

Vol. 2



No. 9

FEDERAL
HOME LOAN BANK
REVIEW

JUNE
1936

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

Federal Home Loan Bank Review

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SUBSCRIPTION PRICE OF REVIEW

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

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Current Housing Progress in England and Wales

FROM the Armistice in November 1918 to September 30, 1935, England and Wales provided new dwellings for more than one quarter of their population. This unprecedented volume of home building has in large part brought about the economic recovery of Great Britain. It has largely overcome the housing shortage caused by the cessation of building during the World War and by a rapid increase in the number of families in relation to population. Finally, it has freed the Government's energies for the most determined attack on slums and overcrowding in British history.

Among the influential factors contributing to this home-building boom, general recognition is given the following: a well-defined and comprehensive governmental-housing program including subsidies for both middle- and low-cost housing; an adequate supply of home-financing funds provided mainly by building societies; and a downward trend in building costs and interest rates. Supplementing these favorable elements, as recently emphasized by the *London Economist*, a general reduction in the cost of living has provided a "free" margin of purchasing power to potential home builders (table 5).

TABLE 1.—Number of houses built in England and Wales between 1930 and 1935¹

[Source: Report of the Minister of Health]

Years ending Sept. 30	Number of houses provided by—				Total
	Local authorities		Private enterprise		
	With State aid	Without State aid	With State aid	Without State aid	
1930.....	49,052	2,965	2,272	107,410	161,699
1931.....	60,169	3,119	1,866	129,790	194,944
1932.....	66,434	2,056	2,656	130,830	201,976
1933.....	47,977	1,236	2,456	166,644	218,313
1934.....	49,679	3,422	2,581	257,746	313,428
1935.....	32,682	8,451	230	275,002	316,365
Total.....	305,993	21,249	12,061	1,067,422	1,406,725
Total—Nov. 1918 to Sept. 30, 1935 ² ...	809,260	21,249	422,732	1,551,647	2,804,888

¹ All houses over £78 ratable value (£105 in London area) are excluded.

Attention is called to the fact that the figures given are not for the calendar year but cover the period from September 30 of the previous year to September 30 of the year indicated. In a similar table published in the REVIEW for January 1935, the figures were for years ending March 31, so that they do not agree with these published here.

² These totals do not include 14,766 dwellings for rehousing after slum clearance under legislation prior to the Housing Act of 1930; they do include 59,826 houses completed under the Housing Act of 1930.

SUMMARY OF POST-WAR HOUSING ACTIVITIES¹

ACCORDING to recent reports, the number of dwellings constructed from November 1918 to September 30, 1935, totaled 2,804,888, of which 1,974,379 were provided by private enterprise and 830,509 by local authorities (local governments). It is particularly noteworthy that 442,732 of the houses initiated by private enterprise benefited by grants from the Government (table 1). Of the total post-War production of houses by local authorities and private enterprise combined, nearly 45 percent received governmental assistance.

Faced with an acute housing shortage, demoralized building industries, high interest rates and building costs, and a pressing public demand for adequate housing, the post-War British Governments had no choice but to subsidize the building of houses. The Addison Act of 1919, the Chamberlain Act of 1923, and the Wheatley Act of 1924 all authorized the granting of subsidies by both the Central and local governments. While there is sharp difference of opinion regarding the effect of the post-War housing subsidies upon building costs and upon the building activity of private enterprise, it cannot be denied that the subsidy program attained its major objective, which was to relieve the physical shortage of houses. It is estimated that the Central Government has contributed about 80 percent of total subsidies against 20 percent by local authorities.

By 1930 the Government was able to turn from the quantitative aspects to the more qualitative aspects of the housing situation, and the Housing Act of that year provided subsidies for slum clearance and the rehousing of displaced slum-dwellers. In 1933 all subsidies other than for slum clearance and rehousing were abolished on the

¹ For a more detailed discussion of legislation, achievement, and the effects of subsidies see *FEDERAL HOME LOAN BANK REVIEW*, Vol. I, No. 4, pages 103-110. See, also, "Subsidized Urban Housing in England" by Coleman Woodbury, pages 163-190, *Housing Officials Yearbook 1936*. Published by the National Association of Housing Officials, Chicago.

theory that building costs and interest rates had fallen to a point where unassisted private enterprise could take care of normal housing demands. The Housing Act of 1933 also established a new scheme which aimed to enlist the cooperation of building societies in the production of working-class houses, to which reference is made below. The most recent advance in British housing legislation is the Housing Act of 1935, which has as its primary objective the abatement and prevention of overcrowding.

Thus, the present housing program of the Government is supported by legislation to deal with three broad aspects of the problem: (1) slum clearance and the rehousing of displaced slum-dwellers, (2) the abatement or prevention of overcrowding, and (3) the production of additional working-class houses to meet normal demands apart from those arising in slum clearance and the relief of overcrowding. The ultimate responsibility for the attainment of these objectives rests primarily with the local authorities.

SLUM CLEARANCE PROGRAM

WHILE the post-War housing legislation reflects considerable experimentation and change in many respects, governmental policy in regard to slum clearance has shown remarkable consistency and has been well supported by public opinion. That policy is based on the principle that slums cannot be tolerated and that it is a proper responsibility of the Government to clear slums and provide for rehousing. A slum-clearance campaign was virtually launched in April 1933, when the Minister of Health called upon all local authorities to adopt a plan for the clearance or improvement of all unhealthy areas within the following five years. The result of this drive was the adoption of a national program contemplating the clearance, within the 5-year period from 1934 to 1938, of over 280,000 insanitary houses and the erection of nearly 300,000 new houses for their direct replace-

ment. At the present time, the work is being carried out under the Act of 1930, which provides for a fixed annual grant based on the number of displaced persons rehoused in new dwellings by the local authority. The amount of the Exchequer grant is normally £2 5s (approximately \$11.25) per year per displaced person and the contribution from local taxes is an amount equivalent to £3 15s (approximately \$18.75) per house per year, both grants to be payable for a period of 40 years.

While the slum-clearance program authorized by the Act of 1930 has been slow in getting under way, the rate of progress has shown steady gains in the last two years (table 2). The Minister of Health has reported that up to September 30, 1935, a total of 68,632 houses had been demolished, closed, or declared unfit for human habitation; 112,776 houses had been made fit for human habitation; 59,826 houses had been completed; and 40,093 were under construction. It is clear that the gains must continue if the program is to be completed by 1938.

OVERCROWDING

LAST year the Government entered the second stage of its present housing program with a direct attack upon overcrowding of dwellings. The Housing Act of 1935 sets up, for the first time in the history of British housing legislation, a definite standard of overcrowding by limiting the number

of persons who may occupy any dwelling. The scale of occupancy beyond which punishable overcrowding commences is to be determined by the following schedule:

Where a dwelling consists of:

1 room.....	2 persons
2 rooms.....	3 persons
3 rooms.....	5 persons
4 rooms.....	7½ persons
5 rooms.....	10 persons

(2 additional persons for each room in excess of 5)

Where the floor area of a room is:

Under 50 sq. ft.....	0 person
50 sq. ft. and under 70 sq. ft.....	½ person
70 sq. ft. and under 90 sq. ft.....	1 person
90 sq. ft. and under 110 sq. ft.....	1½ persons
110 sq. ft. and over.....	2 persons

(The effective scale is the one which shows the lesser number of persons permitted. Thus, in a 3-room dwelling, if the number of occupants exceeds five, it is overcrowded; and if the aggregate floor space of all rooms is less than 90 square feet, only one occupant is permissible. No account is taken of a child under one year old, and any child over one year and under ten is considered as one-half person.)

The Minister of Health is to establish the effective date of the law, which will vary among districts, and thereafter violation of the standard by either occupants or owners becomes a legal offense punishable by fine. However, legal proceedings may not be taken until the local authority has first offered "suitable alternative accommodation" to the surplus occupants. Occupants may

TABLE 2.—*Slum clearance since October 1933 under the Housing Act of 1930*

[Source: Report of the Minister of Health]

Half years ending	Number of houses during each 6-month period			
	In areas marked for clearance	Demolished or closed ¹	Completed	Under construction
Mar. 31, 1934.....	21, 456	8, 019	5, 701	10, 512
Sept. 30, 1934.....	22, 811	10, 178	9, 345	19, 301
Mar. 31, 1935.....	24, 195	14, 095	14, 317	24, 898
Sept. 30, 1935.....	26, 176	16, 795	18, 567	40, 093

¹ Or declared unfit for human habitation.

become subject to fine if they fail to accept new quarters offered them. Landlords are deemed to have caused or permitted overcrowding if, after being notified that overcrowding exists, they fail to make a reasonable effort toward improving the existing conditions.

The duty of enforcing the standard in each district is placed upon the local authority. The Minister of Health has stated that he is confident that "local authorities can be relied upon to use their powers of prosecution with due discretion", and that, "the normal procedure, even when overcrowding constitutes an offense, will doubtless be to assist the overcrowded family to find other and more suitable accommodations and, if persuasion fails, to secure an order for their eviction."

Thus, the problem of eliminating overcrowding under the new Act hinges mainly upon the provision of "suitable alternative accommodations". To encourage local authorities to build additional houses for the tenants removed from overcrowded dwellings, the Act provides for subsidies from the Central Government based on the number of dwellings furnished and the character of the rehousing. Assistance by the Central Government is mandatory where the alternative housing consists of flats of not less than three stories, built on sites costing more than £1,500 per acre when developed. Contributions are payable annually for a period of 40 years for each flat approved according to the following schedule:

(In May 1936, the pound was valued at approximately \$5.)

<i>Cost per acre</i>	<i>Contribution per flat</i>
£1,500 and under £4,000.....	£6
4,000 and under 5,000.....	7
5,000 and under 6,000.....	8
6,000 and over	8

(Additional contribution of £1 for each £2,000 or part thereof over £6,000.)

When the rehousing consists of cottages on less expensive sites, subsidies may be given, in the discretion of the Minister of

Health, if it is found that the entire expense of furnishing rehousing accommodation would be unduly burdensome to the local authority. Such optional subsidies may not exceed £5 annually during a period of not more than 20 years for each house provided. In this connection, it is worthy of note that the overwhelming proportion of houses built since the War, both subsidized and unassisted, has been what the English call the cottage type, usually 2-story, group houses.

In order further to reduce rents charged on the dwellings provided and to insure responsibility on the part of the local authorities, the Act stipulates that these local governments must contribute an amount equivalent to one half of the subsidy granted by the Central Government, payable in equal annual instalments for a period at least equal to that of the Exchequer subsidy but not to exceed 60 years. The rents charged are limited to the amounts necessary to meet all expenses after allowance has been made for the grants by the Central and local governments.

REDEVELOPMENT AREAS

THE Act of 1935 also imposes important duties and powers on local authorities for the redevelopment of overcrowded areas, including those which may not require complete clearance but are badly in need of rehabilitation. If a local authority finds, after inspection, that any area contains 50 or more working-class houses of which one third are overcrowded or unfit for human habitation; that the industrial and social conditions are such that the area should be used to a substantial extent for rehousing; and that it is expedient in connection with the provision of housing that the area should be redeveloped as a whole; it is the duty of the local authority to declare this a "redevelopment area". The local authority must then submit to the Minister of Health a redevelopment plan and, after public hearing and approval, put

it into effect. Local authorities are given power to buy land by agreement with the owners or by condemnation proceedings if necessary in accordance with a schedule established by the law. This applies to land within the redevelopment area and also to outside land which may be required for rehousing purposes.

