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BANK**

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FEDERAL HOME LOAN BANK

REVIEW



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APPROVED BY THE BUREAU OF THE BUDGET

ANALYSIS OF SAVINGS AND LOAN TRENDS IN THE NEW YORK DISTRICT

Trends in the operating statements and balance sheets of members in the New York Federal Home Loan Bank District are of general interest in that they reveal the effects of vigorous competition upon the savings and loan industry. The following analysis traces the more significant developments in operating ratios and balance sheet items.

By ROBERT G. CLARKSON, *Vice President*
Federal Home Loan Bank of New York

■ MOST annual reports of member savings and loan associations for 1943 and 1944 indicate a downward tendency in the ratio of gross operating income to average assets. Reports received so far in 1945 indicate that the operating income ratio can be expected to decline again this year.

This trend prompted the Federal Home Loan Bank of New York to conduct a study of the last six years' operations of a representative group of its savings and loan association members. Findings are summarized in Chart A—"Consolidated Comparative Analysis of Operations."

The study emphasizes an earning problem already recognized by competent managements. The problem apparently is of nationwide importance and the New York Bank's study may be useful as a guide to all associations in estimating their earning capacity under prevailing conditions.

The Bank feels that the survey has produced an accurate cross section of some of the operating problems facing member institutions at this time, which problems may be expected to continue in greater or lesser intensity for some time to come.

Method of Conducting Study

The individual savings and loan association members and the New York Bank joined in the preparation of the statistics needed.

As a first step, the New York Bank prepared a form, "Comparative Analysis of Operations," and mailed it in duplicate to members with a request that one completed copy be forwarded to the Bank and the suggestion that the other copy be submitted to the association's directors early in the current operating period. The form follows the layout of Chart A. All of the data for completing the form were readily obtained by the associations from their file copies of the standard annual report made to the Bank.

Responses were received by the Bank from 75 of its members having 41 percent of the total savings and loan member assets in the New York District. In sending the completed comparative analysis reports to the Bank, a number of the members stated that the extra copy of the form which was furnished for their files was being duplicated for distribution to their directors as a basis for considering future reserve and dividend policies. Some members considered the study so worthwhile that they recommended it be continued each annual period.

The individual analyses were consolidated by the Bank and copies of the Consolidated Comparative Analysis—Chart A—were furnished to all interested associations together with consolidations by five different size groups of associations. The different size groups produced some slight variations in the percentage ratios, but the general trends in all groups are identical with those in the consolidated analysis.

Analysis of Operating Trends

The important and, in some instances, revolutionary changes within the last six years in the balance sheets of savings and loan association members of the New York Bank are set out in Chart B.

The corresponding balance sheet items of the specific group of associations reported in Chart A are included in the total reported for all associations in Chart B. It is fair to assume that the comparative ratios reported for all associations apply uniformly to the specific group.

The earning ability of associations has been influenced by these changes and the experiences of the four years before 1943 are especially suitable for comparisons with trends since that time because the years 1939–1942 represent a period of more or less stabilization. To a considerable extent, the operations of those years reflect full recovery from the serious economic upset of the early 1930's. Also, these same years precede the period reflecting the serious influence of war conditions on operating income.

Between 1939 and 1942, the ratio of gross operating income to average assets remained around 4.5 percent for the group of associations reported in Chart A. The maximum variation in these four years was only 0.12 percent despite certain significant changes in the balance sheet structure which could be expected to affect income.

The proportion of mortgage assets to total assets of all savings and loan association members of the New York Bank gained in each of the four years until they reached a peak of 78.1 percent in 1942. However, this did not result in a proportionate increase each year in revenue from mortgage investments. Such income in total remained fairly constant because most of the new mortgages were made at lower rates of interest than were received on mortgages repaid or matured during the same period. Also, income formerly received from premiums and other charges commonly associated with the origination of loans, gradually disappeared as the competition for mortgage business increased.

The holdings of low-yield Government bonds increased rapidly in each of these four years, and during the same period real estate dropped to a point where, at the end of 1942, it no longer seriously influenced earnings.

Thus, by coincidence, the asset shifts during these four years developed offsetting factors which resulted in a similar rate of income for all periods. However, as the changes in the balance sheet structure became more pronounced in 1943 and 1944, they finally started to seriously influence earnings.

Construction of homes dropped off sharply after 1942 and other types of desirable mortgage invest-

ments were not available in sufficient volume to absorb the ever increasing amounts of capital funds received by savings and loan associations from the general public.

Employment in war industries at high wages encouraged borrowers to repay old mortgages in substantial volume in cooperation with the Government's express wish to have individuals reduce personal indebtedness as a brake on inflationary trends.

Under such circumstances, the ratio of mortgage loans to total assets dropped from the peak of 78.1 percent in 1942 to 67.8 percent at the end of 1944.

The ratios of net income to average assets and average capital follow the pattern of the gross operating income ratio for the four years ending in 1942 and reflect a reasonable degree of stability. Again, like the gross income ratio, the net income ratio moved downward rapidly in 1943 and 1944.

The rapid expansion of assets, contraction in earning capacity, and increased operating costs have combined to create a serious problem in the proper distribution of reduced net income.

By gradually adjusting dividend rates downward, many associations were able to increase the proportion of net income transferred to reserves and undivided profits in each of the four years before 1943. During this time it was expected that such transfers would result in higher reserve ratios and it is true that the average ratio of reserves and undivided profits to net assets increased from 5.04 percent in 1939 to a peak of 5.86 percent in 1942. This percentage increase is rather nominal and, to some extent, is accounted for by the unusually rapid growth in assets during the same period.

Federal Home Loan Bank of New York

Chart A.—Consolidated comparative analysis of operations of a representative group of reporting member institutions

Year.....	1944	1943	1942	1941	1940	1939
Number of reporting institutions.....	75	73	71	68	65	63
Net assets—end of year.....	\$287,239,447	\$244,521,050	\$220,815,404	\$209,437,312	\$192,171,603	\$178,877,447
Average assets for year.....	269,141,555	234,813,441	214,172,135	202,895,572	186,767,008	173,412,572
Average capital for year.....	242,086,323	210,179,041	193,058,106	181,884,583	168,875,169	159,044,110
Gross operating income.....	11,072,434	10,035,558	9,796,237	8,993,869	8,445,383	7,829,824
% Average assets.....	4.09	4.27	4.57	4.45	4.52	4.52
Operating expenses.....	\$3,483,155	\$3,032,038	\$2,843,524	\$2,569,079	\$2,297,417	\$2,069,511
% Average assets.....	1.29	1.27	1.33	1.27	1.23	1.19
% Gross operating income.....	31.60	30.30	29.00	28.50	27.10	26.30
Net income.....	\$7,727,034	\$7,072,556	\$6,673,044	\$6,390,877	\$6,002,018	\$5,604,262
% Average assets.....	2.87	3.01	3.11	3.16	3.23	3.24
% Average capital.....	3.19	3.35	3.46	3.52	3.57	3.53
% Transferred to reserves and undivided profits.....	30.85	34.05	34.67	31.98	28.22	23.15
Dividend rate.....	2.33	2.43	2.57	2.68	2.79	2.92
Reserves and undivided profits.....	\$16,518,214	\$14,229,019	\$12,927,456	\$10,929,581	\$9,902,566	\$8,976,068
% Net assets.....	5.75	5.82	5.86	5.22	5.16	5.04

A rather general reluctance to face squarely the dividend question precipitated by reduced income in the last two years has resulted in a lesser portion of net income being available for transfer to reserves and undivided profits. It is not surprising, therefore, to note that transfers have not been sufficient to maintain the rather modest average reserve ratio of 5.86 percent reached in 1942, and by 1944 this ratio had dropped to 5.75 percent.

The reserve ratio takes on added importance for associations currently active in making mortgage loans. Due to accelerated repayment of the older and well seasoned loans, the mortgage portfolios in these instances develop an unusually high average ratio of unpaid balance of loans to original amount. In many cases it has been observed to be as high as 90 percent, while under normal circumstances it would be somewhere in the neighborhood of 75 percent.

Considering also that loans are being made in an inflated real estate market and with evidence that association appraisals are to some extent following the market, the importance of building and maintaining strong reserves becomes paramount. There is clear evidence, in many cases, that current dividend rates cannot be maintained in face of existing trends without weakening the reserve structure.

Future Outlook

Results of operations for the last two years are important guideposts and stimulate a full study of all factors affecting operating income and the general stability of associations, not only for the immediate future, but for some time ahead into the postwar period.

Until reconversion trends are clearly defined, associations undoubtedly will continue to maintain the liquidity average of the present—approximately 30 percent of assets in cash and Government securities.

In recent years, associations have generally accepted shareholder requests for withdrawal of funds on a demand basis. While associations have not promised to pay on demand, this practice has registered very deeply with the general public and is responsible to a considerable extent for the increasing flow of capital into associations. Thus, savings and loan associations face a greater need for a generally higher level of liquidity for operation during normal periods.

Another situation immediately affecting earning capacity is revealed in the 1943 and 1944 figures. Although the dollar amounts of mortgage loans increased in each of these years, their percentages to total assets decreased. This trend can be expected to continue until a substantial volume of new construction is developed. Quality construction on a large scale depends upon an even flow of all essential materials into the housing market.

Improvised materials and techniques, applied to overcome scarcities, not only slow up construction volume but tend to increase costs and limit the market for the resulting housing. Full-scale construction that will produce a first-class product can hardly be expected to get under way until late in 1946. In the meantime, associations should be content to expand their investments in Government securities rather than reach for marginal loans on existing old construction in an inflated real estate market.

Federal Home Loan Bank of New York

Chart B.—Selected balance sheet items and ratios of all savings and loan association members

Date.....	Dec. 31, 1944	Dec. 31, 1943	Dec. 31, 1942	Dec. 31, 1941	Dec. 31, 1940	Dec. 31, 1939
Number of savings and loan members.....	355	357	370	377	401	416
TOTAL ASSETS.....	\$673, 186, 991	\$573, 339, 276	\$520, 920, 587	\$485, 100, 000	\$463, 894, 000	\$449, 542, 000
Cash.....	41, 530, 960	41, 526, 923	30, 808, 528	29, 981, 000	22, 517, 000	20, 644, 000
Government securities.....	131, 188, 526	65, 576, 211	20, 186, 874	6, 412, 000	3, 168, 000	2, 856, 000
% Cash and Governments to assets.....	25. 6	18. 7	9. 8	7. 5	5. 5	5. 2
Mortgage loans.....	\$456, 140, 593	\$418, 273, 441	\$406, 077, 064	\$376, 959, 000	\$342, 564, 000	\$322, 487, 000
% Mortgage loans to assets.....	67. 8	73. 1	78. 1	77. 5	74. 0	71. 8
Borrowed money.....	\$18, 660, 583	\$18, 619, 978	\$25, 638, 530	\$30, 371, 000	\$24, 990, 000	\$25, 039, 000
% Borrowed money to assets.....	2. 8	3. 2	4. 9	6. 3	5. 4	5. 6
Reserves and undivided profits.....	\$41, 479, 153	\$40, 466, 836	\$39, 506, 779	\$34, 532, 000	\$38, 037, 000	\$38, 462, 000
% Reserves and undivided profits to assets.....	6. 1	7. 1	7. 6	7. 1	8. 2	8. 6
Real estate owned.....	\$8, 937, 051	\$15, 651, 671	\$29, 521, 572	\$37, 093, 000	\$62, 625, 000	\$72, 128, 000
% Real estate to assets.....	1. 3	2. 7	5. 7	7. 6	13. 5	16. 1

The problem is further complicated by the unprecedented flow of share capital into associations, and until this abates or new construction resumes on a substantial basis, associations will probably continue to expand the ratio of Government securities and cash beyond the present average of approximately 30 percent.

Some letup in the inflow of savings may be expected during the reconversion period. There is some evidence that the partial reconversion period we are now in may, in the near future, slow up the inflow of new money. Any breakdown or major dislocation of the rather finely balanced national machinery to stabilize the country's economy during the reconversion period could readily result in demands upon member institutions which probably would absorb present liquid assets quickly. Thus, earnings must continue to be sacrificed for liquidity.

The increase in the operating expense ratio is of major importance to management and yet is one of the most difficult things to reduce in a financial institution. Legitimate overhead is necessary to maintain sound operations during periods of comparative inactivity and low productivity. To suggest reductions in personnel and in salaries is seldom a constructive approach and may indeed result in a completely penny-wise, pound-foolish operation. Some minor savings may be worked out in some of the expense items, but by and large the cost of doing business is dictated by features of the business which do not vary materially from year to year.

Interest Rates

The mortgage lending field has suffered a downward trend in interest rates on mortgage loans since the recovery period after the serious real estate upset in the early 1930's. Not only have interest rates been reduced, but all of the other frills, including premium charges, which resulted in additional income to mortgage lenders, have been pretty much eliminated by institutions active in today's competitive mortgage field.

Reductions in interest rates are due to some extent to Government activities in the housing field. These activities are partly responsible for attracting large aggregations of capital into the mortgage market from institutions that previously had only a limited interest in mortgage investments. The resulting increase in the supply of mortgage money, plus Government influence, has continued to push interest rates downward.

Important nationwide influences concerned with social reform have been pressing and will continue to press for lower cost housing and lower monthly carrying charges. Interest costs have responded to such pressure. The GI Bill, with its provision for 4-percent mortgages, has set the stage for further reductions in interest rates on prime home lending risks.

Refinements and safeguards, such as scientific appraisals, complete credit information on borrowers, definite term monthly direct reduction mortgages, inclusion of taxes in the monthly mortgage payment, improved loan servicing, insurance of mortgages by FHA, and life insurance in connection with mortgages, all have a tendency to reduce the potential risk in the mortgage business and make it possible for more and more capital to approach the field and work on a lower gross income.

Long and Short Term Factors

These many elements are of a permanent nature and will have a particular influence upon the long-range earning prospects of savings and loan associations. In addition, there are certain other elements currently affecting the yield from mortgage business which may continue for sometime into the future, at least until there is sufficient construction of new dwellings to absorb the excessive supply of mortgage money now available. These elements include the willingness of the associations to absorb loan charges, to pay brokerage fees for loans, and in instances where they purchase mortgages rather than originate them, the willingness to pay a premium for FHA insured loans and for uninsured loans which are considered prime risks.

A completely realistic understanding of the limits upon earning capacity in the years immediately ahead is essential in the establishment of any sound dividend or reserve policy. A financial institution can be expected to survive a troublesome period in direct ratio to the strength of its reserves and its liquidity. A serious weakness in either can be fatal, and they are interrelated.

The public cannot be expected to stand by and support savings and loans if mistakes of the 1920's and 1930's are duplicated. There is no valid reason why they need be duplicated if the trends, which are so clearly revealed, are used as a basis for establishing reserve, dividend and liquidity policies that will withstand not only sudden and momentary shocks, but the intensified and sustained shocks of a major depression.

CONDITION OF MEMBER ASSOCIATIONS

The large inflow of new savings in 1944 resulted in the expansion of liquid assets to record proportions. Despite the high volume of lending, portfolios showed only a moderate dollar gain.

■ THE changes which have occurred since the end of 1939 in the volume and composition of the combined resources of member savings and loan associations are illustrative of the interrelationship of all sectors of our national economy. From the year-end statements of member institutions of the Federal Home Loan Bank System there may be seen a story of mushroom-like growth in individual earnings which poured into new savings and accelerated debt retirement. These factors, coupled with curtailed building and increasing competition in the mortgage market, in turn contributed to the rapid growth in liquid assets which expanded to unprecedented proportions—from approximately one-sixteenth of Bank member resources in 1939 to more than one-fourth by the end of 1944. Thus, the period has witnessed an upward movement in invested savings which the mortgage portfolio was unable to pace despite the growing volume of lending throughout the past two years. The same forces which were generating the inflow of new money into savings accounts were likewise contributing to the more rapid repayment of loans already carried on the books.

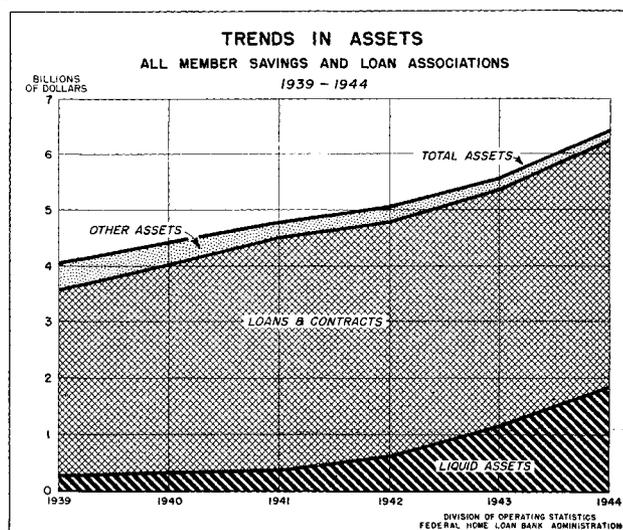
Managers might well inquire as to what extent these trends might be expected to be reversed when the war is over. When munitions production ceases and a number of war workers must live on their accumulated savings until they find peacetime jobs, will there be a significant shrinkage in thrift account balances? If associations are confronted with declining savings and increased mortgage lending opportunities, will their liquid assets be sufficient to meet, alike, repurchase requirements and the demand for mortgage money? Will they be able to retain a higher liquid ratio than before the war? For the present, answers to these questions are indefinite and qualified, since the final test must lie with the performance of the economy and the industry. However, the latest combined statement of condition for member associations will assist in placing such forecasting on an informed basis.

