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SUBSCRIPTION PRICE OF REVIEW

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

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Monthly Lending Activity of Savings and Loan Associations

WITH this issue the REVIEW inaugurates the monthly publication of a table showing the lending activity of a large number of savings and loan associations representing every section of the country. It is hoped that the table will eventually record the monthly operations of all home-financing associations of this type. Publication is made possible by the voluntary cooperation of associations in filling out and forwarding to the Division of Research and Statistics of the Federal Home Loan Bank Board a brief summary of loans made. The United States Building and Loan League, which had been requesting similar information from its members, has ceased doing so in order to avoid duplication and to encourage complete reporting to one agency. The Board has arranged to make the monthly totals available to the League as soon as they are tabulated.

The reports were first requested in January when 2,219 associations replied. By March this number of reporting associa-

tions had increased to 2,546 out of an estimated total of 10,926. They include institutions operating under State and Federal charters and every State is represented. The mortgage loans on the books of these institutions as of the end of March totaled \$1,621,935,000.

Of the 2,546 associations sending in a summary for March, 677 reported that they made no loans. The remaining 1,869 loaned a combined total of \$29,614,800 to 15,912 borrowers. Eighty-six percent of this sum went to owners of 1- to 4-family nonfarm homes. The remainder was loaned either on nonresidential or farm properties or on the security of shares.

Analyzing the nonfarm loans on homes according to the purposes for which they were made, we find that 27 percent of the amount loaned was for new construction; 30 percent for the purchase of homes; 34 percent for refinancing; and 9 percent for reconditioning. These percentages suggest that the active savings and loan associa-

Combined summary of monthly lending activity of representative savings and loan associations for 1936

[Source: Monthly reports from savings and loan associations to the Federal Home Loan Bank Board]

Month	Number of associations			Loans made during month according to purpose								Total mort- gages held at end of month (000 omitted)
	Submitting reports	Report- ing no loans made	Report- ing loans made	Mortgage loans on homes ¹					Loans for all other purposes (000 omitted)	Total loans all purposes		
				Construc- tion (000 omitted)	Home purchase (000 omitted)	Refinanc- ing (000 omitted)	Repairs and re- condition- ing (000 omitted)	Total (000 omitted)		Number	Amount (000 omitted)	
January	2, 219	618	1, 601	\$4, 791. 2	\$5, 267. 7	\$6, 442. 9	\$1, 422. 4	\$17, 924. 2	\$3, 280. 4	10, 493	\$21, 204. 6	\$1, 269, 668. 2
February	2, 268	629	1, 639	4, 721. 7	5, 648. 9	6, 955. 5	1, 536. 5	18, 862. 6	2, 925. 2	10, 484	21, 787. 8	1, 332, 912. 8
March	2, 546	677	1, 869	6, 802. 1	7, 614. 7	8, 753. 5	2, 243. 7	25, 414. 0	4, 200. 8	12, 795	29, 614. 8	1, 621, 935. 0

¹ Includes 1- to 4-family nonfarm homes.

tions are back to normal in their lending programs. Although no adequate statistics on a large scale have previously been available, occasional reports indicated that savings and loan associations normally devoted about 50 percent of their funds to new construction and home purchase combined and about 50 percent to refinancing and reconditioning. Between 1930 and 1935 these proportions were greatly distorted and refinancing accounted for the vast majority of the loans that were made.

It should be pointed out that the loans reported under refinancing include solely new money invested and exclude that part of all recast loans involving no additional investment by the reporting institutions. In other words, all amounts reported in this table represent actually new business on the books of these associations.

It has been generally admitted that the savings and loan business has suffered from inadequacy of information on the extent and nature of its services. It has had no means of knowing what proportion of current home-financing business it was enjoying. It has been unable to place and keep before the public that most

valuable basis for publicity and advertising—a concrete figure of business done. If the industry is to gain that attention from the public and that consideration from the other segments of the financial structure which the size and significance of its operations merit, it must make the essential information available.

All members of the industry are, therefore, urged to cooperate with the Federal Home Loan Bank Board in providing monthly reports of their lending activities. Report forms are sent each month to all registered savings and loan, building and loan, and homestead associations, and cooperative banks, the total exceeding 10,000 institutions. It is hoped and believed that an increasing number will regularly mail these reports back to Washington. It should be emphasized that reports are valuable even if no loans are made in any one month. Specific reports eliminate the necessity for estimates which are bound to contain some element of error. The Board wishes to thank the many associations, which have already sent replies, for their cooperation.

Variable Interest Rates

VARIABLE interest rates on home-mortgage loans represent nothing new. They have been available to borrowers in the larger communities for many years—though usually not from a single institution. A frequent practice was for the savings and loan associations to charge the higher rates and thus get the less desirable loans, while their competitors charged the lower rates and got the choice loans. A growing number of associations are discovering the short-sightedness of this procedure. They want better balanced loan portfolios and they are realizing that to get them they must have more than a single one-sized commodity to sell. Like banks or shoe stores or any other merchandizing establishment, savings and loan associations must offer a variety of terms to fit a variety of customers.

There is, however, a long step between acknowledging the necessity for variable interest rates and setting up a mechanism for applying them. Granting that there will be differences in risk and in cost of servicing between one loan and another, how are those differences to be measured in advance? The experienced mortgage man may be inclined to say that common sense will enable any one to classify prospects. But give this experienced mortgage lender the complete portfolio of applications from the files of any association and he will find it difficult to classify a great number of the middle group. From a practical point of view some sort of an objective test of a loan, to supplement common sense, seems essential.

There is still another vital argument for the objective test. That is the effect on the borrower. If a careful analysis of his property and of his credit standing places his loan in the category on which the higher rate is charged, a borrower will be much more willing to accept that rate than if it is imposed upon him by what seems to be

an arbitrary decision of the lender. Every association will want to protect itself from suspicion that the personal equation plays any part in classifying loans and fixing interest rates.

On the other hand, many condemn the various loan classification sheets now in use for a variety of reasons. For one thing it is said that they are too complex; for another, that many of them penalize a borrower on items already taken into account in the appraisal, resulting in a double penalty. It is demonstrated that the rigid application of loan classification sheets could impose the highest rate—or ever make a loan impossible—on a good property owned by a desirable customer.

LIMITATIONS OF LOAN-CLASSIFICATION SHEETS

IT MAY be admitted at once that no loan-classification sheet ever will be perfect, least of all the pioneer attempts in this unexplored field. No set of standards to which there would be no exceptions can be drawn up. For example, a single-family owner-occupied house, which is generally considered the best risk, may in a particular instance—because the family lacks pride of ownership—prove a worse risk than a 4-family building operated for profit. Again, a building of less than average durability and of high obsolescence may by generous maintenance prove a much better risk than a property built for maximum durability and minimum obsolescence. Even a man with a bad credit rating may reform, as one with a good credit rating may become demoralized. But such exceptions do not affect the general validity of rules. The purpose of loan-classification sheets is not to take the place of good judgment on the part of management; it is to supplement and encourage good judgment. A manager competent to handle the affairs of a savings and loan association should certainly be able to recognize a

legitimate exception to a general rule when he sees one.

How simple a loan-classification sheet may be and still serve its purpose efficiently is a question. Certainly the charge of complexity against procedure in the mortgage-lending business can no longer carry any weight. The rule-of-thumb era in the operation of home-financing institutions has left behind it too much "real estate owned". A carefully detailed loan-classification guide will not only assist in determining appropriate interest rates but will also help the lender to avoid making unsound loans.

One thing is clear, no one classification sheet will serve all communities nor all associations. The best that can be done is to suggest the principal factors that might be included. Each association must fit the classification factors to its own experience. That means, of course, that each association must know what its own experience has been, what tendencies have appeared in its delinquent and foreclosed loans on which it has suffered losses, what factors have made servicing and collection costs higher on some loans than on others. Then, in classifying future loans, these tendencies and factors can be discounted.

THEORY OF VARIABLE INTEREST RATES

IN ISOLATING the principal factors that should be taken into account in drafting a loan-classification sheet, we shall be aided by a clear understanding of the economic theory behind variable interest rates for savings and loan associations. An association's primary objective is to obtain from each loan the same net income. It is evident, however, that if a uniform interest rate is charged, every loan will not return this same net income. Some borrowers will be slow to pay and thus increase the cost of collection. The mere bookkeeping costs in connection with a small loan will make the net return on it less than on a large loan, even if all other factors re-

main the same. Finally, some loans will require foreclosure with the expense and potential loss involved. The purpose of variable interest rates is to compensate for these variable costs and risks, so that each borrower will pay for exactly what he gets from the institution, and so that the "net hire" on each loan made by the institution will be substantially the same.

In other words, variable interest rates have a two-fold purpose: (1) to permit higher servicing costs to be assessed against the loan which incurs them; and (2) to provide an insurance against losses. The difference between the minimum rate charged by an institution and any higher rates represents, therefore, in part service charges and in part insurance premium.

The object of a loan-classification sheet is to forecast the service charges and the premium on each loan appropriate to losses on that type of loan. Relative costs of servicing will be determined in part by size of loan. Other things being equal, it costs just as much to put one small loan on the books and to service it as it does one loan five times as large, yet the gross returns on the small loan will be only one fifth as much. Possibly some credit should be given the large loan to compensate for this lower cost. However, the principal variable in the cost of servicing loans will be the cost of collection. Probably the best guide as to whether a borrower will be able to pay promptly and voluntarily or whether he may have to be dunned is his income and credit record. This factor should, then, be given substantial weight in determining interest rates.

That a lender should knowingly make loans involving different degrees of risk seems questionable to some lenders. It is argued that a loan is either good or not good and that if it is not good, it should not be made. But this is to shut one's eyes to the gradations between all opposites. For instance, one borrower may be absolutely honest and have a steady income and be living within his means. But if he

obtains a 75-percent loan the institution runs a greater risk than if he obtains only a 50-percent loan. He might die within a year and meanwhile a depression might have reduced property values so that the institution could liquidate its 75-percent loan only at a loss. Again, because restrictions in two neighborhoods are different, the future of a home in one of them is less certain than the future of a similar property in the other. While both properties constitute legitimate securities for loans at the time the loans are made, the institution making a long-term loan obviously runs a greater risk on one property than on the other and is entitled to protect itself against that risk. The argument that to increase the interest rate is to increase the risk of default on a doubtful loan is obviously not applicable to such a situation. The kind of doubtful loan to which that argument does apply should certainly never be made.

FACTORS AFFECTING RISK

THE factors likely to affect the risk involved in a loan may be grouped under four heads: (1) personal factors; (2) property factors; (3) neighborhood factors; and (4) factors in the mortgage pattern. Under the personal factors, it would seem necessary to give consideration to the security of the borrower's income, the proportion he could devote to the monthly payments on the loan in view of his actual and probable other obligations, the size of his family, his age, health, and, of course, his credit record.

Though the appraisal should discount most of the property factors affecting risk, some are beyond its reach. Thus the practical method of protecting the lender against the greater risk of default on a 4-family rental property is not to reduce the evaluation, once that has been carefully determined on a physical basis. Such a reduction will do nothing to compensate the lender for the proportion of losses inevitable on loans on multifamily commercial properties. The practical step is to let all

rental property loans in his portfolio insure him against loss by paying premiums in the form of slightly higher interest rates.

With regard to design and construction, it is not the material used in nor the age of the building which should concern the risk evaluation; it is the potential depreciation and obsolescence. Furthermore, it is a question whether these factors should not help to determine the term of years for which the loan will be given and the percentage of value loaned rather than the interest rate.

The neighborhood factors deserve special weight in measuring risk, for a dwelling is primarily at the mercy of its surroundings. The neighborhood's equipment, desirability, accessibility, community organization and consciousness, and protection from adverse influences all combine to forecast its stability. A lending institution should analyze each residential neighborhood in which it makes loans just as thoroughly as it analyzes the specific property. From such analyses it can with relative ease determine the degree of risk imposed by the neighborhood on a particular loan.

The factors in the mortgage pattern which affect loan risk are the ratio of the loan to the appraised value and the term of the loan. High-ratio and long-term loans constitute two major contributions of the savings and loan movement to home ownership in this country. They should be made where the property and the neighborhood justify them. But they should carry the burden of the extra risk they impose on the lending institution by paying a slightly higher interest rate—again a form of insurance.

In adopting variable interest rates, every savings and loan association is entering a sea on which it must chart its own way by trial and error, perfecting a technic as it advances. Fortunately, there is nothing to be lost by the venture and much to be gained both in better business than an association might otherwise enjoy, and in greater safety for all investments.

Neighborhood Standards As They Affect Investment Risk

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

THE losses suffered from the rapid deterioration of neighborhoods by home-financing institutions, home owners, and municipalities have culminated in a demand for action. Lending institutions, competing as never before for long-term high-ratio loans, have no longer the comfortable margins that will permit them to risk neighborhood instability. Municipalities and taxpayers are finding it increasingly difficult to carry the burden of blighted areas which are unable to pay for their own public services. Home owners in these areas are protesting the melting away of their equities and the decreasing desirability of their homes. Not only must new residential areas be protected from rapid depreciation; existing blighted areas must be rehabilitated and secured against a relapse into blight. The fortunes of many home-financing institutions in our larger cities are, in fact, dependent upon just such rehabilitation.

It is the merit of the neighborhood-unit plan of urban development that it offers a physical design for a residential area capable of resisting the forces of deterioration. In other words, it sets up a practical ideal for residential development toward which all interested agencies may work. The features of the neighborhood unit have been presented in detail in the preceding six articles in this series. Because of their importance these features are summarized and illustrated in this article.

