

Prefatory Note

The attached document represents the most complete and accurate version available based on original copies culled from the files of the FOMC Secretariat at the Board of Governors of the Federal Reserve System. This electronic document was created through a comprehensive digitization process which included identifying the best-preserved paper copies, scanning those copies,¹ and then making the scanned versions text-searchable.² Though a stringent quality assurance process was employed, some imperfections may remain.

Please note that some material may have been redacted from this document if that material was received on a confidential basis. Redacted material is indicated by occasional gaps in the text or by gray boxes around non-text content. All redacted passages are exempt from disclosure under applicable provisions of the Freedom of Information Act.

¹ In some cases, original copies needed to be photocopied before being scanned into electronic format. All scanned images were deskewed (to remove the effects of printer- and scanner-introduced tilting) and lightly cleaned (to remove dark spots caused by staple holes, hole punches, and other blemishes caused after initial printing).

² A two-step process was used. An advanced optical character recognition computer program (OCR) first created electronic text from the document image. Where the OCR results were inconclusive, staff checked and corrected the text as necessary. Please note that the numbers and text in charts and tables were not reliably recognized by the OCR process and were not checked or corrected by staff.

CONFIDENTIAL (FR)

SUPPLEMENT

CURRENT ECONOMIC AND FINANCIAL CONDITIONS

Prepared for the
Federal Open Market Committee

June 16, 1972

By the Staff
Board of Governors
of the Federal Reserve System

SUPPLEMENTAL NOTES

The Domestic Economy

Housing starts. Seasonally adjusted private housing starts rose 11 per cent in May to an annual rate of 2.3 million units--nearly equaling the March rate. The rise in May was concentrated primarily in single-family units and in the North Central States. Building permits edged up 3 per cent in May to a seasonally adjusted annual rate of 2.0 million units.

PRIVATE HOUSING STARTS AND PERMITS
(Seasonally adjusted annual rates, in millions of units)

	1971	1972		
	QIV	QI	Apr. (p)	May(p)
Starts	2.24	2.51	2.10	2.32
1-family	1.25	1.35	1.16	1.33
2-or-more family	.99	1.16	.94	.99
Permits	2.12	2.04	1.93	1.99

MEMORANDUM:

Mobile home shipments	.51	.57	.63	n.a.
-----------------------	-----	-----	-----	------

p/ Preliminary.

n.a. - Not available.

Sales of new domestic-type autos in the first 10 days of June were at an annual rate of 8.6 million units, somewhat below the first 10 days of May but 16 per cent above a year ago.

Personal income increased by nearly \$5 billion to \$915.9 billion annual rate in May, somewhat less than the upward revised \$5.5 billion rise in the previous month. Wage and salary disbursements increased by about \$3 billion, with manufacturing and service payrolls accounting for much of the increase in private disbursements --primarily due to gains in employment in these industries. Government payrolls rose by \$500 million--the same as last month. Increases in transfer payments and personal interest income accounted for the rise in nonwage income. Compared to a year ago, personal income was up by 7.9 per cent, and wage and salary disbursements by 8.6 per cent.

PERSONAL INCOME
(Billions of dollars; seasonally adjusted, annual rates)

	1972			Net change April 1972- May 1972
	March	April	May	
Total	905.6	911.1	915.9	4.8
Wage and salary disbursements	613.2	618.3	621.3	3.0
Government	132.3	132.9	133.4	.5
Private	480.9	485.4	487.9	2.5
Manufacturing	171.6	173.4	174.8	1.4
Distributive	148.6	150.1	150.4	.3
Services	113.5	114.3	115.1	.8
Other	47.2	47.7	47.6	-.1
Nonwage income	326.8	327.3	329.2	1.9
Less: Personal contributions for social insurance	34.4	34.5	34.6	.1

CORRECTION:

Section I-21, line 4 above the table should read unusually small April to May....(not usually).

