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**FEDERAL SAVINGS AND LOAN
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**HOME OWNERS' LOAN
CORPORATION**



CONTENTS FOR NOVEMBER • 1937

SPECIAL ARTICLES

	Page
Mortgages and foreclosures	40
Zoning and planning progress	46
Cooperation: a means of lowering construction costs	47
Interest rates	48

STATISTICS

Residential construction and home-financing activity	52
Construction by size of city	54
Indexes of small-house building costs	54
Monthly lending activity of savings and loan associations	56
Federal Savings and Loan System	56
Federal Home Loan Bank System	57
Federal Savings and Loan Insurance Corporation	57
Statistical tables	58
Nos. 1, 2: Number and estimated cost of new family dwelling units	59
No. 3: Indexes of small-house building costs	62
Nos. 4, 5, 6: Estimated lending activity of all savings and loan associations	63
No. 7: Monthly lending activity of reporting savings and loan associations	65
No. 8: Index of wholesale price of building materials	66
No. 9: Institutions insured by the Federal Savings and Loan Insurance Corporation	67
No. 10: Monthly operations of State-chartered insured associations	67
No. 11: Monthly operations of Federal savings and loan associations	68
Nos. 12, 13: Federal Home Loan Bank System	68
Nos. 14, 15, 16: Home Owners' Loan Corporation	69

REPORTS

Administrative rulings, Board resolutions, and Counsel's opinions	71
Directory of member, Federal, and insured institutions added during September-October	73

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APPROVED BY THE BUREAU OF THE BUDGET.

MORTGAGES AND FORECLOSURES

Many State mortgage and foreclosure laws are cumbersome, time-consuming and costly. As a remedy, a uniform real estate mortgage and foreclosure law has been developed.

■ NO phases of the law more directly affect the operation of savings and loan associations than those dealing with mortgage and foreclosure, and yet no part of our statutes are more cumbersome and obsolete than these. The costly, time-consuming, and often unnecessary procedures required in many States have hampered savings and loan activity and have increased operating expenses. At the same time they have imposed an actual burden on the borrower by forcing the lender to charge higher interest rates and lend a smaller amount on the security of properties than had he been operating under more equitable statutes.

Complicated mortgage and foreclosure laws benefit neither the mortgagee nor the mortgagor and cannot be justified as necessary; the procedures followed by a few States disprove them.

The Nation-wide participation of the Federal Government in the field of mortgage credit during the past five years has brought these diversities into focus. Consequently, one of the first tasks assigned to the Sub-Committee on Laws and Legislation of the Central Housing Committee was the drafting of a uniform real-estate mortgage and foreclosure law.

This Sub-Committee, which is composed of the General Counsels of the various Federal agencies dealing in housing construction and finance, and which is under the chairmanship of the General Counsel of the Federal Home Loan Bank Board, has spent two years studying the problem. It has sought the advice and assistance of many experts in the field and has drafted and redrafted the proposed act many times. The latest draft was formally completed on August 31 of this year and has been submitted to the Central Housing Committee, the United States Building and Loan League, the National Conference of Commissioners on Uniform State Laws, and the American Bar Association.

This draft of a proposed uniform mortgage and fore-

closure act has been drawn so as to provide adequate protection for both the mortgagor and the mortgagee and at the same time to eliminate excessive expense and time-consuming procedure. It is so drafted as to be easily adaptable to the customary legal procedure of any State in the Union.

The Sub-Committee was fortunate in having as a basis for its study the earlier pioneering work done by the National Conference of Commissioners on Uniform State Laws. This group, after studying the problem for 15 years, adopted a uniform real-estate mortgage and foreclosure act in 1927 which was approved in general by the American Bar Association and by many other interested bodies. But many detailed objections were raised to it and it has not as yet been adopted in any State.

This earlier work formed an excellent foundation for the studies of the Sub-Committee of the Central Housing Committee, but the experiences of the depression made it obvious that it was not adequate to present conditions. Consequently, a complete redrafting was necessary.

The precedent for the adoption of a uniform law by each of the States is, fortunately, a good one. Only a few years ago the negotiable instruments laws of the various States were hopelessly confused and inequitable in their operation. Commercial bankers dealing with bills and notes and commercial paper generally were constantly in danger in spite of the exercise of reasonable care, and the public welfare was seriously jeopardized because the banking business of the country was obstructed by archaic and unworkable laws. Through the cooperation of the American Bar Association, the American Bankers Association, and others, the National Conference of Commissioners on Uniform State Laws drafted a good uniform negotiable instruments law. That law, with only very slight variations, has been adopted by *every* State in the country.

Backed by vigorous cooperative action there is no reason why a uniform real-estate mortgage act cannot also be adopted. Those institutions dealing in real-estate mortgages should demand the same freedom from archaic legal procedures as has already been given in the field of negotiable instruments. A proper mortgage and foreclosure law will not only be fair to the borrower and lender alike but will also actually encourage home ownership by simplifying the interstate lending of funds.

EXISTING DIVERSITIES OF STATE LAWS

Perhaps the most striking example of existing variations in State mortgage and foreclosure laws is found in a metropolitan area which is half in one State and half in another, forming the two cities of Kansas City, Missouri, and Kansas City, Kansas.

In the former, foreclosure is accomplished by an exercise of the power of sale contained in the mortgage after three weeks' notice by publication in a newspaper. A deed to the property is immediately given to the purchaser at the sale as there is no redemption period unless the mortgagor gives to the mortgagee a bond to hold it harmless in which case the mortgagor has a 1-year redemption period. The total cost of foreclosure under this procedure averages about \$40.

In Kansas City, Kansas, however, there are no provisions for power of sale. The action must take place in court, and the mortgagor is allowed from 6 to 18 months to redeem the property after its sale. This action costs about \$90.

But a comparison of these two cities is striking only because they are so close together. The variations in cost and elapsed time between other States are much greater than these, reflecting the complex procedures which in many cases have been added to existing laws by conscientious legislators in an attempt to correct an existing evil. Unfortunately, many of these additions have done nothing but create an unnecessary burden on home ownership. If a simplified alternative had been presented to the conscientious legislators the cumbersome procedures might never have been adopted.

The accompanying chart shows better than any explanation the effect of these various State laws. This chart is based on the experience of the Home Owners' Loan Corporation. A sample of as near 100 foreclosures as possible was taken in every State and the average time necessary to foreclose and the average cost computed. Because the H. O. L. C. chose, whenever possible, the least

expensive and the shortest method of foreclosure, and because costs do not include salaried personnel, the time and cost are, if anything, less than if they represented privately instituted foreclosures.

The chart analyzed in connection with the two accompanying tables shows why the time fluctuates between States and why there are such great variations in cost.

Thus, in Alabama, it takes 25 months to complete foreclosure but costs only \$48. At first glance this seems inconsistent when compared with the long time required and the high cost in such States as New York and Illinois, but the cost is low in Alabama because foreclosure is accomplished by a simple power of sale. This procedure takes only one month—three weeks of which are devoted to publication of notice of foreclosure. After sale the title is transferred to the purchaser but the original owner is allowed two years in which to redeem the property.

A majority of the States make some provision for a period during which the owner may redeem his property. But as may be seen in Table 2, there is little consistency. The most common procedure is to provide a period of redemption after the foreclosure proceedings have been completed; in other words, after the costs of foreclosure have accrued—costs which add to the burden of redemption. Only four States, Indiana, Oklahoma, Nebraska, and Wisconsin, provide a redemption period before sale although many of those States which have no redemption period require that the mortgagor be notified several months before sale takes place.

In Texas, the State of shortest time and lowest cost, 21 days of advertisement are required before sale, the total average time being 22 days and the total cost \$5.18. Table 1 shows that this cost consists of recording fees and revenue stamps but does not include attorney's fees as foreclosures are handled by H. O. L. C. salaried personnel. To advertise, the only requirement is that notice of foreclosure be posted in three public places.

In Table 1 the principal items involved in foreclosure costs are shown as percentages of the total cost of all foreclosures to the Corporation rather than as percentages of the average cost. It was impossible to show percentages of the average cost because all the foreclosures within a State did not always include the same items. Thus, in New York only 23 percent of the total sample included costs for auctioneer's fees or trustee's fees because in the upstate districts no such fees are charged.

EFFECT ON LENDING POLICIES

At the beginning of this article it was stated that obsolete and cumbersome mortgage and foreclosure laws force the lending institution to charge higher interest rates and lend a smaller amount on the security of properties than otherwise would be necessary. A comparison of conditions in Illinois with those in Massachusetts will prove this point.

In Illinois it costs over \$300 to foreclose a \$5,000 mortgage and takes over a year and a half. The cost of the delay to the mortgagee, including interest on the investment, accrued taxes and insurance, and depreciation, has been fairly estimated as \$2 a day. The total cost, then, is about one-fourth of the mortgage. It is obvious that in this State a lending institution which makes loans for more than 65 percent of the appraised value of the securing property has

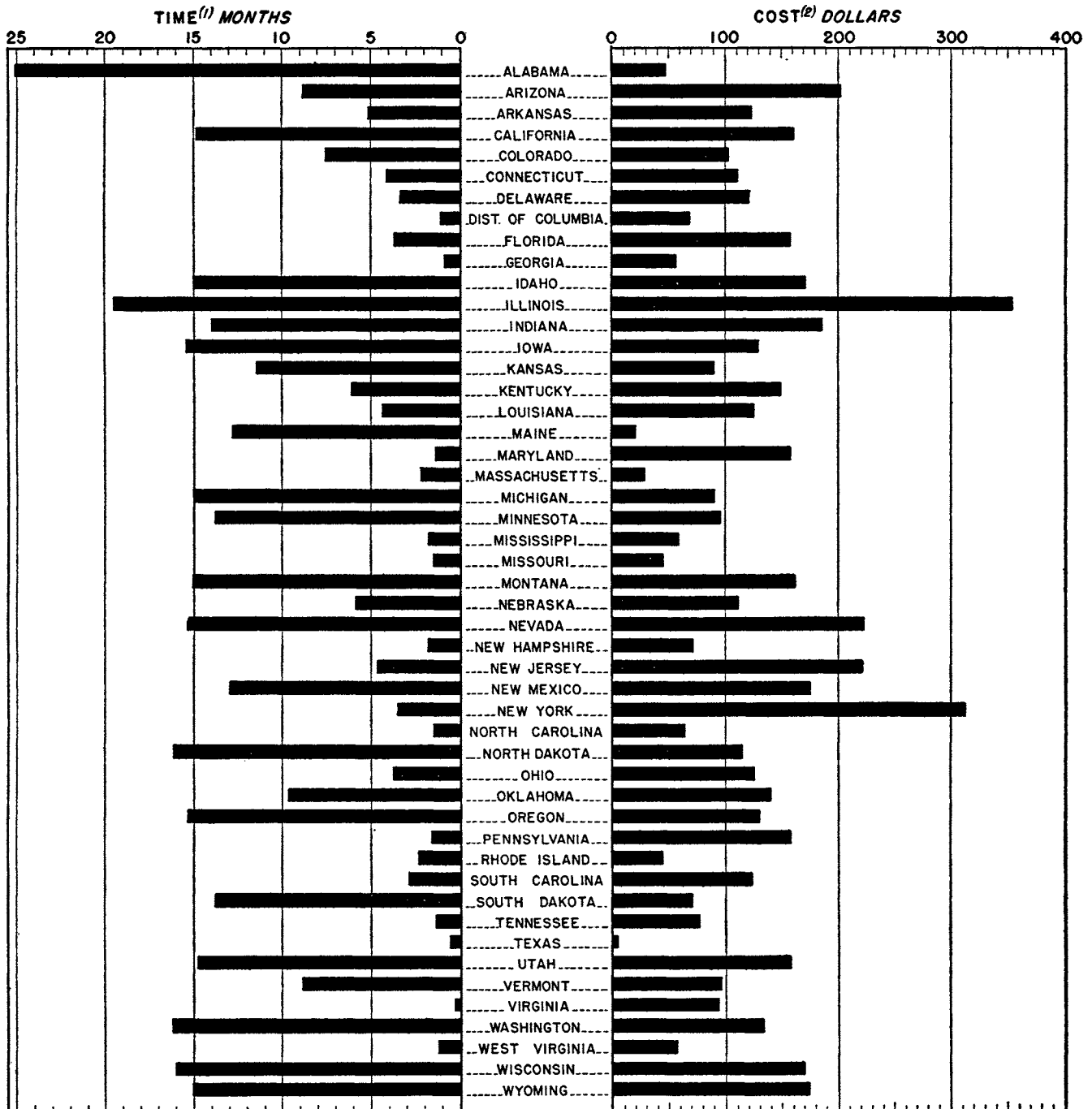
Table 1.—H. O. L. C. foreclosure costs and the type of foreclosure action, by States

[Based on as near 100 foreclosures as possible for each State]

State	Type of action ¹	Per- cent of total loan amount	Principal items as a percentage of total costs to H. O. L. C.										Average cost of fore- closure				
			Attor- ney's fees	Adver- tising cost	Commis- sioner's, trustee's, and/or sheriff's fees	Court costs	Title search	Auc- tion- eer's fees	Re- cording fees	Reve- nue stamps	Master in chan- cery's fees	Other					
Alabama.....	P	1.2	69.9	25.0						2.7	2.4						\$47.95
Arizona.....	P	5.4	58.6		18.1	13.4	5.3			1.5	2.3				0.8		202.38
Arkansas.....	P	5.6	40.6	0.8		37.0	18.6			1.1	1.9						123.18
California.....	C	4.0	49.9		26.1	8.5	9.4			1.7	3.0				1.4		161.34
Colorado.....	P	3.6	50.2	9.4	5.0			31.0		1.5	2.9						102.65
Connecticut.....	P	1.9	63.6			36.4											111.00
Delaware.....	P	2.9		52.3		39.6				2.5	1.0				4.6		120.93
District of Columbia.....	P	1.0		64.7				22.0		3.1	9.1				1.1		68.75
Florida.....	C	5.2	60.8	7.9	3.6	6.8	9.8			1.1	0.5	9.5					158.16
Georgia.....	P	1.9	52.5	42.5						2.7	2.3						56.70
Idaho.....	P	6.0	50.1		29.7	13.1	3.8			0.9	2.1				0.3		170.98
Illinois.....	C	6.3	34.7	4.8		7.9	13.5			0.3	1.8	34.8			2.2		354.30
Indiana.....	C	4.6	48.1			31.1	5.8			0.7	2.7				11.6		185.61
Iowa.....	C	4.0	59.7	0.5		30.0	5.5			1.0	3.0				0.3		129.35
Kansas.....	C	3.7	55.1			34.8	5.4			3.3	1.4						90.88
Kentucky.....	C	4.2	50.3		36.4	10.0				1.1	1.9				0.3		149.23
Louisiana.....	C	2.7	(²)	31.1	28.0	18.8				11.8	0.9				9.4		125.23
Maine.....	P	0.6	46.9	47.8						4.9					0.4		21.32
Maryland.....	P	4.4	31.7	21.9	6.3	22.0				2.5	2.2	5.9			7.5		157.56
Massachusetts.....	P	0.5		56.9				27.8		15.3							29.08
Michigan.....	P	9.9	50.3	34.6	3.3	0.1				4.6	6.5				0.6		90.52
Minnesota.....	P	2.6	61.2	21.4	16.6					0.7					0.1		98.11
Mississippi.....	P	1.8	59.5	33.4						2.8	4.3						58.81
Missouri.....	P	0.7	(²)	78.5						11.3	10.2						44.83
Montana.....	C	5.8	75.6		7.6	8.9	4.6			0.9	2.3				0.1		161.74
Nebraska.....	C	5.4	45.0			47.1	7.1			0.2					0.6		112.19
Nevada.....	C	3.8	59.8		18.3	13.2	4.4			1.3	2.8				0.2		223.01
New Hampshire.....	P	2.0	60.6	21.2				7.8		5.8	4.6						70.82
New Jersey.....	C	4.7	38.0			62.0											222.29
New Mexico.....	C	6.9	54.0	11.4		6.8	12.1			0.9	1.5	7.8			5.5		175.38
New York.....	P	5.9	40.0	17.5		2.3	5.4	2.0		0.7	1.3	29.1			1.7		312.54
North Carolina.....	P	1.4	55.5	22.5	2.4	12.8					6.8						64.07
North Dakota.....	C	4.1	51.8	13.5	13.3	5.7	5.5			4.2	3.0				3.0		114.94
Ohio.....	C	2.9	39.5		0.2	49.6	3.6			1.1	3.1				2.9		125.46
Oklahoma.....	C	4.2	30.7	12.9	10.7	11.3	26.0			1.5	2.1				4.8		139.93
Oregon.....	C	4.6	56.5		9.7	16.2	12.0			1.5	2.6				1.5		130.37
Pennsylvania.....	C	3.6	31.8	41.5	4.2	21.7				0.4	0.4						158.27
Rhode Island.....	P	0.8		56.4				23.0		10.7	9.9						44.72
South Carolina.....	P	4.7	50.0	14.0	23.5	10.0		1.2		1.1					0.2		123.25
South Dakota.....	P	3.1	45.5		43.4		0.7			10.4							70.84
Tennessee.....	P	2.4	64.5	28.4						3.3	3.6				0.2		77.51
Texas.....	P	0.2								65.2	34.8						5.18
Utah.....	P	4.9	66.2		12.8	12.7	3.9			1.4	2.6				0.4		158.33
Vermont.....	C	2.2	64.4			35.6											97.14
Virginia.....	P	1.7	42.3	33.0	14.1	0.1				5.4	4.8				0.2		94.48
Washington.....	C	5.4	55.1		17.1	16.9	7.1			1.1	2.4				0.3		134.40
West Virginia.....	P	1.2		39.8	46.7	2.6				4.8	6.1						56.93
Wisconsin.....	C	3.1	52.7			33.3	10.2				2.9				0.9		169.94
Wyoming.....	C	7.2	61.7		23.9	3.1	7.9			1.2	1.8				0.4		174.11

¹ Consists of power of sale (P) or court action (C). When either is allowed, that listed has been used principally by the Home Owners' Loan Corporation.
² Extra items included in court costs: Connecticut—all items; Indiana—sheriff's fees, advertising cost; Iowa—sheriff's fees and some advertising costs; New Jersey—all items; North Carolina—recording fees; Ohio—advertising fees; Pennsylvania—most recording fees; and Wisconsin—publication for sale, sheriff's fees, recording fees.
³ In Louisiana and Missouri attorney's fees have not been included in total cost.

