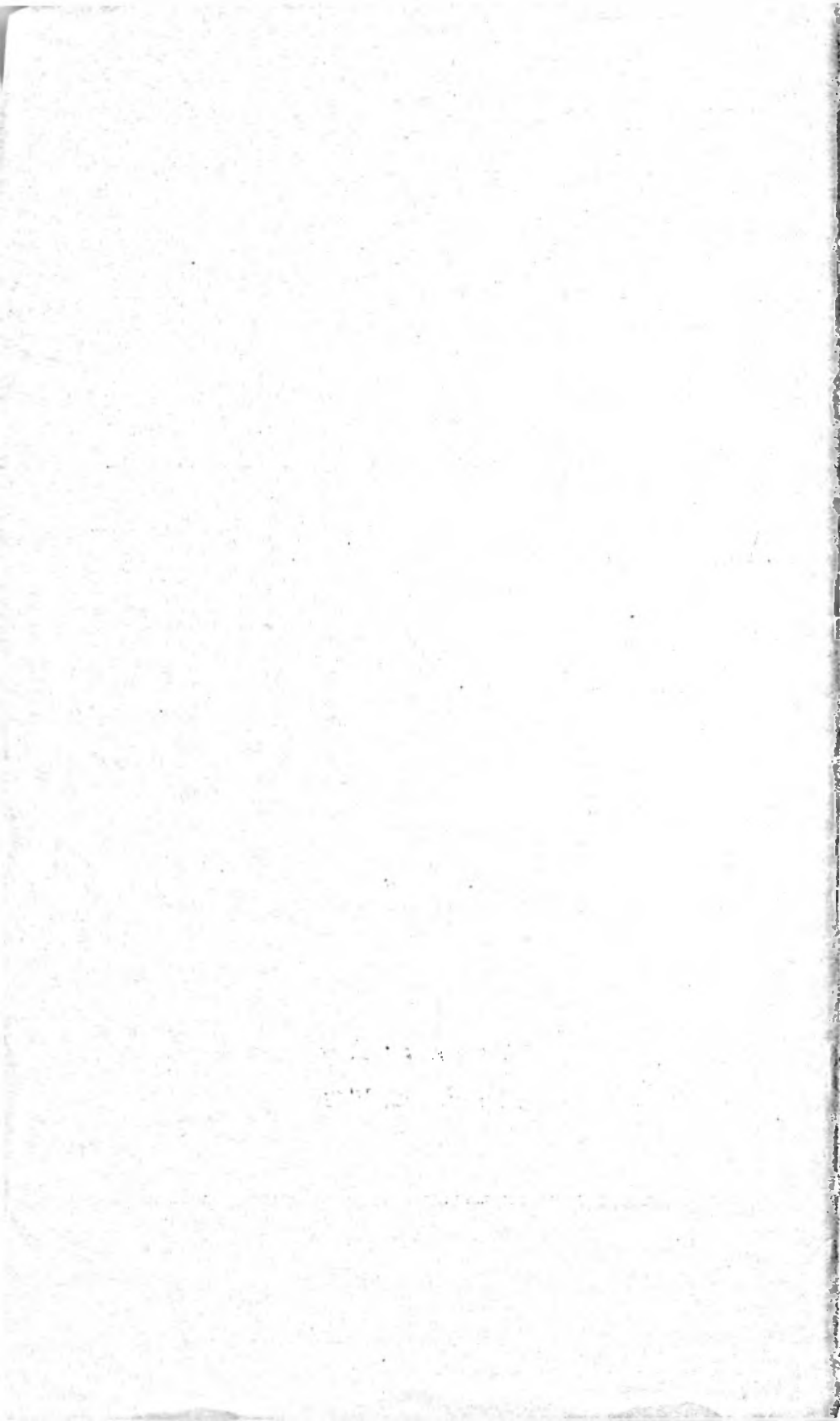

Seventh Annual Report
of the
FEDERAL HOUSING
ADMINISTRATION

ABNER H. FERGUSON
Administrator



For the year ending
December 31, 1940



Seventh Annual Report
of the
FEDERAL HOUSING
ADMINISTRATION

Letter of Transmittal
from the
Administrator of the Federal Housing Administration
to the
Congress of the United States

April 3, 1941—Referred to the
Committee on Banking and Currency
and ordered to be printed with illustrations

UNITED STATES
GOVERNMENT PRINTING OFFICE
WASHINGTON : 1941



TABLE OF CONTENTS

	<i>Page</i>
Letter of transmittal.....	5
Part I. General review.....	6
Summary of insuring operations during 1940.....	6
Finances.....	9
Credit insurance experience.....	10
Property improvement loans, Title I.....	10
Home mortgage loans, Section 203, Title II.....	11
Rental and group housing mortgage loans, Section 207, Title II.....	12
Types of institutions financing FHA-insured loans.....	13
Residential construction and financing in 1940.....	14
Part II. Administration and organization.....	19
Rules and regulations.....	19
Underwriting and insurance procedures.....	19
State legislation.....	21
Home construction standards.....	21
Neighborhood planning.....	22
General research activities.....	23
Defense housing.....	24
Organization and personnel.....	26
Part III. Property improvement insurance under Title I.....	27
Volume and distribution of Title I operations.....	28
State distribution of loans insured.....	30
Financial institution activity.....	31
Insurance claims paid on defaulted notes.....	33
Volume of claims paid.....	33
Location of property on which claims were paid.....	34
Types of institutions to which claims were paid.....	35
Characteristics of notes insured.....	37
Type of improvement financed.....	37
Type of property improved.....	39
Size of loans.....	40
Duration of loans.....	41
New small-home construction financed under Title I.....	42
Part IV. Home mortgage insurance under Title II.....	44
Volume and status of insuring operations.....	44
Total for the year.....	46
Cumulative status through December 1940.....	47
Disposition of cases closed each year.....	47
Mortgagee institution activity.....	48
Types of institutions originating mortgages.....	48
Type of institution originating mortgages by States.....	50
Local and out-of-State mortgage lending.....	51
Number of institutions originating, holding, and transferring mortgages.....	52
Mortgages transferred and held in portfolio.....	53
Yearly trend in the transfer of insured mortgages.....	54
Purchases and sales by Federal agencies.....	54
State distribution of mortgage transfers.....	55

Part IV. Home mortgage insurance under Title II—Continued.	<i>Page</i>
Terminations, foreclosures, and delinquencies.....	57
Yearly trend.....	58
State distribution.....	59
Trends and distribution of new and existing home mortgages.....	60
Monthly trend.....	60
State distribution of mortgages accepted in 1940.....	63
Mortgages by city size groups.....	63
Characteristics of insured home mortgages.....	65
Mortgage principal.....	67
Duration of mortgage.....	68
Ratio of loan to value.....	69
Characteristics of properties securing insured mortgages.....	70
Dwelling units and FHA valuation.....	70
Property valuation.....	71
Number of rooms.....	72
Garage capacity.....	73
Exterior material.....	74
Land valuation by property valuation groups.....	75
Characteristics of borrowers.....	76
Borrower's annual income.....	76
Mortgage payment.....	78
Ratio of mortgage payment to borrower's annual income.....	79
Ratio of property value to annual income.....	80
Property valuation by income groups.....	81
Monthly mortgage payment by income groups.....	82
Relationship of average property characteristics to annual income of borrowers.....	84
Part V. Rental housing mortgages under Section 207, Title II.....	85
Volume and distribution of rental housing operations.....	86
Annual totals.....	87
Projects insured during the year.....	88
Cumulative totals by States.....	90
Activity of lending institutions.....	91
Characteristics of mortgages and projects.....	92
Amount of mortgage per room.....	92
Duration and ratio of mortgage to valuation.....	93
Type of structure.....	93
Size of projects.....	94
Size of dwelling units.....	95
Average monthly room rental.....	96
Monthly dwelling unit rental.....	97
Distribution of units by size and rental groups.....	98
Part VI. Accounts and finance.....	100
Title I: Property improvement loan insurance.....	102
Reserves.....	104
Insurance premiums and fees.....	105
Title II: Mutual mortgage insurance accounts.....	107
Debentures issued and properties acquired and sold.....	109
Housing Insurance Fund: Sections 207 and 210.....	113
Properties acquired and sold.....	113
Administrative accounts.....	115

LETTER OF TRANSMITTAL

WASHINGTON, D. C., April 1, 1941.

To the Congress of the United States:

The year 1940 was one of notable progress for the Federal Housing Administration and for the home construction industry.

New high records were established in the total volume of FHA mortgage and credit insurance written, in the number of new small homes built under the FHA program, and in the volume of modernization and repair loans insured.

These accomplishments were an important factor in the further recovery in the total volume of home construction to the highest levels since 1928. Approximately 42 percent of all privately financed single-family homes built in 1940 were financed by FHA-insured loans and an additional substantial number were a direct outgrowth of the FHA program, although ultimately financed without FHA mortgage insurance.

The quality of the new homes financed by private capital under the FHA program was maintained at high levels, reflecting the FHA's careful requirements as to soundness of construction and location. The foreclosure experience on small home properties covered by FHA mortgage insurance also continued extremely favorable. Less than four-tenths of 1 percent of those properties have been foreclosed and turned over to the Administration.

During 1940 the current revenues of the Federal Housing Administration from insurance premiums, fees, and investments exceeded its operating expenses by more than \$8,000,000. For the fiscal year ending June 30, 1941, all administrative expense of the program is for the first time being paid out of the FHA's own income and, in addition, upwards of \$8,000,000 will be added to insurance reserves.

The impressive achievements of the Federal Housing Administration during 1940 and during the earlier years of its operations are a tribute to the energy, administrative ability, and business acumen of my predecessor, Stewart McDonald, who resigned as Federal Housing Administrator on November 29, 1940, after holding that office since September 5, 1935. In his new official duties as Deputy Federal Loan Administrator, Mr. McDonald continues in close touch with the FHA program.

The volume of our business was showing substantial gains over 1940 levels during the early months of 1941.

Respectfully,

ABNER H. FERGUSON,
Administrator.

Part I

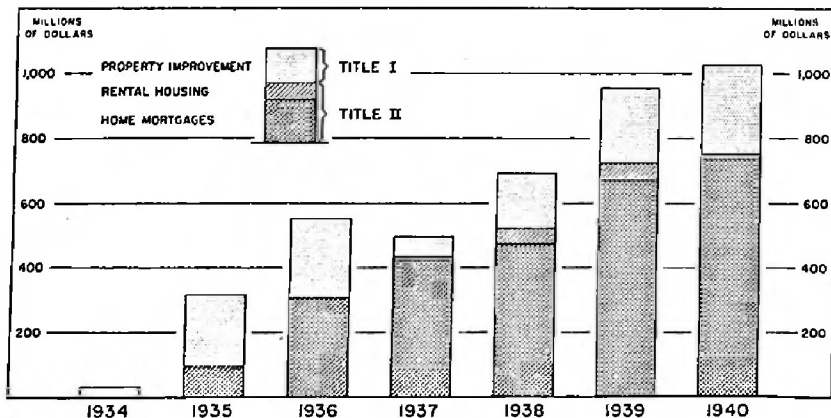
GENERAL REVIEW

OPERATIONS of the Federal Housing Administration under its program of mortgage and credit insurance reached record proportions during the calendar year 1940. The Administration's program thereby contributed importantly to the expansion in residential construction to the highest levels since 1928 and to a further impressive increase in the volume of private funds invested for residential financing purposes.

The Administration issued insurance during the year on loans totaling \$1,026,049,609 extended by private lending institutions for the purchase or improvement of homes or other properties in accordance with the provisions of the National Housing Act. This volume was 7.6 percent greater than the amount for 1939, the previous record year.

A total of 171,440 new small homes were financed by FHA-insured loans during 1940, an increase of 27.5 percent over 1939. The quality of construction, design, and location was maintained at high levels in these new homes. Furthermore, the trend toward lower-priced homes, without sacrifice of soundness, again was apparent in the new construction financed under the FHA program. The FHA new home program also reached broader income classifications among American families than in any preceding year.

CHART 1—VOLUME OF FHA INSURANCE WRITTEN, BY YEARS, 1934-1940



In addition to the new homes financed by FHA-insured loans, 39,918 mortgages on existing small homes were accepted for insurance during 1940 as compared with 46,491 in 1939. Under the property improvement program (through which 9,107 of the new small homes cited above were financed), a total of 662,948 loans were reported for insurance, an increase of 29.2 percent over 1939, and the dollar volume of those loans was 18.7 percent larger than in 1939. In both number and amount, the property improvement loans insured exceeded the previous high records established in earlier years. Insurance of mortgages on rental and group housing projects, on the other hand, was restricted to a marked extent during the year.

By December 31, 1940, the cumulative amount of loans insured since the inception of the FHA program in June 1934 was \$4,076,264,-676. Approximately 3,643,000 individual loan transactions were involved in that total and approximately 13,000,000 persons are now living in dwellings built, purchased, or improved through the proceeds of FHA-insured loans.

Under the provisions of the National Housing Act, the Administration insures approved lending institutions against loss on three main types of loans: (1) Property improvement loans insured under Title I of the Act, (2) mortgage loans on one-to-four family dwellings insured

TABLE 1.—Yearly volume of business transacted: Trend and status of FHA property improvement, home mortgage, and rental housing insuring operations, 1934-1940

Year and status	Title I		Title II				Total
	Property improvement loans insured		Sec. 203 mortgages on 1- to 4-family homes		Sec. 207 mortgages on rental and group housing projects ¹		
	Number	Amount	Number	Amount	Number	Amount	Amount
INSURANCE WRITTEN							
1934.....	72, 658	\$30, 450, 583	(²)	(²)	(²)	(²)	\$30, 450, 583
1935.....	635, 747	223, 620, 140	23, 307	\$83, 882, 012	2	\$2, 355, 000	319, 857, 158
1936.....	617, 607	246, 149, 013	77, 231	308, 945, 106	4	2, 101, 000	557, 196, 010
1937.....	124, 758	60, 382, 598	102, 076	424, 372, 999	15	10, 549, 000	495, 304, 507
1938.....	382, 325	172, 747, 308	109, 270	473, 246, 124	117	47, 580, 150	693, 382, 382
1939.....	513, 091	233, 067, 349	153, 747	669, 416, 154	131	51, 340, 625	953, 824, 128
1940.....	662, 948	276, 541, 355	168, 293	736, 400, 344	48	13, 017, 900	1, 026, 049, 600
Total.....	3, 000, 224	1, 242, 950, 262	634, 023	2, 706, 352, 739	317	126, 952, 675	4, 076, 264, 676
Commitments outstanding.....			77, 154	341, 066, 277	(³)	(³)	341, 066, 277
Total accepted for insurance.....	3, 000, 224	1, 242, 950, 262	711, 177	3, 047, 419, 016	317	126, 952, 675	4, 417, 330, 953
Expired commitments.....			71, 607	270, 678, 696	(⁴)	(⁴)	270, 678, 696
Mortgages in process ²			54, 342	245, 078, 630	45	14, 081, 500	259, 160, 130
Rejections and withdrawals.....			255, 805	1, 241, 548, 612	(⁴)	(⁴)	1, 241, 548, 612
Gross business transacted.....	3, 000, 224	1, 242, 950, 262	1, 002, 901	4, 804, 724, 954	362	141, 034, 175	6, 188, 718, 391

¹ Includes rental and release clause projects under Sec. 210, repealed by June 3, 1936, amendment.

² Not in operation pending necessary changes in State laws.

³ Rental-housing mortgages committed for insurance are included as mortgages in process; 17 mortgages for \$4,632,500 under examination are not included in this table.

⁴ Rental-housing mortgages rejected, withdrawn, or expired, numbering 941, for \$681,819,084, are not recorded in total gross business transacted.

under Title II, Section 203, and (3) mortgage loans on rental and group-housing projects insured under Title II, Section 207, and the now-repealed Section 210. In all instances, loans insured by the FHA provide for full settlement of the obligation by equal monthly installments extending over the life of the loan. The maximum interest rates fixed for FHA-insured loans represent the most favorable terms ever generally available to home owners in the United States.

TABLE 2.—State distribution of insured loans: Property improvement, home mortgage, and rental housing FHA insuring operations, cumulative 1934-1940

Location of property	Title I		Title II				Total
	Property improvement and new construction loans insured ¹		Section 203 mortgages on 1- to 4-family homes ²		Section 207 mortgages on rental and group housing projects ³		
	Number	Amount	Number	Amount	Number	Amount	
Alabama	33,146	\$11,005,923	0,822	\$25,762,472	7	\$1,373,700	\$38,142,095
Arizona	18,635	8,631,652	4,004	14,412,445	2	104,000	23,238,098
Arkansas	21,853	7,826,225	4,322	13,552,400	1	320,000	21,698,685
California	364,700	164,775,950	130,343	653,507,546	11	3,683,700	721,908,202
Colorado	19,734	7,611,834	7,157	26,203,568	4	939,500	34,754,902
Connecticut	50,138	20,579,871	5,887	20,305,845	5	1,310,000	51,495,716
Delaware	6,335	3,008,458	1,371	6,570,100	2	749,000	10,414,558
Dist. of Col.	17,205	8,085,521	2,175	13,272,250	3	3,794,000	25,151,771
Florida	53,413	23,571,632	19,117	74,475,901	6	1,117,500	99,165,083
Georgia	42,412	15,541,800	12,034	40,437,252	0	1,410,000	63,393,121
Idaho	17,405	6,431,760	3,539	11,610,355			18,042,115
Illinois	175,156	68,385,887	40,170	203,693,944	7	6,167,400	278,247,231
Indiana	88,263	28,670,293	20,704	102,589,141	12	2,518,250	133,777,684
Iowa	37,109	13,282,758	6,638	24,917,599	1	550,000	38,790,367
Kansas	23,800	7,540,261	0,767	33,289,217	0	530,100	41,371,578
Kentucky	32,291	11,551,673	6,192	27,711,991	1	1,000,000	40,263,664
Louisiana	28,290	9,773,935	6,753	26,542,140	4	875,000	37,191,075
Maine	0,858	3,038,751	2,027	6,089,280			9,993,031
Maryland	47,658	20,299,827	11,584	51,693,685	10	8,645,690	80,599,112
Massachusetts	105,442	41,265,679	5,417	26,773,487	2	383,000	68,422,166
Michigan	184,775	66,410,423	52,482	245,773,075	12	2,069,000	314,152,398
Minnesota	61,578	23,255,706	10,103	40,392,454	8	2,895,800	66,543,960
Mississippi	20,840	8,020,093	5,721	18,284,689	1	31,000	26,638,782
Missouri	53,669	20,588,032	18,207	78,337,897	10	5,663,300	108,589,220
Montana	0,131	4,670,186	2,288	8,377,041			13,047,227
Nebraska	17,346	6,018,087	4,386	18,113,619			22,132,006
Nevada	4,751	2,508,942	1,090	4,012,205			7,481,147
New Hampshire	0,024	4,076,327	1,375	5,075,451			9,151,778
New Jersey	170,676	77,138,356	33,314	100,346,473	17	7,280,000	244,764,850
New Mexico	5,881	2,090,381	2,319	8,340,375			11,345,756
New York	413,828	222,841,406	45,862	231,302,270	43	32,348,000	486,041,705
North Carolina	27,287	0,843,477	8,534	35,877,230	14	4,229,500	49,950,210
North Dakota	4,968	2,347,453	0,029	2,098,345			5,345,798
Ohio	183,593	47,357,810	39,955	186,570,575	4	2,320,000	236,248,385
Oklahoma	34,408	12,074,032	11,150	42,504,342	8	461,750	55,100,124
Oregon	41,320	15,538,049	5,977	16,954,100	2	618,000	36,010,149
Pennsylvania	170,428	70,889,895	39,822	172,431,816	21	8,195,000	251,516,711
Rhode Island	21,710	0,410,060	2,542	11,504,220	1	114,000	21,635,180
South Carolina	15,260	5,714,291	4,875	18,530,438	1	240,000	24,490,729
South Dakota	5,017	2,138,093	2,111	6,187,430	1	117,500	8,438,923
Tennessee	45,785	15,708,466	11,091	44,501,360	7	7,784,850	62,054,075
Texas	107,445	39,332,322	36,423	130,573,237	22	3,629,225	182,534,774
Utah	18,316	0,517,823	6,083	22,313,015			28,831,438
Vermont	4,804	2,093,344	1,503	5,239,687			7,333,031
Virginia	36,941	17,700,032	12,954	58,880,410	30	16,244,000	92,891,381
Washington	87,301	32,590,987	17,015	61,350,385	2	1,110,400	95,039,752
West Virginia	12,073	5,501,301	5,113	23,057,000	1	650,000	29,203,364
Wisconsin	47,251	18,197,408	8,403	41,015,144	4	684,700	60,997,252
Wyoming	4,220	2,108,590	3,414	11,003,948			13,112,547
Alaska	334	342,008	342	1,512,460			1,854,558
Hawaii	822	470,570	1,524	0,164,070			6,035,246
Puerto Rico	20	18,980	439	2,465,000			2,483,980
Canal Zone	3	4,067					4,067
Total	3,009,224	1,242,950,282	711,177	3,047,419,010	317	120,952,075	4,417,330,953

¹ Includes undistributed adjustments in the total for an addition of 8,037 notes and a deduction of \$300,388.

² Represents insured mortgages and FHA commitments outstanding to insure.

³ Includes \$1,529,000 of mortgages on release-clause projects insured under sec. 207 and \$7,700,025 of mortgages closed under the expired sec. 210, of which \$3,137,925 represents release-clause projects.

In line with the increased amount of insurance written during the year, the total volume of business transacted by the FHA in 1940 was the largest since the start of the program. By December 31, 1940, the cumulative total since 1934 was \$6,188,718,391, an increase of \$1,550,187,041 since December 31, 1939. Included in this total were 3,009,224 insured property improvement loans aggregating \$1,242,959,262, mortgages aggregating \$3,047,419,016 accepted for insurance on 711,177 small homes, and \$126,952,675 in mortgages insured on 317 rental and group housing projects providing 33,204 dwelling units. Additional applications for home mortgage insurance amounted to \$1,757,305,938 of which \$245,078,630 represented mortgages still in process or conditionally committed at the year-end. The remainder represented rejections or withdrawals of mortgage insurance applications or expirations of commitments to insure.

FINANCES

DURING 1940 the current revenues of the Federal Housing Administration exceeded its operating expenses by \$8,109,129. For the fiscal year ending June 30, 1941, the Administration for the first time will pay all operating expenses from current revenues. A portion of the claims for losses under Title I loan insurance are still being paid by the Reconstruction Finance Corporation.

The operating expenses of the Administration's Washington and field offices during the calendar year 1940 amounted to \$13,266,784, compared with \$12,961,323 in 1939. The increase of 2.4 percent in expense over 1939 contrasted with an expansion of 7.6 percent in the total volume of insurance written. Since 1935, the annual volume of insurance of all types written by the FHA has increased by 220.8 percent while annual operating expenses have increased only 28.6 percent. Yearly operating expenses, exclusive of equipment, have been as follows since the start of the program:

<i>Calendar year:</i>		<i>Calendar year:</i>	
1934.....	\$1, 739, 770	1938.....	\$11, 346, 611
1935.....	10, 300, 172	1939.....	12, 961, 323
1936.....	11, 401, 242	1940.....	13, 266, 784
1937.....	9, 269, 985		

¹ From June 27.

Revenues from premiums and fees charged for insurance under Titles I and II totaled \$20,536,894 during 1940, an increase of 49.1 percent over \$13,778,869 in 1939. Net interest income (after deducting premium amortization) from investments in Treasury bonds held in the Mutual Mortgage Insurance Fund and Housing Insurance Fund amounted to \$704,016, an increase of 11.3 percent over \$632,491 in 1939. Other interest income totaled \$135,003 in 1940. Yearly revenue from these sources since 1934 have been as follows:

Calendar year	Fees and premiums	Interest income on investment	Interest income, other	Total
1934.....		\$113,423		¹ \$113,423
1935.....	\$1,254,877	284,962		1,539,839
1936.....	3,708,110	333,806		4,132,006
1937.....	6,067,935	497,373	\$1,388	6,566,696
1938.....	9,440,543	581,817	10,656	10,033,016
1939.....	13,778,869	632,491	49,242	14,460,602
1940.....	20,536,894	704,016	136,003	21,376,913

¹ From June 27.

For the fiscal year ending June 30, 1941, Congress, in accordance with budget estimates, authorized the Administration to use \$13,300,000 of its revenues from insuring activities to meet all administrative expenses. Since July 1, 1937, the Administration, under authorization from Congress, had been meeting increasing amounts of its expenses from its own revenues. Prior to the current fiscal year, such administrative expenses as were not met from revenues were defrayed through Congressional allocations of Reconstruction Finance Corporation funds. These Government funds and the FHA funds paid out or encumbered for administrative expenses, including equipment, reached the following yearly totals:

Fiscal year	Government funds used for administrative expenses	FHA funds used for administrative expenses	Fiscal year	Government funds used for administrative expenses	FHA funds used for administrative expenses
1935.....	\$6,723,472		1939.....	\$5,525,000	\$7,185,489
1936.....	12,312,541		1940.....	3,500,000	9,777,579
1937.....	10,319,141		1941.....		¹ 13,300,000
1938.....	4,400,000	\$4,952,834			

¹ Appropriated.

CREDIT INSURANCE EXPERIENCE

Property Improvement Loans, Title I

With \$1,242,959,262 in property-improvement loans having been reported for insurance under Title I through December 31, 1940, lending institutions had filed and the Administration had paid claims on 122,098 defaulted notes aggregating \$30,511,450. Of this amount \$6,543,568 was disbursed during 1940, as compared with \$4,728,345 during 1939. The Administration's recoveries on the defaulted notes acquired through payment of these claims amounted to \$10,776,128, leaving \$19,735,322 uncollected as of December 31, 1940, a balance equivalent to 1.59 percent of the total loans insured under Title I.

Prior to the beginning of the current fiscal year, these insurance claims were met from public funds advanced by the Reconstruction Finance Corporation as provided in the National Housing Act. A premium charge for this insurance was established for the first time under the June 3, 1939, amendments to the Act and revenues from

this source were made available for payment of FHA operating expenses under Title I. Any amount not needed for that purpose, it was further provided, may be used for payment of Title I insurance claims.

During the current fiscal year, all administrative expenses under Title I and a substantial portion of the claims paid on defaulted notes are being met from current revenues. Under the Administration's budget for the year, \$1,200,000 of the current earnings under Title I is allowed for administrative expenses and \$3,000,000 is allocated toward meeting the estimated total of \$7,000,000 in claims to be paid during the year ending June 30, 1941. The remaining \$4,000,000 in estimated claims will be met from public funds.

The trend of earnings under Title I during the first two-thirds of the current fiscal year indicates that revenues for the full year will exceed the \$4,200,000 budget allocation described above and will thus increase the reserves carried over for payment of future claims. During the eight months ended February 28, 1941, the insurance premiums collected under Title I amounted to \$3,460,946 while total Title I income, including FHA charges for approval of low-cost homes insured under this title, was \$3,542,748. By February 28, 1941, the total income collected under the Title I program since the establishment of the premium charge in July 1939 amounted to \$6,706,860.

With Title I loans now on a premium-paying basis, the expectation is that this phase of the FHA program should approach a self-sustaining status if continued operations are authorized by Congress.

Further discussion of Title I activities will be found in Part III.

One- to Four-Family Home Mortgage Loans, Section 203, Title II

Of the 634,023 one- to four-family home mortgages aggregating \$2,706,352,739, which had become premium paying under Section 203 through December 31, 1940, there were 582,936 in force as of that date. On the remaining 51,087, aggregating \$228,607,993 in original amount and representing 8.1 percent of the total number, insurance had terminated. Of the terminations, 47,909 mortgages in the original amount of \$213,909,371 represented prepayments and 102 mortgages in the original amount of \$147,054 represented matured loans.

Up to December 31, 1940, title to 2,311 properties, or less than four-tenths of 1 percent of the total number insured under Section 203, had been transferred to the Administrator subsequent to foreclosure by private lending institutions. In exchange for these properties, Mutual Mortgage Insurance Fund debentures were issued to the lending institutions, pursuant to Section 204 of the Act, in the amount of \$10,864,460 (including debentures authorized but not yet issued, claims for debentures in audit, and cash adjustments).

The Administration's policy is to dispose of acquired properties as promptly and advantageously as possible and to employ the proceeds

of these sales for the retirement of corresponding amounts of debentures, charging the Mutual Mortgage Insurance Fund with any net losses occasioned by these transactions, as required by the Act. By December 31, 1940, the Administration had sold 1,613 of the 2,311 properties acquired up to that date, resulting in a net charge of \$985,074 to the fund, after payment of all expenses.

The net charge to the fund resulting from the sale of foreclosed properties has been substantially exceeded, it might be pointed out, by the income received by the fund from the prepayment premium of 1 percent charged on the original principal amount of insured mortgages paid in full prior to maturity. Up to December 31, 1940, such prepayment premiums had aggregated \$1,447,760.

The average net loss on the properties sold was \$610.71. During the calendar year 1940, a total of 1,123 small home properties insured under Section 203 were acquired and 997 were sold at an average net loss of \$649.05 and a total net charge to the fund of \$647,098. No profit from sales may ever be credited to the fund. In cases where sale proceeds exceed costs charged against the property, including debentures issued, repairs, sales commission, and payments in connection with certificates of claim issued to lending institutions, the excess is refunded to the original borrowers.

On December 31, 1940, outstanding debentures of the fund (including debentures authorized and claims for debentures in audit) totaled \$7,689,135, after retirements of \$3,173,322. These debentures made up all but a small portion of the fund's total liabilities of \$8,028,633. Against these liabilities, the fund's assets amounted to \$38,852,832. At the close of 1939, the fund had assets of \$30,325,466 and total liabilities of \$4,517,809. More detailed statements of home mortgage insurance under Section 203 and of the condition of the Mutual Mortgage Insurance Fund appear in subsequent sections of this report.

Rental and Group Housing Mortgage Loans, Section 207, Title II

Of the 317 rental- and group-housing mortgages, totaling \$126,952,-675 and providing 33,204 dwelling units, which had become premium paying through December 31, 1940, a total of 278 in original amount of \$107,013,050 remained in premium-paying status as of that date. Of the remaining 39 mortgages, 19 totaling \$6,714,025 in original amount were terminated through full repayment.

As of December 31, 1940, five foreclosed projects had been acquired and one mortgage note had been assigned to the Administrator. Housing Insurance Fund debentures and cash adjustments issued or in audit in connection with these property acquisitions (all of which occurred during 1940) totaled \$9,304,062. Four homes which are part of a nine-home project, included in the five acquired projects, had been sold, resulting in a net charge against the fund of \$1,657.

Since acquisition of the properties, occupancies have increased and improved operating policies have been inaugurated in an effort to produce earnings which eventually should cover all operating costs in connection with the properties as well as the interest cost of the debentures issued to mortgagees.

In dealing with foreclosed rental-housing properties, the Administration's policy is to dispose of the properties as soon as they can be placed in a healthy position in relation to the rental market and to the amount of debentures issued in exchange. Until such time as a favorable sale can be made, the Administrator retains the property and operates it through procedure laid down by the Comptroller General of the United States.

During the Administrator's period of ownership, the carrying charges are reduced by the elimination of returns on equity, the cancellation of mortgage insurance, and the reduction of mortgage interest to the rate carried by Housing Insurance Fund debentures (2½ percent as compared with 4 or 4½).

A more complete statement of operations under Section 207 appears in Part V of this report.

TYPES OF INSTITUTIONS FINANCING FHA-INSURED LOANS

The participation of private lending institutions in the FHA program continued to broaden during 1940. Since all but a small fraction of the loans insured by the FHA are advanced by private institutions,

TABLE 3.—Type of institution financing FHA-insured loans: Property improvement, home mortgage, and rental housing insuring operations, cumulative 1934-1940

Type of lending institution	Title I		Title II				Total
	Property improvement and new construction loans insured		Sec. 203 mortgages accepted on 1- to 4-family homes ¹		Sec. 207 mortgages closed on rental and group housing projects ²		
	Number	Amount	Number	Amount	Number	Amount	Amount
National banks.....	1,083,579	\$472,323,883	202,118	\$842,606,238	35	\$7,648,400	\$1,322,608,521
State banks.....	735,060	332,101,490	168,532	708,420,235	21	8,337,650	1,048,859,374
Mortgage companies.....	(3)	(3)	133,676	589,593,188	16	882,250	590,455,438
Savings and loan associations.....	18,050	11,983,378	83,844	342,421,783	6	567,300	354,972,461
Insurance companies.....	91	146,850	64,877	305,408,103	184	89,081,650	394,636,003
Finance companies.....	981,955	348,382,812	5,949	24,643,550	1	200,000	373,226,362
Savings banks.....	19,364	8,019,187	21,776	102,290,867	15	8,832,000	119,151,444
Industrial banks.....	166,296	64,980,598	3,002	12,630,910	.....	.....	77,620,508
Federal agencies ³	(4)	(4)	312	985,404	12	3,853,600	4,839,004
All others ⁴	4,211	6,020,085	27,991	118,310,748	27	7,569,825	130,901,238
Total.....	3,006,224	1,242,059,262	711,177	3,047,419,016	317	126,952,675	4,417,330,953

¹ Insured mortgages and mortgage insurance commitments outstanding December 31, 1940.

² Includes release-clause projects and all mortgages closed under the expired Section 210.

³ The RFC Mortgage Company, the Federal National Mortgage Association, and the United States Housing Corporation.

⁴ Includes credit unions, investment companies, endowed institutions, private and State benefit funds, etc.

⁵ Since present methods of tabulating do not make available figures separately for mortgage companies and Federal agencies under Title I, these types have been included in "all others."

the total of \$4,076,264,676 in insured loans generated under the FHA program since June, 1934, has represented a major contribution to the sound investment of private capital.

The institutions making FHA-insured loans constitute, in the aggregate, the largest reservoir for liquid capital and private savings in the United States. By the end of 1940, a total of 8,329 institutions were holding as investments small-home mortgages insured under Section 203. Under Title I, 3,045 institutions had reported property-improvement loans for insurance since the enactment of the June 1939 amendments which established a premium charge for this type of insurance. A total of 87 institutions have participated in the rental- and group-housing insured mortgage program.

The cumulative total of FHA-insured loans made by the main categories of institutions operating under the three FHA programs is shown in Table 3. More detailed statements of the annual volume of FHA-insured loans made by these institutions as well as a discussion of the secondary market for FHA-insured loans appear in subsequent sections of this report.

RESIDENTIAL CONSTRUCTION AND FINANCING IN 1940

THE recovery in residential construction, which began in 1935, gained further momentum during 1940 and carried the production of new dwelling units to the highest levels since 1928. In addition to the stimulus imparted by expanding industrial production and national income, the increase in home building was facilitated by ample supplies of private capital available for investment in sound home properties and by continuation of the most favorable uniform home financing rates ever available in the United States. On both these latter two points, the Federal Housing Administration's program was an influence of paramount importance, as it was in the earlier years of the housing recovery.

On the basis of building permits issued by local officials, the Bureau of Labor Statistics estimates that 540,000 dwelling units were built in the nonfarm areas of the United States in 1940. This represented an increase of 16 percent over 1939 and was 10 times larger than the depression low of 54,000 units built in 1933, the year prior to the enactment of the National Housing Act. Construction in 1940 exceeded the 1929 level of 509,000 dwelling units and was equivalent to 77.5 percent of the estimated yearly average number constructed during the decade of the 'Twenties.

The recovery in construction of single-family homes has been of still sharper proportions. In 1940, an estimated total of 420,000 dwellings of this type was constructed, an increase of 20 percent over 1939 and nearly 11 times larger than the depression level of 39,000 in 1933. The 1940 level compared with 316,000 in 1929 and was practically

equal to the average annual construction of single-family homes during the 'Twenties.

Approximately 86 percent of the dwelling units constructed last year were privately financed. The division between privately financed and publicly financed residential construction in 1940 and 1939 is estimated as follows by type of structure:

Type of structure	1939		1940		Percent change	
	Total	Privately financed	Total	Privately financed	Total	Privately financed
1-family.....	351,000	323,000	420,000	380,000	+20.0	+19.5
2-family.....	21,000	18,000	38,000	25,300	+81.0	+40.0
Multi-family.....	93,000	67,000	82,000	55,100	-11.8	-17.8
Total, all types.....	465,000	408,000	540,000	466,100	+16.1	+14.3

The availability of FHA-insured home financing has been one of the strongest influences behind the large gains in new home construction during recent years. The basic contribution of the FHA plan to increased home buying has been through its sharp reduction in the monthly cost of purchasing a home, a reduction which has brought home ownership within the financial means of hundreds of thousands of American families previously restricted to rental dwellings because of the high cost of acquiring a home of their own. The smaller monthly cost of purchasing a home under the FHA plan is the direct result of the low maximum interest rate and the long-term amortization features of the FHA-insured mortgage, as contrasted with the short-term first, second, and third mortgages characteristic of residential financing prior to the advent of the FHA program. The consequent stimulus to home buying has applied not only to homes purchased under the FHA program but also to the entire field of home ownership because of the widespread popularization of this modern method of home financing.

The experience of recent years has shown not only a sharp year-to-year increase in the number of homes purchased under the FHA plan but also a steady year-to-year increase in the proportion of all new homes financed by FHA-insured loans. In 1940, approximately 42 percent of all privately financed new single-family homes were financed by FHA-insured loans. In 1937, the proportion financed under the FHA plan was 24 percent. The increase in this proportion during the intervening period affords tangible demonstration of the broadening importance of the FHA program in the entire field of new home construction in the United States.

It also reflects the stimulus resulting from the February 1938 amendments to the National Housing Act which authorized the insurance of mortgages with a maximum term of 25 years and covering as much as 90 percent of the appraised valuation of new small

homes built under FHA inspection for owner occupancy, provided the principal amount of the mortgage was not in excess of \$5,400. For this class of home, the effect of the amendments was to lower substantially the monthly payments required to pay interest and principal, and to reduce by as much as one-half the down payment required to purchase a new home valued at \$6,000 or less.

In many important industrial centers, well over 50 percent of the new home construction is now financed through the FHA plan. In addition, a further substantial volume of new home construction is a direct outgrowth of the FHA program, although ultimately financed without FHA mortgage insurance.

Since 1937, the annual volume of new homes financed under the FHA program has more than tripled. In 1937, a total of 53,552 new small homes were financed by FHA-insured loans. In 1938, the total increased to 103,490; in 1939 to 134,514, and in 1940 to 171,440.

The expansion in home building under the FHA program gained further momentum during the last 6 months of 1940 and thereby contributed importantly to the added supply of housing facilities needed in the vicinity of vital defense industries where industrial employment is increasing sharply as the result of the national defense program. In a number of important industrial areas, new home construction under FHA inspection showed increases ranging from 27 to 178 percent over the last 6 months of 1939. A more complete discussion of the Administration's cooperation with the defense housing program will be found in Part II of this report.

✓ The maximum interest rate permitted on mortgages eligible for insurance under Section 203 remained throughout 1940 at 4½ percent per annum on the outstanding balance, the lowest rate that has ever been generally available to home purchasers in this country on long-term high-percentage mortgages. In 1940, as in 1939, a number of lending institutions operating under the FHA program established interest rates of only 4¼ percent on FHA-insured mortgages. The premium for FHA mortgage insurance was continued at one-half of 1 percent of the average annual balance of the mortgage so that the maximum charge to the borrower for interest and mortgage insurance was 5 percent.

An uninterrupted flow of private capital into the residential mortgage market through the FHA plan was assured for the coming year by President Roosevelt's approval on November 8, 1940, of an increase of \$1,000,000,000 in the maximum outstanding principal amount of residential mortgages which may be covered by FHA insurance at any one time. The June 1939 amendments to the National Housing Act gave the President authority to increase the maximum insurance authorization to \$4,000,000,000 from \$3,000,000,000. By the autumn of 1940, the previous \$3,000,000,000

authorization was being approached in outstanding premium-paying mortgages, insurance commitments outstanding, and business in process.

One of the long-term objectives of the FHA program and one of the important results of the reduced monthly payments necessary for home purchases under the FHA insured-mortgage plan has been to encourage production of new homes for families in income classifications which were not considered as feasible markets for new homes under the previous systems of home financing. With the cooperation of the building industry, steady progress has been made in this direction since the start of the FHA program.

In 1940, 56.8 percent of the new single-family homes financed by mortgages insured under Section 203 were purchased by families with annual incomes of less than \$2,500, as compared with 52.3 percent in 1939 and 43.7 percent in 1937, and 28.5 percent were purchased by families with incomes of less than \$2,000, as compared with 24.7 percent in 1939 and 19.8 percent in 1937. The median family income of these purchasers was \$2,381 in 1940, as compared with \$2,457 in 1939, \$2,603 in 1938, \$2,716 in 1937, and \$2,814 in 1936. As an important corollary to this trend, the median FHA valuation of new single-family homes on which mortgages were accepted for FHA insurance declined to \$5,059, including land, in 1940 from \$5,245 in 1939, \$5,334 in 1938, \$5,524 in 1937, and \$5,625 in 1936.

The further declines during 1940 in both median income of new-home buyers and median valuation of new homes, it should be emphasized, occurred during a year when most family incomes were increasing in line with the expansion in national income and when the direction of most prices was upward rather than downward. The persistence of this trend under these conditions thus indicates the underlying strength of the movement toward larger production of new homes for modest income families which has been facilitated by the FHA program.

The expansion in new-home construction under the FHA program, both in absolute volume and in the proportion suitable for purchase by families of modest income, has not been accompanied by any deterioration in quality, from the standpoint of either physical or financial soundness. The Administration's standards as to soundness of construction and design and its minimum requirements as to neighborhood location and subdivision planning have continued to safeguard effectively against shoddy building, poor design, or overcrowded, badly planned neighborhoods. The Administration also has continued to devote careful attention to its valuation procedures in order to prevent any artificial inflation in the physical values securing FHA-insured mortgages. Similarly, the Administration's careful consideration of the earning capacity and financial responsibility of borrowers has served the dual function of safeguarding the insured-mort-

gage system from excessive defaults and of protecting home buyers from undertaking loan obligations beyond their means to repay. The most tangible evidence of the successful application of these policies is the continued low foreclosure rate on home properties financed by FHA insured mortgages.

These benefits of the FHA insured-mortgage program are, of course, available to purchasers of existing dwellings as well as to buyers of new homes. The effect of the Administration's home-mortgage operations is thus to contribute to the stability of the entire home-mortgage field in addition to stimulating the construction and purchase of sound new homes.

Part II

ADMINISTRATION AND ORGANIZATION

IN THE sphere of administrative policy, the Federal Housing Administration's activities during 1940 were directed toward the perfecting of established procedure and the adaptation of procedure to new conditions in the residential field. There were no major changes in the basic character of the Administration's operations.

Important developments during the year in the principal administrative phases of the FHA program are discussed in the following pages.

RULES AND REGULATIONS

ADMINISTRATIVE rules and regulations under both Title I and Title II of the National Housing Act have remained substantially the same as described in the Sixth Annual Report.

Changes effected during 1940 were confined to the following:

1. On October 21, regulations under Title I and under Section 203 were amended to conform with the provisions of the Soldiers' and Sailors' Relief Act of 1940. The effect of these amendments, in brief, is to permit lending institutions to exclude a borrower's period of military service from consideration in computing the time within which such institutions are required by the Administrator to file claims on defaulted Title I obligations or to commence foreclosure proceedings or otherwise acquire properties securing defaulted home mortgages insured under Section 203.

2. Effective March 15, FHA regulations governing Title I, class 3, loans (loans of not more than \$2,500 on new small homes) were amended so as to bring their default and insurance provisions into closer conformity to the similar provisions in Section 203 regulations involving owner-occupied small homes.

3. Rules and regulations under Section 207 were revised in order to permit better adaptation of rental housing mortgage insurance to the rehabilitation of existing rental housing located in blighted neighborhoods. These revised rules and regulations were made applicable to all cases submitted after March 1, 1940.

UNDERWRITING AND INSURANCE PROCEDURES

THE Administration's underwriting procedures were further refined during the year and adapted to the increasing volume of operations. The result has been to accelerate the processing of applications for

mortgage insurance while at the same time maintaining the same or higher degree of thorough analysis and effecting economies in operation.

Special attention was devoted to requirements for properties in those areas where important defense industries are most active, with a view to encouraging the maximum participation of private capital in this vital phase of housing commensurate with continued protection of the Mutual Mortgage Insurance Fund. This subject is continuing to receive careful consideration.

The processing of mortgage-insurance applications involving rental housing projects under Section 207 was placed in the hands of the underwriting staffs in the various field insuring and underwriting offices, in conformity with the practice followed on proposed transactions under Section 203.

In view of the small volume of farm mortgages submitted for insurance under the 1938 amendments to the National Housing Act, the staff specializing in this phase of underwriting was reduced. As was pointed out in the Sixth Annual Report, the provisions of the National Housing Act in regard to insurance of farm mortgages appear to duplicate in many respects the existing credit facilities available through other Government agencies, with the result that the Administration's operations in this field have not reached proportions significant to the farm-mortgage structure as a whole.