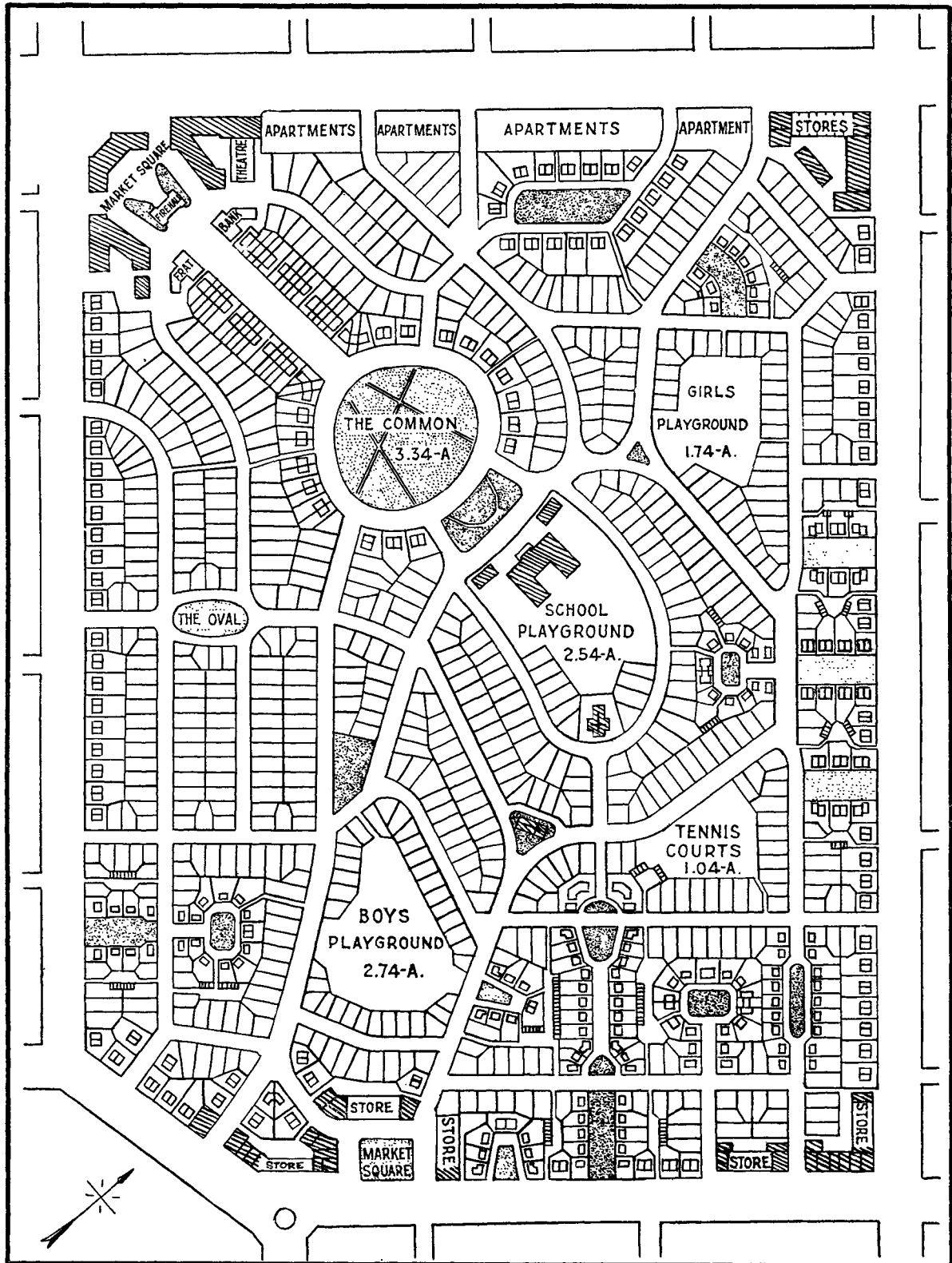
The neighborhood unit is built upon the realization that the home cannot get along

without certain services or qualities which the neighborhood alone can provide. There are four such services or qualities: (1) the elementary school; (2) small parks and playgrounds; (3) local shops; and (4) residential environment. These make a residential area desirable and consequently protect property values. The features of the neighborhood unit are determined by the necessity of performing these services.

REQUIREMENTS OF THE NEIGHBORHOOD UNIT

Boundaries: The neighborhood unit takes advantage of the needs of the motorist to provide itself boundaries which will give it definition and help protect it from encroachment. It assigns to fast through motor traffic such arterial highways as it may need but preserves the areas between these highways for residential purposes. Thus through traffic is kept out of the unit's interior.

Size: The most important single service which the neighborhood must provide the home is elementary education. Therefore, the desirable size of the neighborhood unit is that populated area which can support one elementary school. The ideal population is some 5,000 to 6,000 and the area covered by the unit, therefore, will depend upon the density of population. In a region of single-family homes, an area one-half mile to one mile on a side would meet the essential requirements and still satisfy the need for arterial highways. In intown sections, the unit could be much smaller



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and in suburban areas, characterized by large lots, it might be larger.

Institution sites: A neighborhood needs a focal point for its physical activities and a center about which neighborhood consciousness may develop. The elementary school may fulfill both functions. Ideally, it should be located near the center of the unit so that it will be within walking distance of all homes. If the community has churches, a library, or a community center, they should be grouped about the school.

Open spaces: At least 10 percent of the area of the neighborhood unit should be devoted to small parks and playgrounds. These should be well scattered in order that every home may be within walking distance of play space for children and that all may benefit from greens and parks.

Local shops: Shops are to be kept out of the interior and grouped at traffic intersections in the unit's circumference. This grouping preserves the privacy of the homes and at the same time makes the shops easily accessible to all residents, to through traffic, and to main delivery routes.

Internal street system: The internal street system is for local traffic only. It is designed especially to keep out through traffic and no interior street affords a direct or uninterrupted passage through the unit. At the same time, the street net as a whole is not a meaningless gridiron but is designed to facilitate circulation within the unit. The streets follow the contours of the terrain and the use of curves and cul-de-sacs improves vistas. Finally, each street is proportioned in width and paving to its probable traffic load.

A MODEL NEIGHBORHOOD UNIT

THE kind of a design that results from the practical application of these prin-

ciples is illustrated in the accompanying diagram. This is a plan drawn up by Mr. Robert A. Whitten for an actual 160-acre tract of land situated on the outskirts of the Borough of Queens, New York. The following table shows the area relations of the plan.

	<i>Acres</i>	<i>Percent</i>
Dwelling-house lots.....	86.5	54.0
Apartment-house lots.....	3.4	2.1
Business blocks	6.5	4.1
Market squares.....	1.2	0.8
School and church sites.....	1.6	1.0
Parks and playgrounds.....	13.8	8.6
Greens and circles.....	3.2	2.0
Streets	43.8	27.4
	<hr/> 160.0	<hr/> 100.0

To indicate the economy of the neighborhood-unit plan, Mr. Whitten compared the cost of all public improvements under this plan with the cost under the standard rectangular street plan required by New York City. He found that improvement costs under the neighborhood-unit plan were \$485.09 per lot as compared with \$856.31 under the standard layout. That is, the neighborhood plan showed a saving per lot in cost of street improvements of \$371.22. At the same time, the neighborhood-unit plan makes possible the allocation of 10.6 percent of the area to parks and playgrounds whereas the standard plan allows for no open spaces whatsoever.

The neighborhood unit is no academic invention. It is the logical solution of a practical problem, to which an increasing number of the Nation's ablest subdividers have been driven by their own experience. Its use will extend slowly as public demand for better and safer housing grows more imperative and as the waste of present patterns of neighborhood layout become more insupportable to home-financing institutions and others.

Comparative Loan Costs Under Three Plans of Loan Amortization

INCREASING interest in the direct-reduction plan of loan amortization has led to many requests that the REVIEW publish further tables comparing the operation of this plan with that of the serial and drop-share plans, under various combinations of interest rates and dividends. Such tables were first published in the REVIEW in March 1935 when the comparative month-by-month history of a loan bearing 6 percent nominal interest was shown for each plan. Dividends of 3 per centum per annum were credited semiannually in the serial plan, while in the drop-share plan, no dividends were credited.

In the accompanying tables three other combinations are shown. In table 1, the nominal interest rate is 6 percent, and the dividend rate for both the serial and drop-share plans is 4 percent. In table 2, the nominal interest rate is $5\frac{1}{2}$ percent and the dividend rate for both the share plans is $3\frac{1}{2}$ percent. In table 3, the nominal interest rate is again $5\frac{1}{2}$ percent, but the dividend rate is 4 percent. In all three tables, the amount of the loan is \$1,000 and total monthly payments covering both principal and interest represent 1 percent of the original principal, or \$10. It is assumed that all payments are made promptly when due. The upper half of each table shows the month-by-month operation of each plan during the first year of the loan. The lower half shows the operation of each plan by years until the loan is retired.

THE SERIAL PLAN

READERS are referred to the March 1935 issue for detailed explanation of the three

plans and of the differences between them. Under the serial or share-account sinking-fund plan, the full amount loaned to the borrower technically remains outstanding during the entire period of the loan. The monthly interest on the full amount of the loan is deducted from the regular monthly payment and the remainder is applied to the shares for which the borrower has subscribed. These shares exactly equal the amount of the loan. When the amounts thus applied to the shares, together with the accumulated dividends received, are sufficient to pay for them in full, the shares are canceled against the loan and the transaction is closed.

Thus, under the serial plan in table 1 where the interest rate is 6 percent, each monthly payment of \$10 is split equally so that \$5 goes to interest and \$5 is applied to pay for the shares for which the borrower has subscribed. The borrower, however, receives dividends at the rate of 4 percent on his principal payments. At the end of the first six months, the dividend is \$0.25; at the end of the year, it is \$0.86 or a total of \$1.11 for the year. Thus, at the end of 12 months the borrower still owes the principal sum of \$1,000 but he has standing to his credit in his share account the sum of \$61.11 representing 12 monthly payments of \$5 each plus \$1.11 in dividends.

In table 2, with an interest rate of $5\frac{1}{2}$ percent, only \$4.58 is required for the monthly interest payment under the serial plan, leaving \$5.42 to be credited to the share account. The dividends, at $3\frac{1}{2}$ percent, amount to \$1.05 for the year, so that the credit balance of the borrower at the end of the first year, under the serial plan,

TABLE 2.—Three plans of amortization of a loan of \$1000 at 5½ per centum per annum with total monthly payments for both principal and interest equivalent to 1 per centum of original principal

Serial or Sinking-Fund Plan Dividends Credited Semi-Annually at Rate $\frac{3}{8}$ Percent Per Annum							Drop-Share or Cancel-and-Endorse Plan Dividends Credited Semi-Annually at Rate $\frac{3}{8}$ Percent Per Annum							Direct-Reduction Plan					
Month	Monthly Payment	Allocation of Monthly Payment		Semi-Annual Dividends Credited on Share Account	Credit Balance in Share Account	Outstanding Principal	Month	Monthly Payment	Allocation of Monthly Payment		Semi-Annual Dividends Credited on Share Account	Par Value of Shares Matured and Retired	Credit Balance in Share Account	Outstanding Principal	Month	Monthly Payment	Allocation of Monthly Payment		Outstanding Principal
		Interest on Principal	Payment on Dues						Interest on Principal	Payment on Dues							Interest on Principal	Payment on Principal	
1	\$10.00	\$4.58	\$5.42	-	\$5.42	\$1,000	1	\$10.00	\$4.58	\$5.42	-	-	\$5.42	\$1,000	1	\$10.00	\$4.58	\$5.42	\$994.58
2	10.00	4.58	5.42	-	10.84	1,000	2	10.00	4.58	5.42	-	-	10.84	1,000	2	10.00	4.56	5.44	989.14
3	10.00	4.58	5.42	-	16.26	1,000	3	10.00	4.58	5.42	-	-	16.26	1,000	3	10.00	4.53	5.47	983.67
4	10.00	4.58	5.42	-	21.68	1,000	4	10.00	4.58	5.42	-	-	21.68	1,000	4	10.00	4.51	5.49	978.18
5	10.00	4.58	5.42	-	27.10	1,000	5	10.00	4.58	5.42	-	-	27.10	1,000	5	10.00	4.48	5.52	972.66
6	10.00	4.58	5.42	\$0.24	32.76	1,000	6	10.00	4.58	5.42	\$0.24	-	32.76	1,000	6	10.00	4.46	5.54	967.12
7	10.00	4.58	5.42	-	38.18	1,000	7	10.00	4.58	5.42	-	-	38.18	1,000	7	10.00	4.43	5.57	961.55
8	10.00	4.58	5.42	-	43.60	1,000	8	10.00	4.58	5.42	-	-	43.60	1,000	8	10.00	4.41	5.59	955.94
9	10.00	4.58	5.42	-	49.02	1,000	9	10.00	4.58	5.42	-	-	49.02	1,000	9	10.00	4.38	5.62	950.34
10	10.00	4.58	5.42	-	54.44	1,000	10	10.00	4.58	5.42	-	-	54.44	1,000	10	10.00	4.36	5.64	944.70
11	10.00	4.58	5.42	-	59.86	1,000	11	10.00	4.58	5.42	-	-	59.86	1,000	11	10.00	4.33	5.67	939.03
12	10.00	4.58	5.42	0.51	66.09	1,000	12	10.00	4.58	5.42	0.51	-	66.09	1,000	12	10.00	4.30	5.70	933.33
:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:	:
18	10.00	4.58	5.42	-			18	10.00	4.58	5.42	1.39	\$100.00	-					900	
19	10.00	4.58	5.42	-			19	10.00	4.58	5.42	-	-	5.42	-				900	

Year	Total Monthly Payments	Total Payments on Interest	Total Payments on Dues	Total Dividends Credited	At End of Year		Year	Total Monthly Payments	Total Payments on Interest	Total Payments on Dues	Total Dividends Credited	Par Value of Shares Matured and Retired	At End of Year		Year	Total Monthly Payments	Total Payments on Interest	Total Payments on Principal	Outstanding Principal
					Credit Balance in Share Account	Outstanding Principal							Credit Balance in Share Account	Outstanding Principal					
1	\$120.00	\$54.96	\$65.04	\$1.05	\$56.09	\$1,000	1	\$120.00	\$54.96	\$65.04	\$1.05	-	\$56.09	\$1,000	1	\$120.00	\$53.33	\$66.67	\$933.33
2	120.00	54.96	65.04	3.38	134.51	1,000	2	120.00	54.96	65.04	1.65	\$100.00	35.44	900	2	120.00	49.58	70.42	862.91
3	120.00	54.96	65.04	5.79	205.34	1,000	3	120.00	49.56	70.44	2.39	100.00	8.31	800	3	120.00	45.61	74.39	788.52
4	120.00	54.96	65.04	8.30	278.68	1,000	4	120.00	44.04	75.96	1.51	-	85.78	800	4	120.00	41.40	78.60	709.92
5	120.00	54.96	65.04	10.89	354.61	1,000	5	120.00	41.28	78.72	2.52	100.00	67.02	700	5	120.00	36.98	83.02	626.90
6	120.00	54.96	65.04	13.57	433.22	1,000	6	120.00	35.76	84.24	1.95	100.00	53.21	600	6	120.00	32.29	87.71	539.19
7	120.00	54.96	65.04	16.34	514.60	1,000	7	120.00	33.00	87.00	3.28	100.00	43.49	500	7	120.00	27.34	92.66	446.53
8	120.00	54.96	65.04	19.22	598.86	1,000	8	120.00	27.48	92.52	3.03	100.00	35.04	400	8	120.00	22.11	97.89	348.64
9	120.00	54.96	65.04	22.19	686.09	1,000	9	120.00	21.96	98.04	2.96	100.00	40.04	300	9	120.00	16.60	103.40	245.24
10	120.00	54.96	65.04	25.27	776.40	1,000	10	120.00	16.56	103.44	3.08	100.00	46.56	200	10	120.00	10.76	109.24	136.00
11	120.00	54.96	65.04	28.46	869.90	1,000	11	120.00	8.28	111.72	1.67	100.00	59.95	100	11	120.00	4.60	115.40	20.60
12	120.00	54.96	65.04	31.76	966.70	1,000	12	120.00	2.30	118.70	1.15	100.00	0	0	12	120.00	0.15	120.85	0
4 Mos.	40.25	18.32	21.93	11.37	1,000.00	0	4 Mos.	41.20	2.30	118.70	1.15	100.00	0	0	3 Mos.	20.75	0.15	20.60	0
TOTAL	\$1480.25	\$677.84	\$802.41	\$197.59			TOTAL	\$1361.20	\$387.44	\$973.76	\$26.24	\$1000.00			TOTAL	\$1340.75	\$340.75	\$1000.00	