Domestic Financial

INTEREST RATES

	1972			
	Highs	Lows	May 22	June 15
<u>Short-Term Rates</u>				
Federal funds (wkly. avg.)	4.48 (6/7)	3.18 (3/1)	4.32 (5/17)	4.46 (6/14)
3-month				
Treasury bills (bid)	3.94 (3/15)	2.99 (2/11)	3.79	3.90
Comm. paper (90-119 day)	4.62 (4/21)	3.75 (2/29)	4.38	4.50
Bankers' acceptances	4.50 (4/20)	3.38 (2/23)	4.25	4.38
Euro-dollars	5.94 (3/27)	4.62 (3/8)	4.75	4.81
CD's (prime NYC)				
Most often quoted new	4.50 (6/14)	3.50 (2/23)	4.38 (5/17)	4.50 (6/14)
Secondary market	4.75 (4/19)	3.50 (2/16)	4.39 (5/17)	4.60 (6/14)
6-month				
Treasury bills (bid)	4.44 (4/4)	3.35 (1/10)	4.26	4.34
Comm. paper (4-6 mo.)	4.62 (6/15)	3.88 (3/3)	4.50	4.62
Federal agencies	4.76 (4/13)	3.79 (2/17)	4.58	4.68
CD's (prime NYC)				
Most often quoted new	4.75 (4/26)	3.88 (2/23)	4.62 (5/17)	4.62 (6/14)
Secondary market	5.25 (4/12)	3.70 (2/2)	4.68 (5/17)	4.95 (6/14)
1-Year				
Treasury bills (bid)	4.86 (4/4)	3.57 (1/8)	4.53	4.65
Federal agencies	5.32 (4/14)	4.32 (1/17)	4.96	4.99
CD's (prime NYC)				
Most often quoted new	5.12 (6/14)	4.62 (1/19)	5.12 (5/17)	5.12 (6/14)
Prime municipals	3.15 (4/13)	2.35 (1/12)	2.85 (5/17)	3.00
<u>Intermediate and Long-Term</u>				
Treasury coupon issues				
5-years	6.28 (4/13)	5.47 (1/13)	5.81	5.87
20-years	6.22 (4/14)	5.95 (1/14)	6.01	6.00
Corporate				
Seasoned Aaa	7.37 (4/24)	7.14 (1/17)	7.31	7.23
Baa	8.29 (1/3)	8.17 (1/19)	8.26	8.20
New Issue Aaa	7.42 (4/14)	6.86 (1/14)	7.25 (5/19)	7.26
Municipal				
Bond Buyer Index	5.54 (4/13)	4.99 (1/13)	5.29 (5/18)	5.36
Moody's Aaa	5.25 (4/13)	4.65 (1/13)	5.15 (5/18)	5.10
Mortgage-implicit yield				
in FNMA auction <u>1/</u>	7.63 (5/15)	7.54 (3/20)	7.63 (5/15)	7.62 (6/12)

1/ Yield on short-term forward commitment after allowance for commitment fee and required purchase and holding of FNMA stock. Assumes discount on 30-year loan amortized over 15 years.

SUPPLEMENTAL APPENDIX A

QUARTERLY SURVEY OF
BANK LENDING PRACTICES*

Results of the May 15 Survey of Bank Lending Practices are consistent with the general improvement in the economy which has occurred since early in the year. Businesses' demands for bank financings increased significantly with bankers expressing considerable optimism that the momentum of business expansion would continue through the summer.

In the current survey, the 125 participants noted two major alterations in loan markets since mid-February. (See Table 1.) First, a significant strengthening in business loan demand was reported by nearly 60 per cent of the respondents, whereas in the February survey, less than a fifth had recorded any pick-up in loan demand. Moreover, in the current survey, nearly 75 percent expressed confidence that this uptrend in loan demand would be sustained through August. The second reported change in lending practices was in higher interest rates on business loans in line with the stepped-up demand for these loans. More than a third of the panel reported firmer interest rate policies, reflecting the general increases in prime lending rates. Most other terms on business lending were unchanged from February, but it is worth noting that more than 10 per cent of the participants reported placing greater emphasis on a loan applicant's potential value as a depositor or source of collateral business.

Changes in lending terms to finance companies were not quite as striking as those on business loans--less than a fourth of the banks reported firmer interest rates. The firmer interest rates policies, moreover, were partly offset by a slight increase in willingness to establish or enlarge credit lines.

Regarding other portions of the loan portfolio, bankers' interest in consumer instalment loans and in single-family mortgages increased further; willingness to extend term loans to businesses increased as well.

* Prepared by Marilyn Barron, Research Assistant, Banking Section, Division of Research and Statistics.

A breakdown of responses by size of banks shows that a somewhat higher percentage of smaller banks (with deposits of less than \$1 billion) reported firmer interest rates. (See Table 2.) Large banks, on the other hand, expressed a greater desire to extend multi-family and commercial mortgages and to make broker loans. Variations in responses by regions were negligible. (See Table 3.)

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES
 AT SELECTED LARGE BANKS IN THE U.S. 1/
 (STATUS OF POLICY ON MAY 15, 1972 COMPARED TO THREE MONTHS EARLIER)
 (NUMBER OF BANKS & PERCENT OF TOTAL BANKS REPORTING)