Farm valuation sections, as such, were eliminated during the year. Qualified staff men were absorbed by the insuring offices and their services made available for both farm and nonfarm assignments. These changes have resulted in economies in organization, while retaining a qualified staff for processing such farm cases as are submitted.

Under Title I, the amendment of regulations governing class 3 loans was supplemented by revision of FHA underwriting procedure so as to assure a thorough analysis of the property securing this type of loan. The small home properties securing class 3 loans are now subjected to the same scrutiny as Section 203 projects, except that borrower qualifications are passed upon solely by the lending institution submitting the application. In accordance with this same change, class 3 properties now receive FHA compliance inspections in the course of construction and upon completion.

In connection with Title I insurance activities as a whole, considerable progress was made during 1940 in reducing the ratio of defaults of individual lending institutions. This has been effected by cooperative joint efforts of the lenders and of the Administration in the light of the extensive experience with this type of loan under the FHA program.

Certain standards of credit performance are now applied to all qualified lending institutions operating under the Title I program and effective procedures have been developed to keep defaults within

limits. Periodic reports and spot checks enable the Administration to undertake corrective steps before defaults reach an unsatisfactory level. Furthermore, many financial institutions, on the basis of their own direct experience with Title I insured notes, have made successful efforts on their own initiative to improve further the credit record of Title I loans.

STATE LEGISLATION

APPROXIMATELY 20 laws affecting the Federal Housing Administration were passed in 1940 in Alabama, California, New York, Rhode Island, Virginia, and the District of Columbia. As in past years, the Administration's Legal Division assisted in an advisory capacity in the preparation of these laws, which fell into four classifications:

1. Mortgage moratoria laws were extended, with exemptions as to FHA-insured loans.
2. Insurance companies were authorized to invest their funds in FHA-insured mortgages without the usual restrictions pertaining to the ratio of the loan to the value of property.
3. The power of banking institutions to make loans on real estate secured by FHA-insured mortgages was broadened, particularly with reference to loans under Title I, and also with respect to the removal of limitations on the ratio of mortgage loan to value of property.
4. Authority was granted for the investment of trust funds and public funds in FHA-insured loans.

HOME CONSTRUCTION STANDARDS

DURING 1940, the Administration continued its activities directed at achieving satisfactory physical standards in residential properties financed by FHA-insured mortgages. The dual objectives of these activities are, first, to protect the Administration's insurance funds from the losses which would result from excessive depreciation in the value of properties securing FHA-insured mortgages, and second, to encourage improvement in housing standards. These objectives are in conformity with the provisions of the National Housing Act which direct the Administration to "encourage improvement in housing standards and conditions" and to insure mortgages only on such projects as are "economically sound".

Progress was made during the year in simplifying and improving the minimum property and construction standards for all types of residential properties eligible for mortgage insurance. Primary emphasis, however, was placed on the problems peculiar to small houses in the lower-price classifications. Recognition of the simplified structural problems of one-story, single-family houses made possible the reduction of many requirements for this type of structure without increasing the mortgage risk or endangering safe and healthful conditions.

The Administration's Technical Division also maintained its program of investigations and research regarding new building materials, new or unusual methods of construction, and new types of mechanical equipment. Many of these activities were carried out in cooperation with other Government agencies, professional societies and interested industrial groups.

Special surveys and research were conducted on foundation problems, paint application methods, stress grading of lumber, light and ventilation standards, the effect of required standards on dwelling construction costs, effective requirements for private systems of safe water supply and sewage disposal, and fire-resistance classification applicable particularly to rental housing properties. Improved standards of design and installation of heating equipment were sought through cooperation with manufacturers, heating industry groups, and other agencies. A testing and rating code for cast-iron boilers and a commercial standard for mechanical-draft oil burners were developed with the cooperation of the Technical Division.

The Technical Division also cooperated with other agencies in a comprehensive chimney performance research program and in the development of a manual for simplified and economical plumbing installations.

Studies having shown the need for revisions of many local building codes to permit more economical construction of small houses without impairing structural safety or public health conditions, the Administration has made recommendations for and assisted building code authorities in the revision of existing codes or the development of new ordinances.

The Administration has also continued its educational activities in the interests of fostering the further development of well-designed and economically constructed houses.

NEIGHBORHOOD PLANNING

ACCOMPANYING the gains in home-construction standards under the FHA program last year, marked progress was apparent in the Administration's efforts to encourage the proper planning and development of residential neighborhoods. These activities are predicated on the proven experience that protected planned neighborhoods afford greater satisfaction to home owners and better security for insured mortgages.

The steadily increasing reliance of the home building industry upon the neighborhood-planning principles fostered by the Administration since the start of the FHA program was reflected during 1940 by the fact that in some cities approximately 70 percent of the new homes financed under the FHA plan were located in new subdivisions planned and developed from the beginning in cooperation with the FHA. Under the Administration's procedure, all

new subdivisions containing properties for which insured loans are sought are carefully analyzed and requirements established for development of the tract along lines which, as far as possible, will assure the creation of a sound community.

The experience in 1940 indicated that the older undeveloped subdivisions have to a large extent been modernized and absorbed as home sites or abandoned, so that an increasing proportion of new homes financed by FHA-insured loans are being located in new subdivisions developed from the start in cooperation with the FHA. During 1940, of the 2,680 subdivisions analyzed by the Administration, 1,876 or 70 percent were new, whereas in 1939 new subdivisions analyzed represented only 40 percent of the total of 2,615.

More than 98 percent of the subdivisions analyzed in 1940 were restricted to single-family detached homes, and more than 36 percent were for homes costing less than \$4,000. The subdivisions analyzed contained 76,230 acres and 248,217 building lots, or an average of 3.26 lots per gross acre, indicating that the trend toward more generous home sites is continuing.

The Administration continued its cooperative activities with city and county officials for the improvement of zoning laws. Emphasis also was placed on securing better-constructed and better-maintained streets in subdivisions, with the result that many communities in which no street maintenance had been secured previously are now maintaining streets and are requiring proper street construction. Altogether 221 conferences with local officials on city planning and zoning matters were held by the Administration's Land Planning Division in 1940, and eight general conferences were arranged for developers, land owners, realtors, lending institutions, architects, engineers, and builders.

GENERAL RESEARCH ACTIVITIES

From the outset of its program, the Federal Housing Administration has endeavored to make sure that its operations will contribute to the sound development of the residential mortgage market and of housing conditions generally. In order to strengthen the Administration's research activities in these directions, an assistant administrator was appointed under whose direction studies have been instituted to analyze present trends in the location of new building and in the depopulation of older and more centrally located residential areas.

One principal inquiry seeks to determine how fully the new home building in the outskirts of cities rests on a sound economic foundation from the point of view of the entire metropolitan community and to what extent, if any, it may be due to uneconomic advantages resulting from such factors as inequalities in taxes or in the allocation of local government expenses.

Another line of inquiry is concerned with the possible redevelop-

ment on an economic basis of substandard blighted areas within cities. Such areas, especially old neighborhoods located near central business districts, are being rapidly vacated and as yet there has been little new construction to take the place of buildings torn down or boarded up. The result is that property owners are incurring losses and the tax base of the local governments is dwindling, thereby adding to the tax burden on other private property.

As an indication of the possible utility of these sites for residential purposes, many of them are situated close to the focal point of principal urban transportation lines and are within easy walking distance of central business districts and other employment centers. A number of responsible business and civic groups have sought the aid of the Administration in finding an answer to this problem which is becoming more pressing each year.

In addition, the number of projects undertaken in the Research and Statistics Division has been expanded and new studies begun to meet the increasing demand for housing data, especially in connection with the housing problems arising out of the national-defense program.

The division has also undertaken for publication shortly in monograph form the compilation and analysis of selected quantitative and qualitative data on housing financed under the FHA plan in each of the 140 metropolitan districts in the United States and for each of the States and Territorial possessions as units. A study on the secondary market in FHA-insured mortgages, presenting the legal and regulatory aspects of the market and the volume of this market is also in process.

In addition, a detailed statistical study of the mortgage-risk characteristics of the foreclosed home properties transferred to the Administration (or retained by the mortgagee) through June 30, 1940, is now under way. Such risk characteristics as value of property, borrower's income, and ratio of loan to property value are being examined to determine their effect on foreclosures. There are also in preparation over-all foreclosure mortality tables based on FHA experience.

DEFENSE HOUSING

THE Federal Housing Administration's program has played a basic role in meeting the demand for additional housing facilities that has arisen from the sharp expansion in employment in defense industries stimulated by the enlarged national-defense program.

From the outset of the intensified national-defense effort in the early summer of 1940, most of the need for new housing in the vicinity of defense industries has been met by private commercial builders operating on private capital. These operations have been facilitated by the circumstance that much of the new demand is occurring in established industrial areas and calls for new construction of a type adapted to the permanent needs of the respective communities.

The prompt expansion in private building operations to meet the major requirements of this emergency situation was made possible in large degree by the accomplishments of the FHA program during the past six years. Because of the small monthly payments required under the FHA home-ownership plan, a large proportion of the new homes financed by FHA-insured mortgages are within the financial reach of many defense-industry workers.

The Administration's program also has encouraged large-volume operations by the building industry in the construction of good quality small houses at low cost and has raised the standards of neighborhood planning for homes of this type. The insured mortgage system has made ample supplies of private funds available for the financing of such construction on the most favorable uniform terms in history and, through the development of a secondary market for insured mortgages, has eliminated local credit stringencies as a factor in mortgage financing.

Furthermore, property-improvement loan insurance has made available a large volume of private funds for the repair or modernization of existing dwellings, another factor influencing the supply of adequate housing for defense workers.

The sharp expansion in private building under the FHA program since the start of the defense emergency is shown by the fact that 88,811 new homes being financed by mortgages insured under Section 203 were started under FHA inspection during the last 6 months of 1940, an increase of 29.5 percent over the like period of 1939. A majority of these new homes are located in areas where important defense industries are active. In addition, construction was started on several thousand new homes being financed under Title I.

During the same period, more than 310,000 single-family houses and 53,000 dwellings accommodating two or more families each were modernized or repaired with loans insured under Title I. This represented a substantial increase over the corresponding months of 1939.

This expansion in private building in strategic industrial areas has been encouraged by the general policy of concentrating direct governmental construction of housing under the defense program in localities presenting excessive risks or other conditions under which private operations could not reasonably meet the entire need. The Government-built projects have consisted entirely of rental units.

The Administration also has worked closely on defense housing matters with other interested Government agencies, in cooperation with the Coordinator of Defense Housing. In connection with these activities, the Administration has furnished the Coordinator with a large volume of factual reports on the present and prospective needs for housing in local areas and on the volume of building projected by private enterprise. Such day-to-day service has been possible primarily because of the close contact of the FHA field organization with the

residential real-estate market in communities throughout the country. Also, the Administration has had the benefit of its systematic collection of pertinent local statistics and of its experience in interpreting them to appraise local situations.

In many cases local requests for publicly financed defense housing projects have been withdrawn or substantially modified in regard to size, rental range, and accommodations to be provided, as a result of information made available on programs undertaken by private builders, with financing arranged under the FHA program.

Another phase of the defense housing program directly affecting the Administration was the establishment within the Federal Loan Agency of the Defense Homes Corporation, with capital of \$10,000,000 in federal funds to provide equity financing for new housing in defense industry areas when private capital is not available. Mortgages on such projects will be insured by the Administration under Sections 203 and 207 of the National Housing Act.

ORGANIZATION AND PERSONNEL

IN ADDITION to its headquarters in Washington, the Federal Housing Administration on December 31, 1940, maintained offices in 103 cities, located in each State and in the 3 Territories. On December 31, 1939, offices were maintained in 102 cities, in addition to Washington.

The number of regular employes of the Administration during 1940 was 4,514, compared with 4,494 in 1939, an increase of 20. Of these, 1,565 were on the staff of the Washington office, compared with 1,536 in 1939, and 2,949 were employed in the field offices, compared with 2,958 in 1939.

A system for reporting of employe performance, designed primarily to bring about more effective operations and better employe morale, was installed during the year. Programs for in-service employe training also were pursued and close contact was maintained with the Civil Service Commission. Classification of positions, based upon duties and responsibilities, was kept on a current basis in accordance with the standards prescribed by the Civil Service Commission and salaries were applied on the basis of classifications. As in prior years, thorough investigation was made of proposed appointees and examinations were required for original appointments and promotions to many positions requiring technical qualifications.

Part III

PROPERTY IMPROVEMENT INSURANCE UNDER TITLE I

THE FHA program providing credit insurance for qualified lending institutions financing property improvement and modernization loans under Title I was developed in accordance with the provisions of the original Act of 1934 and the subsequent amendments of May 1935, April 1936, February 1938, and June 1939. Each of these enactments by Congress has had as its major objectives the improvement of housing standards and conditions and the stimulation of production and employment in the building and allied trades.

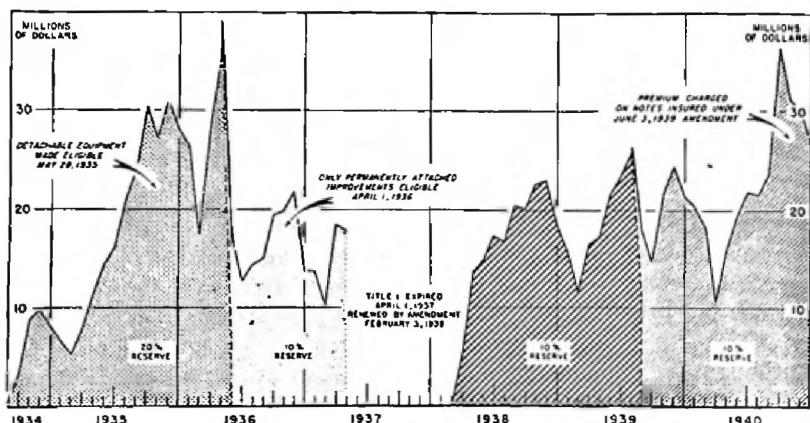
During 1940, the improvement loans eligible for insurance under the provisions of the June 1939 amendment included three general types: *class 1 loans*, the proceeds of which financed alterations and improvements to residential and miscellaneous existing completed properties, or loans for the restoration of properties damaged by flood or other catastrophe and formerly insurable under the expired section six; *class 2 loans*, the proceeds of which financed new non-residential structures; and *class 3 loans*, the proceeds of which financed new small home properties used wholly or in part for residential purposes. Authorization for the insurance of property improvement loans under Title I as amended June 3, 1939, expires July 1, 1941.

All applications for class 1 and class 2 loans are filed with a qualified financial institution by the owner in fee simple or by the holder of a lease upon the property to be improved, provided that the lease expires not less than six months after the termination of the proposed note.

The lending institution may approve or reject the applicant as a reasonable credit risk. After determination that the applicant is in a position to meet satisfactorily the monthly payments and assurance that the proposed use of the proceeds of the loan is for an eligible purpose, the lending institution may advance the funds to the borrower. The FHA places the responsibility for conformity to the Title I regulations, established by the Administrator, entirely on the lending institution.

A borrower desiring a loan for a class 3, new small home also files his application directly with the lending institution. However, after the approval of the borrower's credit rating, the application is submitted to the local field insuring office of the FHA for an analysis of the plans, specifications, and location of the property. If the loan is approved, the FHA, in accordance with the Administrator's regula-

CHART 2—VOLUME OF PROPERTY IMPROVEMENT LOANS INSURED, BY MONTHS, 1934-1940



tions, makes three inspections of the house during the course of construction to determine compliance with the approved drawings and specifications before the final acceptance of the loan is granted. Thus, ample provisions are made to protect the interests of the borrower, the lending institution, and the FHA.

Property improvement loans insured by FHA under Title I from the beginning of operations in 1934 through 1940 have financed the improvement and repair of more than 3,000,000 properties. A substantial number of these loans would not have been available to borrowers without the guarantee to qualified lending institutions against losses provided by the contract of insurance under Title I.

The maximum Title I loan insurable under the provisions of the June 1939 amendment is \$2,500. Borrowers are permitted three years in which to repay class 1 loans and class 2 nonagricultural loans, covering improvements to existing structures and new nonresidential construction. Class 2 agricultural loans, covering new nonresidential construction, may have a term not in excess of 15 years when secured by a first mortgage or other first lien. The insurance premium payable by the lending institution amounts to three-fourths of 1 percent per annum on the original net proceeds of the loan. It is noteworthy that the cost of Title I loans to the borrowers is not increased by the insurance fee beyond the maximum discount established by the Administrator. Regulations concerning class 3, new small home loans are discussed on page 42 in the section entitled "New Small Home Construction Financed Under Title I."

VOLUME AND DISTRIBUTION OF TITLE I OPERATIONS

THE FHA had insured 3,009,224 property-improvement and modernization loans under Title I for an amount of \$1,242,959,262 from the beginning of operations in June 1934 through December

1940. The 662,948 loans for \$276,541,365 reported for insurance during 1940, the largest volume recorded for any one year, represent an increase of 19 percent over the amount insured during 1939 despite the fact that lending institutions were required to pay an insurance premium on all Title I loans insured during 1940, whereas during the preceding year only those loans reported for insurance under the provisions of the June 1939 amendment, carried this fee.

From the initial authorization for the insurance of new small home loans under Title I by the February 1938 amendment (retained under the June 3, 1939 amendment) to December 31, 1940, a total of 25,735 for \$63,507,387 was reported for insurance. Of this volume 9,107 new small home loans for an amount of \$25,593,238 were insured during the calendar year 1940. This volume represented a slight decline compared to the number but an increase compared to the amount of loans insured during 1939.

Chart 2 shows the monthly trend in Title I insurance written under each reserve from 1934 through 1940. Included in Table 4 are the yearly totals from 1934 through 1938, and the monthly volume

TABLE 4.—Trend of property improvement loans insured: Volume of class 1 and 2 loans and of class 3 new small home loans, 1934-1940

Year and month	Property improvement loans insured, class 1 and 2		New small home construction loans insured, class 3		Total	
	Number	Amount	Number	Amount	Number	Amount
1934	72,658	\$30,450,583			72,658	\$30,450,583
1935	635,747	223,620,146			635,747	223,620,146
1936	617,697	246,149,913			617,697	246,149,913
1937	124,758	60,382,508			124,758	60,382,508
1938	370,480	160,180,943	5,845	\$12,566,365	382,325	172,747,308
1939:						
January	32,714	13,946,579	798	1,790,000	33,512	15,737,179
February	21,853	9,852,864	756	1,700,393	22,609	11,613,457
March	32,320	14,382,692	910	2,063,870	33,230	16,476,562
April	35,035	14,911,848	1,013	2,420,589	36,048	17,332,437
May	44,452	18,843,889	1,229	2,768,999	45,681	21,612,888
June	48,276	20,838,750	1,291	2,597,776	49,567	23,436,535
July	51,877	23,644,274	1,375	2,893,400	53,252	26,437,674
August	33,695	10,947,819	772	1,802,102	34,467	17,849,921
September	35,242	13,511,543	567	1,378,537	35,809	14,890,080
October	54,277	20,289,460	580	1,530,074	54,867	21,819,504
November	63,601	23,691,538	537	1,429,368	64,138	24,520,936
December	48,066	18,458,270	945	2,881,846	49,011	21,340,116
Total	502,308	207,719,565	10,783	25,347,784	513,091	233,067,349
1940:						
January	44,025	17,731,406	873	2,750,793	44,898	20,401,229
February	42,272	15,723,318	798	2,523,357	43,070	18,251,675
March	24,670	9,641,723	346	1,089,577	25,016	10,731,300
April	32,835	14,145,067	551	1,758,887	33,386	15,903,954
May	44,173	17,605,530	580	1,802,118	44,753	19,467,648
June	51,137	20,314,071	786	1,594,613	51,923	21,908,684
July	48,102	10,147,658	787	2,391,291	48,889	21,538,949
August	54,922	21,406,241	790	2,228,256	55,712	23,724,497
September	87,590	33,795,915	955	2,690,033	88,545	36,485,948
October	77,348	26,029,730	787	2,173,598	78,135	31,203,328
November	75,498	27,955,523	854	2,403,176	76,362	30,358,699
December	71,269	24,361,885	1,000	2,113,569	72,269	26,475,454
Total	653,841	250,948,127	9,107	25,593,238	662,948	276,541,365
Cumulative	2,083,480	1,170,451,875	25,735	63,507,387	3,009,224	1,242,959,262

for 1939 and 1940, for class 1 and class 2 improvement loans, with class 3 new small home loans shown separately.

State Distribution of Loans Insured

Loans were insured under Title I during 1940 to improve properties located in each of the 48 States, the District of Columbia, Alaska, and Hawaii. Moreover, the loans insured during the year involved properties located in all but 46 of the 3,100 counties in the United States.

The volume of loans financing improvements to properties exceeded \$10,000,000 in each of eight states, and in six of these—New York

TABLE 5.—State distribution of property improvement loans: Volume of class 1 and class 2 loans and of class 3 new small-home loans insured by FHA, 1940

Location of property	Property improvement loans insured, class 1 and 2		New small-home construction loans insured, class 3		Total ¹		Percentage distribution of total amount of loans insured
	Number	Amount	Number	Amount	Number	Amount	
Alabama	8,577	\$2,873,040	9	\$15,148	8,586	\$2,888,188	1.0
Arizona	3,134	1,483,317	28	63,630	3,162	1,546,947	1.0
Arkansas	5,180	1,732,307	31	50,481	5,211	1,782,788	1.0
California	49,528	18,386,077	3,388	10,423,134	52,916	28,809,211	10.0
Colorado	4,410	1,559,419	162	408,625	4,572	1,968,044	1.0
Connecticut	10,014	4,112,947	22	51,024	10,036	4,169,971	1.0
Delaware	1,249	606,324	5	12,500	1,254	620,824	1.0
District of Columbia	3,182	1,384,876			3,182	1,384,876	1.0
Florida	16,708	6,875,013	122	314,967	16,830	7,190,880	2.0
Georgia	11,800	3,860,052	25	62,179	11,825	3,922,231	1.0
Idaho	4,538	1,797,836	12	24,877	4,550	1,822,713	1.0
Illinois	49,058	17,435,992	447	1,326,251	49,505	18,762,243	6.0
Indiana	22,609	7,213,014	122	384,761	22,731	7,597,775	2.0
Iowa	9,311	3,115,001	24	69,899	9,335	3,184,800	1.0
Kansas	6,560	1,953,457	81	200,172	6,641	2,153,629	1.0
Kentucky	7,617	2,504,687	62	106,078	7,679	2,610,765	1.0
Louisiana	5,984	1,901,892	105	163,977	6,089	2,065,869	1.0
Maine	2,379	922,356	2	3,040	2,381	925,396	1.0
Maryland	10,939	4,241,167	422	1,058,946	11,361	5,300,113	1.0
Massachusetts	20,405	8,140,430	93	227,719	20,558	8,368,149	3.0
Michigan	47,607	10,629,731	403	1,125,820	48,010	11,755,551	6.0
Minnesota	15,580	5,445,846	61	172,706	15,641	5,618,552	2.0
Mississippi	6,029	2,333,056	35	87,291	6,064	2,420,347	1.0
Missouri	19,614	5,750,461	88	200,114	19,702	5,950,575	2.0
Montana	3,066	1,438,937	9	22,666	3,075	1,460,703	1.0
Nebraska	4,817	1,631,619	1	4,260	4,818	1,635,879	1.0
Nevada	1,039	540,478	20	60,917	1,059	601,395	1.0
New Hampshire	1,844	727,565	2	6,306	1,846	733,871	1.0
New Jersey	29,002	13,763,838	456	1,236,446	29,458	15,000,284	5.0
New Mexico	1,579	600,318	8	20,000	1,587	620,318	1.0
New York	70,452	37,553,021	778	2,008,279	71,230	39,561,300	14.0
North Carolina	7,454	2,455,405	46	102,477	7,500	2,557,882	1.0
North Dakota	1,458	582,323	3	7,500	1,461	589,823	1.0
Ohio	33,377	11,359,472	178	627,679	33,555	11,987,151	4.0
Oklahoma	8,891	2,932,076	63	141,339	8,954	3,073,415	1.0
Oregon	7,057	2,873,664	103	243,570	7,160	3,117,234	1.0
Pennsylvania	41,050	17,292,656	238	705,407	42,288	17,998,063	6.0
Rhode Island	3,980	1,749,040	2	2,576	3,982	1,751,616	1.0
South Carolina	3,995	1,385,353	26	58,900	4,021	1,444,253	1.0
South Dakota	1,471	566,881	1	3,321	1,472	570,202	1.0
Tennessee	13,339	4,302,054	12	33,389	13,351	4,335,443	1.0
Texas	28,583	9,023,774	410	980,620	29,103	10,004,394	3.0
Utah	5,422	1,730,403	24	58,250	5,446	1,788,653	1.0
Vermont	1,114	470,216	7	7,600	1,121	477,816	1.0
Virginia	7,466	3,307,845	515	1,371,327	7,981	4,679,172	1.0
Washington	15,258	5,072,832	306	860,111	15,564	5,932,943	2.0
West Virginia	3,843	1,673,536	3	5,304	3,846	1,678,840	1.0
Wisconsin	13,400	4,789,528	122	431,866	13,522	5,220,422	1.0
Wyoming	935	430,035	25	64,874	960	494,909	1.0
Alaska	20	27,924	1	2,925	21	30,849	(?)
Hawaii	72	32,407			72	32,407	(?)
Total	653,646	251,047,756	9,107	25,593,238	662,753	276,640,994	100.0

¹ Excludes adjustments under the original Act, amendment of April 1936, and Section 9 catastrophe loans for +165 loans representing —\$93,629.

² Less than 0.05 percent.

California, Illinois, Pennsylvania, Michigan, and New Jersey—more than \$15,000,000 of loans were reported for insurance under Title I during the year.

New York continued to account for the largest volume of property improvement loans insured, reporting nearly \$40,000,000 or 14.3 percent, of the national total for 1940, a slight decrease from 15.0 percent recorded in 1939 and 17.9 percent in 1938. California ranked second, reporting 10.4 percent for 1940, followed by Illinois with 6.8 percent, Pennsylvania 6.5 percent, and Michigan 6.4 percent.

New small homes financed under Title I have been constructed with FHA insured funds in each of the 48 States and in Alaska. The 9,107 homes securing mortgages totaling \$25,593,238 accounted for 9.3 percent of the total amount of property improvement loans insured during 1940. This compares with 10.9 percent in 1939 and 7.3 percent in 1938.

Seven States each reported for insurance more than \$1,000,000 of class 3 loans during 1940. The combined total for these States of approximately \$18,500,000 represented nearly three-fourths of the new small homes financed under Title I during the year. California alone accounted for \$10,423,134, or 40.7 percent, of the national volume of class 3 loans. Furthermore, one of every three dollars insured under Title I during the year for the improvement of California properties financed new small home construction.

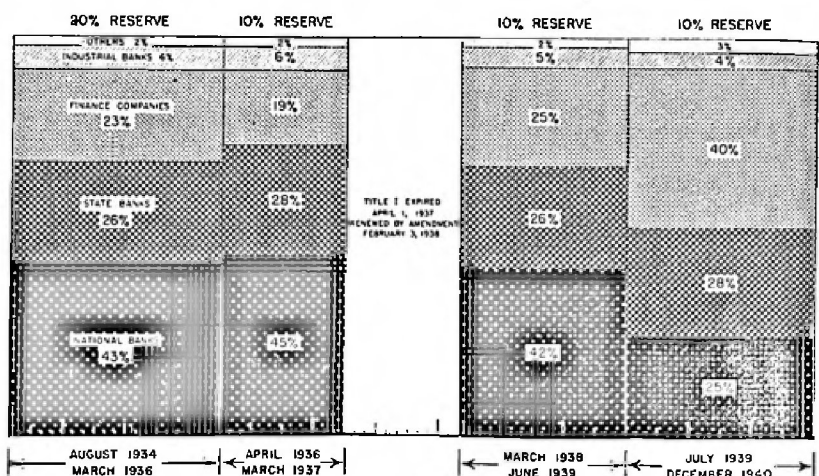
A distribution of the property improvement loans insured during 1940 by State of property location appears in Table 5.

Financial Institution Activity

The number of institutions which are financing property-improvement loans under the current provisions of Title I had reached 3,045 by December 31, 1940, an increase during the year of 557 from the 2,488 participating in the last half of 1939 under the new reserve established by the amendments of June 3 that year. These additional institutions, principally national and state banks, provided new sources of funds for many borrowers whose areas were not formerly serviced. While these represent fewer institutions than were active under the previous amendments, as indicated in Table 6, it is interesting to note that a number of large institutions have increased their branch-office business and that finance companies which handle their business through local dealers, accounted for a much larger proportion of the total notes insured than in previous years.

National banks and state banks and trust companies financed 52.6 percent of the loans insured under the June 1939 amendment, reporting, respectively, 25.1 percent and 27.5 percent of the total. Whereas the volume of loans attributable to national banks has declined from the 42.1 percent maintained under the February 1938 amendment, State banks have shown a relative increase under the present amend-

CHART 3—DISTRIBUTION OF INSURED PROPERTY IMPROVEMENT LOANS BY TYPE OF LENDING INSTITUTION, BY YEARS, 1934-1940



ment. The 42 finance companies now operating under the Title I program (eight less than were active under the February 1938 amendment) have increased their proportionate share of the total volume of loans insured under the June 1939 amendment to 40.4 percent as compared with 24.4 percent under the previous amendment.

Chart 3 shows a percentage distribution of the amount of insured property-improvement loans by type of lending institution reporting the loans, by type of reserve, and by date of amendment from the original Act of 1934 through 1940. Lending activity, by type of institution, is presented in Table 6.

TABLE 6.—Activity of lending institutions: Number of active institutions, volume of loans insured during 1940, and percentage of amount of all loans insured by FHA under the original and amended Act, cumulative 1934-1940

Type of institution	Number of active institutions				Volume of loans insured during 1940 ¹		Percentage distribution of amount insured			
	Original 20 percent reserve of June 1934	10 percent reserve under amendment of—					Original 20 percent reserve of June 1934	10 percent reserve under amendment of—		
		April 1936	February 1938	June 1939	Number	Amount		April 1936	February 1938	June 1939
National banks.....	2,748	1,929	1,718	1,418	157,096	\$69,758,602	43.5	45.2	42.1	25.1
State banks.....	2,940	1,861	1,568	1,296	151,658	73,880,078	25.6	27.8	20.4	27.5
Finance companies.....	146	87	50	42	313,133	111,944,905	23.3	19.5	24.4	40.4
Industrial banks.....	74	62	00	46	27,922	11,934,257	5.8	5.9	5.4	4.2
Savings and loan associations.....	288	145	153	129	3,811	3,780,185	.9	.6	1.0	1.2
Savings banks.....	60	41	53	50	3,399	1,381,933	.7	.8	.6	.5
All others ²	33	29	27	63	1,834	3,950,434	.1	.2	.1	1.1
Total.....	6,289	4,154	3,629	3,045	662,753	276,640,904	100.0	100.0	100.0	100.0

¹ Includes adjustments during 1940 of 4,255 loans for \$345,170 insured under the February 1938 amendment.

² Includes insurance companies, mortgage companies, production credit associations, Federal agencies and credit unions.

INSURANCE CLAIMS PAID ON DEFAULTED NOTES

QUALIFIED lending institutions originally were insured against losses incurred on loans made up to an aggregate of 20 percent of the total net amount of insured notes held by them, as authorized under the original Act of 1934. At the request of the Administrator, the amendment of April 1936 reduced the amount of \$200,000,000 made available for the payment of claims for insurance under the original Act to \$100,000,000 and the amount for which insurance might be claimed from 20 percent to 10 percent of the aggregate amount of loans financed under the amendment by each lending institution. The amount of insurance was continued at 10 percent of the aggregate amount of loans made under the provisions of the amendments of February 1938 and of June 1939. The total amount of claims for insurance for which the Administrator may be liable under Title I was also limited to \$100,000,000, plus the amount of insurance premiums paid by lending institutions.

Volume of Insurance Claims Paid

The Administrator had paid 122,098 claims for insurance by December 31, 1940, acquiring defaulted notes with an outstanding balance of \$30,511,450 upon the settlement of these claims. At that date recoveries on these defaulted notes totaled \$10,776,128 of which \$6,493,617 were actual cash collections from the original makers and \$4,282,511 credits on repossessed properties transferred to the Procurement Division of the Treasury Department and other Government agencies. The \$30,511,450 of insurance claims paid minus the recoveries of \$10,776,128 left an unrecovered balance of \$19,735,322 in claims paid through December 1940.

Insurance claims paid under Title I represent reimbursements to

CHART 4—INSURANCE RESERVES ESTABLISHED AND CLAIMS PAID, 1934-1940

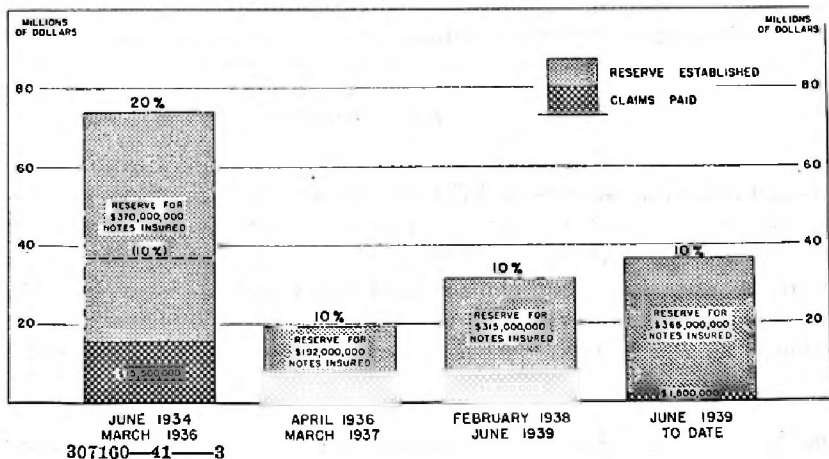


TABLE 7.—Yearly volume of insurance claims paid: Amount of claims paid under the original and amended Act, and total volume of property improvement loans insured by FHA, 1934-1940

Year	Amount of insurance claims paid				Total insurance claims paid		Total property improvement loans insured	
	Original 20 percent reserve of June 1934	10 percent reserve under amendment of—			Number	Amount	Number	Amount
		April 1936	February 1938	June 1939				
1934	-----	-----	-----	-----	-----	-----	72,658	\$30,450,8
1935	\$447,448	-----	-----	-----	1,288	\$447,448	635,747	223,620,1
1936	5,835,876	\$49,009	-----	-----	25,315	5,884,885	617,607	246,149,9
1937	5,226,086	1,664,811	-----	-----	28,824	6,890,897	124,758	60,382,5
1938	2,995,022	2,919,848	\$101,436	-----	29,433	6,016,306	382,325	172,747,3
1939	755,840	1,355,024	2,613,676	\$3,806	18,566	4,728,346	513,091	233,067,3
1940	250,443	480,314	4,048,218	1,764,593	18,672	6,643,568	662,948	276,641,3
Total	15,510,715	6,469,006	6,763,330	1,768,399	122,098	30,511,450	3,000,224	1,242,959,2

qualified lending institutions for losses totaling \$15,510,715 incurred under the 20-percent reserve established by the original act of 1934 while payments of \$6,469,006, \$6,763,330, and \$1,768,399 were made to settle claims on notes insured under the three 10-percent reserves established by the amendments of April 1936, February 1938, and the present amendment of June 1939.

The 29,433 insurance claims paid during 1938 represent the largest number settled in any one year since the beginning of FHA operation in 1934. The amount of insurance claims paid during 1937, however, exceeds all other yearly payments.

Chart 4 illustrates the volume of reserves established under the original and amended Act for property improvement loans insured and the insurance claims paid on defaulted notes. Of the total amount of reserves established, some \$57,000,000 had been released as notes matured or were otherwise paid up in full. Thus the balance between the \$100,000,000 plus insurance premiums and the amount paid out in claims serves as a rotating fund which makes possible the insurance of an additional volume of notes. Insurance claims paid under each reserve and notes insured by years are shown in Table 7.

Claims by Property Location

The proportion of property improvement and modernization loans insured since 1934 on which FHA had been called upon to pay in insurance claims equaled 2.45 percent of the cumulative total reported through December 1940. In 19 States the ratio of claims paid to notes insured was greater than the national average of 2.45 percent. In only one State, however, did the ratio exceed 3.50 percent. The highest claim ratio was reported for Arkansas, where insurance claims were paid on 4.97 percent of the amount of loans insured. Claim ratios were reported ranging from 2 percent to 3 percent in 25 States and in 17 States, the District of Columbia, Alaska, and in Hawaii.

TABLE 8.—State distribution of claims paid: Defaulted notes insured under Title I of original and amended Act, and ratio of amount of claims paid to notes insured by FHA, cumulative 1934-1940

Location of property	Volume of insurance claims paid		Claims paid as percent of amount of notes insured	Location of property	Volume of insurance claims paid		Claims paid as percent of amount of notes insured
	Number	Amount			Number	Amount	
Alabama	1,213	\$261,279	2.37	New Hampshire	427	\$115,151	2.82
Arizona	730	216,375	2.51	New Jersey	11,483	2,700,202	3.50
Arkansas	1,865	388,579	4.07	New Mexico	183	56,719	1.89
California	13,905	4,153,872	2.52	New York	20,412	6,472,481	2.90
Colorado	528	113,958	1.50	North Carolina	1,186	233,216	2.37
Connecticut	1,464	416,252	1.99	North Dakota	141	31,524	1.34
Delaware	196	74,947	2.42	Ohio	3,625	834,735	1.76
District of Col.	432	127,260	1.57	Oklahoma	1,725	331,603	2.75
Florida	2,767	754,793	3.20	Oregon	1,551	367,880	2.37
Georgia	1,804	404,993	2.61	Pennsylvania	7,265	1,696,578	2.39
Idaho	602	134,282	2.87	Rhode Island	760	219,015	2.33
Illinois	4,641	1,062,656	1.55	South Carolina	958	194,491	3.40
Indiana	3,307	597,561	2.08	South Dakota	120	31,839	1.49
Iowa	861	230,046	1.73	Tennessee	1,424	315,033	2.01
Kansas	523	178,665	2.37	Texas	4,626	966,160	2.46
Kentucky	1,247	301,727	2.61	Utah	478	96,269	1.48
Louisiana	1,546	248,190	2.54	Vermont	217	67,886	3.24
Maine	201	38,573	2.27	Virginia	1,122	368,894	1.74
Maryland	1,426	373,889	1.84	Washington	3,840	841,303	2.58
Massachusetts	3,047	1,081,336	2.62	West Virginia	442	109,371	1.69
Michigan	8,272	1,460,100	2.23	Wisconsin	1,077	392,331	1.57
Minnesota	886	242,107	1.04	Wyoming	104	37,100	1.76
Mississippi	1,121	250,641	2.91	Alaska	13	3,793	1.11
Missouri	3,974	815,238	3.07	Hawaii	5	2,507	.53
Montana	145	37,325	.80				
Nebraska	565	121,152	2.01				
Nevada	107	38,572	1.50	Total	122,098	39,511,450	2.45

claims were paid on less than 2 percent of the property improvement and modernization loans insured by December 31, 1940.

A distribution of the volume of insurance claims paid by State of property location appears in Table 8. Also shown is the ratio of claims paid to notes insured.

Claims Paid to Various Types of Institutions

As of the year end 1940, all but a small amount of notes insured under the original reserve and those insured under the April 1936 amendment had been repaid by the borrower. At that date insurance claims had been paid by FHA to only 2,224 of the 6,289, or approximately one-third of the institutions financing insured loans under the original 20-percent reserve, and to 1,314 of the 4,154 institutions active under the April 1936 amendment. As of the same date insurance claims had been paid to 1,078 of the 3,629 institutions active under the February 1938 amendment, and to 465 of the 3,045 institutions active under the June 1939 amendment. The average note financed by all institutions under all reserves amounted to \$413, and claims for insurance paid at that date on all defaulted notes averaged \$250 each.

The distribution of the number of institutions to which claims for insurance were paid, the total volume of claims paid, and the average note insured and claim paid for each type of lending institution are shown in Table 9.

TABLE 9.—*Type of institution receiving insurance claim payments: Number of institutions to which claims for insurance were paid, the average claim paid, and average note insured by FIA, cumulative 1934-1940*

Type of institution	Number of institutions receiving insurance claim payments				Volume of insurance claims paid on defaulted notes		Percentage distribution		Average	
	Original 20-percent reserve of June 1934	10-percent reserve under amendment of—			Number	Amount	Claim paid	Notes insured	Claim paid	Note insured
		April 1936	February 1938	June 1939						
National banks.....	1,080	637	526	229	40,436	\$40,730,569	35.17	38.00	\$265	\$436
State banks.....	566	513	433	181	23,114	9,086,897	19.65	20.72	263	452
Finance companies.....	128	75	40	21	45,545	11,074,257	36.29	28.03	243	355
Industrial banks.....	66	45	42	24	12,100	2,359,987	7.73	5.23	194	391
Savings and loan associations.....	51	22	15	7	277	105,804	.35	.96	382	642
Savings banks.....	24	16	16	3	436	123,981	.41	.64	281	414
All others ¹	9	6	6	-----	100	29,955	.10	.42	300	1,201
Total.....	2,224	1,314	1,078	465	122,098	30,511,450	100.00	100.00	250	413

¹ Includes insurance companies, mortgage companies, production credit associations, Federal agencies, and credit unions.

National banks, which have financed 38.0 percent of the total notes insured since the beginning of operations, have received insurance claim payments from FHA on 2.27 percent of the total amount they have reported for insurance, as shown in Chart 5 and Table 10. Finance companies, which have reported 28.0 of the notes insured by all institutions, have a claim ratio of 3.18 percent; and industrial banks, accounting for only 5.2 percent of the total notes insured, have a claim ratio of 3.63 percent.

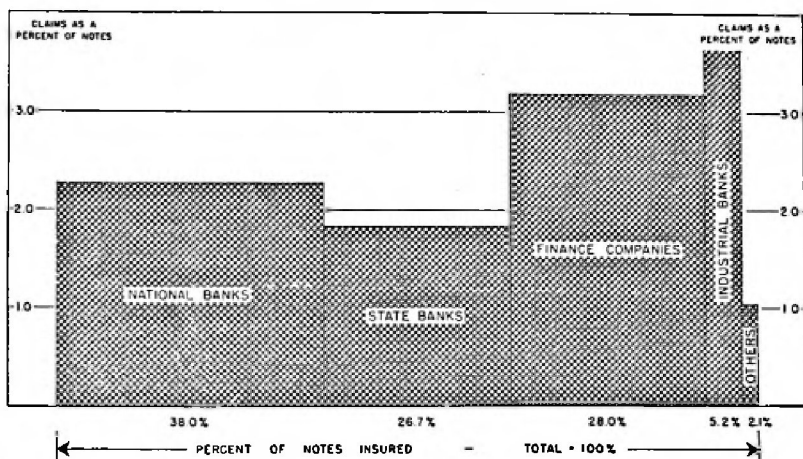
Table 10 indicates that finance companies and national banks were paid the highest proportion of insurance claims under the provisions

TABLE 10.—*Insurance claims by type of lending institution: Percentage of amount of claims paid and ratio of claims paid to notes insured by FIA, 1934-1940*

Type of institution	Percentage distribution of amount of insurance claims paid				Amount of claims paid as a percentage of notes insured through December 1940				
	Original 20-per cent reserve of June 1934	10-percent reserve under amendment of—			Original 20-per cent reserve of June 1934	10-percent reserve under amendment of—			All reserves
		April 1936	Feb-ruary 1938	June 1939		April 1936	Feb-ruary 1938	June 1939	
National banks.....	33.82	39.46	38.28	19.39	3.26	2.94	1.95	0.37	2.27
State banks.....	19.18	20.93	19.37	25.31	3.13	2.53	1.58	.45	1.83
Finance companies.....	36.87	31.51	36.09	49.53	6.62	5.44	3.18	.50	3.18
Industrial banks.....	9.44	6.92	5.55	4.91	0.86	3.98	2.15	.56	3.63
Savings and loan asso- ciations.....	.26	.33	.48	.06	1.26	1.80	1.01	.27	.88
Savings banks.....	.37	.59	.37	.20	2.12	2.55	1.23	.20	1.55
All others ¹.....	.06	.26	.06	-----	2.23	5.29	.06	-----	.58
Total.....	100.00	100.00	100.00	100.00	4.19	3.37	2.15	.48	2.45

¹ Includes insurance companies, mortgage companies, production credit associations, Federal agencies, and credit unions.

CHART 5—CLAIMS PAID AS A PERCENT OF NOTES INSURED, BY TYPE OF INSTITUTION, 1934-1940



of the original Act and each of the amendments, with the exception of the June 1939 amendment. Under the 10-percent reserve established by this amendment 21 finance companies were paid 49.53 percent of the total claims paid while 181 State banks received 25.31 percent.

