

Vol. 1



No. 4

FEDERAL HOME LOAN BANK REVIEW

JANUARY
1935

ISSUED BY
FEDERAL HOME LOAN BANK BOARD
WASHINGTON D.C.

Federal Home Loan Bank Review

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SUBSCRIPTION PRICE OF REVIEW

The FEDERAL HOME LOAN BANK REVIEW is the Board's medium of communication with member institutions of the Federal Home Loan Bank System and is the only official organ or periodical publication of the Board. The REVIEW will be sent to all member institutions without charge. To others the annual subscription price, which covers the cost of paper and printing, is \$1. Single copies will be sold at 10 cents. Outside of the United States, Canada, Mexico, and the insular possessions, subscription price is \$1.40; single copies, 15 cents.

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Housing Activity in England and Wales Since the World War

Much of the factual material and discussion in this article was obtained from an unpublished manuscript on English Housing written by Dr. Ernest M. Fisher, Economic Adviser, Federal Housing Administration

THE United States today faces a situation in housing similar in many respects to the situation faced by Great Britain immediately after the War. Britain has had 15 years' experience in meeting this particular situation. Her experience must contain lessons of value alike to Government authorities responsible for our national housing program and to all private interests, particularly home-financing institutions, whose livelihood is bound up with housing activity.

In Great Britain in 1919 there was an acute physical shortage of housing, which, with the low standard of much existing housing, threatened social unrest. At the same time, the building and building-materials industries were disorganized and demoralized, there was serious unemployment in the building trades, the cost of building was out of all reason, and interest rates were high. As rentals were kept down by restrictions carried over from the war period, private capital was unwilling or unable to undertake the new building so greatly needed.

Though Britain's housing crisis was more severe than our present crisis, she faced it with two psychological advantages that we do not have. In the first place, public opinion was wide awake to the need for, and insistent upon, more housing and better housing. In the second place, the British Government had already had 70 years' experience with housing legislation.

A complete public policy on housing had been formulated prior to the war. Local authorities had the power to condemn, to clear, to rebuild, to purchase land either built upon or undeveloped, to adopt town-planning schemes and compel their observance, and to lend their credit to individual purchasers.

In view of this psychological preparedness and of the universal recognition that adequate housing is vital to a stable society, we need not wonder that British housing legislation since the war has boldly tried out every means that seemed capable of providing adequate housing. Apart from various Rent Restriction Acts and Town and Country Planning Acts there have been several major housing acts—passed in the years 1919, 1923, 1924, 1925, 1926, 1930, and 1933—designed to secure the building of a sufficient number of adequate houses to meet the need of workers in middle- and lower-paid grades and to eliminate slums.

SUMMARY OF HOUSING LEGISLATION

IT SEEMS generally agreed that the British Government of 1919 had no choice but to subsidize the building of houses. The objective of the two housing acts of that year was immediate action. With little regard to economy, the Government granted building subsidies to local governments, private builders, and public-utility societies (which correspond roughly to limited-dividend companies in the United States). It was

intended that the building agency should pass on the subsidy to the occupant of the dwelling, whether tenant or buyer. It was also felt that as all classes had taken part in the war, no narrow income limits should be drawn in deciding who should occupy the houses. The central authority exercised constant supervision over sites, plans, contracts, and the like, but as it had imposed no limit to its financial liability, the actual builders had no incentive to economize, and costs rose sharply. The strain soon became too severe on the Treasury, and in 1921 it was announced that no new schemes would be passed for subsidies under the 1919 acts.

However, the need for new housing continued and with it the demand for governmental assistance to housing. Consequently in 1923 a Conservative Government granted a yearly subsidy of £6 per house for 20 years. This act corrected the error in the 1919 acts by limiting the Government's liability and giving an incentive to the local authorities to economize. Also, its execution involved much less control from the center, leaving the responsibility almost entirely to the local authorities. Subsidies under this act were reduced in 1927 and abolished in 1929.

The 1923 act was intended mainly to encourage the building of houses for sale. In 1924 the Labor Government passed a new act intended mainly to encourage building houses for rent. It granted more liberal subsidies, amounting to £9 per annum per house in urban and £12 10 shillings in rural areas, payable for 40 years. These subsidies were reduced considerably in 1927 and 1929, and in 1933 the act was repealed.

The Housing (rural workers) Act of 1926, scheduled to continue in force for 10 years, provided subsidies to meet the special needs of agricultural workers. Very little use has been or seems likely to be made of it.

Meanwhile, falling prices and rising rents led to constantly increasing activity

by private builders, and by 1930 the housing shortage had grown much less acute. This permitted transfer of attention to the two important tasks of building for the poorer families, for whom even the subsidized houses were too dear, and of doing something to remove the reproach of the slums. Accordingly, the Housing Act of 1930 granted annual per capita subsidies for 40 years for each person displaced from a slum for whom new accommodations were provided. The Government took responsibility for much the largest part of the loss, but it also compelled local authorities to contribute a certain sum per year per house. Limited-dividend societies are eligible for these Government subsidies which are to be used for the relief of rents. The Housing Act of 1933 emphasizes a new principle and will be discussed later.

POLICIES REFLECTED IN THE LEGISLATION

FROM this hasty summary of British post-war housing legislation, we see that much of it has been experimental. In view of the critical need for housing, of pressing popular demands, of rapidly changing circumstances, and of the alternation of Conservative and Labor Governments, continuity of policy was undoubtedly impossible of achievement. Direct subsidies for housing, of varying amounts and under varying terms, loans from local authorities to limited-dividend societies, to private builders, and to individual home owners, encouragement by guaranties to private capital, centralized and decentralized control of housing activity have all been tried and aroused sharp conflicts of opinion.

On one major point, however, all parties and the entire public seem agreed: That slums must be cleared; that clearance is the responsibility of the Government; and that subsidies to provide adequate rehousing for the displaced slum dwellers and others too poor to do this for themselves are necessary and proper. This seems to be a fundamental principle of British housing policy, and in the following discussion

of the conflicting opinions on governmental subsidies to housing, it must be understood that rehousing for slum dwellers is expected.

Concerning governmental subsidies for the housing of others than slum dwellers and the poorest paid workers, there is a sharp difference of opinion. In general, the Conservative Party is against such subsidies and has sought to encourage private enterprise to build low-cost houses for sale to individual home owners. The Labor

Party, on the other hand, claims that private enterprise has always failed to provide decent housing for the lower-income groups and that, therefore, State subsidy for houses to rent is necessary. Some light on the comparative success of these different policies can be obtained from a summary of the achievements of Britain's post-war housing program, and particularly from the movement of construction costs and of private building in relation to subsidies.

TABLE 1.—*Number of new houses built in England and Wales since the War, with annual cost in subsidies*¹

Year ended Mar. 31	Houses (thousands) ²				Subsidies (million pounds)		
	Subsidized, built by local authorities	Subsidized, built by private enterprise	Unsubsidized, nearly all by private enterprise	Total	By Central Government	By local authorities	Total
1920-23 (4 years).....	³ 156	³ 43	54	³ 253	⁴ £21.9	£3.8	£25.7
1924.....	14	4	68	86	7.9	.8	8.7
1925.....	21	47	69	137	8.0	1.3	9.3
1926.....	44	63	66	173	7.8	1.7	9.5
1927.....	74	80	64	218	8.4	2.3	10.7
1928.....	104	75	60	239	9.5	2.3	11.8
1929.....	56	49	65	170	10.7	2.4	13.1
1930.....	60	50	92	202	11.1	2.7	13.8
1931.....	52	3	129	184	11.9	³ 2.7	³ 14.6
1932.....	68	2	131	201	12.7	³ 2.7	³ 15.4
1933.....	55	2	143	200	13.3	2.8	³ 16.1
1934.....	56	0	210	266	13.4	³ 3.0	³ 16.4
Total (15 years).....	760	418	1, 151	2, 329	136.6	28.5	165.1

¹ From Annual Reports of the Minister of Health.

² All houses over £78 ratable value (£105 in London area) are excluded.

³ Estimated; precise figures are not available.

⁴ Considerable nonrepeating block grants are included.

INFLUENCE OF SUBSIDIES ON BUILDING

FROM the end of the war to March 31, 1934, a total of 2,330,000 houses were built in England and Wales, of which 1,178,000 were subsidized (table 1). The total number of houses built during this 15-year period represents approximately 30 per cent of the 7,811,000 dwellings standing in 1921, a stupendous achievement. From the point of view of quality also the accomplishment was noteworthy. The standards of land uses, of dwelling densities, and of construction set for the subsidized

houses were high and undoubtedly were reflected in all new houses built during the period. It is said that in spite of some architectural monotony, the result has been to transform the whole aspect of English housing.

Insofar as the objective of the post-war period was to produce adequate housing, it cannot be denied that the subsidies were successful. However, the costs of these subsidies—combining the expenditures of both the Central Government and the local authorities—have been heavy. As table 1 shows, payments made by both central and

local authorities on the 1,178,000 subsidized houses built up to March 31, 1934, had by that date amounted to £165,100,000 (\$800,-735,000 at par). This expenditure, however, represents only a portion of the total liability of the Government, for the subsidies in most instances involved annual payments for periods varying from 20 to 60 years. It is difficult to obtain figures on the total amount of the subsidies to be paid in the future by central and local authorities. However, it seems certain that the present value of the central government's subsidy on houses built up to March 31, 1934, is nearly £300 per house. This sum, of course, is considerably increased by payments and commitments of local authorities.

A very large part of this stupendous cost is due to the unlimited liability assumed by the Government under the acts of 1919. For the 174,000 houses subsidized under these acts, the total cost to the Central Government plus the estimated present liability average several times more per house than do the costs and liabilities resulting from later subsidies. The acts of 1923 and 1924, on the other hand, have not brought an insupportable burden. They were both much less costly to the Government and produced many times more houses than the unlimited subsidies granted by the 1919 acts.

One important consequence of the housing subsidy program has been a vast increase in the outstanding loan debt of local authorities. This outstanding bonded indebtedness on account of housing rose from £19,219,000 in 1920 to £472,874,000 in 1932. The total gross outstanding loan debt of local authorities in England and Wales in 1931 was £834,673,703 (Fourteenth Annual Report of the Ministry of Health, 1933, p. 301). Measured by any yardstick available, the housing undertakings of local authorities have become one of their most important and significant activities.

EFFECT OF SUBSIDIES ON PRIVATE ENTERPRISE

THE steadiness with which unsubsidized private enterprise has produced houses at the same time that large numbers of subsidized houses were being built is striking (table 1). During the hectic days of unparalleled costs (1919 to 1921) the number of unassisted houses built was insignificant. But after 1923, unassisted enterprise never built less than 60,000 houses a year. Beginning in 1929 the annual increase was rapid and in the year ending March 31, 1934, private enterprise built the phenomenal number of 210,000 houses. In the 15-year period following the war, unassisted private enterprise had built a total of 1,151,000 houses.

The rapid annual increase in the number of unassisted houses built beginning in 1930 is to some extent paralleled by a drop in the number of subsidized houses built. This gives some weight to the argument that governmental subsidy tends to restrict private initiative. Yet the figures for all the years after 1924 show that governmental subsidy is by no means fatal to private initiative. Unquestionably, part of the market which the private builder reached was outside the range of competition from subsidized houses. But private unassisted building was by no means confined to higher priced houses. Thus, according to the Fourteenth Annual Report of the Ministry of Health, 1933, of the 940,-686 houses built without subsidy up to March 31, 1933, approximately 725,000 were of a ratable value not exceeding £26 (£35 if situated in the London metropolitan area). These values permit of rents within the means at least of a portion of the lower-income families. Private enterprise unsubsidized did, therefore, compete with subsidized building. The most plausible explanation is the large volume of effective demand which existed in England during this period, coupled with an increasing effort on the part of private enterprise to bring down the costs of home financing and

the costs of construction to a point where the wide-spread need for subsidies would be removed.

SUBSIDIES AND THE COST OF BUILDING

THE effect of subsidies on the cost of building in England has occasioned much argument. The average cost of small dwellings without parlors by 3-month periods from 1920 to 1934 is shown in table 2. How far the unparalleled costs of 1920 and 1921, running as high as £722 per house, are the result of subsidies, and how far the result of the abnormal post-war conditions already mentioned cannot be ascertained. It is to be noted, however, though the cost of building began to decline in 1921 before the subsidies under the acts of 1919 were discontinued, the decline was sharply accelerated after discontinuance in July. It fell from £693 in June to £594 in September. Again, some rise in costs followed the establishment of both the 1923 subsidies and the 1924 subsidies. The reductions and terminations of subsidies in 1927 and 1929 saw a corresponding drop in building costs. While these instances cannot be held to prove a direct causal relationship, they are too numerous to admit of their being ignored.

The opponents of a subsidy claim that subsidies do not achieve the purpose for which they are intended—namely, lower rents—but are absorbed in higher returns to the building industry. Some light may be thrown on this point by the index of wages in general and of wages in the building trades in England during 1920–33 (table 3). During this entire period the index of wages in the building trades was considerably above that of wages in general. It is further to be noted that while the index of wages in general remained nearly level, the index of wages in the building trades rose slightly with the granting of subsidies in 1923 and 1924 and fell continuously after the reduction of subsidies in 1927 and 1929.

Though the indexes may not be exactly comparable because 1913–14 prices were used as the base line, table 4 indicates that rents, food, fuel, and light, and general wholesale prices were also almost continuously below the level of wages in the building trades.

TABLE 2.—Average cost of nonparlor houses since the war ¹

Year	Quarter ending Mar. 31	Quarter ending June 30	Quarter ending Sept. 30	Quarter ending Dec. 31
1920.....	² £722			
1921.....	³ 700	³ £693	³ £594	³ £514
1922.....	³ 436			
1923.....			³ 350	³ 413
1924.....	³ 416	413	424	441
1925.....	438	439	443	444
1926.....	442	435	443	448
1927.....	425	412	403	407
1928.....	368	366	360	354
1929.....	339			
1930.....		335	337	351
1931.....	345	331	333	327
1932.....	317	311	295	299
1933.....	295	285	290	297
1934.....	286			

¹ Average estimated cost per nonparlor house in contracts let by, and in direct labor schemes of, local authorities in England and Wales. From the Annual Reports of the Ministry of Health.

² Indicates average figure obtained from first annual report which was issued for the year ending Mar. 31, 1920.

³ Indicates average cost during month mentioned (not quarterly).