FORECLOSURES: AVERAGE TIME REQUIRED TO COMPLETE COMPARED WITH AVERAGE COST, BASED ON H.O.L.C. EXPERIENCE



¹ In case of foreclosure in court, the time has been computed from the date of the filing of the petition to foreclose to the date of acquisition of title, free of all rights of redemption.

In case of foreclosure under power of sale contained in the mortgage or deed of trust, the time has been computed from the date of the first publication of notice of sale or of intention to foreclose, where such is required, to the date of acquisition of title, free of all rights of redemption.

² Costs do not include salaried personnel; in both Texas and Massachusetts salaried attorneys handle foreclosure.

inadequate protection. It is also obvious that a delinquent borrower cannot be carried when his accumulated taxes, interest, insurance, and other carrying charges have increased the total debt to over three-fourths of value of the security.

Compare these conditions with those in Massachusetts where it costs about \$30 to foreclose a \$5,000 mortgage and takes only two months. The total cost, including cost of delay, amounts to only 3 percent of the mortgage.

Considering this cost, it is not surprising that mortgage-lending institutions in Massachusetts have for many years been making loans up to 80 percent of value. Quite simply, they can afford to.

Such samples taken from the 48 different State laws emphasize the importance of the work of the Subcommittee on Laws and Legislation of the Central Housing Committee in drafting a uniform mortgage and foreclosure law. It has been their job to provide a form which would eliminate the evils and inconsistencies now affecting lending activity.

THE UNIFORM STATUTORY MORTGAGE

The proposed uniform law provides for the use of a statutory short mortgage form of about 160 words in length. A longer form has been avoided by the simple expedient of mentioning the various covenants in the mortgage form by word only and then defining these covenants at length in the act itself. In this way the rights of both the mortgagor and the mortgagee are protected without incurring high recording costs. Covenants and conditions other than those contained in this statutory mortgage form may be inserted in it by simply marking them "non-statutory".

This short form compares very favorably with the average mortgage or deed of trust forms now in use in the various States which contain from 1,000 to 4,000 words. The recording fees for such lengthy documents run from \$4 to \$10. Since these instruments are required to be recorded in order that they may be valid against purchasers, subsequent lienors, and judgment creditors, and since the fee for recording varies according to the number of words in the instrument, the mortgagor who bears the cost of recording is unduly penalized.

The enactment of the uniform mortgage and foreclosure act by a State, and the use by mortgage-lending institutions of this statutory short form of mortgage would, therefore, reduce the recording costs

borne by mortgagors, cut down legal costs of drafting such instruments, facilitate the placing and handling of mortgage loans by mortgage-lending institutions, and reduce the cost to the public in providing fireproof space for records.

UNIFORM FORECLOSURE

The uniform act further provides for a simple, inexpensive method of foreclosure by power of sale, with provision for court confirmation, if the mortgagee so desires, or for court action following a mortgagor's petition for injunction to restrain the foreclosure by power of sale. Provision is also made for a court action to rescind the sale upon a showing of fraud or of failure to comply with the foreclosure procedure outlined in the act.

It has been estimated that \$4 out of every \$5 spent for foreclosure in New York is a kind of "legalized waste", and that mortgagees in that State, in order to comply with the established foreclosure procedure, have been forced to waste at least \$40,000,000 in useless foreclosure costs during the past four years.

It is believed that the adoption of the Subcommittee's uniform act, with its simple, inexpensive foreclosure procedure, would reduce such costs by at least half in most of the States.

REDEMPTION PERIOD

A redemption period of only 30 days, after the sale of the property, has been provided. But in addition a statutory notice of foreclosure must be recorded at least 90 days prior to the date of sale. It is thought that the four months' period, which will usually be required for foreclosure under the act, will, therefore, be sufficient to afford ample protection to the mortgagor and to enable him to redeem if he desires and is able to do so.

Present statutes which impose a long period of redemption before title and possession can be obtained have a tendency to lower the maximum loanable value of property throughout the jurisdiction since during that period foreclosed property is rendered practically unmarketable; may suffer serious damage or depreciation; and presents in a high degree a type of frozen asset. Prospective lenders naturally take into account the procedure available for realizing the debt out of the security when determining the terms upon which they are willing to lend.

ZONING AND PLANNING PROGRESS

■ THE home owner in an exclusive residential neighborhood is often protected against fluctuations in property values by restrictions which the private developers who planned the subdivision imposed on him and his neighbors. This kind of restriction gives the institution which finances his home added security, which it especially needs if it makes long-term loans. To extend a similar kind of security to other than the more expensive developments, and thereby to stabilize home financing for a greater number of families, is one of the aims of community planning and zoning.

Although private restrictions give a type of protection which zoning cannot give, they sometimes fail to be as effective. For example, a Pacific Coast city neglected to adopt zoning ordinances because much of its residential property was protected by comprehensive private restrictions. But during the depression the State took many houses for tax delinquency, and re-sold them without restrictions. A zoning ordinance, adopted in accordance with a State enabling act, would have remained in force in spite of this procedure and the protection to neighborhood home owners would have remained in effect.

be drafted to suit the needs of each particular city, and enforced and revised by a competent body. For this reason, it is encouraging to learn that the number of planning and zoning commissions is growing. At the beginning of 1937 there were 933 official city planning commissions or boards, 140 unofficial or other planning boards, and 128 boards with powers restricted to zoning. Early in 1934 there were 717 official planning bodies, 22 unofficial boards, and 30 boards with powers restricted to zoning. A number of these commissions, unfortunately, have only a nominal existence and very few have adequate budgets. Their proper function of adapting their communities' plans to changing population trends and economic conditions is considerably handicapped by this lack of funds and many zoning ordinances need revision to bring them in line with modern conditions.

In spite of handicaps resulting from lack of local support, the number of planning commissions with control over subdivision development has grown steadily. In addition to the 198 commissions with advisory powers, there are now 275 which exercise mandatory control over subdivision development, usually by their power to keep developments of which they disapprove from being recorded on the plats. Such control in most cases is extended to the area within three to six miles of the city limits.

The development of planning bodies including in their jurisdiction counties or whole metropolitan areas has been especially striking during the past three years. In 1934 only 85 such agencies, including unofficial boards, existed. At the beginning of 1937 there were 316 official and 171 unofficial boards of this kind, in addition to 13 zoning boards operating in entire districts or metropolitan areas. This type of commission, operating in an area broader than that of a city corporation, is particularly useful in those metropolitan areas where single urban economic units extend over several municipalities.

zoning and housing regulations, as one of the major causes of five trends which damage residential areas: the withdrawal of population to the suburbs, the emergence of large blighted districts, the depreciation of property values, the impairment of the city's tax structure, and the increased costs for police, fire, and welfare services in the worst of the run-down areas. The security of mortgage investments and of the savings of millions of citizens depends to a great extent, the statement argues, on the protection of the city's economic structure from these trends.

To provide such protection and to maintain a proper control of the development of a city, the statement recommends a well-rounded civic program. This program includes a study of the city and its future land use needs, the revision of its plan and its zoning ordinances, and the gradual elimination of all inappropriate uses of land, with particular reference to improvement of residential areas. Strict control of all new land subdivision, on the basis of determination of the most desirable distribution and density of population and of the total housing needs for all income groups of the population, is advocated. In addition to these planning recommendations, the statement proposes revision of the building and housing codes and of the tax structure, the enactment of a minimum housing standards ordinance, and the building or rebuilding of neighborhood units as completely planned communities.

Cooperation: A Means of Lowering Construction Costs

■ NEARLY everyone is aware of the unfavorable comparison the cost of house construction makes with the cost of manufacture of most other high-priced consumer goods. The automobile is a favorite example. It is a complicated machine that depends for its efficiency on a most careful adjustment of its parts and yet its cost is reasonable. The cost of the average house cannot compare with it.

It is easily argued that such a comparison is invalid and yet one does not have far to look for evidences of waste and inefficiencies in construction. But it is significant that they are found not so much

in the size of contractual units as in the lack of coordination between those units. Thus, the agencies for designing, financing, manufacturing materials, and for actual construction have no common technique for cooperation. England, through the Building Industries National Council, is far ahead of us in this respect. Among other things, this Council provides for the training of craftsmen by cooperation with labor groups, and the standardization of materials, equipment, and building codes.

One of the most important technological advances in manufacturing was the standardization of parts. Mass production would be impossible without it, and yet it is necessary only to look over a large material dealer's list of stock or to compare lumber sizes in one area with those in another to see that this earliest of improvements in technics has not found its way into construction.

To eliminate the least used shapes and sizes and to standardize the remainder, it is necessary to have the full cooperation of the design element in the construction industry. Such standardization would reduce the material dealer's overhead and risk, and the contractor would benefit by an assurance of prompt delivery as the material dealer could afford to carry a complete stock. Also, many of the mechanical difficulties of manufacture of materials would be eliminated.

But so long as any designers demand the odd sizes they will be carried. It is only by the cooperation of *all* the agencies concerned with residential construction that costs can be lowered and the quality of construction maintained. If these two ends were achieved the market for houses would be measurably increased with obvious benefits to all.

The Federal Home Loan Bank Board early recognized the necessity for advance in this direction. It was evident that one factor retarding maximum lending terms by financing institutions was the lack of standards of construction and lack of enduring design in the small house. As a corrective, the cooperation of the architects, financing agencies, and builders has been enlisted under the Federal Home Building Service Plan.

It was also evident that the services such cooperation would make possible could best be provided through local groups. Residential construction is fundamentally a local operation; the proper function of a national organization therefore would be to assist in creating a widespread adoption of cooperative effort and to set a national standard of construction for the certification of local work.

INTEREST RATES

Variations in interest rates are reflected in the rates reported by Federal savings and loan associations. These variations have a definite effect on the lending policy of the individual institution.

■ ONE of the most striking characteristics of interest rates on long-term urban mortgage loans is their lack of uniformity. Not only does the rate vary between institutions within a particular locality, but the predominating rate in one State may be quite different from that in another. Also, there are variations between whole areas; the East, for example, has generally lower rates than the South or West. And last, the vague level of rates for the whole country may vary from decade to decade.

The very complexity of the factors which cause these variations justifies them to some extent. The effective interest rate on a long-term mortgage loan involves more than simple interest. The mortgage-lending institution must charge for the services it provides; it must also charge for the risk it assumes. If it is a savings and loan association, it is mainly dependent on the savings of individuals within its community which tends in some localities to limit the available supply of money.

Thus, in the West, funds for permanent investment are scarce because there has always been a heavier demand for financing than the savings of local people have been able to meet. Such a condition usually accompanies the early expansion of a country. In contrast, communities in the East have available the accumulated savings of several generations of settled people without a proportionate demand for their use. Consequently, these savings cost the mortgage-lending institution less in the East than in the West. Also, service charges may well be lower in the East because the properties to be appraised and then financed are more centrally located.

Another situation may arise where one association charges a much lower rate than another providing similar services because it is located in a community where population trends, local ordinances, neighborhood character, and many other factors all contribute to a greater stability.

Also, the wide variations in State laws tend to affect mortgage interest rates. High foreclosure costs and unnecessarily complicated statutory mortgages increase the cost of lending operations.

The accompanying chart shows these variations in interest rates by Federal Home Loan Bank Districts. It has been compiled from the annual reports of Federal savings and loan associations as of December 31, 1936, and gives the actual effective rate of interest—including any loan fees charged to cover the cost of putting the loan on the books of the association. The Federal plan of operation does not permit any hidden charges which might cause a wide disparity between the nominal rate and the effective rate. Consequently, these are the true or actual rates charged.

On this chart the graph for each District has been divided into eight groups of interest rates, each with a range of $\frac{1}{2}$ percent. For example, the column marked 6 percent represents a range of from 5.8 percent to 6.2 percent. This division has been made because, of the 1,129 Federal associations from which reports were received, 436 charged no loan fee, which places their effective rate exactly at the median rate shown. At the bottom of the chart the range of each interest rate is given. The table on page 50 gives a further breakdown of these Federal savings and loan interest rates by States as well as by Federal Home Loan Bank Districts: the predominating rate being in bold-face type. In addition, a comparison is made with the rates charged by building and loan associations in 1934 and 1931.

It is immediately obvious that in some States the coverage has been too small to give a full picture of the interest rate range. Also, it must be borne in mind that the rates charged by Federal savings and loan associations are not necessarily indicative of the rates charged by other savings-lending institutions.

In analyzing the chart and table several of the aforementioned points concerning rates are obvious.

First, there is a wide range of interest rates within a State or District. Second, where the coverage is great enough there is always a predominant rate. Third, the predominant rate in 1936 was about 6 percent in the East but increased as it moved towards the South and West where a 7-percent rate was more prevalent.

It is interesting to compare the effective interest rate in 1936 with the nominal interest rate in 1934 and 1931, remembering that in a majority of cases the nominal rate was increased by extra charges such as premiums, fees, and fines, and by the use of the share-account sinking-fund, cancel-and-endorse, or drop-share methods of loan amortization.

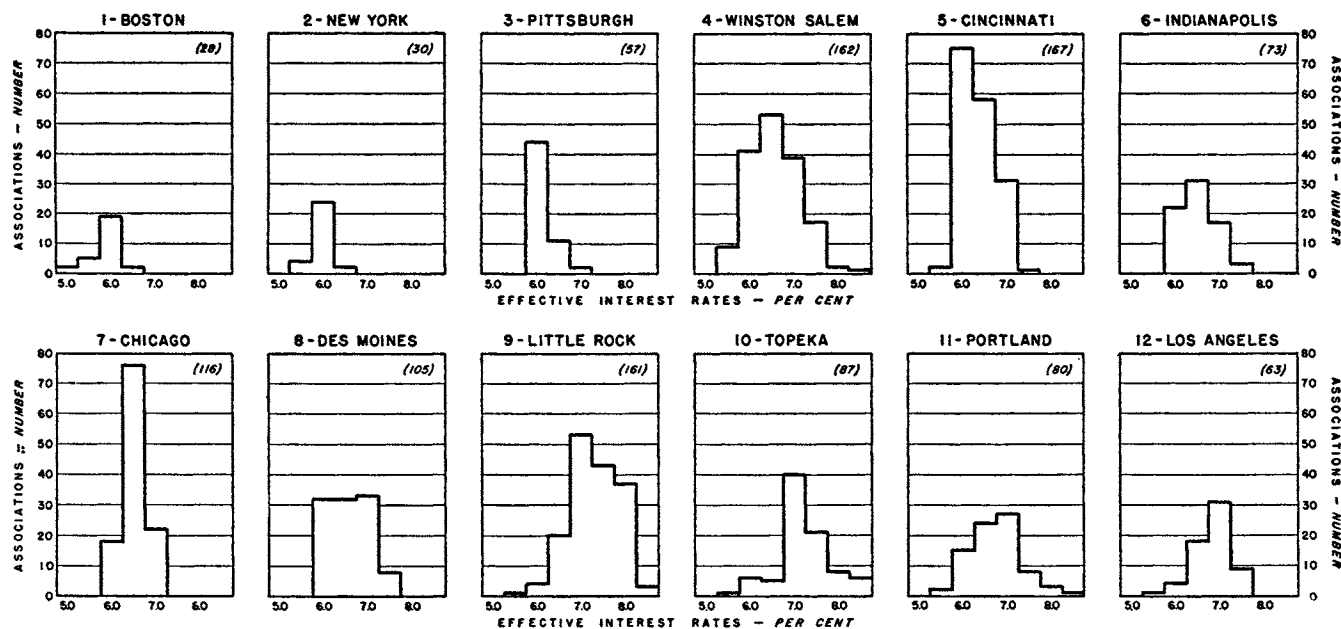
The fact is at once evident, if we may assume that the reports give a fairly accurate cross section, that effective interest rates have *declined* during this 6-year period. And even more noteworthy, the greatest decline has taken place in those geographic areas where rates in the past have been highest. In Districts 9, 10, and 11 the predominating effective rate in 1936 was generally 7 percent, and only 10 out of the 328 reporting associations charged more than 8.2 percent. While in 1934 the predominating *nominal* rate in these three Districts

was about 8 percent, and in 1931 was about 8.5 percent.

Causes for these reductions are difficult to trace. General reductions throughout the country are probably due to the increased competition in the mortgage-lending field and correspond to a reduction in the returns on all long-term investments. Life insurance companies, for example, invested \$377,649,000 in nonfarm real-estate mortgages in 1936 as compared to \$55,217,000 in 1934. The facilities offered by the agencies under the Federal Home Loan Bank Board also have helped to lower rates.

The greater reductions in the West may reflect the national services offered an association today as compared to its isolation six or even three years ago. Such services have been particularly important to associations located outside the larger urban areas. Federals and many State-chartered associations, although dependent on local funds, have the advantages and facilities of the Nation-wide system of Federal Home Loan Banks. Their share accounts are protected by insurance and in many cases they make loans insured by the Federal Housing Administration. All these factors working together might

**EFFECTIVE INTEREST RATES CHARGED BY
1,129 REPORTING FEDERAL SAVINGS AND LOAN ASSOCIATIONS
AS OF DECEMBER 31, 1936
BY FEDERAL HOME LOAN BANK DISTRICTS**



NOTE.- NUMBERS IN PARENTHESES INDICATE TOTAL REPORTING ASSOCIATIONS IN EACH DISTRICT.

5.0%	Group Range	4.8% - 5.2%	7.0%	Group Range	6.8% - 7.2%
5.5%	" "	5.3 - 5.7	7.5	" "	7.3 - 7.7
6.0	" "	5.8 - 6.2	8.0	" "	7.8 - 8.2
6.5	" "	6.3 - 6.7	8.5	" "	8.3 - 8.7

be expected to reduce both the risk and the cost of servicing.

It is, however, too short a period and one too much influenced by what we hope are extraordinary economic conditions to draw final conclusions as to the full value of these national institutions in effecting more equitable interest rates. Neither is it reasonable to assume that the mere reduction in rates is in itself a valuable change. Mortgage-lending institutions must preserve a rate which will allow for the cost of operations, reserves, and a sufficient dividend rate to attract funds. If they do not, they will be treading on dangerous ground which may lead to trouble in a future period of economic difficulties.

THE INDIVIDUAL INSTITUTION

If we could take the Federal rate chart on page 49 and extend the range of interest rates both downward and upward to include other types of mortgage lenders such as insurance companies, banks, investment companies, and individuals, we would have the

complete picture of long-term mortgage interest rates. Then, where does the individual savings and loan association with its single interest charge find itself in this maze of different rates and different services?

