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Federal Home Loan Bank Review

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Procedure for Investment by Home Owners' Loan Corporation in Securities of Savings and Loan Associations

SOUND building and loan associations whose local sources of funds are not adequate to meet the home-financing needs of their communities may now obtain capital from the Home Owners' Loan Corporation. By act of Congress, the Corporation has $300,000,000 available for investment in thrift institutions. The funds may be used to purchase (1) obligations of the Federal Home Loan Banks, (2) shares in Federal savings and loan associations, and (3) shares or certificates of investment or deposit in any institution that is a member of a Federal Home Loan Bank or whose accounts are insured with the Federal Savings and Loan Insurance Corporation.

The purpose of these investments by the Federal Government is to stimulate the sound and economical financing of homes by private institutions. The Board desires to get the funds out where they can be used and urges eligible institutions needing additional capital for home financing to apply to the Corporation. To this end it has simplified the procedure to be followed and reduced to a minimum the forms to be used. Moreover, it is the Board's purpose to establish an approved list of both Federal savings and loan associations and State-chartered associations. Once an association gets on such an approved list, it may ordinarily apply for further investments from the Corporation without further examination and without filing supporting schedules.

PROCEDURE FOR FEDERAL ASSOCIATIONS

THE law provides that Federal savings and loan associations may apply to the Corporation for subscription to their shares only after the $50,000,000 made available to the Secretary of the Treasury for the same purpose has been exhausted. When that time comes any Federal association may apply to the Corporation on an application form known as *HOLC Share Purchase Exhibit 1*. Until the association gets on the approved list, this must be supplemented by 3 documents:

a. A statement of condition, on form identified as *HOLC Share Purchase Exhibit 2*.
b. An approximate statement of loans made with the last preceding investment by the Treasury or Corporation (if there has been any such previous investment). This is to be reported on a form identified as *HOLC Share Purchase Exhibit 3*.
c. An *HOLC Receipt* for amount of the investment requested.

PROCEDURE FOR STATE-CHARTERED ASSOCIATIONS

THE procedure required of State-chartered institutions whose accounts are insured with the Federal Savings and Loan Insurance Corporation varies with the time that has passed since the date of insurance. If an applicant shall have had its account insured 6 months or more before the date of its first application for a subscription, it must support the application (*HOLC Share Purchase Exhibit 4*) with 2 documents:

a. Federal Home Loan Bank *Form 1*. This is the form which applicants for membership in a Federal Home Loan Bank are required to file.

b. Executed forms of securities as follows:

If the applicant issues only one class of shares which participate equally in dividends and assets with all other shares, and does not accept deposits, applicant shall tender fully executed certificates of share interest for an amount equal to the amount of shares of such association requested to be purchased, issued in the name of "Home Owners' Loan Corporation."

If the applicant issues more than one class of securities (that is, different classes of shares which participate unequally in assets or earnings with other classes of shares or certificates of deposit or investment certificates), the applicant shall tender fully executed certificates issued in the name of "Home Owners' Loan Corporation" evidencing the type of share interest or of creditor interest which gives to the holder of such security the most preferred participation in the assets and earnings of the institution.

Such tender shall be made with the understanding that if the request for purchase is approved and such purchase is made by the Corporation, certificates evidencing the interest purchased shall be delivered to the Corporation and such securities shall become issued and outstanding securities on the date of such purchase by the Corporation. The securities tendered shall expressly provide how income thereon shall accrue and be payable in accordance with the charter and bylaws of the applicant.

If an applicant shall have been insured within 6 months of the date on which it makes its initial application for a subscription, it will not ordinarily be required to file *Form 1*. Instead, the application must be supported by 2 documents:

a. A statement of condition, on form known as *HOLC Share Purchase Exhibit 5*.

b. Executed forms of securities (see section b above).

PROCEDURE FOR A MEMBER OF A FEDERAL HOME LOAN BANK

If an uninsured institution shall have become a member of a Federal Home Loan Bank more than 3 months before the date of its initial application for a subscription, it will be required to support its application (*HOLC Share Purchase Exhibit 4*) with the following documents:

a. Federal Home Loan Bank *Form 1*.

b. Executed forms of securities as required of insured institutions.

On the other hand, if an uninsured institution shall have become a member of a Federal Home Loan Bank within 3 months of the date of its initial application for subscription, it will not ordinarily be required to file *Form 1*. Instead, it may support its application with the following documents:

a. Statement of condition, on *HOLC Share Purchase Exhibit 5*.

b. Operating statement, on *HOLC Share Purchase Exhibit 6*.

c. Executed forms of securities as required of insured institutions.

PROCEDURE REQUIRED OF ALL TYPES OF INSTITUTIONS

With all applications subsequent to the first one, every institution will be required to furnish an approximate statement of loans made with the proceeds of the last preceding investment by the Corporation. The form for this purpose is *HOLC Share Purchase Exhibit 3*.

If a request is approved without further examination, the applicant will be required to pay the cost of office analysis of the application as computed by the Corporation, and the subscription will be completed.

If a request cannot be approved on the data submitted, the Corporation will inform the applicant that further examination and/or appraisal is necessary to determine whether the Corporation will make the purchase of shares or certificates. The applicant may then either withdraw its application or request the Corporation to make whatever examination and/or appraisal it finds necessary. The applicant must undertake to bear the entire costs of such examination.

It should be emphasized again that it is the intent of the Board of Directors to establish an approved list of both Federal savings and loan associations and State-chartered associations which may apply for investment by the Home Owners' Loan Corporation without filing with each application all of the exhibits mentioned above. As long as any association remains upon such approved list it may ordinarily secure investment by the Corporation by filing only Exhibits 1 and 3, if it is a Federal association, or Exhibits 4 and 3, if it is a State-chartered institution.

The Corporation will make no request for the repurchase or withdrawal of its shares or certificates for a period of 5 years from the date of such purchase. Thereafter, no institution shall be requested to repurchase or pay withdrawals in any one year in excess of 10 percent of the Corporation's total investment in that institution.

It is obvious that the offer thus made to thrift, home-financing institutions to increase their resources for the financing of homes with Federal funds is unprecedented in this country. All that is asked from institutions apart from proofs of their soundness is that they shall have made reasonable use of their own credit to secure funds to meet the home-financing needs of their communities before applying to the Corporation. This means specifically that investments by the Home Owners' Loan Corporation in the securities of savings and loan associations that are members of Federal Home Loan Banks shall not be used as a substitute for the facilities of these Banks. The Board interprets the term "substantial use" to mean that the member association shall have used at least 30 percent of its line of credit with the Federal Home Loan Bank before becoming eligible to have the Corporation invest in its securities. Insured institutions that are not members of a Federal Home Loan Bank will be required to have made use to a comparable extent of whatever credit facilities they have.

This provision is not intended to be a handicap to the applicant institution. As a matter of fact, a member association will ordinarily be able to obtain 10-year advances from its Federal Home Loan Bank at a cost less than the rate of return it will expect to pay on investments by the Home Owners' Loan Corporation.

Capital Structure of Federal Savings and Loan Associations

This is the seventh of a series of articles on practices prescribed for Federal savings and loan associations

THE assets of all building and loan associations fell from a high of $8,828,000,000 in 1930 to less than $6,600,000,000 at the end of 1934. This was a loss of 25 percent. During roughly the same period the assets of mutual savings banks rose from $10,295,308,000 to $11,065,068,000. The conclusion seems inescapable that the heavy shrinkage of building and loan assets reflects to some extent at least a loss of investor confidence. If so, these thrift, home-financing institutions have no more pressing problem than the restoration of that confidence.

The factors that led to impairment of investor goodwill were analyzed in 1934 by the Survey Committee of the Building and Loan League of New Jersey, in terms that seem applicable to the country as a whole. The committee found the immediate causes of criticism to be the common ones of failure on the part of a minority of associations to meet withdrawals, recapture of allocated profits, and reduction and passing of dividends. Back of these immediate causes were said to be public misunderstanding of the structure of building and loan associations, brought about in part by the fact that claims had been made for some associations that they could not be expected to perform in a period of stress.

The claims which the committee singled out for particular condemnation were the promises of fixed dividends and the promises to pay withdrawals on a given notice—"promises possible of performance when all goes well and consequently when performance is not demanded; promises impossible of performance when all is not well and when performance is demanded." "For once and for all," wrote the committee, "let us straighten out that especial offender, the income share certificate, with the utterly illegal guarantee of dividends found in it."

The New Jersey group seems to have put its finger on the basic causes of the impairment of investor confidence in building and loan associations. In some instances savings have been accepted on terms, either expressed or implied, which proved impossible of fulfillment in periods of stress. The number of associations that made this mistake constituted but a small proportion of all the associations in the country. Furthermore, in the psychological atmosphere of the prosperous 1920's, the mistake was natural enough. But it was inevitable that these facts should be overlooked by investors who eventually felt the ill effects of the mistake, and the entire building and loan movement suffered.

In any event, the strain of the depression has made it clear that certain types of promises to investors are inconsistent with the distinctive nature of the operations of savings and loan associations, and the capital structure prescribed for Federal associations accordingly makes such promises impossible.

The savings and loan association differs from most other financial institutions in two essential respects: (1) It invests its funds almost entirely in long-term loans secured by mortgages on real estate. (2) Most of its loanable funds are provided by its shareholders. Commercial banks, on the other hand, obtain most of their funds from creditors—either depositors or lenders of some type—and their relatively small subscribed capital serves as a fund to assure payment of these creditor liabilities.

GUARANTY OF MATURITY OR RETURN

THESE two distinctive features of savings and loan associations impose certain limitations on the type of share they should issue and predetermine the kind of organization which will prove most successful. Thus, as the associations' funds are invested in long-term loans, to meet withdrawals they must depend mainly on the small monthly repayments made on these loans. Consequently, it is actually impossible for associations to make available for withdrawal any large part of the investors' funds at any one time. To guarantee unlimited withdrawals on demand is, therefore, to guarantee the impossible.

The same may be said of guarantees of high fixed return on any considerable proportion of the funds invested in an association. An association should have but one source of income—interest on its loans. It cannot pay, for long periods of time, more than it can earn, and nothing can insure such excessive payments. For an association to assume a competitive fixed obligation to its investors is, therefore, to jeopardize its solvency.

Thus the nature of its business renders it undesirable for an association to guarantee either withdrawal privileges or high fixed return to its investors. Also, as we have seen, an association is almost wholly dependent on its capital for working funds. These limitations determine the structure that will prove most successful for a savings and loan association. The structure indicated is a cooperative one, in which all investors share equally in the risks and likewise in the rewards. All investors should be partners in a mutual enterprise; none should stand in the relation of creditors to the association. It is not possible to guarantee to any group of investors the preferential treatment due creditors, and it does not seem fair to penalize one group of investors for the benefit of another group whose risks can be no greater.

These conclusions, deduced from a study of the nature of an association's activities, are supported by the exceptional difficulties that have developed in periods of stress wherever the essentially cooperative mutual character of an association has been departed from. The principal departures from the partnership plan of capital structure adopted by some building and loan associations fall into 3 categories: (1) the acceptance of deposits; (2) the issue of guarantee or permanent stock; (3) the issue of bonds. There are other departures, such as the issue of preferred stock and the distribution of excess profits to the holders of prepaid shares who are usually the organizers. The organizers thus enjoy a favored position, but as they do not carry any excess risk to justify the higher reward they receive, this seems unfair. The practice is, fortunately, not widespread.

EXPERIENCE OF ASSOCIATIONS ACCEPTING DEPOSITS

IN A few States, building and loan associations have in the past solicited and accepted deposits on practically the same basis as savings banks and have thus created a preferred class of investors. The certificates issued to represent deposits usually contracted to repay the amount, with interest at a high fixed rate, at a definite time. What happened to these promises when the depression struck the building and loan business is well known to students of the movement. Most deposit associations went on notice and stayed there indefinitely, thereby denying their promise of deposit availability. In the face of declining earnings, they adjusted interest rates downward without being in a sufficiently liquid condition to permit objecting depositors to withdraw their funds. They thereby denied their promise of fixed returns.

The practice of taking deposits also brought on troubles of another type. Because of the promises made during the prosperous 1920's to depositors, more money poured into the deposit associations than they could invest properly. It was inevitable that many associations should take greater risks in lending these excess funds than the nature of the investment warranted. When the tide of business turned in 1929, values dropped, new money stopped coming in, and the demand for withdrawals increased. As a result, these associations were in worse condition than the strictly mutual associations operating in the same territories.

This situation can be illustrated by comparative figures for neighboring cities in the same State. In one city, the asssociations were predominantly mutual, in the other all accepted deposits. Thus, while the assets of the deposit group were 34 percent greater in 1932 than in 1926, they had 65 percent less cash; the assets of the mutual group had increased meantime 46 percent and its cash had increased 244 percent. "Other real estate" admittedly owned by the deposite group had increased 25,196 percent as compared with only 3,572 percent for the mutual group. The mutual associations collected in 1932 only 2 percent less interest than in 1929, while the deposit group collected 37 percent less. From 1929 to 1932 the ratio of dividends to total assets for the mutual group fell from 4.05 percent to 3.90 percent; the corresponding decline for the deposit group was from 4.21 percent to 1.27 percent. Finally, the mutual associations owed in 1932, 54 percent less than in 1926 while the deposit associations owed 876 percent more.

THE GUARANTEE-STOCK PLAN

In some sections of the country, notably where the public's confidence in building and loan investment has had to be won, associations have guaranteed a definite rate of return and sometimes a definite date of maturity on ordinary shares or on *investment certificates,* which are comparable to the ordinary bank certificates of deposit. To back up this guaranty, such associations have issued so-called guarantee or permanent stock.

Guarantee or permanent stock does not differ essentially from the capital stock of a bank. It may not be withdrawn or, at least, not until the contract liabilities for which it is pledged have been liquidated. No dividends may be declared on guarantee stock until contract dividends on other shares and other liabilities have been paid. The theory is that this stock is liable to make up out of its earnings any deficiency in the rate of dividends earned by the guaranteed investments compared with the rate promised them. In return for this guarantee, the holders of the guarantee stock receive any earnings above the promised rate. They are thus in a position to make a considerable overriding profit. Should earnings decrease, of course, they are expected to maintain the dividends on the other shares at the promised rates.

So much for the theory of guarantee stock. In some States, where it was in use, many holders of guarantee stock received profits well above that paid on other classes of shares. When the depression arrived, however, the associations in question generally found themselves unable to meet the promised dividends or the promised maturities on investment certificates, in spite of their guarantee stock. In one State, at least, the legislature has taken cognizance of the inability of guarantee stock to perform the function promised. In 1931 this legislature made it illegal for building and loan associations to guarantee more than 6 percent; 1933, it reduced the maximum to 4 percent; and more recently still, it has made guarantee of any definite rate or definite maturity illegal. Under such conditions guarantee stock loses its meaning and to give it higher rewards than other shares in prosperous times seems unfair.