Owners wishing to redevelop or recondition properties for working-class occupancy may do so, if, in the opinion of the local authority, the improvement and continued maintenance will make the dwellings fit for habitation for a period of at least five years. If such reconditioning is satisfactory, the local authority will certify to the owners that the properties will not be demolished during the 5-year period.

MISCELLANEOUS PROVISIONS OF THE ACT OF 1935

THE Housing Act of 1935 contains several provisions relating to housing administration. It provides for the establishment of a Central Housing Advisory Committee, composed of representatives of various groups interested in housing, to aid the Minister of Health. Local authorities are given power to delegate to "Housing Associations" (similar to limited-dividend corporations in the United States) the task of building and managing housing for displaced tenants and to transfer to such organizations the subsidies granted by the Central Government. With a view to securing continuity of management policy and extending the scope of professional housing management, local authorities are given power to delegate to "Housing Management Commissions" the control and management of any or all of their properties. To eliminate administrative difficulties which had arisen as a result of diverse conditions governing the rent of houses constructed under different subsidy schemes, local authorities are required to consolidate their housing contributions and accounts. This pooling arrangement will give local authorities greater freedom to deal

with their houses as a whole and to adjust rents and subsidies for all of their dwellings to meet local conditions.

HOUSING FOR THE LOWER-INCOME GROUPS

NOTWITHSTANDING the increased output of houses during the last few years there is in many sections of the country a decided shortage of modern dwellings available for rent within the means of the lower-paid wage-earners. This aspect of the housing problem has been concisely stated by Mr. Walter Harvey, Manager of the Burnley Building Society (*Building Societies Gazette*, September 1935) as follows: "There can be no doubt that the housing need of the country, at the present time, is the small home to let at relatively low rental, not costing the occupier more than one-fifth of his wages in rent and rates (taxes). . . . There is a great deal of forced buying, because there is a scarcity of houses to let in many areas, and a consequent inducement, especially to some people, to become owners of new houses without fully realizing the long-term contract and burdens involved."

When the general housing subsidies were abolished in 1933, it was anticipated that unassisted private enterprise would be able to provide adequate housing for the lower-income groups. As an aid in this direction, the Housing Act of 1933 sought to enlist the cooperation of building societies in the production of working-class houses. Under this Act, if building societies will lend up to 90 percent of the cost or value of a house for a period of 30 years at a rate 1 percent lower than the general rate of interest, the Central Government and local authorities will jointly guarantee two thirds of the investment above the normal loan, whatever that percentage may be. However, to receive such a guaranty, the advance must be given for the purpose of building or acquiring houses for rent to working-class tenants. So far this scheme has not fulfilled the hopes of its sponsors. Up to March 31, 1935, only 5,537 houses had

been completed under its provisions. The building societies look with favor upon the plan but assert that the initiative for its operation rests with private builders.

Despite the relative failure of the guaranty provisions of the Act of 1933, unassisted private enterprise is making an increasing contribution to the provision of working-class houses. Of the houses built by unassisted private enterprise during the year ending March 31, 1935, approximately 37 percent were in a price range within the means of the lower-paid workers. Approximately one third of this number were built for renting.

The Minister of Health has emphasized upon several occasions that it is the statutory obligation and duty of local authorities to provide adequate housing for the lower-paid workers, if private enterprise fails to do so. It is noteworthy that building by local governments unsubsidized by the Central Government, although of little importance in relation to total housing production, more than doubled in 1935 over 1934.

THE ROLE OF PRIVATE ENTERPRISE AND BUILDING SOCIETIES

THE reliance which governmental housing policy has placed upon private enterprise seems to have been substantially justified. Undoubtedly, the salient feature of housing development in the last few years has been the increasing activity of unassisted private

enterprise, which in 1935 provided approximately 87 percent of a record total production.

An adequate supply of mortgage funds on favorable terms has done much to make possible the phenomenal performance of private enterprise. British building societies (which correspond to savings and loan associations in the United States) are the dominant institutions in the home-financing field. Sir Harold Bellman, Chairman of the Council of the National Association of Building Societies, has estimated that the societies have financed the purchase of three fourths of the houses built by private enterprise since the War. Their tremendous growth in assets following the War has continued throughout the depression, rising from £312,000,000 in 1929 to over £555,000,000 in 1934 (table 3). During the same period, the trend has been toward fewer and larger institutions. Thus, although the average institution had assets of only £551,000 in 1934, 55 percent of the combined assets of all societies were held by the 11 societies with assets of over £10,000,000 each.

The societies have confined their loans mainly to owner-occupied properties and recently to homes valued at £1,000 and under. A special study made by the *London Economist* covering 98 large societies indicated that in 1935, 44 percent of their total outstanding mortgages were under

TABLE 3.—Activities of building societies in Great Britain between 1928 and 1934

[Source: Building Societies Year Book]

End of year	Number of societies	Number of shareholders ¹	Mortgage assets (£)	Total assets (£)	Amount advanced on mortgages during year (£)
1928.....	1, 035	1, 130, 066	227, 532, 832	268, 464, 781	58, 664, 684
1929.....	1, 026	1, 265, 329	268, 141, 456	312, 745, 883	74, 718, 748
1930.....	1, 026	1, 449, 432	316, 313, 559	371, 164, 961	88, 767, 426
1931.....	1, 013	1, 577, 905	360, 176, 859	419, 185, 370	90, 253, 133
1932.....	1, 014	1, 692, 167	388, 377, 535	469, 334, 048	82, 142, 116
1933.....	1, 013	1, 747, 980	423, 513, 027	501, 069, 594	103, 195, 663
1934.....	1, 007	1, 856, 491	475, 693, 283	555, 028, 811	124, 214, 655

¹ Does not include depositors. At the end of 1934 the building societies had 694,042 depositors.

NOTE.—In May 1936 the pound was valued at approximately \$5.

£500 and an additional 41 percent, between £500 and £1,000. Building societies normally lend from 75 percent to 80 percent of the appraised value for a period of 20 years. However, where the purchaser cannot furnish a down payment of 20 or 25 percent, private builders have to an increasing extent guaranteed to the society that part of a loan in excess of the usual ratio. The mortgage interest rates charged by building societies have been drifting steadily downward since 1929. The study made by the *London Economist* and published as a supplement to the issue of April 11, 1936, indicated that from 1929 to 1935 the average *effective* rate of interest on mortgages declined from 5.78 percent to 5.20 percent.

The recent expansion and the growing diversity of structure have brought the building-society movement many new problems. Repayments on mortgages in addition to new money invested in both shares and deposits have forced societies to reduce the interest rate paid investors and to place limitations on the amount of individual accounts. If the present rate of residential construction declines, many societies will face the necessity either of further restricting the inflow of new money or of entering a wider field of activity, such as the financing of lower working-class dwellings, urban blocks of flats, and commercial properties. Whether the home-building boom has reached its peak is a subject of wide discussion. Many forecasters predict that the present rate of building will not con-

tinue much longer and point to a decreased demand for medium-priced houses and to increasing building costs during 1935 (table 4).

TABLE 4.—*Index of building costs*¹

(1924=100)

[Source: *London Economist*, Feb. 15, 1936]

Year	Index
1928.....	94.0
1929.....	91.2
1930.....	91.2
1931.....	89.9
1932.....	85.9
1933.....	83.0
1934.....	82.7
1935.....	83.6

¹ A composite, unweighted index of labor and building material costs of houses in London and Manchester.

TABLE 5.—*Index of cost of living in the United Kingdom between 1929 and 1935*¹

(July 1914=100)

[Source: Ministry of Labour Gazette]

Monthly average for	Index
1929.....	164
1930.....	158
1931.....	148
1932.....	144
1933.....	140
1934.....	141
1935.....	143
1936.....	² 146

¹ A composite index with weights based upon pre-War working-class family expenditures for food, rent, clothing, fuel, and light. Retail price quotations are taken from a large number of towns and villages in the United Kingdom, exclusive of the Irish Free State.

² Monthly average of first four months.

Boston Federal Home Loan Bank and Architects Cooperate to Provide a Home-Building Service

LEADERSHIP in the development of a home-building service plan for its member institutions has been taken by the Federal Home Loan Bank of Boston in cooperation with a distinguished group of Boston architects. The latter have organized as The Small House Architectural Associates of Massachusetts and have been approved by the American Institute of Architects and its Boston Chapter. A first group of 20 small-house stock plans have been included in a brochure printed by the Boston Bank for distribution to its members. Through the Federal Home Loan Bank, contacts have been made for this architectural group with several member cooperative banks in the Boston area. At this writing, three institutions are installing the service and four more contemplating the step.

The relationship between the architectural group and the lending institution, as well as the nature and cost of the service, are made clear in the following statements prepared by Architectural Associates:

PROGRAM FOR A SMALL HOUSE ARCHITECTURAL SERVICE THROUGH COOPERATION BETWEEN MEMBER BANKS¹ OF THE FEDERAL HOME LOAN BANK SYSTEM AND THE SMALL HOUSE ARCHITECTURAL ASSOCIATES OF MASSACHUSETTS

A.—The Small House Architectural Associates of Massachusetts, hereinafter referred to as the Association, will organize and make available to the banks architects of experience in small-house work and ready to provide the bank's customers with architectural service suited to the needs of small-house builders, whether owners or developers.

The service will consist of a special limited architectural service, based upon stock designs,

¹ The term "bank" used throughout the statement refers to "cooperative bank" which is the usual title for savings and loan associations in New England.

conferences and inspections at stated lump-sum fees, all as outlined more in detail in appended "Schedules of Service and Fees" for use in connection with houses costing not over \$7,500.

Architects will be assigned to the service of the bank according to the location of the building sites involved so as to permit reasonable economy of time and effort in providing the service, without which reasonable minimum fees cannot be established.

The Architects will arrange to visit the bank in order to interview clients at such times as the development of the service makes reasonably desirable.

The aim of the service is to protect both the bank and the owner or developer by insuring the suitability of the design to the site and its neighborhood, and the adequacy of its construction, thus reducing the cost of repairs, and maintaining a maximum resale value.

The stock plans will be made available at first from existing sources as approved by the Association through its Design Committee. The members of the Association will later develop new designs as they may be required for the reasonable service of the bank's customers, such new designs being the property of the Association and available through any of its members, together with supervision.

B.—The member bank of the Federal Home Loan Bank System, herein referred to as the bank, will provide space at the bank for the display of material and the conference between customers and the architect.

The bank will arrange for the first consultation with the architect upon its approval of the customer as to credit and character.

The bank will include in its appraised value of the property the cost of the architect's service and will naturally recognize the value of such service in the terms and consideration offered to owners or developers using this service.

The bank will act as fiscal agent for the owner for the payment of all construction costs and architect's fees. The scale of fees is based upon their being paid for all services rendered, regardless of any later abandonment of the work, if such occurs, assurance of payment being necessary to permit the naming of reasonable minimum fees.