Resources of member associations showed another marked rise in 1944, and amounted to \$6,423,000,000 at the end of that year—16 percent above the total

reported 12 months earlier and about 59 percent higher than at the end of 1939. This represents an increase in the size of the average member association from \$1,497,000 at the end of 1943 to \$1,757,000 at the close of last year.

Since the end of 1939, total resources have shown a rise of \$2,375,000,000. This expansion which has taken place during the period of preparation for and prosecution of the war is the result of a net gain of \$2,266,000,000 in public and private investments and an increase of \$168,000,000 in reserves, permanent capital, undivided profits and deferred items, offset by a net decline of \$60,000,000 in non-savings liabilities (including mortgage pledged shares). Throughout these years, Government shares have been retired at a rate well in advance of legal requirements, while the large inflow of private capital amply over-compensated such withdrawals.

For the single year 1944, the gain in assets totaled \$884,000,000 and was composed of increases in all three groups on the credit side of the sheet. Investments (public and private) showed a net rise of \$778,000,000; other liability items, including mortgage pledged shares, were \$56,000,000 higher than they had been at the end of 1943; and capital items grew by \$49,000,000 during 1944. That the change in non-savings liabilities showed an increase for the year whereas the general trend in the two preceding



Combined statement of condition for all savings and loan members

NOTE: Percentage figures show the ratio

Balance sheet item	Combined	Boston	New York	Pittsburgh	Winston-Salem
Number of members-----	3,656	219	355	444	403
ASSETS					
First mortgage loans (including interest and advances)---	\$4,273,720,534 66.54%	\$ 501,806,748 72.78%	\$459,425,379 67.71%	\$292,974,935 75.54%	\$527,024,505 70.57%
Other loans (including share loans)-----	12,001,853 0.19%	2,262,658 0.33%	1,405,069 0.21%	1,818,108 0.46%	1,506,112 0.20%
Real estate sold on contract-----	116,747,144 1.82%	308,158 0.04%	8,742,118 1.29%	4,102,867 1.06%	1,543,876 0.21%
Real estate owned-----	36,820,916 0.57%	2,913,778 0.42%	9,550,019 1.41%	2,702,160 0.70%	1,313,737 0.17%
Federal Home Loan Bank Stock-----	62,250,862 0.97%	5,646,065 0.82%	6,390,800 0.94%	3,899,300 1.01%	6,218,500 0.83%
U.S. Government obligations-----	1,490,747,457 23.21%	133,975,924 19.43%	142,327,219 20.97%	56,662,507 14.61%	169,650,103 22.72%
Other investments (including accrued interest)-----	22,975,690 0.36%	2,549,038 0.37%	4,955,219 0.73%	186,971 0.05%	1,208,077 0.16%
Cash on hand and in banks-----	347,347,932 5.41%	34,193,896 4.96%	39,508,510 5.82%	22,214,805 5.73%	33,174,063 4.44%
Office building, (net)-----	47,807,905 0.74%	3,022,230 0.44%	4,696,930 0.69%	2,289,209 0.59%	4,317,532 0.56%
Furniture, fixtures, and equipment (net)	4,890,599 0.08%	520,504 0.07%	809,851 0.12%	367,976 0.09%	423,659 0.06%
Other assets-----	7,445,520 0.11%	2,332,582 0.34%	746,087 0.11%	606,848 0.16%	470,258 0.06%
Total assets-----	\$6,422,761,812 100.00%	\$689,591,581 100.00%	\$678,557,201 100.00%	\$ 387,825,686 100.00%	\$746,840,482 100.00%
LIABILITIES AND CAPITAL					
U.S. Government investment (shares and deposits)-----	\$ 35,528,850 0.55%	\$ 982,100 0.14%	\$ 9,961,500 1.47%	\$ 436,800 0.11%	\$ 2,278,800 0.31%
Private repurchasable capital-----	5,500,971,987 85.65%	576,355,314 83.58%	579,039,092 85.33%	323,219,091 83.34%	648,454,908 86.83%
Mortgage-pledged shares-----	103,445,564 1.61%	39,814,762 5.77%	14,945,676 2.12%	14,579,933 3.76%	11,162,108 1.49%
Advances from Federal Home Loan Banks-----	126,882,373 1.97%	6,298,195 0.91%	12,020,406 1.77%	12,930,629 3.34%	9,681,213 1.30%
Other borrowed money	63,526,770 0.99%	11,383,500 1.65%	10,257,166 1.51%	1,140,950 0.29%	13,394,050 1.79%
Loans in process	35,134,189 0.55%	1,069,279 0.16%	1,504,375 0.22%	1,623,661 0.42%	2,754,804 0.37%
Advance payments by borrowers-----	30,109,345 0.48%	4,007,875 0.58%	3,129,014 0.46%	2,556,213 0.66%	2,088,309 0.28%
Other liabilities-----	22,169,587 0.34%	1,751,766 0.25%	1,692,383 0.26%	1,634,793 0.43%	2,493,074 0.33%
Permanent reserve or guaranty stock-----	25,935,970 0.40%	-	-	46,183 0.01%	7,317 0.00%
Deferred credits to future operations-----	10,311,012 0.16%	75,127 0.01%	1,043,384 0.15%	315,361 0.08%	802,043 0.11%
Specific Reserves-----	7,543,522 0.12%	166,680 0.03%	952,313 0.14%	934,505 0.24%	504,997 0.07%
General reserves-----	313,609,698 4.88%	29,116,982 4.22%	27,147,124 4.00%	22,884,447 5.90%	33,933,310 4.54%
Undivided profits-----	147,592,945 2.30%	18,600,001 2.70%	17,424,768 2.57%	5,523,120 1.42%	18,984,949 2.54%
Total liabilities and capital	\$6,422,761,812 100.00%	\$689,591,581 100.00%	\$678,557,201 100.00%	\$387,825,686 100.00%	\$ 746,840,482 100.00%

of the Federal Home Loan Bank System, December 31, 1944

of the items listed to total assets.

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
556	221	454	235	209	207	127	106
\$740,687,000 61.39% 744,507 0.00% 11,525,641 0.90% 8,102,023 0.67% 10,628,900 0.88% 342,819,641 28.41% 4,272,141 0.30% 72,315,335 5.90% 14,279,791 1.18% 441,325 0.04% 719,607 0.00%	\$231,286,490 54.89% 717,179 0.17% 30,609,249 7.27% 1,244,025 0.30% 7,007,000 1.60% 122,329,224 29.03% 741,591 0.18% 21,874,518 5.19% 4,497,162 1.10% 337,038 0.08% 284,305 0.07%	\$413,932,649 66.94% 1,004,792 0.10% 28,372,435 4.58% 5,184,406 0.84% 6,809,217 1.10% 120,046,368 19.39% 2,614,799 0.42% 37,417,586 6.04% 2,645,737 0.43% 576,042 0.09% 670,689 0.11%	\$233,021,877 66.35% 485,915 0.14% 5,478,758 1.50% 1,576,842 0.45% 4,282,700 1.22% 85,524,693 24.35% 1,251,200 0.30% 17,493,827 4.98% 1,492,233 0.42% 202,213 0.00% 394,552 0.11%	\$218,303,450 75.39% 853,322 0.30% 1,607,870 0.56% 895,411 0.31% 2,532,100 0.87% 47,379,559 16.30% 1,737,626 0.00% 13,907,209 4.80% 1,627,630 0.56% 197,831 0.07% 523,611 0.18%	\$155,405,543 68.20% 245,997 0.11% 7,566,967 3.32% 1,607,753 0.71% 2,314,300 1.02% 47,495,945 20.84% 498,659 0.22% 9,741,727 4.27% 2,570,969 1.13% 270,794 0.12% 140,363 0.00%	\$138,126,331 49.60% 386,804 0.14% 14,240,329 5.11% 270,658 0.10% 1,860,480 0.67% 102,748,323 36.90% 2,232,586 0.80% 15,914,730 5.72% 2,200,108 0.81% 312,297 0.11% 120,120 0.04%	\$361,665,621 68.80% 571,390 0.11% 2,048,876 0.50% 1,465,984 0.28% 4,661,500 0.80% 119,787,951 22.79% 727,777 0.14% 29,591,666 5.63% 3,707,774 0.70% 431,069 0.08% 446,498 0.08%
\$1,206,535,917 100.00%	\$421,327,781 100.00%	\$619,274,780 100.00%	\$351,204,816 100.00%	\$289,565,679 100.00%	\$227,859,017 100.00%	\$278,472,766 100.00%	\$525,706,106 100.00%
\$ 3,052,950 0.30% 1,056,265,581 87.55% 10,655,698 0.88% 7,766,963 0.64% 3,278,985 0.27% 3,938,114 0.33% 4,411,101 0.37% 2,996,491 0.25% 15,393,234 1.28% 2,645,627 0.22% 951,143 0.08% 60,984,054 5.05% 33,595,916 2.78%	\$ 1,270,000 0.30% 368,634,756 87.49% 992,816 0.24% 10,098,782 2.40% 1,547,551 0.37% 1,633,121 0.39% 1,197,953 0.28% 1,085,984 0.20% 00,000 0.01% 1,659,015 0.39% 800,755 0.19% 20,858,136 4.95% 11,488,912 2.73%	\$ 3,091,600 0.50% 520,200,312 84.00% 5,794,099 0.94% 19,542,893 3.10% 3,145,810 0.51% 8,845,592 1.43% 6,397,245 1.03% 3,292,330 0.53% - - 1,693,045 0.27% 581,021 0.09% 37,692,238 6.09% 8,998,595 1.45%	\$ 562,400 0.10% 310,944,252 88.54% 2,153,986 0.61% 11,747,388 3.35% 3,650,500 1.04% 1,843,239 0.52% 852,759 0.24% 1,089,079 0.32% 17,100 0.00% 396,053 0.11% 454,503 0.13% 13,336,408 3.80% 4,157,119 1.18%	\$ 1,413,200 0.49% 244,327,344 84.38% 1,075,434 0.37% 5,790,131 2.00% 1,558,995 0.54% 1,837,608 0.63% 1,766,309 0.61% 2,568,725 0.88% 675,700 0.23% 223,562 0.08% 398,556 0.14% 21,566,886 7.45% 6,363,229 2.20%	\$ 953,300 0.42% 196,885,135 86.41% 1,559,407 0.68% 1,492,325 0.65% 2,315,967 1.02% 1,816,957 0.80% 1,550,952 0.68% 904,344 0.40% 666,563 0.29% 394,406 0.17% 380,933 0.17% 14,153,752 6.21% 4,784,956 2.10%	\$ 3,805,800 1.37% 245,850,446 88.28% 446,633 0.10% 3,420,024 1.23% 4,130,435 1.48% 2,085,248 0.75% 998,912 0.30% 1,395,166 0.50% 1,109,873 0.40% 413,319 0.15% 341,749 0.12% 10,625,252 3.82% 3,849,849 1.38%	\$ 7,170,400 1.36% 430,795,756 81.95% 865,012 0.17% 26,093,424 4.90% 7,722,781 1.47% 6,162,161 1.17% 1,152,643 0.22% 1,265,452 0.24% 7,960,000 1.52% 649,470 0.12% 776,367 0.15% 21,311,109 4.05% 13,781,531 2.62%
\$1,206,535,917 100.00%	\$ 421,327,781 100.00%	\$ 619,274,780 100.00%	\$ 351,204,816 100.00%	\$ 289,565,679 100.00%	\$ 227,859,017 100.00%	\$ 278,472,766 100.00%	\$525,706,106 100.00%

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years had been downward is due primarily to increased borrowing to facilitate operations during the Sixth War Loan which closed at the end of 1944. The gain in borrowings last year (\$63,000,000) was greater than the *net* increase in non-savings liabilities, declines in mortgage pledged shares and loans in process being the offsetting items in this group.

Asset Trends in 1944

First mortgage loans held by member associations at the close of 1944 were reported at a combined outstanding balance of \$4,274,000,000, about 6 percent above the balance reported at the end of the preceding year.

The virtual extinction of the real estate account over recent years has progressively narrowed the base from which additions are usually made to contract sales. This, together with the increasing ease with which purchasers have been able to meet contractual payments on or in advance of schedule, resulted in a 17-percent drop in the amounts due on contracts which totaled \$117,000,000 at the end of last December.

Taken as a group, total loans and contracts accounted for but 68.6 percent of the resources of member associations at the close of the year, as compared with 75.9 percent at the end of 1943 and the post-depression peak for this ratio, 86.0 percent recorded in 1941. In 1939 the ratio of loans and contracts to resources was 81.4 percent.

All Bank Districts reported increases in the volume of loans and contracts held by members, gains ranging from 11.2 percent and 9.2 percent in the Pittsburgh and Los Angeles regions, respectively, to 0.05 percent in Portland, while Indianapolis had an 0.90 ratio. The greatest advance in dollar amount was in the New York area where members showed loans and contracts \$38,000,000, or 8.9 percent, in excess of the balance indicated at the end of 1943. Members of the Chicago Bank reported a gain of \$33,000,000, the second largest for the country, placing balances

Trends of selected balance sheet items in relation to total assets

Item	1944	1943	1942	1941
	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>	<i>Percent</i>
First mortgage loans.....	66.54	73.08	79.39	81.68
Real estate owned.....	0.57	1.26	2.48	3.95
Real estate contracts.....	1.82	2.55	3.23	3.62
Cash and U. S. Government obligations.....	28.62	20.33	11.86	7.38

held by these institutions 8 percent higher than the figure reported 12 months earlier.

In proportion to total assets, the Pittsburgh District showed the highest ratio for loans and contracts, 77 percent, followed by the Little Rock area with 76 percent. The lowest ratio was in the Portland region, 55 percent. This compares with 1943 when members of the Pittsburgh Bank indicated a high of 81 and the Portland District had the lowest regional ratio, 68 percent. The downward movement of this ratio was common to all areas.

Liquid assets (cash and U. S. Government securities) continued to show the most marked change, with an increase of \$712,000,000 during the year which advanced the total 63 percent to \$1,838,000,000 on December 31. This placed the ratio of liquid items to total resources at 29 percent. The Cincinnati Bank members indicated the greatest gain, \$142,000,000, while the Winston-Salem region showed the second largest dollar rise in liquid assets—\$91,000,000. The proportionate rise was the most pronounced in the Los Angeles area—up 96 percent. This, however, is in part due to the fact that the largest proportionate gain in savings was concentrated on the West Coast.

As in 1943, the Portland and Cincinnati Districts showed the highest and second highest ratio of liquid assets to resources, 43 and 34 percent, respectively. These compare with 29 percent and 26 percent reported 12 months earlier. Also, as in the preceding year, the Pittsburgh region indicated the lowest ratio of liquid to total assets, 20 percent in 1944 whereas it had been 15 percent at the end of 1943.

The Government bond portfolio represented the overwhelming bulk of liquid assets, constituting 23 percent of total resources of members for the country as a whole. Members of the Portland Bank showed the largest ratio of U. S. security holdings to assets, 37 percent.

Cash on hand and in banks, however, showed a decline, the \$347,000,000 held at the end of 1944 being more than 10 percent less than the figure indicated at the close of the preceding year. In relation to total assets, this depressed the ratio from 7 percent to 5.4 percent. While the decline in this ratio was common to all Bank Districts except Boston, 10 regions reported smaller cash items, with dollar increases being shown only in the Boston and Los Angeles regions (\$4,656,000 and \$351,000, respectively). The decrease in the cash item was primarily due to association activity during the Sixth War Loan which took place at the end of 1944.

Private Savings

On the credit side of the balance sheet the greatest change occurred in savings account liability which went up 17 percent from the figure shown at the end of the previous year. This gain of \$812,000,000 in private repurchasable capital carried the total liability on savings to \$5,500,000,000. The West Coast showed the greatest proportionate growth in private investments, with an increase of 25.2 percent in the Los Angeles area and a gain of 24.6 percent in the Portland region. Members of the Cincinnati Bank had the largest dollar increase in savings, a rise of \$145,000,000 being recorded in that region. Members in the New York area ranked second with an increase of \$105,000,000.

The ratio of private savings to total resources has risen steadily since 1937 and at the end of last year stood at 86 percent. The Des Moines and Portland areas had the highest and second highest, respectively, 89 and 88 percent. The Los Angeles region had the lowest ratio, 82 percent.

U. S. Government investments in member associations declined by almost one-half during the year. On December 31 they stood at \$35,500,000.

Borrowed Money

The \$63,000,000 net increase in borrowed money that occurred during 1944 resulted primarily from credit advanced from sources other than the Federal Home Loan Banks. Borrowings from the 12 Banks were \$19,000,000 higher than at the end of the preceding year, while borrowings from other financial institutions were \$44,000,000 above the figure shown 12 months earlier. Of the \$190,000,000 outstanding, two-thirds represented advances from the Federal Home Loan Banks.

It will be recalled that money borrowed by member associations reached a peak of \$239,000,000 in 1941 and that the balance owed to the Federal Home Loan Banks and other sources of credit declined by 47 percent during the two subsequent years. Increased borrowing during the past year, principally to finance the acquisition of Government securities, carried the balance owed to 80 percent of the 1941 figure. However, at the end of last year, the ratio of borrowed money to total resources was but 3 percent compared with 5 at the end of 1941.