The answer, if the institution is actively participating in the business of its community, will probably be that it is "spotted" somewhere between the two extremes, presumably near the predominant rate for the locality.

This "spot" position of the institution has definite consequences. It means that the association is offering only one class of goods (a set interest rate) in competition with a wide variety of goods, some worse and some probably better. If purchasers were all of one class this position might very well be the best one, but in the mortgage-lending field they are obviously not. Of course, the predominant rate will apply to the large middle class of borrowers but this puts the institution in a position with two unfortunate consequences. First, it loses the very

(Continued on page 70)

Effective interest rates charged in 1936 by Federal savings and loan associations compared with nominal interest rates charged by all savings and loan associations in 1934 and 1931

NOTE.—The largest number of Federal savings and loan associations reporting a specific rate in each State or District has been set in bold-face type to indicate the predominating rate for that area.

[Sources: 1936—Annual reports of Federal savings and loan associations.
1934—Questionnaire by Federal Home Loan Bank Board: 2,629 replies.
1931—Questionnaire by Finance Committee of the President's Conference on Home Building and Home Ownership]

Federal Home Loan Bank Districts and States	1936—number of Federals reporting	1936—effective rates charged by Federals ¹								1934—predominating nominal rate by s. & l.	1931—average nominal rate by s. & l.
		4.8-5.2 (5.0) percent	5.3-5.7 (5.5) percent	5.8-6.2 (6.0) percent	6.3-6.7 (6.5) percent	6.8-7.2 (7.0) percent	7.3-7.7 (7.5) percent	7.8-8.2 (8.0) percent	8.3-8.7 (8.5) percent		
UNITED STATES.....	1,129	2	25	304	332	295	110	50	11	6	-----
District No. 1.....	28	2	5	19	2	-----	-----	-----	-----	-----	-----
Connecticut.....	14	-----	2	10	2	-----	-----	-----	-----	6	5.9
Maine.....	5	-----	-----	5	-----	-----	-----	-----	-----	6	6.2
Massachusetts.....	5	-----	3	2	-----	-----	-----	-----	-----	6	6.2
New Hampshire.....	2	2	-----	-----	-----	-----	-----	-----	-----	5	-----
Vermont.....	2	-----	-----	2	-----	-----	-----	-----	-----	6	6.3
District No. 2.....	30	-----	4	24	2	-----	-----	-----	-----	-----	-----
New York.....	30	-----	4	24	2	-----	-----	-----	-----	6	6.0
District No. 3.....	57	-----	-----	44	11	2	-----	-----	-----	-----	-----
Pennsylvania.....	38	-----	-----	30	8	-----	-----	-----	-----	6	6.0
West Virginia.....	19	-----	-----	14	3	2	-----	-----	-----	6-8	6.9

Effective interest rates charged in 1936 by Federal savings and loan associations compared with nominal interest rates charged by all savings and loan associations in 1934 and 1931—Continued

Federal Home Loan Bank Districts and States	1936— number of Fed- erals re- porting	1936—effective rates charged by Federals								1934— predom- inating nominal rate by s. & l.	1931— average nominal rate by s. & l.
		4.8-5.2 (5.0) per- cent	5.3-5.7 (5.5) per- cent	5.8-6.2 (6.0) per- cent	6.3-6.7 (6.5) per- cent	6.8-7.2 (7.0) per- cent	7.3-7.7 (7.5) per- cent	7.8-8.2 (8.0) per- cent	8.3-8.7 (8.5) per- cent		
District No. 4	162		9	41	53	39	17	2	1		
Alabama	14			3	2	5	4			8	7.3
Florida	48			1	18	23	5	1		7	8.4
Georgia	42			4	21	7	8	1	1	8	7.4
Maryland	18		4	12	2					6	
North Carolina	12		2	7	3					6	6.0
South Carolina	10			6		4				7	7.9
Virginia	18		3	8	7					6	6.4
District No. 5	167		2	75	58	31	1				
Kentucky	43		1	13	18	11				6	6.3
Ohio	90		1	54	30	4	1			7	6.8
Tennessee	34			8	10	16				6	6.0
District No. 6	73			22	31	17	3				
Indiana	55			14	24	14	3			7	7.1
Michigan	18			8	7	3				7	7.2
District No. 7	116			18	76	22					
Illinois	89			18	49	22				6	6.3
Wisconsin	27				27					6	6.7
District No. 8	105			32	32	33	8				
Iowa	30			16	9	4	1			7	6.8
Minnesota	30			12	11	5	2			7	7.0
Missouri	36			4	10	19	3			8	7.5
North Dakota	5				2	1	2			8	7.7
South Dakota	4					4				8	9.7
District No. 9	161		1	4	20	53	43	37	3		
Arkansas	35				6	10	3	16		8	9.0
Louisiana	12		1	1	2	3	2	2	1	8	7.4
Mississippi	19				2	6	8	3		8	9.0
New Mexico	8			1	1	4		2		8-10	10.0
Texas	87			2	9	30	30	14	2	8	8.7
District No. 10	87		1	6	5	40	21	8	6		
Colorado	22				2	8	6		6	8	8.8
Kansas	19				1	10	6	2		8	8.7
Nebraska	15		1	6	1	6		1		7	7.3
Oklahoma	31				1	16	9	5		8	9.1
District No. 11	80		2	15	24	27	8	3	1		
Idaho	8				6	1	1			8	8.6
Montana	1				1					8	7.8
Oregon	22			3	4	7	6	1	1	8	9.3
Utah	4				2	1		1		8	8.7
Washington	36		2	12	11	9	1	1		7	7.9
Wyoming	9					9				7	8.1
District No. 12	63		1	4	18	31	9				
Arizona	1				1						10.0
California	61		1	4	17	30	9			7	8.2
Hawaii	1					1				8	

¹ Nominal rate plus loan fees: for each 1 percent of gross loan fee, 0.2 percent has been added to the nominal rate. Because this approximation is based on a maturity of 139 months, the effective rate, in some cases, may be lower than that shown.

RESIDENTIAL CONSTRUCTION and HOME-FINANCING ACTIVITY

■ BUILDING costs are leveling off in most areas, foreclosures are far below the level of a year ago, manufacturing employment and payrolls are at about the 1929 level, rentals are increasing steadily from month to month, and yet residential building shows no sign of improvement.

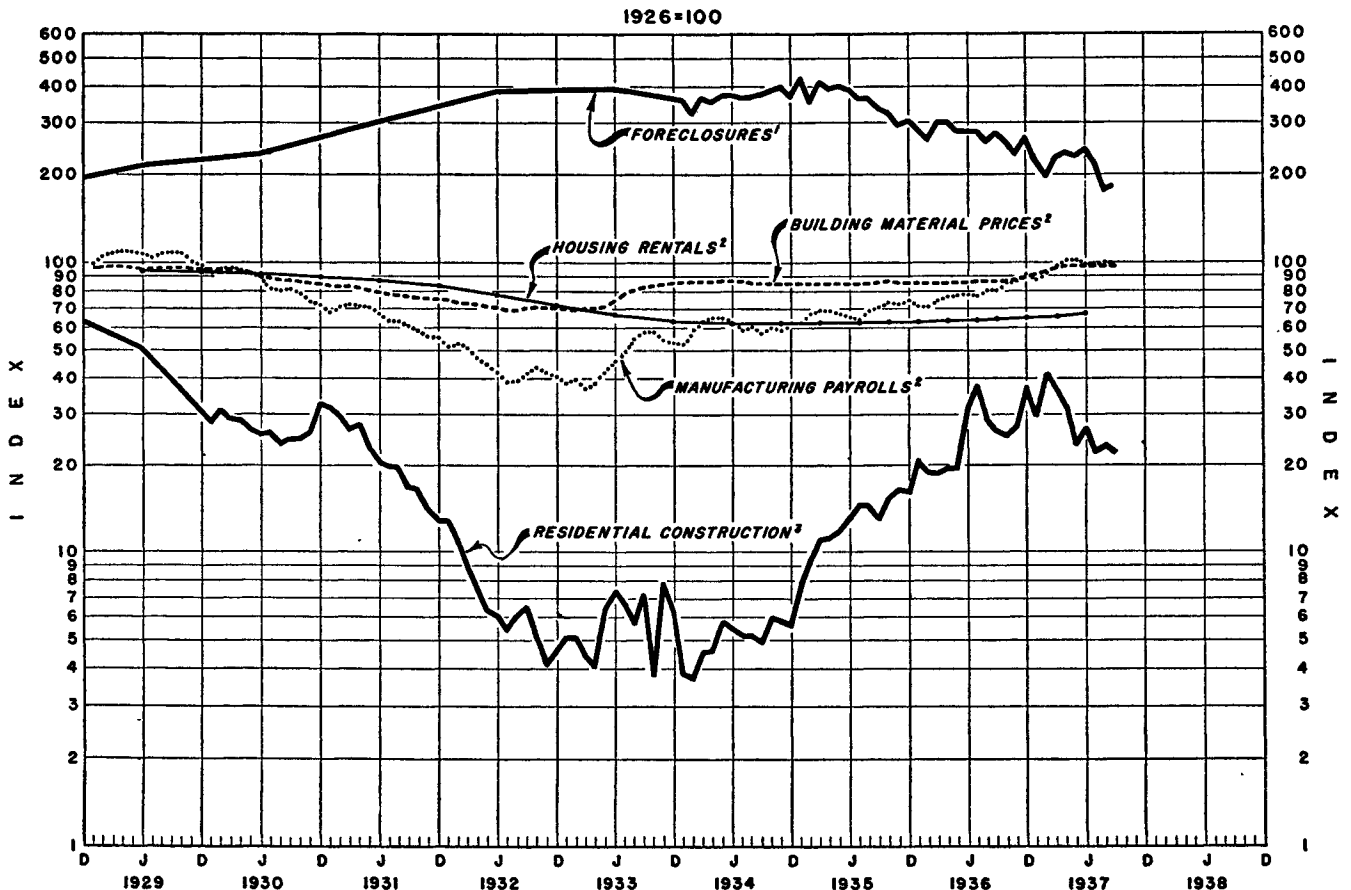
The index of residential construction, which is based on the total number of family dwelling units provided in all cities of 10,000 population or over and which has been corrected for seasonal variation, dropped 4.8 percent between August and September, when it was 16.7 percent below the index for September of a year ago. It stands at the lowest point since May 1936. In September as in August all the

building in these cities has been by private industry. There have been no Government-financed low-cost projects authorized since July.

Of the total of 12,162 dwelling units authorized in September, 9,078 were for 1-family dwellings whereas only 896 were for units contained in 2-family structures. Multifamily dwelling units constituted 2,075 or 17 percent of the total. The cost of the 12,162 units was \$48,017,800 as contrasted to the \$49,364,700 for the 12,601 units authorized in August.

Because of the large volume of building during the early part of this year, 12 percent more dwelling units were authorized during the first nine months of 1937 than during the same period in 1936. But,

RESIDENTIAL BUILDING ACTIVITY AND SELECTED INFLUENCING FACTORS



Source:- 1. Federal Home Loan Bank Board (County Reports)
 2. U. S. Dept. of Labor (Converted to 1926 Base)
 3. Federal Home Loan Bank Board (U. S. Dept. of Labor Records)

whereas only 2.7 percent of the total this year were built by public agencies, 10.7 percent received Government financing last year.

Although the Federal Home Loan Bank Board building cost index shows material prices to be increasing in some areas, the only type of building material on which the wholesale price increased more than 1 percent was plumbing and heating equipment, with a rise in cost of 2.3 percent between August and September. This is the first fluctuation of any consequence in the cost of this type of equipment since the spring of this year when a 1-percent increase was registered.

[1926=100]

	Sept. 1937	Aug. 1937	Percent change	Sept. 1936	Percent change
Residential construction ¹	21.9	23.0	-4.8	26.3	-16.7
Foreclosures (metro. cities).....	180.0	176.0	+2.3	278.0	-35.3
Rental market (NICB).....	87.4	86.7	+0.8	79.3	+10.2
Building material prices.....	96.2	96.3	-0.1	87.1	+10.4
Manufacturing employment.....	100.8	101.0	-0.2	94.3	+6.9
Manufacturing payrolls.....	96.5	100.1	-3.6	80.6	+19.7
Average wage per employee.....	95.7	99.1	-3.4	85.5	+11.9

¹ Corrected for normal seasonal variation.

Although all other building material prices remained relatively the same they stand considerably

above the level of a year ago. The price of cement is the only one which has shown no fluctuation.

The index of foreclosures in 84 metropolitan communities increased 2 percent from 176 in August to 180 in September. This index is based on 1926 as 100. While this movement is unfavorable as compared to the 5-year average August to September decrease of 2 percent, it may be interpreted as a reaction from the abnormal decline of 18 percent from July to August. Foreclosures for the first nine months of 1937 showed a 23.6-percent decline over the first nine months of 1936.

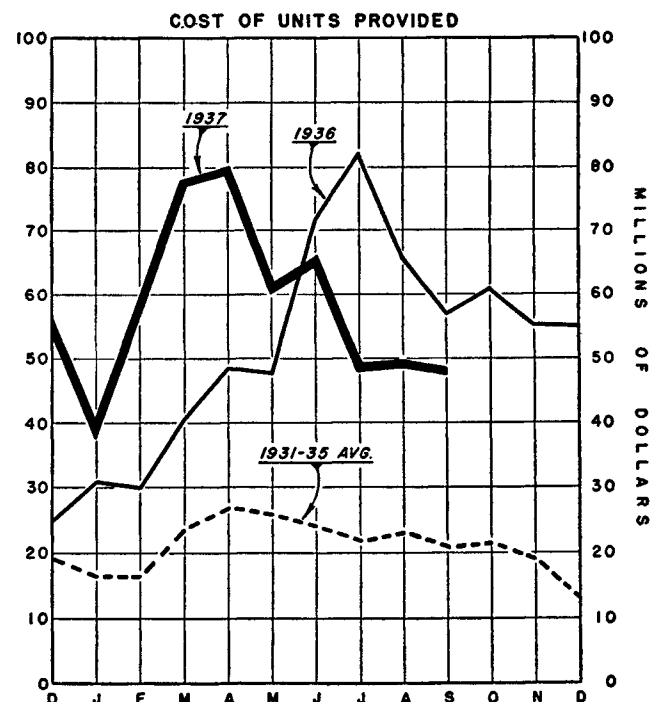
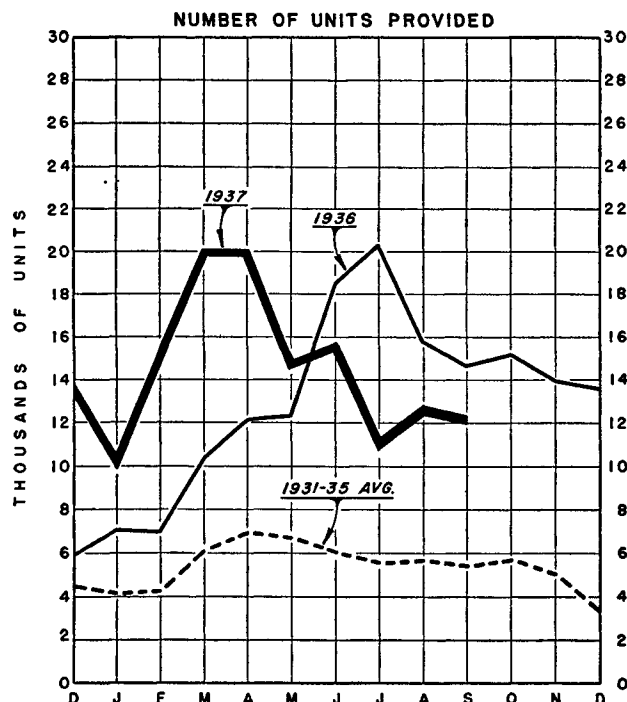
Of the total cities reporting, 42 reported increases in foreclosures, 38 reported declines, and 4 reported no change. These variations were scattered throughout the country.

RATE OF BUILDING

The rate of building, as contrasted to the volume of building, fell off in all cities of 10,000 or more population from 20.2 units per 100,000 population in August to 19.4 units in September. As the chart on page 61 shows, this reduction was general. In no part of the country were large projects authorized which would be reflected in violent fluctuations.

ESTIMATED NUMBER AND COST OF FAMILY DWELLING UNITS PROVIDED IN ALL CITIES OF 10,000 OR MORE POPULATION

(Source: Federal Home Loan Bank Board. Compiled from residential building permits reported to U. S. Dept. of Labor)



Although the rate of building decreased in the Los Angeles District from 50.3 units per 100,000 population to 45.3 units, this District still leads the country in the rate of building. The Little Rock and Winston-Salem Districts are almost tied—the former having a rate of 32.4 units and the latter of 31.8 units.

Construction By Size of City

[*Supplemental Tables A and B, Page 58, Chart, Next Page*]

■ DURING the first nine months of 1937 the rate of home-building activity has been greater in cities of 10,000 to 25,000 population than in any group of larger cities. This was not true of the same period in 1936 when the rate of building in the 10,000–25,000 group was about 20 units per 10,000, the same as in the largest cities with populations of 100,000 and over. These comparisons have been prepared by the Division of Research and Statistics of the Federal Home Loan Bank Board from building permit reports to the United States Department of Labor.

The middle groups of cities have lagged behind the smallest and the largest—even as far back as 1934, when, for the first nine months, the total rate in all cities was only 3.89 units per 10,000 population as compared to 21.14 units in 1937.

Such comparisons are shown for the last three years by Federal Home Loan Bank Districts in the chart on page 55 and in Supplemental Table A on page 58. Note that by far the greatest rate of building between January-September this year has taken place in the smallest city group in the Los Angeles District. In fact, 82.81 dwelling units per 10,000 population is the greatest rate reported for any group during the last four years. Also, although the medium-sized cities, those with populations of 25,000–50,000 and 50,000–100,000, have lagged in rate of building for the country as a whole, the former group leads this year in the Third and Tenth Districts, and the latter group in the Ninth District.

The rate of building in the smallest cities has been great enough to raise the actual number of dwelling units provided above the number provided in all larger cities except those with populations of 100,000 and over, which still provide the greatest volume of building. Supplemental Table B on page 58 shows that 26,694 dwelling units were authorized in the

10,000–25,000 group and 79,146 were authorized in the 100,000-and-over group, while only 13,470 units were provided in the 25,000–50,000 group and 12,743 units in the 50,000–100,000 group.