A percentage distribution of the amount of insurance claims paid to each type of lending institution and the ratio of claims paid to notes insured by type of reserve are shown in Table 10.

CHARACTERISTICS OF NOTES INSURED

A SUMMARIZATION of the tables and charts presented in the following pages reveals that the typical borrower in 1940 was granted an FHA loan averaging \$420. As in the past, he arranged to terminate his loan within three years by a monthly payment of approximately \$13. With the loan proceeds he financed improvements to his home, including either a new plumbing and heating system, or exterior and interior finishing, roofing repairs and reroofing, or structural additions and alterations.

The several types of property and types of improvement financed with the proceeds of the more than 650,000 loans insured under Title I during 1940 and the yearly trend from 1938 through 1940 are presented in the following pages. Also shown are distributions by size and by duration of the loans insured during 1940 and the yearly trend from 1938 through 1940.

Type of Improvement Financed

Repairs to and the installation of heating equipment constituted the major item of expenditure for the largest number and amount of the property improvement loans insured under Title I during the year: 189,259 notes aggregating \$66,315,389 or 28.7 percent of the

number and 24.0 percent of the amount. It is to be noted that these loans may include amounts for repairs other than the major type reported by the lending institution. Of the \$66,315,389 reported for heating, a part undoubtedly was expended on such other improvements as roofing, painting, and plumbing.

Additions and alterations, the second ranking type of improvement financed, represented 13.1 percent of the number and 17.6 percent of the amount of loans insured during 1940. Exterior painting and class 3, new residential construction ranked third and fourth as the major type of improvement financed followed by plumbing, roofing and miscellaneous repairs.

All improvement loans insured under Title I averaged \$420 during the past year. The class 3, new small home loans averaged \$2,983, by far the largest reported for the various types of improvements listed in Table 11. This average includes the loan charges and exceeds \$2,500 since the majority of notes are discount notes. However, the net proceeds to the borrower are limited by statute to \$2,500. The smallest average loan amounted to \$238 and financed roofing repairs or reroofing. The number and amount of loans insured during 1940 by type of property and type of improvement financed are shown in Table 11.

TABLE 11.—*Type of property and of improvement financed: Property improvement loans insured by FHA, 1940*

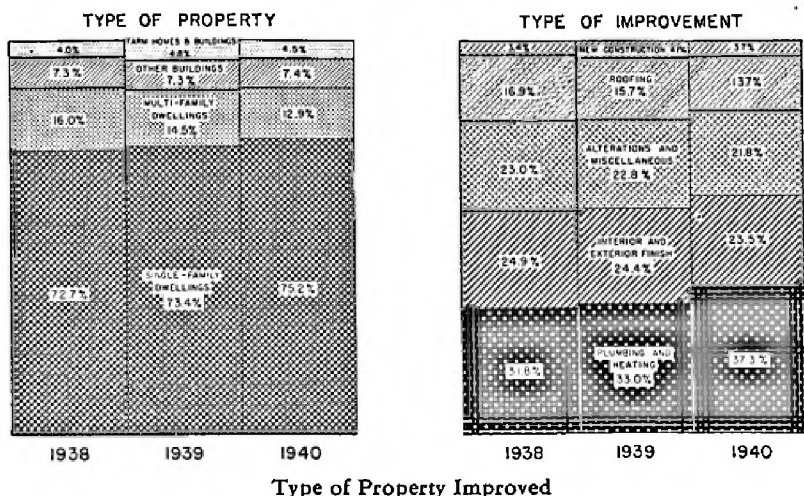
Major type of improvement ¹	Type of property improved						
	Single-family dwellings	Multi-family dwellings	Commercial and industrial	Farm homes and buildings	Other	Total ²	Percent of total
New residential construction.....	<i>Number</i> 8,460	<i>Number</i> 22				<i>Number</i> 8,480	<i>Number</i> 1.3
New nonres. const.....	23	10	1,737	2,527	11,842	16,130	2.4
Alterations.....	62,964	10,840	5,905	3,022	2,377	80,008	13.1
Exterior painting.....	91,634	14,613	1,202	4,311	1,166	113,016	17.2
Interior finish.....	30,798	7,608	1,815	553	658	41,392	6.3
Roofing.....	73,670	8,428	1,822	5,464	1,117	90,201	13.7
Plumbing.....	41,704	9,502	1,504	3,368	820	56,904	8.6
Heating.....	147,301	28,458	6,603	4,310	2,578	189,250	28.7
Miscellaneous.....	38,732	5,328	6,120	4,880	2,030	57,090	8.7
Total.....	495,282	84,700	20,507	29,346	22,594	658,498	100.0
Percent of total.....	75.2	12.9	4.0	4.5	3.4	100.0	
New residential construction.....	<i>Amount</i> \$25,230,411	<i>Amount</i> \$51,808		<i>Amount</i> \$3,713		<i>Amount</i> \$25,291,932	<i>Average amount</i> ³ \$2,983
New nonres. const.....	11,029	12,052	\$2,107,940	1,342,066	\$4,474,013	8,008,000	490
Additions and alterations.....	29,383,928	8,089,114	6,841,149	2,060,550	1,048,201	48,602,951	505
Exterior painting.....	36,694,056	7,380,554	905,894	1,938,237	650,528	47,575,269	421
Interior finish.....	10,504,183	4,192,900	1,641,339	218,728	478,033	17,095,192	413
Roofing.....	16,645,275	2,302,440	674,391	1,435,702	300,580	21,454,454	238
Plumbing.....	13,339,730	6,055,212	1,014,733	1,287,270	497,543	22,194,497	390
Heating.....	45,717,508	13,491,457	4,090,971	1,461,072	1,554,061	66,315,389	350
Miscellaneous.....	10,871,611	2,874,195	2,935,206	1,891,085	1,185,353	19,757,540	346
Total.....	188,464,031	45,030,047	20,271,713	11,638,501	10,890,932	276,295,824	420
Average amount.....	381	531	765	397	482	420	

¹ Type of improvement to which major portion of the loan proceeds was devoted.

² Excludes adjustments under the original Act, amendments of April 1936 and February 1938, and Section six catastrophe loans for 4,450 loans representing \$245,541.

³ Includes finance charges and any fees permitted by the regulations of the Administrator.

CHART 6—TYPE OF PROPERTY IMPROVED AND TYPE OF IMPROVEMENT FINANCED, AS REPORTED BY LENDING INSTITUTIONS, BY YEARS, 1938-1940



Three of every four Title I loans insured, financed construction or improvements to single-family dwellings. Further, the \$188,464,031 of loans on this type of property accounted for over two-thirds of the total dollar volume of Title I loans insured during the year. Loans to improve nonfarm residential properties represented 88.1 percent of the total number insured during 1940, and commercial, farm, and miscellaneous properties were improved with the proceeds representing 7.3 percent, 4.2 percent, and 4.0 percent, respectively, of the \$276,295,824 total for the year. The miscellaneous properties improved included private garages, schools, and other institutional properties such as hospitals and orphanages.

There have been relatively few changes in the distribution of loans by type of improvement since 1938. It is significant that plumbing and heating improvements have increased in number during the three-year period from 31.8 percent in 1938 to 37.3 percent of the total

TABLE 12.—Trend in type of property improved and type of improvement financed: Percentage distribution of the number of loans insured by FHA, 1938-1940

Type of property	Percent of number of loans insured			Major type of improvement ¹	Percent of number of loans insured		
	1938	1939	1940		1938	1939	1940
Single family dwellings.....	72.7	73.4	75.2	New residential construction....	1.6	2.1	1.3
Multifamily dwellings.....	16.0	14.5	12.9	New nonresidential construction....	1.8	2.0	2.4
Commercial and industrial.....	3.7	3.7	4.0	Additions and alterations.....	15.2	14.3	13.1
Farm homes and buildings.....	4.0	4.8	4.5	Exterior painting.....	18.3	18.4	17.2
Other.....	3.6	3.6	3.4	Interior finish.....	6.6	6.0	6.3
Total.....	100.0	100.0	100.0	Roofing.....	16.9	15.7	13.7
				Plumbing.....	7.1	8.3	8.6
				Heating.....	24.7	24.7	28.7
				Miscellaneous.....	7.8	8.5	8.7
				Total.....	100.0	100.0	100.0

¹ Type of improvement to which major portion of the loan proceeds was devoted.

insured in 1940, while loans financing roofing repairs and additions and alterations have declined during this three-year period.

Chart 6 and Table 12 indicate the trend in the type of property improved and the type of improvement financed, by years, since the revival of Title I insuring operations under the February 1938 amendments. The chart reveals a yearly increase in the proportion of the number of loans financed to improve single-family dwellings and a corresponding decrease in the multifamily dwellings improved. This may be due in part to the reduction in the maximum insured loan authorized from \$10,000 under the February 1938 amendment to \$2,500 under the amendment of June 3, 1939.

Size of Insured Loan

The maximum loan authorized in the Act as amended June 3, 1939, is limited to \$2,500 in net proceeds to the borrower. Under the February 1938 amendment, expired July 1, 1939, insured loans were authorized up to \$10,000 for financing improvements to existing structures, and up to \$2,500 for new construction.

The average Title I loan insured during 1940 amounted to \$420. This compares with an average of \$456 during 1939 and \$458 during 1938. Three out of every ten loans insured from 1938 through 1940 were written for an amount of less than \$200, and more than half of the total loans insured had a face amount of less than \$300.

Chart 7 shows graphically the trend in the face amount of property improvement loans insured by years since the adoption of the February 1938 amendment, and in Table 13 is reported the percentage distribution of the number and amount of these loans classified by the face amount. Included in the face amount of the loan are the net pro-

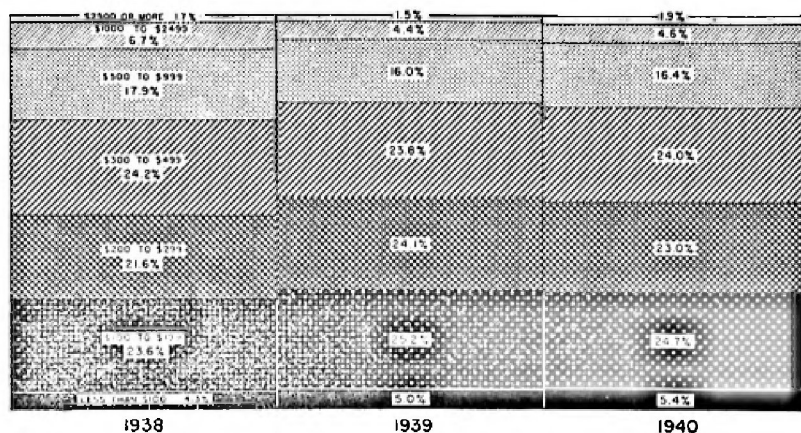
TABLE 13.—*Size of loan: Percentage distribution of the number and amount of property improvement loans insured by FHA, 1938-1940*

Face amount of loan ¹	Percentage distribution of the number of loans insured			Percentage cumulation of number 1938-40	Percentage distribution of the amount of loans insured			Percentage cumulation of amount 1938-40
	1938	1939	1940		1938	1939	1940	
Less than \$100.....	4.3	5.0	5.4	5.0	0.7	1.0	1.0	0.9
\$100 to \$199.....	23.6	25.2	24.7	20.5	7.5	9.3	8.7	9.3
\$200 to \$299.....	21.6	24.1	23.0	52.3	11.5	14.6	13.4	22.3
\$300 to \$399.....	14.7	14.3	14.2	65.7	11.0	12.2	11.6	33.8
\$400 to \$499.....	9.5	9.5	9.8	76.4	9.2	10.5	10.4	43.8
\$500 to \$599.....	7.7	7.4	7.5	83.9	9.3	10.2	9.9	53.6
\$600 to \$799.....	6.6	5.6	5.8	89.9	9.8	9.5	9.4	63.2
\$800 to \$999.....	3.6	3.0	3.1	93.1	6.0	6.6	6.4	69.8
\$1,000 to \$1,499.....	4.1	2.9	3.1	96.5	10.8	8.5	8.8	79.2
\$1,500 to \$1,999.....	1.5	.9	.0	97.6	5.8	3.7	3.9	83.7
\$2,000 to \$2,499.....	1.1	.6	.6	98.3	5.3	3.0	3.0	87.4
\$2,500 to \$2,999 ².....	.9	.8	1.2	99.3	5.5	5.2	7.7	94.0
\$3,000 or more ².....	.8	.7	.7	100.0	6.7	5.7	5.8	100.0
Total.....	100.0	100.0	100.0	.....	100.0	100.0	100.0	.....
Size of loan: Average.....	\$458	\$456	\$420	Median	\$304	\$282	\$287	.....

¹ Includes finance charges.

² Insured net proceeds to borrower may not exceed \$2,500 under the provisions of the June 1939 amendment.

CHART 7—FACE AMOUNT OF PROPERTY IMPROVEMENT LOANS INSURED BY YEARS, 1938-1940



ceeds to the borrower, the finance charges for the loan, and any fees authorized by the regulations of the Administrator.

Duration of Insured Loans

The June 1939 amendment provided for loans insured under Title I a maximum maturity of 3 years and 32 days, except that for loans financing new construction, to be used in whole or in part for residential purposes, a duration of 15 years and 5 months from the date of the note was permitted. Loans for new nonresidential agricultural structures when secured by a first mortgage or its equivalent were permitted a maximum maturity of 15 years and 1 month. Regulations of the Administrator under the February 1938 amendment authorized a maximum term of 5 years and 32 days for other than new residential structure loans and 7 years and 32 days for loans financing new residential structures.

TABLE 14.—Duration of loan: Percentage distribution of the number and amount of property-improvement loans insured by FHA, 1938-1940

Duration of loan ¹	Percentage distribution of the number of loans insured			Percentage cumulation of number 1938-40	Percentage distribution of the amount of loans insured			Percentage cumulation of amount 1938-40
	1938	1939	1940		1938	1939	1940	
6 months.....	0.9	0.5	0.5	0.6	0.4	0.3	0.3	0.3
12 months.....	15.2	13.0	12.4	13.8	0.1	5.2	5.1	5.7
18 months.....	9.4	9.2	8.8	22.8	4.5	4.4	4.3	10.1
24 months.....	16.6	15.1	13.3	37.3	10.9	9.7	8.6	19.5
30 months.....	4.3	3.9	4.1	41.4	3.1	2.5	2.6	22.2
36 months.....	46.8	57.0	50.8	97.6	63.0	60.0	71.6	88.8
48 months.....	1.1	(?)	(?)	97.9	2.4	.1	(?)	89.4
Over 48 months.....	5.8	1.3	1.1	100.0	19.6	8.8	7.5	100.0
Total.....	100.0	100.0	100.0	-----	100.0	100.0	100.0	-----
Duration in months: Average ² ..	29.9	30.2	31.8	Median ³	36.5	36.0	37.0	-----

¹ Stated periods shown are those which represent large concentrations of property improvement loans.

² Less than 0.05 percent.

³ Average and median durations are based on number of loans insured.

CHART 8—DURATION OF INSURED PROPERTY IMPROVEMENT LOANS, BY YEARS, 1938-1940

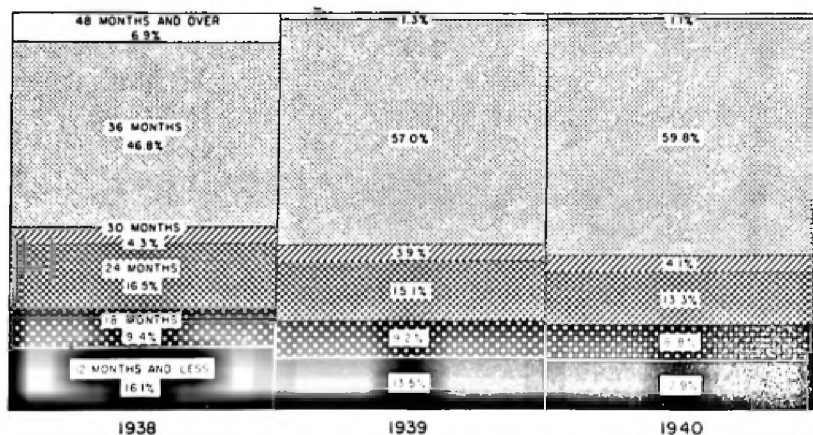


Chart 8 shows the trend in the duration of property improvement loans insured each year since 1938, and Table 14 presents a percentage distribution of the number and amount of loans by monthly duration for the same period.

NEW SMALL HOME CONSTRUCTION FINANCED UNDER TITLE I

CLASS 3 loans financing the construction of new structures to be used wholly or in part for residential purposes were first provided by the amendment of February 1938. The present amendment of June 1939 retained authorization for this form of insurance, but with a significant change from the previous amendment in that an insurance premium was charged for the insurance of loans under Title I after July 1, 1939. The amendment further provided that the insurance premium was not to exceed three-fourths of 1 percent per annum of the net proceeds of the loan.

The regulation of the Administrator governing the insurance premium for class 3 loans fixed the charge at one-half of 1 percent per annum of the net proceeds advanced to the borrower. Moreover, this insurance premium may not increase the cost of the loan to the borrower beyond the maximum discount established by the regulations.

New structure loans insured under Title I must be secured by a first mortgage covering the property improved; however, lending institutions are not required to take security for class 1 and class 2 loans advanced to improve existing properties and new nonresidential structures. The mortgagee may elect to finance either a discount or an interest bearing class 3 note. The insurance premium was set by the regulations of the Administrator at one-half of 1 percent per

annum of the net proceeds of a discount note and may be paid annually in advance during the term of the loan. For interest-bearing notes the annual insurance premium was set at one-half of 1 percent of the original principal amount of the note.

By December 31, 1940, lending institutions had financed 25,735 new small-home loans for \$63,507,387, of which those insured under the June 1939 amendment had met the construction and property standards established by the Administrator. Of this total, 9,107 for \$25,593,238 were insured during 1940, 10,783 for \$25,347,784 during 1939, and 5,845 for \$12,566,365 were insured during the 10 months of operations in 1938 under the February amendment of that year.

A survey of the class 3 loans insured reveals that the typical borrower received a loan the face amount of which was \$2,621 and the net proceeds not over \$2,500, the maximum permitted under the provisions of the June 1939 amendment. His average income was \$2,178, from which a monthly payment of \$15 is made to retire the loan within 14.3 years, the average duration period. Borrowers are permitted 15 years and 5 months in which to repay new small-home loans insured under Title I. The average valuation of the property securing this loan was \$2,920.

Claims for insurance paid to qualified lending institutions on defaulted class 3 loans have totaled 265 for \$508,305 since the payment of the first claims on new small-home loans in August 1939 through December 1940. Of these, 36 for \$79,551 were settled during 1939 and 229 for \$428,754 during 1940. Claims for insurance had been paid on 0.21 percent of the amount of class 3 new small-home loans insured at December 31, 1939, and on 0.80 percent at December 31, 1940.

Part IV

HOME MORTGAGE INSURANCE UNDER TITLE II

THE principal operations of the FHA center about the insurance under Section 203 of Title II of mortgages on one- to four-family homes. This program made possible for the first time the financing of an individual residential property with a single long term, amortized, high percentage of value mortgage loan at a minimum interest rate. An examination by trained underwriters of the house, the neighborhood, and the borrower's capacity to pay assures both the purchaser and the lender that the transaction meets the standard necessary to make the mortgage eligible for FHA insurance and represents a reasonable risk for the mortgagee as well as a sound obligation for the borrower.

FHA insurance covers the full amount of the mortgage outstanding at the time of default. A lending institution has the option of retaining title to a foreclosed property or of turning it over to the FHA, and receiving debentures to the extent of the value of the mortgage on the property as determined by FHA regulations. These debentures currently bear interest at the rate of 2½ percent. FHA insurance is paid for by the borrower; a premium of one-half of 1 percent on the annual outstanding balance is paid over the full term of the mortgage and as a part of the monthly payment. The lending institution in turn services the mortgage by collecting monthly payments which include interest, amortization, and mortgage insurance as well as taxes and fire insurance. In this way, a family purchasing its home makes regular monthly payments similar to rent which lead to eventual debt-free home ownership without such budgetary strains as are caused by lump-sum tax payments or periodic refinancing under the old-time nonamortized, first- and second-mortgage type of financing.

Under the FHA plan home ownership has been brought within easy reach of moderate and low-income American families to whom thrift and a home of their own represent the attainment of an ideal.

VOLUME AND STATUS OF INSURING OPERATIONS

ALL applications for insurance of small-home mortgages are received in FHA insuring offices from lending institutions, not from the individual borrower. The first selection, therefore, is made by the lending institution itself.

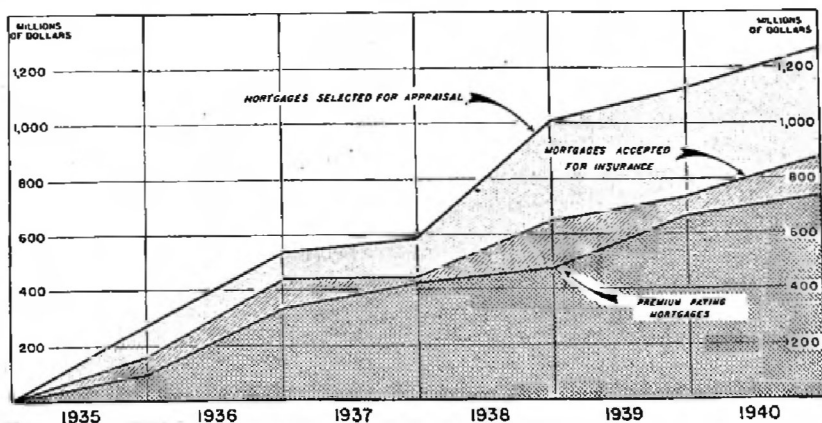
Applications for mortgage insurance are submitted by the lending institution with appraisal fees attached. If a loan is clearly ineligible for insurance, the lending institution is notified and the appraisal fee and application are returned. If the first review indicates examination is to be made, the accompanying check for appraisal fee is deposited to the account of the Administration, and the mortgage is entered into the figures which are reported each month as "mortgages selected for appraisal."

If the case passes preliminary examination, it is routed through the underwriting department, where the property is appraised, the credit of the borrower analyzed, and the terms of the mortgage scrutinized to determine whether it is a reasonable insurance risk for the Administration to assume. If this examination reveals that the risk should not be assumed, the application is rejected. In some cases, changes in the transaction are suggested which will so recast the mortgage as to make it acceptable for insurance.

If the mortgage meets all the tests, a commitment is issued to the mortgagee to insure the mortgage when it is executed in accordance with the terms of the application. No commitments are entered in the series "mortgages accepted for insurance" except when the individual borrower is approved. On mortgages presented by mortgagees covering homes to be constructed by operative builders for sale, a "conditional commitment" only is issued. This conditional commitment issued to the lending institution provides that FHA will insure a mortgage of a given amount when the building is constructed in accordance with plans and specifications and the property has been purchased by an individual mortgagor who meets the credit risk requirements of FHA.

When the mortgage is executed in accordance with the terms of the commitment and presented to the FHA insuring office, it is

CHART 9—VOLUME OF HOME MORTGAGE INSURING ACTIVITY, BY YEARS, 1935-1940



endorsed for insurance and the first annual insurance premium collected. The mortgage is then entered on the books as a "premium-paying mortgage." If the mortgage covers a house to be constructed it cannot become a premium-paying mortgage until construction is completed free of liens.

In the case of new homes, there is allowed a period of not more than 8 months between the issuance of the commitment to insure and the final closing of the transaction and the recordation of a "premium-paying mortgage," and in the case of existing homes, a period of 90 days is allowed. If at the end of the stated period the commitment to insure is not converted to a premium-paying mortgage, it is entered as an "expired commitment" and is no longer included in the total reported as "net mortgages accepted for insurance."

Total for the Year

Mortgages selected for appraisal by the FHA during 1940 numbered 282,880 for \$1,271,983,776, an increase of 11.3 percent over the preceding year. In line with this trend, mortgages accepted for insurance, with firm commitments issued to mortgagees, increased 11.3 percent.

TABLE 15.—Trend of selected, accepted, and insured mortgages: Gross face amount of 1- to 4-family home mortgages reported by FHA insuring offices, 1935-1940

Month and year	Mortgages selected for appraisal		Mortgages accepted for insurance		Premium-paying mortgages	
	Number	Amount	Number	Amount	Number	Amount
1935	69,196	\$270,010,238	42,147	\$170,504,864	23,307	\$93,882,000
1936	131,802	538,885,269	109,611	438,440,153	77,231	308,045,100
1937	137,631	569,468,385	108,738	447,519,716	102,076	424,372,900
1938	223,980	1,010,584,906	149,805	647,949,074	109,279	473,246,100
1939						
January	17,235	77,594,030	9,959	42,217,800	12,787	55,382,500
February	19,262	86,213,375	9,839	41,223,700	10,329	44,383,400
March	27,006	121,689,493	14,935	63,485,800	11,750	50,362,800
April	23,502	105,066,161	15,119	64,885,200	10,713	46,218,600
May	24,087	109,442,140	17,205	73,701,350	11,509	49,442,600
June	22,265	101,600,504	19,047	82,321,770	14,184	60,910,500
July	18,462	84,482,450	12,074	62,603,100	12,016	51,158,500
August	21,573	98,482,510	14,143	62,268,500	15,019	65,051,700
September	20,215	91,671,025	14,138	62,008,200	12,368	53,420,900
October	21,683	90,250,957	16,774	74,215,081	13,835	61,138,400
November	17,604	80,690,335	14,072	65,012,768	14,073	67,148,100
December	14,608	67,100,340	12,087	53,190,718	14,264	64,791,600
Total	247,502	1,123,702,380	170,112	737,153,887	153,747	669,416,100
1940						
January	15,507	70,922,630	11,141	48,830,737	14,673	65,057,900
February	18,658	84,504,043	10,482	44,080,109	11,604	51,597,900
March	25,095	113,918,457	14,695	63,602,070	10,519	46,182,480
April	28,684	128,231,968	17,760	76,873,500	10,941	47,712,510
May	28,811	129,184,811	18,477	79,930,462	12,232	53,577,670
June	24,308	109,380,220	19,542	84,356,600	12,418	54,356,700
July	26,757	110,691,680	20,291	88,073,500	13,900	60,315,700
August	27,244	121,960,400	20,575	89,379,400	14,564	62,969,000
September	26,155	116,200,940	19,400	84,689,400	15,740	68,332,100
October	25,060	116,355,020	21,236	92,082,874	18,288	80,019,070
November	18,568	83,828,847	16,407	80,754,377	15,741	68,808,570
December	17,133	77,743,280	13,185	56,877,800	17,673	77,501,800
Total	282,880	1,271,983,776	202,281	870,431,018	168,293	736,400,340
Cumulative	1,092,991	4,804,724,954	782,784	3,318,097,712	634,023	2,706,352,730

percent, or to 202,281 for \$876,431,018, and premium-paying mortgages 11.0 percent, to 168,293 for \$736,490,344. These percentage increases approximate those of 1939 over the preceding year when mortgages selected for appraisal increased 11.2 percent, indicating a steadily climbing volume of home financing under the FHA plan.

Table 15 reports the totals by months during 1939 and 1940 and by years for the earlier periods.

Cumulative Status Through December 1940

Since the beginning of operations, as indicated in Table 16, FHA has selected for appraisal 1,092,991 small home mortgages for \$4,804,724,954, of which 782,784 for \$3,318,097,712 were accepted for insurance, and of these 634,023 for \$2,706,352,739 had become premium-paying by December 31, 1940.

TABLE 16.—*Status of FHA mortgage insurance operations: Disposition of face amount of total and of farm 1- to 4-family home mortgage applications received, as reported by FHA insuring offices, cumulative 1935-1940*

Status of operations	All mortgages		Farm mortgages only ¹	
	Number	Amount	Number	Amount
Mortgage insurance in force.....	582,936	\$2,295,556,217	(²)	(²)
Amount amortized.....		182,188,529	(²)	(²)
Mortgage insurance outstanding (face amount).....	582,936	2,477,744,746	885	\$3,421,800
Mortgage insurance terminated ³	51,087	228,607,903	21	89,800
Total mortgages insured.....	634,023	2,706,352,739	906	3,511,600
Firm commitments outstanding.....	77,315	342,772,462	256	1,031,300
Net mortgages accepted for insurance ⁴	711,338	3,049,125,201	1,162	4,542,900
Firm commitments expired ⁴	71,446	268,972,511	455	1,671,800
Gross mortgages accepted for insurance.....	782,784	3,318,097,712	1,617	6,214,700
Conditional commitments outstanding.....	48,585	218,530,250	4	10,800
Conditional commitments expired ⁵	59,118	270,301,536	14	50,600
Total commitments issued.....	800,487	3,806,932,408	1,635	6,285,100
Rejections and withdrawals ⁶	106,747	971,244,076	3,077	14,094,603
Total mortgages processed.....	1,087,234	4,778,176,574	4,712	20,379,703
Cases in process of examination.....	5,757	26,548,360	155	1,256,300
Total mortgages selected for appraisal.....	1,092,991	4,804,724,954	4,867	21,636,003

¹ Regulations relative to the insurance of farm mortgages became effective May 16, 1938.

² Data not available separately for farm mortgages.

³ As reported by the Comptroller's Division in Washington.

⁴ Total firm commitments outstanding, accepted, and expired as reported by insuring offices differ from property location figures as shown in Table 1 because of the lag in tabulation of mortgages by property location in Washington.

⁵ Excludes cases reopened.

Disposition of Cases Closed Each Year

At the end of each year there remains in process, or outstanding as conditional or formal commitments to insure, a percentage of the mortgages selected for appraisal by FHA during the year. Of the cases closed out from the beginning of operations in 1935 to the end of 1940, either through rejection of the application for mortgage insurance by FHA, or through a mortgagee permitting a commitment to insure to lapse, or through endorsement of the commitment for mortgage insurance through payment of the first insurance premium, 20.5

TABLE 17.—Disposition of cases closed by FHA: 1- to 4-family home mortgages 1935-1940

Disposition of cases closed ¹	Percentage distribution						
	1935	1936	1937	1938	1939	1940	1935-40
Rejections ²	41.6	17.5	13.9	24.3	20.9	18.8	20.0
Conditional commitments expired.....	.2	1.5	5.0	5.9	8.3	8.2	6.0
Total rejections and conditional commitments expired.....	41.8	19.0	18.9	30.2	29.2	27.0	26.0
Formal commitments:							
Expired.....	4.8	10.3	12.7	8.2	6.0	4.2	7.0
Premium-paying.....	53.4	70.7	68.4	61.6	64.8	65.8	66.0
Total accepted for insurance.....	58.2	81.0	81.1	69.8	70.8	73.0	73.0
Total cases closed.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ Excludes cases still in process and commitments outstanding at end of year.² Excludes cases reopened.

percent were rejected or withdrawn, 13.5 percent expired in the commitment stage and the balance, or 66.0 percent, became premium paying mortgages.

Analysis of rejections by FHA through 1940 reveals that approximately half were due to a low rating of the borrower's credit, over one-fourth because of the property, and less than one-fourth because of the neighborhood.

MORTGAGEE INSTITUTION ACTIVITY

OVER 8,000 lending institutions of all types have participated in the FHA mortgage financing program and have invested in the six-year period, 1935-40, close to \$3,000,000,000 in insured mortgages. In this section of the report is to be found a distribution by type of institution of the volume of small home-mortgages originated, transferred, and held.

Types of Institutions Originating Mortgages

During each successive year of FHA operations the volume of small home mortgages accepted for insurance has shown an increase. However, the relative percentage of originations accounted for by the various types of institutions has tended to vary, as is indicated in Chart 10. National and State banks, while jointly originating the largest percentage of mortgages in each year, accounted for but 44.4 percent of those originated in 1940 as against 70.3 percent in 1935.

The volume of mortgages accepted for insurance as distributed among the various types of originating institutions for each year since 1935 is shown in Table 18. With a volume in excess of \$880,000,000, the year 1940 registered a gain of 18.8 percent over the preceding year and 35.4 percent over 1938. For every type of institution gain in the amount of mortgages originated were recorded, with some types, notably insurance companies, showing a percentage gain considerably above the national average.

TABLE 18.—Type of institution originating mortgages: Face amount of 1- to 4-family home mortgages, accepted for insurance by FHA, 1935-1940

Type of institution	Dollar amount of gross mortgages ¹ originated						Percent of 1940 mortgages ² on—	
	1935 ³	1936 ³	1937	1938	1939	1940	Local properties	Out-of-State properties
	(000 omitted)							
National banks.....	\$67,313	\$106,188	\$127,848	\$191,665	\$190,313	\$214,934	98.5	1.5
State banks.....	56,071	109,914	113,647	154,368	159,813	180,886	98.8	1.2
Savings and loan associations.....	28,781	62,050	64,618	67,012	73,768	76,376	96.7	3.3
Mortgage companies.....	7,106	40,600	64,168	136,319	173,758	209,022	88.5	11.5
Insurance companies.....	12,517	25,348	50,316	53,744	77,511	110,468	44.4	55.6
Savings banks.....	4,067	10,048	11,925	14,669	28,228	34,762	99.5	.5
Federal agencies ⁴					32	955	0	100.0
All others ⁵	125	18,856	17,078	32,383	37,641	53,062	20.9	79.1
Total.....	176,580	352,604	449,600	656,160	741,064	880,465	84.5	15.5

¹ The type of institution subtotals in this and in the following table disagree slightly. The reason is that the figures in the following table are based upon individual mortgage cards which indicate the type of institution at the time of issuance of the FHA insurance commitment, whereas figures in this table are based upon summary mortgage cards for each type of institution as of the year end. In each case where a mortgage changes to a different type of institution during the year, the type of institution subtotals shown in these two tables are thrown out of balance in the amount of its commitments issued prior to change.

² Based on State location of head office of mortgage institution.

³ Mortgages originated in January 1936 are included in year 1935. The distributions for 1935 and 1936 are based on net totals.

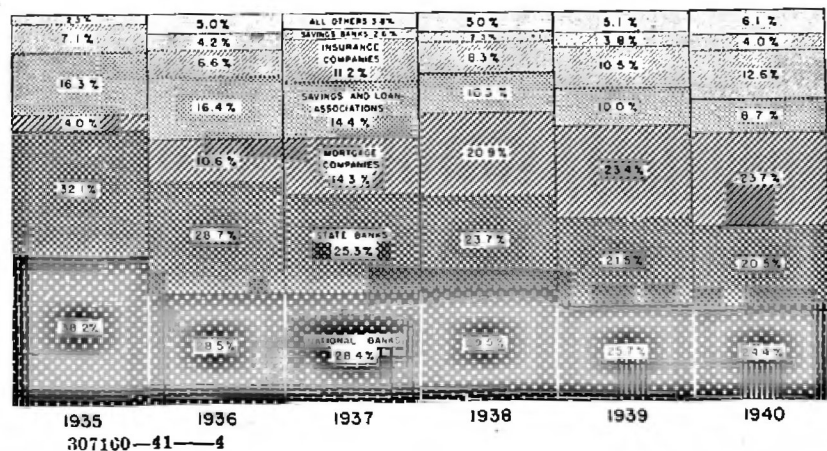
⁴ The RFC Mortgage Company and the U. S. Housing Corporation.

⁵ Includes investment companies, finance companies, endowed institutions, private and State benefit funds, etc.

As in former years, most mortgages accepted for insurance from private institutions were to cover properties located in the same State as the head office of the mortgagee. Insurance companies and miscellaneous-type institutions were the notable exception to the rule during 1940, with 55.6 percent and 79.1 percent respectively, of their acceptances secured by out-of-State homes.

Mortgage companies, on the other hand, accounted for 23.7 percent of the originations in 1940 and only 4.0 percent in 1935. Insurance companies, savings banks, and miscellaneous-type institutions have increased their relative share of originations, while savings and loan associations have accounted for a declining share.

CHART 10—DISTRIBUTION OF INSURED MORTGAGES ORIGINATED BY TYPE OF INSTITUTION, BY YEARS 1935-1940



Type of Institution Originating Mortgages by States

In Table 19 is presented a State distribution by property location of mortgage originations during 1940 by each type of institution. It is possible through the use of this data to assay the importance of any type lending institution in a particular State. For example, New York with a volume in excess of \$57,000,000, the savings banks accounted for 31.6 percent as compared with 15.1 percent for national banks. This situation is reversed in California where, with a volume above \$157,000,000, the national banks originated 60.6 percent and the savings banks but 18.4 percent.

TABLE 19.—Type of institution originating mortgages in each State: Gross face amount of 1- to 4-family home mortgages accepted for insurance, 1940

Location of property	Type of lending institution							
	All types	National banks	State banks	Savings and loan associations	Mortgage companies	Insurance companies	Savings banks	All others
	(000 omitted)							
Alabama	\$7,560	\$2,264	\$828	\$20	\$1,550	\$1,648	\$9	\$1,648
Arizona	3,603	1,658	1,372	342	215	—	16	—
Arkansas	3,892	303	1,335	502	831	—	—	—
California	157,096	95,181	34,910	4,118	2,428	5,819	2,897	11,743
Colorado	9,171	1,230	273	2,360	4,427	608	—	—
Connecticut	8,747	1,169	2,307	312	930	1,673	1,523	—
Delaware	1,473	131	390	—	580	353	4	—
Dist. of Col.	3,069	149	606	158	1,183	743	41	—
Florida	22,178	1,683	2,415	2,434	11,019	1,925	5	2,743
Georgia	13,022	990	734	1,470	4,727	1,551	—	3,443
Idaho	3,528	1,032	1,028	33	724	31	—	—
Illinois	68,552	16,237	9,719	7,820	24,785	5,318	—	4,000
Indiana	34,570	5,440	11,761	2,437	5,364	8,096	80	1,300
Iowa	9,454	1,327	3,090	526	3,269	1,119	105	—
Kansas	8,656	1,385	1,033	2,162	2,528	1,404	—	—
Kentucky	5,763	238	631	543	3,730	689	—	—
Louisiana	8,932	822	1,155	1,868	1,542	3,521	—	—
Maine	1,817	612	637	—	—	163	505	—
Maryland	14,412	1,834	2,223	4,053	3,190	2,571	140	—
Massachusetts	5,454	760	325	1,749	83	368	2,122	—
Michigan	78,381	11,099	20,463	0,086	25,720	10,877	3,897	—
Minnesota	11,255	2,225	1,167	409	3,420	3,034	70	—
Mississippi	4,214	197	907	81	2,241	908	—	—
Missouri	19,689	2,778	6,535	1,331	3,652	3,964	—	1,400
Montana	2,958	234	1,087	814	236	522	—	—
Nebraska	5,507	611	200	413	1,881	2,363	—	—
Nevada	1,205	1,098	20	78	—	—	—	—
New Hampshire	1,205	486	339	—	—	10	460	—
New Jersey	40,610	10,219	10,511	2,870	11,393	4,323	618	—
New Mexico	3,092	1,734	79	417	810	—	—	—
New York	57,053	8,591	7,301	6,620	16,089	1,079	18,009	—
North Carolina	12,608	944	1,518	404	1,046	6,700	—	1,000
North Dakota	926	222	146	84	49	81	—	—
Ohio	47,236	4,355	10,202	7,094	7,337	9,018	1,279	1,600
Oklahoma	13,660	2,252	230	1,576	2,816	2,100	—	4,600
Oregon	6,981	1,302	39	498	3,263	589	87	—
Pennsylvania	48,011	8,785	14,014	2,250	19,024	1,793	1,248	—
Rhode Island	3,104	864	890	544	5	436	276	—
South Carolina	5,732	1,317	945	1,245	—	1,535	—	—
South Dakota	1,901	762	303	31	8	679	—	—
Tennessee	11,562	513	1,898	1,345	2,895	4,463	—	—
Texas	42,486	2,520	2,246	3,006	18,599	10,016	—	6,000
Utah	6,432	556	3,651	1,150	65	153	—	—
Vermont	1,114	497	298	99	—	5	215	—
Virginia	17,235	2,341	3,881	1,209	4,585	2,560	146	2,500
Washington	20,415	3,375	1,148	2,321	8,416	1,850	1,634	1,600
West Virginia	6,461	3,354	463	59	463	1,573	—	500
Wisconsin	11,504	2,428	4,024	594	1,706	1,240	36	2,200
Wyoming	3,242	2,405	506	294	—	—	—	—
Alaska	317	112	99	106	—	—	—	—
Hawaii	1,696	1,227	368	—	—	—	—	—
Puerto Rico	2,009	—	2,098	—	—	—	—	—
Total	890,462	213,588	181,335	76,336	207,830	110,198	34,854	56,300

Local and Out-of-State Mortgage Lending

Of the mortgages originated during 1940, 84.5 percent were on residential properties located within the same State as the head office of the mortgagee. This percentage compares with 86.8 percent during 1939. Considerable variations exist among the States, however,

TABLE 20.—State distribution of local and out-of-State mortgage lending: Gross face amount of 1- to 4-family home mortgages accepted for insurance by FHA, 1940

State	Mortgages originated by institutions with head office in State				Mortgages covering properties located in State		
	Total amount	Covering out-of-State properties		Covering in-State properties	Total amount	Originated by out-of-State institutions	
		Amount	As percent of State total			Amount	As percent of State total
Alabama	\$9,045,800	\$3,750,100	41.5	\$5,289,700	\$7,590,287	\$2,270,587	30.0
Arizona	3,603,200	—	—	3,603,200	3,603,200	—	—
Arkansas	3,148,500	103,100	3.3	3,045,400	3,882,200	846,800	21.8
California	145,890,800	3,747,500	2.6	142,143,300	157,063,500	14,953,200	9.5
Colorado	8,326,500	51,200	.6	8,275,300	9,171,100	895,800	9.8
Connecticut	12,524,800	5,081,600	40.6	7,443,200	8,747,300	1,304,100	14.9
Delaware	4,286,700	3,411,400	79.6	875,300	1,473,000	597,700	40.6
District of Col.	7,233,200	5,174,000	71.5	2,059,200	3,068,700	1,009,500	32.9
Florida	17,192,750	—	—	17,192,750	22,178,050	4,985,300	22.5
Georgia	7,068,100	40,400	.6	7,027,700	13,021,600	6,093,900	39.1
Idaho	1,477,100	42,700	2.9	1,434,400	3,528,205	2,093,805	59.3
Illinois	63,624,331	3,906,000	6.3	59,627,431	68,551,931	8,924,500	13.0
Indiana	33,338,000	4,724,400	14.2	28,614,500	34,576,600	5,962,100	17.2
Iowa	7,825,500	1,528,300	19.5	6,297,200	9,454,100	3,156,900	33.4
Kansas	7,030,600	105,500	1.5	6,925,100	8,685,400	1,760,300	20.0
Kentucky	9,289,550	4,473,600	48.2	4,815,950	5,763,050	947,100	16.4
Louisiana	5,281,900	68,300	1.3	5,213,600	8,931,600	3,718,000	41.6
Maine	1,444,100	5,400	.4	1,438,700	1,817,100	378,400	20.8
Maryland	13,031,000	2,229,300	17.1	10,801,700	14,412,400	3,610,700	25.1
Massachusetts	5,062,200	311,700	6.5	4,750,500	6,433,900	1,683,400	1.5
Michigan	71,438,500	—	—	71,438,500	78,381,000	6,942,500	8.8
Minnesota	50,377,250	40,275,800	79.9	10,101,450	11,256,000	1,154,500	10.3
Mississippi	3,326,700	402,700	10.5	2,924,000	4,213,700	1,289,700	18.7
Missouri	29,668,750	4,881,650	23.6	15,786,900	19,688,700	3,901,800	19.8
Montana	2,117,100	2,000	.1	2,115,100	2,955,700	840,600	28.4
Nebraska	5,308,500	1,099,900	20.6	4,208,600	5,606,500	1,397,900	22.6
Nevada	1,208,500	3,800	.3	1,204,700	1,204,700	—	—
New Hamp.	1,270,500	24,900	2.0	1,245,600	1,295,000	49,400	3.4
New Jersey	61,476,200	26,210,700	42.6	35,265,500	40,610,003	5,344,503	13.2
New Mexico	2,042,400	—	—	2,042,400	3,092,100	1,049,700	33.9
New York	58,712,400	3,013,100	5.1	55,699,300	57,062,690	1,363,390	2.4
North Carolina	4,660,800	386,300	8.3	4,274,500	12,608,200	8,333,700	50.2
North Dakota	610,000	130,300	20.3	479,700	626,140	146,400	18.5
Ohio	45,027,200	6,100,300	13.4	38,926,900	47,235,700	8,308,800	10.3
Oklahoma	13,020,450	2,000	(1)	13,022,450	13,680,550	660,100	4.6
Oregon	6,252,200	1,631,900	26.5	4,620,300	6,081,000	1,460,700	25.2
Pennsylvania	47,484,800	1,098,200	2.3	46,386,600	48,011,299	1,624,699	3.4
Rhode Island	2,523,300	5,400	.2	2,517,900	3,103,700	585,800	18.0
South Carolina	5,271,800	733,500	13.9	4,538,300	5,732,800	1,194,500	20.8
South Dakota	1,282,600	2,800	.2	1,279,800	1,901,300	621,500	32.7
Tennessee	10,824,200	1,038,400	9.6	9,785,800	11,562,164	1,776,364	15.4
Texas	30,747,800	3,093,200	10.1	27,654,600	42,480,350	14,825,750	34.9
Utah	6,671,800	1,697,100	16.4	4,974,700	6,431,600	1,456,900	13.3
Vermont	4,858,800	3,740,000	77.2	1,118,800	1,113,600	—	—
Virginia	11,939,700	1,020,300	8.5	10,919,400	17,234,700	6,315,300	36.6
Washington	17,891,000	1,033,800	5.8	16,857,200	20,415,300	3,558,100	17.4
West Virginia	4,318,600	70,000	1.6	4,248,600	6,461,200	2,212,600	34.2
Wisconsin	10,530,200	37,800	.4	10,492,400	11,594,000	1,101,600	8.8
Wyoming	3,225,200	60,800	2.1	3,164,400	3,241,500	77,100	2.6
Alaska	317,100	—	—	317,100	—	—	—
Hawaii	1,596,300	—	—	1,596,300	—	—	—
Puerto Rico	2,099,000	—	—	2,099,000	—	—	—
Federal agencies ¹	955,258	955,258	100.0	—	—	—	—
Total	880,464,879	130,418,598	15.5	744,046,281	880,464,879	130,418,598	15.5

¹ Less than 0.05 percent.