Reserve Position

The phenomenal rate of asset growth in 1944 reversed the upward movement which had been noticeable during the two preceding years in the ratio of general reserves and undivided profits to

Percentage distribution of balance sheet items for all savings and loan members of the Federal Home Loan Bank System, 1944 and 1943

Balance sheet item	All savings and loan members		Federal		Insured state		Uninsured state	
	1944	1943	1944	1943	1944	1943	1944	1943
Number of member institutions.....	3,656	3,701	1,464	1,466	995	974	1,197	1,261
	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>	<i>Per cent</i>
ASSETS								
First mortgage loans.....	66.54	73.08	65.13	73.42	66.14	71.16	70.17	74.60
Other loans (including share loans).....	0.19	0.26	0.14	0.17	0.15	0.26	0.35	0.43
Real estate sold on contract.....	1.82	2.55	1.40	2.00	2.38	3.30	2.01	2.76
Real estate owned.....	0.57	1.26	0.41	0.82	0.62	1.40	0.87	1.93
Federal Home Loan Bank stock.....	0.97	1.01	1.03	1.08	0.93	0.99	0.89	0.91
U. S. Government obligations.....	23.21	13.34	25.61	14.34	22.51	13.29	18.79	11.48
Other investments (including accrued interest).....	0.36	0.45	0.10	0.13	0.65	0.84	0.55	0.63
Cash on hand and in banks.....	5.41	6.99	5.27	7.02	5.66	7.67	5.39	6.16
Office building (net).....	0.74	0.85	0.73	0.82	0.77	0.88	0.75	0.85
Furniture, fixtures and equipment (net).....	0.08	0.09	0.10	0.11	0.08	0.10	0.04	0.06
Other assets.....	0.11	0.12	0.08	0.09	0.11	0.11	0.19	0.19
Total assets.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIABILITIES AND CAPITAL								
U. S. Government investment.....	0.55	1.25	0.90	2.08	0.39	0.96	-----	-----
Private repurchasable capital.....	85.65	84.66	87.26	86.39	85.08	84.24	82.79	81.84
Mortgage pledged shares.....	1.61	2.02	0.10	0.17	1.17	1.15	5.51	6.55
Advances from Federal Home Loan Bank.....	1.97	1.95	2.83	2.84	1.77	1.66	0.35	0.57
Other borrowed money.....	0.99	0.34	1.44	0.46	0.55	0.22	0.56	0.26
Loans in process.....	0.55	0.68	0.59	0.83	0.71	0.86	0.23	0.19
Advance payments by borrowers.....	0.48	0.47	0.45	0.48	0.51	0.52	0.47	0.40
Other liabilities.....	0.34	0.40	0.33	0.38	0.46	0.49	0.24	0.32
Permanent, reserve or guaranty stock.....	0.40	0.46	-----	-----	1.21	1.38	0.27	0.30
Deferred credits to future operations.....	0.16	0.23	0.14	0.20	0.18	0.23	0.19	0.27
Specific reserves.....	0.12	0.14	0.12	0.14	0.12	0.14	0.10	0.12
General reserves.....	4.88	4.94	3.80	3.76	5.66	5.82	6.28	6.20
Undivided profits.....	2.30	2.46	2.04	2.27	2.19	2.33	3.01	2.98
Total liabilities and capital.....	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

resources. Last December, it amounted to 7.18 percent of assets as compared with 7.40 percent at the end of 1943. However, despite wartime conditions in the mortgage market, allocations to these accounts have been steadily increasing. In 1944 the net growth in reserves and undivided profits amounted to \$51,000,000, one-fifth more than the net transfer of \$42,000,000 made in the preceding year. As a result, these items totaled \$461,000,000 at the end of last December. Since 1939, general reserves and undivided profits have increased by \$176,500,000, or 62 percent. In view of the possibility of a recession of private savings during the period of reconversion which would be met by the necessary contraction of liquid assets, it is likely that there may be a rise in the ratio of reserves to assets.

THRIFT AND REAL ESTATE OPERATIONS OF BANKS DURING THE PAST YEAR

Annual reports of insured commercial and mutual savings banks showed that these types of institutions followed generally similar trends in their thrift and home financing operations last year. The pattern, for the most part, was similar to that of the previous year.

■ THE greatly expanded wartime earnings of the general public and the abnormal real estate situation were reflected in the 1944 thrift and home financing operations of insured commercial and mutual savings banks. Savings entrusted to these institutions rose to unprecedented heights, increasing at an even more rapid rate than during the previous record year of 1943. A slackening occurred in the decline of residential mortgage holdings, based on number and volume of transactions involving existing properties. Finally, as further evidence of the critically tight housing situation, the amount of institutionally owned real estate declined to virtually insignificant proportions.

Although the study is confined to *insured* commercial banks, based on annual reports of the Federal Deposit Insurance Corporation, this group represents 94 percent of all operating commercial banks. The insured institutions have 97 percent of total industry assets and 98 percent of the time deposits of individuals, partnerships, and corporations.¹ Their real estate loans represent 98 percent of the total for all banks, while 80 percent of real estate owned, other than bank premises, is in the hands of insured commercials.

Savings in Commercial Banks

During 1944, insured commercial banks reported a 26-percent gain in time deposits of individuals, partnerships and corporations, bringing the volume of savings to a new peak of \$23,363,000,000. The dollar amount of this increase—\$4,791,000,000—was well over one-and-a-half times as great as the 1943 record. In that year, an advance of \$2,866,000,000 represented a gain of 18 percent over like deposits during the preceding 12 months.

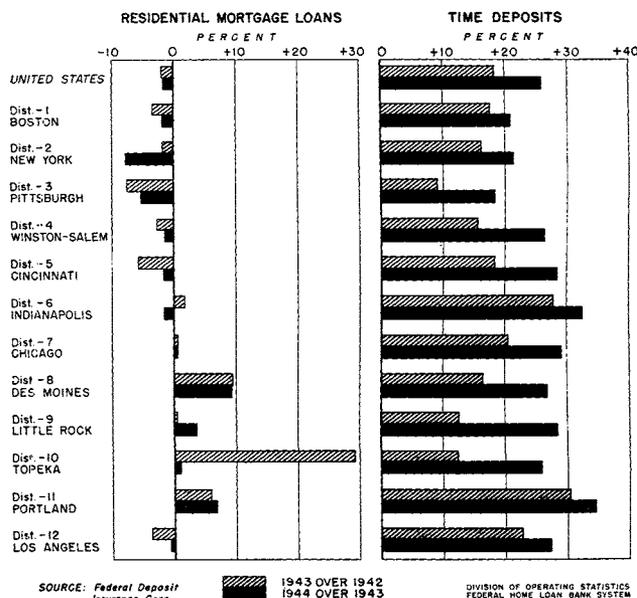
Insured commercial banks in all FHLB regions shared in last year's unprecedented volume of savings. For the third successive year, the Portland District

showed the greatest percentage increase—35 percent. The fact that this area previously attained top rank on the basis of two annual gains of approximately 30 and 18 percent, respectively, shows the vastly expanded scale of savings activity last year. Another indication is that in 1944 and 1943, the smallest gain, recorded both times by banks in the Pittsburgh District, was 18 percent last year compared with 9 percent the year before.

On a dollar volume basis, insured commercial banks in the Los Angeles region again led with an increase of \$829,000,000 compared with \$564,000,000 in 1943. Topeka remained last in the increase column—up \$88,000,000 in 1944 and only \$37,000,000 in 1943.

Increased savings activity was characteristic of all states, with the exception of New Hampshire which alone reported less of an advance in 1944 than in

PERCENTAGE CHANGE IN RESIDENTIAL MORTGAGE LOANS AND TIME DEPOSITS
INSURED COMMERCIAL BANKS
1943 OVER 1942 AND 1944 OVER 1943
By Federal Home Loan Bank District



¹ This classification is more comprehensive than the prewar breakdown of "savings evidenced by passbooks." However, it has been found that by far the greater part of this total represents individual savings.

1943. Florida remained the leader, percentagewise, with a 46-percent advance last year compared with 38 percent the year before. The smallest increase (13 percent) occurred in Delaware. Dollar gains ranged from \$805,000,000 in California to \$8,000,000 in New Hampshire. Oklahoma, the only state to show a decline in 1943, came back with a \$14,000,000 advance last year.

Residential Mortgage Loans

Building restrictions continued to affect mortgage lending operations of insured commercial banks during 1944. However, activity in other than new construction lending was sufficient to arrest the previous year's decline in total holdings. At the year-end they aggregated \$3,157,000,000 after a decline of \$47,000,000. Percentagewise, this decrease was practically the same as in 1943 but the dollar volume drop was considerably less than the \$60,000,000 decline of the previous year.

Last year only five regions, in contrast to six the year before, were able to show improvement in their residential mortgage portfolios. Gains, which were again concentrated in the same middle western, western and southwestern Districts (except for the Indianapolis area) ranged from 0.5 percent in Chicago to 9 percent in Des Moines. The 1943 variation was between 0.6 in Little Rock and 29 percent in Topeka. In dollar volume, Des Moines again had the largest increase in 1944—up \$19,000,000—while Topeka was last in the increase column. In 1943 the increase in Des Moines was \$18,000,000 with Little Rock at the other end of the scale—up only \$310,000.

For the second consecutive year Los Angeles was the only area west of the Mississippi to report a decline—down \$5,751,000, or 0.7 percent. California, predominant among the states of this District, recorded an infinitely smaller drop last year (\$5,000,000) than was made in 1943 when mortgage lending activity in that state was down \$31,000,000.

No specific breakdown of residential property owned has been contained in the last three annual reports of the Federal Deposit Insurance Corporation. However, during the last year the over-all figure for "real estate owned other than bank premises" dropped \$59,000,000 and on December 31, 1944 stood at \$64,000,000. There seems ample reason to believe that *residential* real estate owned by all insured commercial banks has dropped proportionately.

Residential mortgage holdings and time deposits of insured commercial banks, 1944

[Thousands of dollars]

Federal Home Loan Bank District and state	Residential mortgage loans		Time deposits	
	Dec. 31, 1944	Change during 1944	Dec. 31, 1944	Increase during 1944
UNITED STATES.....	\$3,156,607	-\$46,980	\$23,362,909	\$4,790,503
No. 1—Boston.....	207,984	-3,964	1,325,386	228,429
Connecticut.....	56,552	+35	284,111	46,089
Maine.....	12,797	+157	144,464	22,266
Massachusetts.....	79,548	-5,221	587,071	107,071
New Hampshire.....	8,155	+257	49,469	7,014
Rhode Island.....	20,261	+70	154,456	29,956
Vermont.....	30,671	+738	105,215	15,433
No. 2—New York.....	460,964	-38,431	4,082,554	717,584
New Jersey.....	218,510	-15,415	1,397,773	273,959
New York.....	242,454	-23,016	2,684,781	443,625
No. 3—Pittsburgh.....	311,386	-16,810	2,235,387	342,216
Delaware.....	10,883	+265	45,328	5,293
Pennsylvania.....	270,551	-17,126	2,018,011	299,595
West Virginia.....	29,952	+51	172,048	37,328
No. 4—Winston-Salem.....	207,422	-2,742	1,707,293	355,586
Alabama.....	13,654	-923	176,826	37,993
District of Columbia.....	32,315	-3,071	166,946	25,860
Florida.....	13,702	+2,205	188,289	59,126
Georgia.....	25,560	-1,149	212,645	51,753
Maryland.....	37,819	+297	316,130	53,863
North Carolina.....	15,093	+481	205,241	50,993
South Carolina.....	6,106	-424	56,824	13,179
Virginia.....	63,173	-158	384,392	62,819
No. 5—Cincinnati.....	285,862	-4,301	2,125,870	470,167
Kentucky.....	34,256	-209	152,681	26,179
Ohio.....	243,863	-4,416	1,700,868	382,408
Tennessee.....	17,743	+324	272,321	61,580
No. 6—Indianapolis.....	250,712	-3,444	2,015,146	495,172
Indiana.....	90,769	-2,783	555,470	131,085
Michigan.....	159,943	-661	1,459,676	364,087
No. 7—Chicago.....	216,293	+977	2,499,713	562,259
Illinois.....	129,449	-9	1,699,868	385,232
Wisconsin.....	86,844	+986	799,845	177,027
No. 8—Des Moines.....	229,023	+19,453	1,443,214	304,439
Iowa.....	42,598	+943	348,959	69,042
Minnesota.....	63,107	+7,736	536,684	117,745
Missouri.....	115,807	+10,448	451,940	91,791
North Dakota.....	3,147	+439	58,352	15,563
South Dakota.....	4,364	-113	48,279	10,298
No. 9—Little Rock.....	57,778	+2,068	657,443	145,728
Arkansas.....	6,013	+409	64,597	12,525
Louisiana.....	12,230	-1,807	178,958	43,691
Mississippi.....	7,076	+73	89,337	13,929
New Mexico.....	4,219	-89	25,760	5,940
Texas.....	28,240	+3,482	298,791	69,643
No. 10—Topeka.....	44,154	+373	428,854	87,577
Colorado.....	12,600	+1,077	150,899	31,163
Kansas.....	11,283	+770	101,947	21,679
Nebraska.....	7,060	+911	96,160	20,495
Oklahoma.....	13,211	-2,385	79,848	14,240
No. 11—Portland.....	84,078	+5,460	966,763	248,177
Idaho.....	8,448	-137	61,814	16,256
Montana.....	3,610	+214	61,880	14,766
Oregon.....	11,419	+2,430	280,292	74,102
Utah.....	23,681	+2,155	125,216	27,212
Washington.....	32,554	+855	406,637	109,200
Wyoming.....	4,366	-57	30,925	6,641
No. 12—Los Angeles.....	799,894	-5,751	3,859,761	828,591
Arizona.....	10,940	-843	60,332	15,730
California.....	783,110	-4,589	3,765,863	805,354
Nevada.....	5,844	-319	33,566	7,507
Possessions.....	1,057	+132	15,525	4,578

Mutual Savings Banks

Mutual savings banks set new records during 1944 in the volume of deposits received, the number of accounts, and total assets. An unparalled gain of \$1,625,000,000 in savings brought the year-end total to \$13,323,000,000—an increase of 14 percent compared with a 10-percent rise in 1943. Again, over half of this rise occurred in the July-December period.

There are only 17 states in which mutual savings banks operate, chiefly concentrated in the East. All of them participated in the growing volume of savings. New York and Massachusetts, which already led in dollar deposits, again showed the most sizable increases—\$948,700,000 and \$224,800,000, respectively. Oregon, the least active “mutual” state, recorded the smallest advance—\$1,700,000.

Not only was more money saved last year than ever before, but more people were participating in this expression of thrift. Last year brought a net increase of 609,000 accounts in mutual savings banks, raising the total to 16,321,229. All states except Minnesota reported gains, most of them exceeding those of the previous year. New York and Massachusetts showed the largest increases in this respect.

The combined growth in volume of savings and number of depositors resulted in an increase of \$72 in the average account. At the close of 1944 the average mutual savings bank account was \$817 compared with \$745 the year before.

Real Estate Activity

Again during the past year, real estate mortgage loans of mutual savings banks declined. The rate of drop, which had increased from 3 percent in 1942 to 4 percent in 1943, was stabilized at the latter rate last year. Loans secured by real estate totaled \$4,298,000,000 after a dollar decrease of \$137,000,000 which was considerably less than the \$207,000,000 decline in 1943. Last year this account represented 29.2 percent of total assets compared with 34.6 percent in 1943. This decline was general throughout the 17 “mutual” states. At the year-end, Maryland banks reported only 6.7 percent of total assets represented by real estate mortgage loans while, at the other end of the scale, Oregon showed an amount equal to 43.0 percent.

The disposition of real estate owned proceeded at an accelerated pace in 1944. The 53-percent drop last year far outstripped the recent declines of 36 and 25 percent registered in 1943 and 1942, respec-

tively. At the close of 1944, this account totaled \$99,440,000 and represented only 0.7 percent of assets. At the same date the year before, mutual savings banks showed \$212,000,000 in the owned real estate account—1.7 percent of the assets of these associations.

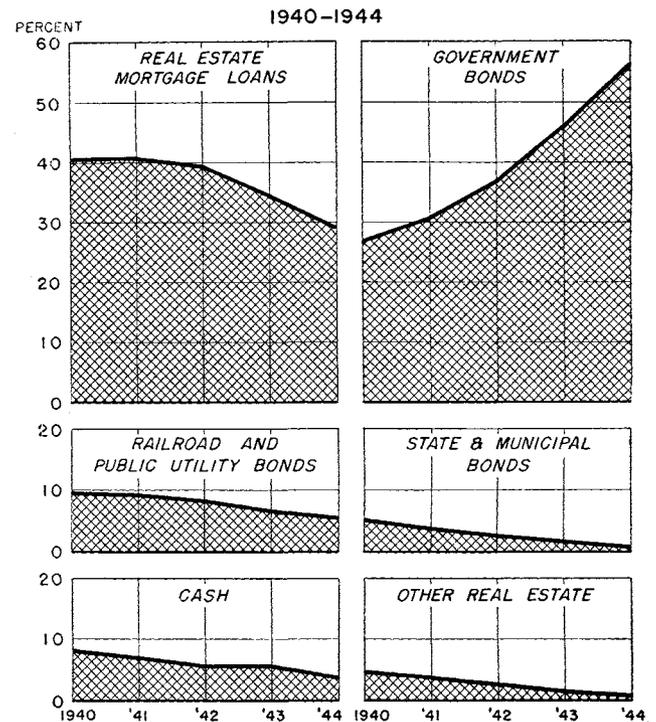
It would seem that the question of whether or not there is an irreducible minimum in the real estate owned account is largely academic. Mutual savings banks in Oregon and Delaware reported no institutionally owned property on the books at the close of 1944. Even in those states where previous lack of marketing opportunities had been most apparent, real estate owned dropped to the equivalent of less than 1 percent of assets. The only state in which this account represented more than that was Vermont, which reported a fractional rise from 2.61 percent in 1943 to 2.62 percent last year.

