, 061. 1 | 306 | 1, 057. 4 | 391 | 530. 3 | 229. 1 | 264 | 303. 1 | 1, 212 | 3, 181. 0 | 337, 118. 4 |
| New Jersey..... | 202 | 80 | 30 | 148. 1 | 52 | 160. 2 | 88 | 109. 3 | 72. 1 | 98 | 100. 6 | 268 | 590. 3 | 142, 781. 0 |
| New York..... | 118 | 95 | 221 | 913. 0 | 254 | 897. 2 | 303 | 421. 0 | 157. 0 | 166 | 202. 5 | 944 | 2, 590. 7 | 194, 337. 4 |

¹ Loans for home purchase include all those involving both a change of mortgagor and a new investment by the reporting institution on a property already built, whether new or old.

² Because many refinancing loans also involve reconditioning it has been found necessary to combine the number of such loans, though amounts are shown separately.

Amounts shown under refinancing include solely new money invested by each reporting institution and exclude that part of all recast loans involving no additional investment by the reporting institution.

³ Assets are reported principally as of May 31, 1936. A few reports have been submitted as of the first of the year.

*Monthly lending activity and total assets, as reported by 2,660 building and loan associations in May 1936—
Continued*

| Federal Home Loan Bank Districts and States | Number of associa- tions | | Loans made in May according to purpose | | | | | | | | | | | Total assets, May 31, 1936 |
|---|--------------------------------|----------------------|--|---------|--------------------|---------|-------------------------------------|-----------------|------------------------------------|--------|------------------------------|--------|---------------------|----------------------------|
| | Submitting reports | Reporting loans made | Mortgage loans on 1- to 4-family nonfarm homes | | | | | | Loans for all other purposes | | Total loans, all purposes | | | |
| | | | Construction | | Home pur- chase | | Refinancing and recon- ditioning | | Number | Amount | Number | Amount | | |
| | | | Number | Amount | Number | Amount | Number | Refinac- ing | | | | | Recondi- tioning | |
| No. 3—Pittsburgh. . . . | 276 | 146 | 51 | \$111.3 | 187 | \$420.8 | 247 | \$320.9 | \$127.2 | 73 | \$106.9 | 558 | \$1,087.1 | \$115,216.9 |
| Delaware. | 8 | 6 | 2 | 1.8 | 9 | 15.9 | 6 | 0.0 | 4.1 | 3 | 3.9 | 20 | 25.7 | 4,283.9 |
| Pennsylvania. | 246 | 121 | 26 | 62.0 | 148 | 349.8 | 162 | 218.8 | 80.5 | 54 | 87.6 | 390 | 798.7 | 98,690.7 |
| West Virginia. | 22 | 19 | 23 | 47.5 | 30 | 55.1 | 79 | 102.1 | 42.6 | 16 | 15.4 | 148 | 262.7 | 12,242.3 |
| No. 4—Winston- Salem. | 252 | 230 | 484 | 1,450.4 | 662 | 2,136.3 | 858 | 1,247.8 | 365.8 | 294 | 534.2 | 2,298 | 5,734.5 | 211,346.0 |
| Alabama. | 15 | 14 | 17 | 26.0 | 31 | 43.4 | 45 | 43.4 | 15.6 | 14 | 13.2 | 107 | 141.6 | 13,269.2 |
| District of Columbia. | 15 | 15 | 72 | 438.8 | 260 | 1,298.5 | 170 | 420.1 | 66.7 | 47 | 94.9 | 549 | 2,319.0 | 97,100.4 |
| Florida. | 46 | 41 | 84 | 319.6 | 63 | 172.3 | 103 | 140.8 | 44.3 | 21 | 93.5 | 271 | 770.5 | 10,913.6 |
| Georgia. | 40 | 37 | 78 | 154.1 | 52 | 100.6 | 115 | 146.9 | 39.6 | 29 | 24.1 | 274 | 465.3 | 9,539.8 |
| Maryland. | 37 | 31 | 35 | 112.0 | 99 | 226.4 | 90 | 168.3 | 45.5 | 23 | 68.0 | 249 | 620.2 | 31,277.7 |
| North Carolina. | 41 | 39 | 86 | 126.6 | 82 | 144.4 | 163 | 104.6 | 102.0 | 86 | 129.8 | 417 | 607.4 | 25,857.3 |
| South Carolina. | 31 | 28 | 73 | 165.9 | 32 | 56.8 | 87 | 88.3 | 28.7 | 25 | 48.2 | 217 | 387.9 | 8,841.9 |
| Virginia. | 27 | 25 | 39 | 107.4 | 43 | 93.9 | 85 | 135.4 | 23.4 | 47 | 62.5 | 214 | 422.6 | 14,546.1 |
| No. 5—Cincinnati. | 366 | 291 | 320 | 1,176.6 | 864 | 2,314.4 | 1,173 | 1,565.2 | 560.9 | 417 | 665.5 | 2,774 | 6,282.6 | 447,226.5 |
| Kentucky. | 56 | 51 | 38 | 106.6 | 91 | 185.9 | 218 | 245.1 | 121.4 | 113 | 90.2 | 460 | 749.2 | 41,312.2 |
| Ohio. | 275 | 209 | 191 | 911.8 | 744 | 2,079.4 | 768 | 1,070.3 | 361.0 | 287 | 557.6 | 1,990 | 4,980.1 | 396,016.1 |
| Tennessee. | 35 | 31 | 91 | 158.2 | 29 | 49.1 | 187 | 249.8 | 78.5 | 17 | 17.7 | 324 | 553.3 | 9,898.2 |
| No. 6—Indianapolis. | 153 | 132 | 129 | 404.4 | 312 | 490.0 | 749 | 546.7 | 302.9 | 243 | 290.7 | 1,433 | 2,034.7 | 147,490. |
| Indiana. | 111 | 94 | 53 | 113.5 | 231 | 341.2 | 586 | 396.6 | 215.9 | 140 | 115.1 | 1,010 | 1,822.3 | 68,450.1 |
| Michigan. | 42 | 38 | 76 | 290.9 | 81 | 148.8 | 163 | 150.1 | 87.0 | 103 | 175.6 | 423 | 852.4 | 79,040.6 |
| No. 7—Chicago. | 283 | 235 | 180 | 603.7 | 407 | 1,042.2 | 891 | 1,542.1 | 342.5 | 202 | 317.6 | 1,680 | 3,848.1 | 228,949.3 |
| Illinois. | 202 | 166 | 87 | 300.5 | 306 | 770.1 | 696 | 1,244.2 | 274.7 | 178 | 284.6 | 1,267 | 2,874.1 | 157,160.8 |
| Wisconsin. | 81 | 69 | 93 | 303.2 | 101 | 272.1 | 195 | 297.9 | 67.8 | 24 | 33.0 | 413 | 974.0 | 71,788.5 |
| No. 8—Des Moines. | 193 | 160 | 171 | 551.4 | 280 | 641.6 | 621 | 804.2 | 191.6 | 153 | 344.7 | 1,225 | 2,533.5 | 109,229.6 |
| Iowa. | 54 | 45 | 32 | 80.6 | 61 | 95.2 | 136 | 123.2 | 31.4 | 37 | 32.2 | 266 | 362.6 | 21,848.0 |
| Minnesota. | 43 | 32 | 47 | 195.4 | 71 | 187.4 | 185 | 291.2 | 90.1 | 34 | 186.2 | 337 | 950.3 | 20,039.3 |
| Missouri. | 74 | 65 | 74 | 244.1 | 120 | 307.6 | 250 | 350.8 | 51.8 | 63 | 75.3 | 507 | 1,029.6 | 60,524.2 |
| North Dakota. | 13 | 9 | 8 | 12.8 | 13 | 26.0 | 34 | 30.9 | 12.7 | 16 | 45.8 | 71 | 128.2 | 4,511.6 |
| South Dakota. | 9 | 9 | 10 | 18.5 | 15 | 25.4 | 16 | 8.1 | 5.6 | 3 | 5.2 | 44 | 62.8 | 2,306.5 |
| No. 9—Little Rock. | 228 | 192 | 287 | 753.9 | 323 | 668.3 | 443 | 447.6 | 174.6 | 156 | 185.3 | 1,209 | 2,229.7 | 108,487.0 |
| Arkansas. | 40 | 35 | 27 | 58.7 | 26 | 35.2 | 77 | 77.5 | 24.0 | 23 | 25.9 | 153 | 221.3 | 7,292.5 |
| Louisiana. | 45 | 38 | 82 | 264.1 | 160 | 400.2 | 82 | 74.7 | 69.4 | 35 | 68.5 | 359 | 876.9 | 57,548.6 |
| Mississippi. | 25 | 21 | 12 | 20.2 | 12 | 13.8 | 46 | 30.0 | 19.6 | 11 | 5.6 | 81 | 89.2 | 3,694.6 |
| New Mexico. | 11 | 9 | 11 | 21.0 | 3 | 5.3 | 12 | 13.5 | .8 | 11 | 17.1 | 37 | 57.7 | 1,772.5 |
| Texas. | 107 | 89 | 155 | 389.9 | 122 | 213.8 | 226 | 251.9 | 60.8 | 76 | 68.2 | 579 | 984.6 | 38,178.8 |
| No. 10—Topeka. | 179 | 147 | 208 | 633.3 | 357 | 680.5 | 564 | 496.4 | 262.7 | 276 | 396.0 | 1,405 | 2,468.9 | 147,021.7 |
| Colorado. | 33 | 28 | 43 | 160.5 | 32 | 60.0 | 72 | 84.0 | 23.3 | 23 | 24.0 | 170 | 351.8 | 9,898.7 |
| Kansas. | 72 | 60 | 57 | 159.2 | 101 | 180.3 | 158 | 139.1 | 65.4 | 67 | 112.4 | 383 | 656.4 | 46,411.0 |
| Nebraska. | 30 | 22 | 38 | 108.0 | 85 | 166.5 | 217 | 163.1 | 127.5 | 84 | 98.6 | 424 | 663.7 | 43,668.9 |
| Oklahoma. | 44 | 37 | 70 | 205.6 | 139 | 273.7 | 117 | 110.2 | 46.5 | 102 | 161.0 | 428 | 797.0 | 47,043.1 |
| No. 11—Portland. | 124 | 105 | 235 | 828.4 | 175 | 307.2 | 511 | 724.3 | 191.8 | 170 | 322.0 | 1,091 | 2,373.7 | 77,024.0 |
| Idaho. | 9 | 9 | 32 | 81.0 | 19 | 25.0 | 66 | 63.6 | 34.8 | 16 | 12.5 | 133 | 216.9 | 3,797.8 |
| Montana. | 14 | 13 | 31 | 95.7 | 20 | 32.1 | 26 | 23.9 | 11.5 | 36 | 71.0 | 113 | 234.2 | 9,885.8 |
| Oregon. | 26 | 22 | 42 | 266.6 | 26 | 45.6 | 123 | 254.1 | 43.4 | 28 | 90.0 | 219 | 699.7 | 17,309.1 |
| Utah. | 10 | 8 | 23 | 77.1 | 14 | 29.4 | 43 | 37.8 | 17.7 | 12 | 20.7 | 92 | 182.7 | 7,765.0 |
| Washington. | 40 | 36 | 93 | 275.4 | 82 | 149.7 | 218 | 311.6 | 73.1 | 63 | 103.7 | 456 | 913.5 | 25,419.4 |
| Wyoming. | 25 | 17 | 14 | 32.6 | 14 | 25.4 | 35 | 33.3 | 11.3 | 15 | 24.1 | 78 | 126.7 | 12,846.9 |
| No. 12—Los Angeles. | 138 | 122 | 519 | 1,781.3 | 284 | 661.7 | 389 | 640.3 | 74.5 | 173 | 275.5 | 1,365 | 3,433.3 | 154,157.2 |
| Arizona. | 2 | 2 | 2 | 4.6 | 0 | 0.0 | 15 | 24.9 | 0.0 | 0 | 0.0 | 17 | 29.5 | 439.6 |
| California. | 132 | 117 | 515 | 1,766.2 | 281 | 657.8 | 370 | 610.3 | 73.6 | 171 | 269.1 | 1,337 | 3,377.0 | 152,232.7 |
| Nevada. | 2 | 1 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0.0 | 1 | 4.0 | 1 | 4.0 | 209.4 |
| Hawaii. | 2 | 2 | 2 | 10.5 | 3 | 3.9 | 4 | 5.1 | .9 | 1 | 2.4 | 10 | 22.8 | 1,275.5 |

July 1936

365

77293—36—3

Residential Construction Activity in the United States

THE number of family-dwelling units authorized by permits in all cities of 10,000 and more population was slightly higher in May than in April but the estimated cost was slightly lower (chart 1 and table 1). During the month, 12,254 family-housekeeping units were authorized as compared with 12,098 in April. The estimated cost in May was \$47,719,600 compared with \$48,580,200 in April. Compared with May of last year, there was an increase of 64 percent in number and 77 percent in estimated cost of buildings authorized.

