REPORT

of the

Home Loan Bank Board

FOR THE YEAR ENDING

DECEMBER 31, 1949

Covering operations of the

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

MARCH 16, 1950.

TRANSMITTAL

To the Congress of the United States:

Acting under provisions of law, we transmit herewith the annual reports of the Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation for the calendar year 1949.

Respectfully,

WILLIAM K. DIVERS, *Chairman*,
J. ALSTON ADAMS, *Member*,
OSCAR K. LAROQUE, *Member*,
Home Loan Bank Board.

This report, which covers the activities of the Home Loan Bank Board, is Part II of the Third Annual Report of the Housing and Home Finance Agency, of which the Home Loan Bank Board is a constituent agency.

CONTENTS

HOME LOAN BANK BOARD

SUMMARY

Member institutions of the Federal Home Loan Bank System again led all other lending institutions in the number and volume of loans on nonfarm homes.

Members increased their net holdings of savings during the 12-month period from $9,900,000,000 to $11,400,000,000, an increase of $1,500,000,000.

Of the approximately 2,500,000 nonfarm mortgages of $20,000 or less recorded in 1949, the great majority of which were on homes, about 700,000 or 28 percent were made by members of the bank system.

During the year, there was a net increase of 91 members in the bank system bringing the total number to 3,860 at the year end.

Stock ownership of members in the system increased during the year from $121,237,475 to $136,239,250. Stock held by the Federal Government declined from $119,791,200 to $95,818,000.

Interest charged by members on home mortgage loans averaged about 5 percent, and earnings on invested savings averaged close to 2.6 percent after payment of expenses and setting apart additional reserves.

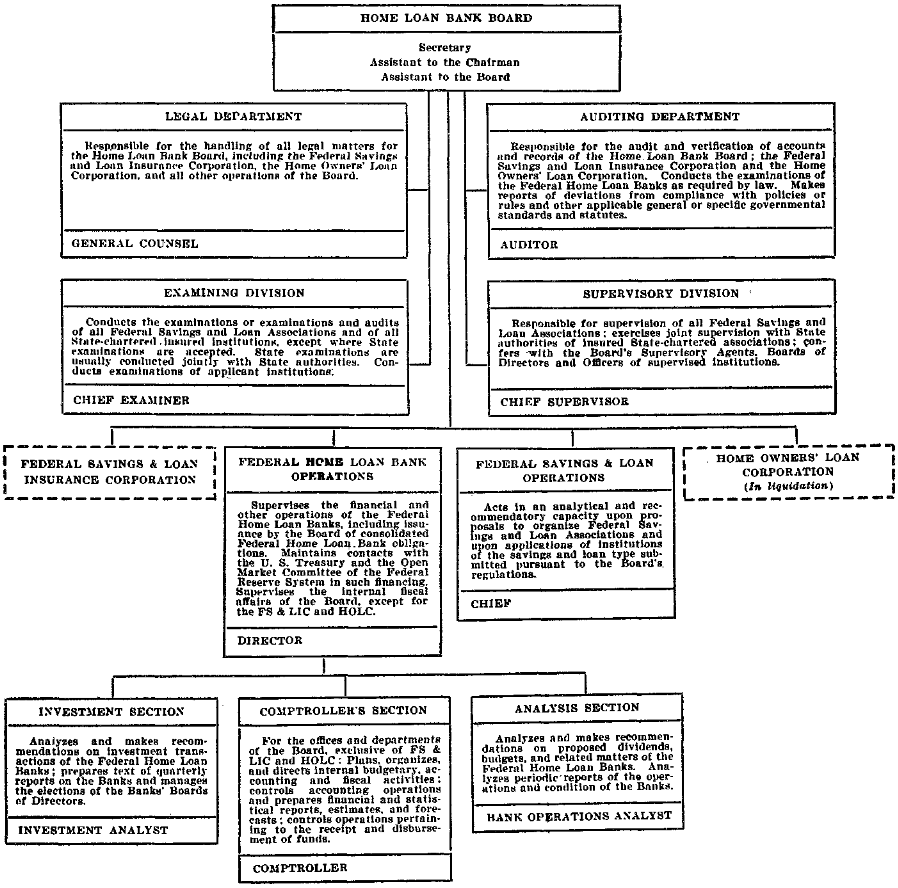
One thousand five hundred and eight Federal savings and loan associations and 1,248 State-chartered associations are insured by the Federal Savings and Loan Insurance Corporation. The combined total of 2,756 associations have total assets above $11,300,000,000 and approximately 7,100,000 holders of savings share certificates.

The Home Owners' Loan Corporation is continuing to make substantial progress in liquidating its loans. On December 31, 1948, 89.45 percent of its accounts had been liquidated with a balance of $368,936,083. On December 31, 1949, the outstanding balance was $230,660,630, representing a total liquidation of 93.41 percent.

During the year, the Home Owners' Loan Corporation passed from red figure entries to black, marking the turn from a deficit to a surplus in its total transactions.

ORGANIZATION AND FUNCTION CHART OF THE HOME LOAN BANK BOARD

Created pursuant to Reorganization Plan No. 3 of 1947. The Board consists of three members, appointed by the President, by and with the advice and consent of the Senate. It supervises the Federal Home Loan Bank System, the System of Federal Savings and Loan Associations, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation (in liquidation).



REPORT OF THE HOME LOAN BANK BOARD FOR CALENDAR YEAR 1949

Reports of the operating units of the Home Loan Bank Board which describe their activities for calendar year 1949 indicate the character and extent of the Board's participation in promoting savings and the financing of home ownership. The Federal Home Loan Bank System as a reservoir of funds for home financing, the Federal Savings and Loan Associations as federally chartered instruments for the local accumulation of savings and encouragement of home ownership, the Federal Savings and Loan Insurance Corporation as a Federal instrumentality for the protection of private savings, and the Home Owners' Loan Corporation as a salvaging agency, operate under the administrative direction of the Home Loan Bank Board. Each year distinctive phases develop which serve to distinguish the work of the Board from previous years and help to emphasize its functions.

In 1949 two undertakings, outside the customary program of administration, engaged the Board's attention. One was a careful revision and simplification of its rules and regulations governing each of its four operating units; another was a reduction in the volume of reports and interoffice transactions between the national, regional, and local offices of member organizations.

Early in 1948 the Board had appointed a committee to improve its outstanding rules and regulations by making them more clear and by eliminating obsolete provisions and accumulated conflicts and duplications. In October 1948 the first substantial simplification was effected in the lending and investment regulations for Federal Savings and Loan Associations. Revision of the Federal Home Loan Bank regulations was then begun. By January 1, 1949, the revisions were completed and published. A part of the former Home Loan Bank Board regulations controlling functions under the Board was separately incorporated into the general regulations of the Home Loan Bank Board and regulatory authorities were also reestablished and defined for the operations of the Home Owners' Loan Corporation which primarily affected the internal affairs and contractual relations of that Corporation. With the issuance of the 1949 edition of the Code of Federal Regulations, all of the Board's regulations were renumbered and redesignated in chapter I of title 24–B of the Federal Code.

Continuing the revision of regulations for Federal Savings and Loan Associations, a second major improvement was proposed in the form of a new simplified charter designated "Charter N." In March 1949, after wide clearance in the industry, the proposal of this revision was published. It was further modified to meet objections and finally was adopted in July, effective August 15, 1949. Proposed regulations for insurance of accounts by the Federal Savings and Loan Insurance Corporation were published in December 1949. They have also had the benefit of wide preliminary circulation in the industry and are scheduled for the final consideration of the Board early in 1950.

Reduction in Required Forms and Reports

In connection with the revisions of its rules and regulations published by the Board in 1949, the Board on October 6, 1949, rescinded its actions over a series of years from 1937 to 1948 by which it required that certain specified forms of record and reporting be used either in dealing with its own accounts and operations or with the public. Like the rules and regulations, these forms ran the whole gamut of activity from savings and home financing through accounting and reporting. Some of the forms were so approved as to permit the individual institution, upon specific approval by the Board, to use a substitute form or wording. Others without change or alteration were mandatory.

Of the 53 forms which from time to time were prescribed, only 7 now are required to be used by Federal Savingsand Loan Associations and sent to the Home Loan Bank Board. These are standard forms covering (1) Application for Permission to Organize, (2) Public Notice of Application and Hearing, (3) Subscriptions to Capital Stock, (4) Petition for Charter, (5) Certificates Evidencing Ownership of Savings Share Accounts, (6) Fidelity Bonds, and (7) Forms for the Submission of Monthly and Annual Reports. Each State-chartered organization seeking to convert to a Federal charter or seeking to be insured by the Federal Savings and Loan Insurance Corporation also is required to file forms and reports similar to those required of Federal associations, but the number has been largely reduced.

Initially, the forms were prescribed during the early stages of development of the Bank System as a means of obtaining uniformity of methods and standards of operation. The broad purposes sought by the prescribed practices have been achieved. While the continued use of many of the forms will be considered necessary or desirable by the executives of local institutions, their operating experience and standards are such that wide latitude for individual preferences can now safely be given. The Board considers that many of the specific forms and much of the prescribed wording are no longer necessary.

Special provisions or occasional revisions of specific forms are sometimes determined by local laws or circumstances with which local management can deal without the necessity of submitting every detail to the Board in Washington. When on the basis of facts local practices appear to be inadequate or unsound, the Board is free and, of course, is obliged to take supervisory action. However, as a practical matter it believes that such action has been reduced to a minimum. The resulting emphasis on local autonomy in contrast to highly centralized supervision is in harmony with our central purpose of encouraging local responsibility and avoiding cumbersome mechanics and costly overhead.

Responsibilities of the Examining Division of the Board

The Examining Division of the Home Loan Bank Board is responsible for the conduct of examinations of all Federal Savings and Loan Associations, of State-chartered associations whose accounts are insured by the Federal Savings and Loan Insurance Corporation, and, in States where examinations are not made by State departments, of uninsured State-chartered members of the Federal Home Loan Bank System. The Division also examines savings and loan associations which apply for membership in the Bank System, for insurance of accounts, or for conversion from State to Federal charter.

Examinations Made in 1949

There is a greater volume of work for the Examining Division year after year because of the increasing number of insured institutions and the growth in their mortgage loan portfolios and savings accounts.

In 1949 there was a net increase of 140 in the number of insured associations. At the beginning of the year there were 2,616 insured associations with assets aggregating $9,734,000,000. At the close of the year there were 2,756 insured associations with total assets of $11,300,000,000. Thus it will be seen that the average size of each institution subject to examination increased from $3,721,000 to $4,100,000.

During the year the Examining Division made 2,466 supervisory examinations, 126 examinations of applicant institutions for membership, insurance, or conversion, and 37 other examinations or audits.

Reduction in Overdue Examinations

Public Law 895, approved July 3, 1948, providing that expenses in connection with the making of examinations of savings and loan associations shall be considered as nonadministrative expenses, made it possible to rebuild the staff of field examiners which had declined in March 1948 to 127, the smallest number on the staff since the first few months after organization in 1934. It was understood that the work would be considered current on June 30, 1949, if there were no examinations more than 60 days past due.

The following schedule showing the number of insured associations not examined in the preceding 12 months and the size of the staff of examiners indicates how the program of overcoming the serious arrearage was accomplished:

Date	Number of overdue examinations	Percent of number of associations	Number of field examiners
Mar. 31, 1948	724	28.5	127
June 30, 1948	746	29.2	151
Sept. 30, 1948	706	27.5	185
Dec. 31, 1948	586	22.4	207
Mar. 31, 1949	437	16.6	224
June 30, 1949	[1] 176	6.6	219

[1] Did not include examinations of 58 State-chartered associations which by agreement were to be made by State examiners.

During the last half of 1949 there was very little change in the volume of arrearage. At the end of the calendar year there were 141 overdue examinations, not including 35 to be made by State examiners. However, there were among the 141 overdue examinations 51 which were more than 60 days past due. The staff of field examiners at the end of the year was 209.

Rebuilding and maintaining an adequate examining staff was not the only program for overcoming the backlog of past due examinations. Constant attention through the years has been given to considering and adopting methods of improving examining procedures. The aim is to complete all examinations as rapidly as is consistent with sound examining principles. There has been a reduction year after year in average examination time in relation to the size of the institutions examined. The Examining Division has consequently been able to operate, at least for a period, with a staff of examiners that at the end of 1949 was actually smaller than it was on June 30, 1941, when there were 2,313 insured institutions with total assets of $3,159,763,000, whereas on December 31, 1949, there were 2,756 insured associations with assets aggregating $11,300,000,000.

Auditing

During the year plans were perfected by which the Board's Auditor in cooperation with the General Accounting Office broadened the scope of his audits and still further facilitated "spot checking" of accounts by the Comptroller General. Examinations and reviews by the auditor cover every phase of accounting and reporting done by the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation. Plans for auditing were developed not only to increase coverage and unify accounting and reporting procedures, but to achieve further simplicity and economy in the details of auditing. The efforts of the auditor supported by the advice, concern, and cooperation of the General Accounting Office, have sought to provide better, more intelligible, and more comprehensive reports and analyses for the members of the Home Loan Bank Board, the Housing and Home Finance Agency, the Bureau of the Budget, and the Congress.

Basic Elements of Supervision

The purpose of supervision of Federal Savings and Loan Associations and of State-chartered institutions the accounts of which are insured by the Federal Savings and Loan Insurance Corporation is protection of the interests of the public and of the millions of individuals whose savings are entrusted to them.

Each supervised institution is privately owned and is governed by its own board of directors, which selects the management and which is primarily responsible for the safe conduct of the institution's affairs. In keeping with this fundamental fact, it is the Board's policy to avoid encroachments upon the responsibilities and prerogatives of management and to devote its supervisory efforts to those situations and institutions where there is evidence of need for corrective action with respect to important aspects of policy and operation such as compliance with laws and regulations, reserves and reserve building, lending and investment practices, collection policy, and basic accounting practices and procedures.

Methods and Procedures

The Board's supervisory function is discharged by a supervisory division directed by a chief supervisor and the supervisory work in the field is carried on through the presidents of the Federal Home Loan Banks in their capacity as supervisory agents in the respective bank districts. This arrangement not only brings to supervision the benefits of personal contact and of first-hand acquaintance with local business conditions and developments, but it also facilitates and promotes cooperative relationships between the Board's supervisory officials and the managements of individual associations, and with the several State officials who exercise primary supervisory authority over State-chartered institutions.