Investment Portfolio

The rise in assets of mutual savings banks in 1944 reflected in large part the unparalleled increase in deposits. Mounting to a new high of \$14,813,000,000, the gain in resources totaled \$1,770,000,000,

(Continued on p. 301)

DISTRIBUTION OF MUTUAL SAVINGS BANKS' ASSETS



SOURCE: Nat'l. Ass'n. of Mutual Savings Banks.

DIVISION OF OPERATING STATISTICS
FEDERAL HOME LOAN BANK SYSTEM

THE UPWARD TREND IN LOAN AMOUNTS

The size of the average mortgage recorded has been expanding rapidly. The following article analyzes this movement by type of lender and by Federal Home Loan Bank District.¹

■ FOR more than two years lenders in the mortgage finance field have been calling attention to an inflationary trend in real estate prices which has been brought about partly by an unparalleled rise in income and, in a great many areas, by a complete dislocation of the factors of supply and demand. In particular, an effort has been made to keep the spotlight on those dangers to the future health and stability of mortgage financing institutions and to the economy as a whole which are inherent in accepting for lending purposes, those increases in property values which sound judgment and experience indicate cannot be expected to be maintained after "normal" functioning of the market has been restored.

Inflationary Potentials

Rises in the market value of residential property, which constitutes the security for the great majority of total mortgage loans, have been extremely large and obviously inflationary in many areas. Increases as great as 75 to 100 percent in the price of homes have been reported in a number of localities, and in some war crowded centers prices are well in excess of reproduction costs, which for the country as a whole have risen almost one-third since 1939.

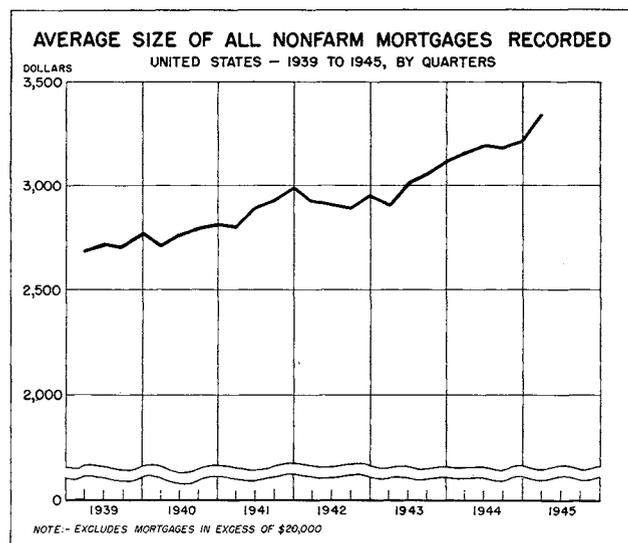
Many pressures are being brought to bear on lenders to continue liberal prewar lending policies in the current market. These include a plethora of investment funds, keen competition for the limited amount of mortgage business, a high rate of mortgage repayments, and the fact that despite the vast amount of savings accumulated by individuals, a great many buyers in today's market are pressing for high percentage loans which are based on present-day values.

In view of these circumstances, which are "ideal" for the making of an inflationary boom, it is obvious that some lenders of all types have been yielding to the pressures for larger loans based on these inflated property values. Almost every lender in the country can recite from recent memory dozens of instances in which loans have been made on properties in excess of their market value of only a few years ago.

¹ Prepared by Oscar H. Smith, and John W. Neumann of the Federal Home Loan Bank Administration.

These instances are none the less only the most flagrant cases and do not provide a suitable yardstick against which to measure the performance of all types of lenders. Such a measure, however, is available in the mortgage recording statistics which have been compiled monthly since 1939 by the Federal Home Loan Bank Administration. The first chart shows the average size mortgage recorded by all types of lenders from 1939 through March 1945, by quarters. Throughout this period, the average mortgage loan has increased almost steadily in size, moving from \$2,679 in the opening months of 1939 to \$3,338 in the first quarter of this year, a rise of almost one-fourth. Since 1943 the average size loan has risen sharply and the trend is still upward.

A few explanatory remarks regarding these data will give them added meaning. Averages are computed from estimates of the total number and amount of all recorded nonfarm mortgages of \$20,000 or less. The exclusion of recordings in excess of \$20,000 automatically eliminates distortions arising from the inclusion of large mortgages on commercial properties or huge residential projects. Too, most of these loans (about 1,500,000 mortgages were recorded last year) are being made on the same housing stock that existed in the prewar years, except that these properties have grown older and in many cases are now in need of extensive repair.



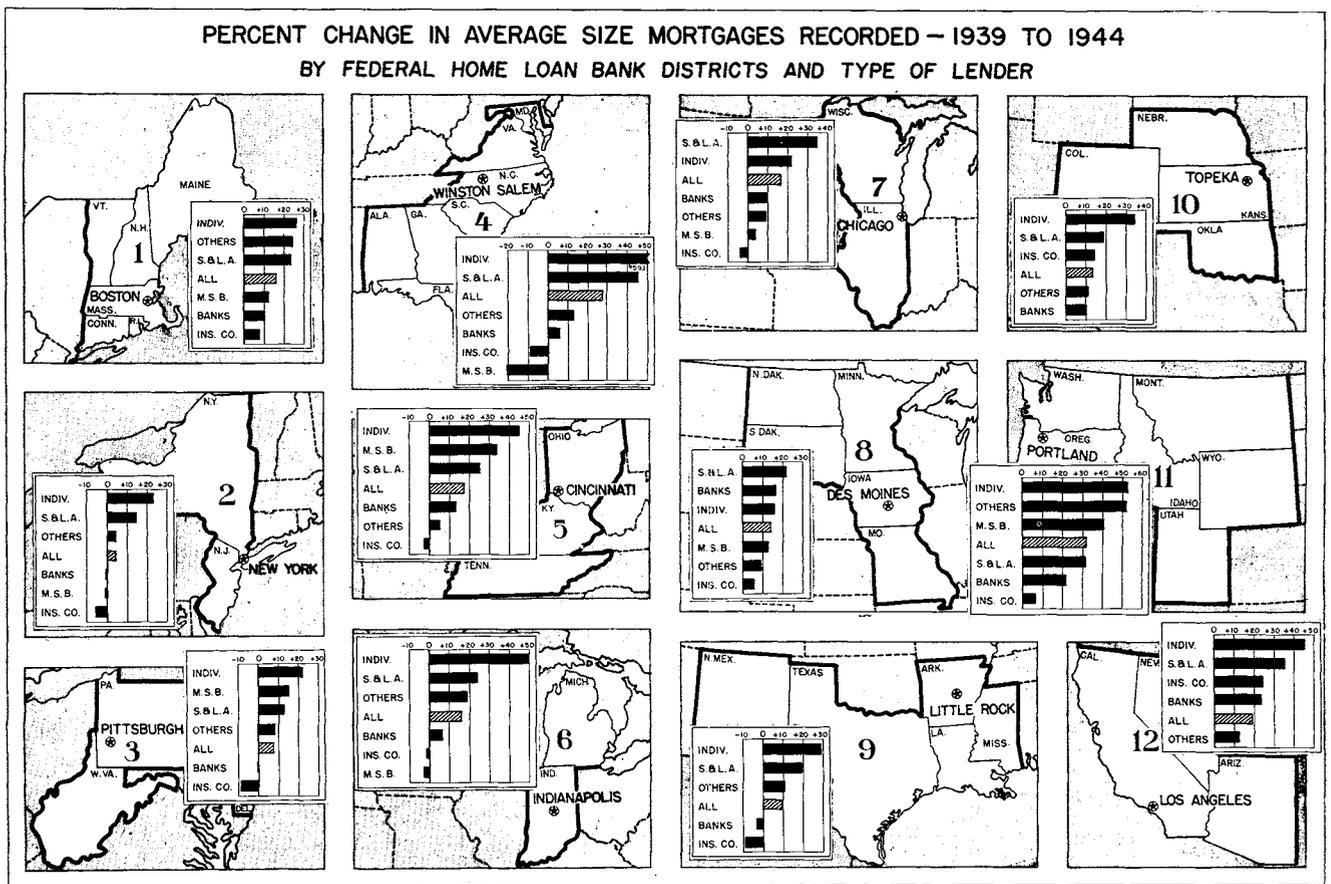
The continual upward movement in the size of the average mortgage recorded represents a composite of the activities of all lenders, those whose lending policies have been relatively conservative as well as those who have followed the rise of the market. This movement also reflects activities in those areas of the country in which increases in property values have been relatively small, as well as in those regions where property values rose rapidly during the defense preparation and war years.

Excepting those held by insurance companies, the average size of mortgages recorded by each of the types of lenders has tended upward. As is shown in the table on page 293, the average size of mortgage loans made by individual lenders, whose operations are not limited by law, has shown the greatest rise during recent years. Averages for these lenders rose from \$1,851 in 1939 to \$2,537 in 1944, a 37-percent jump, and in the first quarter of 1945 amounted to \$2,761, or 49 percent more than in 1939. Savings and loan associations were second in increase of average size recordings over this period, the \$3,146 for 1944 representing a rise of 28 percent, and the \$3,311 for the first quarter of this year, a rise of 34

percent. In the table it will be noted that even though these two types of lenders have shown the greatest gains in average size recordings, such averages are still below those of the remaining types of mortgagees.

The average size of mortgages recorded by insurance companies, which since these data were first compiled by the FHLBA has been considerably higher than that of any other type of lender, has shown very little change during recent years. Insurance company recordings during the first quarter of this year averaged \$5,257, or 4 percent more than in 1939, while the average size of recordings during 1944 was 1 percent less than in the base year.

Lenders in the "other," or miscellaneous, category increased their average size mortgage 18 percent from 1939 to 1944; however, the average for the first quarter of this year, \$4,033, was 25 percent higher than in 1939. In these comparisons, banks and trust companies and mutual savings banks show almost parallel trends in the average size of recordings, the 1944 averages for the two types of mortgagees being 10 and 8 percent, respectively, above the level shown in 1939.



A glance at the map will show wide variations in lending trends among the various regions and among types of lenders. Gains from 1939 through 1944 in the average size of all recorded nonfarm mortgages of \$20,000 or less vary from 4 percent in New York and 8 percent in the Pittsburgh region to 28 and 31, respectively, in the Winston-Salem and Portland regions. Among the classes of lenders, changes ranged from increases of 49 and 53 percent, respectively, in the average size of mortgage loans made by individuals in these latter regions to decreases of 21 percent in the average size of mutual savings bank recordings in the Winston-Salem District and 9 percent in insurance company mortgages in the Pittsburgh, Winston-Salem, and Little Rock areas. It will be noted that in every District except Chicago and Des Moines the average size of mortgages recorded by individuals has shown the greatest percentage rise. In those two regions, savings and loan associations showed the greatest percentage increase.

In six of the Bank Districts, savings and loan associations evidenced increases second only to those of individuals; in two regions, "other" lenders reported the second largest percentage rise; and in one District, banks and trust companies reported the second largest increase. In seven Districts, the average size of mortgages recorded during 1944 by insurance companies was lower than in 1939 and in all but one of the remaining, percentage increases in the size of insurance company mortgages were relatively small. In the Los Angeles District, insurance company recordings increased 25 percent over this period as compared with a rise of 18 percent in the average size of total nonfarm mortgages. With few regional exceptions, percentage increases in the average size of mortgages recorded by banks and trust companies and mutual savings banks were relatively low.

Dollar Amounts Up

Dollar increases in the average size of mortgages recorded by some types of lenders have been extraordinary in several regions. The largest advance in the average size of all mortgages was in the Portland District, \$715, followed by the Winston-Salem, Los Angeles and Chicago areas with gains of \$638, \$586, and \$544, respectively. By type of lender, increases in the size of average recordings have ranged as high as \$1,516 for "other" lender recordings in the Portland District and \$1,530 in insurance company mortgages in the Los Angeles region. The largest dollar rise for savings and loan

Average amount of nonfarm mortgages recorded—United States, by type of lender¹

Type of lender	Average size mortgage			Percent change 1939 to—	
	Year 1939	Year 1944	1st quarter 1945	1944	1st quarter 1945
Savings and loan associations.....	\$2,467	\$3,146	\$3,311	28	34
Insurance companies.....	5,076	5,033	5,257	-1	4
Banks, trust companies.....	3,201	3,525	3,605	10	13
Mutual savings banks.....	3,622	3,927	4,134	8	14
Individuals.....	1,851	2,537	2,761	37	49
Others.....	3,231	3,823	4,033	18	25
Total.....	2,722	3,187	3,338	17	23

¹ Based on mortgages of \$20,000 or under.

associations, \$944, was reported in Winston-Salem. The average recording by mutual savings banks in the Cincinnati District was \$1,329 larger in 1944 than in 1939. The steepest dollar rise in the average size of mortgage loans reported by individual lenders was the \$935 increase reported in the Winston-Salem region, while the maximum bank and trust company increase, \$889, occurred in the Los Angeles area.

This discussion indicates that all types of lenders have, to greater or lesser degree, been "following" the rise in property values. It also supports the contention of many that there are mortgagees of all types who have been and are continuing to recognize, for lending purposes, increases in values which have been created under artificial circumstances and which, if we can accept past experience as a guide, will disappear in part upon the restoration of a balance between supply and demand factors. The future health and prosperity of mortgage financing institutions which let short run exigencies and demands dim their long-term prospective may well be seriously damaged should these trends continue.

The upward movement in average mortgage recordings may represent water already on the books. Many mortgagees are attempting to compensate for increased loan valuations through an acceleration in the amortization of their loans. However, as was learned from the last depression, loans placed on the books increased in hazard with the downward swing in values and in individual income payments. Correspondingly, lenders today must take into account the contingency of a drop in economic activity. As the time approaches when the level of individual incomes must begin to diminish, so shortens the time in which they may realistically expect accelerated amortization to cover added risk from inflated increment to loan values.



THE HOME FRONT



Annual wage spurs home ownership

The annual wage and profit-sharing plan of Hormel & Co. has made Austin, Minnesota, a city of home owners, according to a recent report carried in the *Detroit (Michigan) Free Press*. Of the 4,275 homes in Austin, 3,125 come under the Minnesota Homestead Tax Exemption Act, which means that they are owner occupied.

"Seventy-five percent, at least, of the members of our union own their own homes. Families bought or built houses since the annual wage came who couldn't have purchased them otherwise . . ." stated the president of the United Packinghouse Workers of America Local. Although the annual wage is not guaranteed, the company expects to be able to continue on the same basis that it has for 15 years. Postwar plans for new business include the expectation of providing year-round jobs for 1,643 employees now in the armed forces.

Future building calls for more trained workers

Prompt expansion of vocational programs to train new workers for the building trades will sharply reduce the time required to meet the most urgent civilian construction needs after the war, recently predicted James W. Follin, Managing Director of the Producers' Council. The Council is a national organization of manufacturers of building materials and equipment.

Failure to set up such training programs may mean that building products may become plentiful before there are enough skilled workmen to assemble them. While the total supply of construction labor will undoubtedly be adequate, certain types of trained and experienced craftsmen needed for quality construction will not be available until thousands of new workers are taught.

Except for men who have acquired building skills as part of their experience in the armed services, very few apprentices have entered the

construction industry in the past five years. During the last two decades, the labor supply in some lines has shrunk at an alarming rate because the rate of replacements has not equaled the loss of craftsmen through death, retirement or military service. The decline of construction activity during the depression accentuated the downward trends which have been evident in these fields.

Consumer credit control modified

In a further effort to curb inflation, the Federal Reserve Board last month issued Amendment 16 to consumer credit Regulation W. This amendment repeals the previous exemption of extensions of credit secured by first liens on improved real estate. In addition, effective June 11, it prescribes a maximum maturity of 18 months for loans of not more than \$1500 for financing the purchase of certain materials, articles and services in connection with repair or improvement of residential property.

This limitation applies, as well, if such a loan is added to the unpaid balance of a previously existing mortgage loan and the two total \$1500 or less, regardless of how they were merged or consolidated. Regulation W does not cover extensions of credit to finance or refinance the construction or purchase of an entire structure.

The new amendment also makes some changes in the classification of listed articles, downpayment and maturity limitations, and contains provisions relating to "summer plans" for fuel conservation items and to exemptions for "disaster credits".

Postwar capital equipment need set at \$28 billion annually

If the need for nonfarm housing during the period 1946-1960 is to be met, an average of \$5,065,000,000 must be spent yearly for this purpose, according to preliminary estimates released in May by the Twentieth Century Fund. Nonfarm housing is one of the major items included in the Fund's

estimate that an average of about \$28,000,000,000 annually would be necessary during the 15-year period to fill all requirements for new capital equipment—the country's relatively permanent physical assets.

Stated in terms of 1940 price levels, the preliminary report covers 24 specific fields grouped into four major categories: urban development, commercial and industrial, transportation and rural development. Capital outlays in fields not included in the detailed estimates, it is assumed, would maintain their past ratios to the other groups. These estimated capital needs, plus the postwar demand for consumer goods and services, would be more than enough to keep our economic system operating at high productive levels.

Along with the estimates of maximum outlays needed for capital equipment if our economic system does operate at high levels, the report outlines a "minimum" program. This program covers only capital outlays necessary to care for normal growth in population, to replace capital goods actually worn out or used up, and to provide for essential expansion of capital facilities. Even such a "minimum" program in the 24 fields being studied would require an annual average expenditure of \$8,000,000,000.

States liberalize worker benefits

Unemployment benefits and "second injury" compensation have been the subject of legislative action in a number of states this year, the Council of State Governments reports. Unemployment compensation laws have been revised in a score of states to increase weekly benefits for longer periods, thus assuring workers and their families an adequate standard of living and minimizing the depressive effects of unemployment during a reasonable period of reconversion from war production. The "second injury" legislation is expected to encourage the hiring of disabled war veterans,

Federal Home Loan Bank Review

specially in industries already covered by these laws.