THE EFFECT OF RESIDENTIAL BUILDING ON UNEMPLOYMENT

THOUGH its extent cannot be estimated with accuracy, the effect of continuous housebuilding in England after the war must have done much to alleviate unemployment not only in the building trades but in allied trades. To the rapid increase in private construction of dwellings since 1930 has been given much of the credit for the general economic recovery in England. The figures for construction and for employment in the construction trades indicate that this credit is deserved. Thus for March 1934 the total value of all building

TABLE 3.—*Index of wages in general and of wages in the building trades in England, 1920-33 (1914=100)*¹

Year	Wages in general	Brick-layers	Masons	Carpenters and joiners	Plumbers	Laborers
1920.....	275	278	281	280	291	362
1921.....	212. 5	243	246	246	257	289
1922.....	172. 5	198	201	200	210	223
1923.....	167. 5	190	193	192	197	214
1924.....	172. 5	201	203	202	207	227
1925.....	175	201	204	203	207	229
1926.....	175	202	204	204	208	229
1927.....	172. 5	202	205	204	208	229
1928.....	172. 5	198	200	199	203	221
1929.....	172	197	200	199	203	221
1930.....	172	192	195	194	198	215
1931.....	168	188	190	190	194	211
1932.....	165	182	184	184	188	204
1933.....	.....	177	179	179	183	199

¹ Source: Statistical Abstract for the United Kingdom, cmd. 4233, (1933), p. 117.

Refer to 273 Hansard 608-632.

TABLE 4.—*Indexes of rents, retail prices and wholesale prices (1913-14=100)*

Yearly averages	Retail prices ¹				General wholesale prices ²
	Rents	Food	Clothing	Fuel and light	
1920.....	121	256	416	212	307. 3
1921.....	148	229½	303	242½	197. 2
1922.....	153	176	238	202	158. 8
1923.....	148	169	222½	184	158. 9
1924.....	147	170	225	186	166. 2
1925.....	147	171	229	182	159. 1
1926.....	149	164	221	205	148. 1
1927.....	151	160	214	183	141. 6
1928.....	151	157	219	169	140. 3
1929.....	152½	154	218	171	136. 5
1930.....	153	145	211	172½	119. 5
1931 ³	154	.....	.....	.....	.....
1932 ³	154	.....	.....	.....	.....
1933 ³	156	.....	.....	.....	.....

¹ Pages 114-118 of Twentieth Abstract of Labour Statistics of the United Kingdom, London, 1931, cmd. 3831. (Mainly abstracted from the Ministry of Labour Gazette.) As from January 1923, the figures are exclusive of prices in the Irish Free State.

² Page 113 of Twentieth Abstract of Labour Statistics of the United Kingdom, London, 1931, cmd. 3831. The index numbers of wholesale prices were compiled by the Board of Trade and published in the Board of Trade Journal. (Prices in 1913=100.)

³ Index numbers of rent for 1931 to 1933 were taken from table on page 556 of the April 1934 issue of the International Labour Review.

and repair plans (permits) reported was £8,437,800, of which dwellings accounted for £6,112,400, or 72 percent. It is, therefore legitimate to deduce that dwelling construction accounted for a large percentage of the employment of approximately 710,000 building-trades workers who had employment in that month.

It must be noted, however, that during the entire post-war period there was an appreciable amount of unemployment even in the building trades and that since 1929, although the production of houses has increased, unemployment in the building trades has mounted, reaching at one time in 1932 the figure of 27.6 percent. Obvi-

ously, this unemployment was caused by the cessation of building activity other than housebuilding. This fact indicates that residential construction alone cannot absorb all unemployment in the construction industry, but that capital goods construction also must be maintained.

In closing this discussion of the effect of governmental subsidies—other than for slum clearance and for the housing of those unable to provide adequate housing for themselves—it may be pointed out that the conflicting opinions for and against such subsidies do not meet on a common ground. The opponents confine themselves mainly to economic considerations, claiming that subsidies tend to drive private capital out of the field, to increase housing costs, and to benefit the building industry rather than the tenant for whom they are intended. Those who favor the production of housing by public authorities emphasize the social argument. They claim that under the regime of private enterprise, the housing situation in general has grown progressively worse; that the poorer families have never been provided with satisfactory housing; yet, that satisfactory housing is fundamental to a stable society. They conclude that bad housing causes such a loss in human resources and public health and costs the community so much for the provision of utilities and for police and fire protection that society must step in and assume the burden of providing adequate housing.

Whatever the other effects of state subsidies to housing in Britain, the desire to get rid of them seems to have been a powerful force in encouraging private capital and private industry to reduce costs to such a point that they could produce adequate housing to rent cheaply enough for the great mass of working families. Thus, the British building societies, which correspond to our building and loan associations, have reduced their rates on long-term home loans to 5 percent. At the same time, building costs have fallen to the lowest level since the war (table 2).

PRESENT PROGRAM OF THE GOVERNMENT AND THE ROLE OF BUILDING SOCIETIES

THE Housing Act of 1933 abolished subsidies other than for slum clearance and the rehousing of the displaced slum dwellers. It is on this aspect of the housing problem and the relief of overcrowding that the Government is concentrating. The Minister of Health has on several occasions mentioned the figure of 240,000 new homes replacing slum dwellings to be built with the aid of State subsidies in the 5-year period 1934–38.

On the other hand, though the Central Government has withdrawn subsidies for other housing, the 15th Annual Report of the Ministry of Health (1934) states that insofar as private enterprise fails to build houses in sufficient numbers and of suitable types, the responsibility for the provision of the houses required rests with the local authority. In other words, the responsibility of insuring that adequate housing is provided for all is placed squarely on the shoulders of local authorities.

The act of 1933 seeks to enlist particularly the cooperation of building societies (building and loan associations) in the production of working-class houses. It does this by expanding a principle first introduced in the act of 1925 which authorized local authorities to guarantee loans made by building societies to their members. Under the act of 1933, if building societies will lend up to 90 percent of the cost or value of a house at a rate 1 percent lower than the general rate of interest, the Government and the local authorities will jointly guarantee to the society almost all the investment above 70 percent of the cost. The society holds the usual security for 70 percent of the value of the property. However, to receive such a guaranty, advances must be given for the purpose of building or acquiring houses for rent to working-class tenants.

It is too early as yet to determine the extent to which societies will take advantage of this guaranty. There seems to be some

fear among building societies that loans on houses built to rent would unwisely alter their primary function as servants of home ownership. On the other hand, in May 1934 the chairman of the largest building society in England stated that his society had actually granted more than £2,500,000 in loans for houses then being erected under the act.

RAPID GROWTH OF BUILDING SOCIETIES

BRITISH building societies have experienced a phenomenal growth since the war (table 5). Their share capital increased from £56,617,227 in 1919 to £380,855,963 in 1932; the number of members from 672,369 to 2,560,961. In addition to these shareholders and borrowers in 1932 the societies had 545,648 depositors. In 1933 building societies with total assets of £501,000,000 made loans amounting to £103,192,893. Such a rapid growth and the comparatively vast resources it has provided the building societies compels them to seek the largest possible share of the home-financing activities of the nation. They are, therefore, eager to see the state subsidy to housing other than in connection with slum clearance eliminated and the consequence is that they seek, by all means to justify that elim-

ination by providing adequate housing at low cost.

The attitude of building-society leaders is summed up in the following quotations from the chairman's address to the annual meeting of the National Association of Building Societies in May 1934.

The uneven distribution of the post-war building has resulted in a substantial deficiency in houses suitable for renting to lower paid manual workers. This need constitutes, apart from slums and overcrowding, the immediate and pressing problem. . . .

If the houses are not forthcoming under the provision of the Act (1933) the nation will demand them by other methods. * * *

As custodians of public savings, we (the building societies) bear enormous responsibilities. The consciousness of these responsibilities should always be uppermost in our minds. The pertinent question is: Can these responsibilities be most effectually discharged under a regime of uncoordinated activity, and especially unregulated competition, each society having regard only to what it may be pleased to call its own interests? The whole teaching of economic history is a flat contradiction. Our task, then, is so to order our movement that, while preserving scope for the due expression of individuality, this will take a place on a basis which ensures the observance by all societies of the canons of prudent finance and sound practice, best calculated to promote the stability of our movement.

TABLE 5.—*Growth of building societies in Great Britain since the war*¹

Year	Number of societies ²	Number of members	Share capital	Amount advanced on mortgages during the year
1919.....	1, 311	672, 369	£56, 617, 227	£15, 840, 951
1920.....	1, 271	747, 589	63, 864, 926	25, 094, 961
1921.....	1, 226	789, 052	70, 861, 612	19, 673, 408
1922.....	1, 184	826, 032	80, 430, 092	22, 707, 799
1923.....	1, 151	895, 524	93, 482, 716	32, 015, 720
1924.....	1, 112	1, 000, 988	108, 983, 304	40, 584, 606
1925.....	1, 092	1, 129, 455	127, 827, 111	49, 822, 473
1926.....	1, 064	1, 257, 400	147, 739, 010	52, 150, 941
1927.....	1, 054	1, 416, 456	172, 818, 111	55, 886, 903
1928.....	1, 035	1, 688, 903	213, 235, 101	58, 664, 684
1929.....	1, 026	1, 899, 901	250, 224, 511	74, 718, 748
1930.....	1, 026	2, 169, 875	302, 784, 697	88, 767, 426
1931.....	1, 013	2, 380, 439	341, 794, 518	90, 253, 133
1932.....	1, 014	2, 560, 961	380, 855, 963	82, 142, 116
1933.....	(³)	(³)	395, 453, 481	103, 192, 893

¹ Sources: Statistical Abstract for the United Kingdom, 1933, p. 220, and Building Societies Year Books, 1927 to 1933.

² The gradual decrease in the number of societies is due to absorption of the smaller by large societies.

³ Figures not available.

Residential Construction Activity in the United States

WITH this issue, the REVIEW begins the publication of the first of the tables, indexes, and charts on current activities in home construction and home financing in the United States. It was pointed out in the first issue of the REVIEW that home-financing institutions, shareholders, the building interests, and home owners all have suffered from ignorance of national and local trends in home construction and real-estate activity. This ignorance made possible the overfinancing and the overbuilding which helped bring on the depression. In the reinforcing of our system for financing housing and housing construction, facts as to the market are essential.

Of first importance to the home-financing institution is information on the situation in its own locality, but knowledge of national trends is likewise essential. With this in mind, the Division of Research and Statistics of the Federal Home Loan Bank Board will seek to prepare for publication in the REVIEW not only the current record of national activity but also of activity by Federal Home Loan Bank districts insofar as possible.

A complete picture of urban home financing and home construction activity requires a wide variety of information. This information can, however, be grouped under three major heads:

1. Urban home-financing data, including volume of home-mortgage indebtedness outstanding, volume of current-mortgage activity, and number of foreclosures.
2. Data on rate of building-construction activity, including volume and value of construction contracts and permits, and volume of employment and pay rolls.
3. Data on market conditions that determine the rate of construction, including vacancies, rentals, costs of construction, costs of home financing, and family incomes.

It will be seen that if this simple outline could be filled in each month, it would reveal at once whether home-financing and construction activities are in line with the need and the market for housing. Thus it would diminish the danger of overfinancing and overbuilding. It will require time to develop the many sources of information needed to permit the monthly publication of so well-rounded a picture. The REVIEW plans to proceed with the publication of such information as is regularly available and add additional tables and charts as the data permit. Fortunately, the REVIEW is able to begin with an analysis of residential construction activities, the extensive resumption of which is of such vital importance to home-financing institutions.

SOURCES OF INFORMATION ON CONSTRUCTION ACTIVITY

Two of the major primary sources of data on national activity in residential construction are the Bureau of Labor Statistics of the Department of Labor and the F. W. Dodge Corporation. The Dodge statistics on contracts awarded cover 37 States east of the Rocky Mountains. Through the cooperation of this agency, the REVIEW is enabled to publish in addition to the national figures a breakdown of these contract awards by Federal Home Loan Bank districts, except for Districts 11 and 12 in the far West. The Bureau of Labor Statistics of the Department of Labor compiles data on residential building permits for 674

identical cities in all parts of the nation. The Bureau is very generously making it possible for the Division of Research and Statistics of the Federal Home Loan Bank Board to analyze its data at the earliest possible moment after submission. The REVIEW will publish these permit statistics by Federal Home Loan Bank districts and by States.

Extensive study of the Dodge Corporation's figures and of those compiled by the Bureau of Labor Statistics is made by several agencies, notably the Federal Reserve Board. The following analysis is indebted to these studies.

CONSTRUCTION TRENDS IN THE UNITED STATES

THE long-time trends in all construction and in residential construction are shown in charts 1 and 2, which present graphically the course of activity from 1919 to November 30, 1934.

Chart 1, based upon the Federal Reserve Board's 3-month moving averages of total construction contracts awarded, compares the construction cycle to the industrial production cycle. Perhaps the most striking fact in the comparison is that construction fluctuates more widely than does industrial production. This suggests that the excesses of boom periods and the consequent contractions in depression periods are greater in building than in other activities. While the low of industrial production was about 44 percent below the 1923-25 average, the construction low fell about 86 percent below the corresponding average. It is also to be noted that construction reached its peak in 1928, about a year in advance of the peak of industrial production in 1929, and that it reached bottom some 9 months later than industrial production.

RESIDENTIAL CONSTRUCTION IN RELATION TO COSTS AND RENTALS

It is generally agreed that when rents are high enough and the costs of building low enough to permit the builder to make a profit, building activity increases. Chart 2

compares residential construction with construction costs and housing rentals. It reveals that rentals began to go down from a peak in 1924, reaching a low at the end of 1933. In contrast, construction costs continued fairly even from 1924 to 1930 and after reaching a low in 1932 are now back almost to the 1926 level. Though there has been a gradual improvement in rentals during the past year, that improvement has not continued long enough nor been sufficiently large in terms of percentage change to exert any marked effect on the volume of residential construction. In fact, if the housing rental index were expressed as a ratio to the construction-cost index, it would be found that rentals as a percentage of cost have actually continued to decline during 1934.

Chart 3 presents a further analysis of fluctuations in building costs in comparison with fluctuations in the prices of other commodities. It shows that average prices declined much more during the depression than average construction costs or than the prices of building materials. It further shows that whereas construction costs are now near the 1926 level and building material prices have regained about half their decline from the 1926 level, the prices of all commodities have made a much smaller recovery. The slight reaction downward in the prices of building materials during the past 3 months has not fully offset the other increases in construction costs though it has tended to slow down the rate of advance in construction costs.