During 1949 the Board authorized a further decentralization of supervisory activity, particularly with respect to those insured institutions in the most favorable classification as to financial stability. Developed by the supervisory division in 1943 and refined in 1949, the classification process used in determining the need for supervision measures the adequacy of reserves and reserve building programs, the soundness of lending and investment policies, and the effectiveness of collection policies and of programs for the disposition of foreclosed real estate. The purposes of the revised procedure are to effect certain economies in the operation of the supervisory division and to enable it to concentrate more fully on major supervisory problems.

Highlights of Conditions and Trends in 1949

In 1949 the assets of Federal associations and other insured institutions increased from $9,734,000,000 to $11,305,000,000; the number of insured institutions increased from 2,616 to 2,756.

The supervisory division's study of lending policies with reference to uninsured and unguaranteed loans made to finance home purchases continued to reflect the policy of directors and management generally to base mortgage loans on long-term values rather than on the inflated prices at which real estate is sometimes currently being sold. Our comprehensive sampling indicates that loans below 65 percent of purchase price represent 67.3 percent of all uninsured and unguaranteed home-purchase lending during 1949 as compared with 64.4 percent in 1948, 61.7 percent in 1947, and 52.6 percent in 1946.

During 1949, the supervisory division inaugurated an analysis of examination report data regarding payment performance on mortgage loans. Thus, for the first time were averages as to delinquent loan experience of insured savings and loan associations compiled on a national and bank district basis. These averages afford supervision a means of measuring and comparing current loan performance and the effectiveness of collection policies in individual institutions. Supervisory emphasis is being given to collections and incipient collection problems. In this connection, the loan-performance test applied in supervisory examinations of insured institutions disclosed that delinquent mortgage loans in 1949 averaged only 1.6 percent of total mortgage loans outstanding.

As of January 1, 1949, 2,390 insured institutions had been classified as to their reserve positions. Of that number, only 697 had reserves and surpluses of less than 5 percent of their net assets. By the end of the year, 174 of those with low reserves had increased their reserves to 5 percent or more, leaving only 523 of this particular group in the low-reserve category.

During the calendar year, 2,535 insured institutions were classified. By reason of substantial increases in savings accounts without a corresponding increase in reserves, some institutions that previously had reserves of at least 5 percent fell below that figure. As of December 31, 1949, all but 618 had reserves and surpluses equal to 5 percent or more of net assets.

In this connection, an amount equal to 19.2 percent of withdrawable capital of all insured institutions at December 31, 1949, was at that date either invested in United States Government obligations or carried as cash, and 29.4 percent of their total mortgage loan investment was represented by loans that were insured or guaranteed under the provisions of the National Housing Act or the Servicemen's Readjustment Act of 1944.

Conservatorships and Receiverships

No conservatorships or receiverships were established or were in existence during 1949.

Participation in Conferences

Throughout 1949 the Board has continued its policy of direct participation with representatives of savings and home financing institutions in discussing subjects of mutual interest. Attendance at conferences carried Board members into every section of the United States and enabled them to exchange views on such current subjects as trends in savings and home ownership, lending methods and terms, interest and dividend rates, liquidity, reserves, insurance, examinations, management, and legislation. Out of their conferences and observations the Board members received direct information concerning the points of view and practices of member institutions of the Federal Home Loan Bank System and received also cross-sections of evidence and advice as to broad economic, social and political trends and their influences on thrift and home financing. In exchange, the Board members were able to give direct information concerning their policies and programs and to interpret and clarify points arising from new or revised regulations and charters.

FEDERAL HOME LOAN BANK SYSTEM

The Federal Home Loan Banks, created by act of Congress approved July 22, 1932, constitute a permanent reservoir of credit for their membership which is open to building and loan associations, savings and loan associations, cooperative banks, homestead associations, insurance companies, and savings banks. Eligibility requirements, as defined in section 4 (a) of the Federal Home Loan Bank Act, as amended, provide that each applicant shall be duly organized under the laws of any State or of the United States, be subject to examination and regulation by any State or the United States, and make long-term home mortgage loans. To become eligible as a Bank member, each applicant in the judgment of the Home Loan Bank Board shall be in a sound financial condition so that advances may safely be made to it, and the character of its management and its home financing policy shall be consistent with sound and economical home financing.

There were 3,860 members of the Federal Home Loan Bank System on December 31, 1949, consisting of 3,822 savings and loan associations, 30 savings banks, and 8 insurance companies. This total membership represents a net increase of 91 members during the year, resulting from the admission of 82 State-chartered savings and loan associations, 16 new Federal savings and loan associations, 8 cooperative banks, and 4 savings banks, and the cancellation of 19 memberships through withdrawals. Eight of the withdrawals represent voluntary liquidations, 1 reincorporation, 6 consolidations and 4 were the result of members' requests. Also 13 State-chartered savings and loan association members changed their status during the year—11 converted to Federal charter, 1 to a mutual savings bank, and 1 to a cooperative bank. As of December 31, 1949, 38 applications for membership were pending.

Functions of the Bank System

The principal function of the Federal Home Loan Banks is to supply funds required by member institutions for the purpose of enabling them to meet the home financing needs in their communities as well as their other legitimate operating requirements. As a result of the establishment of the Federal Home Loan Bank System, thrift and home mortgage financing have been better protected against local and national economic fluctuations, home ownership has been placed on a more secure basis, and the construction of new homes as well as the improvement of housing conditions generally has been encouraged.

The Federal Home Loan Banks have made credit available to their members at moderate rates and in volume more than sufficient for their needs.

The extent to which the Federal Home Loan Banks have functioned as a national credit reservoir is evidenced by the fact that, since they first opened for business on October 15, 1932, to December 31, 1949, the Federal Home Loan Banks (originally 12, now 11 in number) have made advances to home financing institutions totaling $2,942,711,670, of which $2,509,282,520 have been repaid, leaving a balance of $433,429,150 outstanding on the latter date.

Advances and Repayments During 1949

During the year ended December 31, 1949, the Federal Home Loan Banks advanced the sum of $255,662,642. Repayments during the year aggregated $337,249,581. A summary of the lending operations of the banks, by years, through December 31, 1949, is contained in exhibit 1 which follows this text.

On December 31, 1949, 1,799 member institutions, or 46.6 percent of the total membership, were borrowers from the Federal Home Loan Banks, as compared with 1,993 member borrowers, or 52.9 percent of the membership, on December 31, 1948.

There was also one nonmember borrower indebted to a Federal Home Loan Bank at the close of the year 1949, the advance to such nonmember borrower representing the first advance of this type since August 1939. The average number of member borrowers during the year 1949 was 1,715, or a decrease of 7.9 percent under the average of 1,863 borrowing members during the preceding calendar year.

Number and Percent of Borrowing Members

Of the 1,799 borrowing members, as of December 31, 1949, 761 were Federal savings and loan associations, the outstanding advances to which aggregated $260,226,885 on that date. This amount of outstanding advances represented 4.3 percent of the share accounts in this type of association. The borrowing members as of the close of the year also included 584 insured State-chartered institutions, the indebtedness of which to the Federal Home Loan Banks totaled $130,114,877, or 3.6 percent of the savings held by this type of institutional member, and 453 noninsured State-chartered associations with advances of $36,862,388, or 2.1 percent of the total savings held by all members of this type. One insurance company member held advances from a Federal Home Loan Bank in the amount of $6,000,000. The nonmember mortgagee, a noninsured savings and loan association, held advances totaling $225,000.

The number and percent of borrowing members as of December 31, 1949, and December 31, 1948, are reflected in the following tabulation:

	Dec. 31, 1949			Dec. 31, 1948		
	Number	Percent of—		Number	Percent of—	
		Type	Total		Type	Total
Borrowing members:						
Federals	761	50.5	42.3	868	58.5	43.6
Insured State	584	46.9	32.5	632	56.1	31.7
Noninsured State	454	41.0	25.2	493	42.6	24.7
Total	[1] 1,799	[2] 46.6	100.0	1,993	[2] 52.9	100.0
Nonborrowing members	2,061	[2] 53.4		1,776	[2] 47.1	
Total members	3,860	100.0		3,769	100.0	

[1] Also 1 nonmember borrower.
[2] Percentage of total membership.

Collateral for Advances

The secured advances of the Federal Home Loan Banks outstanding on December 31, 1949, amounted to $321,920,182, which represented the borrowings of 1,230 members and one nonmember mortgagee and were 74.3 percent of the total advances outstanding on that date. $202,323,231 of such advances were for terms of more than 1 year. These advances were collateralized by 128,196 home mortgages, the unpaid balances of which aggregated $585,197,549, United States Government obligations having a par value of $67,094,300, and other collateral permitted by the regulations having a face value of $5,987,218. The face value of all such collateral, exclusive of $64,706,000 par value of Federal Home Loan Bank stock representing that portion of members' stock applicable to their loans on which the Banks held a statutory lien as additional collateral, amounted to $658,279,067, or 204 percent of the secured advances, to all of which collateral, exclusive of the Federal Home Loan Bank stock, the Banks had assigned a collateral value of $469,194,014. Unsecured advances aggregating $111,410,968, or 25.7 percent of the total, were outstanding to 751 members on December 31, 1949.

Interest Rates on Advances

Included in this report as exhibit 2 is a statement reflecting the rates of interest charged by the Federal Home Loan Banks on advances to member institutions which were in effect on December 31, 1949, and the interest rates applicable to time deposits of members. Interest rates charged by the Federal Home Loan Banks on advances to members have been considerably reduced since the commencement of their operations in October 1932, at which time interest rates on Federal Home Loan Bank advances ranged from 4 percent to 5 percent. On December 31, 1949, however, as reflected in exhibit 2, such rates ranged from 1¾ percent to 2½ percent.

Sources of Funds

The Federal Home Loan Banks obtain their funds from their capital stock, the sale to the public of consolidated Federal Home Loan Bank obligations, and deposits received from member institutions. The capital stock of each Federal Home Loan Bank was originally owned by both member institutions and by the United States Government, the latter having originally invested in the capital stock of the banks, pursuant to the provisions of the Federal Home Loan Bank Act, in the aggregate amount of $124,741,000. Each member institution is required by the act to invest in the stock of its Federal Home Loan Bank in an amount at least equal to one percent of the aggregate of the unpaid principal of its home mortgage loans, but in no event less than $500. The Federal Home Loan Bank Act also requires that the amount paid in on capital stock held by any member shall at all times be not less than one-twelfth of the aggregate outstanding advances made by any Federal Home Loan Bank to such member. With the continued growth in number and assets of member institutions, the total member-owned stock in the banks on November 30, 1948, equaled that owned by the United States Government. By December 31, 1948, the percentage had risen to 50.3 percent of the total capital, so that at the beginning of 1949, the members owned more than half of the capital stock of the Federal Home Loan Bank System.

Retirement of Government Stock

The Federal Home Loan Bank Act provides that the Government-owned stock in each Federal Home Loan Bank must be retired to the extent of 50 percent of all payments on capital stock made by members subsequent to such time as the amount of member-owned stock in such equals that originally owned by the Government. The act also provides for the voluntary retirement of Government-owned stock in the Federal Home Loan Banks by direction or with the approval of the Home Loan Bank Board. During calendar year 1949, five of the Federal Home Loan Banks made statutory retirements of Government-owned stock to the extent of $3,567,300, while six of the banks made voluntary retirements of such stock aggregating $20,405,600. As a result of these transactions, Government-owned stock declined to $95,818,800. One bank, during the year, retired in full the balance of its Government-owned stock. During the same period the paid-in capital stock of the banks held by members was increased by $15,001,775 to a total of $136,239,250, or 58.7 percent of the total paid-in capital stock of all banks on December 31, 1949, as compared to $95,818,800, or 41.3 percent held by the United States Government.

Further retirements of Government-owned stock, totaling $20,596,900, were accomplished during January 1950 when seven banks made statutory retirements aggegating $3,723,300 and six banks made voluntary retirements of $16,873,600, resulting in the Government holdings in two additional banks being retired in full and its total investment being reduced to $75,221,900 as of January 31, 1950.

The following tabulation reflects, by individual banks, the original Government investments in their capital stock and the balance of such investments as of December 31, 1949, and January 31, 1950:

Federal Home Loan Bank of—	Original Government investment	Balance held Dec. 31, 1949	Balance held Jan. 31, 1950
Boston	$12, 467, 500	$10, 000, 000	$9, 200, 000
New York	18, 963, 200	15, 963, 200	14, 000, 000
Pittsburgh	11, 146, 300	11, 146, 300	5, 000, 000
Winston-Salem	9, 208, 200	6, 618, 000	5, 821, 300
Cincinnati	12, 775, 700	5, 000, 000	----------
Indianapolis	6, 577, 400	----------	----------
Chicago	14, 173, 900	12, 000, 000	10, 000, 000
Des Moines	7, 394, 900	3, 298, 700	----------
Little Rock	8, 772, 400	8, 772, 400	8, 772, 400
Topeka	7, 333. 600	7, 092, 300	6, 764, 400
San Francisco	15, 927, 900	15, 927, 900	15, 663, 800
Total	124, 741, 000	95, 818, 800	75, 221, 900

The following tabulation reflects the capital structure of the Federal Home Loan Banks as of December 31, 1949, and December 31, 1948:

	Dec. 31, 1949	Dec. 31, 1948
Capital stock, U. S. Government	$95, 818, 800	$119, 791, 200
Members:		
Stock subscribed	136, 271, 100	121, 249, 300
Less unpaid subscriptions	31, 850	11, 825
	136, 239, 250	121, 237, 475
Total paid-in capital	232, 058, 050	241, 028, 675
Surplus:		
Legal reserve	13, 184, 046	12, 232, 449
Reserve for contingencies	4, 785, 651	4, 283, 027
Undivided profits	9, 026, 884	9, 001, 282
Total surplus	26, 996, 581	25, 516, 758
Total capital	259, 054, 631	266, 545, 433

Sale of Consolidated Obligations

As indicated before, the sale of consolidated Federal Home Loan Bank obligations represents one source of funds employed by the Federal Home Loan Banks in the conduct of their operations. These obligations are the joint and several obligations of the 11 Federal Home Loan Banks. They are not guaranteed by the United States Government. Since the first public offering of its consolidated obligations in May 1937, the Federal Home Loan Banks through January 1, 1949, had issued a total of $1,608,700,000, of which $1,192,200,000 had been retired, leaving $416,500,000 outstanding at the beginning of 1949. During the year, three public offerings were made aggregating $206,-500,000 and one private sale of $51,500,000 was made. This financing represented no new funds, but $258,000,000 of refunding and the liquidating of $210,000,000, resulting in the balance of $206,500,000 of consolidated obligations outstanding on December 31, 1949, which mature on the dates and in the amounts indicated below:

Consolidated obligations

Federal Home Loan Bank of—	Series A–1950 1⅝ percent notes due 1–20–50	Series B–1950 1¼ percent notes due 2–15–50	Series C–1950 1.35 percent notes due 9–15–50	Total
Boston	$6,000,000	$5,000,000	$5,000,000	$16,000,000
New York	6,000,000			6,000,000
Pittsburgh		5,000,000	5,000,000	10,000,000
Winston-Salem	7,000,000	10,900,000	11,100,000	29,000,000
Cincinnati		3,000,000	3,000,000	6,000,000
Indianapolis		9,400,000	9,600,000	19,000,000
Chicago		14,900,000	15,100,000	30,000,000
Des Moines	3,000,000	7,700,000	7,800,000	18,500,000
Little Rock	8,000,000	4,700,000	4,800,000	17,500,000
Topeka		7,200,000	7,300,000	14,500,000
San Francisco	13,000,000	20,700,000	6,300,000	40,000,000
Total	43,000,000	88,500,000	75,000,000	206,500,000

NOTE.—With the maturity of series A–1950 notes on Jan. 20, 1950, it was necessary to refinance a total of $21,000,000 to meet the estimated requirements of 4 banks. This was accomplished through the private sale to 11 commercial banks of 1¼ percent notes maturing Feb. 15, 1950.

