



FEDERAL HOME LOAN BANK BOARD  
**JOURNAL**

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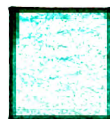
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# FEDERAL HOME LOAN BANK BOARD JOURNAL

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<b>Board and S&amp;L Industry Review 1971, Plan for the Future</b> -----	<b>1</b>
<b>The New OES Rating System</b> -----	<b>8</b>
<b>Cutting the Passbook Rate</b> -----	<b>14</b>
<b>FHLMC's Variable Interest Approach for Multifamily Commitments</b> -----	<b>16</b>
<b>The Vanguard Program</b> -----	<b>17</b>
<b>FHLMC Sells</b> -----	<b>20</b>
<b>Profile</b> -----	<b>22</b>
<b>Sources and Uses of Funds in the 3rd Quarter</b> -----	<b>23</b>
<b>News</b> -----	<b>27</b>
<b>Regulations, Rulings, and Opinions</b> -----	<b>28</b>
<b>Statistical Series</b> -----	<b>30</b>

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# Board and S&L Industry Review 1971, Plan for the Future

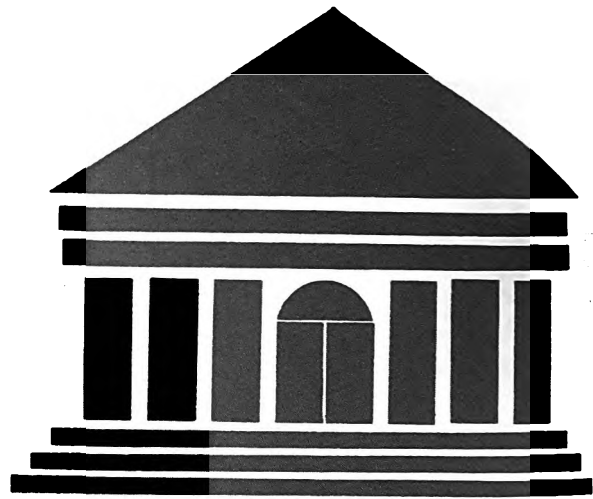
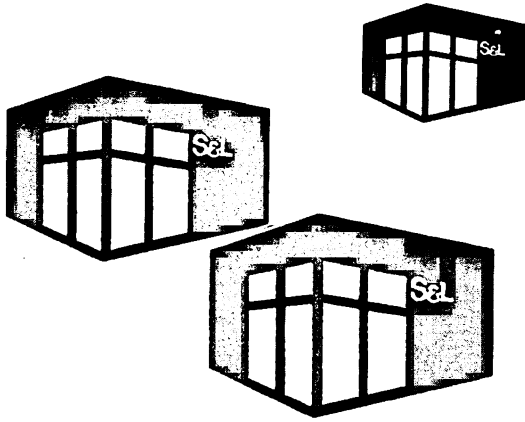
Chairman Preston Martin and Board Members Carl O. Kamp, Jr., and Thomas Hal Clarke commended the Nation's savings and loan industry last month for its record activity in financing housing during 1971. In speeches before the 79th annual U.S. Savings and Loan League convention, they discussed recent regulatory changes and presented their ideas of how the industry can continue its role of community service in the coming years.

Talking on future branching and marketing opportunities for savings and loan associations, Mr. Clarke said the Board is concerned with "the narrowness and inflexibility of the branching system as it exists today. We believe that there are compelling reasons for savings and loans to explore new, promising methods for serving markets which are currently not being served by the industry. Presently, the industry's branching concept, for the most part, involves large, full-service facilities. These facilities, which many refer to as monuments, are often very elaborate, elegant buildings which no doubt served the savings and loan industry well in gaining public confidence, particularly in the 1950's and early 1960's," he stated.

"However, the problem of public image has been substantially resolved. Today we are faced with challenges in two new areas. Both flow from the pace at which our world is changing,

and neither is met by the large, full-service savings and loan facility. These two challenges could be summed up in the words, flexibility and convenience. One centers on the requirements of the savings and loan industry itself and the other on the needs of the customer. In reality, of course, the desires of the customer cannot be separated from the needs of the industry. Fortunately, it appears that both of these closely related challenges can be met, in part at least, by a single response—which I will call the satellite facility," Mr. Clarke said.

"Inflexibility is a difficulty today because markets are no longer static. Patterns of population, commerce, traffic, and communication are constantly shifting in response to one another. When a savings and loan spends huge sums of money purchasing a piece of scarce city or suburban land and builds a large, elaborate branch facility, it is sinking its resources into a *place*—a place which may lose its vitality before the building does. A facility which is built to look like it will last for an eternity, takes almost an eternity to depreciate. When centers of commerce and traffic shift to new locations, the industry finds itself with half-depreciated, single-purpose white elephants. It's a nightmarish spectacle to imagine the industry 20 years down the road with 30 to 50 percent of its facilities in the white elephant category. Let me interject at this point the ob-



servation that many of you are aware of this possibility. In fact, there has been a shift away from the huge full-service branch to the small savings and withdrawal facility," he declared.

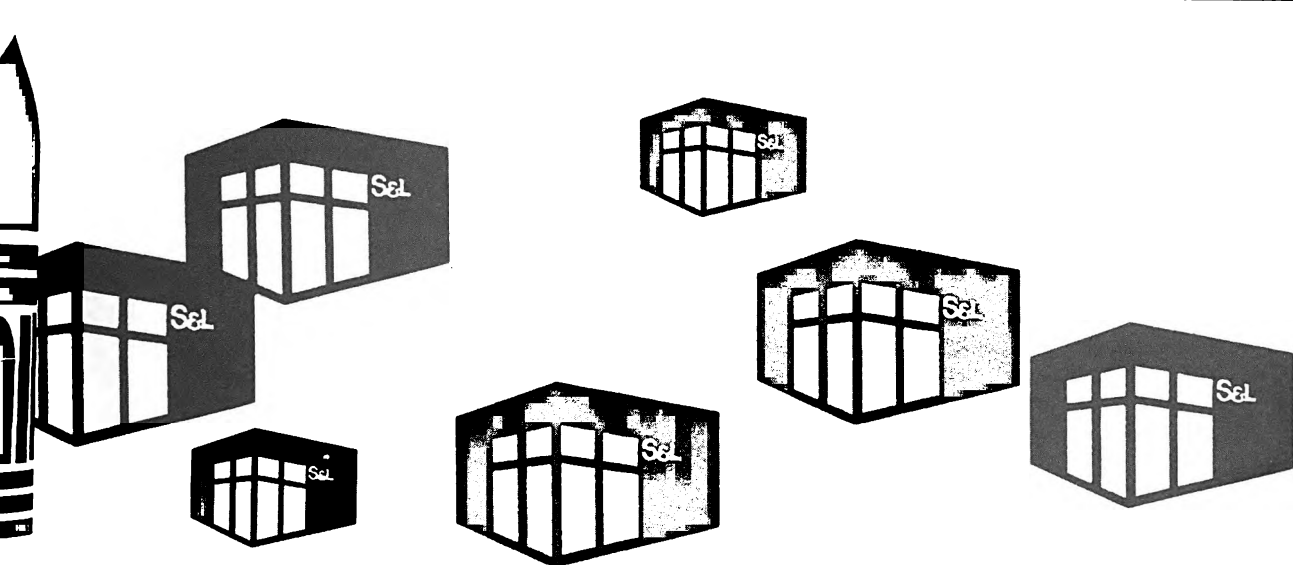
"Naturally, the full-service central office will always be necessary. But perhaps we should begin to think of the large, free-standing office as a center that is made flexible by its satellite facilities which reach out to the customer where he lives and works and shops, and follow him when he moves. But why stop at fitting the association into the customer's travel route? Why not also fit it into his time schedule? This is the age of convenience. People are too busy to go out of their way to do things. By the same token, they are too busy to mold their schedules around somebody else's, if they can help it. Probably more than any other service, their commercial banks with 9 to 2 and 5-day week schedules have made demands on them to do just that. It stands to reason that, all other things being equal, the savings and loan association which relaxes those schedule demands and increases convenience is going to increase its patronage. To underestimate the role of convenience is a serious mistake, because banks capitalize on convenience and association of other services. Savings and loans have a real disadvantage in that they don't have other associated services. One way to overcome this problem is to emphasize convenience, of both location and time, to the highest extent possible," Mr. Clarke said.

"The Board believes the time is appropriate for the savings and loan industry to explore the market possibilities of the satellite facility. This branching technique would respond to the

twin challenges of flexibility and convenience by combining two new concepts in the savings and loan industry—the mini-branch and automated services. The satellite facility would be a small, flexible outlet located in department stores, supermarkets, and discount houses, or free standing in parking lots and shopping malls. It would be manned by a very small staff or, more often, by the machines which now can make 'round the clock self-service available to today's hurried society," he added.

"Besides being convenient for the customer, the satellite facility would be far less expensive to initiate and to operate than would a conventional branch. Its high visibility in areas of concentrated business and shopping would help to familiarize the general public with the services performed by savings and loan associations. Instead of being massive concrete, marble, and steel rooted in the ground as for all time, the satellite facility would be like a Bedouin's tent, which can be quietly folded up and moved to greener pastures with a minimum of disruption or embarrassment," he said.

"The concept of the satellite facility has an important feature above and beyond its efficiency for the public and the savings and loan industry, and that is stability. By offering really convenient service, the satellite facility can attract the accounts of savings depositors who are more concerned about convenience than about interest rates—and who, therefore, have normally patronized commercial banks. These small accounts tend to be either not rate-sensitive or at the low end of the sensitivity spectrum. The nature of these accounts is important, because by tapping this new and stable



Roger K. Lindland, Director of the Office of the Federal Savings and Loan Insurance Corporation, told the 79th annual U.S. Savings and Loan League convention that FSLIC has consolidated its Midwestern operations resulting in cost savings and more efficient operations.

He also told of the development and implementation of a modern financial control system designed to give FSLIC management timely data on the status of Corporation assets.

Mr. Lindland reported on the liquidation activity in terms of sales of assets titled to FSLIC and liquidating distributions declared by receiverships.

He said that three FSLIC staff members of the Midwestern Office have been awarded the Presidential Management Improvement Certificate for the initiative and resourcefulness in integrating five separate operations under one roof, with annual savings of approximately \$250,000.

FSLIC has developed an Asset Management Information, Accounting and Cost System, he added. This System will bring improved efficiency in clerical and cost accounting operations, better control over real estate exposure, and an improved flow of management information related to planning and carrying out liquidation activities.

Mr. Lindland said FSLIC has sold \$42 million in principal amount of mortgage loans and real estate contracts and \$18 million in book value real estate owned during the last 12 months.

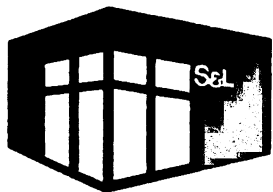
source of funds, the satellite facility can make a real contribution to the availability of money for housing in this country," Mr. Clarke told the delegates.

"The ability to provide such great convenience is particularly important to the savings and loan industry because it offers the possibility of attracting the huge, undeveloped youth market, which I define as anyone under 40 years of age. These are the people who live at the fastest pace, and who most value convenience. It seems the savings and loan industry virtually ignores the younger adult, despite the fact that millions of adults in their late twenties and thirties are highly affluent and capable of generating savings," he said.

"A U.S. Savings and Loan League study shows this general state of affairs. The traditional big saver is an older person, smitten by the Great Depression, who knows the necessity of self-denial and thrift. More than one astute manager has expressed the disquieting fear that as depression annealed people gradually die off there will be nobody to replace them," he warned.

Mr. Clarke said the Board recently has directed its staff to draft proposed regulations which would enable savings and loans to organize satellite facilities—including mini-branches and automated services. He said the Board has not reached a decision on permission to operate satellite activities, but listed the guidelines the staff has been following in drafting the regulations:

1. Satellite facilities must be related to an existing operation—either a central or a branch office. Each existing facility will



be permitted only one satellite, and any changes in the location of a satellite facility must be approved by the District Federal Home Loan Bank.

2. The ultimate decision for *approving* satellite facility applications probably will rest with the District Banks when no protests have been made to the application, and when the Supervisory Agent is satisfied that the proposed location is appropriate for the operation of a savings and loan and is within the general service area of the existing facility. When these condi-



tions have not been met, the application will be referred to the Board for decision.

3. Satellite facilities will be approved only in those States that permit branching.

4. The satellite facility must show a contribution to the overall viability and strength of its parent association, either in attaining a clearly defined break-even point, in contributing to the overall profits of the parent, or in substantially strengthening the parent branch office. When a satellite facility has been in operation for 3 years, the parent association must reapply to the Federal Home Loan Bank for its continued operation. If a satellite facility cannot meet the performance benchmark set out in the application supporting it in 3 years, it must be closed. Such a rule will insure a lean, productive system of satellite branches which will add to the strength of the Federal Savings and Loan Insurance Corporation and insured associations. Any satellite activity should lie within the general sphere of influence of the parent's other facilities. Thus, if the satellite is closed, accounts can be consolidated with a minimum disruption to the savings public.

5. Satellite facilities should add to the strength and viability of the entire industry, and not merely trade dollars or provide a way for associations to deny entry of needed competitive conventional branches.

6. The Board will discourage anyone from tying up a chain store system, such as Safeway in California or Rich's department stores in Atlanta, Georgia. The tieup of a chain store by one savings and loan would be unfair to other associations, and at the same time dangerous to the association involved, since it might depend too heavily on the health of another business.

7. The participating associations will have to keep thorough records for their satellite facilities to answer such fundamental questions as: Are savings and loans really developing new markets? How are accounts in satellite branches different from those in regular branches? What are the costs of maintaining such accounts? Is the success of a satellite facility related to whether it is placed inside or outside? Is there a positive synergism taking place

where satellite facilities operate in the shadow of parent branches? Do nearby branches benefit by the presence of satellite branches?

"From time to time we hear that a truly effective satellite facility program would be fought by commercial banks. No doubt they would be concerned, since such a trend would be likely to increase the competitive strength of the savings and loan industry. I have pointed out on a number of occasions that the banks are already swamping the savings and loan industry with branches. They are presently branching at a fourfold greater rate than savings and loans. Furthermore, banks are presently developing and implementing the innovative concepts which I have been describing," he concluded.\*

Chairman Martin praised the industry for progress in making loans to and employing minority Americans. At the same time, he urged them to increase their activity in making low downpayment loans and loans on mobile homes, as well as in selling and purchasing mortgages.

He reported that the Federal Home Loan Bank System handled net repayments of \$3,459 million through June 9, 1971. Then, by the end of October 1971, provided funds in 11 of the Districts totaling \$1,231 million, while accepting net repayments in the 11th District of \$757 million.

Speaking on minority lending and employment, he said: "1971 was the year in which substantial progress was made in the delicate areas of lending and employment for minority Americans. This progress has been accomplished in the highest traditions of voluntary and cooperative approaches to problem solving."

He also congratulated savings and loan executives for the record-breaking savings and lending activities during the year that included \$38 billion in loans and more than \$20 billion in net new savings gain and "the massive, accumulative effect upon our society from your thousands of decisions to finance housing for moderate- and low-income families."

\* Mr. Clarke wishes to acknowledge the assistance of Dr. John R. Stuteville, Economic Counsel to the Conference of Federal Savings and Loan Associations, whose research and expertise contributed immeasurably in the preparation of his address.

Thomas R. Bomar, Executive Vice President of the Federal Home Loan Mortgage Corporation, told U.S. S&L League members the Corporation will make a new offer to sell conventional participations in December following November's successful sale.

"The initial reception was overwhelming with what we had available to sell at the market lasting less than 45 minutes," Mr. Bomar reported.

He said the sale offer represents a significant development as the first truly secondary mortgage market vehicle in conventional loans.

After listing the features of FHLMC's conventional loan participations, he went on to point out that FHLMC stays in the transaction for its life, not only as the guarantor but as the collector/disburser of investments cash flow.

This facilitation makes it possible for the seller/servicer of participation interests to be assured that his sale is not going to be fragmented so that he ends up with a myriad of small servicing accounts all over the country. Rather he can look forward to building up a profitable servicing relationship and know that he will have to remit to only one source, the Mortgage Corporation," Mr. Bomar added.

He also reported that the conventional whole loan program is nearly ready and that there will be provisions for both single-family and multifamily loans when buying operations begin.

Chairman Martin told the convention of the Board's efforts to streamline the regulatory framework.

"I don't mean that any Board can properly take out the load-bearing members of the regulatory framework essential to safety and soundness of the institution: our duty is the antithesis of that. Deregulation has to be done with constant attention to that constraint and as to whether the public interest would really be served by a given change. However, another duty calls. It is to facilitate and develop. I don't think any of us forgets, even in this \$38 billion dollar loan year, that the insured industry and the Bank System itself were set up to provide economical financing and homeownership for the greatest possible number of qualified Americans. The legislative history of the Bank Act made 38 or 39 years ago is replete with references to the small homeowner, adequate long-term credit facilities, and promoting long-term financing of home mortgages," he said.

Chairman Martin said the Board acted in 1971 to modernize lending regulations. He said the Board will continue this in 1972 wherever "public interest really would be served by a given change."

He cited the 95-percent conventional loan as one of the important regulatory changes during 1971 and called for more loans to be made with this low downpayment plan. He said the loans "are catching on very fast in many States. . . . I think the savings and loan industry is going to move into whole lending areas hitherto dominated by FHA—areas of middle- and moderate-income family lending—in unprecedented volumes over the next few years," he predicted.

Chairman Martin said S&L's more than doubled their volume in whole loan and participation purchases and sales during 1971. For

Service corporations and prudent branching provide the opportunity of the 1970's, Henry A. Carrington, Director of the Office of Industry Development, told the U.S. League Convention.

"The service corporation provides an opportunity to better serve the public with housing programs and other worthwhile ventures while, at the same time, producing some profit to your associations," Mr. Carrington told one group of savings and loan executives.

In another speech, he said that branching "with improved wider range of services is one of the alternatives to competitive interest (or dividend) rates in attracting and keeping savings deposits."

He said that the Board has approved a number of joint venture activities for service corporations, including purchasing, developing, and constructing an apartment complex, residential and commercial development, and developing a tract of land for additional housing.

He said the Board seeks to expedite the processing of applications and that in its efforts to decentralize, more and more activities are being delegated to the Presidents of the Federal Home Loan Banks as agents of the Board. The Presidents are authorized to approve applications to permit a service corporation to engage in joint ventures in some instances, he added.

On branching, Mr. Carrington said the Board encourages branching by financially sound associations and recognizes that if the savings and loan industry is going to compete effectively with other financial institutions, the industry and the Board must make savings facilities more widely available and convenient to the public.

the first 9 months, associations bought \$4.6 billion in whole loans and \$941 million in participations, he said.

"It has got to be in the public interest to get these funds flowing. . . . I think the participation loan program has probably channeled more funds from capital-surplus to capital-short areas than perhaps any of 1971's programs," he commented.

Chairman Martin said the Board made two regulation changes in 1971 to permit greater mobile home lending and urged associations to take greater advantage of these changes.

Chairman Martin also announced the introduction of the new secondary market in conventional loans.

"The program is designed with the involvement of industry people for this industry. In the single-family area, an over-the-counter program will provide for a variety of loans you make, up to and including the new 95-percent loans. In the multifamily area, there is provision for over-the-counter loans on new and existing buildings to 80 percent of value and to a 30-year term reflecting the Board's new regulations. There also will be a new 24-month forward commitment called a maximum constant forward for multifamily loans that is unlike any commitment available before. The commitment provides your builders with a constant payment that can go down, but not up, and you—the lender—and FHLMC an interest rate that can go up, but not down. The materials you will be receiving will lay out all the specifics on this commitment and the other parts of the program," he said.

Mr. Kamp told the convention that one of the most serious recurring questions facing the industry, the FSLIC, and the public is the problem of what constitutes adequate reserves. He said that an amendment to reserve requirements in 1964 sought to curb excessive growth, while allowing for risk assets.

"Now, 7 years later, the economic picture has totally changed and the Board is encouraging financially sound growth, but it is still concerned about risk assets," he said.

He stated that the Board issued several temporary relief measures this year while the industry was recording unprecedented record high savings flows.

"Continued growth is likely. Our forecasts indicate a nationwide savings growth among

R. Bruce Ricks, Director of the Office of Economic Research, told the U.S. Savings and Loan League convention that the net increase in portfolio holdings of loans on multifamily units was just over \$3 billion in 1970, with an increase of \$1.6 billion for the first half of 1971. He said this trend gives S&L's a higher yielding investment.

"Construction lending for multifamily units is more attractive than for single-family units, and savings and loans have a much smaller share of it than they do of the permanent lending. In the first 6 months of 1971, for example, associations supplied only 37 percent of the multifamily construction funds provided by major lenders on mortgages, and even this is an overstatement because of the large volume of commercial banks' construction lending done without mortgage security," he said.

He reported that FHA and VA mortgages, as a percentage of total mortgages held by associations, has climbed rapidly in 1970 and 1971. From 1965 through 1969 the percentage was a relatively stable 10-11 percent. In 1970 the ratio climbed to 12.4 percent and by September 1971 to 13.9 percent.