	TOTAL		MUCH STRONGER		MODERATELY STRONGER		ESSENTIALLY UNCHANGED		MODERATELY WEAKER		MUCH WEAKER	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)												
COMPARED TO THREE MONTHS AGO	125	100.0	2	1.6	71	56.8	44	35.2	8	6.4	0	0.0
ANTICIPATED DEMAND IN NEXT 3 MONTHS	125	100.0	0	0.0	93	74.4	31	24.8	1	0.8	0	0.0
	ANSWERING QUESTION		MUCH FIRMER POLICY		MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
LENDING TO NONFINANCIAL BUSINESSES	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	125	100.0	1	0.8	45	36.0	77	61.6	2	1.6	0	0.0
COMPENSATING OR SUPPORTING BALANCES	125	100.0	0	0.0	8	6.4	113	90.4	4	3.2	0	0.0
STANDARDS OF CREDIT WORTHINESS	125	100.0	2	1.6	6	4.8	116	92.8	1	0.8	0	0.0
MATURITY OF TERM LOANS	125	100.0	1	0.8	8	6.4	101	80.8	15	12.0	0	0.0
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	125	100.0	1	0.8	4	3.2	118	94.4	2	1.6	0	0.0
NEW CUSTOMERS	125	100.0	3	2.4	6	4.8	107	85.6	9	7.2	0	0.0
LOCAL SERVICE AREA CUSTOMERS	125	100.0	1	0.8	3	2.4	117	93.6	4	3.2	0	0.0
NONLOCAL SERVICE AREA CUSTOMERS	125	100.0	2	1.6	10	8.0	101	80.8	12	9.6	0	0.0

1/ SURVEY OF LENDING PRACTICES AT 125 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF MAY 15, 1972.

	ANSWERING QUESTION		MUCH FIRMER POLICY		MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT	BANKS	PCT
FACTORS RELATING TO APPLICANT 2/												
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	125	100.0	2	1.6	12	9.6	108	86.4	3	2.4	0	0.0
INTENDED USE OF THE LOAN	125	100.0	2	1.6	1	0.8	121	96.8	1	0.8	0	0.0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	125	100.0	2	1.6	28	22.4	92	73.6	3	2.4	0	0.0
COMPENSATING OR SUPPORTING BALANCES	125	100.0	1	0.8	4	3.2	116	92.8	4	3.2	0	0.0
ENFORCEMENT OF BALANCE REQUIREMENTS	125	100.0	2	1.6	6	4.8	114	91.2	3	2.4	0	0.0
ESTABLISHING NEW OR LARGER CREDIT LINES	125	100.0	2	1.6	11	8.8	93	74.4	19	15.2	0	0.0
WILLINGNESS TO MAKE OTHER TYPES OF LOANS												
TERM LOANS TO BUSINESSES	124	100.0	1	0.8	3	2.4	100	80.7	20	16.1	0	0.0
CONSUMER INSTALMENT LOANS	124	100.0	0	0.0	2	1.6	86	69.4	34	27.4	2	1.6
SINGLE FAMILY MORTGAGE LOANS	123	100.0	0	0.0	2	1.6	96	78.1	23	18.7	2	1.6
MULTI-FAMILY MORTGAGE LOANS	123	100.0	1	0.8	8	6.5	102	82.9	12	9.8	0	0.0
ALL OTHER MORTGAGE LOANS	123	100.0	0	0.0	6	4.9	100	81.3	15	12.2	2	1.6
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	123	100.0	0	0.0	3	2.4	107	87.0	13	10.6	0	0.0
LOANS TO BROKERS	122	100.0	2	1.6	3	2.5	102	83.6	13	10.7	2	1.6

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

COMPARISON OF QUARTERLY CHANGES IN BANK LENDING PRACTICES AT BANKS GROUPED BY SIZE OF TOTAL DEPOSITS 1/
 (STATUS OF POLICY ON MAY 15, 1972, COMPARED TO THREE MONTHS EARLIER)
 (NUMBER OF BANKS IN EACH COLUMN AS PER CENT OF TOTAL BANKS ANSWERING QUESTION)

	SIZE OF BANK -- TOTAL DEPOSITS IN BILLIONS											
	TOTAL		MUCH STRONGER		MODERATELY STRONGER		ESSENTIALLY UNCHANGED		MODERATELY WEAKER		MUCH WEAKER	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)												
COMPARED TO THREE MONTHS AGO	100	100	2	1	52	61	40	31	6	7	0	0
ANTICIPATED DEMAND IN NEXT 3 MONTHS	100	100	0	0	70	77	28	23	2	0	0	0
	TOTAL		MUCH FIRMER		MODERATELY FIRMER		ESSENTIALLY UNCHANGED		MODERATELY EASIER		MUCH EASIER	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
LENDING TO NONFINANCIAL BUSINESSES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	100	100	0	1	30	41	70	55	0	3	0	0
COMPENSATING OR SUPPORTING BALANCES	100	100	0	0	2	10	94	87	4	3	0	0
STANDARDS OF CREDIT WORTHINESS	100	100	0	3	6	4	94	92	0	1	0	0
MATURITY OF TERM LOANS	100	100	0	1	6	7	79	82	15	10	0	0
REVIEWING CREDIT LINES OR LOAN APPLICATIONS												
ESTABLISHED CUSTOMERS	100	100	0	1	2	4	96	94	2	1	0	0
NEW CUSTOMERS	100	100	0	4	7	3	87	85	6	8	0	0
LOCAL SERVICE AREA CUSTOMERS	100	100	0	1	2	3	96	92	2	4	0	0
NONLOCAL SERVICE AREA CUSTOMERS	100	100	0	3	6	10	90	73	4	14	0	0

1/ SURVEY OF LENDING PRACTICES AT 54 LARGE BANKS (DEPOSITS OF \$1 BILLION OR MORE) AND 71 SMALL BANKS (DEPOSITS OF LESS THAN \$1 BILLION) REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF MAY 15, 1972.