SMALL HOUSE ARCHITECTURAL ASSOCIATES OF MASSACHUSETTS—SCHEDULE OF SERVICE, DESIGNS, CONFERENCES, AND INSPECTIONS

A.—A preliminary inspection of the site and one 2-hour conference for selection of a stock design. This service to be rendered upon notification from the bank that the customer has been approved for credit and character. (Covered by 1st payment on the fee.)

B.—Two 2-hour conferences in connection with preparation of plans and specifications for bids at the settling of contract with selected bidder. (Covered by 2nd payment on the fee.)

C.—During construction one 2-hour conference in connection with selection of colors, papers, electric fixtures and other details. Seven visits of inspection at or about the following times:

1. Soil inspection and layout of batter boards.
2. Excavations and foundations.
3. Framing and house boarded in.
4. Ready to plaster.
5. Interior finish and floors.
6. Interior painting.
7. Final inspection for acceptance.

Reports

After each inspection a report is to be made to the bank, indicating progress and confirming any instructions given the builder either as to work needing correction or as to any changes found necessary or desirable in the plans or specifications.

D.—*Designs.* The Association will provide a group of stock designs adapted to different costs and requirements, and sufficient in number and variety to provide reasonable freedom of choice to clients. It cannot provide unlimited choice and the designs must be such as are adaptable to repeated use under average conditions. Abnormal requirements of an owner or conditions of site, which cannot be met by minor changes in a stock design, will require special designs.

SMALL HOUSE ARCHITECTURAL ASSOCIATES OF MASSACHUSETTS—SCHEDULE OF FEES

Based upon the Program and Schedule of Services approved by the Association

1. First payment

Covering item A of the Schedule of Service. This fee is to be paid by the bank from application fee collected from owner or builder to cover preliminary appraisal on which security committee will act, and is to be paid whether or not the loan is approved \$10.00

2. Second payment

Covering item B of the Schedule of Service. This element of the fee is to be paid on submission of bids to the bank, the lowest bid being not more than 10 percent in excess of the architect's preliminary estimate, according to the following schedule:

<i>Cost of Construction</i>	<i>Fee</i>
Under \$4,500.....	\$60.00
4,500-5,500.....	70.00
5,500-6,500.....	80.00
6,500-7,500.....	90.00

3. Final payment

Covering item C of the Schedule of Service. This element of the fee is to be paid upon submission to the bank of final report covering the final inspection and acceptance, according to the following schedule:

<i>Cost of Construction</i>	<i>Fee</i>
Under \$4,500.....	\$45.00
4,500-5,500.....	50.00
5,500-6,500.....	60.00
6,500-7,500.....	75.00

4. Summary of payments

<i>Cost of Construction</i>	<i>Under \$4,500</i>	<i>\$4,500- \$5,500</i>	<i>\$5,500- \$6,500</i>	<i>\$6,500- \$7,500</i>
1st payment.....	\$10	\$10	\$10	\$10
2nd payment.....	60	70	80	90
3rd payment.....	45	50	60	75
Total fee.....	115	130	150	175

NOTE.—In each case the architect pays to the Association a fee of \$10 upon his receipt of his second payment.

5. Extra services

Changes required in the stock designs will be made on a time basis at the rate of \$2.50 per hour. Extra conferences or inspections desired by the bank or the builder will be subject to an extra charge of \$5 for each such conference or inspection taking not over two hours.

6. Multiple operations

When more than one house is built simultaneously by the same owner or builder in adjacent locations, the total standard fee will be reduced 2 percent for each additional house up to but not exceeding a total of 15 additional houses, for all work exceeding 16 houses the reduction being 30 percent.

7. Special Designs

If a special design is required by unusual conditions of site or the owner's requirements or desires, the total fee, based upon the conferences and inspections as provided in items A and C of the Schedule of Services, will be 6 percent of the total cost of construction. The excess of this fee over the standard fee provided in the Schedule will be paid as part of the Second Payment.

Variable Interest Rates Based on Reduction of Principal

THE gilt-edged assets of a home-financing institution are those mortgages on which the original principal has been substantially reduced by regular and prompt payments over the first four or five years. These investments have given the surest proof of certain income at minimum servicing costs and their safety increases with every payment. These are the loans an institution desires to keep, yet in the past many savings and loan associations have lost them to competitors. It has been common for borrowers from these associations to refinance with other lenders when they have reduced their loans to the point where they could secure a lower rate of interest.

Obviously, the source of the trouble has been the practice followed by savings and loan associations of charging the same interest rate on all loans—a rate necessarily gauged to fit the highest risks. As was pointed out in an article on variable interest rates in the May issue of the REVIEW, increasing competition and fair treatment of all borrowers seem bound to bring about the use of several different rates to fit different degrees of risk and different servicing costs. The adoption of such a plan will automatically solve the problem of retaining within the association the best quality loans. Instead of refinancing elsewhere to get the benefit of a lower rate, the borrower who has paid off a substantial portion of his original principal will get the lower rate from his own association. That is, a borrower who obtains a loan representing 75 percent of the appraised value of his home at an interest rate, let us say, of 6 percent, will, when he gets his principal reduced to 60 percent of

the appraised value, automatically have his interest rate cut to $5\frac{1}{2}$ percent; and he may get still further cuts as the balance outstanding and the risk are reduced.

Moreover, the borrower will know in advance that he can expect these lower terms and so will have a powerful incentive to reduce his loan as rapidly as possible. Proper advertising of the plan should attract the thriftiest and most desirable type of borrowers to the association. The retention of their loans will assure to the association a solid nucleus of grade-A investments.

HOW REDUCING RATES OPERATE

ASSOCIATIONS which adopt this plan of reducing the interest rate as the outstanding principal of the loan is reduced will naturally be interested in the effect such reductions will have upon the rate of return and the maturity of their loans. The accompanying tables have been constructed to throw some light upon these questions. In all the tables a loan of \$1,000, repayable under the direct-reduction plan by equal monthly instalments of \$8.50 is assumed.

In table 1, the loan is assumed to be originally 75 percent of the appraised value of the property. Each of the three sections (A, B, and C) into which the table is divided assumes a different interest rate at the beginning of the loan, namely, 6, $6\frac{1}{2}$, and 7 percent. In each section the rate is reduced $\frac{1}{2}$ percent when the outstanding loan is reduced to 60 percent; another $\frac{1}{2}$ percent when it is reduced to 50 percent; and a final $\frac{1}{2}$ percent when it reaches 40 percent. Section A contains a skeleton outline illustrating in some detail the amortization process from the first to the last

monthly payment. This outline is followed by a summary statement showing the status of the loan at the end of each interest-rate period. Sections B and C contain only the summary statement, as the amortization process is the same in all three illustrations.

It will be observed in the summary statement of section A that it takes 51 months at

6-percent interest to reduce the outstanding principal of the loan from 75 percent to 60 percent of the original appraised value; it requires 26 additional months with interest at 5½ percent to further reduce the principal to 50 percent of the original value; it takes another 22 months with interest at 5 percent to reduce the outstand-

TABLE 1.—Three schedules showing the amortization of a mortgage of \$1,000, secured by property appraised at \$1,333⅓ and paid off by equal monthly instalments of \$8.50 per month (including both principal and interest)¹

The annual rate of interest is based upon an original loan of 75 percent and is reduced as the loan is retired:

- (a) When the outstanding indebtedness is reduced to 60 percent of the original appraised value, the annual rate of interest is reduced one half of 1 percent.
 (b) When the outstanding indebtedness is reduced to 50 percent of the original appraised value, the annual rate of interest is reduced another one half of 1 percent.
 (c) When the outstanding indebtedness is reduced to 40 percent of the original appraised value, the annual rate of interest is reduced another one half of 1 percent.

A.—Original annual interest rate at 6 percent, which is reduced progressively to 5½ percent, 5 percent, and 4½ percent

Month	Monthly payment	Interest		Credit to principal	Principal due at end of month	
		Rate (percent)	Charge		Amount	Percent of O. A. V. ²
Beginning of term.....					\$1,000.00	75
1st.....	\$8.50	6	\$5.00	\$3.50	996.50	.....
2d.....	8.50	6	4.98	3.52	992.98	.....
51st.....	8.50	6	4.01	4.49	797.25	60
52d.....	8.50	5½	3.66	4.84	792.41	.....
77th.....	8.50	5½	3.07	5.43	663.77	50
78th.....	8.50	5	2.76	5.74	658.03	.....
99th.....	8.50	5	2.24	6.26	531.94	40
100th.....	8.50	4½	1.99	6.51	525.43	.....
170th.....	8.50	4½	0.05	8.45	3.86	.....
171st.....	3.88	4½	0.02	3.86	0	0

Loan period (months)	Total of monthly payments		Interest		Total credits to principal	Principal due at end of period	
	Number	Amount	Rate (percent)	Total charges		Amount	Percent of O. A. V. ²
Beginning of term.....						\$1,000.00	75
1st to 51st.....	51	\$433.50	6	\$230.75	\$202.75	797.25	60
52d to 77th.....	26	221.00	5½	87.52	133.48	663.77	50
78th to 99th.....	22	187.00	5	55.17	131.83	531.94	40
100th to 171st.....	72	607.38	4½	75.44	531.94	0	0
Grand total.....	171	1,448.88	.....	448.88	1,000.00	.....	.....

¹ In this and the following tables the monthly direct-reduction plan of repayment is used.

² O. A. V.—Original appraised value of property.

TABLE 1.—Three schedules showing the amortization of a mortgage of \$1,000, secured by property appraised at \$1,333⅓ and paid off by equal monthly instalments of \$8.50 per month (including both principal and interest)—Continued

B.—Original annual interest rate at 6½ percent, which is reduced progressively to 6 percent, 5½ percent, and 5 percent

Loan period (months)	Total of monthly payments		Interest		Total credits to principal	Principal due at end of period	
	Number	Amount	Rate (percent)	Total charges		Amount	Percent of O. A. V. ²
Beginning of term.....						\$1,000.00	75
1st to 56th.....	56	\$476.00	6½	\$274.92	\$201.08	798.92	60
57th to 84th.....	28	238.00	6	102.95	135.05	663.87	50
85th to 107th.....	23	195.50	5½	63.45	132.05	531.82	40
108th to 180th.....	73	617.45	5	85.63	531.82	0	0
Grand total.....	180	1,526.95		526.95	1,000.00		

C.—Original annual interest rate at 7 percent, which is reduced progressively to 6½ percent, 6 percent, and 5½ percent

Loan period (months)	Total of monthly payments		Interest		Total credits to principal	Principal due at end of period	
	Number	Amount	Rate (percent)	Total charges		Amount	Percent of O. A. V. ²
Beginning of term.....						\$1,000.00	75
1st to 63d.....	63	\$535.50	7	\$333.18	\$202.32	797.68	60
64th to 92d.....	29	246.50	6½	115.64	130.86	666.82	50
93d to 117th.....	25	212.50	6	75.30	137.20	529.62	40
118th to 191st.....	74	625.09	5½	95.47	529.62	0	0
Grand total.....	191	1,619.59		619.59	1,000.00		

² O. A. V.—Original appraised value of property.

ing principal to 40 percent; and it takes a final 72 months with interest at 4½ percent to retire the loan.

