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SUBSCRIPTION PRICE OF REVIEW

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Foreclosures and New Residential Construction in Large Urban Counties

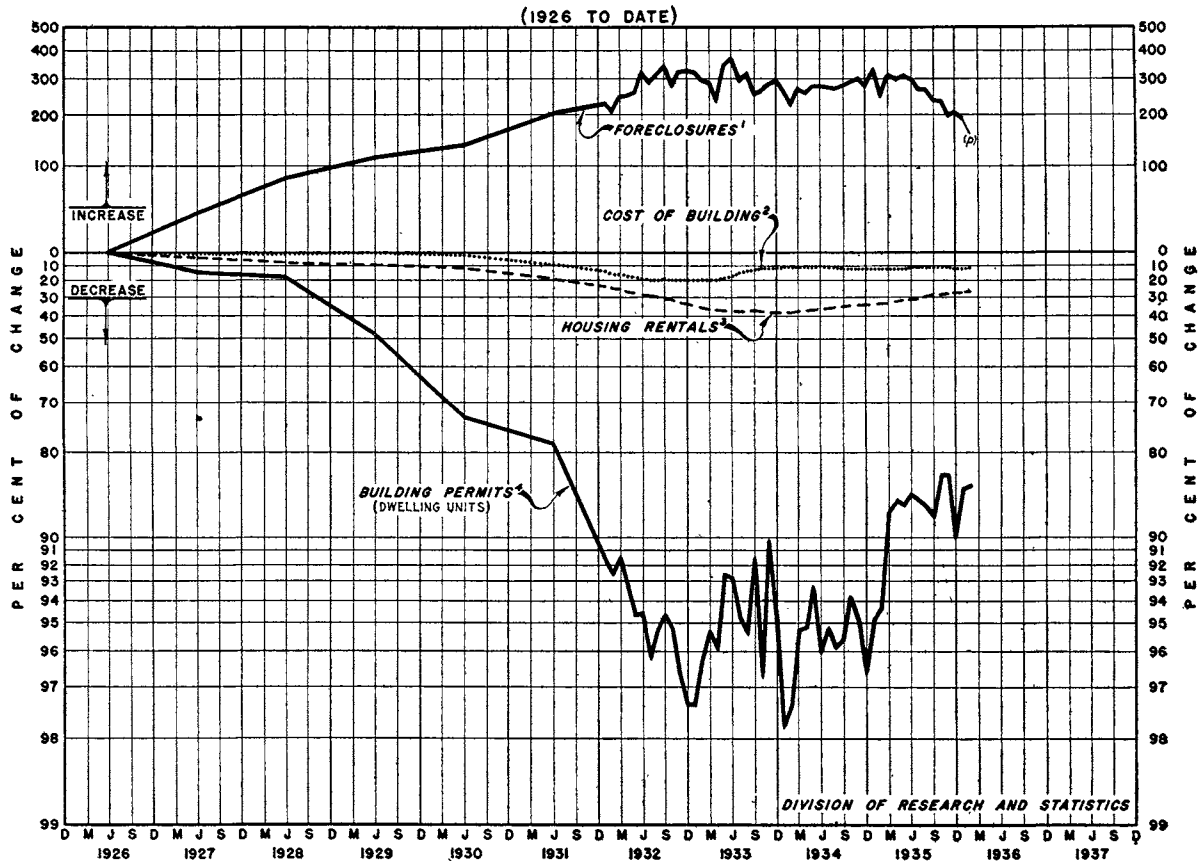
WHEN foreclosures go up, the number of dwelling units for which permits are granted go down and when foreclosures go down, building permits go in the opposite direction. The intimacy of this relationship is revealed in the accompanying chart prepared by the Division of Research and Statistics of the Federal Home

Loan Bank Board. This chart pictures the inverse movements of foreclosures and building permits from 1926 to date in some 75 large urban counties with populations of 100,000 or more.¹ The chart measures per-

¹ Permit data are for the cities contained in the counties only, whereas in all but eight instances foreclosures are for the entire county. The slight difference in area covered does not affect the comparability of the data.

FORECLOSURES AND RESIDENTIAL CONSTRUCTION

Percent of change over 1926 in foreclosures, building permits, housing rentals, and building costs in cities of 100,000 or more population.



SOURCE:-- 1. Federal Home Loan Bank Board
 2. Composite Data of F.R.B. of N.Y. and Dept. of Labor
 3. National Ind. Conf. Board (Not confined to cities of 100,000)
 4. Compiled by F.H.L.B.B. from Reports to Dept. of Labor

p = Preliminary Figure

centages of change up and down from activity during the year 1926, which is taken as a base. To give an approximately accurate visual comparison between increases and decreases, the area below the base line is on a very much larger scale than the area above the line. The necessity of this will be apparent when it is realized that it would require a 100-percent increase to overcome a 50-percent decline, and a 200-percent increase to overcome a 66⅔-percent decline.

Following the foreclosure line, we notice a steady climb upward from 1926 to the peak in June 1933. The decline which began in the fall of 1933 and continued through most of 1934 was due largely to the refinancing activities of the Home Owners' Loan Corporation. By early 1935, when the Corporation had substantially completed its acceptance of applications and the real-estate situation had begun to show improvement, the number of foreclosures increased for a time. This in-

crease probably represented a cumulation of properties on which foreclosures had been delayed due to weakness of the market, and was, paradoxically, a healthy sign. Since the middle of 1935, however, the drop has been marked until in February 1936 the number of foreclosures in the 75 cities was lower than at any time since 1931. Nevertheless, it was still nearly three times as high as the annual average for 1926, which indicates that it is still a retarding factor in the recover of the construction industry.

In almost direct contrast to the movement of foreclosures, the number of dwelling units for which permits were granted in the reporting cities fell steadily from 1926 to the beginning of 1933 and did not achieve a substantial gain until the last nine months of 1935, during which foreclosures were falling sharply.

The movements of housing rentals and of the cost of construction are also shown in the chart because of the light they

TABLE 1.—Index of number of foreclosures in 75 large urban counties with populations over 100,000 ¹

[1926=100]

[Source: Federal Home Loan Bank Board. Compiled from reports received from county officials and others]

Period	Index	Period	Index
1926.....	100	1934 (cont.):	
1927.....	137	November.....	399
1928.....	180	December.....	377
1929.....	212	1935:	366
1930.....	235	January.....	431
1931.....	300	February.....	352
1932.....	382	March.....	412
1933.....	395	April.....	398
1934:	370	May.....	405
January.....	359	June.....	395
February.....	323	July.....	368
March.....	368	August.....	365
April.....	357	September.....	337
May.....	375	October.....	333
June.....	376	November.....	297
July.....	371	December.....	304
August.....	370	1936:	
September.....	378	January.....	287
October.....	389	February.....	² 260

¹ Combined population of reporting counties is approximately 42,790,000 (1930 Census).

² Preliminary figure.

throw on future construction possibilities. It will be noted that after falling continuously from 1926 to the end of 1933, rentals began to move upward slowly but regularly. Observers of the construction cycle have noted that material improvement in construction volume usually does not appear until a year or more after rents have begun to climb. The present chart confirms that observation. The cost of building has altered but little. The most hopeful feature of the trend of building costs is its relative stability during the last two years as compared with the slow rise in rentals and the decrease in foreclosures.

NUMBER OF FORECLOSURES IN 75 LARGE URBAN COUNTIES

THE number of foreclosures in each of the 75 large urban counties for the years 1926, 1932, 1933, 1934, and 1935 are shown in table 2. In nearly every instance foreclosures are reported for the county in which the city is located so that the figures represent foreclosures for the larger areas. For most counties, the data are furnished by county officials—county clerks, sheriffs, or probate judges—and for a few, they are furnished by private agencies such as university research bureaus and title companies. As indicated in table 2, 60 counties report completed foreclosures and 18 report foreclosures filed. It has been found that approximately 85 percent of foreclosures filed are eventually completed. This fact should be kept in mind in making a comparison between the number of foreclosures in different cities.

Mortgage institutions will, of course, be particularly interested in the types of property foreclosed. Analysis of foreclosures in several cities indicates that foreclosures on 1- to 4-family dwellings comprise at least 75 percent of total foreclosures.

In future the number of foreclosures in the cities shown in table 2 will be reported by months twice a year.

AN INDEX OF FORECLOSURES

WITH this issue, the Review begins the monthly publication of a combined index of foreclosures for the large urban counties listed in table 2. The combined population of these 75 areas is approximately 42,790,000, which represents about 30 percent of the population of the United States. It is believed that this index will reflect fairly accurately the movement of foreclosures on urban properties in the country as a whole.

The index figures for the years 1927 to 1931 inclusive are based on data for 13 counties only. In the construction of the final index, the annual averages for these 13 counties were related to 1926 as a base and were spliced to the index for all 75 counties, so as to give a rough idea of the movement of foreclosures during the 1926-1931 period.

In compiling the index no adjustment is made for the 14 counties reporting foreclosures filed instead of foreclosures completed. As a test of the validity of this combination, separate indexes were prepared for foreclosures filed and compared with the index which is presented here. The results showed such uniformity in the trend of variations and in the amplitude of the fluctuations as to justify the use of the total index because of its more complete coverage.

Table 1 shows the yearly index of foreclosures from 1926 to 1935 inclusive, and the monthly indexes for the years 1934, 1935, and 1936. It will be noted that the index dropped to 260 (preliminary figure) in February, making a new low for the past five years. The 9-percent decrease from January to February compares with an average seasonal decrease of 8 percent.

Of the counties on whose reports the index is based, 20 reported increases in foreclosures for February as compared with January, 39 reported declines, and 1 reported no change.

TABLE 2.—Number of foreclosures in 75 large urban counties with populations over 100,000, by years: 1926-1935

In most instances the number of foreclosures is for the county containing the city mentioned. Approximately 75 percent of all foreclosures are on 1- to 4-family dwellings.

[Source: Reported by county officials and others to the Federal Home Loan Bank Board]

Federal Home Loan Bank Districts, States, counties, and principal cities included	1926	1932	1933	1934	1935	Federal Home Loan Bank Districts, States, counties, and principal cities included	1926	1932	1933	1934	1935
District no. 1:						District no. 6:					
Connecticut:						Indiana:					
Fairfield (Bridgeport).....	71	257	238	206	284	Allen (Fort Wayne) ¹	75	612	355	295	531
Hartford (Hartford).....	89	458	489	428	315	Marion (Indianapolis).....	140	518	449	497	746
New Haven (New Haven)....	94	332	485	456	598	Lake (South Bend).....	24	457	483	407	763
Massachusetts:						Michigan:					
Suffolk (Boston).....	733	2,467	2,703	2,438	2,778	Wayne (Detroit).....	680	7,216	10,081	13,463	14,137
Middlesex (southern district) ¹	741	2,892	3,118	2,854	3,182	Genesee (Flint).....	91	627	655	468	734
Bristol (Fall River district).....	106					Kent (Grand Rapids).....	49	824	891	934	871
Essex (southern district—Lynn).....	204	220	271	205	172	District no. 7:					
Hamden (Springfield).....	695	933	950	918	1,122	Illinois:					
Worcester (Worcester district).....	479	1,043	1,123	1,200	1,260	Cook (Chicago) ¹	1,435	15,187	16,031	12,535	9,791
Rhode Island:						Peoria (Peoria).....	40	136	126	181	205
Providence (Providence)....	134	599	592	477	576	Wisconsin:					
District no. 2:						Milwaukee (Milwaukee) ¹	809	5,059	5,348	5,144	3,567
New Jersey:						District no. 8:					
Camden (Camden).....	9	1,137	1,275	910	776	Iowa:					
Union (Elizabeth) ¹	199	1,839	2,029	1,901	1,586	Polk (Des Moines) ¹	385	642	545	394	323
Hudson (Jersey City).....	237	1,445	1,576	1,370	1,495	Minnesota:					
Essex (Newark).....	272	2,161	2,855	2,575	3,015	St. Louis (Duluth).....	138	310	366	492	444
Passaic (Paterson).....	104	767	915	810	912	Hennepin (Minneapolis).....	441	1,679	2,302	2,242	1,943
Mercer (Trenton).....	40	697	734	651	605	Ramsey (St. Paul).....	227	605	761	677	603
New York:						Missouri:					
Erie (Buffalo).....	425	1,587	2,291	2,035	2,295	Jackson (Kansas City).....	975	2,110	2,472	1,709	2,174
Kings (Brooklyn).....	484	3,050	3,047	4,490	6,553	St. Louis (city only).....	320	2,734	2,890	1,931	1,769
Queens County ¹	1,368	4,955	4,927	6,075	5,709	District no. 9:					
Richmond (Staten Island) ¹	45	409	535	533	471	Louisiana:					
Monroe (Rochester) ¹	258	1,180	1,465	2,010	2,304	Orleans (New Orleans).....	163	896	983	782	859
Oneida (Utica) ¹	119	308	294	357	353	Texas:					
Westchester (Yonkers).....	248	1,432	1,674	2,404	2,641	El Paso (El Paso).....	138	268	180	108	98
District no. 3:						Tarrant (Fort Worth).....	405	1,340	1,408	958	(?)
Pennsylvania:						Bexar (San Antonio).....	132	288	212	169	238
Philadelphia (Philadelphia).....	4,686	18,951	18,464	16,822	13,181	District no. 10:					
Allegheny (Pittsburgh).....	406	2,330	2,408	2,399	3,407	Colorado:					
Berks (Reading).....	89	693	805	857	1,072	Denver (Denver).....	232	609	691	534	364
District no. 4:						Nebraska:					
Alabama:						Douglas (Omaha).....	128	425	449	492	389
Jefferson (Birmingham)....	148	4,167	3,232	2,237	2,416	Oklahoma:					
District of Columbia:						Oklahoma (Oklahoma City)...	190	514	650	599	677
Washington.....	442	958	1,204	1,133	635	Tulsa (city only).....	303	769	631	542	711
Florida:						District no. 11:					
Dade (Miami) ¹	2,273	919	730	402	367	Oregon:					
Hillsborough (Tampa) ¹	1,122	1,915	559	289	254	Multnomah (Portland).....	569	1,199	925	777	899
Maryland:						Utah:					
Baltimore (city only) ¹	2,128	2,630	2,845	2,275	2,067	Salt Lake (Salt Lake City)....	92	321	362	171	181
Virginia:						Washington:					
Richmond (city only).....	145	380	375	314	328	King (Seattle).....	307	1,226	1,428	1,417	1,005
District no. 5:						Spokane (Spokane).....	112	242	261	175	145
Kentucky:						Pierce (Tacoma).....	105	330	276	194	295
Jefferson (Louisville).....	295	898	1,277	860	1,056	District no. 12:					
Ohio:						California:					
Stark (Canton).....	142	783	654	701	1,008	Los Angeles (Los Angeles)....	4,997	11,773	12,884	10,614	8,546
Hamilton (Cincinnati).....	124	847	887	889	1,109	Alameda (Oakland).....	353	2,103	1,913	1,709	1,391
Cuyahoga (Cleveland).....	1,178	3,937	1,840	1,921	4,125	San Diego (San Diego) ¹	236	1,320	1,142	1,092	763
Lucas (Toledo).....	247	1,191	1,221	1,206	1,583	San Francisco (San Francisco)...	130	904	974	828	787
Mahoning (Youngstown) ¹	287	945	731	737	573	Tennessee:					
Tennessee:						Shelby (Memphis).....	604	1,806	1,644	1,799	1,297
Davidson (Nashville).....	382	853	815	673	589						

¹ Reports number of foreclosure actions filed. About 85 percent of foreclosures filed are eventually completed.