Each offering of consolidated Federal Home Loan Bank obligations has been heavily oversubscribed, an indication of the high regard for and confidence of the dealers and dealer banks in the Federal Home Loan Bank System. As required by the Government Corporation Control Act of December 6, 1945, each issue by the Home Loan Bank Board of consolidated Federal Home Loan Bank obligations is cleared with the United States Treasury Department.

Interbank Deposits and Deposits of Members

Deposits of cash by one Federal Home Loan Bank, in an area of smaller loan demand, with another Federal Home Loan Bank, in an area of larger loan demand, continued to represent an important part in the financing of the banks during the year and, to some degree, at least, tended to decrease the extent to which some of the Federal Home Loan Banks might otherwise have had to participate in the sales of consolidated Federal Home Loan Bank obligations. At the beginning of the year 1949, $6,250,000 of such interbank deposits were outstanding. During the year such deposits were made to the extent of $47,700,000, repayments amounted to $25,250,000, resulting in a balance of $28,700,000 outstanding on December 31, 1949, all of which were payable on demand.

As already indicated, deposits of member institutions represent one of the sources of funds of the Federal Home Loan Banks, a source of constantly growing importance. During the year 1949 there was a further substantial increase in such deposits,the total amount of which as of December 31, 1949, aggregated $267,112,161, consisting of $35,434,559 on a demand and $231,677,602 on a time basis. No interest is paid by the Federal Home Loan Banks on members' demand deposits. However, on members' time deposits remaining for 30 days or more, interest at rates ranging from 1 percent to 1½ percent per annum is paid. (See exhibit 2.)

Statutory and Other Reserves

Section 16 of the Federal Home Loan Bank Act, as amended, provides that each Federal Home Loan Bank shall carry to a reserve account semiannually 20 percent of its net earnings until such reserve account shall show a credit balance equal to 100 percent of the paid-in capital stock of the bank, after which time 5 percent of the bank's net earnings shall be added thereto semiannually. As indicated in the tabulation reflecting the capital structure of the banks, this reserve amounted to $13,184,046 as of December 31, 1949, in addition to which there was a reserve for contingencies aggregating $4,785,651, making total surplus reserves of $17,969,697. As was likewise already indicated in the tabulation above referred to, the undivided profits of the banks on December 31, 1949, amounted to $9,026,884, resulting in a total earned surplus of $26,996,581 as of that date.

In addition to and exclusive of the statutory and contingent reserves reported, each Federal Home Loan Bank maintains its pro rata portion of a $100,000,000 "liquidity reserve." While such reserve is not reflected in the balance sheet of the banks, they must, nevertheless, maintain assets aggregating the amount thereof, as follows:

- 50 percent in 2 percent special series United States Treasury notes.
- 15 percent in 1½ percent special series United States Treasury notes.
- 35 percent in cash and/or United States Treasury bills, United States Treasury certificates of indebtedness or United States Treasury notes commonly traded in on the market on the same basis as certificates of indebtedness.

The Federal Home Loan Banks are not permitted to use any portion of this "liquidity reserve" without prior approval of the Home Loan Bank Board and, if and when used, the 35 percent portion thereof must first be utilized before resorting to the special series United States Treasury notes which will be redeemed by the United States Treasury Department upon request of the Home Loan Bank Board only in case of an emergency when required funds are not available from the assets of the banks or through the sale of consolidated Federal Home Loan Bank obligations. On December 31, 1949, the $100,000,000 "liquidity reserve" consisted of the following:

Cash, U. S. Treasury bills, certificates of indebtedness and/or notes	$35, 000, 000
2 percent special series U. S. Treasury notes	50, 000, 000
1½ percent special series U. S. Treasury notes	15, 000, 000
Total	100, 000, 000

In addition to the $100,000,000 "liquidity reserve," the Banks held the following highly liquid assets as of December 31, 1949:

Cash, U. S. Treasury bills, certificates of indebtedness and/or notes	$11, 478, 884
1¼ percent and 1½ percent special series Treasury notes	60, 500, 000
Total	71, 978, 884

Although on December 31, 1949, the Banks held United States Government obligations of approximately $128,000,000 in excess of statutory requirements, approximately $77,000,000 of the excess was held in the "liquidity reserve" referred to above. During the year ended December 31, 1949, United States Government obligations were purchased by the Federal Home Loan Banks to the extent of $559,193,000 face amount. United States Government obligations having a par value of $558,293,000 were matured and/or sold, and $272,793,000 face amount of such securities were held by the Banks on December 31, 1949.

Consolidated Statement of Condition

A consolidated statement of condition of the 11 Federal Home Loan Banks as of December 31, 1949, and December 31, 1948, is contained in exhibit 3 of this report, from which it will be noted that the total resources of the Banks decreased from $820,684,758 at the close of 1948 to $734,274,206 at the close of 1949.

Income and Expense

A consolidated statement of income and expense of the 11 Federal Home Loan Banks for the calendar years 1948 and 1949 is contained in exhibit 4. The figures disclose that the total gross operating income of the Banks for the calendar year 1949 was $13,426,355 as compared with $12,684,043 for the preceding calendar year. This represents an increase of 5.9 percent in gross operating income over that applicable to the year 1948, which may be primarily attributable to increased investment interest and decreased interest on advances. The former reflected a gain of 53.2 percent while the latter decreased 14.4 percent. Also disclosed in exhibit 4 is the fact that the total operating expenses for the calendar year 1949 amounted to $9,016,829 as compared with $8,104,324 for the preceding year. The nonoperating income for 1949 aggregated $366,331 compared with the total of $99,971 for 1948, and nonoperating charges for 1949 amounted to $17,875 while such charges for the preceding calendar year aggregated $52,925. The net income of the Federal Home Loan Banks for the calendar year 1949 aggregated $4,757,983 compared with $4,626,764 for the preceding calendar year.

While the 1949 net income of the banks exceeded that for 1948 by $131,200, a comparison, item by item, of the income and expenses for the 2 years reveals that several factors were involved in arriving at this net result. Interest earned on advances declined $1,276,000 due to the fact that the average amount of advances outstanding during 1949 was $370,400,000 compared to an average of $440,500,000 during 1948. This decrease in interest on advances was, however, more than offset by the increase in interest on investments purchased with funds received on account of repayment of advances and from deposits of members. Interest paid on such deposits reflected an increase of $1,815,000 over 1948 while the cost of money from issuance of consolidated obligations was $1,055,000 less than the previous year by reason of a $73,500,000 smaller average amount outstanding at slightly higher interest rates.

The average weekly balance of members' deposits during 1949 aggregated $217,206,150 and represented an annual cost of 1.17 percent. Funds derived by the Federal Home Loan Banks from the sale of Federal Home Loan Bank obligations and outstanding during 1949 averaged $274,738,000, the annual cost of which was 1.73 percent compared with the 1948 average of $347,200,000 and an annual cost of 1.67 percent.

The total net income of the Federal Home Loan Banks for the calendar year 1949, which, as indicated above, amounted to $4,758,000, was distributed (in round figures) as follows:

		Percent
Dividends paid:		
U. S. Government	$1, 260, 300	26. 5
Members	1, 882, 700	39. 6
Retirement fund—prior service [1]	135, 200	2. 8
Legal reserve	951, 600	20. 0
Contingent reserve	502, 600	10. 6
Undivided profits	25, 600	. 5
Total	4, 758, 000	100. 0

[1] Represents supplemental contributions to increase retirement benefits of employees computed on services through June 30, 1949.

The net income of the Federal Home Loan Banks from the beginning of their operations in October 1932 through December 31, 1949, aggregated $65,288,670 which was distributed (in round figures) as follows:

		Percent
Dividends paid:		
U. S. Government	$25, 157, 700	38. 5
Members	12, 496, 400	19. 2
Retirement fund—prior service [1]	638, 000	1. 0
Legal reserve	13, 184, 000	20. 2
Contingent reserve	4, 785, 700	7. 3
Undivided profits	9, 026, 900	13. 8
Total	65, 288, 700	100. 0

[1] Represents contributions applicable to periods prior to date such contributions were made by individual banks.

Distribution of Dividends

Dividend declarations by the Federal Home Loan Banks resulted in the distribution of $3,143,000 for the year 1949, which amount was $14,800 less than that applicable to the preceding year. The dividend rates ranged from 1 percent to 2¼ percent per annum. Of the amount of dividends distributed for the year 1949, the United States Government received $1,260,300 and member institutions received $1,882,700. The total amount of dividends received by the United States Government and member institutions on their stock investments in the Federal Home Loan Banks from October 15, 1932, through December 31, 1949, aggregated $25,157,700 and $12,496,400, respectively.

The following tabulation reflects the total dividend distribution by the Federal Home Loan Banks from the beginning of their operations through December 31, 1949:

Federal Home Loan Bank of—	Members	U. S. Government	Total
Boston	$880, 172. 45	$2, 015, 204. 61	$2, 895, 377. 06
New York	1, 134, 151. 70	3, 456, 988. 75	4, 591, 140. 45
Pittsburgh	899, 588. 89	2, 394, 593. 39	3, 294, 182. 28
Winston-Salem	1, 252, 601. 84	1, 740, 625. 79	2, 993, 227. 63
Cincinnati	2, 537, 352. 03	3, 234, 798. 08	5, 772, 150. 11
Indianapolis	1, 427, 355. 14	1, 523, 465. 34	2, 950, 820. 48
Chicago	1, 563, 058. 68	3, 665, 163. 95	5, 228, 222. 63
Des Moines	893, 656. 36	1, 717, 899. 59	2, 611, 555. 95
Little Rock	465, 420. 50	1, 625, 923. 62	2, 091, 344. 12
Topeka	429, 639. 88	1, 189, 665. 06	1, 619, 304. 94
San Francisco	1, 013, 452. 24	2, 593, 332. 74	3, 606, 784. 98
Total	12, 496, 449. 71	25, 157, 660. 92	37, 654, 110. 63

Budgets of the Individual Banks

In supervising the operations of the Federal Home Loan Banks pursuant to the provisions of the Federal Home Loan Bank Act, as amended, the Home Loan Bank Board requires each Federal Home Loan Bank to submit to it for approval an annual budget covering the estimated expenses to be incurred by it. The dividend declarations by the local boards of directors of the Federal Home Loan Banks are likewise subject to the approval of the Home Loan Bank Board, as are also the maximum rates of interest on advances, members' deposits or interbank deposits.

With the exception of the purchase and sale of United States Treasury bills, United States certificates of indebtedness, and United States Treasury notes commonly traded in on the market in the same manner as United States Treasury certificates of indebtedness, all transactions of the banks in United States Government obligations and in other investment securities are subject to the approval of the Home Loan Bank Board. As provided in the Government Corporation Control Act of December 6, 1945, all Government security transactions of the Federal Home Loan Banks in excess of $100,000 are first cleared with the United States Treasury Department through an official of the Federal Reserve Bank of New York, designated by the Treasury Department for that purpose. All officers and counsel appointed by the local boards of directors of the Federal Home Loan Banks and their annual salaries are subject to the approval of the Home Loan Bank Board. Under the Federal Home Loan Bank Act, as amended, the management of each Federal Home Loan Bank is vested in a local board of 12 directors, 4 of whom are appointed by the Home Loan Bank Board and 8 of whom are elected by the members. Annual elections of directors are held under the auspices of the Home Loan Bank Board pursuant to its regulations governing the election of directors. Exhibit 5 of this report contains a list of the directors and officers of each Federal Home Loan Bank as of December 31, 1949, and shows the designation or representation of each director.

Audits and Reports

The Federal Home Loan Banks are audited semiannually pursuant to law by examiners attached to the staff of the office of the auditor of the Home Loan Bank Board. In addition thereto, the Federal Home Loan Banks as well as the internal operations of the Home Loan Bank Board are subject to an annual audit by representatives of the General Accounting Office pursuant to the provisions of the Government Corporation Control Act of December 6, 1945. However, the representatives of the General Accounting Office at present are confining their activities in this respect largely to periodic surveys of the operations of the Federal Home Loan Banks and an analysis of reports of examinations and audits thereof made by the examiners attached to the staff of the board's auditor, thereby giving full recognition to the requirements of the Government Corporation Control Act to the effect that the General Accounting Office use to the fullest extent deemed practical reports of examinations of Government corporations made by a supervisory agency pursuant to law. This is likewise true to a large extent with respect to the audit of the internal fiscal operations of the Home Loan Bank Board whereby the effectiveness of the internal audits and the use thereof warrant the omission of certain detail auditing procedures that otherwise the Corporation Audits Division should have deemed necessary. This arrangement affords the Home Loan Bank Board and the Federal Home Loan Banks a comprehensive audit and an analysis of operations at a minimum of expense and effort.

The United States Treasury Department is furnished a copy of the Home Loan Bank Board's annual report to the Congress as well as with monthly reports reflecting all security transactions of the Federal Home Loan Banks and with special quarterly and annual reports pertaining to the operations of the Federal Home Loan Banks as required by Budget-Treasury Regulation No. 3.

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

Creation and Purposes

The Federal Savings and Loan System had its inception in the Home Owners' Loan Act of 1933, section 5 of which provided for the chartering of Federal savings and loan associations either by the granting of new charters to local organizing groups or by the conversion of existing institutions of the savings and loan type from State to Federal charter. The underlying purpose of this legislation was to provide for adequate thrift and home financing facilities by creating local institutions throughout the country that would operate on a uniform plan incorporating the best practices and operating principles of savings institutions specializing in the financing of homes.