As these figures show only the construction activity which has taken place within the city limits, and as the present tendency is to build in suburban areas, the figures shown do not give a complete picture of residential building. Nevertheless, they indicate that residential building is proceeding at an uneven rate, and that the smaller cities are building more dwellings in relation to their size than the large cities.

Indexes of Small-House Building Costs

[*Table 3*]

■ BETWEEN July and October the cost of building the same standard house decreased more than 1 percent in six of the reporting cities, and changed less than 1 percent in ten of the cities. Only three cities out of the total of 19 reported increases, and the greatest of these was 2.9 percent. This is the second reporting period for which these cities have shown a tendency to level off and corresponds to a similar tendency in the two other groups of reporting cities. It seems indicative of a general swing in the whole level of residential building costs.

Of the declines of more than 1 percent reported from six cities, three were due to a reduction in material costs, and three were due to both materials and labor. Yet, contrary to this, all but one of the cities reporting increases—including those where the increase was less than 1 percent—showed materials as the dominating cause.

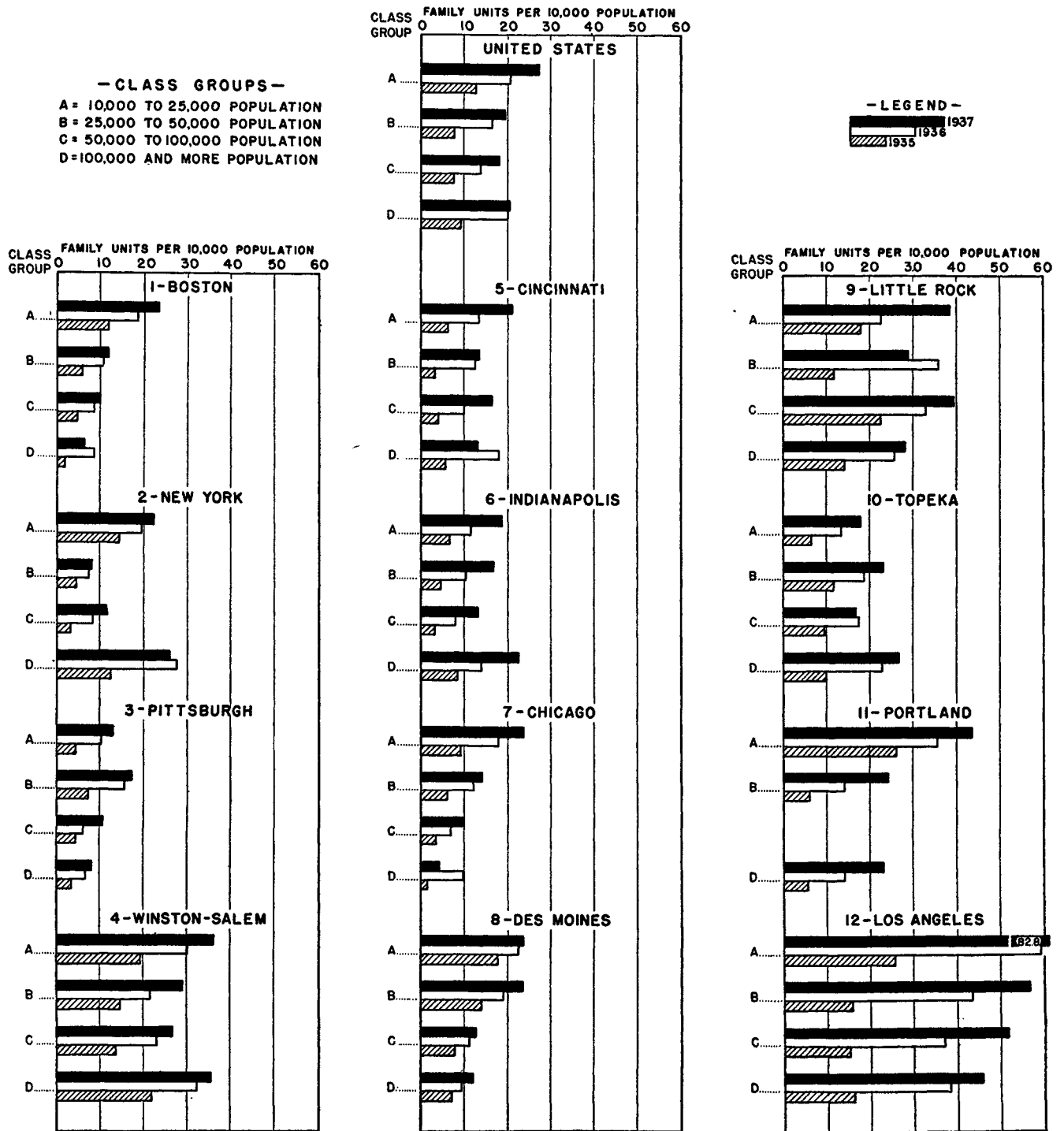
The greatest decrease was 6.5 percent and was reported for White Plains, New York, which brings the total cost for that city down to \$6,408; still 10.9 percent higher than it was in October 1936. In Detroit, a decrease of 4.0 percent reduced the total cost to \$6,121.

The lowest total cost in this group of cities was in Grand Rapids, where, in October, \$5,598 would build the standard house. Camden was the only other city where costs were less than \$6,000. In both these low-cost cities costs have risen slowly but steadily during the past year so that in the former they are 9 percent and in the latter 13 percent above the October 1936 costs.

RATE OF RESIDENTIAL BUILDING IN CITIES OF DIFFERENT SIZE IN THE FIRST NINE MONTHS OF 1935, 1936, AND 1937

Represents the established number of family dwelling units provided per 10,000 population in all cities of 10,000 or more inhabitants, classified by size of community for the United States and for each Federal Home Loan Bank District

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



At the other extreme, the highest cost was \$7,174 in Great Falls, Montana. But the increase in costs during the past year in Great Falls has proceeded at no greater a rate than in many cities of a lower total cost.

Monthly Lending Activity of Savings and Loan Associations

[Tables 4, 5, 6 and 7]

■ ALL savings and loan associations loaned an estimated \$67,734,000 during September, which was 1.2 percent less than during August. This is the third consecutive month that mortgage lending by these institutions has fallen off.

The principal cause of these reductions was the Federal savings and loan associations. This type of association loaned 3 percent less during September than August. Nonmember associations loaned

slightly less, while State-chartered savings and loan associations remained practically constant. In consequence, Federals made 39 percent of total loans, State members made 45 percent and nonmembers made 16 percent during September.

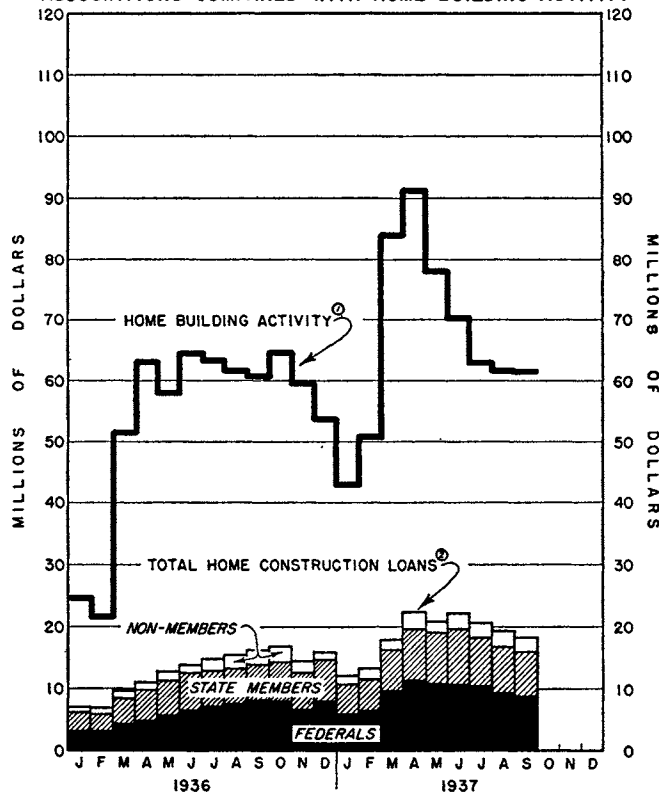
Of the total estimated lending by all associations, 26.9 percent went for home construction, 36.3 percent went for home purchase, 19.6 percent for refinancing, 7.2 percent for reconditioning, and 10.0 percent for other purposes.

It is interesting to note that whereas the index of residential building is below the 1936 level, savings and loan associations made \$18,220,000 in construction loans in September of this year as compared to \$16,233,000 last year.

The greatest increase in lending between August and September was reported from the Ninth Bank District; the greatest decrease from the Seventh District.

The estimates of total savings and loan mortgage-lending activity are based on reports from 2,725 associations out of an estimated total of 10,018 associations in the country.

HOME CONSTRUCTION LOANS MADE BY ALL SAVINGS AND LOAN ASSOCIATIONS COMPARED WITH HOME BUILDING ACTIVITY



⊙ Estimated for all cities of 2,500 or more population based on building permits for 1 & 2 family dwellings reported to U.S. Department of Labor.

⊙ Estimated for all active associations by Federal Home Loan Bank Board.

Federal Savings and Loan System

[Table 11]

■ THE assets of Federal savings and loan associations passed the billion dollar mark during September. As of the end of that month there were 1,307 such associations with \$1,060,320,159 in assets. Of the total number, 650 were newly organized associations and 657 were associations converted from State-chartered institutions. The latter, because they have been in operation for a longer period of time, have three and one-half times the assets of the former.

Progress in number and assets of Federal savings and loan associations

	Number		Approximate assets	
	Aug. 31, 1937	Sept. 30, 1937	Aug. 31, 1937	Sept. 30, 1937
New-----	647	650	\$222, 576, 383	\$222, 636, 578
Converted-----	649	657	772, 437, 901	777, 683, 581
Total---	1, 296	1, 307	995, 014, 284	1, 060, 320, 159

The 1,200 Federal associations reporting their activities for both August and September loaned 4.0 percent less during the latter month than during the former. The greatest drop was in loans for new construction which fell 9.4 percent. This corresponds to a drop in the estimated volume of construction loans made by all savings and loan associations and to a drop in residential building. But, contrary to the general picture, loans for reconditioning rose 5.7 percent.

In spite of this decrease, loans for new construction represented 33.2 percent of the total volume made during the month. Loans for home purchase were second with 32.5 percent of the total, and refinancing third with 20.4 percent, while reconditioning loans amounted to 6.6 percent and other purposes, 7.3 percent.

At the end of September these 1,200 associations had loans outstanding of \$761,113,500 which was 1.9 percent more than at the end of August. Their assets amounted to \$981,874,600.

Although private share investments made during September were 7.8 percent less than during August and repurchases were 2.0 percent less, the balance was favorable to the total paid-in subscriptions which increased 1.1 percent. However, the largest part of this increase was due to subscriptions by the Home Owners' Loan Corporation.

Advances from the Federal Home Loan Banks represented 92 percent of total borrowed money. This total increased 3.6 percent during September to \$82,982,200.

Federal Home Loan Bank System

[Tables 12 and 13]

■ THE balance of loans outstanding of the 12 Federal Home Loan Banks continued to increase in September in spite of a reduction in advances and an increase in repurchases during the month. At the end of August there was \$175,607,000 outstanding to member institutions while at the end of September this sum had increased to \$179,511,000.

During September, five of the Banks advanced over one million dollars: Winston-Salem leading with \$1,776,140. Total advances of all Banks amounted to \$9,330,000 and total repayments to \$5,426,000.

At the end of that month there were 3,921 members of the Bank System and they had approximately \$3,943,000,000 in assets. Their potential
November 1937

borrowing capacity—which is based upon the amount for which they may legally obligate themselves, or 50 percent of their net assets, whichever is lower—was \$1,188,000,000.

No changes in interest rates were reported during the month of October.

Federal Savings and Loan Insurance Corporation

[Tables 9 and 10]

■ AN 8.2-percent greater volume of loans during September than during August was reported by 342 identical insured State-chartered savings and loan associations. This is in contrast to a 10.4-percent decrease in the estimated volume of loans by all State-chartered savings and loan associations, and to a decline of 4.0 percent in loans by reporting Federal savings and loan associations.

According to reports from these insured associations, loans made during September for every purpose except refinancing increased substantially over August. The greatest volume of loans made during September was for home purchase which represented 40.1 percent of the total. The remainder was divided as follows: new construction and reconditioning, 32.5 percent; refinancing, 16.0 percent; and other purposes, 11.4 percent. Together, they amounted to \$8,095,000. This was 2.6 percent of their total of \$313,571,700 in loans outstanding on September 30, 1937.

Private share investments made in these 342 associations amounted to \$5,719,300 in September. Repurchases amounted to \$6,371,500. As a result, there was a slight decrease in the total paid in on private subscriptions. H. O. L. C. investments bolstered this enough so that its effect was not felt on the total share liability at the end of the month which remained just under \$361,000,000.

During September the total number of mortgage-lending institutions was increased by 16, of which one-half operated under State charters and the other half under a converted Federal charter.

On September 30, 1937, there were 1,819 insured associations with \$1,477,661,529 in assets, and with 1,543,205 shareholders, each of whose account is insured up to \$5,000.

Supplemental Table A.—Estimated number of family dwelling units provided per 10,000 population by new residential building in the first nine months of 1935, 1936, and 1937, in all cities of 10,000 or more inhabitants, classified by size of community ¹

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

Federal Home Loan Bank Districts	1937					1936					1935				
	Total 10,000 and over	10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over	Total 10,000 and over	10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over	Total 10,000 and over	10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over
UNITED STATES.....	21.14	27.15	19.45	18.25	20.44	19.05	20.73	16.42	13.85	20.02	9.33	12.69	7.77	7.43	9.10
No. 1—Boston.....	11.51	22.98	11.59	9.88	6.12	11.10	18.40	10.50	8.45	8.52	5.10	11.64	5.69	4.53	1.68
No. 2—New York.....	23.17	22.12	8.07	11.44	25.74	23.95	19.42	7.30	8.15	27.52	11.32	14.18	4.30	3.00	12.30
No. 3—Pittsburgh.....	10.44	13.03	17.37	10.68	8.18	8.21	10.25	15.70	6.16	6.78	4.12	4.27	7.18	4.60	3.43
No. 4—Winston-Salem.....	33.36	36.25	29.08	26.71	35.63	28.95	30.12	21.57	22.91	32.29	19.10	19.41	14.74	13.73	21.82
No. 5—Cincinnati.....	14.35	21.82	13.42	16.38	12.98	16.26	13.38	12.62	9.97	18.00	5.27	6.84	3.60	3.86	5.42
No. 6—Indianapolis.....	19.89	18.77	16.68	13.17	22.37	12.22	11.42	10.24	7.87	13.83	6.96	6.54	4.39	2.90	8.53
No. 7—Chicago.....	8.32	23.60	14.20	9.73	4.18	10.73	17.94	12.09	7.05	9.79	3.17	9.23	6.13	3.48	1.44
No. 8—Des Moines.....	15.23	23.60	23.41	12.66	12.04	12.95	22.51	19.03	11.27	9.64	9.82	17.79	14.01	7.83	7.28
No. 9—Little Rock.....	32.15	38.46	28.86	39.37	28.33	27.47	22.66	35.85	32.89	25.74	15.74	18.06	11.75	22.47	13.92
No. 10—Topeka.....	23.13	18.05	23.02	16.80	26.71	19.56	13.62	18.80	17.44	22.87	9.06	6.48	11.69	9.60	9.92
No. 11—Portland.....	27.70	43.58	24.20	(²)	22.98	18.80	35.70	14.07	(²)	13.98	10.22	25.97	6.01	(²)	5.70
No. 12—Los Angeles.....	52.08	82.81	56.79	51.71	45.77	41.27	59.37	43.35	37.00	38.38	17.01	25.57	15.78	14.87	16.06

¹ Based on estimated population for the respective years.

² No cities in this population group.

Supplemental Table B.—Estimated number of family dwelling units provided by new residential building in the first nine months of 1935, 1936, and 1937, in all cities of 10,000 or more inhabitants, classified by size of community

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

Federal Home Loan Bank Districts	1937					1936					1935				
	Total 10,000 and over	10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over	Total 10,000 and over	10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over	Total 10,000 and over	10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over
UNITED STATES.....	132,053	26,694	13,470	12,743	79,146	117,953	20,184	11,269	9,582	76,918	57,307	12,234	5,281	5,096	34,696
No. 1—Boston.....	6,790	3,017	1,346	873	1,554	6,516	2,400	1,212	744	2,160	2,981	1,507	653	397	424
No. 2—New York.....	31,507	3,241	724	1,082	26,260	32,124	2,816	650	766	27,592	15,080	2,034	380	280	12,386
No. 3—Pittsburgh.....	6,204	1,706	893	1,004	2,601	4,857	1,334	799	576	2,148	2,423	552	362	427	1,082
No. 4—Winston-Salem.....	16,796	3,244	1,736	2,423	9,393	14,443	2,669	1,275	2,055	8,444	9,445	1,702	862	1,218	5,663
No. 5—Cincinnati.....	8,027	1,532	945	557	4,993	9,015	931	881	335	6,868	2,898	472	249	128	2,049
No. 6—Indianapolis.....	9,686	1,149	909	976	6,652	5,881	691	554	576	4,060	3,310	392	236	210	2,472
No. 7—Chicago.....	5,592	1,817	1,264	696	1,815	7,149	1,367	1,066	499	4,217	2,092	696	536	244	616
No. 8—Des Moines.....	5,532	1,496	851	442	2,763	4,676	1,416	670	391	2,199	3,522	1,110	489	270	1,653
No. 9—Little Rock.....	10,615	2,715	1,293	1,862	4,745	8,948	1,577	1,581	1,536	4,254	5,058	1,241	510	1,036	2,271
No. 10—Topeka.....	4,726	1,000	290	346	3,090	3,953	748	235	354	2,616	1,814	353	145	193	1,123
No. 11—Portland.....	4,568	1,595	496	(¹)	2,477	3,080	1,296	287	(¹)	1,497	1,664	935	122	(¹)	607
No. 12—Los Angeles.....	22,210	4,182	2,743	2,482	12,803	17,311	2,939	2,059	1,750	10,563	7,020	1,240	737	693	4,350

¹ No cities in this population group.