² No report.

³ Includes the cities of Cambridge, Somerville, Malden, Medford, Newton, Waltham, and Everett.

Commercial Banks and the Mortgage Lending Business

SEVERE competition for loans is a relatively new experience for most savings and loan associations. In the first place, many of these institutions have operated in communities where the demand for home-financing funds exceeded the supply. In the second place, their use of the long-term amortized-loan plan gave them a virtual monopoly of a large part of the home-financing business. As a result of these advantages, savings and loan associations were largely free to adopt what lending policies they saw fit.

Today, the situation is completely changed. All types of lending institutions are offering long-term amortized home-mortgage loans. An excess of idle funds, coupled with the standards set by the Home Owners' Loan Corporation and the activities of the Federal Housing Administration, has brought down interest rates. The absence of desirable investments has turned the attention of commercial banks as never before to home mortgages. In short, the first borrowers' market in the history of home financing in this country seems to have arrived. If they are to make their share of desirable home loans, savings and loan associations must adapt their lending policies to meet the new conditions.

The entry of commercial banks into the home-financing field is of special significance to thrift, home-financing institutions. Like themselves, commercial banks are local institutions and possess lending advantages which permit them to offer severe competition. At the Third Annual

Convention of the Mortgage Conference of New York on February 27, Mr. J. H. Riddle, Economist of The Bankers Trust Company, in New York, analyzed trends and other factors in the banking situation which might indicate how far commercial banks may enter the mortgage-lending business. Through the courtesy of the author and of the Mortgage Conference, the REVIEW is privileged to publish Mr. Riddle's address in slightly condensed form.

ADDRESS BY J. H. RIDDLE, ECONOMIST OF THE BANKERS TRUST COMPANY

DURING both the period of expansion in the 1920's and the period of contraction since that time the general character of banking in this country has been undergoing rapid changes, changes which have left many of us somewhat confused as to the ultimate function of banks and as to the adjustments which may be necessary to meet these developments.

CHANGING CHARACTER OF BANK ASSETS

LET us look for a moment at the changing character of bank assets. A statistical analysis of bank portfolios indicates that in recent decades we have been getting further and further away in practice from true commercial banking and that the proportion of bank assets consisting of capital loans and investments has been growing. For the sake of brevity and convenience I am including investments, collateral loans, and real-estate loans under the term "capital assets", as distinguished from the category of "all other" loans which include the commercial loans made by banks. These "all other" loans have declined in round figures from about 60 percent of total loans and investments in 1920 to about 20 percent in 1935. "Capital assets", on the other hand, have increased from about 40 percent to 80 percent in the same period. "All other" loans

are now only about 40 percent as large in volume as they were in 1928 and about 35 percent as large as in 1920. Investments, however, have continued to rise and are now more than twice as high as in 1920. The ratio of investments to total loans and investments has increased from 23 percent in 1920 to nearly 60 percent in 1935. A large proportion of these are, of course, government securities. Up until about 1932 or 1933 real-estate loans showed the same general trend as investments. The above figures relate to all national banks in the United States, but the same general pattern is shown whether we take the State banks or the national banks, the city banks or the country banks. In other words, the trend has not been confined to any particular type of institution or to any particular sections of the country.

Even the "all other" loans cannot all be assumed to be pure commercial or self-liquidating loans. It is impossible to analyze that figure to determine what proportion are capital loans and what proportion are commercial loans in the old sense of the word. It is doubtful, however, whether there are more than \$4,000,000,000 or \$5,000,000,000 of the old type self-liquidating commercial loans in our whole banking system. That figure clearly indicates that we do not have a commercial banking system today in the narrower sense of that term.

The fact that I want to emphasize here is that at no time in recent years have the commercial banks been able to invest more than a small part of their funds in commercial loans. As a consequence they have gone into other assets including real-estate loans. The question which comes to mind immediately is whether this trend toward capital assets is likely to continue in the future. Without attempting a forecast we may inquire briefly as to what were the factors responsible for this trend in the past and see if these same influences are operating at the present time. I think perhaps there are four things which are primarily responsible for this trend: (1) speedier processes in industry and transportation and the consequent smaller need for working capital; (2) changes in the methods of corporate financing, especially in the large corporations; (3) easy reserves and the pressure upon banks to expand; (4) the growth of time deposits.

One important cause of the growth of capital assets has been the reduction in the amount of working capital requirements of manufacturing and commercial firms. Improvements in manufacturing technique greatly shortened the processes of manufacture, which reduced the amount of working capital tied up. Likewise, faster transportation and improved inventory

control reduced the amount tied up in raw materials and finished products. These tendencies are just as likely to continue in the next decade as in the past, as are hand-to-mouth buying, instalment financing, and buying of receivables by finance companies.

Another important factor reducing the need for short-term borrowings by business was a change in method of financing. As the result of their unfortunate experience with short-term loans in the depression of 1920-1921, and aided by free and easy securities markets in the 'twenties, many corporations not only greatly reduced their bank borrowings but many of them accumulated liquid surplus funds as well.

The trend toward capital assets was further assisted by easy reserve conditions, which encouraged the expansion of bank credit in every available form. Excess reserves today are higher than ever before in our history and this excess, coupled with greatly reduced earnings, is putting banks under greater pressure than ever to find use for their idle funds.

The fourth factor which we have listed as responsible for the increase in capital assets has been the growth of time deposits. Time deposits, including savings, composed only about 5 percent of the total deposits of all national banks in 1900. By 1920 that figure had increased to 25 percent and by 1932 to almost 50 percent. Since 1932 it has declined substantially. If we take the banks outside of the metropolitan centers the figures are even more striking. For the commercial banks in New York State outside New York City, for example, time deposits now aggregate nearly 60 percent of total deposits. Turning again to the national picture, almost the entire growth in deposits of national banks from 1920 to 1929 was in time deposits, which more than doubled in those nine years. This tendency towards an increasing percentage of time deposits to total deposits has been reversed during recent years, especially in 1934 and 1935 when demand deposits increased rapidly as a result of the fiscal activities of the government.

This increase in time deposits doubtless came largely from the savings of the people although there was probably a substantial shift from slow demand deposits to time deposits. The decade of the 'twenties was characterized in part by competition for time deposits by the commercial banks in nearly every section of the country. Savings have been attracted into the commercial banks which otherwise might have gone directly into investments or into other institutions. This competition led to the payment of high interest rates on deposits, as high in some sections as 4½ and 5 percent. In fact interest payments

were by far the largest single item of expense in the banks, and that is still true today in spite of the elimination of the payment of interest on demand deposits and the maximum limits fixed for rates on time deposits.

This striking growth in time deposits on one side of the balance sheet has paralleled the growth of capital assets on the other side and is one of the principal reasons advanced for the growth of capital assets. Time deposits have a slower turnover under normal conditions than demand deposits and generally have been considered suitable funds for commitments in investments, real-estate loans, and collateral loans.

I don't know to what extent the commercial banks in the future are going to continue to compete for savings deposits and how fast savings deposits are going to grow. The rates which they pay on these deposits will perhaps be under better control in the future, and let us hope they will never be higher than the yields on the highest-grade investments. This may check the rate of growth somewhat but there is little doubt but that commercial banks will continue to do a savings bank business.

The conclusion seems justified, therefore, that in many respects the underlying factors which caused this growth in capital assets in the 'twenties are present and operating today with even greater force, and are likely to be important in the next few years, although many enterprises under the pressure to earn may reduce the amount of working capital carried permanently and depend on bank borrowings for seasonal requirements.

BROADER POWERS OF BANKS TO LEND ON REAL ESTATE

THE point I wish to make in the foregoing discussion is that the banks with surplus funds and a rather small outlet through commercial loans will be looking around for places to put their money. Mortgage loans may be one of the important outlets in the future.

Let us look for a moment at the story of the gradual broadening of the powers of national banks to make real-estate loans. As you know, national banks were not permitted to make real-estate loans prior to 1913, but the Federal Reserve Act authorized them to make real-estate loans within the Federal Reserve District and up to 25 percent of capital and surplus or one third of time deposits. These powers were broadened somewhat in 1916, in 1927, and again in 1935, so that at the present time national banks may lend on real estate anywhere, up to a maximum of 100 percent of capital and surplus or 60 percent of time and savings deposits. This

gradual broadening of the powers of national banks to make real-estate loans has been largely for the purpose of enabling national banks to compete on a more even basis with State institutions which in most States have long had rather broad powers for making real-estate loans.

On the basis of the present powers of national banks the New York State commercial banks (outside New York City) as a whole could lend nearly 36 percent of their total deposits on real estate, whereas actual real-estate loans at present are little more than one third that amount. These figures do not apply to the large New York City banks because they have a comparatively small amount of time deposits, and have not invested heavily in mortgages.

While neither State banks nor national banks have made real-estate loans to the limit of their powers, even prior to the act of 1935 there has been a fairly steady upward trend in the proportion of real-estate loans to total assets. For all national banks, for example, the proportion of real-estate loans to total loans and investments increased from less than 1 percent in 1913 to over 7 percent in 1935. For State banks and trust companies the percentage is doubtless somewhat larger because they have been in the real-estate business longer. If we take all commercial banks in New York State outside New York City, for example, we find that real-estate loans rose from about 6 percent of total resources in 1923 to 10 percent in 1929, and apparently are still around 10 or 11 percent.

There are a number of other factors, in addition to the pressure of funds, for investment and the broadening of the powers of national banks, which might conceivably have the effect of inducing commercial banks to expand their mortgage loans. One of these is the broadening of the eligibility requirements of the Federal Reserve Banks so that member banks may borrow from the Federal Reserve Banks on any collateral satisfactory to the Federal Reserve Banks. The fact that there is a penalty rate of $\frac{1}{2}$ percent higher than the discount rate attached to borrowing on collateral of this kind may cause banks to utilize this facility only in cases of emergency. However, the very fact that they can use their mortgages as collateral for borrowing from the Federal Reserve will probably cause them to look with more favor upon real-estate loans as an outlet for their funds.

Another factor of substantial importance is the campaign of the Federal Housing Administration to encourage commercial banks to invest in guaranteed mortgages. This campaign has caused commercial banks to give more consideration to the mortgage business generally and has

familiarized more of them with the principles of mortgage investment. Just as the Government sales of Liberty Bonds during the war caused the public to become bond-minded, I strongly suspect that the campaign of the Federal Housing Administration has caused many commercial banks to become more mortgage-minded than previously.

Still a further factor has been the adoption of the amortized mortgage which gives a commercial banker a greater sense of security in his investment. The principle of the amortized mortgage is undoubtedly a sound one and its adoption enables commercial banks to have a more liquid asset and a safer asset than they had under the old straight mortgage. In fact the importance of the amortized mortgage cannot be over-emphasized insofar as the commercial bank is concerned. The broadening of national-bank powers to make mortgage loans has been based on the assumption that they would invest in amortized mortgages.

In any attempt to peer into the future of the mortgage business I think there is one more factor that might be kept in mind as to its effect on both commercial banks and the mortgage business. I refer to changes in building methods and building values. There is little question but that the building industry has been far behind most other modern industries in the rate of improvements in construction and in value given. Great improvements are undoubtedly being effected at the present time and apparently construction costs are being lowered through the improved processes. If this improvement continues during the next few years as rapidly, for example, as the improvement in the automobile during the past 10 years we might have a big expansion in housing because the would-be home owners simply could not resist the values. If such a development occurs on some basis of mass production with a standardized mortgage it is not at all improbable that the commercial banks might be an important factor in financing it. Such progress, of course, might cause a tremendous amount of depreciation in the older buildings and raise some real problems for the holders of the older mortgages, especially the unamortized mortgages.

That brings me to the final question as to what the mortgage business will do to commercial banks. The possibility of rapid progress in the construction field during the next 10 years makes great caution in present mortgage-lending necessary. I see no reason, however, why amortized mortgages made on conservative appraisals should not prove to be sound investments.

SOME PROBLEMS ARISING OUT OF THE UNBALANCED RELATIONSHIP BETWEEN ASSETS AND LIABILITIES OF COMMERCIAL BANKS

A MUCH more fundamental problem facing those commercial banks which are accumulating a substantial amount of mortgage loans or other capital assets arises out of the unbalanced relationship which exists between assets on the one side and deposits on the other. As we have previously stated savings deposits have been assumed to be more stable and more permanent than demand deposits and therefore they have generally been considered suitable funds for commitments in investments, real-estate loans, and collateral loans. We have found from experience, however, that time deposits in a commercial bank are no different from demand deposits in periods of stress, and that there is no logical argument for investing them differently. In a period of severe credit liquidation time deposits are just as likely to be withdrawn as demand deposits, and the power to demand notice of withdrawal is practically worthless.

There are many able students of the subject who believe that many of our past difficulties in commercial banking have been due to the poor quality of assets rather than to the form of the assets. They assert that the poor quality of real-estate loans and bonds as well as short-term loans has been responsible for most of the losses.

Emphasis upon the quality of assets alone, however, is not sufficient to meet the problems arising out of the unbalanced relationship between long-term assets on one side and short-term liabilities on the other. The weaknesses of this situation are most apparent in periods of liquidation, when sometimes the best-grade assets must be sacrificed at depreciated value in order to meet the demands of depositors. Several suggestions have been made regarding the solution of the time deposit problem in commercial banks. These suggestions include the following: (1) separate completely savings banking and commercial banking; (2) segregate the assets in the two departments; (3) change the contract with the depositor by the issuance of debentures or certificates of deposit with maturities of one year or more rather than passbook credits; (4) give more adequate recognition to the risks involved by devising a system for building up special reserves to meet losses and depreciation according to past experience. It is not my purpose to discuss these various suggestions or to indicate what I think the solution might be. I merely mention them to illustrate the type of thinking that is being done on the subject and to emphasize the need for a solution of some

kind if commercial banks continue to increase their holdings of mortgages and other long-term assets.

In conclusion, it would seem that strong forces are pressing the commercial banks to invest profitably an increasing amount of idle funds. The lack of a sufficient volume of short-term loans of first quality at survival rates of interest is driving these banks to a choice between long-term investments and real-estate loans or idle and excess reserves. It is asking too much of human nature to expect bankers to juggle all this money in their pockets for long. They probably won't do it. They will make real-estate

loans if good ones are available on amortized terms at satisfactory rates. And when the depositors again want their money faster than the loans liquidate, the Federal Reserve Banks will take them over and give the banks what the depositors are demanding.

The old model of banking has been pretty well discarded in favor of the new streamlined model with all the new gadgets. The new model looks grand to many of us but whether we like it or not we have it and must ride in it. Let us hope that it has non-skid blowout-proof tires and that the brakes will not fail when we try new speed records.

What Determines the Eligibility of an Association for Insurance or Conversion?

MANY savings and loan associations that are contemplating share insurance or both share insurance and conversion to Federal charter have expressed a desire to know what standards they may have to meet. It is, of course, impossible to set up a single rigid standard. Every institution presents a special problem. The multiplicity of factors to be weighed one against another requires that the measuring rod be flexible. Moreover, the problem is not wholly one of financial statements nor figures. Just as a borrower's character weighs heavily in determining whether or not he shall be granted a loan, so management must be taken into account in insuring an association. The future of the community and the business prospects are other important items which must be given due consideration.