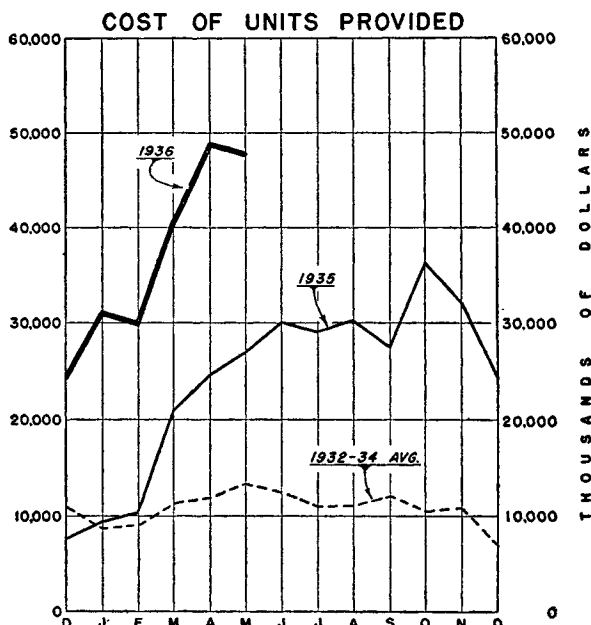
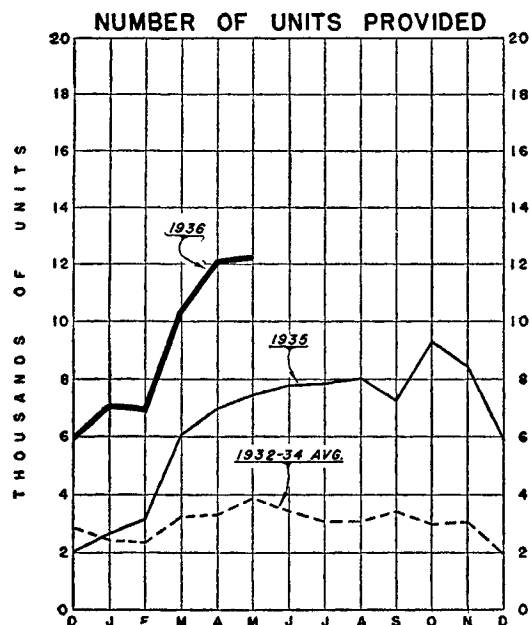
For the third month in succession the proportion of 1- and 2-family type structures remained high, with 77 percent of the total as compared with 23 percent for 3- or more-family structures. The average cost of 1-family dwellings authorized in May was \$4,315 compared with an average cost of \$4,044 in May 1935.

FORECLOSURES AND RENTALS

FORECLOSURES in metropolitan cities registered in May the first important decline since November 1935. The Federal Home

CHART 1.—NUMBER AND COST OF FAMILY DWELLING UNITS FOR WHICH PERMITS WERE GRANTED, BY MONTHS, IN CITIES OF 10,000 OR MORE POPULATION; 1936 COMPARED WITH SELECTED PERIODS

[Source: Federal Home Loan Bank Board. Compiled from residential building permits reported to U. S. Department of Labor]



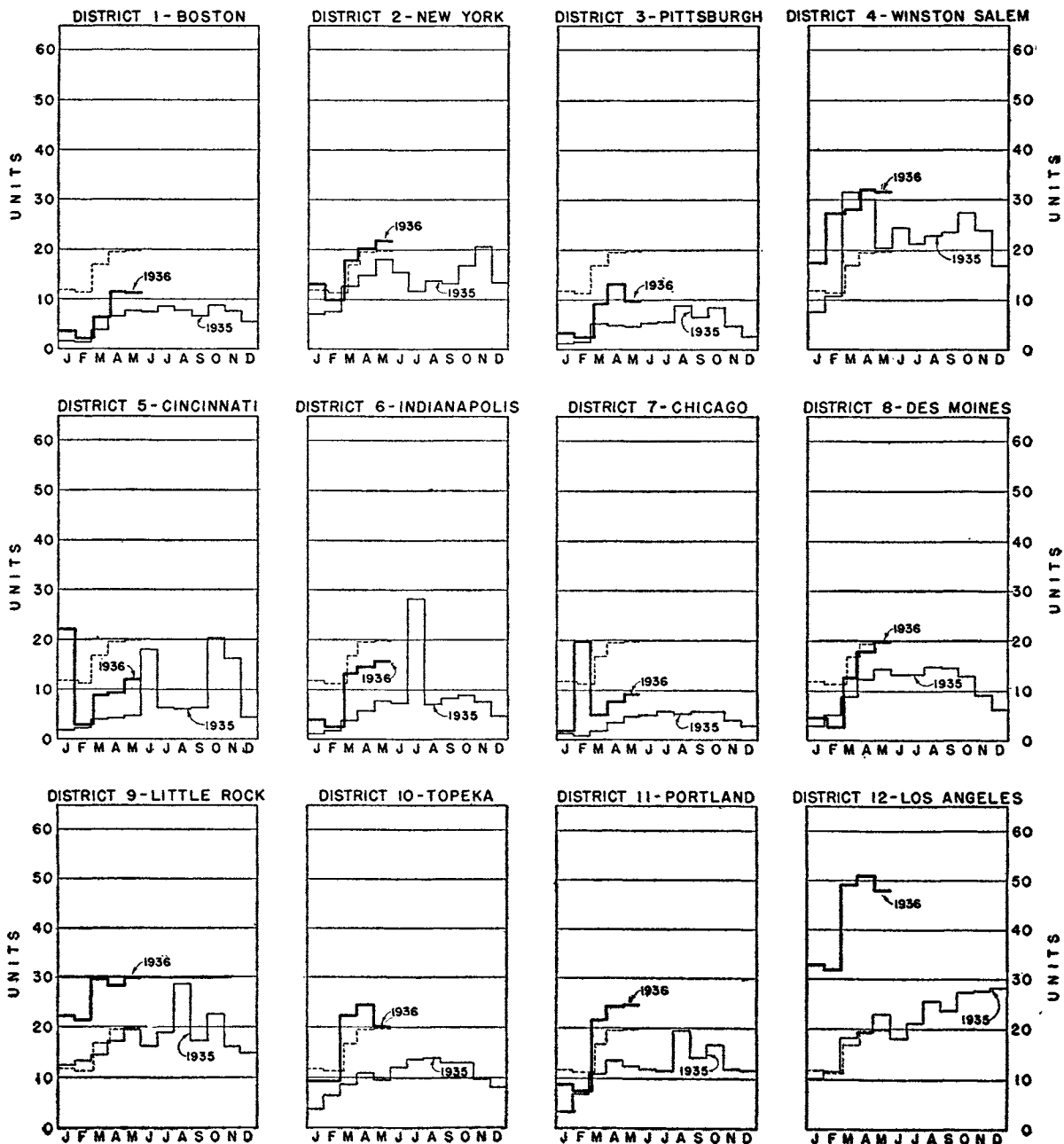
**CHART 2.—RATE OF RESIDENTIAL BUILDING IN THE UNITED STATES AND IN EACH FEDERAL HOME LOAN
BANK DISTRICT, BY MONTHS**

Represents the estimated number of family dwelling units provided per 100,000 population: based upon building permit records for
all cities of 10,000 or more inhabitants

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

- L E G E N D -

1935..... 1936.....
U.S. AVERAGE 1936.....



Loan Bank Board's index, based upon foreclosures in 78 large urban counties, declined from 302 percent of the 1926 base in April to 279 percent (preliminary figure) in May. The normal seasonal movement in May is a 3 percent rise.

Compared with May 1935 there were 31 percent less foreclosures in May 1936. Of the 78 counties included in the index only 32 reported increases over April while 42 reported decreases and 2 reported the same number of foreclosures.

Housing rentals as measured by the National Industrial Conference Board's index rose in May to 74.5 percent of the 1923-1925 base as compared with 73.4 percent in April and 67.3 percent in May a year ago. This index has risen without interruption for 28 months.

The Federal Reserve Board's adjusted index of industrial production for May was

101 percent of the 1923-1925 base, rising from 100 percent in April and from 85 percent in May 1935.

BUILDING ACTIVITY BY FEDERAL HOME LOAN BANK DISTRICTS

CHART 2 compares graphically the rate of building among Federal Home Loan Bank Districts. In May the rate fell off slightly from the April rate in the Boston, Pittsburgh, Winston-Salem, Topeka, and Los Angeles Districts. Seven Districts show a rate above the average for the United States.

Table 2 shows that the largest volume of residential building (as distinguished from rate of building) took place in New York and California with Texas a distant third and Michigan and the District of Columbia in fourth and fifth places.

TABLE 1.—*Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over in the United States in May 1936*¹

[Source: Federal Home Loan Bank Board. Compiled from residential building permits reported to U. S. Department of Labor]

| Type of structure | Number of family units provided | | | Total cost of units (thousands of dollars) | | | Average cost of family units | | |
|--|---------------------------------|----------|----------------|--|--------------|----------------|------------------------------|----------|----------------|
| | May 1936 | May 1935 | Percent change | May 1936 | May 1935 | Percent change | May 1936 | May 1935 | Percent change |
| All housekeeping dwellings.. | 12, 254 | 7, 465 | +64. 2 | \$47, 719. 6 | \$26, 973. 4 | +76. 9 | \$3, 894 | \$3, 613 | +7. 8 |
| Total 1- and 2-family dwellings..... | 9, 447 | 5, 531 | +70. 8 | 39, 732. 7 | 21, 737. 3 | +82. 8 | 4, 206 | 3, 930 | +7. 0 |
| 1-family dwellings..... | 8, 752 | 5, 074 | +72. 5 | 37, 768. 5 | 20, 520. 3 | +84. 1 | 4, 315 | 4, 044 | +6. 7 |
| 2-family dwellings..... | 650 | 432 | +50. 5 | 1, 750. 8 | 1, 122. 2 | +56. 0 | 2, 694 | 2, 598 | +3. 7 |
| Joint home and business ² ... | 45 | 25 | +80. 0 | 213. 4 | 94. 8 | +125. 1 | 4, 742 | 3, 792 | +25. 1 |
| 3- and more-family dwellings. | 2, 807 | 1, 934 | +45. 1 | 7, 986. 9 | 5, 236. 1 | +52. 5 | 2, 845 | 2, 707 | +5. 1 |

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

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

TABLE 2.—Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over, in May 1936, by Federal Home Loan Bank Districts and by States