SHRINKAGE IN RESIDENTIAL CONSTRUCTION SINCE 1929

THE violent shrinkage in residential construction since 1929 is portrayed graphically in chart 4. No correction for seasonal variation nor long-time trend has been made so that the chart reveals every fluctuation that occurred. The low point of activity was reached early in 1933, but the improvement since has been slight and the present level of residential construc-

CHART I.—INDEXES OF TOTAL CONSTRUCTION CONTRACTS AWARDED AND INDUSTRIAL PRODUCTION

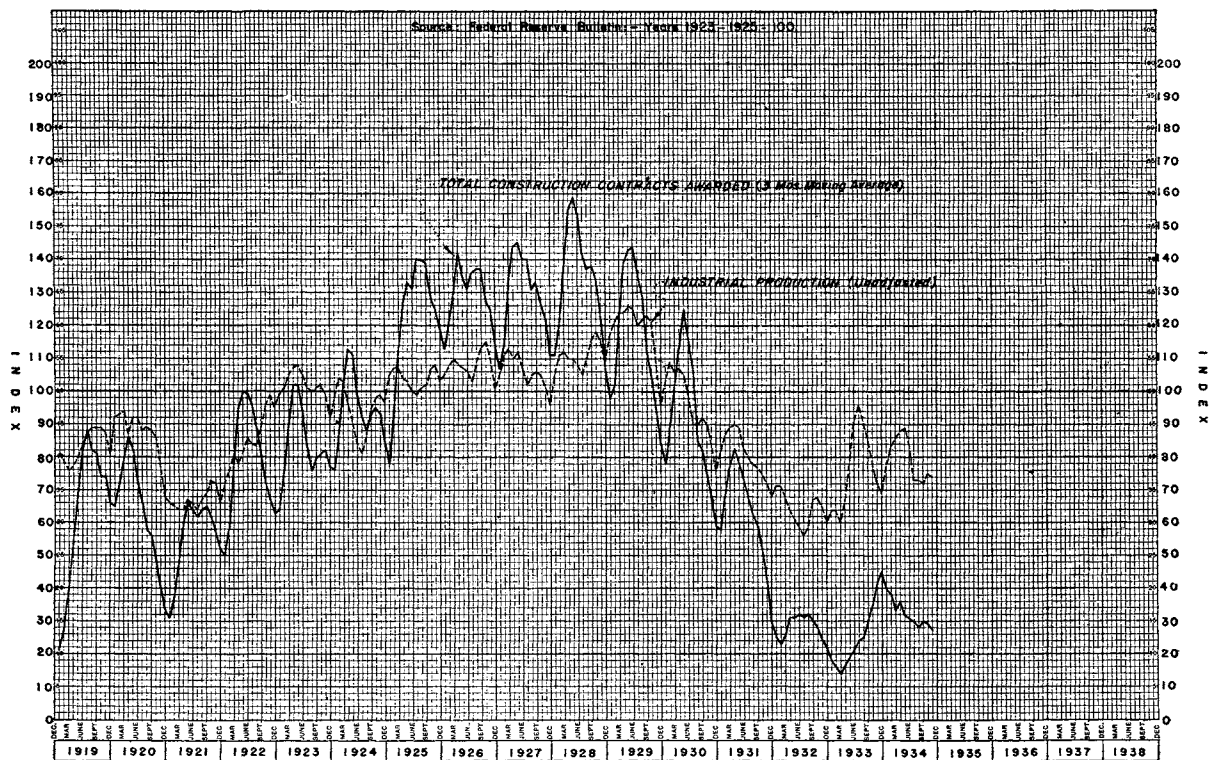
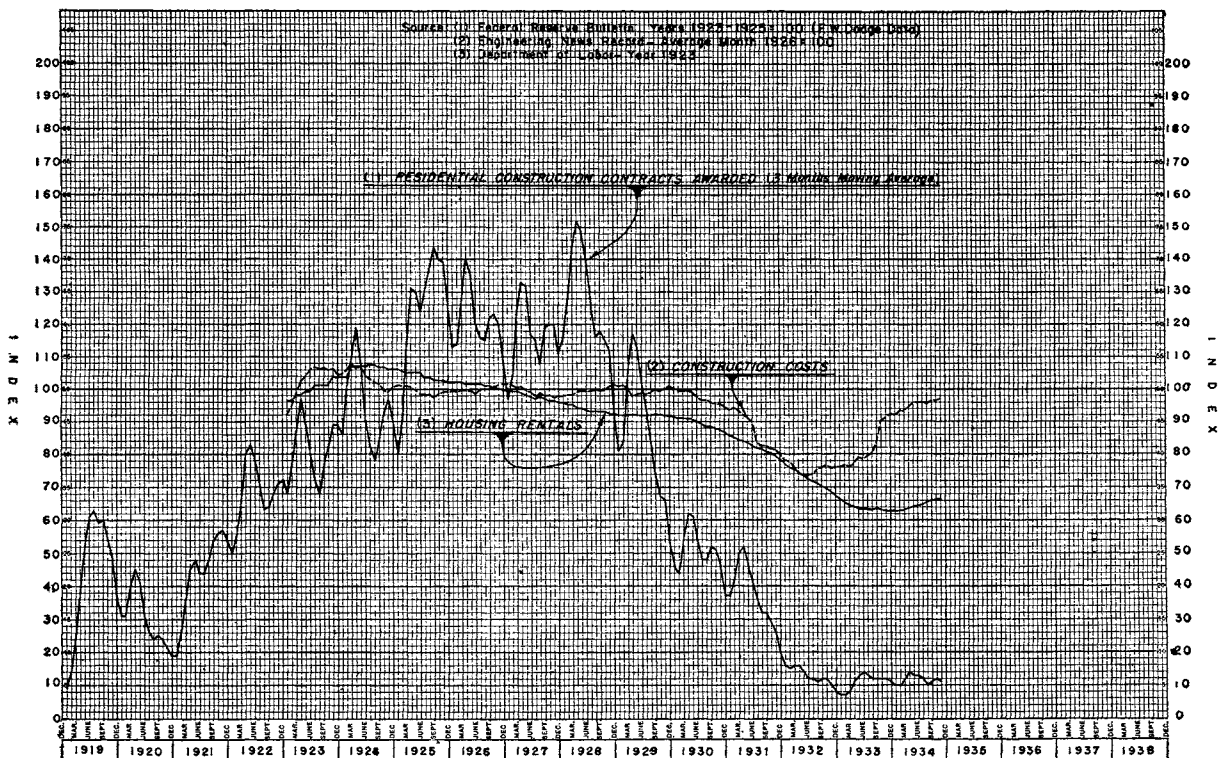


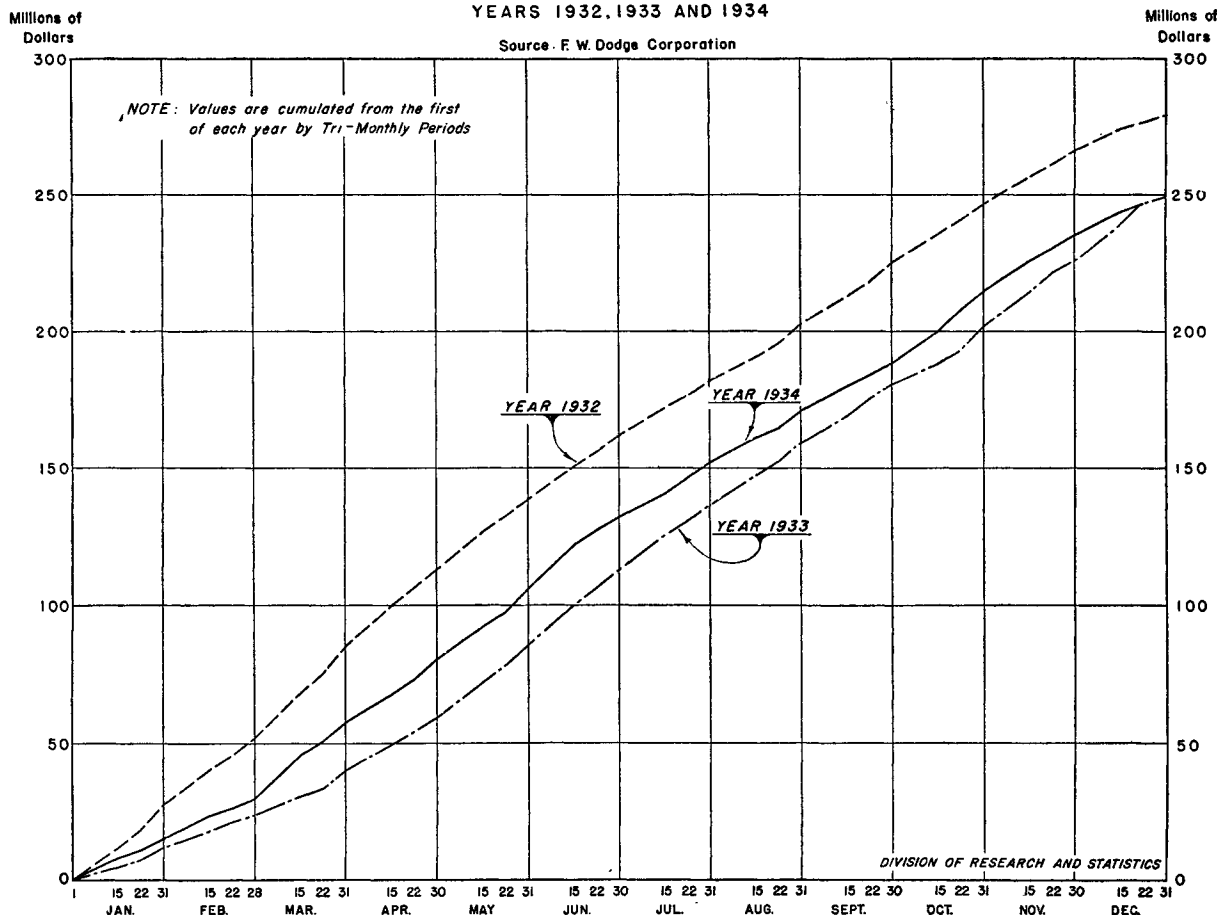
CHART 2.—INDEXES OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED, CONSTRUCTION COSTS, AND HOUSING RENTALS



Source(1)(2) Department of Labor Year 1926 = 100
3. Engineering News-Record Year 1926 = 100



CHART 5.—VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN 37 EASTERN STATES
YEARS 1932, 1933 AND 1934



tion fails to reveal the effects of any extraordinary stimulus.

Furthermore, residential construction has fallen more sharply than total construction, as indicated by the lower level of the percent curve since 1930. Prior to 1929 residential construction amounted to more than 40 percent of total construction in most months. Since 1930, however, residential construction has generally been less than 30 percent of total construction and for 10 months of 1934 it remained at less than 20 percent of total construction.

A comparison of residential construction for the three years 1932, 1933, and 1934 is made in chart 5. Each curve on this graph represents the cumulative value of residential contracts awarded for one year. This makes it possible to compare the total con-

struction activity during the three years at any particular time. It is to be noted that activity in 1934, while less than that in 1932, was continuously greater than in 1933 until December 22. On that date the total amount of residential contracts awarded fell below the level in the preceding year.

RESIDENTIAL CONSTRUCTION CONTRACTS BY FEDERAL HOME LOAN BANK DISTRICTS

TABLE 1 shows the number and value of residential construction contracts awarded in each of the 10 Federal Home Loan Bank districts east of the Rocky Mountains during the month of November 1934. Comparisons are made with October 1934 and November 1933. It is to be noted that with the exception of District 2, the number of buildings for which contracts were awarded

in November 1934 was less than in October and that the value of contracts awarded was less in all districts except number 9.

Attention may be called to the fact that although there was an increase in November 1934 over November 1933 of 59 percent in the number of buildings, the total value of these buildings was 15.6 percent less. This is explained by the larger volume of reconditioning in 1934, which brought about a decline in the average value of a project. The average value of new dwellings was greater in November 1934 than in the same month of 1933.

RESIDENTIAL BUILDING PERMITS ISSUED BY ALL FEDERAL HOME LOAN BANK DISTRICTS BY STATES

THE recent trend in building activities in all districts is shown by the building permit figures obtained from the Bureau of Labor Statistics for November 1933 and October and November 1934. The permits are for all residential types of building.

The values are the estimated cost by the builder at the time of issuance of the building permit in the various reporting cities. Only an identical number of municipalities were used in this analysis so as to insure comparability and logical conclusions. It must be borne in mind that the data do not signify State totals, but are only the total value of permits issued in the reporting cities.

The material available reveals a rather decided increase in November 1934 over November 1933 in 9 of the Bank districts. However, the recessive activity in the larger Eastern cities was sufficient to cause a decline in Districts 1 and 2, which recession was also reflected in the total for the United States.

In the comparison of the material for the two recent months of this year, it is evident that building permit values have suffered an almost universal decline. Only in Districts 4 and 10 were there outstanding increases.

TABLE 1.—*Number of buildings and value of residential construction contracts awarded by 10 Federal Home Loan Bank districts*

[Source: F. W. Dodge Corporation]

Bank district	Number of buildings					Value (thousands of dollars)				
	November 1934	October 1934	Percent change ¹	November 1933	Percent change ²	November 1934	October 1934	Percent change ²	November 1933	Percent change ³
Total of 37 Eastern States ¹ ..	5, 367	6, 807	-21. 2	3, 378	+58. 9	19, 924. 7	25, 814. 2	-22. 8	23, 615. 7	-15. 6
1.....	406	497	-18. 3	449	-9. 6	2, 100. 0	2, 425. 0	-13. 4	2, 535. 3	-17. 2
2.....	1, 640	1, 434	+14. 4	727	+125. 6	6, 179. 8	6, 523. 3	-5. 3	5, 518. 1	+12. 0
3.....	306	442	-30. 8	274	+11. 7	1, 712. 5	2, 439. 0	-29. 8	1, 320. 2	+29. 7
4.....	750	801	-6. 4	743	+0. 9	3, 166. 8	4, 283. 0	-26. 1	6, 908. 0	-54. 2
5.....	657	1, 415	-53. 6	264	+148. 9	1, 349. 7	2, 444. 8	-44. 8	1, 868. 5	-27. 8
6.....	252	259	-2. 7	174	+44. 8	720. 4	939. 4	-23. 3	551. 1	+30. 7
7.....	211	318	-33. 6	156	+35. 3	1, 093. 9	1, 458. 6	-25. 0	862. 6	+26. 8
8.....	317	421	-24. 7	162	+95. 7	1, 516. 9	1, 742. 4	-12. 9	811. 6	+86. 9
9 ¹	700	1, 053	-33. 5	300	+133. 3	1, 574. 7	1, 543. 3	+2. 0	1, 949. 3	-19. 2
10 ¹	128	167	-23. 4	129	-0. 8	510. 0	2, 015. 4	-74. 7	1, 291. 0	-60. 5

¹ Report is for 37 Eastern States, which excludes New Mexico in Federal Home Loan Bank District No. 9, Colorado in no. 10, and all States in Districts nos. 11 and 12. For States included in districts see map on p. 3 of cover of this REVIEW.

² Percent change of November from October 1934.

³ Percent change of November 1934 from November 1933.