The experience of associations issuing bonds has in general been no different from the experience of associations issuing deposit or investment certificates. When crises arise such associations have found it difficult to meet definite maturities or pay fixed rates. When they cannot, the bondholder ceases to be protected and becomes merely a preferential claimant. In short, it is not too much to say that no plan promising to give any type of investor in a building and loan association preferential treatment or to guarantee returns or maturities has been continuously possible of fulfillment. Such plans have usually proved boomerings to the institutions making them.

SHARES ISSUED BY FEDERAL SAVINGS AND LOAN ASSOCIATIONS

A SUBSTANTIAL majority of building and loan associations have clung to the mutual sharing of risks and profits. In the light of recent experiences, it was inevitable that Federal savings and loan associations should be modeled after this majority and be prohibited from accepting any type of investment that would destroy the parity of shareholders or the cooperative nature of the association. The organic law specifies (section 5b) that "No deposits shall be accepted and no certificates of indebtedness shall be issued except for such borrowed money as may be authorized by regulations of the Board," and declares that Federal associations shall raise their capital only in the form of payments on such shares as are authorized in their charter. The charter provides for the issue of 4 types of shares to the public:[1] viz (1) *instalment thrift shares,* on which the subscriber shall pay 50 cents per month per $100 share until maturity; (2) *optional savings shares,* on which payments may be made at any time and in any amount until the share is matured; (3) *prepaid shares,* on which the subscriber pays a lump sum and dividends are allowed to accumulate until the share is paid up to its par value; (4) *full-paid income shares,* for which the subscriber pays in full and collects his dividends in cash.

It is obvious that these 4 types of shares are devised to meet the needs of all classes of investors, and so both to encourage thrift and to increase funds available for home financing. All investors are on exactly the same footing with regard to risk and return, privileges and responsibilities, with one slight exception. To encourage regularity of saving, instalment thrift shareholders who pay their instalments regularly with not more than a 60-day default at any time receive a cash bonus upon their shares becoming paid up. This bonus is equivalent to 1 percentum per annum on the funds paid in by the shareholder from the time the subscription is made until the account is paid up.

The manner in which the capital structure prescribed for Federal savings and loan associations makes impossible situations such as these which have caused some loss of confidence in building and loan associations in recent years will be discussed in the next article in this series. Meanwhile, it may be pointed out that investors seem to prefer the equal partnership plan of shareholding in a mutual association in which they can have confidence, to investments that merely promise them either availability or fixed returns. Thus, no converted Federal associations which had deposit or investment certificates outstanding has had any trouble in exchanging such certificates for shares.

[1] A fifth type, called preferred shares, may be issued only to the Secretary of the Treasury of the United States, but as he may also purchase full-paid income shares, it is anticipated that few if any preferred shares in addition to the $1,000,000 worth now held by the Treasury will be issued.

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Mortgage Experience Tables of a Mortgage Company

NO mortgage lending institution would willingly face again the difficulties of the last 5 years. One way to avoid doing so is to analyze loans made in the past to discover what proportion got into trouble and what were the distinctive characteristics of these loans that resulted in default. Many institutions are making such scientific analyses in order to develop principles for the guidance of future lending policies. These institutions will have an advantage over their competitors which stick to rule-of-thumb methods. They will be better able to judge the comparative safety of a loan and consequently in a position to offer the best terms to the choicest loans.

The study of past experience also furnishes a basis on which to estimate the amount of losses the institution will have to sustain in future years, and the amount of reserves that should be set up out of current earnings to provide for such losses. Such foresight coupled with the greater safety of loans made will in the long run make the institution more attractive to investors as well as to borrowers.

An analysis of the mortgage experience of 28 years has recently been completed by a large mortgage company in New York State. The study was made in cooperation with the Federal Housing Administration to aid in determining the losses to be anticipated in mortgage investments over a long period. The results have been published in a substantial volume.[1] Through the courtesy of the officials of the company the REVIEW is privileged to publish a summary of the findings.

The 28-year period covered by the study began in 1906 and ended October 31, 1934. During that time the company made 19,592 loans aggregating $138,053,000. The volume of loans in trouble represented 12.3 percent of this amount. The company classifies loans in trouble as those involving foreclosure, or in connection with which rents from the property have been assigned to the company, or if interest is past due for 10 months or more.

TROUBLE RECORD IN RELATION TO YEAR MADE

TABLE 1 shows the distribution of loans made by years and the trouble record of the loans made in each year. Between 1906 and 1925 inclusive, the percentage of loans made in any one year which encountered difficulties exceeded 6 percent only for loans made in 1922. From 1926 on, the percentage rose sharply to a peak of 37 percent of the loans made in 1928. This wide range in the percentage of loans made in different years which got into trouble indicates that the general business situation is a factor of first importance in determining the safety of an investment. The time for extreme conservatism in lending is after a long period of expanding activity and not after a long period of building and real-estate inactivity, such as the present.

[1] *A Mortgage Analysis*, by Edgar A. Lodge, Comptroller, Home Title Guaranty Company.

TABLE 1.—*Distribution of loans by year made and percentage in trouble of total amount loaned in each year*

Year made	Number of loans	Amount of loans	Percent of amount of loans in trouble
1906–13	2, 554	$9, 115, 000	5
1914–18	2, 361	8, 662, 000	1
1919–20	1, 578	7, 642, 000	2
1921	678	5, 048, 000	1
1922	1, 479	10, 333, 000	11
1923	1, 358	9, 044, 000	4
1924	1, 496	10, 288, 000	3
1925	1, 734	13, 461, 000	6
1926	1, 489	13, 128, 000	13
1927	1, 472	13, 657, 000	24
1928	998	10, 452, 000	37
1929	551	6, 038, 000	31
1930	955	12, 315, 000	17
1931	752	8, 017, 000	8
1932–33	137	853, 000	21
Total	19, 592	138, 053, 000	12

TROUBLE RECORD IN RELATION TO SIZE OF MORTGAGE

THE average size of the loans made by this company was $7,047. The company made some loans, however, in all categories up to and in excess of $200,000. The larger the loan, the greater was the percentage of the total amount loaned in each category that caused trouble. This is revealed by the following summary:

	Percent foreclosed or in trouble
Under $7,000	4. 3
$7,000 to $50,000	12. 5
$50,000 to $200,000	20. 5
$200,000 and over	43. 0

Thus, only 4.3 percent of the total amount of loans made for sums under $7,000 each got into trouble, as compared with 43 percent of the total amount of loans made for $200,000 and over. The total amount of loans in the less than $7,000 class was $51,827,000, of which $2,229,000 encountered difficulty; the total amount in the $200,000 and over class was $8,279,000, of which $3,560,000 encountered difficulty. (This does not mean, of course, that the actual dollar loss sustained will be in the same ratio.)

TABLE 2.—*Distribution of loans and percentage of loans in trouble by type of property*

Type of property	Number of loans	Amount of loans	Percent of total loans		Percent of amount of loans in trouble to total amount loaned on each type
			Number	Amount	
1-family dwellings	9, 415	$44, 376, 000	48. 0	32. 2	5
2-family dwellings	4, 813	26, 938, 000	24. 5	19. 6	10
3- or 4-family dwellings	1, 283	8, 902, 000	6. 6	6. 4	9
5- to 8-family dwellings	373	3, 772, 000	1. 9	2. 7	11
More than 8-family dwellings	280	18, 102, 000	1. 4	13. 1	31
Stores without apartments	102	2, 065, 000	0. 5	1. 5	27
Stores with 1 to 4 apartments	1, 704	12, 695, 000	8. 7	9. 2	16
Stores with 5 to 8 apartments	128	1, 561, 000	0. 7	1. 1	32
Office buildings	17	565, 000	0. 1	0. 4	1
Factories, laundries, and warehouses	136	3, 119, 000	0. 7	2. 3	5
Garages and service stations	127	1, 799, 000	0. 7	1. 3	1
Churches and schools	48	1, 014, 000	0. 2	0. 7	1
Theatres	49	2, 768, 000	0. 3	2. 0	0
Special purposes	79	3, 452, 000	0. 4	2. 5	33
Vacant land	822	4, 160, 000	4. 2	3. 0	10
Loans made principally on land value	216	2, 765, 000	1. 1	2. 0	18
Total	19, 592	138, 053, 000	100. 0	100. 0	12

TROUBLE RECORD AND TYPE OF PROPERTY

These figures on amount of loans in trouble in relation to size of loan accord with the findings concerning trouble in relation to the type of property. Table 2 reveals the distribution of loans by type of property and the percentage of amount in trouble to the total amount loaned on each type. The particularly favorable experience of loans on 1-family dwellings is the most striking fact brought out by the table. Out of $44,000,000 of loans made over the 28-year period on this class of property, only $2,000,000 or 5 percent got into difficulty. In contrast with this, 10 percent of the loans on 2-family dwellings experienced trouble; 9 percent of the loans on 3- and 4-family dwellings; 31 percent of the loans on large apartment houses; and 27 percent of the loans on stores. The company points out that the principal reason for the high percentage of troublesome loans on large apartment houses was its rigorous policy of obtaining control of such properties when they fell in arrears on interest or taxes to insure that all net rents were applied toward the payment of carrying charges.

LOSSES BY TYPE OF PROPERTY

The percentage of actual and anticipated dollar loss to total loans made for each type of property differs materially from the percentage of loans in trouble. Losses on property already disposed of are, of course, known. Adding to these known figures estimated losses to be anticipated from loans in trouble, the property securing which has not yet been disposed of, the company makes the following findings: On all mortgages in trouble, totaling $16,963,000, there are actual and estimated losses of $2,752,000, or 16.2 percent of the amount of trouble mortgages. These losses are equal to 1.99 percent of all mortgages made during the 28-year period.

Table 3 indicates the percentage of losses by type of property. Here again the most impressive fact is the record of 1-family dwellings. Of the $44,000,000 loaned on 1-family homes, only 0.59 percent was lost. This is less than one fourth of the average loss of 2.65 percent on all other types of properties.

The record of loans on 2-family dwellings, both as to proportion in trouble and percentage of loss to total mortgages made on 2-family homes, was about twice as bad as the record of loans on 1-family dwellings. However, the loss on 2-family structures, amounting to 1.3 percent of all loans made on such properties, is considerably better than the 1.99 percent average for all properties.

For 3- to 8-family dwellings, the percentage of losses to the total amount of loans made on these structures was 4 times as large as in 1-family dwellings.

In this company's experience, stores show up as high-risk investments, garages and filling stations as low risks. The extremely good showing made by loans on office buildings in this study is probably not typical of a general situation because of the small percentage of loans made on such properties and the small size of the buildings on which loans were made.

It would be foolish to conclude that because losses are high in a specific classification, profitable loans cannot be made on that type of property. The reasonable conclusion is that loans on such types should be made on a different basis from that prevailing in the past. Thus, judging from the loss experience of the company studied here, the amount of a loan on a store property should be at a substantially lower percentage of appraised value than a loan on a garage or service station; a loan on a 3- or more family dwelling should be at a lower percentage of appraised value than a loan on a 1-family dwelling; a loan made in the year 1935 might safely be at a higher percentage of appraised value than a loan made in 1928 or 1929.

The foregoing analyses of loans in relation to year made, to size of loan, and to type of property suggest the kind of guides to future policy that an institution's mortgage records can be made to yield. They do not exhaust the possibilities. Loans should also be studied to determine the effect on delinquency and foreclosure of junior trusts; the effect of interest rate and of the effective cost of the loan to the borrower; the effect of tenancy, whether rented or owner occupied; the effect of the percentage of loan to appraised value; and the effect of the age and location of the property.

TABLE 3.—*Percentage of losses by type of property*

Type of improvement	Percent of loans in trouble to total loans on same type of property	Percent of loss to amount of mortgages in trouble	Percent of loss to amount of all loans on same type of property	Percent of loans made on each type to total loans	Percent of loans on each type in trouble to total loans in trouble	Percent of losses on each type to total losses
1-family	4. 87	12. 2	0. 59	32. 2	12. 73	9. 57
2-family	9. 68	13. 0	1. 30	19. 6	15. 37	12. 31
3- and 4-family	9. 16	25. 3	2. 30	6. 5	4. 78	7. 45
5- to 8-family	10. 92	21. 6	2. 36	2. 7	2. 43	3. 23
More than 8-family	30. 86	8. 8	2. 72	13. 1	32. 95	17. 86
Stores without apartments	26. 82	23. 0	6. 17	1. 5	3. 27	4. 63
Stores with 1–4 apartments	16. 40	30. 3	4. 97	9. 2	12. 28	22. 93
Stores with 5–8 apartments	32. 44	19. 6	6. 35	1. 1	2. 98	3. 60
Office buildings	0. 80	0	0	0. 4	0. 03	0
Factories, laundries, and warehouses including loft buildings	4. 93	28. 8	1. 42	2. 2	0. 91	1. 62
Garages and service stations	1. 03	3. 2	0. 03	1. 3	0. 11	0. 02
Churches and schools	0. 50	[1] *1. 3*	0	0. 7	0. 04	0
Motion picture theatres	0	0	0	2. 0	0	0
Special purpose (clubs, charitable institutions, etc.)	32. 54	20. 8	6. 77	2. 5	6. 62	8. 49
Vacant land	10. 46	9. 9	1. 04	3. 0	2. 56	1. 56
Improved property, where loan is made principally on land value	18. 08	37. 0	6. 69	2. 0	2. 94	6. 73
Total—all types	12. 29	16. 4	1. 99	100. 0	100. 00	100. 00

[1] Indicates profits.

Neighborhood Standards as They Affect Investment Risk

This is the second in a series of articles defining the neighborhood standards essential to safety of investment.

WHEN a home-financing institution decides that a neighborhood is a desirable or an undesirable area for investment it should have more than general impressions or prejudices to guide it. It cannot be too often repeated that the decadent neighborhood can do more to destroy property values than defects in the buildings themselves. Such experienced and large-scale mortgage investors as the insurance companies report that the changing character of neighborhoods constitutes the major risk factor in their considerations. If so, an exhaustive and scientific analysis of the neighborhood should be the first step in any efficient appraisal.