[Source: Federal Home Loan Bank Board. Estimated from residential building permits reported to U. S. Department of Labor]

| Federal Home Loan Bank Districts and States | All residential dwellings | | | | All 1- and 2-family dwellings | | | |
|---|---------------------------------|----------|---------------------------------------|--------------|---------------------------------|----------|---------------------------------------|--------------|
| | Number of family-dwelling units | | Estimated cost (thousands of dollars) | | Number of family-dwelling units | | Estimated cost (thousands of dollars) | |
| | May 1936 | May 1935 | May 1936 | May 1935 | May 1936 | May 1935 | May 1936 | May 1935 |
| UNITED STATES..... | 12, 254 | 7, 465 | \$47, 719. 6 | \$26, 973. 4 | 9, 447 | 5, 531 | \$39, 732. 7 | \$21, 737. 3 |
| No. 1—Boston..... | 668 | 446 | 3, 149. 7 | 2, 030. 4 | 660 | 438 | 3, 121. 6 | 2, 015. 6 |
| Connecticut..... | 133 | 104 | 611. 1 | 459. 2 | 133 | 104 | 611. 1 | 459. 2 |
| Maine..... | 46 | 33 | 112. 5 | 86. 9 | 46 | 33 | 112. 5 | 86. 9 |
| Massachusetts..... | 342 | 224 | 1, 891. 6 | 1, 229. 5 | 334 | 220 | 1, 863. 5 | 1, 221. 0 |
| New Hampshire..... | 50 | 30 | 129. 2 | 71. 8 | 50 | 30 | 129. 2 | 71. 8 |
| Rhode Island..... | 84 | 40 | 335. 6 | 144. 3 | 84 | 40 | 335. 6 | 144. 3 |
| Vermont..... | 13 | 15 | 69. 7 | 38. 7 | 13 | 11 | 69. 7 | 32. 4 |
| No. 2—New York..... | 2, 909 | 2, 399 | 11, 393. 7 | 8, 053. 7 | 1, 367 | 902 | 6, 236. 0 | 3, 831. 4 |
| New Jersey..... | 307 | 220 | 1, 843. 2 | 1, 313. 3 | 260 | 220 | 1, 678. 8 | 1, 313. 3 |
| New York..... | 2, 602 | 2, 179 | 9, 550. 5 | 6, 740. 4 | 1, 107 | 682 | 4, 557. 2 | 2, 518. 1 |
| No. 3—Pittsburgh..... | 580 | 250 | 2, 847. 5 | 1, 296. 4 | 534 | 225 | 2, 758. 5 | 1, 221. 3 |
| Delaware..... | 27 | 7 | 194. 0 | 37. 0 | 27 | 7 | 194. 0 | 37. 0 |
| Pennsylvania..... | 470 | 190 | 2, 312. 7 | 1, 120. 8 | 435 | 179 | 2, 246. 2 | 1, 069. 0 |
| West Virginia..... | 83 | 53 | 340. 8 | 138. 6 | 72 | 39 | 318. 3 | 115. 3 |
| No. 4—Winston-Salem..... | 1, 576 | 998 | 5, 166. 3 | 3, 581. 5 | 1, 141 | 828 | 4, 211. 3 | 3, 203. 4 |
| Alabama..... | 58 | 32 | 126. 3 | 60. 8 | 48 | 32 | 111. 8 | 60. 8 |
| District of Columbia..... | 579 | 337 | 2, 111. 6 | 1, 642. 1 | 189 | 197 | 1, 231. 1 | 1, 333. 6 |
| Florida..... | 284 | 156 | 916. 5 | 506. 5 | 269 | 151 | 894. 0 | 498. 4 |
| Georgia..... | 119 | 87 | 365. 1 | 173. 6 | 119 | 82 | 365. 1 | 156. 1 |
| Maryland..... | 128 | 58 | 431. 1 | 221. 2 | 128 | 58 | 431. 1 | 221. 2 |
| North Carolina..... | 180 | 158 | 456. 6 | 409. 4 | 160 | 150 | 419. 1 | 397. 9 |
| South Carolina..... | 106 | 78 | 281. 1 | 237. 5 | 106 | 66 | 281. 1 | 205. 0 |
| Virginia..... | 122 | 92 | 478. 0 | 330. 4 | 122 | 92 | 478. 0 | 330. 4 |
| No. 5—Cincinnati..... | 658 | 252 | 3, 055. 8 | 1, 170. 1 | 571 | 252 | 2, 765. 5 | 1, 170. 1 |
| Kentucky..... | 107 | 48 | 369. 1 | 136. 5 | 91 | 48 | 336. 3 | 136. 5 |
| Ohio..... | 461 | 159 | 2, 384. 8 | 928. 2 | 390 | 159 | 2, 127. 3 | 928. 2 |
| Tennessee..... | 90 | 45 | 301. 9 | 105. 4 | 90 | 45 | 301. 9 | 105. 4 |
| No. 6—Indianapolis..... | 750 | 360 | 3, 853. 7 | 1, 769. 6 | 747 | 360 | 3, 852. 0 | 1, 751. 7 |
| Indiana..... | 134 | 70 | 508. 2 | 261. 7 | 131 | 70 | 506. 5 | 261. 7 |
| Michigan..... | 616 | 290 | 3, 345. 5 | 1, 507. 9 | 616 | 290 | 3, 345. 5 | 1, 490. 0 |
| No. 7—Chicago..... | 603 | 294 | 3, 085. 9 | 1, 366. 6 | 603 | 280 | 3, 085. 9 | 1, 328. 6 |
| Illinois..... | 297 | 91 | 1, 794. 2 | 485. 5 | 297 | 83 | 1, 794. 2 | 469. 6 |
| Wisconsin..... | 306 | 203 | 1, 291. 7 | 881. 1 | 306 | 197 | 1, 291. 7 | 859. 0 |

TABLE 2.—Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over, in May 1936, by Federal Home Loan Bank Districts and by States—Continued

| Federal Home Loan Bank Districts and States | All residential dwellings | | | | All 1- and 2-family dwellings | | | |
|---|---------------------------------|----------|---------------------------------------|-------------|---------------------------------|----------|---------------------------------------|-------------|
| | Number of family-dwelling units | | Estimated cost (thousands of dollars) | | Number of family-dwelling units | | Estimated cost (thousands of dollars) | |
| | May 1936 | May 1935 | May 1936 | May 1935 | May 1936 | May 1935 | May 1936 | May 1935 |
| No. 8—Des Moines..... | 721 | 510 | \$2, 568. 7 | \$1, 707. 8 | 616 | 493 | \$2, 370. 3 | \$1, 636. 0 |
| Iowa..... | 179 | 90 | 556. 8 | 260. 5 | 137 | 86 | 485. 9 | 224. 7 |
| Minnesota..... | 272 | 126 | 1, 024. 5 | 500. 3 | 231 | 126 | 977. 7 | 500. 3 |
| Missouri..... | 218 | 213 | 842. 3 | 820. 1 | 196 | 200 | 761. 6 | 784. 1 |
| North Dakota..... | 17 | 26 | 57. 1 | 66. 5 | 17 | 26 | 57. 1 | 66. 5 |
| South Dakota..... | 35 | 55 | 88. 0 | 60. 4 | 35 | 55 | 88. 0 | 60. 4 |
| No. 9—Little Rock..... | 968 | 626 | 2, 669. 4 | 1, 416. 3 | 824 | 576 | 2, 500. 6 | 1, 349. 2 |
| Arkansas..... | 20 | 11 | 42. 5 | 10. 2 | 20 | 11 | 42. 5 | 10. 2 |
| Louisiana..... | 108 | 41 | 349. 9 | 106. 3 | 108 | 41 | 349. 9 | 106. 3 |
| Mississippi..... | 67 | 30 | 390. 5 | 40. 9 | 67 | 20 | 390. 5 | 26. 4 |
| New Mexico..... | 41 | 26 | 73. 3 | 58. 6 | 26 | 22 | 51. 3 | 54. 1 |
| Texas..... | 732 | 518 | 1, 813. 2 | 1, 200. 3 | 603 | 482 | 1, 666. 4 | 1, 152. 2 |
| No. 10—Topeka..... | 405 | 190 | 1, 420. 4 | 605. 0 | 380 | 177 | 1, 376. 4 | 588. 9 |
| Colorado..... | 92 | 39 | 347. 1 | 170. 7 | 71 | 39 | 307. 1 | 170. 7 |
| Kansas..... | 91 | 33 | 297. 2 | 94. 2 | 87 | 33 | 293. 2 | 94. 2 |
| Nebraska..... | 72 | 32 | 241. 3 | 99. 9 | 72 | 32 | 241. 3 | 99. 9 |
| Oklahoma..... | 150 | 86 | 534. 8 | 240. 2 | 150 | 73 | 534. 8 | 224. 1 |
| No. 11—Portland..... | 402 | 199 | 1, 301. 4 | 551. 6 | 386 | 195 | 1, 223. 2 | 542. 5 |
| Idaho..... | 22 | 17 | 75. 9 | 43. 3 | 22 | 17 | 75. 9 | 43. 3 |
| Montana..... | 79 | 29 | 178. 8 | 75. 6 | 79 | 29 | 178. 8 | 75. 6 |
| Oregon..... | 54 | 29 | 190. 4 | 112. 2 | 54 | 29 | 190. 4 | 112. 2 |
| Utah..... | 44 | 16 | 161. 8 | 49. 6 | 44 | 16 | 161. 8 | 49. 6 |
| Washington..... | 174 | 88 | 565. 0 | 183. 8 | 168 | 84 | 547. 8 | 174. 7 |
| Wyoming..... | 29 | 20 | 129. 5 | 87. 1 | 19 | 20 | 68. 5 | 87. 1 |
| No. 12—Los Angeles..... | 2, 014 | 941 | 7, 207. 1 | 3, 424. 4 | 1, 618 | 805 | 6, 231. 4 | 3, 098. 6 |
| Arizona..... | 19 | 14 | 80. 6 | 33. 6 | 19 | 14 | 80. 6 | 33. 6 |
| California..... | 1, 982 | 921 | 7, 067. 0 | 3, 376. 8 | 1, 592 | 785 | 6, 105. 3 | 3, 051. 0 |
| Nevada..... | 13 | 6 | 59. 5 | 14. 0 | 7 | 6 | 45. 5 | 14. 0 |

Indexes of Small-House Building Costs

THE July costs of building the same typical 6-room house in the group of cities which previously reported in January and April are published in the accompanying table. The April and January figures represent final revisions for these months. It is believed that a reliable base figure has been established for each city so that variations in subsequent months will represent a true movement up or down in small-house building costs.

Of the 28 cities on which comparable data are available, 9 reported an upward movement in building costs between April and July in excess of 1 percent; 2 reported a downward movement in excess of this amount; and 17 reported no variations or variations of less than 1 percent. The largest increase of 11.4 percent, or 2.1 cents per cubic foot, was reported for Baltimore, Maryland. This increase was due principally to higher hourly wage rates for labor and secondarily to the rise of building materials prices from the competitive lows which prevailed in April. Roanoke, Virginia, reported an increase of 6.6 percent, or 1.3 cents per cubic foot, also due to higher hourly wage rates for labor. The same explanation accounts for increases of 3.3 percent in Peoria, Illinois, and of 3.9 percent in Oklahoma City, Oklahoma.

Comparing costs for July between cities, we find that Columbia, South Carolina, reports the lowest cost, with \$4,690 or 19.5 cents per cubic foot. At the other end of the scale, Chicago leads the list with \$6,628 or 27.6 cents per cubic foot. The three Illinois cities of Chicago, Peoria, and Springfield, with costs uniformly above \$6,400, are the only cities in which costs exceed \$5,900 or 25 cents per cubic foot.

ITEMS INCLUDED IN REPORTED COSTS

As was pointed out in the February REVIEW, the standard house on which construction costs are reported is not a completed house ready for occupancy. Those items whose nature and the provision of which vary greatly among cities, have been purposely excluded. The standard house includes all fundamental structural elements, a garage and cellar, insulation, and complete heating, plumbing, and electric wiring equipment. Such items of personal preference as wall-paper or other wall or ceiling finish on interior plastered surfaces, lighting fixtures, refrigerators, water heaters, ranges, screens, weather-stripping, and window shades are not included. The cost of the land as well as the cost of planting the lot and providing walks and driveways are not included, nor are the architect's fee, financing charges, nor building permit.

In addition to labor and material costs, compensation insurance, the costs of contractor's overhead and of transportation of materials, as well as 10 percent for the builder's profit are included. Fuller details on the standard house are given in the February 1936 issue of the REVIEW.

The building costs are reported from each city every three months by the technical field personnel of the Reconditioning Division of the Home Owners' Loan Corporation. Current prices on the same building materials list are obtained from local dealers, and prevailing hourly wage rates for the building trades from local contractors. A master labor "take off" is applied and the results are computed in Washington.