Since the monthly payment is always the same, it follows naturally that the higher the rate of interest charged, the more slowly the principal is reduced. Thus, in section A in which the interest rate is reduced successively from 6 percent to 4½ percent, the loan is fully retired in 171 months and the total payment is \$1,448.88. In section B, with interest rate declining from 6½ percent to 5 percent, the loan is retired in 180 months and the total amount paid is \$1,526.95. In section C, with the rate

dropping from 7 percent to 5½ percent, the time required is 191 months and the amount is \$1,619.59.

MATURITY AND RATE OF RETURN

TABLE 2 shows the weighted average rate of interest the association would receive from each combination of reducing interest rates illustrated in table 1. (The average rate, it should be noted, is not a simple arithmetic average of the different rates used, but is a "weighted" average; that is, allowance is made for the length of time each rate is in effect and the amount of the principal to which it applies.)

The significance of these weighted average rates appears when they are compared with constant interest rates. Thus, when, as in table 1, section A, the rate begins at 6 percent and drops successively to 4½ percent, the weighted average return to the lender is 5.56 percent. In other words, although the borrower is enjoying a rate of 4½ percent during the last 72 months of his loan, the average return to the institution over the life of the loan is better than 5½ percent. Where the rate drops from 6½ percent to 5 percent, the weighted average return is 6.10 percent. Where the rate begins at 7 percent and drops to 5½ percent, the average return is 6.63 percent. It seems unnecessary to emphasize how slight is this cost to the institution in reduced returns in comparison with the strong appeal which the decreasing rates must make to the borrower.

Tables 1 and 2 are based on an assumed loan of 75 percent of the appraised value.

Table 3 shows the results of reducing the interest rate where the percentages of appraised value originally loaned vary from 80 percent to 40 percent. The rate schedule used is the same as that in table 1, section A, beginning with 6 percent and dropping successively to 4½ percent. The number of months during which each interest rate is in effect is shown for each loan. In the last two columns are given the total number of months required to liquidate each loan, the total amount paid, and the weighted average rate of interest.

Experience with the use of variable interest rates has not yet been extensive enough to prove what the bases of variation should be. The variable rate schedules used in this discussion are not necessarily the best. They are intended merely as illustrations of the manner in which reducing rates work. Each association will adopt the schedule required by competition and money rates in its territory.

TABLE 2.—*Summary of duration of loans and weighted average interest rates resulting from the use of different interest-rate schedules*

A loan of 75 percent of the original appraised value of the property is assumed, with equal monthly payments under the monthly direct-reduction plan of \$8.50 per \$1,000. The variable interest-rate schedules are the same as in table 1.

Interest-rate schedule	Total number of monthly payments	Weighted average rate of interest
		<i>Percent</i>
Variable interest rates:		
1. 6—5½—5—4½ percent.....	171	5. 56
2. 6½—6—5½—5 percent.....	180	6. 10
3. 7—6½—6—5½ percent.....	191	6. 63
Constant interest rates:		
4. 5½ percent.....	170	5. 50
5. 6 percent.....	178	6. 00
6. 6½ percent.....	188	6. 50
7. 7 percent.....	200	7. 00

TABLE 3.—Summary of the amortization of loans of different percentages of the original appraised value when the interest rate varies with these percentages

NOTE.— O. A. V.—Original appraised value of property.

In each case the amount of the loan is \$1,000 which is paid off under the monthly direct-reduction plan by equal payments of \$8.50 per month.

Loan (percent of appraised value)	Original appraised value of property	Period during which principal due is—				Total monthly payments ¹	Weighted average interest rate
		More than 60 percent of O. A. V.	60-50 percent of O. A. V.	50-40 percent of O. A. V.	40 percent or less of O. A. V.		
80-percent loan	\$1,250.00					\$1,459.21	Percent
Principal due at beginning of period	\$1,000.00	\$746.34	\$623.43	\$500.59			
Percent of O. A. V.		80%	60%	50%	40%		
Interest rate	6.00%	5.50%	5.00%	4.50%			5.64
Number of monthly payments	62	23	20	67	172		
75-percent loan	\$1,333.33					\$1,448.88	
Principal due at beginning of period	\$1,000.00	\$797.25	\$663.77	\$531.94			
Percent of O. A. V.		75%	60%	50%	40%		
Interest rate	6.00%	5.50%	5.00%	4.50%			5.56
Number of monthly payments	51	26	22	72	171		
70-percent loan	\$1,428.57					\$1,435.16	
Principal due at beginning of period	\$1,000.00	\$853.93	\$712.03	\$566.56			
Percent of O. A. V.		70%	60%	50%	40%		
Interest rate	6.00%	5.50%	5.00%	4.50%			5.46
Number of monthly payments	38	29	25	77	169		
65-percent loan	\$1,538.46					\$1,415.24	
Principal due at beginning of period	\$1,000.00	\$922.71	\$765.96	\$614.59			
Percent of O. A. V.		65%	60%	50%	40%		
Interest rate	6.00%	5.50%	5.00%	4.50%			5.31
Number of monthly payments	21	34	27	85	167		
60-percent loan	\$1,666.67					\$1,387.03	
Principal due at beginning of period	\$1,000.00	\$1,000.00	\$833.16	\$661.41			
Percent of O. A. V.		60%	50%	40%			
Interest rate	5.50%	5.50%	5.00%	4.50%			5.08
Number of monthly payments	39	32	93	164			
55-percent loan	\$1,818.18					\$1,371.30	
Principal due at beginning of period	\$1,000.00	\$909.56	\$727.02				
Percent of O. A. V.		55%	50%	40%			
Interest rate	5.50%	5.00%	4.50%				4.95
Number of monthly payments	22	36	104	162			
50-percent loan	\$2,000.00					\$1,348.50	
Principal due at beginning of period	\$1,000.00	\$796.39					
Percent of O. A. V.		50%	40%				
Interest rate	5.00%	4.50%					4.75
Number of monthly payments	43	116	159				
45-percent loan	\$2,222.22					\$1,338.42	
Principal due at beginning of period	\$1,000.00	\$886.07					
Percent of O. A. V.		45%	40%				
Interest rate	5.00%	4.50%					4.66
Number of monthly payments	25	133	158				
40-percent loan	\$2,500.00					\$1,321.50	
Principal due at beginning of period	\$1,000.00						
Percent of O. A. V.		40%					
Interest rate	4.50%						4.50
Number of monthly payments	156	156					

¹ The last payment is a partial one in all cases.

Understandable Balance Sheets

THE statements of condition of two savings and loan associations reproduced on the following pages were submitted to the REVIEW in response to an article in the May issue on the value of understandable balance sheets. They illustrate the possibilities of making reports to shareholders clear and even interesting. In the belief that such balance sheets inspire confidence and attract desirable business, the REVIEW is undertaking to bring them to the attention of the savings and loan business. The REVIEW, of course, does not recommend any specific form nor does it necessarily approve every feature of statements reproduced. What it seeks to do is merely to illustrate desirable simplicity, clarity, and comprehensiveness.

A noteworthy feature of the accompanying statement of the Wisconsin association is the expression of each item as a percentage of the total. Thus, it is obviously more significant to know that real estate owned represents 9.22 percent of an institution's assets than that it is carried on the books at \$65,456.

This balance sheet is further distinguished by the inclusion of a statement of net profits showing the earnings, expenses, profits, and their distribution. This is followed by a memorandum giving some of the more significant ratios to be noted in analyzing the condition of the association, such as the ratio of reserves to capital stock, of assets to outstanding liabilities, and of liquid assets to capital stock. On the reverse side of the statement, which is not reproduced here, is given a detailed report of receipts and disbursements together with statistics on the number of members and the number of shares outstanding.

70418—36—3

June 1936

Under the item Total Capital Stock in the Wisconsin association's statement appears this explanation: "This is the total amount that the association owes to its shareholders." It would appear more exact to say: "This is the total amount that the association has credited to all share accounts."

Special attention is called to the completeness of this association's statement. At best a balance sheet gives simply a picture of the condition of an institution on a given day. It tells nothing as to whether the institution is currently prospering or suffering reverses. For this reason, information on receipts, disbursements, and profits are essential to a complete understanding of the condition of any financial institution.

The balance sheet of the Massachusetts cooperative bank also gives the reader much more than bare accounting data. It transforms the usually mysterious financial statement into an interesting and understandable presentation both of the institution's financial condition and of its policies and practices. For example, the explanatory statement under "Loans on Real Estate" indicates how the institution makes its loans and who benefits by them. Incidentally, it is noteworthy that this section reveals the growing popularity of the association's newly adopted direct-reduction plan of loan amortization.

The institution's policies with regard to such matters of personal interest to members as loans to shareholders and payment of taxes and insurance for borrowers in case of need are also made clear in its statement.

On the reverse side of the statement which is not shown here a table gives the

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OFFICERS AND DIRECTORS

J. E. McAdams	President
G. H. Hafemeister	Vice-President
E. G. Hubb	Secretary-Treasurer
Wallace Thauer	Attorney
L. A. Knick	Director
George Scheele	Director
F. C. Jaeger	Director
F. G. Keck	Director
Walter C. Block	Director

STATEMENT OF NET PROFITS

For the year ended December 31, 1935

Undivided profits on January 1, 1935		\$10,000.00
Earnings	\$43,906.28	
Expenses	10,808.76	
Net earnings for the year	33,097.52	
Other profits	1,277.28	
Total profits for the year		34,374.80
Total		44,374.80

Distribution of total profits:

Depreciation on furniture and fixtures	\$ 309.00	9%
Reserve for depreciation on bonds	37.41	1%
Added to contingent loss fund	7,438.40	21.7%
Installment stock dividends credited at 4% per annum	14,653.71	42.6%
Paid-up stock dividends paid at 4% per annum	11,936.28	34.7%
Total		100.0%

Undivided profits on December 31, 1935 \$10,000.00

MEMORANDUM:

Average capital stock during the year	\$661,901.93
Total profits for the year in per cent per annum	5.19%
Capital stock on December 31, 1935	672,949.13
Reserves	35,396.13
Ratio of reserves to capital stock	5.26%
Outstanding liabilities	674,819.33
Dollars of assets to \$100 of outstanding liabilities	105.25
Liquid assets	57,961.18
Ratio of liquid assets to capital stock	8.61%

Statement of Contingent Loss Fund

For the year ended December 31, 1935

Amount in fund on January 1, 1935	\$19,414.64
Amount added during the year	8,896.56
Total	28,311.20
Amount withdrawn during the year	3,915.07
Amount in fund on December 31, 1935	\$24,396.13

A SIMPLE AND UNDERSTANDABLE BALANCE SHEET

Watertown Building & Loan Association

WATERTOWN, WISCONSIN

SIXTEENTH ANNUAL STATEMENT

For the year ended December 31, 1935

ASSETS

(What the Association owns and what others owe it)