He said that the dollar volume of loans and participations rose phenomenally in 1970—from \$0.4 billion in the first quarter to \$1.5 billion in the final quarter. Gross loans purchased rose further to a record \$2.2 billion in the April-June period this year before declining moderately to \$1.7 billion in the third quarter 1971. As a percentage of loan originations, loans purchased rose only from 6 percent in 1960 to 10 percent in 1965.

"This ratio was in the 11-percent range during the next 3 years. It jumped last year, however, to 18 percent, and was 19 percent during the first 9 months of this year," Dr. Ricks stated.

Speaking on the growth of certificate accounts, he said, "All of the net savings gains at associations last year took place in the newly authorized high-rate accounts. The result was that, at insured associations, savings in certificates with a maturity of more than 1 year rose conspicuously. For example, at the beginning of 1969, 23 percent of savings capital was represented by certificate accounts. By the end of that year, the percentage had increased to 31, and it continued to grow in 1970 to 41 percent by yearend, reaching 44 percent by September 1971. This is a giant step forward toward diversification of liabilities and a more workable matching of maturities against the day of the next round of tight money . . . . The growth in certificate accounts has shown that the savings market is ready and willing to utilize them as a vehicle for its savings dollar," Dr. Ricks declared.

insured associations (including interest/dividends credited to accounts) during 1971 of approximately \$27 billion. By the end of the year, it is estimated that in excess of \$169 billion will be entrusted to insured associations by the public, up from \$142 billion. This new grand total represents an increase, in just one year, of nearly 20 percent," Mr. Kamp stated.

Posing questions about what this growth and reserve requirements mean to the industry, he went on:

"Certainly it is not in the best interest of the public, the Nation's economy, or the attainment of the national housing goals for the savings and loan business to fail to respond adequately to the rising need and demand for housing funds. Regardless of short run changes in demand which are cyclical in nature, a continuing need will exist for new housing in this country. Since your principal source of capital is through the acceptance of savings deposits, Board policies should reasonably encourage you to accept freely all such deposits. When savings flows such as those in 1971 are experienced and are substantially increasing, many associations are placed in a dilemma as a result of the Federal Insurance Reserve regulations.

"Until several days ago, each insured association was faced with the necessity of providing a FIR equal to a fixed percentage of its savings accounts at its next closing date. Thus, many of you faced the unhappy prospect of failing to meet the regulatory reserve requirement or the restriction of savings inflow—or, perhaps, both. . . . Keeping these factors in mind, the Board recently amended the FIR regulation to provide for immediate relief. . . . Associations are now permitted to average the 3-year-end savings balances, that is to say, the savings balances at the end of 1971, 1970, and 1969 rather than having to use the old rule of a fixed percentage of savings balances at the next closing date," he said.

Mr. Kamp said this amendment as well as recent waivers of reserve requirements are short-term relief measures "while the Board reexamines the net worth requirements of savings and loan associations."

He said these might include new concepts in what assets could be included in the FIR, net treatment of the net worth requirements, and the acceptability of subordinated capital notes.

# THE NEW OES RATING SYSTEM

by Ellen Kliston  
Chief Accountant  
Office of Examinations and Supervision

## Why a rating system?

The objective of the Office of Examinations and Supervision's new rating system is to provide all offices of the Federal Home Loan Bank Board with an evaluation of individual association's operations, overall management, and economic environment. This rating will be used for various specific purposes:

- **To enable OES to most effectively allocate its resources.** An effective association screening and sequential control system could substantially improve the cost effectiveness of the examination and supervision process by early identification of potential problem associations so that less time need be spent in the examination and evaluation of other associations. The frequency, scope, and intensity of a particular examination would depend on the ratings received by the association.
- **To take advantage of timely information already supplied to the Board.** The initial screening process is performed through evaluation of the quarterly financial reports submitted by the associations. This information is subsequently verified and supplemented by examination. Therefore, it becomes possible to statistically match the quality evaluation previously given by an examiner but on a more timely and objective basis. Such a system would seek to identify not only problem cases but—at the other end of the scale—those high quality associations which might be permitted greater regulatory latitude.
- **To factor in some objective criteria.** For a national regulatory agency, the advantages of a partially objective system over the previous purely subjective examiner's evaluation are obvious. Regional variations in ratings would be eliminated as well as variations between the individual examiners within a region. However, the effective functioning of the system de-

depends on a subjective analysis, interpretation, and use of the objective findings as well as the verification of the accuracy of the initial input (the quarterly report) itself.

- **To provide a results-oriented evaluation system for supervisory clearance of branch applications, mergers, etc.** Again, the rating system is a *tool* for analysis—not the final answer. However, it can provide an initial framework for decision.

- **To provide an objective basis for discourse between association management and regulatory authority.** This discussion could cover such topics as the criteria used for approval of mergers or branches, the areas for improvement, and the justification for the examination fees charged—directly based on the difficulty and intensity of the examination.

- **To provide some useful information to the associations.** Five pages of Management Information System outputs plus one page of financial rating history will be furnished to the associations quarterly. This will contain detailed statistics by which the association can compare its operations with that of its competitors. Of course, the timeliness and accuracy of these outputs depend on how timely and accurately the input data (the quarterly report) are completed.

- **To provide OES with a quantitative and qualitative evaluation of its examination and supervisory performance.** Examiners will be assigned and promoted based on the degree of difficulty they experience in the examinations they perform—indicated by the associations' ratings. Some examiners' ratings which will trigger supervisory action also will necessitate a follow-up examination and rating.

Actually, an OES rating system is not new.

We have had a rating system in effect since 1962. That rating system was based on a 1 to 4 composite rating. There also was an A to D

factor rating based on a combination of 12 purely subjective financial and management factors. All associations with a rating of 2B and above were considered "good" associations—90 percent of the associations were rated 2B and above. The new rating system is an improvement over the old one in the following important ways:

1. It is partially objective.
2. It will produce greater gradations between good associations and poor ones.
3. It will be possible to add further sophistications and techniques, based on the knowledge and experience of the old system.
4. It will no longer be secret. Ratings will be communicated to and discussed with associations.

## how it works

Each association receives a three-part rating based on its financial condition, its management, and the economic market in which it functions. This latter rating is still in the early development stage.

### Financial Rating

The financial rating system is entirely computer-generated. An individual association will receive a composite score based on its relative performance on 11 ratios using the association's financial reports as the data source. Therefore, a new financial rating will be generated each time the association files a quarterly financial report.

**Area and size classes.** Each association will be compared with others in its size class and in a certain geographical area, which may be its FHLB District or a State or a combination of States within its District. These geographical areas were chosen in order to develop a population of associations which have like geographical characteristics and which are of sufficient number to develop meaningful percentile

rankings. There are 19 geographical areas. Within these geographical areas, associations are divided into size classes based on their total assets as of the financial reporting date: up to \$9.9 million, \$10–\$24.9 million, \$25–\$49.9 million, and \$50–\$99.9 million. All associations over \$100 million in assets are combined *nationally* into two areas/size classes: \$100–\$249.9 million and \$250 million and over—the consideration being that for these larger associations the effect of size tends to outweigh the influence of geography on its operations.

**Ratios.** A series of 11 ratios are computed on each association's financial data. The ratios were selected for their effectiveness as discriminants between viable, financially healthy associations and associations in financial difficulty. It was recognized that no one ratio could be an effective discriminant for all associations in all circumstances. Ideally, the limitations of one ratio will be corrected by another. Another concern was that the ratios not be redundant—they should not be overly influenced by any one factor of an association's financial condition. In other words, the most important thing is that the ratios work in concert with one another in order to arrive at an objective, overall evaluation of an association's financial condition and operation.

The ratios measure operating expenses, liquidity, trend and level of scheduled items, level and trend of net income, portfolio composition and growth, net worth, trend of savings, and yield margin. It is anticipated that the ratios and/or the relative weighting factors will necessitate modifications as future financial conditions change or as further testing and validating permit greater sophistication. The key to the financial ratios is shown in table 1.

**Calculation of percentile rankings.** For each ratio, it is predetermined whether the "best ratio" is a high or a low ratio. In cases where "high is best," the ratios are calculated for an area/size class and the associations are listed in descending order of their ratios. They are calculated and listed in ascending order when "low is best." Next to the actual ratio percentage is printed the association's percentile score. This percentile score is calculated as follows: The numerator is the total number of associations in the area and size class less the number of associations which rank *above* the particular association. The denominator is the constant

total number of associations in the area/size class plus one. The resulting percentile is rounded to one decimal place. Where a number of associations have the same ratio they are automatically assigned the same percentile.

Table 1.—Key to Financial Ratios

Ratio numbers	Ratios	Best ratios
1.	Operating expenses/Net operating income (before interest charges)	Low
2.	Cash and liquid investment/Savings and advances	High
*3.	Trend of scheduled items	Lower
*4.	Trend of net yield	Higher
5.	Net scheduled items/Total loans, contracts, and real estate owned	Low
6.	Single-family and multifamily conventional loans/Total conventional loans	High
7.	Net worth/Total assets	High
8.	Net income**/Total assets	High
9.	Trend of savings	Higher
10.	Trend of mortgage loans	Higher
11.	Net yield (Gross income on mortgage loans, other loans and contracts, and investments and deposits less cost of money—interest on savings and advances and borrowed money) Gross income on mortgage loans, other loans and contracts and investments and deposits.	High

\*Weighted as one-half ratio.

\*\*Net income, as used in this sense, is after interest or dividends on savings accounts.

Table 2 shows this calculation for Ratio 7, Net worth/Total assets; Arkansas, Louisiana, and Mississippi; \$0–\$9.9 million asset class. As the table indicates, A Association has the highest percentage of net worth/total assets (18.8 percent). Its percentile was calculated by dividing the number of associations in the area (92) less the number of associations ranking *above* this association (0) by the total number of associations in the area/size class plus one (93) or 98.9. The calculation of XYZ Association's percentile was as follows:  $92 - 0 = 92 / 93 = 91.4$ .

**Calculation of the composite rating.** An association's composite rating (spread composite) is computed by taking an average of its percentile scores on each of the 11 ratios and "spreading" this score on a scale from 0 to 100. For purposes of computing this average, all the ratios are weighted evenly except ratios 3 and 4—two trend ratios which are weighted as one-half ratio each.

For example, in area 16—Arkansas, Louisiana, and Mississippi; size class \$0–\$9.9 million—XYZ Association had the highest percentile average of 80.9 while the lowest percentile average was 27.4. Therefore, the scale

this area would have is a spread of 53.5 points (80.9—27.4). Dividing this spread into 100 points results in 1.87 which is the conversion factor to a scale of 0 to 100. The association with the highest average automatically receives 99 and the association with the lowest average automatically receives 1. XYZ's composite spread therefore is 99. Every other association's composite rating is obtained by subtracting the lowest average from its average and multiplying the result by the constant conversion factor of 1.87. An association with an actual average percentile of 69.7 would receive a spread composite of 79 ( $69.7 - 27.4 = 42.3 \times 1.87 = 79$  rounded).

It is necessary to "spread" the composite scores so that each association's composite rating will then be based on the same scale of 100. The association's spread composite is its financial rating.

**Financial rating trend.** One output of the financial rating system is the financial rating trend that is prepared for each individual association and lists its detailed financial rating history over three periods of time—the current

period (3, 6, 9, or 12 months), the previous calendar yearend, and the next previous calendar yearend.

Table 3 shows the financial rating trend for XYZ Savings and Loan Association. In each of the three periods are noted: The association's geographical area (Ark., La., Miss.), its size class (\$0—\$9.9 million), its total assets, the total number of associations in its area/size class, and the association's rank based on its spread composite. In 1970, XYZ's spread composite of 99 caused it to rank first out of 92 other associations in its area/size class. Its spread composite of 78 in 1969 placed it third out of 96; for 1968, it was again first.

The numbers from 1 to 11 under "Spread Composite" correspond to the ratio numbers in table 1. The ratios for XYZ Association appear under the column "Assn. Ratios." The *percentile* change in each ratio from the *immediately preceding* rating period appears next. A positive number (no sign) will indicate there has been an increase in the ratio, a negative number (minus sign) will indicate a decrease. XYZ Association has a ratio of net worth to total assets of 11.2 percent in 1970. This is a decrease of 3 percentiles from 1969 (94 to 91). See table 2 for the calculation of its percentile ranking. The average ratio for the area/size class was 7.2 percent. XYZ Association has been consistently well above this average.

Overall, XYZ Association appears to be a financially strong association—nine out of 11 ratios are 85 percentile or above. Its two weaker areas are operating expenses and liquidity. However, its trend in these areas seems to show improvement. The three periods' data can reveal interesting facts not only about the association's trends but also about the trend in the area/size class. And, of course, the association's rating is based on how well it is doing in relation to comparable associations.

XYZ Association was last examined on February 6, 1970. It received a "1" rating based on the "old" rating system of 1 (best) to 4. This "old" rating, then, seems to be consistent with its financial rating. On the next examination, it will receive a management rating based on the new system of A (superior) to E (unacceptable).

The caption "Financial Rating Evaluation" (table 3) affords an opportunity for further

**Table 2.—Calculation of Percentile Rankings, Ratio 7—Net Worth/Total Assets**

[Area: Ark., La., Miss.; Size class: \$0—\$9.9 million]

Association name	Ratio	Percentile
A Assoc. ....	18.8	98.9
B Assoc. ....	16.0	97.8
C Assoc. ....	15.2	96.8
D Assoc. ....	15.2	96.8
E Assoc. ....	11.6	94.6
F Assoc. ....	11.5	93.5
G Assoc. ....	11.4	92.5
XYZ Assoc. ....	11.2	91.4
H Assoc. ....	11.2	91.4
I Assoc. ....	11.2	91.4
J Assoc. ....	11.0	88.2
K Assoc. ....	10.3	87.1
L Assoc. ....	10.2	86.0
M Assoc. ....	10.2	86.0
N Assoc. ....	10.1	83.9
O Assoc. ....	9.9	82.8
P Assoc. ....	9.8	81.7
Q Assoc. ....	9.8	81.7
R Assoc. ....	9.8	81.7
S Assoc. ....	9.8	81.7
T Assoc. ....	9.7	77.4
U Assoc. ....	9.7	77.4
V Assoc. ....	9.5	75.3
W Assoc. ....	9.5	75.3
X Assoc. ....	9.4	73.1
Y Assoc. ....	9.4	73.1
Z Assoc. ....	9.3	71.0
AA Assoc. ....	9.2	69.9
BB Assoc. ....	9.1	68.8
CC Assoc. ....	9.0	67.7
DD Assoc. ....	9.0	67.7
EE Assoc. ....	8.9	65.6
FF Assoc. ....	8.7	64.5
GG Assoc. ....	8.7	64.5

Table 3.—XYZ Association's Financial Rating Trend

Docket	Twelve (12) months ending December 1970				Twelve (12) months ending December 1969				Twelve (12) months ending December 1968		
	Area: Ark., La., Miss. Size: 0.0-9.9 million Assets: 1,999,186 No. assns. in area/size: 92 Assn. rank in area/size: 1				Area: Ark., La., Miss. Size: 0.0-9.9 million Assets: 1,563,666 No. assns. in area/size: 96 Assn. rank in area/size: 3				Area: Ark., La., Miss. Size: 0.0-9.9 million Assets: 1,149,345 No. assns. in area/size: 99 Assn. rank in area/size: 1		
	Assn. ratios	Assn. percen- tile change	Area/ size/ average ratios	Assn. percen- tile in area/size	Assn. ratios	Assn. percen- tile change	Area/ size/ average ratios	Assn. percen- tile in area/size	Assn. ratios	Area/ size/ average ratios	Assn. percen- tile in area/size
<b>Spread composite</b>											
1	34.5	22	35.0	99	56.2	6	38.2	91			
2	10.3	18	13.7	39	6.3	-3	10.4	21	85.1	36.4	
3	-50.1	43	19.0	96	7.5	2	8.1	56	8.6	12.5	
4	33.2	17	12.5	93	29.4	-23	37.0	76	6.0	7.0	
5	1.5	52	4.1	99	2.1	-52	4.2	47	200.0	29.1	
6	98.1	6	89.7	95	97.3	12	90.2	89	1.5	4.2	
7	11.2	-3	7.2	91	12.9	-3	7.3	94	96.1	90.5	
8	1.0	45	.6	90	.6	-41	.7	45	16.8	6.9	
9	34.5	-2	11.8	93	45.7	-3	10.6	95	1.0	.7	
10	19.9	-9	10.3	85	37.7	-3	12.5	94	96.1	20.9	
11	36.4	1	28.7	89	37.5	-6	30.8	88	100.4	26.2	
									44.9	30.6	
<b>Rating date</b>	70-02-06				70-02-06				69-01-23		
<b>Management composite</b>	1 (old)				1 (old)				2 (old)		
<b>Financial rating evaluation</b>	N/A				N/A				N/A		

analysis and comment on an otherwise entirely computer-generated system. It is particularly important to emphasize to the user that the rating system is merely a *tool* for analysis and should not supplant individual judgment. If analysis of the financial rating pursuant to the examination process indicates that, for some reason, this rating is invalid (too high or too low), this will print out here. Some reasons for an invalid rating might be: the ratios were computed on financial reports containing inaccurate data, certain circumstances peculiar to the association make invalid a comparison of its operations with others in its group (it may be a new association or it may be in a remote area), the associations may have been recently merged, etc. The source of this information will be the Management Rating Form (table 4) as prepared by the Examiner in Charge and concurred in by the Chief Examiner and Supervisory Agent.

Another output of the financial rating system is the rating reference volume which aggregates an area's associations into quartiles based on their spread composite ratings. Asso-

ciations are listed in the descending order of their financial ratings and one-fourth (by number) fall into each quartile. This output will indicate the association's current financial and management rating in detail.

#### Management Rating

The rating of management will be performed by the examiner at the time of the association's examination. This rating must be approved by the Chief Examiner and the Supervisory Agent. In cases of nonconcurrence, it will be necessary to order a special followup exam or to sufficiently expand the scope of the exam to enable a concise rendering of the facts. The Regional Director will be the final arbitrator.

The overall management rating will be the average rating of each of 11 management factors translated into a letter designation (to distinguish it from the numerical financial rating). The 11 management factors to be rated include five areas of lending policies and practices, two areas of internal control, and four general areas including operating policies, or-

(See KLISTON, page 27)



# Cutting the Passbook Rate

by Daniel Gordon  
Economist, Office of Economic Research

This past year, as money rates began to fall, savings and loan associations had the opportunity to lower deposit rates. However, reductions appear to have been minimal. Obviously, the assumption was made that lower rates, increased denomination, or a lengthening of certificate maturities would result in intolerable deposit outflows.

Since most savings and loan managers chose to maintain deposit terms, it is interesting to examine the reasons why one association—First Federal Savings and Loan Association of Detroit—chose to lower its rates. The officers of First Federal believe strongly that there are times when the maximization of net income is more important than deposit growth to insure a growth in net worth in relation to savings flows. Therefore, rate reductions that result in a diminution in savings growth are acceptable if net income increases.

## Deciding to Reduce Savings Rates

For this reason, First Federal decided to reduce savings rates in March 1971. The policy was made in late February after considerable analysis of first quarter savings inflows. In the first quarter, with deposit terms at the regulatory ceilings, First Federal, an approximate billion dollar association, had a net inflow of nearly \$60 million. Management anticipated that a reduction in the passbook rate from 5 to 4.5 percent would reduce interest cost substantially and would have a significant effect on deposit flows. After lengthy discussions with staff and branch managers, the officers anticipated that net deposit growth in the second quarter would result only from interest credited.

Expecting mortgage demands of \$200 million for the entire year and with savings inflows of \$60 million in the first quarter, management believed deposit inflows for the year would meet approximately one-half of total mortgage requirements. Additional borrowings from the Federal Home Loan Bank, loan repayments, and mortgage sales would sustain

the remaining \$100 million mortgage demand.

In the latter part of February, First Federal discontinued offering its 5.25-percent, 6-month; 5.75-percent, 1-year; and 6-percent, 2-year certificates. At the same time, it notified holders of the 5.75-percent, 1-year certificates maturing March 31, that these certificates would be renewed at 5.25 percent for a 1-year term. From the end of February to the end of March, First Federal offered only a 5.25-percent, 1-year certificate.

Then, in late March, First Federal announced that the passbook rate would be reduced to 4.5 percent at the beginning of the second quarter. It also reduced the rate on 1-year certificates to 5 percent. Some associations as well as some banks in Detroit followed its lead and reduced passbook and certificate rates. The association's largest savings and loan competitor, however, did not.

## Attracting Rate Sensitive Depositor

In offering the 5-percent certificate, First Federal provided an outlet for the traditional savings depositor unhappy with the 4.5-percent rate and otherwise desiring to shift into other financial intermediaries. By offering a certificate above the passbook rate, branch managers could direct concerned depositors to this investment, thus minimizing passbook deposit outflows. This account attracted \$9 million during the second quarter of this year. In June, to attract the more interest sensitive depositors, the association offered a 5.5-percent, \$5,000 minimum, 2-year certificate and a 6-percent, \$5,000 minimum, 3- to 5-year certificate. These accounts attracted rate sensitive deposits. In October, these two accounts represented 26 percent of the association's deposits.