This truth is generally recognized by leading appraisers, as evidenced by the inclusion of searching questions on the neighborhood in model appraisal forms. However, the condensation necessary in an appraisal form is apt to preclude that constructive approach toward neighborhoods without which there can be no hope for the rehabilitation of many of America's existing neighborhoods. From the point of view of the community's welfare, it is just as undesirable to refuse to lend in a neighborhood on insufficient grounds as it is to lend in a neighborhood that is hopelessly doomed. As was pointed out in the previous article in this series, our cities and towns have huge blighted areas that must be redeemed if city treasuries and taxpayers are to get relief. Farsighted mortgage institutions through their lending policies can do much to prevent further extension of a blighted area into what now may be a community of homes, and in turn assist in the redeeming of decayed areas. When adopting a forward-looking policy the mortgage institution will protect its own interests and investments and increase its business.

To provide lending institutions with a means for passing intelligent and constructive judgment on neighborhoods, the outline given below has been worked out. It is believed that the periodic appraisal of neighborhoods on the basis of this outline will pave the way for both greater safety and greater volume of investment by home-financing institutions.

OUTLINE FOR ANALYSIS OF A NEIGHBORHOOD

I. Natural hazards, such as risk of flood and difficulty of drainage.

II. Created hazards, such as incompatible uses, smoke, odor, noise, and unsightly features.

III. Location in relation to places of employment.

IV. Accessibility—transportation and highways.

V. Population trends of the neighborhood.

VI. Competition from other neighborhoods that are either better located or more inviting.

VII. Standard of development for residential purposes.
   1. Size and boundaries.
   2. Utilities—sewers, water, gas, light, fire and police protection.
   3. Local street system and block sizes and design.
      a. Adaptation to the topography.
   4. Schools, churches, and community centers.
   5. Location and size of parks, playgrounds, open spaces, and other amenities, such as trees and parking strips.
   6. Local shops.
   7. General type and quality of existing housing.
      a. Proportion and distribution of 1-family, 2-family, and multifamily dwellings.
      b. Average cost and level of maintenance.
      c. Lot sizes and designs.
      d. Land coverage.

VIII. Legal protections of the neighborhood's present and future.
   1. Zoning.
   2. Deed restrictions.
   3. Community organization.
   istics of the residents and racial trends of the neighborhood.

IX. Racial and behaviour characteristics of the residents and racial trends of the neighborhood.

X. Trends and possibilities.

The order in which factors affecting the residential desirability of a neighborhood are presented in this outline is determined by the degree to which they are capable of modification. Factors least capable of modification and the presence of which would most irremediably destroy residential values are considered first. This is logical, since the presence of any such destructive factor would render unnecessary any further analysis of a neighborhood.

To use such an outline efficiently requires, of course, definite standards against which to measure existing conditions. The remainder of the present article and as many subsequent articles in this series as are necessary will be devoted to presenting such standards in the order of the outline.

I. NATURAL HAZARDS

SOME land in almost every community is utterly unsuitable for building development. This is particularly true of low-lying areas that are subjected to flood and difficult of drainage. In one of the Atlantic Coast States, a subdivision was developed in 1919 on land only 2½ feet above the normal water level of an adjacent creek. The creek overflows regularly every spring and 8 inches of water in the streets is a usual condition whenever this happens. Cellars are flooded, furnace fires extinguished, and walls turn moldy. The community has no sewers because of the great cost of pumping plants, and cesspools cannot be constructed because they would be below the water table. Consequently, lots in this community which are reported to have sold at $1,400 in 1919 cannot now find a buyer at a tenth that price.

Any natural hazard to health, such as fog in a narrow valley or excessive dampness, should suffice to condemn an area for housing purposes. Areas of this sort, like river bottoms, usually offer the best sites for the parks and playgrounds that every neighborhood should have. It would seem, therefore, wisest to restrict them to such purposes. There is always an ample supply of other land far better suited for housing.

II. CREATED HAZARDS

An incompatible use is anything that makes a neighborhood undesirable to the average man as a place to live. Railroad yards, gas tanks, stock yards, glue factories, and similar nuisance industries are the extreme examples and are always sufficient to condemn the neighborhood for residential investment. From these extremes the degree of incompatibility of nonresidential uses in residential neighborhoods shades down to practically nil. It has to be determined for each individual case. As a matter of experience, excessive smoke, odors, dirt, and even noise are offensive to the self-respecting citizens who make good risks. These people will escape from such hazards sooner or later and home values are certain to fall.

On the other hand, the existence of any industrial use in not sufficient of itself to render a neighborhood undesirable for homes. Under an ideal community plan all industrial activities, from factories to dairies and garages, would be located on land separated from that reserved for housing. But our cities and towns have not been laid out according to ideal plans and common sense requires that we make the best of existing situations. Consequently, two practical rules to be followed by lending institutions suggest themselves:

1. Refuse absolutely to lend on homes in any *new subdivision* in which *any* industrial plants capable of affecting the residential desirability exist or from which they are not excluded by law.
2. In any established neighborhood, if the existing buildings devoted to industrial uses are clean and well-kept and do not constitute a major physical or aesthetic handicap, the lending institution should not refuse loans because of such industrial uses.

This second rule would take care of neighborhoods in transition from residential to industrial or commercial uses. The processes of transition are frequently slow. Neither the city nor property owners can afford to let the residential buildings not immediately needed for industry lie idle or fall into unprofitable decay. For financing institutions to refuse to lend on such residences is to condemn them to premature decay and to reduce them to slums. It is far better to extend them reasonable financing facilities so that they may be maintained decently and earn a reasonable income until they make way for business.

Residential Construction Activity in the United States

IT IS customary for residential construction to decrease in July as compared with June. The June-July drop in the average daily value of residential construction for the 3 years 1932–1934 was 15 percent. Although a seasonal decline took place this July as compared with June, it was only 10 percent. This decline is based on figures for the first 15 days of July as reported for 37 Eastern cities by the F. W. Dodge Corporation. This resistance to the usual seasonal drop evidences the sturdiness of the expansive movement in residential construction which began in March riods in the preceding 3 years is shown in charts 1 and 2. Total residential building for the period January 1 to July 15 amounted to $229,793,000. In spite of the great increase which this represents over the years of the depression, it is only 19.4 percent of the $1,187,034,000 of residential building contracts awarded in the comparable period of 1929.

dential construction which began in March of this year (table 1 and chart 3).

In comparison with the first half of July 1934, the value of residential construction contracts awarded for the same period of this year increased 145 percent. The extent of the expansion of residential construction this year over corresponding pe-

Contracts awarded for nonresidential construction continue behind those of comparable periods of last year. As has been previously pointed out, this falling off in nonresidential building has been due to the smaller volume of contracts let for Federal projects. The extent to which the expansion in private residential construction is taking up the slack in Public Works projects is indicated in table 1. Thus, while nonresidential contracts let during the period July 1 to 15 decreased 31.3 percent compared to the same period last year, the decrease in total contracts let was only 8.8 percent, due to the 145 percent increase in residential contracts awarded.

Housing rentals continued in June the steady advance begun in 1934. In June, they rose to 67.6 percent of the 1923–1925 base as established by the National Industrial Conference Board advancing from 67.3 percent in May. In June 1934 rentals

VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN 1932–35

(Based on F. W. Dodge Reports for 37 Eastern States)

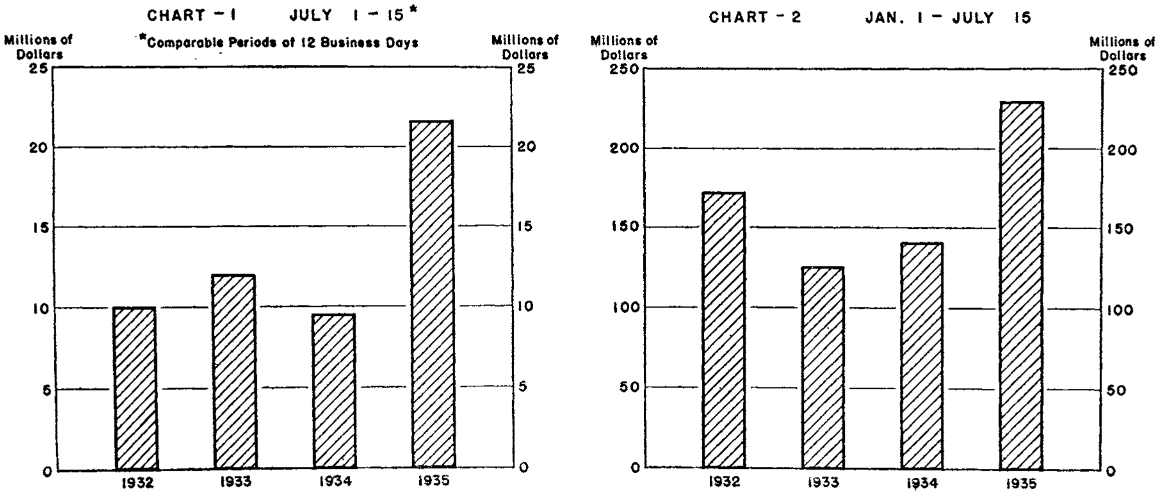

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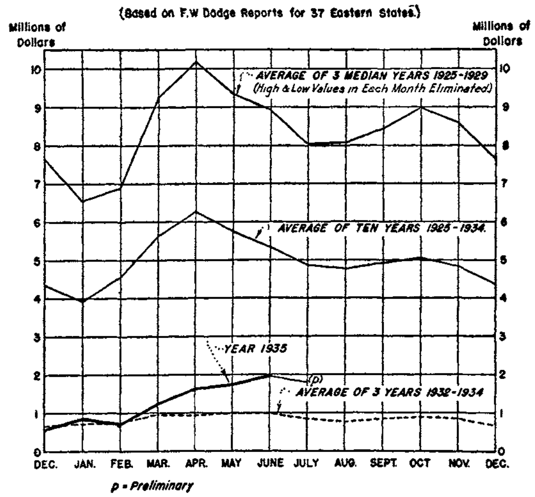
CHART 3.—AVERAGE DAILY VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS AWARDED IN 1935 COMPARED WITH SELECTED PERIODS.



stood at 62.4 percent of the 1923–1925 base; in 1929 they remained between 88 and 89 percent.

The cost of building as measured by the Federal Reserve Bank of New York advanced in June to 88.9 percent of the 1923–1925 base as compared with 88.6 percent in May. It was, however, still below the June 1934 level of 90.6.

The degree to which construction of all kinds remains below the level of general industrial production is illustrated in chart 4. The Federal Reserve Board's combined index of industrial production which is adjusted for usual seasonal changes was 86 percent of the 1923–1925 average in June. For the same month, total construction contracts awarded represented only 33 percent of the 1923–1925 average.

NUMBER OF FAMILIES FOR WHICH NEW DWELLING UNITS WERE PROVIDED IN JUNE

The number of new family units provided in June based upon estimated building permits issued in all cities of 10,000 population or over was 7,783. This represents an increase of 202 percent over the 2,576 dwelling units provided in June 1934 (table 2). More than two thirds of the new units provided in June of this year were in 1- and 2-family dwellings. The greatest increase as compared with last year, however, was registered by multifamily dwellings which provided 448 percent more family units in June 1935 than in June 1934. For the first half of 1935, multifamily dwellings accounted for 31.1 percent of all units erected. In the same period of 1934, dwellings for 3 families and over constituted only 23.9 percent of all units.

The greater importance of multifamily houses in the larger cities is indicated by

TABLE 1.—*Value of construction contracts awarded in 37 Eastern States and percentage changes for comparative periods*

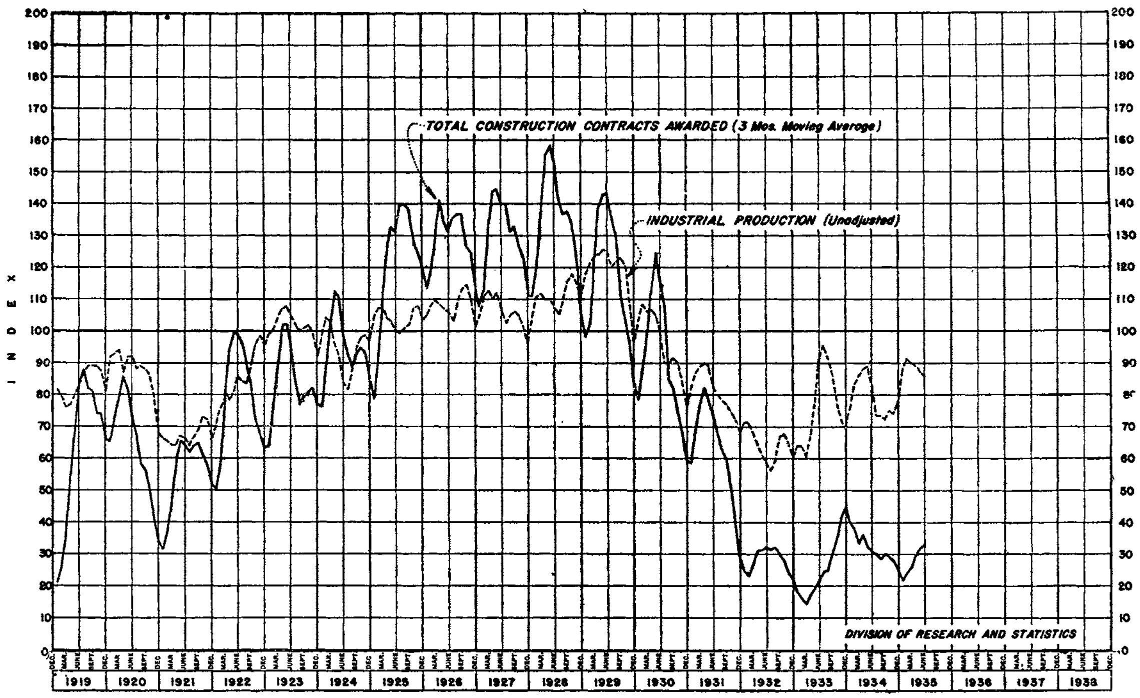
[Source: F. W. Dodge Corporation]

Type	Total for the period						Average daily [1]					
	July 1–15			Jan. 1–July 15			(000 omitted)			Percent change		
	(000 omitted)		Percent change	(000 omitted)		Percent change	July [2] 1935	June 1935	July 1934	July 1935 from June 1935	July from June, 3-year average [3]	July 1935 from July 1934
	1935	1934		1935	1934							
Residential	21, 620	8, 825	+145. 0	229, 793	140, 573	+63. 5	1, 802	1, 993	794	−9. 6	−14. 9	+127. 0
Nonresidential [4]	41, 318	60, 151	−31. 3	529, 652	782, 865	−32. 3	3, 443	3, 927	3, 993	−12. 3	+3. 8	−13. 8
Total	62, 938	68, 976	−8. 8	759, 445	923, 438	−17. 8	5, 245	5, 920	4, 787	−11. 4	+0. 1	+9. 6

[1] Based on the following number of business days: July 1935—12; June 1935—25; July 1934—25.
[2] Based on preliminary reports for the first 15 days (12 business days).
[3] Represents the average of the percent change in July from June for the 3 years 1932–34.
[4] Includes contracts for commercial buildings, public works, and utilities.