So far, a total of 21 states has provided maximum weekly benefits of at least \$20 for unemployed covered workers. In most states, minimum benefits were raised along with the increase in maximum benefits. The range between the two limits in the majority of states is about \$10. In some cases, the period between application and granting of benefits was shortened.

Under "second injury" legislation now in force in 25 states, should further or permanent disability befall a previously disabled employee, the employer becomes legally responsible only for the second injury. In addition to the employer's compensation, the employee will be paid out of the second injury fund the remainder of compensation due for permanent total disability.

The public looks at postwar housing

Houses built after the war will be substantially different from prewar dwellings in both design and appearance, in the belief of 56 percent of the nation's family heads. A survey conducted by the Curtis Publishing Co. further reveals that 44 percent of these family heads will postpone either building or buying a home until they can get the housing features they want.

Most people, the study indicates, are primarily concerned with developments in the housing field which are both practicable and structurally possible for the building industry to achieve. Gadgets and pushbutton miracles still in the blueprint stages or untried by actual use don't interest the majority of potential home owners who were questioned.

The reaction to prefabricated housing was varied: 17 percent of the people interviewed would consider prefab houses for fulltime homes while 58 percent would be interested in ready-made vacation homes. The prospects for economy and speed in erecting such houses appeal to prospective buyers but the study points out that "continuous product improvement" will be necessary to spur and maintain high sales volume for the manufacturer who plans to participate in the permanent dwelling market.

When asked to name the building development in which they were most interested, 19 percent of those interviewed chose new types of wall and floor construction; 18 percent, glass for structural purposes; 16 percent, modern kitchens; and 13 percent, plastics. As to style of architecture, opinion was fairly evenly distributed. Early American colonial was preferred by 19 percent; "bungalow" style by 17 percent, and "modern" by 12 percent.

Lowell bank assists local veterans

Embracing all its customers in the armed forces, the Middlesex Co-operative Bank of Lowell, Massachusetts, has extended the 4-percent interest rate set by the GI Bill of Rights to all existing mortgage loans held by borrowers who now are or have been in service any time during the present war. This bank is reported to be the first lending institution in the country to take such a step.

Lowell veterans can find out about their rights and benefits under the GI Bill at a forum sponsored by the bank. Joining forces several nights a month in space provided by the Middlesex Bank, American Legion and bank officials meet with veterans to assist them with financial and other readjustment problems.

New priorities assistance for home building

Additional priorities assistance in the acquisition of a wider range of materials for housing construction has recently been provided by the NHA and WPB. The action was made effective by an amendment to the War Housing Critical List—Schedule I of Preference Rating Order P-55-c. The shortened and simplified schedule is based on the present critical position of materials and equipment essential to residential building. It will be revised when changes in the supply situation warrant.

Applications are to be made to FHA field offices and approval will constitute authorization to begin construction under Order L-41. The new action permits the use of the AA-3 rating and allotment symbols H-1, H-2 or H-3 assigned by the order for materials to be used in NHA approved projects, except as specifically prohibited or restricted by Schedules I and II of the order.

FOR THE FUTURE

In the midst of war, many towns and communities are making their plans "For the Future," in order to have healthier, more attractive cities, and to provide employment for the returning servicemen and workers. From time to time, as information becomes available, the REVIEW will publish accounts of some of these.

St. Louis gets a new building code

After seven years of work St. Louis has a new building code. The mayor recently signed the new code putting into effect what is said to be one of the most up-to-date set of regulations in the country. More than 200 members of the building and associated industries have contributed to the finished product.

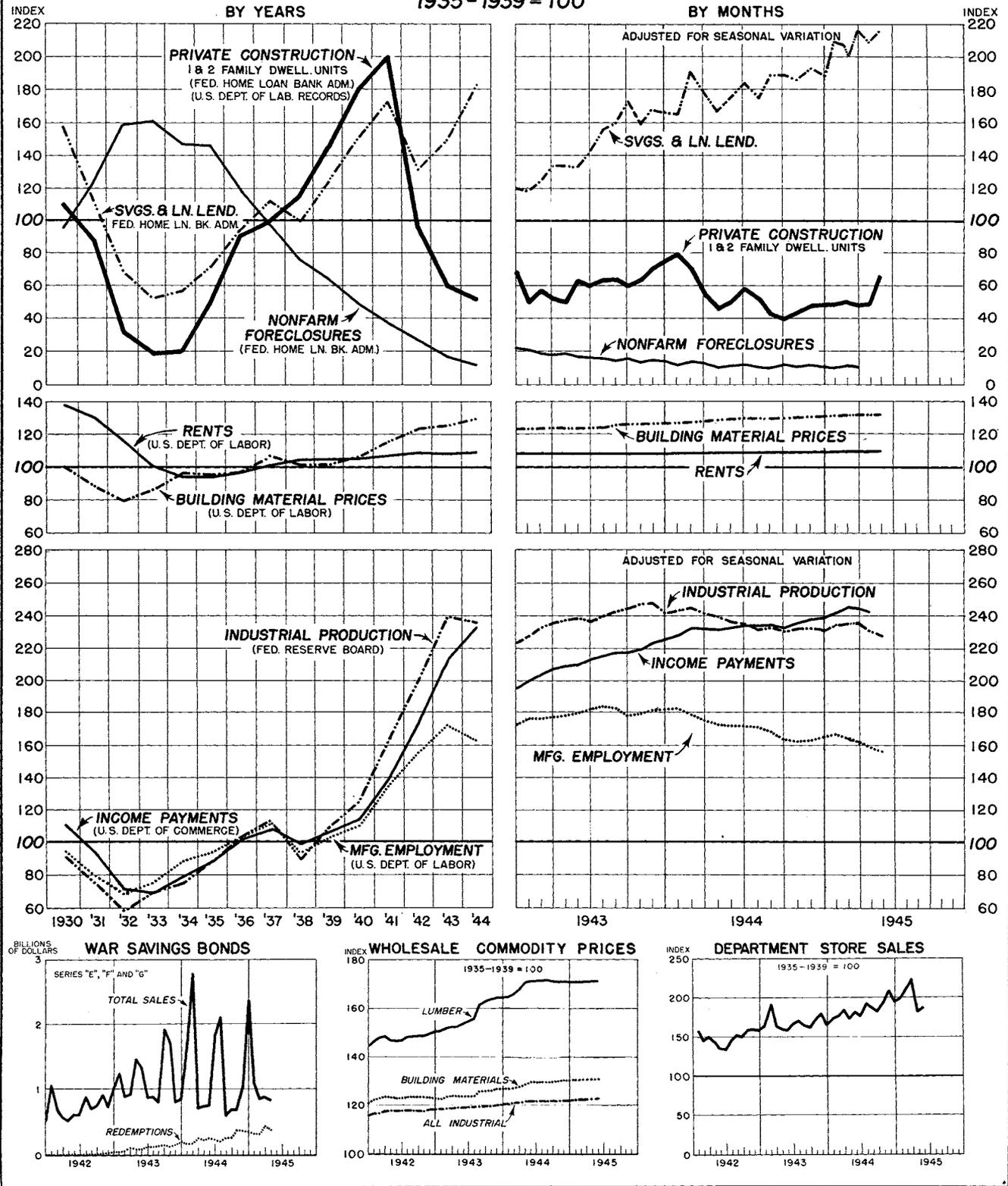
Providing for the use of modern materials and more flexible building regulations, the 1945 code is expected to stimulate postwar construction in St. Louis. One special feature of the new charter is that it does not name specific materials to be used but instead sets fire resistance standards for materials as recommended by the National Board of Fire Underwriters, American Standards Association and similar national organizations.

Springfield looks ahead

In the course of the past year, the Greater Springfield and Clark County Association, a civic public participation group, organized a total of 23 separate study projects, each under the auspices of a committee, to arrive at practical solutions of some of the city problems of Springfield, Ohio. From membership dues of \$1 a year and substantial contributions by private industry, the association reports that it has had no difficulty in financing its undertakings and, as of June 1, 1945, could show an unobligated balance of \$15,000 in its treasury.

Not only has the committee been able to furnish detailed reports on water projects, sewerage, traffic congestion and other studies, some of which now show tangible results, but it has also organized a Demobilized Veterans' Service. In this latter project, all groups in Springfield are participating with the Association to provide the veteran with free legal, medical, and insurance advice as well as vocational training and help.

RESIDENTIAL BUILDING ACTIVITY AND SELECTED INFLUENCING FACTORS 1935-1939 = 100



MONTHLY SURVEY

HIGHLIGHTS

- I. Cutbacks resulted in a 4-point decline in the industrial production index which in May dropped to 227 percent of the 1935-1939 average.
- II. Total building activity showed no change from April, on the basis of an 18-percent increase in private construction offset by a decline in publicly financed building.
- III. New loans of approximately \$163,000,000 were made by all savings and loan associations during May—6 percent more than in April and 23 percent above May 1944.
 - A. Home purchase loans continued to account for three-fourths of total savings and loan activity.
 - B. Construction lending increased 37 percent above the April volume and was 78 percent more than in May 1944.
- V. During May, nonfarm mortgage recordings of \$20,000 or less reached a new peak of \$487,435,000. This represented a gain of 7 percent above the April volume and 20 percent more than the total in May of last year.
- V. Repayments of \$7,423,000 and advances of \$6,307,000 dropped the total of Federal Home Loan Bank advances outstanding at the end of May to \$50,924,000.
- VI. Assets of all insured associations rose 2 percent to \$5,292,000,000 at the end of May.



BUSINESS CONDITIONS—Seventh War Loan exceeds goal

Despite optimism generated by VE Day and increasingly favorable news from the Pacific war zones, sales in the Seventh War Loan had soared to \$26,313,000,000, or 88 percent above the goal of \$14,000,000,000, when the drive ended July 9. Although individuals invested a total of \$8,681,000,000 (preliminary figure), or 24 percent over their original quota, E bond sales lagged at \$3,976,000,000—only 99 percent of the goal set for these purchasers.

During May the nation's expenditures for war increased to \$8,159,000,000 from the April figure of \$7,139,000,000. This was considerably more than the \$7,879,000,000 spent in May 1944, just before our forces invaded Europe.

Industrial activity continued to decline slightly in May, dropping to 227 percent of the 1935-1939 average shown by the Federal Reserve Board's seasonally adjusted index, as compared with 231 percent in April. Manufactures fell 5 points from the April figure of 247 percent. The change was confined to durable goods, including war production, where the range was from 336 in April to 327 in May. Nondurable manufactures during May remained stationary at 174 percent of the 1935-1939 average output. The production of minerals also slackened, dropping from 140 percent in April to 138 percent in May. Most of the decrease in industrial production reflected cutbacks in procurement of military supplies.

Toward the end of June, WPB announced it had approved 754 applications for preference ratings for reconversion equipment and construction. Nearly one-fourth of the approvals went to the automotive industry, followed in order by manufacturers of domestic mechanical refrigerators, furniture and finished lumber products.

In May the Federal Reserve Board's seasonally adjusted index of department store sales rose to 187 percent of the 1935-1939 base, after a drop to 181 in April. The trend in early June continued upward as the index climbed from 169 for the week ending June 2 to 196 in the week of June 9.

Although the size of the labor force in the United States increased by 100,000 in May, the Bureau of the Census reported that the 52,030,000 workers potentially available during that month represented a drop of 810,000 from May 1944. Non-agricultural occupations in May claimed 43,350,000 workers, a decrease of 60,000 from April. Unemployment slid from a total of 770,000 in April to 730,000 persons in May.

[1935-1939=100]

Type of index	May 1945	April 1945	Percent change	May 1944	Percent change
Home construction (private) ¹	65.1	48.9	+33.1	49.5	+31.5
Rental index (BLS)	108.3	108.3	0.0	108.1	+0.2
Building material prices	131.0	130.8	+0.2	129.2	+1.4
Savings and loan lending ¹	215.7	208.5	+3.5	175.3	+23.0
Industrial production ¹	227.0	231.0	-1.7	236.0	-3.8
Manufacturing employment ¹	156.3	158.2	-1.2	171.6	-8.9
Income payments ¹	242.8	242.3	+0.2	232.1	+4.6

^r Revised.

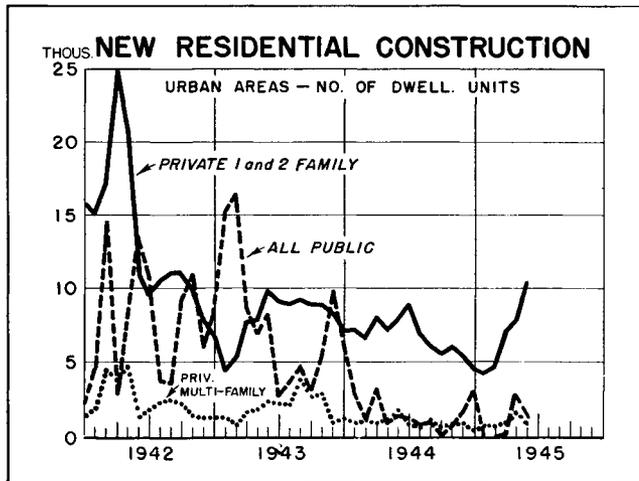
¹ Adjusted for normal seasonal variation.

BUILDING ACTIVITY—Continued increase in private construction

Total residential construction activity in urban areas of the United States continued in May at the same level as in April. According to data compiled by the Bureau of Labor Statistics, permits were issued or Federal contracts awarded during May for the construction of 12,490 family dwelling units, only one more than in the preceding month.

Privately financed construction, however, continued its recovery from the low level of less than 5,000 units reached in December 1944, permits being issued during May for 11,207 units compared with 9,530 in April—an increase of 18 percent. This gain was offset by a drop from 2,959 in April to 1,283 during May in the number of publicly financed units placed under contract.

During the first five months of this year a total of 43,400 dwelling units were provided in all urban areas: 39,100 by private funds and 4,300 by public money. In total, this represented a drop of about 9,550 units, or 18 percent, from the 52,940 provided in the same months of 1944. More than half of this decline occurred in public construction. [TABLES 1 and 2.]



BUILDING COSTS—Total unchanged in May

During May, the index of total construction costs for the FHLBA standard house remained unchanged from the revised April level of 135.0 (1935-1939=100). A small advance to 132.3 in material prices, offset by a fractional decrease to 140.5 in labor costs, accounted for this stability. In comparison with May 1944, total costs rose 1.7 percent, both materials

and labor contributing to this increase with gains of 1.5 and 2.3 percent, respectively.

Of the 16 cities for which construction costs were reported in June, 10 have increased, 4 showed no change, and 2 indicated slight declines from the last reporting period.

According to Department of Labor data, wholesale prices of building materials moved fractionally upward during May to 131.0 percent (1935-1939=100) after a standstill in April. During the past 12 months, the index has risen 1.4 percent, reflecting the advance in all components except plumbing and heating and structural steel items which remained at the May 1944 level. [TABLES 3, 4, and 5.]

Construction costs for the standard house

[Average month of 1935-1939=100]

Element of cost	May 1945	April 1945	Percent change	May 1944	Percent change
Material.....	132.3	132.1	+0.2	130.3	+1.5
Labor.....	140.5	140.6	-0.1	137.3	+2.3
Total.....	135.0	135.0	0.0	132.7	+1.7

* Revised.

MORTGAGE LENDING—Volume continued upward

May was the third consecutive month in which the dollar volume of new mortgage loans made by the savings and loan industry has exceeded that made in any other month since the twenties. On the basis of monthly reports received, it is estimated that all operating associations made about \$163,000,000 of new loans, an increase of 6 percent over the April total of \$154,000,000 and a gain of 23 percent above the May 1944 volume. The largest amount of new loans made by these institutions in any 1941 month was \$134,000,000.

The increase in May 1945 was almost universal, only the Chicago District reporting a smaller volume of new loans than in April. In the remaining areas, gains ranged from as much as 17 percent in New York to 2 percent in Cincinnati. The increase in savings and loan lending from a year ago was general in all parts of the country. Advances varied from as high as 48 percent in the New York District to as low as 7 percent in the Des Moines region.