The Insurance Corporation has three general touchstones of eligibility which it applies to all applicants. They are: (1) solvency; (2) present and future ability to earn enough to pay dividends that will meet competitive rates in its community; (3) efficient management. Where these three qualities can be easily demonstrated from the facts at hand, acceptance of an application for insurance is a matter of course. In handling other applications, the Insurance Corporation makes whatever additional examination and analysis prove necessary either to determine that an association is eligible or to indicate what steps may be required to render it eligible.

It will be of interest to many applicants to illustrate the Corporation's methods and solutions in dealing with the group requiring extensive examination. For this purpose, the Review Committee of the Federal Home Loan Bank Board has briefly analyzed five extreme border-line associations that have already been insured or con-

verted and insured. It must be emphasized that these are extreme cases, and that in each association there were factors of strength underlying the apparent weaknesses. The average association accepted for insurance or conversion presents a much better picture of financial condition.

ANALYSIS OF ASSOCIATION "A"

Apparently unfavorable factors: Reserves and undivided profits represented only 3.49 percent of assets. Real estate owned represented 35.31 percent of assets.

Favorable and compensating factors: Current interest collected equaled 97.82 percent of interest earned. Earnings were nearly 4 percent of invested capital. Operating expenses were 1.95 percent of assets, which were not high for a \$600,000 association. To balance the high percentage of real estate owned, it was found that the association's real estate had all been reconditioned, was well rented, and was making a return of almost 3 percent net, with brighter prospects both as to income and sales for 1936. The appraisal showed an excess of approximately 5 percent over the book value. Real-estate contracts had been reduced 10 percent and were current as to taxes and interest. Slow loans representing 8.56 percent of total assets showed a current performance indicating very few additional foreclosures.

The association's earnings were sufficient to attract investors because other associations in the community were paying only 3 percent dividends with no indication of immediate increases. The trend of this association had been definitely upward. It was in a prospering locality where the demand for mortgage money was increasing. Its management was aggressive. This was confirmed by the high percentage of inter-

est collections. Further, a neighboring association with the same type and quality of management, which had been insured about a year earlier, had made splendid progress. For these reasons, the applicant association was insured and its progress since insurance has justified the action.

ANALYSIS OF ASSOCIATION "B"

Apparently unfavorable factors: Reserves and undivided profits totaled only 2.48 percent of assets. Real estate was 25.77 percent and other slow assets were 29.13 percent of total assets. Only 87 percent of current interest earned was collected. Operating profit equaled 2.53 percent of invested capital. Operating expenses were 2.36 percent of assets.

Favorable and compensating factors: Careful analysis revealed that the slow loans had been so classified due to reformation. Of the 23 reformed loans, only one was delinquent more than six months and only four more than two months. Real-estate contracts had been reduced 26 percent, with accrued interest amounting to only \$34.56. There were no loans in litigation and none in prospect.

This meant that the 25.77 percent of real estate constituted almost all the questionable assets. An analysis of the real estate owned showed a real-estate reserve of \$4,500 and appraised value of \$11,500 over book value. All real estate had been reconditioned and was well rented, indicating a current net earning of 2.5 percent.

The association's low percentage of ordinary earnings was due in part to its high percentage of expenses. To correct this situation, the association cut expenses and presented a budget for 1936 which should permit it to pay 4 percent on its shares and in addition, increase substantially the reserve account.

In view of certain unfavorable factors, notably the type of real estate owned and the lack of collection experience in reformed loans, this association was required to pledge the Federal shares issued to

holders of guarantee stock in an amount sufficient to constitute a normal operating contingent reserve in excess of all indicated losses. This pledge is to remain until the present reserves have been increased by an amount equivalent to the pledge itself. Also, the pledge carried a waiver of dividends on the shares pledged, to remain in effect until the association shall have earned dividends at the rate of 4 percent on all withdrawable capital for two successive years.

ANALYSIS OF ASSOCIATION "C"

Apparently unfavorable factors: Reserves were only 1.04 percent of assets. Operating expenses represented 2.30 percent of assets.

Favorable and compensating factors: Only 13.85 percent of the association's assets was in real estate owned and another 13 percent in other slow assets. Interest collections were exceptionally high. The apparently low reserve was in part accounted for by the law of the State under which the association operated, which required 10 percent to be charged off annually on real estate owned. This might be expected to have the effect of carrying real estate owned at a figure which would not require a large reserve. Representative appraisals made by the Federal Home Loan Bank Board revealed a sufficient excess over and above the total of real estate owned to provide a comfortable margin for sales expenses. In view of this situation and as indicated losses on loans in litigation and on contracts, were small, the association's reserve was considered adequate to justify insurance of accounts.

The reason for the low actual operating profit and for the high operating expenses was the extensive reconditioning of its real estate. A careful analysis of earnings showed that the association could depend upon ordinary earnings of better than 3 percent on its present volume. There was a large demand for loans. In addition the management was regarded as exceptionally competent and aggressive, a fact which

did much to counterbalance the low reserve and the small margin of earnings over the dividend rate.

ANALYSIS OF ASSOCIATION "D"

Apparently unfavorable factors: Real estate owned equaled 16.28 percent and other slow assets 21.62 percent of total assets. Operating expenses were 2.61 percent of assets.

Favorable and compensating factors: Reserves and undivided profits represented 5.49 percent of assets. Interest collected amounted to 99.65 percent of interest earned. Earnings were 4.30 percent of invested capital. Independent appraisals fixed the association's investment in real estate at 79 percent of its value. Though the association lost 1.5 percent on real-estate operations in 1935, there were indications that it would at least break even this year. Practically all real-estate contracts were current as to payments and it appeared that not more than one of them would revert to real estate. An appraisal of the slow loans, amounting to 11.31 percent of assets, showed no probable foreclosures and little possibility of loss should any take place.

A change had been made in the management before the insurance application was received which should result in a decrease in operating expenses. Based on its budget and judging from the condition of its assets, the institution should earn over 4 percent during the coming year. The association placed \$100,000 in new loans in 1935. The State supervisor's examination of the association contained many favorable comments.

ANALYSIS OF ASSOCIATION "E"

Apparently unfavorable factors: Thirty-four percent of all loans were delinquent over one year. Slow loans, representing 20 percent of assets, showed unpaid principal totaling 104.5 percent of the original loans and 72.9 percent of original appraisals.

Favorable and compensating factors: Reserves and undivided profits were 5.82 percent of assets. Real estate owned was only 13 percent of assets. Operating profit was 5.18 percent of invested capital. Operating expenses were 1.34 percent of assets. The decisive question was whether reserves were adequate in view of the large delinquencies. This was satisfactorily answered by a field examination.

The foregoing illustrations should indicate that every effort is being made to give associations the benefits of insurance where their possibilities of service to their communities justify this action and the insurance coverage can be granted without undue risk to the Insurance Corporation. They are, however, by no means typical of the average association accepted for insurance. The average association approved for insurance has not only demonstrated solvency and ability to earn. Average reserves approximating 5 percent provide a substantial margin above indicated losses. Average earnings are approximately 4 percent of invested capital.

WHERE REORGANIZATION IS NECESSARY

ONE question remains, namely, the procedure when an association is found ineligible for insurance without reorganization. Granting the need for an association in its community, the efficiency of its management, and good prospects for its success, every association can make itself eligible for insurance by reorganization. Reorganization may involve segregation of assets or a write-down of capital stock, or both. Sometimes they must be accompanied by a pledge of shares. Many associations have qualified for insurance and for federalization by reorganization. In every instance results apparently have justified the step.

The Federal Home Loan Bank Board will gladly advise with any association on the steps necessary to qualify it for insurance.

Neighborhood Standards as They Affect Investment Risk

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

THE typical gridiron street pattern of our cities is both wasteful and destructive of home values. It is wasteful for three reasons: First, the frequent intersections require that more land be devoted to streets in proportion to building lots than does any other less formal pattern, and these intersections have to be paved, sewered, and served with all other public utilities. Second, the rigid rectangular pattern ignores topography and cuts a way up, down, or through a hill or an outcropping of rock, no matter how much less expensive it might be to go around. Third, it is usually accompanied by requirements that every street be of a width and carry a breadth of paving far in excess of the needs of a single-family residential neighborhood.

A portion of the waste resulting from blind use of the rectangular street pattern in residential neighborhoods has been measured in dollars and cents by the Harvard School of City Planning.¹ The same 200-acre area of land was laid out according to seven different patterns, each providing for 1,300 single-family dwelling units. The average cost per dwelling for street improvements ranged from a maximum of \$280.81 under the gridiron pattern to a minimum of \$144.91 in one of the irregular patterns. The gridiron pattern required at least \$40.62 per dwelling more than its nearest competitor. At the same time, the gridiron pattern permitted far

less space to be devoted to parks than any of the other patterns.

To compare the cost of improvements under the gridiron pattern of street layout as required by the Borough of Queens in New York with the cost under a neighborhood-unit plan, Mr. Robert Whitten laid out an actual 160-acre tract north of Jamaica, New York.² Developed with the standard street and block layout but with no allowance for parks, playgrounds, or greens, the tract would house 1,177 families. Developed as a neighborhood unit, it would house 1,241 families and at the same time permit 17 acres to be devoted to parks and playgrounds. Mr. Whitten showed that under the neighborhood-unit plan, the cost of street improvements would amount to \$485.09 per lot as compared with \$856.31 per lot with the standard layout. The neighborhood-unit plan effected a saving per lot in cost of street improvements of \$371.22. To a subdivider of this 160-acre tract this saving would total \$406,115.

STREETS THAT DESTROY PROPERTY VALUES

FROM the point of view of lending institutions concerned with the safety of their investments, however, the capacity of the gridiron-street plan to destroy neighborhoods and consequently residential values is of greater concern than the waste in installation. In the gridiron pattern, every street tends to invite fast through traffic,

¹ See *Planning for Residential Districts*, Vol. I, Reports of the President's Conference on Home Building and Home Ownership, pages 85-124.

² See *Regional Survey of New York and Its Environs*, Vol. VII, *Neighborhood and Community Planning*, pages 338-355.

which robs the fronting homes of the safety and quiet essential to conserve the desirability of a residential district. Also, as has been repeatedly pointed out in this series of articles, fast automobile traffic breaks up a neighborhood, cuts one block off from another. Thus robbed of unity and identity and the loyalty of its citizens, the neighborhood must sink helplessly to lower and lower uses. This phenomenon is too common in every city to require proof.

Of course, no planning authority contends that the gridiron pattern is always the worst pattern. There are situations and purposes for which it may be the best, though these will be rare in residential neighborhoods. The greatest evil in the rectangular street layout is its almost universal use. It is applied blindly, regardless of topography, efficiency, attractiveness, or any other consideration. For the sake of the safety and investment stability of our home neighborhoods, we need to break away from our slavish adherence to any one pattern and lay out each area on the basis of an intelligent determination of its particular requirements.

WHAT SHOULD DETERMINE STREET PATTERN

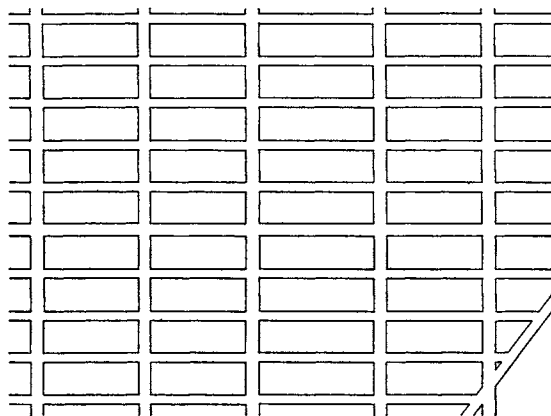
EVERY city, every neighborhood, and every subdivision is different from every other and needs to be planned differently. The objectives, however, to be attained by a street system in a residential neighborhood are always the same. They are: (1) safety, (2) efficiency, and (3) attractiveness. In these days of the automobile, safety is the most important. Fast-moving motor traffic must be kept out of residential districts. Arterial highways are or should be provided for it. In exchange, the interior streets of the neighborhood should be reserved for the residents and local traffic serving them.

Laws cannot accomplish this exclusion of fast traffic from inner streets. The only effective way to accomplish it is to make the interior streets unattractive to the

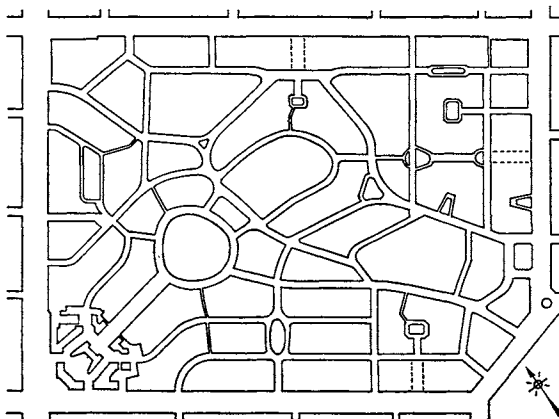
through driver. This can be done by curving, by breaking the streets, or by installing circles or other obstructions which compel the motorist to slow down. Also, openings into the neighborhood off arterial highways should be kept to a minimum and should be staggered.

GRIDIRON STREET PATTERN COMPARED WITH NEIGHBORHOOD-UNIT PATTERN

[Source: Regional Survey of New York and its Environs, Volume VII]



A.- LEADING NOWHERE IN PARTICULAR



B.- LEADING TO PLACES WHERE PEOPLE GO

The second factor that should determine the street layout is efficiency. Streets are channels of communication between the home, the school, the store, the community center, and the transit station. They should be planned so as to facilitate such communication. To achieve this purpose a com-

bination of radial and circumferential streets is generally most satisfactory, as suggested in the accompanying diagram. At the same time, efficiency requires that the streets adjust themselves to the topography. The attempt to run rectangular streets straight over hills instead of winding the streets around them has increased the cost and decreased the residential value of many thousands of lots in this country. Also, curving streets generally have aesthetic qualities that make them superior to straight streets.

FACTORS THAT DETERMINE STREET WIDTH

ONCE the interior street plan has been decided upon, the width of the streets must be determined. No street plan can be satisfactory that is not related to the anticipated uses, densities, and heights of buildings. However, to anticipate that every neighborhood of single-family homes will eventually be transformed into apartment-house or business districts is patently foolish. Yet, that is what many cities do in requiring uniform widths for all streets. A 60-foot street with 30 feet of paving is wasteful and destructive where a 30-foot street with 18 feet of paving would adequately serve a neighborhood of single-family homes. If the ultimate use of the facing lots is not foreseeable but the immediate use is for single-family homes, the intelligent solution is to require deep setbacks. These will allow for eventual possible broadening while permitting the street to remain narrow so long as it serves only single-family homes. Wide streets and broad pavements are expensive and invite fast traffic and intensive use of the facing lots.

The type of dwelling, of course, determines the traffic load. Streets serving apartment houses must not only carry more traffic but they must also provide more space for parking and for light and air to reach the lower floors of the tall buildings.

Home-financing institutions making long-term loans on single-family homes have a vital interest in knowing that the neighborhood will be restricted to single-family homes during the life of the loan. One of the best ways to insure such restriction is to make streets fit the special requirements of single-family homes from the beginning.

A satisfactory street pattern is fundamental to stability of neighborhoods and of home-property values. It can be provided in any subdivision only by a competent engineer working within the outlines of a well-thought-out master plan for the city. A vast amount of education will be necessary before our cities will adopt flexible master plans as a matter of course and before they will require subdividers to employ engineers. Nevertheless, lending institutions will do well to look askance at investments in new subdivisions in which the street pattern has not been fitted to the needs of the dwellings and to the topography.