CHART 4.—INDEXES OF TOTAL CONSTRUCTION CONTRACTS AWARDED AND INDUSTRIAL PRODUCTION

[Source: Federal Reserve Bulletin:- Years 1923-1925=100]



the following figures for the first 6 months of this year: multifamily structures provided 6.3 percent of all home units in cities having a population of 10,000 to 25,000; 4.2 percent in cities ranging from 25,000 to 50,000; 13 percent in cities ranging from 50,000 to 100,000; and 44.9 percent of all dwelling units in cities having more than 100,000 population. From this increase in apartment-house construction, it appears that funds are seeking investment in income-producing real estate.

The average cost of all 1-family dwellings for which permits were issued in June of this year registered an increase of 11 percent over the average cost in June of 1934. Contrasted with this increase the average cost of 2-family dwellings declined 6.6 percent in the same period. As an indication of what is the profitable market for housing, it is interesting to note that the average cost of 1-family dwellings was $4,244 in June of this year.

NEW RESIDENTIAL CONSTRUCTION BY STATES IN THE FEDERAL HOME LOAN BANK DISTRICTS

The total estimated cost of new dwellings for which building permits were issued in all cities of 10,000 population or over amounted to $30,919,500 in June 1935, representing a gain of 228 percent over June 1934 (table 3). This remarkable expansion in the value of residential construction was rather well distributed over the country, as increases of more than 100 percent in comparison with a year ago were registered in each Federal Home Loan Bank District. Seven of the Bank Districts registered gains of more than 200 percent in the total cost of new residential building.

Members of the Federal Home Loan Banks can follow the trends of residential construction both as to volume and types of dwellings in their States and Bank Districts by comparing the figures for June with figures for preceding months given in earlier issues of the Review.

TABLE 2.—*Number and estimated cost of new housekeeping dwelling units for which permits were issued in all cities of 10,000 population or over in the United States in June 1935* [1]

[Source: Federal Home Loan Bank Board. Compiled from reports to U. S. Department of Labor]

Type of structure	Number of family units provided			Total cost of units (000 omitted)			Average cost of family units		
	June 1935	June 1934	Percent change	June 1935	June 1934	Percent change	June 1935	June 1934	Percent change
All housekeeping dwellings	7, 783	2, 576	+202. 1	....	....	....	....	....	....
Total 1- and 2-family dwellings	5, 428	2, 128	+155. 1	$22, 384. 0	$8, 010. 5	+179. 4	$4, 124	$3, 764	+9. 6
1-family dwellings	4, 961	1, 965	+152. 5	21, 056. 4	7, 522. 2	+179. 9	4, 244	3, 828	+10. 9
2-family dwellings	416	154	+170. 1	1, 143. 7	453. 2	+152. 4	2, 749	2, 943	−6. 6
Joint home and business [2]	51	9	+466. 7	183. 9	35. 1	+423. 9	3, 606	3, 900	−7. 5
Multifamily dwellings	2, 355	430	+447. 7	....	....	....	....	....	....

[1] Estimate is based on reports from communities having approximately 95 percent of the population of all cities with population of 10,000 or over.
[2] Includes 1- and 2-family dwellings with business property attached.

TABLE 3.—*Estimated cost of new residential buildings for which permits were issued in all cities of 10,000 population or over, in June 1935, by Federal Home Loan Bank Districts and by States* [1]

[Source: Federal Home Loan Bank Board. Compiled from reports to U. S. Department of Labor]

Federal Home Loan Bank Districts and States	Cost of all new residential building (000 omitted)			Cost of all 1- and 2-family dwellings (000 omitted)		
	June 1935	June 1934	Percent change	June 1935	June 1934	Percent change
UNITED STATES	$30, 919. 5	$9, 419. 0	+228. 3	$22, 384. 0	$8, 010. 5	+179. 4
No. 1—Boston	2, 938. 2	1, 418. 1	+107. 2	2, 144. 8	1, 412. 0	+51. 9
Connecticut	861. 1	249. 7	+244. 7	482. 4	249. 7	+93. 2
Maine	92. 0	76. 0	+21. 1	76. 9	76. 0	+1. 2
Massachusetts	1, 689. 6	929. 8	+81. 7	1, 290. 0	923. 7	+39. 7
New Hampshire	105. 8	49. 9	+112. 0	105. 8	49. 9	+112. 0
Rhode Island	180. 8	84. 2	+114. 7	180. 8	84. 2	+114. 7
Vermont	8. 9	28. 5	−68. 8	8. 9	28. 5	−68. 8
No. 2—New York	7, 913. 0	2, 944. 3	+168. 8	4, 189. 5	1, 768. 6	+136. 9
New Jersey	1, 380. 8	562. 5	+145. 5	1, 342. 0	527. 5	+154. 4
New York	6, 532. 2	2, 381. 8	+174. 3	2, 847. 5	1, 241. 1	+129. 4
No. 3—Pittsburgh	1, 417. 6	589. 0	+140. 7	1, 343. 2	558. 0	+140. 7
Delaware	12. 9	60. 3	−78. 6	12. 9	60. 3	−78. 6
Pennsylvania	1, 218. 1	512. 9	+137. 5	1, 147. 7	481. 9	+138. 2
West Virginia	186. 6	15. 8	(2)	182. 6	15. 8	(2)
No. 4—Winston-Salem	3, 949. 0	946. 5	+317. 2	2, 926. 3	909. 5	+221. 7
Alabama	433. 3	17. 4	(2)	56. 8	17. 4	+226. 4
District of Columbia	1, 646. 9	375. 3	+338. 8	1, 049. 3	375. 3	+179. 6
Florida	544. 5	137. 5	+296. 0	524. 4	137. 5	+281. 4
Georgia	276. 9	31. 5	+779. 0	269. 8	31. 5	+756. 5
Maryland	156. 8	71. 0	+120. 8	156. 8	71. 0	+120. 8

[1] Estimate is based on reports from communities having approximately 95 percent of the population of all cities with population of 10,000 or over.
[2] Increase of 1,000 percent or over.

TABLE 3.—*Estimated cost of new residential buildings for which permits were issued in all cities of 10,000 population or over, in June 1935, by Federal Home Loan Bank Districts and by States*—Continued

Federal Home Loan Bank Districts and States	Cost of all new residential building (000 omitted)			Cost of all 1- and 2-family dwellings (000 omitted)		
	June 1935	June 1934	Percent change	June 1935	June 1934	Percent change
No. 4.—Winston-Salem—Continued.						
North Carolina	$307.9	$128.0	+140.5	$307.9	$110.0	+179.9
South Carolina	194.4	76.6	+153.8	186.4	57.6	+223.6
Virginia	388.3	109.2	+255.6	374.9	109.2	+243.3
No. 5—Cincinnati	3,968.4	551.6	+619.4	1,370.4	521.6	+162.7
Kentucky	242.8	124.1	+95.6	242.8	94.1	+158.0
Ohio	3,626.6	405.4	+794.6	1,028.6	405.4	+153.7
Tennessee	99.0	22.1	+348.0	99.0	22.1	+348.0
No. 6—Indianapolis	1,751.4	341.9	+412.3	1,751.4	341.9	+412.3
Indiana	286.7	89.8	+219.3	286.7	89.8	+219.3
Michigan	1,464.7	252.1	+481.0	1,464.7	252.1	+481.0
No. 7—Chicago	1,585.1	446.0	+255.4	1,540.1	441.5	+248.8
Illinois	726.7	228.4	+218.2	681.7	228.4	+198.5
Wisconsin	858.4	217.6	+294.5	858.4	213.1	+302.8
No. 8—Des Moines	1,697.7	508.9	+233.6	1,652.3	488.2	+238.4
Iowa	301.0	95.8	+214.2	301.0	95.8	+214.2
Minnesota	459.2	141.5	+224.5	449.6	141.5	+217.7
Missouri	813.5	247.2	+229.1	777.7	239.5	+224.7
North Dakota	51.8	17.8	+191.0	51.8	4.8	+979.2
South Dakota	72.2	6.6	+993.9	72.2	6.6	+993.9
No. 9—Little Rock	1,381.5	466.4	+196.2	1,302.6	460.4	+182.9
Arkansas	75.1	0.7	(2)	75.1	0.7	(2)
Louisiana	143.6	33.5	+328.7	143.6	33.5	+328.7
Mississippi	43.2	28.5	+51.6	43.2	22.5	+92.0
New Mexico	27.0	3.0	+800.0	27.0	3.0	+800.0
Texas	1,092.6	400.7	+172.7	1,013.7	400.7	+153.0
No. 10—Topeka	834.5	175.0	+376.9	805.4	171.0	+371.0
Colorado	239.1	49.9	+379.2	239.1	49.9	+379.2
Kansas	174.6	31.0	+463.2	174.6	27.0	+546.7
Nebraska	138.3	72.9	+89.7	138.3	72.9	+89.7
Oklahoma	282.5	21.2	(2)	253.4	21.2	(2)
No. 11—Portland	572.9	197.4	+190.2	572.9	195.1	+193.6
Idaho	75.7	9.0	+741.1	75.7	9.0	+741.1
Montana	64.3	24.4	+163.5	64.3	24.4	+163.5
Oregon	72.1	31.9	+126.0	72.1	31.9	+126.0
Utah	102.3	12.3	+731.7	102.3	12.3	+731.7
Washington	171.4	102.2	+67.7	171.4	99.9	+71.6
Wyoming	87.1	17.6	+394.9	87.1	17.6	+394.9
No. 12—Los Angeles	2,910.2	833.9	+249.0	2,785.1	742.7	+275.0
Arizona	37.4	25.5	+46.7	37.4	13.5	+177.0
California	2,856.8	757.9	+276.9	2,731.7	718.7	+280.1
Nevada	16.0	50.5	−68.3	16.0	10.5	+52.4

[2] Increase of 1,000 percent or over.

	Combined	Boston	New York	Pittsburgh	Winston-Salem
ASSETS					
Cash on hand in Banks and U. S. Treasury	$19, 943, 405. 27	$1, 642, 331. 45	$842, 098. 86	$379, 957. 39	$1, 290, 988. 10
Loans outstanding:					
Members	79, 228, 322. 97	2, 275, 230. 86	14, 059, 169. 43	10, 163, 204. 84	6, 080, 260. 40
Other	4, 191. 21	0	0	0	0
Total loans	79, 232, 514. 18	2, 275, 230. 86	14, 059, 169. 43	10, 163, 204. 84	6, 080, 260. 40
Accrued interest receivable	437, 543. 03	47, 391. 63	67, 308. 41	46, 658. 63	36, 490. 40
Investments, U. S. Government	11, 859, 289. 98	3, 600, 000. 00	159, 606. 25	137, 900. 00	345, 400. 96
Other assets	27, 858. 55	724. 78	2, 093. 09	1, 763. 69	3, 534. 05
Total assets	111, 500, 611. 01	7, 565, 678. 72	15, 130, 276. 04	10, 729, 484. 55	7, 756, 673. 91
LIABILITIES AND CAPITAL					
Liabilities:					
Current	4, 282, 871. 35	487, 591. 97	55, 000. 00	298, 204. 17	0
Fixed	0	0	0	0	0
Total liabilities	4, 282, 871. 35	487, 591. 97	55, 000. 00	298, 204. 17	0
Capital:					
Capital stock, fully paid, issued and outstanding:					
Members	22, 320, 600. 00	1, 990, 900. 00	3, 199, 600. 00	1, 640, 700. 00	1, 881, 600. 00
U. S. Government	81, 645, 700. 00	5, 000, 000. 00	11, 500, 000. 00	8, 500, 000. 00	5, 700, 000. 00
	103, 966, 300. 00	6, 990, 900. 00	14, 699, 600. 00	10, 140, 700. 00	7, 581, 600. 00
Subscription to capital stock:					
Members and applicants	1, 647, 800. 00	38, 400. 00	238, 300. 00	156, 900. 00	55, 500. 00
Less balance due	750, 678. 13	25, 350. 00	109, 325. 13	84, 150. 00	21, 750. 00
	897, 121. 87	13, 050. 00	128, 974. 87	72, 750. 00	33, 750. 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 no. 16 of act	1, 133, 732. 48	54, 846. 37	148, 496. 32	121, 492. 45	75, 181. 27
Surplus, unallocated	1, 220, 585. 31	19, 290. 38	98, 204. 85	96, 337. 93	66, 142. 64
Total surplus	2, 354, 317. 79	74, 136. 75	246, 701. 17	217, 830. 38	141, 323. 91
Total capital	107, 217, 739. 66	7, 078, 086. 75	15, 075, 276. 04	10, 431, 280. 38	7, 756, 673. 91
Total liabilities and capital	111, 500, 611. 01	7, 565, 678. 72	15, 130, 276. 04	10, 729, 484. 55	7, 756, 673. 91