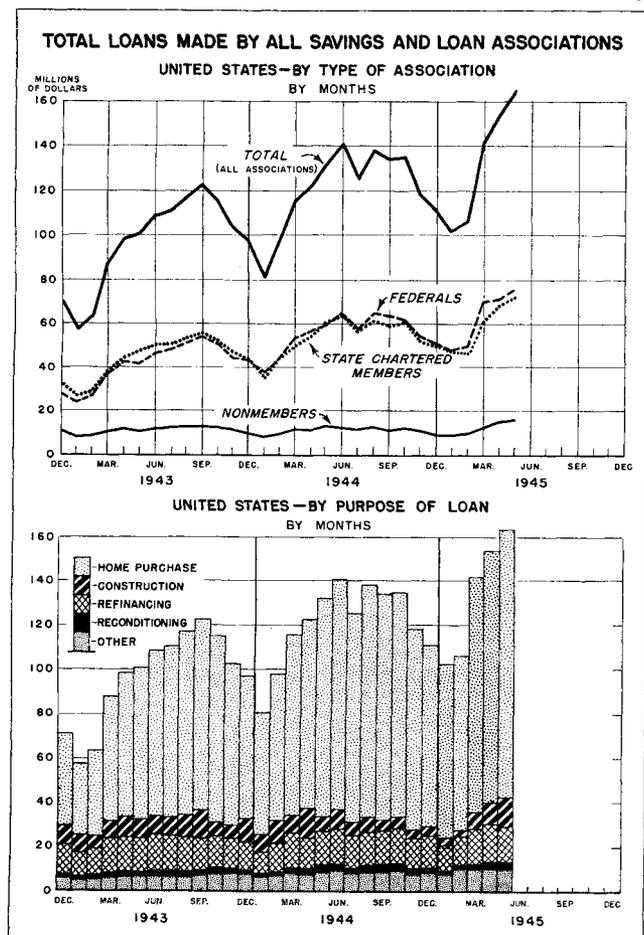
The gradual rise in privately financed residential construction activity from the extremely low levels of last winter was reflected in a moderate increase in

New mortgage loans distributed by purpose

[Dollar amounts are shown in thousands]

Purpose	May 1945	April 1945	Percent change	May 1944	Percent change
Construction.....	\$13,032	\$9,541	+36.6	\$7,338	+77.6
Home purchase.....	120,244	113,684	+5.8	98,872	+21.6
Refinancing.....	15,887	16,800	-5.4	14,415	+10.2
Reconditioning.....	3,396	2,951	+15.1	2,967	+14.5
Other purposes.....	10,520	10,778	-2.4	8,931	+17.8
Total.....	163,079	153,754	+6.1	132,523	+23.1

the dollar volume of construction loans by savings and loan associations. The \$13,000,000 of such loans made during May, although representing only 8 percent of total new loans during the month, exceeded the April volume of construction loans by 37 percent and was 78 percent above the May 1944 volume. However, loans for the purchase of existing homes, which amounted to approximately \$120,000,000 in May, continued to account for about three-fourths of total savings and loan lending.



July 1945

In the first five months of this year new loans aggregating about \$667,000,000 were made by all associations, an increase of 21 percent over the estimated \$550,000,000 reported in the like period of 1944. With the exception of construction loans, which dropped 25 percent in this cumulative comparison, all types of loans contributed to the rise. "Other" purpose loans gained 30 percent; home purchase, 27 percent; refinancing, 14 percent; and reconditioning, 12 percent. [TABLES 6 and 7.]

MORTGAGE RECORDINGS—May activity set new high for series

Nonfarm mortgages of \$20,000 or less recorded during May totaled \$487,435,000. Thus, for the second consecutive month, the dollar volume of these recordings continued its rise to new heights for the series (started in 1939). Recordings in May were about 7 percent greater than those reported in April and 20 percent above the total indicated for May of last year.

Cumulative through the first five months of 1945, more than \$2,000,000,000 of mortgages were recorded by all lenders, a sum 18 percent greater than that noted for the like period of 1944. The average size of such mortgages recorded during the current year was \$3,360. For the month of May, the average was \$3,398, about 7 percent above the average of \$3,187 recorded in May 1944.

Again, all types of lenders with the exception of life insurance companies recorded a greater volume of mortgages during May 1945 than in the corresponding month of the previous year. Proportionately, the largest percentage increase was shown by

Mortgage recordings by type of mortgagee

[Dollar amounts are shown in thousands]

Type of lender	Percent change from April 1945	Percent of May 1945 amount	Cumulative recordings (5 months)	Percent of total recordings
Savings and loan associations.....	+9.7	35.4	\$703,619	34.0
Insurance companies.....	+8.8	4.4	95,762	4.6
Banks, trust companies.....	+2.6	18.7	388,814	18.8
Mutual savings banks.....	+21.1	3.9	71,103	3.4
Individuals.....	+6.0	25.8	551,981	26.7
Others.....	+3.5	11.8	258,558	12.5
Total.....	+6.9	100.0	2,069,837	100.0

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individuals with recordings 31 percent higher than May 1944. Mutual savings banks experienced the second largest rise, up 28 percent. Recordings by savings and loan associations were 23 percent higher than in May of last year. [TABLES 8 and 9.]

FHLB SYSTEM—Advances doubled, repayments dropped

Reaching the lowest point since June 1933, the total balance of advances outstanding for all FHL Banks at the close of May was \$50,924,000. This represented a drop of \$1,116,000 from the April balance of \$52,040,000, shared in by 9 of the 12 Banks. Only Des Moines, Winston-Salem and Boston carried larger outstanding balances than they had in April. The May balance fell 29 percent, or \$20,682,000, below that for the same month the year before.

Current advances for the entire Bank System rose to \$6,307,000 in May, more than twice those of \$3,061,000 in April of this year, and 60 percent over the \$3,939,000 advanced in May 1944. Only three Banks reported smaller advances during May than in the preceding month. Portland made none at all in May as compared with \$130,000 in April, while Topeka experienced an 82-percent drop to \$20,000 from \$113,000 in April. The Chicago advances fell to \$1,173,000 in May, or 17 percent beneath the April total of \$1,417,000.

For the fifth consecutive month, repayments declined during May to \$7,423,000, or 39 percent below those made by all Banks in April. The May figure was slightly less than one-half as large as the May 1944 total of \$14,978,000. Only 2 of the 12 Banks in the System ran counter to the general trend of smaller repayments during the month. Member institutions in the Cincinnati District repaid \$877,000 in May, a 47-percent increase over the April total of \$595,000, while the Topeka Bank received over five times the April repayments—going from \$86,000 to \$441,000. [TABLE 12.]

FLOW OF PRIVATE REPURCHASABLE CAPITAL

During May, gross receipts of private savings by all operating savings and loan associations approximated \$162,000,000 and withdrawals, about \$82,000,000. The resulting excess of savings receipts over withdrawals by investors added about \$80,000,000 to the private repurchasable capital of these institutions, compared with a net addition of about \$75,000,000 during the preceding month. The greater net

inflow of savings during May came not from an increase in gross receipts, which were only slightly less than in April, but from a \$5,000,000 decline in withdrawals. The net inflow of private savings during May—\$80,000,000—was \$3,000,000 greater than in the same month of last year.

During the first five months of this year, approximately \$888,000,000 of private savings was invested in savings and loan associations, about 21 percent more than in the same months of 1944. Withdrawals through May of this year amounted to an estimated \$500,000,000, resulting in a net increase of \$388,000,000 in the amount of private savings held by these institutions. During the first five months of 1944, savings receipts exceeded withdrawals by approximately \$306,000,000.

Share investments and repurchases, May 1945

[Dollar amounts are shown in thousands]

Item and period	All associations	All insured associations	Uninsured members	Non-members
Share investments:				
1st 5 mos. 1945	\$887,982	\$723,388	\$103,769	\$60,825
1st 5 mos. 1944	732,932	565,363	100,029	67,540
Percent change	+21	+28	+4	-10
May 1945	162,084	130,182	20,925	10,977
May 1944	141,024	109,049	19,623	12,352
Percent change	+15	+19	+7	-11
Repurchases:				
1st 5 mos. 1945	\$500,459	\$387,201	\$69,603	\$43,655
1st 5 mos. 1944	426,517	314,217	65,920	46,380
Percent change	+17	+23	+6	-6
May 1945	82,091	62,980	12,883	6,228
May 1944	63,676	44,403	10,881	8,392
Percent change	+29	+42	+18	-26
Repurchase ratio (percent):				
1st 5 mos. 1945	56.4	53.5	67.1	71.8
1st 5 mos. 1944	58.2	55.6	65.9	68.7
May 1945	50.6	48.4	61.6	56.7
May 1944	45.2	40.7	55.5	67.9

INSURED ASSOCIATIONS—Total resources showed moderate gain

The 2,469 insured savings and loan associations had \$5,292,000,000 in assets at the close of May. Federals, numbering 1,466, held about \$3,338,000,000 while the 1,003 insured state chartered associations had approximately \$1,954,000,000 in total resources. The over-all increase for the month amounted to \$87,500,000.

For the third consecutive month the private capital balance of insured associations went up approxi-

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mately \$70,000,000. Since the beginning of the year private capital accounts have increased \$345,000,000, or 8 percent, bringing the balance at the end of May to \$4,678,000,000. On May 31, 1945, private repurchasable capital made up over 88 percent of total resources while a year before 86 percent of the total represented private accounts. Insured associations made new loans of \$121,800,000 during the month, a 25-percent increase over May 1944 when credit amounting to \$97,500,000 was extended for first mortgage loans. [TABLE 13.]

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

At the end of May, Federally chartered associations had \$2,988,000,000 on their books in private capital accounts, a \$227,500,000 increase (or 8 percent) since the beginning of the year. These accounts made up 89.5 percent of total resources compared with 87.5 percent a year ago. Federals extended \$75,600,000 for new loans during May, while a year ago \$59,200,000 of new money was loaned.

Progress in number and assets of Federals

[Dollar amounts are shown in thousands]

Class of association	Number		Approximate assets	
	May 31, 1945	April 30, 1945	May 31, 1945	April 30, 1945
New.....	632	632	\$1, 134, 934	\$1, 113, 484
Converted.....	834	833	2, 202, 714	2, 167, 022
Total.....	1, 466	1, 465	3, 337, 648	3, 280, 506

Banks

(Continued from p. 290)

or 14 percent, compared with a 9-percent advance in 1943 and about 1 percent the prior year. Of the \$1,770,000,000 increase shown in 1944, approximately \$145,000,000 was not offset by gains in deposit liability.

Mutual savings banks, like savings and loan associations, have shown an increasing emphasis on their Government bond account. Last year the proportion of these obligations increased from 46 to 56 percent of total assets on the basis of a \$2,400,000,000 gain which brought the total to \$8,303,000,000. According to the National Association of Mutual Savings Banks, "besides direct distribution to the public, mutual savings banks have diverted about 55 percent of deposits to standard Government issues."

Again following the pattern that has been characteristic of savings and loan associations, the cash account of mutual savings banks declined in 1944 after remaining relatively stable from 1942 to 1943. At last year-end the percentage of cash to assets was down to 3.9 from 5.8 percent.

The surplus and undivided profits account increased \$114,000,000 during 1944 and amounted to \$1,368,000,000 on December 31. However, the large increase in assets meant that this account represented fractionally less of total assets—9.3 percent in 1944 compared with 9.8 the year before.

Membership of Advisory Council

■ THE Federal Home Loan Bank Administration has recently announced the election and appointment of members of the Federal Savings and Loan Advisory Council. These members will serve for the period ending May 27, 1946.

Elected:

Boston: Raymond P. Harold, Worcester Federal Savings and Loan Association, Worcester, Massachusetts (re-elected).

New York: J. Alston Adams, Westfield Federal Savings and Loan Association, Westfield, New Jersey (re-elected).

Pittsburgh: James J. O'Malley, First Federal Savings and Loan Association of Wilkes-Barre, Wilkes-Barre, Pennsylvania (re-elected).

Winston-Salem: Frank Muller, Jr., Liberty Federal Savings and Loan Association, Baltimore, Maryland.

Cincinnati: Wm. Megrue Brock, The Gem City Building and Loan Association, Dayton, Ohio (re-elected).

Indianapolis: Walter Gehrke, First Federal Savings and Loan Association, Detroit, Michigan (re-elected).

Chicago: Earl S. Larson, First Federal Savings and Loan Association, Moline, Illinois.

Des Moines: John F. Scott, Minnesota Federal Savings and Loan Association, St. Paul, Minnesota.

Little Rock: J. J. Miranne, Security Building and Loan Association, New Orleans, Louisiana (re-elected).

Topeka: Ray H. Babbitt, Home Building and Loan Association of Lawton, Lawton, Oklahoma (re-elected).

Portland: S. S. Selak, Prudential Savings and Loan Association, Seattle, Washington.

Los Angeles: Douglas H. Driggs, Western Savings and Loan Association, Phoenix, Arizona.

Appointed:

Horace S. Haworth, Roberson, Haworth & Reese, High Point, North Carolina.

Harry S. Kissell, Kissell Companies, Springfield, Ohio.

Henry G. Zander, Jr., Henry G. Zander & Company, Chicago, Illinois.

Robert E. Lee Hill, Missouri Bankers Association, Sedalia, Missouri.

Ben A. Perham, Perham Fruit Company, Yakima, Washington.

Table 1.—BUILDING ACTIVITY—Estimated number and valuation of new family dwelling units provided in all urban areas in May 1945, by Federal Home Loan Bank District and by State

[Source: U. S. Department of Labor]
[Dollar amounts are shown in thousands]

Federal Home Loan Bank District and State	All residential structures				All private 1- and 2-family structures			
	Number of family dwelling units		Permit valuation		Number of family dwelling units		Permit valuation	
	May 1945	May 1944	May 1945	May 1944	May 1945	May 1944	May 1945	May 1944
UNITED STATES.....	12,490	10,923	\$46,313	\$33,301	10,436	7,937	\$40,731	\$24,953
No. 1—Boston.....	338	176	1,237	500	320	124	1,204	358
Connecticut.....	35	90	170	302	35	46	170	193
Maine.....	6	22	13	48	6	14	13	16
Massachusetts.....	86	60	222	145	74	60	214	144
New Hampshire.....	3	2	6	1	3	2	6	1
Rhode Island.....	208	2	826	4	202	2	801	4
Vermont.....								
No. 2—New York.....	370	59	1,557	190	285	39	1,333	140
New Jersey.....	94	42	383	130	90	22	378	80
New York.....	276	17	1,174	60	195	17	955	60
No. 3—Pittsburgh.....	123	457	352	1,473	97	445	303	1,458
Delaware.....	2	16	3	48	2	16	3	48
Pennsylvania.....	85	424	288	1,414	59	412	239	1,399
West Virginia.....	36	17	61	11	36	17	61	11
No. 4—Winston-Salem.....	1,289	1,379	4,156	3,580	1,176	818	3,779	1,843
Alabama.....	107	86	146	89	103	82	137	78
District of Columbia.....	83	58	328	165	59	23	268	95
Florida.....	540	424	1,783	1,149	509	256	1,673	630
Georgia.....	161	348	422	800	145	261	376	522
Maryland.....	8	22	21	65	8	18	21	56
North Carolina.....	162	40	497	22	154	40	481	22
South Carolina.....	49	18	92	8	49	18	92	8
Virginia.....	179	383	867	1,282	149	120	731	432
No. 5—Cincinnati.....	1,149	508	5,332	3,533	797	802	3,951	3,130
Kentucky.....	52	45	122	75	44	41	96	63
Ohio.....	826	611	4,478	2,677	490	509	3,146	2,286
Tennessee.....	271	252	732	781	263	252	709	781
No. 6—Indianapolis.....	1,085	1,109	6,309	4,202	1,025	753	6,214	3,279
Indiana.....	253	266	1,139	1,014	229	266	1,094	1,014
Michigan.....	832	843	5,170	3,188	796	487	5,120	2,265
No. 7—Chicago.....	717	751	3,218	3,217	542	743	2,558	3,190
Illinois.....	405	692	1,847	2,966	358	688	1,624	2,948
Wisconsin.....	312	59	1,371	251	184	55	934	242
No. 8—Des Moines.....	412	87	1,716	145	396	67	1,673	94
Iowa.....	25	18	90	32	25	18	90	32
Minnesota.....	266	21	1,297	45	250	21	1,254	43
Missouri.....	62	32	152	57	62	12	152	8
North Dakota.....	23	6	75	8	23	6	75	8
South Dakota.....	36	10	102	3	36	10	102	3
No. 9—Little Rock.....	2,202	2,686	5,012	5,976	2,155	1,405	4,805	2,382
Arkansas.....	88	34	137	44	88	34	137	44
Louisiana.....	618	971	1,661	2,867	618	239	1,661	575
Mississippi.....	132	121	159	53	128	121	158	53
New Mexico.....	56	22	84	8	56	22	84	8
Texas.....	1,308	1,538	2,971	3,004	1,265	989	2,865	1,702
No. 10—Topeka.....	751	367	2,402	1,052	687	343	2,220	998
Colorado.....	415	78	1,434	229	351	62	1,252	195
Kansas.....	137	68	252	210	137	68	292	210
Nebraska.....	53	63	222	262	53	55	222	242
Oklahoma.....	146	158	454	351	146	158	454	351
No. 11—Portland.....	734	599	3,177	2,143	706	557	3,108	1,955
Idaho.....	60	47	241	140	60	47	241	140
Montana.....	50	25	149	119	38	25	132	119
Oregon.....	198	151	811	506	198	139	811	447
Utah.....	55	161	147	590	51	131	145	460
Washington.....	348	214	1,731	787	340	214	1,691	788
Wyoming.....	23	1	98	1	19	1	88	1
No. 12—Los Angeles.....	3,320	2,345	11,845	7,260	2,250	1,841	9,483	6,126
Arizona.....	132	30	476	62	117	30	439	62
California.....	3,155	2,312	11,235	7,218	2,100	1,808	8,910	6,054
Nevada.....	33	3	134	10	33	3	134	10

Table 2.—BUILDING ACTIVITY—Estimated number and valuation of new family dwelling units provided in all urban areas of the United States

[Source: U. S. Department of Labor]
[Dollar amounts are shown in thousands]

Type of construction	Number of family dwelling units					Permit valuation				
	Monthly totals			January-May totals		Monthly totals			January-May totals	
	May 1945	April 1945	May 1944	1945	1944	May 1945	April 1945	May 1944	1945	1944
Private construction.....	11,207	9,530	9,743	39,074	43,375	\$42,920	\$32,722	\$29,791	\$127,066	\$136,930
1-family dwellings.....	9,503	7,062	6,981	31,336	32,680	37,583	25,767	21,801	104,422	103,669
2-family dwellings ¹	933	864	856	3,275	4,510	3,148	2,546	3,152	10,724	15,272
3- and more-family dwellings ²	771	1,604	1,806	4,463	6,185	2,189	4,409	4,838	11,920	17,989
Public construction.....	1,283	2,959	1,180	4,314	9,567	3,393	7,080	3,510	5,789	22,344
Total urban construction.....	12,490	12,489	10,923	43,388	52,942	46,313	39,802	33,301	132,855	159,274

¹ Includes 1- and 2-family dwellings combined with stores.
² Includes multi-family dwellings combined with stores.