TABLE 2.—Estimated value of residential building permits issued in November 1934

[Based on reports in 674 identical cities. Source: Bureau of Labor Statistics]

District and State	Number of cities	November 1934	October 1934	Percent change ¹	November 1933	Percent change ²
United States.....	674	\$9, 515, 823	\$11,251,523	—15. 4	\$13,475,820	—29. 4
District No. 1.....	103	790, 025	1, 082, 585	—27. 0	979, 400	—19. 3
Connecticut.....	22	109, 400	183, 500	—40. 4	169, 400	—35. 4
Maine.....	6	26, 500	21, 035	+26. 0	38, 000	—30. 3
Massachusetts.....	60	509, 525	733, 550	—30. 5	658, 550	—22. 6
New Hampshire.....	3	13, 000	22, 750	—42. 9	20, 150	—35. 5
Rhode Island.....	11	131, 600	107, 750	+22. 1	88, 800	+48. 2
Vermont.....	1	0	14, 000	—100. 0	4, 500	—100. 0
District No. 2.....	101	2, 981, 180	3, 898, 690	—23. 5	9, 316, 975	—68. 0
New Jersey.....	49	326, 050	363, 350	—10. 3	354, 475	—8. 0
New York.....	52	2, 655, 130	3, 535, 340	—24. 9	8, 962, 500	—70. 4
District No. 3.....	57	485, 239	481, 020	+0. 9	228, 050	+112. 8
Delaware.....	1	50, 250	34, 110	+47. 3	22, 900	+119. 4
Pennsylvania.....	49	389, 675	410, 610	—5. 1	194, 650	+100. 2
West Virginia.....	7	45, 314	36, 300	+24. 8	10, 500	+331. 6
District No. 4.....	69	1, 261, 263	1, 173, 177	+7. 5	593, 029	+112. 7
Alabama.....	11	8, 050	35, 100	—77. 1	10, 930	—26. 3
District of Columbia.....	1	643, 850	457, 500	+40. 7	341, 300	+88. 6
Florida.....	10	228, 632	247, 448	—7. 6	60, 275	+279. 3
Georgia.....	8	38, 335	37, 404	+2. 5	13, 423	+185. 6
Maryland.....	6	89, 400	68, 800	+29. 9	63, 700	+40. 3
North Carolina.....	14	81, 200	131, 900	—38. 4	45, 415	+78. 8
South Carolina.....	7	56, 825	57, 725	—1. 6	4, 450	+1, 177. 0
Virginia.....	12	114, 971	137, 300	—16. 3	53, 536	+114. 8
District No. 5.....	54	425, 348	455, 735	—6. 7	246, 830	+72. 3
Kentucky.....	8	60, 138	37, 600	+59. 9	17, 200	+249. 6
Ohio.....	41	340, 150	373, 305	—8. 9	217, 100	+56. 7
Tennessee.....	5	25, 060	44, 830	—44. 1	12, 530	+100. 0
District No. 6.....	50	372, 250	419, 782	—11. 3	153, 000	+143. 3
Indiana.....	23	37, 000	92, 982	—60. 2	16, 000	+131. 3
Michigan.....	27	335, 250	326, 800	+2. 6	137, 000	+144. 7
District No. 7.....	68	439, 240	439, 050	0	144, 600	+203. 8
Illinois.....	47	267, 740	250, 150	+7. 0	80, 000	+234. 7
Wisconsin.....	21	171, 500	188, 900	—9. 2	64, 600	+165. 5
District No. 8.....	39	502, 178	546, 097	—8. 0	335, 442	+49. 7
Iowa.....	14	129, 613	118, 457	+9. 4	84, 650	+53. 1
Minnesota.....	11	118, 580	126, 790	—6. 5	103, 960	+14. 1
Missouri.....	9	221, 000	267, 950	—17. 5	124, 557	+77. 4
North Dakota.....	2	1, 000	10, 200	—90. 2	13, 000	—92. 3
South Dakota.....	3	31, 985	22, 700	+40. 9	9, 275	+244. 9
District No. 9.....	31	485, 349	729, 945	—33. 5	273, 040	+77. 8
Arkansas.....	2	1, 500	5, 525	—72. 9	500	+200. 0
Louisiana.....	3	20, 500	26, 382	—22. 3	32, 610	—37. 1
Mississippi.....	5	11, 300	9, 950	+13. 6	6, 600	+71. 2
New Mexico.....	1	1, 250	9, 800	—87. 2	0	(³)
Texas.....	20	450, 799	678, 288	—33. 5	233, 330	+93. 2

¹ Percent change November 1934 from October 1934.

² Percent change November 1934 from November 1933.

³ Increase from zero.

TABLE 2.—Estimated value of residential building permits issued in November 1934—Continued

[Based on reports in 674 identical cities. Source: Bureau of Labor Statistics]

District and State	Number of cities	November 1934	October 1934	Percent change	November 1933	Percent change
District No. 10.....	36	507, 410	305, 630	+66. 0	149, 050	+240. 4
Colorado.....	7	106, 000	131, 000	—19. 1	55, 300	+91. 7
Kansas.....	16	25, 850	47, 150	—45. 2	29, 950	—13. 7
Nebraska.....	6	34, 600	90, 675	—61. 8	43, 700	—20. 8
Oklahoma.....	7	340, 960	36, 805	+826. 4	20, 100	+1, 596. 3
District No. 11.....	22	105, 122	225, 650	—53. 4	119, 450	—12. 0
Idaho.....	0					
Montana.....	5	22, 250	46, 900	—52. 6	10, 100	—120. 7
Oregon.....	4	11, 250	76, 900	—85. 4	52, 850	—78. 3
Utah.....	2	27, 313	23, 900	+14. 3	15, 600	+75. 1
Washington.....	11	44, 309	77, 950	—44. 2	40, 900	+83. 3
Wyoming.....	0					
District No. 12.....	44	1, 161, 219	1, 494, 162	—22. 3	936, 954	+23. 9
Arizona.....	2	7, 905	38, 300	—79. 4	12, 900	—38. 7
California.....	41	1, 145, 714	1, 455, 862	—21. 3	921, 054	+24. 4
Nevada.....	1	7, 600	0	(³)	3, 000	+153. 3

³ Increase from zero.

Effect on Home Values of Appraisals by the Home Owners' Loan Corporation

EFFECTIVE home values are set by property transfers and mortgage appraisals. With \$3,000,000,000 of home-mortgage refinancing completed or under way, the Home Owners' Loan Corporation has, in most localities of the United States, been doing more financing of homes than local private agencies. It is inevitable, therefore, that the Corporation's appraisals should exert a major influence in setting values on urban-home properties throughout the country. The magnitude of the operation insures that this influence shall be more than temporary, and that the Corporation's appraisals will affect all property values for many years.

The Corporation is awake to the responsibilities and opportunities that this influence imposes and offers. The responsibilities are to protect investments and values and to rescue them from the distressed levels to which the depression had brought them. The opportunities are to establish sane and permanent values; to lay the foundations for the elimination of the wide swings that hitherto have been common in real-estate prices; and finally, to aid in the development of a profession of real-estate appraising with a competent personnel.

In 1933, when the Home Owners' Loan Corporation began operations, appraisals presented probably its greatest single problem. On the one side, the depression had shattered ideas of property values. All transactions were distress transactions, and the practical criteria of value presented by the market, which the great majority of appraisers had followed, were

gone. On the other side, the country lacked a profession of real-estate appraising comparable with the professions of accounting, engineering, or medicine. Little was known of the economic principles that underlie real-estate values and scarcely more of the technic of making building inspections and of computing valuations. A foundation for an American science of appraising had been laid and the nucleus of a body of professional appraisers formed by the American Institute of Real Estate Appraisers of the National Association of Real Estate Boards; but this institute constituted but a small leaven in the country as a whole. With applications for loans from distressed home owners mounting to 400,000 by the time the first district offices of the Corporation were opened, the Corporation had no time to train appraisers before organization. It had to combine education with organization and to protect itself from incompetency by a careful checking and supervisory system.

ORGANIZATION OF APPRAISAL WORK

THE Corporation's plan of organization provided for a complete operating mortgage unit in each State with such district and branch offices as were found necessary. A State appraiser controlled and supervised all appraisal activities through district appraisers in each district. These district appraisers supervised the activities of those making both the preliminary and the fee appraisal. National supervision was exercised by the Appraisal Division

under the Appraisal Adviser to the Board of Directors of the Corporation in Washington. This Appraisal Division maintained a field force of regional appraisers constantly traveling in the field investigating appraisal personnel and routine and checking appraisal results. Finally, as an additional check on the activities of local appraisers, the appraisal adviser to the Board has appointed in many communities outstanding citizens with appraisal experience and knowledge of local real-estate conditions as State appraisal advisers. These advisers review current appraisals selected at random and thus assist the Corporation in maintaining a proper level of values. They also advise on the qualifications of local appraisers, and they have been invaluable in assisting in the settlement of disputes between mortgagees and the Corporation as to fair values of individual properties.

VALUATION PROCEDURE

SHORN of many details, the valuation procedure is: (1) *Preliminary appraisal*, which approximates the value of the property, advises upon the eligibility of the loan, and notes the credit and other loan considerations of the borrower and his property. It establishes the approximate loanable amount and the desirability of incurring the expense of a fee appraisal. (2) *Fee appraisal*, a carefully prepared appraisal by an independent appraiser, not an employee of the Corporation, selected for his appraisal experience. (3) *Review appraisal*, an office review of the work of both preliminary and fee appraisers, consisting of a check on computations and valuation judgments. Putting a comparatively small number of office men into a position of control at this point tends to insure the injection of the "lending sense" into the valuation. (4) *Action by the loan committee* composed of State manager, State counsel, and State appraiser. This committee establishes the Corporation's valuation of the property and determines

the amount of the loan which shall be made.

As a primary aid to efficient appraisals the Appraisal Division has developed a complete and logically arranged appraisal form to be used in all appraisals. This form attempts specifically to force the appraiser to make a systematic and thorough analysis on which to base his valuation, and secondly—when completed and placed in the loan file—to preserve to the Corporation a complete and accurate record of the property which it holds as collateral. This carefully worked out form, known as "H. O. L. C. Form 8" revised (1-30-34), has recommended itself to many private home-financing institutions as an effective tool to eliminate carelessly made and briefly reported appraisals. For the benefit of institutions that may desire to adapt the form to their own use, it is reproduced at the end of this article.

PRINCIPLES OF VALUATION

WITH this organization and these tools, the Corporation has established certain principles of valuation. These principles are determined by the Corporation's obligations, the first of which is to protect the interest of the United States Government as the sole stockholder in the Corporation. This means that values must be sound. Its second obligation is to home owners in distress who are entitled to relief to the fullest extent of the collateral which they can offer. This requires that the appraisals represent a full fair value of the property. Its third principal obligation is to the real-estate market, present and future. This requires that valuations be carefully and accurately established.

The Corporation instructs its appraisers that "the purpose of the appraisal of the property is to determine its full fair value as collateral for a long-term first-mortgage loan." In times of depression, this permits recognition of the assured well-determined future. In boom times, it requires the discounting of the high market. The three-

fold basis on which the appraiser is to determine his valuation is (1) present market value, (2) replacement value minus depreciation, and (3) average rental value over the preceding 10 years. Obviously, this threefold basis permits the recognition of factors which insure that appraisals will be materially above the low depression-market prices. Every effort is made to keep from the appraiser any knowledge of the amount of the loan asked. He is instructed that his valuation is to be influenced solely by the condition of the property itself.

Value is determined by the possible future use of a property. Appraising is a judgment of that future converted into value. The Corporation's valuations are often disputed, sometimes with entirely conscientious motives, but at other times from a desire to accommodate selfish interests. In some cases all manner of pressure—misleading statements, mass meetings, newspaper propaganda—has been brought to bear upon the Corporation to alter appraisals. These controversies are difficult of settlement, largely because of the judgment factor and sometimes because of the selfish and unreasonable attitude of complainants. Serious disputes are examined into by regional appraisers and discussed with State appraisal advisers, and valuations so established are adhered to without change regardless of the pressure.

MAGNITUDE OF APPRAISAL OPERATIONS

AT THE peak of operations, the Corporation had about 8,500 appraisers, of whom some 6,500 were fee appraisers functioning at the expense of and as the technical agents of applicants seeking loans. This staff had completed by the end of 1934 over a million fee appraisals and a considerably greater number of preliminary appraisals. The significance of this numerical achievement is that the Corporation has set a value on more than one out of every 10 owned

nonfarm homes in the United States. Most of these appraised homes have been or will be taken out of the distress market by the Corporation, so that the tremendous influence of the Corporation in restoring the real-estate market and fixing the level of residential real-estate values is evident.

Of perhaps more lasting significance is the impetus that the Corporation has given to the establishment of appraising on a scientific basis and the creation of a large body of trained appraisers. As already stated, the second major task of the Appraisal Division in Washington was to conduct an intensive educational campaign to train men to base their valuations on scientific principles. This educational activity has been carried on simultaneously with the organizational and supervisory work. The Division has held group meetings of the appraisal personnel in branch, district, and State offices. Periodically, it has issued bulletins on technical appraisal principles. It has reviewed difficult and unusual appraisals and issued instructions concerning them.

The general educational work has been directed toward the development of appraisal judgment rather than the establishment of formulae. Some of the basic principles it has sought to drive home are: (1) That cost and value are not synonymous; (2) that value of a property as mortgage collateral is not the same as market value; (3) that mortgages cannot be based upon speculative values; and (4) that appropriate allowances must be made for depreciation and obsolescence.

Very practical steps toward the registration of a qualified personnel have been taken. The Appraisal Division has a card file of all appraisers connected with the Home Owners' Loan Corporation. This is a living record, constantly changing to record current experience with each individual. It gives in condensed form the background of experience of each appraiser, his previous connections, the opinions of his present supervisors, and his pro-

professional rating as established by the Corporation. This rating, which is supervised in the field by the Washington representatives, is based on the individual's accuracy in fixing values, on his care and thoroughness in inspections, on the quality of his reports, on his integrity and standing, and on his grade in a written examination on appraisal subjects.

It is believed that this national register of appraisers will do much to transform appraising into a recognized profession with a code and a standing which such recognition inevitably gives.

BETTER APPRAISALS VITAL TO LENDING INSTITUTIONS

THE time must come when the signature of an appraiser on his statement of valuation will mean as much in freedom and integrity of judgment as the signature of a certified public accountant now means on a certified audit. The mortgage-lending institutions of the country have learned from the depression that careless appraisals made from the running board of an automobile on the back of an envelope are apt to prove as costly as a careless audit of

their books. They have learned that there is no substitute for the careful determination of the long-term value of mortgage collateral. Conservative lending is not enough. When the market becomes glutted with distressed property, the expectation that a conservative first mortgage can always be liquidated for the amount of the loan is shown to be false.

Loose appraisals in the past have been costly. With the revolution in our mortgage practices which is now in process, they will be fatal. Emphasis from all sides is on the long-term amortized mortgage representing a high enough percentage of the value of the property to eliminate the need for a second mortgage. This is the cornerstone of the Government's home-financing program; home owners are demanding it with increasing insistence. A high percentage of value can be loaned with safety only when that value has been carefully determined. The private home-financing institutions of the country will serve their own best interests in insisting upon the type of scientific appraisal by the qualified scientific appraiser which the Home Owners' Loan Corporation has sought to develop.

WARNING

Section 8 (a). Whoever makes any statement, knowing it to be false, or who willfully overstates any security, for the purpose of influencing in any way the action of the Home Owners' Loan Corporation or the Board or an association upon any application, advance, discount, purchase, or repurchase agreement, or loan, under this Act, or any extension thereof by renewal, deferment, or action or otherwise, or the acceptance, release, or substitution of security therefor, shall be punished by a fine of not more than \$5,000, or by imprisonment for not more than two years, or both.