Table 1.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in the United States¹

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

Type of structure or agency	Number of family units provided					Total cost of units (thousands of dollars)				
	Monthly totals			January-September totals		Monthly totals			January-September totals	
	September 1937	August 1937	September 1936	1937	1936	September 1937	August 1937	September 1936	1937	1936
1-family dwellings.....	9,078	9,426	9,713	87,644	71,233	\$37,783.6	\$38,717.0	\$39,328.4	\$381,715.4	\$306,684.6
2-family dwellings.....	896	678	658	7,452	5,452	2,291.7	1,866.6	1,801.5	20,326.9	15,030.4
Joint home and business ²	113	95	118	854	606	404.5	408.1	422.7	3,143.4	2,192.2
3- and more-family dwellings.....	2,075	2,402	4,154	36,103	40,662	7,538.0	8,373.0	15,460.5	123,250.7	150,396.1
Total residential.....	12,162	12,601	14,643	132,053	117,953	48,017.8	49,364.7	57,013.1	528,436.4	474,303.3
Private housing.....	12,162	12,601	13,323	128,444	105,333	48,017.8	49,354.2	50,381.6	512,102.1	406,053.2
Public housing ³	0	0	1,320	3,609	12,620	0	10.5	6,631.5	16,334.3	68,250.1

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.

³ Includes only Government-financed low-cost housing project units as reported by U. S. Department of Labor.

⁴ Additional appropriation for Government project in Nashville, Tennessee. No more family units provided.

Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in September 1937, by Federal Home Loan Bank Districts and by States

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

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost		Number of family dwelling units		Estimated cost	
	September 1937	September 1936	September 1937	September 1936	September 1937	September 1936	September 1937	September 1936
UNITED STATES.....	12,162	14,643	\$48,017.8	\$57,013.1	10,087	10,489	\$40,479.8	\$41,552.6
No. 1—Boston.....	590	970	2,907.8	4,489.7	573	685	2,865.0	3,243.3
Connecticut.....	154	145	749.8	738.4	147	145	728.0	738.4
Maine.....	18	62	66.1	182.6	18	51	66.1	149.8
Massachusetts.....	298	625	1,567.9	3,034.0	288	351	1,546.9	1,820.4
New Hampshire.....	26	37	124.4	160.5	26	37	124.4	160.5
Rhode Island.....	86	95	367.6	348.8	86	95	367.6	348.8
Vermont.....	8	6	32.0	25.4	8	6	32.0	25.4
No. 2—New York.....	2,279	2,968	10,302.3	11,329.2	1,143	1,199	5,156.5	5,058.4
New Jersey.....	232	307	1,285.7	1,518.1	183	217	1,121.4	1,126.3
New York.....	2,047	2,661	9,016.6	9,811.1	960	982	4,035.1	3,932.1
No. 3—Pittsburgh.....	618	622	3,439.6	3,083.0	610	622	3,424.1	3,083.0
Delaware.....	6	30	29.3	141.5	6	30	29.3	141.5
Pennsylvania.....	500	503	3,053.9	2,581.3	500	503	3,053.9	2,581.3
West Virginia.....	112	89	356.4	360.2	104	89	340.9	360.2
No. 4—Winston-Salem.....	1,603	1,730	5,303.1	5,655.5	1,319	1,316	4,605.3	4,518.8
Alabama.....	86	93	198.7	147.8	86	93	198.7	147.8
District of Columbia.....	383	505	1,659.2	1,945.3	171	160	1,108.2	946.8
Florida.....	381	432	1,343.8	1,354.7	361	412	1,278.3	1,295.9
Georgia.....	161	141	337.0	319.5	149	136	332.5	317.1
Maryland.....	188	128	626.4	532.2	169	128	603.9	532.2
North Carolina.....	219	244	482.5	744.7	207	208	454.2	678.0
South Carolina.....	69	66	188.2	186.6	60	66	162.2	186.6
Virginia.....	116	121	467.3	424.7	116	113	467.3	414.4

Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in September 1937, by Federal Home Loan Bank Districts and by States—Con.

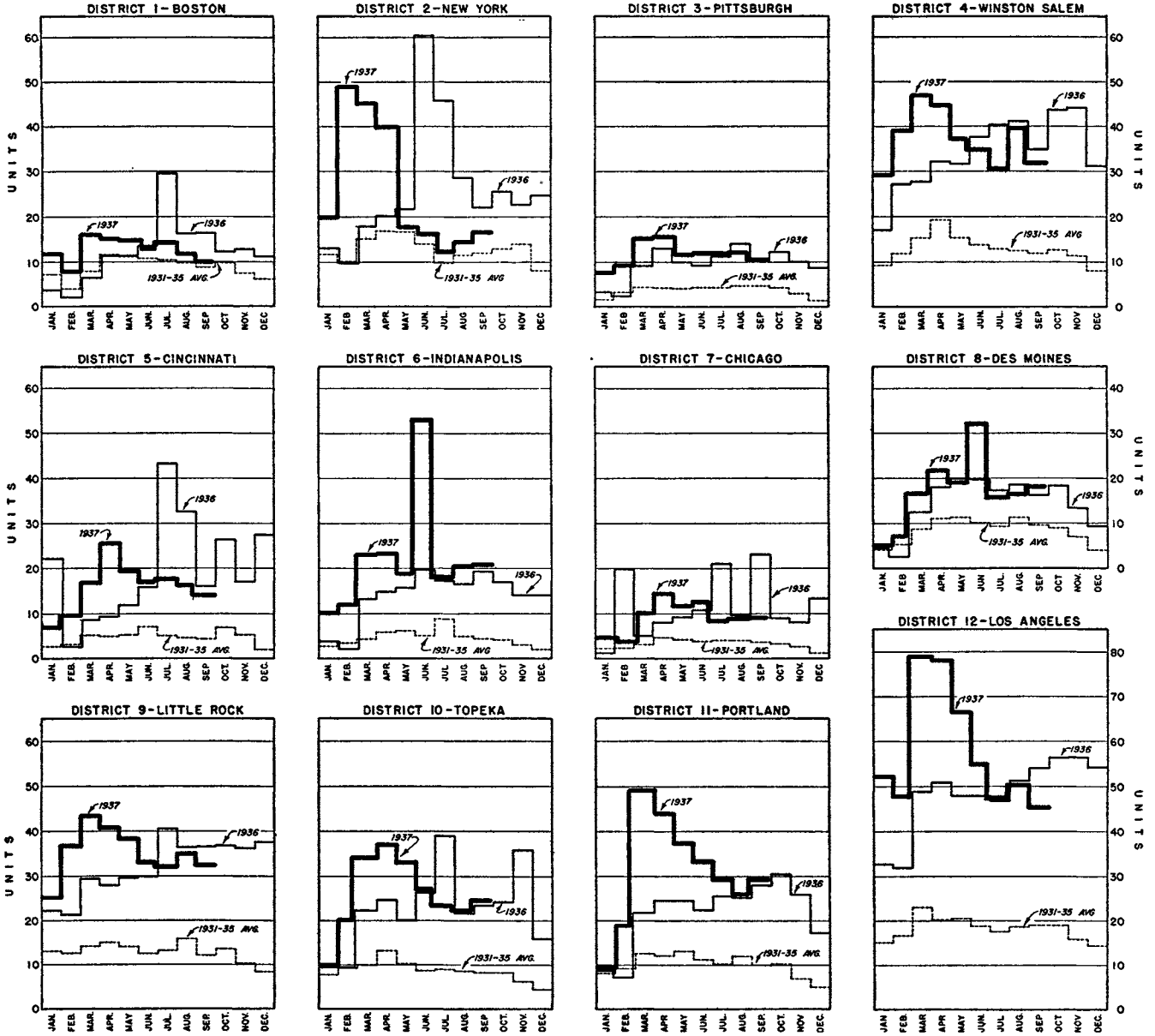
[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost		Number of family dwelling units		Estimated cost	
	September 1937	September 1936	September 1937	September 1936	September 1937	September 1936	September 1937	September 1936
No. 5—Cincinnati.....	788	899	\$3,611.7	\$3,982.1	755	696	\$3,494.3	\$3,225.3
Kentucky.....	130	227	372.3	907.7	130	98	372.3	323.4
Ohio.....	555	534	2,981.3	2,686.1	522	460	2,863.9	2,513.6
Tennessee.....	103	138	258.1	388.3	103	138	258.1	388.3
No. 6—Indianapolis.....	1,014	933	4,210.9	4,457.0	1,006	881	4,182.4	4,288.5
Indiana.....	268	194	900.5	696.8	264	170	891.5	609.3
Michigan.....	746	739	3,310.4	3,760.2	742	711	3,290.9	3,679.2
No. 7—Chicago.....	598	1,540	3,039.8	7,945.5	567	581	2,913.2	3,019.3
Illinois.....	339	1,185	1,921.3	6,343.3	308	252	1,794.7	1,485.3
Wisconsin.....	259	355	1,118.5	1,602.2	259	329	1,118.5	1,534.0
No. 8—Des Moines.....	666	586	2,210.8	2,084.7	583	582	2,030.8	2,079.7
Iowa.....	142	134	497.3	476.1	142	134	497.3	476.1
Minnesota.....	209	191	751.7	734.6	181	191	691.7	734.6
Missouri.....	237	195	796.3	751.8	193	195	714.3	751.8
North Dakota.....	25	21	56.2	49.9	22	21	48.2	49.9
South Dakota.....	53	45	109.3	72.3	45	41	79.3	67.3
No. 9—Little Rock.....	1,074	1,196	2,901.8	2,918.1	1,026	1,107	2,788.7	2,819.5
Arkansas.....	37	36	89.1	110.1	30	36	82.3	110.1
Louisiana.....	121	183	378.4	451.8	114	183	356.6	451.8
Mississippi.....	100	56	128.2	108.6	100	56	128.2	108.6
New Mexico.....	36	44	86.0	118.7	36	41	86.0	116.2
Texas.....	780	877	2,220.1	2,128.9	746	791	2,135.6	2,032.8
No. 10—Topeka.....	504	473	1,545.7	1,411.5	422	376	1,420.3	1,309.5
Colorado.....	121	111	418.5	427.6	93	99	378.5	403.6
Kansas.....	100	163	241.8	299.1	89	86	234.8	236.1
Nebraska.....	100	75	254.2	353.7	60	75	185.8	353.7
Oklahoma.....	183	124	631.2	331.1	180	116	621.2	316.1
No. 11—Portland.....	488	462	1,359.5	1,480.3	469	424	1,317.4	1,444.9
Idaho.....	32	35	79.5	88.1	28	26	66.5	71.6
Montana.....	55	63	104.5	122.3	55	49	104.5	114.8
Oregon.....	106	114	361.0	429.9	96	114	336.0	429.9
Utah.....	83	72	262.2	233.9	83	72	262.2	233.9
Washington.....	196	164	501.6	539.1	191	149	497.5	527.7
Wyoming.....	16	14	50.7	67.0	16	14	50.7	67.0
No. 12—Los Angeles.....	1,940	2,264	7,184.8	8,176.5	1,614	2,020	6,281.8	7,462.4
Arizona.....	37	38	127.1	143.5	33	38	122.1	143.5
California.....	1,888	2,216	6,994.1	7,964.1	1,566	1,972	6,096.1	7,250.0
Nevada.....	15	10	63.6	68.9	15	10	63.6	68.9

RATE OF RESIDENTIAL BUILDING IN ALL CITIES OF 10,000 OR MORE POPULATION

Represents the estimated number of family dwelling units provided per 100,000 population.
 [Source: Federal Home Loan Bank Board. Compiled from Building Permits reported to U.S. Department of Labor.]

FEDERAL HOME LOAN BANK DISTRICTS



UNITED STATES

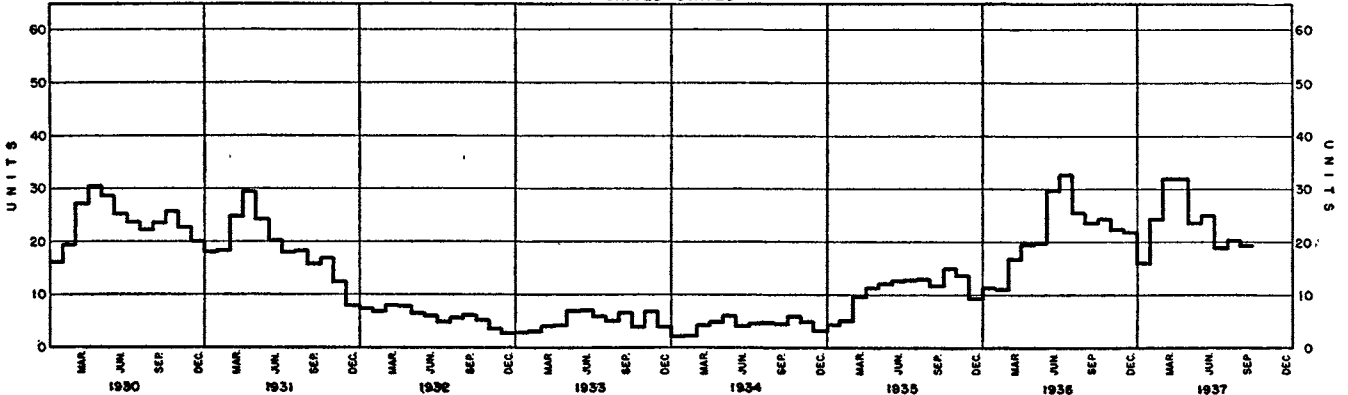


Table 3.—Cost of building the same standard house in representative cities in specific months ¹

NOTE.—These figures are subject to correction

[Source: Federal Home Loan Bank Board]

Federal Home Loan Bank Districts, States, and cities	Cubic-foot cost		Total building cost							
	Oct. 1937	Oct. 1936	Oct. 1937	July 1937	Apr. 1937	Jan. 1937	Oct. 1936	July 1936	Apr. 1936	Jan. 1936
No. 2—New York:										
New Jersey:										
Atlantic City-----	\$0. 253	\$0. 235	\$6, 063	\$6, 173	\$6, 702	\$6, 107	\$5, 641	\$5, 725	\$5, 768	\$5, 860
Camden-----	. 245	. 216	5, 878	5, 866	5, 864	5, 489	5, 183	5, 073	5, 170	5, 101
Newark-----		. 242		6, 474	6, 400	6, 071	5, 811	5, 794	5, 787	5, 771
New York:										
Albany-----	. 225	. 221	6, 120	6, 048	6, 098	5, 569	5, 302	5, 341	5, 198	5, 218
Buffalo-----	. 269	. 236	6, 465	6, 501	6, 108	5, 820	5, 661	5, 680	5, 483	5, 487
Syracuse-----		. 232			5, 890	5, 575	5, 567	5, 580	5, 580	5, 628
White Plains-----	. 267	. 241	6, 408	6, 857	6, 100	6, 137	5, 777	5, 779	5, 718	5, 652
No. 6—Indianapolis:										
Indiana:										
Evansville-----		. 233		5, 816	5, 816	5, 518	5, 586	5, 585	5, 570	-----
Indianapolis-----		. 232		5, 890	5, 921	5, 540	5, 558	5, 802	5, 755	5, 739
South Bend-----		. 246		6, 395	6, 349	6, 180	5, 906	5, 849	5, 844	5, 894
Michigan:										
Detroit-----	. 255	. 221	6, 121	6, 379	6, 278	5, 398	5, 297	5, 293	5, 265	5, 136
Grand Rapids-----	. 233	. 214	5, 598	5, 560	5, 547	5, 294	5, 138	5, 174	5, 174	-----
No. 8—Des Moines:										
Iowa:										
Des Moines-----	. 269	. 260	6, 468	6, 483	6, 444	6, 090	6, 246	6, 130	6, 072	6, 003
Minnesota:										
Duluth-----	. 266	. 240	6, 391	6, 373	5, 990	5, 697	5, 765	5, 671	5, 616	-----
St. Paul-----	. 288	. 235	6, 916	6, 911	6, 442	6, 049	5, 628	5, 523	5, 284	5, 287
Missouri:										
Kansas City-----	. 251	. 218	6, 018	6, 198	5, 731	5, 387	5, 240	5, 311	5, 304	5, 229
St. Louis-----	. 268	. 247	6, 437	6, 512	6, 590	6, 227	5, 918	5, 915	5, 976	5, 997
North Dakota:										
Fargo-----	. 251	. 230	6, 028	6, 062	6, 002	5, 743	5, 524	5, 614	5, 529	5, 491
South Dakota:										
Sioux Falls-----	. 268	. 238	6, 442	6, 263	5, 999	5, 839	5, 716	5, 711	5, 688	5, 655
No. 11—Portland:										
Idaho:										
Boise-----	. 263	. 237	6, 324	6, 273	6, 214	6, 045	5, 691	5, 604	5, 784	5, 750
Montana:										
Great Falls-----	. 299	. 272	7, 174	7, 134	7, 125	6, 548	6, 540	6, 598	6, 474	6, 457
Oregon:										
Portland-----	. 257	. 232	6, 157	6, 058	5, 951	5, 591	5, 561	5, 307	5, 277	5, 278
Utah:										
Salt Lake City-----		. 246		6, 375	6, 166	5, 820	5, 915	5, 793	5, 793	5, 778
Washington:										
Seattle-----	. 272	. 249	6, 517	6, 642	6, 659	6, 045	5, 977	5, 690	5, 587	5, 575
Spokane-----	. 285	. 257	6, 851	6, 796	6, 543	6, 375	6, 173	5, 712	5, 712	-----
Wyoming:										
Casper-----	. 268	. 266	6, 439	-----	6, 295	6, 193	6, 386	6, 203	-----	-----

¹The house on which costs are reported is a detached 6-room home of 24,000 cubic feet volume. Living room, dining room, kitchen, and lavatory on first floor; 3 bedrooms and bath on second floor. Exterior is wide-board siding with brick and stucco as features of design. Best quality materials and workmanship are used throughout.

The house is *not* completed ready for occupancy. It includes all fundamental structural elements, an attached 1-car garage, an unfinished cellar, an unfinished attic, a fireplace, essential heating, plumbing, and electric wiring equipment, and complete insulation. It does *not* include wall-paper nor other wall nor ceiling finish on interior plastered surface, lighting fixtures, refrigerators, water heaters, ranges, screens, weather stripping, nor window shades.

Reported costs include, in addition to material and labor costs, compensation insurance, an allowance for contractor's overhead and transportation of materials, plus 10 percent for builder's profit.