		Per cent of total
MORTGAGE LOANS	\$513,977.29	72.37%
The Association has loaned this amount on first mortgages on 221 properties, principally homes, located in Watertown and vicinity. These loans are repaid in monthly installments of principal and interest.		
STOCK LOANS	31,513.00	4.44%
These loans have been made to members of the Association, and are secured by their certificates. Stock loans are made up to 90% of the withdrawal value of certificates.		
JUDGMENTS	15,953.21	2.25%
This is the amount due the Association on three mortgages that are being foreclosed.		
REAL ESTATE OWNED	65,456.08	9.22%
The Association owns seventeen properties that are carried on the books at present market values.		
LAND CONTRACTS	21,894.91	3.08%
This is the balance due on six properties that have been sold on land contracts, payable monthly.		
FURNITURE AND FIXTURES	1,000.00	.14%
This is the value of office equipment, as carried on the books of the Association. Depreciation for use is charged off each year.		
TAXES ADVANCED	1,670.80	2.3%
This is the amount of tax certificates purchased by the Association in connection with mortgage loans.		
OTHER ADVANCES	788.99	.11%
This amount was advanced for borrowers temporarily.		
HOME OWNERS' LOAN CORPORATION BONDS	50,000.00	7.04%
These bonds bear interest at 2½% per annum, payable semi-annually, and were received from Home Owners' Loan Corporation in exchange for judgments of foreclosure and distressed mortgages.		
ACCRUED INTEREST ON HOME OWNERS' LOAN CORPORATION BONDS	572.92	.08%
This is the accrued interest on \$50,000.00 of Home Owners' Loan Corporation 2½% bonds as of December 31, 1935.		
CASH ON HAND AND IN BANKS	7,388.26	1.04%
TOTAL ASSETS	\$710,215.46	100.00%

LIABILITIES

(What the Association owes to others and its earned surplus)

		Per cent of total
INSTALLMENT STOCK DUES	\$269,501.80	37.95%
This is the amount paid to the Association by 473 members holding installment shares on which regular payments are made each month.		
INSTALLMENT STOCK DIVIDENDS	71,747.33	10.10%
This is the accumulated earnings that have been credited on 9,876 installment shares outstanding. Dividends on installment shares are credited twice each year, the rate during 1935 being 4% per annum.		
PAID-UP STOCK	331,700.00	46.70%
This is the amount paid to the Association by 305 members holding 3,317 paid-up shares, which are issued in multiples of \$100.00. Dividends on paid-up shares are paid by check on June 30 and December 31, the rate during 1935 being 4% per annum.		
TOTAL CAPITAL STOCK	\$672,949.13	94.75%
This is the total amount that the Association owes to its shareholders.		
INCOMPLETE MORTGAGE LOANS	1,141.44	.16%
This is the amount due on three mortgage loans, and will be disbursed upon request of the borrowers.		
BORROWERS' FUNDS	359.56	.05%
This amount was received from borrowers and is to be disbursed for loan expenses, taxes and insurance.		
DUE HOLDERS OF FORFEITED STOCK	369.20	.05%
The Association owes this amount to one member who has discontinued making monthly payments on his installment stock certificate, and whose place of residence is not known.		
RESERVE FOR DEPRECIATION ON BONDS	1,000.00	.14%
This is a reserve that places a net value of \$98.00 per \$100.00 on \$50,000.00 of Home Owners' Loan Corporation 2½% bonds. The market price on December 31, 1935 was \$99.68.		
CONTINGENT LOSS FUND	24,396.13	3.44%
This is a reserve fund that increases the safety and strength of the Association, and is to be used for the payment of any loss, if sustained. 5% of the net earnings are added to this fund twice each year. During 1935 a substantial amount was added in addition to the legal requirement.		
UNDIVIDED PROFITS	10,000.00	1.41%
This is the amount of earnings left over after meeting all requirements.		
TOTAL LIABILITIES	\$710,215.46	100.00%

number of shares, the date issued, the dues paid, the total profits, the present value, and the withdrawal value per share of all outstanding series. Such a table illustrates vividly to a prospective shareholder

the manner in which his savings accumulate over the years. There is also a brief statement by the board of directors commenting upon the important developments of the past year.

A SIMPLE AND UNDERSTANDABLE BALANCE SHEET

<i>Condensed Statement of Condition of The Needham Co-operative Bank April 8, 1936</i>	
RESOURCES	LIABILITIES
Cash on Hand and in Banks \$259,531.86	Dues Capital \$2,016,238.00
<small>Includes cash held by tellers to meet our every-day business, cash deposited in commercial banks payable on demand, revenue stamps amounting to \$100.00 convertible into cash, and also a reserve deposit of \$50,638.80 at the Co-operative Central Bank.</small>	<small>This item represents the total amount paid in by shareholders on the purchase of the serial shares of the Bank. This type of shares are payable in monthly installments of \$1.00 per share per month, until the amount accumulated together with interest totals \$200.00. An individual may pay from \$1.00 to \$40.00 a month and joint accounts may pay up to \$80 a month.</small>
United States Government Securities 20,000.00	Profits Capital 396,774.97
<small>These bonds are instantly convertible into cash at a present market value of \$21,120.00. There are no safer investments.</small>	<small>Representing profits or interest accumulated to the credit of the shareholders holding serial shares. A distribution of the profits of the Bank is made in May and November of each year. The last dividend declared was at the rate of 4% and the rate of dividend paid by our Bank has uniformly been at a higher rate than that paid by other types of banking institutions. This is due to low cost of management and the high yield of interest on mortgages which represents practically all of our investments.</small>
Home Owner's Loan Corporation Bonds 491,400.00	Matured Share Certificates 2,530,400.00
<small>These bonds are the 2 3/4% bonds received by the bank in exchange for mortgages which were taken over by the governmental mortgage relief agency. These bonds are guaranteed by the U. S. government, both as to principal and interest. Present market value of these bonds is \$498,278.50.</small>	<small>This item represents serial shares which have been fully paid and the funds then left with the bank for investment. This type of shares may often be secured when some certificate holder wishes to dispose of same. Dividends are declared semi-annually, the last dividend being at the rate of 3 1/2%.</small>
Loans on Real Estate 4,852,732.95	Paid Up Share Certificates 587,800.00
<small>Representing conservative FIRST mortgages held largely on Needham Real Estate, thus aiding over 1500 different families to own and pay for their own homes. Practically all of these mortgages are being reduced under the Co-operative Bank plan whereby the loan is entirely repaid by monthly payments in about 12 1/2 years under present rates of dividends. Under the new Direct Reduction Plan many other loans are being written which amortize the loan over varying periods running generally not over 16 years. These loans include monthly tax payments. Real Estate Loans are carried under six headings:</small>	<small>These shares are similar to Matured Shares with the exception that they may be sold by the payment of \$200 per share, and need not have been held as serial shares. The amount of these shares which may be sold is fixed by law and few are available at the present time at our bank.</small>
<ol style="list-style-type: none"> 1. Co-operative Bank Form Mortgages.....\$4,005,279.72 2. Dues Temporarily Suspended Mortgages... 284,150.00 3. Converted Common Form Mortgages..... 70,928.47 4. Common Form Mortgages..... 163,238.04 5. Direct Reductions Mortgages..... 324,250.80 6. Direct Reduction Mortgages under Title No. 2 F.H.A. 4,887.92 <p style="text-align: right;">\$4,852,732.95</p>	Dividends on Matured and Paid Up Certificates 54,311.54
Loans to Share Holders 52,485.00	<small>Representing the last dividend of 3 1/4% declared on these classes of shares and payable to the holder thereof on May 13, 1936.</small>
<small>These loans represent funds loaned to shareholders with the shares of the borrower pledged as collateral security for the loan. 90% of the value of the shares pledged is the maximum amount which the bank is allowed to loan on this class of loans. There are three classes of such loans:</small>	Other Funds Due Shareholders 85,677.72
<ol style="list-style-type: none"> 1. Loans on Serial Shares.....\$34,975.00 2. Loans on Matured Shares..... 13,286.00 3. Loans on Paid-up Shares..... 4,215.00 <p style="text-align: right;">\$52,485.00</p>	<small>SUSPENDED SHARES ACCOUNT.....\$ 1,968.83 Funds of serial shareholders whose address is unknown.</small>
Taxes and Insurance Paid 10,149.09	<small>PERSONAL ACCOUNTS.....20,745.04 Representing partial credits of monthly payment to Bank by many shareholders. To aid many people we have taken partial payments during this trying period.</small>
<small>This figure represents cash advanced by the bank for the purpose of paying taxes and insurance on properties mortgaged to the Bank. This money is being repaid to the bank in most cases in regular installments plus interest. This item is 1/2 less than the total of last year, which is an encouraging sign.</small>	DUE ON UNCOMPLETED LOANS.....62,973.85
Share Insurance Fund 37,136.54	<small>Amount due borrower on houses in process of construction. Money is advanced on Construction Loans at certain periods during the construction of the house.</small>
<small>This item represents your bank's share invested with the Co-operative Central Bank for the purpose of guaranteeing the full payment of shares of any Massachusetts Co-operative Bank in the event of forced or voluntary liquidation. It provides another measure of safety for your funds.</small>	\$85,677.72
Property Held by Bank Under Foreclosure 260,525.07	\$5,671,202.23
<small>Naturally during a period such as has been experienced, some people have been obliged to give up their homes, and the bank has had to take over these properties. Our community has been more fortunate than many others in this respect however, as the percentage of property held by our bank as compared to our assets is about 4% while the average for the entire state is around 8%. All of these properties are in good repair, many are profitably rented and the total assessed valuation of our properties amounting to \$348,025.00 is much larger than the amount we carry this asset on our books as is shown above. This item is substantially less than the figure of a year ago.</small>	GUARANTY FUND 202,105.93
Banking House and Equipment 20,000.00	SURPLUS FUND 110,000.00
<small>This item represents our banking home and other equipment owned by the Bank necessary for the conduct of its business, and represents a substantially less amount than either the cost, replacement value or assessed value. The assessed value of the building and land alone is \$31,850.00.</small>	RESERVE FUND 20,652.35
\$6,003,960.51	<small>The above three items, totalling \$332,758.28, represents the amount accumulated over a period of years and placed in these accounts after the payment of generous dividends by the directors of the Bank for the purpose of protecting the investment of the individual shareholder. The percentage of these funds to our total assets is over 5% which is somewhat larger than the average for the entire State of banks our size. These funds, together with the care and conservatism which the directors and officers have always observed in handling funds entrusted to their care guarantee the absolute safety of the money invested in the shares of the Needham Co-operative Bank.</small>
	\$6,003,960.51

Monthly Lending Activity of Savings and Loan Associations

DURING April, 2,494 savings and loan associations representing every State reported total loans for all purposes of \$34,640,900. The number of associations actually making loans during the month was 1,926 while 568 reported no loans made. The combined assets of all reporting associations as of April 30, 1936, were \$2,135,920,800.

The accompanying table breaks down by States and by Federal Home Loan Bank Districts the number and volume of loans and the purposes for which they were made. It will be seen that for the United States as a whole the reporting associations made mortgage loans on 1- to 4-family nonfarm homes of \$30,930,600. These loans were made to 14,197 borrowers.

Analyzing the loans on nonfarm homes according to the purposes for which they were made, we find 25.4 percent in dollar volume were for new construction; 30.7 percent for the purchase of homes; 35.1 percent for refinancing; and 8.8 percent for reconditioning.

Because not all associations reported for both months, it is impossible to make a comparison of lending activities between April and March. However, it is interesting to note that the 1,869 associations which reported making loans in March advanced \$25,414,000 on 1- to 4-family nonfarm homes.