TABLE 3.—Three plans of amortization of a loan of \$1000 at 5½ per centum per annum with total monthly payments for both principal and interest equivalent to 1 per centum of original principal

Serial or Sinking-Fund Plan							Drop-Share or Cancel-and-Endorse Plan							Direct-Reduction Plan					
Dividends Credited Semi-Annually at Rate 4 Percent Per Annum							Dividends Credited Semi-Annually at Rate 4 Percent Per Annum												
Month	Monthly Payment	Allocation of Monthly Payment		Semi-Annual Dividends Credited on Share Account	Credit Balance in Share Account	Outstanding Principal	Month	Monthly Payment	Allocation of Monthly Payment		Semi-Annual Dividends Credited on Share Account	Par Value of Shares Matured and Retired	Credit Balance in Share Account	Outstanding Principal	Month	Monthly Payment	Allocation of Monthly Payment		Outstanding Principal
		Interest on Principal	Payment on Dues						Interest on Principal	Payment on Dues							Interest on Principal	Payment on Principal	
1	\$10.00	\$4.58	\$5.42	-	\$5.42	\$1,000	1	\$10.00	\$4.58	\$5.42	-	-	\$5.42	\$1,000	1	\$10.00	\$4.58	\$5.42	\$994.58
2	10.00	4.58	5.42	-	10.84	1,000	2	10.00	4.58	5.42	-	-	10.84	1,000	2	10.00	4.56	5.44	989.14
3	10.00	4.58	5.42	-	16.26	1,000	3	10.00	4.58	5.42	-	-	16.26	1,000	3	10.00	4.53	5.47	983.67
4	10.00	4.58	5.42	-	21.68	1,000	4	10.00	4.58	5.42	-	-	21.68	1,000	4	10.00	4.51	5.49	978.18
5	10.00	4.58	5.42	-	27.10	1,000	5	10.00	4.58	5.42	-	-	27.10	1,000	5	10.00	4.48	5.52	972.66
6	10.00	4.58	5.42	\$0.27	32.79	1,000	6	10.00	4.58	5.42	\$0.27	-	32.79	1,000	6	10.00	4.46	5.54	967.12
7	10.00	4.58	5.42	-	38.21	1,000	7	10.00	4.58	5.42	-	-	38.21	1,000	7	10.00	4.43	5.57	961.55
8	10.00	4.58	5.42	-	43.63	1,000	8	10.00	4.58	5.42	-	-	43.63	1,000	8	10.00	4.41	5.59	955.96
9	10.00	4.58	5.42	-	49.05	1,000	9	10.00	4.58	5.42	-	-	49.05	1,000	9	10.00	4.38	5.62	950.34
10	10.00	4.58	5.42	-	54.47	1,000	10	10.00	4.58	5.42	-	-	54.47	1,000	10	10.00	4.36	5.64	944.70
11	10.00	4.58	5.42	-	59.89	1,000	11	10.00	4.58	5.42	-	-	59.89	1,000	11	10.00	4.33	5.67	939.03
12	10.00	4.58	5.42	0.93	66.24	1,000	12	10.00	4.58	5.42	0.93	-	66.24	1,000	12	10.00	4.30	5.70	933.33

is \$66.09, as compared with \$61.11 in table 1. This effectively reveals the fallacy of the idea that is sometimes held that the spread between the interest rate paid and the dividend rate received is the only thing that affects the cost of the loan. In tables 1 and 2, the spread is 2 percent but the lower rates in the second illustration result in an appreciably lower cost.

THE DROP-SHARE AND DIRECT-REDUCTION PLANS

THE drop-share or cancel-and-endorse method represents, in its effect, a compromise between the serial plan and the direct-reduction plan. The borrower as in the serial plan subscribes for shares equal to the face amount of his loan. A part of each monthly payment is used to pay interest and the remainder is applied to the share subscription. When enough has been accumulated to pay for one share, it is canceled against the loan and the principal of the loan is thereby reduced. Thus, in effect, it closely approaches the direct-reduction method.

In some associations using the drop-share plan the borrower does not receive dividends on his share accumulation but in the accompanying tables it is assumed that he does. In practice, the share is not necessarily canceled against the loan in the ex-

act month in which it becomes fully paid. Such cancellation frequently takes place only at the end of semiannual periods. Thus, in table 1, the first share was not canceled against the loan until the end of the twenty-fourth month although an amount sufficient to make cancellation possible had been accumulated at the end of the twentieth month.

Under this plan, with each successive share that is canceled against the loan the interest payments become less and the amount available for payment on shares becomes greater. The total amount of dividends credited in any one year is never large as dividends are paid on only one share at a time.

Under the direct-reduction plan the principal is reduced each month and the interest for each month is calculated only on the amount of the principal outstanding. The borrower is not required to subscribe for stock. Aside from the matter of stock subscription, the plan differs from the drop-share plan in that the principal is reduced monthly instead of at longer intervals determined by the maturity of a share.

RELATIVE COSTS TO THE BORROWER

IN THE lower half of all three tables it will be noticed that the length of time it takes to complete the transaction as well

TABLE 4.—Comparison of loan costs and maturities under 3 plans of amortization

[In each case monthly payments for both principal and interest combined are equivalent to 1 percent of original principal which is \$1,000]

Loan plan	Nominal interest rate	Dividend rate	Number of monthly payments	Amount of monthly payments	Effective interest rate
	<i>Percent</i>	<i>Percent</i>			<i>Percent</i>
Serial.....	6	4	154	\$1, 538. 06	7. 25
Drop-share.....	6	4	142	1, 410. 95	6. 20
Direct-reduction.....	6	.....	139	1, 389. 76	6. 00
Serial.....	5½	3½	148	1, 480. 25	6. 80
Drop-share.....	5½	3½	137	1, 361. 20	5. 72
Direct-reduction.....	5½	.....	135	1, 340. 75	5. 50
Serial.....	5½	4	145	1, 443. 69	6. 50
Drop-share.....	5½	4	136	1, 356. 49	5. 67
Direct-reduction.....	5½	.....	135	1, 340. 75	5. 50

as the total monthly payments differ for each plan and for every variation in interest and dividend rates. It should be emphasized that if the interest rate and the dividend rate were the same and compounded at the same intervals all the plans would give the same results as to maturity and cost of the loan. When, as is usual under the serial and drop-share plans, the interest rate is higher than the dividend rate, the more frequent the reduction of principal the sooner the loan is retired, and the lower is the cost.

Table 4 summarizes vividly the essential differences as to cost and maturity between the three plans, under the conditions assumed in each of the previous tables. With a nominal interest rate of 6 percent and a dividend rate of 4 percent, the number of monthly payments required under the serial plan is 154; under the drop-share plan, 142; and under the direct-reduction plan, 139. Translating these differences into terms of dollars, the total payments under the serial plan are \$127.11 more than under the drop-share plan and \$148.30 more than under the direct-reduction plan. The payments under the drop-share plan are \$21.19 more than under the direct-reduction plan. However, since the length of time taken to repay the loan is different in each case, the true differences in the costs of the three plans cannot be measured by these differences in dollar payments. A more accurate index of the relative costs is the effective interest rate in each case.

Under the serial plan the borrower pays interest on the full amount of the loan until it is finally retired. Actually, however, since he begins to make his repayments immediately, the amount of the loan of which he really has the use is becoming continually less. Looking at it from one point of view, he is paying interest for money he has already repaid. When the interest rate is 6 percent and the dividend rate 4 percent, the borrower, in substance, is paying 6 percent on the money he is actually using and 2 percent on the amount he has already

repaid. As indicated previously, if the interest and dividend rates were the same, this apparent overcharge would be entirely counterbalanced. But since the nominal interest rate is usually higher than the dividend rate, the borrower is in effect paying more than the contract rate.

With a nominal interest rate of 6 percent and a dividend rate of 4 percent, the effective interest rate is 7.25 percent under the serial plan. Under the same conditions, the effective rate under the drop-share plan is 6.20 percent. The frequent reductions of principal account for this lower effective rate. When the direct-reduction plan is used the nominal rate and the effective rate are the same, because the principal is reduced as soon as the borrower makes a payment. He pays interest only on the amount of money he is actually using. The interest rate to the borrower is 20.83 percent more for his loan under the serial plan than under the direct-reduction plan, with conditions as assumed in table 1.

ADVANTAGES OF THE DIRECT-REDUCTION PLAN

THE advantages of the direct-reduction plan may be summarized as follows: (1) The cost to the borrower is generally less. (2) The plan is simpler and more easily understood. (3) The number of payments and date of maturity of the loan are definitely known. Under the other two plans, both these items depend upon the dividend rate, about which there can be no absolute certainty. (4) The plan relieves the borrower of the liability which he assumes as a shareholder under the other plans. In all but nine States the courts have ruled that payments made under the serial plan are to be regarded as installments on shares and not as repayments on the loan. If an association becomes insolvent, the borrower may lose a large part of what he has already paid. In the drop-share plan this risk is very small as each share is canceled against the loan as soon as it is fully paid.

These advantages to the borrower are in large part advantages to the association also. It is to the association's interest to make borrowing as easy, simple, and free from risk as possible. The greater the number of persons the association can attract as prospective borrowers, the more carefully it can select from them. The direct-reduction plan is also the simplest plan from the accounting point of view, requiring the least number of calculations and reducing the possibilities of error. It is the easiest plan for savings and loan employees to understand and explain.

Probably more home loans are now being made on the direct-reduction plan than on any other basis. All Federal Land Bank loans made since the Banks first began operations in 1917, the \$3,000,000,000 of loans made by the Home Owners' Loan Corporation, and all loans insured by the Federal Housing Administration are on the direct-reduction plan. Except for a few associations operating under peculiar local circumstances, all Federal savings and loan associations are required to make direct-reduction loans. In addition, the number

of State-chartered building and loan associations offering direct-reduction loans has been increasing steadily for years. It is noteworthy that every association which tries the direct-reduction plan seems to become enthusiastic about its superior merits.

Even in those States whose laws raise some obstacles to the outright adoption of the plan many of its advantages are being obtained. In some States the membership requirement is being met by having the borrower subscribe for a fraction of a share or for one or more full shares with only a nominal payment. In New York and Pennsylvania some associations have used nondividend-participating shares in connection with a mortgage contract which provides that the monthly payments shall be applied immediately to paying interest and reducing principal. In New Jersey, the laws permit a borrowing shareholder by contract with the association to waive the dividends on his shares in exchange for the benefits of the direct-reduction plan. The irresistible spread of the direct-reduction plan is perhaps the most conclusive proof of its superiority.

The Value of Understandable Balance Sheets

THE balance sheet of a financial institution may be its most effective advertisement. If the statement tells investors in terms they can understand what has been done with their money and what safeguards they have against loss, it will establish confidence in the institution on a foundation that may withstand even a panic. Particularly if the institution is to appeal successfully to informed investors of trust funds (as many savings and loan associations now seek to do), it must depend mainly upon its statement of condition. That is why many large banks and insurance companies include their balance sheets as features of their newspaper advertisements.

Despite the business-getting value of clear and understandable statements, it is doubtful whether the average balance sheet at present published serves any other purpose than to mystify the general reader. Only a very small minority of the shareholders and of the general public have sufficient knowledge of accounting and of savings and loan practices to read intelligently and understandingly the usual published report. In the main, these statements serve no other purpose than to meet the legal requirements.

Nevertheless, a growing number of institutions are discovering that a balance sheet statement can be made understandable to any intelligent person and can even be interesting. On the accompanying page is reproduced an example of such a statement, published by a Chicago savings and loan association. It will be noticed that it differs from the usual balance sheet in two respects. First, each item is followed by a

clear, concise statement explaining its significance. Secondly, the information given is detailed and specific. The cash account, for example, is broken down to show exactly where the various sums are located. Similarly, the reserve account shows the different purposes for which the reserves have been accumulated.

This particular statement was published in booklet form, together with the president's address at the annual meeting, in which he discussed fully the situation and the policies of the association. Such a booklet well serves a dual purpose. To shareholders it gives the information to which they are entitled in a form which they can understand, and thus serves to increase their interest in and loyalty to their association. To potential savers and investors, it serves as a most effective form of appeal for new business.

Such full and candid reports, it may well be emphasized, are an excellent safeguard in times of financial disturbance. Those institutions which take their shareholders most fully into their confidence naturally receive the greatest measure of confidence in return. One large bank met the danger which confronted it during the recent banking difficulties by boldly publishing a detailed statement, with an itemized account of its loans and investments. The simplest and most effective way to prevent unfounded distrust is to make known the facts.

The importance of simple and understandable balance sheets and reports is such that the REVIEW will be glad to receive for possible publication copies of such statements issued by any savings and loan association.