condition as at June 30, 1935

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
$2, 580, 076. 07	$3,536,633.74	$1,178,151.83	$1, 472, 203. 15	$2, 098, 747. 79	$2, 025, 907. 42	$1, 825, 385. 72	$1, 070, 923. 75
15, 373, 686. 20	4, 095, 285. 50	12,324,760.32	3, 519, 830. 24	3, 305, 630. 65	2, 838, 711. 12	2, 207, 408. 00	2, 985, 145. 41
0	0	0	0	0	0	0	4, 191. 21
15, 373, 686. 20	4, 095, 285. 50	12,324,760.32	3, 519, 830. 24	3, 305, 630. 65	2, 838, 711. 12	2, 207, 408. 00	2, 989, 336. 62
74, 128. 95	8, 866. 74	35, 456. 99	30, 007. 99	40, 597. 90	20, 940. 80	12, 721. 01	16, 973. 58
1, 505, 897. 38	621, 028. 96	121, 742. 43	968, 542. 12	2, 377, 000. 00	1, 053, 046. 88	212, 075. 00	757, 050. 00
1, 205. 88	1, 751. 23	6, 557. 78	1, 481. 51	839. 60	1, 603. 24	837. 45	5, 466. 25
19, 534, 994. 48	8, 263, 566. 17	13,666,669.35	5, 992, 065. 01	7, 822, 815. 94	5, 940, 209. 46	4, 258, 427. 18	4, 839, 750. 20
1, 150, 735. 98	123, 219. 46	1, 117, 551. 86	352, 297. 14	244, 838. 30	32, 581. 35	382, 601. 12	38, 250. 00
0	0	0	0	0	0	0	0
1, 150, 735. 98	123, 219. 46	1, 117, 551. 86	352, 297. 14	244, 838. 30	32, 581. 35	382, 601. 12	38, 250. 00
4, 740, 600. 00	1, 961, 100. 00	2,103,800.00	972, 100. 00	1, 287, 600. 00	971, 200. 00	510, 100. 00	1, 061, 300. 00
12, 775, 700. 00	6, 000, 000. 00	10,000,000.00	4, 500, 000. 00	6, 100, 000. 00	4, 700, 000. 00	3, 310, 000. 00	3, 560, 000. 00
17, 516, 300. 00	7, 961, 100. 00	12,103,800.00	5, 472, 100. 00	7, 387, 600. 00	5, 671, 200. 00	3, 820, 100. 00	4, 621, 300. 00
600, 500. 00	93, 600. 00	133, 700. 00	73, 800. 00	147, 300. 00	48, 200. 00	22, 400. 00	39, 200. 00
200, 193. 00	61, 175. 00	84, 065. 00	28, 825. 00	94, 370. 00	15, 950. 00	13, 875. 00	11, 650. 00
400, 307. 00	32, 425. 00	49, 635. 00	44, 975. 00	52, 930. 00	32, 250. 00	8, 525. 00	27, 550. 00
0	577, 400. 00	4, 173, 900. 00	2, 894, 900. 00	2, 672, 400. 00	2, 633, 600. 00	2, 650, 000. 00	6, 407, 900. 00
0	577, 400. 00	4, 173, 900. 00	2, 894, 900. 00	2, 672, 400. 00	2, 633, 600. 00	2, 650, 000. 00	6, 407, 900. 00
236, 755. 27	92, 322. 43	153, 200. 43	55, 865. 92	88, 520. 05	40, 835. 62	29, 934. 38	36, 281. 97
230, 896. 23	54, 499. 28	242, 482. 06	66, 826. 95	48, 927. 59	163, 342. 49	17, 266. 68	116, 368. 23
467, 651. 50	146, 821. 71	395, 682. 49	122, 692. 87	137, 447. 64	204, 178. 11	47, 201. 06	152, 650. 20
18, 384, 258. 50	8, 140, 346. 71	12,549,117.49	5, 639, 767. 87	7, 577, 977. 64	5, 907, 628. 11	3, 875, 826. 06	4, 801, 500. 20
19, 534, 994. 48	8, 263, 566. 17	13,666,669.35	5, 992, 065. 01	7, 822, 815. 94	5, 940, 209. 46	4, 258, 427. 18	4, 839, 750. 20

Growth and Lending Operations of the Federal Home Loan Banks

THAT member institutions are responding to the low interest rates on long-term advances from the Federal Home Loan Banks is indicated by the steady increase in Bank loans outstanding. Preliminary reports indicate that this balance had risen by July 20 to $80,588,980. The net increase from April 10 (when balances outstanding reached their low point of the year) to July 20 was $8,567,387 or over 11 percent in 3 months.

This increased use of Federal Home Loan Bank facilities by member institutions accords with reports from many communities that thrift, home-financing institutions have resumed active lending on homes. Thus, in Cook County, Illinois, in which Chicago is situated, the number of all mortgages of $10,000 or less made between March 1 and June 1 was 3,215, and the amount $11,774,216. According to the Federal Home Loan Bank of Chicago, its member associations made 29.1 percent of these home mortgages by volume and 30 percent by number. Furthermore, the proportion of the new mortgage volume attributable to these member associations increased each month so that it was higher in May than in March.

SEMIANNUAL DIVIDENDS DECLARED

DIVIDENDS totaling $692,504.11 were declared as of June 30, 1935 by 8 Federal Home Loan Banks (table 2). This brings the total of all dividends paid since the beginning of operations in October 1932 to $3,314,701.58. Of this amount, the United States Treasury has received $2,690,781.82 and member institutions $623,919.76. In this connection, it is interesting to note that on June 30, 1935 member institutions held $22,320,600 of capital stock of the 12 Banks while the Government held $81,645,700.

INTEREST RATES ON ADVANCES TO MEMBER INSTITUTIONS

FURTHER reductions in interest rates on advances were announced by 3 Federal Home Loan Banks during July. For a period of 6 months beginning July 1, the Boston Bank will charge 3 percent on all advances written for 2 years or less. Borrowers are to have the right to renew such loans for a period up to 10 years at not more than 4 percent. During the rest of this year only 3 percent interest will be collected on all outstanding 10-year advances.

The Pittsburgh Bank reduced its rate on all advances for 1 year or less from 4 to 3½ percent. All advances for more than 1 year are to be written at 4 percent, but until further notice only 3½ percent will be collected on all outstanding advances.

The Cincinnati Bank has established a minimum rate of 3 percent on all loans for 2 years or less. Loans for a longer period will be written at 3½ percent but billed at 3 percent during the period in which short-term advances carry this rate.

In addition to these reductions, the Portland Bank has altered its 3½-percent rate on all advances. This now applies only to loans made for 1 year or less. All longer-term loans shall be written at 4 percent but interest collected at 3½ percent so long as short-term advances carry this rate. This Bank has also established a 3-percent rate to member institutions on all advances secured by mortgages insured under Title II of the National Housing Act.

It should be noted that the Board on May 29 ordered that all advances to nonmember institutions upon the security of mortgages insured under Title II of the National Housing Act, shall bear interest at rates one half of 1 percent in excess of the current rates of interest prevailing for member institutions. As nonmember institutions do not subscribe for stock in the Federal Home Loan Banks, this higher charge is only fair.

TABLE 1.—*Interest rates, Federal Home Loan Banks; rates on advances to member institutions* [1]

Federal Home Loan Bank	Rate in effect on Aug. 1	Type of loan
	Percent	
1. Boston	3	All advances for 2 years or less, made between July 1 and Dec. 31, 1935, with right to renew for period up to 10 years at not more than 4 percent. During 6-month period, July 1 to Dec. 31, 1935, interest will be collected at 3 percent on all outstanding 10-year advances.
2. New York	3½	All advances for 1 year or less, and amortized within that time.
	4	All other advances.
3. Pittsburgh	3½	All advances for 1 year or less. All advances for more than 1 year are to be written at 4 percent, but until further notice credit will be given on all outstanding advances for the difference between the written rates of 5, 4½, or 4 percent and 3½ percentum per annum.
4. Winston-Salem	4	All advances secured by H. O. L. C. bonds.
	4	All advances for 1 year or less. All advances for more than 1 year are written at 4½ percent, but interest collected at 4-percent rate.
5. Cincinnati	3	All advances for 2 years or less. All advances for more than 2 years are to be written at 3½ percent, but billed at 3 percent during the period in which short-term advances carry this rate.
6. Indianapolis	3	All secured advances for 1 year or less.
	3½	All unsecured advances, none of which may be made for more than 6 months.
	3½	All secured advances for more than 1 year.
7. Chicago	3½	All advances written for 1 year or less. All advances for more than 1 year are to be written at 4½ percent, but billed at 3½ percent during the period in which short-term advances carry this rate.
8. Des Moines	3½	All advances for 1 year or less.
	3½–4	All new advances for more than 1 year shall be written at 3½-percent interest rate for the first year and 4 percent for subsequent years. However, the rate of interest collectible quarterly after the first year shall be the same as the then effective rate on short-term advances. On all existing advances written at 4½ percent only 4 percent will be collected on and after May 1, 1935 so long as these lower rates remain in effect. Further, all advances outstanding at May 1, 1935 written in excess of 3½ percent will, on Dec. 31, 1935, and semiannually thereafter, receive a refund of such portion of the interest collected above 3½ percent as the Board of Directors shall deem justifiable. Such refund will be granted only on loans on which no payments in advance of maturity are made.
9. Little Rock	3	All advances.
10. Topeka	3	Do.
11. Portland	3	All advances to members secured by mortgages insured under Title II of National Housing Act.
	3½	All advances for 1 year or less. All advances for more than 1 year to be written at 4 percent, but interest collected at 3½ percent so long as short-term advances carry this rate.
12. Los Angeles	3	All advances.

[1] On May 29, 1935 the Board passed a resolution to the effect that all advances to nonmember institutions upon the security of insured mortgages, insured under Title II of the National Housing Act, "shall bear interest at rates of interest one half of 1 percentum per annum in excess of the current rates of interest prevailing for member institutions."

TABLE 2.—*Federal Home Loan Bank System—Dividends paid or declared through June 30, 1935*

Federal Home Loan Bank	Dividends paid or declared					Total through June 30, 1935
	As of June 30, 1935			Prior to June 30, 1935		
	Rate (percent)	Government	Members	Government	Members	
Boston	.50	$25,000.00	$9,753.76	$145,715.11	$19,983.23	$200,452.10
New York	2.00	115,000.00	31,082.89	286,915.07	62,782.41	495,780.37
Pittsburgh	2.00	85,000.00	16,373.91	243,545.21	44,712.76	389,631.88
Winston-Salem				184,493.14	50,089.31	234,582.45
Cincinnati	2.00	126,706.94	48,926.55	414,743.85	125,747.50	716,124.84
Indianapolis	.75	44,630.75	14,377.03	196,164.39	59,618.24	314,790.41
Chicago				317,994.52	52,325.17	370,319.69
Des Moines				135,682.19	20,954.54	156,636.73
Little Rock	2.00	60,498.63	12,682.79	196,279.51	35,691.70	305,152.63
Topeka						
Portland	1.50	89,837.16	12,633.70			102,470.86
Los Angeles				22,575.35	6,184.27	28,759.62
Total		546,673.48	145,830.63	2,144,108.34	478,089.13	3,314,701.58

TABLE 3.—*Growth, trend of lending operations, line of credit, and unused credit of the Federal Home Loan Banks*

Month	Members		Line of credit (cumulative) (000 omitted)	Loans advanced (cumulative) (000 omitted)	Loan advanced (monthly) (000 omitted)	Repayments (monthly) (000 omitted)	Balance outstanding at end of month (000 omitted)	Unused line of credit [2] (000 omitted)
	Number	Assets [1] (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	$270	47,600	99,249
December	2,086	2,607,307	211,224	90,835	7,102	859	85,442	125,782
1934								
June	2,579	3,027,999	232,926	111,767	2,950	3,143	85,148	147,778
December	3,072	3,305,088	254,085	129,545	2,904	3,360	86,658	167,426
1935								
January	3,131	3,320,975	254,930	131,778	2,232	6,905	81,985	172,945
February	3,161	3,332,545	255,836	133,103	1,326	6,741	76,570	179,266
March	3,203	3,339,977	256,343	135,219	2,116	6,049	72,637	183,706
April	3,242	3,323,055	257,037	139,302	4,083	2,708	74,011	183,026
May	3,279	3,259,651	258,891	143,097	3,795	1,970	75,836	183,055
June	3,326	3,201,671	260,726	148,450	5,353	1,957	79,233	181,493

[1] Where declines occur they are due to adjustments based on current reports from State building and loan commissioners. In this connection it should be stated that assets of member institutions are reported when they join the System and are subsequently brought up to date once a year as periodic reports are received either from the institutions or from State building and loan supervisors.

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

NOTE.—All figures, except loans advanced (monthly) and repayments, are as of the end of month.

Federal Savings and Loan System

THE value of federalization for building and loan associations can be measured by its effect on the business of converted associations. A few of the reports recently received from converted associations are quoted below.

From an association in Maryland:

Approximately two years prior to our conversion we were on a restricted withdrawal basis paying 1 percent a month and receiving no subscriptions to shares. This condition has been entirely eliminated, and so far as we know there is not a single dissatisfied shareholder. Since the first of July more than $25,000 has been received from new members and we have no applications for the repurchase of shares.

It was the opinion of the Board of Directors that nothing but federalization could restore the confidence of our members and they feel now that this has been completely accomplished. We wish to express our sincere gratitude to the Federal agencies who worked with us to make this possible.

A statement contained in the semiannual report of an association in Pennsylvania:

It is gratifying to see the change that has taken place within our association since receiving a Federal Charter. It has been transformed from one dying of dry rot to a real, thriving, active association. The familiar cry "We have plenty of money to loan but good loans are unavailable" does not apply to us. We have had a steady stream of applications for loans and while we have rejected quite a few, the big majority have been granted, for the loans requested have been reasonable and the security offered excellent.

Our steady advertising telling the people in the vicinity and surrounding territory of the advantages of the Federal savings and loan plan is just beginning to bear real fruit. During the past month savings have been coming to us for investment in increasing amounts.

Our actions have been governed by the thought in mind that now is the one and only time to expand and place loans, for we have seen the folly of loaning when money is plentiful and prices high. We believe that the successful operation of the association lies in making loans when business is looking up and cease lending when signs show business to be near the peak.

The following extracts are quoted from a letter written by the president of an Oklahoma association that began operations under Federal charter on January 1, 1935. Attention is called especially to the statement concerning repurchase fees.

After announcing federalization, not more than 40 percent would take the money for which they had notice on file and these notices had been on file for a period of from three to four years.

And almost at the beginning we began to receive new investments and old shareholders resumed payments on instalment shares. We began to exchange old stock and issued new certificates by the Federal association, by sending out 200 letters weekly. This afforded a splendid opportunity to again contact shareholders on an entirely different basis and the results of such contact have been, in the writer's opinion, of an inestimable value. . . .

The association is now repurchasing its shares up to $100 at any time and meeting all other repurchase applications upon the expiration of thirty days regardless of the amount for which they filed their repurchase application. . . .

Our association used the proceeds of Home Owners' Loan Corporation bonds to satisfy dissatisfied and withdrawing shareholders. We still have on hand approximately $600,000 Home Owners' Loan Corporation bonds and owe the Federal Home Loan Bank of Topeka $200,000. We anticipate making a Treasury call at an early date of $100,000 to be used to make home loans. *We do not charge any repurchase fee and advise against such fees in the future, because of past experience with the question of fees.*

At this moment I am convinced that federalization and insurance of shares will mean more to the building and loans of this country than anything that they have had since their inception. There is no investment today available to the public that will compare with what these Federal savings and loan associations are offering, which has the protection afforded by the Federal Savings and Loan Insurance Corporation and the prospective dividends which these associations will be able to pay. If this is not the way out, then there is no way out. I am convinced that we are approaching a time when more funds will be invested in these Federal institutions than will be possible for them to loan. . . .

SERVICE CAMPAIGNS

In recent months several new Federal associations particularly in small communities have undertaken campaigns to educate the public on the purposes and operation of a Federal savings and loan association. These campaigns have generally enlisted the active support of local business and civic organizations and of the press. In every instance, associations undertaking such campaigns have reported an increase in investments and in lending activities much greater than the average growth of comparable Federal associations that have conducted no service campaigns.