Federal savings and loan associations are mutual institutions the capital of which is represented entirely by the savings accounts of members, who are the sole owners. All savings accounts participate equally in the earnings of the association, on a pro rata basis, earnings being paid semiannually at a rate determined by the directors on the basis of net profits. As contrasted with commercial banks, the funds of which are mainly derived from demand deposits and which make short-term loans principally for commercial purposes, the funds received by Federal savings and loan associations are primarily of a savings or investment nature. Such associations make their loans principally on a monthly, long-term, amortization basis on the security of homes owned by citizens of the community.

Federal associations are not permitted to accept deposits or to issue certificates of indebtedness except for such borrowed money as is authorized by regulations made by the Home Loan Bank Board. Their shares are nonassessable. All Federal savings and loan associations must be members of the Federal Home Loan Bank System and must qualify for insurance of their accounts by the Federal Savings and Loan Insurance Corporation. Also, they are examined regularly and supervised by the Board, and are subject to its regulations.

Granting of Charters and Branches

In accordance with the provisions of the act, applications for permission to organize new Federal associations are considered on the basis of all facts available with respect to the character and responsibility of the organization group, the need for such an institution in the community to be served, the prospects for its usefulness and success, and the question whether the association could be established without undue injury to properly conducted, existing local thrift and home financing institutions. In no case is an application approved without provision having been made for a public hearing thereon, which usually is dispensed with if no objection is recorded in response to locally published notice of such hearing. During the year 1949, 16 new Federal savings and loan associations were chartered.

In keeping with the Board's policy of strict impartiality as between State-chartered and federally chartered associations, the Board applies the same tests for conversion of an uninsured State association to Federal charter as if it were seeking insurance of accounts under State charter. In the case of insured associations it is the Board's policy to permit associations to convert either from State to Federal charter or from Federal to State charter, in accordance with the expressed vote of the association's mutual shareholders. The dual system under which the total assets of all savings and loan associations are about evenly divided between State and Federal associations is considered a healthy one. During 1949, 11 State-chartered savings and loan associations converted to Federal charter and one Federal association reincorporated as a State-chartered insured association.

When considering applications for branch offices by Federal associations, the Board applies the same tests as in the organization of new associations. Branch offices are not permitted unless there is conclusive evidence of a real need, and strong prospects that such need can be served by the proposed branch without undue injury to existing local institutions. Neither is a branch office approved without first providing for a public hearing, notice of which is published locally and also mailed to the appropriate State supervisory authorities and to the organized savings and loan group, if any, in the locality. Those who wish to protest the establishment of a branch may appear in person or submit their objections in writing. As of December 31, 1949, 64 Federal associations were operating 80 branch offices and no Federal association had more than 4 branches. During 1949 the Board authorized Federal associations to operate 23 additional branch offices.

Growth and Development to Date

As of December 31, 1949, a total of 1,508 Federal savings and loan associations were in operation, of which 852 were converted from State to Federal charter and 656 were originally organized under Federal charter. There are Federal associations in each of the 48 States as well as in the District of Columbia, Alaska, Hawaii, and Puerto Rico. Combined assets of all Federal associations at the end of 1949 amounted to $7,107,000,000, representing a 15 percent increase during 1949 and 81 percent from December 31, 1945, the 4 year postwar period. Resources of Federal associations now account for almost one-half (49 percent) of total resources of all savings and loan associations in the country. During the past year the average size of Federal associations increased from $4,150,000 to $4,713,000, or by 14 percent.

During 1949, 27 Federal charters were issued, of which 16 were for newly organized associations and 11 were for converted State associations. Four charters were canceled, one by reason of voluntary liquidation, one Federal reincorporated as a State-insured association, one consolidated with an insured State-chartered association, and the remaining association consolidated with another Federal. All these changes effected a net increase of 23 in number of Federal savings and loan associations during the year.

Savings Activity and Trends During Year

At the end of 1949, the total number of private investors in Federal associations was 4,260,000, an increase of 591,000, or 16 percent, during the year. The flow of savings into Federal associations continued at a record pace during 1949 and the net increase of $877,000,000, or 14 percent, represents the largest annual gain in the 16-year history of Federals. The aggregate of all savings accounts in Federal associations at December 31, 1949, was $6,132,000,000, representing an increase of 82 percent during the 4-year postwar period since December 31, 1945. Total savings invested during the year amounted to $2,382,000,000, while withdrawals aggregated $1,565,000,000, resulting in a withdrawal ratio of 66 percent. This compares favorably with the 1948 ratio of 70 percent.

Lending Activity and Trends During Year

First mortgage loans, secured primarily by one- to four-family homes, represented 80 percent of the total assets of Federal associations at the end of 1949. The total amount increased from $4,938,000,000 to $5,673,000,000, or 15 percent during the year, as compared with a 17-percent increase during 1948. The mortgage loan portfolio of Federals on December 31, 1949, consisted of FHA loans of $407,000,000, or 7 percent, GI loans of $1,369,000,000, or 24 percent, and conventional loans of $3,897,000,000, or 69 percent. Federals made $1,770,000,000 of mortgage loans during 1949, a volume 3 percent more than during 1948. A brief comparative summary of new loans made by Federal associations during 1948 and 1949, classified as to purpose of loan, is shown in the following table:

New mortgage loans made by all Federal Savings and Loan Associations

[Dollar amounts in thousands]

Purpose	1949		1948		Percent change in 1949
	Amount	Percent of total	Amount	Percent of total	
Construction	$573,166	32.4	$551,354	32.1	+4.0
Purchase	719,892	40.7	768,040	44.7	−6.3
Refinancing	189,737	10.7	161,853	9.4	+17.2
Reconditioning	77,517	4.4	61,076	3.5	+26.9
Other	210,087	11.8	177,214	10.3	+18.5
Total	1,770,399	100.0	1,719,537	100.0	+3.0

Liquidity and Reserves

Liquidity and reserves are becoming increasingly important as subjects of policy and administration. General reserves and undivided profits accounts of all Federal associations increased from $393,000,000 to $470,000,000 during 1949 and such reserve accounts equaled 6.6 percent of total assets at December 31, 1949, as compared with 6.4 percent at the end of 1948 and 6 percent at the end of 1947. In relation to savings accounts, the corresponding reserve ratios were 7.7 percent for 1949, 7.5 percent for 1948, and 7.1 percent for 1947. Cash and United States Government obligations of all Federal associations amounted to $1,176,000,000, or 19.2 percent of all savings accounts, and 16.5 percent of total assets at December 31, 1949. This represents an increase of $166,000,000, or 16 percent during the year. It is the Board's policy to encourage maintenance of strong liquidity and reserve positions, and Federal associations generally have established substantial ratios in these respects, as evidenced by the aforementioned percentages.

ORGANIZATION AND FUNCTION CHART OF THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Created by Title IV of the National Housing Act, 1934, for the purpose of insuring savings in all Federal savings and loan associations and in all State-chartered savings and loan, building and loan, and homestead associations and cooperative banks which apply and qualify. The insurance coverage for each account is limited to $5,000.

HOME LOAN BANK BOARD

The Board provides a number of staff services for itself and the subordinate Corporations. They include legal services by the Board's General Counsel; Personnel Department functions; Auditing; coordination of budget estimates and justifications, and such housekeeping services as procurement, files and records, mail and messenger services and the like.

GENERAL MANAGER

Under supervision and authority of the Home Loan Bank Board, plans, organizes and directs the operations of the Corporation.

UNDERWRITING DIVISION

Develops programs for insurance of accounts; passes upon all applications for insurance of accounts; coordinates underwriting activities with officials of Federal Home Loan Banks and State Supervisory authorities.

ASSISTANT GENERAL MANAGER

OPERATING ANALYSIS DIVISION

Provides analyses of financial and other operating information pertaining to the administrative and supervisory problems of the Corporation and the Federal Home Loan Bank System; compiles and analyzes statistical series in thrift, home mortgage, housing and real estate activities; provides economic background and other data bearing upon problem cases of the Corporation.

CHIEF

INSURANCE SETTLEMENT DIVISION

Supervises the payment and settlement of insurance to insured shareholders of institutions in receivership. In addition to this primary function the services of the division are used to pass upon amendments to Charter, bylaw and security forms and fidelity bond coverage for all insured associations.

ASSISTANT GENERAL MANAGER

REHABILITATION AND RECOVERIES DIVISION

Responsible for taking necessary steps as provided by law to prevent a default in an insured institution or restore an insured institution in default to normal operation. Supervises recoveries and conversion into cash of assets in institutions for which Corporation has been appointed receiver.

ASSISTANT GENERAL MANAGER

COMPTROLLER'S DIVISION

Plans, organizes and directs accounting and fiscal activities of the Corporation. Controls all accounting operations including receiverships and prepares financial statements, reports and analyses. Controls all operations pertaining to the receipt and disbursement of funds of the Corporation; maintains internal control of allotted budgetary funds.

COMPTROLLER

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Introduction

Designed to apply the basic principles of insurance to the savings in savings and loan associations, the Federal Savings and Loan Insurance Corporation was established by Congress in 1934.

Two major objectives were in sight. First, with recognition of the important role played by savings and loan associations in the extension of credit to home owners, it was expected that insurance of their accounts would accelerate the flow of savings into these institutions, thus providing an increased supply of funds to be channeled into home financing activities. Second, guaranty of savings would tend to stabilize the financial structure of the country.

Extent of Insurance Coverage

Facilities of insured savings and loan associations today are available in every State of the United States, the District of Columbia, and in the Territories of Alaska, Hawaii, and Puerto Rico. They hold over 77 percent of the gross assets of the savings and loan business. By December 31, 1949, a total of 2,756 institutions with aggregate assets of $11,305,000,000 had qualified for insurance.

Federal savings and loan associations, which are required by law to become insured, numbered 1,508, with assets of $7,107,000,000. Insurance of savings is optional with State-chartered institutions of the savings and loan type. In all, 1,248 State associations have applied for insurance and received the Corporation's approval; their assets on December 31, 1949, totaled $4,198,000,000.

Approximately 7,100,000 savers and investors are using insured associations as their savings medium. These individuals and organizations had accumulated $9,713,000,000 of savings in insured associations by December 31, 1949. Of this amount, over 93 percent was covered entirely by insurance, with the balance representing the amounts in excess of $5,000 per saver.

Membership

Eligibility requirements.—The broad standards of qualification for insurance are found in the insurance law. In order to become insured, an institution must have unimpaired capital and must operate under safe financial policies and management. The Corporation may reject an application for insurance if it finds that the character of the management of the applicant or its home financing policy is inconsistent with economical home financing or with the purposes of insurance.

In order to obtain complete facts upon which a decision as to insurability of an applicant may be based, examiners of the Home Loan Bank Board conduct a thorough examination of the applicant's assets, liabilities, financial policies, and operating procedures. If the association has not had an audit of its affairs within the preceding year, the eligibility examination is extended to include an audit of its accounts.

Following analysis of the facts included in the examination and additional information supplied by the association, determination is made by the Corporation as to whether the association is insurable in its present condition, whether the association could qualify for insurance by meeting certain conditions or whether the application should be rejected. If conditions are stipulated, the association is insured following compliance.

Admissions.—The steady upward trend in insurance admissions which began in 1946 continued to a high in 1949, when 148 associations were admitted to membership. The 1949 admissions constitute a record for the decade, and apparently reflect a more general understanding of the value of insurance and an increasing demand from the public for the added protection which insurance provides. The associations admitted to membership during 1949 had total assets of $220,835,000 at the time of insurance.

Terminations.—Associations have the right, granted by law, of terminating their insurance contract, provided adequate notice is given to all insured account holders. No association canceled its insurance during 1949 in order to continue operations as an uninsured institution. There were, however, eight withdrawals from the insured membership during the year. Four associations consolidated with other insured institutions and two voluntarily dissolved. The remaining two associations changed their corporate entity, one of them becoming an insured mutual savings bank and the other an insured State-chartered savings and loan association.

The Corporation has never found it necessary to terminate the insured status of an institution for a violation of law or the rules and regulations of the Corporation.

Nature of Insurance Protection

To achieve its purpose of protecting the saver against loss, the Corporation has authority to act in two specific areas—rehabilitation of impaired institutions and payment of insurance to account holders of institutions placed in liquidation. In every case in which the insured institution operates under State charter,the Corporation works in close cooperation with the State supervisory authorities. By this cooperation the program agreed upon represents the combined judgment and participation of State and Federal supervisors and seeks not only to comply with the State and Federal laws involved, but to give full protection to local and public interests. If the facts warrant, the Corporation may prevent the default of an insured institution or restore an impaired association to normal operation under capable management, in this manner protecting the savings entrusted to the institution not only from loss but also from any disturbance. To effect rehabilitation of an institution in trouble, a cash contribution may be made to the association or the Corporation may make a loan or may purchase assets with cash.

In cases where rehabilitation does not appear feasible and the decision is made to liquidate the institution, the Corporation immediately effects payment of insurance, in the form of two methods of settlement which are optional with the saver. First, the individual may choose an insured account in another operating institution equal to his insured savings in the liquidating association. If he selects this method, his new account will share in earnings and be entitled to the same rights and privileges as other accounts of that association. To make this type of settlement, the Corporation contracts with other insured institutions to issue the required number of accounts, reimbursing those associations in cash. It is also possible to create a new savings and loan association solely for this purpose.

If the investor prefers, he may choose to receive 10 percent of his insured account in cash and the balance in negotiable noninterest-bearing debentures of the Corporation, half of which are payable within 1 year and the remainder within 3 years from the date of default.

The Payment Record

In any insurance operation, claims under the insurance contract are a natural and expected development. For over 5 years, the Corporation has experienced no new losses, for over 8 years no insured institution has been placed in liquidation. This record is due in large part to the favorable economic conditions which have existed during the recent period and also to preventive efforts of the Corporation and Federal and State supervisory authorities which have minimized eventual loss by encouraging adherence to sound operating policies by the insured membership.

Condition of Corporation

Recognizing the importance of liquidity in the operation of an insurance fund, the Corporation maintains the bulk of its assets, over 98 percent to be exact, in cash and United States Government securities. Of the total assets of $218,905,000 on December 31, 1949, about $551,000 consisted of cash and $215,100,000 of Government securities. The major portion of the remaining assets consisted of insurance premiums due but not yet payable, in the amount of $3,035,000.