² The RFC Mortgage Company and the U. S. Housing Corporation.

as Table 20 indicates. Minnesota, for example, which contains the head office of a company operating on a nation-wide basis, had 79.9 percent of the mortgages financed by its institutions placed on out-of-State properties; conversely, 59.3 percent of the mortgages originated on Idaho properties during the year were financed by out-of-State institutions.

Number of Institutions Originating, Holding, and Transferring Mortgages

The number of each type of institution active in originating mortgages in the years 1937 to 1940, inclusive, is set forth in Table 21. Fewer national and state banks, and savings and loan associations, originated insured mortgages during 1940 than in the two previous years, accounting, in large part, for the decline shown in the total number of institutions active in originations during those years. The number of active mortgage companies and insurance companies, however, has shown an increase or remained stationary during each year shown, while a Federal agency appeared for the first time in 1939 and was joined by another in 1940.

Table 21 also indicates that, on a cumulative basis through 1940, more institutions hold premium-paying mortgages than originate mortgages accepted for insurance, and that more institutions purchase premium-paying mortgages than sell them. There were 8,329 institutions reported as holding premium-paying mortgages on December 31, 1940, as compared with 7,785 which had originated mortgages accepted for insurance through that date, and 3,642 which had purchased premium-paying mortgages as against 2,681 which had sold them. It is apparent, therefore, that some institutions prefer to build their portfolio of insured mortgages through the purchase of premium-paying mortgages rather than by originating the mortgages themselves.

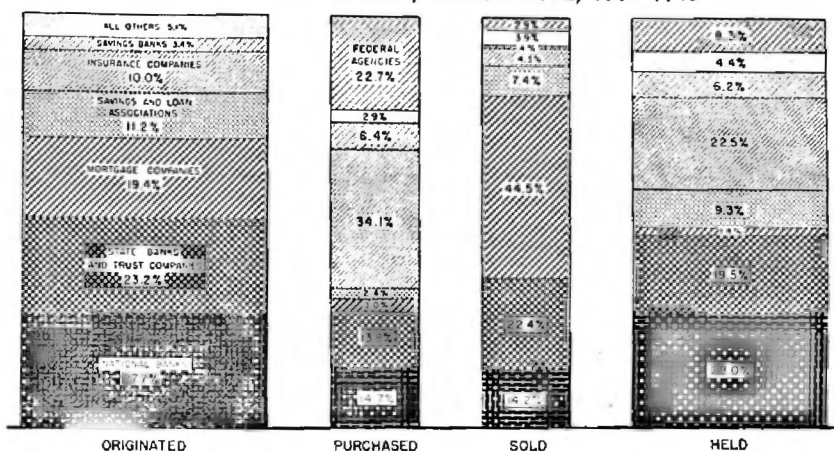
TABLE 21.—*Number of institutions originating, holding, and transferring mortgages. Institutions originating gross 1- to 4-family home mortgages and purchasing, selling (inclusive of resales), and holding in portfolio mortgages insured by FHA, cumulative, 1935-1940*

Type of institution	Number originating gross mortgages accepted in—				Net cumulative number to date			
	1937	1938	1939	1940	Originating	Purchasing	Selling	Holding
National banks.....	1,357	1,535	1,520	1,453	2,383	1,228	720	2,883
State banks.....	1,512	1,763	1,668	1,644	2,889	1,531	871	3,547
Savings and loan associations.....	905	1,052	989	789	1,705	327	552	1,480
Mortgage companies.....	144	204	233	233	285	128	275	133
Insurance companies.....	105	185	204	209	285	234	171	203
Savings banks.....	84	104	118	109	108	120	37	101
Federal agencies ¹			1	2		3	4	
All others ²	20	42	43	38	68	71	42	39
Total.....	4,220	4,895	4,756	4,477	7,785	3,642	2,681	8,329

¹ Includes RFC Mortgage Company, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation.

² Includes investment companies, finance companies, endowed institutions, private and State bond funds, etc.

CHART 11—INSURED MORTGAGES ORIGINATED, TRANSFERRED, AND HELD BY TYPE OF INSTITUTION, CUMULATIVE, 1935-1940



Mortgages Transferred and Held in Portfolio

The relative percentage of total mortgages held by each type of institution and its percentage of total originations, purchases and sales may vary considerably. It is indicated in Table 22, for example, that while insurance companies had originated 10.0 percent of the mortgages accepted for insurance through 1940, they held 22.5 percent of total holdings, and had purchased 34.1 percent and sold only 4.3 percent of all insured mortgages transferred. Federal agencies hold only 8.3 percent of the total amount of mortgages insured.

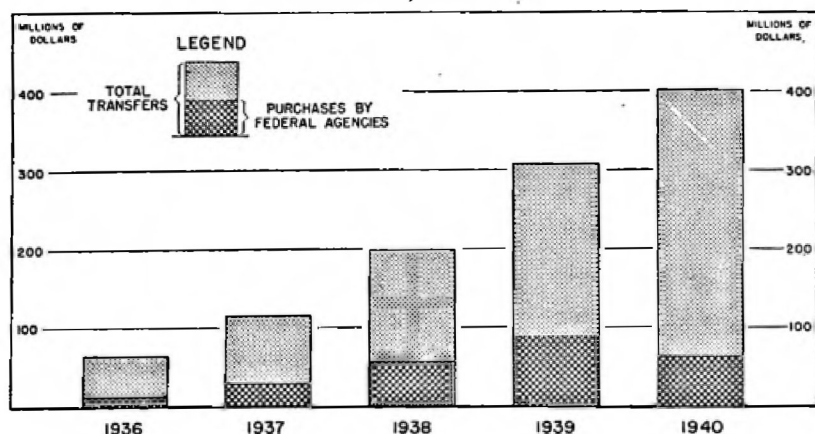
TABLE 22.—Type of institution originating, transferring, and holding mortgages: Face amount of mortgages accepted for insurance and insured mortgages transferred (inclusive of resales) and held, cumulative 1935-1940

[000 omitted]

Type of Institution	Mortgages originated ¹		Mortgages purchased		Mortgages sold		Mortgages held in portfolio	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
National banks.....	\$842,696	27.7	\$159,747	14.7	\$151,947	14.2	\$673,580	28.0
State banks.....	708,420	23.2	150,084	13.8	244,352	22.5	469,360	19.5
Savings and loan associations.....	312,422	11.2	26,192	2.4	79,950	7.4	224,328	9.3
Mortgage companies.....	580,593	19.4	32,309	3.0	484,745	44.5	43,518	1.8
Insurance companies.....	305,408	10.0	371,841	34.1	46,698	4.3	541,561	22.5
Savings banks.....	102,300	3.4	169,895	6.4	4,769	.4	149,239	6.2
Federal agencies ²	986	(³)	240,918	22.7	31,574	2.0	201,031	8.3
All others ⁴	155,594	5.1	32,064	2.9	41,814	3.8	106,571	4.4
Total ⁵	3,047,419	100.0	1,088,850	100.0	1,088,850	100.0	2,409,197	100.0

¹ Net mortgages accepted for insurance.² Includes the RFC Mortgage Company, Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation.³ Less than 0.05 percent.⁴ Excludes the transfer of 10,569 mortgages for \$41,967,398 between the RFC Mortgage Company and the Federal National Mortgage Association, and 30 mortgages for \$39,794 between the RFC Mortgage Company and the U. S. Housing Corporation. Figures are based upon FIA records of mortgage transfers.⁵ Includes investment companies, finance companies, endowed institutions, private and State benefit funds, etc.⁶ Net mortgages accepted for insurance include 83,154 firm commitments outstanding for the amount of \$341,066,277 and premium-paying mortgages exclude 61,087 mortgages for \$228,907,993 on which insurance had been terminated as of Dec. 31, 1940; hence, mortgages accepted for insurance, minus sales and plus purchases, do not yield the total held in portfolio.

CHART 12—VOLUME OF INSURED MORTGAGES PURCHASED AND SOLD, BY YEARS, 1936-1940



Yearly Trend in the Transfer of Insured Mortgages

For each year since FHA began operations the volume of mortgage transfers, inclusive of resales, has shown an increase. They have risen from about \$65,000,000 in 1935-36 to more than \$400,000,000 during 1940. The volume of net mortgages accepted for insurance by FHA has also increased, or from approximately \$559,000,000 in 1935-36 to more than \$839,000,000 in 1940. Relatively, however, mortgage transfers have experienced a more rapid increase. Transfers represented 11.6 percent of the net mortgages accepted for insurance during 1935-36, and rose steadily each year until these transfers during 1940 were 47.7 percent of the amount of mortgages accepted for insurance during that year.

Data concerning mortgage transfers and mortgage acceptances are shown in Table 23 below.

Purchases and Sales by Federal Agencies

Mortgage purchases by the Federal agencies have contributed substantially to the activity of the market for insured mortgages, as Table 24 indicates. In 1940, however, purchases by Federal agencies

TABLE 23.—Trend of transfers and acceptances: Face amount of net 1- to 4-family-home mortgages accepted for FHA insurance, and premium-paying mortgage transfers, 1936-1940

Year	Mortgage transfers ¹		Net mortgages accepted		Yearly transfers as a percent of mortgages		Cumulative transfers as a percent of cumulative acceptances
	During year	Cumulative total	Yearly increase	Cumulative total	Added during year	Cumulative accepted	
1935-36.....	\$64,730,544	\$64,730,544	\$559,273,916	\$559,273,916	11.6	11.6	11.6
1937.....	115,413,128	180,143,672	376,676,757	935,950,673	30.6	12.3	19.2
1938.....	199,204,800	379,408,532	503,158,510	1,529,109,183	33.0	13.0	24.8
1939.....	308,850,215	688,258,747	679,229,094	2,208,339,177	45.5	14.0	31.2
1940.....	400,591,159	1,088,849,906	839,079,830	3,047,419,016	47.7	13.1	35.7

¹ Includes resales but excludes inter-Federal agency transfers, as determined by FHA records.

TABLE 24.—Federal agency¹ transfers: Face amount of 1- to 4-family FHA-insured home mortgages purchased and sold (including resales), 1935-1940

Year	Purchases		Sales		Mortgages added to to portfolio ²	
	Amount	As a percent of all purchases	Amount	As a percent of all sales	Amount	As a percent of net mortgages accepted
1935-36.....	\$10,241,576	15.8	\$73,310	0.1	\$10,168,266	1.8
1937.....	28,720,029	24.0	6,426,050	5.6	22,293,970	5.9
1938.....	56,417,085	28.3	10,488,871	5.3	45,928,214	7.7
1939.....	87,864,645	28.4	9,001,900	2.9	78,862,745	11.6
1940.....	63,644,360	15.9	5,584,389	1.4	58,059,971	6.9
Total.....	246,917,695	22.7	31,574,520	2.9	215,343,175	7.1

¹ Includes The RFC Mortgage Company, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation; excludes on a cumulative basis the transfer among the Federal agencies of 10,590 mortgages in the amount of \$42,007,192. Figures are based upon FHA records of mortgage transfers.

² Amount includes mortgages terminated.

declined both in volume and as a proportion of the total transfers taking place during the year. Cumulatively through 1940 their purchases totaled almost \$247,000,000, or 22.7 percent of total purchases, considerably less than the percentage of total purchased by National and State banks and insurance companies. The volume of Federal agency sales, however, has been quite small, only 2.9 percent of the total, or approximately \$32,000,000. The difference between their purchases and sales, over \$215,000,000, exclusive of mortgage terminations, has been added to their mortgage holdings.

State Distribution of Mortgage Transfers

At the close of 1940 mortgage transfers amounted to nearly \$1,089,000,000 and represented the purchase of insured mortgages secured by homes located in every State and Alaska, Hawaii, and Puerto Rico. This volume represented 35.7 percent of the total of over \$3,047,000,000 net mortgages accepted for insurance by FHA. Of the net acceptances, 27.6 percent had been purchased by private financing institutions and 8.1 percent by the Federal agencies. Among the States great variations exist in the percentage which purchases bear to mortgages accepted for insurance, and the percent of acceptances purchased by private institutions and Federal agencies. In Wyoming, for example, purchases were 70.6 percent of acceptances, while they were only 3.7 percent in Vermont. Private institution purchases were 59.3 percent of acceptances in Delaware and but 3.7 percent in California, while the Federal agencies purchased 42.2 percent of the mortgages accepted for insurance on Florida homes with no mortgage purchases in Nevada, New Hampshire, Vermont, and Hawaii. Data for all States are presented in Table 25.

TABLE 25.—State distribution of Federal agency and private institution purchases. Face amount of 1- to 4-family FHA-insured home mortgage purchases (including resales), cumulative 1935-1940

Location of property	Net mortgages accepted by FHA to date	Total purchases		Federal agency purchases ¹		Private institutions ²	
		Amount	As a percent of net acceptances	Amount	As a percent of net acceptances	Amount	As a percent of net acceptances
Alabama	\$25,762,472	\$6,677,985	25.9	\$1,727,100	6.7	\$4,950,885	19.2
Arizona	14,412,446	5,977,423	41.5	1,779,297	12.4	4,108,126	29.1
Arkansas	13,552,460	4,210,125	31.1	2,953,135	21.8	1,262,990	9.3
California	553,507,546	24,508,105	4.4	3,971,950	.7	20,536,155	3.7
Colorado	26,203,568	13,484,550	51.5	1,050,100	4.0	12,434,450	47.5
Connecticut	29,305,545	10,272,200	35.1	375,780	1.3	9,896,420	33.8
Delaware	6,576,100	4,016,804	61.1	120,200	1.8	3,896,604	59.3
District of Col.	13,272,250	5,387,630	40.6	1,216,750	9.2	4,170,880	31.4
Florida	74,475,901	47,681,442	64.0	31,457,340	42.2	16,224,102	21.8
Georgia	46,437,252	15,402,165	33.2	5,752,200	12.4	9,649,965	20.8
Idaho	11,610,355	4,488,240	38.7	633,700	5.6	3,854,540	33.2
Illinois	203,693,944	98,730,392	48.5	32,715,050	16.1	66,015,342	32.4
Indiana	102,589,141	30,665,612	29.9	7,335,200	7.1	23,330,412	22.2
Iowa	24,917,599	5,651,690	23.9	823,300	3.3	5,128,390	20.6
Kansas	33,289,217	16,605,495	49.9	5,244,955	15.8	11,360,540	34.1
Kentucky	27,711,961	15,234,722	55.0	4,644,010	16.8	10,590,712	38.2
Louisiana	26,542,140	6,680,500	25.1	2,920,500	11.0	3,760,000	14.1
Maine	6,089,250	416,300	6.8	76,500	1.2	339,800	5.6
Maryland	51,063,685	17,293,550	33.5	3,885,550	7.5	13,408,000	26.0
Massachusetts	26,773,487	1,036,730	7.2	48,100	.2	1,888,630	7.0
Michigan	248,773,075	129,850,720	52.8	45,017,050	18.7	83,933,670	34.1
Minnesota	40,392,454	14,739,091	36.5	671,080	1.4	14,108,311	35.1
Mississippi	18,284,689	7,385,708	40.3	307,680	1.6	4,378,028	23.9
Missouri	76,337,807	34,708,095	45.5	1,628,600	2.1	33,139,495	43.4
Montana	8,377,041	1,235,360	14.7	594,500	7.1	640,500	7.6
Nebraska	16,113,019	5,761,850	35.7	2,810,350	17.4	2,951,500	18.3
Nevada	4,912,205	200,025	4.1	—	—	200,025	4.1
New Hampshire	5,075,451	167,380	3.3	—	—	167,380	3.3
New Jersey	160,346,473	60,749,562	37.9	3,530,904	2.2	57,209,658	35.7
New Mexico	8,346,375	3,418,450	41.0	2,368,650	28.4	1,049,800	12.6
New York	231,302,290	124,700,134	53.9	4,902,085	2.1	119,858,049	51.8
North Carolina	35,877,239	16,948,720	40.9	2,881,670	8.0	13,967,050	38.9
North Dakota	2,995,345	853,040	28.4	268,000	8.9	585,040	19.5
Ohio	186,570,575	59,901,432	30.5	1,313,600	.7	58,587,832	29.8
Oklahoma	42,564,342	25,090,960	58.9	15,164,580	35.6	9,926,380	23.3
Oregon	19,054,100	5,560,600	27.9	1,870,200	9.4	3,690,400	18.5
Pennsylvania	172,431,810	81,160,514	47.0	422,450	.2	80,738,064	46.8
Rhode Island	11,504,220	1,224,250	10.6	100,250	.9	1,124,000	9.7
South Carolina	18,536,438	9,014,209	51.9	3,047,609	19.7	5,966,600	32.2
South Dakota	6,187,430	618,150	10.0	77,900	1.3	540,250	8.7
Tennessee	44,561,350	22,959,620	51.5	6,448,150	14.5	16,511,470	37.0
Texas	139,573,227	66,446,615	47.6	18,044,929	12.9	48,401,686	34.7
Utah	22,313,615	8,893,725	39.9	1,872,600	8.4	7,021,125	31.5
Vermont	5,239,687	105,475	3.7	—	—	105,475	3.7
Virginia	58,880,449	22,002,760	37.3	3,430,740	5.8	18,562,020	31.5
Washington	61,359,365	22,121,170	36.0	8,209,800	13.5	13,921,670	22.5
West Virginia	23,057,060	8,420,850	36.5	3,708,100	16.1	4,712,750	20.4
Wisconsin	41,015,144	13,094,950	31.9	163,000	.4	12,931,950	31.5
Wyoming	11,003,948	7,777,830	70.6	4,141,140	37.6	3,636,690	33.0
Alaska	1,512,460	733,061	48.5	730,901	48.3	3,000	.2
Hawaii	6,164,670	20,000	.3	—	—	20,000	.3
Puerto Rico	2,465,000	245,800	10.0	245,800	10.0	—	—
Total	3,047,419,016	1,088,840,906	35.7	246,917,695	8.1	841,932,211	27.6

¹ Includes the RFC Mortgage Company, the Federal National Mortgage Association, the Federal Deposit Insurance Corporation, and the U. S. Housing Corporation; excludes the transfer of 10,560 mortgages for \$41,967,398 between the RFC Mortgage Company and the Federal National Mortgage Association and 30 mortgages for \$39,794 between the U. S. Housing Corporation and The RFC Mortgage Company. Figures are based on FHA records of mortgage transfers.

² These transfers are on the basis of reports tabulated and audited by FHIA, not as already recorded by individual institutions; hence, the amount actually transferred is somewhat larger.

TERMINATIONS, FORECLOSURES, AND DELINQUENCIES

DURING the six years 1935-40, the FHA has insured 634,023 mortgages, of which 582,936, or 91.94 percent, were in force on December 31, 1940. On 51,087, or 8.06 percent, the insurance had been terminated. Of the mortgages terminated, 268 had been found ineligible for insurance after the payment of the insurance premium, 102 had matured, 13,973 were refinanced with new insured mortgages, and 33,936 had been paid in full prior to maturity.

The balance of the terminations, or 2,808 cases, represented mortgage foreclosures. Of these the mortgagee retained title to the properties, in 497 cases, thus surrendering claims for insurance, and had in 2,311 of the foreclosed cases, transferred property title to FHA in exchange for debentures.

To the 2,808 mortgages with foreclosures completed at the end of 1940 must be added 739 foreclosed mortgages secured by properties which were still held by the mortgagees subject to redemption by the mortgagor or with claims pending for insurance. These comprise a total of 3,547 mortgage foreclosures by mortgagees, or 0.56 percent of the total premium-paying mortgages through 1940, and 0.50 percent of the net mortgages accepted for insurance.

Delinquencies of insured mortgages have shown a downward trend for the last 3 years, a mortgage being considered delinquent when the

TABLE 26.—Status of terminations, foreclosures, and delinquencies: Number and percentage distribution of total 1- to 4-family home mortgages insured by FHA, cumulative 1935-1940

Status or disposition	Mortgages		Percent of total
	Number	Percent	
TERMINATIONS:			
Matured mortgages.....	102	0.20	0.02
Prepaid mortgages, refinanced through new insured mortgages.....	13,973	27.35	2.20
Mortgages prepaid in full.....	33,936	66.43	5.35
Ineligible mortgages canceled.....	268	.53	.04
Properties retained by mortgagees after foreclosure.....	497	.97	.08
Properties transferred to FHA after foreclosure.....	2,311	4.52	.37
Total terminations.....	51,087	100.00	8.06
Mortgages in force.....	582,936		91.94
Total mortgages insured.....	634,023		100.00
FORECLOSURES:			
Subject to redemption or pending claims for insurance.....	739	20.84	.12
Properties retained by mortgagee.....	497	14.01	.08
Properties transferred to FHA.....	2,311	65.15	.36
Total foreclosures.....	3,547	100.00	.56
Mortgages insured minus foreclosures.....	630,476		99.44
Total mortgages insured.....	634,023		100.00
DELINQUENCIES:			
Minor: reinstatement expected or indefinite.....	8,304	75.84	1.42
Serious: foreclosure imminent or started.....	1,906	17.41	.33
Foreclosed properties held for redemption or pending claims against insurance.....	739	6.75	.13
Total delinquencies.....	10,949	100.00	1.88
Mortgages in good standing.....	571,987		98.12
Total mortgages in force.....	582,936		100.00

mortgagee reports the mortgagor past due on one monthly payment. At the close of 1940 only 1.88 percent of the total insured mortgages in force had been reported delinquent, as compared with 1.97 percent and 2.45 percent delinquent at the end of 1939 and 1938, respectively.

Of the 10,949 mortgages either delinquent or under process of foreclosure subject to redemption or with claim filed for insurance through 1940, minor delinquencies represented 75.84 percent. Serious delinquencies, those cases on which foreclosure was considered either imminent or had actually been started, numbered 1,906 cases and amounted to 17.41 percent of total delinquent cases, while the remaining delinquencies, 739 or 6.75 percent of the total, represented foreclosed properties either held by the mortgagee subject to redemption or with claim filed for insurance. Data on terminations, foreclosures and delinquencies cumulative through 1940 are shown in Table 26.

Yearly Trend of Terminations, Foreclosures, and Delinquencies

TOTAL mortgage insurance terminations during 1940 increased substantially over the previous year, numbering 22,829 as against 12,865. Cumulative through the end of these years, terminations amounted to 8.06 percent of the mortgages insured through 1940, and 6.07 percent through 1939. Foreclosures in 1940 numbered 1,452, an increase of 26.4 percent over 1,149 during 1939. On a cumulative basis, the 3,547 foreclosures up to the end of 1940 represented 0.56 percent of all mortgages insured through 1940, compared with 0.45 percent through 1939. These include foreclosed properties retained by the mortgagee, as well as those tendered to the Administrator in exchange for debentures.

The number of seriously delinquent cases increased by only 149 during 1940, as against 896 in 1939; cumulatively on a percentage basis they represented 0.33 percent of the insured mortgages in force on December 31, 1940, and 0.40 percent at the close of 1939.

TABLE 27.—Trend of terminations, foreclosures, and serious delinquencies: Total 1- to 4-family home mortgages insured by FHA, cumulative 1935-1940

Year	Terminations			Foreclosures			Serious delinquencies		
	Number for the year	Cumulative through end of year		Number for the year	Cumulative through end of year		Number for the year	Cumulative through end of year	
		Number	Percent of total insured		Number	Percent of total insured		Number	Percent insured mortgages in force
1935.....	95	95	0.41	2	2	0.01	(1)	(1)	.....
1936.....	1,362	1,457	1.45	30	32	.03	45	45	0.05
1937.....	5,065	6,522	3.22	218	250	.12	334	370	.19
1938.....	8,871	15,393	4.03	690	940	.30	482	851	.20
1939.....	12,865	28,258	6.07	1,149	2,065	.46	896	1,757	.40
1940.....	22,829	51,087	8.06	1,452	3,547	.56	149	1,906	.33

¹ Not reported.

² Includes 13,973 prepaid mortgages refinanced through FEA.

State Distribution of Terminations, Foreclosures, and Delinquencies

The State distribution of terminations, foreclosures, and serious delinquencies is shown in Table 28. The terminations and foreclosures are related to the net mortgages accepted for insurance secured

TABLE 28.—State distribution of terminations, foreclosures, and serious delinquencies: Cumulative number of 1- to 4-family home mortgages insured, 1935-1940

Location of property	Net mortgages accepted ¹	Terminations ²		Foreclosures ²		Serious delinquencies ⁴	
		Number	As percent of mortgages accepted	Number	As percent of mortgages accepted	Number	As percent of accepted mortgages in force
Alabama	6,822	434	6.36	27	0.40	14	0.22
Arizona	4,004	328	8.19	14	.35	10	.27
Arkansas	4,322	426	9.86	35	.81	21	.54
California	130,343	9,135	7.01	237	.18	181	.15
Colorado	7,157	551	7.70	25	.35	6	.09
Connecticut	5,887	440	7.47	35	.59	7	.13
Delaware	1,371	103	7.51	22	1.60	4	.32
District of Columbia	2,175	173	7.95	1	.05	5	.25
Florida	10,117	838	4.38	91	.48	71	.39
Georgia	12,034	644	5.35	94	.53	14	.12
Idaho	3,539	289	8.17	14	.40	5	.15
Illinois	40,170	3,612	8.99	104	.26	90	.25
Indiana	26,704	1,821	6.82	61	.23	59	.24
Iowa	6,638	617	9.29	13	.20	12	.20
Kansas	9,797	944	9.67	227	2.32	89	1.01
Kentucky	6,198	576	9.29	57	.92	31	.55
Louisiana	6,753	361	5.35	22	.33	15	.23
Maryland	2,077	166	8.10	24	1.18	8	.43
Massachusetts	11,584	788	6.80	43	.37	28	.26
Michigan	5,417	608	12.85	118	2.18	44	.83
Minnesota	52,452	3,046	5.81	371	.71	181	.37
Mississippi	10,163	1,135	11.17	57	.66	19	.21
Missouri	5,721	436	7.62	53	.93	16	.30
Montana	18,207	1,420	7.85	157	.86	51	.30
Nebraska	2,258	249	10.88	3	.13	0	.44
Nevada	4,386	465	10.60	25	.57	14	.36
New Hampshire	1,090	122	11.10				
New Jersey	1,375	225	10.36	16	1.16	13	1.13
New Mexico	33,314	1,915	5.75	370	1.11	114	.36
New York	2,319	118	5.09	1	.04	2	.09
North Carolina	45,862	1,062	4.28	353	.77	177	.40
North Dakota	8,531	495	5.80	39	.46	15	.19
Ohio	929	77	8.29	6	.65	2	.23
Oklahoma	30,955	5,105	12.78	126	.32	105	.30
Oregon	11,156	746	6.69	50	.53	55	.53
Pennsylvania	5,977	373	6.24	11	.18	17	.30
Rhode Island	39,822	2,241	5.63	167	.42	95	.26
South Carolina	2,542	180	7.44	22	.87	6	.25
South Dakota	4,875	264	5.42	39	.80	28	.61
Tennessee	2,111	193	9.14	19	.90	4	.21
Texas	11,991	929	5.25	99	.83	32	.28
Utah	36,423	1,571	4.31	91	.25	105	.30
Vermont	5,953	580	9.69	29	.48	10	.19
Virginia	1,553	208	13.31	21	1.34	19	1.40
Washington	12,954	777	6.00	63	.52	20	.16
West Virginia	17,915	1,586	8.85	67	.32	29	.18
Wisconsin	5,113	300	5.87	10	.20	14	.29
Wyoming	8,403	895	10.65	37	.44	24	.32
Alaska	3,114	603	17.06	6	.18	9	.32
Hawaii	342	42	12.29	1	.29		
Puerto Rico	1,524	169	11.09			4	.30
Total	430						
Total	711,177	51,087	7.18	3,547	.50	1,906	.29
Based on 634,023 insured mortgages			8.06		.56		.30
Based on 582,936 insured mortgages outstanding							.33

¹ By present method of tabulation, insured mortgages are not available by State location of property. Net mortgages accepted include 77,154 firm commitments outstanding.

² Includes mortgages matured, prepaid, or canceled, and 2,808 terminated foreclosed.

³ The 3,547 foreclosures include terminated mortgages on 497 properties retained by mortgagee, 2,311 properties transferred to FHA at the foreclosure sale, and 739 foreclosed properties subject to redemption or pending settlement prior to termination of insurance.

⁴ Includes mortgages for which foreclosure seems imminent or on which foreclosure proceedings have been started. Percentage based upon net mortgages accepted less terminations.

by properties located within each State in order to yield a comparison of insured cases terminated with the volume of insurance written in each State. The serious delinquencies are compared to insured mortgages in force to serve as an indication of possible subsequent foreclosures among those outstanding as of December 31, 1940.

A comparison of terminations, foreclosures, and delinquencies with premium-paying mortgages is also given but only for total premium-paying, such data not being available by State break-down. The ratio of terminations and foreclosures to the total net mortgages accepted for insurance in all States is 7.18 and 0.50 percent, respectively, while the ratio of serious delinquencies to accepted mortgages in force for all States is 0.29 percent.

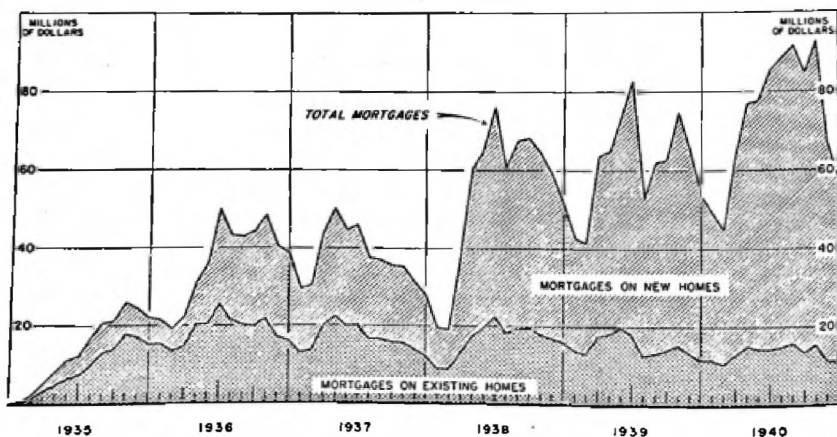
TRENDS AND DISTRIBUTION OF NEW AND EXISTING HOME MORTGAGES

THIS section is devoted to the yearly and monthly quantitative trends in new- and existing- home mortgages accepted for FHA insurance and to a State distribution of 1940 mortgages. New homes are defined as those constructed under FHA inspection or completed not more than 12 months prior to FHA insurance; existing homes are those more than 1 year old at time of acceptance for insurance.

Monthly Trend of New and Existing Home Mortgages

The yearly volume of mortgages on new homes has increased from \$60,248,256 in 1935 to \$721,462,431 in 1940, whereas the volume of existing-home mortgages has declined slightly since 1936 to \$159,002,448 in 1940. In consequence of the marked increase in volume of new-home mortgages and of the simultaneous decrease in volume of existing-home mortgages accepted for FHA insurance, the proportion of new homes increased from approximately 40 percent in 1936 to

CHART 13—VOLUME OF MORTGAGES ACCEPTED FOR INSURANCE, BY MONTHS, 1935-1940



over 80 percent in 1940. This latter percentage noticeably exceeds the 75 percent minimum proportion of new- to total-home mortgages required by the 1939 amendment to the National Housing Act.

Although the total dollar amount of new-home mortgages accepted for FHA insurance increased sharply over the 6-year period, the average face amount of principal has declined steadily. Therefore, the benefits of home ownership under the FHA plan have reached an even larger number of families than the actual yearly dollar increase indicates.

In October of 1940, FHA accepted for insurance over \$77,000,000 of new-home mortgages, the greatest monthly volume to date. During the 1940 calendar year, moreover, new-home mortgage acceptances exceeded \$50,000,000 in 9 of the 12 months. By number, this monthly volume represents about 12,000 to 17,000 home mortgages.

Chart 13 presents not only the substantial yearly growth in the volume of new home mortgages accepted for FHA insurance, but also the fluctuations within any calendar year. The wide fluctuations obviously reflect in large degree the seasonal character of the home building industry. The seasonal pattern is to some extent obscured,

TABLE 29.—Trend of new and existing home mortgages: Gross number and face amount of 1- to 4-family home mortgages accepted for FHA insurance, 1935-1940

Month and year	New homes ¹		Existing homes ¹		Total		New homes as a percent of total ¹	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1935	12,300	\$60,248,250	20,787	\$110,346,008	42,147	\$170,594,864	29.3	35.3
1936	45,562	212,279,801	64,049	226,169,352	109,611	438,449,153	41.6	48.4
1937	53,552	248,948,357	55,111	200,651,725	108,663	449,600,082	49.3	55.4
1938	97,645	450,962,208	52,057	190,197,893	149,702	650,160,101	65.2	69.4
1939:								
January	6,396	28,842,900	3,601	13,667,339	9,997	42,510,239	64.0	67.8
February	6,387	28,484,700	3,440	12,880,063	9,827	41,364,763	65.0	68.9
March	10,287	40,182,679	4,652	17,516,165	14,939	63,098,844	68.0	72.5
April	10,407	40,935,230	4,678	18,078,000	15,085	65,014,230	69.0	72.2
May	12,057	54,467,694	5,209	19,498,280	17,266	73,965,974	69.6	73.6
June	14,359	61,920,224	4,750	18,055,900	20,118	82,976,124	75.1	78.2
July	8,790	40,341,445	3,208	12,624,840	12,088	52,966,525	72.7	76.3
August	10,709	49,083,105	3,335	13,070,880	14,044	62,153,775	76.3	79.0
September	10,609	48,684,451	3,498	13,049,060	14,167	62,633,511	75.3	77.7
October	13,020	59,489,740	3,709	15,265,898	16,810	74,755,638	77.4	79.6
November	11,408	62,421,444	3,346	13,162,289	14,764	65,583,733	77.3	79.9
December	9,242	42,102,360	2,876	11,440,168	12,118	53,542,468	76.3	78.6
Total 1939	123,731	501,956,702	46,491	176,108,062	170,222	741,064,764	72.7	75.8
1940:								
January	8,352	37,706,400	2,792	11,446,837	11,144	49,153,237	74.9	76.7
February	7,799	34,520,700	2,610	10,397,735	10,409	44,918,435	74.9	76.9
March	11,584	51,361,531	3,111	12,492,270	14,695	63,853,801	78.8	80.4
April	13,969	61,773,260	3,781	15,252,756	17,717	77,025,956	78.8	80.2
May	14,242	63,390,400	3,664	14,345,846	17,906	77,736,246	79.5	81.5
June	16,054	71,179,000	3,640	14,195,200	20,694	85,374,200	81.5	83.4
July	16,698	74,005,900	3,711	14,658,500	20,339	88,664,400	81.8	83.5
August	17,058	76,015,200	3,017	15,767,040	20,985	91,682,240	81.3	82.8
September	15,995	71,138,100	3,431	13,632,259	19,426	84,770,359	82.3	83.9
October	17,438	77,440,200	3,843	15,261,615	21,279	92,731,815	81.9	83.5
November	12,538	55,919,000	2,783	10,855,200	15,321	66,774,200	81.8	83.7
December	10,671	47,112,800	2,665	10,667,190	13,336	57,779,990	80.0	81.5
Total 1940	162,333	721,462,431	39,918	159,002,448	202,251	880,464,879	80.3	81.9

¹ For the months January 1935 through April 1936, net mortgages on homes accepted any time after completion of construction are included in this table as existing homes. Beginning with May 1936, gross mortgages on homes accepted within 12 months after completion of construction are included as new homes.

however, by such extraneous factors as the sharp initial growth of FHA, the recession of the autumn of 1937, the liberalizing amendment of 1938 and the lag between construction, mortgages selected, and mortgages accepted for insurance. Nevertheless, unmistakable seasonality characterizes FHA activity.

Experience indicates a tendency toward subnormal FHA activity from about November through February. During March, through May or June the volume usually reaches a yearly peak. The summer slump, which occurs about June or July, gives way to a secondary revival usually lasting from July or August until October.

TABLE 30.—State distribution of mortgages accepted for insurance: Gross number and face amount of 1-1/4-family home mortgages accepted for insurance by FHA, 1940

Location of property	New homes		Existing homes		Total		New homes as a percent of total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Alabama	1,634	\$6,661,300	259	\$898,087	1,893	\$7,560,287	86.3	88.1
Arizona	779	2,847,800	230	755,400	1,009	3,603,200	77.2	79.0
Arkansas	838	3,038,000	286	854,200	1,124	3,892,200	74.6	78.1
California	30,943	131,715,900	6,005	25,380,600	36,948	157,096,500	83.7	83.8
Colorado	1,707	6,805,500	691	2,305,600	2,398	9,111,100	71.2	74.2
Connecticut	1,802	7,544,800	223	1,202,500	1,725	8,747,300	87.1	86.3
Delaware	277	1,295,100	40	177,900	317	1,473,000	87.4	87.9
District of Columbia	527	2,815,600	38	253,100	565	3,068,700	93.3	91.8
Florida	5,442	20,787,150	400	1,390,900	5,842	22,178,050	93.2	93.7
Georgia	2,817	11,263,800	528	1,787,800	3,345	13,051,600	84.2	86.5
Idaho	768	2,695,700	262	832,565	1,030	3,528,265	76.4	76.4
Illinois	7,498	41,416,131	5,527	27,135,800	13,026	68,551,931	57.6	60.4
Indiana	5,712	25,453,300	2,048	9,123,300	8,760	34,576,600	68.3	73.6
Iowa	1,824	7,764,500	522	1,680,600	2,346	9,445,100	77.7	82.1
Kansas	1,770	7,309,200	470	1,346,200	2,240	8,655,400	79.0	84.4
Kentucky	1,257	5,267,650	111	405,400	1,368	5,673,050	91.0	91.4
Louisiana	1,050	8,316,400	152	615,200	2,102	8,931,600	92.8	93.1
Maine	249	952,500	347	864,600	596	1,817,100	41.8	52.1
Maryland	3,025	13,345,400	238	1,067,000	3,263	14,412,400	92.7	92.6
Massachusetts	857	3,871,900	310	1,582,000	1,167	5,453,900	72.9	71.3
Michigan	14,625	67,617,200	2,637	10,713,800	17,262	78,331,000	84.7	86.3
Minnesota	2,090	9,401,300	466	1,854,700	2,556	11,256,000	81.8	83.5
Mississippi	1,139	3,853,400	115	360,300	1,254	4,213,700	90.8	91.4
Missouri	3,699	16,244,200	977	3,444,500	4,676	19,688,700	79.1	82.5
Montana	544	2,197,700	226	758,000	770	2,955,700	70.6	74.4
Nebraska	760	3,380,100	688	2,126,400	1,448	5,506,500	53.1	61.4
Nevada	222	1,111,200	23	93,500	245	1,204,700	90.6	92.2
New Hampshire	152	650,600	204	644,400	356	1,295,000	42.7	50.2
New Jersey	6,885	33,660,800	1,761	6,940,203	8,646	40,601,003	70.7	82.9
New Mexico	736	2,890,400	93	291,700	829	3,182,100	88.8	90.6
New York	10,107	51,691,100	1,075	5,361,590	11,182	57,052,690	90.4	90.6
North Carolina	2,627	10,996,500	408	1,608,700	3,035	12,605,200	86.7	87.2
North Dakota	126	532,500	33	93,640	159	626,140	70.2	85.0
Ohio	6,325	33,064,200	3,152	14,231,500	9,477	47,295,700	66.7	69.9
Oklahoma	3,024	11,968,850	508	1,990,700	3,532	13,959,550	83.5	85.4
Oregon	1,475	5,664,300	443	1,316,700	1,918	6,981,000	76.9	81.1
Pennsylvania	8,032	38,905,100	2,431	9,106,190	10,463	48,011,290	76.8	81.0
Rhode Island	569	2,634,200	113	469,500	682	3,103,700	83.4	84.9
South Carolina	1,421	5,414,800	97	318,000	1,518	5,732,800	93.0	94.5
South Dakota	325	1,281,800	265	619,500	590	1,901,300	55.1	67.4
Tennessee	2,872	10,685,000	245	897,164	3,117	11,582,164	92.1	92.2
Texas	10,626	40,765,550	474	1,729,800	11,100	42,495,350	95.7	95.9
Utah	1,373	5,580,900	226	850,700	1,599	6,431,600	85.9	86.8
Vermont	155	658,000	133	455,800	288	1,113,800	53.8	59.1
Virginia	3,331	15,652,600	371	1,582,100	3,702	17,234,700	90.0	90.8
Washington	3,472	14,106,800	2,054	6,308,500	5,526	20,415,300	62.8	69.1
West Virginia	1,039	5,076,300	338	1,385,900	1,377	6,462,200	75.5	78.0
Wisconsin	2,067	9,871,300	362	1,632,700	2,429	11,504,000	85.1	85.8
Wyoming	499	2,092,300	410	1,239,200	909	3,241,500	64.9	61.8
Alaska	58	278,600	9	38,600	67	317,200	86.6	87.9
Hawaii	303	1,306,800	73	289,600	376	1,596,400	80.0	81.9
Puerto Rico	270	1,627,400	102	471,600	372	2,099,000	72.6	77.5
Total	162,333	721,462,431	39,918	169,002,448	202,251	880,464,879	80.3	81.9

State Distribution of Mortgages Accepted in 1940

California, with nearly \$132,000,000 new-home mortgages accepted for FHA insurance in 1940, accounted for almost twice the volume of Michigan, the second ranking State, which reported about \$68,000,000. New York, with almost \$52,000,000 new-home mortgages, stood third.

In refinancing mortgages with FHA insurance, Illinois surpassed all other States by attaining a level of \$27,000,000 in 1940. This volume greatly exceeded that of all other States except California.

New-home mortgages as a percent of all mortgages accepted for FHA insurance in 1940, varied widely among the States. For Texas, 95.9 percent of the dollar volume covered new-home mortgages, for South Carolina 94.5 percent, and for Florida 93.7 percent. For New Hampshire and Maine, only 50.2 and 52.4 percent respectively of the mortgages accepted for insurance were secured by new homes. State and regional shifts in industry and population, as well as the relative extent and duration of previous building activity, strongly influence these interstate differences.

Mortgages by City-size Groups

Almost four of every five new-home mortgages accepted for FHA insurance are secured by properties located inside metropolitan districts. The proportion inside rose sharply from 1937 to 1938 and then remained on a plateau from 1938 through 1940. See Table 31 and Chart 14.

Practically all of the relative increase in FHA new-home loans inside metropolitan districts is attributable to the several city-size groups of less than 50,000 population. This appears to be largely the consequence of the population growth during the last 10 years, for, as also is indicated in Table 31, it is in these same groups that the increment in United States population from 1930 to 1940 was greatest.

Possibly one reason for the increase in the proportion of FHA new home mortgage insurance inside metropolitan districts is that the 1938 amendment permitted more liberal terms of purchase which brought new home ownership within the reach of many urban tenants.

Inasmuch as home ownership has more typically characterized families dwelling in small towns than those in large cities, it appears normal that the greater relative gains should have taken place inside metropolitan districts than outside.

That most of this increase occurred in the so-called rural nonfarm places and in incorporated places of less than 2,500 population probably results jointly from the fact that in these satellite areas land prices and construction costs tend to run noticeably lower than those in the central cities and that these generally are the areas in which a house can be bought at a price low enough to permit financing within the \$5,400 mortgage principal limitations which give the home buyer the advantage of the more liberalized FHA plan.