Comparison of the number and volume of construction loans made by States with the number and cost of dwelling units for which permits were granted in April (see table, page 334) affords some suggestive information. Thus, California which leads the country in rate of new home construc-

tion, granted permits for 1,792 1- and 2-family dwelling units in cities of 10,000 population and over during April. The estimated cost of these units was \$6,759,300. From the accompanying table it will be seen that during April the savings and loan associations reporting from California made 571 construction loans totaling \$1,912,000. In other jurisdictions of high building activity, including particularly the District of Columbia, Florida, Ohio, and Texas, the proportion of construction loans made by savings and loan associations was also high.

These monthly reports from savings and loan associations on their lending activities were first requested by the Federal Home Loan Bank Board in January. The number of associations from which reports have been solicited has varied from 8,500 to over 10,000, including building and loan, savings and loan, and homestead associations, and cooperative banks operating under State charter, and Federal savings and loan associations. The response to date from State-chartered institutions has been relatively small. Because of the great value of these reports to the savings and loan business in making it possible to present the public with a concrete figure of business done, all associations are urgently requested to cooperate in making a full monthly return possible. It should again 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 reporting form has been made as simple as possible to reduce to a minimum the effort involved in filling it out.

Monthly lending activity, total assets, and mortgages held, as reported by 2,494 building and loan associations in April 1936

[Source: Monthly reports from building and loan associations to the Federal Home Loan Bank Board]
(Dollar amounts are shown in thousands of dollars)

Federal Home Loan Banks Districts and States	Number of associations			Loans made in April according to purpose										Total assets April 30, 1936		
	Submitting reports	no Reporting loans made	Reporting loans made	Mortgage loans on 1- to 4-family nonfarm homes								Total			Total loans all purposes	
				Construction		Home purchase		Refinancing		Repairs and reconditioning		Number	Amount		Number	Amount
				Number	Amount	Number	Amount	Number	Amount	Number	Amount					
UNITED STATES TOTAL	2,494	568	1,926	2,559	\$7,847.4	3,944	\$9,498.3	4,501	\$10,847.5	3,193	\$2,737.4	14,197	\$30,930.6	16,613	\$34,640.9	\$2,135,920.8
No. 1—Boston	150	22	128	112	393.3	241	678.1	167	525.7	259	234.4	779	1,831.5	931	2,020.3	223,528.4
Connecticut.....	25	3	22	39	112.4	13	40.7	32	116.0	46	18.0	130	287.1	145	297.6	13,408.4
Maine.....	16	5	11	1	0.5	13	28.8	13	20.4	10	5.9	37	55.6	54	63.4	3,973.9
Massachusetts.....	86	11	75	45	210.8	138	371.2	69	236.6	134	139.6	386	958.2	445	1,084.7	171,077.4
New Hampshire.....	12	1	11	8	11.6	26	65.7	15	50.5	21	18.5	70	146.3	83	159.2	8,887.3
Rhode Island.....	4	0	4	15	43.2	37	134.4	23	60.2	37	45.4	112	283.2	153	307.9	22,573.2
Vermont.....	7	2	5	4	14.8	14	37.3	15	42.0	11	7.0	44	101.1	51	107.5	3,608.2
No. 2—New York	288	132	156	232	651.6	204	701.3	405	1,503.8	156	189.1	997	3,045.8	1,187	3,435.7	354,284.4
New Jersey.....	173	110	63	25	157.3	39	127.4	233	915.6	21	26.0	318	1,226.3	396	1,496.9	156,939.1
New York.....	115	22	93	207	494.3	165	573.9	172	588.2	135	163.1	679	1,819.5	791	1,938.8	197,345.3
No. 3—Pittsburgh	256	107	149	45	119.8	175	358.5	158	397.5	105	121.7	483	997.5	572	1,159.7	111,950.1
Delaware.....	12	3	9	5	5.7	9	18.2	5	9.0	8	3.7	27	36.6	53	45.6	5,100.1
Pennsylvania.....	221	100	121	26	70.2	124	276.8	114	287.8	69	99.9	333	734.7	385	862.9	95,031.2
West Virginia.....	23	4	19	14	43.9	42	63.5	39	100.7	28	18.1	123	226.2	134	251.2	11,818.8
No. 4—Winston-Salem	241	34	207	412	1,241.8	614	1,726.0	407	1,043.9	421	331.7	1,854	4,343.4	2,107	4,690.5	182,314.6
Alabama.....	14	1	13	26	18.4	19	24.7	46	59.1	18	11.1	109	113.3	118	130.5	12,829.6
District of Columbia.....	12	0	12	71	438.4	236	1,040.1	65	325.7	84	57.7	456	1,861.9	480	1,896.0	82,312.6
Florida.....	47	8	39	88	342.5	52	132.3	62	161.9	57	87.2	259	723.9	302	791.3	10,222.6
Georgia.....	38	3	36	34	55.8	38	78.2	51	120.1	54	36.2	177	290.3	198	312.4	8,541.7
Maryland.....	37	13	24	18	72.9	47	98.4	23	61.0	12	11.8	100	244.1	113	254.4	22,481.4
North Carolina.....	35	1	34	82	141.2	84	159.6	68	141.3	87	64.5	321	506.6	399	634.1	21,357.8
South Carolina.....	32	4	28	73	140.7	32	63.6	49	90.5	56	32.1	210	326.9	242	348.4	8,584.5
Virginia.....	26	5	21	20	31.9	106	129.1	43	84.3	53	31.1	222	276.4	255	323.4	15,984.4
No. 5—Cincinnati	350	77	273	231	820.9	827	2,120.7	652	1,538.8	556	609.6	2,266	5,090.0	2,610	5,525.0	374,277.1
Kentucky.....	50	12	38	26	54.7	79	173.5	112	254.1	100	85.0	317	567.3	391	628.3	38,862.8
Ohio.....	267	63	204	145	659.6	710	1,886.8	393	1,032.4	409	483.0	1,657	4,061.8	1,919	4,428.4	327,542.5
Tennessee.....	33	2	31	60	106.6	38	60.4	147	252.3	47	41.6	292	460.9	300	468.3	7,871.8
No. 6—Indianapolis	151	25	126	76	233.0	247	386.9	343	579.5	407	234.1	1,073	1,433.5	1,261	1,696.9	155,957.1
Indiana.....	106	17	89	27	61.2	197	300.3	271	435.9	351	193.1	846	990.5	983	1,095.2	105,761.4
Michigan.....	45	8	37	49	171.8	50	86.6	72	143.6	56	41.0	227	443.0	278	601.7	50,195.7
No. 7—Chicago	265	58	207	120	396.8	335	879.5	457	1,365.1	252	267.1	1,164	2,908.5	1,321	3,193.3	205,129.8
Illinois.....	189	45	144	57	196.6	249	684.4	373	1,140.5	193	198.7	872	2,220.2	1,004	2,449.9	134,702.2
Wisconsin.....	76	13	63	63	200.2	86	195.1	84	224.6	59	68.4	292	688.3	317	743.4	70,427.6
No. 8—Des Moines	178	32	146	151	467.7	222	474.7	387	968.5	252	107.9	1,012	2,018.8	1,177	2,179.8	105,393.2
Iowa.....	51	11	40	30	93.3	63	100.5	98	192.2	54	22.8	245	408.8	276	431.0	20,592.4
Minnesota.....	42	11	31	38	128.9	47	118.6	110	337.3	55	35.9	250	620.7	292	662.7	19,559.4
Missouri.....	72	6	66	74	234.6	100	236.6	172	423.3	133	43.1	479	937.6	569	1,033.6	62,528.8
North Dakota.....	9	4	5	1	1.4	8	13.0	3	10.5	5	3.9	17	28.8	18	29.1	1,690.9
South Dakota.....	4	0	4	8	9.5	4	6.0	4	5.2	5	2.2	21	22.9	22	23.4	1,021.7
No. 9—Little Rock	217	39	178	243	623.0	250	503.9	586	896.1	169	157.3	1,248	2,180.3	1,421	2,515.7	87,008.8
Arkansas.....	37	1	36	30	60.8	29	44.5	50	73.2	39	29.9	148	208.4	194	253.1	7,085.2
Louisiana.....	42	8	34	66	182.6	111	257.1	63	218.5	39	60.4	279	718.6	342	923.5	40,648.2
Mississippi.....	23	7	16	11	22.5	7	12.1	4	5.6	15	9.4	37	49.6	51	66.3	2,655.9
New Mexico.....	10	2	8	5	15.7	2	1.7	7	14.7	6	4.7	20	36.8	21	36.9	688.3
Texas.....	105	21	84	131	341.4	101	188.5	462	584.1	70	52.9	764	1,166.9	813	1,235.9	35,931.2
No. 10—Topeka	165	24	141	162	469.5	358	690.6	243	496.3	275	224.2	1,038	1,880.6	1,320	2,351.7	127,054.8
Colorado.....	28	4	24	16	52.1	32	69.9	30	59.4	15	14.0	93	195.4	125	228.4	8,432.4
Kansas.....	63	16	47	55	155.5	107	196.9	55	115.0	56	60.1	273	527.5	329	606.9	30,242.1
Nebraska.....	31	1	30	38	134.4	78	136.6	83	171.7	127	95.1	326	537.8	404	649.0	43,859.3
Oklahoma.....	43	3	40	53	127.5	141	287.2	75	150.2	77	55.0	346	619.9	462	867.4	44,521.0
No. 11—Portland	109	11	98	198	486.1	205	383.3	309	621.4	171	138.3	883	1,629.1	1,112	2,001.7	69,582.2
Idaho.....	9	0	9	25	43.2	28	48.8	33	69.4	25	20.1	111	181.5	138	216.9	3,458.2
Montana.....	9	0	9	19	51.5	25	52.4	19	32.3	18	16.2	81	152.4	101	179.1	8,324.3
Oregon.....	23	2	21	43	97.6	48	83.3	45	101.9	41	36.7	177	319.5	260	472.1	15,915.8
Utah.....	9	2	7	15	33.6	10	19.0	13	32.8	7	5.7	45	91.1	54	98.4	5,460.2
Washington.....	51	5	46	88	237.7	88	166.3	197	381.2	75	50.5	448	835.7	537	976.3	35,639.4
Wyoming.....	8	2	6	8	22.5	6	13.5	2	3.8	5	9.1	21	48.9	22	58.9	784.3
No. 12—Los Angeles	124	7	117	577	1,943.9	266	594.8	387	910.9	170	122.0	1,400	3,571.6	1,594	3,870.6	139,440.3
Arizona.....	2	1	1	3	19.7	0	0.0	13	25.4	0	0.0	16	45.1	17	46.1	371.7
California.....	119	6	113	571	1,912.0	255	561.2	369	868.3	168	120.3	1,363	3,461.8	1,554	3,759.4	137,664.7
Nevada.....	1	0	1	0	0.0	2	2.8	0	0.0	0	0.0	2	2.8	2	2.8	144.9
Hawaii.....	2	0	2	3	12.2	9	30.8	5	17.2	2	1.7	19	61.9	21	62.3	1,259.0

Residential Construction Activity in the United States

WITH 12,098 family-dwelling units authorized by permits in all cities of 10,000 and more population, April was the best month in home construction since May 1931 when permits were granted for 14,283 dwelling units (chart 1 and table 1). Compared with April 1935, the number of dwelling units authorized jumped 73.1 percent and the estimated cost rose 96.7 percent. Chart 1 reveals that the rate of increase in both number and cost of units provided continued to rise sharply.