The entire capital stock of the Corporation, in the amount of $100,000,000, is held by the United States Treasury. In accordance with a statute enacted on June 30, 1948, accumulated but undeclared dividends on the capital stock were computed at the figure of $25,-182,000. Because of the uncertainty of the status of dividends since that date, clarifying legislation is being sought.

Because capital and reserves show the extent to which insurance claims may be paid and losses absorbed at a given moment, the reserve fund is an important indication of the strength of an insurance fund. In addition to its $100,000,000 of capital the Corporation had accumulated a reserve of $113,128,000 by December 31, 1949. Exhibit 6 presents a detailed comparative statement of condition of the Corporation at the end of 1949 and 1948.

Operations of Corporation

The primary source of income of the Corporation is the premiums paid by insured members at the annual rate of one-eighth of 1 percent of their savings accounts and creditor liabilities. During 1949, nearly 70 percent of gross income was received from this source, with the balance coming in large part in the form of earnings on United States Government securities.

Of the gross income of $15,711,000 during 1949, $10,948,000 consisted of premium income, $4,678,000 of interest income, and $80,000 represented admission fees paid by associations upon qualifying for insurance. The admission fee is computed at $400 for each $1,000,000 of total savings accounts and creditor liabilities of the applicant institution.

Administrative expenses of the Corporation, which in effect show the cost of operation of the Corporation, amounted to $602,000 during 1949. The major portion of these expenses were paid in the form of salaries of $349,000 to Corporation employees. Other items included in the heading of administrative expenses were the sums of $185,000 paid for services of the Home Loan Bank Board and $49,000 paid for rent, supplies, communications, and audit expenses.

All furnitures, fixtures, and equipment owned by the Corporation are carried on the records at cost and are fully depreciated at the time of purchase. Depreciation charges during 1949 amounted to $5,000. The amount of $11,000 represented expenses during 1949 in connection with the minimizing of insurance losses and the conduct of receiverships. Upon the termination of two receiverships during the year, $278,000 was charged against operations for the excess of book value of insured accounts paid by the Corporation over liquidating dividends received.

A complete income and expense statement of the Corporation for the calendar years 1948 and 1949 appears in exhibit 7.

Condition of Insured Associations

Average association.—With recognition of the danger of misinterpretation inherent in the use of averages, a concrete picture still may be gained by examining the condition of the hypothetical "average insured association" on December 31, 1949. The average association had assets of $4,102,000, reflecting an increase of 10 percent during the year. Nearly 2,600 savers and investors of the community had entrusted their savings to the institution. Its first mortgage loans had increased 10 percent during the year and were equivalent to 80 percent of assets. Liquid holdings, consisting of cash and United States Government securities were equivalent to 16 percent of assets, showing the same ratio of liquidity existing a year earlier. It had accumulated reserves and undivided profits, which were available for future losses, of about $282,000, or 6.9 percent of assets. Actual figures showing the condition of the insured membership at the end of 1949 are given below.

Assets.—Total assets of the insured membership grew during the year by about 16 percent to a total of $11,305,000,000. This increase reflects not only the addition of new members to the insured group, but also the growth experienced by those associations already insured at the beginning of the year. Mortgage loans amounted to $9,038,000,000 and liquid holdings, consisting of cash and United States Government securities, totaled $1,862,000,000, equivalent to 16.5 percent of assets. Exhibit 8 shows a comparison of the number and assets of insured associations at the end of 1949 and 1948, by States.

Included in the mortgage loan portfolio were $2,065,000,000 of loans insured or guaranteed by the Veterans' Administration and an additional $593,000,000 of loans insured by the Federal Housing Administration. About 29 percent of the mortgage loan portfolio, therefore, consisted of insured or guaranteed loans, with the balance in loans of the conventional uninsured type.

Savings.—Study of activity in the savings field reveals that the net increase in savings experienced by insured associations was at a rate nearly 30 percent greater than the rate of increase during 1948. The flow of new savings into such institutions was nearly 15 percent greater than during the preceding year, but withdrawals were only

8 percent higher.

Expressed in dollar amounts, new savings of $3,688,000,000 were received by insured associations during 1949. After deduction of total withdrawals of $2,425,000,000, the net increase in savings during the year amounted to $1,263,000,000. The ratio of withdrawals to new savings received was 65.7 in 1949 as compared with 69.7 during 1948.

Reserves.—The reserves and undivided profits accounts of insured associations, which are available for the absorption of losses arising in the course of business, increased nearly 20 percent during 1949. Insured institutions now hold aggregate reserves and undivided profits of $776,000,000, equivalent to 6.9 percent of assets, while a year earlier these accounts amounted to $648,000,000, or 6.7 percent of assets.

ORGANIZATION AND FUNCTION CHART OF THE HOME OWNERS' LOAN CORPORATION

Created under the Act of June 13, 1933, for refinancing mortgages and extending relief to distressed home owners. Since June 12, 1936, it has been engaged in servicing its loans and liquidating its assets.

HOME LOAN BANK BOARD

The Board provides a number of staff services for itself and the subordinate Corporations. They include legal services by the Board's General Counsel; Personnel Department functions; Auditing; coordination of budget estimates and justifications.

GENERAL MANAGER

Under the direction and authority of the Home Loan Bank Board, plans, organizes and directs the operations of the Corporation.

LOANS AND PROPERTIES DIVISION

Supervises and directs the servicing of the Corporation's loans, management of properties, reconditioning and appraisal operations. Maintains records and provides for the payment of taxes and insurance coverage on security and owned properties.

DEPUTY GENERAL MANAGER

ACCOUNTING DIVISION

Responsible for the maintenance of all accounting records of the Corporation; the preparation and interpretation of all financial and statistical records and forecasts of financial condition and operating results.

CHIEF ACCOUNTANT

PURCHASE AND SUPPLY SECTION

Responsible for purchase and sale operations; stock room; maintenance of equipment; processes and promulgates official regulations and procedures forms and instructions.

SUPERVISOR

TREASURY DIVISION

Responsible for the safekeeping and proper disbursement of all funds of the Corporation, the safe keeping of bonds, investment certificates, agreements, and other valuable papers and instruments entrusted to its care.

TREASURER

HOME OWNERS' LOAN CORPORATION

13 Years of Liquidation

On June 12, 1936, the 3-year lending period of the Home Owners' Loan Corporation terminated. Since that time, the major activity of the Corporation has been the liquidation of its great volume of loans. The results attained during this 13-year period of liquidation have been gratifyingly favorable. Of the total lending of approximately three and a half billion dollars, over 93 percent has been liquidated. Less than $231,000,000 of the cumulative investment was outstanding at the end of calendar year 1949.

The loans of the Corporation were originally made to refinance the mortgages of more than a million American home owners who were victims of the depression. Most of these home owners were in arrears nearly 2 years on principal and interest, and 3 years on taxes. At the time, it was generally believed that this rescue operation might result in a loss to the Government of three hundred million to half a billion dollars. Instead, at the end of 13 years of liquidation, it now appears that when liquidation of the remaining loans is completed, the Corporation will have repaid the three-and-a-half billion dollars of bonds guaranteed by the Government and will be able to return, without impairment, the $200,000,000 of capital originally subscribed by the Government.

In the course of its operations, the Corporation extended a helping hand to thousands of financial institutions by taking over almost $2,000,000,000 of their mortgage loans at a time when no other refinancing was available. The Corporation also helped thousands of local Government units by advancing $485,000,000 to pay taxes, many of which were seriously delinquent. In addition, the Corporation initiated a loan plan which has had a beneficial influence on the entire structure and procedure of home financing. This was the 15-year monthly payment, direct-reduction type of loan which proved to be the safest and most economical type of home mortgage ever available in this country. The lenient collection policy of the Corporation, together with the servicing methods which it developed to help home owners, also contributed greatly. The successful outcome of this lending operation stands as a demonstration of the respect of borrowers for their financial obligations to their Federal Government which extended a helping hand to them in a time of crisis.

The Home Owners' Loan Corporation has devoted much effort to individual servicing of its loan accounts. This servicing has enabled the Corporation to locate causes of trouble and to take prompt action to avoid foreclosure. As part of this servicing program, the Corporation collects funds from borrowers on a monthly installment basis for the payment of taxes and insurance. This procedure assists borrowers to avoid tax difficulties and reduces the Corporation's expenses by eliminating the necessity for searching tax records to determine whether delinquencies exist. The proportion of such accounts increased from 77.9 percent of outstanding loan accounts at the beginning of the 1949 calendar year to 87.6 percent at the end of the year.

General Operations

From June 13, 1933, through June 12, 1936, the Corporation loaned $3,093,451,321. These loans were made to finance the home mortgages of 1,017,821 individuals who were unable to finance their loans elsewhere and were, therefore, dependent on the credit of the Government. The financial conditions prevailing then and later were so adverse that some of these home owners, despite the efforts of the Corporation, were unable to work out of their financial difficulties. However, the Corporation has enabled more than 800,000 families to avoid foreclosure on their homes.

The Corporation's original investment has been increased by supplementary advances made for the payment of taxes, insurance, maintenance and reconditioning, the capitalization of delinquent interest, and acquisition costs. From the beginning of operations to December 31, 1949, these supplemental capitalizations totaled $404,546,778, and brought the Corporation's gross cumulative investment to $3,497,998,099.

Liquidation

Liquidation of this investment has proceeded rapidly. At the end of the 1949 calendar year, the balance of original loans, vendee accounts and property accounts was $230,660,630, a decrease of 37.5 percent from the balance of $368,936,083 at the beginning of the year. Of the $3,497,998,099 gross cumulative investment, $3,267,337,469, or 93.4 percent, had been liquidated by the end of calendar year 1949. The reduction in these assets is summarized in the following table:

Original amount loaned	$3, 093, 451, 321. 01
Subsequent advances to borrowers, net additions included in capitalized value of properties, etc	404, 546, 778. 25
Original loans plus advances, capitalized additions, etc	3, 497, 998, 099. 26

Outstanding on Dec. 31, 1949:		
Original loans and advances	$146, 266, 440. 06	
Vendee accounts and advances	84, 356, 755. 67	
Property acquired and in process of acquisition	37, 434. 07	
Total outstanding		230, 660, 629. 80
Net reduction in mortgage and property assets		3, 267, 337, 469. 46

Accelerated Liquidation

The Corporation has always encouraged its borrowers to pay off their loans in full before maturity dates. This program has been successful, particularly during the war and postwar periods. As a result, the portfolio in some States was reduced to the point where the cost of servicing was uneconomical.

Accordingly, in March 1948, a new speed-up program was launched in States having small loan balances. Borrowers were induced by letter to pay off their balances in full if possible or to refinance them with local institutions of their own choice. This program was gradually extended into 20 States and the District of Columbia; and by December 31, 1949, all loans in 3 States had been entirely liquidated, and in 13 other States the loan balances had been reduced by more than 99 percent. The success of this program is reflected in the following table:

States	Date started	Number of loans			Balances		
		Start	Dec. 31, 1949	Percent liquidation	Start	Dec. 31, 1949	Percent liquidation
Nevada	3–48	163		100. 0	$105, 155		100. 0
Wyoming	4–48	384		100. 0	242, 925		100. 0
Montana	5–48	552	1	99. 8	384, 180	43	+99. 9
Idaho	6–48	655		100. 0	436, 555		100. 0
Vermont	8–48	358	4	98. 9	408, 785	3, 518	99. 1
New Mexico	8–48	368	2	99. 5	211, 277	1, 617	99. 2
New Hampshire	9–48	350	2	99. 4	429, 813	2, 448	99. 4
Delaware	11–48	473	1	99. 8	588, 527	1, 126	99. 8
Maine	11–48	724	73	89. 9	731, 398	76, 133	89. 6
Oregon	12–48	912	1	99. 9	748, 390	943	99. 9
South Dakota	1–49	1, 029	92	91. 1	789, 687	80, 027	89. 9
North Dakota	2–49	730	3	99. 6	789, 680	1, 646	99. 8
Arizona	3–49	869	2	99. 8	836, 934	187	+99. 9
Utah	3–49	1, 332	6	99. 5	888, 665	113	+99. 9
South Carolina	4–49	967	5	99. 5	960, 243	5, 234	99. 5
District of Columbia	4–49	491	1	99. 8	1, 053, 917	1, 436	99. 9
Washington	4–49	1, 402	4	99. 7	1, 140, 843	3, 114	99. 7
Mississippi	5–49	1, 230	610	50. 4	1, 183, 883	538, 092	54. 5
Arkansas	5–49	1, 351	408	69. 8	1, 195, 469	291, 097	75. 6
Colorado	6–49	1, 332	9	99. 3	1, 132, 271	2, 278	99. 8
West Virginia	6–49	1, 466	460	68. 6	1, 467, 533	453 127	69. 1
		17, 138	1, 684	90. 2	15, 726, 130	1, 462, 179	90. 7

In June 1949, after previous consultations with the House and Senate Independent Offices Appropriations Subcommittees regarding the complete liquidation of the Corporation's outstanding mortgages by June 30, 1951, the Home Loan Bank Board, which serves as the board of directors of the Home Owners' Loan Corporation, instituted a program to sell or assign all mortgages by publicly offering them for sale on a State-wide basis.

The first public offering was made on June 6, 1949, for the sale of the loan portfolio of New York State, consisting of 40,000 loans with an unpaid loan balance of $102,000,000. As a result of this offer, a bid was accepted and the contract of sale executed on September 1, 1949. Bids have since been accepted and contracts of sale executed for the portfolios of Massachusetts, Connecticut, Rhode Island, New Jersey, and Michigan, making a total of 77,800 loans aggregating $173,000,000 sold up to December 31, 1949. The purchasers—including mutual savings banks, commercial banks, trust companies, and savings and loan associations—have paid par and accrued interest plus premiums of up to 2.5 percent of balances. The Corporation continues to service these mortgages and accepts maturity payments where offered until date of actual transfer of the mortgages.

Status of Accounts

As previously stated, the Corporation made loans to 1,017,821 individuals during its 3 years of lending operations. Adding to this original number 1,968 subsequent divisions and acquisitions of property, and subtracting 103 subsequent consolidations, made a net total of 1,019,686 accounts. Of this net number, 869,282 or over 85 percent have been terminated, leaving 150,404 accounts outstanding as of December 31, 1949.

Included in the 869,282 terminated accounts were 724,066 original loans and 129,589 vendee accounts paid in full; 15,381 acquired properties sold for cash; and the remaining balances on 246 accounts charged off.

Of the 150,404 accounts outstanding as of December 31, 1949, there were 99,518 original loans, 50,866 vendee accounts and 20 properties. Of the outstanding debtor accounts, 87,288 original loans had been extended under the Mead-Barry Act. Of the 20 properties on hand, 5 were owned and 15 still subject to redemption.