The result of this rate change was evident in the second quarter. In contrast to the first quarter when passbook savings flows were \$16 million, the second quarter had flows of only \$4.5 million (interest credited totaled approximately \$7 million). In the third quarter, passbook savings fell some \$13 million. Instead of being disturbed over the turndown in savings flows, however, officers were pleased that sub-

stantial increases in net income had resulted from the interest reductions. Total net savings gain for the first 9 months exceeded \$97 million and the composite rate was 4.99 percent.

### Adjusting to Changing Economic Conditions

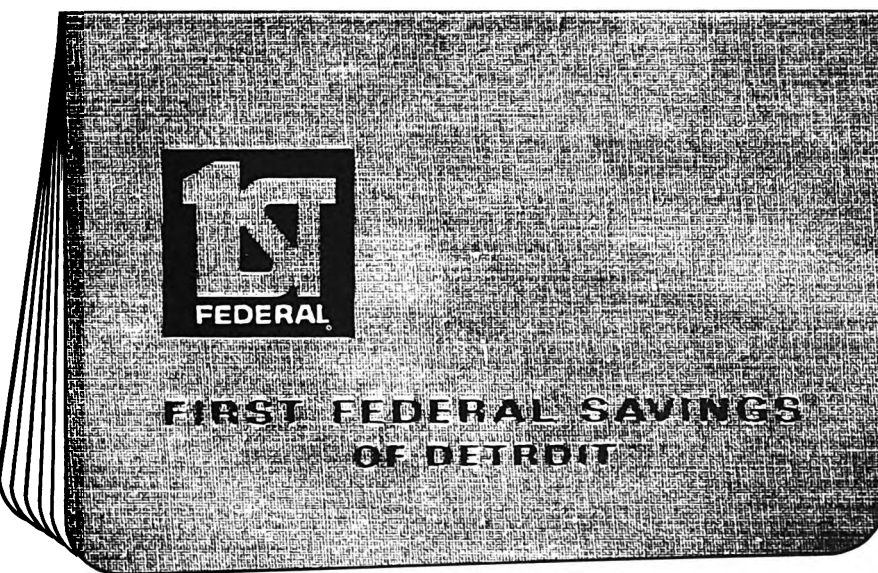
Although First Federal's anticipated pass-book deposit losses were less than expected, managers would not have been particularly disturbed even if the savings market had been more rate sensitive. If savings flows were too low, First Federal would have borrowed more or again raised the rate on certificate and pass-book accounts. Officers believe that deposit rates are not inviolate and should be adjusted to the association's credit needs. The management philosophy is to maintain the flexibility to admit mistakes, consider all possible alternatives, and make rapid revisions in policy. Thus, decisions on rates, purchases and sales of mortgages, and FHLB System borrowings are made in an environment which anticipates reactions to new economic realities. Flexibility in operations, they believe, permits a rather rapid adjustment to changing economic conditions.

One difficulty with this method of policy making is the lack of definitive empirical judgments. Generally, prospective mortgage demand and the level of savings flows are determined on a qualitative basis. Therefore, it may be difficult to identify the incorrect assumptions on which officers, staff, and branch managers have based their decisions. Since "feels of the

market" can be wrong, it is sometimes useful to identify clearly the assumptions so that mistakes in previous policy decisions can be used to improve the methods of projection.

The most important characteristic of First Federal's management decision is its recognition that the institutional framework of savings and loan associations has been altered substantially in the last few years. No longer do they depend entirely upon their savings and repayment inflows for cash flow. The advances mechanism is well established and provides a consistent source of long-term funds. Their willingness to purchase mortgages when there is insufficient local demand and to sell mortgages when conditions reverse permits adjustment to changing economic conditions. Officers recognize that future alterations in the institutional framework will continue to change the character of their associations and that these changes will increase their flexibility and opportunity to affect net income growth. They anticipate that changes in regulations affecting the asset and liability structure will continue to occur and some day—that day may not be too far off—associations will not be protected by regulation Q and will be compelled to compete openly with other financial institutions.

The most important question First Federal's actions suggest to each savings and loan officer is whether its management has recognized the ramifications of the recent regulatory changes, has considered altering its policy in light of these changes, and has anticipated the position of the association in a financial environment some years hence. Associations now have greater flexibility and can use this to maximize new opportunities and to compete against the almost certain encroachment of other financial institutions on their traditional savings and loan markets. They must use this flexibility to develop a broader knowledge of alternative sources of funds and investment opportunities or suffer a decline in their role.



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# FHLMC's Variable Interest Approach for Multifamily Commitments

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by Philip N. Harrington  
Vice President of Regional Operations  
Federal Home Loan Mortgage Corporation

For a long time, the savings and loan industry has been seeking an acceptable variable interest mortgage rate. The obvious advantages of variable interest, both to the lender and the borrower, should have long ago made it one of the standard features of a real estate loan.

Some courageous and some ill-advised attempts have been made by individual savings and loans to institute a variable interest rate, but public reaction was so negative that lenders generally have been reluctant to use any form of variable interest.

## Variable Interest Formula

The Federal Home Loan Mortgage Corporation thinks it has devised a variable interest formula that will be acceptable to the borrower as well as to the lender. The variable interest rate will be used whenever FHLMC issues a 24-month forward commitment to purchase multifamily loans. FHLMC will enter into a conventional multifamily forward commitment with savings and loans for up to a 24-month period. The commitment will be for a specific dollar amount, to \$5 million maximum, and for a specific annual constant.

The annual constant is the percentage of the original amount of loan represented by the 12 monthly payments of principal and interest required in 1 year. For example, a loan at 8 percent having a 22-year term requires a monthly payment of \$8.07 per \$1,000 of original principal amount. The monthly payment times 12 divided by the original amount of the loan equals the annual constant ( $12 \times \$8.07 = 96.84 \div \$1,000 = 9.684$  percent). Thus, 9.684 percent is the annual constant.

## Builders' Benefits

The builder will be able to depend on two elements with this commitment that FHLMC feels is most important in the financing of multifamily projects—a specific amount of dollars and a

monthly payment that cannot be increased. However, while FHLMC's commitment provides for a constant that cannot be increased, but may be decreased, it does not provide a fixed interest. The monthly payment will be based on a 22-year amortization period, but the maturity dates will be 15 years from the commencement of the amortized payments; thus, there will be a balance due at the maturity date.

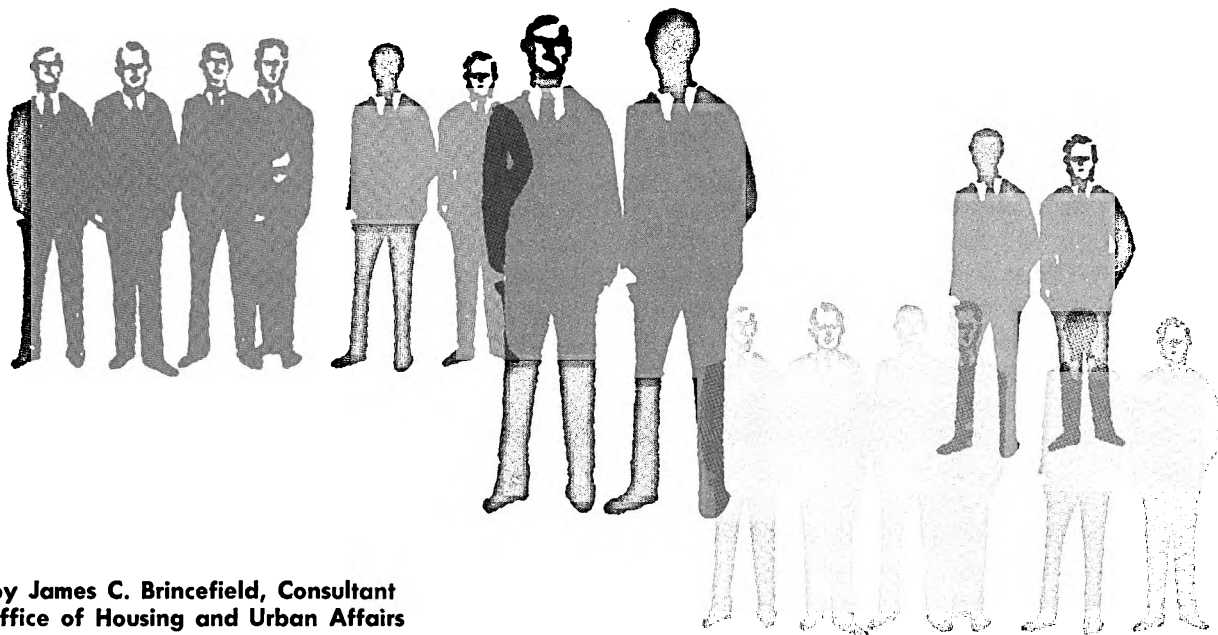
The variable interest aspect of this commitment will be utilized at the time of delivery to FHLMC. If upon date of delivery, FHLMC's over-the-counter prices quotation for multifamily is higher than the existing rate on the loan, FHLMC will be able to increase the amortization period up to 30 years and to adjust the interest upward to take advantage of the additional 8 years. This will allow for approximately a 1-percent increase in the interest rate. Again, the monthly payments, the amount of the loan, and the maturity date will remain the same.

## Lenders' Benefits

FHLMC intends to provide a secondary market to support the savings and loans and has no desire to sit in the seat of the primary lender. Accordingly, the forward multifamily commitments are not to be tied to any specific projects. Sellers will be given FHLMC's list of specification guidelines which will in a general way indicate the quality of construction necessary to be accepted by FHLMC in the geographical area in question, but the seller will bear all the responsibility—all the usual primary lender's decisions—with respect to the project.

It is hoped that this new and rather unique commitment program will prove to be useful to both the lender and the builder. Both should feel somewhat more secure in making and relying on future multifamily commitments. The lender will not have to concern himself about committing an interest rate that will look ridiculously low 2 years hence, and the builder will know that the most important aspects of his future loan, the amount and the monthly payments, will be fixed and sure.

# THE VANGUARD PROGRAM



by James C. Brincefield, Consultant  
Office of Housing and Urban Affairs

An enthusiastic reception for the Board's new Vanguard Program is indicative of the desire on the part of leaders of the savings and loan industry for an effective way to increase employment and advancement of minority persons within the industry. These leaders have been aware for some time that the overall percentage of minority employees in the industry is low and that the number of minorities in important middle and top management positions is extremely small. Exclusion of qualified minority persons from employment is, they have realized, both unfair and contrary to the best interests of the industry.

More and more, industries of national scope are coming to recognize the vital importance of ensuring that employment opportunities are equally available to all persons without regard to their race, religion, color, sex, or national origin. Every major industry must include qualified persons of diverse backgrounds and

experience if it is to recognize and meet its national responsibilities, particularly in urban areas. Further, the importance of minority households in the market place should not be underestimated.

### Legal Responsibilities of S&L's

The Federal Government currently is taking an increasingly active role in ensuring equal opportunity in employment. From a legal point of view, the responsibilities of each S&L are quite clear. Almost every S&L is required to comply with the equal employment opportunity provisions of Title VII of the Civil Rights Act of 1964 or of Executive Order 11246, as well as with regulations published by the Department of Labor and the Department of the Treasury to implement Title VII and the Executive Order.

Both Title VII and the Executive Order prohibit discriminatory employment practices

based on the race, color, religion, sex, or national origin of an employee or prospective employee. The Executive Order requires that S&L's undertake affirmative actions to assure equal employment opportunity. The management of each S&L should familiarize itself with the provisions of Title VII and the Executive Order to determine the nature of its responsibilities.

Under the Executive Order, depending on how many employees it has, an S&L may be required to file an annual equal opportunity report (EEO-1) and to develop and maintain a written affirmative action compliance program. Associations with fewer than 50 employees are not required to file annual EEO-1 reports or to maintain written affirmative action programs. However, it should be noted that when an S&L is subject to the Executive Order it must undertake certain affirmative actions to ensure equal employment opportunity *regardless* of the number of persons it employs. The significance of the number of employees is that associations with 50 or more employees must put their affirmative action plans in writing. In addition, associations with 50 to 99 employees must file an annual EEO-1 with the Treasury Department, and associations with 100 or more employees must file EEO-1 reports with both the Joint Equal Opportunity Reporting Committee and the Treasury.

The U.S. Savings and Loan League has published, available on request, an excellent publication—Management Bulletin #114—which amplifies these details. The Director of Equal Employment Opportunity for the Treasury Department has primary responsibility for ensuring compliance with the Executive Order and has published a most useful set of guidelines for affirmative action programs. Both of these publications are recommended.

The Department of Labor and the Department of the Treasury have requested the Federal Home Loan Bank Board to assist them in discharging their equal employment opportunity obligations by having Bank Board examiners inquire, during regular examinations of member associations, whether the association has met its requirements with respect to the filing of EEO-1 reports and to the maintaining of written affirmative action compliance programs. Examiners will notify Treas-

ury when an association fails to meet these requirements.

The Treasury Department has notified the Bank Board that Treasury personnel will conduct systematic equal opportunity compliance reviews throughout the savings and loan industry in the coming year with emphasis on larger associations. These reviews will include an evaluation of written affirmative action compliance programs to ascertain, among other things, whether these programs include an analysis of types of activities in the association which do not use minority employees to their fullest capacity and whether numerical goals and timetables have been established and met.

Awareness of these legal requirements and formation of the resolve to satisfy them are only first steps toward full compliance with equal employment responsibilities. As with any important endeavor, the policies of top management must be communicated to every staff member if the undertaking is to be successful. Every employee must understand that management will not allow any behavior or attitude which denies equal employment opportunity and that management is committed to affirmative action to achieve equal opportunity.

#### Vanguard's Objectives

The Vanguard Program helps achieve these equal employment opportunity objectives by providing links between S&L's and interested, qualified minority persons who have the potential to become a significant part of an association's future. It helps management to reach those qualified minority persons whom management might not otherwise be able to identify. Vanguard also seeks to bring to the attention of qualified minority persons those career opportunities which present a challenge to an intelligent and motivated individual and which may lead to management and decision-making positions.

It was with these objectives in mind that Vanguard was originally conceived by the Board's Office of Housing and Urban Affairs. The program took form after discussions with officials of S&L trade associations, the National Urban League, NAACP, Howard University, and many other organizations.

Vanguard was inaugurated in August of this year by letters from Chairman Martin to

the Federal Home Loan Bank Presidents and the 200 largest savings and loan associations throughout the country. Chairman Martin stressed the legal, economic, and moral aspects of equal employment opportunity and invited active involvement by industry leaders in making the Vanguard Program work as planned. Shortly thereafter, each Federal Home Loan Bank President appointed a Vanguard Coordinator whose job is to contact savings and loan associations and sources of minority applicants. The Vanguard Coordinators are developing lists of available positions in savings and loan associations. They are contacting colleges, junior colleges, and other similar sources of highly capable minority persons to stimulate applications for the available positions. Also, some local civic and community organizations are publicizing the availability of opportunities and referring qualified candidates to the Vanguard Coordinators. The recruiting effort emphasizes college and junior college graduates (or persons with equivalent backgrounds) who

Another applicant from the Southwest is a 37-year-old black college graduate with a B.S. in Accounting. His work experience includes 7 years of varied accounting experience, including supervisory responsibilities.

Typical of many applicants is a 22-year-old black college graduate from North Carolina with a B.S. in Business Administration. He has been employed for several months as a bookkeeper in a credit union, but believes there are greater opportunities for him in the S&L industry.

All but a small percentage of those submitting résumés have been well qualified for immediate employment. The major constraint, however, has been the geographical distance between the interested applicant and the nearest position opportunity. Hopefully, as more applicants are attracted and more jobs are brought to the attention of the Vanguard Coordinator, the geographical problem will become less significant.

In almost every District, the response from associations and interested individuals has been such that newsletters or bulletins have been instituted on a biweekly or monthly basis to keep interested applicants and participating associations aware of opportunities for placement. The number of participating S&L's has already grown to more than triple the 200 originally contacted. Any association may join simply by calling the Vanguard Coordinator in his District.

The first written reports from the Vanguard Coordinators were received on November 1 and they indicate that on a national basis the program is slightly ahead of schedule. Vanguard was initiated at an early date in the school year to allow preparation for a "trial run." Thus, the program will be in full operation to accommodate the June 1972 graduating class.

The Vanguard Program has been endorsed by every major trade association, minority organization, and civic group with which it has been in contact. Most encouraging has been the level of participation within the savings and loan industry itself, especially since participation in the Vanguard Program is completely voluntary. This acceptance is evidence of the need to take affirmative action to assure equal employment opportunities and of the decision by the managements of hundreds of savings and loan associations to meet this need.

**Vanguard Coordinators**

Jon Kislak—Boston	Albion Fenderson—Chicago
Jack Brady—New York	Don Roby—Des Moines
Tom Wilson—Pittsburgh	Harry Snider—Little Rock
Joe Joseph—Greensboro	Charles Darche—Topeka
Stuart Shannonhouse—Cincinnati	Roger Pearson—San Francisco
Charles Swisher—Indianapolis	John Kleeb—Seattle

have financial, business, economic, or accounting experience, since these are the people best qualified for positions which offer the possibility of advancement to middle and top management positions in the future.

**Typical Interested Applicants**

Vanguard Coordinators report that interested applicants have ranged in age from 20 to 40, and in experience from recent junior college graduates to MBA's with significant experience in financial institutions.

For example, one Mexican-American applicant is 28 years old, with a recent master's degree in Business Administration from a southwestern university. He holds a bachelor's degree in Accounting and has several years' experience in State government personnel management work.

The Federal Home Loan Mortgage Corporation on November 1, 1971, conducted its first sale of FHLMC Participation Sale Certificates—referred to as Sale Certificates. Approximately 16 million dollars' worth of these Sale Certificates was made available to the S&L industry in this first sale and the industry's response was outstanding. All of the available Sale Certificates were sold within 45 minutes after the sale began.

Chairman Preston Martin, in an October 27 press release announcing the sale, stated, "We would expect this program to provide a substantial amount in housing credit over a short period of time."

FHLMC feels that the Sale Certificates will

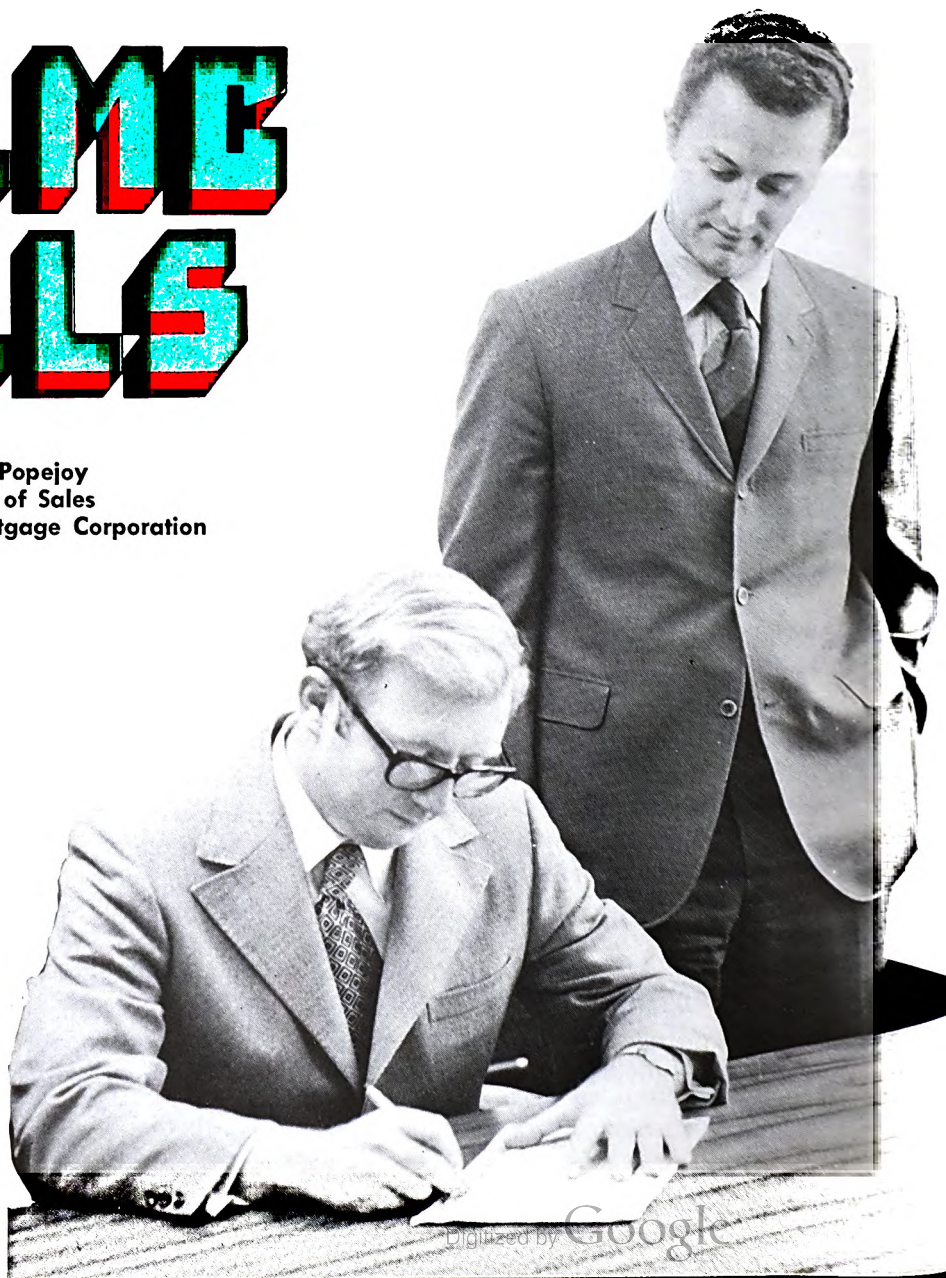
play a major role in the secondary conventional mortgage market for years to come. Because of its importance, the program has been very carefully reviewed and has received the necessary approvals from the Federal Home Loan Bank Board, the Internal Revenue Service, and the Securities Exchange Commission.