After a 3-day campaign in a town of 20,000 in Texas, an association obtained 50 new members who subscribed for 408 shares and paid in $10,166 in cash on these subscriptions.

A new association in a Wisconsin town of 4,000 population increased its private share investments from $7,365 in September 1934 to $23,529 by the end of June 1935.

In a small Minnesota community 250 people attended a public meeting called by a new Federal association. This meeting was followed up by advertising and personal interviews by the directors. As a result, 138 new members subscribed for 834 shares and paid in $9,177 in cash on these subscriptions.

OPERATIONS OF FEDERAL ASSOCIATIONS DURING JUNE

Comparable figures on operations for May and June were reported by 418 new and 205 converted Federal associations (table 1). June witnessed an increase over May for both groups of Federals in the number of shareholders and in the amount paid in. For converted associations this increase is evidence that the bookkeeping loss in shareholders due to transfer from the share-account sinking-fund plan to the direct-reduction plan of loan amortization is being overcome by the addition of new investors.

The 418 new Federals obtained an increase of 11.3 percent and the 205 converted associations an increase of 16.6 percent in Treasury subscriptions to their shares. At the end of June, Treasury share purchases accounted for something over half the total capital of the new associations reporting, and less than one twelfth of the total capital of the 205 converted associations.

Both classes of Federal associations obtained additional advances from the Federal Home Loan Banks during June. It may be taken as evidence of the vitality of these 623 Federal associations, that though their combined assets at the end of June represented roughly 5.6 percent of the total assets of all members of the Federal Home Loan Banks, they had borrowed 15 percent of the $79,233,000 which the Federal Home Loan Banks had outstanding at the end of June.

The 623 reporting Federals registered a slight seasonal decline in the volume of new mortgage loans made in June as compared with May. Nevertheless, the new business they did was so great as to result in a net increase in loans outstanding at the end of the month of 14.4 percent for the new and 2 percent for the converted associations. There is particular encouragement in the fact that more money was loaned for both new construction and purchase of homes in June than in May, and that the decreases took place particularly in loans for refinancing.

NUMBER AND ASSETS OF FEDERAL ASSOCIATIONS BY BANK DISTRICTS AND STATES

WITH this issue, the REVIEW inaugurates the practice of printing a semiannual breakdown by Bank Districts and by States of the number and assets of new and converted Federals (table 3). These data will be published as of June 30 and December 31 each year. In other issues of the REVIEW only the monthly summary for the nation as a whole will be given.

TABLE 1.—*Federal Savings and Loan System—Combined summary of operations for June 1935 as compared with May 1935*

	418 new associations			205 converted associations		
	June	May	Change May to June	June	May	Change May to June
Total subscriptions at end of month:			*Percent*			*Percent*
Private share accounts	45, 626	44, 359	+2. 8	174, 243	173, 358	+. 5
Shares privately subscribed	437, 355	427, 578	+2. 2	2, 304, 045	2, 265, 376	+1. 7
Shares per account (average)	10	10	0	13	13	0
Share liability at end of month:						
Paid on private subscriptions	$12, 522, 681	$11,775,180	+6. 3	$140, 254, 640	$139, 565, 453	+. 5
Treasury subscriptions	14, 966, 700	13, 437, 800	+11. 3	12, 784, 600	10, 963, 500	+16. 6
Total	27, 489, 381	25, 212, 980	+9. 0	153, 039, 240	150, 528, 953	+1. 6
Average paid on private subscriptions	274	267	+2. 6	805	805	0
Repurchases during month	112, 815	130, 188	−13. 3	1, 154, 560	1, 692, 113	−46. 5
Mortgage loans made during month:						
a. Reconditioning	251, 577	312, 600	−19. 5	281, 524	304, 385	−7. 5
b. New construction	1, 041, 757	939, 217	+10. 9	641, 620	580, 128	+10. 5
c. Refinancing	1, 454, 062	1, 596, 790	−8. 9	1, 840, 938	2, 262, 420	−18. 5
d. Purchase of homes	576, 314	518, 257	+11. 1	1, 309, 340	1, 052, 346	+24. 3
Total for month	3, 323, 710	3, 366, 864	−1. 3	4, 073, 422	4, 199, 279	−3. 0
Loans outstanding end of month	[1] 27, 552, 622	24, 081, 031	+14. 4	126, 156, 431	123, 740, 642	+2. 0
Borrowed money as of end of month:						
From Federal Home Loan Banks	2, 242, 225	1, 830, 922	+22. 4	9, 867, 767	9, 183, 508	+7. 4
From other sources	49, 554	40, 038	+23. 5	1, 723, 025	2, 631, 311	−34. 5
Total	2, 491, 779	1, 870, 960	+33. 1	11, 590, 792	11, 814, 819	−1. 9

[1] This total includes loans made for other purposes than those listed.

TABLE 2.—*Treasury subscriptions to stock of Federal savings and loan associations—Requests and subscriptions*

	Dec. 31, 1933	June 30, 1934	Dec. 31, 1934	May 31, 1935	June 30, 1935
Requests received:					
Number	0	184	707	1, 331	1, 490
Amount	0	$2, 726, 500	$14, 839, 600	$32, 495, 000	$38, 098, 000
Subscriptions:					
Number	0	71	536	1, 186	1, 293
Amount	0	$1, 229, 300	$10, 725, 400	$27, 409, 200	$30, 606, 700

TABLE 3.—*Number and assets of Federal savings and loan associations by Federal Home Loan Bank Districts and by States*

	Number						Assets		
	Dec. 31, 1933	June 30, 1934	Dec. 31, 1934	June 30, 1935			June 30, 1935		
				Total	New	Converted	Total	New	Converted
DISTRICT NO. 1:									
Connecticut	......	......	5	6	5	1	$493, 207	$213, 948	$279, 259
Maine	......	......	......	......	......	......	......	......	......
Massachusetts	......	......	......	3	......	3	2, 089, 145	......	2, 089, 145
New Hampshire	......	1	1	1	1	......	200, 411	200, 411	......
Rhode Island	......	......	......	......	......	......	......	......	......
Vermont	......	......	......	......	......	......	......	......	......
Total	0	1	6	10	6	4	2, 782, 763	414, 359	2, 368, 404
DISTRICT NO. 2:									
New Jersey	......	......	......	......	......	......	......	......	......
New York	......	10	23	33	6	27	28, 136, 744	1, 294, 396	26, 842, 348
Puerto Rico	......	......	......	......	......	......	......	......	......
Virgin Islands	......	......	......	......	......	......	......	......	......
Total	0	10	23	33	6	27	28, 136, 744	1, 294, 396	26, 842, 348
DISTRICT NO. 3:									
Delaware	......	......	......	......	......	......	......	......	......
Pennsylvania	......	10	15	25	22	3	1, 365, 392	843, 974	521, 418
West Virginia	......	7	11	14	9	5	5, 963, 096	686, 226	5, 276, 870
Total	0	17	26	39	31	8	7, 328, 488	1, 530, 200	5, 798, 288
DISTRICT NO. 4:									
Alabama	2	7	13	12	11	1	762, 182	552, 774	209, 408
District of Columbia	......	......	......	......	......	......	......	......	......
Florida	8	27	43	44	42	2	3, 530, 595	3, 224, 405	306, 190
Georgia	3	7	19	30	21	9	2, 437, 596	897, 467	1, 540, 129
Maryland	......	......	1	8	......	8	6, 485, 713	......	6, 485, 713
North Carolina	......	2	4	7	3	4	2, 768, 414	557, 197	2, 211, 217
South Carolina	3	9	15	23	16	7	3, 583, 883	833, 974	2, 749, 909
Virginia	2	4	7	12	9	3	1, 211, 536	253, 378	958, 158
Total	18	56	102	136	102	34	20, 779, 919	6, 319, 195	14, 460, 724
DISTRICT NO. 5:									
Kentucky	1	10	18	23	11	12	21, 682, 740	304, 047	21, 378, 693
Ohio	......	8	18	37	19	18	50, 091, 003	3, 739, 566	46, 351, 437
Tennessee	......	20	25	33	25	8	4, 120, 393	996, 319	3, 124, 074
Total	1	38	61	93	55	38	75, 894, 136	5, 039, 932	70, 854, 204
DISTRICT NO. 6:									
Indiana	3	18	22	24	22	2	8, 345, 389	2, 148, 803	6, 196, 586
Michigan	2	6	9	13	11	2	3, 244, 363	756, 002	2, 488, 361
Total	5	24	31	37	33	4	11, 589, 752	2, 904, 805	8, 684, 947
DISTRICT NO. 7:									
Illinois	2	21	49	62	15	47	29, 174, 292	1, 763, 273	27, 411, 019
Wisconsin	......	13	21	23	21	2	2, 039, 048	1, 072, 793	966, 255
Total	2	34	70	85	36	49	31, 213, 340	2, 836, 066	28, 377, 274

Table 3.—*Number and assets of Federal savings and loan associations by Fedeaal Home Loan Bank Districts and by States*—Continued.

	Number						Assets		
	Dec. 31, 1933	June 30, 1934	Dec. 31, 1934	June 30, 1935			June 30, 1935		
				Total	New	Converted	Total	New	Converted
District No. 8:									
Iowa	2	16	23	29	22	7	$2, 355, 821	$833, 576	$1, 522, 245
Minnesota	3	13	18	21	16	5	3, 515, 950	549, 670	2, 966, 280
Missouri	2	17	25	35	17	18	20, 990, 705	1, 178, 939	19, 811, 766
North Dakota	......	3	3	3	3	......	112, 726	112, 726	......
South Dakota	......	1	3	3	2	1	984, 209	74, 258	909, 951
Total	7	50	72	91	60	31	27, 959, 411	2, 749, 169	25, 210, 242
District No. 9:									
Arkansas	8	20	27	32	28	4	3, 132, 193	1, 604, 903	1, 527, 290
Louisiana	6	8	11	12	8	4	10, 167, 315	208, 405	9, 958, 910
Mississippi	2	14	15	17	16	1	1, 001, 030	904, 243	96, 787
New Mexico	......	1	9	9	9	......	259, 869	259, 869	......
Texas	5	27	58	79	63	16	10, 796, 301	1, 741, 327	9, 054, 974
Total	21	70	120	149	124	25	25, 356, 708	4, 718, 747	20, 637, 961
District No. 10:									
Colorado	1	12	17	20	15	5	2, 420, 381	438, 168	1, 982, 213
Kansas	......	7	15	17	12	5	1, 634, 514	766, 283	868, 231
Nebraska	1	6	7	12	9	3	1, 191, 888	696, 641	495, 247
Oklahoma	......	6	19	29	4	25	39, 418, 905	115, 347	39, 303, 558
Total	2	31	58	78	40	38	44, 665, 688	2, 016, 439	42, 649, 249
District No. 11:									
Alaska	......	......	......	......	......	......	......	......	......
Idaho	......	......	2	6	......	6	1, 679, 311	......	1, 679, 311
Montana	......	......	......	......	......	......	......	......	......
Oregon	3	12	20	20	18	2	2, 504, 285	1, 454, 154	1, 050, 131
Utah	......	......	1	1	1	......	67, 292	67, 292	......
Washington	......	16	22	37	10	27	19, 774, 857	1, 367, 092	18, 407, 765
Wyoming	......	......	1	4	3	1	381, 478	31, 119	350, 359
Total	3	28	46	68	32	36	24, 407, 223	2, 919, 657	21, 487, 566
District No. 12:									
Arizona	......	......	1	1	1	......	11, 651	11, 651	......
California	......	10	22	30	27	3	4, 399, 830	3, 347, 460	1, 052, 370
Hawaii	......	1	1	1	1	......	43, 354	43, 354	......
Nevada	......	......	......	......	......	......	......	......	......
Total	0	11	24	32	29	3	4, 454, 835	3, 402, 465	1, 052, 370
Total for system	59	370	639	851	554	297	304, 569, 007	36, 145, 430	268, 423, 577

Federal Savings and Loan Insurance Corporation

As THIS REVIEW goes to press, the simultaneous insurance of share accounts in 13 State-chartered homestead associations in New Orleans is announced. The 13 associations have approximately $22,000,000 in assets and 20,000 shareholders, whose savings are now protected by Federal insurance.

The granting of insurance certificates to so large a group of associations in a single competitive territory at the same time was made possible by the active cooperation of the Louisiana State banking authorities. They have urged insurance of share accounts as the solution of homestead associations' withdrawal problems and the key to the restoration of investor confidence and of active lending. The experience of insured associations in other parts of Louisiana as well as in the country as a whole seems to justify this high opinion of the value of share insurance.

In a recent letter to its members an insured Baton Rouge association included the following paragraph:

> Immediately upon . . . insurance of shares, the repurchase (withdrawal) list promptly disappeared, and a steady stream of new funds for investment began flowing in. As a consequence, all borrowed money was paid off in full; and with a limited number of desirable loans available, it soon became necessary to confine the sale of shares to small amounts. The limit at present is $500, including the amount previously purchased.

EXPERIENCE OF AN OHIO ASSOCIATION

THE accompanying table shows cash deposited and cash withdrawn from a savings and loan association in Ohio during 14 consecutive weeks.[1] In 9 out of the first 11 weeks the withdrawals exceeded deposits and the net loss to the association for the 11-week period was $44,306.17.

On June 13, the association announced that its depositors' accounts had been insured with the Federal Savings and Loan Insurance Corporation. The announcement reversed the downward trend in-

[1] Ohio associations are permitted by State law to accept deposits.

TABLE 1.—*Weekly investments and withdrawals in an Ohio savings and loan association before and after insurance*

Week ending	Cash deposits received	Cash deposits withdrawn	Loss	Gain
1935				
March 30	$6, 892. 36	$14, 934. 49	$8, 042. 13	
April 6	22, 224. 46	30, 943. 49	8, 719. 03	
April 13	8, 395. 61	25, 148. 71	16, 753. 10	
April 20	23, 811. 97	18, 170. 68		$5, 641. 29
April 27	15, 817. 84	18, 559. 96	2, 742. 12	
May 4	21, 239. 10	13, 725. 00		7, 514. 10
May 11	10, 330. 29	15, 363. 79	5, 033. 50	
May 18	12, 927. 26	16, 883. 99	3, 956. 73	
May 25	10, 295. 78	19, 182. 43	8, 886. 65	
June 1	11, 192. 92	13, 120. 03	1, 927. 11	
June 8	11, 414. 90	12, 816. 09	1, 401. 19	
June 13—Insurance announced.				
June 15	39, 198. 91	24, 329. 54		14, 869. 37
June 22	26, 472. 21	10, 714. 42		15, 757. 79
June 29	23, 015. 37	13, 287. 45		9, 727. 92
Total			57, 461. 56	53, 510. 47

stantly and in each of the 3 succeeding weeks deposits showed a substantial increase over withdrawals. In fact during these 3 weeks following insurance, new investments were almost sufficient to wipe out the losses sustained during the previous 11 weeks.