Over 96 percent of the Corporation's outstanding accounts were paid on schedule or less than 3 months in arrears at the end of the reporting period. For the loans extended from the original 15 years to not more than 25 years under authorization of the Mead-Barry Act, the results have been especially noteworthy. All of these borrowers were delinquent in their payments when the extensions were granted. By December 31, 1949, there were 96.4 percent of the outstanding extended original loans, which were paid on schedule or less than 3 months in arrears. By reducing the required monthly payments, these extensions averted many thousands of foreclosures which would have resulted in losses to the Corporation.

Properties

As a result of foreclosures, voluntary deeds, abandonments, etc., the Corporation had acquired up to December 31, 1949, a total of 198,228 properties including 15 still subject to redemption. Of this total, 4,007 were reacquisitions of properties sold and 74 other properties acquired, leaving 194,147 properties acquired from original borrowers. Subtracting these latter acquisitions from the 1,017,821 total original borrowers, leaves 823,674, or 80.9 percent of original borrowers whose homes have been saved from impending foreclosure which they faced when the loans were made.

Investments in Savings and Loan Associations

In 1935 Congress authorized the Home Owners' Loan Corporation to purchase shares of savings and loan associations in order to make funds available to stimulate the local financing of home loans. The cumulative investment in savings and loan shares made by the Corporation totaled $223,856,710 by December 31, 1949. Of this investment, only $1,951,800 remained outstanding at the end of the 1949 calendar year, as compared with $5,882,650 at the beginning of the year. Dividends aggregating $44,731,877 have been received by the Corporation from these investments.

Bond Retirements

The Home Owners' Loan Act of 1933 requires that all payments upon principal of the Corporation's loans must be used to retire outstanding bonds. In order to retire bonds, the Corporation also uses certain other receipts such as amounts received as a result of the repurchase of shares in savings and loan associations. By the end of calendar 1949, the total applied to bond retirement was $3,328,029,792. The amounts deposited with the Treasurer of the United States and used or available to retire bonds are shown in the following table:

Disposition of funds allocated (through Dec. 31, 1949) to bond retirement fund

Applied to retirement of bonds	$3, 328, 029, 792. 23
Deposited for matured or called bonds on which interest has ceased	1, 855, 125. 00
Available for future retirement of unmatured bonds	63, 195. 85
Gross amount deposited in bond retirement fund	3, 329, 948, 113. 08
Balance due retirement fund for December 1949 to be deposited in January 1950	2, 301, 579. 32
Total applicable to bond retirement	3, 332, 249, 692. 40

As a result of bond retirements, the outstanding unmatured bonds of the Corporation on December 31, 1949, totaled $29,000,000, or

0.83 percent of the total amount of $3,489,453,550 of bonds which had been issued for value. (On January 27, 1950, final payment was made on unmatured bonds, thus completing the retirement of all HOLC bonds outstanding.)

Financial Operations

The balance sheet of the Corporation as of December 31, 1949, is presented in exhibit 9. Because of the rapid progress of the Corporation's liquidation during calendar 1949, the total assets decreased 36.1 percent during the year. Exhibit 10 presents a cumulative statement of income and expense from the beginning of operations through December 31, 1949, and exhibit 11 a statement of income and expense for calendar year 1949.

Up to December 31, 1949, the Corporation had a cumulative net income of $347,531,025 before actual losses and provisions for future losses. The total cumulative loss on the sale of properties amounted to $336,541,314. This loss includes brokers' commissions, selling costs, and the difference between the sale price and capital value of the property. The capital value includes unpaid principal, delinquent interest and subsequent capital charges for taxes, reconditioning, acquisition, etc.

In addition to the $336,541,314 loss on property sales, there were other losses amounting to $1,426,354 from principal, interest and properties charged off, fire and other hazards, and fidelity and casualty losses. This makes the cumulative total of all losses $337,967,668 as of December 31, 1949.

Deducting the $337,967,668 cumulative losses from the $347,531,025 net income, leaves $9,563,357 net profit as of December 31, 1949. Balances in reserves and provisions for future losses amounted to $772,057, leaving a surplus of $8,791,300 as of December 31, 1949.

During calendar year 1949, the total income of the Corporation amounted to $14,785,925. Expenses, including interest on bonds and administrative expense, amounted to $3,631,596, leaving a net income of $11,154,329. Losses during the year amounted to $60,925, leaving a net profit of $11,093,404. The $14,785,925 income for the year included $277,224 premium on the sale of loans.

Administrative

The personnel and administrative expense of the Corporation has been reduced rapidly in recent years. The number of employees on December 31, 1949, was 467 as compared with 473 1 year before, and 21,000 at the peak of its operations. Its administrative expenses during calendar 1949 were $2,117,829 as compared with $2,395,209 during the preceding year, and $37,427,000 during its peak year.

Exhibit 1

FEDERAL HOME LOAN BANKS

Summary of lending operations

	Year 1949		Balance outstanding end of year
	Advances	Repayments	
Boston	$20, 357, 569. 00	$19, 726, 501. 00	$27, 859, 056. 00
New York	26, 108, 400. 00	32, 850, 419. 46	30, 231, 122. 83
Pittsburgh	14, 543, 050. 00	20, 832, 072. 50	36, 753, 105. 00
Winston-Salem	23, 842, 500. 00	58, 275, 163. 60	58, 786, 906. 65
Cincinnati	14, 314, 000. 00	18, 172, 194. 22	27, 055, 800. 00
Indianapolis	9, 964, 014. 50	15, 839, 208. 80	31, 247, 950. 11
Chicago	38, 524, 521. 00	47, 432, 549. 20	61, 248, 059. 50
Des Moines	14, 775, 887. 00	24, 125, 621. 87	23, 525, 169. 81
Little Rock	11, 186, 200. 00	18, 456, 493. 00	22, 920, 661. 00
Topeka	10, 015, 000. 00	11, 344, 356. 53	21, 796, 291. 97
San Francisco	72, 031, 500. 00	70, 195, 000. 65	92, 005, 026. 99
Total, year 1949	255, 662, 641. 50	337, 249, 580. 83	433, 429, 149. 86
1948	359, 612, 776. 74	280, 168, 873. 35	515, 016, 089. 19
1947	351, 079, 350. 99	208, 961, 931. 93	435, 572, 185. 80
1946	320, 231, 890. 68	230, 649, 366. 93	293, 454, 766. 74
1945	277, 748, 276. 84	213, 438, 982. 95	194, 872, 242. 99
1944	239, 254, 221. 89	218, 759, 089. 74	130, 562, 949. 10
1943	156, 925, 588. 93	176, 070, 303. 60	110, 067, 816. 95
1942	99, 461, 876. 19	189, 695, 394. 41	129, 212, 531. 62
1941	157, 600, 420. 85	139, 646, 335. 38	219, 446, 049. 84
1940	134, 212, 165. 93	114, 033, 192. 20	201, 491, 964. 37
1939	94, 780, 586. 64	112, 310, 034. 15	181, 312, 990. 64
1938	81, 958, 343. 39	83, 153, 601. 22	198, 842, 438. 15
1937	123, 251, 172. 91	68, 440, 498. 13	200, 037, 695. 98
1936	93, 257, 057. 50	50, 715, 704. 66	145, 227, 021. 20
1935	59, 130, 068. 56	43, 046, 971. 39	102, 685, 668. 36
1934	38, 675, 566. 12	37, 515, 249. 30	86, 602, 571. 19
1933	90, 032, 164. 49	5, 427, 410. 12	85, 442, 254. 37
1932	837, 500. 00		837, 500. 00
Grand total	2, 942, 711, 670. 15	2, 509, 282, 520. 29	

Exhibit 2

FEDERAL HOME LOAN BANKS

Schedule of interest rates on new advances and interest rates paid on members' time deposits Jan. 1, 1950

Advances to members	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Only 1 rate in effect				2. 0	2. 25			2. 25	2. 0		2. 0
Secured advances:											
Not exceeding 1 year	2. 0	1. 75–2. 0	2. 0			2. 0	2. 0			[1] 2. 0–2. 5	
1 year to 5 years			2. 5				2. 25				
1 year to 10 years	2. 5	2. 5				2. 5	2. 5			2. 5	
Unsecured advances: 1 year or less	2. 0	1. 75–2. 0	2. 5			2. 0	2. 0			[1] 2. 0–2. 5	
Rates paid on time deposits remaining:											
Over 30 days	1. 0	1. 5	1. 0	1. 0	1. 0	1. 5	1. 0		[1] 1. 0	1. 0	1. 0
Over 90 days								1. 0			
Over 6 months				1. 25							
Certificates of deposit (1 year)	1. 5		1. 5	1. 5	1. 5		1. 25	1. 25		1. 5	

[1] New rate effective since Oct. 1, 1949.

Exhibit 3

FEDERAL HOME LOAN BANKS

Consolidated statement of condition as of Dec. 31, 1949 and 1948

	Dec. 31, 1949	Dec. 31, 1948
ASSETS		
Cash:		
On hand—including imprest funds	$112, 872. 10	$30, 810. 02
On deposit with:		
Treasurer of the United States	7, 314, 843. 32	9, 685, 084. 62
Commercial banks	15, 951, 168. 70	20, 620, 594. 51
Total cash	23, 378, 884. 12	30, 336, 489. 15
Investments:		
U. S. Treasury bills	6, 886, 093. 41	69, 381, 649. 30
Other U. S. Treasury obligations	268, 082, 257. 55	204, 474, 898. 78
Total investments	274, 968, 350. 96	273, 856, 548. 08
Advances outstanding:		
1 year or less	230, 880, 919. 05	257, 178, 514. 93
Amortized—1 to 10 years	202, 323, 230. 81	257, 837, 574. 26
Total to members	433, 204, 149. 86	515, 016, 089. 19
Nonmember mortgagees	225, 000. 00	
Total advances outstanding	433, 429, 149. 86	515, 016, 089. 19
Accrued interest receivable:		
Investments	1, 647, 365. 97	580, 503. 18
Advances	751, 327. 25	696, 111. 04
Total accrued interest receivable	2, 398, 693. 22	1, 276, 614. 22
Deferred charges:		
Prepaid consolidated obligations expense	69, 056. 43	179, 689. 49
Prepaid surety bond premiums	6, 591. 72	11, 154. 57
Other prepaid expenses	7, 666. 18	811. 10
Total deferred charges	83, 314. 33	191, 655. 16
Other assets:		
U. S. Savings bonds redeemed	2, 948. 21	
Accounts receivable	12, 854. 75	7, 351. 65
Furniture and equipment	11. 00	11. 00
Total other assets	15, 813. 96	7, 362. 65
Total assets	734, 274, 206. 45	820, 684, 758. 45
LIABILITIES AND CAPITAL		
Liabilities:		
Deposits:		
Members—time	231, 677, 602. 61	108, 801, 049. 43
Members—Demand	35, 434, 558. 70	24, 554, 177. 12
Applicants for membership	147, 550. 00	177, 400. 00
Government instrumentalities—demand		98, 419. 70
Total deposits	267, 259, 711. 31	133, 631, 046. 25
Accrued interest payable:		
Deposits—members' time	717, 190. 09	93, 507. 93
Consolidated obligations	1, 242, 975. 67	3, 993, 950. 04
Total accrued interest payable	1, 960, 165. 76	4, 087, 457. 97
Dividends payable:		
Member institutions	1, 087, 133. 43	934, 842. 56
U. S. Treasury	681, 879. 25	849, 464. 88
Total dividends payable	1, 769, 012. 68	1, 784, 307. 44
Accounts payable	5, 685. 99	6, 513. 71
Consolidated obligations (net) [1]	204, 225, 000. 00	414, 630, 000. 00
Total liabilities	475, 219. 575. 74	554, 139, 325. 37

[1] Consolidated Federal Home Loan Bank obligations issued by the Home Loan Bank Board are the joint and several obligations of all Federal Home Loan Banks and are not guaranteed by the United States nor by any agency thereof.

Exhibit 3

FEDERAL HOME LOAN BANKS

Consolidated statement of condition as of Dec. 31, 1949 and 1948 —Continued

	Dec. 31, 1949	Dec. 31, 1948
LIABILITIES AND CAPITAL—continued		
Capital:		
Capital stock outstanding (par):		
Members (fully paid)	136, 182, 900. 00	121, 224, 000. 00
Members (partially paid)	88, 200. 00	25, 300. 00
Total member subscriptions	136, 271, 100. 00	121, 249, 300. 00
Less: Unpaid subscriptions	31, 850. 00	11, 825. 00
Total paid in by members	136, 239, 250. 00	121, 237, 475. 00
U. S. Government subscriptions (fully paid)	95, 818, 800. 00	119, 791, 200. 00
Total paid in on capital stock	232, 058, 050. 00	241, 028, 675. 00
Surplus—earned:		
Legal reserve	13, 184, 045. 91	12, 232, 449. 37
Reserve for contingencies	4, 785, 650. 60	4, 283, 027. 01
Total surplus reserves	17, 969, 696. 51	16, 515, 476. 38
Undivided profits	9, 026, 884. 20	9, 001, 281. 70
Total earned surplus	26, 996, 580. 71	25, 516, 758. 08
Total capital	259, 054, 630. 71	266, 545, 433. 08
Total liabilities and capital	734, 274, 206. 45	820, 684, 758. 45

Exhibit 4

FEDERAL HOME LOAN BANKS

Consolidated comparative statement of operations for the calendar years 1949 and 1948

	Year ended Dec. 31, 1949	Year ended Dec. 31, 1948
Earned operating income:		
Interest on advances	$7,608,097.09	$8,884,812.97
Interest on securities	5,815,223.81	3,796,212.15
Miscellaneous	3,034.48	3,017.60
Total earned operating income	13,426,355.38	12,684,042.72
Less operating charges:		
Compensation, travel, and other expenses	1,276,097.79	1,213,445.79
Interest on consolidated obligations	4,417,690.97	5,412,449.92
Consolidated obligation expense—concessions	273,150.58	329,325.54
Paid through office of fiscal agent	49,872.03	54,348.70
Interest on members' deposits	2,536,858.69	722,284.94
GAO audit expense	20,729.74	7,469.09
Assessment for expenses of HLB Board	442,429.29	365,000.00
Total operating charges	9,016,829.09	8,104,323.98
Net operating income	4,409,526.29	4,579,718.74
Add—nonoperating income:		
Profit—sales of securities	286,571.48	99,377.28
Assessment credit	78,679.29	
Miscellaneous	1,080.28	593.33
Total nonoperating income	366,331.05	99,970.61
Less—nonoperating charges:		
Loss—sales of securities	4,579.32	14,369.16
Furniture and equipment purchased	13,295.35	10,521.16
GAO audit expense (prior years)		28,035.11
Total nonoperating charges	17,874.67	52,925.43
Net income	4,757,982.67	4,626,763.92