CHART 14—LOCATION OF PROPERTY COVERING MORTGAGES ACCEPTED, BY CITY-SIZE GROUPS, 1937-1940

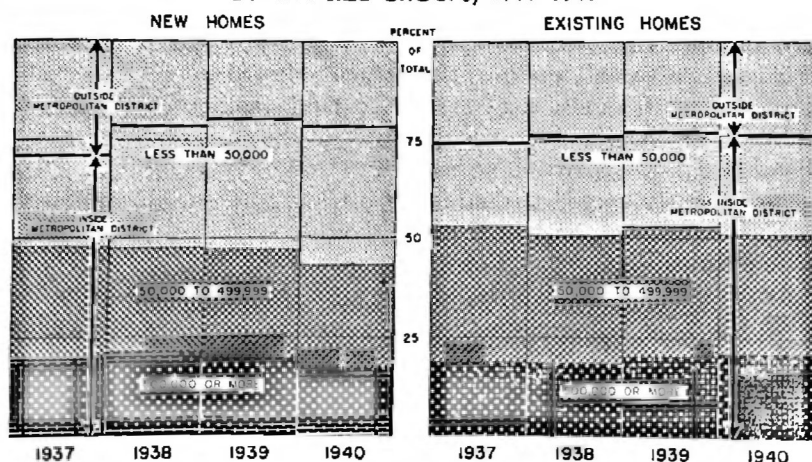


TABLE 31.—City-size groups inside and outside metropolitan districts: New and existing 1- to 4-family home mortgages accepted for insurance by FIIA in Continental U. S., 1937-40, and U. S. nonfarm population, 1940

City size group	Percentage distribution ¹									
	New homes				Nonfarm population ²		Existing homes			
	1937	1938	1939	1940	Increase 1930 to 1940	Total in 1940	1937	1938	1939	1940
Inside metropolitan districts:										
1,000,000 or more	16.4	18.1	16.4	13.8	0.5	15.7	11.5	13.6	14.7	15.8
500,000 to 999,999	3.2	3.1	3.2	3.3	7.8	6.3	6.9	4.7	5.4	5.0
500,000 or more	19.6	21.2	19.6	17.1	17.3	22.0	18.4	18.3	20.1	20.8
250,000 to 499,999	9.2	8.8	9.4	8.7	-1.4	7.7	15.4	13.0	13.4	12.0
100,000 to 249,999	10.8	9.8	10.1	9.1	2.8	7.7	10.1	10.5	10.0	9.1
50,000 to 99,999	8.0	7.8	8.2	8.4	0.6	7.2	9.2	9.2	9.8	9.4
50,000 to 499,999	28.0	26.4	27.7	26.2	11.0	22.6	34.7	32.7	33.2	30.5
25,000 to 49,999	2.4	2.9	2.7	2.7	7.5	3.2	3.6	3.5	3.5	3.6
10,000 to 24,999	5.9	7.0	7.2	7.2	3.1	3.8	6.5	7.7	7.1	7.8
5,000 to 9,999	4.2	4.3	4.0	4.8	2.8	2.0	4.2	4.6	4.0	4.4
2,500 to 4,999	2.4	2.7	3.0	3.4	.5	1.0	2.2	2.3	2.2	2.3
Rural nonfarm ³	8.5	14.0	15.7	17.3	23.3	7.4	4.6	7.2	7.1	7.3
Less than 50,000	23.4	30.9	33.2	35.4	37.2	17.4	21.1	25.3	23.9	25.4
Total inside metropolitan districts:	71.0	78.5	80.5	78.7	65.5	62.0	74.2	76.3	77.2	76.7
Outside metropolitan districts:										
25,000 to 49,999	4.1	3.0	3.3	3.5	3.6	4.2	4.6	4.1	4.0	4.1
10,000 to 24,999	5.7	5.4	4.0	5.2	6.8	6.0	6.2	6.0	5.6	5.8
5,000 to 9,999	4.0	3.9	3.3	3.4	6.1	4.6	3.4	3.8	3.4	3.7
2,500 to 4,999	3.2	3.1	2.7	2.0	3.0	3.9	3.0	3.3	2.9	2.9
Rural nonfarm ³	12.0	6.1	5.3	6.3	15.2	19.3	8.6	6.5	6.9	6.8
Total outside	29.0	21.5	19.5	21.3	34.5	38.0	25.8	23.7	22.8	23.3
Grand total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

¹ All data are based upon the metropolitan districts established in the 1940 Census. By definition, a metropolitan district includes one or more central cities of 50,000 or more population.

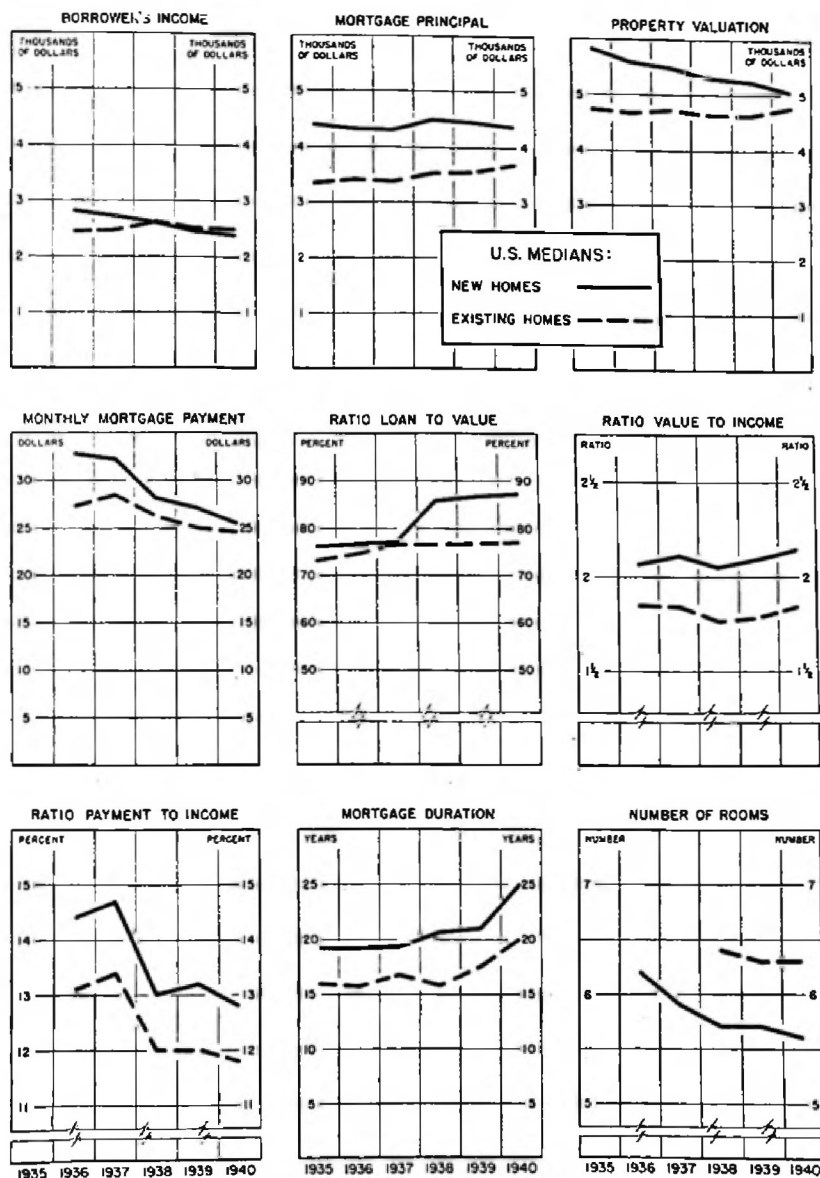
² Based on an FIIA estimate of the U. S. continental nonfarm population.

³ Includes also incorporated places of less than 2,500 population.

CHARACTERISTICS OF INSURED HOME MORTGAGES

CONDITIONS increasingly favorable to buyers have been made available under the FHA plan of amortized financing of new-home mortgages. The annual family income of the typical (median) new-home

CHART 15—TRENDS IN HOME MORTGAGE FINANCING UNDER THE FHA PLAN



mortgagor of 1940 amounted to \$2,381, some \$433 under that of the 1936 new-home purchaser. Similarly, the median monthly payment to principal and interest of \$25.39 for 1940 new-home buyers had declined about \$7.37 from the 1936 level, the first year for which data are available.

Inasmuch as the relative drop in mortgage payment exceeded the drop in income level during this period, payment as a percent of the borrower's income declined also. By 1940 this percentage for new-home buyers had declined to 12.8.

Total valuation of the typical new home purchased in 1940 under an FHA-insured mortgage was \$5,059, an amount \$823 below that of the typical 1935 new home. A partial explanation of this lower price is the decline in number of rooms. The median number of rooms in new homes had dropped to 5.6 in 1940 from 6.2 in 1936. Property valuation increased to 1.97 times the borrower's annual income in 1940 from 1.90 in 1936. This relative increase in the face of a substantial drop in valuation, of course, resulted from the even larger proportional decline in typical borrower's annual income.

Despite the marked decrease in income level and in property valuation, the typical new-home mortgage of \$4,358 for 1940 constituted a decline of only \$54 from 1935. This negligible decrease in mortgage principal concurrent with the sharp drop in property valuation largely was made possible by the 1938 amendment enabling the FHA to insure mortgages having a higher loan to value ratio.

Typically, under the FHA plan, the 1940 new-home buyer mortgaged his home for 87.0 percent of its valuation, compared with 76.1 percent for 1935. Also, his 1940 mortgage covered a term of 25 years, whereas in 1935 the typical term was 19.3 years. The 1938 amendment raised the maximum permissible term from 20 to 25 years. This increased mortgage term bears directly upon the previously mentioned reduced monthly mortgage payments, inasmuch as the interest and mortgage principal are amortized over a 6 year longer period.

For existing-home buyers, mortgage-financing conditions under the FHA plan also became more liberal, although not to the same extent as for new-home buyers. The existing-home buyer of 1940 earned \$2,485, a decline of over \$100 from 1938. Mortgage payments declined to \$24.51 in 1940, almost \$4 below the 1937 payment. Ratio of mortgage payment to income declined to 11.8 percent for 1940.

The typical existing home purchased in 1940 under the FHA plan was valued at \$4,770, a noticeable increase over 1939 and 1938.

The amount of principal of existing home mortgages increased to \$3,687 in 1940, a figure about \$342 above that of 1935. During the same period, ratio of loan to value increased from 73.1 to 76.8 percent, and mortgage term from 16.0 to 20.0 years.

Mortgage Principal

Mortgages of \$3,000 to \$5,999 represented 78.4 percent of all new-home mortgages accepted for insurance in 1940. This constitutes a substantial increase from 56.5 percent in 1936. The more favorable terms to new-home buyers with mortgages under \$5,400 permitted under the 1938 amendment has probably contributed to this increase. Concurrently, the proportion of new-home mortgages of \$6,000 or more decreased from 23.2 percent in 1936 to 10.7 percent in 1940.

Existing home mortgages of \$3,000 to \$5,999 likewise increased from 46.0 percent in 1936 to 55.4 percent in 1940, an increase greater than that for new-home mortgages. The percentage of existing home mortgages in each mortgage principal interval from \$8,000 up and below \$3,000 is substantially larger than for new-home mortgages.

CHART 16—ORIGINAL PRINCIPAL AMOUNT OF MORTGAGES ON NEW AND EXISTING HOMES INSURED DURING 1940

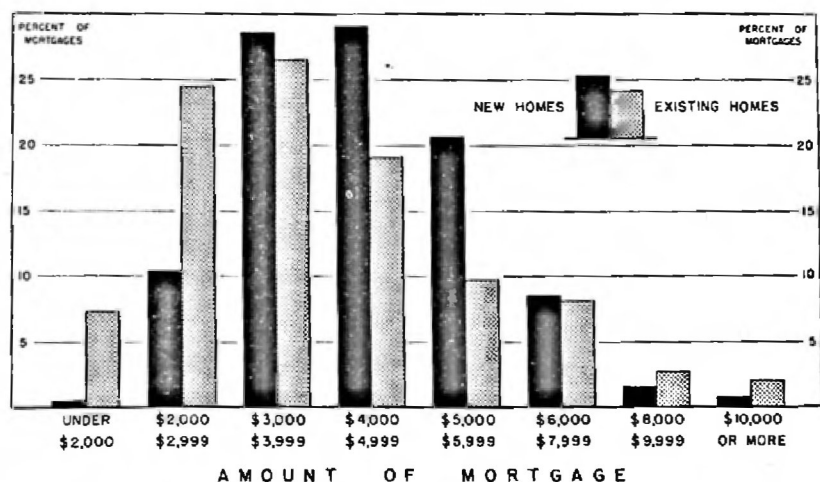


TABLE 32.—Amount of mortgage principal: New and existing, 1- to 4-family home mortgages accepted for insurance by FHA, 1936-1940

Mortgage principal	Percentage distribution of new homes					Percentage distribution of existing homes				
	1936 ¹	1937	1938	1939	1940	1936 ¹	1937	1938	1939	1940
Less than \$2,000	4.3	3.1	1.1	0.6	0.5	15.1	12.9	10.5	9.2	7.3
\$2,000 to \$2,999	16.0	16.0	10.6	9.7	10.4	25.0	28.1	28.3	26.5	24.5
\$3,000 to \$3,999	22.9	25.0	24.9	26.5	28.6	22.3	25.0	25.2	26.1	26.6
\$4,000 to \$4,999	20.4	22.6	27.3	20.3	29.1	15.1	16.0	16.8	17.7	19.1
\$5,000 to \$5,999	13.2	13.7	21.2	22.0	20.7	8.0	7.7	8.8	8.8	9.7
\$6,000 to \$6,999	8.8	8.7	7.4	0.5	0.1	5.3	4.5	5.3	5.2	5.6
\$7,000 to \$7,999	4.0	4.0	3.4	2.7	2.4	2.7	2.0	2.4	2.2	2.5
\$8,000 to \$8,999	3.1	2.7	1.9	1.4	1.1	1.8	1.4	1.7	1.7	1.8
\$9,000 to \$9,999	2.0	1.4	0.6	4	4	0	7	7	7	9
\$10,000 to \$11,999	2.1	2.0	0	.5	.4	1.3	.9	1.2	1.1	1.1
\$12,000 to \$16,000	2.3	1.8	.7	.4	.3	1.3	.8	1.1	.8	.9
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average mortgage	\$4,711	\$4,633	\$4,601	\$4,511	\$4,424	\$3,750	\$3,615	\$3,825	\$3,823	\$3,977
Median mortgage	4,333	4,304	4,491	4,450	4,358	3,413	3,361	3,520	3,547	3,687

¹ Computations based on premium-paying mortgages.

Duration of Mortgage

Some 63.8 percent of the new-home mortgages accepted for FHA insurance in 1940 were to be amortized over a 25-year period, the maximum allowable term. This represents a sharp increase over the 37.9 percent figure for 1939 and the 29.6 percent for 1938. Only 3.5 percent of the new-home mortgages accepted for insurance in 1940 will mature in less than 20 years, whereas the comparable figure for 1935 approximated 73 percent. Prior to 1938, the FHA was not authorized to insure mortgages having a term of more than 20 years.

Over half, 52.1 percent, of all existing-home mortgages accepted in 1940 had a duration of 20 years. The comparable figure for 1935 was 21.0 percent.

CHART 17—DURATION OF MORTGAGES ON NEW AND EXISTING HOMES INSURED DURING 1940

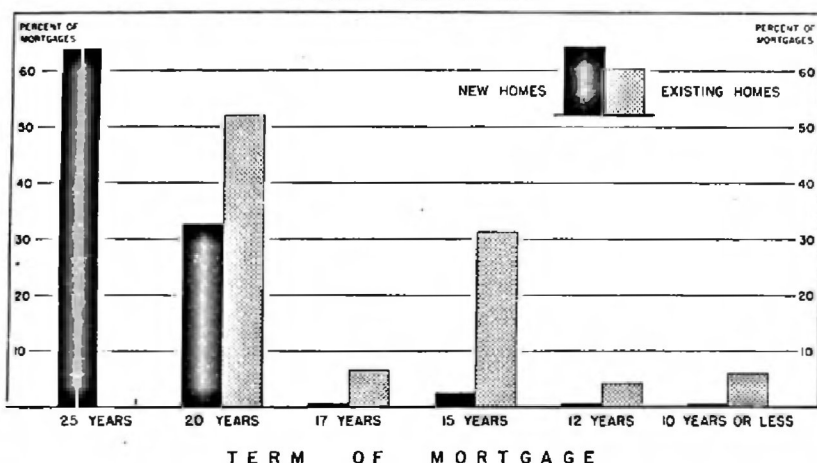


TABLE 33.—Duration of mortgage: New and existing, 1- to 4-family home mortgages accepted for insurance by FHA, 1935-1940

Term of mortgage ¹	Percentage distribution of new homes						Percentage distribution of existing homes					
	1935	1936 ²	1937 ²	1938	1939	1940	1935	1936 ²	1937 ²	1938	1939	1940
25 years	(4)	(4)	(4)	29.6	37.9	63.8	(4)	(4)	(4)	(4)	(4)	(4)
24 years	(4)	(4)	(4)	11.7	10.8	(4)	(4)	(4)	(4)	(4)	(4)	(4)
20 years	27.1	15.0	7.3	41.9	33.3	32.7	21.0	14.0	8.6	31.9	41.3	52.1
19 years	39.0	53.0	73.2	8.7	3.6	(4)	26.7	32.3	39.7	10.4	6.7	(4)
17 years	5.0	3.2	1.3	5.3	.3	.4	1.8	1.8	1.9	2.3	3.7	6.8
15 years	21.0	20.0	14.1	6.0	3.1	2.4	28.5	31.8	34.1	38.8	35.2	31.3
12 years	2.2	2.0	1.1	.6	.5	.4	5.9	6.0	5.7	6.0	5.7	4.0
10 years	4.7	4.5	2.8	.9	.5	.3	13.2	11.7	8.5	8.4	6.2	5.2
8 years	7.7	5.1	1.1	.1	.1	(4)	1.6	1.3	.9	.9	.8	.6
5 years	.3	.3	.1	(4)	(4)	(4)	1.3	1.1	.6	.4	.4	.2
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average duration	17.6	17.7	18.4	21.4	22.0	23.0	16.0	16.2	16.5	16.3	16.9	17.3
Median duration	19.3	19.3	19.4	20.8	21.0	25.0	16.0	15.9	16.9	15.9	17.5	20.0

¹ Years presented are those permitted by administrative regulation of February 1938.

² Computations based upon insured mortgages.

³ Ineligible for insurance of more than 20 years' duration.

⁴ Less than 0.05 percent.

Ratio of Loan to Value

Over two-thirds, 66.8 percent, of the new-home mortgages accepted for FHA insurance in 1940 represented from 86 to 90 percent of the total property valuation. Moreover, only 8.2 percent of the 1940 new-home mortgages covered less than 76 percent of the property valuation, a precipitous decline from the 48.4 percentage of 1935. In 1938, the maximum ratio of loan to value for new-home mortgages was raised from 80 to 90 percent.

Although the upper limit of 80 percent for existing-home mortgages has not been raised, the proportion of buyers obtaining a loan to value ratio of 76 to 80 percent has increased from 40.3 percent in 1935 to 63.3 percent in 1940. Thus, buyers of both new and existing homes usually avail themselves of ratios very near the top limit.

CHART 18—RATIO OF LOAN TO PROPERTY VALUE, FOR MORTGAGES INSURED DURING 1940

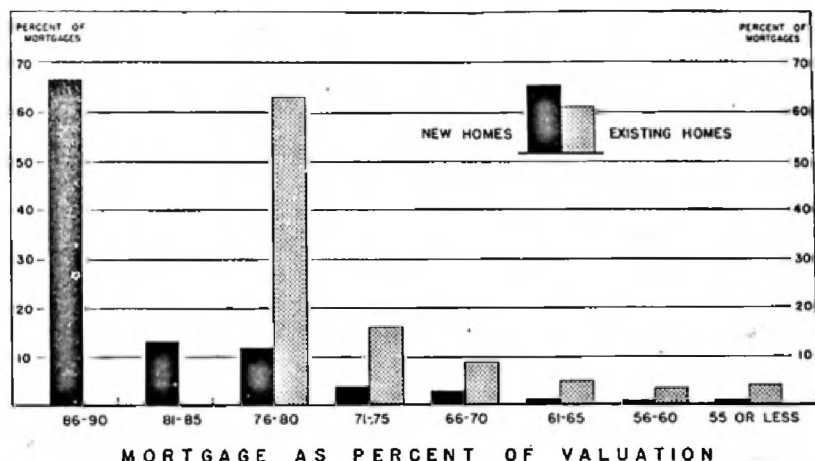


TABLE 34.—Ratio of loan to value: New and existing, 1- to 4-family home mortgages accepted for insurance by FHA, 1935-1940

Loan as a percent of value ¹	Percentage distribution of new homes						Percentage distribution of existing homes					
	1935	1936	1937 ²	1938	1939	1940	1935	1936	1937 ²	1938	1939	1940
80 to 90	(2)	(2)	(2)	40.0	50.0	60.8	(2)	(2)	(2)	(2)	(2)	(2)
81 to 85	(2)	(2)	(2)	13.7	13.7	13.2	(2)	(2)	(2)	(2)	(2)	(2)
76 to 80	51.0	59.7	67.4	24.6	16.1	11.8	40.3	45.0	54.0	55.7	58.4	63.3
71 to 75	18.7	16.9	15.6	6.1	4.7	3.6	16.9	16.5	17.9	17.4	16.8	16.2
66 to 70	12.5	10.1	8.1	3.4	3.0	2.7	12.8	13.0	11.2	11.1	10.7	8.6
61 to 65	7.1	5.5	4.0	1.3	1.1	.8	6.3	7.8	5.9	6.3	5.5	4.7
56 to 60	4.7	3.9	2.4	1.0	.6	.5	7.1	6.5	4.3	4.3	3.9	3.2
51 to 55	2.2	1.7	1.1	.4	.2	.2	4.4	3.7	2.1	2.0	2.0	1.7
50 or less	3.2	2.3	1.4	.5	.4	.4	0.2	7.5	3.7	3.2	2.7	2.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average loan as a percent of average value	73.0	73.9	75.3	82.4	83.7	84.7	69.0	70.4	73.7	73.9	74.4	75.1
Median percent	70.1	76.6	77.0	85.6	86.6	87.0	73.1	74.5	76.4	76.4	76.6	78.8

¹ Includes valuation of house, all other physical improvements, and land.

² Computations based on insured mortgages.

³ Homes ineligible for mortgages of more than 80 percent of property valuation.

CHARACTERISTICS OF PROPERTIES

ANALYSES of properties securing mortgages accepted for FHA insurance cover property valuation, number of rooms, garage capacity, exterior material of construction, and land valuation of properties inside and outside metropolitan districts for single-family new and existing homes.

Dwelling Units and FHA Valuation

Some 99.0 percent of all new-home mortgages accepted for insurance in 1940 were secured by single-family homes. Two family structures constituted 0.7 percent of the total. Four-family homes, 0.2 percent of total, were twice as numerous as the three-family structures. Even as early as 1936, about 95.4 percent of the homes underlying FHA accepted mortgages were of the single-family type.

Existing homes securing mortgages accepted for FHA insurance also are predominately single-family structures, although somewhat fewer in proportion than is true of new homes. About 92.7 percent of existing homes contain only one dwelling, 6.1 percent contain two dwellings, and 0.7 percent contain three dwellings. More of the existing homes have three dwelling units than have four dwelling units.

Average valuation of new homes has declined for each dwelling unit size. Valuation of single-family homes decreased over \$1,100 from 1936 to the 1940 level of \$5,199. For four-family homes the drop of \$2,672 from 1937 to the 1940 average of \$9,971 was even greater.

With existing homes, property valuation declined slightly for one-family and for four-family structures. But for two-family and for three-family structures, property valuation increased somewhat. This is contrary to the FHA experience on new homes. The valuation

TABLE 35.—Size and average FHA valuation of dwellings: New and existing home mortgages accepted for insurance by FHA, 1936-1940

Number of units	New homes					Existing homes				
	1936 ¹	1937	1938	1939	1940	1936 ¹	1937	1938	1939	1940
PERCENTAGE DISTRIBUTION										
1-family.....	95.4	95.7	97.8	98.5	99.0	92.7	91.9	92.5	92.7	92.7
2-family.....	3.2	3.0	1.9	1.2	.7	6.0	6.9	6.4	6.2	6.1
3-family.....	.4	.4	.2	.1	.1	.6	.7	.6	.5	.7
4-family.....	1.0	.0	.3	.2	.2	.7	.5	.6	.6	.5
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
AVERAGE PROPERTY VALUATION ²										
1-family.....	\$6,336	\$5,978	\$5,530	\$5,352	\$5,199	\$5,244	\$4,890	\$5,060	\$5,030	\$5,170
2-family.....	(³)	7,231	7,310	7,190	6,976	(³)	5,989	6,140	6,216	6,268
3-family.....	(³)	9,045	7,979	7,456	7,032	(³)	7,628	8,386	7,983	8,901
4-family.....	(³)	12,643	11,375	10,442	9,971	(³)	9,208	9,545	8,232	8,844
Total.....	6,436	6,002	5,587	5,386	5,223	5,353	4,975	5,179	5,137	5,296

¹ Computations based on insured mortgages.

² Includes FHA valuation of house, other physical improvements, and land.

³ Data not available.

difference between new and existing homes narrowed markedly over the period of FHA operation. In 1936 the valuation of new homes exceeded that of existing homes for each dwelling unit size by from almost \$1,100 to over \$3,400, whereas in 1940 on one extreme the three-dwelling unit among existing homes exceeded the valuation of new homes by almost \$1,000, and on the other extreme the greatest new homes margin amounted to only about \$1,100.

Although the total property valuation increases with the number of dwelling units covered by the mortgage, the dwelling unit price decreases with each increase in number of units. Thus, the valuation of new homes averaged \$5,199 for a single-family home, \$3,488 for each unit in a new two-family home, \$2,644 for each unit in a three-family home, and only \$2,493 for each unit in a four-family home. Except for the four-family units, this same kind of relationship among family units obtains for each year for both new and existing homes.

Property Valuation

Well over two-thirds, 69.0 percent, of the new single-family homes securing mortgages accepted for FHA insurance during 1940 were valued at from \$3,000 to \$5,999 for house and lot combined. Each year the proportion of homes in this valuation bracket has increased. Conversely, with each valuation group above \$8,000, the proportion of new homes has decreased yearly until in 1940 only 5.6 percent of the new homes were valued above \$8,000. In 1936, new homes valued above \$8,000 were relatively four times as numerous, 21.3 percent of the total. See Chart 19 and Table 36.

Existing homes are distributed in about the same pattern as are new homes. Relatively three times as many existing homes as new homes, however, are valued under \$3,000. Existing homes also relatively outnumber new homes in all valuation groups above \$7,000.

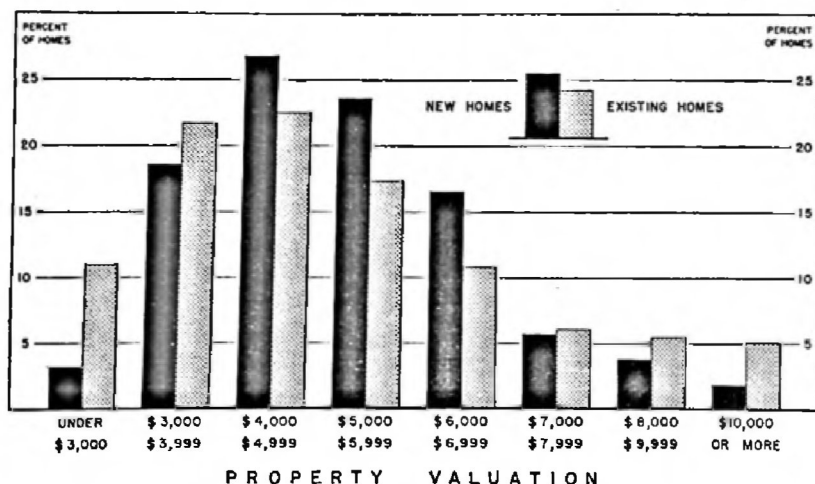
TABLE 36.—*Property valuation: New and existing single-family home mortgages accepted for insurance by FHA, 1935-1940* ✓

Property valuation ¹	Percentage distribution of new homes					Percentage distribution of existing homes				
	1930	1937	1938	1939	1940	1936 ²	1937 ²	1938	1939	1940
Less than \$2,000	0.7	0.3	0.1	0.1	0.1	3.3	1.6	1.9	1.5	1.2
\$2,000 to \$2,999	0.3	4.8	3.7	2.0	3.1	12.9	12.3	12.0	11.3	9.8
\$3,000 to \$3,999	14.4	14.4	15.2	16.5	18.6	20.7	21.1	22.6	23.0	21.7
\$4,000 to \$4,999	17.5	20.1	23.5	24.9	26.8	10.4	20.4	21.4	22.5	22.5
\$5,000 to \$5,999	17.9	19.7	22.8	24.3	23.6	14.5	10.1	15.6	15.9	17.3
\$6,000 to \$6,999	12.8	14.3	17.9	18.6	16.5	9.9	10.6	10.1	10.2	10.8
\$7,000 to \$7,999	9.1	9.4	7.5	6.4	5.7	6.4	6.5	6.1	5.8	6.1
\$8,000 to \$8,999	10.6	8.0	5.7	4.4	3.8	6.4	6.0	5.0	5.1	5.5
\$9,000 to \$9,999	4.6	3.7	1.8	1.2	1.0	2.8	2.6	2.3	2.2	2.4
\$10,000 to \$11,999	3.2	2.4	1.0	.6	.5	1.9	1.6	1.0	1.5	1.6
\$12,000 to \$14,999	2.9	1.9	.8	.4	.3	1.8	1.2	1.4	1.0	1.1
\$15,000 or more										
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average valuation	\$6,255	\$5,978	\$5,530	\$5,352	\$5,199	\$5,244	\$5,170	\$5,069	\$5,030	\$5,179
Median valuation	5,025	5,524	5,334	5,245	5,059	4,673	4,733	4,028	4,629	4,770

¹ FHA valuation includes value of house, all other physical improvements, and land.

² Computations based upon single-family home mortgages insured.

CHART 19—FHA VALUATION OF NEW AND EXISTING HOMES, 1940



Number of Rooms

Almost half, 47.1 percent, of the new homes securing mortgages accepted for FHA insurance in 1940 contained five rooms. Another 21.7 percent in 1940 had four rooms, compared with 9.4 percent for 1936. This obviously is one of the reasons for the decline in average valuation over the several years of FHA operations.

For existing homes, the six-room house was most numerous, representing 35.2 percent of the total in 1940. The five-room house was second, with 32.4 percent. Existing homes of eight or more rooms made up 10.4 percent of the total, as against only 1.1 percent for new homes of the same size. Seven-room houses also are relatively much more numerous among existing than among new homes.

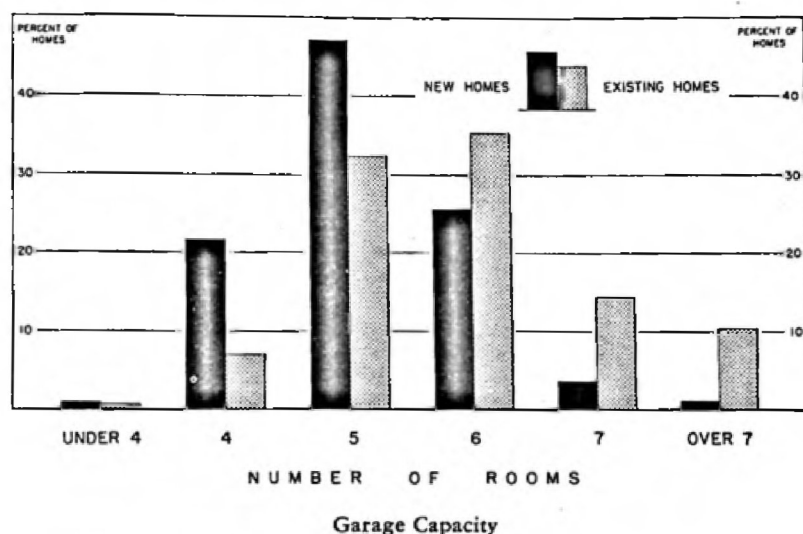
TABLE 37.—Number of rooms: New and existing single-family home mortgages accepted for insurance by FHA, 1936-1940

Number of rooms ¹	Percentage distribution of new homes					Percentage distribution of existing homes ²		
	1936	1937	1938	1939	1940	1938	1939	1940
3 or less.....	1.1	1.0	0.8	0.9	0.9	0.6	0.6	0.6
4.....	9.4	11.9	13.8	17.2	21.7	6.0	6.9	7.0
5.....	33.3	41.4	48.2	49.1	47.1	30.0	32.4	32.4
6.....	33.2	30.2	28.4	27.8	25.7	33.2	34.7	35.2
7.....	14.0	10.6	0.5	3.8	3.5	17.0	14.7	14.4
8.....	5.5	3.3	1.6	.9	.8	7.6	6.5	6.4
9 or more.....	3.6	1.6	.7	.3	.3	6.0	4.2	4.0
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average number.....	5.8	5.5	5.3	5.2	5.1	6.1	5.9	5.9
Median number.....	6.2	6.0	5.7	5.7	5.6	6.4	6.3	6.3

¹ Excludes bathrooms, toilet compartments, closets, halls, storage, and similar spaces.

² Data are not available for existing homes prior to 1938.

CHART 20—NUMBER OF ROOMS IN NEW AND EXISTING HOMES, 1940



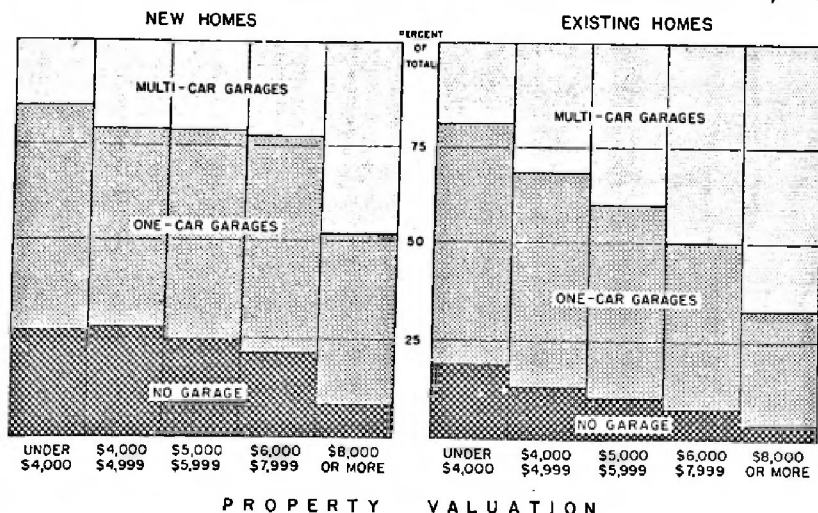
Three of every four new homes securing mortgages accepted for FHA insurance had garages; more than one in five had a garage with two-or-more car capacity. However, the proportion of houses being built without garage facilities has increased yearly. The proportion built with multi-car garages has declined yearly.

TABLE 38.—Garage capacity: New and existing single-family home mortgages accepted for insurance by FHA, 1940

Property valuation ¹	Percentage distribution of new homes				Percentage distribution of existing homes			
	No garage	1-car garage	Multi-car garage	Total	No garage	1-car garage	Multi-car garage	Total
Less than \$2,000	64.7	37.2	8.1	100.0	29.3	58.3	12.4	100.0
\$2,000 to \$2,999	38.3	53.0	3.7	100.0	24.2	61.4	14.4	100.0
\$3,000 to \$3,999	25.0	56.4	18.6	100.0	15.9	61.0	23.1	100.0
\$4,000 to \$4,999	27.8	60.3	21.9	100.0	13.3	54.1	32.6	100.0
\$5,000 to \$5,999	24.8	63.1	22.1	100.0	10.7	48.3	40.5	100.0
\$6,000 to \$6,999	23.9	64.0	22.1	100.0	8.8	44.1	47.1	100.0
\$7,000 to \$7,999	14.3	67.8	27.9	100.0	6.3	38.1	55.6	100.0
\$8,000 to \$8,999	9.8	49.7	40.5	100.0	4.8	34.1	61.1	100.0
\$10,000 to \$11,999	5.6	37.4	57.0	100.0	3.5	26.5	70.0	100.0
\$12,000 to \$14,999	3.7	27.5	68.8	100.0	3.5	24.2	72.3	100.0
\$15,000 or more	3.4	16.8	79.8	100.0	1.4	14.5	84.1	100.0
Total	24.4	63.0	22.6	100.0	12.8	50.7	36.5	100.0
Percentage distribution:								
1940	24.4	63.0	22.6	100.0	12.8	50.7	36.5	100.0
1939	20.7	53.5	25.8	100.0	11.9	61.5	26.6	100.0
1938	20.0	51.8	28.2	100.0	12.7	51.2	36.1	100.0
1937	19.5	49.8	31.7	100.0	(?)	(?)	(?)	-----
Median valuation:								
1940	\$4,948	\$5,054	\$5,354	\$5,059	\$4,073	\$4,444	\$5,622	\$4,770
1939	5,222	6,190	5,370	6,245	3,883	4,307	5,402	4,620
1938	5,038	5,329	5,628	5,334	3,828	4,315	5,533	4,028
1937	4,601	5,424	6,427	5,524	(?)	(?)	(?)	4,733

¹ Includes FHA valuation of house, all other physical improvements, and land.² Data not available.

CHART 21—GARAGE CAPACITY OF NEW AND EXISTING PROPERTIES, 1940



Property valuation bears a direct relationship to the provision of garages. Thus, garageless houses occur primarily in the lower property valuations, whereas multi-car garages were reported primarily for homes valued above \$10,000.

Exterior Material

Wood was used as the material of exterior construction in 45.1 percent of the new houses securing mortgages accepted for FHA insurance in 1940. This was apparently attributable to the fact that these houses were predominantly moderately priced houses.

CHART 22—EXTERIOR MATERIALS USED IN NEW AND EXISTING HOMES, 1940

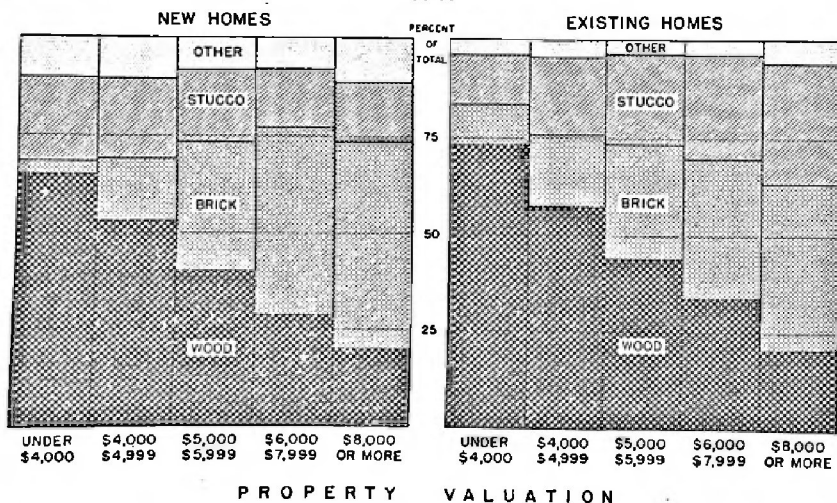


TABLE 39.—*Exterior material of homes by FHA valuation groups: New and existing, single-family home mortgages accepted for insurance by FHA, 1940*

Property valuation ¹	Percentage distribution of new homes				Percentage distribution of existing homes			
	Wood	Brick	Stucco	Other	Wood	Brick	Stucco	Other
Less than \$2,000	79.1	9.3	4.6	7.0	84.8	7.2	5.2	2.8
\$2,000 to \$2,999	82.3	1.1	8.9	7.7	75.8	9.8	10.3	4.1
\$3,000 to \$3,999	61.6	4.4	23.3	10.7	71.0	11.1	14.2	3.7
\$4,000 to \$4,999	52.0	16.1	20.4	10.6	57.2	18.3	20.3	4.2
\$5,000 to \$5,999	39.0	33.3	18.7	8.1	44.0	29.4	23.1	3.5
\$6,000 to \$6,999	29.5	47.0	15.8	7.7	36.3	34.6	25.7	3.4
\$7,000 to \$7,999	25.8	52.2	12.9	9.1	29.5	38.1	27.8	4.6
\$8,000 to \$9,999	21.4	63.6	14.2	10.8	22.5	42.7	29.2	5.6
\$10,000 to \$11,999	17.0	55.4	15.1	11.6	19.3	41.0	31.7	8.0
\$12,000 to \$14,999	16.1	50.5	19.7	13.7	20.1	42.8	31.8	5.3
\$15,000 or more	14.8	51.3	19.1	14.8	15.0	46.1	32.7	5.3
All groups	45.1	26.8	18.7	9.4	52.2	23.3	20.4	4.1
Average valuation:								
1940	\$4,692	\$6,169	\$5,045	\$5,172	\$4,401	\$6,272	\$5,860	\$5,500
1939	4,771	6,260	5,123	5,507	4,312	6,283	5,647	5,521
1938	4,802	6,507	5,414	5,771	4,321	6,238	5,717	5,809
Median valuation:								
1940	4,599	6,044	4,863	4,868	4,178	5,707	5,372	4,853
1939	4,658	6,152	4,936	5,220	4,099	5,819	5,166	4,749
1938	4,641	6,233	5,142	5,355	4,054	5,752	5,189	4,859

¹ Includes FHA valuation of house, all other physical improvements, and land.

Brick exterior predominates as the property valuation increases. For practically all valuation groups, stucco was used much more commonly for existing homes than for new ones.

Land Valuation by Property Valuation Groups

Land valuation of both new and existing homes located inside metropolitan districts exceeds that of homes located outside metropolitan districts for virtually every valuation group. Without excep-

CHART 23—PROPERTY VALUATION INSIDE AND OUTSIDE METROPOLITAN DISTRICTS, 1940

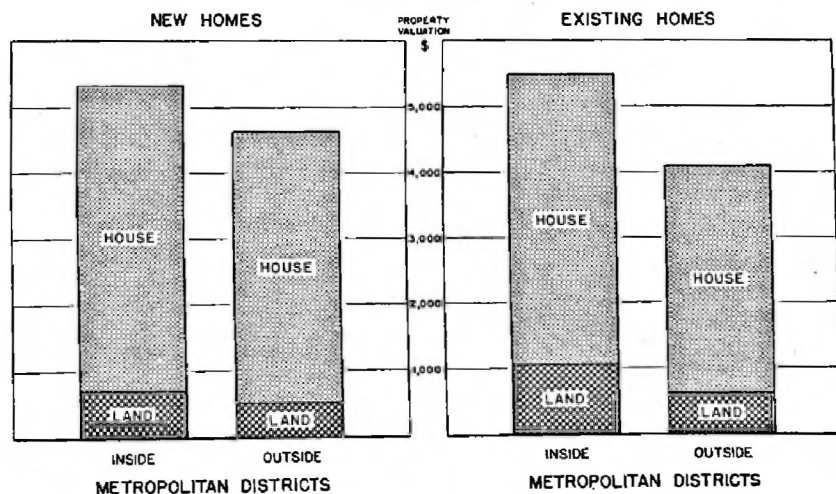


TABLE 40.—*Land valuation characteristics by property valuation groups: New and existing, single-family home mortgages accepted for insurance by FHA, 1940*

Property valuation ¹	New homes				Existing homes			
	Inside metropolitan districts ²		Outside metropolitan districts ²		Inside metropolitan districts ²		Outside metropolitan districts ²	
	Average land valuation	Land as a per cent of property	Average land valuation	Land as a per cent of property	Average land valuation	Land as a per cent of property	Average land valuation	Land as a per cent of property
Less than \$2,000	(?)	(?)	\$199	11.0	\$355	20.8	\$262	16.5
\$2,000 to \$2,999	\$303	11.1	263	10.0	440	17.2	352	14.2
\$3,000 to \$3,999	402	11.4	343	9.9	570	10.5	476	14.1
\$4,000 to \$4,999	553	12.5	451	10.3	755	17.2	628	14.5
\$5,000 to \$5,999	654	12.1	577	10.8	979	18.3	790	14.9
\$6,000 to \$6,999	848	13.5	740	11.8	1,191	18.9	1,019	16.2
\$7,000 to \$7,999	1,078	14.7	906	12.4	1,435	19.6	1,184	16.2
\$8,000 to \$9,999	1,325	15.4	1,109	13.0	1,798	20.8	1,611	18.7
\$10,000 to \$11,999	1,739	16.4	1,532	14.6	2,458	23.1	2,019	19.3
\$12,000 to \$14,999	2,326	18.0	2,172	16.9	3,118	24.1	2,675	21.0
\$15,000 or more	3,284	18.7	3,268	18.6	4,505	25.6	4,246	25.2
All groups	698	13.1	508	11.0	1,054	19.2	826	15.2
Average: 1940	698	13.1	508	11.0	1,054	19.2	826	15.2
1939	770	13.9	534	11.4	1,049	19.7	834	15.0
1938	848	14.7	568	11.9	1,113	20.0	883	16.9
1937	1,011	15.0	691	13.5				

¹ Includes FHA valuation of house, other physical improvements, and land.² Data based upon metropolitan districts established in the 1940 Census.³ Computations excluded because of small number of cases involved.

tion, land valuation increases directly as property valuation increases; and land valuation tends to increase proportionally more than does house valuation.