A SIMPLE AND UNDERSTANDABLE BALANCE SHEET

FIRST FEDERAL SAVINGS AND LOAN ASSOCIATION OF CHICAGO

Balance Sheet, December 31, 1935

ASSETS		LIABILITIES	
FIRST MORTGAGE REAL ESTATE LOANS	\$1,249,685.64	SHAREHOLDER'S INTEREST	\$1,069,338.73
<i>The Association holds mortgage loans on 351 residential properties in the Chicago area. The average size of these loans is \$3,560.36. Equal monthly payments are made by the borrowers until the property is debt free.</i>		<i>This represents the payments and credited dividends of 802 shareholders who constitute the Association.</i>	
SHARE LOANS	538.24	Installment Thrift Shares.....	\$ 26,176.91
<i>Temporary loans to shareholders, secured by assignment of shares, such loans may not exceed 75% of the amount of the shareholder's account.</i>		<i>These shares represent systematic savings.</i>	
STOCK IN FEDERAL HOME LOAN BANK OF CHICAGO	20,000.00	Optional Savings Shares.....	63,483.14
<i>This reserve banking system makes such long and short term credits available to the Association as its business requires in accordance with the provisions of the Federal Home Loan Bank Act.</i>		<i>This item represents savings made with less regularity.</i>	
INTEREST AND DIVIDENDS RECEIVABLE	442.15	Prepaid Shares.....	18,978.68
<i>The Association had earned but not received interest on its bank balance at the Federal Home Loan Bank and dividends on its stock of the same bank on December 31, 1935.</i>		<i>Lump sum investments on which dividends are added to the shareholder's account.</i>	
CASH	145,574.70	Full-Paid Income Shares.....	940,700.00
<i>The Association's cash balance on December 31, 1935, consisted of the following:</i>		<i>Investments in units of \$100.00 on which dividends are paid in cash.</i>	
On hand—office fund.....	\$ 100.00	Preferred Shares Held by U. S. Government.....	20,000.00
On deposit:		<i>These shares supplement local capital and are preferred as to assets but not as to earnings.</i>	
Continental Illinois National Bank and Trust Company.....	60,029.70	TOTAL	\$1,069,338.73
The First National Bank of Chicago.....	25,000.00	ADVANCE FROM FEDERAL HOME LOAN BANK	238,375.00
Amalgamated Trust & Savings Bank.....	10,445.00	<i>The Association has a line of credit with this reserve institution of 35% of the amount paid in on its shares, this fund being available to the Association on a ten year or shorter term basis for the ordinary business needs of the Association. This advance is secured in accordance with the terms of the Federal Home Loan Bank Act as amended.</i>	
Federal Home Loan Bank of Chicago.....	50,000.00	DIVIDENDS NOT YET DISBURSED	15,689.50
TOTAL	\$145,574.70	<i>Earnings at the rate of 4% per annum declared by the Directors and payable in cash, to full-paid income shareholders and on shares held by the United States Government, on January 2, 1936.</i>	
FURNITURE AND FIXTURES	\$ 1,654.34	MORTGAGE LOANS IN PROCESS	48,841.70
LESS ALLOWANCE FOR DEPRECIATION	222.69	<i>The Association has made loans to build, repair, refinance or buy homes on which these funds have not yet been disbursed.</i>	
<i>Each item included in this account is written off over a period of three years.</i>		ACCRUED INTEREST ON LOANS	804.12
DEFERRED CHARGES	426.07	<i>This item will always appear in connection with loans made during the past month on which payments are not due until the next month.</i>	
<i>Safety of accounts in the Association is insured up to \$5,000 per account by the Federal Savings and Loan Insurance Corporation, Washington, D. C. Premium for this insurance has been paid in advance by the First Federal.</i>		RESERVES	40,602.78
		RESERVE FOR INCOME COLLECTED IN ADVANCE	\$ 2,215.96
		<i>Advance income from loans, not used for expenses or dividends, except as brought into earnings over the period of the loans. This is a reserve account which substantially strengthens the Association. This item is proportionately larger than it may be in the future.</i>	
		FEDERAL INSURANCE RESERVE	1,386.82
		<i>Reserve required by Federal Savings and Loan Insurance Corporation law in addition to the other reserves as further protection to shareholders.</i>	
		CONTINGENT RESERVE	12,000.00
		<i>Earnings set aside for contingencies as a further assurance of safety.</i>	
		TOTAL	\$ 40,602.78
TOTAL	\$1,418,098.45	UNDIVIDED PROFITS	4,446.62
		Bonus for installment thrift shares.....	\$ 274.71
		<i>To encourage systematic savings, the charter provides for a bonus of 1% per annum to Installment Thrift Shareholders who carry out their savings program according to the charter requirements.</i>	
		Undistributed Net Income.....	4,171.91
		TOTAL	\$ 4,446.62
		TOTAL	\$1,418,098.45

★ ★ ★

Residential Construction Activity In The United States

FORECASTS that residential building in 1936 would be twice as great as in 1935 have been more than justified by the results registered during the first three months. By the end of March, the estimated number of family-dwelling units for which permits had been granted in all cities of 10,000 and more population was 24,387 compared with 11,940 units for the same period in 1935 and 5,161 units in 1934. Chart 1 compares vividly the number and cost of family-dwelling units provided in each month of 1936 with the same

month in 1935 and with the monthly averages for the years 1932-1934 inclusive.

March was the Nation's biggest spring month in residential construction since 1931. Reports to the Bureau of Labor Statistics indicate that 10,381 family-dwelling units costing \$40,606,800 were authorized. This compares with 6,083 units costing \$20,977,400 authorized in March 1935 (table 1).

An unusual feature of the month's activity was the high proportion of 1- and 2-family type dwellings authorized. They accounted for 79.7 percent of all units.

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 residential building permits reported to U. S. Department of Labor.]

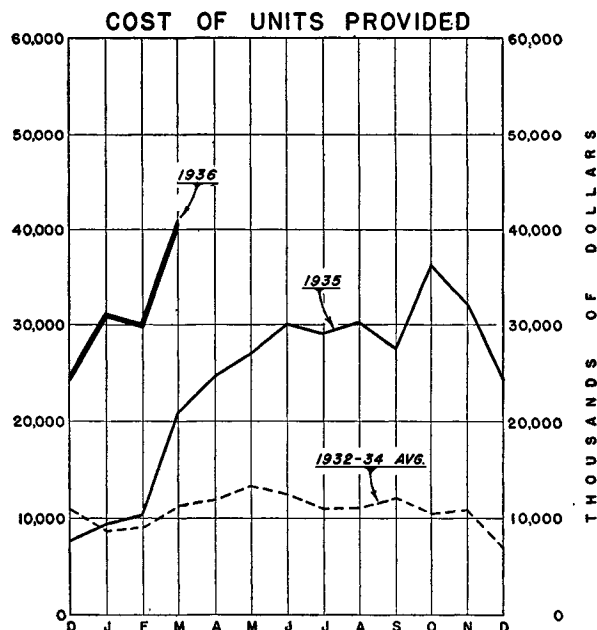
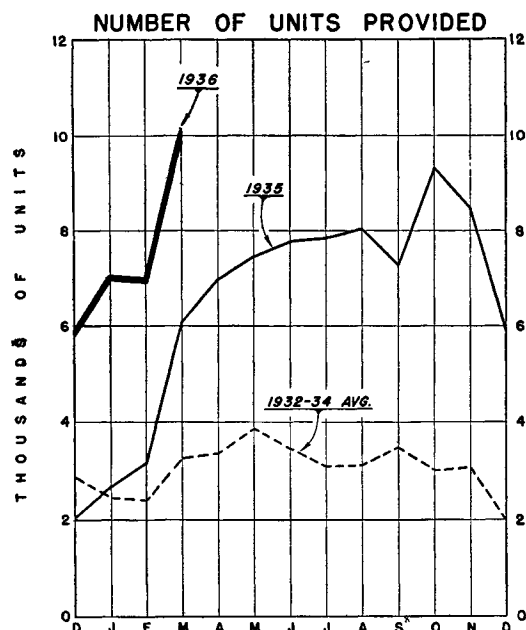
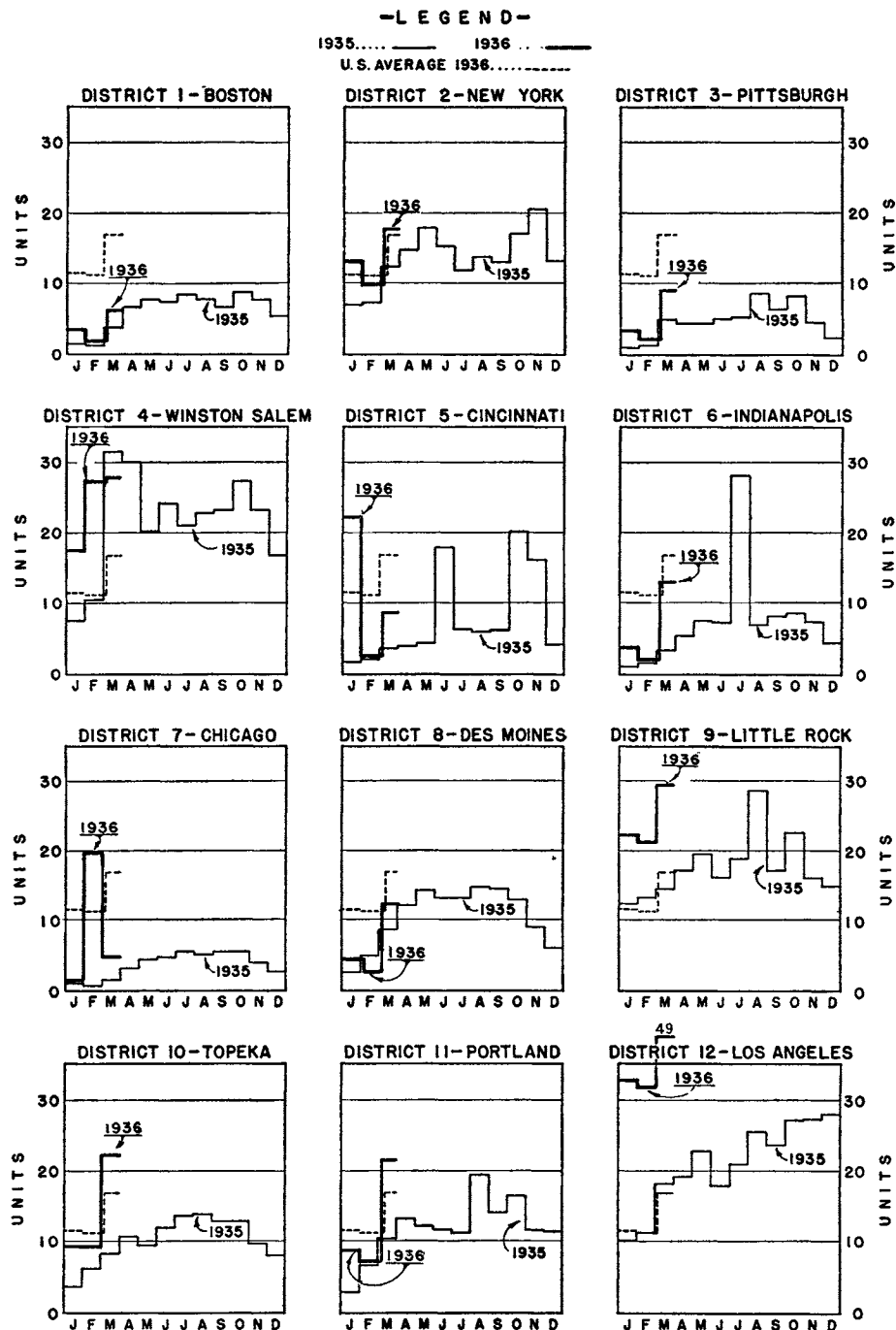


CHART 2.—RATE OF RESIDENTIAL BUILDING IN THE UNITED STATES AND IN EACH FEDERAL HOME LOAN BANK DISTRICT BY MONTHS

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]



This is a higher percentage than for any month since the depth of the depression. Three-or-more-family structures accounted for only 20 percent as compared with 35.7 percent in February. The average cost of single-family dwellings was \$4,337 in March 1936 representing a rise of 14.5 percent over the average cost of \$3,789 in March 1935. By contrast, the average cost of units in multifamily dwellings fell from \$3,013 in March 1935 to \$2,732 in the same month this year. These movements in costs, of course, are due to the construction of more or less expensive homes at different periods and not to changes in building costs.

BUILDING ACTIVITY BY FEDERAL HOME LOAN BANK DISTRICTS

CHART 2 and table 2 reveal in what Bank Districts and States the increase in residential building activity is taking place. Chart 2 shows that every Federal Home Loan Bank District except Chicago shared in the increase of activity in March over February. The drop in the Chicago District was due to the exceptionally large volume of permits granted in February. Every District showed a considerably higher rate of home-building activity than in the same

month of 1935. The rate in the Los Angeles District, which has led the country in each month of the first quarter, rose in March to 49 family-dwelling units per 100,000 population (includes population of all cities of 10,000 and more). Its nearest competitor for the month was the Little Rock District with 29 units per 100,000. Winston-Salem remained high and the Topeka and Portland Districts registered exceptional improvement. Six Districts remained below the national average in rate of building activity. They were Boston, Pittsburgh, Cincinnati, Indianapolis, Chicago, and Des Moines.

The attention of member institutions is called to the detailed report in table 2 on number and cost of dwelling units authorized by States. A monthly study of the number of 1- and 2-family dwelling units for which permits are granted in their States should give lending institutions an idea as to whether they are getting their share of home-construction loans.

BUILDING COSTS AND HOUSING RENTALS

HOUSING rentals, as measured by the National Industrial Conference Board's index, rose in March to 72.2 percent of the 1923-

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 March 1936*¹

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

Type of structure	Number of family units provided			Total cost of units (000 omitted)			Average cost of family units		
	Mar. 1936	Mar. 1935	Percent change	Mar. 1936	Mar. 1935	Percent change	Mar. 1936	Mar. 1935	Percent change
All housekeeping dwellings..	10, 381	6, 083	+70. 7	\$40, 606. 8	\$20, 977. 4	+93. 6	\$3, 912	\$3, 449	+13. 4
Total 1- and 2-family dwellings.....	8, 273	3, 903	+112. 0	34, 847. 7	14, 409. 6	+141. 8	4, 212	3, 692	+14. 1
1-family dwellings.....	7, 616	3, 552	+114. 4	33, 033. 5	13, 457. 6	+145. 5	4, 337	3, 789	+14. 5
2-family dwellings.....	608	326	+86. 5	1, 627. 4	847. 6	+92. 0	2, 677	2, 600	+3. 0
Joint home and business ² ...	49	25	+96. 0	186. 8	104. 4	+78. 9	3, 812	4, 176	-8. 7
Multifamily dwellings.....	2, 108	2, 180	-3. 3	5, 759. 1	6, 567. 8	-12. 3	2, 732	3, 013	-9. 3

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.

1925 base as compared with 71.6 percent in February and 65.6 percent in March a year ago. A very slight recession in the cost of building took place in March according to the index compiled by the Federal Reserve Bank of New York. The index stood at 88.9 percent of the 1923-1925 base as com-

pared with 89 percent in February and 88.5 percent in March 1935.

The Federal Reserve Board's index of industrial production adjusted for seasonal variation was 94 in both March and February as compared with 88 in the preceding March.