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

Compensation:		
Directors' fees	$57,625.00	$46,490.22
Officers' salaries	435,306.35	387,946.38
Counsel's compensation	69,001.81	76,519.63
Other salaries	287,107.44	285,942.36
Total compensation	849,040.60	796,898.59
Travel expense:		
Directors	52,953.24	47,054.14
Officers	33,507.61	28,517.91
Counsel and others	9,589.64	10,426.65
Maintenance and operation costs of automobile	3,989.75	4,032.71
Total travel expense	100,040.24	90,031.41
Other expenses:		
Retirement fund contribution	64,973.19	51,639.76
Telephone and telegraph	26,070.30	27,519.63
Postage and expressage	20,363.87	19,716.18
Stationery, printing, and other office supplies	31,358.31	29,070.78
Rent of banking quarters (net)	91,030.75	85,440.89
Maintenance of banking quarters and equipment	13,214.00	20,427.77
Services of HLBB's examining division	4,164.28	5,880.11
Safekeeping and protection services	2,529.60	2,571.46
Insurance and surety bond premiums	16,671.49	15,628.67
Reports and other publications	6,966.94	7,885.33
Stockholders' annual meeting expenses	17,556.23	14,463.11
Dues and subscriptions	15,236.81	14,579.84
Public relations expense	13,240.08	12,173.44
Miscellaneous operating expenses	3,641.10	19,518.82
Total other expenses	327,016.95	326,515.79
Total compensation, travel, and other expenses	1,276,097.79	1,213,445.79

Exhibit 5

FEDERAL HOME LOAN BANKS

List of directors and officers, as of Dec. 31, 1949

Boston

DIRECTORS

J. Bertram Watson (public interest).
Frederick J. Dillon [1] (public interest).
William J. Pape (public interest).
Rockwell C. Tenney (public interest).
H. Dudley Mills (at large).
Milton A. Barrett (at large).
Edward H. Weeks [2] (class A).
Ralph M. Smith (class A).
William J. D. Ratcliff (class B).
Frederic E. Small (class B).
Leo G. Shesong (class C).
A. Hadley Shumway (class C).

OFFICERS

Herbert N. Faulkner, president.
Lawrence E. Donovan, vice president and treasurer.
Paul H. Heywood, vice president and secretary.
Beatrice E. Holland, assistant secretary.

New York

DIRECTORS

George MacDonald [1] (public interest).
James Bruce (public interest).
Francis V. D. Lloyd [2] (public interest).
Eustace Seligman (public interest).
E. H. Schoonmaker (at large).
Walter J. Babcock (at large).
Willis J. Almekinder (class A).
Cadman H. Frederick (class A).
Joseph Holzka (class B).
John W. Cadman (class B).
Arthur C. Blackwell (class C).
James W. Cullen (class C).

OFFICERS

Nugent Fallon, president.
Denton C. Lyon, vice president and secretary.
Harold B. Diffenderfer, vice president and treasurer.
Joseph F. X. O'Sullivan, assistant secretary.

Pittsburgh

DIRECTORS

Ernest T. Trigg [1] (public interest).
Charles S. Tippetts [2] (public interest).
Arthur B. Koontz (public interest).
Walter B. Gibbons (public interest).
James J. O'Malley (at large).
Alexander Salvatori (at large).
Norman E. Clark (class A).
C. Elwood Knapp (class A).
N. F. Braun (class B).
Matthew L. Leib (class B).
Francis E. McGill (class C).
Charles Warner (class C).

OFFICERS

G. R. Parker, president.
Harold L. Tweedy, vice president.
William M. Stout, vice president.
Dale Park, treasurer.
Warren A. Sutton, secretary.

Winston-Salem

DIRECTORS

W. Waverly Taylor (public interest).
Horace S. Haworth [1] (public interest).
Raymond D. Knight, (public interest).
James Grayson Luttrell (public interest).
Marion M. Hewell (at large).
Frank Muller, Jr. (at large).
Wallace O. DuVall (class A).
Edward C. Baltz [2] (class A).
Peyton R. Keller (class B).
D. R. Fonville (class B).
George E. Rutledge (class C).
H. L. Sudduth (class C).

OFFICERS [3]

Joseph W. Holt, president.
John M. Sink, Jr., vice president.
C. Edwin Kline, secretary.
James T. Spence, treasurer.

[1] Chairman. [2] Vice chairman. [3] As of January 1, 1950.

Schedule of directors and officers, Dec. 31, 1949—Continued

Cincinnati

DIRECTORS

Frank K. Vaughn (public interest).
W. D. Gradison (public interest).
Howard L. Bevis [1] (public interest).
Frazer D. LeBus (public interest).
W. Megrue Brock [2] (at large).
W. B. Furgerson (at large).
A. E. Albright (class A).
Allen C. Knowles (class A).
John C. Mindermann (class B).
E. A. Covington (class B).
Eric L. Schulte (class C).
R. A. Stevens (class C).

OFFICERS

Walter D. Shultz, president.
W. E. Julius, vice president and treasurer.
J. W. Whittaker, vice president.
E. T. Berry, secretary.

Indianapolis

DIRECTORS

S. Rudolph Light (public interest).
Herman B. Wells [1] (public interest).
Charles T. Fisher, Jr. (public interest).
E. Kirk McKinney (public interest).
Arthur H. Deitsch (at large).
Fermor S. Cannon [2] (at large).
W. B. Burdick (class A).
Walter Gehrke (class A).
Donald L. Adair (class B).
Grant H. Longenecker (class B).
D. L. Cooley (class C).
Amos N. Adams (class C).

OFFICERS

Fred T. Greene, president and secretary.
Fermor S. Cannon, vice president.
G. E. Ohmart, vice president and treasurer.
Sylvia F. Brown, assistant secretary.
Caroline F. White, assistant treasurer.

Chicago

DIRECTORS

George F. Rowe (public interest).
Ralph M. Monk (public interest)
Charles E. Broughton [1] (public interest).
Henry G. Zander, Jr.[2] (public interest).
Arthur G. Erdmann (at large).
Edward J. Czekala (at large).
A. H. Koepke (class A).
Robert M. Brown (class A).
Allen R. Calhoun (class B).
Rilen McConachie (class B).
Robert L. Hirschinger (class C).
Austin J. Waldron (class C).

OFFICERS

A. R. Gardner, president.
John P. Domeier, vice president and treasurer.
Allan Anderson, secretary.

Des Moines

DIRECTORS

Willis L. Williams (public interest).
Harry H. Welsh, Jr. (public interest).
Robert E. Lee Hill [1] (public interest).
John D. Adams (public interest).
J. W. Davis (at large).
C. A. Williams (at large).
C. B. Fletcher (class A).
John W. Ballard (class A).
W. L. Sloan [2] (class B).
E. A. Kamp (class B).
Edward A. Murphy (class C).
Stanton R. Dahlen (class C).

OFFICERS

Robert J. Richardson, president and secretary.
W. H. Lohman, vice president and treasurer.
A. E. Mueller, assistant treasurer.
J. M. Martin, assistant secretary.

[1] Chairman.

[2] Vice chairman.

Schedule of directors and officers, Dec. 31, 1949—Continued

Little Rock

DIRECTORS

B. H. Wooten [1] (public interest).
Claude H. Roberts (public interest).
T. J. Butler (public interest).
Gordon H. Campbell (public interest).
Wilbur P. Gulley [2] (at large).
O. W. Boswell (at large).
Irvin H. Schonberg (class A).
Meredith Queen (class A).
A. J. Bush (class B).
R. H. McCune (class B).
Louis D. Ross (class C).
Robert T. Love (class C).

OFFICERS

H. D. Wallace, president and secretary.
J. C. Conway, vice president.
Ennis M. Oakes, vice president.
W. F. Tarvin, treasurer.

Topeka

DIRECTORS

A. O. Johnson (public interest).
Harrington Wimberly[1] (public interest).
Paul F. Good (public interest).
Henry A. Bubb [2] (at large).
Fred Brimmer (at large).
D. A. Willbern (class A).
Louis W. Grant (class A).
Leo Smith (class B).
J. L. Coffman (class B).
Cecil Calvert (class C).
Carl A. Hammel (class C).

OFFICERS

C. A. Sterling, president and secretary.
R. H. Burton, vice president and treasurer.

San Francisco

DIRECTORS

Ben A. Perham [1] (public interest).
William A. Davis [2] (public interest).
Archibald B. Young (public interest).
C. W. Leaphart (public interest).
R. Floyd Hewitt (at large).
Guy E. Jaques (at large).
J. H. Andrews (class A).
Roy E. Hegg (class A).
C. N. Bloomfield (class B).
Douglas H. Driggs (class B).
P. C. Bulen (class C).
F. M. Donahoe (class C).

OFFICERS

Guy E. Jaques, vice president.
Irving Bogardus, vice president and treasurer.
Frank C. Noon, vice president.
L. F. Nolan, assistant treasurer.
Helen C. Stearman, assistant treasurer.
Ray E. Humphrey, assistant treasurer.
E. M. Jenness, assistant secretary.
E. E. Pearson, assistant secretary.

[1] Chairman.
[2] Vice chairman.

Exhibit 6

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Statement of condition

	Dec. 31, 1949	Dec. 31, 1948
ASSETS		
Cash	$551, 245. 92	$792, 925. 15
Accounts receivable:		
Insurance premiums—payments due	134, 451. 30	96, 808. 25
Insurance premiums—payments deferred	3, 034, 533. 74	2, 647, 449. 48
Admission fees receivable	2, 299. 22	3. 20
Due from governmental agencies	64. 20	886. 46
Miscellaneous	875. 43	
Total	3, 172, 223. 89	2, 745, 147. 39
Investments:		
U. S. Government securities (par value)	213, 962, 000. 00	198, 962, 000. 00
Unamortized premium on investments	16, 568. 15	17, 503. 91
Total	213, 978, 568. 15	198, 979, 503. 91
Accrued interest on investments	1, 117, 765. 53	171, 576. 69
Subrogated accounts in insured institutions in liquidation		365, 845. 78
Less: Allowance for losses		280, 025. 28
Total		85, 820. 50
Pending and unclaimed insured accounts in liquidated institutions	10, 146. 38	10, 146. 38
Less: Allowance for losses	710. 35	718. 61
Total	9, 436. 03	9, 427. 77
Furniture, fixtures, and equipment	50, 981. 32	52, 629. 74
Less: Reserve for depreciation	50, 981. 32	52, 629. 74
Total		
Deferred charges:		
Home Loan Bank Board	71, 879. 65	44, 621. 51
Fidelity bond and other insurance premiums	463. 64	927. 28
Unallocated preliminary expense on problem cases	2, 924. 38	
Total	75, 267. 67	45, 548. 79
Total assets	218, 904, 507. 19	202, 829, 950. 20
LIABILITIES AND CAPITAL		
Liabilities:		
Accounts payable	151. 42	69. 51
Accrued liabilities	30, 932. 28	21, 540. 23
Deductions from employees' salaries	13, 861. 15	13, 304. 12
Pending and unclaimed insured accounts in liquidated institutions	10, 146. 38	10, 146. 38
Custodial funds—receiverships	11, 115. 01	2, 655. 97
Total	66, 206. 24	47, 716. 21
Deferred credits:		
Unearned insurance premiums	5, 710, 562. 62	4, 948, 599. 94
Prepaid insurance premiums	66. 97	26. 01
Unapplied collections	37. 25	
Total	5, 710, 666. 84	4, 948, 625. 95
Capital:		
Capital stock	100, 000, 000. 00	100, 000, 000. 00
Reserve fund as provided by law	[1] 105, 354, 411. 15	92, 206, 266. 04
Unallocated income	7, 773, 222. 96	5, 627, 342. 00
Total	113, 127, 634. 11	97, 833, 608. 04
Total liabilities and capital	218, 904, 507. 19	202, 829, 950. 20

[1] Pursuant to Public Law 860, 80th Cong., cumulative dividends as of June 30, 1948, were determined to be $25,181,749.98. Cumulative dividends thereafter are being computed by the Corporation at the rate of $250,000 monthly.

Exhibit 7

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Income and expense statement

	Jan. 1, 1949, through Dec. 31, 1949	Jan. 1, 1948, through Dec. 31, 1948
Operating income and recoveries:		
Insurance premiums earned	$10, 948, 225. 12	$9, 456, 079. 50
Admission fees earned	79, 686. 72	40, 295. 52
Interest earned on U. S. Government securities	4, 677, 631. 44	4, 388, 169. 53
Miscellaneous	5, 355. 78	103. 74
Total operating income and recoveries	15, 710, 899. 06	13, 884, 648. 29
Operating expenses and losses:		
Administrative expenses	602, 346. 30	515, 806. 52
Liquidation and other expenses	10, 912. 96	13, 140. 64
Depreciation of furniture, fixtures, and equipment	5, 003. 60	16, 940. 80
Losses on subrogated accounts	278, 372. 19	6, 343. 59
Total operating expenses and losses	896, 635. 05	552, 231. 55
Net income from operations	14, 814, 264. 01	13, 332, 416. 74
Nonoperating income:		
Profit on sale of securities	190, 843. 77	
Sale of furniture, fixtures, and equipment	6, 441. 02	
Miscellaneous		18. 51
Total nonoperating income	197, 284. 79	18. 51
Nonoperating charges: Commission on securities	390. 63	156. 26
Net income before adjustment of valuation reserves	15, 011, 158. 17	13, 332, 278. 99
Adjustment of valuation reserves:		
Provision for losses on subrogated accounts in insured institutions in liquidation	280, 025. 28	7, 530. 10
Provision for losses on insured accounts in institutions in liquidation—peuding and unclaimed	8. 26	92. 02
Net adjustments of valuation reserves	280, 033. 54	7, 622. 12
Net income for period	15, 291, 191. 71	13, 339, 901. 11
Adjustment of net income for prior years	2, 834. 36	—5, 116. 29
Net income	15, 294, 026. 07	13, 334, 784. 82

Exhibit 8

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Number and assets of insured savings and loan associations, by type, Dec. 31, 1948 and 1949