CHARACTERISTICS OF BORROWERS

DATA relating to the income of borrowers whose mortgages were insured by the FHA are presented in this section of the report. These statistics are based upon insured mortgages and concern owner-occupant purchasers of single-family homes. They do not include properties owned by operative builders, absentee landlords, and similar investment mortgagors. Thus, the data attempt to cover primarily the great majority of typical home buyers, and to exclude the relatively few whose incomes do not bear a normal relationship to the mortgages or properties involved.

All mortgage payment data in this section concern only interest and amortization of principal. A buyer must also pay the lending institution monthly such additional items as real-estate taxes, water rent, special assessments, hazard insurance, mortgagee's initial service charges, if any, and FHA mortgage insurance premium.

The first year, these supplementary items increase the buyer's payment by about 35 to 40 percent above the net figures shown in these tables. Of course, these rates may vary sharply with the city, county, or State and may fluctuate from year to year.

Borrower's Annual Income

Lower income brackets embrace increasing proportions of new-home buyers with FHA insured mortgages. In 1940 some 28.5

percent of the new-home buyers earned less than \$2,000 and 56.8 percent earned less than \$2,500. The comparable figures for 1936 are 20.4 and 42.2 percent, respectively. That home ownership has been placed within the reach of families of moderate incomes is further supported by the fact that in 1940 only 4.5 percent of the new-home buyers had incomes in excess of \$5,000, whereas in 1936, some 14.6 percent earned \$5,000 or more.

Half of the new homes securing mortgages insured by FHA in 1940 were purchased by families with annual incomes below \$2,381. The income of the typical new-home buyer has declined each successive year from the 1936 median of \$2,814. Typical income of existing home buyers, however, has remained at approximately \$2,500 from 1936 to 1940. The trend toward smaller equity, smaller mortgage

CHART 24—ANNUAL INCOME OF NEW AND EXISTING HOME PURCHASERS, 1940

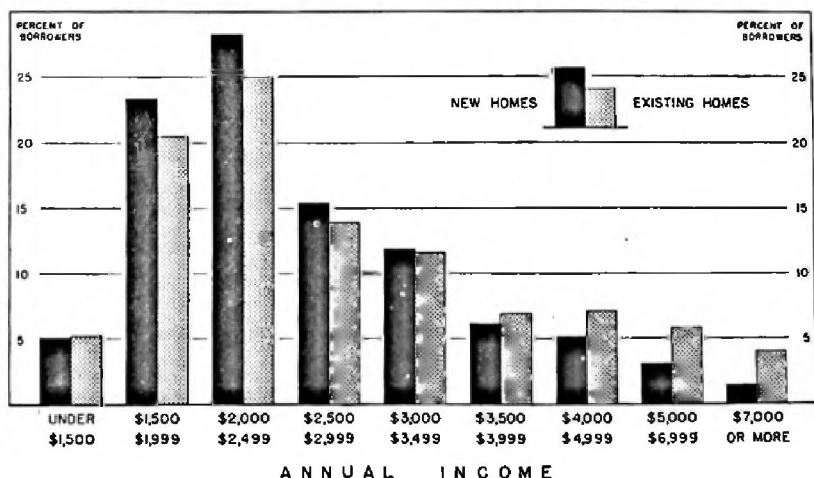


TABLE 41.—Borrower's annual income: New and existing, single-family home mortgages insured by FHA, 1936-1940

Borrower's annual income ¹	Percentage distribution of new homes					Percentage distribution of existing homes				
	1936	1937	1938	1939	1940	1936	1937	1938	1939	1940
Less than \$1,000.....	0.5	0.2	0.2	0.1	0.2	0.7	0.3	0.3	0.3	0.2
\$1,000 to \$1,499.....	4.9	3.6	3.3	3.9	4.9	7.6	5.5	4.3	5.1	5.0
\$1,500 to \$1,999.....	15.0	16.0	17.3	20.7	23.4	20.2	19.6	17.9	10.8	20.5
\$2,000 to \$2,499.....	21.8	23.0	25.8	27.6	28.3	23.8	25.6	25.0	24.8	25.0
\$2,500 to \$2,999.....	12.5	14.5	16.2	16.3	15.4	11.5	12.6	13.2	14.0	13.9
\$3,000 to \$3,499.....	13.4	14.1	14.0	13.1	11.9	11.1	11.8	12.4	12.1	11.6
\$3,500 to \$3,999.....	8.0	8.7	8.1	6.8	6.2	0.0	7.6	7.5	6.9	6.9
\$4,000 to \$4,999.....	0.3	8.8	7.3	6.0	5.2	7.4	7.3	7.7	7.3	7.1
\$5,000 to \$5,999.....	8.0	6.2	5.0	3.7	3.1	6.2	5.8	6.8	5.7	5.8
\$6,000 to \$6,999.....	4.3	2.5	1.8	1.2	0	2.7	2.5	2.8	2.4	2.5
\$7,000 to \$8,999.....	2.3	1.5	1.0	0.6	0.5	1.0	1.5	2.1	1.6	1.5
\$10,000 or more.....										
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average income.....	\$3,387	\$3,133	\$2,968	\$2,781	\$2,665	\$3,054	\$3,014	\$3,210	\$3,020	\$3,012
Median income.....	2,814	2,716	2,603	2,457	2,381	2,452	2,485	2,599	2,601	2,485

¹ Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

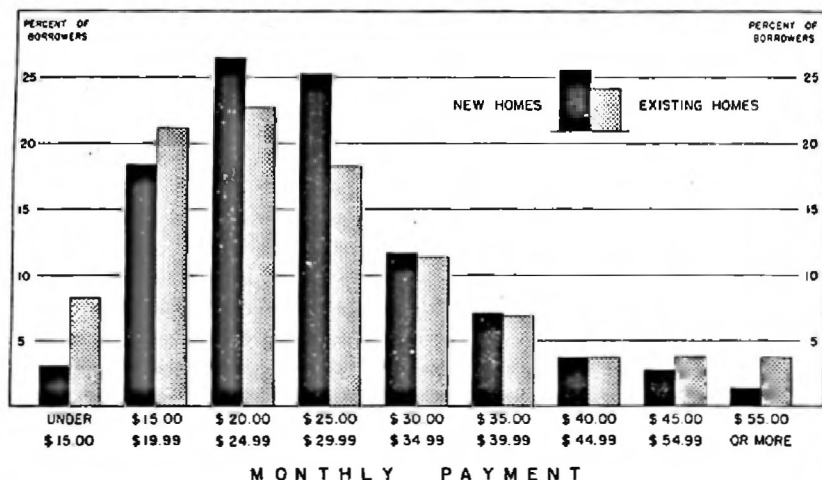
principal, smaller mortgage payments, and longer-term mortgage, complement this decrease in average income of new-home buyers.

Mortgage Payment

The average monthly mortgage payment made by new-home buyers decreased from \$37.44 in 1936 to \$26.59 in 1940. A monthly payment of less than \$30 was undertaken by 73.3 percent of all new-home buyers in 1940. In 1936, only 42.2 percent of the new-home buyers paid less than \$30.

Mortgage payments of less than \$20 have now become common, for more than one in every five 1940 new-home mortgages with FHA insurance required payments below this level. Only 4.2 percent of

CHART 25—MONTHLY MORTGAGE PAYMENT ON NEW AND EXISTING HOMES, 1940



MONTHLY PAYMENT

TABLE 42.—Monthly mortgage payment: New and existing, single-family home mortgages insured by FHA, 1936-1940

Monthly payment ¹	Percentage distribution of new homes ²					Percentage distribution of existing homes ²				
	1936	1937	1938	1939	1940	1936	1937	1938	1939	1940
Less than \$10	0.3	0.1	0.2	0.1	0.1	1.6	0.7	0.9	1.2	1.1
\$10 to \$14.99	3.2	1.6	3.0	2.3	3.0	8.3	5.8	6.7	7.5	7.2
\$15 to \$19.99	8.0	7.5	11.7	14.1	18.4	14.4	12.6	17.8	20.2	21.2
\$20 to \$24.99	14.2	16.0	20.4	23.1	26.5	18.4	19.1	20.1	21.3	22.7
\$25 to \$29.99	16.5	16.0	24.3	20.3	25.3	16.9	17.3	18.7	18.8	18.3
\$30 to \$34.99	14.1	10.2	16.9	16.5	11.7	13.1	15.7	12.9	11.0	11.4
\$35 to \$39.99	10.8	12.6	8.8	7.1	7.1	7.7	8.9	8.2	7.3	6.9
\$40 to \$44.99	8.7	7.4	6.3	4.6	3.7	6.1	6.1	4.4	3.8	3.7
\$45 to \$49.99	10.3	10.0	4.8	3.7	2.8	6.3	7.3	4.9	4.1	3.8
\$50 to \$54.99	5.8	4.0	1.8	1.2	.7	2.8	3.0	2.2	1.7	1.8
\$55 to \$59.99	4.7	3.0	1.3	.7	.5	2.0	2.1	2.1	1.5	1.3
\$60 or more	3.4	2.0	.5	.3	.2	1.0	1.4	1.1	.7	.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average payment	\$37.44	\$35.33	\$30.06	\$28.62	\$26.59	\$31.00	\$31.44	\$29.23	\$27.00	\$27.08
Median payment	\$27.78	\$27.14	\$28.02	\$20.99	\$25.30	\$27.21	\$28.42	\$26.20	\$24.96	\$24.51

¹ For 1936-40, includes interest and amortization of principal; for 1936 and 1937 includes also the FHA insurance premium; and for 1936 includes mortgagee's service charge as well.

² Includes owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

the new-home buyers in 1940 undertook monthly mortgage payments of as high as \$45, compared with 24.2 percent in 1936.

One reason for the smaller mortgage payment is that most buyers choose to amortize their mortgages over a 25-year period in accordance with the provisions of the 1938 amendment. This factor also was instrumental in reducing the median mortgage payment of new-home buyers to a level below that of buyers of existing homes.

See also discussion of mortgage payment on page 76.

Ratio of Mortgage Payment to Borrower's Annual Income

Three of every four 1940 new-home buyers applied less than 15 percent of their income to mortgage payments. In 1936 only 54.4 percent of the buyers paid this small a proportion of their income.

Buyers' payments on existing home mortgages comprised a smaller proportion of their income than was true of new-home buyers, averag-

CHART 26—RATIO OF MONTHLY MORTGAGE PAYMENTS TO MONTHLY INCOME OF BORROWERS, 1940

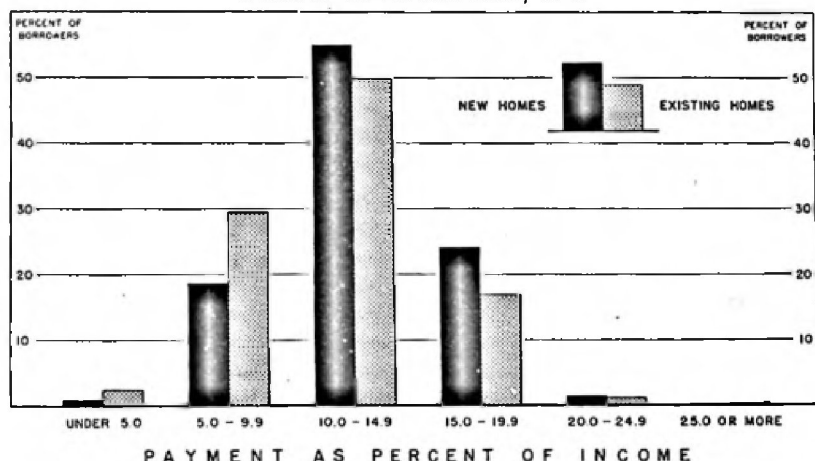


TABLE 43.—Ratio of mortgage payment to income: New and existing, single-family home mortgages insured by FHA, 1936-1940

Payment ¹ as percent of borrower's income	Percentage distribution of new homes ²					Percentage distribution of existing homes ²				
	1936	1937	1938	1939	1940	1936	1937	1938	1939	1940
Less than 5.0.....	1.1	0.9	0.8	0.9	0.9	1.7	1.4	2.1	2.4	2.4
5.0 to 9.9.....	14.4	12.2	18.8	10.3	18.0	21.7	18.7	20.3	28.4	29.5
10.0 to 14.9.....	38.9	30.5	50.0	51.1	54.9	42.6	43.7	45.8	48.1	40.9
15.0 to 19.9.....	34.6	37.5	26.5	29.0	24.1	25.9	28.6	19.8	19.1	16.9
20.0 to 24.9.....	9.7	8.0	3.0	2.6	1.4	7.0	6.9	2.7	1.7	1.1
25.0 to 29.9.....	1.2	.8	.2	.1	.1	.9	.6	.2	.2	.1
30.0 or more.....	.1	.2	.1	(*)	(*)	.2	.1	.1	.1	.1
Total.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average percent ⁴	13.3	13.5	12.2	12.3	12.0	12.2	12.5	10.9	10.9	10.8
Median percent.....	14.4	14.7	13.0	13.2	12.8	13.1	13.4	12.0	12.0	11.8

¹ For 1936-40, includes interest and amortization of principal; for 1936 and 1937 includes also the FHA insurance premium; and for 1936 includes mortgagee's service charge as well.

² Includes owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

³ Less than 0.05 percent.

⁴ Average payment as percent of average income.

ing 10.8 percent in 1940 as against 12.0 percent for new-home buyers. This results from the smaller average mortgage principal coupled with the higher average income of existing home buyers.

The proportion of income devoted to mortgage payment declines as the income rises. New-home buyers earning less than \$1,500 pay more than 15 percent of their income for mortgage amortization, whereas persons earning over \$5,000 pay less than 10 percent.

Ratio of Property Value to Annual Income

Of the new homes securing mortgages insured by FHA in 1940, some 40.5 percent were valued at less than twice the borrower's annual income. In 94.4 percent of the cases the valuation of the new home amounted to less than three times the buyer's income.

The value of existing homes is smaller in proportion to the income of the owner than is the case with new homes. In 1940 approximately

CHART 27—RATIO OF PROPERTY VALUES TO ANNUAL INCOME OF BORROWERS, 1940

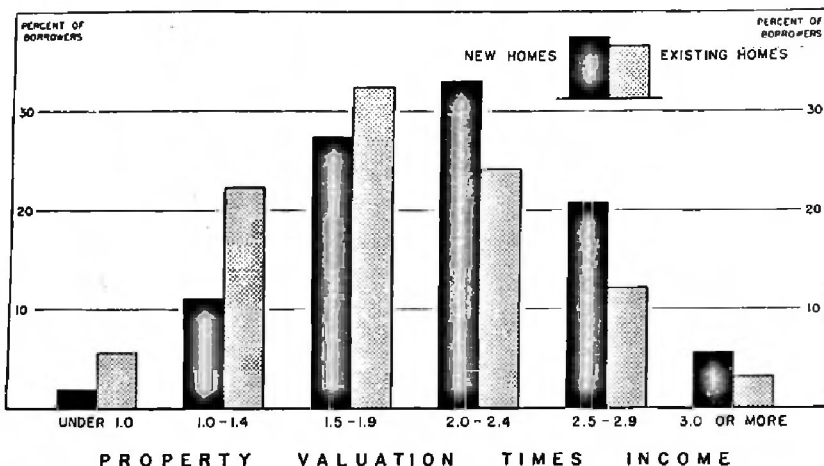


TABLE 44.—Ratio of property value to income: New and existing single-family home mortgages insured by FHA, 1936-1940

Property value as a proportion of borrower's annual income ¹	Percentage distribution of new homes					Percentage distribution of existing homes				
	1936	1937	1938	1939	1940	1936	1937	1938	1939	1940
Less than 1/2	0.4	0.4	0.2	0.2	0.2	0.5	0.4	0.4	0.4	0.3
1/2 to 1	3.8	3.0	2.7	2.1	1.7	0.8	0.1	0.8	0.6	0.5
1 to 1 1/2	15.3	12.8	14.3	12.3	11.1	22.1	22.7	25.8	24.7	22.3
1 1/2 to 2	26.8	27.5	29.7	29.9	27.6	29.0	30.0	32.1	32.9	32.6
2 to 2 1/2	26.4	28.2	30.9	30.9	33.1	21.6	22.9	21.1	22.0	24.2
2 1/2 to 3	17.7	10.0	16.7	18.7	20.8	12.0	12.3	10.2	10.2	12.2
3 to 3 1/2	7.2	0.2	4.4	5.0	4.8	4.0	3.5	2.7	2.5	2.0
3 1/2 or more	2.6	1.9	1.1	.9	.8	2.5	1.2	.9	.7	.6
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Average ratio	1.90	1.93	1.89	1.93	1.97	1.72	1.71	1.82	1.65	1.70
Median ratio	2.07	2.11	2.05	2.09	2.14	1.85	1.84	1.70	1.78	1.84

¹ Includes owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

60 percent of the existing homes insured were valued at less than twice the borrower's income. This difference is largely attributable to the higher income level enjoyed by existing home buyers.

As the buyer's annual income increases, the ratio of property value to income decreases. This fact applies to both new- and existing-home buyers. New-home buyers earning less than \$3,000 buy houses valued at more than twice that amount. Those earning \$5,000 or more typically acquire homes valued at less than 1½ times their income. Existing home buyers with an income of less than \$2,000 pay twice their annual income for their properties. See Table 47.

Property Valuation by Income Groups

The higher the income of a family, the more expensive the home it buys. Almost two-thirds, 63.5 percent, of the new-home buyers with an income of less than \$1,000 purchased homes valued below \$3,000. Over three-fourths, 75.7 percent of those earning \$1,000 to \$1,499, bought homes valued under \$4,000. The typical (median) 1940 new-home buyer earned \$2,381. For the bracket embracing this income, 63.1 percent of the buyers purchased homes valued between \$4,000 and \$6,000. This is consonant with the typical valuation of \$5,059.

At the higher range of the income distribution, higher valuations are found. Some 50.8 percent of the new-home buyers earning

TABLE 45.—*Property valuation by income groups: New and existing, single-family home mortgages insured by FHA, 1940*

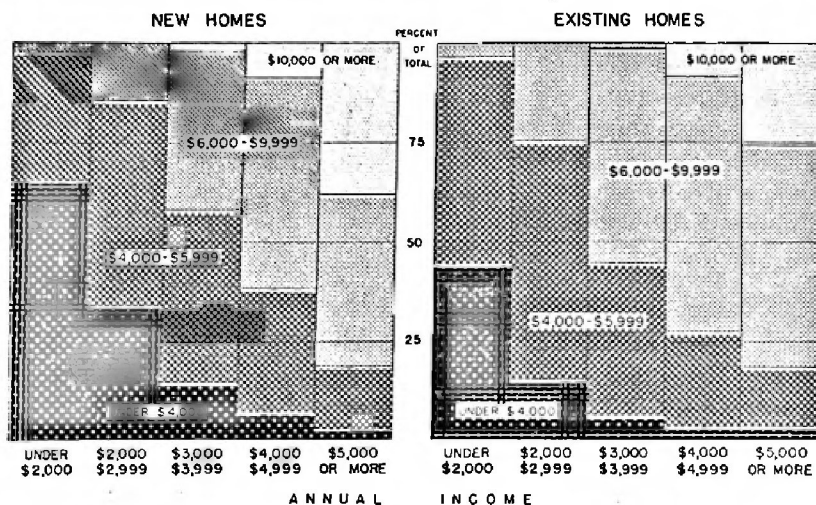
Borrower's annual income ¹	Percentage distribution of property valuation ² by income groups							
	Less than \$3,000	\$3,000 to \$3,999	\$4,000 to \$4,999	\$5,000 to \$5,999	\$6,000 to \$6,999	\$7,000 to \$9,999	\$10,000 or more	Total
NEW-HOME BUYERS:								
Less than \$1,000.....	63.5	23.9	8.2	3.2	0.6	.....	0.6	100.0
\$1,000 to \$1,499.....	21.0	54.7	20.4	3.1	.....	0.2	.1	100.0
\$1,500 to \$1,999.....	4.6	32.0	40.2	18.3	3.6	.....	(3)	100.0
\$2,000 to \$2,499.....	1.9	18.1	31.1	32.0	16.4	2.5	(1)	100.0
\$2,500 to \$2,999.....	.9	9.5	23.0	30.8	27.0	8.7	.1	100.0
\$3,000 to \$3,499.....	.6	6.3	15.3	26.5	31.3	19.3	.7	100.0
\$3,500 to \$3,999.....	.4	4.3	10.8	21.3	31.2	29.1	2.9	100.0
\$4,000 to \$4,999.....	.4	2.9	7.8	16.2	26.5	37.9	8.3	100.0
\$5,000 to \$5,999.....	.6	2.7	5.3	9.9	20.5	41.6	19.4	100.0
\$6,000 to \$6,999.....	.8	2.8	5.3	9.9	13.4	20.1	38.7	100.0
\$7,000 to \$9,999.....	.6	3.0	4.3	8.2	12.1	21.0	50.8	100.0
\$10,000 or more.....	.....	.....	.....	.....	.....	.....	.....	100.0
Total.....	3.0	17.7	25.9	24.0	17.6	9.9	1.9	100.0
EXISTING-HOME BUYERS:								
Less than \$1,000.....	65.6	18.0	8.2	.....	3.3	4.9	.....	100.0
\$1,000 to \$1,499.....	46.2	37.9	12.7	1.8	.3	.3	0.8	100.0
\$1,500 to \$1,999.....	21.6	30.2	27.3	9.7	1.8	.....	(3)	100.0
\$2,000 to \$2,499.....	10.6	28.4	30.2	20.7	7.8	2.3	.1	100.0
\$2,500 to \$2,999.....	0.1	19.1	26.5	25.8	14.6	7.7	.2	100.0
\$3,000 to \$3,499.....	3.1	13.8	23.2	24.1	19.4	15.4	1.0	100.0
\$3,500 to \$3,999.....	2.0	7.7	10.8	21.7	21.5	26.9	3.4	100.0
\$4,000 to \$4,999.....	1.6	5.4	11.1	20.0	19.4	33.9	8.7	100.0
\$5,000 to \$5,999.....	.7	2.1	7.2	12.9	13.8	38.1	25.2	100.0
\$6,000 to \$6,999.....	.3	2.5	3.4	6.1	10.2	29.0	48.5	100.0
\$7,000 to \$9,999.....	.8	.6	2.8	6.4	4.2	15.5	69.7	100.0
\$10,000 or more.....	.....	.....	.....	.....	.....	.....	.....	100.0
Total.....	11.1	22.4	22.7	17.5	10.6	10.9	4.8	100.0

¹ Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

² FHA valuation includes value of house, all other physical improvements, and land.

³ Less than 0.05 percent.

CHART 28—DISTRIBUTION OF PROPERTY VALUATION GROUPS BY BORROWER INCOME GROUPS, 1940



\$10,000 or more, for example, purchased homes with an FHA valuation of \$10,000 or more; and only 7.9 percent of these buyers bought homes valued under \$5,000. Similarly, 38.7 percent of the persons earning \$7,000 to \$9,999 bought homes of \$10,000 or more valuation. For buyers with an income of \$4,000 to \$6,999, homes valued from \$7,000 to \$9,999 were most numerous.

Buyers of existing homes exemplified the same general valuation buying habits as were observed for new-home buyers. There is a tendency, however, for more of these homes to be valued below \$4,000 and above \$7,000 than is the case for new homes. Thus, 46.2 percent of existing-home buyers with an income of \$1,000 to \$1,499 purchased homes valued under \$3,000, compared with only 21.0 percent for new-home buyers. For each income interval through \$7,000, the percentage of existing homes exceeded that of new homes in the valuation groups of less than \$3,000.

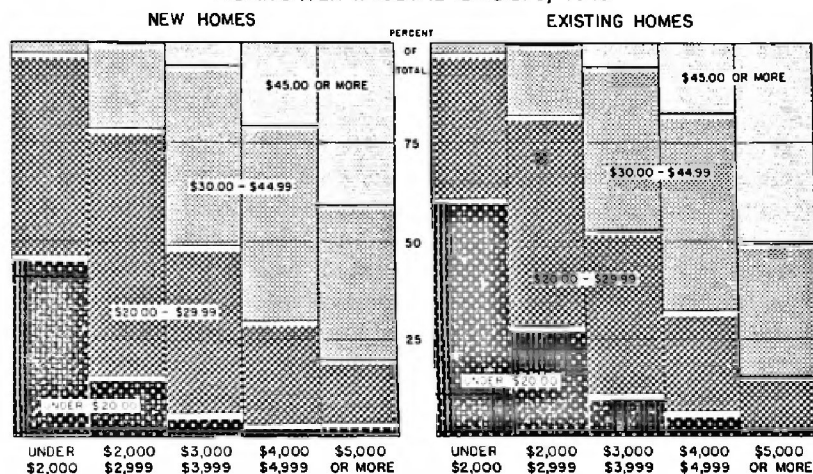
Conversely, for practically each income interval, the proportion of existing homes valued above \$10,000 outweighed that for new homes. The tendency is more marked, however, in the higher income brackets. Thus, for existing-home buyers earning over \$10,000, some 69.7 percent bought homes valued above \$10,000, compared with 50.8 percent for new-home buyers.

Monthly Mortgage Payment by Income Groups

As the family income increases, the monthly payment to mortgage and interest also increases. Well over half, 58.5 percent, of the new-home buyers earning \$1,000 to \$1,499 pay from \$15 to \$20. For the income bracket encompassing the typical income of \$2,381, one-third of the borrowers pay \$25 to \$30 toward interest and principal.

Of the new-home buyers earning \$10,000 or more, almost 60 percent pay \$45 or more monthly. For this \$10,000 or over income group, 17.3 percent paid less than \$30, whereas for the typical borrower income group 83.7 percent of the borrowers paid less than \$30.

CHART 29—DISTRIBUTION OF MONTHLY MORTGAGE PAYMENTS BY BORROWER INCOME GROUPS, 1940



BORROWER'S ANNUAL INCOME

TABLE 46.—Monthly mortgage payment by income groups: New and existing, single-family home mortgages insured by FHA, 1940

Borrower's annual income ¹	Percentage distribution of mortgage payment ² by income groups							Total
	Less than \$15.00	\$15 to \$19.99	\$20 to \$24.99	\$25 to \$29.99	\$30 to \$34.99	\$35 to \$44.99	\$45.00 or more	
NEW-HOME BUYERS:								
Less than \$1,000.....	72.4	19.5	3.8	2.5	0.6	0.6	0.6	100.0
\$1,000 to \$1,499.....	22.3	58.5	16.9	1.8	.3	.1	.1	100.0
\$1,500 to \$1,999.....	4.6	34.4	41.1	17.2	2.4	2.2	1.1	100.0
\$2,000 to \$2,499.....	1.8	18.0	32.2	33.1	12.7	3.5	.1	100.0
\$2,500 to \$2,999.....	.9	10.0	23.8	33.5	18.6	12.6	.6	100.0
\$3,000 to \$3,499.....	.7	6.2	15.7	30.5	19.6	23.6	3.7	100.0
\$3,500 to \$3,999.....	.4	4.2	11.2	24.9	18.2	31.1	10.0	100.0
\$4,000 to \$4,999.....	.4	2.9	8.4	18.2	14.7	34.5	20.9	100.0
\$5,000 to \$5,999.....	.5	2.8	5.2	12.2	12.0	32.0	35.3	100.0
\$7,000 to \$9,999.....	.8	3.0	5.2	0.5	8.4	23.6	49.5	100.0
\$10,000 or more.....	.6	3.5	3.7	0.5	7.8	15.3	50.6	100.0
Total.....	3.1	18.4	26.5	25.3	11.8	10.8	4.1	100.0
EXISTING-HOME BUYERS:								
Less than \$1,000.....	67.3	16.4	8.2	—	1.6	4.9	1.0	100.0
\$1,000 to \$1,499.....	39.6	45.5	11.7	1.7	.5	.3	.7	100.0
\$1,500 to \$1,999.....	16.0	38.6	30.4	12.4	2.1	.4	1.1	100.0
\$2,000 to \$2,499.....	7.1	25.3	31.2	23.5	0.9	2.8	.2	100.0
\$2,500 to \$2,999.....	4.2	17.2	24.4	26.6	17.0	0.9	.7	100.0
\$3,000 to \$3,499.....	2.7	10.5	21.1	24.5	19.3	18.5	3.4	100.0
\$3,500 to \$3,999.....	1.6	6.3	15.6	19.4	20.5	26.9	9.7	100.0
\$4,000 to \$4,999.....	1.2	5.4	8.9	16.9	19.1	30.8	17.7	100.0
\$5,000 to \$5,999.....	.4	2.2	6.2	10.4	13.1	25.7	39.0	100.0
\$7,000 to \$9,999.....	.2	2.2	3.0	5.8	9.0	18.8	61.2	100.0
\$10,000 or more.....	.3	1.1	3.1	3.9	4.7	9.4	77.5	100.0
Total.....	8.3	21.2	22.7	18.3	11.4	10.6	7.5	100.0

¹ Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

² Includes interest and amortization of principal.

Existing-home buyers are committed to monthly mortgage payments of about the same as those of new-home buyers. There is a tendency, however, toward greater proportions of existing- than of new-home buyers with lower and higher payments. For example, 77.5 percent of the existing-home buyers earning \$10,000 or more made monthly mortgage payments of \$45 or more, whereas only 59.6 percent of the new-home buyers in this income classification assumed payments of \$45 or more.

Relationship of Average Characteristics to Annual Income

The interrelationships for purchasers of all single-family home mortgages insured by FHA in 1940 are set forth in Table 47. As the annual income of the borrower increases, the average amount of mortgage principal, property valuation, and mortgage payment also increase. Conversely, property value as a proportion of annual income, mortgage principal as a proportion of annual income, and annual payment as a percent of annual income decrease as the income increases.

TABLE 47.—Average characteristics by borrower's annual income: New and existing single-family home mortgages insured by FHA, 1940

Borrowers' annual income ¹	Average—				Ratio of—		Annual payment as a percent of—		Mortgage as a percent of valuation
	Borrower's annual income	Mortgage principal	Property valuation	Net monthly mortgage payment	Property to annual income	Mortgage to annual income	Annual income	Mortgage	
NEW-HOME BUYERS:									
Less than \$1,000....	\$875	\$2,379	\$2,659	\$14.52	3.38	2.72	19.9	7.3	80.4
\$1,000 to \$1,499....	1,308	2,951	3,504	17.25	2.68	2.26	15.8	7.0	84.2
\$1,500 to \$1,999....	1,746	3,648	4,263	21.15	2.44	2.09	14.5	7.0	85.6
\$2,000 to \$2,499....	2,224	4,231	4,931	24.63	2.22	1.90	13.3	7.0	85.8
\$2,500 to \$2,999....	2,690	4,628	5,416	27.27	2.01	1.72	12.2	7.1	85.5
\$3,000 to \$3,499....	3,149	5,037	5,907	30.21	1.88	1.60	11.5	7.2	85.3
\$3,500 to \$3,999....	3,681	5,430	6,403	33.19	1.74	1.48	10.8	7.3	84.8
\$4,000 to \$4,999....	4,373	5,894	7,047	36.87	1.61	1.35	10.1	7.5	83.6
\$5,000 to \$5,999....	5,639	6,604	8,017	41.71	1.42	1.17	8.9	7.6	82.4
\$7,000 to \$9,999....	7,973	7,619	9,476	48.79	1.19	.96	7.3	7.7	80.4
\$10,000 or more....	14,224	8,628	10,045	58.03	.77	.61	4.9	8.1	78.8
All groups....	2,665	4,473	5,261	26.59	1.97	1.68	12.0	7.1	85.0
EXISTING-HOME BUYERS:									
Less than \$1,000....	856	2,089	3,632	15.51	3.54	2.44	21.7	8.9	68.9
\$1,000 to \$1,499....	1,289	2,265	3,139	16.34	2.44	1.76	15.2	8.7	72.2
\$1,500 to \$1,999....	1,741	2,762	3,701	19.74	2.13	1.59	13.6	8.6	74.6
\$2,000 to \$2,499....	2,221	3,259	4,333	23.10	1.95	1.47	12.5	8.5	75.2
\$2,500 to \$2,999....	2,690	3,688	4,894	25.92	1.82	1.37	11.6	8.4	75.4
\$3,000 to \$3,499....	3,143	4,120	5,399	28.09	1.72	1.31	11.0	8.3	75.8
\$3,500 to \$3,999....	3,684	4,653	6,153	32.17	1.67	1.26	10.5	8.3	75.6
\$4,000 to \$4,999....	4,397	5,159	6,734	36.50	1.53	1.17	9.7	8.3	76.6
\$5,000 to \$5,999....	5,669	6,242	8,151	43.08	1.43	1.10	9.1	8.3	76.6
\$7,000 to \$9,999....	8,035	7,715	10,144	52.38	1.20	.96	7.8	8.1	76.1
\$10,000 or more....	13,300	9,248	12,183	62.84	.92	.70	5.7	8.2	75.0
All groups....	3,012	3,869	5,121	27.08	1.70	1.28	10.8	8.4	75.6

¹ Includes family income of owner-occupant purchasers only; excludes operative builders, absentee landlords, and others.

Part V

RENTAL HOUSING MORTGAGES UNDER SECTION 207 OF TITLE II

FINANCING the construction of dwellings for rent rather than owner-occupancy through mortgages insured under Section 207 of Title II was provided for in the National Housing Act in order to supply a large segment of the housing market represented by families for whom home ownership was either impractical or financially unattainable.

The introduction of the long-term amortized mortgage in the low-rent apartment field represented a new departure in financing this type of housing as well as a movement toward the garden-type, planned-community, multifamily residential development. The careful planning and control which projects of this kind required made a number of changes in administrative procedure and regulations necessary especially in the early stages of the program. Section 210, for instance (added in February 1938 and repealed in June 1939) provided for a simplification of certain management controls on projects mortgaged for \$200,000 or less which could later be incorporated in the Section 207 regulations under which the bulk of FHA rental projects are processed.

The application for insurance of mortgages on rental and group housing projects is submitted to insuring offices by the sponsor with the approval of a mortgagee. After a preliminary examination, the approved applications are further analyzed by rental-housing consultants stationed in a number of insuring offices and routed to Washington for completion of processing.

All commitments to insure are issued in Washington, where the final terms and conditions of the mortgage are determined prior to the closing of the loan and the receipt of the first mortgage insurance premium.

Under the rental-housing program 317 projects, financed with mortgages amounting to \$126,952,675, have provided 33,204 dwelling units. Included among these are 51 projects, consisting of 1,290 dwellings, which were financed by insured mortgages embodying certain release-clause provisions. A family may, in accordance with these provisions, acquire title to the home it is renting by refinancing the mortgage, thereby releasing the property from the rental-housing

TABLE 48.—*Status of rental housing mortgage insurance operations: Disposition of applications received, cumulative 1935-1940*

Status of operations	Rental housing projects		Release clause projects		Total	
	Number	Amount	Number	Amount	Number	Amount
In operation.....	211	\$91,632,750	14	\$1,201,600	225	\$92,834,350
Under construction.....	42	15,448,000	12	1,730,700	54	17,178,700
Mortgages outstanding (face amount).....	253	107,080,750	26	2,932,300	279	110,013,050
Terminated.....	9	8,850,000	24	1,677,425	33	10,527,425
Acquired by FHA.....	4	6,355,000	1	57,200	5	6,412,200
Total mortgages insured.....	266	122,285,750	51	4,666,925	317	126,952,675
Commitments outstanding.....	45	14,081,500	—	—	45	14,081,500
Net commitments issued.....	311	136,367,250	51	4,666,925	362	141,034,175
Commitments expired.....	144	53,235,800	25	3,759,100	169	56,994,900
Gross commitments issued.....	455	189,603,050	76	8,426,025	531	198,029,075
Rejections.....	683	613,640,394	89	11,174,700	772	624,824,184
Total cases processed.....	1,138	803,252,444	165	19,600,815	1,303	822,853,259
Cases in process in:						
Washington.....	6	2,638,000	—	—	6	2,638,000
Insuring offices.....	11	1,994,500	—	—	11	1,994,500
Total.....	17	4,632,500	—	—	17	4,632,500
Total applications received.....	1,155	\$87,884,944	165	19,600,815	1,320	\$27,465,759

¹ This amount has been amortized to the extent of \$3,171,582 as of Dec. 31, 1940.

mortgage lien. These individual properties qualify for mortgage insurance under Section 203 regulations.

VOLUME AND DISTRIBUTION OF RENTAL HOUSING OPERATIONS

From the beginning of operations through December 31, 1940, the FHA has received 1,320 applications for insurance on \$827,485,759 in mortgages on proposed rental-housing projects under Title II of the National Housing Act. Commitments to insure 531 mortgages for \$198,029,075 were issued, and of these 317 for \$126,952,675 became insured mortgages, 169 for \$56,994,900 were allowed to expire by project sponsors, and 45 for \$14,081,500 were outstanding, as of December 1940.

As shown in Table 48, the insurance on 38 mortgages had terminated by the end of the year. Five of these, as indicated in the table, were mortgages on properties acquired by the FHA through foreclosure. Mortgages on 19 properties were prepaid in full when the sponsors refinanced through mortgages without FHA insurance. Mortgages with release clause provisions on five projects were prepaid in full through the purchase of the individual properties by the tenants. The insurance on nine mortgages was cancelled by the Administrator. The willingness of mortgagees to refinance large rental projects without FHA insurance is evidence of the sound planning of those developments under the rental housing program.

Totals for the Year

During the year 1940, the FHA insured 48 mortgages amounting to \$12,481,000 and increased the amount of 9 amended mortgages insured prior to 1940 by \$555,000. No mortgages with release-clause provisions nor mortgages for the rehabilitation of existing properties were insured during the year.

Chart 30 and Table 49 show the yearly trend of mortgage insurance on rental and group housing projects. The first year of any significant volume is 1938. Prior to this period the principal activity under the rental housing program had been the development of procedure and the securing of successful demonstrations of the large-scale housing plan.

The bulk of the insuring operations occurred during 1938 and the first half of 1939, principally as the result of the ground work laid in the preceding years. The subsequent decline in operations was in

CHART 30—VOLUME OF RENTAL HOUSING MORTGAGES INSURED, BY YEARS, 1935-1940

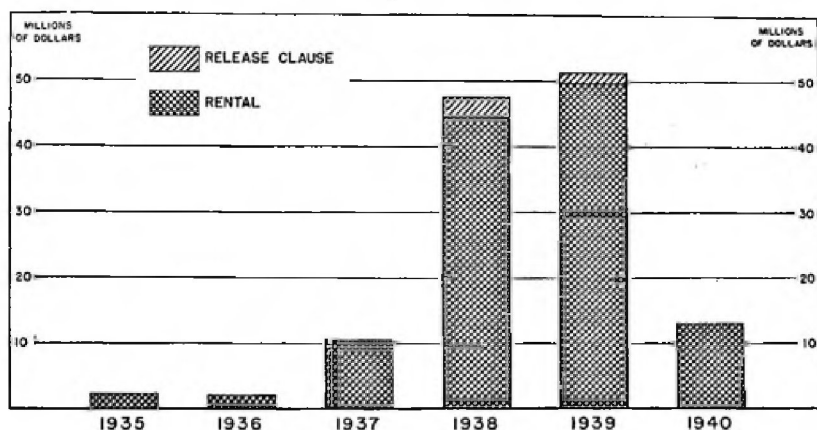


TABLE 49.—Yearly trend of rental housing mortgages insured: Rental and release clause projects 1935-1940

Year	Rental housing projects		Release clause projects		Total	
	Number	Amount	Number	Amount	Number	Amount
1935	2	\$2,355,000			2	\$2,355,000
1936	4	2,101,000			4	2,101,000
1937	15	10,549,000			15	10,549,000
1938	61	44,460,050	26	\$3,129,100	117	47,589,150
1939	100	49,784,700	25	1,655,925	131	51,340,625
1940	48	13,036,000		7-18,100	48	13,017,900
Total	266	122,285,750	51	4,660,925	317	126,952,675
Cumulative:						
Sec. 207	208	117,633,650	3	1,529,000	211	119,162,650
Sec. 210	58	4,652,100	48	3,137,925	106	7,790,025

¹ Includes amendments increasing mortgage amount \$555,000 for 9 projects insured prior to 1940.

² Represents net decrease effected by adjustments in 2 projects insured prior to 1940.

part due to the serious effect of the requirement in the June 1939 amendment that prevailing wages be paid on all rental projects, and the employment of many contractors, who formerly sponsored rental projects, on defense-construction work. Despite this problem, the rental housing program has made possible the construction of a number of attractive projects which provide both low rentals and security of investment.

Projects Insured During the Year

Table 50 shows the number of dwelling units and rooms, average monthly rental per dwelling unit and room, total mortgage principal and amount of mortgage per room allocable to dwelling use for each project insured during the year. All projects were of the 2- or 3-story walk-up type except one elevator apartment in Jamaica, Long Island. At the end of the table averages and medians are given for the year as well as cumulatively from the beginning of operations.

In this connection it is interesting to note that the average project insured during 1940 is smaller and has a lower rental than the average of all projects insured from the beginning of operations. This table supplements similar tables shown in previous annual reports and brings up to date a complete listing of rental projects together with certain descriptive data concerning them.

TABLE 50.—Description of rental projects: Mortgages insured by FHA, 1940

State, city, and project	Type of structure	Number of dwelling units ¹	Number of rooms ¹	Average monthly rental		Amount of mortgage	
				Per unit	Per room	Total	Per room
ALABAMA: Tuscaloosa, Frederick Court Apartments.	Walk-up.	15	54½	\$44.83	\$12.34	\$50,000	\$917
ARIZONA: Tucson, El Encanto Apartments, Inc.	Walk-up.	44	170	44.91	11.62	125,000	694
CALIFORNIA: Sacramento, Fountain Gardens, Inc.	Walk-up.	24	92	13.48	13.48	85,000	885
San Bernardino, Valentine Court	Walk-up.	53	35	32.00	9.14	17,000	442
South Pasadena, Mortimer Apartments.	Walk-up.	19	72½	47.24	12.38	52,000	673
CONNECTICUT: Bridgeport, The Putnam Realty Co.	Walk-up.	58	180½	49.16	15.83	180,000	988
Manchester, Warren I. Keith, Inc.	Walk-up.	70	54	48.00	10.67	40,000	696
DELAWARE: Wilmington, Foster Park Housing Corporation	Walk-up.	78	282	60.54	16.74	340,000	1,102
DISTRICT OF COLUMBIA: Washington, Fairfax Village, Inc.	Walk-up.	400	1,500	49.20	13.42	1,384,000	911
GEORGIA: Macon, Twin Pine Apartments, Inc.	Walk-up.	32	108	44.68	13.24	107,000	958
INDIANA: Muncie, Jackson Housing Corporation	Walk-up.	26	78	51.42	17.14	85,000	1,076
IOWA: Des Moines, Windsor Terrace Corporation.	Walk-up.	127	459	60.11	17.92	550,000	1,154
LOUISIANA: New Orleans, Jefferson Apartments, Inc.	Walk-up.	28	111	60.39	16.45	122,000	1,098
MARYLAND: Silver Spring, Piney Branch Apartments, Inc.	Walk-up.	214	898½	55.67	13.26	815,000	902
Dundalk, Dunmore Apartments Corporation.	Walk-up.	298	48	52.25	13.93	190,000	1,031
Liberty Park Housing Corporation	Walk-up.	136	556	46.88	11.47	400,000	808

¹ Includes 108 units and 314 rooms which produce no income.

TABLE 50.—Description of rental projects: Mortgages insured by FHA, 1940—Con.