For existing intown neighborhoods, the solution of the street problem is, as with every other problem except transportation, infinitely more difficult. Nevertheless, obedience to the guiding principle of safety can do much to protect intown neighborhoods even though the inefficient rectangular street pattern must remain. First, the intelligent planning of arterial highways to serve as boundaries for the residential neighborhood will provide for through traffic and encourage its exclusion from the interior streets. Second, in connection with the rehabilitation of deteriorated neighborhoods, it will be possible in many instances to provide circular open spaces or to close an occasional street so as to make the neighborhood less inviting to the speeding motorist. Such steps as these will be difficult of achievement. They will probably require a completely new attitude toward housing in the public mind. Hope lies in the fact that they will be cheaper in the long run than the present system.

Evidences of Recovery in the Savings and Loan Business

IN AN attempt to secure an indication of the extent of recovery achieved by the savings and loan industry, the REVIEW has undertaken an investigation of the activities of several associations throughout the country. The availability of the material has made it possible to present in this issue a table showing the activity of 21 converted Federal savings and loan associations for the 12-month period prior to their conversion compared with their activity for the 12 months subsequent to their conversion. An effort is being made to prepare a comparable table on the activities of a representative group of State-chartered insured savings and loan associations. It is hoped to complete the series with a study of the comparative activities of State-chartered associations that are not insured. It will be possible to do this only if uninsured associations cooperate. Such associations are urgently requested to send to the REVIEW information on loans made, private investments received, repurchases, total assets, and changes in interest rates, for the 12-month period prior to April 1, 1935 and the 12-month period following April 1, 1935. As the spring of last year seems to have been the turning point for the savings and loan business, the dividing date of April 1, 1935 is logical.

The 21 Federal associations whose activities are summarized in the accompanying table are situated in 17 States and every section of the country. Geographically, therefore, they are representative. However, there can be no question but that the extraordinary expansion of many of

them subsequent to conversion to Federal charter is much better than the average of all Federal savings and loan associations.

The first column compares the mortgage loans made for the 12-month period before and after conversion. The most effective comment upon this picture is to compare totals. For the 12 months prior to conversion, the 21 associations combined made \$958,539 worth of mortgage loans. For the 12 months following conversion, they made \$10,103,285 worth of loans.

The increase in share purchases by private investors following conversion is equally satisfactory and perhaps even more encouraging than the increase in loans made. It is generally recognized that the loss of public confidence during the depression has been the heaviest cloud on the building and loan horizon. For the 20 associations for which comparable figures are available, new investments from private sources prior to conversion totaled \$476,260 as compared with \$3,092,697 following conversion.

In many associations repurchases during the year following conversion were greater than during the year preceding conversion. This, of course, is readily explained by the fact that most of the associations were on notice before conversion but have been operating without restriction since conversion. The total repurchases for the two periods were \$1,995,951 before as compared with \$3,010,785 after conversion.

In spite of the fact that many of the 21 associations changed from the share-account sinking-fund plan to the direct-

Comparative activity of 21 converted Federal savings and loan associations for the 12 months immediately preceding and the latest 12 months since conversion

State in which association located	Mortgage loans made		Private investment		Government investments as of Feb. 28, 1936
	12 months prior to conversion	12 months ended Feb. 28, 1936	12 months prior to conversion	12 months ended Feb. 28, 1936	
1. Texas.....	\$4, 920	\$343, 815	\$1, 954	\$73, 210	0
2. Virginia.....	0	220, 102	4, 150	35, 020	\$190, 000
3. Iowa.....	56, 800	69, 644	11, 494	14, 901	20, 000
4. Missouri.....	43, 950	274, 175	18, 672	62, 998	175, 000
5. Oklahoma.....	304, 278	1, 229, 858	2, 653	553, 908	100, 000
6. Tennessee.....	11, 675	254, 978	112, 261	164, 049	125, 000
7. Texas.....	45, 911	153, 470	5, 980	78, 876	100, 000
8. Arkansas.....	250	127, 734	10, 620	65, 416	100, 000
9. Washington.....	31, 711	199, 743	43, 344	451, 158	0
10. New York.....	56, 366	1, 884, 592	58, 854	303, 004	1, 750, 000
11. Minnesota.....	7, 150	¹ 592, 651	1, 295	¹ 59, 446	542, 500
12. Ohio.....	24, 350	619, 010	39, 943	137, 120	400, 000
13. Georgia.....	39, 800	734, 555	74, 815	177, 226	500, 000
14. Missouri.....	5, 550	160, 966	168	25, 349	172, 000
15. Idaho.....	17, 254	303, 317	34, 622	191, 246	220, 600
16. Massachusetts.....	² 60, 000	¹ 1, 148, 675	(³)	154, 288	939, 200
17. California.....	7, 400	215, 846	5, 264	26, 900	200, 000
18. South Carolina.....	10, 514	345, 835	11, 140	125, 801	174, 000
19. Ohio.....	37, 750	793, 622	14, 919	262, 211	400, 000
20. Colorado.....	23, 531	129, 143	16, 141	48, 822	85, 000
21. Texas.....	169, 379	¹ 301, 554	7, 971	¹ 236, 036	0
Total.....	958, 539	10, 103, 285	476, 260	⁴ 3, 092, 697	6, 193, 300

State in which association located	Repurchases		Total assets		
	12 months prior to conversion	12 months ended Feb. 28, 1936	12 months prior to conversion	At time of conversion	As of Feb. 28, 1936
1. Texas.....	\$60, 674	\$110, 043	\$1, 691, 249	\$1, 368, 843	\$1, 304, 702
2. Virginia.....	21, 021	27, 838	172, 102	147, 605	376, 819
3. Iowa.....	27, 448	10, 374	195, 018	231, 143	250, 516
4. Missouri.....	46, 914	29, 171	333, 638	316, 977	573, 469
5. Oklahoma.....	574, 380	1, 684, 144	12, 554, 280	11, 723, 578	8, 867, 268
6. Tennessee.....	114, 944	122, 855	531, 695	547, 224	785, 185
7. Texas.....	10, 517	6, 841	230, 318	221, 939	396, 840
8. Arkansas.....	9, 904	5, 764	123, 782	94, 174	332, 758
9. Washington.....	181, 479	255, 887	1, 721, 950	1, 677, 186	1, 821, 031
10. New York.....	125, 171	144, 208	1, 163, 069	1, 121, 507	3, 190, 366
11. Minnesota.....	48, 153	¹ 77, 916	420, 800	366, 900	1, 057, 591
12. Ohio.....	51, 316	74, 560	223, 276	223, 228	905, 748
13. Georgia.....	61, 234	61, 289	415, 319	420, 891	1, 198, 255
14. Missouri.....	20, 593	24, 143	169, 192	170, 937	380, 756
15. Idaho.....	113, 150	61, 110	270, 615	144, 390	555, 794
16. Massachusetts.....	52, 585	¹ 53, 207	638, 756	641, 321	1, 814, 461
17. California.....	27, 173	13, 219	342, 914	327, 077	588, 000
18. South Carolina.....	9, 700	31, 958	24, 760	29, 125	425, 554
19. Ohio.....	85, 997	81, 486	905, 578	834, 688	1, 607, 847
20. Colorado.....	21, 022	9, 045	184, 726	185, 801	356, 106
21. Texas.....	332, 576	¹ 125, 727	1, 912, 986	1, 595, 649	1, 853, 649
Total.....	1, 995, 951	3, 010, 785	24, 226, 023	22, 390, 183	28, 642, 715

¹ 11 months.

² Estimated, based on 19 loans.

³ Not available.

⁴ Does not include figure for association no. 16.

reduction loan plan at time of conversion, with the consequent shrinkage in book value of assets, total assets as of February 28, 1936 had jumped to \$28,642,715 from a combined total of \$22,390,183 at time of conversion. The total investment of the Treasury and of the Home Owners' Loan Corporation in shares of these Federal associations as of February 28 was \$6,193,300.

The statistical evidences of recovery presented by these 21 associations are striking. No single explanation will account for them, but one factor is of such importance as to deserve special comment. That factor is the service these associations offer home-owner borrowers—including direct-reduction loans at long terms and reasonable interest rates. At the time they fed-

eralized nearly all the 21 associations made reductions in the effective interest rates they had been charging borrowers. One association listed cut its effective interest rate from 13 percent before conversion to 6.4 percent after conversion. Another reduced its effective rate from 13 percent to 6.2 percent. Other reductions were from 8.5 percent to 6.2 percent, from 10.5 percent to 6 percent, and from 6 percent to 5.7 percent. It must be emphasized that these are *effective* rates, not *nominal* rates. The effective rate includes the nominal rate plus all service charges and other charges such as premiums. Only loan-closing fees are excluded. It is obvious that terms such as these would give savings and loan associations a competitive advantage in almost any market.

A Uniform Fiscal Year for Savings and Loan Associations

SAVINGS and loan associations in different States end their fiscal year and close their books in at least six different months. In 28 States and Territories the fiscal year for associations ends on December 31; in 16 States, on June 30; in one State each, the closing dates are August 31, September 30, October 31, and November 30. In Pennsylvania, the associations seem free to close their books and report at any time they see fit; in Maryland, associations are not required to report.

The mere statement of the facts indicates how impossible it is to make accurate reports of the savings and loan business, or to make comparisons between associations in different States. The savings and loan business as a whole and every association individually are the principal victims of this situation. If the business cannot give the nation an accurate picture of the service it is rendering, it loses by so much in public support and it is handicapped by so much in attracting public savings and home-financing business.

There seems to be no practical reason why associations in all States cannot adopt a uniform fiscal year. Only the inertia of custom stands in the way. Many supervisory authorities and national and State trade associations have long been working toward a uniform fiscal year to coincide with the calendar year. Since associations in a majority of States now close their books on December 31, the adoption of this date in all States would result in the minimum of change.

Uniformity is an element of strength. Through the cooperative action of the State supervisory authorities, the United States Building and Loan League, and the Federal Home Loan Bank Board, a uni-

form reporting system has been adopted by the industry. Uniform accounting practices seem on the way. It is hoped that the uniform fiscal year will also soon become a reality.

The dates on which associations now end their fiscal year are listed below by States:

DECEMBER 31	Idaho
Alabama	Louisiana
Arizona	Maine
Arkansas	Michigan
California	Nebraska
Georgia	New Hampshire
Indiana	Oregon
Iowa	Tennessee
Kansas	Utah
Kentucky	Vermont
Minnesota	West Virginia
Mississippi	Wyoming
Montana	SEPTEMBER 30
Nevada	Connecticut
New Jersey	NOVEMBER 30
New Mexico	Illinois
New York	OCTOBER 31
North Carolina	Massachusetts
North Dakota	AUGUST 31
Ohio	Missouri
Oklahoma	NO REPORTS REQUIRED
Rhode Island	Maryland
South Carolina	NO DEFINITE DATE
South Dakota	Pennsylvania—Insti-
Texas	tutions apparently
Virginia	report at any date
Washington	during the calendar
Wisconsin	year, probably their
Hawaii	own fiscal year.
JUNE 30	
Colorado	
Delaware	
District of Columbia	
Florida	

Steps in the Operation of the Home-Building Service Plan

IN PROVIDING a home-building service to borrowers, a home-financing institution does not duplicate any existing technical facilities. It does not take over the role of the architect, nor of the builder, nor of the materials dealer. It does not enter into the building business. What it does is something that has never been done before—it marshalls all these hitherto uncoordinated elements of the building industry into an organized unit and makes itself the single point of contact between this unit and the prospective home-owner borrower. The objective is to make home building for the borrower almost as simple and safe as is the purchase of a motorcar or a refrigerator. In so doing, the home-financing institution increases both the safety and the volume of its own investments and benefits everyone concerned except the jerry builder.

The Federal Home Loan Bank Board's recommended procedure for operating a home-building service and necessary forms, which together will compose the Home-Building Service Guide, are rapidly nearing completion. The principal steps in operating the service are briefly outlined below. These steps are, of course, intended merely as suggestions to associations that may desire to install a home-building service. They are based largely upon the practical experience of associations already offering such a service, but it is recognized that no one system will fit every association, and that many will desire to modify the plan to suit their own needs and practices.

Step 1. The applicant is interviewed at the lending institution concerning his hous-

ing plans and requirements and also as to his financial ability to invest the necessary equity money in the project and to meet monthly payments.

If the interviewer is doubtful of the applicant's financial ability, he does not unfold the features of the home-building service at this interview, but either advises the applicant that it does not seem expedient to undertake the project, or requests pertinent information and arranges a second interview to permit time to investigate the credit risk. In this event, Step 4 precedes Steps 2 and 3. If the financial considerations are favorable, however, the interviewer proceeds with the second step at this first interview.

Step 2. The home-building service and the economies resulting from its use are fully explained to the applicant. The cost of the service, including the drawings, specifications, and supervision provided by the local architectural group, are explained.

The interviewer then assists the applicant in the selection of an appropriate design from the portfolio of sketched plans furnished by the architectural associates. The aid of the architect in the selection of the proper design may be advisable. Also, the client may wish to have the architect inspect the lot before making a decision to proceed further.

A client desiring and able to pay for individual plans should, of course, be referred to an architect who will furnish individual service at the usual fees. This reference should be so handled as to retain the applicant as a borrower.

Step 3. The interviewer assists the applicant to fill out an application for a mortgage loan and the accompanying credit statement. In addition, the applicant signs an agreement for architectural services.

Step 4. Eligibility of home owner for financing is determined.

Step 5. The lot is appraised.

Step 6. The architect inspects the lot and reports upon the suitability of the selected design to the site and neighborhood and on the placing of the house on the lot.

Step 7. The association passes on the loan application.

Step 8. The mortgage loan having been approved subject to final arrangements, the architect furnishes the working drawings and specifications. In the name of the owner, the architect secures competitive bids from not exceeding four qualified contractors.

Step 9. The architect prepares the construction contract for the owner to sign.

Step 10. The association prepares for the owner's signature the usual loan documents, including mortgage or deed of trust, and the construction agreement under which the association acts as fiscal agent.

Step 11. The architect supervises and inspects the construction, dealing with the owner as to various phases thereof, and making inspection reports with certifications of payments due the contractor.

Step 12. The association arranges fire and other insurance on the building under construction. It checks the contractor's compliance with contract requirements as to liability, insurance, and bond, if any. On the architect's certification it makes payments on the contract and payments for other expenses as set forth in the construction agreement.

Step 13. On completion of construction, certified by the architect and approved by the owner, and on waiver or release of liens, the association makes final payment to the contractor.

Step 14. The association accounts to the owner on its activities as agent.

Step 15. It is contemplated that the association will issue a certificate of construction to the owner and a plate to be attached to the house, attesting to construction under appropriate architectural plans and supervision. The possibility of having such a certificate registered by the Federal Home Loan Bank Board in order to give national prestige to construction under the Board's Home-Building Service Plan is now being considered.

The procedure outlined would apply only to dealings with an individual homeowner builder. It would have to be modified, of course, in dealing with operative builders. A complete set of sample forms will be included in the Service Guide. The forms have been adapted from those actually in use in savings and loan associations which are already operating a home-building service.

PARTICIPANTS IN THE HOME-BUILDING SERVICE PLAN

IT SHOULD be clear from the above outline of suggested procedure that the home-financing institution's part in the operation of a home-building service is that of a catalytic agent. That is, it brings the prospective home-owner builder into a new and more efficient relationship with the construction industry without undergoing any essential change in its own nature or activities. The participants in the home-building service plan and what each does are listed below in outline form.