	All insured				Federal				Insured State			
	1949		1948		1949		1948		1949		1948	
	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets
United States	2,756	$11,304,868,000	2,616	$9,733,723,000	1,508	$7,107,202,000	1,485	$6,162,094,000	1,248	$4,197,666,000	1,131	$3,571,629,000
District No. 1—Boston	71	533,544,000	67	464,652,000	53	464,090,000	53	416,457,000	18	69,454,000	14	48,195,000
Connecticut	31	179,189,000	28	150,935,000	17	132,916,000	17	117,103,000	14	46,273,000	11	33,832,000
Maine	5	7,094,000	5	6,298,000	5	7,094,000	5	6,298,000				
Massachusetts	27	285,737,000	26	254,797,000	26	279,534,000	26	254,797,000	1	6,203,000		
New Hampshire	4	23,732,000	4	19,761,000	2	22,092,000	2	18,368,000	2	1,640,000	2	1,393,000
Rhode Island	2	25,665,000	2	22,011,000	1	10,327,000	1	9,041,000	1	15,338,000	1	12,970,000
Vermont	2	12,127,000	2	10,850,000	2	12,127,000	2	10,850,000				
District No. 2—New York	288	1,514,402,000	267	1,298,874,000	85	750,067,000	82	652,888,000	203	764,335,000	185	645,986,000
New Jersey	140	465,901,000	135	396,521,000	18	56,974,000	17	42,108,000	122	408,927,000	118	354,413,000
New York	147	1,046,711,000	132	902,353,000	66	691,303,000	65	610,780,000	81	355,408,000	67	291,573,000
Puerto Rico	1	1,790,000			1	1,790,000						
District No. 3—Pittsburgh	262	717,774,000	250	628,728,000	138	468,633,000	135	413,924,000	124	249,141,000	115	214,804,000
Delaware	1	1,655,000	1	1,250,000	1	1,655,000	1	1,250,000				
Pennsylvania	236	665,444,000	224	582,015,000	116	423,693,000	113	373,935,000	120	241,751,000	111	208,080,000
West Virginia	25	50,675,000	25	45,463,000	21	43,285,000	21	38,739,000	4	7,390,000	4	6,724,000
District No. 4—Winston-Salem	353	1,348,905,000	320	1,147,838,000	242	1,056,923,000	232	903,583,000	111	291,982,000	88	244,255,000
Alabama	28	58,040,000	26	49,377,000	20	47,890,000	18	40,820,000	8	10,150,000	8	8,557,000
District of Columbia	17	141,939,000	14	115,540,000	8	78,516,000	7	72,960,000	9	63,423,000	7	42,580,000
Florida	51	312,583,000	50	267,048,000	50	309,620,000	49	264,319,000	1	2,963,000	1	2,729,000
Georgia	59	200,845,000	53	170,582,000	53	191,180,000	47	145,557,000	6	9,665,000	6	25,025,000
Maryland	43	208,445,000	42	185,551,000	32	160,734,000	32	142,650,000	11	47,711,000	10	42,901,000
North Carolina	77	197,876,000	65	161,909,000	27	100,087,000	27	88,922,000	50	97,789,000	38	72,987,000
South Carolina	47	107,162,000	42	89,563,000	32	82,887,000	32	70,748,000	15	24,275,000	10	18,815,000
Virginia	31	122,015,000	28	108,268,000	20	86,009,000	20	77,607,000	11	36,006,000	8	30,661,000
District No. 5—Cincinnati	363	1,738,420,000	349	1,536,764,000	221	1,008,839,000	218	885,375,000	142	729,581,000	131	651,389,000
Kentucky	56	170,174,000	56	156,186,000	54	166,009,000	54	152,145,000	2	4,165,000	2	4,041,000
Ohio	270	1,435,681,000	258	1,266,922,000	131	710,845,000	129	619,574,000	139	724,836,000	129	647,348,000
Tennessee	37	132,565,000	35	113,656,000	36	131,985,000	35	113,656,000	1	580,000		
District No. 6—Indianapolis	187	691,488,000	183	619,072,000	102	478,729,000	102	431,438,000	85	212,759,000	81	187,634,000
Indiana	140	412,828,000	137	375,912,000	69	278,096,000	69	256,555,000	71	134,732,000	68	119,357,000
Michigan	47	278,660,000	46	243,160,000	33	200,633,000	33	174,883,000	14	78,027,000	13	68,277,000

Number and assets of insured savings and loan associations, by type, Dec. 31, 1948 and 1949 —Continued

	All insured				Federal				Insured State			
	1949		1948		1949		1948		1949		1948	
	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets
District No. 7—Chicago	356	1,322,304,000	326	1,121,566,000	143	704,177,000	140	592,751,000	213	618,127,000	186	528,815,000
Illinois	258	1,056,213,000	234	897,713,000	103	607,692,000	100	512,128,000	155	448,521,000	134	385,585,000
Wisconsin	98	266,091,000	92	223,853,000	40	96,485,000	40	80,623,000	58	169,606,000	52	143,230,000
District No. 8—Des Moines	165	630,502,000	160	544,730,000	106	470,552,000	106	410,573,000	59	159,950,000	54	134,157,000
Iowa	43	99,478,000	43	85,815,000	32	78,601,000	32	67,951,000	11	20,877,000	11	17,864,000
Minnesota	36	244,740,000	35	210,412,000	30	238,241,000	30	205,881,000	39	117,827,000	5	4,531,000
Missouri	73	252,415,000	69	219,287,000	34	134,588,000	34	120,507,000	6	6,499,000	35	98,780,000
North Dakota	7	24,926,000	7	21,411,000	6	13,172,000	6	11,065,000	1	11,754,000	1	10,346,000
South Dakota	6	8,943,000	6	7,805,000	4	5,950,000	4	5,169,000	2	2,993,000	2	2,636,000
District No. 9—Little Rock	275	652,332,000	269	556,073,000	159	296,837,000	159	252,748,000	116	355,495,000	110	303,325,000
Arkansas	38	55,368,000	38	47,297,000	34	47,459,000	34	40,106,000	4	7,909,000	4	7,191,000
Louisiana	72	216,874,000	71	188,470,000	14	33,936,000	13	29,741,000	58	182,938,000	58	158,729,000
Mississippi	25	37,479,000	24	29,019,000	20	32,110,000	20	25,885,000	5	5,369,000	4	3,134,000
New Mexico	14	25,839,000	13	20,964,000	7	16,445,000	7	13,320,000	7	9,394,000	6	7,644,000
Texas	126	316,772,000	123	270,323,000	84	166,887,000	85	143,696,000	42	149,885,000	38	126,627,000
District No. 10—Topeka	164	451,598,000	157	388,836,000	97	327,146,000	97	287,302,000	67	124,452,000	60	101,534,000
Colorado	38	117,056,000	36	99,344,000	23	83,797,000	23	72,418,000	15	33,259,000	13	26,926,000
Kansas	62	134,879,000	59	113,933,000	28	81,705,000	28	72,461,000	34	53,174,000	31	41,472,000
Nebraska	19	27,434,000	19	24,380,000	15	22,022,000	15	19,447,000	4	5,412,000	4	4,933,000
Oklahoma	45	172,229,000	43	151,179,000	31	139,622,000	31	122,976,000	14	32,607,000	12	28,203,000
District No. 11—San Francisco	272	1,703,599,000	268	1,426,590,000	162	1,081,209,000	161	915,055,000	110	622,390,000	107	511,535,000
Alaska	1	1,674,000	1	1,302,000	1	1,674,000	1	1,302,000	----	----	----	----
Arizona	3	30,512,000	3	26,839,000	2	22,647,000	2	19,652,000	1	7,865,000	1	7,187,000
California	151	1,184,100,000	148	971,947,000	74	708,190,000	73	585,571,000	77	475,910,000	75	386,376,000
Hawaii	4	11,211,000	4	9,584,000	1	6,584,000	1	5,272,000	3	4,627,000	3	4,312,000
Idaho	8	34,518,000	8	29,759,000	8	34,518,000	8	29,759,000	----	----	----	----
Montana	10	26,366,000	10	22,792,000	3	4,309,000	3	3,536,000	7	22,057,000	7	19,256,000
Nevada	1	5,152,000	1	4,063,000	1	5,152,000	1	4,063,000				
Oregon	21	68,205,000	21	59,169,000	21	68,205,000	21	59,169,000	----	----	----	----
Utah	10	58,542,000	9	50,038,000	6	26,028,000	6	22,299,000	4	32,514,000	3	27,739,000
Washington	54	267,472,000	54	237,407,000	36	188,055,000	36	170,742,000	18	79,417,000	18	66,665,000
Wyoming	9	15,847,000	9	13,690,000	9	15,847,000	9	13,690,000	----	----	----	----

Exhibit 9

HOME OWNERS' LOAN CORPORATION

Balance sheet at Dec. 31, 1949

ASSETS

Mortgage loans, vendee accounts and advances—at present face value			$230,623,195.73
Interest receivable			785,834.50
Property:			
Owned		$6,339.60	
In process of acquiring title		31,094.47	37,434.07
			231,446,464.30
Less: Reserve for losses			522,057.11
Investments—at cost:			230,924,407.19
Savings and loan associations:			
Federally chartered	$1,158,200.00		
State chartered	793,600.00	1,951,800.00	
Public debt obligations of the United States (borrowers' special deposits)—at face value		8,200,000.00	10,151,800.00
Bond retirement fund: Cash (including $1,855,125 deposited with U. S. Treasury for retirement of matured bonds)			1,918,320.85
Cash:			
Operating funds—(includes $2,301,579.32 payable to bond retirement fund in January 1950); and $1,616,477.97 deposited by borrowers and employees)—(see contra)		8,886,256.50	
Special funds held by the U. S. Treasury for payment of bond interest (see contra)		217,890.08	
Special funds—Federal tax withheld (see contra)		39,633.28	
Special funds—held by U. S. Treasury for refunding of 1½ percent series M bonds called as of June 1, 1945		65,750.00	9,209,529.86
Fixed assets:			
Furniture, fixtures, and equipment—at cost		232,481.07	
Less: Reserve for depreciation		232,481.07	
Other assets:			
Accounts receivable		79,104.41	
Less: Reserve for uncollectible accounts receivable		74,821.65	
		4,282.76	
Dividends receivable—savings and loan associations		21,941.25	26,224.01
Deferred and unapplied charges			103,824.59
			252,334,106.50

Balance sheet at Dec. 31, 1949—Continued

LIABILITIES AND CAPITAL

Bonded indebtedness:		
(Guaranteed as to principal and interest by United States, except $92,125 of unpaid matured bonds guaranteed as to interest only):		
Bonds outstanding—not matured	$29, 000, 000. 00	
Bonds matured—on which interest has ceased	1, 920, 875. 00	$30, 920, 875. 00
Accounts payable:		
Interest due (see contra)	217, 890. 08	
Accrued pay roll	31, 395. 63	
Insurance premiums	120, 614. 21	
Special deposits—		
By borrowers	9, 802, 140. 73	
By employees (savings bonds)	3, 819. 31	
Civil service retirement deductions	10, 517. 93	
Federal tax withheld (see contra)	39, 633. 28	
Miscellaneous	38, 435. 57	10, 264, 446. 74
Accrued liabilities		47, 879. 81
Deferred and unapplied credits		2, 059, 604. 60
Reserve for fidelity and casualties		250, 000. 00
Capital stock (held by U. S. Treasury):		
Authorized, issued, and outstanding	200, 000, 000. 00	
Surplus	8, 791, 300. 35	208, 791, 300. 35
		252, 334, 106. 50

EXHIBIT 10

HOME OWNERS' LOAN CORPORATION

Statement of income and expense for the calendar year 1949

Operating and other income:		
Interest:		
Mortgage loans and advances		$8,896,115.58
Vendee accounts and advances		5,237,302.53
		14,133,418.11
Special investments		124,824.77
Total		14,258,242.88
Property income		310.40
Dividends received from savings and loan associations		71,013.92
Miscellaneous		456,358.49
Total income		14,785,925.69
Operating and other expenses:		
Interest on bonded indebtedness		1,485,829.02
Administrative and general expenses:		
Administrative expenses		2,117,829.59
General expenses		28,204.32
Property expense		[1] 266.51
Total expense		3,631,596.42
Net income before provision for losses which may be sustained in the liquidation of assets		11,154,329.27
Provision for losses:		
On mortgage loans, interest and property		—
For fidelity and casualties		16,507.45
For fire and other hazards		—
For uncollectible accounts receivable		4,389.52
Total provision for losses		20,896.97
Losses on investments in savings and loan associations		[2] 30,557.48
		51,454.45
Net income for calendar year after provision for losses		11,102,874.82
Deficit at Dec. 31, 1948	$4,407,116.64	
Deduct: Surplus adjustments—net	2,095,542.17	2,311,574.47
Surplus at Dec. 31, 1949		8,791,300.35

[1] Net credit

[2] Excess liquidating dividends of $31,080.61 included in income "Dividends on investments in savings and loan associations"--Exhibit 11.

EXHIBIT 11

HOME OWNERS' LOAN CORPORATION

Statement of income and expense from the beginning of operations, June 13, 1933, to Dec. 31, 1949

Operating and other income:			
Interest:			
Mortgage loans and advances		$1, 052, 799, 482. 40	
Vendee accounts and advances		134, 729, 108. 99	
		1, 187, 528, 591. 39	
Special investments		1, 374, 969. 65	$1, 188, 903, 561. 04
Property income			138, 645, 668. 78
Dividends received—F. S. & L. I. C.			28, 217, 076. 07
Dividends on investments in savings and loan associations			44, 731, 877. 28
Miscellaneous			9, 881, 978. 53
			1, 410, 380, 161. 70
Operating and other expenses:			
Interest on bonded indebtedness	$655, 191, 923. 96		
Less: Premium on bonds sold	1, 618, 866. 43	$653, 573, 057. 53	
Discount on refunded bonds		7, 147, 710. 28	
		660, 720, 767. 81	
Administrative expenses		270, 626, 738. 97	
General expenses		18, 675, 414. 84	
Property expense		112, 826, 215. 05	1, 062, 849, 136. 67
Net income before provision for losses which may be sustained in the liquidation of assets			347, 531, 025. 03
Losses and provision for losses:			
On mortgage loans, interest, and property		$349, 737, 153. 25	
For fidelity and casualties		1, 371, 778. 31	
For fire and other hazards		881, 252. 50	
For uncollectible accounts receivable		67, 810. 78	
Total provision for losses		352, 057, 994. 84	
Losses on investments in savings and loan associations		30, 557. 48	352, 088, 552. 32
Loss for period June 13, 1933, to Dec. 31, 1949			4, 557, 527. 29
Deduct: Surplus adjustments—reserve against fire and other hazards, reserve for losses on mortgage loans, interest and property and unlocated payments (net)			13, 348, 827. 64
Surplus at Dec. 31, 1949			**8, 791, 300. 35**