TABLE 2.—*Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over, in March 1936, by Federal Home Loan Bank Districts and by States*

[Source: Federal Home Loan Bank Board. Compiled from residential building permits reported 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)	
	March 1936	March 1935	March 1936	March 1935	March 1936	March 1935	March 1936	March 1935
UNITED STATES.....	10, 381	6, 083	\$40, 606. 8	\$20, 977. 4	8, 273	3, 903	\$34, 847. 7	\$14, 409. 6
No. 1—Boston.....	373	227	2, 240. 6	1, 193. 1	373	227	2, 240. 6	1, 193. 1
Connecticut.....	86	56	530. 6	299. 7	86	56	530. 6	299. 7
Maine.....	12	6	39. 9	16. 5	12	6	39. 9	16. 5
Massachusetts.....	210	119	1, 415. 3	731. 8	210	119	1, 415. 3	731. 8
New Hampshire.....	6	10	8. 9	20. 7	6	10	8. 9	20. 7
Rhode Island.....	54	36	212. 9	124. 4	54	36	212. 9	124. 4
Vermont.....	5	.....	33. 0	.....	5	.....	33. 0	.....
No. 2—New York.....	2, 383	1, 668	8, 808. 5	5, 909. 0	1, 126	572	5, 028. 9	2, 362. 0
New Jersey.....	279	107	1, 708. 2	523. 5	237	88	1, 540. 2	480. 5
New York.....	2, 104	1, 561	7, 100. 3	5, 385. 5	889	484	3, 488. 7	1, 881. 5
No. 3—Pittsburgh.....	531	298	2, 651. 9	1, 329. 5	508	283	2, 569. 9	1, 293. 6
Delaware.....	15	12	75. 4	49. 0	15	12	75. 4	49. 0
Pennsylvania.....	458	262	2, 339. 8	1, 222. 1	449	250	2, 291. 8	1, 202. 2
West Virginia.....	58	24	236. 7	58. 4	44	21	202. 7	42. 4
No. 4—Winston-Salem.....	1, 382	1, 552	4, 466. 1	4, 698. 2	1, 044	648	3, 695. 9	2, 049. 5
Alabama.....	41	32	89. 2	29. 9	27	32	60. 2	29. 9
District of Columbia.....	391	417	1, 535. 6	1, 393. 4	142	145	938. 8	883. 4
Florida.....	317	170	889. 7	367. 4	273	170	821. 0	367. 4
Georgia.....	116	681	242. 9	2, 234. 2	110	75	220. 3	124. 8
Maryland.....	140	42	569. 0	136. 9	140	42	569. 0	136. 9
North Carolina.....	164	82	444. 5	176. 0	160	71	435. 4	166. 7
South Carolina.....	72	71	174. 8	142. 7	72	56	174. 8	122. 7
Virginia.....	141	57	520. 4	217. 7	120	57	476. 4	217. 7
No. 5—Cincinnati.....	479	207	2, 656. 1	921. 2	467	195	2, 622. 1	886. 2
Kentucky.....	71	52	278. 7	179. 5	71	52	278. 7	179. 5
Ohio.....	304	115	2, 092. 7	667. 2	292	103	2, 058. 7	632. 2
Tennessee.....	104	40	284. 7	74. 5	104	40	284. 7	74. 5
No. 6—Indianapolis.....	631	166	3, 601. 5	794. 6	610	166	3, 561. 0	794. 6
Indiana.....	117	41	548. 9	107. 8	109	41	536. 9	107. 8
Michigan.....	514	125	3, 052. 6	686. 8	501	125	3, 024. 1	686. 8

TABLE 2.—Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over, in March 1936, by Federal Home Loan Bank Districts and by States—Continued

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)	
	March 1936	March 1935	March 1936	March 1935	March 1936	March 1935	March 1936	March 1935
No. 7—Chicago.....	325	97	\$1, 894. 4	\$436. 9	295	97	\$1, 822. 6	\$436. 9
Illinois.....	206	48	1, 296. 5	251. 9	181	48	1, 236. 2	251. 9
Wisconsin.....	119	49	597. 9	185. 0	114	49	586. 4	185. 0
No. 8—Des Moines.....	450	310	1, 741. 0	1, 095. 6	425	306	1, 689. 9	1, 075. 6
Iowa.....	79	50	295. 2	201. 9	70	50	281. 1	201. 9
Minnesota.....	74	66	324. 2	218. 0	74	66	324. 2	218. 0
Missouri.....	275	165	1, 091. 0	622. 6	259	161	1, 054. 0	602. 6
North Dakota.....	1	7	2. 7	25. 5	1	7	2. 7	25. 5
South Dakota.....	21	22	27. 9	27. 6	21	22	27. 9	27. 6
No. 9—Little Rock.....	962	464	2, 482. 0	943. 6	904	433	2, 344. 0	895. 2
Arkansas.....	35	12	113. 1	22. 7	35	9	113. 1	15. 7
Louisiana.....	131	20	405. 4	53. 5	120	20	355. 2	53. 5
Mississippi.....	20	17	68. 5	39. 4	20	17	68. 5	39. 4
New Mexico.....	18	6	49. 7	4. 0	18	.....	49. 7	.....
Texas.....	758	409	1, 845. 3	824. 0	711	387	1, 757. 5	786. 6
No. 10—Topeka.....	451	169	1, 590. 9	551. 2	425	154	1, 565. 8	530. 1
Colorado.....	85	29	377. 3	132. 3	85	29	377. 3	132. 3
Kansas.....	118	77	347. 0	167. 7	103	67	333. 6	152. 7
Nebraska.....	42	20	156. 9	72. 1	38	20	149. 4	72. 1
Oklahoma.....	206	43	709. 7	179. 1	199	38	705. 5	173. 0
No. 11—Portland.....	355	172	1, 116. 4	480. 9	355	172	1, 116. 4	480. 9
Idaho.....	25	15	74. 9	37. 1	25	15	74. 9	37. 1
Montana.....	56	21	131. 7	48. 3	56	21	131. 7	48. 3
Oregon.....	70	18	246. 5	76. 5	70	18	246. 5	76. 5
Utah.....	46	20	139. 1	53. 5	46	20	139. 1	53. 5
Washington.....	129	74	392. 5	178. 4	129	74	392. 5	178. 4
Wyoming.....	29	24	131. 7	87. 1	29	24	131. 7	87. 1
No. 12—Los Angeles.....	2, 059	753	7, 357. 4	2, 623. 6	1, 741	650	6, 590. 6	2, 411. 9
Arizona.....	29	2	100. 1	6. 8	29	2	100. 1	6. 8
California.....	2, 011	746	7, 158. 2	2, 607. 8	1, 696	643	6, 409. 4	2, 396. 1
Nevada.....	19	5	99. 1	9. 0	16	5	81. 1	9. 0

Indexes Of Small-House Building Costs

THE May costs of building the same typical 6-room house in the group of cities which first reported in February are published in the accompanying table. Comparison with the revised figures for February gives a preliminary indication of the movement of costs in each city.

Attention is called to the revisions in the preliminary February cost figures which were published in the February REVIEW. The greatest change is that for Boise, Idaho, for which the revised figure is \$5,791 instead of the preliminary figure of \$6,777. This revised figure brings the building cost for the Idaho city very closely in line with that reported for May from the neighboring city of Spokane, Washington, in which building conditions might be expected to be similar.

Other cities in which the revision of the February figures show considerable changes are St. Louis, Missouri, and White Plains, New York. The revised February figure for St. Louis is \$5,994 instead of the preliminary figure of \$6,342. The revised figure for White Plains is \$5,657 supplanting the preliminary figure of \$5,143.

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 Feb-

ruary 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. It is believed that the major errors have been eliminated and that with the third report from this group of cities (due in August) the figures may be accepted with some finality.

Turning now to the costs reported for May, we find that Grand Rapids, Michigan, occupies the low position with \$5,132 or 21.4 cents per cubic foot. The highest cost of \$6,663 or 27.8 cents per cubic foot is reported by Great Falls, Montana.

Comparing movements in cost from February to May, it will be seen that 13 cities reported slight increases; 4 remained substantially unchanged; and 2 registered some drop.

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 February and added certain new cities. Reports for February and May from Detroit, Michigan, and South Bend, Indiana, which were included in February, will be published in the August issue. These two cities will thereafter report regularly with this group.

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

NOTE.—It must be understood that these figures are subject to correction.

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	
	May	February	May	February
No. 2—New York:				
New Jersey:				
Atlantic City.....	\$5, 749	\$5, 803	\$0. 240	\$0. 242
Camden.....	5, 203	5, 072	. 217	. 211
Newark.....	5, 616	5, 600	. 234	. 233
New York:				
Albany.....	5, 175	5, 175	. 216	. 216
Buffalo.....	5, 493	5, 497	. 229	. 229
Syracuse.....	5, 540	5, 545	. 231	. 231
White Plains.....	5, 723	5, 657	. 238	. 236
District average.....	5, 500	5, 478	. 229	. 228
No. 6—Indianapolis:				
Indiana:				
Evansville.....	5, 539	.....	. 231	.....
Indianapolis.....	5, 878	5, 723	. 245	. 238
Michigan:				
Grand Rapids.....	5, 132	.....	. 214	.....
District average.....	5, 516	.....	. 230	.....
No. 8—Des Moines:				
Iowa:				
Des Moines.....	5, 995	5, 916	. 250	. 247
Minnesota:				
Duluth.....	5, 603	.....	. 233	.....
St. Paul.....	5, 283	5, 255	. 220	. 219
Missouri:				
Kansas City.....	5, 304	5, 229	. 221	. 218
St. Louis.....	5, 968	5, 994	. 249	. 250
North Dakota:				
Fargo.....	5, 529	5, 475	. 230	. 228
South Dakota:				
Sioux Falls.....	5, 714	5, 677	. 238	. 237
District average.....	5, 628	5, 591	. 235	. 233
No. 11—Portland:				
Idaho:				
Boise.....	5, 825	5, 791	. 243	. 241
Montana:				
Great Falls.....	6, 663	6, 662	. 278	. 276
Oregon:				
Portland.....	5, 349	5, 318	. 223	. 222
Utah:				
Salt Lake City.....	5, 793	5, 778	. 241	. 241
Washington:				
Seattle.....	5, 485	5, 473	. 229	. 228
Spokane.....	5, 711	.....	. 238	.....
District average.....	5, 804	5, 804	. 242	. 242

Foreclosures in Large Urban Counties

THE sharp decline in foreclosures which took place in the second half of 1935 has apparently stopped for the present. Since November 1935 there have been very slight changes other than the normal seasonal movements. For March, the index of foreclosures in 75 large urban counties rose to 301 (preliminary figure) from 266 in February. This was an increase of 13 percent and corresponds exactly with the normal seasonal increase in March. In compiling the index, the year 1926 is taken as 100.

Compared with March 1935 when the index was 412, the March 1936 figure represents a drop of 27 percent. For the first three months of 1936 total foreclosures in the 75 cities on which the index is based were 29 percent lower than total foreclosures for the same period in 1935.

Of the 75 urban counties reporting, 48

registered an increase in foreclosures for March over February; 24 registered a decrease; and 4, no change. Compared with March 1935, only 16 counties reported a higher number of foreclosures.

The 75 urban counties on which the foreclosure index is based contain a population of approximately 42,790,000 and the index may, therefore, be considered as representative of the urban foreclosure situation in the United States. The actual number of foreclosures taking place in each of these 75 counties during the years 1926 and 1932-1935 inclusive were reported in the REVIEW for April 1936. Monthly foreclosure figures for each of these counties will be published three times a year in the REVIEW. Those desiring to receive the reports each month may obtain them from the Division of Research and Statistics of the Federal Home Loan Bank Board.

*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	1935.....	366
1927.....	137	January.....	431
1928.....	180	February.....	352
1929.....	212	March.....	412
1930.....	235	April.....	398
1931.....	300	May.....	405
1932.....	382	June.....	395
1933.....	395	July.....	368
1934.....	370	August.....	365
January.....	359	September.....	337
February.....	323	October.....	333
March.....	368	November.....	297
April.....	357	December.....	304
May.....	375	1936.....	
June.....	376	January.....	287
July.....	371	February.....	266
August.....	370	March.....	² 301
September.....	378		
October.....	389		
November.....	399		
December.....	377		

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

² Preliminary figure.

Growth and Lending Operations of the Federal Home Loan Banks

PARALLEL with the rising curve of residential construction, the outstanding advances of the 12 Federal Home Loan Banks to their member institutions have registered an unbroken rise each month since April 1935, reaching a new peak of \$103,358,000 on April 1, 1936. In the past 12 months such outstanding credits, made available to home owners and home builders in every section of the country through the 3,543 members of the Bank System, have increased by more than 40 percent, in spite of heavy repayments by members.

On the basis of the lending activity of member institutions in 1934 and 1935, it is

estimated that each gain in the net advances by the Federal Home Loan Banks reflects a gain nearly three times as great in the volume of loans made to home owners by the associations. Unquestionably, the existence of a credit reserve in the Banks encourages member institutions to the more active use of their own resources. For the many communities which have been heretofore almost entirely dependent on their own resources for home-financing funds, the Federal Home Loan Banks must play a dominant part in insuring a flow of funds sufficient to meet the needs of home owners.

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
March.....	3, 543	3, 204, 696	202, 092	4, 562	4, 095	103, 358	² 875, 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.

² Based upon the potential stock holdings and the legal borrowing capacity of member institutions.