	NUMBER ANSWERING QUESTION		SIZE OF BANK MUCH FIRMER POLICY		-- TOTAL DEPOSITS IN BILLIONS				MODERATELY EASIER POLICY		MUCH EASIER POLICY	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	MODERATELY FIRMER POLICY		ESSENTIALLY UNCHANGED POLICY		MODERATELY EASIER POLICY		MUCH EASIER POLICY	
					\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
FACTORS RELATING TO APPLICANT 2/												
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	100	100	0	3	7	11	87	86	6	0	0	0
INTENDED USE OF THE LOAN	100	100	0	3	2	0	98	96	0	1	0	0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES												
TERMS AND CONDITIONS:												
INTEREST RATES CHARGED	100	100	0	3	19	25	79	69	2	3	0	0
COMPENSATING OR SUPPORTING BALANCES	100	100	0	1	4	3	89	96	7	0	0	0
ENFORCEMENT OF BALANCE REQUIREMENTS	100	100	0	3	4	6	92	90	4	1	0	0
ESTABLISHING NEW OR LARGER CREDIT LINES	100	100	0	3	9	8	78	72	13	17	0	0
	NUMBER ANSWERING QUESTION		CONSIDERABLY LESS WILLING		MODERATELY LESS WILLING		ESSENTIALLY UNCHANGED		MODERATELY MORE WILLING		CONSIDERABLY MORE WILLING	
	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1	\$1 & OVER	UNDER \$1
WILLINGNESS TO MAKE OTHER TYPES OF LOANS												
TERM LOANS TO BUSINESSES	100	100	0	1	4	1	79	82	17	16	0	0
CONSUMER INSTALMENT LOANS	100	100	0	0	0	3	75	64	25	30	0	3
SINGLE FAMILY MORTGAGE LOANS	100	100	0	0	0	3	79	77	21	17	0	3
MULTI-FAMILY MORTGAGE LOANS	100	100	0	1	6	7	81	85	13	7	0	0
ALL OTHER MORTGAGE LOANS	100	100	0	0	6	4	75	86	19	7	0	3
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	100	100	0	0	4	1	85	89	11	10	0	0
LOANS TO BROKERS	100	100	4	0	2	3	75	90	17	6	2	1

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

QUARTERLY SURVEY OF CHANGES IN BANK LENDING PRACTICES AT SELECTED LARGE BANKS IN THE U.S. 1/
 STATUS OF POLICY ON MAY 15, 1972 COMPARED TO THREE MONTHS EARLIER
 (NUMBER OF BANKS)

	ALL DSTS	BOS- TON	NEW YORK TOTAL	CITY OUTSIDE	PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
STRENGTH OF DEMAND FOR COMMERCIAL AND INDUSTRIAL LOANS (AFTER ALLOWANCE FOR BANK'S USUAL SEASONAL VARIATION)														
COMPARED TO 3 MONTHS AGO	125													
MUCH STRONGER	2	0	0	0	0	0	1	0	1	0	0	0	0	0
MODERATELY STRONGER	71	5	10	3	7	4	8	7	10	5	0	4	3	8
ESSENTIALLY UNCHANGED	44	2	8	4	4	2	3	3	4	4	3	3	4	5
MODERATELY WEAKER	8	1	2	2	0	0	0	0	0	0	0	2	2	0
MUCH WEAKER	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ANTICIPATED DEMAND NEXT THREE MONTHS														
	125													
MUCH STRONGER	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY STRONGER	93	6	13	7	6	6	11	8	12	6	2	8	4	8
ESSENTIALLY UNCHANGED	31	2	7	2	5	0	1	2	3	3	1	1	5	5
MODERATELY WEAKER	1	0	0	0	0	0	0	0	0	0	0	0	0	0
MUCH WEAKER	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LENDING TO NONFINANCIAL BUSINESSES														
TERMS AND CONDITIONS														
INTEREST RATES CHARGED														
	125													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	0	0	0	0	1	0	0
MODERATELY FIRMER POLICY	45	4	6	1	5	3	5	3	2	4	1	5	4	6
ESSENTIALLY UNCHANGED POLICY	77	4	12	8	4	3	7	7	13	5	2	3	5	7
MODERATELY EASIER POLICY	2	0	2	0	2	0	0	0	0	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
COMPENSATING BALANCES														
	125													
MUCH FIRMER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY FIRMER POLICY	8	0	1	0	1	0	1	2	0	0	1	2	0	0
ESSENTIALLY UNCHANGED POLICY	113	8	17	8	9	5	9	8	15	9	2	7	9	13
MODERATELY EASIER POLICY	4	0	2	1	1	1	0	0	0	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0