Special interest attaches to the effect of insurance on this Ohio association because it had been operating for a year prior to insurance practically on an open basis, meeting withdrawals on demand. Yet in view of shaken confidence of investors generally, even this excellent record was not enough to keep the association from losing ground. The public undoubtedly wants some understandable guarantee of future as well as present safety. That guarantee, Federal insurance of shares supplies.

PROGRESS OF THE INSURANCE CORPORATION

DURING the period from June 22 to July 20, 40 additional associations received their insurance certificates, bringing the total of insured institutions to 861. The total assets of insured associations were $418,-954,948. Their insured shareholders numbered 678,353. The average investment of each shareholder was $565.

As of July 20, the Insurance Corporation had received applications from 1,097 associations, with total assets of $735,553,458. Of these associations, 199 were State-chartered, 375 were converted Federals, and 523 were new Federals. It is estimated that the resources of applicant institutions represent something more than 15 percent of the assets of all building and loan associations in the United States.

TABLE 2.—*Progress of the Federal Savings and Loan Insurance Corporation—Applications received and institutions insured*

APPLICATIONS RECEIVED

	Number			Assets (as of date of application)		
	Dec. 31, 1934	June 22, 1935	July 20, 1935	Dec. 31, 1934	June 22, 1935	July 20, 1935
State-chartered associations	53	183	199	$110, 681, 409	$310, 972, 085	$370, 000, 180
Converted F. S. and L. A.	134	355	375	128, 907, 073	387, 169, 289	356, 659, 511
New F. S. and L. A.	393	513	523	7, 578, 870	8, 817, 847	8, 893, 767
Total	580	1, 051	1, 097	247, 167, 352	706, 959, 221	735, 553, 458

INSTITUTIONS INSURED

	Number			Number of shareholders (as of date of insurance)	Share and creditor liabilities (as of date of insurance)	Assets (as of date of insurance)
	Dec. 31, 1934	June 22, 1935	July 20, 1935	July 20, 1935	July 20, 1935	July 20, 1935
State-chartered associations	4	44	47	250, 157	$127, 550, 844	$139, 781, 322
New and converted F. S. and L. A.	447	777	814	428, 196	254, 340, 033	279, 173, 626
Total	451	821	861	678, 353	381, 890, 877	418, 954, 948

STATEMENT APPEARING IN NEW ORLEANS NEWSPAPERS

A Message to the People of New Orleans on the Future of Their Homestead Associations

"New Safety for a Time-Tested Way of Saving"

A Statement by John H. Fahey
Chairman, Federal Home Loan Bank Board
Washington, D. C.

Standing behind the savings in homestead and building and loan associations, even in periods of crisis, are large numbers of sound first mortgages on the homes of industrious American citizens. The long-term amortized loan plan employed in homestead-association lending is a further permanent safeguard. It furnishes a convenient means of bringing the home owner into debt-free possession of his dwelling, while the progressive reduction of principal on such loans gives steadily growing security to the lending institution and its investors.

Bulwarks for Safety

While their long-term mortgage operations make it impossible or the homestead type of associations to promise to pay cash on demand without limit under abnormal conditions of widespread alarm, the practice of carrying larger reserves has gained encouraging headway in recent years among these institutions. More than 3,300 of them today likewise have the powerful bulwark of their membership in the Federal Home Loan Bank System, which serves them as a vast credit reserve to meet the needs of their shareholders and their applicants for mortgage loans.

In addition to these basic advantages, a vital, new plan is now available for the complete protection, up to $5,000, of every holder of withdrawable shares in every homestead association which has been approved as a properly managed, solvent institution through the

Federal Savings and Loan Insurance Corporation

Created by Congress in June 1934, as a permanent Homestead-Building and Loan Insurance Corporation, with a capital of $100,000,000 subscribed by the United States Government, this Corporation has already granted insurance to more than 850 homestead and building and loan associations, whose 675,000 investors now enjoy this valuable safeguard. Similar in purpose to the insurance of bank deposits of the Federal Deposit Insurance Corporation, the insurance of safety of investments in long-term thrift institutions under the Federal Savings and Loan Insurance Corporation in the first year of its existence has justified the aims for which it was established. In addition to the liberal income paid in dividends, the insured associations afford a degree of safety never before available.

Several insured associations near New Orleans have been obliged to set rigid limits upon the amount of money which they will accept from any investor, and several have declined to accept new savings at all for the present, because the savings attracted to them by insurance greatly exceed their opportunities for employing their funds in home mortgage loans.

What a reversal from the public attitude before insurance came into effect, and transformed fear into courage, and doubt into faith!

A Century of Service

For more than a hundred years, the homestead or building and loan association plan of saving money has been steadily strengthened by the lessons of experience, for the benefit of the saving public.

In thousands of well-managed associations billions of dollars in the savings of milllions of American salaried workers and wage earners have been kept safe under all ordinary conditions for this great army of savers. Liberal dividends have been paid on these savings. No other type of mutual thrift institution has proved more profitable in the long run to its shareholders or depositors.

Only during short periods of blind, unreasoning panic, at long intervals of years, have well-managed homestead associations temporarily been handicapped in meeting every reasonable demand. The strength of the homestead loan plan, itself, has never been under attack or open to question at any time.

How Insurance Works

Now, with Federal insurance and the great resources of the Federal Home Loan Banks available, the soundness of such investment in insured member associations is far more firmly established.

If your account is placed in a homestead association insured by the Federal Savings and Loan Insurance Corporation, it is fully insured up to $5,000. The maximum amount of insurance which any person or partnership may have in any single insured institution is $5,000.

The Federal Savings and Loan Insurance Corporation will announce within a few days that a considerable number of old-established New Orleans homestead associations have been approved for insurance. Rigorous examination has shown them to be sound and well managed. Insurance protection will thus be extended to thousands of small savers in this city who were formerly concerned for the safety of their money.

New Orleans Will Profit

With this vital development, the homestead associations of New Orleans which obtain insurance will be released from the recent pressure of a minority of timid investors seeking to withdraw their funds. Those associations will be free once more to use their resources for mortgage loans and to earn liberal dividends for their shareholders.

By thus returning to their normal thrift and lending activities, the insured associations will help recovery by the increased employment of labor in the New Orleans area which new mortgage loans make possible in the building materials and construction industries. With a housing shortage already in sight and real estate values rising, the ground for such a development has already been broken.

Every person whose money may be held in an insured homestead association should consider the strong, new safeguards which insurance offers him, and the attractive dividend return paid on savings in that association. Every public-spirited citizen may well support the New Orleans program of the Federal Savings and Loan Insurance Corporation, in view of the opportunity which it gives for the return of sound thrift and home finance and the stimulation of greater business activity in this community.

This emblem will identify all Homesteads and Building and Loan Associations insured by the Federal Savings and Loan Insurance Corporation.

This advertisement published by a group of New Orleans Homesteads and Building and Loan Associations in the interest of the Homestead Investing Public.

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 Sept. 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	61, 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	35, 675	65, 813	201, 211, 532
November	[2] 13, 913	54, 468	170, 544, 562
December	....	54, 036	169, 018, 847
1935			
January	....	54, 990	166, 836, 150
February	....	36, 542	104, 919, 941
March	....	23, 140	70, 664, 400
April	....	13, 807	39, 475, 180
May	[3] 2, 914	13, 593	41, 235, 897
June	140, 234	13, 142	40, 557, 636
July 1 to July 25	....	10, 500	32, 870, 197
Grand total to July 25, 1935	1, 883, 864	891, 955	2, 693, 547, 209

[1] These figures are subject to adjustment.
[2] Receipt of applications stopped Nov. 13, 1934, and was not resumed until May 28, 1935.
[3] Represents applications received in 3 days. Order to receive applications for a 30-day period was issued May 28, 1935.

Reconditioning Division—Summary of all reconditioning operations to July 25, 1935

Period	Number of applications received for reconditioning loans	Total contracts executed		Total jobs completed	
		Number	Amount	Number	Amount
June 1, 1934 to June 20, 1935 [1]	554, 984	258, 959	$46, 989, 673	199, 602	$35, 433, 562
June 21, 1935 to July 25, 1935 [2]	21, 548	11, 627	2, 477, 001	23, 070	4, 107, 129
Grand total to July 25, 1935	576, 532	270, 586	49, 466, 674	222, 672	39, 540, 691

[1] The totals for this period differ from those published in the July Review due to subsequent corrections.
[2] The figures for this period are subject to correction.

Note.—Prior to the organization of the Reconditioning Division on June 1, 1934, the Corporation had completed 52,269 reconditioning jobs amounting to approximately $6,800,000.

Resolutions of the Board and Opinion of the General Counsel

I.—CONCERNING THE REMOVAL OF THE FEDERAL HOME LOAN BANK OF NEWARK TO NEW YORK AND THE CONSEQUENT CHANGE OF NAME

On June 17, the Board passed the following resolution:

Whereas it appears to be advisable to move the Federal Home Loan Bank of Newark from the City of Newark, New Jersey, to the City of New York, New York, and that the name of said Bank be changed from Federal Home Loan Bank of Newark to Federal Home Loan Bank of New York, and that such action will promote the best interests of such Bank and of its member institutions, therefore

Be it resolved by the Federal Home Loan Bank Board that the Federal Home Loan Bank of Newark, located at Newark, New Jersey, be moved to the City of New York, New York, and that the name of Federal Home Loan Bank of Newark is hereby changed to Federal Home Loan Bank of New York.

Be it further resolved that Articles 1, 2, and 3, of the Organization Certificate of the Federal Home Loan Bank of Newark, only insofar as said Articles refer to the name, location, and establishment of said Bank, are hereby amended by changing the name, location of the principal office of the Bank, and the place where the Bank is to be established, from Newark to New York.

II.—GOVERNING ISSUE AND DELIVERY OF STOCK CERTIFICATE TO NEWLY ADMITTED MEMBERS OF THE FEDERAL HOME LOAN BANKS

The following resolution was adopted by the Board on July 12:

Be it resolved that when an institution has been approved for membership by this Board the Federal Home Loan Bank of which it has become a member shall promptly issue in the name of such member a certificate of stock for the full amount of such member's stock subscription; that upon the issuance by the Bank of a stock certificate in the name of a member, such member shall be deemed a stockholder of record.

Be it further resolved that in all cases where the member institution has not made full payment on its stock subscription, the Federal Home Loan Bank shall hold the stock certificate which has been issued to it until full payment on said stock subscription has been received by the Bank.

III.—CONCERNING THE CHARGES FOR ALL OFFICE AND FIELD EXAMINATIONS MADE BY THE EXAMINING DIVISION

On July 24, the Board took action to continue indefinitely the plan of billing for examinations on a flat per diem basis. The resolution reads:

Be it resolved that until otherwise directed, the Board's Comptroller continue billing on a flat per diem of $25 for Senior Examiners and $20 for Junior Examiners, the cost, including travel expense, of all office and field examinations made by the Examining Division, as well as other reimbursable services rendered by them, such billings to be based on reports certified to the Comptroller by the Chief Examiner.

IV.—AMENDING THE RULES AND REGULATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS TO PERMIT THE REPLACEMENT OF LOST SHARE CERTIFICATES

The Board adopted the following resolution on July 24:

Be it resolved by the Federal Home Loan Bank Board that the Rules and Regulations for Federal Savings and Loan Associations be and the same are hereby amended by adding a new section as follows:

"Sec. 52.1 *Issuance of duplicate certificates in lieu of certificates evidencing share accounts lost or destroyed.*—Upon filing with a Federal savings and loan association by the holder of record as shown by the books of the association, or his legal representative, of an affidavit to the effect that the certificate evidencing his share account with the association has been lost or destroyed, such Federal savings and loan association shall issue a duplicate certificate, shown to be such on the face thereof, evidencing such share account in the name of the holder of record; provided, however, that the Board of Directors shall, if in the judgment of such Board it is necessary, require the holder of record, or his legal representative, to furnish a bond in an amount sufficient to indemnify the association against any loss which might result from the issuance of such duplicate certificate."

V.—CONCERNING THE PAYMENT OF DIVIDENDS BY FEDERAL SAVINGS AND LOAN ASSOCIATIONS ON SHARE ACCOUNTS NOMINAL IN AMOUNT

The Board adopted the following resolution on June 27:

Whereas certain Federal savings and loan associations have requested permission to pay no dividends on accounts nominal in amount, therefore,

Be it resolved by the Federal Home Loan Bank Board that all Federal savings and loan associations be directed to pay dividends as declared to all shareholders uniformly as is provided for in the organization of Federal savings and loan associations,

Be it further resolved that the attention of Federal savings and loan associations be called to the fact that they may repurchase their shares and that in the case of accounts nominal in amount they may give notice to such shareholders at their last known address as shown by the books of the association, and repurchase such shares, and if such shareholders do not call for the funds, then the association may hold the same in trust for such shareholders until called for without liability for further dividends.

VI.—OPINION OF THE GENERAL COUNSEL CONCERNING THE TYPE OF NONMEMBER INSTITUTION ELIGIBLE TO BORROW FROM THE FEDERAL HOME LOAN BANKS ON THE SECURITY OF MORTGAGES INSURED UNDER TITLE II OF THE NATIONAL HOUSING ACT

At the request of the Board, the General Counsel on July 1 presented the following opinion:

I am requested to advise the proper construction of the phrase; "subject to the inspection and supervision of some Governmental agency," as the same appears in Section 7 of the act approved May 28, 1935, and Section 10b of the Federal Home Loan Bank Act as amended, which authorizes the Federal Home Loan Banks to make loans to nonmembers.

In my opinion, the intention of the Congress was to confine loans by the Federal Home Loan Banks to nonmembers which are by law subject to the inspection and supervision of some Governmental agency having legal power and authority to inspect and supervise.

There is a considerable legislative history on this subject. The Federal Home Loan Bank Act limited membership in the Federal Home Loan Banks to insurance companies, savings banks and building and loan associations and similar institutions which are generally subject by law to examination and supervision, and made a special statutory provision for membership in those States where examination and supervision of such institutions is not provided for by law. In view of the development of the law on this subject it appears clear that the Congress intended to deal with mortgage institutions which are subject by law to examination and supervision and intended to exclude private mortgage companies and similar institutions which operate without any Governmental supervision or control.