Total costs and cubic-foot costs of building the same standard house in representative cities in January, April, and July, 1936

[Source: Federal Home Loan Bank Board]

| Federal Home Loan Bank Districts, States, and cities | Total building cost | | | Cubic-foot cost | | |
|--|---------------------|----------|----------|-----------------|----------|----------|
| | July | April | January | July | April | January |
| No. 1—Boston: | | | | | | |
| Connecticut: | | | | | | |
| Hartford..... | \$5, 718 | \$5, 708 | \$5, 717 | \$0. 238 | \$0. 238 | \$0. 238 |
| New Haven..... | 5, 668 | 5, 530 | ..... | . 236 | . 230 | ..... |
| Maine: | | | | | | |
| Portland..... | 5, 104 | 5, 096 | 5, 093 | . 213 | . 212 | . 212 |
| Massachusetts: | | | | | | |
| Boston..... | 5, 732 | 5, 755 | 5, 691 | . 239 | . 240 | . 237 |
| New Bedford..... | 5, 727 | 5, 895 | ..... | . 239 | . 246 | ..... |
| New Hampshire: | | | | | | |
| Manchester..... | 5, 462 | 5, 416 | 5, 467 | . 228 | . 226 | . 228 |
| Rhode Island: | | | | | | |
| Providence..... | 5, 507 | 5, 543 | 5, 586 | . 229 | . 231 | . 233 |
| Vermont: | | | | | | |
| Rutland..... | 5, 356 | 5, 356 | 5, 372 | . 223 | . 223 | . 224 |
| No. 4—Winston-Salem: | | | | | | |
| Alabama: | | | | | | |
| Birmingham..... | 5, 155 | 5, 208 | 5, 149 | . 215 | . 217 | . 215 |
| District of Columbia: | | | | | | |
| Washington..... | 5, 060 | 5, 005 | 4, 937 | . 211 | . 209 | . 206 |
| Florida: | | | | | | |
| Tampa..... | 5, 184 | 5, 228 | ..... | . 216 | . 218 | ..... |
| West Palm Beach..... | 5, 885 | 5, 860 | 5, 898 | . 245 | . 244 | . 246 |
| Georgia: | | | | | | |
| Atlanta..... | 5, 374 | 5, 369 | 5, 380 | . 224 | . 224 | . 224 |
| Maryland: | | | | | | |
| Baltimore..... | 4, 910 | 4, 407 | 4, 493 | . 205 | . 184 | . 187 |
| Cumberland..... | 5, 670 | 5, 680 | 5, 632 | . 236 | . 237 | . 235 |
| North Carolina: | | | | | | |
| Asheville..... | 4, 752 | 4, 763 | 4, 791 | . 198 | . 198 | . 200 |
| Raleigh..... | 5, 056 | 5, 095 | 4, 991 | . 211 | . 212 | . 208 |
| South Carolina: | | | | | | |
| Columbia..... | 4, 690 | 4, 623 | 4, 494 | . 195 | . 193 | . 187 |
| Virginia: | | | | | | |
| Richmond..... | 4, 843 | 4, 544 | 4, 491 | . 202 | . 189 | . 187 |
| Roanoke..... | ..... | ..... | ..... | ..... | ..... | ..... |
| No. 7—Chicago: | | | | | | |
| Illinois: | | | | | | |
| Chicago..... | 6, 628 | 6, 608 | 6, 498 | . 276 | . 275 | . 271 |
| Peoria..... | 6, 464 | 6, 256 | ..... | . 269 | . 261 | ..... |
| Springfield..... | 6, 437 | 6, 437 | 6, 435 | . 268 | . 268 | . 268 |
| Wisconsin: | | | | | | |
| Milwaukee..... | 5, 459 | 5, 311 | ..... | . 227 | . 221 | ..... |
| Oshkosh..... | 5, 652 | 5, 542 | 5, 375 | . 236 | . 231 | . 224 |
| No. 10—Topeka: | | | | | | |
| Colorado: | | | | | | |
| Denver..... | 5, 842 | 5, 886 | ..... | . 243 | . 245 | ..... |
| Kansas: | | | | | | |
| Wichita..... | 5, 313 | 5, 313 | 5, 320 | . 221 | . 221 | . 222 |
| Nebraska: | | | | | | |
| Omaha..... | 5, 582 | 5, 582 | 5, 554 | . 233 | . 233 | . 231 |
| Oklahoma: | | | | | | |
| Oklahoma City..... | 5, 510 | 5, 302 | 5, 462 | . 230 | . 221 | . 228 |

Federal Home Loan Banks

TABLE 1.—Growth and trend of lending operations

| Month | Members | | Loans advanced (cumulative) (000 omitted) | Loans advanced (monthly) (000 omitted) | Repayments (monthly) (000 omitted) | Balance outstanding at end of month (000 omitted) | Borrowing capacity ² (000 omitted) |
|--------------------|---------|-----------------------------------|---|--|------------------------------------|---|---|
| | Number | Assets ¹ (000 omitted) | | | | | |
| December 1932..... | 118 | \$216, 613 | \$837 | \$837 | ..... | \$837 | ..... |
| December 1933..... | 2, 086 | 2, 607, 307 | 90, 835 | 7, 102 | \$859 | 85, 442 | ..... |
| December 1934..... | 3, 072 | 3, 305, 088 | 129, 545 | 2, 904 | 3, 360 | 86, 658 | ..... |
| December 1935..... | 3, 468 | 3, 131, 019 | 188, 675 | 8, 414 | 2, 708 | 102, 795 | ..... |
| 1936 | | | | | | | |
| January..... | 3, 501 | 3, 160, 048 | 193, 746 | 5, 071 | 5, 065 | 102, 800 | ..... |
| February..... | 3, 527 | 3, 193, 280 | 197, 530 | 3, 784 | 3, 642 | 102, 942 | \$875, 000 |
| March..... | 3, 543 | 3, 204, 696 | 202, 041 | 4, 511 | 4, 095 | 103, 358 | 875, 000 |
| April..... | 3, 587 | 3, 234, 130 | 207, 878 | 5, 837 | 3, 222 | 105, 972 | 875, 000 |
| May..... | 3, 610 | 3, 249, 671 | 215, 085 | 7, 207 | 2, 258 | 110, 922 | 875, 000 |

¹ Assets of member institutions are reported when they join the System and are subsequently brought up to date once a year as periodic reports are received either from the institutions or from State building and loan supervisors.

² Based upon the potential stock holdings and the legal borrowing capacity of member institutions.

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 institutions¹

| Federal Home Loan Bank | Rate in effect on July 1 | Type of loan |
|------------------------|--------------------------|---|
| | <i>Percent</i> | |
| 1. Boston..... | 3 | All advances. |
| 2. New York..... | 3¼ | All advances for 1 year or less. |
| | 3¾ | All advances for more than 1 year shall be written at 4 percent, but interest collected at 3¾ percent during 1936. |
| 3. Pittsburgh..... | 3½ | All advances for 1 year or less. All advances for more than 1 year are to be written at 4 percent, but until further notice credit will be given on all outstanding advances for the difference between the written rates of 5, 4½, or 4 percent and 3½ per centum per annum. |
| 4. Winston-Salem.... | 3½ | All advances, with the provision that the interest rate may be increased to not more than 4½ percent after 30-days written notice. |
| 5. Cincinnati..... | 3 | All advances. |
| 6. Indianapolis..... | 3 | All secured advances for 1 year or less. |
| | 3½ | All unsecured advances, none of which may be made for more than 6 months. |
| | 3½ | All secured advances for more than 1 year. |
| 7. Chicago..... | 3 | All secured advances are to be written at 3½ percent, but interest collected at 3 percent. |
| | 3½ | All unsecured advances. |
| 8. Des Moines..... | 3-3½ | On all advances up to \$1,000,000, the interest rate shall be 3½ percent. If the balance of loans outstanding to any one member equals or exceeds \$1,000,000, the interest rate thereon shall be at the rate of 3 percent. |
| 9. Little Rock..... | 3 | All advances. |
| 10. Topeka..... | 3 | Do. |
| 11. Portland..... | 3 | All advances to members secured by mortgages insured under Title II of National Housing Act. |
| | 3½ | All advances for 1 year or less. All advances for more than 1 year to be written at 4 percent, but interest collected at 3½ percent so long as short-term advances carry this rate. |
| 12. Los Angeles..... | 3 | All advances. |

¹ On May 29, 1935, the Board passed a resolution to the effect that all advances to nonmember institutions upon the security of insured mortgages, insured under Title II of the National Housing Act, "shall bear interest at rates of interest one half of 1 percentum in excess of the current rates of interest prevailing for member institutions."

FEDERAL HOME
Combined statement of

| | Combined | Boston | New York | Pittsburgh | Winston-Salem |
|--|----------------|---------------|----------------|---------------|---------------|
| ASSETS | | | | | |
| Cash: | | | | | |
| On hand..... | \$91,123.72 | \$500.00 | 0 | \$1,000.00 | \$10.00 |
| On deposit with U. S. Treasurer..... | 9,073,940.04 | 347,252.18 | \$1,629,917.42 | 27,070.56 | 1,249,528.11 |
| On deposit with other Federal Home Loan Banks... | 1,700,000.00 | 300,000.00 | 0 | 0 | 500,000.00 |
| On deposit with commercial banks..... | 1,821,443.66 | 367,669.93 | 107,377.33 | 31,990.44 | 12,289.39 |
| Cash in transit..... | 1,200.00 | 0 | 0 | 1,200.00 | 0 |
| Total cash..... | 12,687,707.42 | 1,015,422.11 | 1,737,294.75 | 61,261.00 | 1,761,827.50 |
| Loans outstanding: | | | | | |
| Members..... | 110,870,769.82 | 3,377,382.66 | 15,898,503.68 | 12,133,396.10 | 8,185,423.79 |
| Nonmember, secured by F. H. A. mortgages..... | 47,000.00 | 0 | 0 | 47,000.00 | 0 |
| Other..... | 3,766.46 | 0 | 0 | 0 | 0 |
| Total loans outstanding..... | 110,921,536.28 | 3,377,382.66 | 15,898,503.68 | 12,180,396.10 | 8,185,423.79 |
| Accrued interest receivable: | | | | | |
| Members..... | 464,918.57 | 13,881.72 | 65,970.20 | 55,267.68 | 38,023.95 |
| Nonmember..... | 103.20 | 0 | 0 | 103.20 | 0 |
| Other Federal Home Loan Bank deposits..... | 4,655.73 | 232.24 | 0 | 0 | 303.28 |
| Securities..... | 105,376.25 | 36,313.19 | 1,352.02 | 915.70 | 947.46 |
| Other..... | 1,401.39 | 0 | 0 | 0 | 0 |
| Total accrued interest..... | 576,455.14 | 50,430.15 | 67,322.22 | 56,286.58 | 39,274.69 |
| Investments, U. S. Government..... | 14,114,371.51 | 4,350,000.00 | 205,985.94 | 143,212.58 | 104,000.09 |
| Stock subscriptions receivable, members..... | 379,200.00 | 41,775.00 | 11,050.00 | 15,850.00 | 17,925.00 |
| Deferred charges: | | | | | |
| Prepaid assessment, F. H. L. B. B..... | 7,438.50 | 1,423.83 | 0 | 0 | 2,513.83 |
| Prepaid bond premium..... | 9,098.52 | 683.15 | 1,046.68 | 731.02 | 435.00 |
| Other..... | 2,945.68 | 0 | 1,391.67 | 0 | 126.00 |
| Total deferred charges..... | 19,482.70 | 2,106.98 | 2,438.35 | 731.02 | 3,074.83 |
| Other assets: | | | | | |
| Accounts receivable..... | 4,114.21 | 0 | 0 | 1,790.27 | 510.54 |
| Other..... | 1,255.87 | 0 | 0 | 0 | 504.89 |
| Total other assets..... | 5,370.08 | 0 | 0 | 1,790.27 | 1,015.43 |
| Total assets..... | 138,704,123.13 | 8,837,116.90 | 17,922,594.94 | 12,459,527.55 | 10,112,541.33 |
| LIABILITIES AND CAPITAL | | | | | |
| Liabilities: | | | | | |
| Deposits: | | | | | |
| Members, time..... | 6,863,120.08 | 1,164,444.73 | 1,336,300.00 | 102,812.69 | 183,600.00 |
| Members, demand..... | 1,639,377.09 | 0 | 20,000.00 | 0 | 0 |
| Applicants..... | 157,200.00 | 525.00 | 20,300.00 | 16,450.00 | 4,875.00 |
| Other Federal Home Loan Banks..... | 1,700,000.00 | 0 | 0 | 500,000.00 | 0 |
| Members' loan prepayment..... | 37,769.50 | 0 | 0 | 11,027.50 | 0 |
| Accrued interest: | | | | | |
| Members' deposits..... | 18,816.14 | 3,970.07 | 6,775.62 | 555.99 | 1,485.32 |
| Other Federal Home Loan Bank deposits..... | 2,087.43 | 0 | 0 | 2,087.43 | 0 |
| Accounts payable..... | 583.51 | 0 | 0 | 0 | 0 |
| Total liabilities..... | 10,418,953.75 | 1,168,939.80 | 1,383,375.62 | 632,933.61 | 189,960.32 |
| Capital: | | | | | |
| Capital stock, issued and outstanding: | | | | | |
| Fully paid: | | | | | |
| Members..... | 25,524,400.00 | 2,130,000.00 | 3,496,200.00 | 1,848,000.00 | 2,186,200.00 |
| U. S. Government: | | | | | |
| Subscriptions, authorized..... | 124,741,000.00 | 12,467,500.00 | 18,963,200.00 | 11,146,300.00 | 9,208,200.00 |
| Subscriptions, uncalled..... | 26,199,000.00 | 7,167,500.00 | 6,463,200.00 | 1,546,300.00 | 1,708,200.00 |
| Partially paid: | | | | | |
| Members..... | 98,542,000.00 | 5,300,000.00 | 12,500,000.00 | 9,600,000.00 | 7,500,000.00 |
| Total capital stock outstanding..... | 757,200.00 | 91,900.00 | 43,200.00 | 31,600.00 | 33,100.00 |
| Total capital..... | 124,823,600.00 | 7,521,900.00 | 16,039,400.00 | 11,479,600.00 | 9,719,300.00 |
| Surplus: | | | | | |
| Reserves: | | | | | |
| As required under section no. 16 of act..... | 1,389,307.61 | 67,843.94 | 194,400.20 | 146,609.47 | 00,015.02 |
| Surplus, unallocated..... | 2,072,261.77 | 78,433.16 | 305,419.12 | 200,384.47 | 103,265.99 |
| Total surplus..... | 3,461,569.38 | 146,277.10 | 499,819.32 | 346,993.94 | 203,281.01 |
| Total capital..... | 128,285,169.38 | 7,668,177.10 | 16,539,219.32 | 11,826,593.94 | 9,922,581.01 |
| Total liabilities and capital..... | 138,704,123.13 | 8,837,116.90 | 17,922,594.94 | 12,459,527.55 | 10,112,541.33 |