A striking feature of the month's activity was the continuation of the high proportion of 1- and 2-family type dwellings authorized. They accounted for 80 percent of all units, while 3- or more-family structures accounted for only 20 percent. In April 1935, on the other hand, the 1- and 2-family units accounted for only 67 percent.

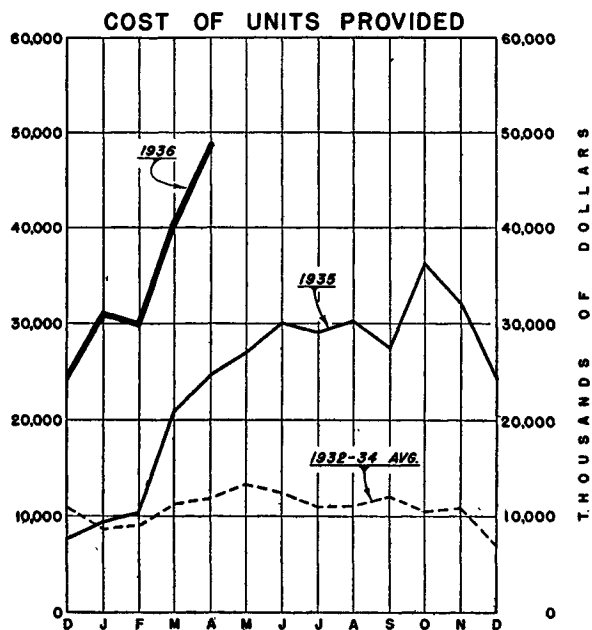
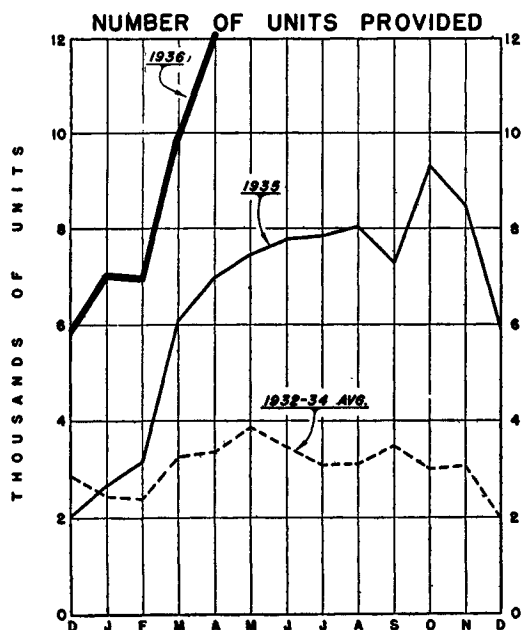
The average cost of 1-family units authorized in April was \$4,459 compared with \$3,758 in April 1935. This was a rise of 18.7 percent and may be contrasted with a 12.9 percent drop in the cost of units in multifamily dwellings during the same period.

BUILDING ACTIVITY BY FEDERAL HOME LOAN BANK DISTRICTS

CHART 2 and table 2 reveal in what Federal Home Loan Bank Districts the heavy activity in residential building is taking place. The Los Angeles District continues to be well out in front with a rate of 51 units per 100,000 population. It is followed by the Winston-Salem District with a rate of 32 units. Other Districts which are above the national average are Little Rock, Topeka, Portland, and New York. Compared with March, only the Little Rock District showed

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]



a recession in rate of building and every District registered rates of activity above those of April 1935.

The attention of member institutions is again called to the detailed figures in table 2 on number and cost of dwelling units au-

thorized in each State. 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.

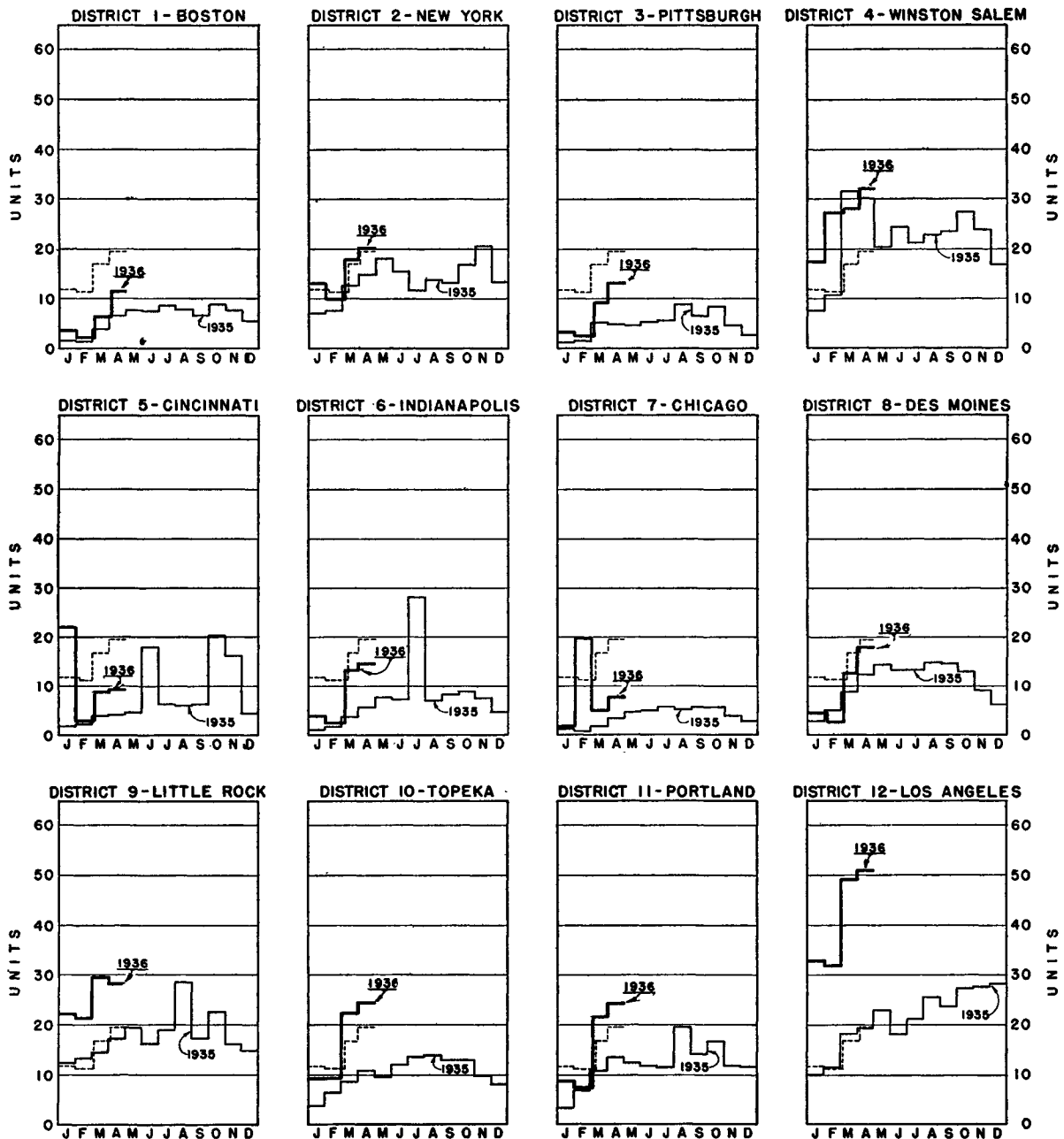
CHART 2.—RATE OF RESIDENTIAL BUILDING IN THE UNITED STATES AND IN EACH FEDERAL HOME LOAN BANK DISTRICT BY MONTHS

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]

- L E G E N D -

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



June 1936

TABLE 1.—Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over in the United States in April 1936¹

[Source: Federal Home Loan Bank Board. Compiled from residential building permits reported to U. S. Department of Labor]

Type of structure	Number of family units provided			Total cost of units (thousands of dollars)			Average cost of family units		
	Apr. 1936	Apr. 1935	Percent change	Apr. 1936	Apr. 1935	Percent change	Apr. 1936	Apr. 1935	Percent change
All housekeeping dwellings...	12, 098	6, 990	+73. 1	\$48, 580. 2	\$24, 697. 6	+96. 7	\$4, 016	\$3, 533	+13. 7
Total 1- and 2-family dwellings.....	9, 684	4, 670	+107. 4	41, 785. 8	17, 197. 1	+143. 0	4, 315	3, 682	+17. 2
1-family dwellings.....	8, 822	4, 266	+106. 8	39, 341. 6	16, 032. 1	+145. 4	4, 459	3, 758	+18. 7
2-family dwellings.....	790	358	+120. 7	2, 185. 6	996. 1	+119. 4	2, 767	2, 782	-0. 5
Joint home and business ²	72	46	+56. 5	258. 6	168. 9	+53. 1	3, 592	3, 672	-2. 2
Multifamily dwellings.....	2, 414	2, 320	+4. 1	6, 794. 4	7, 500. 5	-9. 4	2, 815	3, 233	-12. 9

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

² Includes 1- and 2-family dwellings with business property attached.

TABLE 2.—Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over, in April 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 (thousands of dollars)		Number of family-dwelling units		Estimated cost (thousands of dollars)	
	April 1936	April 1935	April 1936	April 1935	April 1936	April 1935	April 1936	April 1935
UNITED STATES.....	12, 098	6, 990	\$48, 580. 2	\$24, 697. 6	9, 684	4, 670	\$41, 785. 8	\$17, 197. 1
No. 1—Boston.....	674	383	3, 374. 0	1, 718. 6	579	380	3, 153. 8	1, 711. 1
Connecticut.....	121	73	598. 6	339. 7	121	73	598. 6	339. 7
Maine.....	33	43	100. 9	122. 8	26	43	97. 3	122. 8
Massachusetts.....	369	175	2, 128. 2	937. 2	315	172	1, 981. 6	929. 7
New Hampshire.....	20	14	59. 6	34. 3	20	14	59. 6	34. 3
Rhode Island.....	126	67	453. 7	243. 1	92	67	383. 7	243. 1
Vermont.....	5	11	33. 0	41. 5	5	11	33. 0	41. 5
No. 2—New York.....	2, 698	1, 957	10, 821. 1	7, 339. 6	1, 268	667	6, 303. 9	2, 586. 4
New Jersey.....	312	115	2, 021. 7	627. 2	312	108	2, 021. 7	602. 0
New York.....	2, 386	1, 842	8, 799. 4	6, 712. 4	956	559	4, 282. 2	1, 984. 4
No. 3—Pittsburgh.....	769	262	4, 245. 8	1, 195. 3	747	201	4, 213. 7	1, 005. 7
Delaware.....	14	8	89. 9	35. 0	14	8	89. 9	35. 0
Pennsylvania.....	680	176	3, 865. 4	930. 6	668	163	3, 850. 4	851. 1
West Virginia.....	75	78	290. 5	229. 7	65	30	273. 4	119. 6
No. 4—Winston-Salem.....	1, 607	1, 485	5, 500. 1	4, 428. 1	1, 219	659	4, 554. 4	2, 181. 4
Alabama.....	57	26	91. 8	46. 8	57	26	91. 8	46. 8
District of Columbia.....	531	238	2, 189. 6	941. 1	234	115	1, 464. 8	706. 6
Florida.....	357	152	1, 037. 6	367. 6	309	146	952. 3	362. 6
Georgia.....	108	764	284. 5	2, 201. 0	108	89	284. 5	217. 0
Maryland.....	122	58	478. 2	203. 9	122	52	478. 2	201. 6
North Carolina.....	179	104	577. 9	267. 3	167	100	557. 9	264. 4