### What are the Sales Certificates?

Essentially, Sale Certificates are a participation interest, sold by FHLMC, in participations in conventional loans that have been acquired by FHLMC. One of FHLMC's "Buy" programs is acquiring a participation interest in groups of conventional loans held by S&L's.

# FHLMC SELLS

by William J. Popejoy  
Vice President of Sales  
Federal Home Loan Mortgage Corporation



William J. Popejoy watches Thomas R. Bomar, Executive Vice President of FHLMC, sign the first one of the new Sale Certificates.

In the "Buy" program, the S&L sells the participation to FHLMC and continues to service the loans involved.

In FHLMC's "Sell" program, it separates the participations acquired into Sale Certificates. The Sale Certificates are of amounts designed for maximum marketability. For example, FHLMC enters into an 80-percent participation where the underlying group of loans amounted to \$1 million. Therefore, FHLMC's purchase of undivided interest in the group of loans would be for \$800,000. FHLMC may then decide to sell the \$800,000 participation by issuing four \$200,000 Sale Certificates, each representing 20 percent of undivided interest in the underlying group of conventional loans.

#### **FHLMC's Guaranty**

FHLMC guarantees the timely payment of interest, the collection of principal, and the protection of the holder from any loss of principal purchased. What this actually means is: FHLMC will pay to the Sale Certificate holder the net yield as agreed whether or not collected from the underlying mortgages. FHLMC will pass through payments of principal as collected. If the disposition of a loan results in a loss of principal, this loss will not be passed through to the holder.

Therefore, FHLMC does guarantee principal and interest on the Sale Certificates. In addition, the Sale Certificate holder receives a pro rata percentage of prepayment fees generated by the underlying loans. If a loan appears to be hopelessly headed for foreclosure, FHLMC may exercise its guarantee and pay off such loan—passing through the full principal amount to the holder. In any event, FHLMC will exercise its guarantee on delinquent loans within 1 year from the beginning of foreclosure.

#### **FHLMC's Role**

FHLMC's role or, more precisely, roles in the Sale Certificate Program are many. First, FHLMC acts as issuer and guarantor. Then after the Sale Certificates are sold, FHLMC remains in the transaction as intermediary servicer, transfer agent, and registrar. These various roles are broken down as follows:

Once FHLMC has sold a Sale Certificate, the holder of such Sale Certificate looks only to FHLMC for the appropriate

remittances and for proper monitoring of the servicing being performed by the original seller/servicer.

The original seller/servicer (the S&L which sold the participation to FHLMC) would continue to make the necessary remittances and reports only to FHLMC no matter how many Sale Certificates may have been issued against the underlying participation.

Thus, both seller and buyer deal *only* with FHLMC.

Since FHLMC is also transfer agent and registrar, FHLMC is involved with all subsequent sales of the Sale Certificates.

#### **Advantages of Owning Sale Certificates**

The Sale Certificates are treated as "qualifying real property loans" as described in Internal Revenue Service Ruling No. 71-399 issued August 10, 1971. (See page 26, September 1971 issue of the Journal.) Accordingly, savings and loan associations may acquire such Sale Certificates without jeopardizing their tax status as "domestic building and loan associations."

Federally chartered savings and loan associations and FSLIC-insured institutions can invest in the Sale Certificates without regard to any other law or regulation.

As already mentioned, the Sale Certificates pass through to the holders prepayment fees on a pro rata basis.

Because of their size—smallest denomination will be approximately \$200,000—guarantee, and ease of transferability, it is anticipated that the Sale Certificates will enjoy a high level of resaleability in the secondary markets.

Probably of greatest importance is that, as a result of the Sale Certificate Program, funds for mortgage financing may be more quickly distributed from those parts of the country which have excess funds to those areas where mortgage financing money is scarce. The Sale Certificates also should serve to attract "new money" into mortgage financing, since it is anticipated the Sale Certificates may represent attractive investments for many segments of the capital markets that normally do not invest in mortgages.

#### **How to Buy**

Each time FHLMC conducts a sale, it will

send an invitation to all members of the Federal Home Loan Bank System describing the purchase procedure. We suggest that interested S&L's contact their FHLMC Regional Vice President to become better informed regarding the Sale Certificate Program. Also, we are confident that all savings and loan associations will

find the program easy to understand and even easier to participate in.

This program will be on-going. FHLMC believes its beginning is an important step in establishing a more fluid and a more meaningful secondary market for financing conventional loans.

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Edward J. Murphy's idea of a super weekend, until a few years ago, was to check into a Holiday Inn. His Canadian wife, Eleanor, changed all that and now Ed is becoming an avid camper.

Ed is the Office of Industry Development's Regional Supervisor for District 1 which includes Boston, New York, Pittsburgh and Greensboro Bank Districts. He was born January 27, 1923, in the Irish Ghetto of Washington, D.C.'s "Foggy Bottom," at 25th and K Streets, near the State Department.

"We used to call our home a rowhouse. Now its a \$25,000 townhouse," Ed muses.

Ed graduated from Western High School, in D.C., and went to work for the Department of War in 1941. A year later he was in the U.S. Army as a medic, and saw service in the Pacific Theater. He was on Okinawa and Ie Shima. He served in the 36th Field Hospital at Ie Shima when Ernie Pyle was shot by a Japanese sniper and died in the hospital.

When Ed was discharged on St. Patrick's Day in 1946, he joined the FSLIC. He studied in the evenings at George Washington University and at Strayer College where he received an accounting degree in 1950. He then went to the FDIC for 5 years, returning to what was then the Board's Division of Supervision.

Meanwhile, in 1947, he met a lovely Canadian girl, Eleanor Brehler, of Saskatoon, Saskatchewan, right here at 101 Indiana Avenue. She was working for the Canadian Embassy, which leased space where the Dockets Section is located today.

Ed went to what was then the Office of Applications in 1968 on a temporary assignment, and in 1969, the transfer was made permanent. He was appointed Regional Supervisor in March of this year.

Under OID's innovative decentralization program, Regional Supervisors process all applications for mergers, branches, and service corporations. They see to it that analysis of the application is made, then make a staff recommendation for approval or disapproval to the Board. They also are responsible that certain Board requirements for mergers are complied with.

## Profile

**Edward J. Murphy**  
Regional Supervisor,  
District 1  
Office of  
Industry Development



"Since we decentralized, we have been able to send to the Board twice the number of applications than we had previously," Ed says.

OID has moved away from the role of paper shuffler to a more active role of marketing specialist.

"We started moving into this field last year in our efforts to encourage S&L's to form service corporations. In the future, we project an even greater marketing function. We want to be able to do economic studies that might show the need for mergers and branches in certain areas of the country, for example, or the need for automated services and mini-branches," he states.

Ed says the Board and OID also seek to place more authority and emphasis on action at the Regional FHL Bank level.

The crack about Ed's newly found enthusiasm for camping should not be taken to mean he had been an idler. He golfs, plays softball, touch football, bowls, and coaches a Little League basketball team. He used to box when he was a youngster in Washington and when he was in the Pacific.

Ed also has been active in employee organizations at the Board. He was vice president and treasurer of the Credit Union, and has been president of the FHLBB Welfare and Recreation Association for the past 5 years.

Ed and Eleanor have two children, Maureen, 16; and Brian, 14; and they live in Annandale, Va.

# SOURCES AND USES OF FUNDS IN THE

by David M. Fishbein, Economist  
Office of Economic Research



## 3RD QUARTER

The net inflow of savings at FSLIC-insured savings and loan associations during July–September of this year was a third-quarter record. The growth in savings, however, slowed down from the unprecedented inflows earlier this year. Other deposit-type institutions had a similar experience. Despite the large savings flow during the third quarter, loan repayments surpassed savings as the largest single source of funds for the first time in 9 months. This reflected both the dropoff in savings flow and the more than seasonal rise in loan repayments resulting from increased real estate activity.

This very favorable inflow of funds, supplemented by a drawing down of liquid assets at some institutions and advances from the Federal Home Loan Banks, enabled associations to make a record amount of mortgage loans. A relaxation in liquidity requirements during the middle of the quarter permitted many associations to reduce their liquid assets in order to meet the heavy demand for mortgage loans. Other deposit-type institutions also were able to make an increased amount of mortgage loans.

Mortgage loan commitments outstanding, although down moderately from the unprecedented level at midyear, were, nevertheless, a record on a seasonally adjusted basis. This is an indication that substantial lending activity will continue in the months ahead.

### Sources of Funds

The net savings gain, including interest credited to accounts, of insured savings and loan associations during the third quarter of 1971 was \$5.2 billion, down substantially from the gain of \$7.2 billion during the previous 3-month period (chart 1). The July–September 1971 inflow was, however, a third-quarter record.

During the same quarter of last year there was a \$2.8 billion savings gain.

Interest credited to savers' accounts amounted to a record \$1.5 billion, representing about 30 percent of the net gain in savings during July-September of 1971. This was less than the \$1.8 billion of interest credited in the previous quarter (which included interest credited semiannually by some institutions), but was up from the \$1.3 billion in the 1970 third quarter. This new high in interest credited was because of the growing savings at associations and the continued higher rates being paid on them. Even after excluding interest credited from the net savings gain, however, the \$3.6 billion of net savings receipts was a third-quarter record.

Net mortgage loan repayments received by

insured associations during the third quarter of this year were an unprecedented \$5.9 billion, up from the previous record of \$5.4 billion in the second quarter and \$3.6 billion in the third quarter of last year.

Loan sales of \$536 million in the third quarter of 1971 were down moderately from \$561 million during the previous quarter, but much higher than the \$418 million in the July-September quarter of last year.

Net borrowings by insured associations from the Federal Home Loan Banks increased by \$398 million in the third quarter in contrast to the sharp reduction of \$2.4 billion during the preceding 3-month period when many insured associations paid back the specially priced Federal Home Loan Bank advances that had become repayable without penalty during the

FSLIC-Insured Savings and Loan Associations: Sources and Uses of Funds  
[In millions of dollars]

Item <sup>1</sup>	1971			1970	Third quarter			
	Third quarter <sup>2</sup>	Second quarter <sup>3</sup>	First quarter	Fourth quarter	1970	1969	1968	1967
<b>Sources, total</b> .....	12,823	11,640	12,618	8,985	7,661	5,462	5,556	6,307
Net change in savings capital .....	5,160	7,235	8,852	4,884	2,821	-236	924	1,875
Net savings receipts .....	3,625	5,448	7,443	3,254	1,570	-1,252	109	1,152
Interest/dividends credited .....	1,535	1,787	1,409	1,630	1,250	1,015	815	723
Loan dispositions .....	6,392	5,939	4,073	3,979	3,983	3,613	3,728	3,942
Loan repayments .....	5,856	5,378	3,769	3,602	3,565	3,496	3,589	3,725
Loan sales .....	536	561	304	377	418	117	139	217
Net Federal Home Loan Bank advances .....	398	-2,354	-925	102	261	1,489	149	-177
Net other borrowing .....	109	402	-171	127	-38	31	-15	1
Net other liabilities .....	760	119	764	-498	644	574	783	674
Net change in net worth .....	4	299	25	391	-10	-9	-13	-8
<b>Uses, total</b> .....	12,823	11,640	12,618	8,985	7,661	5,462	5,556	6,307
Gross mortgage loans disbursed .....	12,950	11,544	7,455	7,516	7,000	6,212	6,271	6,264
Gross mortgage loans made .....	11,541	10,587	6,158	6,380	6,188	5,451	5,520	5,921
Less net change in loans in process .....	243	1,195	400	395	213	-249	-162	235
Loans purchased .....	1,652	2,152	1,697	1,531	1,024	512	589	578
Net cash .....	-694	-577	-143	1,029	-183	-575	-470	-884
Net investment securities .....	116	271	5,098	208	729	-207	-148	947
Net other assets .....	451	402	208	232	114	32	-97	-20
Net changes in loan commitments .....	-500	2,097	2,056	41	316	-843	19	85
Loan commitments outstanding .....	8,045	8,545	6,445	4,393	4,354	3,530	3,727	3,288
Net change in cash and investment securities, less net change in commitments .....	-78	-2,403	2,899	1,196	230	61	-637	-22

<sup>1</sup> Detail may not add to totals because of rounding.

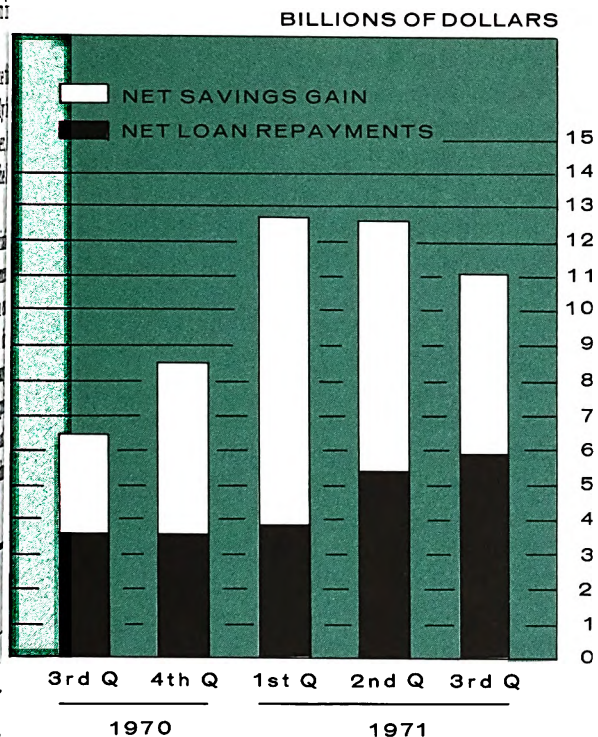
<sup>2</sup> Preliminary.

<sup>3</sup> Revised.

Note: Data on loan commitments, although not a part of the balance sheet, nevertheless are presented above because of their usefulness in evaluating future mortgage lending activity. The sources and uses table is presented in a form which is slightly different from that found in the monthly release of selected bal-

ance sheet data. The loans-in-process account has been moved from the liability side where it appears on the balance sheet to the asset side in order to derive the dollar volume of loans disbursed. This adjustment also requires that the change in total assets and liabilities be reduced by the amount of change in loans in process. As a result of these adjustments, the change in total assets and liabilities presented above will differ from the change calculated directly from the balance sheet.

Chart 1.—Net Savings Gain and Loan Repayments at FSLIC-Insured Associations, Third Quarter 1970 through Third Quarter 1971



Note: Net loan repayments are equal to loan repayments, including miscellaneous credits, less debits for interest, taxes, etc. Net savings gain includes interest credited.

second quarter. FHLB advances during the third quarter of last year rose \$261 million. Insured associations increased borrowings from other sources by \$109 million during the third quarter of 1971, down from \$402 million in the previous quarter, and in contrast to a net repayment of \$38 million in the third quarter of 1970.

As usual, the change in the net worth account was small in the July-September period. Other liability accounts increased by \$760 million compared with an increase of \$644 million during the same quarter of last year. Because of periodic accounting differences between the third quarter and the second quarter, meaningful comparisons cannot be made in these accounts.

#### Uses of Funds

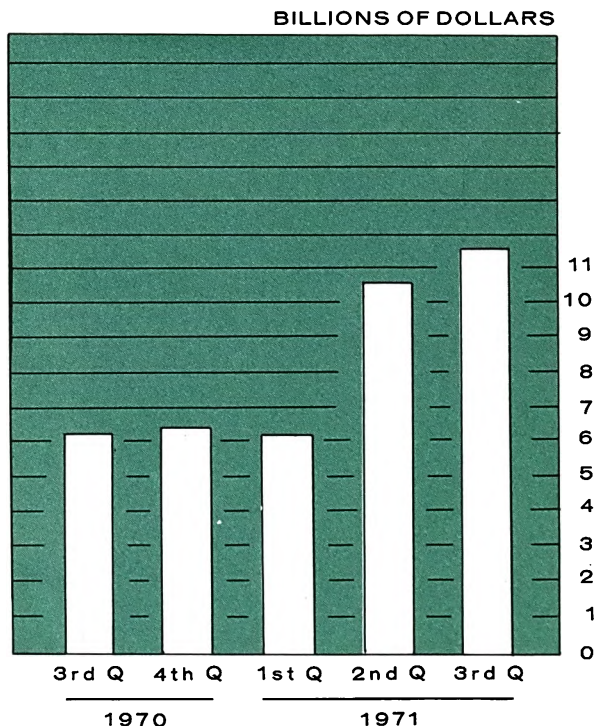
Funds received by insured associations were used to make mortgage loans totaling a record \$11.5 billion during the third quarter of 1971

(chart 2), up from \$10.6 billion of loans closed in the previous quarter, and a \$6.2 billion volume in the third quarter of 1970. Purchases of whole loans and participations during the third quarter amounted to \$1.7 billion (chart 3), down from the record high of \$2.2 billion in the previous 3-month period, but sharply higher than the \$1.0 billion in the third quarter of last year. After mortgage loan sales are deducted from purchases, the resulting net purchases were \$1.1 billion, which was down from an unprecedented \$1.6 billion in the second quarter, but sharply higher than the \$0.6 billion total in the third quarter of 1970.

The rise in loans in process at associations was \$243 million, down sharply from the \$1.2 billion increase during the second quarter of this year, but more than the \$213 million increase in the third quarter of last year.

Insured associations decreased their holdings of cash and investment securities by \$578 million in the third quarter, which was a much larger decline than the \$306 million in the second quarter. In contrast there was a \$546

Chart 2.—Gross Mortgage Loans Made at FSLIC-Insured Associations, Third Quarter 1970 through Third Quarter 1971



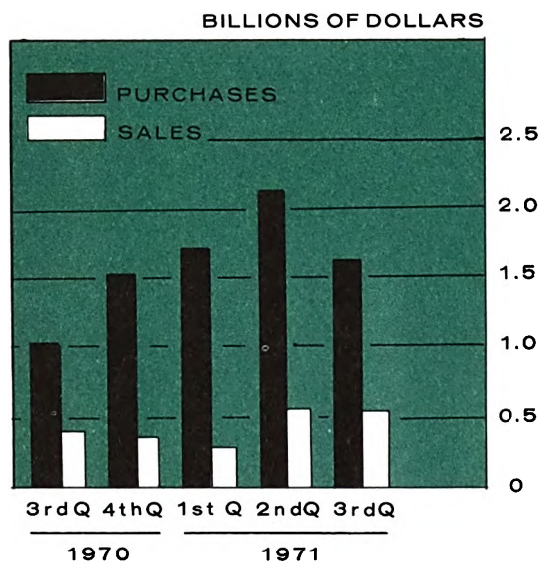
million increase in these liquid assets during the third quarter of last year. A reduction in liquid asset holdings required by the FHLB System, which became effective in late August, enabled associations to facilitate this draw down of cash and other liquid assets.

### Commitments

Loan commitments outstanding at insured associations declined by \$500 million during the July-September period which was in sharp contrast to the record increase during the preceding 3 months. This reduced outstanding commitments to \$8.0 billion at the end of September, moderately less than the unprecedented level of \$8.5 billion at midyear, but almost double the \$4.4 billion commitments outstanding at the same time last year. On a seasonally adjusted basis, however, outstanding commitments at the end of the third quarter were a record.

The ability of insured savings and loan associations to meet commitments out of their own funds decreased by \$78 million during the third quarter. This is indicated by subtracting the net change in commitments during the quarter from the net change in cash and investment securities.

Chart 3.—Purchases and Sales of Whole Mortgage Loans and Participations by FSLIC-Insured Associations, Third Quarter 1970 through Third Quarter 1971



### Other Deposit-Type Institutions

Other deposit-type institutions also experienced good gains in savings during the third quarter which were, however, less than those experienced earlier in the year. At commercial banks, the net increase in savings and time deposits, including large time certificates of deposit, was \$7.6 billion, up from the \$6.9 billion gain in the previous quarter, but down from the unusual \$17.7 billion net increase in the third quarter of last year. (This spectacular 1970 third-quarter increase was because of a sharp rise in larger certificates of deposit which accounted for a substantial portion of the big deposit gain. This resulted primarily from a suspension of rate ceilings on short-term, large certificates of deposit at commercial banks.) When large time certificates of deposit are excluded, the net gain in the July-September 1971 quarter was \$3.1 billion, down from \$5.9 billion in the previous quarter, and \$8.4 billion in the third quarter of 1970. Mutual savings banks experienced an estimated net inflow of \$1.6 billion, down from \$2.7 billion in the second quarter, but higher than the \$1.1 billion gain in the 1970 third quarter.