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

FEDERAL HOME
Combined statement of

	Combined	Boston	New York	Pittsburgh	Winston-Salem
ASSETS					
Cash:					
On hand.....	\$40,072.53	\$500.00	0	\$1,000.00	\$10.00
On deposit with U. S. Treasurer.....	8,493,765.78	157,252.18	\$2,046,737.21	226,504.98	1,281,077.42
On deposit with U. S. Treasurer, members' demand deposits.....	1,392,285.05	0	0	0	0
On deposit with other Federal Home Loan Banks.....	2,100,000.00	0	0	0	0
On deposit with commercial banks.....	3,399,953.90	917,419.83	167,322.44	31,097.40	6,675.49
Cash in transit.....	15,000.00	0	0	15,000.00	0
Total cash.....	15,441,077.26	1,075,172.01	2,214,059.65	273,602.38	1,287,762.91
Loans outstanding:					
Members.....	103,354,082.09	3,127,455.16	15,198,935.13	11,703,827.55	7,138,180.47
Other.....	3,842.92	0	0	0	0
Total loans outstanding.....	103,357,925.01	3,127,455.16	15,198,935.13	11,703,827.55	7,138,180.47
Accrued interest receivable:					
Members.....	330,241.58	8,253.53	59,929.63	61,272.54	31,759.03
Other Federal Home Loan Bank deposits.....	3,196.71	0	0	0	0
Securities.....	59,739.45	16,136.10	1,706.39	192.40	5,112.00
Other.....	520.83	0	0	0	0
Total accrued interest.....	393,698.57	24,389.63	61,636.02	61,464.94	36,871.03
Investments, U. S. Government.....	18,099,784.27	4,350,000.00	205,985.94	143,192.44	1,481,312.68
Stock subscriptions receivable, members.....	380,365.00	47,775.00	36,675.00	17,500.00	15,600.00
Deferred charges:					
Prepaid assessment, F. H. L. B. B.....	7,438.50	1,423.83	0	0	2,513.83
Prepaid bond premium.....	12,031.96	933.15	1,410.52	996.86	580.00
Other.....	2,499.46	0	1,937.50	0	145.00
Total deferred charges.....	21,969.92	2,356.98	3,348.02	996.86	3,238.83
Other assets:					
Accounts receivable.....	4,052.18	0	0	1,726.08	828.69
Other.....	750.98	0	0	0	0
Total other assets.....	4,803.16	0	0	1,726.08	828.69
Total assets.....	137,699,623.19	8,627,148.78	17,720,639.76	12,202,310.25	9,963,794.61
LIABILITIES AND CAPITAL					
Liabilities:					
Deposits:					
Members, time.....	6,455,148.26	1,047,363.06	1,240,000.00	93,800.00	205,500.00
Members, demand.....	1,637,285.05	0	45,000.00	0	0
Applicants.....	200,824.87	375.00	16,424.87	25,400.00	3,525.00
Other Federal Home Loan Banks.....	2,100,000.00	0	0	300,000.00	0
Members' loan prepayments.....	255,962.08	0	0	35,689.46	0
Accrued interest:					
Members' deposits.....	11,773.52	2,439.26	2,907.40	245.78	946.19
Affiliated banks, deposits.....	885.24	0	0	885.24	0
Accounts payable.....	1,282.12	0	0	0	0
Total liabilities.....	10,663,161.14	1,050,177.32	1,304,332.27	456,020.48	209,971.19
Capital:					
Capital stock, issued and outstanding:					
Fully paid:					
Members.....	24,822,500.00	2,069,300.00	3,411,900.00	1,798,000.00	2,061,600.00
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, uncalled.....	26,199,000.00	7,167,500.00	6,463,200.00	1,546,300.00	1,708,200.00
	98,542,000.00	5,300,000.00	12,500,000.00	9,600,000.00	7,500,000.00
Partially paid:					
Members.....	699,800.00	86,600.00	74,800.00	45,400.00	31,600.00
Total capital stock outstanding.....	124,064,300.00	7,455,900.00	15,986,700.00	11,443,400.00	9,593,200.00
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.....	1,582,854.44	53,227.52	235,207.29	156,280.30	60,608.40
Total surplus.....	2,972,162.05	121,071.46	429,607.49	302,889.77	160,623.42
Total capital.....	127,036,462.05	7,576,971.46	16,416,307.49	11,746,289.77	9,753,823.42
Total liabilities and capital.....	137,699,623.19	8,627,148.78	17,720,639.76	12,202,310.25	9,963,794.61

LOAN BANKS

condition as at Mar. 31, 1936

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
\$597. 27 196, 457. 76	0 \$730, 457. 65	\$37, 380. 26 956, 482. 41	\$25. 00 1, 239, 978. 32	\$25. 00 241, 684. 66	\$25. 00 427, 297. 67	0 \$689, 231. 38	\$510. 00 300, 604. 14
700, 275. 19 0 69, 788. 03 0	126, 728. 47 600, 000. 00 537, 932. 68 0	0 0 1, 341, 566. 59 0	0 0 60, 481. 04 0	148, 091. 92 0 0 0	25, 457. 77 0 10, 144. 46 0	163, 217. 59 1, 500, 000. 00 119, 750. 00 0	228, 514. 11 0 137, 775. 94 0
967, 118. 25	1, 995, 118. 80	2, 335, 429. 26	1, 300, 484. 36	389, 801. 58	462, 924. 90	2, 472, 198. 97	667, 404. 19
18, 531, 364. 39 0	4, 320, 350. 00 0	17, 676, 667. 64 0	5, 670, 576. 69 0	7, 704, 709. 68 0	5, 016, 844. 72 0	2, 877, 008. 52 0	4, 388, 162. 14 3, 842. 92
18, 531, 364. 39	4, 320, 350. 00	17, 676, 667. 64	5, 670, 576. 69	7, 704, 709. 68	5, 016, 844. 72	2, 877, 008. 52	4, 392, 005. 06
53, 897. 72 0 8, 791. 67 0	685. 46 497. 27 6, 512. 83 520. 83	40, 241. 49 0 1, 574. 47 0	10, 533. 16 0 1, 749. 75 0	30, 281. 58 0 3, 736. 02 0	14, 984. 54 0 5, 208. 33 0	8, 862. 60 2, 699. 44 6, 214. 79 0	9, 540. 30 0 2, 804. 70 0
62, 689. 39	8, 216. 39	41, 815. 96	12, 282. 91	34, 017. 60	20, 192. 87	17, 776. 83	12, 345. 00
3, 031, 040. 34 112, 475. 00	2, 052, 139. 63 10, 200. 00	156, 611. 18 91, 275. 00	1, 060, 481. 75 2, 275. 00	2, 416, 725. 00 6, 600. 00	1, 050, 000. 00 9, 350. 00	1, 099, 575. 00 3, 765. 00	1, 052, 720. 31 26, 875. 00
0 1, 150. 00 45. 00	0 812. 51 0	3, 500. 84 1, 420. 11 0	0 824. 05 0	0 1, 156. 13 0	0 915. 29 0	0 866. 68 0	0 966. 66 371. 96
1, 195. 00	812. 51	4, 920. 95	824. 05	1, 156. 13	915. 29	866. 68	1, 338. 62
268. 30 0	189. 00 15. 81	0 734. 17	0 0	2. 00 1. 00	0 0	0 0	1, 038. 11 0
268. 30	204. 81	734. 17	0	3. 00	0	0	1, 038. 11
22, 706, 150. 67	8, 387, 042. 14	20, 307, 454. 16	8, 046, 924. 76	10, 553, 012. 99	6, 560, 227. 78	6, 471, 191. 00	6, 153, 726. 29
775, 000. 00 900, 275. 19 26, 825. 00 1, 800, 000. 00 220, 272. 62	20, 499. 47 126, 728. 47 27, 775. 00 0 0	2, 837, 985. 73 0 31, 625. 00 0 0	235, 000. 00 0 9, 225. 00 0 0	0 148, 091. 92 1, 625. 00 0 0	0 25, 457. 77 4, 150. 00 0 0	0 163, 217. 59 250. 00 0 0	0 228, 514. 11 53, 625. 00 0 0
353. 55 0 0	0 0 0	4, 561. 00 0 0	320. 34 0 0	0 0 0	0 0 0	0 0 0	0 0 1, 282. 12
3, 722, 726. 36	175, 002. 94	2, 874, 171. 73	244, 545. 34	149, 716. 92	29, 607. 77	163, 467. 59	283, 421. 23
5, 401, 800. 00 12, 775, 700. 00 0	1, 982, 200. 00 6, 577, 400. 00 577, 400. 00	2, 693, 400. 00 14, 173, 900. 00 0	1, 145, 500. 00 7, 394, 900. 00 894, 900. 00	1, 397, 500. 00 8, 772, 400. 00 0	1, 069, 700. 00 7, 333, 600. 00 2, 033, 600. 00	560, 000. 00 5, 960, 000. 00 300, 000. 00	1, 231, 600. 00 9, 967, 900. 00 5, 507, 900. 00
12, 775, 700. 00 214, 100. 00	6, 000, 000. 00 18, 100. 00	14, 173, 900. 00 133, 600. 00	6, 500, 000. 00 4, 400. 00	8, 772, 400. 00 14, 100. 00	5, 300, 000. 00 18, 900. 00	5, 660, 000. 00 6, 300. 00	4, 460, 000. 00 51, 900. 00
18, 391, 600. 00	8, 000, 300. 00	17, 000, 900. 00	7, 649, 900. 00	10, 184, 000. 00	6, 388, 600. 00	6, 226, 300. 00	5, 743, 500. 00
277, 528. 27 314, 296. 04	108, 966. 28 102, 772. 92	191, 361. 62 241, 020. 81	69, 305. 97 83, 173. 45	102, 362. 17 116, 933. 90	49, 250. 17 92, 769. 84	37, 345. 98 44, 077. 43	44, 318. 52 82, 486. 54
591, 824. 31	211, 739. 20	432, 382. 43	152, 479. 42	219, 296. 07	142, 020. 01	81, 423. 41	126, 805. 06
18, 983, 424. 31	8, 212, 039. 20	17, 433, 282. 43	7, 802, 379. 42	10, 403, 296. 07	6, 530, 620. 01	6, 307, 723. 41	5, 870, 305. 06
22, 706, 150. 67	8, 387, 042. 14	20, 307, 454. 16	8, 046, 924. 76	10, 553, 012. 99	6, 560, 227. 78	6, 471, 191. 00	6, 153, 726. 29

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In another section of this issue, (page 271) the REVIEW begins the publication of a table showing the loans made each month by more than 2,000 savings and loan associations, the majority of which are members of the Federal Home Loan Banks. Comparison of the lending activity of these reporting associations with the lending activity of the Federal Home Loan Banks over a period of time should provide a clew to the usefulness of the System as a governor and stabilizer of the home-financing machine.

With the addition of 16 new members in March, the Federal Home Loan Bank System continued the steady expansion of the

last two years. At the end of the month, the number of members stood at 3,543 with combined assets of approximately \$3,204,-696,000.

No changes were made during April by any of the 12 Banks in effective interest rates charged on advances to members. However, the Winston-Salem Bank changed its regulations to read that all advances shall be written at $3\frac{1}{2}$ percent, with the provision that the rate may be increased to not more than $4\frac{1}{2}$ percent after 30-days written notice to borrowing members. Prior to the change, advances for more than one year were written at $4\frac{1}{2}$ percent but interest was collected at $3\frac{1}{2}$ percent.

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

Federal Home Loan Bank	Rate in effect on May 1	Type of loan
	<i>Percent</i>	
1. Boston.....	3	All advances.
2. New York.....	$3\frac{3}{4}$	All advances for 1 year or less.
	$3\frac{3}{4}$	All advances for more than 1 year shall be written at 4 percent, but interest collected at $3\frac{3}{4}$ percent during 1936. This rate shall be applicable to balances outstanding on Jan. 1, 1936.
3. Pittsburgh.....	$3\frac{1}{2}$	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, $4\frac{1}{2}$, or 4 percent and $3\frac{1}{2}$ per centum per annum.
4. Winston-Salem....	$3\frac{1}{2}$	All advances, with the provision that the interest rate may be increased to not more than $4\frac{1}{2}$ percent after 30-days written notice.
5. Cincinnati.....	3	All advances.
6. Indianapolis.....	3	All secured advances for 1 year or less.
	$3\frac{1}{2}$	All unsecured advances, none of which may be made for more than 6 months.
	$3\frac{1}{2}$	All secured advances for more than 1 year.
7. Chicago.....	3	All secured advances are to be written at $3\frac{1}{2}$ percent, but interest collected at 3 percent.
	$3\frac{1}{2}$	All unsecured advances.
8. Des Moines.....	$3\frac{1}{2}$	All advances for 1 year or less.
	$3\frac{1}{2}$ -4	All advances for more than 1 year shall bear an interest rate of $3\frac{1}{2}$ percent for the first year, and 4 percent for subsequent years, but interest will be collected at $3\frac{1}{2}$ 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.
	$3\frac{1}{2}$	All advances for 1 year or less. All advances for more than 1 year to be written at 4 percent, but interest collected at $3\frac{1}{2}$ 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 Savings and Loan System

THE seasonal increase in home construction and home financing was reflected in the sharp upturn during March in new mortgage loans made by 896 reporting Federal savings and loan associations. These associations made loans on homes totaling \$11,705,112 in March as compared with \$8,888,337 in February, the highest monthly rate of increase since the preceding March. Of more significance is the net gain of 3.2 percent in total business on the books at the end of the month.

The loans made during March were distributed as follows: for new construction,

31.3 percent; for home purchase, 24.2 percent; for reconditioning, 7 percent; and for refinancing, 37.5 percent. Comparison with the distribution of loans made by reporting Federals in March 1935, when refinancing accounted for 57 percent and new construction for only 16 percent, throws into rather striking relief the alteration and improvement in the home-building and home-financing fields.

The 896 reporting Federal associations made a net gain of 5,498 in the number of private share accounts and a net gain of \$1,432,819 in private share investments.

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

	510 new associations			386 converted associations		
	March	February	Change February to March	March	February	Change February to March
Share liability at end of month:						
Private share accounts (number) . .	81, 602	78, 850	Percent + 3. 5	391, 296	388, 550	Percent + . 7
Paid on private subscriptions	\$32, 767, 374	\$30, 572, 700	+ 7. 2	\$276, 125, 852	\$276, 887, 707	— . 3
Treasury and H. O. L. C. subscriptions	35, 720, 400	32, 191, 800	+10. 9	41, 276, 900	37, 970, 900	+ 8. 7
Total	68, 487, 774	62, 764, 500	+ 9. 2	317, 402, 752	314, 858, 607	+ . 8
Average paid on private subscriptions . .	402	387	+ 3. 9	707	713	— . 8
Repurchases during month	531, 043	461, 375	+15. 1	4, 136, 456	3, 915, 829	+5. 6
Mortgage loans made during month:						
a. Reconditioning	310, 836	206, 729	+50. 5	507, 337	319, 158	+ 58. 8
b. New construction	2, 085, 263	1, 453, 440	+43. 5	1, 583, 971	1, 149, 767	+37. 8
c. Refinancing	1, 854, 582	1, 387, 972	+33. 7	2, 531, 745	2, 216, 562	+14. 2
d. Purchase of homes	1, 143, 766	874, 325	+30. 8	1, 687, 612	1, 280, 384	+31. 9
Total for month	5, 394, 447	3, 922, 466	+37. 5	6, 310, 665	4, 965, 871	+27. 1
Loans outstanding end of month ¹	70, 111, 500	63, 965, 034	+ 9. 6	270, 792, 971	266, 188, 614	+1. 7
Borrowed money as of end of month:						
From Federal Home Loan Banks . .	7, 706, 312	7, 110, 679	+ 8. 4	21, 555, 321	21, 499, 613	+ . 3
From other sources	122, 112	92, 072	+32. 6	2, 126, 419	1, 950, 940	+9. 0
Total	7, 828, 424	7, 202, 751	+ 8. 7	23, 681, 740	23, 450, 553	+1. 0

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

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	Dec. 31, 1935	Feb. 29, 1936	Mar. 31, 1936	Feb. 29, 1936	Mar. 31, 1936
New.....	57	321	481	554	605	617	623	\$75, 312, 891	\$75, 230, 371
Converted.....	2	49	158	297	418	444	455	446, 666, 424	462, 261, 567
Total.....	59	370	639	851	1, 023	1, 061	1, 078	521, 979, 315	537, 491, 938

Some bookkeeping losses in share investments were reported by recently converted associations due to changes from the share-account sinking-fund plan to the direct-reduction plan of loan amortization. Also repurchases were heavier than in February.