LOAN BANKS

condition as at May 31, 1936

| Cincinnati | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | Portland | Los Angeles |
|--|--|--|--|--|--|---|---|
| \$85,762.56 811,408.87 0 211,253.61 0 | 0 \$1,214,132.30 100,000.00 370,459.03 0 | \$3,266.16 893,173.46 0 537,696.82 0 | \$25.00 466,008.66 0 52,709.37 0 | \$25.00 346,663.86 0 0 0 | \$25.00 196,466.92 0 8,414.09 0 | 0 \$1,292,815.12 800,000.00 69,750.00 0 | \$510.00 599,502.58 0 51,833.65 0 |
| 1,108,425.04 | 1,684,591.33 | 1,434,136.44 | 518,743.03 | 346,688.86 | 204,906.01 | 2,162,565.12 | 651,846.23 |
| 19,066,998.46 0 0 | 4,741,568.00 0 0 | 18,871,155.39 0 0 | 6,514,905.09 0 0 | 7,831,579.01 0 0 | 5,583,029.97 0 0 | 3,133,107.92 0 0 | 5,533,719.75 0 3,766.46 |
| 19,066,998.46 | 4,741,568.00 | 18,871,155.39 | 6,514,905.09 | 7,831,579.01 | 5,583,029.97 | 3,133,107.92 | 5,537,486.21 |
| 60,499.84 0 0 9,166.66 0 | 24,458.33 0 1,213.11 15,674.80 1,395.83 | 86,865.61 0 0 705.62 0 | 30,363.33 0 0 6,510.13 0 | 28,207.57 0 0 14,719.63 0 | 24,570.84 0 0 7,458.33 0 | 12,570.15 0 2,907.10 6,345.02 0 | 24,236.35 0 0 5,267.69 5.56 |
| 69,666.50 | 42,742.07 | 87,571.23 | 36,873.46 | 42,927.20 | 32,029.17 | 21,822.27 | 29,509.60 |
| 1,004,573.42 111,875.00 0 796.00 875.83 | 2,051,734.38 32,950.00 0 595.85 0 | 156,611.18 85,025.00 3,500.84 1,431.44 0 | 1,060,312.53 2,700.00 0 607.38 0 | 2,416,725.00 6,900.00 0 776.13 0 | 850,000.00 18,475.00 0 667.91 0 | 1,099,575.00 3,025.00 0 650.02 0 | 671,641.39 31,650.00 0 677.9 552.18 |
| 1,671.83 | 595.85 | 4,932.28 | 607.38 | 776.13 | 667.91 | 650.02 | 1,230.12 |
| 166.95 0 | 63.00 15.81 | 0 734.17 | 0 0 | 308.45 1.00 | 0 0 | 0 0 | 1,275.00 0 |
| 166.95 | 78.81 | 734.17 | 0 | 309.45 | 0 | 0 | 1,275.00 |
| 21,363,377.20 | 8,554,260.44 | 20,640,165.69 | 8,134,141.49 | 10,645,905.65 | 6,689,108.06 | 6,420,745.33 | 6,924,638.55 |
| 805,100.00 775,488.10 18,675.00 600,000.00 26,742.00 | 13,981.71 208,628.47 23,375.00 0 0 | 2,996,880.95 0 9,650.00 0 0 | 240,000.00 0 16,025.00 0 0 | 0 169,091.92 1,200.00 0 0 | 20,000.00 71,815.57 375.00 0 0 | 0 80,838.92 125.00 0 0 | 0 313,514.11 45,625.00 600,000.00 0 |
| 28.11 0 0 | 0 0 0 | 5,242.05 0 0 | 724.15 0 0 | 0 0 0 | 34.83 0 0 | 0 0 0 | 0 0 583.51 |
| 2,226,033.21 | 245,985.18 | 3,011,773.00 | 256,749.15 | 170,291.92 | 92,225.40 | 80,963.92 | 959,722.62 |
| 5,443,600.00 12,775,700.00 0 | 2,007,600.00 6,577,400.00 577,400.00 | 2,837,800.00 14,173,900.00 0 | 1,191,400.00 7,394,900.00 894,900.00 | 1,429,500.00 8,772,400.00 0 | 1,097,500.00 7,333,600.00 2,033,600.00 | 573,200.00 5,960,000.00 300,000.00 | 1,283,400.00 9,967,900.00 5,507,900.00 |
| 12,775,700.00 239,700.00 | 6,000,000.00 62,400.00 | 14,173,900.00 118,700.00 | 6,500,000.00 4,900.00 | 8,772,400.00 16,100.00 | 5,300,000.00 33,500.00 | 5,660,000.00 5,800.00 | 4,460,000.00 76,300.00 |
| 18,459,000.00 | 8,070,000.00 | 17,130,400.00 | 7,696,300.00 | 10,218,000.00 | 6,431,000.00 | 6,239,000.00 | 5,819,700.00 |
| 277,528.27 400,815.72 | 108,966.28 129,308.98 | 191,361.62 306,631.07 | 69,305.97 111,786.37 | 102,362.17 155,251.56 | 49,250.17 116,632.49 | 37,345.98 63,435.43 | 44,318.52 100,897.41 |
| 678,343.99 | 238,275.26 | 497,992.69 | 181,092.34 | 257,613.73 | 165,882.66 | 100,781.41 | 145,215.93 |
| 19,137,343.99 | 8,308,275.26 | 17,628,392.69 | 7,877,392.34 | 10,475,613.73 | 6,596,882.66 | 6,339,781.41 | 5,964,915.93 |
| 21,363,377.20 | 8,554,260.44 | 20,640,165.69 | 8,134,141.49 | 10,645,905.65 | 6,689,108.06 | 6,420,745.33 | 6,924,638.55 |

July 1936

375

Federal Savings and Loan System

JUNE 13 marked the third anniversary of the enactment of the Home Owners' Loan Act which authorized the creation of "local mutual thrift institutions . . . to be known as 'Federal Savings and Loan Associations' ". Since the first Federal charter was granted on August 8, 1933, the number of such associations has grown steadily until by June 12, 1936, there were 1,118 with assets of \$618,161,783. These associations held private investments of \$420,419,612 and a Government investment of \$97,588,100. They had outstanding mortgage loans totaling \$456,048,077. They held \$38,033,275 in advances from the Federal Home Loan Banks, which was one-third of total Bank advances outstanding.

The progressive revival of the construction industry and of the real-estate market is reflected in the proportion of loans made for different purposes by the Federal associations in various periods (table 1). It will be noted that loans for refinancing have progressively decreased in relative amount, while loans for new construction have progressively increased until in May 1936 they held the lead for the first time.

The 1,006 Federal associations making comparable reports for April and May loaned a total of \$18,000,000 on mortgages during May (table 2). As a result of this

large volume of new loans, the combined net increase of business on the books of these associations amounted to 3.6 percent for the month. It is indicative of the vitality of the Federal associations that their urban-mortgage loans equaled more than half of the \$34,406,070 of urban-mortgage loans made by the country's 47 leading life insurance companies during May.

SCHEDULE OF PAYMENTS ON DIRECT-REDUCTION LOANS

FOR the convenience of associations making direct-reduction loans, the Savings and Loan Division has compiled tables showing the monthly payments necessary to mature a loan at several different rates of interest and different loan terms. The tables indicate the amount of fixed monthly payments required to repay a loan of \$100 where the interest rates, calculated on a monthly basis, are 5, 5½, 6, 6½, 7, 7.2, 7½, and 8 percent and for every period between 60 months and 240 months. By means of these tables an association may tell the borrower at the time of making a loan exactly how many uniform monthly payments will be required to repay the loan at a specified rate of interest. These tables will be sent to any association requesting them from its District Federal Home Loan Bank.

TABLE 1.—Percentage distribution of mortgage loans made by reporting Federal savings and loan associations according to purpose, for various periods

| Period | New construction | Refinancing | Reconditioning | Home purchase | Other purposes |
|--------------------------------|------------------|----------------|----------------|----------------|----------------|
| | <i>Percent</i> | <i>Percent</i> | <i>Percent</i> | <i>Percent</i> | <i>Percent</i> |
| 1934..... | 17.7 | 52.0 | 11.4 | 11.9 | 7.0 |
| 1935..... | 25.5 | 41.9 | 3.6 | 19.6 | 9.4 |
| First five months of 1936..... | 29.0 | 33.0 | 6.6 | 22.2 | 9.2 |
| May 1936..... | 31.0 | 29.0 | 7.7 | 24.0 | 8.3 |

TABLE 2.—*Federal Savings and Loan System—Combined summary of operations for May 1936 as compared with April 1936 for associations reporting in both months*

| | 576 new associations | | | 430 converted associations | | |
|---|----------------------|----------------|---------------------------|----------------------------|-----------------|---------------------------|
| | May | April | Change April to May | May | April | Change April to May |
| Share liability at end of month: | | | <i>Percent</i> | | | <i>Percent</i> |
| Private share accounts (number) . . | 94, 170 | 91, 006 | +3. 5 | 440, 030 | 437, 332 | + . 6 |
| Paid on private subscriptions | \$40, 203, 961 | \$38, 944, 455 | +3. 2 | \$320, 408, 319 | \$321, 159, 922 | — . 2 |
| Treasury and H. O. L. C. subscrip- tions | 42, 625, 700 | 39, 373, 500 | +8. 3 | 47, 324, 900 | 44, 348, 900 | +6. 7 |
| Total | 82, 829, 661 | 78, 317, 955 | +5. 7 | 367, 733, 219 | 365, 508, 822 | + . 6 |
| Average paid on private subscriptions . . | 427 | 427 | 0 | 730 | 733 | — . 4 |
| Repurchases during month | 469, 109 | 540, 421 | —13. 2 | 3, 431, 244 | 4, 191, 454 | —18. 1 |
| Mortgage loans made during month: | | | | | | |
| a. Reconditioning | 551, 337 | 461, 330 | +19. 5 | 823, 950 | 655, 076 | +25. 7 |
| b. New construction | 3, 150, 569 | 2, 721, 359 | +15. 8 | 2, 402, 700 | 2, 252, 231 | +6. 7 |
| c. Refinancing | 2, 127, 349 | 2, 384, 446 | —10. 8 | 3, 055, 953 | 3, 062, 023 | — . 2 |
| d. Purchase of homes | 1, 591, 550 | 1, 419, 564 | +12. 1 | 2, 695, 990 | 2, 487, 020 | +8. 4 |
| e. Other purposes | 415, 026 | 408, 235 | +1. 7 | 1, 076, 172 | 993, 118 | +8. 4 |
| Total for month | 7, 835, 831 | 7, 394, 934 | +6. 0 | 10, 054, 765 | 9, 449, 468 | +6. 4 |
| Loans outstanding end of month | 88, 513, 864 | 81, 816, 158 | +8. 2 | 316, 207, 947 | 308, 993, 927 | +2. 3 |
| Borrowed money as of end of month: | | | | | | |
| From Federal Home Loan Banks . . | 9, 805, 605 | 8, 856, 277 | +10. 7 | 25, 750, 061 | 24, 085, 124 | +6. 9 |
| From other sources | 160, 050 | 72, 150 | +122. 0 | 1, 962, 600 | 2, 406, 121 | —18. 4 |
| Total | 9, 965, 655 | 8, 928, 427 | +11. 6 | 27, 712, 661 | 26, 491, 245 | +4. 6 |

TABLE 3.—*Progress in number and assets of the Federal Savings and Loan System*

| | Number at 6-month intervals | | | | | Number | | Assets | |
|---------------------|-----------------------------|------------------|------------------|------------------|------------------|------------------|-----------------|----------------|-----------------|
| | Dec. 31, 1933 | June 30, 1934 | Dec. 31, 1934 | June 30, 1935 | Dec. 31, 1935 | Apr. 30, 1936 | May 31, 1936 | Apr. 30, 1936 | May 31, 1936 |
| New | 57 | 321 | 481 | 554 | 605 | 629 | 632 | \$91, 660, 794 | \$91, 685, 670 |
| Converted | 2 | 49 | 158 | 297 | 418 | 473 | 482 | 478, 690, 467 | 483, 275, 604 |
| Total | 59 | 370 | 639 | 851 | 1, 023 | 1, 102 | 1, 114 | 570, 351, 261 | 574, 961, 274 |

Federal Savings and Loan Insurance Corporation

SAVINGS and loan associations are turning increasingly to group advertising to inform the public of the existence and value of share insurance. The success of such cooperative efforts in New Orleans, in Seattle, and in the area centering in Portland, Oregon, has inspired insured associations in Texas, numbering 102, to establish a fund to finance a concerted advertising program. Also, insured associations in Little Rock, Arkansas, are formulating plans for a similar group campaign.