Gross mortgage lending data are not available from commercial and mutual savings banks for the third quarter. Net mortgage acquisitions by these institutions in July-September 1971, however, were larger than in the previous quarter. The net increase in mortgage portfolios at commercial banks was an estimated \$2.7 billion, up from the \$2.4 billion increase in the second quarter and sharply higher than the \$0.8 billion rise in the third quarter of last year. The third-quarter net gain in mortgage acquisitions by commercial banks was about 35 percent of the net savings gain, and for savings and loan associations the proportion was much higher at over 130 percent. Recently, nearly half of commercial bank mortgage lending has been construction lending, while only about one-quarter of originations at savings and loan associations was for construction.

The net increase in mortgage portfolios at mutual savings banks during the third quarter was an estimated \$1.2 billion, up from \$1.0 billion in the previous 3-month period, and double the net increase of \$0.6 billion in the third quarter of last year.



## New Director of OES Named

Frederic N. Spidell of Milwaukee, Wis., has been named Director of the Board's Office of Examinations and Supervision, Chairman Preston Martin announced on December 9.

Mr. Spidell will direct an examination staff of approximately 600 professional examiners assigned to the country's 12 Federal Home Loan Bank Districts. OES is responsible for analyzing the examination and independent audit reports on savings and loan associations throughout the country as a basis for appropriate supervisory action to ensure compliance with Board regulations and sound business practice.

Mr. Spidell has served as senior vice president and assistant managing officer of First Federal Savings and Loan Association of Wisconsin, in Milwaukee, since 1965.

From 1962 to 1965 he was associated with the law firm of Foley and Lardner, of Milwaukee.

He received a B.S. in Business Administration degree from Marquette University Business School in 1960 and an LL.B. in Law from that University's Law School in 1962.

He is married to the former Janet Helms of Milwaukee. They have a son and a daughter.

## Lindland Appointed Director of Insurance Corporation



The appointment of Roger K. Lindland of Detroit, Mich., as Director of the Federal Savings and Loan Insurance Corporation was announced on November 13 by Chairman Preston Martin.

The newly appointed Director has had a combined total of 15 years of experience in large-scale real

estate development, corporate finance, and management consultant services. From headquarters at Fort Lauderdale, Fla., he served as president of the Bryn Mawr Parks Division of the Bryn Mawr Group, Inc., in affiliation with Ramada Inns, Inc. He has served as secretary, treasurer, and chief financial officer of American Seating Company, and was director of Corporate Development for the American Cement Corporation of Los Angeles, Calif.

During the preceding 8 years, he was a certified public accountant and management consultant with Price Waterhouse & Co., at Detroit, Mich.

Mr. Lindland received a B.S. in Accounting from Wayne State University, Detroit, in 1955. He holds memberships in the Michigan Association and the American Institute of Certified Public Accountants.

He was born March 28, 1932, at Detroit, and married the former Doris Streitlien of that city. The Lindlands have two sons.

## Farquhar Joins FHLMC



Norman J. Farquhar has been named Director of Institutional Relations for the Federal Home Loan Mortgage Corporation, according to a November 1 announcement by Chairman of the Board Preston Martin.

Mr. Farquhar has been Director of Mortgage Finance for the National Association of Home Builders since May 1968. He joined

the Home Builders in 1962.

Mr. Farquhar's main responsibility will be to develop and market financing programs that will attract investment funds from such institutional investors as pension funds, bank trust departments, and insurance companies.

He was born at San Francisco, Calif., in 1940. He obtained a B.A. in Economics from American University in 1961 and pursued graduate studies in economics, real estate, and finance.

He is married to the former Elizabeth Heritage, of Mullin Hill, N.J. The Farquhars have a 7-year-old son.

(KLISTON, continued from page 12)

ganization structure, regulation compliance and response to supervision, and conflict of interest.

Each of the management factors is rated on a 5-point scale:

- 5=Superior. Management performs exceptionally well in particular area.
- 4=Strong. Management is strong in particular area but not superior.
- 3=Acceptable. Management performs satisfactorily and no need exists for affirmative supervisory action.

2=Needs improvement. Management has significant weakness in area which should be the subject of supervisory action.

1=Unacceptable. Weaknesses must be corrected. Supervisory action must be initiated and followup special examination made.

An arithmetic average of the 11 scores is calculated and then converted into a letter equivalent ranging from A to E. The Management Rating Form is shown as table 4.

(Continued on page 29)

# Regulations, Rulings, and Opinions

## Amendments Adopted

### Distribution of Earnings

The Board has authorized Federal associations to distribute earnings on short-term savings accounts at any time of the month determined by an association's board of directors.

The amendment was adopted as Resolution No. 71-1113 on October 22 and became effective upon publication in the Federal Register of November 3, 1971.

### Federal Insurance Reserve Requirements

Acting to maintain savings flows for use in housing, the Board authorized insured institutions to calculate Federal insurance reserve requirements by a moving average of the current and last two savings account balances. Previously, each institution was required to hold 5 percent of its savings in this insurance reserve, based on the savings accumulation as of the end of the calendar year.

The action was adopted as Resolution No. 71-1174 on November 4 and became effective upon publication in the Federal Register of November 12, 1971.

#### A Reminder

Managers of insured institutions who have elected to defer and amortize all gains and losses (net of related taxes) resulting from the disposition, on or prior to December 31, 1971, of any securities as part of a plan for meeting liquidity requirements should refer to the end-of-year provisions of section 563.23-2 of the Insurance Regulations.

## Proposed Amendments

### Merger Requirements

The Board has proposed amendments that would require published notice of the filing of certain merger applications by Federals and spell out procedures for public inspection of merger applications.

The proposed amendments were adopted as Resolution Nos. 71-1115 and 71-1116 on October 26 and published in the Federal Register of November 3, with an invitation for written comments to be received by the Board within 30 days.

### Mobile Facilities

The Board has proposed an amendment permitting a Federal association to maintain a mobile facility at the same location for a maximum of 3 days in each week instead of 2.

The proposed amendment was adopted as Resolution No. 71-1149 on October 28 and published in the Federal Register of November 6, 1971. Interested persons were allowed until December 10 to make written comments.

## General Counsel Opinions

Each opinion digested below will appear in the Board's Annotated Manual of Statutes and Regulations under the paragraph number that precedes it. The opinion also will be placed in the Public Index under the subjects given. Copies may be obtained on request from:

Manual and Information Compliance Division  
Office of the General Counsel  
Federal Home Loan Bank Board  
101 Indiana Ave., NW.  
Washington, D.C. 20552

The opinions requested should be identified by paragraph number and date. Normally, no more than one copy will be supplied. The opinions furnished may have deletions. The Division cannot provide whole sets of opinions nor fill blanket requests for all of the opinions digested in an issue of the Journal.

**Subject:** Section 545.9-1, Federal Regulations. Service corporations.

**Reference:** Paragraph 847, Annotated Manual.

An officer of a Federal savings and loan association may serve in a comparable job as an officer of a service corporation organized by the Federal savings and loan association.

Persons working exclusively for the association or exclusively for the service corporation should be paid solely by their respective employers. Persons working for both the association and the service corporation should be paid by the association and the service corporation, respectively, for the work performed on behalf of each. In particular situations it may not be possible to make an exact assignment of a common employee's time between the two organizations. In such cases, any reasonable approximation may be made.

Officers and other personnel of the Federal savings and loan association are not prohibited by the regulations from receiving fees from the service corporation for performing such services as appraisals, inspections, clerical work, etc., provided the limitations in section 454.6-10 are adhered to. 10/9/70

**Subject:** Section 545.14-3, Federal Regulations. Data processing service center.

**Reference:** Paragraph 857, Annotated Manual.

Section 545.14-3 authorizes Federal associations to participate in a data processing service center by means of a partnership or other noncorporate arrangement or by investment in a service corporation approved under section 545.9-1. If the participation is by investment in a service corporation, membership is restricted to savings and loan associations having a home office in the State of incorporation; if participation is through noncorporate arrangement, there is no geographic limitation as to participants which are required to be FSLIC-insured institutions. 6/17/71

**Subject:** Section 561.15, Insurance Regulations. Scheduled items.

**Reference:** Paragraph 1067, Annotated Manual.

If an affiliate of a holding company pledges a savings account as collateral for an otherwise conforming loan by a subsidiary insured institution of such holding company, or "takes" a second mortgage in connection with such transaction, it is our view that the amount of such pledge (or second mortgage) is added to the institution's loan in determining whether the loan is a conforming one or, in an appropriate case, is a scheduled item.

It is our opinion that the policy expressed in section 408(c)(1) of the National Housing Act requires that the pledge or secondary financing by the affiliate in the foregoing circumstances, in effect, be imputed to the insured institution.

However, if a nonaffiliated third party were to furnish the pledge or secondary financing in the above example, and the insured subsidiary's loan were otherwise conforming, the loan of the insured subsidiary would continue to be a conforming loan. 5/11/71

**Subject:** Section 545.7-1, Federal Regulations. Mobile home financing.

**Reference:** Paragraph 841a, Annotated Manual.

An association may make a loan on a mobile home to be used as a second home of the borrower. Although it must be suitable for year around occupancy, nothing in the regulations requires that the mobile home must be the borrower's primary place of residence. 5/6/71

**Subject:** Section 545.9-1, Federal Regulations. Service corporations.

**Reference:** Paragraph 847, Annotated Manual.

A paragraph "a" type service corporation proposes to offer its members the service corporation's notes secured by 100-percent collateral in the form of pro rata assignments of a note and security deed on realty acquired by the service corporation as a result of a loan by it to a particular borrower. The question presented is whether Federal associations may invest in notes of the service corporation.

Section 545.9-1 authorizes Federal associations to invest up to 1 percent of their assets in the capital obligations or other securities of service corporations. Thus, within the 1-percent limitation, the proposed transaction would be a legal investment for Federal associations, without reference to any other provisions in the Federal Regulations.

The proposed transaction is authorized for Federal associations as a participation in a collateral loan, and may be made without reference to the 1-percent limitation. Although the term "participation loan" is not defined in our regulations, it would appear that the proposed transaction would result in a "participation loan" within the meaning of section 545.6-4 of the Federal Regulations assuming that all of the associations buying a piece of the loan would share equally in all of the incidents of the loan.

A Federal association is authorized to participate with other lenders in any loan it could otherwise make. Under section 545.6-17 a Federal association could make a collateral loan secured by the assignment of other loans. Thus, the proposed transaction would be authorized as a participation loan provided that it meets the requirements of sections 545.6-17 and 545.6-4. 6/23/71

**Subject:** Section 545.14-1, Federal Regulations. Drive-in facility.

**Reference:** Paragraph 855, Annotated Manual.

An association may use a "collection" box off premises to receive deposits. This device is analogous to a mail drop or a post office box. Under these circumstances, the box in question is not a facility of the type which must be authorized by the Board in conformity with sections 545.14-1 and 545.15 and Board Ruling 555.12. 12/9/70

**Subject:** Section 545.7-1, Federal Regulations. Mobile home financing.

**Reference:** Paragraph 841a, Annotated Manual.

The term "monetary obligation" as used in section 545.7-1(e)(3) does not include any sums paid to the service corporation and dealer as "front money." "Front money" as used in mobile home financing transactions is defined as a portion of the anticipated interest to be collected on the principal obligation which is paid in advance by the lender to the service corporation and dealer. 12/17/70

**Subject:** Section 545.9, Federal Regulations. Securities and other investments.

**Reference:** Paragraph 846, Annotated Manual.

Notes of a local public housing authority are eligible investments for Federal associations under this section. However, they are not to be used for liquidity purposes under section 523.10. 5/12/71

(Continued from page 27)

### Testing and Validating

The system is in its initial stages and much depends now on the testing and validating processes. This will be done in basically two ways which both complement and supplement each other: (1) by subjective review by the Chief Examiners, Supervisory Agents, and the associations (2) by rather sophisticated statistical

techniques. From the continuous feedback of these procedures, the system can develop many interesting refinements—especially as to variations between areas. For example, it may be possible to develop different weighting schemes by area or even different ratios which could have a different significance by areas. A more sophisticated type of quartile placement could be developed—some areas, for instance, may not justify a "top" quartile. To have an operational, effective system is a continuous process.

## CONTENTS

<i>Series No.</i>	<i>Page</i>
S.1.—General Financial Data .....	30
S.2.—Federal Home Loan Banks .....	32
S.3.—Market Survey Data .....	34
S.4.—Savings and Loan Associations .....	34
S.5.—Mortgage Markets .....	39
S.6.—Housing Markets .....	42
S.7.—FSLIC: Financial Statements and Related Data, as of September 30, 1971 .....	43

## General Financial Data

**Table S.1.1.—Security Yields and Rates**  
[Percent]

Period	Short-term			Long-term					
	U.S. Government obligations <sup>1</sup>			Bonds <sup>1</sup>			Mortgages		
	3-month bills	6-month bills	3- to 5-year issues	U.S. Government	Aaa <sup>2</sup> State and local government	Aaa <sup>2</sup> corporate	FHA-insured <sup>3</sup>	Conventional <sup>4</sup>	
								New homes	Existing homes
1966 .....	4.85	5.06	5.16	4.66	3.67	5.13	6.38	6.25	6.41
1967 .....	4.30	4.61	5.07	4.85	3.74	5.51	6.55	6.46	6.52
1968 .....	5.33	5.48	5.59	5.25	4.20	6.18	7.19	6.97	7.03
1969 .....	6.64	6.84	6.85	6.10	5.45	7.03	8.29	7.81	7.82
1970 .....	6.42	6.55	7.37	6.59	6.12	8.04	9.03	8.45	8.36
1970									
Oct .....	5.90	6.21	7.06	6.59	6.07	8.03	8.97	8.51	8.35
Nov .....	5.28	5.42	6.37	6.24	5.79	8.05	8.90	8.43	8.32
Dec .....	4.87	4.89	5.86	5.97	5.21	7.64	8.40	8.38	8.26
1971									
Jan .....	4.44	4.47	5.72	5.91	5.08	7.36	( <sup>5</sup> )	8.18	8.08
Feb .....	3.69	3.78	5.31	5.84	4.92	7.08	( <sup>5</sup> )	7.91	7.80
Mar .....	3.38	3.50	4.74	5.71	5.00	7.21	7.32	7.66	7.60
Apr .....	3.85	4.03	5.42	5.75	5.22	7.25	7.37	7.49	7.47
May .....	4.13	4.34	6.02	5.96	5.71	7.53	7.75	7.47	7.45
June .....	4.74	4.95	6.36	5.94	5.65	7.64	7.89	7.50	7.50
July .....	5.39	5.62	6.77	5.91	5.75	7.64	7.97	7.66	7.63
Aug .....	4.93	5.22	6.39	5.78	5.56	7.59	7.92	7.74	7.71
Sept .....	4.69	4.97	5.96	5.56	5.09	7.44	7.84	7.83	7.76
Oct .....	4.46	4.60	5.68	5.46	4.75	7.39	7.75	7.83	7.75

<sup>1</sup> Monthly data are averages of daily secondary market quotations, except for State and local government bonds, which are based on Thursday quotations only. Except for bills, the quotations are for a limited number of suitable issues of the indicated type, including only general obligations for State and local government bonds.

<sup>2</sup> Aaa is the highest quality rating given by Moody's Investors Service.

<sup>3</sup> Monthly data are based on opinion reports of FHA field offices on prevailing conditions in their localities as of the first of the succeeding month. Yields are derived from secondary market prices for sec. 203, 30-year mortgages with minimum downpayment and an assumed prepayment at the end of 15 years. Gaps in monthly data are because of periods of adjustment to changes

in maximum permissible contract interest rate. Data represent gross yield to the investor—i.e., the yield to the purchaser before deduction of serving costs.

<sup>4</sup> Data are averages of effective interest rates and represent average cost to the borrower. See table S.5.1 for further description.

<sup>5</sup> Not available.

<sup>6</sup> Revised.

Note: Annual data are averages of monthly data. Figures for U.S. Government obligations are from the Board of Governors of the Federal Reserve System, for corporate and State and local government bonds from Moody's Investors Service, for FHA mortgages from the Federal Housing Administration, and for conventional mortgages from the Federal Home Loan Bank Board.

**Table S.1.2.—Measures of Money Stock and Time and Savings Accounts**

Period	Measures of the money stock (Seasonally adjusted data; in billions of dollars) <sup>10</sup>			Time and savings accounts (in millions of dollars)				
	M <sub>1</sub> (Currency plus demand deposits) <sup>1</sup>	M <sub>2</sub> (M <sub>1</sub> plus time deposits at commercial banks other than large time CD's) <sup>2</sup>	M <sub>3</sub> (M <sub>2</sub> plus deposits at nonbank thrift institutions) <sup>3</sup>	Total	Type of institution			
					Savings and loan associa- tions <sup>4</sup>	Credit unions <sup>5</sup>	Mutual savings banks <sup>6</sup>	Com- mercial banks <sup>7</sup>
<b>December</b>								
967 .....	183.1	345.7	528.8	378,317	124,493	11,103	60,121	182,600
968 .....	197.4	378.0	572.6	411,537	131,618	12,312	64,507	203,100
969 .....	203.7	386.8	588.4	412,996	135,670	13,740	67,086	196,500
<b>1970</b>								
Oct .....	213.1	412.0	624.0	452,552	142,825	15,034	70,093	224,600
Nov .....	213.6	414.3	628.1	456,694	143,928	15,205	70,361	227,200
Dec .....	214.8	418.2	634.1	467,846	146,744	15,422	71,580	234,100
<b>1971</b>								
Jan .....	215.3	423.1	642.5	475,149	149,298	15,610	72,441	237,800
Feb .....	217.7	430.4	653.7	484,130	151,742	15,822	73,366	243,200
Mar .....	219.7	437.1	664.2	496,792	155,850	16,140	75,002	249,800
Apr .....	221.2	441.5	672.9	500,976	158,061	16,391	75,824	250,700
May .....	223.8	446.6	681.5	507,364	160,221	16,687	76,656	253,800
June .....	225.5	450.6	688.3	514,494	163,313	16,998	77,683	256,700
July .....	227.4	453.4	694.2	517,813	164,864	17,119	78,130	257,800
Aug .....	228.0	454.5	697.9	521,454	165,973	17,344	78,437	259,700
Sept .....	227.4	455.4	701.2	529,765	168,643	17,586	79,236	264,300
Oct <sup>8</sup> .....	227.1	457.6	705.6	( <sup>9</sup> )	170,235	( <sup>9</sup> )	( <sup>9</sup> )	266,500

<sup>1</sup> Average of daily figures for (1) demand deposits at all commercial banks other than those due to domestic commercial banks and the U.S. Government, less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of all commercial banks. Federal Reserve data.

<sup>2</sup> Includes, in addition to currency and demand deposits, an average of daily figures for savings deposits, time deposits open account, and time certificates of deposits other than negotiable time certificates of deposit issued in denominations of \$100,000 or more by large weekly reporting commercial banks. Federal Reserve data.

<sup>3</sup> Includes M<sub>2</sub>, plus the average of the beginning and end of month deposits of mutual savings banks and savings and loan associations. Federal Reserve data.

<sup>4</sup> FHLBB estimates for all operating associations described in the notes to table S.4.1.

<sup>5</sup> National Credit Union Administration estimates for all credit unions based on reports submitted by a sample of credit unions holding more than one-fifth of total assets. Data are revised annually to reflect benchmark data.

<sup>6</sup> National Association of Mutual Savings Banks data for all mutual savings banks. Figures include a small amount of demand deposits.

<sup>7</sup> Federal Reserve estimates for the last Wednesday of the month of all commercial bank holdings of time and savings deposits except (1) domestic interbank, (2) U.S. Treasurer's open account, and (3) postal savings redeposited in commercial banks.

<sup>8</sup> Preliminary.

<sup>9</sup> Not available.

<sup>10</sup> Revised.

**Table S.1.3.—Selected Types of Saving**

[In millions of dollars]

Month	Net increase in deposits at FSLIC-insured savings and loan associations <sup>1</sup>		Net increase in regular deposits at mutual savings banks <sup>2</sup>		Net increase in shares at credit unions <sup>3</sup>	Net increase in time and savings deposits other than large CD's at commercial banks <sup>4</sup>	Net purchase of U.S. savings bonds <sup>5</sup>
	Excluding interest credited	Including interest credited	Excluding interest credited	Including interest credited			
<b>1970</b>							
Sept .....	575	1,766	—8	575	164	3,430	—25
Oct .....	1,050	1,091	138	276	212	1,081	58
Nov .....	1,044	1,066	388	497	171	945	71
Dec .....	1,161	2,727	376	1,218	217	5,975	42
<b>1971</b>							
Jan .....	2,476	2,521	637	829	188	2,633	9
Feb .....	2,340	2,361	811	907	212	5,104	89
Mar .....	2,627	3,970	955	1,604	318	6,566	135
Apr .....	2,092	2,139	651	801	251	1,204	119
May .....	2,081	2,104	710	819	296	2,182	161
June .....	1,275	2,992	277	935	311	2,510	136
July .....	1,463	1,504	276	415	121	—678	94
Aug .....	1,052	1,073	195	300	225	607	134
Sept .....	1,090	2,583	105	792	242	3,161	67
Oct .....	1,492	1,540	250	1,400	( <sup>6</sup> )	1,560	96

<sup>1</sup> FHLBB data as described in notes to table S.4.2.