Reported costs do *not* include the cost of land nor of surveying the land, the cost of planting the lot, nor of providing walks and driveways; they do not include architect's fee, cost of building permit, financing charges, nor sales costs.

In figuring costs, current prices on the same building materials list are obtained every 3 months from the same dealers, and current wage rates are obtained from the same reputable contractors and operative builders.

Table 4.—Estimated volume of new loans by all savings and loan associations, classified according to purpose

[Thousands of dollars]

Month	Mortgage loans on homes				Loans for all other purposes	Total loans, all purposes
	Construction	Home purchase	Refinancing	Reconditioning		
1936	\$155,463	\$188,637	\$152,067	\$50,618	\$80,838	\$627,623
January	7,089	9,298	10,265	2,691	5,995	35,338
February	7,027	9,680	10,845	3,229	5,686	36,467
March	9,725	11,920	12,842	3,677	8,474	46,638
April	11,251	15,296	15,728	4,703	6,413	53,391
May	12,811	16,736	12,961	5,207	7,668	55,383
June	13,853	17,396	13,462	4,334	8,357	57,402
July	14,857	17,975	12,008	4,601	7,414	56,855
August	15,485	17,577	12,262	4,333	6,477	56,134
September	16,233	17,533	12,903	4,856	5,974	57,499
1937	12,170	14,859	10,641	2,585	5,018	45,273
January	13,275	16,648	11,611	2,727	5,601	49,862
February	17,938	22,323	15,768	3,959	6,582	66,570
March	22,512	27,849	16,398	5,070	7,548	79,377
April	21,210	29,243	15,547	4,934	7,147	78,081
May	22,225	29,325	16,403	5,176	7,381	80,510
June	20,584	25,244	15,104	4,599	6,526	72,057
July	19,473	23,584	14,746	4,507	6,229	68,539
August	18,220	24,600	13,265	4,856	6,793	67,734

Table 5.—Estimated volume of new loans by all savings and loan associations, classified according to type of association

[Amounts are shown in thousands of dollars]

Month	Volume of loans				Percent of total		
	Total	Federal	State members	Nonmembers	Federal	State members	Nonmembers
1936	\$627,623	\$228,896	\$275,972	\$122,755	36	44	20
January	35,338	11,764	16,436	7,138	33	47	20
February	36,467	12,105	15,206	9,156	33	42	25
March	46,638	15,310	19,776	11,552	33	42	25
April	53,391	17,740	25,497	10,154	33	48	19
May	55,383	18,965	25,113	11,305	34	45	21
June	57,402	21,247	26,033	10,122	37	45	18
July	56,855	21,491	24,874	10,490	38	44	18
August	56,134	21,571	23,871	10,692	38	43	19
September	57,499	22,500	23,860	11,139	39	42	19
1937	45,273	17,762	19,311	8,200	39	43	18
January	49,862	19,580	22,068	8,214	39	44	17
February	66,570	28,147	28,401	10,022	42	43	15
March	79,377	33,301	34,644	11,432	42	44	14
April	78,081	31,488	35,785	10,808	40	46	14
May	80,510	32,121	36,520	11,869	40	45	15
June	72,057	29,213	32,662	10,182	41	45	14
July	68,539	27,220	30,692	10,627	40	45	15
August	67,734	26,481	30,704	10,549	39	45	16

Table 6.—Estimated volume of new lending activity of savings and loan associations, classified by District and type of association

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank District and type of association	New loans		Percent increase, Sept. 1937 over Aug. 1937	New loans, September 1936	Percent increase, Sept. 1937 over Sept. 1936
	September 1937	August 1937			
United States: Total.....	\$67, 734	\$68, 539	-1	\$57, 500	+18
Federal.....	26, 481	27, 220	-3	22, 501	+18
State member.....	30, 704	30, 692	0	23, 860	+29
Nonmember.....	10, 549	10, 627	-1	11, 139	-5
District 1: Total.....	7, 007	6, 578	+7	5, 522	+27
Federal.....	1, 569	1, 910	-18	690	+127
State member.....	3, 777	3, 156	+20	2, 974	+27
Nonmember.....	1, 661	1, 512	+10	1, 858	-11
District 2: Total.....	5, 261	5, 023	+5	4, 812	+9
Federal.....	1, 771	1, 734	+2	2, 158	-18
State member.....	1, 780	1, 591	+12	1, 063	+67
Nonmember.....	1, 710	1, 698	+1	1, 591	+7
District 3: Total.....	3, 764	3, 834	-2	3, 128	+20
Federal.....	1, 085	1, 085	0	628	+73
State member.....	1, 406	1, 671	-16	1, 341	+5
Nonmember.....	1, 273	1, 078	+18	1, 159	+10
District 4: Total.....	8, 427	9, 435	-11	8, 621	-2
Federal.....	3, 492	3, 626	-4	3, 157	+11
State member.....	3, 865	4, 439	-13	3, 929	-2
Nonmember.....	1, 070	1, 370	-22	1, 535	-30
District 5: Total.....	11, 442	10, 765	+6	7, 326	+56
Federal.....	5, 311	5, 120	+4	4, 220	+26
State member.....	5, 639	5, 351	+5	2, 463	+129
Nonmember.....	492	294	+67	643	-23
District 6: Total.....	3, 951	4, 046	-2	3, 030	+30
Federal.....	1, 690	1, 675	+1	1, 119	+51
State member.....	1, 914	1, 867	+3	1, 663	+15
Nonmember.....	347	504	-31	248	+40
District 7: Total.....	6, 330	7, 534	-16	5, 222	+21
Federal.....	2, 505	2, 582	-3	1, 856	+35
State member.....	3, 361	4, 336	-22	2, 497	+35
Nonmember.....	464	616	-25	869	-47
District 8: Total.....	4, 839	4, 844	0	3, 822	+27
Federal.....	2, 122	2, 090	+2	1, 953	+9
State member.....	1, 296	1, 385	-6	990	+31
Nonmember.....	1, 421	1, 369	+4	879	+62
District 9: Total.....	4, 228	3, 704	+14	3, 754	+13
Federal.....	1, 308	1, 354	-3	1, 254	+4
State member.....	2, 522	2, 195	+15	1, 799	+40
Nonmember.....	398	155	+157	701	-43
District 10: Total.....	4, 073	4, 063	0	3, 883	+5
Federal.....	1, 688	1, 791	-6	1, 254	+35
State member.....	1, 286	1, 088	+18	1, 210	+6
Nonmember.....	1, 099	1, 184	-7	1, 419	-23
District 11: Total.....	3, 284	2, 986	+10	3, 478	-6
Federal.....	1, 530	1, 533	-3	1, 748	-12
State member.....	1, 220	1, 168	+4	1, 640	-26
Nonmember.....	534	235	+127	90	+493
District 12: Total.....	5, 128	5, 727	-10	4, 902	+5
Federal.....	2, 410	2, 670	-10	2, 464	-2
State member.....	2, 638	2, 445	+8	2, 291	+15
Nonmember.....	80	612	-87	147	-46

Table 7.—Monthly lending activity and total assets as reported by 2,725 savings and loan associations in September 1937

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

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	Number of associations		Loans made in September according to purpose										Total assets Sept. 30, 1937 ³	Total number of savings and loan associations ⁴	
			Mortgage loans on 1- to 4-family nonfarm homes						Loans for all other purposes		Total loans, all purposes				
	Submitting reports	Reporting loans made	Construction		Home purchase ¹		Number	Amount							
			Number	Amount	Number	Amount		Refinancing	Reconditioning	Number	Amount	Number			Amount
UNITED STATES.....	2,725	2,267	4,386	\$13,598.6	6,670	\$16,771.5	7,398	\$9,605.9	\$3,236.7	3,096	\$4,424.0	21,550	\$47,636.7	\$2,668,472.1	10,018
Federal.....	1,203	1,109	2,612	8,259.5	3,203	8,093.3	3,719	5,068.8	1,622.5	1,191	1,811.4	10,725	24,855.5	985,081.5	1,297
State member.....	1,084	889	1,496	4,681.3	2,881	7,386.6	3,036	3,957.8	1,303.7	1,478	2,029.9	8,891	19,359.3	1,327,403.2	2,595
Nonmember.....	438	269	278	657.8	586	1,291.6	643	579.3	310.5	427	582.7	1,934	3,421.9	355,967.4	6,126
No. 1—Boston.....	156	137	234	824.1	573	1,709.2	596	778.8	295.1	231	359.0	1,634	3,966.2	289,246.5	367
Connecticut.....	27	23	50	173.9	36	123.1	56	124.5	12.9	13	16.4	155	450.8	18,231.4	53
Maine.....	21	15	11	13.6	49	91.9	60	73.5	23.7	13	5.4	139	208.1	13,082.8	42
Massachusetts.....	91	83	120	456.8	354	1,111.3	397	493.3	209.8	167	255.2	1,038	2,526.4	220,139.7	219
Rhode Island.....	9	9	19	41.1	37	52.2	28	15.8	23.4	20	24.4	104	156.9	8,439.2	30
Vermont.....	4	4	31	132.6	84	292.5	35	46.5	14.8	10	17.3	160	503.7	26,548.6	19
No. 2—New York.....	303	183	293	1,074.2	313	1,112.2	323	504.0	292.9	102	217.0	1,031	3,200.3	321,656.4	1,787
New Jersey.....	168	64	22	88.7	74	274.0	61	58.6	36.4	16	13.7	173	471.4	108,030.2	1,498
New York.....	135	119	271	985.5	239	838.2	262	445.4	256.5	86	203.3	858	2,728.9	213,626.2	289
No. 3—Pittsburgh.....	245	156	126	320.5	341	851.9	236	326.2	95.3	69	53.0	772	1,646.9	109,560.0	2,520
Delaware.....	5	4	5	12.4	16	34.7	9	9.9	4.3	13	8.8	43	70.1	3,894.4	42
Pennsylvania.....	218	132	63	190.3	281	700.1	168	251.6	65.6	48	37.4	560	1,245.0	93,576.5	2,410
West Virginia.....	22	20	58	117.8	44	117.1	59	64.7	25.4	8	6.8	169	331.8	12,089.1	68
No. 4—Winston-Salem.....	275	248	658	2,002.9	595	1,589.1	981	1,797.8	299.9	318	502.9	2,552	6,142.6	234,856.7	1,287
Alabama.....	16	14	22	38.2	23	36.4	44	36.0	17.0	15	27.5	104	155.1	5,744.2	42
District of Columbia.....	12	12	86	454.4	52	261.6	390	1,291.9	77.0	50	54.5	578	2,049.4	99,730.8	29
Florida.....	48	41	141	591.5	50	151.7	78	104.9	36.1	26	71.7	293	955.9	26,714.5	101
Georgia.....	41	40	104	218.9	61	96.3	129	122.4	37.6	35	37.6	329	512.8	14,665.0	62
Maryland.....	52	43	20	46.6	165	461.1	25	54.4	2.1	33	65.0	243	629.2	27,291.4	694
North Carolina.....	44	42	118	246.1	104	193.4	174	140.6	69.4	83	112.9	479	762.4	30,527.0	188
South Carolina.....	36	34	111	248.5	50	115.2	73	61.2	32.6	28	77.6	262	535.1	11,428.9	79
Virginia.....	26	22	56	158.7	90	223.4	70	76.4	28.1	48	56.1	264	542.7	18,754.9	92
No. 5—Cincinnati.....	395	348	580	2,114.8	1,513	4,193.9	1,409	1,807.3	622.9	633	868.6	4,135	9,607.5	534,594.8	974
Kentucky.....	63	51	84	252.2	202	543.2	197	254.8	91.4	122	161.2	605	1,302.8	52,221.0	186
Ohio.....	296	264	399	1,643.1	1,265	3,564.5	1,120	1,456.5	479.2	482	680.7	3,266	7,824.0	465,174.8	733
Tennessee.....	36	33	97	219.5	46	86.2	92	96.0	52.3	29	26.7	264	480.7	17,199.0	55
No. 6—Indianapolis.....	196	183	373	991.5	654	1,151.2	819	535.0	365.0	307	327.7	2,153	3,370.4	225,472.0	376
Indiana.....	141	134	221	493.7	520	868.4	604	343.0	273.7	196	182.8	1,541	2,151.6	180,154.1	303
Michigan.....	55	49	152	507.8	134	282.8	215	192.0	91.3	111	144.9	612	1,218.8	95,317.9	73
No. 7—Chicago.....	281	229	274	883.4	546	1,473.9	733	1,075.9	383.4	225	381.7	1,778	4,198.3	224,569.2	1,069
Illinois.....	209	171	145	488.8	427	1,132.3	605	948.8	305.4	170	307.8	1,347	3,183.1	160,308.3	861
Wisconsin.....	72	58	129	394.6	119	341.6	128	127.1	78.0	55	73.9	431	1,015.2	64,260.9	208
No. 8—Des Moines.....	184	163	244	710.3	417	966.9	463	613.9	142.9	195	248.9	1,319	2,682.9	111,683.6	444
Iowa.....	50	46	62	140.2	98	182.7	112	108.8	35.3	60	78.8	332	545.8	23,994.5	99
Minnesota.....	44	38	80	302.2	186	498.2	166	285.6	45.1	51	55.4	483	1,184.5	32,176.3	78
Missouri.....	65	59	79	235.4	109	233.1	149	199.8	37.4	69	70.8	406	776.5	46,372.2	225
North Dakota.....	15	11	10	18.7	13	28.6	24	15.7	16.3	10	41.7	57	121.0	5,841.9	24
South Dakota.....	10	9	13	13.8	11	24.3	12	6.0	8.8	5	2.2	41	65.1	3,298.7	18

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 Sept. 30, 1937.

⁴ Number of members as of Sept. 30, 1937. Number of nonmembers as reported for year 1936 adjusted for conversion through Sept. 30, 1937, except for Maryland and Illinois where the number of nonmembers is estimated.

Table 7.—Monthly lending activity and total assets as reported by 2,725 savings and loan associations in September 1937—Continued

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	Number of associations		Loans made in September according to purpose										Total assets Sept. 30, 1937	Total number of savings and loan associations		
	Sub- mitting reports	Report- ing loans made	Mortgage loans on 1- to 4-family nonfarm homes								Loans for all other purposes				Total loans, all purposes	
			Construction		Home purchase		Refinancing and reconditioning									
			Num- ber	Amount	Num- ber	Amount	Num- ber	Refi- nanc- ing	Recon- diti- on- ing	Num- ber	Amount	Num- ber			Amount	
No. 9—Little Rock.....	262	233	433	\$1,091.0	551	\$1,188.0	517	\$466.8	\$271.8	291	\$439.0	1,792	\$3,456.6	\$153,083.5	409	
Arkansas.....	38	36	35	97.7	40	52.4	80	49.3	31.4	46	40.2	201	271.0	10,444.2	66	
Louisiana.....	65	58	96	273.5	238	622.2	172	186.4	132.8	123	227.2	629	1,442.1	75,536.1	89	
Mississippi.....	28	25	22	36.9	23	24.5	44	36.7	13.5	18	20.4	107	132.0	4,817.3	50	
New Mexico.....	13	13	20	53.8	12	26.6	20	4.7	10.9	12	17.2	64	113.2	3,591.6	22	
Texas.....	118	101	260	629.1	238	462.3	201	189.7	83.2	92	134.0	791	1,498.3	53,694.3	182	
No. 10—Topeka.....	189	167	297	875.5	496	999.5	466	459.9	192.1	339	387.8	1,598	2,914.8	151,940.9	382	
Colorado.....	34	27	37	120.1	64	142.5	72	73.6	33.3	40	54.3	213	423.8	15,366.1	63	
Kansas.....	71	62	67	167.9	139	246.1	122	86.5	55.9	72	59.6	400	616.0	42,393.7	153	
Nebraska.....	35	30	55	164.4	109	212.1	130	125.2	46.9	114	116.3	408	664.9	42,330.3	90	
Oklahoma.....	49	48	138	423.1	184	398.8	142	174.6	56.0	113	167.6	577	1,210.1	51,850.8	76	
No. 11—Portland.....	114	103	326	500.7	289	601.9	381	446.2	119.4	164	275.2	1,160	2,243.4	91,255.1	185	
Idaho.....	9	9	26	49.6	29	52.7	38	32.5	16.4	10	13.2	103	164.4	6,128.1	13	
Montana.....	14	12	45	108.2	29	62.9	35	39.1	13.5	15	15.1	124	238.8	10,993.0	26	
Oregon.....	28	21	89	233.0	67	131.4	93	105.0	35.9	23	31.6	272	586.9	23,620.1	38	
Utah.....	7	7	33	96.2	17	42.1	16	44.8	0.6	5	14.2	71	197.9	8,157.0	21	
Washington.....	47	46	121	284.3	134	284.9	190	217.1	46.1	105	141.7	550	974.1	38,371.4	72	
Wyoming.....	9	8	12	29.4	13	27.9	9	7.7	6.9	6	9.4	40	81.3	3,985.5	14	
Alaska.....	0	0	0	0.0	0	0.0	0	0.0	0.0	0	0.0	0	0.0	0.0	1	
No. 12—Los Angeles.....	125	117	548	1,909.7	382	983.8	474	794.1	156.0	222	363.2	1,626	4,206.8	220,553.4	218	
Arizona.....	3	3	16	28.6	5	7.6	10	21.9	2.0	2	1.4	33	61.5	1,778.3	4	
California.....	120	112	529	1,861.2	368	945.0	458	767.1	150.1	216	358.7	1,571	4,082.1	216,494.2	197	
Nevada.....	1	1	1	0.7	1	1.5	2	1.3	0.5	0	0.0	4	4.0	681.5	5	
Hawaii.....	1	1	2	19.2	8	29.7	4	3.8	3.4	4	3.1	18	59.2	1,599.4	12	

Table 8.—Index of wholesale price of building materials in the United States

[1926=100]

[Source: U. S. Department of Labor]

	All build- ing mate- rials	Brick and tile	Cement	Lumber	Paint and paint ma- terials	Plumbing and heat- ing	Structural steel	Other
September 1936.....	87.1	89.0	95.5	84.9	80.6	76.5	97.1	90.3
1937								
January.....	91.3	89.7	95.5	93.0	83.7	77.1	104.7	93.9
February.....	93.3	91.0	95.5	99.0	83.4	77.4	104.7	95.0
March.....	95.9	91.8	95.5	102.1	83.9	77.6	112.9	98.9
April.....	96.7	94.9	95.5	103.0	82.9	78.7	114.9	99.9
May.....	97.2	95.0	95.5	103.0	83.7	78.7	114.9	101.3
June.....	96.9	95.0	95.5	102.2	83.6	78.7	114.9	101.1
July.....	96.7	95.4	95.5	101.3	83.9	78.7	114.9	101.0
August.....	96.3	95.5	95.5	99.5	84.1	78.8	114.9	101.0
September.....	96.2	95.0	95.5	99.0	84.6	80.6	114.9	100.8
Change:								
Sept. 1937—Aug. 1937.....	-0.1%	-0.5%	0.0%	-0.5%	+0.6%	+2.3%	0.0%	-0.2%
Sept. 1937—Sept. 1936.....	+10.4%	+6.7%	0.0%	+16.6%	+5.0%	+5.4%	+18.3%	+11.6%

Table 9.—Institutions insured by the Federal Savings and Loan Insurance Corporation ¹

	Cumulative number at specified dates					Number of share-holders	Assets	Share and creditor liabilities
	Dec. 31, 1934	Dec. 31, 1935	Dec. 31, 1936	Aug. 31, 1937	Sept. 30, 1937	Sept. 30, 1937	Sept. 30, 1937	Sept. 30, 1937
State-chartered associations	4	136	382	522	530	739, 474	\$594, 425, 736	\$518, 255, 942
Converted F. S. and L. A.	108	406	560	637	645	670, 661	717, 369, 860	656, 149, 169
New F. S. and L. A.	339	572	634	644	644	133, 070	165, 865, 933	155, 493, 090
Total	451	1, 114	1, 576	1, 803	1, 819	1, 543, 205	1, 477, 661, 529	1, 329, 898, 201

¹ Beginning Dec. 31, 1936, 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.