A - 7

1/ SURVEY OF LENDING PRACTICES AT 125 LARGE BANKS REPORTING IN THE FEDERAL RESERVE QUARTERLY INTEREST RATE SURVEY AS OF MAY 15, 1972.

	ALL DSTS	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
			TOTAL	CITY	OUTSIDE									
LENDING TO NONFINANCIAL BUSINESSES														
TERMS AND CONDITIONS														
STANDARDS OF CREDIT WORTHINESS	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	1	0	0	0	1	0	0
MODERATELY FIRMER POLICY	6	0	0	0	0	1	0	2	0	0	1	1	0	1
ESSENTIALLY UNCHANGED POLICY	116	8	20	9	11	5	11	10	9	14	9	7	9	12
MODERATELY EASIER POLICY	1	0	0	0	0	0	0	0	1	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MATURITY OF TERM LOANS	125													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	1	0	0	0	0	0	0
MODERATELY FIRMER POLICY	8	0	0	0	0	0	0	1	1	0	1	2	2	1
ESSENTIALLY UNCHANGED POLICY	101	6	17	6	11	4	10	7	13	9	2	5	7	11
MODERATELY EASIER POLICY	15	2	3	3	0	2	1	1	1	0	0	2	0	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
REVIEWING CREDIT LINES OR LOANS														
ESTABLISHED CUSTOMERS	125													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	1	0	0	0	0	0	0
MODERATELY FIRMER POLICY	4	0	1	0	1	0	0	0	0	0	0	2	0	1
ESSENTIALLY UNCHANGED POLICY	118	8	19	9	10	6	10	9	15	9	3	7	9	12
MODERATELY EASIER POLICY	2	0	0	0	0	0	1	0	0	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
NEW CUSTOMERS	125													
MUCH FIRMER POLICY	3	0	0	0	0	0	0	1	0	0	0	2	0	0
MODERATELY FIRMER POLICY	6	0	0	0	0	1	0	1	0	0	0	1	1	2
ESSENTIALLY UNCHANGED POLICY	107	8	18	9	9	5	10	7	15	8	3	5	8	9
MODERATELY EASIER POLICY	9	0	2	0	2	0	1	1	0	1	0	1	0	2
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOCAL SERVICE AREA CUSTOMERS	125													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	1	0	0	0	0	0	0
MODERATELY FIRMER POLICY	3	0	0	0	0	0	0	0	0	0	0	2	0	1
ESSENTIALLY UNCHANGED POLICY	117	8	19	9	10	6	10	9	14	9	3	7	9	12
MODERATELY EASIER POLICY	4	0	1	0	1	0	1	0	1	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0

A - 8

	ALL DSTS	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
			TOTAL	CITY	OUTSIDE									
LENDING TO NONFINANCIAL BUSINESSES														
REVIEWING CREDIT LINES OR LOANS														
NONLOCAL SERVICE AREA CUST	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	0	0	0	0	2	0	0
MODERATELY FIRMER POLICY	10	0	0	0	0	0	0	2	3	1	1	0	1	1
ESSENTIALLY UNCHANGED POLICY	101	8	18	9	9	6	9	8	7	14	7	3	4	7
MODERATELY EASIER POLICY	12	0	2	0	2	0	2	2	0	0	1	0	2	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
FACTORS RELATING TO APPLICANT 2/														
VALUE AS DEPOSITOR OR SOURCE OF COLLATERAL BUSINESS	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	0	1	0	0	0	1	0
MODERATELY FIRMER POLICY	12	0	0	0	0	2	0	2	3	4	0	0	1	0
ESSENTIALLY UNCHANGED POLICY	108	8	20	9	11	4	9	10	6	11	9	3	7	9
MODERATELY EASIER POLICY	3	0	0	0	0	0	2	0	0	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
INTENDED USE OF LOAN	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	0	0	0	0	0	2	0
MODERATELY FIRMER POLICY	1	0	0	0	0	0	0	0	0	0	0	0	0	1
ESSENTIALLY UNCHANGED POLICY	121	8	20	9	11	6	11	12	10	15	9	3	7	9
MODERATELY EASIER POLICY	1	0	0	0	0	0	0	0	0	0	0	0	0	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LENDING TO "NONCAPTIVE" FINANCE COMPANIES														
TERMS AND CONDITIONS														
INTEREST RATES CHARGED	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	0	1	0	0	0	1	0
MODERATELY FIRMER POLICY	28	2	2	1	1	2	3	2	0	3	2	2	3	2
ESSENTIALLY UNCHANGED POLICY	92	6	15	7	8	4	8	10	9	12	7	1	5	7
MODERATELY EASIER POLICY	3	0	3	1	2	0	0	0	0	0	0	0	0	0
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0