<sup>2</sup> National Association of Mutual Savings Bank data for all mutual savings banks. Excluded are a small amount of school, club, and other special deposits included in figures shown in table S.1.2.

<sup>3</sup> National Credit Union Administration estimates as described in note to table S.1.2.

<sup>4</sup> Based on Federal Reserve data for last Wednesday of month for time and savings accounts as described in note to table S.1.2, minus negotiable time certificates of deposits issued in denomina-

tions of \$100,000 or more by large weekly reporting commercial banks. Includes interest credited to accounts.

<sup>5</sup> Sales of Series E and H bonds minus redemptions at sale price (i.e., exclusive of accrued discount) as reported by U.S. Treasury Department.

<sup>6</sup> Preliminary.

<sup>7</sup> Estimated.

<sup>8</sup> Not available.

<sup>9</sup> Revised.



**Table S.2.3.—Federal Home Loan Bank Advances Outstanding, by Bank**

[In millions of dollars]

End of period	All Districts	Federal Home Loan Bank											
		Boston	New York	Pitts-burgh	Greens-boro	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1965	5,997	255	471	238	619	236	169	547	320	350	220	2,311	261
1966	6,934	197	581	240	749	237	197	530	330	407	230	2,980	256
1967	4,386	147	335	138	420	153	126	327	229	259	143	1,970	138
1968	5,259	201	375	148	426	221	149	423	222	353	193	2,367	179
1969	9,289	343	624	267	875	478	277	756	484	597	414	3,833	341
<b>1970</b>													
Aug	10,446	358	794	293	870	573	251	822	511	670	511	4,398	395
Sept	10,524	360	810	310	889	584	251	827	514	670	526	4,383	401
Oct	10,539	365	822	323	893	589	253	827	522	673	536	4,334	403
Nov	10,524	365	826	323	900	592	256	816	538	672	539	4,290	407
Dec	10,615	367	837	325	912	600	257	822	565	676	546	4,297	410
<b>1971</b>													
Jan	10,326	361	828	313	868	573	243	809	540	658	543	4,193	396
Feb	9,926	346	814	301	848	552	233	783	527	644	534	3,958	386
Mar	9,690	338	794	295	836	542	220	753	517	627	530	3,858	380
Apr	8,268	266	692	236	581	379	153	626	396	563	467	3,639	271
May	7,268	250	697	207	513	301	133	528	377	399	473	3,160	231
June	7,241	252	717	219	518	307	143	553	384	402	499	3,005	241
July	7,338	270	745	234	550	337	161	571	383	403	499	2,930	253
Aug	7,514	282	761	261	595	362	196	611	391	417	514	2,868	257
Sept	7,637	301	763	269	639	390	189	613	408	425	525	2,843	272
Oct	7,639	304	774	278	671	395	202	617	415	440	530	2,730	284

Note: FHLBB data. Detail may not add to total because of rounding.

**Table S.2.4.—Federal Home Loan Bank Advances Made and Repaid**

[In millions of dollars]

Period	Made	Repaid	Net change
1965	5,007	4,335	672
1966	3,804	2,866	938
1967	1,527	4,076	-2,549
1968	2,734	1,861	873
1969	5,531	1,501	4,030
1970	3,255	1,930	1,325
<b>1970</b>			
Aug	179	106	73
Sept	204	125	79
Oct	134	119	15
Nov	112	126	-14
Dec	224	134	90
<b>1971</b>			
Jan	43	331	-288
Feb	27	428	-401
Mar	30	266	-236
Apr	71	1,492	-1,421
May	151	1,151	-1,000
June	238	264	-26
July	309	213	96
Aug	358	183	175
Sept	327	203	124
Oct	306	303	3

**Table S.2.5.—Consolidated Federal Home Loan Bank Obligations Outstanding**

Date of maturity	Date of issue	Amount (millions)	Type of issue	Coupon rate (per-cent)
Feb. 25, 1972	Nov. 25, 1969	200	Bond	8.20
Feb. 25, 1972	June 26, 1970	300	Bond	8.20
May 25, 1972	May 25, 1970	200	Bond	8.15
Aug. 25, 1972	July 27, 1971	400	Bond	6 1/4
Nov. 27, 1972	Sept. 25, 1970	250	Bond	7 1/2
Nov. 27, 1972	Nov. 19, 1970	175	Bond	7.10
Nov. 27, 1972	Sept. 27, 1971	310	Bond	5.75
Feb. 26, 1973	Feb. 25, 1970	350	Bond	8.35
Feb. 26, 1973	May 25, 1971	400	Bond	5.70
May 25, 1973	Mar. 25, 1971	400	Bond	4 1/4
Aug. 27, 1973	Oct. 27, 1970	450	Bond	7.20
Nov. 26, 1973	Aug. 2, 1971	150	Bond	6.70
Jan. 25, 1974	Jan. 26, 1970	300	Bond	8.40
Feb. 25, 1974	June 26, 1970	250	Bond	8.40
Feb. 25, 1974	Aug. 25, 1971	250	Bond	7.10
May 27, 1974	June 25, 1971	300	Bond	6.35
Aug. 25, 1974	Aug. 25, 1969	183.3	Bond	7.65
Nov. 25, 1974	Nov. 25, 1969	231.6	Bond	8.00
Feb. 25, 1975	Jan. 26, 1971	250	Bond	6.10
May 26, 1975	Aug. 25, 1970	265	Bond	8.05
Aug. 25, 1975	July 27, 1970	300	Bond	7.95
Nov. 25, 1975	Dec. 18, 1970	350	Bond	6.50
Feb. 25, 1976	Aug. 25, 1971	250	Bond	7 3/4
May 25, 1977	June 25, 1971	200	Bond	6.95
Feb. 25, 1980	Mar. 25, 1970	350	Bond	7.75
Oct. 15, 1980	Oct. 15, 1970	200	Bond	7.80
Nov. 27, 1981	Oct. 27, 1971	200	Bond	6.60
Nov. 27, 1995 <sup>1</sup>	Nov. 19, 1970	140	Bond	8.60
Aug. 26, 1996 <sup>1</sup>	Aug. 2, 1971	150	Bond	7 3/4

<sup>1</sup>These issues represent bonds issued by the Federal Home Loan Mortgage Corporation and guaranteed by the Government National Mortgage Association.  
Note: FHLBB data.

Note: FHLBB data. Advances made and repaid exclude re-novels.

# Market Survey Data

**Table S.3.1.—Federal Home Loan Mortgage Corporation: Weekly Market Survey**

[In percent, data for week ending November 19, 1971]

Item	U.S. average	Federal Home Loan Bank District											
		Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
Single-family conventionals:													
Average quoted rate .....	7.54	7.75	7.50	7.50	7.50	7.50	7.50	7.25	7.75	7.75	7.50	7.25	7.75
Fees or points charged .....	1.04	0	1.0	1.0	2.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.5
Over-the-counter quote on FHA/VA .....	94.96	97.0	95.5	95.0	94.0	94.0	94.0	95.0	95.0	95.0	95.0	96.0	94.0
Multifamily conventionals:													
Average quoted rate .....	8.54	8.50	8.50	8.50	8.75	8.50	8.50	8.00	8.50	9.00	8.75	8.25	8.75
Fees or points charged .....	1.55	0	1.0	1.0	3.0	2.0	2.0	2.0	1.0	1.0	1.5	2.0	2.5

Note: FHLMC market data is obtained weekly through its "sample of 60." Each FHLMC Regional Office contacts five of its seller/servicers for this information. No attempt is made to determine statistical accuracy. Rather, we seek quick information to deter-

mine tone of the market. This survey is used for informational purposes and is not intended for any other use. Any other purposes for which it may be used are entirely at the discretion of the user.

## Savings and Loan Associations

**Table S.4.1.—All Operating Savings and Loans Associations: Balance Sheet Data and Commitments**

[In millions of dollars]

End of period	Assets				Total assets; total liabilities, reserves and surplus	Liabilities and reserves					Loan commitments outstanding <sup>1</sup>
	Cash	Investment securities <sup>1</sup>	Mortgage loans	Other assets		Savings capital	FHLB advances, other borrowed money	Loans in process	Other liabilities	Reserves and surplus	
1966 <sup>3</sup> .....	3,366	8,683	114,427	7,457	133,933	113,969	7,462	1,270	2,136	9,096	1,517
1967 <sup>4</sup> .....	3,442	10,499	121,805	7,788	143,534	124,493	4,775	2,257	2,463	9,546	3,042
1968 <sup>5</sup> .....	2,962	11,116	130,802	8,010	152,890	131,618	5,705	2,449	2,803	10,315	3,631
1969 <sup>6</sup> .....	2,439	10,893	140,347	8,620	162,299	135,670	9,728	2,455	3,207	11,239	2,824
<b>1970</b>											
Oct <sup>7</sup> .....	2,715	13,277	147,712	9,248	172,952	142,825	10,721	2,747	5,071	11,588	4,606
Nov .....	3,155	13,340	148,896	9,356	174,747	143,928	10,691	2,838	5,698	11,592	4,702
Dec <sup>8</sup> .....	3,520	13,058	150,562	9,434	176,574	146,744	10,942	3,087	3,789	12,012	4,452
<b>1971</b>											
Jan <sup>9</sup> .....	2,930	15,506	151,503	9,386	179,325	149,298	10,494	3,055	4,422	12,056	4,628
Feb .....	3,249	16,805	152,665	9,524	182,243	151,742	10,097	3,161	5,181	12,062	5,310
Mar .....	3,376	18,335	154,430	9,668	185,809	155,950	9,838	3,500	4,577	12,044	6,571
Apr .....	3,146	18,302	156,574	9,831	187,853	158,061	8,631	3,877	5,253	12,031	7,512
May <sup>10</sup> .....	3,000	18,650	158,747	10,080	190,484	160,221	7,774	4,336	6,124	12,035	8,484
June .....	2,783	18,609	161,440	10,110	192,943	163,313	7,903	4,734	4,635	12,357	8,735
July <sup>11</sup> .....	2,153	19,319	163,951	10,192	195,675	164,864	8,039	4,953	5,401	12,358	8,744
Aug .....	2,091	19,010	166,342	10,420	197,863	165,973	8,231	5,032	6,277	12,350	8,490
Sept .....	2,070	18,701	168,464	10,582	199,817	168,643	8,417	5,004	5,393	12,360	8,171
Oct <sup>12</sup> .....	2,175	19,080	170,456	10,733	202,444	170,235	8,459	5,008	6,389	12,353	7,926

<sup>1</sup> Investment securities are the total of liquid assets and other investment securities. Included are U.S. Government obligations, Federal Agency securities, State and local government securities, time deposits at banks and miscellaneous securities except FHL Bank stock.

<sup>2</sup> Not a balance sheet item.

<sup>3</sup> Beginning in 1966, mortgage loans include real estate sold on contract included in other assets in prior years, and paid-in surplus of stock associations and specific reserves of all associations that had been included in reserves and surplus in prior years are included in other liabilities. The effect of these definitional changes was to increase mortgages, and to reduce other assets, by \$360 million, and to reduce reserves and surplus, and increase other liabilities, by \$210 million. Data also reflect exclusion of a savings and loan association with \$31 million in savings and \$29 million in mortgages that converted to a commercial bank.

<sup>4</sup> 1967 data reflect exclusion of 4 associations in process of liquidation or dissolution which held \$142 million in mortgages and \$125 million in savings.

<sup>5</sup> 1968 data reflect exclusion of 3 associations in process of liquidation and 2 associations that converted to mutual savings banks which held \$370 million in mortgages and \$353 million in savings.

<sup>6</sup> 1969 data reflect exclusion of 1 association that converted to

a mutual savings bank, 1 association in process of liquidation, and 1 association that converted to a commercial bank which held \$142 million in mortgages and \$159 million in savings.

<sup>7</sup> Data reflect exclusion of 1 association holding \$32 million in mortgages and \$39 million in savings that converted to a mutual savings bank.

<sup>8</sup> Data reflect exclusion of 1 association holding \$6 million in both mortgages and savings that merged with a savings bank.

<sup>9</sup> Data reflect exclusion of 1 association holding \$36 million in mortgages and \$39 million in savings that converted to a savings bank, and 3 associations which held \$14 million in mortgages and \$16 million in savings that merged with savings banks.

<sup>10</sup> Data reflect exclusion of 1 association holding \$12 million in mortgages and \$14 million in savings that merged with a savings bank.

<sup>11</sup> Data reflect exclusion of 2 associations holding \$4 million in mortgages and \$5 million in savings that merged with savings banks.

<sup>12</sup> Preliminary data based on incomplete reporting. Note: FHLBB estimates based on reported monthly data for FSLIC-insured associations and periodic benchmark data for other associations. Estimates are subject to revision as benchmark data become available.

**Table S.4.2.—Savings Activity at Savings and Loan Associations**

[In millions of dollars]

Period	All operating associations			FSLIC-insured associations					
	Gross savings receipts	Withdrawals	Net inflow <sup>1</sup>	Gross savings receipts			Withdrawals	Net inflow <sup>1</sup>	Net new savings received <sup>2</sup>
				Interest/dividends credited	New savings received	Total			
1969	52,513	48,302	4,211	4,886	45,678	50,564	46,680	3,884	-1,001
1970	64,165	52,939	11,226	5,548	56,467	62,015	51,172	10,843	5,294
1970									
Oct	5,089	3,959	1,130	42	4,878	4,919	3,828	1,091	1,050
Nov	3,823	2,720	1,103	22	3,674	3,696	2,630	1,066	1,044
Dec	6,114	3,292	2,822	1,566	4,342	5,908	3,181	2,727	1,161
1971									
Jan	7,570	4,961	2,609	45	7,270	7,315	4,794	2,521	2,476
Feb	5,371	2,928	2,443	21	5,169	5,190	2,829	2,361	2,340
Mar	7,602	3,494	4,108	1,343	6,005	7,347	3,378	3,970	2,627
Apr	7,095	4,884	2,211	47	6,818	6,865	4,726	2,139	2,092
May	5,332	3,158	2,174	23	5,136	5,159	3,055	2,104	2,081
June	7,160	4,068	3,092	1,717	5,212	6,929	3,937	2,992	1,275
July	7,120	5,566	1,554	41	6,849	6,890	5,386	1,504	1,463
Aug	5,310	4,201	1,109	21	5,117	5,138	4,065	1,073	1,052
Sept	6,623	3,952	2,671	1,493	4,914	6,407	3,823	2,583	1,090
Oct <sup>3</sup>	6,207	4,615	1,592	48	5,956	6,004	4,464	1,540	1,492

<sup>1</sup> Gross savings receipts less withdrawals.

<sup>2</sup> New savings received less withdrawals.

<sup>3</sup> Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in the note to table S.4.1. Gross receipts and withdrawals for some months, particularly January 1970, are overstated because of the inclusion of transfers among accounts at some associations.

**Table S.4.3.—Net Savings Inflow at Savings and Loan Associations**

[In millions of dollars]

Period	All operating associations	United States	FSLIC-insured associations											
			Federal Home Loan Bank District											
			Boston	New York	Pitts-burgh	Greens-boro	Cincinnati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1967	10,724	10,467	222	1,198	455	1,565	871	518	1,059	552	768	462	2,339	458
1968	7,478	7,256	187	1,038	362	1,387	694	315	713	493	514	361	856	335
1969	4,211	3,884	44	793	249	953	510	282	319	380	324	186	-366	210
1970	11,226	10,843	214	1,336	595	2,361	1,009	718	923	813	719	439	1,278	438
1970														
Oct	1,130	1,091	14	76	51	278	87	52	109	82	71	44	182	46
Nov	1,103	1,066	24	110	57	198	97	52	112	70	80	47	185	33
Dec	2,822	2,727	73	322	175	462	313	151	267	169	184	105	396	110
1971														
Jan	2,609	2,521	39	184	109	562	224	108	224	154	219	113	487	98
Feb	2,443	2,361	53	218	125	483	191	104	219	129	178	90	478	94
Mar	4,108	3,970	96	439	180	703	315	191	401	242	278	166	793	166
Apr	2,211	2,139	44	213	114	428	165	65	211	126	184	94	395	100
May	2,174	2,104	47	216	98	372	171	91	200	110	153	82	475	89
June	3,092	2,992	76	335	160	477	286	158	254	177	218	115	615	121
July	1,554	1,504	22	126	38	353	95	48	101	101	117	65	366	73
Aug	1,109	1,073	23	98	31	237	76	46	57	81	95	51	221	56
Sept	2,671	2,583	56	282	88	450	203	141	243	159	187	110	549	114
Oct <sup>1</sup>	1,592	1,540	10	108	61	373	119	69	151	95	95	68	330	58

<sup>1</sup> Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in the note to table S.4.1. Detail may not add to total because of rounding.

**Table S.4.4.—Net New Savings Received by FSLIC-Insured Savings and Loan Associations**

[In millions of dollars]

Period	United States	Federal Home Loan Bank District											
		Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1967	6,129	103	699	249	922	464	283	610	333	492	312	1,402	260
1968	2,738	57	494	148	707	270	74	253	270	247	206	121	133
1969	1,001	97	204	17	203	63	28	188	134	33	23	1,410	11
1970	5,294	55	668	327	1,490	483	418	354	513	367	242	193	185
1970													
Oct	1,050	12	73	48	264	85	51	98	80	67	44	182	45
Nov	1,044	23	109	56	193	96	51	105	69	78	47	185	33
Dec	1,161	27	142	76	227	145	61	125	78	86	50	111	35
1971													
Jan	2,476	38	181	107	550	221	106	213	153	211	113	487	97
Feb	2,340	50	216	123	480	189	103	212	128	177	90	477	93
Mar	2,627	61	262	144	485	212	120	268	167	192	118	493	104
Apr	2,092	43	211	110	411	161	63	197	125	183	94	395	99
May	2,081	46	214	96	368	169	90	192	109	153	81	474	88
June	1,275	26	135	56	216	102	63	96	78	107	56	296	44
July	1,463	21	123	36	338	92	46	89	99	116	65	366	72
Aug	1,052	22	97	29	232	75	45	50	81	95	51	221	55
Sept	1,090	16	89	47	203	90	62	98	76	92	57	215	45
Oct <sup>1</sup>	1,492	9	103	58	359	117	66	139	92	94	68	330	57

<sup>1</sup> Preliminary data based on incomplete reporting.

Note: FHLBB data. Net new savings received equal new savings (exclusive of interest/dividends credited) less withdrawals. Detail may not add to total because of rounding.

**Table S.4.5.—Mortgage Loan Activity of Savings and Loan Associations**

[In millions of dollars]

Period	All operating associations, total loans closed	FSLIC-insured association											Loans and participations purchased	Loans and participations sold	Net loan repayments <sup>1</sup>
		Loans closed									Refinancing	Other			
		Total	Purpose of Loan			Purchase of—	Other improved real estate								
			Construction of—		Purchase of—										
1- to 4-family homes	Other dwelling units	Other structures	1- to 4-family homes	Other dwelling units											
1969	21,847	21,169	4,610	1,391	812	10,905	386	342	1,462	1,261	2,331	518	13,588		
1970	21,387	20,760	4,028	2,024	960	9,940	405	370	1,693	1,339	3,745	1,108	13,247		
1970															
Oct	2,127	2,065	395	190	93	1,002	40	36	179	130	378	89	1,199		
Nov	1,972	1,915	345	214	105	892	37	32	163	127	443	91	1,116		
Dec	2,474	2,400	404	345	152	939	68	61	250	181	710	198	1,287		
1971															
Jan	1,667	1,617	297	144	72	729	46	45	167	117	497	74	1,080		
Feb	1,887	1,830	336	178	82	793	39	49	217	136	545	118	1,135		
Mar	2,795	2,711	505	279	123	1,109	67	61	347	221	655	112	1,553		
Apr	3,168	3,075	579	287	167	1,268	86	73	386	228	759	150	1,618		
May	3,438	3,337	602	322	174	1,408	86	98	425	223	605	187	1,633		
June	4,301	4,175	698	327	179	2,047	104	89	485	247	788	225	2,127		
July	4,151	4,030	666	299	194	2,026	97	70	443	234	621	192	2,015		
Aug	4,111	3,991	622	247	168	2,160	105	86	381	223	542	166	2,034		
Sept	3,672	3,565	610	233	153	1,894	85	67	330	194	494	194	1,808		
Oct <sup>2</sup>	3,400	3,301	587	242	168	1,672	76	80	293	183	526	226	1,667		

<sup>1</sup> Principal payments plus miscellaneous credits less debits for interest, taxes, etc.

<sup>2</sup> Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in note to table S.4.1.