Thirty-three savings and loan associations, having paid their initial premium, were granted insurance by the Federal Savings and Loan Insurance Corporation between May 15 and June 15, 1936. They included 19 State-chartered associations, 9

Federal associations converted from State charters, and 5 new Federal savings and loan associations. These 33 associations have increased the total number of insured associations to 1,310 with assets of \$893,969,847 and representing the holdings of 994,500 shareholders.

During the same May-June period applications for insurance were received from 23 State-chartered associations, and from 12 converted and 9 new Federal savings and loan associations—bringing the total number of applications to 1,660. The decrease in assets between May 15 and June 15 of State-chartered associations applying for insurance is due to a transfer of several associations from the State-chartered to the converted Federal group.

Progress of the Federal Savings and Loan Insurance Corporation—Applications received and institutions insured

APPLICATIONS RECEIVED

| | Cumulative number at specified dates | | | | | Assets (as of date of application) | |
|-----------------------------------|--------------------------------------|---------------|---------------|--------------|---------------|------------------------------------|------------------|
| | Dec. 31, 1934 | June 30, 1935 | Dec. 31, 1935 | May 15, 1936 | June 15, 1936 | May 15, 1936 | June 15, 1936 |
| State-chartered associations..... | 53 | 188 | 351 | 471 | 494 | \$672, 749, 208 | \$653, 143, 227 |
| Converted F. S. and L. A. | 134 | 360 | 480 | 527 | 539 | 508, 625, 494 | 560, 441, 792 |
| New F. S. and L. A. | 393 | 517 | 575 | 618 | 627 | 13, 529, 616 | 14, 014, 329 |
| Total..... | 580 | 1, 065 | 1, 406 | 1, 616 | 1, 660 | 1, 194, 904, 318 | 1, 227, 599, 348 |

INSTITUTIONS INSURED ¹

| | Cumulative number at specified dates | | | | | Number of shareholders | Assets | Share and creditor liabilities |
|-----------------------------------|--------------------------------------|---------------|---------------|--------------|---------------|------------------------|-----------------|--------------------------------|
| | Dec. 31, 1934 | June 30, 1935 | Dec. 31, 1935 | May 15, 1936 | June 15, 1936 | June 15, 1936 | June 15, 1936 | June 15, 1936 |
| State-chartered associations..... | 4 | 45 | 136 | 209 | 228 | 380, 574 | \$324, 588, 837 | \$285, 927, 780 |
| Converted F. S. and L. A. | 108 | 283 | 406 | 461 | 470 | 529, 397 | 495, 852, 117 | 455, 619, 276 |
| New F. S. and L. A. | 339 | 512 | 572 | 607 | 612 | 84, 529 | 73, 528, 893 | 71, 845, 987 |
| Total..... | 451 | 840 | 1, 114 | 1, 277 | 1, 310 | 994, 500 | 893, 969, 847 | 813, 393, 043 |

¹ Beginning May 15, figures on number of associations insured include only those associations which have remitted premiums. Earlier figures include all associations approved by the Board for insurance.

Number of shareholders, assets, and share and creditor liabilities of insured associations are as of latest obtainable date and will be brought up to date after June 30 and December 31 each year.

Home Owners' Loan Corporation

AT MIDNIGHT on June 12, three years from the date the enabling Act was signed, the Home Owners' Loan Corporation completed its refinancing of non-farm home mortgages that were in distress. The closing date was fixed by Congress in the Act. The total number of loans closed was 1,018,390, involving advances of \$3,092,870,784. Practically every applicant who proved eligible received a loan from the Corporation.

Beginning its operations at a time when foreclosures had reached the record rate of 1,000 a day and when the ruinous deflation of all real-estate values threatened disaster to home owners and financial institutions alike, the Corporation constituted the one force powerful enough to prevent complete disaster. In addition to saving over a million home owners from threatened loss of their homes, the Corporation prevented distress from extending to innumerable other home owners. It protected the solvency of financial institutions of all types. It gave banks, insurance companies, building and loan associations, mortgage companies, and individuals liquid bonds in exchange for frozen assets. It thus enabled these institutions to provide cash to needy depositors and investors and made it possible for many of them to make new loans to home owners for the construction, purchase, and reconditioning of homes.

As a result of these operations, the Corporation largely paved the way for the present revival of residential building and of the real-estate market. It has also contributed directly to the revival of the con-

struction industry by expenditures of almost \$79,000,000 for necessary reconditioning of 400,000 of the homes which it refinanced. These expenditures were, of course, included in the loans and are now being repaid to the Corporation. The advance of some \$225,000,000 to municipalities in payment of back taxes on the homes mortgaged provided vitally needed cash to many municipal treasuries.

From the long-range point of view, perhaps the most important contribution of the Corporation has been its encouragement of safer and less-expensive home-financing practices. It has concentrated national attention upon the preferability for both borrower and lender of the long-term amortized loan over the costly and hazardous short-term first-mortgage loan. It has set an example in the elimination of the onerous and excessively dangerous second-mortgage loan, with its bonuses, commissions, and usurious charges. It has lowered interest rates for large numbers of distressed borrowers and influenced the lowering of interest rates for millions of other borrowers. It has influenced the standardization of loan-closing procedure and encouraged lower fees for the closing and recording of titles. It has developed a method and trained a large body of men to make more scientific appraisals of home properties.

With the completion of its refinancing operations, the Corporation's activities will be concentrated on servicing and liquidating its loans.

TABLE 1.—Total applications received and loans closed by States from the beginning of operations to the close of the lending period June 12, 1936

| H. O. L. C. Districts and States | Applications received | | Loans closed | | Average size of loan |
|----------------------------------|-----------------------|--------------------|--------------|---------------------|----------------------|
| | Number | Amount | Number | Amount ¹ | |
| UNITED STATES..... | 1, 886, 693 | \$6, 172, 647, 600 | 1, 018, 390 | \$3, 092, 870, 784 | \$3, 027 |
| District No. 1..... | 338, 902 | 1, 668, 315, 463 | 164, 257 | 779, 773, 623 | 4, 747 |
| Connecticut..... | 22, 327 | 118, 166, 517 | 10, 281 | 44, 234, 780 | 4, 300 |
| Maine..... | 7, 781 | 19, 591, 063 | 3, 400 | 7, 734, 379 | 2, 275 |
| Massachusetts..... | 50, 419 | 229, 141, 405 | 24, 517 | 109, 028, 011 | 4, 446 |
| New Hampshire..... | 3, 677 | 9, 424, 307 | 1, 867 | 4, 513, 223 | 2, 417 |
| New Jersey..... | 81, 920 | 423, 638, 238 | 36, 339 | 175, 326, 987 | 4, 825 |
| New York..... | 157, 872 | 809, 717, 012 | 80, 154 | 410, 024, 089 | 5, 115 |
| Rhode Island..... | 12, 338 | 51, 722, 851 | 6, 123 | 24, 715, 021 | 4, 036 |
| Vermont..... | 2, 568 | 6, 914, 070 | 1, 576 | 4, 197, 133 | 2, 663 |
| District No. 2..... | 390, 828 | 1, 388, 984, 724 | 198, 189 | 596, 272, 540 | 3, 002 |
| Delaware..... | 2, 815 | 9, 372, 598 | 1, 644 | 5, 107, 652 | 3, 105 |
| District of Columbia..... | 4, 428 | 27, 545, 649 | 2, 091 | 12, 134, 233 | 5, 798 |
| Maryland..... | 28, 854 | 85, 874, 728 | 15, 940 | 45, 579, 933 | 2, 854 |
| Ohio..... | 193, 502 | 704, 126, 635 | 98, 562 | 305, 881, 793 | 3, 100 |
| Pennsylvania..... | 121, 483 | 450, 186, 571 | 58, 796 | 167, 010, 272 | 2, 828 |
| Virginia..... | 21, 154 | 63, 696, 883 | 12, 072 | 37, 695, 414 | 3, 113 |
| West Virginia..... | 18, 592 | 48, 181, 660 | 9, 084 | 22, 863, 243 | 2, 516 |
| District No. 3..... | 266, 575 | 648, 086, 207 | 144, 671 | 354, 442, 300 | 2, 417 |
| Alabama..... | 28, 010 | 62, 207, 800 | 16, 609 | 37, 036, 643 | 2, 182 |
| Arkansas..... | 19, 768 | 31, 866, 382 | 10, 348 | 18, 677, 767 | 1, 795 |
| Florida..... | 24, 891 | 55, 932, 366 | 13, 549 | 30, 677, 884 | 2, 179 |
| Georgia..... | 23, 343 | 52, 828, 450 | 14, 850 | 33, 662, 181 | 2, 212 |
| Kentucky..... | 20, 460 | 53, 815, 839 | 9, 233 | 25, 326, 804 | 2, 738 |
| Louisiana..... | 24, 747 | 70, 609, 431 | 14, 375 | 40, 243, 280 | 2, 788 |
| Mississippi..... | 18, 600 | 31, 240, 488 | 8, 785 | 16, 482, 551 | 1, 850 |
| Missouri..... | 45, 666 | 145, 058, 242 | 24, 550 | 74, 877, 399 | 3, 050 |
| North Carolina..... | 24, 303 | 61, 752, 504 | 12, 331 | 31, 395, 287 | 2, 492 |
| Puerto Rico..... | 2, 385 | 5, 067, 226 | 591 | 1, 724, 096 | 2, 893 |
| South Carolina..... | 9, 997 | 23, 250, 424 | 5, 681 | 13, 299, 389 | 2, 314 |
| Tennessee..... | 24, 405 | 54, 457, 055 | 13, 769 | 31, 039, 019 | 2, 237 |
| District No. 4..... | 410, 475 | 1, 332, 849, 775 | 233, 216 | 747, 726, 479 | 3, 204 |
| Illinois..... | 127, 169 | 502, 259, 444 | 70, 057 | 280, 162, 387 | 3, 998 |
| Indiana..... | 82, 023 | 203, 420, 971 | 48, 833 | 112, 185, 764 | 2, 297 |
| Michigan..... | 145, 539 | 409, 015, 646 | 81, 230 | 240, 014, 129 | 2, 954 |
| Wisconsin..... | 55, 744 | 218, 153, 714 | 33, 096 | 115, 364, 199 | 3, 475 |
| District No. 5..... | 275, 761 | 602, 177, 333 | 165, 750 | 354, 060, 236 | 2, 128 |
| Colorado..... | 19, 726 | 42, 618, 151 | 11, 626 | 22, 920, 243 | 1, 971 |
| Iowa..... | 31, 914 | 65, 054, 073 | 19, 625 | 38, 748, 836 | 1, 974 |
| Kansas..... | 31, 447 | 56, 067, 208 | 18, 515 | 33, 643, 893 | 1, 794 |
| Minnesota..... | 36, 251 | 90, 411, 209 | 21, 032 | 47, 975, 319 | 2, 281 |
| Nebraska..... | 19, 985 | 42, 713, 787 | 13, 597 | 28, 113, 853 | 2, 066 |
| New Mexico..... | 4, 778 | 9, 718, 871 | 2, 462 | 5, 134, 546 | 2, 056 |
| North Dakota..... | 7, 458 | 15, 373, 264 | 4, 417 | 9, 037, 526 | 2, 041 |
| Oklahoma..... | 38, 369 | 86, 336, 396 | 23, 960 | 54, 379, 831 | 2, 268 |
| South Dakota..... | 9, 296 | 16, 816, 687 | 6, 156 | 10, 897, 415 | 1, 731 |
| Texas..... | 76, 537 | 177, 067, 687 | 44, 360 | 103, 208, 774 | 2, 317 |

¹ Reconditioning loans total \$75,198,290.