- I. The Federal Home Loan Bank Board.
 1. Assists in making arrangements for adequate technical services.
 2. Furnishes Service Guide with complete procedure and forms.
 3. Explains the plan to the institution and assists in training institution's personnel.
 4. Educates home owners to insist upon quality standards of construction, and provides sample promotive material.

II. The Local Group of Architects.

1. Provides a portfolio of sketch plans for member institutions to display to home builders.
2. Provides estimates of construction cost.
3. Qualifies building contractors.
4. Assures good quality of construction by furnishing an architectural service for the home builder, including:
 - a. Six sets of blue prints of complete standard specifications and working drawings at $\frac{1}{4}$ -inch scale, with all necessary dimensions, location of all heating, plumbing and electrical equipment and outlets, together with necessary details.
 - b. Inspection of the building site and advice as to suitability of the selected design to the site and neighborhood, and layout of the house on the site.
 - c. At least two consultations with the home builder.
 - d. On owner-built projects inviting and receiving for the owner not more than four proposals from qualified contractors.
 - e. Preparation of the contract documents.
 - f. Checking the layout of the house on the lot, and inspecting the sub-soil for footings.
 - g. At least six inspections of the work during construction with corrections ordered where necessary. Certification of payments to the contractor and of satisfactory completion.

Where standard plans are used the above special architectural service usually will be provided for approximately 2 percent of construction cost. In some instances discounts will be offered operative builders who build a number of homes in the same location simultaneously. In addition to such minimum service, the architect will be available for additional consultations and inspections at a moderate fee (ordinarily \$5 each), and for making minor changes in standard drawings and specifications at about cost (ordinarily \$2.50 per hour). Plans for and inspection of reconditioning or remodeling work will be available at the usual local fee.

III. The Builder.

1. Provides evidence of his ability to carry out the construction.
2. Furnishes labor and materials as specified by the architect.
3. Cooperates with materials men and sub-contractors.
4. Enables architect to inspect and test the work.
5. Releases liens on completion.

IV. The Owner.

1. Provides the building site.
2. Provides necessary equity funds.
3. Provides evidence of ability to carry the project and repay the loan.

V. The Member Savings and Loan Association.

1. Undertakes local promotional campaign to attract the public (investors and borrowers) to its place of business.
2. Provides space and personnel to contact the home-builder applicant.
3. Makes loans to home builders.
4. Makes payments during construction on certificate of the architect and performs other duties as fiscal agent.

Indexes of Small-House Building Costs

THE April costs of building the same typical 6-room house in the group of cities which first reported in January are published in the accompanying table. Comparison with the revised figures for January gives a preliminary indication of the movement of costs in each city. As the Board's major purpose in developing the indexes is to show trends in costs within each reporting city, these preliminary comparisons are of special interest.

Attention is called to the revisions in the preliminary January cost figures which were published in the January REVIEW. The greatest change is that for Providence, Rhode Island, for which the revised January figure is \$5,584 instead of the preliminary figure of \$6,442. As a result of this revision, the cost of building the standard house in Providence is shown to be well below the January high for the New England district. This high was \$5,803 reported by Boston.

At the other end of the scale, revisions of the January cost figures seem to stamp Baltimore as the city of lowest costs instead of Columbia, South Carolina. The revised January figures for Baltimore show a cost of \$4,453 instead of the preliminary figure of \$5,028, published in the January REVIEW. The low costs reported by Baltimore are explained by the low hourly wage rates at present being paid in that city and by the competitively low prices for building materials. The fact that residential construction in Maryland has for some time been lower than in any other State in the fourth Federal Home Loan Bank District (see table, page 256) may also help to explain the low costs in Baltimore.

As was foreseen and pointed out in the initial articles on the building-cost indexes, the revised figures show some changes from the preliminary figures published in January for every city. The inevitable

complexity of the reporting system and the difficulties of defining exactly the quality of materials on which prices are asked can only be overcome by time and intensive instruction. Although these preliminary figures still remain subject to correction, the major errors have been eliminated and the third report from this group of cities due in July will make possible the publication of definitive January and April figures. Meanwhile, we again repeat that it will be desirable to delay until July the drawing of final conclusions and the making of definitive comparisons between costs reported from these cities.

APRIL COSTS

TURNING now to the preliminary cost figures for April from the various cities, we find that Baltimore retains the low position with \$4,486 or a cubic-foot cost of 18.7 cents for the typical house. The highest cost of \$6,537 or 27.2 cents per cubic foot is reported by Chicago.

In comparing movements in costs from January to April, it will be seen that there is absolutely no uniformity either in direction or volume. Twelve cities showed some upward movement, nine showed a decrease, and in two cities costs remained practically stationary between the two periods. This complete absence of uniformity in cost trends as well as the wide differences in total costs among cities bears out the contention frequently expressed that the building industry in each community is almost wholly uninfluenced by the situation of the industry in any other community.

In an attempt to give as wide a geographical distribution of different cost areas as possible, the REVIEW has dropped some of the cities from which reports were asked in January and added certain new cities.

Total costs and cubic-foot costs of building the same standard house in representative cities in January and April 1936

NOTE.—It must be understood that these figures are subject to correction. No conclusions should be drawn until the reporting system has had time to be perfected and possible errors largely eliminated.

These figures do not represent the cost of a completed house, but only the cost of the basic elements that go into a house.

[Source: Federal Home Loan Bank Board]

Federal Home Loan Bank Districts, States, and cities	Total building cost		Cubic-foot cost	
	April	January	April	January
No. 1—Boston:				
Connecticut:				
Hartford	\$5, 697	\$5, 791	\$0. 237	\$0. 241
New Haven	5, 589	.....	. 233	.....
Maine:				
Portland	5, 080	5, 042	. 212	. 210
Massachusetts:				
Boston	5, 833	5, 803	. 243	. 242
New Bedford	5, 426	.....	. 226	.....
Worcester	5, 667	.....	. 236	.....
New Hampshire:				
Manchester	5, 432	5, 467	. 226	. 228
Rhode Island:				
Providence	5, 545	5, 584	. 231	. 233
Vermont:				
Rutland	5, 345	5, 348	. 223	. 223
District average	\$5, 513	\$5, 506	\$0. 230	\$0. 229
No. 4—Winston-Salem:				
Alabama:				
Birmingham	5, 268	5, 233	. 220	. 218
District of Columbia:				
Washington	4, 961	4, 937	. 207	. 206
Maryland:				
Baltimore	4, 486	4, 453	. 187	. 186
Cumberland	5, 701	5, 600	. 238	. 233
Florida:				
Tampa	5, 304	.....	. 221	.....
West Palm Beach	5, 963	6, 074	. 248	. 253
Georgia:				
Atlanta	5, 476	5, 230	. 228	. 218
North Carolina:				
Asheville	4, 716	4, 733	. 196	. 197
Raleigh	4, 804	5, 016	. 200	. 209
South Carolina:				
Columbia	4, 634	4, 489	. 193	. 187
Virginia:				
Richmond	5, 143	5, 193	. 214	. 216
Roanoke	4, 556	4, 507	. 190	. 188
District average	\$5, 084	\$5, 042	\$0. 212	\$0. 210
No. 7—Chicago:				
Illinois:				
Chicago	6, 537	6, 357	. 272	. 265
Peoria	6, 154	.....	. 256	.....
Springfield	6, 443	6, 438	. 268	. 268
Wisconsin:				
Milwaukee	5, 560	.....	. 232	.....
Oshkosh	5, 381	5, 114	. 224	. 213
District average	\$6, 015	\$5, 970	\$0. 251	\$0. 249
No. 10—Topeka:				
Colorado:				
Denver	6, 023	.....	. 251	.....
Kansas:				
Wichita	5, 183	5, 428	. 216	. 226
Nebraska:				
Omaha	5, 552	5, 588	. 231	. 233
Oklahoma:				
Oklahoma City	5, 501	5, 462	. 229	. 228
District average	\$5, 565	\$5, 493	\$0. 232	\$0. 229

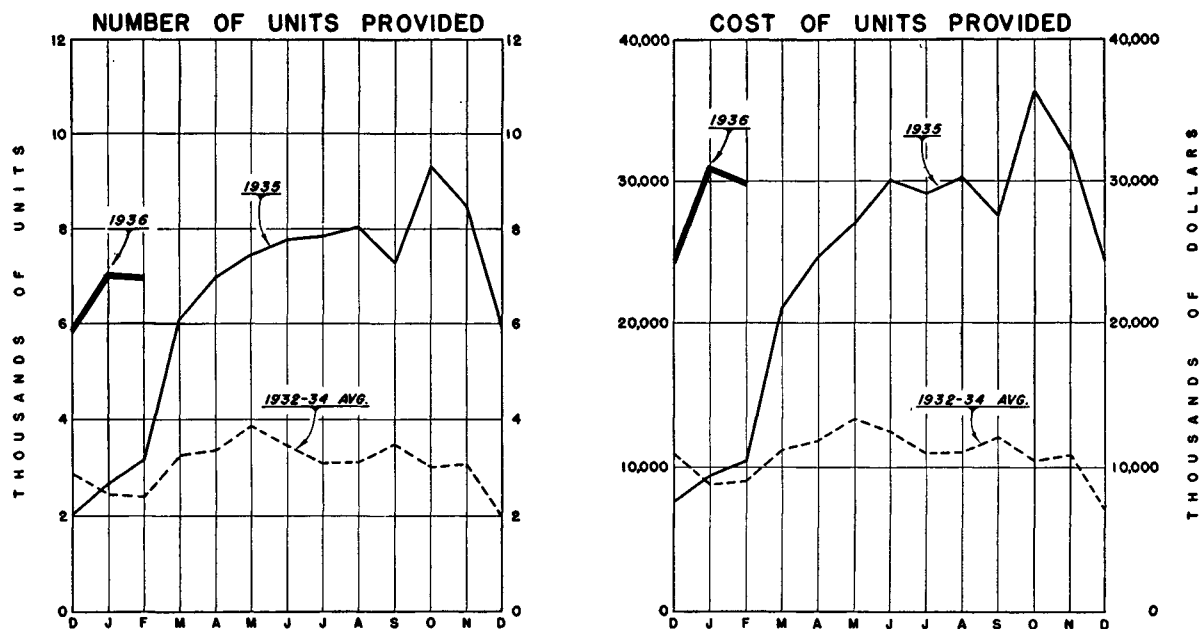
Residential Construction Activity in the United States

THOUGH the severe February weather took its toll of building activity, the number and cost of dwelling units authorized by permits in all cities of 10,000 and more population fell but slightly from the January level (chart 1). Permits authorized during the month provided for 6,943 dwelling units costing nearly \$30,000,000. Compared with the same month of last year, these figures represent increases of 119 percent and 189 percent respectively (table 1). The relatively greater rise in costs is, of course, due to the construction of more expensive homes, and not to a rise in building costs.

One- and two-family type dwellings accounted for 64.3 percent of all units authorized during the month while units in 3- or more-family structures accounted for the remaining 35.7 percent. The proportions for the two types in February 1935 were 68.4 percent and 31.6 percent respectively. The average cost of all units was considerably higher in February 1936 than in February 1935. One-family dwellings averaged \$5,033 as compared with \$3,477 a year ago and the cost of units in multifamily structures rose from \$2,980 last year to \$3,270 this February.

CHART 1.—NUMBER AND COST OF FAMILY DWELLING UNITS FOR WHICH PERMITS WERE GRANTED, BY MONTHS

Cities of 10,000 or more population: 1936 compared with selected periods
 [Source: Federal Home Loan Bank Board. Compiled from reports to U. S. Department of Labor]



April 1936

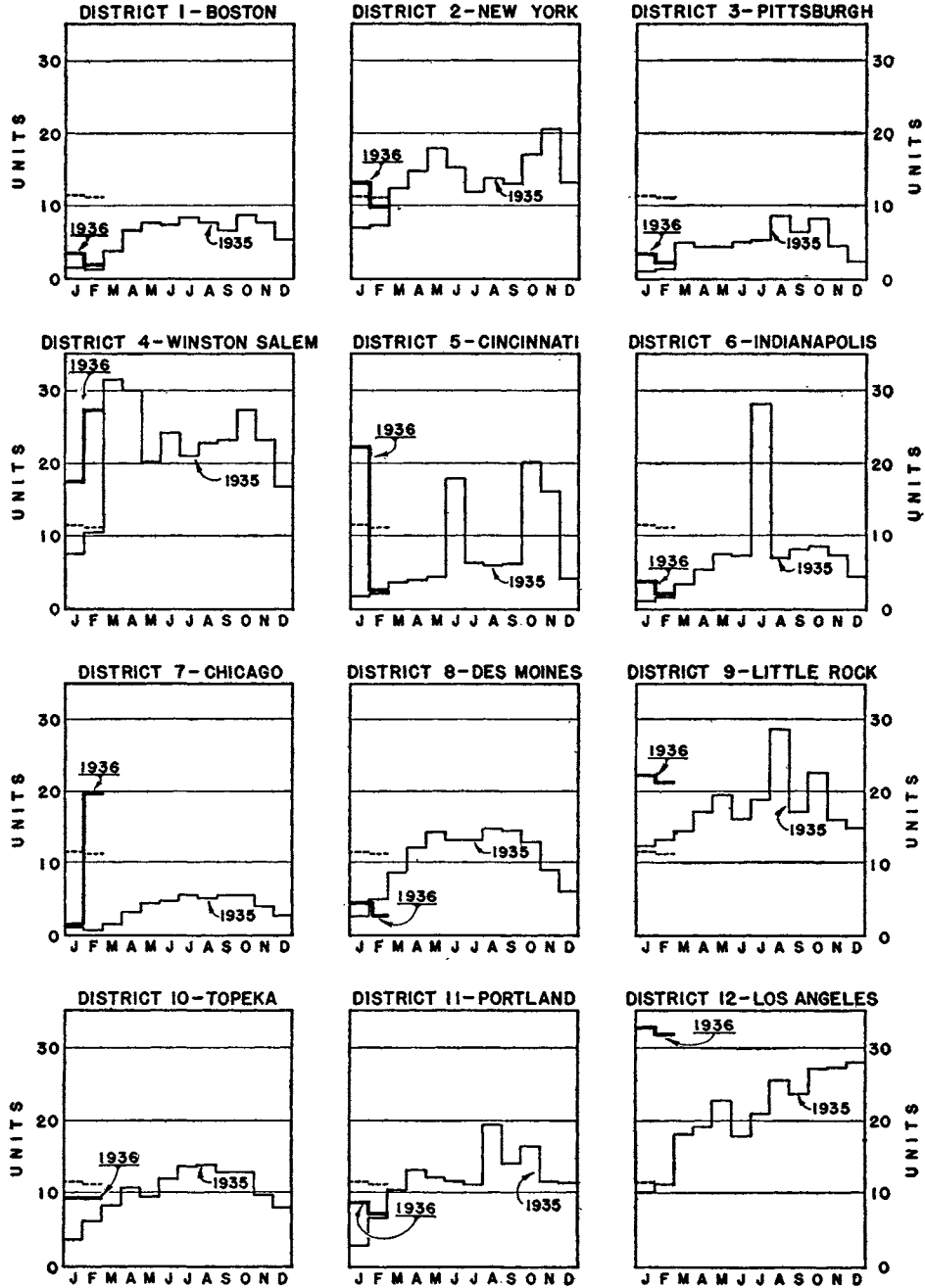
CHART 2.—RATE OF RESIDENTIAL BUILDING IN THE UNITED STATES AND IN EACH FEDERAL HOME LOAN BANK DISTRICT BY MONTHS

Represents the estimated number of family dwelling units provided per 100,000 population; based upon building-permit records for all cities of 10,000 or more inhabitants

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

—LEGEND—

1935..... 1936.....
U.S. AVERAGE 1936.....