Table 3.—BUILDING COSTS—Index of building costs for the standard house in representative cities in specific months¹

[Average month of 1935-1939=100]

Federal Home Loan Bank District and city	1945		1944		1943	1942	1941	1940	1939
	June	Mar.	Dec.	Sept.	June	June	June	June	June
No. 1—Boston:									
Hartford, Conn.*.....	136.8	136.8	136.5	135.2	135.1	128.2	128.6	114.4	103.1
Portland, Maine*.....	152.5	152.5	152.4	151.4	148.2	134.7	122.9	109.4	98.9
Boston, Mass.*.....	133.6	133.4	133.2	133.2	132.8	126.9	123.9	112.4	104.0
Manchester, N. H.*.....	127.1	127.1	124.4	124.2	120.0	114.3	108.4	101.5	98.1
Providence, R. I.*.....	141.9	141.8	141.4	139.7	138.6	128.7	120.7	111.8	105.2
No. 4—Winston-Salem:									
Birmingham, Ala.*.....	128.6	128.5	128.5	128.4	126.5	118.8	115.8	107.1	*98.1
Washington, D. C.*.....	153.7	153.9	153.6	153.6	152.2	143.3	136.5	119.4	104.3
Atlanta, Ga.*.....	145.7	145.8	146.4	143.8	142.5	130.1	122.7	113.9	96.5
Baltimore, Md.*.....	160.5	150.2	150.1	148.8	148.8	141.3	128.7	114.5	*103.9
Richmond, Va.*.....	133.5	133.5	133.1	130.2	130.2	120.7	115.1	106.5	95.7
No. 7—Chicago:									
Chicago, Ill.*.....	113.0	112.8	112.8	112.4	112.4	109.9	107.1	100.3	99.6
Milwaukee, Wis.*.....	144.4	142.3	142.4	142.1	142.3	131.5	124.4	114.3	108.4
No. 10—Topeka:									
Denver, Colo.*.....	128.2	128.0	125.3	122.8	122.5	112.9	112.2	103.5	96.8
Wichita, Kans.*.....	136.7	135.9	135.9	135.7	134.4	129.0	125.5	114.7	*105.9
Omaha, Nebr.*.....	137.3	136.3	134.5	134.0	133.3	126.3	125.5	111.8	106.4
Oklahoma City, Okla.*.....	151.4	151.3	151.3	149.4	149.4	133.3	127.7	119.4	108.8

*Indexes of June 1941 and thereafter have been revised in order to use retail material prices collected by the Bureau of Labor Statistics.

¹ Revised.

This index is designed to measure the changes in the costs of constructing a standard frame house and to provide a basis for the study of the trend of costs within an individual community or in different cities. The various units of materials and labor are selected in accordance with their contribution to the total cost of the completed dwelling.

Material costs are based on prices for a limited bill of the more important items. Current prices are furnished by the Bureau of Labor Statistics and are based on information from a group of dealers in each city who report on prices for material delivered to job site, in average quantities, for residential construction. Because of wartime conditions, some of the regular items are not available at times and, therefore, substitutions must be made of similar products which are being sold in the current market.

Labor costs are based on prevailing rates for residential construction and reflect total earnings, including overtime and bonus pay. Either union or nonunion rates are used according to which prevails in the majority of cases within the community.

Figures presented in this table include all revisions up to the present time. Revisions are unavoidable, however, as more complete information is obtained and becomes available for inclusion in this table.

Cities in FHLB Districts 2, 6, 8, and 11 report in January, April, July, and October of each year; those in Districts 3, 5, 9 and 12 report in February, May, August and November; and those in Districts 1, 4, 7 and 10 report in March, June, September and December.

Table 4.—BUILDING COSTS—Index of building costs for the standard house

[A average month of 1935-1939=100]

Element of cost	May 1945	Apr. 1945	Mar. 1945	Feb. 1945	Jan. 1945	Dec. 1944	Nov. 1944	Oct. 1944	Sept. 1944	Aug. 1944	July 1944	June 1944	May 1944
Material.....	132.3	132.1	132.1	131.9	131.7	131.5	131.5	131.3	131.2	131.3	131.0	130.7	130.3
Labor.....	140.5	140.6	140.3	140.1	140.1	140.0	139.9	139.1	138.5	137.3	137.3	137.5	137.3
Total.....	135.0	135.9	134.8	134.7	134.5	134.4	134.4	133.9	133.7	133.3	133.1	133.0	132.7

* Revised.

Table 5.—BUILDING COSTS—Index of wholesale prices of building materials in the United States

[Source: U. S. Department of Labor]

[1935-1939=100; converted from 1926 base]

Period	All building materials	Brick and tile	Cement	Lumber	Paint and paint materials	Plumbing and heating	Structural steel	Other
1943: May.....	123.4	108.8	103.1	153.8	125.7	118.8	103.5	109.7
1944: May.....	129.2	110.6	105.8	171.5	128.7	121.4	103.5	111.4
June.....	129.4	110.7	105.8	171.5	130.0	121.4	103.5	111.4
July.....	129.4	110.8	105.8	171.7	129.7	121.4	103.5	111.5
August.....	129.5	110.8	105.8	171.9	129.7	121.4	103.5	111.6
September.....	129.5	111.7	106.3	171.5	129.7	121.4	103.5	111.7
October.....	129.9	115.3	107.0	171.3	130.3	121.4	103.5	111.7
November.....	130.0	115.6	107.2	171.3	130.7	121.4	103.5	111.7
December.....	130.0	115.9	107.0	171.3	130.7	121.4	103.5	111.7
1945: January.....	130.4	121.5	106.9	171.3	130.7	121.4	103.5	111.9
February.....	130.6	121.6	108.7	171.4	130.8	121.4	103.5	112.0
March.....	130.8	121.8	109.1	171.3	130.7	121.4	103.5	112.3
April.....	130.8	121.7	109.1	171.4	130.7	121.4	103.5	112.3
May.....	131.0	121.8	109.1	171.9	130.8	121.4	103.5	112.6
Percent change:								
May 1945-April 1945.....	+0.2	+0.1	0.0	+0.3	+0.1	0.0	0.0	+0.3
May 1945-May 1944.....	+1.4	+10.1	+3.1	+0.2	+1.6	0.0	0.0	+1.1

* Revised.

Table 6.—MORTGAGE LENDING—Estimated volume of new home mortgage loans by all savings and loan associations, by purpose and class of association

[Thousands of dollars]

Period	Purpose of loans					Total loans	Class of association		
	Construction	Home purchase	Refinancing	Reconditioning	Loans for all other purposes		Federals	State members	Nonmembers
1943.....	\$106,497	\$802,371	\$167,254	\$30,441	\$77,398	\$1,183,961	\$511,757	\$539,299	\$132,905
January-May.....	39,231	260,053	68,675	11,087	28,544	407,590	172,358	185,959	49,273
May.....	9,039	67,826	14,843	2,606	6,176	100,490	41,835	47,818	10,837
1944.....	95,243	1,064,017	163,813	30,751	100,228	1,454,052	669,433	648,670	135,949
January-May.....	49,016	387,424	64,259	11,393	38,346	550,438	251,377	244,634	54,427
May.....	7,338	98,872	14,415	2,967	8,931	132,523	59,229	60,141	13,153
June.....	9,663	103,276	14,963	2,957	9,850	140,709	64,474	63,851	12,384
July.....	7,078	93,232	13,871	2,841	8,014	125,036	57,164	56,539	11,333
August.....	7,589	105,050	14,152	3,067	8,816	138,674	64,400	61,377	12,897
September.....	5,923	101,884	14,495	3,160	8,993	134,455	63,489	59,162	11,804
October.....	6,095	101,461	15,253	2,699	9,720	135,228	61,965	60,945	12,318
November.....	4,635	90,182	13,265	2,507	7,785	118,374	54,978	52,241	11,155
December.....	5,244	81,508	13,555	2,127	8,704	111,138	51,586	49,921	9,631
1945.....									
January-May.....	36,832	493,870	73,300	12,768	49,854	666,624	312,751	293,591	60,282
January.....	3,772	76,495	12,167	1,868	7,999	102,301	46,439	46,452	9,410
February.....	3,081	73,140	12,524	1,994	10,270	106,009	49,900	46,575	9,534
March.....	7,406	105,307	15,922	2,559	10,287	141,481	69,430	60,688	11,363
April.....	9,541	113,684	16,800	2,951	10,778	153,754	71,375	67,955	14,424
May.....	13,032	120,244	15,887	3,396	10,520	163,079	75,607	71,921	15,551

Table 7.—LENDING—Estimated volume of new loans by savings and loan associations

[Dollar amounts are shown in thousands]

Federal Home Loan Bank District and class of association	New loans			Cumulative new loans (5 months)		
	May 1945	April 1945	May 1944	1945	1944	Percent change
UNITED STATES.....	\$163,079	\$153,754	\$132,523	\$666,624	\$550,438	+21.1
Federal.....	75,607	71,375	59,229	312,751	251,377	+24.4
State member.....	71,921	67,955	60,141	293,591	244,634	+20.0
Nonmember.....	15,551	14,424	13,153	60,282	54,427	+10.8
Boston.....	11,782	11,384	10,439	43,434	36,880	+17.8
Federal.....	4,940	4,118	3,757	17,746	12,807	+38.6
State member.....	5,242	5,791	5,431	20,524	19,050	+7.7
Nonmember.....	1,600	1,475	1,251	5,164	5,023	+2.8
New York.....	17,680	15,062	11,964	63,811	43,490	+46.7
Federal.....	6,263	5,491	3,551	22,334	12,134	+84.1
State member.....	7,990	6,913	6,115	30,141	23,292	+29.4
Nonmember.....	3,427	2,658	2,298	11,336	8,064	+40.6
Pittsburgh.....	14,989	13,674	10,534	56,773	46,290	+22.6
Federal.....	6,655	6,271	4,915	26,124	21,253	+22.9
State member.....	5,272	4,757	3,557	19,911	15,096	+31.9
Nonmember.....	3,062	2,646	2,062	10,738	9,941	+8.0
Winston-Salem.....	19,868	18,721	14,904	83,227	66,979	+24.3
Federal.....	10,433	9,800	7,965	44,450	36,348	+22.3
State member.....	8,366	7,840	6,026	34,206	26,694	+28.1
Nonmember.....	1,069	1,081	913	4,571	3,937	+16.1
Cincinnati.....	27,445	27,011	24,806	110,245	93,719	+17.6
Federal.....	11,963	11,576	9,990	47,829	37,723	+26.8
State member.....	13,673	13,419	12,520	54,849	47,452	+15.6
Nonmember.....	1,809	2,016	2,296	7,567	8,544	-11.4
Indianapolis.....	9,475	8,530	7,387	38,116	30,362	+25.5
Federal.....	5,149	4,553	3,509	20,010	14,559	+37.4
State member.....	3,860	3,478	3,496	16,150	14,358	+12.5
Nonmember.....	466	499	382	1,956	1,445	+35.4
Chicago.....	17,982	18,555	15,550	75,474	61,648	+22.4
Federal.....	7,555	7,949	6,315	31,787	25,456	+24.9
State member.....	9,124	8,984	7,922	37,535	30,595	+22.7
Nonmember.....	1,303	1,622	1,313	6,152	5,597	+9.9
Des Moines.....	9,157	8,835	8,553	39,116	32,923	+18.8
Federal.....	4,951	4,661	4,449	19,784	16,156	+22.5
State member.....	3,151	3,239	2,960	14,183	12,162	+16.6
Nonmember.....	1,055	935	1,144	5,149	4,605	+11.8
Little Rock.....	7,276	6,267	6,476	33,184	32,203	+3.0
Federal.....	3,405	3,193	3,134	16,311	12,981	+25.7
State member.....	3,751	2,994	3,275	16,423	18,862	-12.9
Nonmember.....	120	80	67	450	360	+25.0
Topeka.....	7,682	7,165	6,364	34,916	26,787	+30.3
Federal.....	4,050	3,790	3,369	18,543	13,646	+35.9
State member.....	2,257	2,187	1,796	10,380	7,355	+41.1
Nonmember.....	1,375	1,188	1,199	5,993	5,786	+3.6
Portland.....	5,805	5,054	4,264	23,761	17,203	+38.1
Federal.....	2,987	3,077	2,805	14,394	11,781	+22.2
State member.....	2,648	1,857	1,309	8,602	4,740	+81.5
Nonmember.....	170	120	150	765	682	+12.2
Los Angeles.....	13,938	13,496	11,282	64,567	61,954	+4.2
Federal.....	7,256	6,896	5,470	33,439	36,533	-8.5
State member.....	6,587	6,496	5,734	30,687	24,978	+22.9
Nonmember.....	95	104	78	441	443	-0.5

Table 8.—RECORDINGS—Estimated nonfarm mortgage recordings, \$20,000 and under

MAY 1945

[Thousands of dollars]

Federal Home Loan Bank District and State	Savings and loan associations	Insurance companies	Banks and trust companies	Mutual savings banks	Individuals	Other mortgagees	Total
UNITED STATES.....	\$172,421	\$21,459	\$91,023	\$18,981	\$125,849	\$57,702	\$487,435
Boston.....	14,593	575	4,474	10,074	7,125	2,832	39,673
Connecticut.....	1,726	401	1,880	1,748	2,184	868	8,807
Maine.....	698	26	273	810	591	72	2,470
Massachusetts.....	10,174	132	1,579	5,976	3,055	1,386	22,302
New Hampshire.....	394	16	173	686	346	54	1,669
Rhode Island.....	1,337	-----	478	458	675	420	3,368
Vermont.....	264	-----	91	396	274	32	1,057
New York.....	15,113	1,958	7,731	6,478	19,279	6,212	56,771
New Jersey.....	4,262	782	3,484	857	4,761	2,120	16,266
New York.....	10,851	1,176	4,247	5,621	14,518	4,092	40,505
Pittsburgh.....	14,832	2,133	8,310	631	7,398	3,500	36,804
Delaware.....	214	142	175	31	252	91	905
Pennsylvania.....	13,524	1,799	6,710	600	6,360	3,233	32,226
West Virginia.....	1,094	192	1,425	-----	786	176	3,673
Winston-Salem.....	16,694	2,883	5,746	120	17,989	4,435	47,867
Alabama.....	650	251	395	-----	1,006	369	2,671
District of Columbia.....	2,774	349	551	-----	2,563	462	6,699
Florida.....	2,200	627	933	-----	6,702	1,027	11,489
Georgia.....	1,898	245	1,171	-----	1,407	651	5,372
Maryland.....	4,277	178	707	120	1,927	206	7,415
North Carolina.....	2,438	564	503	-----	1,311	670	5,486
South Carolina.....	459	217	449	-----	728	354	2,207
Virginia.....	1,998	452	1,037	-----	2,345	696	6,528
Cincinnati.....	34,420	2,196	11,710	627	7,294	5,072	61,319
Kentucky.....	3,189	383	1,131	-----	421	152	5,276
Ohio.....	30,369	914	9,397	627	6,225	1,793	49,325
Tennessee.....	862	899	1,182	-----	648	3,127	6,718
Indianapolis.....	10,114	2,095	8,445	42	4,144	1,719	26,589
Indiana.....	6,353	810	3,231	42	1,491	777	12,704
Michigan.....	3,761	1,285	5,214	-----	2,653	942	13,855
Chicago.....	19,823	950	6,616	14	8,263	9,434	45,100
Illinois.....	15,429	697	4,052	-----	4,944	8,792	33,914
Wisconsin.....	4,394	253	2,564	14	3,319	642	11,186
Des Moines.....	10,172	2,051	7,912	241	6,250	5,189	31,815
Iowa.....	2,530	221	1,878	-----	991	327	5,947
Minnesota.....	3,628	386	1,827	241	1,563	1,393	9,038
Missouri.....	3,500	1,421	3,931	-----	3,363	3,400	15,615
North Dakota.....	302	18	71	-----	173	58	622
South Dakota.....	212	5	205	-----	160	11	593
Little Rock.....	8,874	2,595	2,261	-----	8,176	3,228	25,134
Arkansas.....	681	120	347	-----	472	68	1,688
Louisiana.....	2,452	253	200	-----	1,714	435	5,054
Mississippi.....	447	125	249	-----	496	147	1,464
New Mexico.....	163	12	129	-----	284	11	599
Texas.....	5,131	2,085	1,336	-----	5,210	2,567	16,329
Topeka.....	8,205	934	2,365	-----	5,869	2,408	19,781
Colorado.....	1,310	117	489	-----	2,850	1,377	6,143
Kansas.....	2,193	120	913	-----	632	254	4,112
Nebraska.....	1,386	389	240	-----	624	116	2,755
Oklahoma.....	3,316	308	723	-----	1,763	661	6,771
Portland.....	5,214	562	3,914	754	4,363	2,163	16,970
Idaho.....	395	60	254	-----	490	83	1,282
Montana.....	329	21	97	-----	358	20	825
Oregon.....	1,257	291	419	28	1,637	219	3,851
Utah.....	513	123	609	-----	358	153	1,756
Washington.....	2,596	66	2,272	726	1,211	1,673	8,544
Wyoming.....	124	1	263	-----	309	15	712
Los Angeles.....	14,367	2,527	21,539	-----	29,699	11,510	79,642
Arizona.....	509	9	668	-----	1,379	48	2,613
California.....	13,754	2,516	20,715	-----	27,983	11,450	76,418
Nevada.....	104	2	156	-----	337	12	611