TABLE 1.—Total applications received and loans closed by States from the beginning of operations to the close of the lending period June 12, 1936—Continued

| H. O. L. C. Districts and States | Applications received | | Loans closed | | Average size of loan |
|----------------------------------|-----------------------|-----------------|--------------|-----------------|----------------------|
| | Number | Amount | Number | Amount | |
| District No. 6..... | 204, 152 | \$532, 234, 098 | 112, 307 | \$260, 595, 606 | \$2, 316 |
| Alaska..... | 54 | 136, 242 | 10 | 25, 973 | 2, 597 |
| Arizona..... | 9, 458 | 25, 557, 786 | 6, 508 | 15, 770, 566 | 2, 423 |
| California..... | 102, 428 | 315, 161, 871 | 51, 599 | 136, 706, 750 | 2, 648 |
| Hawaii..... | 1, 649 | 5, 828, 159 | 481 | 1, 291, 204 | 2, 684 |
| Idaho..... | 6, 752 | 10, 697, 995 | 4, 692 | 8, 183, 627 | 1, 722 |
| Montana..... | 7, 017 | 13, 234, 652 | 3, 679 | 7, 284, 979 | 1, 956 |
| Nevada..... | 1, 704 | 4, 746, 996 | 1, 206 | 3, 298, 570 | 2, 724 |
| Oregon..... | 16, 863 | 37, 164, 261 | 9, 427 | 18, 523, 499 | 1, 963 |
| Utah..... | 14, 879 | 35, 256, 141 | 10, 767 | 25, 037, 878 | 2, 325 |
| Washington..... | 39, 555 | 76, 568, 145 | 21, 492 | 39, 009, 046 | 1, 809 |
| Wyoming..... | 3, 793 | 7, 881, 850 | 2, 446 | 5, 463, 514 | 2, 218 |

TABLE 2.—Applications received and loans closed, by months ¹

| Period | Applications received (number) | Loans closed | |
|--|--------------------------------|--------------|------------------|
| | | Number | Amount |
| 1933 | | | |
| From date of opening through Dec. 31..... | 722, 796 | 37, 249 | \$105, 920, 343 |
| 1934 | | | |
| From Jan. 1 through Dec. 31..... | 1, 020, 257 | 688, 992 | 2, 091, 067, 465 |
| 1935 | | | |
| From Jan. 1 through Dec. 31..... | 143, 640 | 245, 549 | 743, 041, 243 |
| 1936 | | | |
| From Jan. 1 through June 12..... | ..... | 46, 600 | 152, 841, 733 |
| Grand total at close of lending period, June 12, 1936..... | 1, 886, 693 | 1, 018, 390 | 3, 092, 870, 784 |

¹ These figures are subject to adjustment.

² Receipt of applications stopped Nov. 13, 1934, and was resumed for a 30-day period beginning May 28, 1935.

TABLE 3.—Reconditioning Division—Summary of all reconditioning operations through June 11, 1936

| Period | Number of applications received for reconditioning loans | Total contracts executed | | Total jobs completed | |
|---|--|--------------------------|----------------|----------------------|----------------|
| | | Number | Amount | Number | Amount |
| June 1, 1934 through May 14, 1936..... | 674, 149 | 353, 623 | \$69, 315, 034 | 317, 395 | \$59, 808, 632 |
| May 15, 1936 through June 11, 1936 ¹ | 591 | 4, 911 | 1, 208, 839 | 10, 237 | 2, 329, 727 |
| Grand total through June 11, 1936..... | 674, 740 | 358, 534 | 70, 523, 873 | 327, 632 | 62, 138, 359 |

¹ The figures for this period are subject to correction.

NOTE.—Prior to the organization of the Reconditioning Division on June 1, 1934, the Corporation had completed 52,269 reconditioning jobs amounting to approximately \$6,800,000.

TABLE 4.—*Foreclosures authorized and properties acquired by the Home Owners' Loan Corporation*

| Period | Foreclosures authorized | Foreclosures stopped ¹ | Properties acquired by voluntary deed and foreclosure ² |
|----------------------------------|-------------------------|-----------------------------------|--|
| Prior to 1935..... | 30 | 0 | 6 |
| 1935 | | | |
| Jan. 1 through June 30..... | 536 | 7 | 72 |
| July 1 through Dec. 31..... | 3,904 | 190 | 1,115 |
| 1936 | | | |
| January..... | 1,281 | 27 | 334 |
| February..... | 1,544 | 49 | 450 |
| March..... | 3,190 | 60 | 516 |
| April..... | 4,367 | 88 | 669 |
| May..... | 4,687 | 138 | 964 |
| Grand total to May 31, 1936..... | 19,536 | 559 | 4,113 |

¹ Due to payment of delinquencies by borrowers after foreclosure proceedings had been entered.

² Does not include 1,250 properties bought in by H. O. L. C. at foreclosure sale but awaiting expiration of the redemption period before title and possession can be obtained.

In addition to the total of 4,113 completed cases, 22 properties were sold at foreclosure sale to parties other than H. O. L. C.

TABLE 5.—*H. O. L. C. subscriptions to shares of savings and loan associations—Requests and subscriptions* ¹

| | Uninsured State-chartered members of the F. H. L. B. System | | Insured State-chartered associations | | Federal savings and loan associations | | Total | |
|--------------------|---|---------------------|--------------------------------------|---------------------|---------------------------------------|---------------------|---------------------|---------------------|
| | Number (cumulative) | Amount (cumulative) | Number (cumulative) | Amount (cumulative) | Number (cumulative) | Amount (cumulative) | Number (cumulative) | Amount (cumulative) |
| Requests: | | | | | | | | |
| Dec. 31, 1935..... | 27 | \$1,131,700 | 33 | \$2,480,000 | 553 | \$21,139,000 | 613 | \$24,750,700 |
| Apr. 30, 1936..... | 52 | 2,432,700 | 88 | 7,077,500 | 1,119 | 40,560,100 | 1,259 | 50,070,300 |
| May 31, 1936..... | 56 | 2,568,700 | 111 | 9,120,100 | 1,296 | 48,458,600 | 1,463 | 60,147,400 |
| June 20, 1936..... | 60 | 2,423,700 | 120 | 9,761,200 | 1,417 | 54,488,100 | 1,597 | 66,673,000 |
| Subscriptions: | | | | | | | | |
| Dec. 31, 1935..... | 2 | 100,000 | 24 | 1,980,000 | 474 | 17,766,500 | 500 | 19,846,500 |
| Apr. 30, 1936..... | 18 | 1,055,000 | 73 | 5,985,000 | 1,056 | 38,121,600 | 1,147 | 45,161,600 |
| May 31, 1936..... | 18 | 627,000 | 93 | 7,797,600 | 1,198 | 45,018,100 | 1,309 | 53,442,700 |
| June 20, 1936..... | 20 | 731,000 | 108 | 9,212,600 | 1,325 | 49,452,600 | 1,453 | 59,396,200 |

¹ Refers to number of separate investments, not to number of associations in which investments made.

Resolutions of the Board and Opinion of the General Counsel

I.—AMENDING THE RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS CONCERNING THE PAYMENT OF DIVIDENDS WHEN LOSSES HAVE BEEN CHARGED TO THE RESERVE ACCOUNT

Section 11(e) of the insurance regulations provides that if the Federal insurance reserve account of an insured association has been built up to equal or exceed 5 percent of all insured accounts but has been reduced by losses to less than 5 percent, the account must be restored to that percent before dividends may be declared or paid. In a resolution adopted on June 15, 1936, the Board of Trustees amended this section so that if for any reason an association has built up its reserves more rapidly than the required three-tenths of 1 percent of the insured accounts annually, then the restriction against dividends does not apply so long as the total reserves accumulated equal three-tenths of 1 percentum per annum of the insured accounts. The resolution reads as follows:

Be it resolved, That pursuant to the authority vested in the Board of Trustees by Sections 402 (a) and 403 (b) of the National Housing Act (48 Stat. 1246, 1256, 1257) as amended, Section 11 (e) of the Rules and Regulations for Insurance of Accounts is hereby repealed, and the following new Section 11 (e) is hereby substituted in lieu thereof:

"If at any time before the Federal insurance reserve account equals 5 percent of all insured accounts, losses are charged to such reserve account the insured institution shall not declare any dividends until such reserve account equals a sum aggregating the credits of three tenths of 1 percent of its insured accounts hereinabove required to be annually credited to such reserve account. If at any time after the Federal insur-

ance reserve account equals or exceeds 5 percent of all insured accounts, losses are charged to such reserve account so that such reserve account is reduced below 5 percent of all insured accounts, the insured institution shall credit an amount sufficient to restore such reserve account to 5 percent of all insured accounts before any dividend can be paid on the shares of the insured institution; provided, however, that if such reserve account shall have been brought up to 5 percent of all insured accounts by credits thereto in excess of the amounts hereinabove required to be annually credited to such account, then it shall only be necessary before dividends may be declared or paid by the insured institution, to restore such reserve account to an amount which shall equal a sum aggregating the credits of three tenths of 1 percent of its insured accounts hereinabove required to be annually credited to such reserve account, and thereafter such annual credits shall be resumed until the net credits again equal 5 percent of all insured accounts. Even though losses may have been charged to the insurance reserve account, dividends may be declared and paid in any year if the declaration of such dividends is approved by the Corporation."

II.—AMENDING THE RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS CONCERNING THE AMOUNT OF BONDS REQUIRED FOR OFFICERS, DIRECTORS, AND EMPLOYEES OF INSURED ASSOCIATIONS

Exact specifications of the amount of fidelity bonds required for insured institutions according to the amount of assets were included in the following resolution adopted by the Board of Trustees of the Insurance Corporation on June 15, 1936:

Be it resolved, That pursuant to the authority vested in the Board of Trustees by Sections 402 (a) and 403 (b) of the National Housing Act (48 Stat. 1246, 1256, 1257) as amended, Section 15 (a) of the Rules and Regulations for Insurance of Accounts is hereby repealed and the fol-

lowing new Section 15 (a) is hereby substituted in lieu thereof:

"An applicant prior to receiving its certificate of insurance shall procure a fidelity bond covering each officer, director or employee who has control over or access to cash or securities of such institution in the regular discharge of his duties. In lieu of individual bonds for each such officer, director, or employee, the applicant may procure a blanket bond covering all persons having control over or access to its cash and securities. Each such bond shall be executed by a responsible surety company or organization acceptable to the Board in amounts as follows: (1) For associations with assets up to \$1,250,000, \$2,500 or 2 percent of the assets of the association, whichever is greater; (2) for associations with assets from \$1,250,000 to \$2,500,000, \$25,000; (3) for associations with assets over \$2,500,000 and not over \$5,000,000, 1 percent of the assets of the association; (4) for associations with assets over \$5,000,000 and not over \$10,000,000, \$50,000; (5) for associations with assets over \$10,000,000 and not over \$20,000,000, one-half of 1 percent of the assets of the association; (6) for associations with assets equal to or in excess of \$20,000,000, \$100,000; provided, however, that where individual bonds are furnished, the Board may, in the case of employees other than officers or directors, upon application which shall set forth the character of the duties and responsibilities of such employees, modify the requirements of the foregoing schedule with respect thereto. Such bond shall be approved by the board of directors of the applicant."

III.—AMENDING THE RULES AND REGULATIONS FOR FEDERAL SAVINGS AND LOAN ASSOCIATIONS CONCERNING THE AMOUNT OF BONDS REQUIRED FOR OFFICERS, DIRECTORS, AND EMPLOYEES

Exact specifications of the amount of fidelity bonds required for Federal savings and loan associations according to the amount of assets were included in the following resolution adopted by the Board on June 15, 1936:

Be it resolved, That pursuant to the authority vested in the Board by Section 5 (a) of the Home Owners' Loan Act of 1933 (48 Stat. 132; U. S. Code, Title 12, Section 1464) Section 12 (a) of the Rules and Regulations for Federal Savings and Loan Associations is hereby repealed and the

following new Section 12 (a) is hereby substituted in lieu thereof:

"Thereupon the board of directors shall procure a fidelity bond covering each officer, director, or employee who has control over or access to cash or securities of such association. In lieu of individual bonds for each such officer, director, or employee, the board of directors may procure a blanket bond covering all persons having control over or access to its cash and securities. Each such bond shall be executed by a responsible surety company or organization acceptable to the Board in amounts as follows: (1) For associations with assets up to \$1,250,000, \$2,500 or 2 percent of the assets of the association, whichever is greater; (2) for associations with assets from \$1,250,000 to \$2,500,000, \$25,000; (3) for associations with assets over \$2,500,000 and not over \$5,000,000, 1 percent of the assets of the association; (4) for associations with assets over \$5,000,000 and not over \$10,000,000, \$50,000; (5) for associations with assets over \$10,000,000 and not over \$20,000,000, one half of 1 percent of the assets of the association; (6) for associations with assets equal to or in excess of \$20,000,000, \$100,000; provided, however, that where individual bonds are furnished, the Board may, in the case of employees other than officers or directors, upon application which shall set forth the character of the duties and responsibilities of such employees, modify the requirements of the foregoing schedule with respect thereto. Such bond shall be approved by the board of directors of the association. The premium shall be paid by the association. The bond shall be placed in the custody of the Federal Home Loan Bank of which the association is a member. The receipt for the bond shall be at all times in the possession of the association."