A - 9

2/ FOR THESE FACTORS, FIRMER MEANS THE FACTORS WERE CONSIDERED MORE IMPORTANT IN MAKING DECISIONS FOR APPROVING CREDIT REQUESTS, AND EASIER MEANS THEY WERE LESS IMPORTANT.

	ALL DSTS	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MINNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
			TOTAL	CITY	OUTSIDE									
LENDING TO "NONCAPTIVE" FINANCE COMPANIES														
TERMS AND CONDITIONS:														
SIZE OF COMPENSATING BALANCES	125													
MUCH FIRMER POLICY	1	0	0	0	0	0	0	0	0	0	0	0	1	0
MODERATELY FIRMER POLICY	4	0	1	1	0	1	0	0	1	0	0	0	1	0
ESSENTIALLY UNCHANGED POLICY	116	7	18	7	11	5	10	12	9	15	9	3	7	0
MODERATELY EASIER POLICY	4	1	1	1	0	0	1	0	0	0	0	0	0	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ENFORCEMENT OF BALANCE REQUIREMENT	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	0	1	0	0	0	1	0
MODERATELY FIRMER POLICY	6	0	0	0	0	1	0	1	1	0	0	0	1	1
ESSENTIALLY UNCHANGED POLICY	114	7	20	9	11	5	11	11	8	15	9	3	7	7
MODERATELY EASIER POLICY	3	1	0	0	0	0	0	0	0	0	0	0	0	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ESTABLISHING NEW OR LARGER CREDIT LINES	125													
MUCH FIRMER POLICY	2	0	0	0	0	0	0	0	0	0	0	0	2	0
MODERATELY FIRMER POLICY	11	0	0	0	0	1	1	0	1	2	1	0	0	3
ESSENTIALLY UNCHANGED POLICY	93	8	13	8	5	4	9	10	9	12	5	3	5	5
MODERATELY EASIER POLICY	19	0	7	1	6	1	1	2	0	1	3	0	2	1
MUCH EASIER POLICY	0	0	0	0	0	0	0	0	0	0	0	0	0	0
WILLINGNESS TO MAKE OTHER TYPES OF LOANS														
TERM LOANS TO BUSINESSES	124													
CONSIDERABLY LESS WILLING	1	0	0	0	0	0	0	0	1	0	0	0	0	0
MODERATELY LESS WILLING	3	0	0	0	0	0	0	0	0	0	0	0	1	0
ESSENTIALLY UNCHANGED	100	7	18	8	10	5	9	10	7	13	7	3	4	8
MODERATELY MORE WILLING	20	1	2	1	1	1	2	2	2	2	0	0	4	0
CONSIDERABLY MORE WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
CONSUMER INSTALMENT LOANS	124													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	2	0	0	0	0	1	0	0	0	1	0	0	0	0
ESSENTIALLY UNCHANGED	86	7	13	7	6	3	8	11	5	9	6	3	6	5
MODERATELY MORE WILLING	34	1	6	1	5	2	3	1	4	5	3	0	2	4
CONSIDERABLY MORE WILLING	2	0	0	0	0	0	0	0	1	0	0	0	1	0