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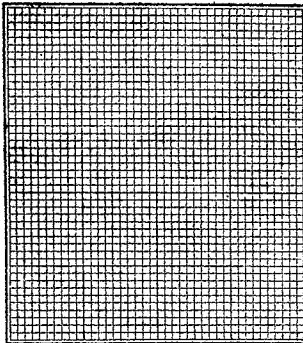
HOME OWNERS' LOAN CORPORATION

APPRAISER'S REPORT

Note: (Appraisers are to regard this report as confidential. Appraiser is not to be informed of any conditions contained herein.)

PROPERTY APPRAISED

1. City _____ Pop. _____
2. State _____ Co. _____
3. No. _____ St. _____
4. _____ Side, betw. _____ A. _____
5. _____ ft. from _____ St. _____
(If on corner, so state)
6. Owner's Name _____
7. Street number _____
8. City _____ State _____
9. Title, Fee Simple or Leasehold _____



INDICATE NORTH BY ARROW

DISTRICT

10. PRINCIPAL USE: ☐ Residential; ☐ Apartment; ☐ Business; ☐ Rooming house; ☐ Industrial.
11. RESIDENTIAL DISTRICT: ☐ Best; ☐ Good; ☐ Poor; TREND: ☐ Static; ☐ Up; ☐ Down.
12. TRANSPORT: ☐ None, ☐ to Business, ☐ to Apartments, ☐ to Industry. Rate _____
13. SECTION: ☐ Old; ☐ New; ☐ Congested; ☐ Houses Scattered; _____ % Built up.
14. REMARKS: _____
15. ☐ IN CITY LIMITS; ☐ Outlying; Miles beyond city limits: _____ Police and Fire Protection: _____
16. BLOCKS TO SCHOOL: _____ High School _____; Stores _____; Bus _____; Carline _____; EL or Sub _____
17. RESIDENTS IN NEIGHBORHOOD: American _____ % Foreign _____ % Negro _____ % Oriental _____ %
18. NEW PUBLIC IMPROVEMENTS NOW AUTHORIZED _____
19. MARKETABILITY: Is property of such type and location as to ordinarily be ☐ Readily Saleable; ☐ Slow; ☐ Difficult.
20. EXPLAIN _____

LAND VALUE

21. Lot Size—Width _____ Ft.; Depth _____ Ft.; ☐ Steep sloping; ☐ Level; ☐ (above) street level _____ Ft.
22. SIDEWALKS: _____ STREET OR ROAD paved with _____ Alley _____ Paved _____
23. ☐ Electricity; ☐ Gas; ☐ Sewer; ☐ Septic tank; ☐ Cess pool; ☐ City Water; ☐ Well _____
24. RESTRICTIONS, setbacks, zoning, etc. Not complied with? _____
25. EASEMENTS, common user agreements, joint driveways, etc. _____
26. LANDSCAPING _____ Condition _____
27. PRESENT PRICE OBTAINABLE For this or equivalent land if vacant _____ \$
28. PRESENT JUSTIFIED VALUE for this land, exclusive of buildings _____ \$
29. Method of Valuation in 28 _____ ☐ Sq. Ft. _____ ☐ Front Ft. ☐ Lot @ \$ _____ per Unit
30. REMARKS: _____

DESCRIPTION OF BUILDING AND IMPROVEMENTS

Snaple riders here for extra buildings

31. Total number of buildings on plot _____ Types _____
32. BUILDING A—(for each additional building of importance use separate Form 8 Rider Revised 1/20/34)
33. TYPE & STYLE _____ Roof _____ Remodeling _____ Year _____
34. CONSTRUCTION: Class _____ Material _____ Quality _____ Foundation _____
35. ROOMS: Bmt. _____ 1st fl. _____ 2nd fl. _____ 3rd fl. _____ 4th fl. _____ Attic _____ Total _____
36. BATHS: Bmt. _____ 1st fl. _____ 2nd fl. _____ 3rd fl. _____ 4th fl. _____ Attic _____ Total _____
37. FURNISHING _____ Pictures _____ Bath Room Finish _____
38. Special rooms and features _____
39. INTERIOR FLOOR PLAN: Good _____ Acceptable _____ Poor _____
40. FINISH: Floors _____ Walls _____ Trim _____
41. HEAT _____ Fireplace _____ Refrigeration _____
42. CONDITION of exterior _____ Interior _____
43. CONDITION, structural, dry rot, termites, etc. _____
44. _____
45. EXTERIOR REPAIRS NEEDED: _____
46. _____ Approx. \$ _____
47. INTERIOR REPAIRS NEEDED: _____
48. _____ Approx. \$ _____
49. BUILDING SIZE _____ ft. x _____ ft. Total building height _____ stories _____ ft.; Basement area _____ ft. x _____ ft.
50. REPRODUCTION COST _____ Cable or Square Foot @ _____ per sq. ft. ☐ sq. ft. ☐ cu. ft. \$ _____
51. DEPRECIATION: Present Age _____ yrs.; Effective age _____ yrs.; Total _____ % \$ _____
52. DEPRECIATED REPRODUCTION Cost of improvements at this date _____ \$
53. VALUE OF IMPROVEMENTS BASED on economic suitability to Site is: _____ \$
54. Justification for difference, if any, between items 52 & 53 _____

55. _____
56. DEDUCTION in value pending necessary repairs _____
57. ☐ GARAGE: ☐ BARN: Material _____ Car _____ Size _____ ft. x _____ ft. ☐ Attached ☐ Detached ☐ Heated
58. Floor _____ Age _____ Stories _____ Use of upper floors _____

SUMMARY—COST OF REPRODUCTION

59. Building A—Reproduction Cost (lessor of lines 52 & 53) _____ \$
60. " B—Reproduction Cost from rider " " _____ \$
61. " C " " " " " _____ \$
62. " D " " " " " _____ \$
63. " E " " " " " _____ \$
64. " F " " " " " _____ \$
65. Garage _____ \$
66. TOTAL DEPRECIATED REPRODUCTION COST AS OF THIS DATE _____ \$

RENTAL VALUE

67. VACANCIES in district in properties of this type: Few _____ Many _____ Excessive _____
68. Is this property readily rentable at prevailing rates in this district? _____
69. Comment _____
70. Describe portion of building occupied by owner _____
71. OCCUPIED BY TENANTS (account for all units as occupied or vacant)
72. 1. _____ Vacant _____ Rent \$ _____ furnished _____ living or business _____
73. 2. _____ Vacant _____ Rent \$ _____ furnished _____ living or business _____
74. 3. _____ Vacant _____ Rent \$ _____ furnished _____ living or business _____
75. 4. _____ Vacant _____ Rent \$ _____ furnished _____ living or business _____
76. Total actual monthly rental of premises, unfurnished (if rented furnished, give rental value \$ _____)
77. Opinion of fair monthly rental value of premises unfurnished (for normal) _____ \$
78. REASONABLE average monthly rental of premises, unfurnished, for past 10 year period _____ \$
79. REMARKS: _____
80. _____
81. _____

VALUE ESTIMATES

82. PRESENT MARKET PRICE obtainable for property _____
83. SUGGESTION VALUE: Land (Line 23) \$ _____ Improvements (Line 66) \$ _____ Total \$ _____
84. CAPITALIZED VALUE based on the average rents as established on line 78 _____ \$
85. COMBINED TOTAL of value estimates _____ \$
86. VALUATION AS PER HOLC FORMULA (3/4 of value in line 85) _____ \$
87. COMMENT _____
88. _____

CERTIFICATION

89. I, the undersigned, do hereby certify that I have carefully inspected this property, that to the best of my knowledge and belief the statements made in this report are correct, that I have no personal interest, present or prospective, in the property, applicant, or mortgage; and that in my opinion the fair value of the property as collateral for a long term first mortgage loan is \$ _____ (of which \$ _____ is allocated to LAND) from this total there should be deducted \$ _____ (line 55) until the necessary repairs (lines 45 and 47) have been made.

SUPPLEMENTARY REPORT

94. List here any additional information concerning property or applicant which might prove of value to Home Owner's Loan Corporation _____

95. _____
96. Assessed Value _____ Yr.—Land \$ _____ Bldg. \$ _____ Total \$ _____
97. Annual Taxes _____ Yr. County \$ _____ Town or Township \$ _____ City or Village \$ _____ Total \$ _____
98. Unpaid Assessments _____ Total \$ _____
99. _____

H.O.L.C. APPRAISAL REVIEW

(No entries to be made until the Fee appraisal has been completed and turned into the Holc office)

	A. Owner	B. Preliminary	C. Fee	D. District App.	E. State App.
100. Name					
101. Date					
102. L					
103. B					
104. T					

FOR H.O.L.C. MANAGER

106. Repairs waived _____
107. Repairs to be provided for prior to loan _____
108. _____
109. CORPORATION VALUE as if repaired in accordance with line 104 _____ \$
- Land \$ _____ Buildings \$ _____ Total \$ _____
- Manager _____

Experience of a Building and Loan Association in Segregating its Assets

PROOF that segregation of assets can restore a frozen building and loan association to healthy activity, with money to invest and dividends earned and paid, has recently been submitted to the Federal Home Loan Bank Board. Following the publication in the November issue of the *REVIEW* of an article recommending segregation of assets to frozen institutions, a savings and loan association in a Western State reported that it had anticipated this advice almost to the letter and had achieved a success scarcely less than startling. The Board believes the experience of this association to be of such value to associations throughout the country that permission has been obtained to publish an account of it.

According to its president-manager, the association in question had in 1929 total assets close to \$2,500,000. Then, because of the failure of two large associations in another part of the State, due to defalcation and other illegal acts, public confidence seems to have been destroyed in all savings and loan associations in that region regardless of their management. The following account is quoted from the president's letter:

We paid out 25 percent of our resources the first year and kept shrinking as rapidly as we could collect the money until the beginning of 1934, when we were down to considerably less than one-half our former size. Although we were not on legal notice and at all times had been paying more or less to our members, generally in proportion to the size of their accounts and yet favoring the small accounts, we, naturally, felt that it was unfair to continue to pay out funds to those who desired it, which in-

crease our percentage of slow loans and real estate owned, and would mean that the members who were not drawing their funds were not having their interests fully protected.

After the insurance law went into effect, we saw this was an opportunity to come back perhaps, if we would get our assets in proper shape for insurance and so segregated that withdrawals would not penalize those who did not withdraw.

We had Mr. Charles Stewart, president of the Federal Home Loan Bank of Portland, address a large meeting of our chamber of commerce. In connection therewith, we placed, more or less, an outline of our proposed account in the same local paper which recounted his speech.

We organized a State association and had its charter ready and then called a meeting of our members at which Mr. Stewart and an examiner from the State department of savings and loan associations were present; both addressed the members as well as ourselves, explaining the matter along the line of your article in the *REVIEW*. The reasonableness and justification so appealed to the members that they unanimously voted to authorize the transfer of such portion of the assets of this association as the directors desired to be transferred to the new association. This association's assets and shares to be insured and the other association to be practically a liquidating concern.

In order to save a great deal of bookkeeping and to favor the small savers, we took advantage of the provision of our State law whereby it gave us authority to pay withdrawals to any members up to \$25 regardless of notice. Although we were not on notice and had not been practically the entire time of the depression, still this law enabled us to take this action, and so no transfer or segregation of any account of \$25 or less was made. Sixty percent of the amount above \$25 was then transferred to the new savings and loan association, our companion association, thus leaving in this association the \$25 of every account plus 40 percent of the balance.

We had a little different idea than some managers in that we decided to transfer to the new association all our real estate including our home office building, and all our loans which in any way were slow or might become slow or which might be criticized or delinquent. If securities could be classed as "skim milk, whole milk, cream, or whipping cream", then we simply retained the "whipping cream." We felt that transfers could be made back from the new savings and loan association to the other at any time the loans became choice loans and no injury would be done anyone. This segregation was made with the cooperation of the State Department of Savings and Loan Associations.

As to the contingent fund and undivided profits, prior to the division, these total reserves amounted to over \$100,000. Instead of dividing them on a pro rata basis; that is, 60-40, we felt that these earnings had been accumulated to take care of losses, and hence a larger portion should follow the assets where the loss, if any, would be most likely to occur, and so the 60-percent portion of the assets received about 75 percent of the contingent fund and reserves, thus leaving this association with reserves of well over 5 percent of the amount named in the Federal Savings and Loan Insurance Corporation requirements.

After the segregation was made we sent out notices and the members have been very kind in bringing in their passbooks. We issued new books to the members in the new savings and loan association, and entered the withdrawals in their former books, using the stamp attached. Thus everyone has their former book and their new book, and their totals are the same.

We explained to the members that their accounts in this association now will be insured as soon as we receive our insurance policy, and that the funds can be withdrawn practically as desired, except in the larger amounts, and that withdrawals in the new savings and loan asso-

ciation will be all made at the same time, although at this time, we are paying practically all accounts in the new savings and loan of \$25 or less in cash, thus cleaning up a lot of the small accounts.

So far as we know, we are the first State association in this section to take this action, and we have had no difficulty with any member. We have had none who refused to make the transfer after we explained it, and we have had no threatened lawsuits and so far, at least, nothing but approval of our action. It is so eminently fair, practical, and workable that everyone sees the justice of the matter.

Unquestionably, one of the reasons for the success of this association and for the support that it has received from its members in endeavoring to resume active lending is the constant contact the association has maintained with its members.

Legislation to facilitate segregation of assets by building and loan associations is being proposed in one Western State, and the Board has been asked to provide for distribution to the members of the legislature copies of the article What Can Be Done with Frozen Assets, which appeared in the November REVIEW. The Board will be glad to furnish mimeographed copies of this article to any who desire them for this or other purposes.

The Federal Home Loan Bank Board also stands ready to be of assistance to any building and loan association that cares to ask for specific advice about the possibility of adapting segregation of assets in some form to the future management of its affairs.

Growth and Loaning Operations of the Federal Home Loan Bank System

THE accompanying table and chart summarize the growth in membership and in lending activity of the Federal Home Loan Bank System. With a total of 2,978 member institutions having assets of \$3,251,131,000 at the end of November, the System is the largest mortgage-reserve structure in the world. Nearly one-third of the Nation's 10,000 or more building and loan associations have joined the System. These member associations hold about one-half of the assets of all associations, indicating that the larger thrift, home-financing institutions have found membership particularly desirable.

The chart and the table show that the balance of loans outstanding, after declining in the first half of 1934, has since August shown a slight up-trend. This may indicate a rising demand for home loans. The maximum line of credit which may be given a member institution is 12 times its paid-in subscription to the capital stock of the Bank. The "unused line of credit" is the difference between this maximum and the balance of loans outstanding. It will be seen that whereas members have at present a total line of credit of approximately \$250,000,000, they are using only about one-third of this sum.