**Table S.4.6.—Mortgage Loans Closed by Savings and Loan Associations**

[In millions of dollars]

Period	All operating associations	FSLIC-insured associations												
		United States	Federal Home Loan Bank District											
			Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1968	21,983	21,298	539	1,543	1,042	3,316	2,432	1,049	2,619	1,248	1,611	867	4,102	930
1969	21,847	21,169	501	1,674	1,009	3,494	2,333	1,105	2,341	1,292	1,597	880	4,057	886
1970	21,387	20,760	527	1,586	1,018	3,530	2,443	1,113	2,088	1,322	1,558	907	3,762	905
1970														
Oct	2,127	2,065	56	147	90	349	277	109	200	134	139	78	391	95
Nov	1,972	1,915	48	140	107	335	228	109	193	132	139	73	333	77
Dec	2,474	2,400	72	176	111	417	241	114	224	138	206	111	485	104
1971														
Jan	1,667	1,617	42	119	66	284	181	90	159	87	146	69	308	66
Feb	1,887	1,830	36	107	75	354	179	90	186	81	178	90	375	79
Mar	2,795	2,711	65	150	124	489	272	125	302	137	228	135	546	138
Apr	3,168	3,075	76	171	152	596	333	142	329	167	258	142	564	145
May	3,438	3,337	84	199	194	624	370	160	385	180	250	143	573	176
June	4,301	4,175	112	292	210	748	434	202	450	223	340	193	753	216
July	4,151	4,030	99	305	201	756	425	213	403	220	309	191	700	208
Aug	4,111	3,991	97	297	186	748	408	213	403	244	310	181	706	199
Sept	3,672	3,565	91	265	166	670	363	195	363	202	286	160	622	184
Oct <sup>1</sup>	3,400	3,301	102	235	147	649	366	171	332	186	259	139	561	156

<sup>1</sup> Preliminary data based on incomplete reporting. Note: FHLBB data. All operating association data are estimates

as described in the note to table S.4.1. Detail may not add to total because of rounding.

**Table S.4.7.—Mortgage Debt Held by All Operating Savings and Loan Associations by Type of Property and Mortgage**

[In millions of dollars]

End of year and quarter	Total	Type of property <sup>1</sup>			Mortgage type <sup>2</sup>		
		1- to 4-family homes	Residential property with 5 or more units	Commercial and other	FHA-insured	VA-guaranteed	Conventional
1967 <sup>3</sup>	121,805	103,327	9,477	9,001	5,791	6,351	109,663
1968 <sup>4</sup>	130,802	110,295	10,544	9,963	6,658	7,012	117,132
1969							
3d	138,723	116,777	11,500	10,446	7,698	7,570	123,455
4th <sup>5</sup>	140,347	117,990	11,775	10,582	7,917	7,658	124,772
1970							
1st <sup>6</sup>	140,904	118,261	12,019	10,624	8,099	7,683	125,122
2d <sup>7</sup>	143,241	119,950	12,491	10,800	8,588	7,865	126,788
3d <sup>8</sup>	146,556	122,418	13,132	11,006	9,232	8,119	129,205
4th <sup>9</sup>	150,562	125,162	13,852	11,548	10,195	8,507	131,860
1971							
1st <sup>10</sup>	154,430	127,775	14,532	12,123	11,188	8,922	134,320

<sup>1</sup> Type of property distribution is estimated on the basis of data reported semiannually by FSLIC-insured associations and annually by noninsured FHLB member associations.

<sup>2</sup> Estimated as described in the note to table S.4.1.

<sup>3</sup> Data reflect exclusion of 4 associations in process of liquidation or dissolution which held \$142 million in mortgages.

<sup>4</sup> Data reflect exclusion of 3 associations in process of liquidation and 2 associations that converted to mutual savings banks which held \$370 million in mortgages.

<sup>5</sup> Data reflect exclusion of 1 association that converted to a mutual savings bank and 1 association in process of liquidation which held \$11 million in mortgages.

<sup>6</sup> Data reflect exclusion of 1 association which held \$73 million

that merged with a mutual savings bank.

<sup>7</sup> Data reflect 1 association that converted to a mutual savings bank and 2 associations that merged with a mutual savings bank which held \$43 million in mortgages.

<sup>8</sup> Data reflect exclusion of 1 association in process of liquidation which held \$1 million in mortgages.

<sup>9</sup> Data reflect exclusion of 1 association that converted to a mutual savings bank and 1 association that merged with a mutual savings bank which held \$38 million in mortgages.

<sup>10</sup> Data reflect exclusion of 1 association that converted to a mutual savings bank and 3 associations that merged with a mutual savings bank which held \$50 million in mortgages.

Note: FHLBB data.

**Table S.4.8.—Cost of Funds<sup>1</sup> to FSLIC-Insured Savings and Loan Associations, by Bank District**

[Percent]

Semiannual period ending	United States	Boston	New York	Pitts-burgh	Greens-boro	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
<b>1966</b>													
June .....	4.38	4.25	4.24	4.07	4.28	4.19	4.15	4.26	4.34	4.42	4.40	4.80	4.39
December .....	4.66	4.43	4.51	4.30	4.48	4.43	4.35	4.43	4.53	4.72	4.68	5.23	4.80
<b>1967</b>													
June .....	4.76	4.47	4.61	4.40	4.57	4.43	4.48	4.63	4.63	4.80	4.73	5.35	4.84
December .....	4.66	4.46	4.59	4.39	4.56	4.41	4.42	4.59	4.62	4.67	4.77	5.03	4.80
<b>1968</b>													
June .....	4.71	4.54	4.62	4.46	4.61	4.47	4.53	4.59	4.68	4.74	4.78	5.08	4.80
December .....	4.76	4.63	4.64	4.48	4.64	4.54	4.61	4.70	4.78	4.80	4.83	5.10	4.86
<b>1969</b>													
June .....	4.82	4.75	4.69	4.58	4.72	4.58	4.67	4.75	4.78	4.85	4.87	5.17	4.89
December .....	4.94	4.88	4.73	4.71	4.83	4.82	4.79	4.86	4.93	5.00	5.03	5.27	4.99
<b>1970</b>													
June .....	5.24	5.16	4.95	5.04	5.19	5.13	5.06	5.14	5.22	5.30	5.36	5.58	5.24
December .....	5.36	5.33	5.05	5.10	5.33	5.29	5.20	5.24	5.38	5.42	5.50	5.67	5.38
Index (June 1966=1.00)													
<b>1966</b>													
June .....	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
December .....	1.064	1.042	1.064	1.057	1.047	1.057	1.048	1.040	1.044	1.068	1.064	1.090	1.093
<b>1967</b>													
June .....	1.087	1.052	1.087	1.081	1.068	1.057	1.080	1.087	1.067	1.086	1.075	1.115	1.103
December .....	1.064	1.049	1.083	1.079	1.065	1.053	1.065	1.078	1.065	1.057	1.084	1.048	1.093
<b>1968</b>													
June .....	1.075	1.068	1.090	1.096	1.077	1.067	1.092	1.078	1.078	1.072	1.086	1.058	1.093
December .....	1.087	1.089	1.094	1.101	1.084	1.084	1.111	1.103	1.101	1.086	1.098	1.063	1.107
<b>1969</b>													
June .....	1.100	1.118	1.106	1.125	1.103	1.093	1.125	1.115	1.101	1.097	1.107	1.077	1.114
December .....	1.128	1.148	1.116	1.157	1.129	1.150	1.154	1.141	1.136	1.131	1.143	1.098	1.137
<b>1970</b>													
June .....	1.196	1.214	1.167	1.238	1.213	1.224	1.219	1.207	1.203	1.199	1.218	1.163	1.194
December .....	1.224	1.254	1.191	1.253	1.245	1.263	1.253	1.230	1.240	1.226	1.250	1.181	1.226

<sup>1</sup>Includes savings capital, FHLB advances, and other borrowings.

**Table S.4.9.—Interest Return on Mortgages Held by FSLIC-Insured Savings and Loans Associations, by Bank District<sup>1</sup>**

[Percent]

Semiannual period ending	All Districts	Boston	New York	Pitts-burgh	Greens-boro	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
<b>1966</b>													
June .....	5.92	5.51	5.59	5.71	5.89	5.89	5.77	5.72	5.78	6.06	5.89	6.31	6.09
December .....	5.97	5.57	5.59	5.71	5.91	6.11	5.81	5.70	5.85	6.12	5.93	6.37	6.14
<b>1967</b>													
June .....	6.00	5.60	5.64	5.77	5.95	5.97	5.89	5.83	5.88	6.19	5.96	6.37	6.21
December .....	6.02	5.62	5.64	5.77	5.97	6.02	5.90	5.86	5.92	6.19	6.05	6.40	6.25
<b>1968</b>													
June .....	6.08	5.71	5.69	5.88	6.03	6.07	5.99	5.88	5.99	6.27	6.05	6.47	6.31
December .....	6.17	5.82	5.71	5.87	6.10	6.21	6.10	6.02	6.08	6.37	6.16	6.57	6.45
<b>1969</b>													
June .....	6.24	5.91	5.83	5.99	6.20	6.19	6.15	6.10	6.14	6.42	6.22	6.61	6.53
December .....	6.40	6.06	5.95	6.12	6.35	6.38	6.31	6.20	6.38	6.63	6.38	6.80	6.72
<b>1970</b>													
June .....	6.50	6.25	6.07	6.22	6.50	6.50	6.41	6.31	6.41	6.69	6.51	6.85	6.79
December .....	6.62	6.37	6.14	6.24	6.65	6.64	6.58	6.38	6.58	6.80	6.68	6.98	7.01

<sup>1</sup>Represents interest earned divided by average mortgages held (an average of 7 monthend figures net of loans in process) annualized by doubling.

# Mortgage Markets

**Table S.5.1.—Interest Rates and Other Characteristics of Conventional First Mortgage Loans Originated by Major Types of Lender on Single-Family Homes**

Period	Loan made for purchase of—											
	New homes						Existing homes					
	Contract interest rate (percent)	Initial fees and charges <sup>1</sup> (percent)	Effective rate <sup>2</sup> (percent)	Term to maturity (years)	Loan-to-price ratio (percent)	Purchase price (thousands)	Contract interest rate (percent)	Initial fees and charges <sup>1</sup> (percent)	Effective rate <sup>2</sup> (percent)	Term to maturity (years)	Loan-to-price ratio (percent)	Purchase price (thousands)
	Major lenders <sup>3</sup>											
1967	6.33	0.81	6.46	25.2	73.6	\$28.0	6.40	0.76	6.52	22.5	72.7	\$24.1
1968	6.83	0.89	6.97	25.5	73.9	30.7	6.90	0.83	7.03	22.7	73.0	25.6
1969	7.66	0.91	7.81	25.5	72.8	34.1	7.68	0.88	7.82	22.7	71.5	28.3
1970	8.27	1.03	8.45	25.1	71.7	35.5	8.20	0.92	8.36	22.8	71.1	30.0
1970												
Oct	8.33	1.05	8.51	25.1	72.4	34.6	8.20	0.88	8.35	22.8	71.5	29.0
Nov	8.26	0.99	8.43	25.3	72.1	35.8	8.18	0.85	8.32	22.8	71.5	29.9
Dec	8.20	1.07	8.38	25.8	73.8	35.3	8.12	0.85	8.26	23.3	71.9	30.7
1971												
Jan	8.03	0.92	8.18	25.8	73.3	36.2	7.94	0.82	8.08	23.5	72.5	30.7
Feb	7.74	1.00	7.91	26.2	73.9	37.0	7.67	0.79	7.80	24.0	73.1	31.1
Mar	7.52	0.83	7.66	25.9	73.7	35.9	7.47	0.77	7.60	24.1	73.5	31.7
Apr	7.37	0.73	7.49	26.3	73.6	36.0	7.34	0.75	7.47	24.2	73.6	31.8
May	7.36	0.71	7.47	26.1	74.0	36.7	7.33	0.71	7.45	24.0	73.2	32.3
June	7.38	0.74	7.50	26.3	73.7	37.5	7.38	0.74	7.50	24.3	73.9	32.9
July	7.51	0.90	7.66	26.3	74.5	36.8	7.50	0.75	7.63	24.2	74.5	31.6
Aug	7.60	0.84	7.74	26.2	73.9	36.5	7.58	0.76	7.71	24.5	74.2	31.9
Sept	7.67	0.97	7.83	25.8	75.3	35.1	7.63	0.79	7.76	24.2	74.5	30.7
Oct <sup>4</sup>	7.67	0.96	7.83	26.5	75.6	35.1	7.62	0.78	7.75	24.2	74.6	31.4
Savings and loan associations												
1967	6.36	1.07	6.53	25.4	75.8	26.7	6.47	0.97	6.63	23.1	75.2	22.6
1968	6.84	1.15	7.02	25.6	76.0	29.0	6.94	1.07	7.11	23.3	75.3	24.0
1969	7.65	1.19	7.84	25.8	74.9	32.1	7.72	1.17	7.92	23.4	73.8	26.3
1970	8.29	1.34	8.51	25.8	74.2	33.5	8.29	1.22	8.50	23.7	73.5	27.8
1970												
Oct	8.31	1.33	8.53	25.8	74.5	32.6	8.26	1.16	8.45	23.7	74.1	27.3
Nov	8.27	1.28	8.48	26.0	74.4	34.0	8.23	1.13	8.42	23.7	74.1	28.1
Dec	8.20	1.29	8.42	26.2	76.0	33.6	8.16	1.13	8.35	24.2	74.2	28.7
1971												
Jan	8.04	1.17	8.24	26.3	76.0	33.6	8.01	1.08	8.19	24.4	74.9	28.6
Feb	7.75	1.13	7.94	26.6	75.6	34.3	7.73	1.02	7.90	24.8	75.3	29.7
Mar	7.56	1.06	7.73	26.4	75.6	34.5	7.53	0.99	7.70	24.8	75.8	29.7
Apr	7.39	0.98	7.55	26.7	75.8	34.2	7.39	0.96	7.55	24.9	75.9	29.7
May	7.38	0.97	7.53	26.6	75.5	34.9	7.38	0.90	7.53	24.7	75.5	30.0
June	7.44	1.00	7.60	26.8	76.0	36.1	7.46	0.94	7.61	25.0	76.5	30.6
July	7.53	1.14	7.72	26.8	76.9	34.9	7.57	0.98	7.73	24.9	76.7	29.5
Aug	7.63	1.14	7.82	26.8	77.7	33.4	7.65	1.02	7.81	25.4	76.5	30.3
Sept	7.66	1.22	7.86	26.6	77.8	33.9	7.70	1.04	7.87	25.0	76.9	29.1
Oct <sup>4</sup>	7.66	1.22	7.86	27.0	78.1	34.3	7.67	1.04	7.84	25.0	76.9	29.7

<sup>1</sup> Includes only discounts and initial fees paid by the borrower that provide additional income to the lender expressed as a percent of mortgage principal. Reimbursable closing costs are excluded.

<sup>2</sup> Contract interest rate plus initial fees and charges amortized over 10 years, on the basis of an assumed prepayment at the end of that time.

<sup>3</sup> Savings and loan associations, life insurance companies, mortgage companies, mutual savings banks, and commercial banks.

<sup>4</sup> Preliminary.

Note: Data compiled by FHLBB in cooperation with the Federal Deposit Insurance Corporation on the basis of information reported by a sample of the indicated types of lender. Averages exclude loans for refinancing, construction loans to builders, permanent loans to home buyers if coupled with a construction loan, junior liens and federally underwritten loans. The average for major lenders is a fixed-weight average of the averages for each type of lender; weights are based on the number of loans reported by each lender-type in the period August-December 1962. Annual data are averages of monthly figures.

**Table S.5.2.—Mortgage Debt Outstanding, by Holder**

[In millions of dollars]

End of period	All holders <sup>1</sup>	Major private financial institutions					Government and Federal National Mortgage Associations <sup>7</sup>	Other holders <sup>1</sup>
		Total <sup>2</sup>	Savings and loan associations <sup>3</sup>	Mutual savings banks <sup>4</sup>	Commercial banks <sup>5</sup>	Life insurance companies <sup>6</sup>		
1964	300,100	241,000	101,333	40,328	43,976	55,197	4,412	54,700
1965	325,800	264,600	110,306	44,433	49,675	60,057	4,731	56,500
1966	347,400	280,800	114,427	47,193	54,380	64,661	7,063	59,500
1967	370,200	298,800	121,805	50,311	59,019	67,575	8,870	62,500
1968	397,500	319,900	130,802	53,286	65,696	70,044	11,387	66,200
1969	425,300	339,200	140,347	55,822	70,705	72,027	15,770	70,300
<b>1970</b>								
Jan	( <sup>8</sup> )	( <sup>8</sup> )	140,483	55,860	( <sup>8</sup> )	72,263	16,374	( <sup>8</sup> )
Feb	( <sup>8</sup> )	( <sup>8</sup> )	140,706	55,966	( <sup>8</sup> )	72,448	16,908	( <sup>8</sup> )
Mar	429,400	340,800	140,904	56,119	70,854	72,673	17,436	71,200
Apr	( <sup>8</sup> )	( <sup>8</sup> )	141,390	56,279	( <sup>8</sup> )	72,846	17,915	( <sup>8</sup> )
May	( <sup>8</sup> )	( <sup>8</sup> )	142,113	56,423	( <sup>8</sup> )	73,204	18,293	( <sup>8</sup> )
June	435,600	344,600	143,241	56,644	71,291	73,227	18,692	72,300
July	( <sup>8</sup> )	( <sup>8</sup> )	144,320	56,804	( <sup>8</sup> )	73,388	19,155	( <sup>8</sup> )
Aug	( <sup>8</sup> )	( <sup>8</sup> )	145,434	56,986	( <sup>8</sup> )	73,465	19,555	( <sup>8</sup> )
Sept	442,700	349,600	146,556	57,202	72,091	73,582	19,836	73,300
Oct	( <sup>8</sup> )	( <sup>8</sup> )	147,712	57,398	( <sup>8</sup> )	73,728	19,284	( <sup>8</sup> )
Nov	( <sup>8</sup> )	( <sup>8</sup> )	148,896	57,473	( <sup>8</sup> )	73,848	20,538	( <sup>8</sup> )
Dec	450,400	355,700	150,562	57,775	72,882	74,345	20,686	74,000
<b>1971</b>								
Jan	( <sup>8</sup> )	( <sup>8</sup> )	151,503	58,014	( <sup>8</sup> )	74,370	20,707	( <sup>8</sup> )
Feb	( <sup>8</sup> )	( <sup>8</sup> )	152,665	58,194	( <sup>8</sup> )	74,737	20,665	( <sup>8</sup> )
Mar	( <sup>8</sup> )	( <sup>8</sup> )	154,430	58,540	( <sup>8</sup> )	74,516	20,761	( <sup>8</sup> )
Apr	( <sup>8</sup> )	( <sup>8</sup> )	156,574	58,796	( <sup>8</sup> )	74,536	20,553	( <sup>8</sup> )
May	( <sup>8</sup> )	( <sup>8</sup> )	158,747	59,111	( <sup>8</sup> )	74,552	20,502	( <sup>8</sup> )
June	( <sup>8</sup> )	( <sup>8</sup> )	161,440	59,546	( <sup>8</sup> )	74,535	20,638	( <sup>8</sup> )
July	( <sup>8</sup> )	( <sup>8</sup> )	163,951	59,935	( <sup>8</sup> )	74,583	20,955	( <sup>8</sup> )
Aug	( <sup>8</sup> )	( <sup>8</sup> )	166,342	60,350	( <sup>8</sup> )	74,707	( <sup>8</sup> )	( <sup>8</sup> )
Sept	( <sup>8</sup> )	( <sup>8</sup> )	168,464	60,622	( <sup>8</sup> )	74,799	( <sup>8</sup> )	( <sup>8</sup> )

<sup>1</sup> Figures are rounded to the nearest \$100 million.  
<sup>2</sup> Components will not add to this total because the latter is rounded to the nearest \$100 million and includes valuation and other technical adjustment not reflected in some components.  
<sup>3</sup> For description see table S.4.1.  
<sup>4</sup> Data are for all savings banks in the United States from the National Association of Mutual Savings Banks and are net of valuation reserves.  
<sup>5</sup> June and December figures are reported data; March and September data are Federal Reserve estimates.  
<sup>6</sup> Book value of ledger assets of all legal reserve life insurance companies in the United States as estimated by the Institute of

Life Insurance.  
<sup>7</sup> Data are from the Federal National Mortgage Association and Government National Mortgage Association. They include mortgages subject to participation pool of Government Mortgage Liquidation Trust, but exclude conventional loans acquired from the RFC Mortgage Co., the Defense Homes Corp., the Federal Housing Admin., and Community Facilities Admin.  
<sup>8</sup> Not available.  
<sup>9</sup> Revised.  
 Note: Except as noted all figures are estimates, those for end of year by Department of Commerce and those for March, June, and September by Federal Reserve, and are subject to revision.

**Table S.5.3.—Mortgage Debt Outstanding, by Type of Property and Mortgage**

[In billions of dollars]

End of year and quarter	Total	Property type					Mortgage type <sup>1</sup>		
		Nonfarm					Farm	FHA- VA-underwritten	Conventional
		Total	Residential			Commercial			
			Total	1- to 4-family homes	5 or more units				
1964	300.1	281.2	231.1	197.6	33.6	50.0	18.9	77.2	222.9
1965	325.8	304.6	250.1	212.9	37.2	54.5	21.2	81.2	244.6
1966	347.4	324.1	264.0	223.6	40.3	60.1	23.3	84.1	263.3
1967	370.2	344.8	280.0	236.1	43.9	64.8	25.5	88.2	282.0
1968	397.5	370.0	298.6	251.2	47.3	71.4	27.5	92.8	304.7
<b>1969</b>									
3d	418.7	389.5	314.1	263.5	50.6	75.4	29.2	98.5	320.2
4th	425.3	395.9	319.0	266.8	52.2	76.9	29.5	100.2	325.1
<b>1970</b>									
1st	429.4	399.6	321.7	268.5	53.2	77.8	29.8	101.9	327.5
2d	435.6	405.2	326.3	271.7	54.5	79.0	30.3	103.2	332.4
3d	443.1	412.3	331.9	275.8	56.1	80.4	30.8	106.8	336.3
4th	451.2	420.0	337.7	279.7	58.0	82.3	31.2	109.1	342.1

<sup>1</sup> FHA- VA-figures are from Federal Housing Administration and Veterans Administration. Conventional data include all farm mortgages regardless of mortgage type.