Table 10.—Monthly operations of 342 identical insured State-chartered savings and loan associations reporting during August and September 1937

	August	September	Change August to September
Share liability at end of month:			<i>Percent</i>
Private share accounts (number)	476, 529	478, 143	+0.3
Paid on private subscriptions	\$338, 129, 800	\$337, 410, 900	-0.2
H. O. L. C. subscriptions	22, 797, 500	23, 437, 400	+2.8
Total	360, 927, 300	360, 848, 300	0.0
Private share investment during month	5, 798, 400	5, 719, 300	-1.4
Repurchases during month	7, 223, 100	6, 371, 500	-11.8
Mortgage loans made during month:			
a. New construction	1, 921, 900	2, 075, 700	+8.0
b. Purchase of homes	2, 902, 600	3, 248, 000	+11.9
c. Refinancing	1, 345, 600	1, 292, 400	-4.0
d. Reconditioning	463, 800	558, 300	+20.4
e. Other purposes	847, 600	920, 600	+8.6
Total	7, 481, 500	8, 095, 000	+8.2
Mortgage loans outstanding end of month	310, 674, 300	313, 571, 700	+0.9
Borrowed money as of end of month:			
From Federal Home Loan Banks	18, 336, 400	18, 642, 600	+1.7
From other sources	2, 312, 700	2, 323, 900	+0.5
Total	20, 649, 100	20, 966, 500	+1.5
Total assets, end of month	453, 731, 100	455, 140, 200	+0.3

Table 11.—Monthly operations of 1,200 identical Federal savings and loan associations reporting during August and September 1937

	August	September	Change August to September
Share liability at end of month:			<i>Percent</i>
Private share accounts (number).....	786, 428	796, 572	+1. 3
Paid on private subscriptions.....	\$586, 631, 200	\$590, 557, 900	+0. 7
Treasury and H. O. L. C. subscriptions.....	197, 638, 000	202, 067, 000	+2. 2
Total.....	784, 269, 200	792, 624, 900	+1. 1
Private share investments during month.....	13, 270, 500	12, 236, 300	-7. 8
Repurchases during month.....	9, 125, 500	8, 946, 100	-2. 0
Mortgage loans made during month:			
a. New construction.....	9, 093, 100	8, 241, 200	-9. 4
b. Purchase of homes.....	8, 258, 800	8, 068, 700	-2. 3
c. Refinancing.....	5, 040, 100	5, 063, 300	+0. 5
d. Reconditioning.....	1, 535, 300	1, 622, 500	+5. 7
e. Other purposes.....	1, 910, 400	1, 810, 600	-5. 2
Total.....	25, 837, 700	24, 806, 300	-4. 0
Mortgage loans outstanding end of month.....	746, 957, 600	761, 113, 500	+1. 9
Borrowed money as of end of month:			
From Federal Home Loan Banks.....	78, 010, 100	80, 532, 500	+3. 2
From other sources.....	2, 129, 300	2, 449, 700	+15. 1
Total.....	80, 139, 400	82, 982, 200	+3. 6
Total assets, end of month.....	967, 609, 300	981, 874, 600	+1. 5

Table 12.—Federal Home Loan Bank advances to member institutions by Districts

Federal Home Loan Bank	Advances made during Sept. 1937	Advances made during Aug. 1937
No. 1—Boston.....	\$547, 700. 00	\$322, 000. 00
No. 2—New York.....	317, 500. 00	393, 000. 00
No. 3—Pittsburgh.....	465, 000. 00	993, 558. 62
No. 4—Winston-Salem.....	1, 776, 140. 00	1, 625, 650. 00
No. 5—Cincinnati.....	1, 160, 900. 00	1, 267, 400. 00
No. 6—Indianapolis.....	354, 000. 00	1, 537, 863. 75
No. 7—Chicago.....	1, 178, 689. 28	1, 163, 175. 36
No. 8—Des Moines.....	1, 049, 542. 00	1, 029, 550. 00
No. 9—Little Rock.....	420, 000. 00	721, 300. 00
No. 10—Topeka.....	418, 700. 00	525, 400. 00
No. 11—Portland.....	468, 200. 00	794, 400. 00
No. 12—Los Angeles.....	1, 174, 000. 00	743, 121. 29
Total.....	9, 330, 371. 28	11, 116, 419. 02

Table 13.—Lending operations of the Federal Home Loan Banks

[Thousands of dollars]

Month	Loans advanced monthly	Repayments monthly	Balance outstanding at end of month
December 1935.....	\$8, 414	\$2, 708	\$102, 795
June 1936.....	11, 560	3, 895	118, 587
December 1936.....	13, 473	5, 333	145, 401
1937			
January.....	6, 570	8, 225	143, 745
February.....	4, 260	6, 800	141, 205
March.....	8, 591	7, 077	142, 719
April.....	9, 640	6, 214	146, 146
May.....	12, 170	4, 825	153, 491
June.....	17, 769	4, 203	167, 057
July.....	10, 221	7, 707	169, 571
August.....	11, 116	5, 080	175, 607
September.....	9, 330	5, 426	179, 511

**Table 14.—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
Dec. 31, 1936-----	89	3, 845, 710	279	21, 016, 900	2, 617	108, 591, 900	2, 985	133, 454, 510
June 30, 1937-----	125	5, 400, 710	473	32, 873, 600	3, 669	159, 298, 600	4, 267	197, 572, 910
July 31, 1937-----	125	5, 655, 210	515	35, 410, 100	3, 838	166, 884, 100	4, 478	207, 949, 410
Aug. 31, 1937-----	126	6, 007, 210	586	39, 633, 420	4, 088	177, 603, 700	4, 800	223, 244, 330
Sept. 30, 1937-----	126	6, 082, 210	623	41, 510, 420	4, 217	182, 523, 000	4, 966	230, 115, 630
Subscriptions:								
Dec. 31, 1935-----	2	100, 000	24	1, 980, 000	474	17, 766, 500	500	19, 846, 500
Dec. 31, 1936-----	45	1, 688, 000	262	19, 455, 900	2, 538	104, 477, 400	2, 845	125, 621, 300
June 30, 1937-----	63	2, 381, 000	440	30, 283, 600	3, 509	150, 368, 400	4, 012	183, 033, 000
July 31, 1937-----	52	1, 934, 000	465	31, 176, 600	3, 647	155, 917, 000	4, 164	189, 027, 600
Aug. 31, 1937-----	48	1, 926, 000	492	32, 950, 600	3, 742	159, 511, 500	4, 282	194, 388, 100
Sept. 30, 1937-----	47	1, 901, 000	510	33, 675, 720	3, 849	164, 226, 200	4, 406	199, 802, 920

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

Table 15.—Properties acquired by H. O. L. C. through foreclosure and voluntary deed ¹

Period	Number
Prior to 1935-----	9
1935: Jan. 1 through June 30-----	114
July 1 through Dec. 31-----	983
1936: Jan. 1 through June 30-----	4, 449
July 1 through Dec. 31-----	15, 646
1937: January-----	3, 059
February-----	3, 290
March-----	4, 143
April-----	3, 887
May-----	4, 472
June-----	4, 608
July-----	4, 476
August-----	4, 298
September-----	4, 657
Grand total to Sept. 30, 1937-----	58, 084

¹ Does not include 21,598 properties bought in by H. O. L. C. at foreclosures sale but awaiting expiration of the redemption period before title in absolute fee can be obtained.

In addition to the 58,084 completed cases, 323 properties were sold at foreclosure sales to parties other than the H. O. L. C. and 7,323 cases have been withdrawn due to payment of delinquencies by borrowers after foreclosure proceedings were authorized.

Table 16.—Reconditioning Division—Summary of all reconditioning operations of H. O. L. C. through Oct. 15, 1937 ¹

	June 1, 1934 through Sept. 15, 1937	Sept. 16, 1937 through Oct. 15, 1937	Cumulative through Oct. 15, 1937
Cases received ² -----	837, 303	11, 546	848, 849
Contracts awarded:			
Number-----	475, 355	9, 083	484, 438
Amount-----	\$90,452,128	\$1,834,888	\$92, 287, 016
Jobs completed:			
Number-----	464, 683	8, 558	473, 241
Amount-----	\$86,765,390	\$1,828,357	\$88, 593, 747

¹ All figures are subject to adjustment. Figures do not include 52,269 reconditioning jobs, amounting to approximately \$6,800,000, completed by the Corporation prior to the organization of the Reconditioning Division on June 1, 1934.

² Includes all property management, advance, insurance, and loan cases referred to the Reconditioning Division which were not withdrawn prior to preliminary inspection or cost estimate prior to Apr. 15, 1937.

Interest Rates

(Continued from page 50)

best risks to other types of institutions. Second, it loses the best loans in its portfolio when, through repayment of principal, those loans have graduated into the "low risk" class and have been refinanced at lower rates by competitors.

It must be noted, however, that exceptions to this position of the savings and loan association do occur, particularly in small or isolated communities where such variations have a tendency to level off. Competition is less, income ranges are smaller, and neighborhood characteristics show less variation. But the figures emphasize that in the majority of communities variations in competitive rates and borrowers do exist.

To get out of the "spot" class many schemes have been evolved, all of which necessarily employ the obvious: a variation of the terms offered potential borrowers. The most directly effective method is to vary the interest rate, but if the association is to preserve the good-will of its borrowers and also to insure itself that risks are accurately appraised, it cannot leave the rating of those borrowers to the judgment of its officers no matter how competent they may be. An objective test is needed to supplement the experience of the mortgage lender. This this is found in what are commonly called loan-classification sheets or rating sheets.

The first such loan-classification sheet was developed during 1934 by an association in the Southwest. It consisted of a list of the elements of risk involved in lending and a method of classifying those risks to determine the interest rate to be charged. Points, known as deficiency points, were assigned to each item on the sheet so the best risk would receive the least number of points and the poorest acceptable risk would receive the most. Thus, a borrower who received 0 to 6 points would be charged the minimum interest rate while one who received from 15 to 18 points would be charged a rate 2 percent higher. Three other gradings in between the extremes were provided, the interest rate increasing one-half of 1 percent with each grade. The development of the sheet and an analysis of the possible rating points which might be included were published in earlier issues of the REVIEW.

It is not possible to set up a standard sheet which will be successful in all communities or in all associa-

tions. Some managers may find a simplified method of rating best suited to their needs while others may prefer a detailed and carefully weighted sheet. Other possible variations present themselves such as credit rating in contrast to deficiency rating. But no matter what plan is used it should serve to supplement the judgment of the responsible savings and loan official: not to replace that judgment.

EXPERIENCE OF ASSOCIATIONS

Now that three years have passed since the first loan-classification sheet was developed it is possible to report the current effects of the program on the associations which have been using it, even though the real value of this method depends on the long-range effect on the association's loan portfolio.

The officials of several associations in different parts of the country have replied to requests for information concerning the type of loan-classification sheet used and its specific effects on operations. Most of these operators expressed satisfaction with their own methods of varying interest rates. At the same time, there is little similarity between the rating sheets or the substitute plans used. These various methods of risk classification will be discussed in a later issue of the REVIEW.

The association in which the variable interest rate plan was originated and first used has loaned over \$3,000,000 under the rating schedule with highly satisfactory results. The correspondent from the association says:

"I don't believe that, under the present conditions the building and loan industry, at least in this section of the country, can compete with banks, life insurance companies, and other mortgage lenders without some type of variable rate setup unless they do a volume of business in the less desirable loans. For after all, the 1-rate plan is usually the maximum-rate plan. The borrower with the prime loan is absolutely not going to pay the freight of the borrower in the higher rate bracket, and this is what happens on the 1-rate system."

As this subject is of such general interest it will be discussed from time to time in the REVIEW. Associations which have had experience with any variable plan of risk rating are urged to send in a report of its effectiveness if they have not already done so in order that others in the business may benefit from their experience. Future articles will discuss more specifically the forms and variations of loan-classification sheets.

Administrative Rulings, Board Resolutions, and Counsel's Opinions

Digest of A-B-C Book Opinion

ANY member may obtain from a Federal Home Loan Bank a copy of any administrative ruling, Board resolution, or the complete text of any opinion of the Legal Department of the Board, the digest of which is printed in the REVIEW. "A" indicates Administrative rulings by the Governor; "B" indicates resolutions of the Board; and "C" indicates Counsel's opinions. In requesting any such copy, its A-B-C Book reference number and date, as given in parentheses at the end of each of the following digests, should be cited. Copies of the A-B-C Book itself are not available for distribution.

UNCLAIMED ACCOUNTS—Fed. Charter K, Sec. 9.

Inactive and unclaimed accounts which are on the books of an association at the time of conversion, become Federal share accounts upon conversion and, as such, must be carried as share liabilities. Charter K, Section 9 provides that the association shall not be required to credit dividends on inactive share accounts of \$5.00 or less but except for this provision, all accounts in Federal associations, whether dormant or otherwise, are entitled to pro rata participation in the earnings of the association. Except for this \$5.00 provision in Charter K, the same rule is applicable whether the association is operating under Charter K or Charter E. State statutes providing for a report of dormant accounts or for escheat to the State after the expiration of a fixed number of years, are inapplicable to accounts in Federal associations.

(A-B-C Book, C-001, July 16, 1937)

MORTGAGE LOANS—Prepayment of, penalty on. Fed. Charter E, Sec. 12; Fed. Charter K, Sec. 14; Fed. Reg., Sec. 40.

1. Under Section 12 of Charter E, a borrower is given a right to pay off his loan before maturity in whole, but not in part, in which event the association is privileged to charge interest on the unpaid balance before such prepayment, not exceeding 90 days beyond the date of such prepayment. Such an association may waive the collection of such penalty interest. Neither the charter nor the rules and regulations require that the loan contract make provision for charging such penalty interest. Charter E is silent with respect to the right of a borrower to make a partial prepayment of a loan. Such subject is, therefore, controlled solely by the principles of contract law, i. e., any such association may accept from borrowers partial prepayments on account of their loans upon such terms as it negotiates with such borrowers.

2. A borrower from an association operating under Charter K has a right under Section 14 thereof to make prepayments on account of his loan which prepayments prepay the loan in whole or in part. Such prepayments may be made only on the regular payment dates as provided in the loan contract. Such prepayments may be made without penalty except that when any such prepayment of all or any part of a loan equals or exceeds 20 percent of the original principal amount of the loan, such association is privileged under said Section 14 to charge interest in an amount equal to not more than 90 days' interest on the amount of such prepayment; provided,

however, such loan contract makes provision for charging such penalty interest. However, such association may waive the collection of such penalty interest.

3. If an association operating under either Charter E or Charter K incorporates into a loan contract a provision whereby the stipulated rate of interest may be increased 3 years or more after date of the loan on at least 4 months' written notice to the borrower, the loan contract shall also contain a provision that in the event of such an increase in the stipulated rate of interest, the borrower may prepay the loan within such notice period without the payment of any additional interest or any other penalty.

(A-B-C Book Opinion, C-149, February 17, 1937, revised July 17, 1937)

LOANS—Real estate. Fed. Charter E, Secs. 11, 12; Fed. Charter K, Secs. 13, 14.

A Federal association has legal power to waive any lien held by it when in the bona fide judgment of the board of directors the benefit to the association resulting from such waiver is at least equal to the value of the lien to it.

(A-B-C Book, C-047, July 23, 1937)

SHARE ACCOUNTS—Use of term "savings" as descriptive of, and in advertising. H. O. L. Act, Secs. 5 (a), 5 (b); Fed. Charter E, Sec. 6; Fed. Charter K, Sec. 6.

Section 5 (a) of Home Owners' Loan Act of 1933 authorizes the Board to incorporate Federal savings and loan associations, giving consideration to the best practices of local mutual thrift and home-financing institutions in the United States, in order to serve two purposes which, in the judgment of Congress, will promote the general welfare: To provide local mutual thrift institutions in which people may invest their savings, and to provide for the financing of homes. It is evident that the Federal savings and loan associations which the Board is authorized to charter, examine, and regulate are intended by Congress to be safe places for the savings of the people and are also intended to provide for the financing of homes by using such savings in making loans upon homes. Section 6 of the same statute appropriated funds to enable the Board to encourage the same two objects, which, in the judgment of Congress, would promote the general welfare: To encourage local thrift and to provide for local home financing. The sums so appropriated are required by Sec-

tion 6 to be used impartially in the promotion and development of local thrift and home-financing institutions whether State or federally chartered. It is, therefore, evident that Congress intended the Board to encourage savings in, and home financing by, all such thrift and home-financing institutions. Section 5 (b) of the same statute requires such Federal savings and loan associations to raise their capital only in the form of payments on shares authorized by their charter. The share accounts of members, therefore, are the evidence of the savings of the people in such Federal associations. Four types of share accounts were provided in the earliest charter for Federal associations promulgated by the Board (Exhibit E to Federal Regulations). Installment thrift shares and optional savings shares were both types of shares by which members could gradually accumulate their savings in Federal associations having such charter. Under the more recent charter (Exhibit K of Federal Regulations) members accumulate their savings gradually by payments on savings share accounts. However, prepaid and full-paid income share accounts under Charter E and investment share accounts under Charter K represent also the accumulated savings of members in Federal associations. The term "savings" is an accurate description of the investments of members in Federal savings and loan associations and in thrift and home-financing institutions chartered under the laws of the various States. The laws of many of the States provide that the word "savings" may or must be included as part of the name of thrift and home-financing institutions organized under the laws of such States, and such statutes commonly provide that the accumulation of savings is one of the objects of such institutions.