BUILDING ACTIVITY BY FEDERAL HOME LOAN BANK DISTRICTS

THE rate of residential construction which prevailed in all cities of 10,000 and more population during the first two months of 1936 and all of 1935 is shown for the United States and for each Federal Home Loan Bank District in chart 2. The total number and cost of units by Districts and by States is shown in table 2. As the chart for each District is comparable with every other chart, member institutions may compare the rate of building in their Districts not only with activity in the preceding year but with the rate in any other District.

Chart 2 shows great unevenness both in the rate of building activity in February and in the change from January in different Districts. Nine Districts registered some drop from January while only the Winston-Salem and Chicago Districts showed an increase and Topeka remained stationary. Nevertheless, every District except Des Moines remained above the February 1935 level. Eight Districts showed a lower rate of construction than the United States as a whole, only Los Angeles, Winston-Salem, Little Rock, and Chicago exceeding the national rate.

The extraordinary increase in the Chicago District was due wholly to 1,291 dwelling units authorized by permits in Wisconsin. A Federal resettlement project being undertaken in Milwaukee was mainly responsible for this volume.

BUILDING COSTS AND HOUSING RENTALS

THE cost of building declined slightly during February, according to the index computed by the Federal Reserve Bank of New York. The index stood at 89.0 percent of the 1923-1925 base level as compared with 89.1 percent in January and 88.5 percent in February 1935. Housing rentals as measured by the National Industrial Conference Board index continued their steady upward trend, standing in February at 71.6 percent of the 1923-1925 base as compared with 71.4 percent in January and the low point of 60.6 percent in January 1934.

Industrial production, in sharp contrast with the low level of residential construction, was almost back to its 1923-1925 level in February. In that month it stood at 97 percent, having risen from 96 percent in January and 91 percent in February 1935.

TABLE 1.—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 February 1936¹

[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		
	Feb. 1936	Feb. 1935	Percent change	Feb. 1936	Feb. 1935	Percent change	Feb. 1936	Feb. 1935	Percent change
All housekeeping dwellings..	6, 943	3, 171	+119. 0	\$29, 885. 4	\$10, 345. 5	+188. 9	\$4, 304	\$3, 263	+31. 9
Total 1- and 2-family dwellings.....	4, 464	2, 169	+105. 8	21, 777. 9	7, 360. 0	+195. 9	4, 879	3, 393	+43. 8
1-family dwellings.....	4, 195	1, 947	+115. 5	21, 111. 7	6, 769. 4	+211. 9	5, 033	3, 477	+44. 8
2-family dwellings.....	248	198	+25. 3	610. 7	498. 1	+22. 6	2, 463	2, 516	-2. 1
Joint home and business ² ...	21	24	-12. 5	55. 5	92. 5	-40. 0	2, 643	3, 854	-31. 4
Multifamily dwellings.....	2, 479	1, 002	+147. 4	8, 107. 5	2, 985. 5	+171. 6	3, 270	2, 980	+9. 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 2.—Number and estimated cost of new residential buildings for which permits were issued in all cities of 10,000 population or over, in February 1936, by Federal Home Loan Bank Districts and by States

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

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost (000 omitted)		Number of family dwelling units		Estimated cost (000 omitted)	
	Feb. 1936	Feb. 1935	Feb. 1936	Feb. 1935	Feb. 1936	Feb. 1935	Feb. 1936	Feb. 1935
UNITED STATES	6, 943	3, 171	\$29, 885. 4	\$10,345.5	4, 464	2, 169	\$21, 777. 9	\$7, 360. 0
No. 1—Boston	117	71	625. 2	304. 5	110	59	603. 3	269. 5
Connecticut	40	18	211. 8	78. 6	37	18	201. 0	78. 6
Maine	8	5	15. 5	14. 0	8	5	15. 5	14. 0
Massachusetts	55	34	348. 2	156. 9	51	22	337. 1	121. 9
New Hampshire	2	1	9. 0	3. 7	2	1	9. 0	3. 7
Rhode Island	12	11	40. 7	47. 9	12	11	40. 7	47. 9
Vermont		2		3. 4		2		3. 4
No. 2—New York	1, 330	973	4, 868. 5	3, 436. 8	365	268	1, 658. 7	1, 123. 8
New Jersey	64	67	442. 7	335. 9	64	54	442. 7	315. 9
New York	1, 266	906	4, 425. 8	3, 100. 9	301	214	1, 216. 0	807. 9
No. 3—Pittsburgh	134	72	588. 0	411. 7	111	62	560. 5	408. 1
Delaware		1		17. 0		1		17. 0
Pennsylvania	88	43	476. 9	339. 5	88	43	476. 9	339. 5
West Virginia	46	28	111. 1	55. 2	23	18	83. 6	51. 6
No. 4—Winston-Salem	1, 356	518	4, 627. 8	1, 425. 3	646	392	2, 605. 2	1, 128. 5
Alabama	33	18	79. 8	28. 0	19	18	32. 2	28. 0
District of Columbia	511	120	1, 598. 6	492. 6	86	67	616. 1	389. 1
Florida	451	122	1, 573. 6	281. 1	201	119	632. 8	278. 2
Georgia	45	55	129. 4	114. 6	39	55	116. 1	114. 6
Maryland	31	5	133. 0	21. 5	27	5	123. 0	21. 5
North Carolina	64	126	216. 4	309. 0	64	62	216. 4	125. 4
South Carolina	62	34	144. 5	64. 9	54	28	124. 5	58. 1
Virginia	159	38	752. 5	113. 6	156	38	744. 1	113. 6
No. 5—Cincinnati	149	115	808. 7	516. 9	133	111	748. 7	476. 0
Kentucky	10	24	44. 0	84. 7	10	24	44. 0	52. 8
Ohio	93	60	632. 0	372. 9	77	56	572. 0	363. 9
Tennessee	46	31	132. 7	59. 3	46	31	132. 7	59. 3
No. 6—Indianapolis	105	76	677. 0	410. 3	105	69	677. 0	398. 1
Indiana	9	19	51. 2	66. 4	9	12	51. 2	54. 2
Michigan	96	57	625. 8	343. 9	96	57	625. 8	343. 9
No. 7—Chicago	1, 322	42	9, 698. 9	239. 4	804	39	7, 460. 4	215. 4
Illinois	31	19	276. 8	116. 9	31	16	276. 8	92. 9
Wisconsin	1, 291	23	9, 422. 1	122. 5	773	23	7, 183. 6	122. 5
No. 8—Des Moines	95	177	408. 2	558. 8	95	158	408. 2	522. 4
Iowa	1	10	3. 5	11. 9	1	10	3. 5	11. 9
Minnesota	9	38	67. 3	120. 7	9	38	67. 3	120. 7
Missouri	82	83	330. 9	361. 2	82	83	330. 9	361. 2
North Dakota	1	20	2. 0	34. 0	1	2	2. 0	2. 0
South Dakota	2	26	4. 5	31. 0	2	25	4. 5	26. 6

TABLE 2.—Number and estimated cost of new residential buildings for which permits were issued in all cities of 10,000 population or over, in February 1936, by Federal Home Loan Bank Districts and by States—Continued

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

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost (000 omitted)		Number of family dwelling units		Estimated cost (000 omitted)	
	Feb. 1936	Feb. 1935	Feb. 1936	Feb. 1935	Feb. 1936	Feb. 1935	Feb. 1936	Feb. 1935
No. 9—Little Rock	695	423	\$1,808.8	\$760.4	659	385	\$1,732.7	\$729.0
Arkansas.....	20	6	45.8	8.4	20	6	45.8	8.4
Louisiana.....	64	41	211.4	82.1	64	41	211.4	82.1
Mississippi.....	12	10	44.6	12.3	12	10	44.6	12.3
New Mexico.....	21	2	67.0	5.0	21	2	67.0	5.0
Texas.....	578	364	1,440.0	652.6	542	326	1,363.9	621.2
No. 10—Topeka	185	126	652.8	418.0	158	123	588.8	407.0
Colorado.....	53	37	235.3	154.8	34	34	181.3	143.8
Kansas.....	38	29	129.1	79.9	30	29	119.1	79.9
Nebraska.....	.....	6	.....	35.4	.....	6	.....	35.4
Oklahoma.....	94	54	288.4	147.9	94	54	288.4	147.9
No. 11—Portland	118	108	382.7	245.8	114	94	375.7	224.3
Idaho.....	2	4	5.8	6.1	2	4	5.8	6.1
Montana.....	4	10	10.0	29.7	4	10	10.0	29.7
Oregon.....	41	15	135.1	46.2	37	15	128.1	46.2
Utah.....	5	6	9.4	11.8	5	6	9.4	11.8
Washington.....	64	57	212.6	115.2	64	49	212.6	106.4
Wyoming.....	2	16	9.8	36.8	2	10	9.8	24.1
No. 12—Los Angeles	1,337	470	4,738.8	1,617.6	1,164	409	4,358.7	1,457.9
Arizona.....	30	1	93.7	9.5	22	1	78.7	9.5
California.....	1,290	468	4,566.1	1,605.1	1,125	407	4,201.0	1,445.4
Nevada.....	17	1	79.0	3.0	17	1	79.0	3.0

Growth and Lending Operations of the Federal Home Loan Banks

THE volume of Federal Home Loan Bank loans outstanding to member institutions continued to hold up beyond expectations throughout February. With total advances of \$3,784,000 during the month and repayments of \$3,642,000, the net balance outstanding increased to \$102,942,000. There seems no doubt that the return of weather favorable to building will inaugurate the heaviest demand for Federal Home Loan Bank credit in the System's history.

In this connection, it will be noted that table 1 includes a new column showing

that member institutions have a current borrowing capacity of approximately \$875,000,000. This column replaces the formerly published line-of-credit column, based on 12-times stock subscriptions. This was shown by experience to have no validity, in view of the ease with which stock subscriptions may be increased to meet a larger need for Bank credit.

The true picture of the potential borrowing capacity of a member institution is not given by computations figured on its actual stock holdings; it must be ob-

Growth and trend of lending operations of the Federal Home Loan Banks

Month	Members		Loans advanced (cumulative) (000 omitted)	Loans advanced (monthly) (000 omitted)	Repayments (monthly) (000 omitted)	Balance outstanding at end of month (000 omitted)	Borrowing capacity (000 omitted)
	Number	Assets ¹ (000 omitted)					
1932							
December.....	118	\$216, 613	\$837	\$837	.....	\$837	.....
1933							
June.....	1, 337	1, 846, 775	48, 817	8, 825	\$270	47, 600	.....
December.....	2, 086	2, 607, 307	90, 835	7, 102	859	85, 442	.....
1934							
June.....	2, 579	3, 027, 999	111, 767	2, 950	3, 143	85, 148	.....
December.....	3, 072	3, 305, 088	129, 545	2, 904	3, 360	86, 658	.....
1935							
June.....	3, 326	3, 201, 671	148, 450	5, 353	1, 957	79, 233	.....
December.....	3, 468	3, 131, 019	188, 675	8, 414	2, 708	102, 795	.....
1936							
January.....	3, 501	3, 160, 048	193, 746	5, 017	5, 065	102, 800	.....
February.....	3, 527	3, 193, 280	197, 530	3, 784	3, 642	102, 942	\$875, 000

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.

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

tained by computations based upon its potential stock holdings and borrowing capacity as fixed by the State or Federal charter under which it operates. By such computations it is found that member institutions in February had a borrowing capacity of approximately \$875,000,000. The more their assets increase, of course,

the more they will be able to borrow from the Federal Home Loan Banks.

During February the number of members of the Federal Home Loan Bank System was increased by 26 bringing the total membership to 3,527. At the end of the month the combined assets of these institutions were approximately \$3,193,000,000.

Interest rates, Federal Home Loan Banks: rates on advances to member institutions ¹

Federal Home Loan Bank	Rate in effect on April 1	Type of loan
	<i>Percent</i>	
1. Boston.....	3	All advances.
2. New York.....	3¼	All advances for 1 year or less.
	3¾	All advances for more than 1 year shall be written at 4 percent, but interest collected at 3¾ percent during 1936. This rate shall be applicable to balances outstanding on Jan. 1, 1936.
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....	3½	All advances for 1 year or less. All advances for more than 1 year are written at 4½ percent, but interest collected at 3½-percent rate until further notice.
5. Cincinnati.....	3	All advances.
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.....	3	All secured advances are to be written at 3½ percent, but interest collected at 3 percent.
	3½	All unsecured advances.
8. Des Moines.....	3½	All advances for 1 year or less.
	3½-4	All advances for more than 1 year shall bear an interest rate of 3½ percent for the first year, and 4 percent for subsequent years, but interest will be collected at 3½ percent so long as this rate is in effect on short-term advances.
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 in excess of the current rates of interest prevailing for member institutions."

FEDERAL HOME
Combined statement of

	Combined	Boston	New York	Pittsburgh	Winston-Salem
ASSETS					
Cash:					
On hand.....	\$3,556.13	\$500.00	0	\$1,000.00	\$10.00
On deposit with U. S. Treasurer.....	6,549,832.53	140,720.32	\$1,645,084.96	32,876.61	1,065,450.67
On deposit with U. S. Treasurer, members' demand deposits.....	1,374,490.29	0	0	0	0
On deposit with other Federal Home Loan Banks.....	2,500,000.00	0	0	0	0
On deposit with commercial banks.....	2,526,199.25	907,794.91	155,760.27	41,603.29	10,956.72
Total cash.....	12,954,078.20	1,049,015.23	1,800,845.23	75,479.90	1,076,417.39
Loans outstanding:					
Members.....	102,887,360.01	3,189,487.61	15,210,295.21	11,691,760.36	7,280,287.14
Nonmembers, secured by F. H. A. mortgages.....	51,000.00	0	0	51,000.00	0
Other.....	3,880.61	0	0	0	0
Total loans outstanding.....	102,942,240.62	3,189,487.61	15,210,295.21	11,742,760.36	7,280,287.14
Accrued interest receivable:					
Members.....	422,942.16	13,718.71	61,707.51	53,406.42	34,500.23
Other Federal Home Loan Banks, deposits.....	4,967.21	0	0	0	0
Securities.....	133,177.33	22,579.43	1,367.32	1,999.69	9,008.58
Other.....	248.93	0	0	167.68	0
Total accrued interest.....	561,335.63	36,298.14	63,074.83	55,573.79	43,508.81
Investments, U. S. Government.....	18,655,364.86	4,350,000.00	205,985.94	142,900.00	1,481,467.51
Furniture and fixtures (net).....	2.00	0	0	1.00	0
Stock subscriptions receivable, members.....	323,365.00	56,600.00	31,900.00	18,025.00	21,575.00
Deferred charges:					
Prepaid assessment, F. H. L. B. B.....	6,357.50	1,657.50	0	0	1,807.50
Prepaid bond premium.....	12,492.94	1,058.15	1,592.44	1,129.78	652.50
Other.....	3,095.86	0	2,075.03	0	0
Total deferred charges.....	21,946.30	2,715.65	3,667.47	1,129.78	2,460.00
Other assets:					
Accounts receivable.....	3,421.88	0	0	1,726.08	953.49
Other.....	734.17	0	0	0	0
Total other assets.....	4,156.05	0	0	1,726.08	953.49
Total assets.....	135,462,488.66	8,684,116.63	17,315,768.68	12,037,595.91	9,906,669.34
LIABILITIES AND CAPITAL					
Liabilities:					
Deposits:					
Members, time.....	5,419,713.84	1,137,363.06	924,000.00	72,000.00	205,500.00
Members, demand.....	1,574,490.29	0	0	0	0
Applicants.....	200,874.87	5,975.00	21,199.87	23,725.00	4,625.00
Other Federal Home Loan Banks.....	2,500,000.00	0	0	200,000.00	0
Members' loan prepayments.....	121,130.50	0	0	30,255.00	0
Accrued interest:					
Members' deposits.....	7,424.62	1,501.10	1,794.61	96.76	598.08
Accounts payable.....	4,316.58	0	0	471.23	0
Total liabilities.....	9,827,950.70	1,144,839.16	946,994.48	326,547.99	210,723.08
Capital:					
Capital stock, issued and outstanding:					
Fully paid:					
Members.....	24,576,900.00	2,033,500.00	3,405,600.00	1,782,500.00	2,012,200.00
U. S. Government:					
Subscriptions, authorized.....	124,741,000.00	12,467,500.00	18,963,200.00	11,146,300.00	9,208,200.00
Subscriptions, unallocated.....	27,045,300.00	7,167,500.00	6,463,200.00	1,546,300.00	1,708,200.00
Partially paid:					
Members.....	97,695,700.00	5,300,000.00	12,500,000.00	9,600,000.00	7,500,000.00
Members.....	626,900.00	96,700.00	67,900.00	48,600.00	40,500.00
Total capital stock outstanding.....	122,899,500.00	7,430,200.00	15,973,500.00	11,431,100.00	9,552,700.00
Surplus:					
Reserves:					
As required under section no. 16 of act.....	1,389,307.61	67,843.94	194,400.20	146,609.47	100,015.02
Surplus, unallocated.....	1,345,730.35	41,233.53	200,874.00	133,338.45	43,231.24
Total surplus.....	2,735,037.96	109,077.47	395,274.20	279,947.92	143,246.26
Total capital.....	125,634,537.96	7,539,277.47	16,368,774.20	11,711,047.92	9,695,946.26
Total liabilities and capital.....	135,462,488.66	8,684,116.63	17,315,768.68	12,037,595.91	9,906,669.34