The Home Owners' Loan Corporation invested an additional \$6,834,600 in the securities of the 896 reporting Federal associations during March, bringing the total Treasury and Corporation investment in them to \$76,997,300. These associations also obtained an additional \$651,000 in advances from the Federal Home Loan Banks bringing their combined total of such advances to \$29,261,633. It is indicative of the activity of Federal savings and loan associations that this amount represented 28.3 percent of the total Federal Home Loan Bank advances outstanding to members on March 31.

With the addition during the month of six newly organized and eleven converted associations, the number of Federal savings and loan associations rose to 1,078, with total assets of \$537,491,938 as of March 31. The proportion of associations converted from State charter is steadily growing, the total being 455 as compared with 623 new associations.

ADVERTISING


With all the subtle and effective appeals for the citizen's dollar, the institution or commodity which does not bring itself to his attention has little chance. The savings and loan business in the past has suf-

fered from being too little known to investors and to borrowers. It is noteworthy that the associations now displaying the greatest lending activity and registering the greatest increases in private investments seem to be those which are doing the most effective advertising.

An Ohio association which has been expanding rapidly in recent months reported a net gain of \$62,868 in member share deposits during a recent 5-week period. In connection with this achievement the association reports:

We know that a great deal of these new share deposits are traced to our advertising directly as we ask each customer who or what advertising sent him in. Not only that, but we know of about \$30,000 of share deposits which are coming to us from this advertising, being in the nature of corporation funds which must await the action of various boards.

NOVEL FORM OF DIRECT-MAIL ADVERTISING

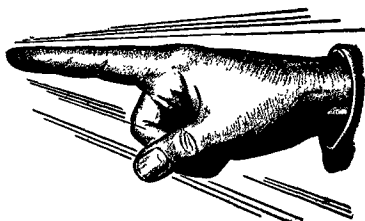
THE HOME OF THRIFT FEDERAL OPTIONAL PREPAID INSTALLMENT FULL PAID INCOME NON ASSESSABLE SHARES INSURED UP TO \$5 000 00		THE CIT-A-GRAM	MEMO FOR NAMES OF PROSPECTIVE SHAREHOLDERS
CITIZENS FEDERAL SAVINGS AND LOAN ASSN			A CONVERSION OF THE CITIZENS SAVINGS ASSN
JANUARY 24, 1936 WE ARE PLEASED TO ANNOUNCE THAT WE HAVE RECEIVED OUR CHARTER FOR CONVERSION INTO A FEDERAL SAVINGS AND LOAN ASSOCIATION STOP ALSO OUR CERTIFICATE FOR FEDERAL INSURANCE UP TO FIVE THOUSAND DOLLARS IN ANY ONE NAME. SO THAT YOUR INVESTMENT IN THIS COMPANY IS FULLY PROTECTED STOP WE ARE NOW OPEN FOR SUB- SCRPTION TO SHARES STOP PLEASE BRING IN YOUR PASS BOOKS OR CERTIFICATES FOR CONVERSION			
CITIZENS FEDERAL SAVINGS AND LOAN ASSOCIATION OF CLEVELAND ANSEL E. BECKWITH, PRESIDENT			

In addition to extensive newspaper advertising this association has made a special point of keeping its shareholders fully informed on exactly what their association has been doing. In addition to semiannual statements, the association informs its members of special developments by what it calls a "cit-a-gram". A copy of the message which the association sent out announcing federalization and share insurance is reproduced herewith.

The advantages of group advertising are being explored by 19 Federal savings and

loan associations in the vicinity of Portland, Oregon. Recognizing their common interest in encouraging thrift and home ownership, these associations have pooled their advertising resources in a spring campaign. Two of a group of six three-quarter page advertisements are reproduced on the accompanying pages. Attention is also called to the reproduction of a striking three-quarter page advertisement recently used by a Seattle association to announce the inauguration of a home-building service.

Now . . . Your Federal Savings and Loan Account . . . Is Permanently Insured!



And if you're seeking a better MORTGAGE

Your local Federal has a better, lower cost plan for you. One nominal monthly payment can be made to include principal, interest, taxes and insurance. Your mortgage can run as long as 15 years and you will not be bothered with recurring brokerage or refinancing charges. It's the easiest way to home ownership. Write—or ask for details.

EACH Federal Savings and Loan Association is locally managed and directed by responsible men in its community. But . . . the moment a Federal Savings & Loan Association receives its charter, it is under direct supervision of the United States Government and The Federal Home Loan Bank of the district in which it is located.

And just as the Federal Deposit Insurance Corporation insures the liquidity and safety of savings accounts in banks, so does the Federal Savings and Loan Insurance Corporation insure the safety of the invest-

ments in Federal Savings and Loan Associations.

What other form of investment offers such a logical, safe road to financial independence and freedom from care? Usually the dividend rate averages from 3% to 4% compounded semi-annually and all funds invested before the 10th of any month receive earnings for the entire month.

Whether your savings plan is concerned with large or small amounts your local Federal has a program to fit your individual needs—and remember, your funds will be permanently insured up to \$5000.



The FEDERAL SAVINGS & LOAN ASSOCIATIONS



BAKER
Baker Federal S.&L.A. of Baker

BEND
DuChang Federal S.&L.A. of Bend

CORVALLIS
First Federal S.&L.A. of Corvallis

DALLAS
Polk County Federal S.&L.A. of Dallas

GRANTS PASS
First Federal S.&L.A. of Grants Pass

HILLSBORO
Tualatin Valley Federal S.&L.A. of Hillsboro
LAKEVIEW
Lakeview Federal S.&L.A. of Lakeview

KLAMATH FALLS
First Federal S.&L.A. of Klamath Falls

MARSHFIELD
West Coast Federal S.&L.A. of Marshfield

OREGON CITY
First Federal S.&L.A. of Oregon City

PORTLAND
Boji Franklin Federal S.&L.A. of Portland

THE DALLES
First Federal S.&L.A. of The Dalles

PENDLETON
First Federal S.&L.A. of Pendleton

SALEM
Mutual Federal S.&L.A. of Salem

THE DALLES
First Federal S.&L.A. of The Dalles

VANCOUVER, WASH.
Vancouver Federal S.&L.A. of Vancouver

Build that new home . . . and pay for it like rent



Better earnings for your Savings

Now your account in any Federal Savings and Loan Association is permanently insured up to \$5000. The dividend rate averages from 3% to 4% compounded semi-annually. All funds invested before the 10th of the month receive earnings for the entire month. All earnings are Income Tax exempt and if you wish you can invest as little as \$1.00. What other form of investment combines such an attractive return with safety?

IF YOU contemplate building a home—or remodeling one—your local Federal Savings and Loan Association can help you. Lowest rates are now available—and by making one monthly payment you can include your principal, interest, taxes and insurance.

Your local Federal Savings and Loan Association is primarily a local institution locally managed and directed by responsible business men in its community, operating under direct supervision of the United States Government and the

Federal Home Loan Bank of the district in which it is located.

Your local Federal knows local conditions—local values. Appraisals are promptly made, hence, no delays for you in procuring funds.

Your mortgage can run as long as 15 years—to make it easy for you to keep within your means. And . . . your mortgage held by your local Federal means that you will not be bothered with recurring brokerage or refinancing charges.

For an easier, better way to home ownership—see your Federal Savings & Loan Association tomorrow!



The FEDERAL SAVINGS & LOAN ASSOCIATIONS



BAKER
Baker Federal S.&L.A. of Baker

BEND
DuChang Federal S.&L.A. of Bend

CORVALLIS
First Federal S.&L.A. of Corvallis

DALLAS
Polk County Federal S.&L.A. of Dallas

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First Federal S.&L.A. of Grants Pass

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Tualatin Valley Federal S.&L.A. of Hillsboro
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First Federal S.&L.A. of Klamath Falls

MARSHFIELD
West Coast Federal S.&L.A. of Marshfield

OREGON CITY
First Federal S.&L.A. of Oregon City

PORTLAND
Boji Franklin Federal S.&L.A. of Portland

THE DALLES
First Federal S.&L.A. of The Dalles

PENDLETON
First Federal S.&L.A. of Pendleton

SALEM
Mutual Federal S.&L.A. of Salem

VANCOUVER, WASH.
Vancouver Federal S.&L.A. of Vancouver

Five Million Dollars

(\$ 5,000,000.00)

(MORE IF REQUIRED)

IMMEDIATELY AVAILABLE TO LOAN

ON NEW HOME CONSTRUCTION

IN SEATTLE . .

Never before at such low interest rates!
Never before on such attractive terms!

**NO FINANCE FEE
NO COMMISSION**



**YOU CAN CHOOSE FROM
THIS PRICE RANGE**

- (1) Homes costing \$2,000.00 to \$3,000.00.
- (2) Homes costing \$3,000.00 to \$4,000.00.
- (3) Homes costing \$4,000.00 to \$5,000.00.
- (4) Homes costing \$5,000.00 to \$20,000.00.

Special designs in the above price classifications will be presented by the architects participating in this program. These will be shown in a series of advertisements following this announcement.

The price quoted on the home of your selection will be the TOTAL price.

**Choose Either a PFF
or FHA Loan**

**WE MAKE BOTH
GET ALL THE FACTS**

In subsequent advertisements a list of Seattle's foremost architects who are cooperating with us will be included.

Seattle has at last a practical home financing plan with teeth in it—a startlingly new plan which in effect gives the home builder everything in one package—all in one monthly payment. It is a workable plan because it is flexible enough to meet all conditions set up by the home builder and because it enlists the cooperation of architects, contractors, builders, lumber and material dealers, all of whom are the ones who profit by the plan. This institution merely has the money and the willingness to loan it. Here are the particulars.

The plan is simple but complete. This institution will lend you most of the money to build your home—Seattle's leading architects will design it for you and contractors will see that it is soundly built. You pay us back in less-than-rent monthly payments covering all charges—including reduction of principal, simple interest on unpaid monthly balances, fire insurance, taxes. This service applies to homes costing as low as \$2,000.00, as much as \$20,000.00, and all prices between.

You make but one monthly payment and deal with but two parties—our representative and the architect. No annoyance of making numerous payments to different people. No uncertainties as to construction quality or responsibility. The fact that your home is designed and its construction supervised by one of these architects insures enduring style, convenient arrangement, and lasting value. You will know that it is properly designed, substantially built and that it will be a home which will grow in value and comfort through the years.

Interest rates are the lowest home builders have ever known. Never before . . . perhaps never again will you be able to build that home of yours on such attractive terms.

With this house . . . the home you have planned these many years . . . why should it be necessary for

you to worry about technical specifications, construction, materials and labor, and the hundred and one things that are part of home building?

Why not follow the plan you do in buying an automobile?

You know what the total price is. You know exactly what the monthly payments are. You include in those payments all the insurance you need. You know just how many months you will have to make these payments before the car becomes yours.

Similarly, you can now determine the price you can afford to pay for a home. You decide as to its style—its architecture—the number of rooms—and in what colors those rooms shall be finished. You select from our list the architect you prefer.

To him you entrust all the details incident to the completion of the home you have selected. You know exactly what the total cost is going to be. You know exactly what the monthly payments will be, and what these payments include. You know exactly how long it will take you to complete these payments. You know that when the loan terminates the design and construction will not have deteriorated in style or comfort.

Call at our office, Henry Building, 1312 Fourth Avenue, and let us explain fully how we can help you obtain the kind of home and the kind of deal that will be to your liking in every way.

SAVE PACIFIC FIRST FEDERAL BORROW PACIFIC FIRST FEDERAL

You Save Both Ways!

**PACIFIC FIRST FEDERAL SAVINGS
AND LOAN ASSOCIATION**

AN INSURED INSTITUTION

1312 FOURTH—ELIOT 2851

TACOMA • PORTLAND SEATTLE BELLINGHAM • EUGENE

Copyright 1936, Pacific First Federal Savings & Loan Association.

Federal Savings and Loan Insurance Corporation

THE share accounts of 25 savings and loan associations with combined assets of \$67,046,200 were insured during the period March 14-April 18. Of the 25 associations, 11 were State-chartered, 8 were Federal associations recently converted from State charters, and 6 were newly organized Federals. These additions brought the total number of insured associations as of April 18 to 1,230, with combined assets (as of date of insurance) of \$803,586,346 and with 899,011 shareholders.

During the same monthly period the number of associations applying for insurance was 65 divided as follows: 34 State-chartered associations; 20 converted; and 11 new Federal associations. The number of applications received by the Insurance Corporation from the beginning of operations to April 18 totaled 1,574. The difference between this total and the 1,230 actually insured is almost entirely accounted for either by applications in process or by associations effecting the reorganizations necessary to qualify for insurance. The increasing speed in handling applications is indicated by the fact that the proportion of applications from State-chartered associations that had been approved jumped from 12 percent in March 1935 to 42 percent in March 1936. During this year the number of such applications tripled.

PUBLIC BECOMING INSURANCE-CONSCIOUS

THE ultimate decision concerning share insurance will, of course, be made by the investing public. If investors want this protection they will get it. In a recent speech the head of one of the strongest

savings and loan associations in the country, which has not heretofore felt the need of insurance, reported a constant increase in the number of actual or potential investors who inquired whether this institution's shares were insured. This suggests that as knowledge of the existence of insurance spreads, the demand for it will increase.

Several State supervisory authorities have been among the most ardent supporters of share insurance for savings and loan associations under their jurisdiction. Mr. Zeta Gossett, Commissioner, Department of Banking of Texas, contributed an article on share insurance to a recent bulletin of the Federal Home Loan Bank of Little Rock. Mr. Gossett said in part:

I have watched with much interest the effect of insurance of shares on State-chartered building and loan associations under the supervision of the banking department and I am extremely gratified to see that such associations are making rapid strides in getting back to the point where they can function normally as thrift and loan institutions. Outsiders cannot realize how much concern financial institutions give to supervisors when they are in disrepute with the investing public. Hundreds of letters are received, complaining of treatment received from various associations and these letters are most difficult to answer satisfactorily. Some complaints are justified—many, of course, are not. However, the sooner associations get in a condition where such complaints quit coming in, the better it will be. This can best be accomplished by associations regaining the confidence of the public through the announcement that they have been accepted for insurance by the Federal Savings and Loan Insurance Corporation.

Some associations, that have had to foreclose on a large percentage of their loans, have been forced to segregate their assets, as provided for in the Texas building and loan laws. The surprising thing is that associations that have segre-

gated their assets are making progress in their new associations, set up on the good assets, and their stockholders are more than satisfied to go along with them and help build the associations up. These institutions were at a standstill and would have been for several years to come, so far as being of any benefit to their communities is concerned, because of their frozen condition. There are still a number of associations in Texas that should segregate and apply for insurance. In some cases the officers and directors feel that it

would be a reflection on them to ask the stockholders to segregate. In my opinion, it is more of a reflection on them not to do so, as they are going to be left far behind when other associations are on a normal operating basis.

This department is thoroughly sold on insurance of shares and believes that it was the one thing needed to put building and loan associations back in the position of eminence which they are again occupying in the investing and loan field.