(A-B-C Book, C-037, August 10, 1937)

DIRECTORS—Removal of, by board of directors. Fed. Bylaws ('36), Sec. 6 (g); ('34 and '35), Sec. 8 (f); ('33), Sec. 5.

The board of directors of a Federal association has power to remove a director for cause, all the powers of a Federal association not expressly reserved by the charter to the members having been delegated to the board of directors.

Bylaws ('36), Section 6 (g), provides: "The board of directors shall have power . . . to exercise any and all of the powers of the association not expressly reserved by the charter to the members." Charter K does not reserve to the members the right to remove directors for cause. Bylaws ('34 and '35), Section 8 (f), empower the board of directors to exercise in the transaction of business any and all of the powers of the corporation. Bylaws ('33) provide that the board of directors "shall have complete responsibility for the management of the association."

When cause for removal of any director appears to exist, the board of directors may proceed to remove a director after preferring charges against such director and hearing any defense such director desires to make in person or by counsel. Such action by the board of directors should be formally taken and the charges should be properly recorded in the minutes of the association. The director charged with cause for removal has a right to know the charges and to a reasonable opportunity after reasonable notice to refute such charges. Proper protection of the association requires that the charges be delivered to such director in writing with a written notice

of a date set for the hearing by the board of directors of evidence tending to establish or refute the charges. Such action by the board of directors should be taken only upon advice of counsel that the charges, if substantiated, constitute legal cause for removal. If the board of directors, after hearing, votes to remove the director, such action should be recorded in the minutes of the association and a copy of such resolution or resolutions delivered to the director removed, whereupon his office shall become vacant and the board of directors may proceed to fill such vacancy as provided by the charter.

(A-B-C Book, C-123, September 23, 1937)

COMMISSIONS—On sale of accounts, right of insured institutions to pay. Ins. Reg., Sec. 7; Fed. Charter E, Secs. 10, 13; Fed. Charter K, Sec. 7.

Insurance Regulation 7 (b) provides that sales commissions shall conform to the laws under which the insured institution operates. A State-chartered insured institution would, therefore, be governed by the laws of the State in which it is incorporated. Federal associations would be governed by Section 5 of Home Owners' Loan Act of 1933, Federal Regulations and their charter and bylaws. The same regulation prohibits sales commissions from exceeding, in any event, 2 percent of the par or maturity value of the securities sold. This limitation applies to both State and federally chartered insured institutions. The charter and bylaws and State law frequently permit State-chartered insured institutions to charge such commissions to their members as a membership, admission, withdrawal or repurchase fee. The same regulation provides that in no case shall sales commissions be charged to any shareholder or investor in excess of \$25 except in connection with the sale of full-paid shares or certificates of deposit or investment.

Charter E Federal associations may charge a repurchase fee to members provided the association by vote of its shareholders has determined to charge a repurchase fee and provided any repurchase, withdrawal, membership or like fee is allowed by the law of the State in which such Federal association is located to be charged by State-chartered institutions, but in such case the fee allowed to be charged by a Charter E association shall not be in excess of that allowed to be charged by similar institutions under State law, and in no case a sum in excess of 2 percent of the par value of the shares subscribed, and in no case shall such fee or fees be charged to any one shareholder in excess of \$25, except in connection with full-paid income shares (Charter E, Sec. 10). Section 13 of Charter E does not permit the association to incur any expense, in respect to the sale of shares, by way of salary, commission or otherwise, in excess of the repurchase fee of the association, if any repurchase fee is charged under the foregoing provisions. Therefore, unless a particular Charter E association has in the manner above stated determined to charge a repurchase fee, it is not permitted by its charter to incur any sales commission expense. The same section also requires Charter E associations who, under the foregoing provisions, may incur sales commission expense, to obtain the prior approval of the Federal Home Loan Bank Board before entering into any sales contract. Neither Charter K nor Federal Regulations prohibit Charter K Federal associations from incurring sales commission expenses; nor do they

require Federal Home Loan Bank Board approval of commission contracts for the sale of share accounts, but such sales practices, as all other financial practices, are subject to supervision by the Board. Insurance Regulation 7(b), however, limits the amount of commissions which a Charter K Federal association may pay. The limitation of such section applied to Charter K Federal associations means a limitation of 2 percent per hundred dollars of participation value of share accounts of Charter K Federal associations sold, i. e., a maximum sales commission of 2 percent of the amount actually paid upon the purchase of share accounts through sales agents. Section 7 of Charter K, however, forbids the charging, directly or indirectly, of any membership, admission, repurchase, withdrawal, or any other fee or sum of money, to members or investors for the privilege of becoming, remaining, or ceasing to be a member of the association. Sales commissions which a Charter K association may pay are, therefore, an expense of the association. Insurance Regulation 7(a) does not apply to Federal associations because they are subject to supervision by the Federal Home Loan Bank Board.

(A-B-C Book, C-074, September 30, 1937)

Resolutions of the Board

AMENDMENT TO THE RULES AND REGULATIONS FOR FEDERAL SAVINGS AND LOAN ASSOCIATIONS REGARDING TREASURY SHARE SUBSCRIPTIONS: Adopted October 21, 1937; effective 30 days from November 1, 1937.

The Board amended subsection (d) of Section 37 of the Rules and Regulations for Federal Savings and Loan Associations by adding at the end thereof the following:

No request for the privilege of retiring preferred shares and full-paid income shares held by the Secretary of the Treasury will be approved by the Board unless such request is submitted on a form approved by the Board and unless such request is received by the Board at its office in Washington, D. C., within 30 days subsequent to the last preceding dividend date, accompanied by a check, postal money order, or bank draft in the amount of the investment sought to be retired, together with any dividends declared but unpaid, on such investment to the last preceding dividend date.

AMENDMENT TO THE RULES AND REGULATIONS FOR INVESTMENT BY THE HOME OWNERS' LOAN CORPORATION IN SECURITIES OF SAVINGS AND LOAN ASSOCIATIONS: Adopted October 21, 1937.

The Board amended these Rules and Regulations by adding at the end thereof the following:

Be it further resolved, That requests for the privilege of retiring investments held by the Home Owners' Loan Corporation in securities of savings and loan associations shall be governed by the following provisions:

1. No request for the privilege of retiring any such investment held by the Home Owners' Loan Corporation will be approved by this Board unless such request is submitted on

a form approved by this Board and unless such request is received by this Board at its office in Washington, D. C., within 30 days subsequent to the last preceding dividend or interest date, accompanied by a check, postal money order or bank draft in the amount of the investment sought to be retired, together with any dividends or interest accrued, but unpaid, on such investment to the last preceding dividend or interest date.

2. No request by an institution for the privilege of retiring any such investment held by the Home Owners' Loan Corporation will be approved by this Board if such institution has any outstanding investment held by the Secretary of the Treasury until such institution shall have retired or made provision satisfactory to this Board for the retirement of all investments held by the Secretary of the Treasury in such institution.

3. No request by an institution for the privilege of retiring any investment held by the Home Owners' Loan Corporation in such institution will be approved by this Board unless such institution shall have retired or made provision satisfactory to this Board for the retirement of all investments made by said Corporation in such institution prior to the investment sought to be retired.

Directory of Member, Federal, and Insured Institutions

Added during September-October

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN SEPTEMBER 16, 1937, AND OCTOBER 15, 1937¹

[Listed by Federal Home Loan Bank Districts, States, and cities]

DISTRICT NO. 3

PENNSYLVANIA:
Philadelphia:
Burton Building Association, Corner Twentieth Street & Passyunk Avenue.
Home Fund Building & Loan Association, Northwest Corner Twentieth Street & Passyunk Avenue.
Protected Future Building & Loan Association, 3701 North Broad Street.
Wyomissing:
Wyomissing Building & Savings Association, 801 Penn Avenue.

DISTRICT NO. 4

MARYLAND:
Baltimore:
Capital Building & Loan Association of Baltimore City, 812 Light Street.
Patterson Park Permanent Loan & Building Association of Baltimore City, 2000 Lombard Street.

DISTRICT NO. 5

OHIO:
Defiance:
Security Building & Loan Company, Corner Third & Clinton Streets.

DISTRICT NO. 6

MICHIGAN:
Grand Rapids:
West Side Building & Loan Association of Grand Rapids, Michigan, 410 Bridge Street.

DISTRICT NO. 7

ILLINOIS:
Chicago:
George Washington Building & Loan Association, 4308 West Twenty-sixth Street.

DISTRICT NO. 8

MISSOURI:
St. Joseph:
Peoples Home & Savings Association, 509 Francis Street.

DISTRICT NO. 10

KANSAS:
Overland Park:
Overland Park Savings & Loan Association.

¹ During this period 2 Federal savings and loan associations were admitted to membership in the System.

DISTRICT NO. 11

MONTANA:
 Havre:
 Havre Building & Loan Association.
 WASHINGTON:
 Spokane:
 Great Northwest Life Insurance Company, Columbia Building.

DISTRICT NO. 12

CALIFORNIA:
 Pasadena:
 Investors Mutual Building-Loan Association, 315 East Colorado Street.
 HAWAII:
 Honolulu:
 Home Building & Loan Association, Limited, 227 South King Street.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM
 BETWEEN SEPTEMBER 16, 1937, AND OCTOBER 15, 1937

ALABAMA:
 Birmingham:
 Jefferson County Building & Loan Association, 213 North Twenty-first Street (assets transferred to Jefferson Federal Savings & Loan Association, Birmingham, Alabama).
 ARIZONA:
 Phoenix:
 State Building & Loan Association, 116 North First Avenue (assets transferred to First Federal Savings & Loan Association of Phoenix, Phoenix, Arizona).
 CALIFORNIA:
 Pasadena:
 California Security-Loan Corporation, 315 East Colorado Street (assets transferred to Investors Mutual Building-Loan Association, Pasadena, California).
 ILLINOIS:
 Chicago:
 Zelena Hora Building, Loan & Homestead Association, 1857 West Fifty-first Street (voluntary liquidation).
 KANSAS:
 Salina:
 Safety Savings & Loan Association (voluntary withdrawal).
 KENTUCKY:
 Shively:
 Ohio Valley Building & Loan Association, 619 Louisville Trust Building (voluntary withdrawal).
 OHIO:
 Athens:
 Athens County Savings & Loan Company, 3 West Union Street (voluntary withdrawal).
 Cincinnati:
 Centennial Savings & Loan Company, 1610 Freeman Avenue (voluntary withdrawal).
 Ringgold Building & Loan Company, 550 Ringgold Street (voluntary withdrawal).
 Marietta:
 Marietta Savings & Loan Company, 219 Putnam Street (voluntary withdrawal).

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS
 CHARTERED BETWEEN SEPTEMBER 16, 1937,
 AND OCTOBER 15, 1937

DISTRICT NO. 2

NEW YORK:
 Geneva:
 Geneva Federal Savings & Loan Association, 87-89 Seneca Street (converted from Geneva Permanent Loan & Savings Association).
 Port Richmond (Staten Island):
 North Shore Federal Savings & Loan Association, 298 Richmond Avenue (converted from North Shore Building-Loan & Savings Association).

DISTRICT NO. 4

MARYLAND:
 Baltimore:
 Fairview Federal Savings & Loan Association, 3335 Frederick Avenue (converted from Fairview Building & Loan Association of Baltimore City).
 Wyman Park Federal Savings & Loan Association of Baltimore City, 2800 Guilford Avenue (converted from Wyman Park Building Association of Baltimore City, Incorporated).

DISTRICT NO. 5

KENTUCKY:
 Russell:
 Russell Federal Savings & Loan Association, 323 Ferry Street (converted from Russell Building & Loan Association).

OHIO:
 Dover:
 First Federal Savings & Loan Association of Dover, 212 West Third Street (converted from Dover Building & Loan Company).

Geneva:
 Geneva Federal Savings & Loan Association, 22 East Main Street (converted from Geneva-Madison Savings & Loan Association).

DISTRICT NO. 6

INDIANA:
 Jeffersonville:
 First Federal Savings & Loan Association of Jeffersonville.

DISTRICT NO. 7

ILLINOIS:
 Chicago:
 North Avenue Federal Savings & Loan Association, 755 West North Avenue (converted from North Avenue Building & Loan Association).

DISTRICT NO. 8

MINNESOTA:
 Pipestone:
 Pipestone Federal Savings & Loan Association (converted from Pipestone Building & Loan Association).

DISTRICT NO. 10

COLORADO:
 Denver:
 Midland Federal Savings & Loan Association, 444 Seventeenth Street (converted from Midland Savings & Loan Company).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION
 CHARTERS BETWEEN SEPTEMBER 16, 1937, AND OCTOBER
 15, 1937

ALABAMA:
 Anniston:
 First Federal Savings & Loan Association of Anniston, 16 East Eleventh Street (charter canceled on account of dissolution by liquidation).

III. INSTITUTIONS INSURED BY THE FEDERAL
 SAVINGS AND LOAN INSURANCE CORPORA-
 TION BETWEEN SEPTEMBER 16, 1937, AND OC-
 TOBER 15, 1937 ¹

DISTRICT NO. 2

NEW JERSEY:
 Bogota:
 Bogota Building & Loan Association, 8 East Fort Lee Road.
 Red Bank:
 Red Bank Building & Loan Association, 12 Broad Street.

DISTRICT NO. 3

PENNSYLVANIA:
 New Brighton:
 Home Protective Savings & Loan Association, 303 Eighth Street.
 Philadelphia:
 Aramingo Building & Loan Association, 982 East Godfrey Avenue.
 Protected Future Building & Loan Association, 3701 North Broad Street.

DISTRICT NO. 4

MARYLAND:
 Baltimore:
 Vermont Building & Loan Association, Incorporated, 2830 Edmondson Avenue.

DISTRICT NO. 5

OHIO:
 Cincinnati:
 Atlas Loan & Building Company, Southwest Corner Fifteenth & Elm Streets.
 Toledo:
 Corn City Savings Association, 802 South St. Clair Street.

DISTRICT NO. 7

ILLINOIS:
 Chillicothe:
 Peoples Building & Loan Association of Chillicothe, 203 North Second Street.
 WISCONSIN:
 Milwaukee:
 Kinnickinnic Mutual Loan & Building Association, 2252 South Kinnickinnic Avenue.
 Metropolitan Building & Loan Association, 622 North Water Street.

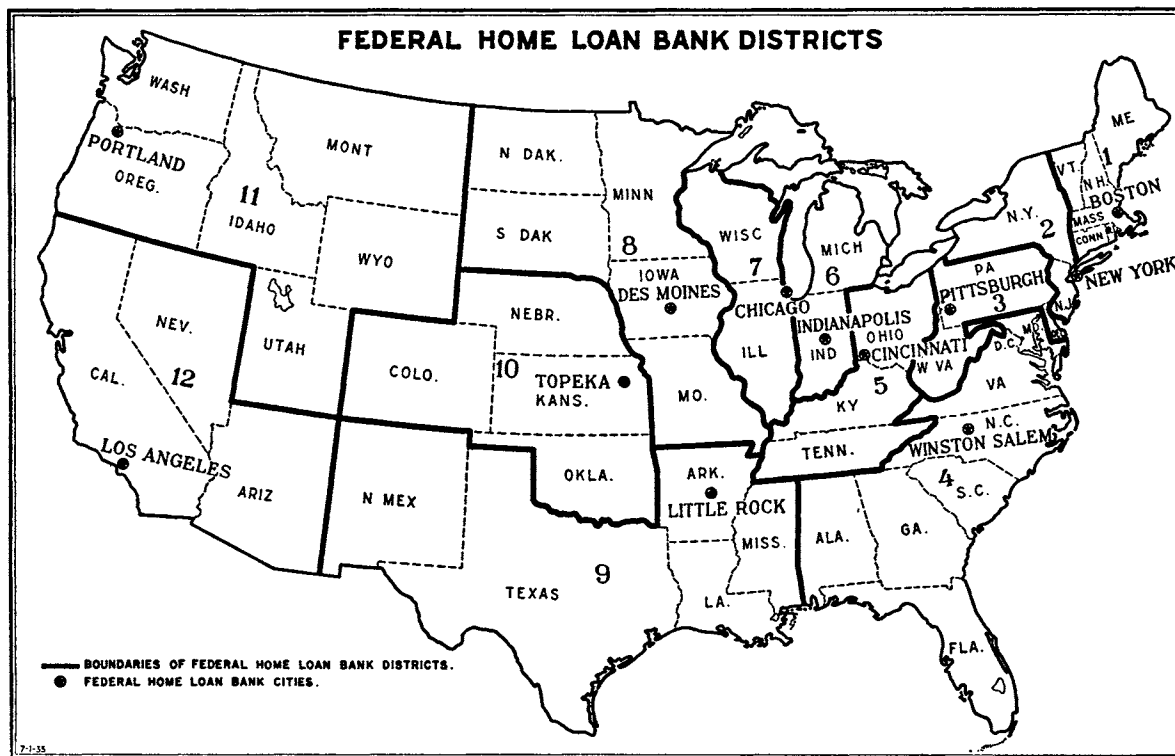
DISTRICT NO. 9

LOUISIANA:
 New Orleans:
 Provident Building & Loan Association, 320 Camp Street.

DISTRICT NO. 12

CALIFORNIA:
 Los Angeles:
 Hollywood Building & Loan Association, 7877 Santa Monica Boulevard.
 Pasadena:
 Investors Mutual Building-Loan Association, 315 East Colorado Street.
 Pico:
 Pico-Rivera Building-Loan Association, 355 East Whittier Boulevard.
 HAWAII:
 Honolulu:
 Home Building & Loan Association, Limited, 227 South King Street.

¹ During this period 9 Federal savings and loan associations were insured.



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