LOAN BANKS

condition as at Feb. 29, 1936

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
\$510.00 374,895.26	0 \$384,219.99	\$951.13 367,582.41	\$25.00 331,732.52	\$25.00 269,155.77	\$25.00 396,981.97	0 \$1,094,012.99	\$510.00 447,119.06
698,035.10 0 283,245.21	92,118.09 900,000.00 415,540.31	0 0 550,213.47	0 0 13,459.15	163,091.92 0 0	25,457.77 0 9,312.09	158,217.59 1,600,000.00 57,000.00	237,569.82 0 81,313.83
1,856,685.57	1,791,878.39	918,747.01	345,216.67	432,272.69	431,776.83	2,909,230.58	766,512.71
18,338,412.79 0 0	4,529,203.13 0 0	17,663,804.89 0 0	5,577,968.19 0 0	7,449,980.63 0 0	5,019,594.97 0 0	2,796,306.97 0 0	4,140,258.12 0 3,880.61
18,338,412.79	4,529,203.13	17,663,804.89	5,577,968.19	7,449,980.63	5,019,594.97	2,796,306.97	4,144,138.73
52,764.87 0 23,322.91 0	24,752.09 1,655.74 12,469.02 81.25	73,233.67 0 1,165.24 0	31,858.87 0 15,714.20 0	24,861.15 0 31,756.57 0	22,799.71 0 2,791.67 0	10,017.27 3,311.47 4,279.97 0	19,321.66 0 6,722.73 0
76,087.78	38,958.10	74,398.91	47,573.07	56,617.72	25,591.38	17,608.71	26,044.89
3,031,275.98 0 110,950.00	1,987,032.87 0 10,075.00	156,611.18 0 22,275.00	1,985,333.57 0 1,475.00	2,416,725.00 1.00 5,550.00	1,050,000.00 0 11,275.00	710,075.00 0 3,490.00	1,137,957.81 0 30,175.00
0 1,327.00 1,020.83	0 920.84 0	2,892.50 406.93 0	0 934.16 0	0 1,346.13 0	0 1,038.98 0	0 975.01 0	0 1,111.02 0
2,347.83	920.84	3,299.43	934.16	1,346.13	1,038.98	975.01	1,111.02
189.78 0	0 0	0 734.17	0 0	36.25 0	0 0	0 0	516.28 0
189.78	0	734.17	0	36.25	0	0	516.28
22,915,949.73	8,358,068.33	18,839,870.59	7,958,500.66	10,362,529.42	6,539,277.16	6,437,686.27	6,106,455.94
685,000.00 898,035.10 57,350.00 2,300,000.00 90,875.50	22,259.31 92,118.09 24,400.00 0 0	2,198,591.47 0 32,775.00 0 0	175,000.00 0 5,825.00 0 0	0 163,091.92 1,125.00 0 0	0 25,457.77 3,300.00 0 0	0 158,217.59 250.00 0 0	0 237,569.82 40,325.00 0 0
31.69 0	0 0	3,230.26 1,175.00	172.12 0	0 0	0 0	0 0	0 2,670.35
4,011,292.29	138,777.40	2,235,771.73	180,997.12	164,216.92	28,757.77	158,467.59	280,565.17
5,346,500.00 12,775,700.00 0	2,004,500.00 6,577,400.00 577,400.00	2,668,400.00 14,173,900.00 673,900.00	1,139,900.00 7,394,900.00 894,900.00	1,382,800.00 8,772,400.00 172,400.00	1,056,700.00 7,333,600.00 2,033,600.00	540,700.00 5,960,000.00 300,000.00	1,203,600.00 9,967,900.00 5,507,900.00
12,775,700.00 226,700.00	6,000,000.00 17,600.00	13,500,000.00 38,600.00	6,500,000.00 4,000.00	8,600,000.00 13,800.00	5,300,000.00 21,700.00	5,660,000.00 6,200.00	4,460,000.00 44,600.00
18,348,900.00	8,022,100.00	16,207,000.00	7,643,900.00	9,996,600.00	6,378,400.00	6,206,900.00	5,708,200.00
277,528.27 278,229.17	108,966.28 88,224.65	191,361.62 205,737.24	69,305.97 64,297.57	102,362.17 99,350.33	49,250.17 82,869.22	37,345.98 34,972.70	44,318.52 73,372.25
555,757.44	197,190.93	397,098.86	133,603.54	201,712.50	132,119.39	72,318.68	117,690.77
18,904,657.44	8,219,290.93	16,604,098.86	7,777,503.54	10,198,312.50	6,510,519.39	6,279,218.68	5,825,890.77
22,915,949.73	8,358,068.33	18,839,870.59	7,958,500.66	10,362,529.42	6,539,277.16	6,437,686.27	6,106,455.94

Federal Savings and Loan System

THE 383 converted Federal savings and loan associations making comparable reports for January and February registered a net increase in private share investments of \$6,283,114 during February (table 1). This is by far the largest increase reported by converted associations in any one month to date. These 383 associations obtained an additional \$1,554,000 in share subscriptions from the Home Owners' Loan Corporation and an additional \$438,414 in advances from the Federal Home Loan

Banks. As a result of these added resources, the associations were able to expand their combined balance of loans outstanding at the end of the month by \$3,367,511, a net increase of 1.3 percent.

Together, the 515 new and 383 converted Federal associations reporting made during February mortgage loans totaling \$8,981,959. This was only \$220,629 less than their January total. Refinancing, with 41 percent of the total, led the list of purposes for which loans were made; new construc-

TABLE 1.—*Federal Savings and Loan System—Combined summary of operations for February 1936 as compared with January 1936 for associations reporting in both months*

	515 new associations			383 converted associations		
	February	January	Change January to February	February	January	Change January to February
Share liability at end of month:			<i>Percent</i>			<i>Percent</i>
Private share accounts (number) . . .	78, 928	78, 865	0	401, 358	401, 608	0
Paid on private subscriptions	\$31, 059, 185	\$29, 895, 143	+3. 9	\$289, 316, 708	\$283, 033, 594	+2. 2
Treasury and H. O. L. C. subscriptions	32, 130, 000	30, 713, 200	+4. 6	38, 139, 500	36, 585, 500	+4. 2
Total	63, 189, 185	60, 608, 343	+4. 3	327, 456, 208	319, 619, 094	+2. 5
Average paid on private subscriptions . . .	393	378	+4. 0	721	706	+2. 1
Repurchases during month	494, 623	622, 267	-20. 5	4, 177, 796	6, 178, 319	-32. 4
Mortgage loans made during month:						
a. Reconditioning	195, 503	211, 635	-7. 6	304, 748	428, 488	-28. 7
b. New construction	1, 460, 970	1, 612, 647	-9. 4	1, 184, 850	1, 335, 220	-11. 2
c. Refinancing	1, 387, 993	1, 476, 106	-6. 0	2, 295, 509	2, 123, 275	+8. 1
d. Purchase of homes	839, 835	744, 302	+12. 8	1, 312, 551	1, 270, 915	+3. 3
Total for month	3, 884, 301	4, 044, 690	-4. 0	5, 097, 658	5, 157, 898	-1. 2
Loans outstanding end of month ¹	64, 092, 040	60, 457, 222	+6. 0	272, 553, 644	269, 186, 133	+1. 3
Borrowed money as of end of month:						
From Federal Home Loan Banks	6, 905, 419	6, 546, 833	+5. 5	21, 437, 540	20, 999, 126	+2. 1
From other sources	45, 812	80, 273	-43. 0	1, 996, 953	2, 216, 130	-9. 9
Total	6, 951, 231	6, 627, 106	+4. 9	23, 434, 493	23, 215, 256	+ . 9

¹ These totals include loans made for other purposes than those listed.

tion was second with 29.5 percent; purchase of homes was third with 24 percent; and reconditioning accounted for 5.5 percent. A considerable reduction in loans for reconditioning and new construction during the month (due undoubtedly to the bad weather) was compensated by an increase in loans for refinancing and purchase. Incidentally, it should be pointed out that only additional funds loaned by the associations are reported under refinancing. An existing loan which is merely rewritten without additional financing is not included.

Repurchases of shares by the 898 reporting Federal associations during February

were 31.4 percent less than during January. In contrast to the net increase of 2.9 percent in advances obtained from the Federal Home Loan Banks was a drop of 11 percent in borrowings from other sources during February.

NEW FEDERAL CHARTERS GRANTED

SEVENTEEN Federal charters were granted to savings and loan associations during February. Seven were newly organized and 10 were converted from State-chartered associations (table 2). The 17 associations had combined assets of \$13,382,056. As of the end of February there were 1,061 associations in the System with assets totaling \$521,979,315.

TABLE 2.—Progress in number and assets of the Federal Savings and Loan System

	Number at 6-month intervals				Number		Assets	
	Dec. 31, 1933	June 30, 1934	Dec. 31, 1934	June 30, 1935	Jan. 31, 1936	Feb. 29, 1936	Jan. 31, 1936	Feb. 29, 1936
New.....	57	321	481	554	610	617	\$75, 119, 589	\$75, 312, 891
Converted.....	2	49	158	297	434	444	433, 837, 670	446, 666, 424
Total.....	59	370	639	851	1, 044	1, 061	508, 597, 259	521, 979, 315

Federal Savings and Loan Insurance Corporation

DURING the month ending March 14, 51 savings and loan associations with combined assets of more than \$33,000,000 applied for insurance. Of the applicants, 20 were operating under State charters, 19 had just converted to Federal charters, and 12 were newly organized Federals. During the same period insurance certificates were delivered to 27 associations, of which 11 were State-chartered, 7 were converted Federals, and 9 were new Federals. Their combined assets totaled nearly \$15,000,000 and their shareholders, whose savings now enjoy insurance protection, numbered 23,080.

REPORTS FROM INSURED ASSOCIATIONS

PUBLIC confidence is very often reposed in an industry rather than in an individual institution. To such an extent has this proved true in the savings and loan business since 1930 that many absolutely sound individual associations have been unable to overcome public suspicion of the industry as a whole. In some communities even such evidences of soundness as meeting withdrawals and maintaining dividends have not been sufficient. The public seems to demand some new and striking proof of safety, such as that offered by Federal in-

Progress of Federal Savings and Loan Insurance Corporation—Applications received and institutions insured

APPLICATIONS RECEIVED

	Number at 6-month intervals			Number		Assets (as of date of application)	
	Dec. 31, 1934	June 30, 1935	Dec. 31, 1935	Feb. 15, 1936	Mar. 14, 1936	Feb. 15, 1936	Mar. 14, 1936
State-chartered associations.....	53	188	351	400	420	\$629, 251, 700	\$644, 024, 147
Converted F. S. and L. A.....	134	360	480	469	488	468, 920, 450	487, 143, 251
New F. S. and L. A.....	393	517	575	589	601	12, 101, 978	12, 469, 626
Total.....	580	1, 065	1, 406	1, 458	1, 509	1, 110, 274, 128	1, 143, 637, 024

INSTITUTIONS INSURED

	Number at 6-month intervals			Number		Number of shareholders (as of date of insurance)	Assets (as of date of insurance)	Share and creditor liabilities (as of date of insurance)
	Dec. 31, 1934	June 30, 1935	Dec. 31, 1935	Feb. 15, 1936	Mar. 14, 1936			
State-chartered associations.....	4	45	136	170	181	356, 843	\$291, 347, 817	\$263, 495, 722
Converted F. S. and L. A.....	108	283	406	424	431	652, 309	433, 025, 194	394, 715, 844
New F. S. and L. A.....	339	512	572	584	593	42, 653	12, 167, 135	11, 451, 292
Total.....	451	840	1, 114	1, 178	1, 205	1, 051, 805	736, 540, 146	669, 662, 858

insurance of shares. A case in point is offered by a thirteen-and-one-half-million-dollar Ohio association, which has never passed a semiannual dividend in 48 years. In spite of this record it insured its share accounts in 1935. In its recent annual report to its members, it makes the following statement:

In the two months since insurance was announced, over 250 new accounts have been opened at our office and many old customers have resumed the habit of adding to their accounts. Over 100 new mortgage loans have been made to facilitate sales, repairs, and refinancing, amounting to over a quarter of a million dollars.

Additional evidence of the capacity of share insurance to solidify the confidence of the investing public in savings and loan associations is given by a State-chartered association in Kansas, which writes as follows:

In the early part of 1933, we had the misfortune to lose all of the banks in this city, which left this association as the only financial institution, naturally resulting in a quite heavy withdrawal list and while we felt and knew that fundamentally the association was in a safe and stable condition, yet, we were also aware, due largely to influences foreign to our institution, it would perhaps be necessary for us to offer to the public some measure of security in addition to our own resources and felt the insurance of accounts would assist in bridging the gap.

It is our candid opinion that insurance has been very influential in restoring confidence resulting in the gradual opening of a very satisfactory number of new accounts. The first thirty days following the announcement of our insurance, we had opened 19 new accounts totaling about \$15,000. We believe, of course, some of these accounts would have been started but are convinced that a large majority were due to the insurance.

SUGGESTIONS FOR ADVERTISING INSURANCE

THE attention of member associations is called to the accompanying reproduction of a leaflet containing suggestions for advertising the insurance feature. It presents further evidence of the Corporation's policy of encouraging accurate and informative advertising as an important part of the task of attracting savings to insured associations.