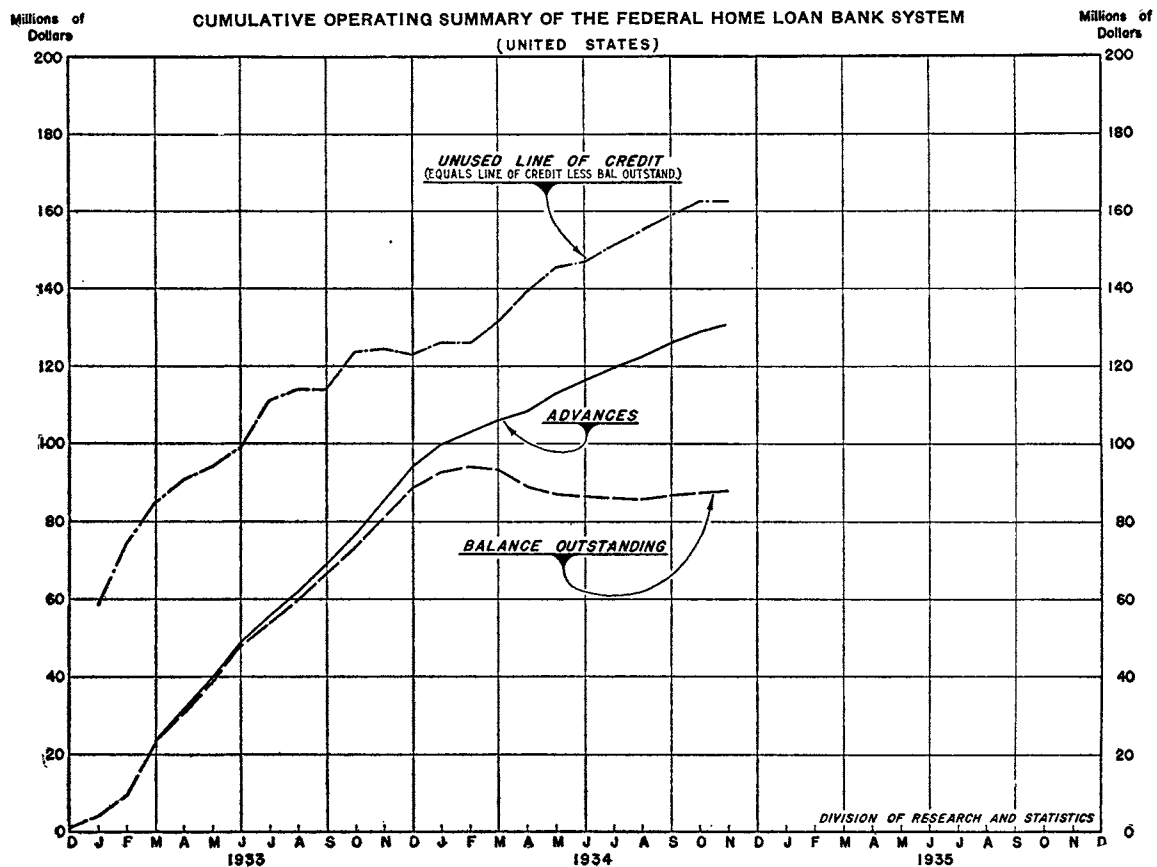
Growth, trend of loaning operations, line of credit, and unused credit of the Federal Home Loan Bank System

Month	Members		Line of credit ¹ (cumulative) (000 omitted)	Loans advanced (cumulative) (000 omitted)	Loans advanced (monthly) (000 omitted)	Repay-ments (monthly) (000 omitted)	Balance outstanding at end of month (000 omitted)	Unused line of credit ² (000 omitted)
	Number	Assets (000 omitted)						
1932								
December	118	\$216, 613	\$23, 630	\$837	\$837	.....	\$837	\$22, 793
1933								
June	1, 337	1, 846, 775	146, 849	48, 817	8, 825	\$179	47, 579	99, 270
December	2, 086	2, 607, 307	211, 224	93, 865	8, 632	889	88, 442	122, 782
1934								
January	2, 177	2, 798, 927	218, 175	99, 602	5, 736	1, 681	92, 497	125, 678
February	2, 236	2, 861, 295	219, 823	102, 958	3, 357	1, 844	94, 040	125, 783
March	2, 333	2, 905, 024	224, 475	105, 957	2, 999	3, 914	93, 125	131, 351
April	2, 431	2, 959, 325	227, 931	108, 314	2, 356	6, 559	88, 922	139, 009
May	2, 501	3, 014, 123	231, 860	112, 817	4, 503	6, 583	86, 842	145, 018
June	2, 579	3, 027, 999	232, 926	116, 467	3, 650	4, 243	86, 248	146, 678
July	2, 696	3, 067, 870	236, 436	119, 587	3, 121	3, 626	85, 722	150, 692
August	2, 795	3, 124, 368	240, 325	122, 159	2, 571	2, 796	85, 519	154, 806
September	2, 850	3, 157, 174	242, 980	125, 355	3, 196	2, 068	86, 647	156, 333
October	2, 925	3, 243, 702	249, 540	128, 733	3, 378	2, 569	87, 446	162, 094
November	2, 978	3, 251, 131	250, 094	130, 841	2, 108	1, 840	87, 714	162, 380

¹ Represents 12 times the paid-in subscription to the capital stock of the bank.

² Derived by deducting the balance outstanding from the line of credit.

All figures, except loans advanced and repayments, as of end of month.



FEDERAL HOME LOAN

Combined statement of

	Combined	Boston	Newark	Pittsburgh	Winston-Salem
ASSETS					
Cash on hand, in banks and U. S. Treasury..	\$7, 062, 465. 35	\$1,023,950. 51	\$972, 239. 37	\$157, 272. 49	\$466, 499. 35
Loans outstanding:					
Members.....	87, 107, 276. 61	2, 550, 836. 90	14, 003, 463. 12	11, 161, 403. 68	6, 326, 172. 09
Affiliated banks.....	600, 000. 00	600, 000. 00	0	0	0
Other.....	7, 126. 18	0	0	0	0
Total loans.....	87, 714, 402. 79	3, 150, 836. 90	14, 003, 463. 12	11, 161, 403. 68	6, 326, 172. 09
Accrued interest receivable.....	630, 831. 00	39, 657. 11	72, 821. 97	73, 059. 04	48, 702. 79
Investments, U. S. Government.....	15, 010, 021. 07	2, 875, 916. 69	59, 656. 25	137, 900. 00	1, 010, 468. 75
Other assets.....	60, 504. 40	7, 616. 74	1, 992. 14	4, 386. 22	5, 189. 33
Total assets.....	110, 478, 224. 61	7, 097, 977. 95	15, 110, 172. 85	11, 534, 021. 43	7, 857, 032. 31
LIABILITIES AND CAPITAL					
Liabilities:					
Current.....	4, 336, 258. 33	0	353, 444. 27	1, 144, 913. 40	659. 00
Fixed.....	0	0	0	0	0
Total liabilities.....	4, 336, 258. 33	0	353, 444. 27	1, 144, 913. 40	659. 00
Capital:					
Capital stock, fully paid, issued and outstanding:					
Members.....	19, 887, 500. 00	1, 727, 800. 00	2, 547, 500. 00	1, 469, 300. 00	1, 786, 000. 00
U. S. Government.....	81, 645, 700. 00	5, 000, 000. 00	11, 500, 000. 00	8, 500, 000. 00	5, 700, 000. 00
	101, 533, 200. 00	6, 727, 800. 00	14, 047, 500. 00	9, 969, 300. 00	7, 486, 000. 00
Subscription to capital stock:					
Members and applicants.....	3, 649, 800. 00	258, 500. 00	914, 500. 00	283, 600. 00	145, 000. 00
Less balance due.....	1, 934, 612. 88	88, 325. 00	485, 875. 13	156, 875. 00	65, 550. 00
	1, 715, 187. 12	170, 175. 00	428, 624. 87	126, 725. 00	79, 450. 00
U. S. Government.....	43, 095, 300. 00	7, 467, 500. 00	7, 463, 200. 00	2, 646, 300. 00	3, 508, 200. 00
Less balance due.....	43, 095, 300. 00	7, 467, 500. 00	7, 463, 200. 00	2, 646, 300. 00	3, 508, 200. 00
Surplus:					
Reserves:					
As required under section number 16 of Act.....	563, 392. 81	25, 460. 44	56, 603. 25	57, 011. 80	40, 954. 58
U. S. Government 2-percent dividend.....	1, 255, 076. 16	137, 221. 97	96, 410. 97	113, 298. 63	174, 810. 95
Other.....	0	0	0	0	0
Surplus, unallocated.....	1, 075, 110. 19	37, 320. 54	127, 589. 49	122, 772. 60	75, 157. 78
Total surplus.....	2, 893, 579. 16	200, 002. 95	280, 603. 71	293, 083. 03	290, 923. 31
Total capital.....	106, 141, 966. 28	7, 097, 977. 95	14, 756, 728. 58	10, 389, 108. 03	7, 856, 373. 31
Total liabilities and capital.....	110, 478, 224. 61	7, 097, 977. 95	15, 110, 172. 85	11, 534, 021. 43	7, 857, 032. 31

BANK SYSTEM

condition as at Nov. 30, 1934

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
\$917, 435. 80	\$730, 569. 49	\$598, 598. 06	\$191, 280. 27	\$430, 972. 09	\$153, 460. 18	\$899, 697. 29	\$520, 490. 45
16, 936, 543. 84 0 0	5, 948, 107. 51 0 0	12, 067, 264. 38 0 0	4, 329, 986. 71 0 0	4, 283, 845. 63 0 0	4, 250, 151. 00 0 0	2, 309, 419. 19 0 0	2, 940, 082. 56 0 7, 126. 18
16, 936, 543. 84	5, 948, 107. 51	12, 067, 264. 38	4, 329, 986. 71	4, 283, 845. 63	4, 250, 151. 00	2, 309, 419. 19	2, 947, 208. 74
88, 829. 54 836, 618. 13 10, 370. 30	63, 113. 90 1, 476, 178. 91 2, 413. 87	78, 329. 31 415, 076. 09 4, 821. 90	35, 592. 13 1, 349, 191. 14 3, 824. 86	29, 161. 95 3, 293, 400. 43 3, 574. 15	41, 200. 84 1, 358, 383. 25 4, 734. 76	26, 508. 94 1, 023, 434. 55 282. 40	33, 853. 48 1, 173, 796. 88 11, 297. 73
18, 789, 797. 61	8, 220, 383. 68	13, 164, 089. 74	5, 909, 875. 11	8, 040, 954. 25	5, 807, 930. 03	4, 259, 342. 37	4, 686, 647. 28
811, 592. 25 0	55, 371. 14 0	789, 465. 08 0	352, 790. 19 0	477, 003. 16 0	10, 457. 77 0	335, 545. 55 0	5, 016. 52 0
811, 592. 25	55, 371. 14	789, 465. 08	352, 790. 19	477, 003. 16	10, 457. 77	335, 545. 55	5, 016. 52
4, 312, 200. 00 12, 775, 700. 00	1, 926, 100. 00 6, 000, 000. 00	1, 868, 500. 00 10, 000, 000. 00	815, 900. 00 4, 500, 000. 00	1, 187, 900. 00 6, 100, 000. 00	846, 400. 00 4, 700, 000. 00	473, 400. 00 3, 310, 000. 00	926, 500. 00 3, 560, 000. 00
17, 087, 900. 00	7, 926, 100. 00	11, 868, 500. 00	5, 315, 900. 00	7, 287, 900. 00	5, 546, 400. 00	3, 783, 400. 00	4, 486, 500. 00
836, 200. 00 484, 502. 75	110, 500. 00 56, 125. 00	221, 400. 00 149, 115. 00	243, 400. 00 130, 175. 00	228, 400. 00 130, 720. 00	207, 800. 00 93, 675. 00	52, 700. 00 29, 275. 00	147, 800. 00 64, 400. 00
351, 697. 25	54, 375. 00	72, 285. 00	113, 225. 00	97, 680. 00	114, 125. 00	23, 425. 00	83, 400. 00
0 0	577, 400. 00 577, 400. 00	4, 173, 900. 00 4, 173, 900. 00	2, 894, 900. 00 2, 894, 900. 00	2, 672, 400. 00 2, 672, 400. 00	2, 633, 600. 00 2, 633, 600. 00	2, 650, 000. 00 2, 650, 000. 00	6, 407, 900. 00 6, 407, 900. 00
133, 801. 76 107, 105. 87 297, 700. 48	52, 930. 50 50, 301. 36 81, 305. 68	82, 583. 30 181, 835. 61 169, 420. 75	26, 263. 24 60, 164. 36 41, 532. 32	49, 521. 43 50, 021. 93 78, 827. 73	13, 942. 88 114, 958. 88 8, 045. 50	11, 806. 81 81, 332. 51 23, 832. 50	12, 512. 82 87, 613. 12 11, 604. 82
538, 608. 11	184, 537. 54	433, 839. 66	127, 959. 92	178, 371. 09	136, 947. 26	116, 971. 82	111, 730. 76
17, 978, 205. 36	8, 165, 012. 54	12, 374, 624. 66	5, 557, 084. 92	7, 563, 951. 09	5, 797, 472. 26	3, 923, 796. 82	4, 681, 630. 76
18, 789, 797. 61	8, 220, 383. 68	13, 164, 089. 74	5, 909, 875. 11	8, 040, 954. 25	5, 807, 930. 03	4, 259, 342. 37	4, 686, 647. 28

Federal Home Loan Banks Declare Semi-annual Dividends

DIVIDENDS totaling \$1,345,548.37 were declared as of December 31, 1934, by 10 Federal Home Loan Banks, including the Banks of Boston, Newark, Pittsburgh, Winston-Salem, Cincinnati, Indianapolis, Chicago, Des Moines, Little Rock, and Los Angeles. This is the first dividend declaration by the Boston, Winston-Salem, and Los Angeles Banks. The other seven Banks have declared one or two earlier dividends since the beginning of the System 2 years ago.

All of these dividends are at the rate of 2 percent except dividends to members of the Boston Bank, which equal 1½ percent. The dividend declared by the Los Angeles Bank as of December 31, 1934, covers only dividends earned by Government and

member stockholders up to December 31, 1933.

The declaration of these dividends attests the soundness and financial strength of the member Banks. As the combined statement of condition of the Federal Home Loan Bank System shows, all 12 Banks have absorbed the deficits incident to organization and are operating at a profit.

Total dividends declared to date amount to \$2,606,137.83, of which \$2,144,108.33 has been or will be paid to the Federal Government, and \$462,029.50 to members. The accompanying table does not include dividends accrued but not paid to the Government from member Banks. These figures may be found in the combined statement of the Federal Home Loan Bank System.