	ALL OSTS	BOS- TON	NEW YORK		PHIL- ADEL.	CLEVE- LAND	RICH- MOND	ATLAN- TA	CHIC- AGO	ST. LOUIS	MTNNE- APOLIS	KANS. CITY	DAL- LAS	SAN FRAN
WILLINGNESS TO MAKE OTHER TYPES OF LOANS			TOTAL	CITY	OUTSIDE									
SINGLE FAMILY MORTGAGE LOANS	123													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	2	0	0	0	0	0	0	0	0	1	0	1	0	0
ESSENTIALLY UNCHANGED	96	7	15	7	8	5	7	10	7	13	5	6	8	10
MODERATELY MORE WILLING	23	1	4	1	3	1	4	2	2	3	0	2	0	2
CONSIDERABLY MORE WILLING	2	0	0	0	0	0	0	0	0	0	0	1	0	1
MULTIFAMILY MORTGAGE LOANS	123													
CONSIDERABLY LESS WILLING	1	0	0	0	0	0	0	0	0	0	0	0	1	0
MODERATELY LESS WILLING	8	0	1	0	1	0	0	0	2	1	0	0	0	0
ESSENTIALLY UNCHANGED	102	8	17	7	10	5	9	10	9	12	7	3	5	9
MODERATELY MORE WILLING	12	0	1	1	0	1	2	2	0	1	1	0	0	2
CONSIDERABLY MORE WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ALL OTHER MORTGAGE LOANS	123													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	6	0	1	0	1	0	0	0	1	1	0	0	1	2
ESSENTIALLY UNCHANGED	100	7	15	7	8	5	9	10	9	11	7	3	7	9
MODERATELY MORE WILLING	15	1	3	1	2	1	2	2	0	3	0	0	1	2
CONSIDERABLY MORE WILLING	2	0	0	0	0	0	0	0	0	0	1	0	1	0
PARTICIPATION LOANS WITH CORRESPONDENT BANKS	123													
CONSIDERABLY LESS WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
MODERATELY LESS WILLING	3	0	0	0	0	1	0	0	0	0	0	1	0	1
ESSENTIALLY UNCHANGED	107	7	18	8	10	4	9	11	10	14	8	3	5	10
MODERATELY MORE WILLING	13	1	2	1	1	1	2	1	0	1	1	0	2	2
CONSIDERABLY MORE WILLING	0	0	0	0	0	0	0	0	0	0	0	0	0	0
LOANS TO BROKERS	122													
CONSIDERABLY LESS WILLING	2	0	0	0	0	1	0	0	0	1	0	0	0	0
MODERATELY LESS WILLING	3	0	0	0	0	0	0	0	0	0	0	1	1	1
ESSENTIALLY UNCHANGED	102	8	16	6	10	5	7	11	9	13	9	3	4	10
MODERATELY MORE WILLING	13	0	4	3	1	0	4	0	1	1	0	0	1	2
CONSIDERABLY MORE WILLING	2	0	0	0	0	0	0	1	0	0	0	1	0	0
NUMBER OF BANKS	125													

APPENDIX B: CONGRESSIONAL DEVELOPMENTS RELATING TO THE SOCIAL SECURITY AND WELFARE REFORM BILL.*

The Senate Finance Committee has completed its work on the broad social security welfare reform bill. The Committee bill is somewhat more costly in the long run (perhaps \$6.0 billion annually) than the House-passed bill or the Administration proposals. There appears to be considerable opposition to the Senate committee bill, which is scheduled for debate in the Senate in July. Of course, the final outcome will not be known until differences are settled in the House-Senate conference committee. Staff projections incorporate the Administration's proposals for social security liberalization and welfare reform but the Staff estimate includes a 12.5 per cent social security boost projected rather than the 5 per cent increase proposed by the Administration. The Senate Committee bill includes a 10 per cent social security benefit hike, but many Senators are committed to a 20 per cent increase.

There are substantial differences in the estimate of the cost of various welfare provisions of the House and Senate bills. HEW estimates that the first full year cost of the Senate Committee proposals for general welfare and workfare will be \$12.7 billion compared to the Committee estimate of \$6.7 billion. On the other hand the Senate Committee estimates that the cost of the welfare provisions of the House bill (essentially the Administration's family assistance plan) are underestimated by \$2.0 billion. Table I below, shows the major provisions of the Senate Committee bill with alternative estimates of the first full year cost of the welfare provisions.

While the cost of the various provisions of the Senate Committee bill are still not certain, the Staff has made a rough estimate of the effect the Committee bill would have on Staff estimates if enacted. These estimates are shown in Table II, below.

The social security provisions of the Senate Committee bill are initially less costly than the Staff estimates. The Committee bill also includes the same wage base increase assumed in the Staff projections (from \$9,000 to \$10,200 beginning January 1973). However the Committee would increase the tax to 5.7 per cent instead of the 5.4 per cent expected by the Staff. The higher Committee rate would increase calendar 1973 receipts by \$3.0 billion. There have been reports that even higher social security taxes will be enacted if a 20 per cent benefit increase is approved.

*Prepared by William Beeman, Economist and Mary Ellen Stroupe, Economist, Government Finance Section.