April 1936

Suggestions for the Advertising of all Associations

INSURED BY

Federal Savings and Loan Insurance Corporation

(This folder should be kept for permanent reference by the executive of your association in charge of advertising, and a copy should be given to any advertising agency retained by your association.)

The value of advertising the insurance feature, as a means of attracting new savings to insured institutions, has already been fully demonstrated by the experience of many associations throughout the United States. For the most part, such advertising has accurately set forth to the public what insurance is, and how it operates. Properly presented, insurance invites public confidence. Insurance should not be misrepresented by false claims, nor the omission of material facts. It can stand on its own merits. It should be advertised.

In the interest of insured associations themselves, and for the protection of the general public against possible confusion and, likewise, with a view to compliance with Section 17* of the Securities Act of 1933, the Federal Savings and Loan Insurance Corporation calls the attention of every insured association to the brief list of suggestions below. They are intended as a guide to sound advertising practice, and the avoidance of advertisements which may be in conflict with Federal laws. Adherence to them will prevent the risk of misrepresentation in newspaper, magazine, radio and other advertising.

1. Make clear that share accounts are insured only "up to \$5,000".
2. Share accounts are not insured by the Federal Government, and should not be so advertised, particularly in any possibly misleading form, as, for instance, printing in small type words such as "by an agency of", and in large type the words "United States Government", in referring to insurance by the Corporation.
3. Unless otherwise provided for at the time insurance is granted, the advertisement of a definite future rate of return on insured investment is contrary to the regulations of the Insurance Corporation. It should not be done directly or indirectly (as by displaying the latest dividend rate in bold type, and the qualifying phrase in obscure lettering). Advertising the latest dividend rate or the lowest past rate paid by the association is proper, but to suggest that the same rate is guaranteed for the future, as a minimum or otherwise, is definitely misleading to prospective investors.
4. Since insurance by the Corporation is a guarantee of safety, and not of liquidity, there should be no representation in advertising by an insured association that insurance involves any guarantee or promise whatever on the part of the association to permit repurchase or withdrawals on demand.
5. Share accounts or deposits of insured associations should not be advertised as being "as safe as a U. S. Government bond." It is sounder policy to point out the desirable features of your own product, rather than to argue that it is "as good as", or "better than", something else. This is especially the case in the investment field, where the four distinct elements of yield, security, liquidity and stability of price make fair comparison difficult.
6. Dividends on insured share accounts should not be advertised as "interest". The latter term is applicable only in the case of insured deposits.
7. Insured share accounts should never be referred to as "deposits", either in advertisements or in verbal sales presentation.

The cooperation of every insured association, in carrying out the foregoing suggestions in its own sales and advertising program, is invited by the Federal Savings and Loan Insurance Corporation. Self-regulation in such matters is in every way preferable to the imposition of hard and fast rules, caused by the persistent violation of sound business principles by a small minority of the institutions concerned.

*"FRAUDULENT INTERSTATE TRANSACTIONS"

Sec. 17. (a) It shall be unlawful for any person in the sale of any securities by the use of any means or instruments of transportation or communication in interstate commerce or by the use of the mails, directly or indirectly—

- (1) to employ any device, scheme, or article to defraud, or
- (2) to obtain money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading,

(c) The exemptions provided in section 3 shall not apply to the provisions of this section."

—Extract from the Securities Act of 1933.

Home Owners' Loan Corporation

H. O. L. C. subscriptions to shares of savings and loan associations—Requests and subscriptions

	Uninsured State-chartered members of the F. H. L. B. System		Insured State-chartered associations		Federal savings and loan associations		Total	
	Number (cumulative)	Amount (cumulative)	Number (cumulative)	Amount (cumulative)	Number (cumulative)	Amount (cumulative)	Number (cumulative)	Amount (cumulative)
Requests:								
Sept. 30, 1935.....	7	\$465, 800	6	\$525, 000	11	\$1, 301, 000	24	\$2, 291, 800
Oct. 31, 1935.....	12	615, 800	13	1, 205, 000	229	8, 888, 500	254	10, 709, 300
Nov. 30, 1935.....	21	1, 087, 500	21	1, 875, 000	407	16, 062, 000	449	19, 024, 500
Dec. 31, 1935.....	27	1, 131, 700	33	2, 480, 000	553	21, 139, 000	613	24, 750, 700
Jan. 31, 1936.....	30	1, 301, 700	42	3, 150, 000	662	24, 681, 600	734	29, 133, 300
Feb. 29, 1936.....	39	2, 601, 700	48	3, 885, 000	811	30, 145, 100	898	36, 631, 800
Mar. 20, 1936.....	45	2, 206, 700	61	4, 845, 000	899	32, 829, 600	1, 005	39, 881, 300
Subscriptions:								
Sept. 30, 1935.....			3	150, 000			3	150, 000
Oct. 31, 1935.....	1	50, 000	7	900, 000	130	3, 888, 500	138	4, 838, 500
Nov. 30, 1935.....	3	115, 000	15	1, 460, 000	305	11, 496, 500	323	13, 071, 500
Dec. 31, 1935.....	2	100, 000	24	1, 980, 000	474	17, 766, 500	500	19, 846, 500
Jan. 31, 1936.....	6	285, 000	35	2, 525, 000	594	22, 233, 500	635	25, 043, 500
Feb. 29, 1936.....	9	535, 000	38	2, 950, 000	729	26, 913, 100	776	30, 398, 100
Mar. 20, 1936.....	7	345, 000	47	3, 885, 000	836	30, 725, 600	890	34, 955, 600

Applications received and loans closed by months ¹

Period	Applications received (number)	Loans closed	
		Number	Amount
1933			
From date of opening through Sept. 30.....	403, 114	593	\$1, 688, 787
From Oct. 1 through Dec. 31.....	319, 682	36, 656	104, 231, 556
1934			
From Jan. 1 through June 30.....	790, 836	307, 651	933, 082, 197
From July 1 through Dec. 31.....	² 226, 863	381, 341	1, 157, 985, 268
1935			
From Jan. 1 through June 30.....	143, 638	155, 214	463, 689, 204
From July 1 through Dec. 31.....		90, 335	279, 352, 039
1936			
January.....		14, 192	44, 409, 162
February.....		9, 392	29, 984, 463
Mar. 1 to Mar. 19.....		5, 375	16, 746, 248
Grand total to Mar. 19, 1936.....	1, 884, 133	1, 000, 749	3, 031, 168, 924

¹ These figures are subject to adjustment.

² Receipt of applications stopped Nov. 13, 1934, and was resumed for a 30-day period beginning May 28, 1935.

Reconditioning Division—Summary of all reconditioning operations through Mar. 12, 1936

Period	Number of applications received for reconditioning loans	Total contracts executed		Total jobs completed	
		Number	Amount	Number	Amount
June 1, 1934 through Feb. 13, 1936	667, 834	333, 444	\$65, 057, 018	300, 967	\$56, 501, 834
Feb. 14, 1936 through Mar. 12, 1936 ¹	2, 644	7, 062	1, 656, 121	3, 066	750, 344
Grand total through Mar. 12, 1936.....	670, 478	340, 506	66, 713, 139	304, 033	57, 252, 178

¹ 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.

Foreclosures authorized and properties acquired by the Home Owners' Loan Corporation

Period	Foreclosures authorized	Foreclosures stopped ¹	Properties acquired by voluntary deed and foreclosure ²
Prior to 1935.....	30	0	6
1935			
Jan. 1 through June 30.....	536	7	72
July 1 through Dec. 31.....	3, 904	190	1, 115
1936			
January.....	1, 281	27	334
February.....	1, 544	49	450
Grand total to Feb. 29, 1936.....	7, 295	273	1, 977

¹ Due to payment of delinquencies by borrowers after foreclosure proceedings had been entered.

² Does not include 520 properties bought in by H. O. L. C. at foreclosure sale but awaiting expiration of the redemption period before title and possession can be obtained.

In addition to this total of 1,977 completed cases, 12 properties were sold at foreclosure sale to parties other than H. O. L. C.

Directory of Member, Federal, and Insured Institutions

Added during February-March

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN FEBRUARY 24, 1936, AND MARCH 21, 1936¹

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

DISTRICT NO. 1

CONNECTICUT:

Norwalk:

Norwalk Building, Loan & Investment Association, 115 Washington Street.

MASSACHUSETTS:

Taunton:

Taunton Co-operative Bank.

VERMONT:

Randolph:

Randolph Co-operative Savings & Loan Association.

DISTRICT NO. 2

NEW JERSEY:

Ridgefield:

Oratam Building & Loan Association, 527 Broad Avenue.

DISTRICT NO. 3

PENNSYLVANIA:

Ardmore:

Lower Merion Building & Loan Association.

Brackenridge:

Brackenridge Building & Loan Association.

Shamokin:

Keystone Building & Loan Association of Shamokin, Pa., 25 West Independence Street.

DISTRICT NO. 4

SOUTH CAROLINA:

New Brookland:

Lexington County Building & Loan Association.

VIRGINIA:

Norfolk:

State Building Association of Norfolk, Incorporated, 220-222 East Plume Street.

DISTRICT NO. 5

OHIO:

Cleveland:

Cleveland Building & Loan Company, 515 Euclid Avenue.

Miamisburg:

Mutual Building & Loan Company of Miamisburg, Ohio.

¹ During this period 12 Federal savings and loan associations were admitted to membership in the System.

DISTRICT NO. 6

INDIANA:

Evansville:

Fidelity Savings & Loan Association.
Peoples Building & Loan Association of Evansville, 2011 West Franklin Street.

Hammond:

Calumet Building & Loan Association, 423 Fayette Street.

DISTRICT NO. 7

ILLINOIS:

Kewanee:

Kewanee Building & Loan Association, 211 North Tremont Street.

WISCONSIN:

Milwaukee:

Mutual Building & Savings Association, 739 North Broadway.

DISTRICT NO. 8

MISSOURI:

Clinton:

Henry County Building & Loan Association of Clinton, Mo.

DISTRICT NO. 10

NEBRASKA:

Lincoln:

American Savings & Loan Association.

OKLAHOMA:

Broken Arrow:

Broken Arrow Building & Loan Association.

DISTRICT NO. 12

CALIFORNIA:

Los Angeles:

Insurance Plan Building & Loan Association, 544 South Grand Avenue.

Lincoln Building & Loan Association, 20 Spring Street Arcade.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN FEBRUARY 24, 1936, AND MARCH 21, 1936

ARKANSAS:

Little Rock:

Guaranty Building & Loan Association, 125 Main Street (association liquidating).

GEORGIA:

Macon:

Macon Building & Loan Association, 417 Broadway (association liquidating).

INDIANA:

Lebanon:

First Rural Loan & Savings Association (association liquidating).

Rural Credit Loan & Savings Association, 207 West Main Street (association liquidating).

NEW HAMPSHIRE:
Derry:
 Derry Savings Bank (association liquidating).

NEW JERSEY:
Dover:
 Randolph Building & Loan Association, 33 Blackwell Street.

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

TENNESSEE:
Jackson:
 Home Building & Loan Association, 503 First National Bank Building.

TEXAS:
San Antonio:
 Security Building & Loan Association (association liquidating).

VIRGINIA:
Clifton Forge:
 Mutual Building & Loan Association, Incorporated, 441 East Ridgeway Street (association liquidating).

WEST VIRGINIA:
Wellsburg:
 Advance Building Association, 727 Charles Street (association liquidating).

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN FEBRUARY 24, 1936, AND MARCH 21, 1936

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

DISTRICT NO. 1

CONNECTICUT:
Meriden:
 First Federal Savings & Loan Association of Meriden, 20 Church Street (converted from Fourth Meriden Building & Loan Association).

DISTRICT NO. 2

NEW YORK:
Amsterdam:
 Amsterdam Federal Savings & Loan Association, 62 Milton Avenue.

New York:
 Flatbush Federal Savings & Loan Association of Brooklyn, 549 East Twenty-sixth Street (converted from Flatbush Co-operative Savings & Loan Association).

DISTRICT NO. 4

MARYLAND:
Rosedale:
 Rosedale Federal Savings & Loan Association (converted from Rosedale Permanent Building & Loan Association of Baltimore County).

DISTRICT NO. 5

OHIO:
Bowling Green:
 First Federal Savings & Loan Association of Bowling Green.

Columbus:
 Dollar Federal Savings & Loan Association, 51 East Gay Street (converted from Dollar Building & Loan Company).

OHIO—Continued.
Tippecanoe City:
 Monroe Federal Savings & Loan Association of Tippecanoe City, 8 East Main Street (converted from Monroe Building & Loan Association).

Urbana:
 Perpetual Federal Savings & Loan Association of Urbana, 106 Scioto Street (converted from Perpetual Savings Association).

TENNESSEE:
Dickson:
 First Federal Savings & Loan Association of Dickson.

DISTRICT NO. 6

INDIANA:
Evansville:
 Evansville Federal Savings & Loan Association, 14 Northwest Fourth Street (converted from Fidelity Savings & Loan Association).

MICHIGAN:
Adrian:
 Adrian Federal Savings & Loan Association, 121 West Maumee Street (converted from Adrian Building & Loan Association).

DISTRICT NO. 7

ILLINOIS:
Chicago:
 Cook County Federal Savings & Loan Association, 176 West Adams Street.

DISTRICT NO. 8

SOUTH DAKOTA:
Canton:
 First Federal Savings & Loan Association of Canton (converted from Canton Building & Loan Association).

DISTRICT NO. 11

OREGON:
Eugene:
 First Federal Savings & Loan Association of Eugene, 1057 Patterson Street.

WYOMING:
Buffalo:
 Buffalo Federal Savings & Loan Association.

DISTRICT NO. 12

CALIFORNIA:
Sacramento:
 Capital Federal Savings & Loan Association, 805 Jay Street (converted from Capital Building & Loan Association).

San Francisco:
 Home Federal Savings & Loan Association of San Francisco, 1919 Octavia Street.

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN FEBRUARY 24, 1936, AND MARCH 21, 1936

INDIANA:
Evansville:
 Evansville Federal Savings & Loan Association. (This is the charter originally granted to a newly organized association of this name. A new charter has been granted to a converted association under the same name.)

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN FEBRUARY 24, 1936, AND MARCH 21, 1936¹

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

DISTRICT NO. 3

PENNSYLVANIA:

Philadelphia:

Abraham Lincoln Building & Loan Association,
2608 North Twenty-ninth Street.

DISTRICT NO. 4

NORTH CAROLINA:

Salisbury:

Citizens Building & Loan Association of Salisbury,
N. C., 121 West Innes Street.

SOUTH CAROLINA:

New Brookland:

Lexington County Building & Loan Association.

DISTRICT NO. 5

OHIO:

Akron:

Permanent Savings & Loan Company, 55 East Mill
Street.

¹ During this period 16 Federal savings and loan associations were insured.

OHIO—Continued.

Bellefontaine:

The Savings Building & Loan Company.

North Bend:

Cleves-North Bend Building & Loan Company.

DISTRICT NO. 6

INDIANA:

Bargersville:

Bargersville Building & Loan Association.

DISTRICT NO. 7

WISCONSIN:

St. Francis:

St. Francis Building & Loan Association, 3521 South
Kinnickinnic Avenue.

DISTRICT NO. 9

TEXAS:

Amarillo:

Panhandle Building & Loan Association, 111 West
Sixth Street.

DISTRICT NO. 10

KANSAS:

Abilene:

Dickinson County Building & Loan Association.

DISTRICT NO. 12

CALIFORNIA:

Inglewood:

People's Building & Loan Association, 150 South
Market Street.

FEDERAL HOME LOAN BANK DISTRICTS