Federal Home Loan Bank System—Dividends paid or declared up to Dec. 31, 1934¹

Federal Home Loan Bank	Dividends paid or declared				Total
	Prior to Dec. 31, 1934		As of Dec. 31, 1934		
	Government	Members	Government	Members	
Boston.....			\$145,715. 11	² \$19,983. 23	\$165,698. 34
Newark.....	\$170,969. 86	\$36,071. 62	115,945. 21	26,710. 79	349,697. 48
Pittsburgh.....	115,808. 22	22,191. 01	127,736. 99	22,521. 75	288,257. 97
Winston-Salem.....			184,493. 14	50,089. 31	234,582. 45
Cincinnati.....	285,936. 79	80,726. 17	128,807. 06	45,021. 33	540,491. 35
Indianapolis.....	135,671. 24	40,075. 41	60,493. 15	19,542. 83	255,782. 63
Chicago.....	119,172. 60	18,082. 28	198,821. 91	18,183. 26	354,260. 05
Des Moines.....	67,873. 97	8,577. 64	67,808. 22	12,376. 90	156,636. 73
Little Rock.....	135,895. 95	23,536. 70	60,383. 56	12,155. 00	231,971. 21
Los Angeles.....			³ 22,575. 35	³ 6,184. 27	28,759. 62
Combined.....	1,031,328. 63	229,260. 83	1,112,779. 70	232,768. 67	2,606,137. 83

¹ Dividends accrued to the Government but not paid will be found in the Combined Statement of Condition, p. 128.

² All dividend distributions are at the rate of 2 percent except dividends to members of the Boston Bank, which equal 1½ percent.

³ Dividends declared by the Los Angeles Bank cover earnings by Government and member stockholders up to Dec. 31, 1933, only.

Federal Home Loan Bank Interest Rates on Advances to Member Institutions

EFFECTIVE January 1, 1935, the Federal Home Loan Bank of Newark reduced its interest rates on all loans to member institutions to 4 percent. The new rate applies to loans outstanding as well as to those made after January 1. The previous rate was $4\frac{1}{2}$ percent on all loans other than reconditioning loans.

Also effective January 1, 1935, is the lowered rate of $4\frac{1}{4}$ percent on loans made by the Federal Home Loan Bank of Pittsburgh, announcement of which was made in the December REVIEW. The rate on all long-term loans is to be written at 5 percent, but the bank will, on application, refund the borrowers by crediting their accounts with the difference between 5 and $4\frac{1}{4}$ percent, thereby making $4\frac{1}{4}$ percent

the effective rate on long-term as well as short-term loans.

An exception to the $4\frac{1}{2}$ percent rate on all loans has been reported by the Portland Bank. On all short-term loans secured by Home Owners' Loan Corporation bonds the interest rate is 4 percent.

The general lowering of interest rates by Federal Home Loan Banks is in accordance with the policy of the System to further lending activity by making both short- and long-term credit available at the most reasonable rates possible. It is hoped that member institutions will pass on the benefit of the lower rates to home-owner borrowers and thus encourage home building and recovery.

Interest rates, Federal Home Loan Banks; rates on advances to member institutions

Federal Home Loan bank	Rate in effect on Jan. 1	Type of loan
	<i>Percent</i>	
1. Boston.....	4	All loans.
2. Newark.....	4	Do.
3. Pittsburgh.....	$4\frac{1}{4}$	All loans written for 1 year or less. All loans for more than 1 year are to be written at 5 percent, but on authorization from borrowing members, the bank will credit the interest charged their accounts with the difference between 5 and $4\frac{1}{4}$ percent per annum.
4. Winston-Salem.....	4	All loans secured by H. O. L. C. bonds.
	4	All loans for 12 months or less.
5. Cincinnati.....	$4\frac{1}{2}$	All loans (not secured by H. O. L. C. bonds) for 1 to 10 years.
6. Indianapolis.....	$4\frac{1}{4}$	All loans.
	4	All secured loans.
	5	All unsecured loans.
7. Chicago.....	4	1-year amortized loans.
	$4\frac{1}{2}$	1-year straight loans.
	$4\frac{1}{2}$	10-year amortized loans, but if during any 1 quarter, the bank makes 1-year loans at a rate less than the 10-year contract, the lesser rate to apply to all 10-year loans.
	5	All unsecured loans.
8. Des Moines.....	4	All loans secured by H. O. L. C. bonds.
	4	That portion of any loan in excess of \$250,000.
	$4\frac{1}{2}$	All other loans.
9. Little Rock.....	4	All loans.
10. Topeka.....	4	Do.
11. Portland.....	4	All loans secured by H. O. L. C. bonds (limit 1 year).
	$4\frac{1}{2}$	All other loans.
12. Los Angeles.....	$4\frac{1}{2}$	All loans.

¹ Correction: the December REVIEW erroneously reported the interest rate for the Cincinnati bank at $4\frac{1}{2}$ instead of $4\frac{1}{4}$ percent.

Federal Savings and Loan Associations

THE MONTH of November saw charters granted to 14 new Federal savings and loan associations and to 10 associations converted from State-chartered institutions. This brought the total number of Federal associations on December 1 to 601, with assets of \$116,746,622 (table 1). In addition charters were pending on December 1 for 177 new associations and 226 converted associations whose combined resources were \$239,702,615.

Due to the recent inauguration of the monthly reporting system for Federal associations, the number of identical associations reporting in October and November totals less than half the chartered associations (table 2). However, the number of investors and of shares subscribed, the payments on private subscriptions, and the mortgage loans made by the new associa-

tions reporting showed an increase in November over October. The slight decrease in number of share accounts and of shares subscribed shown by converted associations in November are, as was explained in the December REVIEW, the result of the transference of many converted institutions from the "share sinking fund" plan of mortgage loans to the "direct reduction" loan.

It is noteworthy that the volume of mortgage loans outstanding at the end of November by new associations represented an increase of 19 percent over those outstanding at the end of October. Refinancing again represented more than 50 percent of new loans made by the associations reporting with new construction, reconditioning, and purchase of homes already built following in the order named.

TABLE 1.—Federal savings and loan associations increase November 1934

	Dec. 1, 1934	Nov. 1, 1934	Percent change November to December
1. Charters issued:			
a. To new associations.....	467	453	3.1
b. To associations converted from State institutions.....	134	124	8.0
Total.....	601	577	4.2
2. Charters pending:			
a. For new associations.....	177	178	— .6
b. For associations converted from State institutions.....	226	211	6.6
Total.....	403	389	3.6
3. Resources:			
a. Of associations chartered.....	\$116,746,622	\$89,231,957	30.8
b. Of associations for which charters are pending.....	239,702,615	248,234,168	—3.4
Total.....	356,449,237	337,466,125	5.6
4. Subscriptions by the Secretary of the Treasury:			
a. Requested.....	12,983,100	10,900,600	19.1
b. Approved and paid.....	8,247,400	6,373,300	29.4

TABLE 2.—*Share subscriptions and liabilities, and loaning activity of the Federal Savings and Loan System, November 1934*

Item	258 new associations ¹			34 converted associations ¹		
	November	October	Change October to No- vember	November	October	Change October to No- vember
Number of subscriptions:			<i>Percent</i>			<i>Percent</i>
Private share accounts.....	21, 897	21, 001	4. 2	25, 907	25, 991	—0. 3
Shares subscribed.....	225, 411	215, 007	4. 8	174, 167	174, 465	— . 2
Shares per account (average).....	10. 3	10. 2	1. 0	6. 7	6. 7	0
Share liabilities:						
Paid on private subscriptions.....	\$4, 426, 749	\$4, 003, 638	10. 5	\$13, 059, 795	\$13, 014, 086	. 3
Treasury subscriptions.....	4, 510, 300	3, 567, 300	27. 0	1, 351, 600	1, 016, 600	32. 9
Total.....	8, 937, 049	7, 570, 938	18. 0	14, 411, 395	14, 030, 686	2. 7
Average paid on private subscrip- tions.....	202	190	6. 3	504	500	. 8
Repurchases in November.....	53, 172			109, 738		
Mortgage loans made:						
a. Reconditioning.....	\$174, 286			\$87, 350		
b. New construction.....	315, 671			80, 072		
c. Refinancing.....	524, 460			315, 359		
d. Purchases of homes.....	166, 758			74, 583		
Total.....	1, 181, 175			557, 364		
Balances at end of month.....	7, 364, 304	\$6, 192, 838	19. 0	13, 543, 249	\$13, 159, 130	2. 9
Borrowed money from:						
Federal Home Loan Banks.....	365, 180	403, 164	—9. 4	1, 374, 133	1, 500, 223	—8. 4
Other sources.....	38, 450	19, 600	96. 2	42, 150	111, 637	—62. 3
Total.....	403, 630	422, 764	—4. 5	1, 416, 283	1, 611, 860	—12. 1

¹ These were the only associations for which comparable figures were available.

Federal Savings and Loan Insurance Corporation

BY DECEMBER 20, the trustees of the Federal Savings and Loan Insurance Corporation had approved for insurance 427 associations of the savings and loan type, situated in 37 States and the Territory of Hawaii. Over 50,000 individual accounts are on the books of these institutions, whose assets total over \$90,000,000. Every holder of an insured account is protected up to \$5,000 of the withdrawable value of his savings. The present number of insured institutions shows a substantial gain over the 111 reported on November 5, and the 291 on November 30. This is only a beginning, however, since it is estimated that approximately 7,000 building and loan associations, representing nearly 7,000,000 investors, are eligible for insurance.

The Corporation has received communications from shareholders in uninsured institutions in many parts of the country stating that their own building and loan officers have informed them "that the Insurance Corporation is not yet ready to grant insurance." The fact, of course, is that the Corporation issued its first certificate of insurance in October and is granting insurance as rapidly as examination of the management and the financial condition of applicants will permit.

Such inquiries show that growing numbers of people seek the added protection for their savings which the Insurance Corporation affords. Although most associations have had their insurance certificates for only a comparatively short time, reports are already on hand from many sections of the country, expressing gratification at the

benefits experienced. Officials write that there has been a marked return of public confidence to insured institutions, evidenced by a sharp decline in withdrawals and a gradual return of savings. The president of an insured association in Louisiana writes:

We have just matured a series amounting to \$136,000 and are glad to report that a larger percentage of investments in this series have remained on our books by being converted into full-paid income shares than has happened with any of the series that we have matured during the 5 years of the depression.

A letter from an association secretary in an Eastern State reads:

It is the opinion of our board of directors that insurance covering thrift associations can be compared in importance only with the Federal Deposit Insurance Corporation, which applies to the insurance of accounts in banks. The general public in this community had lost all confidence in our mutual thrift institutions . . . We are now educating the former victims of these frozen institutions to the fact that . . . the safety of their investment is insured up to \$5,000 by your Corporation. This has already brought some very favorable results, and with additional publicity, it is felt that we can restore the confidence of the general public in these institutions to a still further extent.

INSURANCE INFLUENCES RESUMPTION OF INVESTMENT

AN ASSOCIATION in Texas is engaged in compiling statistics to determine just how valuable insurance has been to it. The president reports as follows:

In order to determine the reaction of our shareholders to the insuring of the investment in

their certificates, we have kept an accurate record of the number of shareholders who have made payments during October, November, and December of this year who had made no previous payments for a period of at least 10 months . . . Up to the present time there have been approximately 75 accounts on which payments have been resumed, an average of more than one account for each business day, the lapses ranging from 10 months to 5 years. Of course, we do not know that all of these resumed payments because of the insuring of their investment, but no doubt that factor has influenced many of them in deciding to go forward with their investment. We have approximately 4,000 installment shareholders.

The rapidity with which the benefits of insurance to insured associations will become evident depends, of course, upon the extent to which the public is informed of the exceptional opportunity for safe and profitable investment now offered them by insured building and loan associations. Several associations have photographed their certificates of insurance, reduced them to pamphlet size, and distributed them. In one instance, the total cost, including zinc plate and a thousand folders, is reported as \$14.35. Such a method is especially useful in removing any cause for misunderstanding of the terms of insurance. A Texas association writes that it has received many complimentary letters expressing the appreciation of its shareholders for obtaining the extra service and assurance of safety to them.

INSURANCE ENDS WITHDRAWAL PROBLEM

OTHER associations have had their withdrawal problem practically eliminated by the insurance plan. "We are happy to report", writes the secretary of an insured association in New York City, "that the insurance feature appealed to our own membership to such a degree that our withdrawal situation has reached the point where our income is almost sufficient to take care of withdrawal demands."

An association in the Southwest describes in some detail a situation which

many associations, probably, could duplicate:

By May 1931 our requests for withdrawals had reached the point where we could not meet them at the end of 30 days, at which time the board of directors discontinued the payment of withdrawals in the order filed and placed the association on a pro rata basis . . . The association was continued on that basis and our stock commenced to be peddled on the streets at a discount, and in addition to this, no payments were being made on instalment or any other class of stock and no new funds were being received. It remained in that state of affairs until our Federal charter was received and we commenced to operate as a Federal institution on October 1 of this year, at which time it was announced that the repurchase of shares would be taken care of in accordance with our Charter . . . In October, notices for repurchases for approximately \$48,000 were received, which were paid in November; in November we received notices for approximately \$26,000 to be paid in December, and up to this time (Dec. 14) notices to the amount of \$6,455.41 have been received to be paid in January. In addition to this, many of the stockholders whom we expected to be the first ones to apply for repurchase, have not done so, and have increased their investments . . . We have had an offer of 2 or 3 full-paid accounts of around \$5,000, but because of the large amount of cash we have on hand, it has been declined for the time being.

A somewhat unexpected indirect advantage of insurance is described by the president of the association just quoted:

The most apparent benefit that has come to our shareholders so far in the insuring of their investment has been the willingness of our local banks to grant their customers loans against our certificates, where there had been a little hesitancy on their part to do so previously. This has been reported to us by quite a few of our shareholders and, of course, makes them feel better satisfied with their investment in our certificates.

Such a development is a logical outcome of the insurance plan, and deserves consideration by shareholders and executives of eligible institutions.

An institution may not advertise itself as insured until it has actually received its certificate, and associations whose applications have only recently been granted have

had very little time in which to observe the effect. They are, however, uniformly optimistic regarding the prospects for the immediate future. The following statement from a Wisconsin association is typical:

I might state . . . that we have had considerable inquiry from prospective investors who have signified their intention of taking out an investment in the association immediately after the first of January.

Just this morning we were informed by a caller that immediately after the first of the year he would bring in several hundred dollars for investment with us on account of our insurance provision.

These quotations seem to indicate that the best pledge of that security demanded by the investing public today is the insurance of shares.

Federal Savings and Loan Insurance Corporation, summary of operations to Dec. 20

	Applications received			Institutions insured		
	Num- ber	Share and creditor lia- bilities	Total assets	Num- ber	Share and creditor lia- bilities	Total assets
New Federal savings and loan associations . .	378	\$7, 049, 108	\$7, 477, 489	424	\$70, 004, 655	\$76, 421, 455
Converted Federal savings and loan associa- tions	127	105, 908, 461	115, 544, 456	.....	.....	.....
State-chartered associations	50	62, 643, 817	69, 037, 423	3	13, 586, 403	15, 046, 186
Total	555	175, 601, 386	192, 059, 368	427	83, 591, 058	91, 467, 641

Home Owners' Loan Corporation Gives Liquidity to Lending Institutions

THE refinancing of distressed home mortgages by the Home Owners' Loan Corporation has been a powerful force in relieving the frozen condition of mortgage-lending institutions. Some indication of the extent to which such institutions, particularly building and loan associations, have gained in liquidity is given by the accompanying table showing the number of mortgagees by types who by approximately November 1, 1934, had received \$25,000 or more from the Corporation in exchange for distressed mortgages (table 1).