Table 1. PRINCIPAL PROVISIONS OF THE SENATE FINANCE COMMITTEE SOCIAL SECURITY AND WELFARE BILL

	<u>Effective Date</u>	<u>First Full-Year Cost: Additions to Present Legislation (In Billions of \$)</u>	
		<u>Senate Finance Estimate</u>	<u>H.E.W. Estimate</u>
SOCIAL SECURITY CASH BENEFITS			
1. <u>Provisions of House Bill Changed and New Provisions Added by the Committee</u>			
A. 10% across-the-board benefit increase	Retroactive to June 1, 1972 <u>1/</u>	\$4.300	
B. Special minimum benefits up to \$200 per month	Jan. 1973	.300	
C. Automatic cost-of-living increases	Jan. 1975	n.e.	
D. Retirement delayed beyond age 65	Jan. 1973	.180	
E. Reduction in waiting period for dis- ability benefits (to 4 months)	Jan. 1973	.250	
F. Extension of coverage to dependent sisters and to dependent disabled brothers.	Jan. 1973	.070	
G. Disability benefits for individuals who are blind	Jan. 1973	.200	
2. <u>Provisions of House Bill Not Changed by the Committee</u>			
A. Increase in widow's and widower's benefits	Jan. 1973	1.000	
B. Allowable earnings increased to \$2,000 per year	Jan. 1973	.650	
C. Childhood disability benefits	Jan. 1973	.016	
D. Continuation of child's benefits through the end of a semester	Jan. 1973	.018	
TOTAL SOCIAL SECURITY CASH BENEFITS		<u>\$6.984</u>	<u>n.a.</u>

MAJOR MEDICARE-MEDICAID PROVISIONS**1. Medicare**

A. Medicare coverage for disabled bene- ficiaries	July 1, 1973		
1) Hospital insurance		1.500	
2) Supplementary medical		.350	
B. Coverage of drugs under medicare	July 1, 1973	.700	
C. Cover chiropractic, limit premium, other changes	n.a.	.200	
D. Extended care definition, other changes	n.a.	.200	

1/ Implies first cash payment retroactive to July 1

n.e.--Not Estimated

n.a.--Not Available

		<u>(In billions of \$)</u>	
		Senate	H.E.W.
		Finance	
	<u>Effective Date</u>	<u>Estimate</u>	<u>Estimate</u>
2.	Medicaid		
	A. Mentally ill children	n.a.	.100
	B. Coverage of workfare participants	n.a.	.200
	C. Other changes	n.a.	<u>-.300</u>
	TOTAL MEDICARE-MEDICAID PROVISIONS	<u>\$2.950</u>	n.a.
WELFARE PROGRAMS			
1.	Additional Aid to the Aged, Blind and Disabled	upon enactment	2.2
			n.a.
2.	"Workfare": Government employment	Jan. 1974	2.6
	Wage supplement	Jan. 1974	.3
	10% work bonus	Jan. 1974	1.2
3.	General welfare provisions		
	A. Welfare payments	upon enactment	3.7
	B. Food stamps	upon enactment	1.8
	C. Child care	upon enactment	.8
	D. Services, training	upon enactment	.4
	E. Administration	upon enactment	.7
	F. Reduction In Existing Welfare program	upon enactment	<u>-7.0</u>
	TOTAL WELFARE PROGRAMS	<u>\$6.7</u>	12.7 <u>2/</u>

2/ Using Committee figure for line 1
n.a.--Not Available

The Committee bill has higher outlays for welfare reform and for medicare and medicaid. Medicare and medicaid provisions would increase Staff outlays in the second half of calendar 1973 by about \$3.0 billion, annual rate. In regard to welfare the Staff projections assume that the Administration's welfare reform doesn't begin until Fiscal year 1974, although \$.5 billion start up costs are provided in fiscal 1973. In the Committee bill "workfare" would not be effective until January 1974, but aid to the aged, blind and disabled as well as several other general welfare programs would begin upon enactment.

Table II
PRELIMINARY ESTIMATES OF ADDITIONAL COSTS OF SENATE
FINANCE COMMITTEE SOCIAL SECURITY-WELFARE REFORM BILL
AS COMPARED TO STAFF ASSUMPTIONS
(Billions of dollars, annual rates)

	Calendar 1972 H-2	Calendar 1973 H-1 H-2		FY 1973	CY 1973
Social Security Benefits					
1. 10% increase instead of 12.5%	-1.0	-1.0	-1.0	-1.0	-1.0
2. Widows benefit	-.8	--	--	-.4	--
3. Outside earnings	-.6	--	--	-.3	--
4. Other	--	1.0	1.0	.5	1.0
Total	-2.4	--	--	-1.2	--
Medicare and Medicaid					
1. For disabled	--	--	1.9	--	1.0
2. Outpatient drugs	--	--	.7	--	.3
3. Other, net	--	--	.4	--	.2
Total	--	--	3.0	--	1.5
Welfare Reform					
1. Aged, blind and disabled	--	2.2 ^{1/}	2.2	1.1 ^{1/}	2.2
2. Workfare	--	--	--	--	--
3. General Welfare Provisions, net	--	1.0 ^{2/}	1.0 ^{2/}	.5 ^{2/}	1.0 ^{2/}
Total	--	3.2	3.2	1.6	3.2
Grand Total	-2.4	3.2	6.2	.4	4.7

^{1/} Effective upon enactment.

^{2/} Staff estimates. It is difficult to determine the pattern of net costs for general welfare provisions because the Committee reports total welfare costs, including a \$7.0 billion reduction in existing costs. Some unspecified portion of this recoupment will occur only when "workfare" starts in January 1974.