Progress of the 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	Mar. 14, 1936	Apr. 18, 1936	Mar. 14, 1936	Apr. 18, 1936
State-chartered associations.....	53	188	351	420	454	\$644, 024, 147	\$667, 757, 875
Converted F. S. and L. A.....	134	360	480	488	508	487, 143, 251	496, 178, 508
New F. S. and L. A.....	393	517	575	601	612	12, 469, 626	13, 480, 701
Total.....	580	1, 065	1, 406	1, 509	1, 574	1, 143, 637, 024	1, 177, 417, 084

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	Mar. 14, 1936	Apr. 18, 1936	Apr. 18, 1936	Apr. 18, 1936	Apr. 18, 1936
State-chartered associations.....	4	45	136	181	192	333, 827	\$282, 938, 747	\$249, 859, 516
Converted F. S. and L. A.....	108	283	406	431	439	481, 687	447, 498, 109	412, 298, 083
New F. S. and L. A.....	339	512	572	593	599	83, 497	73, 149, 490	71, 471, 565
Total.....	451	840	1, 114	1, 205	1, 230	899, 011	803, 586, 346	733, 629, 164

Home Owners' Loan Corporation

PAYMENT of interest and repayment of principal on the loans made by the Home Owners' Loan Corporation to over one million distressed home owners show a steady improvement. As of March 31, total payments of interest and principal received by the Corporation from borrowers amounted to \$266,533,000. Payments received by the Corporation from its borrowers in March were \$19,513,000, an increase of more than \$4,000,000 over February receipts, and of more than \$1,200,000 over receipts in January, the previous peak month.

By the end of March, the Corporation had authorized 10,485 foreclosures (table 4). Of this number, 6,237 were on loans held by deliberately delinquent borrowers who had persistently refused to make payments, although able to do so. It is interesting to note that in 333 instances the institution of foreclosure proceedings was sufficient to induce borrowers to meet their delinquent obligations.

The entire number of voluntary deeds and foreclosures instituted to date represents only about 1 percent of the Corporation's 1,007,000 loans (table 2). As practically all home owners refinanced by the Corporation were in default on their original mortgages and, therefore, in danger of foreclosure at the time the Corporation came to their aid, the percentage of foreclosures instituted by the Corporation is very small indeed.

Although the Corporation's loan plan permits payment to be spread over a 15-year period, 4,950 borrowers had paid their loans in full by the middle of April. The total volume of loans thus wiped off

the books of the Corporation originally amounted to \$10,090,097. Most of these prepayments reflect an improvement in the borrower's personal circumstances. The rate of prepayments seems to be increasing since 1,698 of the 4,950 discharged loans had been paid off since December 1935.

PAYMENT OF BACK TAXES

IN CLEARING up back taxes owed to State, county, and local governments by the distressed home owners whom it refinanced in the emergency, the Home Owners' Loan Corporation has disbursed approximately \$225,000,000 to these local governments. The amount of such payments was included in the loans made by the Corporation which are now in process of amortization.

This \$225,000,000 in cash paid directly by the Corporation to thousands of local treasuries since 1933 has helped many hard-pressed communities to maintain their schools, their police, and other essential public services at a critical period. At the same time, the payments have reduced the necessity of tax sales and the volume of real estate acquired by cities. They have also, of course, made possible lower taxes upon other properties than would otherwise have been necessary. In some instances, the Corporation's tax disbursements are known to have saved communities from defaulting on their own maturing bond issues.

The \$225,000,000 disbursed represents approximately 7.4 percent of the total dollar volume of loans made by the Corporation. The average tax payment per loan is \$224 and the average loan is \$3,019.

TABLE 1.—*H. O. L. C. subscriptions to shares of savings and loan associations—Requests and subscriptions*¹

	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. 31, 1936.....	52	2, 666, 700	64	4, 985, 000	955	35, 072, 600	1, 071	42, 724, 300
Apr. 20, 1936.....	54	² 2, 642, 700	76	6, 027, 500	1, 058	38, 758, 600	1, 188	47, 428, 800
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 2	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. 31, 1936.....	10	645, 000	57	4, 610, 000	888	32, 310, 600	955	37, 565, 600
Apr. 20, 1936.....	15	980, 000	63	5, 265, 000	996	36, 046, 600	1, 074	42, 291, 600

¹ Refers to number of separate investments, not to number of associations in which investments made.² Less than preceding figure due to transfer of status of some applicants to insured or Federal columns.TABLE 2.—*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.....	229, 264	381, 341	1, 157, 985, 268
1935			
From Jan. 1 through June 30.....	143, 640	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
March.....		8, 386	25, 714, 606
Apr. 1 to Apr. 16.....		3, 447	10, 770, 170
Grand total to Apr. 16, 1936.....	1, 886, 536	1, 007, 207	3, 050, 907, 452

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.

TABLE 3.—*Reconditioning Division—Summary of all reconditioning operations through Apr. 16, 1936*

Period	Number of applications received for reconditioning loans	Total contracts executed		Total jobs completed	
		Number	Amount	Number	Amount
June 1, 1934 through Mar. 19, 1936.....	671, 613	342, 172	\$66, 556, 396	304, 613	\$56, 718, 552
Mar. 20, 1936 through Apr. 16, 1936 ¹	1, 997	5, 938	1, 369, 204	5, 180	1, 231, 758
Grand total through Apr. 16, 1936.....	673, 610	348, 110	67, 925, 600	309, 793	57, 950, 310

¹The 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.

TABLE 4.—*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
March.....	3, 190	60	516
Grand total to Mar. 31, 1936.....	10, 485	333	2, 493

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

² Does not include 792 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 the total of 2,493 completed cases, 13 properties were sold at foreclosure sale to parties other than H. O. L. C.

Directory of Member, Federal, and Insured Institutions

Added during March-April

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN MARCH 23, 1936, AND APRIL 18, 1936¹

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

DISTRICT NO. 1

MASSACHUSETTS:

Boston:

Ausonia Co-operative Bank, 44 School Street.

DISTRICT NO. 2

NEW YORK:

West New Brighton:

Prudential Savings & Loan Association, 810 Forest Avenue.

DISTRICT NO. 3

PENNSYLVANIA:

Philadelphia:

Oakdale Building & Loan Association, 2515 Germantown Avenue.

Western Mutual Building & Loan Association, 1700 Sansom Street.

Pittsburgh:

Crallo Building & Loan Association of Carrick Borough, Pa., 1928 Brownsville Road.

WEST VIRGINIA:

Moundsville:

American Building & Loan Association.

DISTRICT NO. 4

GEORGIA:

Buford:

Gwinnett County Building & Loan Association.

MARYLAND:

Baltimore:

Safety Perpetual Building & Loan Association of Baltimore City, 1926 North Charles Street.

DISTRICT NO. 5

OHIO:

Sidney:

Shelby County Building & Loan Association.

TENNESSEE:

Murfreesboro:

Murfreesboro Building & Loan Association.

¹ During this period 8 Federal savings and loan associations were admitted to membership in the System.

DISTRICT NO. 6

INDIANA:

Evansville:

Security Savings & Loan Association, 18 Southeast Third Street.

Frankfort:

Citizens Building & Loan Association of Frankfort, 62 South Main Street.

Marion:

Marion Building & Loan Association, 114 West Fourth Street.

New Albany:

Union Savings Association of New Albany, 204 East Market Street.

Oakland City:

Home Economy Building & Loan Association.

South Bend:

The Building & Loan Association of South Bend, Ind., 216-218 West Washington, Avenue.

DISTRICT NO. 7

ILLINOIS:

Havana:

Havana Building & Loan Association, 218½ West Main Street.

Shelbyville:

People's Mutual Loan Association.

WISCONSIN:

Milwaukee:

National Savings & Loan Association, 929 West Mitchell Street.

Pyramid Building & Loan Association, 2423 West North Avenue.

Oshkosh:

Oshkosh Building, Loan & Savings Association, 11 Waugoo Street.

DISTRICT NO. 8

NORTH DAKOTA:

Jamestown:

Jamestown Building & Loan Association, Citizens National Bank Building.

DISTRICT NO. 9

ARKANSAS:

Fort Smith:

United Building & Loan Association.

LOUISIANA:

Hammond:

Florida Parishes Homestead Association.

Plaquemine:

Iberville Building & Loan Association.

DISTRICT NO. 10

NEBRASKA:

Beatrice:

Home Savings & Loan Association of Beatrice, Nebraska.

OKLAHOMA:

Oklahoma City:
Oklahoma Savings & Loan Association, Robinson
Street at Second.

DISTRICT NO. 12

CALIFORNIA:

Alameda:
Central Building & Loan Association, Park Street
& Central Avenue.

**WITHDRAWALS FROM THE FEDERAL HOME LOAN
BANK SYSTEM BETWEEN MARCH 23, 1936, AND
APRIL 18, 1936**

INDIANA:

Angelo:
Steuben County Building & Loan Association, 208
West Maumee Street (association liquidating).

MINNESOTA:

Minneapolis:
Prudential Building & Loan Association, 111 South
Fourth Street.

MINNESOTA:

Poplar Bluff:
Poplar Bluff Loan & Building Association.

NORTH CAROLINA:

Rocky Mount:
Commercial Building & Loan Association, 177
North Main Street (association liquidating).

**II. FEDERAL SAVINGS AND LOAN ASSOCIA-
TIONS CHARTERED BETWEEN MARCH 23,
1936, AND APRIL 18, 1936**

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

DISTRICT NO. 4

ALABAMA:

Birmingham:
Anchor Federal Savings & Loan Association, 116
North Twenty-first Street (converted from Anchor
Building & Loan Company).

MARYLAND:

Baltimore:
McKim's Hill Federal Savings & Loan Associa-
tion of Baltimore, Greenmount Avenue at Pres-
ton Street (converted from McKim's Hill Per-
manent Building Association of Baltimore City).

DISTRICT NO. 5

KENTUCKY:

Ashland:
First Federal Savings & Loan Association of Ash-
land, Second National Bank Building.

Middlesboro:

Middlesboro Federal Savings & Loan Association,
South Twentieth Street (converted from Middles-
boro Savings & Building Association).

Paintsville:

Big Sandy Federal Savings & Loan Association of
Paintsville.

OHIO:

Cedarville:
Cedarville Federal Savings & Loan Association
(converted from Cedarville Building & Loan
Association).

Dayton:

Washington Federal Savings & Loan Association
of Dayton, 7 North Jefferson Street (converted
from Washington Loan & Savings Association).

OHIO—Continued.

Norwood:

Norwood Federal Savings & Loan Association, 4340
Main Street (converted from Norwood Eagle
Building & Loan Association Company).

Zanesville:

First Federal Savings & Loan Association of Zanes-
ville, 508-510 Main Street (converted from Equi-
table Savings Company).

DISTRICT NO. 6

INDIANA:

Evansville:

Mid-West Federal Savings & Loan Association, 324
Sycamore Street (converted from Mid-West Sav-
ings & Loan Association).

Marion:

First Federal Savings & Loan Association of
Marion, 312 South Washington Street (involving
transfer of assets of Guaranty Building & Loan
Company).

South Bend:

Tower Federal Savings & Loan Association of
South Bend, 216-218 West Washington Avenue
(converted from Building & Loan Association
of South Bend, Ind.)

DISTRICT NO. 7

ILLINOIS:

Dundee:

Dundee Federal Savings & Loan Association, 111
West Main Street (converted from Dundee Loan
& Homestead Association).

DISTRICT NO. 8

IOWA:

Des Moines:

First Federal Savings & Loan Association of Des
Moines, 500 East Locust Street (converted from
First Savings & Loan Association of Des Moines).

MINNESOTA:

Stillwater:

Washington Federal Savings & Loan Association
of Stillwater, Lumbermen's Exchange Building
(converted from Washington County Building-
Loan Association).

DISTRICT NO. 10

OKLAHOMA:

Altus:

Altus Federal Savings & Loan Association.

Oklahoma City:

Capitol Federal Savings & Loan Association of
Oklahoma City, Robinson Street at Second (con-
verted from Oklahoma Savings & Loan Associa-
tion).

Vinita:

Phoenix Federal Savings & Loan Association (con-
verted from Phoenix Building & Loan Associa-
tion).

DISTRICT NO. 12

CALIFORNIA:

Auburn:

Central California Federal Savings & Loan Associa-
tion, 649 Lincoln Way (converted from Central
California Building & Loan Association).

Covina:

First Federal Savings & Loan Association of San
Gabriel Valley.

Santa Ana:

First Federal Savings & Loan Association of Santa
Ana, 314 North Main Street (converted from
Southwest Building-Loan Association).

CALIFORNIA—Continued.

Santa Barbara:

First Federal Savings & Loan Association of Santa Barbara, 927 State Street (converted from City Building & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN MARCH 23, 1936, AND APRIL 18, 1936

CALIFORNIA:

San Francisco:

Empire Federal Savings & Loan Association, 340 Kearny Street (consolidated with Golden Gate Federal Savings & Loan Association).

Mechanics' Federal Savings & Loan Association, 340 Kearny Street (consolidated with Golden Gate Federal Savings & Loan Association).

OREGON:

Portland:

Second Federal Savings & Loan Association of Portland, 423 Southwest Broadway (consolidated with First Federal Savings & Loan Association of Portland).

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN MARCH 23, 1936, AND APRIL 18, 1936¹

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

DISTRICT NO. 4

MARYLAND:

Silver Spring:

Citizens Building & Loan Association of Montgomery County, Inc., 8417 Georgia Avenue.

VIRGINIA:

Norfolk:

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

¹ During this period 25 Federal savings and loan associations were insured.

DISTRICT NO. 5

OHIO:

Akron:

Citizens Savings & Loan Company, 96 East Market Street.

Cincinnati:

Home Builders Loan & Savings Company, 1435 Vine Street.

DISTRICT NO. 6

INDIANA:

Evansville:

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

Frankfort:

Citizens Building & Loan Association of Frankfort, 62 South Main Street.

Indianapolis:

Atkins Savings & Loan Association, 159 East Market Street.

Princeton:

Gibson County Perpetual Building & Loan Association of Princeton, Indiana, 121 West Broadway.

DISTRICT NO. 7

WISCONSIN:

Wauwatosa:

Highland Park Building & Loan Association, 6018 West Vliet Street.

DISTRICT NO. 9

TEXAS:

Mineral Wells:

Mineral Wells Building & Loan Association, 113 East Hubbard Street.

Winnsboro:

Winnsboro Building & Loan Association.

DISTRICT NO. 10

COLORADO:

Loveland:

Loveland Building & Loan Association.

KANSAS:

Kansas City:

Anchor Building, Savings & Loan Association, 731 Minnesota Avenue.

FEDERAL HOME LOAN BANK DISTRICTS