It must be emphasized that this table lists only those mortgagees that have received \$25,000 or more. It is estimated that over 80 percent of all funds released by the Cor-

poration have gone to institutional lenders, and there are probably few mortgage lending institutions in the entire country that have not had some of their distressed mortgages taken over by the Corporation. The table therefore reveals merely trends, not totals.

It will be observed that building and loan associations represent 36.6 percent of the number of institutions receiving \$25,000 or over and have received 35.5 percent of the amount distributed, or the immense total of \$336,420,545. Savings banks follow with a total of 29.8 percent of the amount distributed, and commercial banks are third with 13.2 percent.

TABLE 1.—Number of mortgagees by types that had received \$25,000 or more from the Home Owners' Loan Corporation and amounts received¹

Type of mortgagee	Mortgagees		Loans	
	Number	Percent of total	Amount	Percent of total
Building and loan associations.....	2, 358	36. 6	\$336, 420, 545	35. 5
Savings banks.....	1, 340	20. 8	281, 801, 706	29. 8
Commercial banks.....	1, 014	15. 8	125, 389, 653	13. 2
Life insurance companies.....	470	7. 3	70, 935, 955	7. 5
Mortgage companies.....	444	6. 9	54, 234, 965	5. 7
Individuals.....	224	3. 5	10, 617, 817	1. 1
Investment companies.....	216	3. 4	26, 025, 823	2. 7
Fiduciary institutions.....	121	1. 9	21, 908, 523	2. 3
Other types.....	109	1. 7	7, 145, 451	0. 8
Unknown types.....	79	1. 2	5, 505, 122	0. 6
Business corporations.....	60	0. 9	7, 812, 665	0. 8
Total.....	6, 435	100. 0	947, 798, 225	100. 0

¹ Figures are approximately as of Nov. 1, 1934, with some variations before and after that date.

CORPORATION PASSES \$2,000,000,000 MARK

BY NOVEMBER 30 over two-thirds of the \$3,000,000,000 of bonds in the Home Owners' Loan Corporation treasury had been expended for the relief of distressed home owners, and 672,205 urban homes had been saved from financial wreck since the beginning of operations 16 months before (table 2). The \$2,027,968,961 paid out by December 1 had warded off from the homes of Americans in every State and in the Territories the disasters of tax sale, foreclosure, and eviction.

The number of applications dropped steadily during the summer and fall of 1934. From a peak of 168,273 in March requests for refinancing dropped to 35,675 in October to give strong evidence that the emergency is over. The Corporation suspended acceptance of new applications on November 13, 1934.

Individual loans average to date \$3,017, on which the monthly payment is less than \$24. Of the approximate \$2,000,000,000 already expended, the Corporation estimates that \$114,000,000 has been advanced in cash for payment of back taxes and assessments on refinanced homes.

The Reconditioning Division which began operation in June 1934 had by December 6 placed in good structural and livable condition properties on which the Corporation has mortgages valued at approximately \$500,000,000. Suspension of acceptance of new applications for refinancing homes has not stemmed the flood of requests from those who had already applied for refinancing loans for assistance in reconditioning. Applications for remodeling, repairs, and modernization had passed the 450,000 mark in December. By December 6, 170,256 reconditioning contracts had been executed at a cost of \$30,-

TABLE 2.—*Home Owners' Loan Corporation applications received and loans closed, by months*¹

Month	Applications received (number)	Loans closed	
		Number	Amount
1933			
From date of opening through September 30.....	403, 114	593	\$1, 688, 787
October.....	129, 504	3, 424	10, 164, 678
November.....	99, 232	10, 946	31, 445, 827
December.....	90, 946	22, 286	62, 621, 051
1934			
January.....	123, 189	30, 339	86, 143, 838
February.....	136, 132	32, 940	93, 499, 995
March.....	168, 273	52, 260	150, 213, 639
April.....	145, 772	56, 172	171, 490, 768
May.....	119, 791	64, 172	208, 293, 766
June.....	97, 679	71, 768	223, 440, 191
July.....	66, 157	78, 046	235, 467, 606
August.....	72, 022	69, 738	202, 442, 864
September.....	39, 317	59, 240	179, 299, 857
October.....	² 51, 864	65, 813	201, 211, 532
November.....	14, 171	54, 468	170, 544, 562
Grand total to November 30, 1934.....	1, 757, 163	672, 205	2, 027, 968, 961

¹ These figures are subject to adjustment.

² The October figure of 51,864 includes 16,189 applications received from the division of wholesale operations in Detroit. This was a 10-month total which should have been distributed over the year.

114,633. Over 98 percent of this money was spent on necessary repairs, leaving a negligible amount awarded for nonemergency remodeling and renovating.

Some indication of the efficiency of the Division is given by the low personnel overhead cost—less than 6 percent of the contract work completed. This cost also includes all emergency inspections, fire-loss cases, etc., and compares most favorably with the cost of such work handled by private contractors and architects.

TABLE 3.—*Reconditioning Division—summary of operations June 1, 1934, to Dec. 6, 1934*

	Number	Amount
1. Applications for reconditioning loans.....	449, 519	¹ \$90, 000, 000
2. Cases submitted to loan committee.....	306, 439	63, 001, 009
3. Total contracts executed.....	170, 256	30, 114, 633
4. Total jobs completed.....	118, 620	18, 134, 504
5. Jobs paid for.....	107, 756	16, 797, 970

¹ Approximate.

Resolutions of the Board

I.—GOVERNING APPLICATIONS FOR MEMBERSHIP, INSURANCE, AND CONVERSION

The number of applications to the Federal Home Loan Bank Board for membership in the System, for federalization, and for insurance have grown to such volume that it has been found necessary to establish a procedure for handling them. The following resolution on the subject was adopted by the Board on December 17:

Be it resolved by the Federal Home Loan Bank Board as follows:

1. State-chartered institutions eligible to apply for membership in the Federal Home Loan Bank System and/or insurance of accounts may officially present their applications for such membership and insurance of accounts separately or at one time on the official forms.

2. Newly organized Federal savings and loan associations shall present their applications for insurance of accounts simultaneously with their applications for membership in the Federal Home Loan Bank System, and both applications shall be transmitted simultaneously to the Board by the Federal Home Loan Bank of which such associations are members.

3. Associations whose preliminary applications to convert have been approved by the Board shall make application for insurance of accounts simultaneously with their formal application to convert and petition for charter, and both applications shall be transmitted simultaneously to the Board by the Federal Home Loan Bank of which the association is a member.

4. In the event such institutions make two or more such applications at one time, one examination shall be made by the Examining Division of the Board and one examination shall be made by the Legal Department; and the matter shall be considered by the review committee as one case, and the review committee shall make its recommendation separately on each application, but at the same time; thereupon the Board will act first upon the question of membership, and second, upon questions of conversion into Fed-

eral savings and loan associations, and third, the board of trustees will act upon the question of the insurance of accounts.

5. In the event adjustments must be made or conditions met, the Division or Establishment concerned with such questions shall handle such administrative matters.

6. Upon the completion of the action on such applications every reasonable effort shall be made to give such applicants opportunity to announce bank membership and/or federalization and/or insurance of accounts concurrently.

7. In the case of applications from Federal savings and loan associations for insurance of accounts where such institutions have been converted into Federal savings and loan associations since the date of the rules and regulations of Federal Savings and Loan Insurance Corporation, the review committee is authorized to report such applications for insurance of accounts to the Board of Trustees without further examination, and without presenting to the Board any further data, inasmuch as such institutions so federalized are considered to be in an insurable condition and may, therefore, be acted upon without further information.

II.—CONCERNING MORTGAGE-PAYMENT DEFAULTS BY APPLICANTS TO THE HOME OWNERS' LOAN CORPORATION

The filing of an application with the Home Owners' Loan Corporation for loans to refinance their existing mortgages has led many home owners to discontinue payments on those mortgages, even though they were able to make such payments. The Corporation considers defaults of this nature sufficient basis for ending further consideration of any application. In a further effort to forestall such defaults, the Board, in its capacity as Board of Directors of the Home Owners' Loan Corporation, adopted the following resolution on January 2, 1935:

Be it resolved, That chapter III, section 2 of the Manual of Rules and Regulations be amended by the addition of the following paragraph to be known as "c."

c. Prevention of stoppage of mortgage payments.—All employees of the Home Owners' Loan Corporation are directed to urge all home-owner applicants to continue their payments of interest and taxes to the best of their ability while the Corporation is dealing with their cases. It is the duty of the Corporation's agents, so far as possible, to prevent home-owner applicants from discontinuing their payments on their mortgage indebtedness. If it is discovered that the home owner has unnecessarily or without justification stopped payments on his mortgage indebtedness, such evidence shall be considered sufficient basis for ending further consideration of any application. Such home-owner applicant shall be so notified immediately in writing, at the same time advising him to make all possible payments to his mortgagee or mortgagees. A copy or copies of this letter shall be sent to the mortgagee or mortgagees. Any employee who in any way discourages a prospective borrower, an applicant, or a mortgagor from keeping up his payments shall be subject to summary dismissal.

III.—GOVERNING DEPOSITS BY MEMBERS IN FEDERAL HOME LOAN BANKS

The December issue of the Review carried a resolution adopted by the Board on November 13 establishing regulations under which Federal Home Loan Banks might accept deposits from their members. On January 5, the Board amended this resolution, to permit the banks to accept demand deposits on certain conditions. The amended resolution is given herewith:

1. Withdrawals from deposit accounts shall be made by written request for withdrawal, and such withdrawals shall be paid by the check of the Federal Home Loan Bank, and checks by members against such deposit accounts shall not be allowed.

2. In the acceptance of deposits, the right shall be reserved by the banks to demand thirty (30) days notice in writing of intention to withdraw all or any part of the deposit, except as to demand deposits which may be accepted as follows.

3. Demand deposits, upon which no interest shall be paid, may be accepted from members; provided that such demand deposits shall be promptly redeposited into a special checking account in the nearest Federal Reserve Bank. Said special checking account shall be opened in the name of the Federal Home Loan Bank, and the funds deposited therein shall not be withdrawn therefrom except for the purpose of repaying demand deposits to members entitled to receive the same.

4. Interest may be paid on other than demand deposits subject to the following limitations:

a. If the deposit is withdrawn within thirty (30) days, no interest may be paid thereon.

b. If the deposit is withdrawn after thirty (30) days, but within ninety (90) days, the Federal Home Loan Banks may contract to pay interest thereon at the rate of not exceeding 1 per centum per annum.

c. If the deposit is not withdrawn within ninety (90) days, the Federal Home Loan Banks may contract to pay interest thereon at the rate of not exceeding 2 per centum per annum.

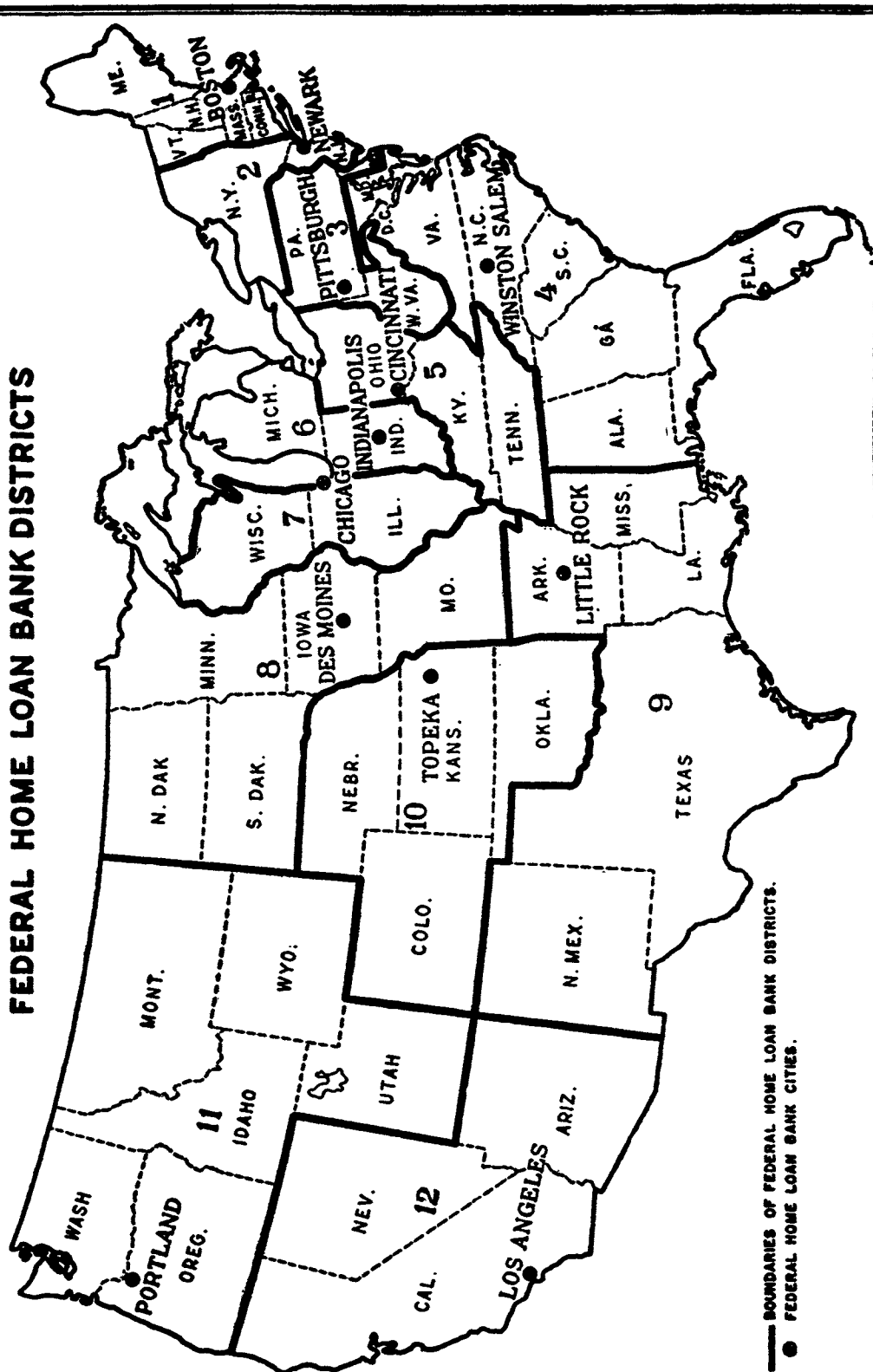
5. Funds received on deposits from members, except demand deposits, may be invested in:

a. Obligations of the United States.

b. Deposits in banks or trust companies.

c. Advances to members with a maturity of not to exceed 1 year upon such terms and conditions as the Federal Home Loan Bank Board may prescribe.

FEDERAL HOME LOAN BANK DISTRICTS



— BOUNDARIES OF FEDERAL HOME LOAN BANK DISTRICTS.
● FEDERAL HOME LOAN BANK CITIES.