Note: Except as noted all data are estimates and subject to revision. For further description see notes to table S.5.2.

**Table S.5.4.—Mortgage Debt Outstanding on One- to Four-Family Nonfarm Properties, by Holder and Mortgage Type**

[In millions of dollars]

End of year and quarter	Total	Type of holder						Mortgage type <sup>1</sup>	
		Savings and loan associations <sup>2</sup>	Life insurance companies	Mutual savings banks	Commercial banks	U.S. agencies <sup>3</sup>	Other holders	FHA- VA-underwritten	Conventional
1964	197,577	87,172	28,525	27,394	27,220	6,001	21,265	69,239	128,338
1965	212,937	94,225	29,589	30,064	30,401	6,396	22,262	73,127	139,810
1966	223,645	97,423	30,233	31,673	32,803	8,876	22,637	76,082	147,563
1967	236,060	103,327	29,763	33,467	35,275	10,730	23,498	79,930	156,130
1968	251,241	110,295	29,030	35,047	38,765	13,200	24,904	83,823	167,418
1969									
3d	263,474	116,777	28,440	36,084	41,263	15,427	25,483	88,843	174,631
4th	266,823	117,990	27,964	36,443	41,356	17,062	26,008	90,191	176,632
1970									
1st	268,508	118,261	27,677	36,572	41,289	18,582	26,127	91,610	176,898
2d	271,715	119,950	27,361	36,851	41,532	19,615	26,406	92,156	179,559
3d	275,808	122,448	26,980	37,177	41,967	20,623	26,613	95,061	180,747
4th	279,739	125,268	26,581	37,504	42,354	21,201	26,831	97,171	182,568

<sup>1</sup> FHA and VA data are as reported by Federal Housing Administration and Veterans Administration; conventional includes all other mortgage types.

<sup>2</sup> See note to table S.4.6.

<sup>3</sup> Includes holdings of Federal National Mortgage Association, Federal Housing Administration, Veterans Administration, and Farmers Home Administration.

Note: All figures are FHLBB estimates (except for commercial banks which are Federal Reserve estimates) based on the sources cited in the notes to table S.5.2, and supplementary information. Data are subject to revision and the reliability of the last two digits is highly questionable in most instances.

**Table S.5.5.—Mortgage Foreclosures<sup>1</sup>**

Year and quarter	Total on all property <sup>2</sup>		Reported by FSLIC-insured savings and loan associations					
	Number	Rate <sup>3</sup> (percent of mortgaged structures)	All mortgage types		Mortgage type			
			Number	Rate <sup>3</sup> (percent of loans held)	Conventional		FHA- VA-underwritten	
					Number	Rate <sup>3</sup> (percent of loans held)	Number	Rate <sup>3</sup> (percent of loans held)
	Old series <sup>2</sup>							
1964	108,620	.479	49,076	.544	36,483	.471	12,593	.989
1965	116,664	.493	53,788	.570	41,817	.512	11,971	.947
1966	117,473	.481	55,729	.576	44,184	.523	11,545	.929
1967	110,541	.438	47,435	.483	38,310	.447	9,125	.739
1968	90,941	.347	32,512	.324	25,436	.289	7,076	.555
	New series <sup>2</sup>							
1968	110,404	.407	32,512	.324	25,436	.289	7,076	.555
1969	95,856	.341	21,535	.209	15,572	.174	5,963	.435
1970	101,070	.348	19,493	.186	12,777	.141	6,716	.461
1970								
3d	25,660	.353	4,804	.184	3,158	.140	1,646	.448
4th	26,231	.358	4,571	.172	2,900	.128	1,671	.440
1971								
1st	28,100	.380	4,896	.184	3,043	.132	1,853	.472
2d	29,155	.391	4,916	.184	2,886	.124	2,030	.496
3d	29,402	.391	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )

<sup>1</sup> Foreclosures on all property exclude, while savings and loan foreclosures include, deeds in lieu of foreclosure.

<sup>2</sup> The old nonfarm foreclosure estimates which were published through the fourth quarter of 1968 have been discontinued. The new estimates on all property published for the first time with release of first quarter 1969 data are based on a new 1967 benchmark, and to a minor degree, also differ conceptually from the old series, because they include farm foreclosures and data for Alaska and Hawaii. The lower level of the old nonfarm series,

however, was almost entirely due to improper reporting and underestimation rather than to the conceptual differences.

<sup>3</sup> Quarterly data are expressed as annual rates without any adjustment for seasonal variation.

<sup>4</sup> Preliminary.

<sup>5</sup> Not available.

Note: FHLBB data. Foreclosures on all property are estimates. Association foreclosures are reported figures.

# Housing Markets

**Table S.6.1.—Indicators of Housing Activity**

[In thousands of units except for last column which is in millions of dollars]

Period <sup>1</sup>	Private housing units started <sup>2</sup>								Private nonfarm starts financed by Government home programs		New private housing units authorized <sup>2</sup>	New homes sold <sup>3,4</sup>	New construction put in place: total residential buildings <sup>5</sup>
	U.S. total	Region				Type of structure			FHA	VA			
		North-east	North central	South	West	1 unit	2-4 units	5 units or more					
1966	1,165.0	206.5	288.3	472.5	197.6	778.5	61.3	325.1	129.1	36.8	971.9	461	25,715
1967	1,291.6	214.9	337.1	519.5	220.1	843.9	71.6	376.1	141.9	52.5	1,141.0	487	25,568
1968	1,507.7	226.8	368.7	618.5	293.7	899.5	80.9	527.3	147.7	56.1	1,353.4	490	30,565
1969	1,466.8	206.1	348.7	588.4	323.5	810.6	85.0	571.2	153.6	51.2	1,322.3	448	33,200
1970	1,433.6	217.9	293.5	611.6	310.5	812.9	84.8	535.9	233.5	61.0	1,340.7	485	31,748
<b>1970</b>													
Sept	1,509	198	262	673	376	881	122	506	243	60	<sup>7</sup> 1,388	543	31,222
Oct	1,583	227	331	649	376	890	87	606	265	64	<sup>7</sup> 1,523	541	32,891
Nov	1,693	262	355	737	339	934	111	648	292	71	1,487	574	34,096
Dec	2,054	234	427	916	477	1,240	102	712	359	78	1,768	597	35,104
<b>1971</b>													
Jan	1,725	238	328	724	435	946	110	669	410	76	1,635	657	35,629
Feb	1,754	238	292	745	479	985	110	659	290	73	1,563	642	36,509
Mar	1,959	257	442	803	457	1,048	121	790	265	83	1,627	685	37,678
Apr	1,912	233	457	814	408	1,098	109	705	278	94	1,638	661	39,469
May	1,975	271	362	855	487	1,124	111	740	265	97	1,927	696	41,368
June	2,000	231	393	868	508	1,177	120	703	284	94	1,849	<sup>7</sup> 630	42,578
July	2,229	303	461	879	586	1,187	137	905	283	98	2,052	<sup>7</sup> 725	43,589
Aug	2,258	274	518	986	480	1,212	145	901	321	102	2,006	658	44,820
Sept <sup>6</sup>	1,948	218	408	855	467	1,175	154	619	291	97	1,900	597	45,634
Oct <sup>6</sup>	2,050	236	451	906	457	1,152	106	792	299	98	2,215	( <sup>8</sup> )	( <sup>8</sup> )

<sup>1</sup> Monthly data are seasonally adjusted annual rates.

<sup>2</sup> Bureau of the Census, Department of Commerce; figures are based on 13,000 permit-issuing places beginning 1967, 12,000 for 1963-66. For 1967 new private housing units authorized in 12,000 permit-issuing places totaled 1,104.6 compared to the 1,141.0 units in the 13,000 permit-issuing places.

<sup>3</sup> Bureau of the Census, Department of Commerce.

<sup>4</sup> Department of Housing and Urban Development.

<sup>5</sup> Not available.

<sup>6</sup> Preliminary.

<sup>7</sup> Revised.

**Table S.6.2.—Inventory of Unsold Homes**

End of month	New homes for sale (in thousands of units)				
	Total	Stage of construction			As ratio of new homes sold during month
		Completed	Under construction	Not started	
December					
1965	228	92	116	20	6.1
1966	196	91	84	21	8.5
1967	190	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	6.2
1968	218	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	6.9
1969	228	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	8.1
<b>1970</b>					
Sept	215	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	4.8
Oct	217	( <sup>2</sup> )	( <sup>2</sup> )	( <sup>2</sup> )	5.0
Nov	217	71	114	32	5.5
Dec	227	73	121	32	6.2
<b>1971</b>					
Jan	219	70	117	32	4.8
Feb	212	64	117	31	4.3
Mar	220	60	121	38	3.5
Apr	229	57	134	38	3.7
May	237	55	144	38	4.1
June	247	57	151	40	4.2
July	248	54	152	42	3.9
Aug	251	53	156	42	4.0
Sept	263	54	164	45	5.3

<sup>1</sup> Preliminary.

<sup>2</sup> Not available.

<sup>3</sup> Revised.

Note: Bureau of the Census, Department of Commerce, and Department of Housing and Urban Development. Detail may not add to total because of rounding.

**Table S.6.3.—Rental Vacancy Rates for the United States and Major Regions**

Year and quarter	United States	North-east	North central	South	West
1966	7.0	4.8	6.0	7.7	10.4
1967	6.2	4.3	5.3	7.2	8.5
1968	5.4	3.3	5.0	6.7	6.8
1969	5.0	2.7	5.2	6.4	5.7
1970	4.9	2.5	5.4	6.6	5.3
<b>1970</b>					
3d	4.9	2.8	5.4	6.5	5.0
4th	4.8	2.3	5.2	6.3	5.4
<b>1971</b>					
1st	4.9	2.1	5.7	6.7	5.2
2d	4.9	2.8	5.0	6.6	5.4
3d	5.3	2.8	5.3	7.0	6.3

Note: Bureau of the Census, Department of Commerce.

# Federal Savings and Loan Insurance Corporation

**Table S.7.1.—Federal Savings and Loan Insurance Corporation: Comparative Statement of Condition**

Assets and liabilities	Sept. 30, 1971	Sept. 30, 1970
<b>ASSETS</b>		
Cash .....	\$ 1,023,040	\$ 2,011,708
Accounts receivable .....	1,282,268	1,347,819
Investments .....	2,677,701,905	2,491,384,888
(Securities of U.S. Government and Federal securities)		
Accrued interest on investments .....	25,668,268	27,022,254
Assets acquired from insured institutions .....	81,675,932	174,486,068
(Book value of assets acquired to prevent default after allowance for losses)		
Loans .....	88,082,936	101,775,372
(Loans to insured institutions and accrued interest)		
Subrogated accounts in insured institutions in liquidation .....	136,154,667	144,407,200
(After allowance for losses)		
Insured accounts in insured institutions in liquidation .....	0	381,647
(Pending and unclaimed accounts)		
Deferred charges and other assets .....	51,332	52,489
<b>Total .....</b>	<b>3,011,640,348</b>	<b>2,942,869,445</b>
<b>LIABILITIES</b>		
Miscellaneous accrued liabilities and accounts payable .....	12,342,804	5,064,530
Pending and unclaimed accounts in insured institutions .....	0	381,647
Allowance for estimated losses —contribution agreements .....	28,895,785	27,612,747
Deferred credits .....	18,141,390	20,929,555
Primary reserve .....	1,467,936,345	1,361,444,076
(Cumulative net income)		
Secondary reserve .....	1,484,324,024	1,527,436,890
(Additional premiums in the nature of prepayments with respect to future premiums)		
<b>Total .....</b>	<b>3,011,640,348</b>	<b>2,942,869,445</b>

Note: Market value of investments as of Sept. 30, 1971, amounted to \$2,658,247,873.

**Table S.7.2.—Federal Savings and Loan Insurance Corporation: Statement of Income Expenses**

Income and expenses	12 months ended Sept. 30, 1971	Cumulative June 27, 1934- Sept. 30, 1971
<b>INCOME</b>		
Insurance premiums .....	\$122,593,233	\$1,298,637,098
Interest on investments .....	142,875,667	835,711,385
Income on assets acquired from insured institutions .....	7,477,024	48,700,669
Net gain on sale of securities .....	* -1,921,053	1,026,575
Interest on loans to insured institutions .....	4,421,195	16,812,454
Other .....	185,993	2,458,707
<b>Total .....</b>	<b>275,632,059</b>	<b>2,203,346,888</b>
<b>EXPENSES</b>		
Administrative .....	442,334	17,358,749
Services rendered by FHLBB .....	13,354,240	53,412,024
Liquidation and other miscellaneous expenses .....	6,606,190	36,507,633
<b>Subtotal .....</b>	<b>20,402,764</b>	<b>107,278,406</b>
Return on capital stock .....	0	42,975,507
Return on additional premiums (prepayments) .....	80,596,468	404,740,770
Insurance losses sustained and provision for losses .....	68,140,558	180,415,860
<b>Total .....</b>	<b>169,139,790</b>	<b>735,410,543</b>
<b>Net income .....</b>	<b>106,492,269</b>	<b>1,467,936,345</b>

\* Loss incurred in connection with obtaining securities of higher yield.

**Table S.7.3.—Federal Savings and Loan Insurance Corporation: Source and Application of Total Income**

[Cumulative through Sept. 30, 1971]

Item	Amount	Percent to total amount
<b>SOURCE</b>		
Insurance premiums .....	\$1,298,637,098	59.0
Interest on investments .....	835,711,385	37.9
Income on assets acquired from insured institutions .....	48,700,669	2.2
Other income .....	20,297,736	0.9
<b>Total .....</b>	<b>2,203,346,888</b>	<b>100.0</b>
<b>APPLICATION</b>		
Expenses and charges .....	107,278,406	4.9
Return on capital stock .....	42,975,507	1.9
Insurance losses (net) .....	180,415,860	8.2
Return on additional premiums (prepayments) .....	404,740,770	18.4
Retained earnings .....	1,467,936,345	66.6
<b>Total .....</b>	<b>2,203,346,888</b>	<b>100.0</b>

**Table S.7.5.—Federal Savings and Loan Insurance Corporation: Selected Reserve Data**

Period	Aggregate of primary and secondary reserve of FSLIC	
	Amount	Percent to total amount of all accounts of insured members of all insured institutions*
<b>December 31</b>		
1962 .....	\$ 677,979,731	0.838
1963 .....	944,709,617	1.011
1964 .....	1,248,928,055	1.196
1965 .....	1,537,140,992	1.353
1966 .....	1,803,957,053	1.526
1967 .....	2,049,121,630	1.622
1968 .....	2,409,440,391	1.813
1969 .....	2,801,327,950	2.138
1970 .....	2,902,841,514	2.048
1971 (Sept. 30) .....	2,952,260,369	1.811

\* Section 404(g) of the National Housing Act, as amended, provides that if, at the close of any December 31, the aggregate of the primary and secondary reserves of the Corporation equals or exceeds 2 per centum of the total amount of all accounts of insured members of all insured institutions but the primary reserve does not equal or exceed such 2 per centum, the obligation to make prepayments is suspended and each insured institution's pro rata share of the secondary reserve will be used, to the extent available, to pay regular premiums. When the aggregate of the primary and secondary reserves falls below 1¼ percent of such base amount the obligation to make prepayments is resumed. (Before 1969 creditor obligations were included in the base for determining the reserve ratios.)

**Table S.7.4.—Federal Savings and Loan Insurance Corporation: Summary of Insurance Settlement Cases**

[Cumulative through Sept. 30, 1971]

Method	Number	Number of investors protected	Losses sustained and provision for losses*
Acquisition of assets .....	13	75,782	\$ 48,956,146
Acquisition of assets and contribution .....	14	107,951	61,843,215
Contribution .....	49	371,090	38,808,795
Contribution and loan and acquisition of assets .....	1	14,542	15,000,000
Contribution and loan .....	1	2,302	0
Loans sold under 100-percent guaranty .....	0	0	1,200,000
Loan .....	4	137,383	0
Loan and acquisition .....	1	26,137	3,683,682
Receivership and acquisition of assets .....	1	27,197	10,614,465
Receivership .....	11	61,461	309,557
<b>Total .....</b>	<b>95</b>	<b>823,845</b>	<b>180,415,860</b>

\* Actual losses sustained \$98.2 million.

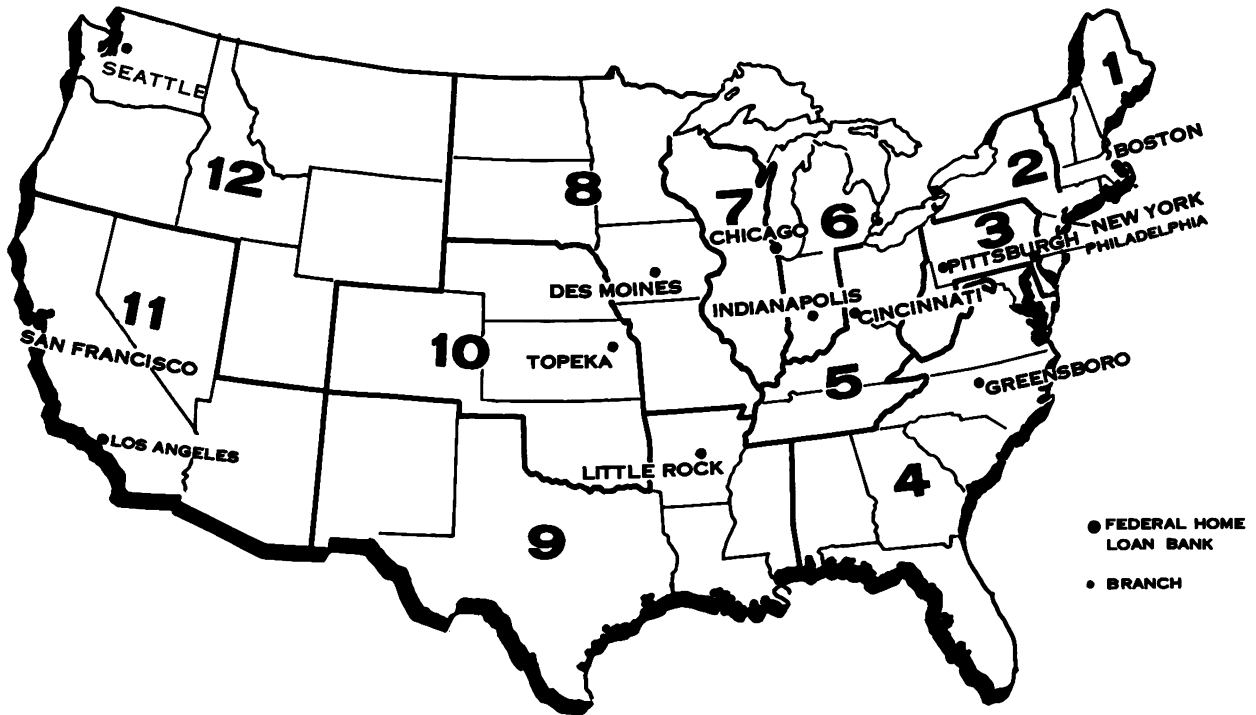
**Table S.7.6.—Federal Savings and Loan Insurance Corporation: Selected Financial Data—FSLIC-Insured Savings and Loan Associations\***

[Sept. 30, 1971—preliminary]

<b>Membership:</b>	
Federally chartered, mutual .....	2,053
State chartered:	
Mutual .....	1,629
Stock .....	619
<b>Total .....</b>	<b>4,301</b>
<b>Assets:</b>	
Total amount .....	\$193,280,000,000
Average size association .....	\$ 44,900,000
<b>Cash, Government obligations, and other investment securities, total amount .....</b>	<b>\$ 19,927,000,000</b>
<b>Savings capital:</b>	
Total amount .....	\$163,051,000,000
Number of investors .....	48,603,000
Average size account .....	\$ 3,350
<b>Mortgage loans:</b>	
Total amount .....	\$163,523,000,000
Number of accounts .....	11,026,000
Average size loans .....	\$ 14,800
<b>Reserves and surplus, total amount .....</b>	<b>\$ 11,865,000,000</b>
<b>Percent of reserves and surplus to—</b>	
Total assets .....	6.14
Total savings capital .....	7.28
Total mortgage loans .....	7.26
<b>Percent of cash, Government obligations, and other investment securities to total savings capital .....</b>	<b>12.22</b>

\* Represents 96.7 percent of the resources of all operating savings and loan associations.

# FEDERAL HOME LOAN BANK DISTRICTS



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Des Moines, Iowa 50309  
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615 S. Flower St., Los Angeles, Calif. 90017
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Seattle, Washington 98101  
Alaska, Hawaii and Guam, Idaho, Montana, Oregon, Utah, Washington, and Wyoming  
District Chief Examiner: John H. Haines

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16th Street and Benjamin Franklin Parkway  
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