State, city, and project	Type of structure	Number of dwelling units	Number of rooms	Average monthly rental		Amount of mortgage	
				Per unit	Per room	Total	Per room
MISSOURI: Jefferson City, Salvi-Roluga Realty Co.	Walk-up.	57	210½	50.41	13.56	188,000	888
NEW YORK:							
Bronx, Wilson Post Apartments, Inc.	Walk-up.	76	250½	54.84	16.62	252,000	1,018
Albany, Stonehenge, Inc.	Walk-up.	212	725	59.34	17.35	840,000	1,130
Kenmore, Starin Gardens Apartments, Inc.	Walk-up.	48	192	67.50	14.37	183,000	955
Jamaica, Long Island, Briarwood Terrace, Inc.	Elevator.	120	435	65.61	18.10	480,000	1,103
Baldwin, Baldwin Gardens Corporation.	Walk-up.	160	572	57.61	16.11	600,000	1,029
White Plains, Westchester River Park, Inc.	Walk-up.	145	543	61.75	16.47	593,000	1,071
Tarrytown, Windle Park Realty Corporation.	Walk-up.	25	81	55.63	17.12	75,000	962
Greenburgh, Fulton Park Apartments, Inc.	Walk-up.	61	225	62.93	17.00	275,000	1,107
Yonkers, Hilltop Acres, Inc.	Walk-up.	174	588	55.25	16.35	635,000	1,025
NORTH CAROLINA:							
Wilmington, New Hanover Housing Corporation.	Walk-up.	72	264	54.81	12.77	261,000	989
Charlotte, Charlotte Homes, Inc.	Walk-up.	30	98	32.40	9.92	85,000	867
Raleigh, Country Club Apartments, Inc.	Walk-up.	76	288	34.55	9.12	237,500	811
Greensboro, Westover Terrace Apartments.	Walk-up.	100	372	36.59	9.84	296,000	795
OHIO: Shaker Heights, the Shaker Lakes Corporation.	Walk-up.	68	277	71.23	17.45	350,000	1,205
OKLAHOMA:							
Tulsa, New Realty Corporation.	Walk-up.	19	81	58.75	13.56	68,000	840
Brittsville, Ritz Apartments, Inc.	Walk-up.	25	88	47.02	13.37	81,000	886
OREGON:							
Portland:							
Park View Apartments, Inc.	Walk-up.	92	342	54.59	14.68	335,000	945
Vista Corporation.	Walk-up.	42	171	64.29	15.79	183,000	1,030
PENNSYLVANIA:							
State College, the Lowden Corporation.	Walk-up.	25	90	54.38	15.00	95,000	1,049
Philadelphia:							
Montour Court, Inc.	Walk-up.	18	58½	51.12	15.80	58,000	1,055
Franklin Park, Inc.	Walk-up.	61	273	55.00	12.22	245,000	887
Narberth, 105 South Narberth Avenue Corporation.	Walk-up.	15	63	62.00	14.76	65,000	980
Pottstown, Franklin Apartments, Inc.	Walk-up.	30	87	41.81	14.43	88,000	1,017
SOUTH DAKOTA: Rapid City, Hillcrest Terrace Corporation.	Walk-up.	46	165	35.43	9.88	117,500	680
TEXAS:							
Dallas, Jones & Jones, Inc.	Walk-up.	9	37	62.50	14.29	34,000	888
Lubbock, Hub Investment Co.	Walk-up.	17	60	47.00	12.96	48,000	770
VIRGINIA:							
Arlington, Fifth Buckingham Annex.	Walk-up.	170	568	47.63	14.76	610,000	1,074
Richmond, John Rolfe Corporation	Walk-up.	10	52	74.00	14.23	44,000	846
Fredericksburg, Kenmore Apartments, Inc.	Walk-up.	18	69	48.33	12.61	62,000	899
Norfolk, Suburban Park Apartments Corporation.	Walk-up.	101	390½	41.09	10.63	319,000	838
WISCONSIN: Milwaukee, Martin-Hawley Realty Co.	Walk-up.	18	63	57.60	16.43	96,000	1,048
Total insured 1940 (48 projects)		3,426	12,610			12,481,000	
Average.		71	261½	52.60	14.33	260,021	969
Median.		47	174	51.96	14.26	181,500	936
Changes during 1940 in projects previously insured.		+136	+635½			+555,000	
Adjusted total 1940.		3,562	13,245½			13,036,000	
Cumulative total through 1939.		28,352	104,287½			109,249,750	
Cumulative total through 1940.		31,914	117,533			122,285,750	
Average.		129	442	54.16	14.70	459,721	1,010
Median.		71	268½	54.79	14.70	261,700	1,016

Cumulative Totals by States

The number of rental projects, the number of dwelling units, and the amount of mortgages insured for each State from the beginning of operations are shown in Table 51. Mortgages on 30 projects providing dwellings for 4,718 families have been insured for Virginia, placing this state second only to New York in volume of business. This may be explained by the number of large rental developments in the state which fall within the Washington, D. C., metropolitan district. The first demonstration of the rental housing plan was made here. The success of the plan is reflected in the number of large-scale projects that have subsequently been built in this area.

TABLE 51.—State distribution of rental and release-clause projects: Family units and face amount of mortgages insured by FHA, cumulative 1935-1940

State	Rental projects			Release-clause projects			Total		
	Number	Number of units	Mortgage amount	Number	Number of units	Mortgage amount	Number	Number of units	Mortgage amount
Alabama	3	295	\$1,120,000	4	72	\$253,700	7	367	\$1,373,700
Arizona	2	65	194,000				2	65	194,000
Arkansas	1	199	320,000				1	199	320,000
California	10	1,273	3,453,700	1	53	200,000	11	1,326	3,653,700
Colorado	4	219	939,500				4	219	939,500
Connecticut	5	328	1,310,000				5	328	1,310,000
Delaware	2	179	740,000				2	179	740,000
District of Columbia	3	1,072	3,794,000				3	1,072	3,794,000
Florida	6	324	1,117,500				6	324	1,117,500
Georgia	6	396	1,416,000				6	396	1,416,000
Idaho									
Illinois	7	1,379	6,167,400				7	1,379	6,167,400
Indiana	10	564	2,285,750	2	61	220,500	12	625	2,516,250
Iowa	1	127	550,000				1	127	550,000
Kansas	1	12	38,000	9	161	573,100	10	173	611,100
Kentucky	1	265	1,000,000				1	265	1,000,000
Louisiana	3	179	726,500	1	37	148,500	4	216	875,000
Maine									
Maryland	14	2,228	8,420,500	2	20	125,100	16	2,248	8,545,600
Massachusetts	2	232	383,000				2	232	383,000
Michigan	8	711	2,671,000	4	81	288,900	12	792	2,959,900
Minnesota	6	675	2,812,000	2	22	83,800	8	697	2,895,800
Mississippi	1	12	34,000				1	12	34,000
Missouri	14	1,227	5,346,000	4	53	242,300	18	1,280	5,588,300
Montana									
Nebraska									
Nevada									
New Hampshire									
New Jersey	14	1,904	7,149,500	3	30	130,500	17	1,934	7,280,000
New Mexico									
New York	43	7,754	32,348,000				43	7,754	32,348,000
North Carolina	14	1,188	4,220,500				14	1,188	4,220,500
North Dakota									
Ohio	4	526	2,320,000				4	526	2,320,000
Oklahoma	3	55	184,000	5	77	277,750	8	132	461,750
Oregon	2	134	518,000				2	134	518,000
Pennsylvania	18	1,615	6,060,000	3	433	1,529,000	21	2,048	7,589,000
Rhode Island	1	36	114,000				1	36	114,000
South Carolina	1	62	240,000				1	62	240,000
South Dakota	1	46	117,500				1	46	117,500
Tennessee	4	418	1,647,000	3	30	137,850	7	448	1,784,850
Texas	16	868	3,272,400	6	140	350,825	22	908	3,623,225
Utah									
Vermont									
Virginia	30	4,718	16,244,000				30	4,718	16,244,000
Washington	1	305	1,080,000	1	10	39,400	2	315	1,119,400
West Virginia	1	174	650,000				1	174	650,000
Wisconsin	3	150	634,000	1	10	50,700	4	160	684,700
Wyoming									
Alaska									
Hawaii									
Total	266	31,914	122,286,760	51	1,200	4,066,925	317	33,204	126,952,075

Lending Institution Activity

The bulk of the insured mortgages on rental housing projects was financed by insurance companies. As shown in Table 52, 23 insurance companies financed 70 percent of the mortgage principal insured from the beginning of operations and mortgages held in their portfolios also represented 68 percent of the mortgage principal on which insurance was in force at the end of the year. Furthermore, 85 percent of the mortgage principal on which insurance had terminated was financed by these companies.

The distribution by type of institution of mortgages insured since the beginning of operations, as well as the distribution of those on which the insurance is still in force, is shown. All data in the table are based on a record of the mortgagees holding mortgages on the last day of the year and those holding mortgages at time the insurance was terminated. There are few transactions in mortgages on rental projects as compared to those in mortgages insured under section 203. Most such transactions are arranged in advance and merely involve the transfer of the mortgage from the institution which finances the construction of the project to a permanent mortgagee.

TABLE 52.—Type of institution: Face amount of rental housing insurance in force and of insurance written by FHA as of Dec. 31, 1940

Type of lending institution	Number of institutions	Rental housing mortgages		Release-clause mortgages		Total		
		Number	Amount	Number	Amount	Number	Amount	Per-cent
INSURANCE IN FORCE:								
National banks.....	14	25	\$7,127,400	6	\$343,700	31	\$7,471,100	6.8
State banks.....	10	12	6,580,000	3	137,250	15	6,717,250	6.1
Mortgage companies.....	10	5	312,500	0	323,350	11	635,850	.6
Savings and loan associations.....	4	5	421,500	1	145,800	6	567,300	.5
Insurance companies.....	23	153	72,797,350	9	1,867,500	167	74,664,850	67.9
Finance companies.....								
Savings banks.....	9	15	8,832,000			15	8,832,000	8.0
Federal agencies.....	2	10	3,741,500			10	3,741,500	3.4
All others.....	3	23	7,208,500	1	114,700	24	7,323,200	6.7
Total.....	75	253	107,080,750	26	2,932,300	279	110,013,050	100.0
INSURANCE TERMINATED:								
Properties acquired by FHA.....	4	4	6,355,000	1	57,200	5	6,412,200	37.9
Other terminations.....	21	9	8,850,000	24	1,677,425	33	10,527,425	62.1
Total.....	25	13	15,205,000	25	1,734,625	38	16,939,625	100.0
INSURANCE WRITTEN:								
National banks.....	16	25	7,127,400	10	521,000	35	7,648,400	6.0
State banks.....	14	14	7,805,000	7	532,650	21	8,337,650	6.6
Mortgage companies.....	14	5	312,500	11	549,750	16	862,250	.7
Savings and loan associations.....	4	5	421,500	1	145,800	6	567,300	.4
Insurance companies.....	23	153	80,682,350	16	2,399,300	184	88,081,650	70.2
Finance companies.....	1			1	200,000	1	200,000	.1
Savings banks.....	9	15	8,832,000			15	8,832,000	7.0
Federal agencies.....	2	10	3,741,500	2	112,100	12	3,853,600	3.0
All others.....	4	24	7,363,500	3	206,325	27	7,569,825	6.0
Total.....	87	266	122,285,750	51	4,660,925	317	126,952,675	100.0

CHARACTERISTICS OF MORTGAGES AND PROJECTS

IN THIS and the following sections, mortgage, project, and rental characteristics are shown for the 266 rental projects on which mortgages were insured from the beginning of operations. The 51 release clause projects, for which loans were closed, are omitted because they are not strictly comparable to rental projects. This difference exists because release clause projects are designed primarily to provide new homes for individual ownership rather than rental properties.

The size of the average insured mortgage on rental projects has declined steadily since 1938. The average mortgage insured during the period 1935-38 amounted to \$530,081 as compared with an average of \$469,667 during 1939 and an average of \$260,021 during 1940. Mortgage principal insured ranges from \$14,400 to \$3,000,000. In several instances two or more projects, each with a separate insured mortgage, have been constructed on adjacent sites under a single management. The aggregate mortgage principal for these developments exceeds \$3,000,000 but each of the mortgages involved is handled as a separate project for FHA reporting purposes.

Amount of Mortgage per Room

In order to confine mortgage insurance to the lowest rental housing possible under the act, the February 1938 amendment established the maximum mortgage principal that may be attributable to dwelling use as \$1,350 a room. It is encouraging, therefore, to find that the average mortgage for all rental projects insured from the beginning of operations is only \$1,010 per room. Table 53 shows the distribution of the 266 projects for which mortgages were insured through 1940 by the amount of mortgage per room and the type of structure.

TABLE 53.—*Mortgage per room: Type of rental housing structure securing mortgages insured by FHA, 1935-1940*

Mortgage per room ¹	Type of structure							
	Walk-up		Elevator		Detached		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than \$500.....	3	1.3	—	—	4	44.4	7	2.6
\$500 to \$599.....	1	.4	—	—	—	—	1	.4
\$600 to \$699.....	10	4.4	—	—	—	—	10	3.7
\$700 to \$799.....	10	4.4	—	—	4	44.4	14	5.3
\$800 to \$899.....	42	18.4	—	—	1	11.2	45	18.9
\$900 to \$999.....	45	19.8	2	6.9	—	—	46	17.3
\$1,000 to \$1,099.....	68	29.8	1	3.4	—	—	76	28.6
\$1,100 to \$1,199.....	37	16.3	8	27.6	—	—	43	6.2
\$1,200 to \$1,299.....	10	4.4	8	27.6	—	—	18	6.8
\$1,300 to \$1,350.....	2	.8	4	13.8	—	—	6	2.2
Total.....	228	100.0	29	100.0	9	100.0	266	100.0
Average amount.....	\$900		\$1,165		\$640		\$1,010	
Median amount.....	1,009		1,165		700		1,016	

¹ Based on that part of mortgage principal attributable to dwelling use.

As shown in the table, the average mortgage per room for detached structures is much lower than for walk-up and elevator structures largely because the number of bedrooms, which are usually limited in an apartment, is considerably higher in individual dwellings, and because a dining room, almost always omitted in the more conventional multi-family dwelling unit, increases the cost of a single-family dwelling only by a very small amount. For this reason, release-clause projects, which consist entirely of detached structures, have been excluded from the table.

Duration and Ratio of Mortgage to Valuation

Most mortgages insured during 1940 under section 207 bear 4 percent interest a year and are to be completely amortized in 28 years. Prior to 1940 the most frequent term was 26½ years at an interest rate of 4½ percent a year. The lower interest rate in 1940 was effected by the amended rules and regulations which limited the interest rate to 4 percent a year on all commitments to insure issued after August 1, 1939, and which reduced the interest rate on mortgages of \$100,000 or less to 4½ percent a year.

The mortgage principal insured during 1940 averaged 78 percent of the FHA valuation compared to 77 percent during preceding years, and averaged 88 percent of the estimated cost of physical improvements compared to 90 percent during preceding years.

Type of Structure

The most popular type of structure in rental projects is the two- and three-story walk-up building, which is generally found in garden-type developments. As shown in Table 54, mortgages were insured on 228 walk-up projects which consisted of 26,373 rental units, or approximately 83 percent of the total dwelling units provided under the rental housing program.

Mortgages were insured on 29 elevator projects consisting of 16 percent of the total rental units provided by the program. Detached structures are rarely employed in rental projects. Of the nine detached projects on which mortgages were insured under the rental housing program, four were sponsored by local housing authorities to

TABLE 54.—*Type of structure: Rental projects with mortgages insured by FHA, dwelling units, and rooms, 1935-1940*

Type of structure	Rental projects		Dwelling units ¹		Rooms ²	
	Number	Percent	Number	Percent	Number	Percent
Walk-up.....	228	85.7	26,373	82.6	97,338	82.8
Elevator.....	29	10.9	4,984	15.6	17,808	15.2
Detached.....	9	3.4	557	1.8	2,327	2.0
Total.....	266	100.0	31,914	100.0	117,533	100.0

¹ Includes 108 units which produce no income.

² Includes 314 rooms which produce no income.

provide subsidized housing for relief clients, two were built by industrial organizations for their employees, and only three provided dwelling units for the regular rental market.

As pointed out previously, the major use of the detached structure under the large-scale housing program of FHA was in release clause projects, where the dwelling units were designed for ultimate sale to the tenant.

The projects have been classified by the predominant type of structure employed in the project; thus, a project classified as walk-up may include an elevator building. Projects consisting of row houses have been listed as walk-up structures.

Size of Projects

Individual projects range in size from five to 1,102 dwelling units, although one rental development consisting of several projects under a single management housed almost 50 percent more than that number of families. Table 55 presents a distribution of all rental projects, for which mortgages have been insured, by number of dwelling units per project and by type of structure.

As shown in the table, the average rental project consists of 120 dwelling units. This figure is rather high due to the influence of a few extremely large projects. Perhaps a better indication of the size of a typical project is the median project which provides 71 family units. Of the total rental projects 59 percent have less than 100 dwelling units.

Table 55 shows that the average elevator project is larger than the average project composed of either walk-up or detached structures. Most large projects, however, consist of walk-up structures. Of 48 projects which have 200 or more dwelling units each, 37 consist of walk-

TABLE 55.—*Size of project: Type of rental housing structure securing mortgages insured by FHA, 1935-1940*

Number of dwelling units ¹	Type of structure							
	Walk-up		Elevator		Detached		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than 50.....	95	41.7	3	10.4	7	77.8	105	39.5
50 to 99.....	45	19.7	7	24.1	—	—	52	19.5
100 to 199.....	51	22.3	9	31.0	1	11.1	61	22.9
200 to 299.....	20	8.8	5	17.2	1	11.1	26	9.8
300 to 399.....	6	2.2	4	13.8	—	—	9	3.4
400 to 499.....	5	2.2	—	—	—	—	5	1.9
500 or more.....	7	3.1	1	3.5	—	—	8	3.0
Total.....	228	100.0	20	100.0	9	100.0	266	100.0
Average number of units.....	116	—	172	—	92	—	120	—
Median number of units.....	63	—	133	—	20	—	71	—

¹ Includes 108 units which produce no income.

up structures while only 10 consist of elevator apartment buildings. The largest individual project and all the large developments made up of two or more projects consist of walk-up structures.

Size of Dwelling Units

The three-room unit, representing 33 percent of the total units provided under the rental housing program, has been found the most popular with the tenant. The typical apartment of this size consists of a living room, bedroom, combined kitchen and dining alcove, and a bathroom, which is not included in the room count.

CHART 31—NUMBER OF ROOMS IN RENTAL HOUSING UNITS, CUMULATIVE, 1935-1940

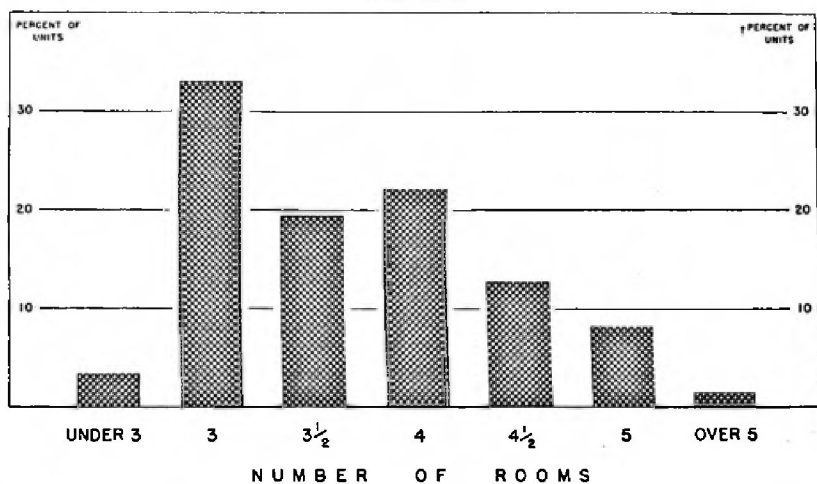


TABLE 56.—Size of dwelling unit: Type of rental housing structure securing mortgages insured by FHA, 1935-1940

Number of rooms	Type of structure ¹							
	Walk-up		Elevator		Detached		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1.....	25	0.1	3	0.1	—	—	28	0.1
1 1/2.....	7	(²)	3	0.1	—	—	10	(²)
2.....	420	1.6	290	5.9	—	—	710	2.3
2 1/2.....	183	.7	106	2.1	—	—	289	.9
3.....	8,941	33.9	1,414	28.4	178	31.9	10,533	33.0
3 1/2.....	5,085	19.3	1,090	22.0	—	—	6,175	19.4
4.....	5,910	22.4	1,003	20.1	182	32.7	7,095	22.2
4 1/2.....	3,249	12.3	813	16.3	—	—	4,062	12.7
5.....	2,210	8.4	234	4.7	118	21.2	2,571	8.1
5 1/2.....	4	(²)	—	—	—	—	4	(²)
6.....	306	1.2	12	.3	78	14.0	396	1.2
6 1/2.....	1	(²)	—	—	—	—	1	(²)
7.....	21	.1	1	(²)	1	.2	23	.1
8 1/2.....	1	(²)	—	—	—	—	1	(²)
9.....	1	(²)	—	—	—	—	1	(²)
Total.....	26,373	100.0	4,984	100.0	557	100.0	31,914	100.0
Average rooms.....	3.7		3.6		4.2		3.7	
Median rooms.....	3.7		3.6		3.6		3.7	

¹ Includes 108 units which produce no income.

² Less than 0.05 percent.

The next most popular unit, representing 22 percent of the total units, generally has two bedrooms. In other respects the floor plan of a unit of this size is usually the same as that of the three-room unit. The three and one-half-room unit, which accounts for 19 percent of the dwelling units, differs from a three-room unit in the addition of a small bedroom or of a dining alcove separated from the kitchen. Dwelling units of these three sizes account for approximately 75 percent of the total units provided under the rental housing program.

Chart 31 and Table 56 present a distribution of all dwelling units in insured projects by the number of rooms per unit. As shown on the chart, approximately 95 percent of family units consist of from three to five rooms.

Average Monthly Room Rental

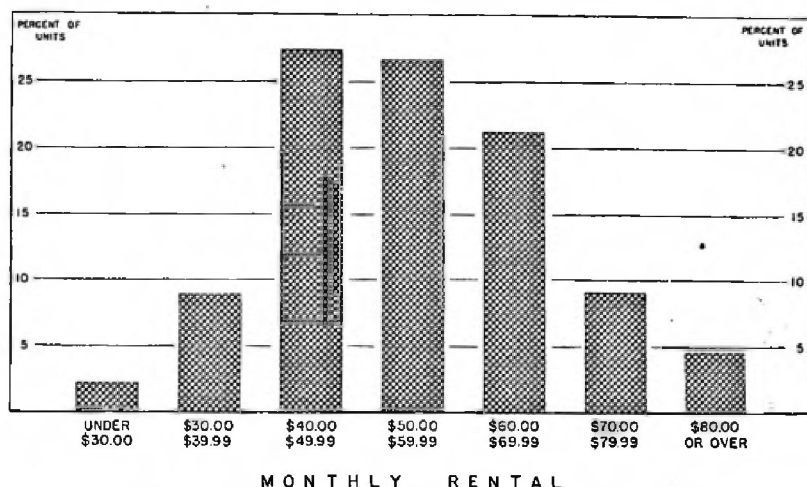
It is the policy of the FHA under the rental housing program to insure projects whose rental range is low enough to be acceptable to a large segment of the renting public. In line with this policy the FHA has from time to time lowered the maximum room rental per month for new projects.

Early in the program a maximum of \$20 per room per month was established with the provision that the Administrator might waive the maximum in special cases. In June 1939 the maximum was lowered to \$15 a month, with the exception of projects in cities of population of a million or more where the maximum could not exceed \$16.50 a month. The last reduction, in May 1940, established a maximum of \$13.50 and \$15 a month, outside and inside metropolitan cities, respectively. The effect of the last change is not reflected to any degree in the 1940 data because it was limited to new applications accepted after May 1, 1940, only a few of which became insured mortgages during the year.

The average room rental, however, has never been excessively high,

TABLE 57.—Average monthly room rental: Type of rental housing structure securing mortgages insured by FHA, 1935-1940

Average monthly room rental	Type of structure							
	Walk-up		Elevator		Detached		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
No income.....	256	0.3	58	0.3			314	0.3
Less than \$5.....	798	.8			863	37.1	1,661	1.4
\$5 to \$7.49.....					1,210	52.0	1,210	1.0
\$7.50 to \$9.99.....	6,080	6.2					6,080	5.1
\$10 to \$12.49.....	7,344½	7.6			254	10.9	7,598½	6.6
\$12.50 to \$14.99.....	44,078	45.3	155	.9			44,233	37.6
\$15 to \$17.49.....	32,208½	33.2	2,589½	14.5			34,888	29.7
\$17.50 to \$19.99.....	5,250½	5.4	11,638	65.1			16,888½	14.4
\$20 or more.....	1,232½	1.3	3,427½	19.2			4,660	4.0
Total.....	97,338	100.0	17,868	100.0	2,327	100.0	117,533	100.0
Average rental.....	\$14.25		\$18.23		\$6.59		\$14.70	
Median rental.....	14.60		18.00		6.87		14.70	

CHART 32—MONTHLY RENTAL OF RENTAL HOUSING UNITS, CUMULATIVE,
1935-1940

and has shown a gradual but steady decline since 1938. The average rent per room for all projects insured through that year was \$14.91 a month as compared with \$14.33 for the projects insured in 1940.

As shown in Table 57, which presents a distribution of rooms by average monthly rental and by type of structure, the average rental per room for all projects insured from the beginning of operations is \$14.70 a month. Elevator projects, which can no longer be insured, have an average rental of \$18.23 per room per month.

Walk-up projects, consisting of 83 percent of the total rooms provided in rental projects, have an average room rental of \$14.25 a month. The low average room rental for detached structures, \$6.59 a month, reflects the influence of the four projects built for relief clients. As shown in the table, however, all detached structures, including those for the regular rental market, have room rentals of less than \$10 a month. This is due to the low operating costs for detached structures, which exclude many services, such as heating and janitor service, normally provided in rental projects.

Monthly Dwelling Unit Rental

As shown in Chart 32, more than half of the total dwelling units in projects financed with FHA insured mortgages rent for from \$40 to \$60 a month. According to Table 58, which shows a distribution by monthly rentals of all dwelling units in projects insured through December 1940, almost 70 percent of the units are concentrated in the range from \$40 to \$65 a month.

In the projects composed of walk-up structures, the concentration of dwelling units within this rental range is even greater. Because of

higher construction and operating costs for elevator structures the rentals are much higher than in walk-up structures. Approximately 86 percent of the apartments in these structures rent for from \$50 to \$85 a month. More than half of the detached structures rent for less than \$30 a month. These rentals are not typical, however, because of the influence of several projects, previously discussed, which were not built for the regular rental market.

TABLE 58.—*Monthly dwelling unit rental: Type of rental housing structure securing mortgages insured, 1935-1940*

Monthly dwelling unit rented	Type of structure							
	Walk-up		Elevator		Detached		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
No income.....	89	0.3	19	0.4	.....	.....	108	0.3
Less than \$30.....	330	1.3	3	.1	284	51.0	617	1.9
\$30 to \$34.99.....	261	3.6	3	.1	.....	.....	1,029	3.2
\$35 to \$39.99.....	1,530	6.2	35	.7	151	27.1	1,816	5.7
\$40 to \$44.99.....	3,770	14.3	167	3.4	47	8.4	3,984	12.5
\$45 to \$49.99.....	4,634	17.6	127	2.5	.....	.....	4,761	14.9
\$50 to \$54.99.....	3,521	13.3	854	17.3	.....	.....	4,395	13.8
\$55 to \$59.99.....	3,685	14.0	393	7.9	10	1.8	4,078	12.8
\$60 to \$64.99.....	3,536	13.4	918	18.4	.....	.....	4,454	14.0
\$65 to \$69.99.....	1,880	7.1	430	8.6	.....	.....	2,310	7.2
\$70 to \$74.99.....	1,143	4.3	680	13.6	.....	.....	1,823	5.7
\$75 to \$79.99.....	700	2.7	364	7.3	.....	.....	1,064	3.4
\$80 to \$84.99.....	263	1.0	660	13.3	.....	.....	923	2.9
\$85 to \$89.99.....	84	.3	160	3.2	.....	.....	244	.7
\$90 or more.....	147	.6	161	3.2	.....	.....	308	1.0
Total.....	26,373	100.0	4,984	100.0	557	100.0	31,914	100.0
Average rental.....	\$52.60	.....	\$65.36	.....	\$27.53	.....	\$54.15	.....
Median rental.....	54.43	.....	63.61	.....	27.14	.....	54.79	.....

Distribution of Units by Size and Rental Groups

The close relationship between the size of the dwelling unit and amount of monthly rental is apparent from Table 59, which shows the percentage distribution by number of rooms and monthly rental of all dwelling units in rental projects insured from the beginning of operations. For example, two-thirds of the total three-room dwelling units rent for from \$30 to \$50 a month, two-thirds of the units of 3½ rooms rent for from \$45 to \$65 a month, and two-thirds of the 4-room units rent for from \$50 to \$70 a month.

The table also presents a distribution for each type of structure. The distribution of units in walk-up structures is approximately the same as that for total units. In elevator projects, however, the rentals are higher than in projects of the other types for the same number of rooms. For example, 98 percent of the three-room units in elevator apartments rent for more than \$50 a month while 81 percent of the units of this size in walk-up structures rent for less than \$50 a month. In detached structures, for reasons previously discussed, dwelling units of a given number of rooms have a much lower rental than those in structures of other types.

Rental rates used in this section are based on estimates, made prior to the insurance of the mortgage, of rentals obtainable in the area in which the project is located. Such rentals may be less than the maximum rent allowable, and less than actual rentals during the initial periods of operation. After rental estimates have been made for each type of dwelling unit within a proposed project, they are entered on a rental schedule (used in compiling Tables 58 and 59) and totaled. From this total, an average monthly room rental for the entire project (used in compiling Table 57) is computed. Rentals for individual dwelling units in a project vary not only with the number of rooms but with such factors as location of the apartment within a building and location of the building within the development.

TABLE 59.—Rooms and monthly rental or dwelling units: Percentage distribution of units in rental projects with mortgages insured by FHA, 1935-1940

Number of rooms per dwelling	Monthly dwelling unit rental										Total
	Under \$30 ¹	\$30 to \$39.99	\$40 to \$49.99	\$45 to \$49.99	\$50 to \$54.99	\$55 to \$59.99	\$60 to \$61.99	\$65 to \$69.99	\$70 to \$79.99	\$80 and over	
WALK-UP:											
Less than 3.....	0.3	1.3	0.6	0.1	0.1	—	—	—	—	—	2.4
3.....	.7	4.7	11.5	10.4	4.5	1.6	0.2	—	0.3	—	33.9
3½.....	(?)	1.3	1.6	5.6	4.4	3.8	1.7	0.5	.5	(?)	19.3
4.....	.3	.1	.4	.7	3.3	4.8	7.9	3.3	1.4	0.2	22.4
4½.....	—	2.4	.3	.4	.6	2.2	2.2	2.1	1.7	.4	12.3
5.....	.2	—	—	.1	.2	1.6	1.4	1.0	2.9	1.0	8.4
More than 5.....	.1	—	—	.3	.2	(?)	(?)	.2	.2	.3	1.3
Total.....	1.6	9.8	14.3	17.5	13.3	14.0	13.4	7.1	7.0	1.9	100.0
ELEVATOR:											
Less than 3.....	0.2	0.6	3.4	2.2	0.6	0.6	0.6	—	—	—	8.2
3.....	.2	.1	—	.3	16.5	4.0	2.9	3.8	(?)	(?)	28.4
3½.....	.1	—	—	—	.2	2.6	14.1	.9	4.1	—	22.0
4.....	(?)	—	—	—	—	.1	.2	3.7	10.9	5.2	20.1
4½.....	—	.1	—	—	—	—	.6	.2	5.9	9.5	16.3
5.....	(?)	—	—	—	—	—	—	—	—	4.7	4.7
More than 5.....	—	—	—	—	—	—	—	—	—	.3	.3
Total.....	.6	.8	3.4	2.5	17.3	7.9	18.4	8.6	20.0	19.7	100.0
DETACHED:											
Less than 3.....	—	—	—	—	—	—	—	—	—	—	—
3.....	28.3	3.6	—	—	—	—	—	—	—	—	31.9
3½.....	—	—	—	—	—	—	—	—	—	—	—
4.....	20.5	5.8	6.4	—	—	—	—	—	—	—	32.7
4½.....	—	—	—	—	—	—	—	—	—	—	—
5.....	1.8	17.6	—	—	1.8	—	—	—	—	—	21.2
More than 5.....	.4	11.8	2.0	—	—	—	—	—	—	—	14.2
Total.....	51.0	38.8	8.4	—	1.8	—	—	—	—	—	100.0
ALL TYPES:											
Less than 3.....	0.3	1.1	1.0	0.5	0.2	0.1	0.1	—	—	—	3.3
3.....	1.1	4.0	9.6	8.6	6.3	2.0	.6	0.5	0.3	(?)	33.0
3½.....	(?)	1.1	1.2	4.6	3.6	3.8	3.7	.6	1.0	(?)	19.4
4.....	.6	—	.5	.6	2.7	4.0	6.6	3.3	2.9	.9	22.2
4½.....	—	2.0	.2	.3	.6	1.8	1.9	1.8	2.3	1.8	12.7
5.....	.2	.3	—	.1	.2	1.3	1.1	.8	2.5	1.6	8.1
More than 5.....	.1	.2	(?)	.2	.2	(?)	(?)	.2	.1	.3	1.3
Total.....	2.2	8.0	12.5	14.9	13.8	12.8	14.0	7.2	9.1	4.6	100.0

¹ Includes 108 units which produce no income.

² Less than 0.05 percent.

Part VI

ACCOUNTS AND FINANCE

THE accounting records and fiscal controls of all funds of the Federal Housing Administration are centralized in Washington, D. C. They have been established and are maintained in accordance with accepted Government procedures, adapted to the particular requirements of the National Housing Act. All cash and investments are deposited with the Treasurer of the United States and all disbursements are made through the Chief Disbursing Officer of the Treasury.

The principal sources of income of the FHA are (a) examination fees and insurance premiums under Titles I and II, (b) interest on investments of the Mutual Mortgage Insurance and Housing Insurance Funds, (c) recoveries on Title I defaulted notes and proceeds from the rental and sale of properties acquired after default under the terms of Title II insurance, (d) allocations from the Reconstruction Finance Corporation for the payment of a portion of the claims under Title I, and (e) miscellaneous receipts.

STATEMENT 1.—*Volume of insurance under Titles I and II, and costs of operation of the Administration by 6-month periods, 1934-40*

Period	Insurance written				Expenses incurred		
	Moderniza- tion and property improve- ment notes insured	Small home mortgages insured	Rental and group housing mortgages insured	Total vol- ume of insurance	Total operating expenses ¹	Depart- mental	Field
1934:							
Last half.....	\$30,450,583			\$30,450,583	\$1,739,770	\$1,295,733	\$444,037
1935:							
First half.....	61,536,494	\$11,514,309	\$875,000	73,925,803	4,533,350	2,036,457	2,496,899
Last half.....	102,083,052	82,367,703	1,480,000	215,031,355	5,766,816	1,920,090	3,846,726
1936:							
First half.....	141,811,958	110,704,470	600,000	253,376,428	0,319,683	2,446,660	3,873,014
Last half.....	104,337,955	198,180,636	1,301,000	303,819,591	5,081,559	1,744,351	3,337,208
1937:							
First half.....	² 60,481,416	106,955,124	2,589,000	269,025,540	5,169,376	1,921,134	3,248,242
Last half.....	² -98,818	227,417,875	7,960,000	235,279,057	4,100,000	1,630,088	2,470,521
1938:							
First half.....	51,403,918	170,649,400	20,975,750	243,029,068	5,118,269	1,940,576	3,177,693
Last half.....	121,343,390	302,506,724	26,613,400	450,553,514	0,228,342	2,035,343	4,192,099
1939:							
First half.....	106,209,058	306,700,800	37,042,625	449,952,483	6,370,371	2,115,339	4,255,032
Last half.....	126,858,291	362,715,354	14,298,000	603,871,645	6,600,952	2,166,496	4,434,456
1940:							
First half.....	106,754,490	318,485,193	7,147,000	432,386,683	6,676,266	2,107,878	4,468,388
Last half.....	169,786,875	418,005,151	6,870,000	693,662,926	0,690,518	2,143,745	4,546,773
Total, 1934-40.....	1,242,959,202	2,706,352,739	120,952,675	4,676,264,676	70,285,887	25,490,899	44,785,988

¹ Expenses encumbered in subsequent years have been applied to year in which incurred. Capitalized expenditures for furniture and equipment not included in above expenses.

² Authority to insure loans under Title I expired Apr. 1, 1937; amendment of Feb. 3, 1938, authorized resumption of Title I insurance.

Expenditures are made for (a) salaries and administrative expenses, (b) furniture and equipment, (c) acquisition, management, and sale of acquired properties, including cash adjustments, interest on and redemption of debentures, payment of certificates of claim and refunds to mortgagors, (d) settlement of Title I claims, and (e) investment of surplus funds.

Separate estimates of income and expenses of the Title I Insurance Fund, the Mutual Mortgage Insurance Fund, and the Housing Insurance Fund are submitted annually to Congress in cooperation with the Bureau of the Budget, as well as estimates of operating expenses of the Administration and of the amounts required to pay Title I insurance claims.

STATEMENT 2.—Income from fees, insurance premiums, and interest on investments under titles I and II by 6-month periods, 1934-1940

	Examination and special fees	Initial premiums	Renewal premiums	Prepayment premiums	Interest on investments	Total
Title I:						
1934—Second half	\$34,750	\$1,268,064				\$1,302,814
1940—First half	80,757	1,780,541				1,861,298
Second half	65,000	2,475,400	\$16,038			2,557,044
Total	181,113	5,524,005	16,038			5,721,156
Title II, Sec. 203:						
1934—Second half					\$113,423	113,423
1935—First half	241,285	22,440			143,258	407,983
Second half	522,369	401,403	54,082	\$523	141,704	1,120,081
1936—First half	634,629	531,770	30,589	5,975	153,402	1,356,365
Second half	1,027,439	1,009,894	514,276	21,963	180,484	2,754,066
1937—First half	984,934	996,715	640,900	59,977	223,842	2,906,467
Second half	792,386	1,115,323	1,311,845	88,234	273,531	3,581,319
1938—First half	1,382,735	824,344	1,451,451	108,689	283,167	4,050,386
Second half	1,767,280	1,234,350	1,931,072	132,002	279,284	6,343,997
1939—First half	1,897,792	1,141,251	2,240,047	177,016	280,625	5,745,731
Second half	1,710,381	1,481,065	2,874,482	239,100	316,015	6,630,043
1940—First half	2,155,688	1,522,618	3,073,754	303,010	323,915	7,378,585
Second half	2,205,021	2,078,937	3,840,155	311,272	335,879	8,777,254
Total	15,330,839	12,361,119	17,977,762	1,447,761	3,048,530	50,166,010
Title II, Secs. 207-210:						
1935—First half		4,375				4,375
Second half		7,400				7,400
1936—First half		4,000	4,375			8,375
Second half		5,800	7,400			13,200
1937—First half		16,150	11,413			27,563
Second half	555	37,100	12,305			40,960
1938—First half	94,210	84,206	21,068		6,425	206,509
Second half	225,296	135,048	48,182		12,941	421,467
1939—First half	113,063	184,089	131,001		13,715	442,771
Second half	26,160	75,095	164,901	1,700	22,136	290,001
1940—First half	21,514	30,915	280,808	23,850	22,118	397,205
Second half	1,032	24,115	212,999	8,064	22,104	260,214
Total	482,739	617,293	904,955	33,614	90,439	2,138,040
Total Income:						
1934—Second half					113,423	113,423
1935—First half	241,285	27,815			143,258	412,358
Second half	522,369	409,803	54,082	523	141,704	1,127,481
1936—First half	634,629	535,770	31,064	5,975	153,402	1,364,740
Second half	1,027,439	1,015,694	521,676	21,963	180,484	2,767,266
1937—First half	984,934	1,012,865	652,412	59,977	223,842	2,934,030
Second half	792,041	1,152,423	1,324,150	88,234	273,531	3,631,279
1938—First half	1,476,945	808,550	1,473,119	108,689	289,592	4,256,805
Second half	1,992,576	1,369,407	1,979,254	132,002	292,225	5,765,464
1939—First half	2,010,855	1,325,340	2,380,051	177,016	294,340	6,188,502
Second half	1,780,300	2,824,224	3,039,383	240,800	338,151	8,222,858
1940—First half	2,257,859	3,343,074	3,363,562	326,860	316,033	9,637,388
Second half	2,272,559	4,678,452	4,075,192	319,336	357,983	11,603,522
Total	15,994,601	18,502,417	18,898,745	1,481,375	3,147,978	58,025,206

Previous to July 1, 1940, the appropriations for administrative expenses of the Federal Housing Administration were met partly through allocation of funds from the Reconstruction Finance Corporation (in accordance with the provisions of Section 4 of the National Housing Act) and the remainder by transfer from the insurance funds. Beginning with the current fiscal year, all moneys for operating expenses are derived from earnings of the insurance funds.

For the fiscal year ended June 30, 1940, the available appropriation for administrative expenses of \$13,500,000 was met by an allocation of \$3,500,000 from Reconstruction Finance Corporation and transfers of \$9,450,000 from the Mutual Mortgage Insurance Fund and \$850,000 from the Title I Insurance Fund.

The total appropriation of \$13,300,000 for administrative expenses for the current fiscal year ending June 30, 1941, is being met by transfers of \$10,900,000 from the Mutual Mortgage Insurance Fund, \$1,200,000 from the Housing Insurance Fund, and \$1,200,000 from the Title I Insurance Fund.

The National Housing Act (Sections 2 (f), 205 (b), and 207 (f)) authorizes the payment of operating expenses out of the insurance funds, and the independent offices appropriations acts stipulate the amounts that are authorized for expenditure.

Until the current fiscal year, all funds for the settlement of Title I insurance losses were allocated from Reconstruction Finance Corporation under authority of Section 4 of the National Housing Act. The Independent Offices Appropriation Act, 1941, provided that \$3,000,000 of the collections of Title I insurance premiums and \$4,000,000 of Reconstruction Finance Corporation funds be made available during the current fiscal year for the payment of such losses.

The volume of insurance from the beginning of operations to December 31, 1940, is compared with the expenses of operation and the income for the same period in Statement 1. Statement 2 sets forth all fees, insurance premiums and interest income received from Titles I and II through December 31, 1940.

TITLE I PROPERTY IMPROVEMENT LOAN INSURANCE

Up to December 31, 1940, approved lending institutions had reported 3,009,224 loans of a face amount of \$1,242,959,262 for insurance under Title I. On these loans, a total of 122,098 insurance claims have been paid in the amount of \$30,511,449.85.

A summary of the notes insured under the original act and subsequent amendments, the claims and recoveries thereunder, and the present status of the collection and property accounts are set forth in Statement 3.

Of the notes shown on Statement 3 as insured under the amendment of February 3, 1938, a total of 14,464 notes in the face amount of

STATEMENT 3.—Summary of Title I accounts: Notes insured, claims paid, and recoveries cumulative through Dec. 31, 1940

	Total Title I transactions	Notes insured prior to Feb. 3, 1938, amendment		Notes insured under Feb. 3, 1938, amendment		Notes insured under June 3, 1939, amendment	
		Amount	Percent of face amount of notes reported	Amount	Percent of face amount of notes reported	Amount	Percent of face amount of notes reported
Number of notes insured.....	3,009,224	1,461,525		666,601		881,098	
Notes insured, face amount.....	\$1,242,959,262.40	\$562,052,050.81	100.000	\$314,914,893.92	100.000	\$365,992,308.67	100.000
Number of claims paid.....	122,098	100,481		17,065		4,552	
Amount of claims paid.....	\$30,511,449.85	\$21,970,721.44	3.911	\$6,763,329.83	2.148	\$1,768,398.58	.483
Cash collections on notes.....	6,493,616.89	5,815,634.97	1.035	633,716.72	.201	44,265.20	.012
Repossessed property:							
Cash received on sales:							
By FHA.....	136,926.17	133,226.13		3,700.04			
By Treasury.....	11,784.77	11,772.25		12.86			
Unrecovered balances on sales.....	223,681.47	219,285.97		4,395.49			
Transferred to other Government activities.....	3,887,247.25	3,864,030.10		22,019.61		1,197.57	
Destroyed by Treasury.....	1,223.95	1,223.95					
Available for transfer.....	15,408.74	11,783.00		3,625.08			
Available for sale.....	6,179.03	5,732.97		440.06			
Total.....	4,282,511.38	4,247,054.43	.756	34,259.38	.011	1,197.57	.000
Total cash recovery and repossessed property.....	10,776,128.27	10,062,689.40	1.701	667,976.10	.212	45,462.77	.012
Total unrecovered claims.....	19,736,321.58	11,917,032.04	2.120	6,095,353.73	1.936	1,722,935.81	.471
Uncollectible note balances in suspense.....	4,244,162.44	3,021,570.57	.608	307,980.42	.098	14,605.45	.004
Notes receivable in process of collection.....	15,491,159.14	7,895,455.47	1.422	5,787,373.31	1.838	1,708,330.36	.467
Title I claims in audit:							
Number of claims.....	1,098	80		474		538	
Amount of claims.....	\$378,327.26	\$26,270.52		\$143,957.34		\$208,099.40	
Not included in above figures:							
Interest collected on notes.....	160,803.20	154,692.54		5,952.01		158.65	
Overpayments on closed cases.....	771.19	726.93		44.26			
Property on which pick-up orders have been issued.....	32,039.41	20,473.23		9,614.10		1,952.08	
Recovery of costs-judgments.....	10,104.88	8,241.69		1,863.19			
Unallocated and sundry items.....	11,944.14	11,069.74		874.40			

\$30,881,996.29 were class 3 loans for new construction. Claims of \$501,737.71 have been paid on 262 of such notes and recoveries in the form of cash collections have been made in the amount of \$25,986.35.