Table 9.—MORTGAGE RECORDINGS—Estimated volume of nonfarm mortgages recorded

[Dollar amounts are shown in thousands]

Period	Savings and loan associations		Insurance companies		Banks and trust companies		Mutual savings banks		Individuals		Other mortgagees		All mortgagees	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
1944.....	\$1,563,678	33.9	\$256,173	5.6	\$877,762	19.0	\$165,054	3.6	\$1,134,054	24.6	\$613,908	13.3	\$4,610,629	100.0
January-May.....	579,979	33.1	103,463	5.9	344,617	19.6	57,500	3.3	419,178	23.9	249,459	14.2	1,754,196	100.0
May.....	139,748	34.5	21,794	5.4	79,083	19.5	14,882	3.7	95,730	23.6	53,858	13.3	405,095	100.0
June.....	145,893	34.6	22,215	5.3	79,453	18.8	15,536	3.7	99,140	23.5	59,394	14.1	421,631	100.0
July.....	138,762	33.7	24,707	6.0	80,858	19.7	15,261	3.7	98,194	23.9	53,354	13.0	411,136	100.0
August.....	149,835	34.8	22,646	5.2	83,094	19.3	15,920	3.7	104,215	24.2	55,066	12.8	430,776	100.0
September.....	146,151	35.1	22,432	5.4	77,000	18.5	15,447	3.7	104,479	25.1	50,676	12.2	416,185	100.0
October.....	148,131	35.0	20,985	5.0	76,181	18.0	16,552	3.9	109,767	26.0	51,223	12.1	422,839	100.0
November.....	134,359	34.1	20,543	5.2	71,752	18.2	15,176	3.9	103,513	26.3	48,296	12.3	393,639	100.0
December.....	120,568	33.5	19,182	5.3	64,807	18.0	13,662	3.8	95,568	26.5	46,440	12.9	360,227	100.0
1945.....														
January-May.....	703,619	34.0	95,762	4.6	388,814	18.8	71,103	3.4	551,981	26.7	258,558	12.5	2,069,837	100.0
January.....	111,480	31.4	17,882	5.0	65,109	18.4	12,500	3.5	99,200	23.0	48,407	13.7	354,578	100.0
February.....	111,176	32.8	16,034	4.7	63,933	18.9	10,343	3.1	93,248	27.5	43,963	13.0	338,697	100.0
March.....	151,361	34.9	20,669	4.8	80,000	18.5	13,599	3.1	114,971	26.5	52,737	12.2	433,337	100.0
April.....	157,181	34.5	19,718	4.3	88,749	19.5	15,680	3.4	118,713	26.1	55,749	12.2	455,790	100.0
May.....	172,421	35.4	21,459	4.4	91,023	18.7	18,981	3.9	125,849	25.8	57,702	11.8	487,435	100.0

Table 10.—SAVINGS—Sales of war bonds ¹

[Thousands of dollars]

Period	Series E	Series F	Series G	Total	Redemptions
1944.....	\$12,379,891	\$772,767	\$2,891,427	\$16,044,085	\$13,263,168
May.....	624,253	15,287	111,088	750,628	271,597
June.....	1,349,794	115,119	377,284	1,842,197	241,278
July.....	1,686,509	101,082	337,459	2,125,050	220,145
August.....	499,357	17,807	85,272	602,436	272,125
September.....	590,827	15,953	85,286	692,066	277,445
October.....	598,570	13,653	82,871	695,094	394,846
November.....	806,817	42,680	173,858	1,023,355	376,053
December.....	1,855,300	124,669	405,880	2,385,849	358,572
1945.....					
January.....	803,819	42,034	228,327	1,074,180	333,443
February.....	653,222	30,695	164,073	847,990	317,083
March.....	712,133	26,487	150,456	889,076	437,892
April.....	684,424	23,112	130,100	837,636	381,198
May.....	1,194,712	62,940	282,437	1,540,089	404,209

¹ U. S. Treasury War Savings Staff. Actual deposits made to the credit of the U. S. Treasury.

Table 11.—FHA—Home mortgages insured ¹

[Premium paying; thousands of dollars]

Period	Title II		Title VI (603)	Total insured at end of period
	New	Existing		
1944: May.....	\$81	\$18,319	\$37,739	\$5,600,636
June.....	81	17,768	34,238	5,652,723
July.....	82	18,322	42,322	5,713,449
August.....	90	20,256	48,166	5,781,961
September.....	79	19,967	42,592	5,844,599
October.....	40	21,941	43,354	5,909,934
November.....	54	21,646	38,053	5,969,687
December.....	31	18,269	36,573	6,024,560
1945: January.....	67	19,006	38,640	6,082,273
February.....	27	14,085	31,417	6,127,802
March.....	37	16,480	29,886	6,174,205
April.....	63	14,813	26,885	6,215,966
May.....	80	22,272	23,707	6,262,025

¹ Figures represent gross insurance written during the period and do not take account of principal repayments on previously insured loans.

Table 12.—FHL BANKS—Lending operations and principal assets and liabilities

[Thousands of dollars]

Federal Home Loan Bank	Lending operations, May 1945		Principal assets, May 31, 1945			Capital and principal liabilities, May 31, 1945			Total assets, May 31, 1945 ¹
	Advances	Repayments	Advances outstanding	Cash ¹	Government securities	Capital ²	Debentures	Member deposits	
Boston.....	\$653	\$43	\$7,029	\$783	\$16,035	\$20,294	\$2,000	\$1,609	\$23,947
New York.....	180	437	3,168	784	54,202	28,070	5,000	25,245	58,367
Pittsburgh.....	659	848	6,253	3,264	16,875	17,076	5,500	3,893	26,504
Winston-Salem.....	988	642	3,587	1,111	14,217	18,069	0	926	18,998
Cincinnati.....	249	877	1,936	3,260	46,806	27,240	2,500	22,576	52,355
Indianapolis.....	290	526	4,473	1,179	22,394	14,917	5,000	8,281	28,223
Chicago.....	1,173	1,318	9,357	2,472	23,938	23,399	6,000	6,513	35,936
Des Moines.....	775	252	2,178	748	22,855	13,540	8,500	3,813	25,885
Little Rock.....	160	306	3,051	2,066	10,218	12,609	2,000	802	15,420
Topeka.....	20	441	2,481	1,834	8,222	10,957	1,000	634	12,595
Portland.....	0	95	10	861	11,462	8,702	2,000	1,695	12,405
Los Angeles.....	1,160	1,638	7,401	5,113	24,705	16,430	10,500	10,372	37,359
May 1945 (combined total).....	6,307	7,423	50,924	23,475	271,929	211,303	50,000	86,359	347,994
April 1945.....	3,061	12,079	52,040	18,543	264,198	210,295	50,000	75,465	336,036
May 1944.....	3,939	14,978	71,606	31,997	194,845	203,214	64,300	29,270	299,623

¹ Includes interbank deposits.

² Capital stock, surplus, and undivided profits.

Table 13.—INSURED ASSOCIATIONS—
Progress of institutions insured by the FSLIC

[Dollar amounts are shown in thousands]

Period and class of association	Number of associations	Total assets	Operations			
			New mortgage loans	New private investments	Private repurchases	Re-purchase ratio
ALL INSURED						
1944: May	2,459	\$4,442,608	\$97,454	\$109,049	\$44,403	40.7
June	2,461	4,583,568	105,245	127,945	46,560	36.4
July	2,463	4,619,867	83,305	155,218	120,349	77.5
August	2,461	4,667,000	104,008	126,641	64,619	51.0
September	2,460	4,713,815	101,658	122,016	56,102	46.0
October	2,462	4,774,160	100,642	129,938	54,719	42.1
November	2,462	4,867,068	88,227	115,008	52,378	45.5
December	2,466	5,012,662	83,408	142,291	45,985	32.3
1945: January	2,466	5,035,626	76,215	195,077	123,943	63.5
February	2,463	5,076,554	79,479	125,769	63,089	50.2
March	2,465	5,136,903	110,287	138,709	71,488	51.5
April	2,469	5,204,641	113,296	133,651	65,701	49.2
May	2,469	5,292,169	121,808	130,182	62,980	48.4
FEDERAL						
1944: May	1,466	2,775,665	59,229	72,413	27,676	38.2
June	1,465	2,881,276	64,474	83,856	25,969	31.0
July	1,466	2,907,974	57,184	101,500	79,735	78.6
August	1,465	2,934,647	64,400	82,105	40,825	49.7
September	1,464	2,961,860	63,489	79,126	35,570	45.0
October	1,465	3,000,365	61,965	85,297	33,746	39.6
November	1,464	3,059,556	54,978	75,372	32,665	43.3
December	1,464	3,188,731	51,586	93,400	26,049	27.9
1945: January	1,464	3,178,132	46,439	129,640	84,624	65.3
February	1,464	3,200,324	49,900	82,862	41,374	49.9
March	1,465	3,237,942	69,430	91,627	46,574	50.8
April	1,465	3,280,506	71,375	88,356	41,856	47.4
May	1,466	3,337,648	75,607	85,977	40,063	46.6
STATE						
1944: May	993	1,666,943	38,225	36,636	16,727	45.7
June	996	1,617,971	33,280	36,218	20,511	56.6
July	997	1,711,893	36,141	53,718	40,614	75.6
August	996	1,732,413	39,608	44,536	23,794	53.4
September	996	1,752,015	38,169	42,890	20,532	47.9
October	997	1,773,795	38,677	44,641	20,973	47.0
November	998	1,807,512	33,249	39,636	19,713	49.7
December	1,002	1,843,931	31,822	48,891	19,936	40.8
1945: January	1,002	1,857,494	29,776	65,437	39,319	60.1
February	999	1,876,230	29,579	42,907	21,715	50.6
March	1,000	1,898,961	40,857	47,082	24,914	52.9
April	1,004	1,924,135	41,921	45,295	23,845	52.6
May	1,003	1,954,521	46,201	44,205	22,917	51.8

Small Business and Employment

■ IN 1939, the year war broke out in Europe, small business—here arbitrarily set as those establishments employing less than 50 people—accounted for the employment of approximately 8,000,000 persons and the livelihood of 2,000,000 business men, according to the Department of Commerce. In other words, they accounted for about one-third of all wage and salary earners in all industries other than agriculture, Government and the railroads. Firms employing from one to three persons accounted for 7 percent of that figure.

Studies conducted by the Department show that the war brought with it a shift in the concentration of employment by business size group (large firms which accounted for 66% percent in 1939 gained to

75 percent of all non-agricultural employment other than Government and railroads). However, the end of the war is expected to bring a reversal of the trend over this period, largely because a number of small businesses (largely distributive) which disappeared after Pearl Harbor are planning to reopen.



DIRECTORY CHANGES



MAY 16—JUNE 15, 1945

Key to Changes

- * Admission to Membership in Bank System
- ** Termination of Membership in Bank System
- # Federal Charter Granted
- ## Federal Charter Canceled
- Ø Insurance Certificate Granted
- ∅∅ Insurance Certificate Canceled

DISTRICT NO. 1

MASSACHUSETTS:

Ware:
*Ware Savings Bank, Bank Street.

DISTRICT NO. 2

NEW JERSEY:

Camden:
#Union Federal Savings and Loan Association, 107 North 6th Street.
Elizabeth:
**Security Building and Loan Association of Elizabeth, 715 Elizabeth Avenue.

NEW YORK:

Ilion:
*Ilion Savings and Loan Association, 10 East Main Street.

DISTRICT NO. 3

PENNSYLVANIA:

Philadelphia:
**Germantown Building and Loan Association, 5606 Germantown Avenue.
Pittsburgh:
**Kordecki Building and Loan Association, 3101 Breton Avenue.
∅ Pennsylvania Savings and Loan Association of Pittsburgh, 860 Spring Garden Avenue.

DISTRICT NO. 4

FLORIDA:

Melbourne:
First Federal Savings and Loan Association of Brevard County.

DISTRICT NO. 6

INDIANA:

Terre Haute:
∅∅ Twelve Points Savings and Loan Association, 1279 Maple Avenue.

DISTRICT NO. 7

ILLINOIS:

East St. Louis:
##∅∅ St. Clair Federal Savings and Loan Association, 517 Missouri Avenue.

DISTRICT NO. 9

TEXAS:

Corpus Christi:
**First Federal Savings and Loan Association of Corpus Christi, Mesquite at Peoples Streets.
Corpus Christi:
*∅ First Savings and Loan Association of Corpus Christi, Mesquite at Peoples Streets.

DISTRICT NO. 12

CALIFORNIA:

Richmond:
*Industrial Savings and Loan Association, 1301 MacDonald Avenue.

NATIONAL HOUSING AGENCY

John B. Blandford, Jr., Administrator

FEDERAL HOME LOAN BANK ADMINISTRATION

John H. Fahey, Commissioner

★ ★ ★ Worth Repeating ★ ★ ★

CONSTRUCTION AND INCOME:

"Construction is dependent for its markets on the incomes which go with a high level of productive employment. This can be strikingly illustrated in housing. There were more nonfarm households in 1940 than in 1930 and total consumer income was slightly smaller so that the average income per family was substantially less. There were many more families in lower income groups who could afford to pay less for housing. The result was a large increase in the families living in houses with a rental value of \$40 or less and large decreases in those occupying a dwelling at more than \$40 a month. This downward shift in the effective demand was a dominant influence limiting new residential construction between 1930 and 1940.

"Given somewhere near the present family income after the war, or the income which might be associated with full employment, there would be an even greater shift in the opposite direction. The increased demand for houses having a rental value of over \$40 per month would support a high rate of new construction for some years. At the same time the shrinkage in demand for dwellings with a rental value of less than \$30 would force the retirement of many undesirable dwellings because they would have no market."

Henry A. Wallace, Secretary of Commerce, before Senate Special Committee on Small Business.

POTENTIAL SPENDING POWER:

"The first ten-year period of FHA operations was one of gradually building up from a depressed market, starting at a time when the timidity of investment capital caused mortgage funds to be even more scarce than the product they financed.

"The coming period, on the other hand—the one immediately facing us—while low on available properties will be characterized by an abundance of funds seeking investment—funds in the coffers of financial institutions, funds represented by war bonds, funds in the pockets of individuals, funds in the form of Government-guaranteed loans to discharged veterans.

"This generous supply of capital—of potential spending power—and the

scantiness of purchasable real estate creates an entirely new set of circumstances in the market to be faced by the FHA and the financial institutions operating under the program. Unless recognized and met wisely now, they may presage another and worse depression which could aggravate and uselessly complicate the FHA's ability to carry out the mandate of Congress to stabilize the mortgage and real estate markets."

Abner H. Ferguson in summary of FHA operations for 1944.

RESEARCH: "The best promise of better housing at less cost lies in large-scale operation and in a coordinated and imaginative job of research—not jigsaw-puzzle research, but integrated research that goes across the board.

"That is a big job, not a piecemeal job. It is such a big job that it can be done only if we all work together on it. But it will have to be done if we are to contribute the most we can to postwar prosperity for everybody and to a better way of life in postwar America."

Senator Harley M. Kilgore, *Housing Progress*, First Quarter 1945.

RESERVES: "In addition to the pursuance of realistic appraisal policies and the making of all mortgage loans within safe percentages of sound, stabilized values, we should also be thinking in terms of greatly strengthened reserves. In this connection, it is recognized there has been a definite trend toward reduction in the rate of dividends paid by associations during the past few years. However, due to the growth of associations generally such reductions have but little more than kept pace with the declining earning power of association assets and increased operating costs, with the result that reserve structures have not been materially enhanced in relation to acquisition of assets bearing the element of loss risk."

Ralph H. Richards, *Third District Quarterly*, First Quarter 1945.

RESPONSIVE TAX SYSTEM: "Ease of administration and compliance is a vital consideration in devising postwar taxes. Simple and uniform laws are the best bulwark against expensive administration and costly and irritating compliance

burdens. Much progress has been made in the direction of simplification, but much remains to be done. In attempting simplification, however, one is forcibly reminded that the demands of equity in the tax system set a limit beyond which simplification cannot go. Thus, one criterion of a well-designed tax system may clash with another, and the tax designer is charged with the task of reconciling the two.

"Stability in the postwar tax system is another widely desired end. But it is important to distinguish between stability in structure and stability in rates. The tax system should be responsive to changes in economic conditions. Taxation is an instrument designed to serve organized society. If it is to be of maximum service, it must be adapted to the changing economic and social needs of that society."

Roy Blough, before the Buffalo Chamber of Commerce, Buffalo, New York, May 18, 1945.

POSTWAR BOOKSHELF

Although inclusion of title does not necessarily mean recommendation by the REVIEW, the following recent publications will be of interest.

THE AMERICAN LEGION PROGRAM FOR MAXIMUM EMPLOYMENT: Available from The National Employment Committee, The American Legion, 1608 K Street, N. W., Washington, D. C.

INTERNATIONAL MONETARY COOPERATION: By George N. Halm. Available at \$4 from University of North Carolina Press, Chapel Hill, N. C.

PLANNING: No. 230: Government Information Services. Available at 25¢ from *The New Republic*, 40 East 49th Street, New York, 17 N. Y.

ORGANIZATION AND PROGRAMS FOR CITIZEN PLANNING GROUPS: Bibliography issued by the American Society of Planning Officials, 1313 East 60th Street, Chicago, Ill. Available at 10c.

TOMORROW'S BUSINESS: By Beardsley Ruml. Available at \$2.50 from Farrar and Rinehart, 232 Madison Avenue, New York 16, N. Y.