IV. OPINION OF THE GENERAL COUNSEL CONCERNING THE INCLUSION OF "DUE BORROWERS" ACCOUNTS AS A PART OF "CREDITOR LIABILITIES" WITHIN THE MEANING OF SECTION 11 (G) (4) OF THE FEDERAL HOME LOAN BANK ACT

In an opinion rendered May 22, 1936, the General Counsel held that amounts "due borrowers" should not be included as a part of the "creditor liabilities" of an association. The opinion is as follows:

I have been requested to review and reconsider my former opinion on the subject of the definition of "creditor liabilities" as the same appears

in Section 11 (g) (4) of the Federal Home Loan Bank Act.

The definition of "creditor liabilities" in Chapter I, Section 4, of the Federal Home Loan Bank Manual, which is based on my original opinion, upon review, appears to be proper.

However, at one time I advised that when a mortgagee closes a loan in the ordinary course of business and advances a portion of the money, and carries the balance in its statement as "due borrowers", such amount constituted a "creditor liability".

Mr. Robert B. Jacoby, Counsel for the Federal Home Loan Bank of Cincinnati, made an exhaustive study of this question and arrived at the conclusion that such amounts so owing and carried as "due borrowers" do not constitute a debt and are, therefore, not "creditor liabilities", but constitute contract obligations upon which the mortgagee would be liable in damages only for breach of contract. This opinion has been carefully studied by members of the staff here and approved.

The distinction between "creditor liabilities" and "contract obligations" of a building and loan

association in such case is more technical than real. It does not appear to be true, however, that if a mortgagee closes a loan in the ordinary course of business, and refuses to make any or all of the advances thereunder, the mortgagor could not sue the mortgagee for the money, but on the other hand, would be compelled to sue for such damage as might accrue to the mortgagor as a result of the breach of the contract to advance the money. Such damage might be nominal, but on the other hand, it might be much more than the amount agreed to be advanced. Whatever risk may be involved in a "due borrowers" account may be taken into consideration by the Federal Home Loan Banks in making loans.

I am of the opinion that "due borrowers" as herein referred to is not a "creditor liability" as is contemplated in Section 11 (g) (4) of the Federal Home Loan Bank Act. As a result, Federal Home Loan Banks may make advances with a maturity not to exceed one year to members without regard to their "due borrowers" account provided they meet the other conditions of said section.

Directory of Member, Federal, and Insured Institutions

Added during May-June

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN MAY 18, 1936, AND JUNE 20, 1936¹

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

DISTRICT NO. 1

MASSACHUSETTS:
Brookline:
Coolidge Corner Co-operative Bank, 1318 Beacon Street.
Cambridge:
Central Square Co-operative Bank, 671 Massachusetts Avenue.
Needham:
Needham Co-operative Bank, Great Plain Avenue.
Somerville:
Somerville Co-operative Savings Fund & Loan Association, 60 Union Square.

DISTRICT NO. 2

NEW JERSEY:
Roseland:
Roseland Building & Loan Association.

DISTRICT NO. 3

PENNSYLVANIA:
Philadelphia:
Founders Building & Loan Association, 4723 North Fifteenth Street.
Turners Building Association, Pulaski Pike & Eighteenth Street.
Shamokin:
Black Diamond Building & Loan Association of Shamokin.

¹ During this period 9 Federal savings and loan associations were admitted to membership in the System.

DISTRICT NO. 4

NORTH CAROLINA:
Taylorsville:
Taylorsville Building & Loan Association.

DISTRICT NO. 5

OHIO:
Alliance:
Midland Savings & Loan Company, 37 South Arch Avenue.
Arcanum:
Arcanum Building & Loan Association, 1 George Street.
Bucyrus:
Bucyrus Loan & Building Company of Bucyrus, Ohio, 121 Sandusky Street.
Coshocton:
Home Building, Loan & Savings Company, 401 Main Street.
Lakewood:
Midwest Savings & Loan Company (restoration due to cancelation of Federal charter).
Loveland:
Loveland Mutual Building & Loan Company.
Sidney:
People's Savings & Loan Association, Corner Court & Ohio Streets.

DISTRICT NO. 6

INDIANA:
Chesterton:
Chesterton Rural Loan & Savings Association.
Terre Haute:
Phoenix Building, Loan & Savings Association, 17 South Sixth Street.
Washington:
Industrial Savings & Loan Association of Washington, Daviess County, Indiana, 15 Northeast Third Street.
Union Savings & Loan Association of Washington, Indiana, Fourth & Main Streets.

DISTRICT NO. 7

ILLINOIS:
Galva:
Galva Homestead & Loan Association.
Waverly:
Waverly Building & Loan Association.

DISTRICT NO. 8

MINNESOTA:
Owatonna:
Steele County Building & Loan Association, Schoen Building.

MISSOURI:
St. Louis:
Progress Building, Savings & Loan Association, 1928 South Twelfth Street.

Springfield:
Great Southern Savings & Loan Association, 214 East Walnut Street.

SOUTH DAKOTA:
Brookings:
Brookings Building & Loan Association, Main Avenue at Fifth Street.

DISTRICT NO. 9

NEW MEXICO:
Roswell:
Chaves County Building & Loan Association.

TEXAS:
Abilene:
Abilene Building & Loan Association of Abilene.

DISTRICT NO. 10

NEBRASKA:
Bloomfield:
Knox County Building & Loan Association.

Hastings:
Hastings Building & Loan Association.

DISTRICT NO. 11

WASHINGTON:
Seattle:
Southern Savings & Loan Association, 4850 Rainier Avenue.

DISTRICT NO. 12

CALIFORNIA:
Montebello:
Montebello Building & Loan Association, 424 Whittier Boulevard.

Stockton:
San Joaquin Building & Loan Association, 11 South Hunter Street.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN MAY 18, 1936, AND JUNE 20, 1936

CALIFORNIA:
Bellflower:
Bellflower Building & Loan Association, 398 Somers Avenue (partial consolidation with First Federal Savings & Loan Association of Bellflower).

Long Beach:
Reliable Building & Loan Association, 133 East First Street (partial consolidation with Long Beach Federal Savings & Loan Association).

MARYLAND:
Baltimore:
Howard Loan & Savings Association of Baltimore City, 1516 North Fulton Avenue.

NEVADA:
Ely:
White Pine Mutual Building & Loan Association, Aultman Street.

OREGON:
Pendleton:
Oregon Building & Loan Association (partial consolidation with First Federal Savings & Loan Association of Pendleton).

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN MAY 18, 1936, AND JUNE 20, 1936

DISTRICT NO. 1

MAINE:
Calais:
Calais Federal Savings & Loan Association.

DISTRICT NO. 2

NEW YORK:
Freeport:
Freeport Federal Savings & Loan Association, 39 Railroad Avenue (converted from Freeport Savings & Loan Association).

DISTRICT NO. 3

PENNSYLVANIA:
Brackenridge:
Peoples Federal Savings & Loan Association of Brackenridge (converted from Brackenridge Building & Loan Association).

Collingdale:
Collingdale Federal Savings & Loan Association, Parker & Sharon Avenues (converted from Collingdale Building & Loan Association).

DISTRICT NO. 5

OHIO:
East Liverpool:
First Federal Savings & Loan Association of East Liverpool, 1032 Pennsylvania Avenue (converted from The Federal Building & Loan Company).

Lakewood:
Oron Federal Savings & Loan Association of Lakewood, 12511 Madison Avenue (converted from Oron Savings & Loan Company).

Sidney:
First Federal Savings & Loan Association of Sidney, 108 East Poplar Street (converted from Shelby County Building & Loan Association).

TENNESSEE:
Murfreesboro:
Murfreesboro Federal Savings & Loan Association (converted from Murfreesboro Building & Loan Association).

DISTRICT NO. 6

INDIANA:
Connersville:
Fayette Federal Savings & Loan Association of Connersville (converted from Fayette Savings & Loan Association).

Indianapolis:
Celtic Federal Savings & Loan Association of Indianapolis, 23 West Ohio Street (converted from Celtic Savings & Loan Association, No. 3).

Railroadmen's Federal Savings & Loan Association of Indianapolis, 21-23 Virginia Avenue (converted from Railroadmen's Building & Savings Association).

DISTRICT NO. 7

ILLINOIS:
Kewanee:
Kewanee Federal Savings & Loan Association, 211 North Tremont Street (converted from Kewanee Building & Loan Association).

Union Federal Savings & Loan Association, 106 North Tremont Street (converted from Union Building & Loan Association of Kewanee).

Mount Carmel:
Columbian Federal Savings & Loan Association, First State National Bank Building (converted from Columbian Building & Loan Association of Wabash County, Illinois).

DISTRICT NO. 9

TEXAS:
Mexia:
First Federal Savings & Loan Association of Mexia.

DISTRICT NO. 12

CALIFORNIA:
Los Angeles:
Metropolitan Federal Savings & Loan Association of Los Angeles.

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN MAY 18, 1936, AND JUNE 20, 1936

CALIFORNIA:
Berkeley:
Berkeley Federal Savings & Loan Association, 2101 Shattuck Avenue (charter cancelled by reason of dissolution and sale of assets to Berkeley Guarantee Building & Loan Association).

WASHINGTON:
Seattle:
King County Federal Savings & Loan Association of Seattle, 1411 Fourth Avenue Building (consolidated with Union Federal Savings & Loan Association).

Vancouver:
Second Federal Savings & Loan Association of Vancouver, 105 West Eighth Street (consolidated with First Federal Savings & Loan Association of Vancouver).

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN MAY 18, 1936, AND JUNE 20, 1936¹

DISTRICT NO. 3

PENNSYLVANIA:
 Manayunk (Philadelphia):
 St. John's Building & Loan Association, 4425 Main Street.
 New Castle:
 New Castle Mutual Building & Loan Association, 16 East Street.
 Philadelphia:
 Home Building & Loan Association, 2513 Germantown Avenue.
 Pittsburgh:
 West End Building & Loan Association of Pittsburgh, 506 South Main Street.

DISTRICT NO. 4

VIRGINIA:
 Lynchburg:
 Pilot Building & Loan Association, Incorporated, 616 Church Street.

DISTRICT NO. 5

OHIO:
 Cleveland:
 Union Savings & Loan Company, 323 Euclid Avenue.

DISTRICT NO. 6

INDIANA:
 New Albany:
 Union Savings Association of New Albany, 204 East Market Street.
 Washington:
 Industrial Savings & Loan Association of Washington, Daviess County, Indiana, 15 Northeast Third Street.

DISTRICT NO. 8

MISSOURI:
 Butler:
 Butler Building & Loan Association.
 Cameron:
 Cameron Building & Loan Association.

¹ During this period 21 Federal savings and loan associations were insured.

MISSOURI—Continued.

Kansas City:
 Swedish-American Savings & Loan Association, 919 Walnut Street.

DISTRICT NO. 9

ARKANSAS:
 Fort Smith:
 United Building & Loan Association, Box 723.
 LOUISIANA:
 Crowley:
 Crowley Building & Loan Association.
 Hammond:
 Florida Parishes Homestead Association.
 NEW MEXICO:
 Raton:
 Gate City Building & Loan Association, 141 South Second Street.
 TEXAS:
 Abilene:
 Abilene Building & Loan Association of Abilene.
 Georgetown:
 Georgetown Building & Loan Association.
 Tyler:
 East Texas Building, Loan & Savings Association, South College Street.

DISTRICT NO. 10

KANSAS:
 Topeka:
 State Savings & Loan Association, 931 Kansas Avenue.

DISTRICT NO. 11

WASHINGTON:
 Yakima:
 Liberty Savings & Loan Association, 32 North Third Street.

DISTRICT NO. 12

CALIFORNIA:
 Alameda:
 Central Building & Loan Association, Park Street & Central Avenue.
 Redondo Beach:
 American Mutual Building & Loan Association of Redondo Beach, California, 210 South Pacific Avenue.
 Stockton:
 San Joaquin Building & Loan Association, 11 South Hunter Street.