Under the June 3, 1939, amendment, 11,098 notes in face amount of \$32,546,134.04 were insured under class 3. Three claims have been paid in the amount of \$6,566.86, against which no recoveries had been made up to December 31, 1940.

Upon payment of the insurance losses, the notes and other claims against the borrowers become the property of the FHA and are turned over to the Division of Collection of the FHA for collection, salvage, or other disposition. The repossession of property is handled by the Procurement Division of the Treasury Department upon request of the Administration. Repossessed property may be either sold on the market or transferred, if it can be utilized, to other agencies of the United States Government. The cash recovery on the notes and the proceeds from the sale of repossessed property are deposited in the Treasury and subsequently covered into miscellaneous receipts.

After all reasonable collection efforts are exhausted, the uncollectible note balances are reported to the General Accounting Office. When the notes are paid in full as to principal, effort is made to collect the interest accrued thereon. Such interest collections are also credited to general fund receipts of the Treasury.

A statement of the notes insured, claims paid and recoveries by years is given below.

STATEMENT 4.—*Summary of Title I notes insured, claims for insurance paid, and recoveries on defaulted notes purchased under the original and amended acts by calendar year, 1934-1940*

Year	Notes insured	Claims for insurance paid	Recoveries on defaulted notes purchased			
			Total	Cash receipts		Equipment repossessed
				On notes	On sales of repossessed equipment	
1934.....	\$30,450,583					
1935.....	223,620,146	\$447,448	\$0,916	\$0,916		
1936.....	246,140,913	5,884,885	946,912	272,694	\$20,513	\$653,705
1937.....	60,382,598	6,890,897	2,602,355	913,758	28,537	1,660,060
1938.....	172,747,308	6,016,307	2,673,660	1,489,044	63,373	1,121,213
1939.....	233,067,340	4,728,345	2,285,693	1,019,624	22,420	344,740
1940.....	276,541,365	6,543,563	2,031,687	1,888,681	13,850	129,147
Total.....	1,242,959,262	30,511,450	10,551,223	6,493,617	148,711	3,908,895

¹ Equipment repossessed does not include unrecovered balances on sales and property destroyed by Treasury.

Reserves

Section 2 of Title I of the National Housing Act as amended June 3, 1939, contains the following provision as to the maximum liability which the Administrator may incur with respect to insured loans under sections 2 and 6:

In no case shall the insurance granted by the Administrator under this section to any such financial institution on loans, advances of credit, and purchases made

STATEMENT 5.—*Insurance reserves under Title I authorized, established, released, and remaining unallocated as of Dec. 31, 1940, as provided under Secs. 2 and 6, National Housing Act*

Item	Gross reserves established	Reserves released	Charges against liability limitation as of Dec. 31, 1940			Summation
			Outstanding contingent liability	Claims paid	Total	
Basic liability limitation established by Congress.....						\$100,000,000
Insurance reserves:						
Sec. 2:						
20 percent, original act.....	\$96,332,338	\$40,749,253	\$1,109,630	\$15,473,455	\$19,583,085	
10 percent, amendment of Apr. 3, 1936.....	17,257,958	7,009,871	3,784,396	6,463,691	10,248,087	
10 percent, amendment of Feb. 3, 1938.....	27,308,990		20,545,609	6,763,330	27,308,990	
10 percent, amendment of June 3, 1939.....	31,914,816		30,140,417	1,708,390	31,914,816	
Sec. 6:						
20 percent, amendment of Apr. 22, 1937.....	297,290		260,029	37,261	297,290	
10 percent, amendment of Apr. 17, 1936.....	11,913	1,453	5,146	5,314	10,460	
Total.....	143,123,314	56,760,877	55,851,287	30,511,450	86,362,737	
Insurance premium charges received (deduct).....					5,540,043	
Net charges against liability limitation.....					80,822,694	80,822,694
Total unallocated amount available for use as reserves.....						19,177,306

by such financial institution for such purposes on and after July 1, 1939, exceed 10 per centum of the total amount of such loans, advances of credit, and purchases. The total liability which may be outstanding at any time plus the amount of claims paid in respect of all insurance heretofore and hereafter granted under this section and section 6, as amended, less the amount collected from insurance premiums and deposited in the Treasury of the United States under the provisions of subsection (f) of this section, shall not exceed in the aggregate \$100,000,000.

The Administration maintains a constant check of the estimated outstanding balances and verifies them with the call report secured annually from qualified Title I lending institutions. By this means it has determined that at all times the actual liability has been within the legal limitation.

As of December 31, 1940 the excess of established reserves over outstanding balances of the notes involved was \$56,760,577. After releasing that excess of reserves, it will be noted from the following statement that there was an approximate unencumbered reserve available for additional operations of \$19,177,306. It is estimated that this sum, augmented by further releases from liability as earlier insured notes approach maturity and supplemented by receipts of insurance premiums, will be adequate to meet the expected volume of insurance under the amendment of June 3, 1939.

Insurance Premiums and Fees

Under the June 3, 1939, amendment to the act, effective July 1, 1939, the Administrator was authorized to collect a premium charge for

insurance granted under Title I not to exceed three-quarters of 1 percent per annum of the net proceeds of the loan. This amendment further provided that the moneys derived from such insurance premiums shall be available for defraying the operating expenses of the Federal Housing Administration and that any amounts not needed for such purposes may be used for the payment of claims in connection with the insurance granted under this title.

On applications for class 3 loans submitted since July 1, 1939, the Administrator has provided by regulation for an examination or conformity fee of \$10 per case.

The collections from examination fees and insurance premiums which have been deposited in the Treasury to the credit of the Title I Insurance Fund are shown below.

STATEMENT 6.—*Receipts of the Title I Insurance Fund from examination fees and insurance premiums authorized under amendment of June 3, 1939, through Dec. 31, 1940*

Calendar year	Class 1 premiums	Class 2 premiums	Class 3		Total
			Premiums	Examination fees	
1939.....	\$1,097,917.05	\$26,520.65	\$143,625.88	\$34,750.00	\$1,302,813.58
1940.....	3,955,432.39	134,491.73	182,145.32	146,302.85	4,418,312.28
Total.....	5,053,349.43	160,922.38	325,771.20	181,112.85	5,721,155.87

A statement of the resources and liabilities of the Title I Insurance Fund showing the excess of resources over liabilities is set forth below, as well as an analysis of changes in the fund during the year 1940.

STATEMENT 7.—*Resources and liabilities of the Title I Insurance Fund as of December 1939, June 1940, and December 1940*

	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940
Resources:			
Cash on deposit with Treasurer of United States	\$1,302,813.58	\$2,313,861.19	\$3,160,900.16
Accounts receivable.....			71.59
Total resources.....	1,302,813.58	2,313,861.19	3,161,064.75
Liabilities: Unliquidated obligations on acquired prop- erties.....			10,162.25
Excess of resources over liabilities.....	1,302,813.58	2,313,861.19	3,150,902.50

STATEMENT 8.—*Analysis of changes in the Title I Insurance Fund through December 1939, June 1940, and December 1940*

	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940
Income and accretions: Fees and premiums (net)	\$1,302,813.58	\$3,164,111.96	\$5,721,155.86
Transfers and expenditures:			
Transfer to appropriation, administrative expenses.....		\$50,000.00	2,050,000.00
Transfer to appropriation for payment of claims.....			500,000.00
Expenses on repossessed properties.....		250.77	20,253.36
Total transfers and expenditures.....		850,250.77	2,570,253.36
Excess of income and accretions over transfers and ex- penditures.....	1,302,813.58	2,313,861.19	3,150,902.50

TITLE II: MUTUAL MORTGAGE INSURANCE ACCOUNTS

A REVIEW is made in Washington of all insurance contracts on small-home mortgages executed in the field under Section 203 of the Act to determine their compliance with the rules and regulations and to establish appropriate insurance accounts and records.

Fees and insurance premiums collected from insured mortgagees by the Federal Housing Administration are deposited with the Treasurer of the United States to the credit of the Mutual Mortgage Insurance Fund. All such income is identified with its individual mortgage and is verified and allocated to the group account to which the mortgage has been assigned.

Receipts from fees and insurance premiums on Rental Housing Projects insured under Section 207 prior to the amendments of February 3, 1938, to the National Housing Act are deposited in the Mutual Mortgage Insurance Fund. Under the provisions of these amendments, a separate Housing Insurance Fund was established (see p. 114) to which receipts from all new housing projects insured under Sections 207 and 210 after February 3, 1938, are credited.

There is given below a statement by years of the fee and premium income which has been deposited with the Treasurer of the United States to the credit of the Mutual Mortgage Insurance Fund.

STATEMENT 9.—*Receipts of the Mutual Mortgage Insurance Fund from examination fees, insurance, and prepayment premiums under Sections 203 and 207, by years, 1935-1940*

Calendar year	Total receipts under sec. 203	Total receipts under sec. 207 ¹	Grand total
1935.....	\$1, 213, 102	\$11, 775	\$1, 251, 877
1936.....	3, 776, 535	21, 575	3, 798, 110
1937.....	5, 090, 113	77, 522	5, 067, 935
1938.....	8, 831, 632	98, 332	8, 930, 204
1939.....	11, 770, 134	52, 227	11, 831, 361
1940.....	15, 406, 355	8, 695	15, 505, 050
Total.....	47, 117, 471	270, 126	² 47, 387, 597

¹ Receipts amounting to \$1,708,474 from rental housing projects insured after the amendment of Feb. 3, 1938, have been deposited to the Housing Insurance Fund as shown in Statement 17.

² See statement 2.

A statement showing the resources and liabilities of the Mutual Mortgage Insurance Fund and the excess of resources over liabilities as of December 31, 1939, June 30, 1940 and December 31, 1940 follows.

STATEMENT 10.—*Resources and liabilities of the Mutual Mortgage Insurance Fund as of December 1939, June 1940, and December 1940*

	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940
Resources:			
Cash on deposit with Treasurer of United States.....	\$2, 270, 210. 93	\$1, 211, 808. 76	\$5, 808, 260. 07
Accrued income receivable:			
Rent and other income on real property.....	5, 524. 63	6, 254. 37	6, 828. 70
Interest on Treasury bonds.....	144, 070. 62	144, 075. 03	146, 381. 59
Interest on mortgage notes.....	1, 077. 87	2, 529. 05	4, 082. 80
Prepaid expenses.....	2, 417. 03	7, 477. 81	3, 399. 09
United States Treasury bonds.....	23, 253, 904. 27	23, 212, 770. 44	24, 671, 314. 11

¹ See Statement 14 for details.

STATEMENT 10.—*Resources and liabilities, of the Mutual Mortgage Insurance Fund as of December 1939, June 1940, and December 1940—Continued*

	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940
Resources—Continued.			
Stock in rental housing corporations (donated prior to Feb. 3, 1939), 1,440 shares ²			
Mortgage notes and purchase contracts on sold properties.....	\$1,807,260.36	\$3,062,503.21	\$1,674,155.44
Real property at cost (debentures plus cash adjustments).....	2,839,494.68	3,650,899.85	3,538,409.80
Total resources.....	30,325,466.30	34,299,219.13	38,852,832.20
Liabilities:			
Cash adjustments on debentures authorized.....	683.32	1,599.13	2,002.77
Accrued interest on debentures.....	53,696.61	84,162.77	101,150.12
Unliquidated obligations:			
On real properties.....	42,760.47	94,793.71	71,461.69
On certificates of claim and refunds to mortgagors.....	39,755.15	53,181.20	74,012.33
Mortgagors' escrow deposits.....	20,294.95	38,749.26	60,100.71
Earnest money on pending sales.....	16,682.63	41,308.32	24,770.70
Debentures payable:			
Outstanding.....	3,547,398.67	5,477,105.28	6,571,755.28
Authorized.....	157,250.00	273,050.00	382,250.00
Claims in audit.....	639,287.54	503,668.80	735,129.74
Total liabilities.....	4,517,809.34	6,567,618.53	8,028,033.34
Excess of resources over liabilities.....	25,807,657.05	27,731,600.60	30,824,198.86
Contingent liability for certificates of claim on properties still on hand:			
Certificates of claim outstanding.....	176,014.36	245,548.19	206,170.29
Certificates of claim authorized.....	12,375.17	23,853.11	31,976.21
Certificates of claim in audit.....	36,879.67	29,524.55	46,074.73
Total contingent liability.....	225,269.20	298,925.85	278,230.23

² As of Dec. 31, 1939, and June 30, 1940, the fund held 1,550 shares of donated rental housing stock.

The following statement analyzes the changes in the Mutual Mortgage Insurance Fund from its inception to December 31, 1939, for the calendar year 1940 and from the beginning of the fund to December 31, 1940.

STATEMENT 11.—*Analysis of changes in the Mutual Mortgage Insurance Fund through December 1939, June 1940, and December 1940*

	June 27, 1934, to Dec. 31, 1939	Jan. 1, 1940, to Dec. 31, 1940	June 27, 1934, to Dec. 31, 1940
Income and accretions:			
Appropriation allocated from Reconstruction Finance Corporation.....	\$10,000,000.00		\$10,000,000.00
Fees and mortgage insurance premiums (net) (See Statement 9).....	31,882,546.91	\$15,605,050.48	47,387,597.39
Interest on U. S. Treasury bonds after deduction of premium amortization.....	2,388,745.24	659,703.42	3,048,538.66
Income on mortgage notes (net).....	61,140.64	132,414.69	193,555.33
Dividends on rental housing stock.....	123.25	27.75	151.00
Miscellaneous.....	20.41	10.31	30.72
Total income and accretions.....	44,332,576.45	16,207,296.65	60,629,873.10
Transfers and expenditures:			
Transfer to Housing Insurance Fund.....	1,000,000.00		1,000,000.00
Transfers to appropriation, administrative expenses.....	16,975,000.00	10,450,000.00	27,425,000.00
Net charges to fund on account of sold properties.....	337,975.89	647,098.37	985,074.26
Net expenses to date on unsold acquired properties.....	179,747.76	115,041.72	294,789.48
Interest on debentures, in excess of amount applicable to properties on hand.....	35,194.92	68,614.75	103,809.67
Miscellaneous.....	.83		.83
Total transfers and expenditures.....	18,524,919.40	11,280,754.84	29,805,674.24
Excess of income and accretions over transfers and expenditures.....	25,807,657.05	5,016,541.81	30,824,198.86

Debentures Issued and Properties Acquired and Sold

The National Housing Act provides that when, after default, an FHA-insured home mortgage is foreclosed and the property transferred with all rights under the mortgage to the Federal Housing Administration, the insured institution is entitled to the benefits of the mortgage insurance.

These benefits include interest-bearing Mutual Mortgage Insurance Fund debentures in an amount equal to the value of the mortgage as defined in the act, and a certificate of claim covering all amounts due under the mortgage which are not covered by the debentures, including necessary expenses incurred in foreclosing the mortgage and conveying the property.

The debentures are dated as of the date foreclosure proceedings were instituted and bear interest from that date. On mortgages insured prior to February 3, 1938, mortgagees may elect to accept debentures bearing interest at 3 percent without tax exemption, or at 2½ percent, with certain tax exemption provisions. On mortgages insured after February 3, 1938, only 2½ percent debentures are issued and these contain the tax exemption provision.

A report of the foreclosed properties sold by the FHA and those on hand at December 31, 1940, by year of acquisition, together with the loss to the fund on the sold properties, is furnished in Statement 12. Statement 13 sets forth the number of foreclosed properties acquired, sold and on hand by State location of the property, as well as the amount of debentures and certificates of claim issued in exchange therefor.

The issuance and redemption of debentures as well as the payment of interest thereon is handled by the Division of Loans and Currency, Treasury Department, under an arrangement between the Federal Housing Administrator and the Secretary of the Treasury. Under

STATEMENT 12.—*Turn-over of properties acquired under Section 203 of Title II contracts of insurance and losses to the Mutual Mortgage Insurance Fund, by years, cumulative through December 1940*¹

Properties acquired		Properties sold by years								Properties on hand Dec. 31, 1940
Year	Number	1936-37		1938		1939		1940		
		Number	Loss to fund	Number	Loss to fund	Number	Loss to fund	Number	Loss to fund	
1936.....	13	11	\$5,291	2	\$1,039					
1937.....	08	13	5,374	67	83,593	7	\$9,650	4	\$15,902	7
1938.....	324			130	65,411	90	63,574	45	53,117	41
1939.....	753					278	104,044	316	242,848	159
1940.....	1,123							632	335,141	491
Total.....	2,311	24	10,665	208	150,043	384	177,268	907	647,098	698

¹ For the 1,613 properties sold, the average time between acquisition by the Federal Housing Administration and the date of sale was 5 months and 15 days.

² After deduction of 2 repossessed properties.

³ After deduction of 1 repossessed property.

⁴ After deduction of 3 repossessed properties.

this procedure, debentures are registered and handled in the same manner as other obligations of the United States and the Administration has the additional advantage of an interdepartmental check and control over its debenture obligations.

Under authority conferred in the February 3, 1938, amendment to the National Housing Act, 2½ percent debentures contain a provision that they may be called in for redemption at par and accrued interest on any interest date or dates upon three months notice. The 3-percent debentures, which may be issued only in connection with mortgages insured prior to February 3, 1938, are not subject to call, although the Administrator has arranged with the Secretary of the Treasury to retire such debentures where the holders so desire and the Federal Housing Administrator approves.

STATEMENT 13.—Number of properties and amount of debentures and certificates of claim by States, cumulative through December 1940

State	Number of properties			Amount of debentures and cash adjustments	Certificates of claim issued
	Acquired	Sold	On hand		
Alabama.....	26	19	7	\$87,208	\$5,255
Arizona.....	7	4	3	34,057	3,125
Arkansas.....	31	26	5	95,259	9,025
California.....	141	93	48	711,879	52,855
Colorado.....	13	7	6	63,285	4,821
Connecticut.....	26	20	6	137,145	11,279
Delaware.....	22	12	10	152,721	17,057
Florida.....	72	63	9	288,215	35,139
Georgia.....	43	37	6	127,197	6,190
Idaho.....	6	5	1	23,105	2,315
Illinois.....	62	60	2	344,921	32,056
Indiana.....	26	18	8	124,162	14,503
Iowa.....	3	3	3	13,589	1,103
Kansas.....	112	56	56	346,845	32,915
Kentucky.....	42	31	11	213,897	16,110
Louisiana.....	12	7	5	40,150	2,466
Maine.....	12	6	6	37,601	2,904
Maryland.....	22	15	7	100,474	9,402
Massachusetts.....	301	88	15	510,340	30,649
Michigan.....	153	104	49	853,218	58,138
Minnesota.....	32	24	8	156,675	12,141
Mississippi.....	43	31	12	112,282	7,237
Missouri.....	120	83	37	544,474	29,407
Montana.....	2	2	—	5,348	784
Nebraska.....	14	12	2	37,869	4,035
New Hampshire.....	0	3	3	31,165	1,827
New Jersey.....	287	154	133	1,682,506	158,419
New York.....	266	166	101	1,567,710	151,325
North Carolina.....	25	17	8	98,980	5,959
North Dakota.....	4	4	—	11,583	879
Ohio.....	91	75	16	465,818	34,891
Oklahoma.....	42	32	10	191,304	17,590
Oregon.....	7	4	3	27,568	2,431
Pennsylvania.....	90	71	19	362,316	35,750
Rhode Island.....	12	7	5	61,243	3,685
South Carolina.....	38	29	9	131,542	11,312
South Dakota.....	9	8	1	23,084	1,930
Tennessee.....	80	72	17	361,970	20,604
Texas.....	59	37	22	211,347	10,129
Utah.....	16	13	3	62,192	6,422
Vermont.....	18	11	7	61,778	7,116
Virginia.....	58	57	1	153,366	11,059
Washington.....	24	11	13	82,083	9,474
West Virginia.....	6	6	—	10,535	1,775
Wisconsin.....	18	11	7	88,620	10,126
Wyoming.....	2	1	1	3,717	410
Alaska.....	1	1	—	2,991	247
Total.....	2,311	1,613	698	10,864,460	908,770

¹ No properties have been acquired in the District of Columbia, Nevada, New Mexico, Hawaii, and Puerto Rico.

When surplus cash accumulates in the Mutual Mortgage Insurance Fund which is not needed for current operations, it is either invested in Treasury bonds or used to redeem debentures, whichever is deemed to be in the best interests of the fund. Decision to redeem debentures or invest in bonds is predicated upon a comparison of the effective rate of interest on available issues of Treasury bonds with the interest being paid by FHA on debentures.

By arrangement with the Secretary of the Treasury the following calls for debentures have been made:

Call	Date	Amount
First.....	July 1, 1939	\$581,300
Second.....	Jan. 1, 1940	780,800
Third.....	July 1, 1940	1,205,050
Fourth.....	Jan. 1, 1941	1,338,400
Total.....		4,066,550

There is given below a list of the investments held for the Mutual Mortgage Insurance Fund at December 31, 1940.

While payment of debentures is unconditionally guaranteed by the United States, settlement on a certificate of claim is made only if the proceeds from the sale of a foreclosed property, after deducting all expenses, exceed the amount of the debentures, interest thereon, and the cash adjustment.

When a property is sold for cash, the case is audited as soon as all expenses have been paid and, in those cases where there is an excess, settlement on the certificate of claim and refund to mortgagor are made promptly. If the proceeds are insufficient to make payment, the mortgagee is advised of the cancelation of the certificate of claim.

However, in case a property is sold under a long-term mortgage or purchase contract, no settlement is made on the certificate of claim or refund to mortgagor until the mortgage has been paid in full or cash received on the note by the Administration.

STATEMENT 14.—*Investments of the Mutual Mortgage Insurance Fund as of Dec. 31, 1940*

Treasury bonds	Interest rate	Purchase price	Par value	Premium or discount (amortized to date)	Present book value
	<i>Percent</i>				
Series of 1944-54.....	4	\$3,086,690.71	\$2,845,000.00	\$101,670.48	\$2,946,676.48
Series of 1946-56.....	3½	2,984,345.13	2,788,100.00	96,792.11	2,884,892.11
Series of 1947-52.....	4½	3,324,956.26	2,040,000.00	217,693.94	3,157,683.94
Series of 1951-54.....	2½	544,843.75	550,000.00	-4,321.61	545,678.39
Series of 1954-56.....	2½	1,500,000.00	1,500,000.00	-----	1,500,000.00
Series of 1955-60.....	2¾	4,411,634.03	4,389,500.00	42,808.17	4,432,398.17
Series of 1956-59.....	2¾	5,297,091.65	5,242,850.00	52,233.05	5,295,083.05
Series of 1960-65.....	2¾	3,921,542.22	3,683,350.00	225,641.97	3,908,891.97
Total investments.....		25,101,103.75	23,038,800.00	732,514.11	24,671,314.11

¹ Effective annual yield on all bonds of Mutual Mortgage Insurance Fund is 2.77 percent.

STATEMENT 15.—*Statement of sale of acquired properties, by years and cumulative through December 1940*

Expenses and charges to Mutual Mortgage Insurance Fund	1936-37-38, properties sold, 232	1939, properties sold, 384	1940, properties sold, 907	Total properties sold, 1,613
Gross proceeds of sales ¹	\$944,304	\$1,748,427	\$4,603,222	\$7,295,953
Selling expenses:				
Sales allowances and selling expenses.....	413	2,733	3,127	6,273
Commissions on sales.....	40,545	71,218	216,127	327,890
Total.....	40,958	73,951	219,254	334,163
Net proceeds of sale.....	903,346	1,674,476	4,383,968	6,961,790
Cost of properties sold (statement 16).....	1,049,890	1,821,431	4,990,549	7,861,870
Net loss.....	146,544	146,955	606,581	900,080
Certificates of claim paid or payable.....	11,550	21,910	35,077	68,537
Increment interest on certificates of claim paid or payable.....	34	356	576	965
Refunds to mortgagors paid or payable.....	2,580	8,047	4,865	15,492
Loss to Mutual Mortgage Insurance Fund.....	160,708	177,208	647,098	985,074
Average loss to Mutual Mortgage Insurance Fund.....	693	462	649	611

¹ Analysis of terms of sale:

Terms of sale	Number	Cash	Mortgage notes	Sales price
Properties sold for all cash.....	204	\$1,044,663		\$1,044,663
Properties sold for cash and notes ²	1,403	720,525	\$5,486,971	6,216,496
Properties sold for notes only ³	9		31,794	31,794
Total.....	³ 1,616	1,774,188	5,521,765	7,295,953

² Average percentage of cash down payments (\$720,525) to sales price where mortgage note is taken (\$6,251,291): 11.67 percent.³ Mortgage notes accepted on sale of portions of three properties.STATEMENT 16.—*Cost analysis of properties sold, by years, and of properties on hand, as of Dec. 31, 1940*

Item	698 properties on hand Dec. 31, 1940	Properties sold					Percent of total cost
		1936-37-38 (232)	1939 (384)	1940 (907)	Total (1,613)	Average per case	
Acquisition costs:							
Debentures and cash adjustments.....	\$3,538,410	\$956,616	\$1,727,097	\$1,642,337	\$7,326,050	\$4,542	93.18
Interest on debentures prior to acquisition.....	59,163	7,633	30,889	97,181	135,703	84	1.73
Taxes, water rent, and other expenses accrued at date of acquisition.....	9,068	5,350	6,928	14,883	27,161	17	.34
Initial reconditioning and improvements.....	88,267	58,530	25,148	104,160	187,847	116	2.39
Total acquisition and reconditioning costs.....	3,694,908	1,028,138	1,790,062	4,858,561	7,676,761	4,759	97.64
Operating and carrying costs:							
Interest on debentures to date of sale.....	75,762	10,777	17,930	67,100	95,807	59	1.22
Taxes, water rent, hazard insurance, and other expense.....	80,150	9,549	17,202	66,708	93,450	58	1.19
Repairs and maintenance.....	60,142	7,387	5,050	40,917	53,460	33	.68
Total.....	216,054	27,713	40,188	174,725	242,626	150	3.09
Less rental and other income, net.....	81,338	5,961	8,819	42,737	57,517	35	.73
Total net operating and carrying costs.....	134,716	21,752	31,369	131,988	185,100	115	2.36
Selling expense on properties on hand.....	575						
Total cost of properties.....	3,830,109	1,049,890	1,821,431	4,990,549	7,861,870	4,874	100.00

A statement of the sales of defaulted small homes acquired by the Administration through December 31, 1940, supported by Statement 16 showing the cost of properties sold and properties remaining on hand, is given below.

HOUSING INSURANCE FUND: SECTIONS 207 AND 210

For the purpose of carrying out the insurance of rental and group housing projects accepted for insurance subsequent to February 3, 1938, under Sections 207 and 210, the amendments of February 3, 1938, created the Housing Insurance Fund by transfer of \$1,000,000 from the Mutual Mortgage Insurance Fund.

There is given below a statement by years of the fee and premium income which has been deposited with the Treasurer of the United States to the credit of the Housing Insurance Fund.

There are given below statements showing the resources and liabilities of the Housing Insurance Fund as of December 31, 1939, June 30, 1940, and December 31, 1940, and changes in the fund from its inception, February 3, 1938, to December 31, 1939, for the calendar year 1940 and from February 3, 1938, to December 31, 1940.

Cash which has accumulated in the Housing Insurance Fund in excess of current needs is invested by the Secretary of the Treasury, upon the request of the Federal Housing Administrator, in Treasury bonds or other obligations guaranteed by the United States. There is given below a list of the investments held for the fund at December 31, 1940.

Properties Acquired and Sold

Of the total 317 rental and group housing projects which had been insured under Sections 207 and 210 through December 31, 1940, five foreclosed projects had been acquired and one mortgage note had been assigned to the Administrator. Four homes, part of a nine-home project included in the five acquired projects, had been resold. The other four acquired projects were operating under FHA supervision.

The sales price on the four sold units amounted to \$20,750 and netted the fund \$19,712.50 after deducting sales commissions of

STATEMENT 17.—*Receipts of the Housing Insurance Fund from examination fees, insurance and prepayment premiums under secs. 207 and 210, by years 1938, 1939, and 1940*

Calendar year	Sec. 207	Sec. 210	Total
1938.....	\$440,629	\$69,650	\$510,279
1939.....	608,040	36,654	644,694
1940.....	501,252	22,249	523,501
Total.....	1,630,921	128,553	1,759,474

STATEMENT 18.—*Resources and liabilities of the Housing Insurance Fund as of December 1939, June 1940, and December 1940*

	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940
Resources:			
Cash on deposit with Treasurer of United States.....	\$445,251.53	\$823,487.48	\$529,731.29
Accrued income receivable:			
Rent and other income on real property.....		14,426.45	3,784.13
Interest on Treasury bonds.....	8,656.62	8,656.42	8,656.54
Interest on mortgage note acquired under terms of insurance.....		54,904.53	
Prepaid expenses.....		15,348.89	18,996.55
U. S. Treasury bonds.....	1,746,154.45	1,744,672.34	1,743,176.00
Stock in rental housing projects (13,593 shares) ¹	10,530.00	11,030.00	14,130.00
Donated stock in rental housing projects (after Feb. 3, 1939) 1,080 shares ²			
Mortgage notes on sold properties.....			18,523.44
Mortgage note acquired under terms of insurance.....		1,650,000.00	2,989,981.25
Real property at cost (debentures plus cash adjustments) ..		2,054,368.26	6,353,478.38
Total resources.....	2,210,592.60	6,377,794.37	11,680,457.64
Liabilities:			
Cash adjustments on debentures authorized.....		25.10	
Accrued interest on debentures.....		49,169.53	87,639.05
Unliquidated obligations:			
Unpaid subscriptions for stock in rental housing projects.....	400.00	300.00	700.00
Real property expense.....		23,880.81	61,563.70
Mortgagors' escrow deposits.....			444.20
Debentures payable:			
Outstanding.....		2,023,850.00	6,373,750.00
Authorized.....		1,619,300.00	
Claims in audit.....			2,930,181.62
Reserve for foreclosure cost.....		31,087.54	56,709.63
Total liabilities.....	400.00	3,774,621.98	9,517,078.20
Excess of resources over liabilities.....	2,210,192.60	2,603,172.39	2,163,379.44
Contingent liability for certificates of claim on properties still on hand:			
Certificates of claim outstanding.....		55,427.04	134,550.34
Certificates of claim authorized.....		36,314.17	
Certificates of claim in audit.....			47,184.30
Total.....		91,741.21	181,734.64

¹ As of Dec. 31, 1939, there were 10,262 shares of purchased stock and at June 30, 1940, 10,973 shares.

² As of Dec. 31, 1939, and June 30, 1940, there were 980 shares of donated stock.

STATEMENT 19.—*Analysis of changes in the Housing Insurance Fund through December 1939, June 1940, and December 1940*

	Feb. 3, 1938, to Dec. 31, 1939	Jan. 1, 1940, to Dec. 31, 1940	Total to Dec. 31, 1940
Income and accretions:			
Appropriation allocated from Mutual Mortgage Insurance Fund.....	\$1,000,000.00		\$1,000,000.00
Fees and mortgage insurance premiums (net).....	1,154,973.29	\$813,500.07	1,768,473.26
Interest income on U. S. Treasury bonds after deduction of premium amortization.....	55,216.48	44,222.77	99,439.25
Income on mortgage notes.....		185.78	185.78
Dividends on rental housing stock.....	2.83	27.67	30.50
Total income and accretions.....	2,210,192.60	657,937.19	2,868,129.79
Transfers and expenditures:			
Transfer to appropriation, administrative expenses.....		400,000.00	400,000.00
Net charges to fund on sold properties.....		1,657.04	1,657.04
Net expenses to date on property still on hand.....		303,093.31	303,093.31
Total transfers and expenditures.....		704,750.35	704,750.35
Excess of income and accretions over transfers and expenditures.....	2,210,192.60	-46,813.16	2,163,379.44

STATEMENT 20.—*Investments of the Housing Insurance Fund as of Dec. 31, 1940*

Treasury bonds	Interest rate	Purchase price	Par value	Premium (amortized to date)	Present book value
	<i>Percent</i>				
Series of 1955-60.....	2 3/4	\$948, 783	\$930, 750	\$15, 045	\$940, 395
Series of 1960-65.....	2 3/4	799, 982	743, 350	53, 431	796, 781
Total investment 1.....		1, 748, 765	1, 674, 100	69, 076	1, 743, 176

1 Effective annual yield on all bonds of the Housing Insurance Fund is 2.56%.

\$1,037.50. The total cost of these properties was \$21,369.54, consisting of book value (debentures and cash adjustment) of \$20,401.62 and expenses of \$967.92. The net loss to the fund, therefore, on the partial sale of this project was \$1,657.04.

ADMINISTRATIVE ACCOUNTS

DETAILED costs of operating the field offices and the headquarters divisions in Washington, D. C., are maintained by the Administration, and Statements 21 and 22 which follow set forth these costs for the calendar year 1940.

A combined statement of resources and liabilities of all funds of the Federal Housing Administration as of December 31, 1939, June 30, 1940, and December 31, 1940, follows:

STATEMENT 21.—*Operating expenses of administrative offices in Washington, D. C., for the calendar year, January-December 1940*

Office or item	Total	Salaries	Travel	Rent	All other
Office of the Administrator.....	\$44, 038	\$38, 212	\$1, 529	-----	\$4, 297
Assistant Administrator.....	28, 328	25, 711	2, 072	-----	545
Assistant to Administrator.....	31, 996	29, 496	1, 258	-----	1, 242
Executive secretary.....	34, 986	33, 508	1, 097	-----	381
Legal division.....	172, 761	157, 451	10, 432	-----	4, 878
Public relations division.....	99, 536	65, 013	1, 328	-----	33, 195
Personnel division.....	137, 578	128, 589	1, 631	-----	7, 358
Executive assistant and budget officer.....	98, 296	93, 097	1, 563	-----	3, 636
Washington office management division.....	607, 055	578, 061	67	-----	89, 927
Comptroller's division.....	813, 381	750, 690	0, 201	-----	47, 391
Research and statistics division.....	201, 210	190, 334	972	-----	9, 904
Assistant Administrator for Title I and education:					
Education.....	19, 005	23, 615	1, 060	-----	-6, 576
Title I operations.....	136, 718	70, 170	9, 518	-----	57, 021
Collection.....	0, 466	8, 866	278	-----	322
Mutual mortgage insurance division.....	204, 468	191, 285	7, 441	-----	5, 742
Underwriting division.....	247, 594	208, 175	20, 138	-----	13, 581
Technical division.....	253, 029	217, 522	31, 050	-----	4, 457
Land planning division.....	94, 060	88, 770	3, 500	-----	1, 790
Rental housing division.....	30, 398	25, 642	2, 703	-----	2, 053
Rent of space and equipment.....	314, 742	282, 407	13, 995	368, 337	18, 340
Transfer of funds to:	368, 337	-----	-----	-----	-----
Treasury Department.....	54, 850	-----	-----	-----	54, 856
Federal Loan Agency.....	56, 700	-----	-----	-----	56, 700
Post Office Department.....	9, 045	-----	-----	-----	9, 045
Department of Justice.....	13, 670	-----	-----	-----	13, 670
National Bureau of Standards.....	50, 000	-----	-----	-----	50, 000
Furniture and equipment written off due to transfer, trade-in, etc.....	75, 927	-----	-----	-----	75, 927
Total.....	4, 268, 380	3, 212, 662	127, 829	368, 337	559, 552

STATEMENT 22.—Operating expenses of the field offices for the calendar year January–December 1940

State	City	Total	Salaries	Travel	Rent	All other
State and district insuring offices:						
Alabama	Birmingham	\$84,492	\$65,658	\$10,339	\$2,833	\$5,662
Alaska	Juneau	6,148	4,230	1,069		840
Arizona	Phoenix	29,193	21,666	3,470	683	3,379
Arkansas	Little Rock	65,395	62,437	7,705	2,676	2,577
California	Los Angeles	582,147	511,831	34,705		45,611
	San Diego	42,862	30,813	2,460	112	3,477
	Oakland	20,653	19,188	622		843
	Sacramento	59,123	49,098	5,816		4,209
	San Francisco	486,416	395,339	34,601	16,877	39,500
Colorado	Denver	80,002	67,483	5,777	2,000	4,742
Connecticut	Hartford	72,011	60,734	4,001	2,500	4,658
District of Columbia	Washington	114,444	102,338	4,995		7,111
Florida	Jacksonville	134,045	111,538	14,918		7,589
	Miami	109,870	95,602	7,259	1,200	5,809
Georgia	Atlanta	144,941	108,188	22,001	6,707	7,475
Hawaii	Honolulu	23,214	19,905	864		2,445
Idaho	Boise	30,185	22,985	2,430	1,013	3,748
Illinois	Chicago	371,174	316,941	30,433	3,594	20,200
	Springfield	48,407	35,426	8,512	2,049	2,420
Indiana	Indianapolis	239,970	201,457	24,455		14,058
Iowa	Des Moines	104,923	70,313	22,930		5,671
Kansas	Topeka	107,490	80,233	15,560	5,632	0,065
Kentucky	Louisville	93,286	76,985	9,910		6,391
Louisiana	New Orleans	125,478	99,396	13,490	6,769	5,884
Maine	Bangor	33,190	25,797	4,750	815	1,828
Maryland	Baltimore	126,579	107,198	5,448	5,559	8,344
Massachusetts	Boston	109,627	91,662	7,297	6,084	5,184
Michigan	Detroit	469,886	410,971	34,402	20,406	24,107
Minnesota	Minneapolis	128,753	109,803	11,308		7,642
Mississippi	Jackson	62,650	51,557	6,091	2,220	2,782
Missouri	Kansas City	85,983	72,967	9,399		3,617
	St. Louis	138,803	110,912	9,248	6,326	6,284
Montana	Helena	22,127	10,491	3,457		2,179
Nebraska	Omaha	78,327	60,320	9,025	2,969	5,223
Nevada	Reno	20,252	16,417	1,432	1,042	1,361
New Hampshire	Concord	16,024	11,456	1,816	1,140	1,609
New Jersey	Camden	3,049	2,305	468		136
	Newark	306,484	261,096	20,300	1,222	23,936
New Mexico	Santa Fe	53,596	44,350	5,110	1,255	2,851
New York	Albany	47,283	39,624	4,723		3,436
	Buffalo	121,277	106,681	5,543	1,700	7,353
	Jamaica	272,333	234,760	7,495	12,140	15,029
	New York	210,980	189,222	6,018	2,750	13,990
	White Plains	—127		—183		56
North Carolina	Greensboro	126,420	96,914	18,939	4,288	6,288
North Dakota	Fargo	7,173	4,185	2,554	360	74
Ohio	Cincinnati	47,571	42,901	2,715		1,958
	Cleveland	250,112	218,016	17,643	10,504	12,919
	Columbus	108,019	92,935	9,774		5,310
Oklahoma	Oklahoma City	146,003	123,144	15,753	578	6,528
Oregon	Portland	93,062	70,919	7,800	3,745	10,598
Pennsylvania	Philadelphia	208,551	226,374	15,252	8,663	18,262
	Pittsburgh	135,478	118,600	10,900		5,978
Puerto Rico	San Juan	28,350	23,402	1,265	1,203	2,420
Rhode Island	Providence	36,935	28,969	1,586	3,059	3,321
South Carolina	Columbia	70,281	52,307	8,628	3,103	6,243
South Dakota	Sioux Falls	19,356	15,297	2,592		1,467
Tennessee	Memphis	134,634	112,396	14,226		8,012
Texas	Dallas	137,206	101,049	18,305	6,609	7,883
	Fort Worth	115,254	92,462	11,301	5,649	5,842
	Houston	136,316	111,474	11,923	6,284	6,635
	San Antonio	93,635	78,421	9,260	1,268	4,686
	Salt Lake City	58,048	49,380	3,392	2,140	4,036
Utah	Burlington	16,009	14,365	856		758
Vermont	Richmond	117,997	99,126	12,300		6,562
Washington	Seattle	208,814	164,536	12,435	7,574	24,269
West Virginia	Charleston	70,141	56,749	7,965	2,400	3,027
Wisconsin	Milwaukee	115,057	94,861	10,160	3,898	6,132
Wyoming	Cheyenne	20,426	20,904	3,287		2,175
Rental housing offices:						
New York	New York (zone I rental housing office)	190,653	180,081	4,170		3,393
Georgia	Atlanta (zone II rental housing office)	71,360	60,801	5,440	3,085	2,034
Illinois	Chicago (zone III rental housing office)	100,809	93,113	5,229	252	2,215
Missouri	St. Louis (zone IV rental housing office)	74,582	60,077	6,151	3,226	4,528
California	San Francisco (zone V rental housing office)	63,556	53,908	5,816	3,076	1,056

STATEMENT 22.—Operating expenses of the field offices for the calendar year January–December 1940—Continued

State	City	Total	Salaries	Travel	Rent	All other
Miscellaneous field offices:						
Farm underwriting offices:						
Kansas.....	Kansas City, general administrative.	12,040 5,711	14,704 4,157	-2,325 652	296 360	265 542
Ohio.....	Columbus, State administrative.	-256		-256		
Texas.....	Dallas, State administrative.	-1,291	420	-1,000		-24
Miscellaneous field offices:						
Furniture and equipment		312,509	273,506	30,003		
written off due to transfer, trade-in, etc.		50,607				50,607
Grand total.....		8,976,981	7,466,694	734,179	202,125	573,983

NOTE.—Includes expense of prior years encumbered after Jan. 1, 1940.

STATEMENT 23.—Combined statement of resources and liabilities under all funds, as of December 1939, June 1940, and December 1940

	Dec. 31, 1939	June 30, 1940	Dec. 31, 1940
RESOURCES			
Cash (exclusive of insurance funds).....	\$3,053,226.60	\$4,270,194.41	\$3,403,813.74
Accounts receivable.....	517.92	10,023.77	4,248.83
Available funds—Reconstruction Finance Corporation (renovation and modernization fund for Title I insurance claims).....	75,000,000.00	71,359,693.75	69,359,693.75
Inventory of stores.....	47,280.25	49,037.75	50,945.81
Prepaid expense.....	2,475.00		
Notes receivable (claims for insurance paid under Title I):			
On loans insured prior to Feb. 3, 1938 amendment.....	9,409,440.67	8,690,744.37	7,995,455.47
On loans insured under Feb. 3, 1938 amendment.....	2,514,435.00	4,627,498.50	5,787,373.31
On loans insured under June 3, 1939 amendment.....	3,806.17	392,882.27	1,708,330.36
Furniture and equipment.....	985,408.71	1,050,882.39	1,068,972.02
Mutual mortgage insurance fund (net).....	25,807,657.05	27,731,600.60	30,824,193.66
Housing insurance fund (net).....	2,210,192.60	2,603,172.39	2,163,379.44
Title I insurance fund (net).....	1,302,813.58	2,313,861.19	3,150,902.50
Total resources.....	121,357,253.64	123,108,591.48	125,526,314.09
LIABILITIES			
Accounts payable, administrative expenses, prior fiscal years.....	576,411.35	532,678.62	52,174.84
Accounts payable, administrative expenses, fiscal year 1941.....			357,840.04
Title I claims in audit.....		164,282.88	378,327.26
Special deposits.....	47,747.43	27,334.85	12,796.29
Trust fund receipts, Title I.....		681,626.53	627,388.62
Miscellaneous receipts in process of deposit.....	78,848.99	648.13	865.85
Unexpended appropriations and allocations:			
Administrative expenses and miscellaneous.....	2,359,619.15	1,832,198.67	1,969,140.53
Renovation and modernization, Title I.....	891,117.69	1,031,424.75	109,520.11
Title I reserve.....	75,000,000.00	71,359,693.75	69,359,693.75
Total liabilities.....	78,953,744.61	75,629,888.16	72,767,756.32
EXCESS OF RESOURCES OVER LIABILITIES			
Administrative expense fund.....	1,035,103.06	1,109,943.01	1,128,917.83
Renovation and modernization fund.....	12,047,681.84	13,720,125.23	15,491,159.14
Mutual mortgage insurance fund.....	25,807,657.05	27,731,600.60	30,824,193.66
Housing insurance fund.....	2,210,192.60	2,603,172.39	2,163,379.44
Title I insurance fund.....	1,302,813.58	2,313,861.19	3,150,902.50
Total excess of resources over liabilities.....	42,403,509.03	47,478,703.32	52,758,557.77