It is my opinion that a nonmember institution cannot qualify merely by contracting with Reconstruction Finance Corporation, Federal Housing Administration or a similar agency of Government to furnish audits or to permit examinations. In other words, institutions cannot qualify as such nonmember borrowers unless some Governmental agency has a legally enforceable right as a matter of law to provide a uniform and continuous examination and supervision of the business.

Directory of Member, Federal, and Insured Institutions

Added during June and July

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN JUNE 24, 1935, AND JULY 27, 1935[1]

(Listed by Federal Home Loan Bank Districts, States, and cities)

DISTRICT NO. 1

CONNECTICUT:
- East Hartford:
  - East Hartford Building & Loan Association.

DISTRICT NO. 2

NEW JERSEY:
- Hackensack:
  - Industrial Building & Loan Association of Hackensack, 204 State Street.

NEW YORK:
- Buffalo:
  - Carlton Street Permanent Savings & Aid Association, 132 Peach Street.
- Central Valley:
  - Central Valley Savings & Loan Association.
- Utica:
  - Homestead Aid Association of Utica, 516 Seneca Street.

DISTRICT NO. 3

PENNSYLVANIA:
- Morrisville:
  - Mechanics Mutual Loan & Building Association of Bucks & Mercer Counties, Morrisville Trust Company.
- Philadelphia:
  - St. Carthage Building & Loan Association, 5431 Cedar Avenue.
  - Westmoreland Building & Loan Association, Northeast Corner Fifteenth & Verango Streets.
- Souderton:
  - Souderton Building & Loan Association, Montgomery County.

WEST VIRGINIA:
- Ravenswood:
  - Conservative Building & Loan Association.

DISTRICT NO. 4

NORTH CAROLINA:
- Roanoke Rapids:
  - Rosemary Building & Loan Association, 1102 Roanoke Avenue.

[1] During this period 14 Federal savings and loan associations were admitted to membership in the System.

SOUTH CAROLINA:
- Greenwood:
  - Greenwood Building & Loan Association, 602–4 Central Union Building.
- Kingstree:
  - Mutual Building & Loan Association.

DISTRICT NO. 5

KENTUCKY:
- Fulton:
  - Fulton Building & Loan Association, 214 Main Street.

DISTRICT NO. 6

INDIANA:
- Fort Wayne:
  - Home Loan & Savings Association.

MICHIGAN:
- Plymouth:
  - Plymouth Savings & Loan Association, 1550 South Main Street.

DISTRICT NO. 7

WISCONSIN:
- Milwaukee:
  - Ben Franklin Building & Loan Association, 710 North Plankinton Avenue.
  - Lakeside Building & Loan Association, 2551 North Downer Avenue.
  - Republic Building & Loan Association, 207 East Michigan Street.

DISTRICT NO. 9

TEXAS:
- Cuero:
  - Cuero Building & Loan Association.

DISTRICT NO. 11

WASHINGTON:
- Auburn:
  - Auburn Savings & Loan Association, 9 East Main Street.
- Seattle:
  - Northern Savings & Loan Association, 515 Union Street.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN JUNE 24, 1935, AND JULY 27, 1935

CALIFORNIA:
- Long Beach:
  - Reliable Building & Loan Association, 133 East First Street.

INDIANA:
  Evansville:
    West Side Building, Loan & Savings Association, 2211 West Franklin Street.
OHIO:
  Hamilton:
    Hamilton Homestead & Loan Company, 14 North Third Street.
PENNSYLVANIA:
  Clifton Heights:
    Clifton Heights Building & Loan Association, First National Bank Building.
  Pittsburgh:
    Serbo-American Building & Loan Association, 2715 Sarah Street.

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN JUNE 27, 1935, AND JULY 29, 1935

(Listed by Federal Home Loan Bank Districts, States and cities)

DISTRICT NO. 2

NEW YORK:
  Baldwin:
    Baldwin Federal Savings & Loan Association, 26 Sunrise Highway (converted from Baldwin Savings & Loan Association).
  Huntington:
    Huntington Federal Savings & Loan Association, 333 New York Avenue (converted from Huntington Savings & Loan Association).
  New York:
    Railroad Federal Savings & Loan Association, 441 Lexington Avenue (converted from Railroad Cooperative Building & Loan Association).
  Salamanca:
    Salamanca Federal Savings & Loan Association, 10 Atlantic Street (converted from Salamanca Loan & Building Association).

DISTRICT NO. 3

PENNSYLVANIA:
  Wilkinsburg:
    First Federal Savings & Loan Association of Wilkinsburg, 1010 Center Street (converted from Wilkinsburg Home Building & Loan Association).
  Williamsport:
    First Federal Savings & Loan Association of Williamsport, 317 Pine Street (converted from Peoples Building & Loan Association of Williamsport, Pennsylvania).

DISTRICT NO. 4

GEORGIA:
  Tifton:
    Tifton Federal Savings & Loan Association, Second Street (converted from Tifton Building & Loan Association).
MARYLAND:
  Baltimore:
    Arundel Federal Savings & Loan Association of Baltimore City, 419 Patapsco Avenue, Brooklyn (converted from Arundel Perpetual Loan & Savings Association, Incorporated).
VIRGINIA:
  Virginia Beach:
    Virginia Beach Federal Savings & Loan Association, Woodhouse Building.

DISTRICT NO. 5

KENTUCKY:
  Glasgow:
    First Federal Savings & Loan Association of Glasgow, New Farmers National Bank, 11 South Green Street (converted from Glasgow Building & Loan Association).
  Newport:
    Kentucky Enterprise Federal Savings & Loan Association of Newport, Southwest Corner Eighth & Monmouth Streets (converted from Kentucky Loan & Building Association No. 1 of Newport, Kentucky).
  Princeton:
    Princeton Federal Savings & Loan Association, Harrison Street (converted from Princeton Building & Loan Association).
OHIO:
  Cincinnati:
    Bramble Federal Savings & Loan Association of Cincinnati, 5091 Bramble Avenue (converted from Bramble Building & Loan Company).
    Orpheum Federal Savings & Loan Association of Cincinnati, 2542 Woodburn Avenue (converted from Orpheum Savings & Loan Company).
  Columbus:
    Columbus Federal Savings & Loan Association, 150 East State Street (involving transfer of assets of Lilley Building & Loan Company).
  Marion:
    Marion Federal Savings & Loan Association, 134 East Center Street (converted from Marion Building, Savings & Loan Company).
  Mount Vernon:
    First Federal Savings & Loan Association of Mount Vernon, 136 South Main Street (converted from Knox Savings & Loan Association).
  Niles:
    Home Federal Savings & Loan Association of Niles, South Main Street (converted from Home Savings & Loan Company of Niles, Ohio).

DISTRICT NO. 6

INDIANA:
  Evansville:
    Evansville Federal Savings & Loan Association, 14 Northwest Fourth Street (involving transfer of assets of Fidelity Savings & Loan Association).
  Gary:
    Gary Federal Savings & Loan Association, 11 West Seventh Street.
  Hammond:
    Peoples Federal Savings & Loan Association of Hammond, 5444 Calumet Avenue (converted from Peoples Mutual Savings & Loan Association of Hammond, Indiana).
MICHIGAN:
  Dearborn:
    First Federal Savings & Loan Association of Dearborn, 6131 Appaline Street.

DISTRICT NO. 7

ILLINOIS:
  Chillicothe:
    Chillicothe Federal Savings & Loan Association, 222 North Second Street (converted from Chillicothe Loan & Homestead Association).
  Tuscola:
    First Federal Savings & Loan Association of Tuscola, 112 North West Central Avenue (converted from Tuscola Benefit & Building Association of Tuscola, Illinois).

DISTRICT NO. 8

MINNESOTA:
- St. Paul:
  - Minnesota Federal Savings & Loan Association, 360 Robert Street (converted from Minnesota Building & Loan Association).
  - St. Paul Federal Savings & Loan Association, 215 Commerce Building (converted from St. Paul Building & Loan Association).
- Wadena:
  - Wadena Federal Savings & Loan Association.

MISSOURI:
- Kansas City:
  - Western Federal Savings & Loan Association of Kansas City, 102 East Ninth Street (converted from Western Savings & Loan Association).

DISTRICT NO. 9

ARKANSAS:
- Fort Smith:
  - Peoples Federal Savings & Loan Association, 200 First National Bank Building (involving transfer of assets of Peoples Building & Loan Association).

TEXAS:
- Belton:
  - Bell County Federal Savings & Loan Association, 119 East Street, North (involving transfer of assets of Bell County Building & Loan Association).
- Brownwood:
  - Brownwood Federal Savings & Loan Association.
- Goose Creek:
  - Harris County Federal Savings & Loan Association, 105 South Ashbel Street (converted from Harris County Building & Loan Association).
- Marshall:
  - First Federal Savings & Loan Association of Marshall, 106 North Washington Street (converted from Citizens Building & Loan Association).
- Pampa:
  - First Federal Savings & Loan Association of Pampa, Combs-Worley Building (converted from Western Building & Loan Association).

DISTRICT NO. 10

KANSAS:
- Kansas City:
  - First Federal Savings & Loan Association of Kansas City, 1004 Central Avenue (converted from Central Avenue Savings & Loan Association).

DISTRICT NO. 11

UTAH:
- Salt Lake City:
  - Deseret Federal Savings & Loan Association, 44 Main Street (converted from Deseret Building Society).

WASHINGTON:
- Aberdeen:
  - Aberdeen Federal Savings & Loan Association, Wishkah & H Streets (converted from Aberdeen Savings & Loan Association).

WASHINGTON—Continued.
- Auburn:
  - Auburn Federal Savings & Loan Association, 9 East Main Street (converted from Auburn Savings & Loan Association).

WYOMING:
- Sheridan:
  - First Federal Savings & Loan Association, 146 West Whitney Street.

DISTRICT NO. 12

CALIFORNIA:
- Upland:
  - Magnolia Federal Savings & Loan Association of Upland, 237 Second Avenue (converted from Magnolia Building & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN JUNE 27, 1935, AND JULY 29, 1935

INDIANA:
- Valparaiso:
  - Valparaiso Federal Savings & Loan Association, 11 Lincoln Way (consolidated with First Federal Savings & Loan Association of Valparaiso).

MISSISSIPPI:
- New Albany:
  - Union County Federal Savings & Loan Association.

TEXAS:
- Stephenville:
  - First Federal Savings & Loan Association of Stephenville.

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN JUNE 29, 1935, AND JULY 31, 1935 [1]

DISTRICT NO. 2

NEW YORK:
- Woodhaven:
  - Columbia Building & Loan Association, 9322 Jamaica Avenue.

DISTRICT NO. 5

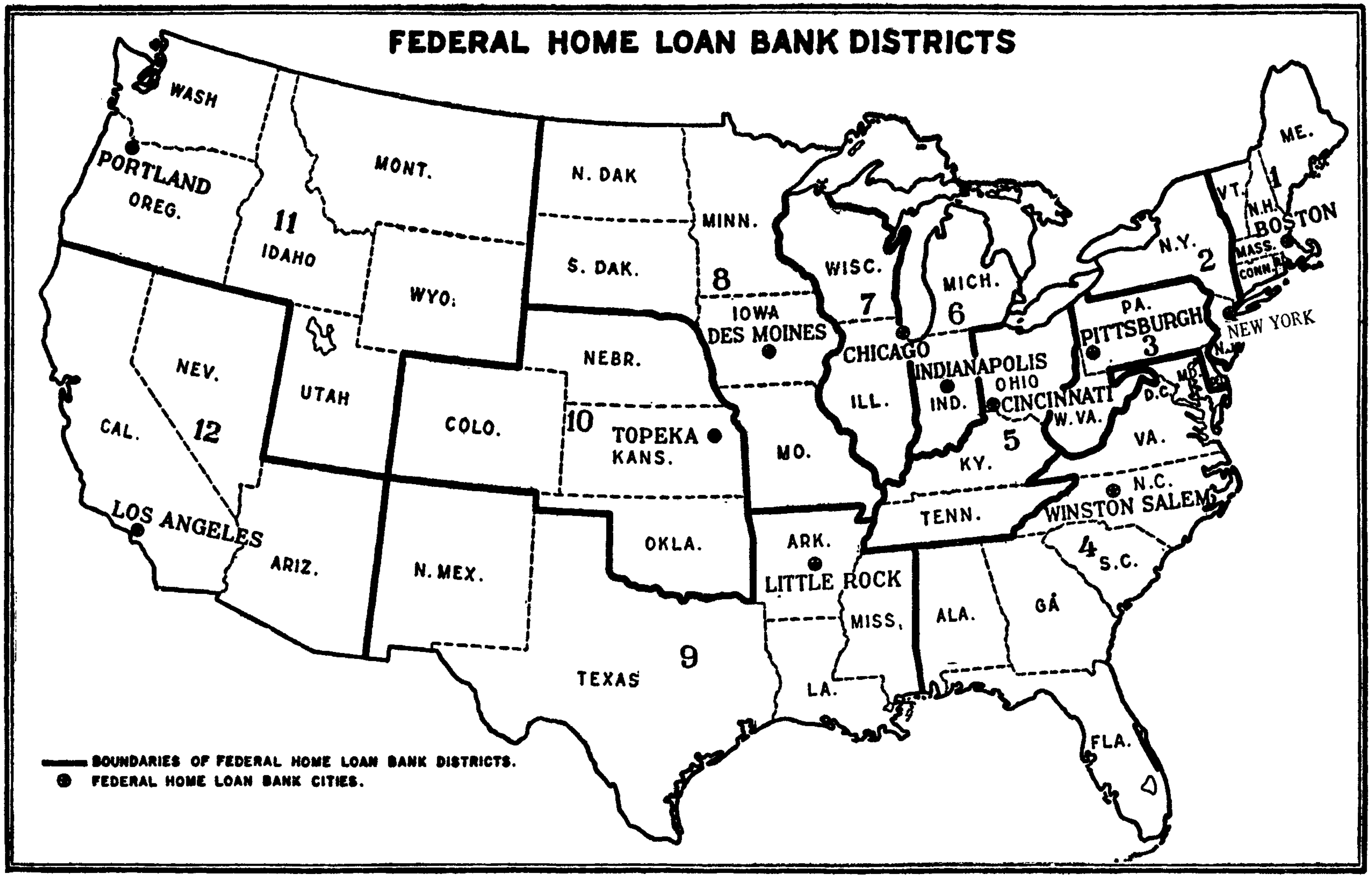
OHIO:
- Cincinnati:
  - San Marco Building & Loan Association, 2725 Woodburn Avenue.

DISTRICT NO. 8

NORTH DAKOTA:
- Fargo:
  - Gate City Building & Loan Association, 518 North P Avenue.

[1] During this period 45 Federal savings and loan associations were insured.

FEDERAL HOME LOAN BANK DISTRICTS



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