TABLE 2.—Number and estimated cost of new family-dwelling units provided in all cities of 10,000 population or over, in April 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 (thousands of dollars)		Number of family-dwelling units		Estimated cost (thousands of dollars)	
	April 1936	April 1935	April 1936	April 1935	April 1936	April 1935	April 1936	April 1935
No. 4—Winston-Salem—Con.								
South Carolina.....	85	58	\$234.1	\$116.7	72	47	\$180.1	\$98.7
Virginia.....	168	85	606.4	283.7	150	84	544.8	283.7
No. 5—Cincinnati.....	517	218	2,789.7	1,009.1	484	211	2,689.9	976.3
Kentucky.....	80	46	273.7	168.2	80	42	273.7	156.8
Ohio.....	356	125	2,292.3	727.3	326	122	2,193.8	705.9
Tennessee.....	81	47	223.7	113.6	78	47	222.4	113.6
No. 6—Indianapolis.....	707	263	3,650.4	1,273.9	701	258	3,635.4	1,268.2
Indiana.....	95	58	378.0	200.3	95	53	378.0	194.6
Michigan.....	612	205	3,272.4	1,073.6	606	205	3,257.4	1,073.6
No. 7—Chicago.....	524	209	2,828.4	1,034.7	519	209	2,810.4	1,034.7
Illinois.....	273	101	1,720.9	569.8	273	101	1,720.9	569.8
Wisconsin.....	251	108	1,107.5	464.9	246	108	1,089.5	464.9
No. 8—Des Moines.....	653	436	2,250.4	1,414.9	609	436	2,160.4	1,414.9
Iowa.....	134	104	428.8	237.2	129	104	422.9	237.2
Minnesota.....	192	111	717.9	381.5	170	111	681.9	381.5
Missouri.....	275	183	994.6	697.6	258	183	946.5	697.6
North Dakota.....	9	22	24.2	66.6	9	22	24.2	66.6
South Dakota.....	43	16	84.9	32.0	43	16	84.9	32.0
No. 9—Little Rock.....	917	551	2,640.4	1,203.0	901	512	2,606.4	1,132.2
Arkansas.....	33	13	66.5	67.1	33	9	66.5	61.0
Louisiana.....	97	54	298.5	96.3	97	37	298.5	57.0
Mississippi.....	70	11	181.2	26.3	70	11	181.2	26.3
New Mexico.....	38	3	100.6	6.5	38	3	100.6	6.5
Texas.....	679	470	1,993.6	1,006.8	663	452	1,959.6	981.4
No. 10—Topeka.....	498	214	1,689.0	690.3	490	183	1,670.3	630.3
Colorado.....	108	75	426.8	291.1	104	48	410.8	236.1
Kansas.....	104	56	333.8	155.4	104	56	333.8	155.4
Nebraska.....	72	25	268.2	92.6	72	25	268.2	92.6
Oklahoma.....	214	58	660.2	151.2	210	54	657.5	146.2
No. 11—Portland.....	401	218	1,186.6	590.5	339	190	1,087.9	511.7
Idaho.....	31	13	79.5	30.3	20	13	61.3	30.3
Montana.....	65	19	172.9	39.8	53	19	161.9	39.8
Oregon.....	66	29	254.2	109.3	66	25	254.2	97.3
Utah.....	40	11	124.8	46.8	34	11	106.8	46.8
Washington.....	179	140	487.9	343.8	154	116	457.9	277.0
Wyoming.....	20	6	67.3	20.5	12	6	45.8	20.5
No. 12—Los Angeles.....	2,133	794	7,604.3	2,799.6	1,828	764	6,899.3	2,744.2
Arizona.....	26	6	95.0	22.6	26	6	95.0	22.6
California.....	2,097	784	7,464.3	2,763.5	1,792	754	6,759.3	2,708.1
Nevada.....	10	4	45.0	13.5	10	4	45.0	13.5

Indexes of Small-House Building Costs

THE June costs of building the same typical 6-room house in the group of cities which first reported in March are published in the accompanying table. Comparison with the revised figures for March gives a preliminary indication of the movement of costs in each city. Attention is called to the revisions in the preliminary March cost figures which were published in the March REVIEW. The greatest change is that for Philadelphia, Pennsylvania, for which a revised cost of \$4,661 supplants the preliminary report of \$5,494. For San Antonio, Texas, the revised March figure is \$5,392, replacing a preliminary figure of \$5,958. This revision brings the San Antonio costs in line with those reported for June in Dallas and Houston.

A revision downward of \$286 from the preliminary figure reported in March for San Diego brings the corrected figure for that city to \$5,234. This, coupled with an upward revision to \$5,302 of the preliminary costs for Los Angeles, brings the costs reported by these two neighboring cities very close together.

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 March 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 Septem-

ber) the figures may be accepted with some finality.

Turning now to the costs reported for June, we find that Reno, Nevada, reporting a cost of \$6,193, or 25.8 cents per cubic foot occupies the high position. It is closely followed by Phoenix, Arizona, and Albuquerque, New Mexico, in the Mountain-State section. The second highest costs in these four Federal Home Loan Bank Districts, however, are reported by Cleveland, Ohio, where costs for June rose to \$6,123. The rise of \$177 reported for this city between March and June is due to an advance in hourly wages of building labor.

The city in the June group reporting the lowest cost is Philadelphia, with \$4,925, or 20.5 cents per cubic foot. These low figures are in line with costs reported in April by Washington, Baltimore, and other Coastal cities to the south.

Comparing movements in costs from March to June, the major trend seems upward. Of the 21 cities reporting for both months, 11 registered an increase, 6 remained substantially unchanged, and only 4 showed a drop. Los Angeles was the only city reporting a drop in the 3-month period of more than \$100. This was accounted for by a decline in lumber costs.

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 March and added certain new cities. The notable additions are Pittsburgh, Pennsylvania; Cincinnati, Ohio; Dallas and Houston, Texas; and San Francisco, California.

Total costs and cubic-foot costs of building the same standard house in representative cities in March and June 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	
	June	March	June	March
No. 3—Pittsburgh:				
Delaware:				
Wilmington.....	\$5, 295	\$5, 286	\$0. 221	\$0. 220
Pennsylvania:				
Harrisburg.....	5, 472	5, 405	. 228	. 225
Philadelphia.....	4, 925	4, 661	. 205	. 194
Pittsburgh.....	5, 706	5, 512	. 238	. 230
West Virginia:				
Charleston.....	5, 484	5, 476	. 228	. 228
No. 5—Cincinnati:				
Kentucky:				
Lexington.....	5, 079	4, 963	. 212	. 207
Louisville.....	5, 414	5, 455	. 226	. 227
Ohio:				
Cincinnati.....	5, 600	5, 639	. 233	. 235
Cleveland.....	6, 123	5, 946	. 255	. 248
Columbus.....	5, 529	5, 522	. 230	. 230
Tennessee:				
Memphis.....	5, 177	4, 820	. 216	. 201
Nashville.....	5, 124	5, 048	. 214	. 210
No. 9—Little Rock:				
Arkansas:				
Little Rock.....	5, 176	5, 176	. 216	. 216
Louisiana:				
New Orleans.....	5, 332	5, 332	. 222	. 222
Mississippi:				
Jackson.....	5, 333	5, 319	. 222	. 222
New Mexico:				
Albuquerque.....	5, 982	5, 982	. 249	. 249
Texas:				
Dallas.....	5, 512	.....	. 230	.....
Houston.....	5, 746	.....	. 239	.....
San Antonio.....	5, 459	5, 392	. 227	. 225
No. 12—Los Angeles:				
Arizona:				
Phoenix.....	6, 108	6, 051	. 254	. 252
California:				
Los Angeles.....	5, 182	5, 302	. 216	. 221
San Diego.....	5, 208	5, 234	. 217	. 218
San Francisco.....	5, 756	.....	. 240	.....
Nevada:				
Reno.....	6, 193	5, 943	. 258	. 248

FEDERAL HOME
Combined statement of

	Combined	Boston	New York	Pittsburgh	Winston-Salem
ASSETS					
Cash:					
On hand.....	\$16,575.90	\$500.00	0	\$1,000.00	\$10.00
On deposit with U. S. Treasurer.....	8,752,572.12	57,252.18	\$2,067,980.87	86,531.89	2,336,265.58
On deposit with U. S. Treasurer, members' demand deposits.....	1,404,817.09	0	0	0	0
On deposit with other Federal Home Loan Banks.....	2,900,000.00	200,000.00	0	0	100,000.00
On deposit with commercial banks.....	2,720,950.34	733,864.50	84,956.22	87,483.70	10,883.43
Total cash.....	15,794,915.45	991,616.68	2,152,937.09	175,015.59	2,447,159.01
Loans outstanding:					
Members.....	105,968,539.73	3,196,940.16	15,505,831.75	11,840,088.67	7,457,211.01
Other.....	3,808.23	0	0	0	0
Total loans outstanding.....	105,972,347.96	3,196,940.16	15,505,831.75	11,840,088.67	7,457,211.01
Accrued interest receivable:					
Members.....	333,558.30	7,608.62	62,980.73	40,256.94	31,713.80
Affiliated banks, deposits.....	4,961.74	0	0	0	32.79
Securities.....	91,831.40	26,224.65	2,189.60	553.86	708.63
Other.....	958.33	0	0	0	0
Total accrued interest.....	431,309.77	33,833.27	65,170.33	40,810.80	32,455.22
Investments, U. S. Government.....	16,340,133.25	4,350,000.00	205,985.94	143,202.51	103,203.39
Stock subscriptions receivable, members.....	414,465.00	41,875.00	24,075.00	18,100.00	23,025.00
Deferred charges:					
Prepaid assessment, F. H. L. B. B.....	7,438.50	1,423.83	0	0	2,513.83
Prepaid bond premium.....	10,432.25	808.15	1,228.60	863.94	507.50
Other.....	3,798.91	0	1,937.50	0	85.50
Total deferred charges.....	21,669.66	2,231.98	3,166.10	863.94	3,106.83
Other assets:					
Accounts receivable.....	3,963.38	0	0	1,726.08	651.83
Other.....	1,150.98	0	0	0	400.00
Total other assets.....	5,114.36	0	0	1,726.08	1,051.83
Total assets.....	138,979,955.45	8,616,497.09	17,957,166.21	12,219,807.59	10,067,212.29
LIABILITIES AND CAPITAL					
Liabilities:					
Deposits:					
Members, time.....	3,715,843.25	1,022,363.06	1,445,000.00	94,712.69	182,600.00
Members, demand.....	4,333,898.04	0	20,000.00	0	0
Applicants.....	156,874.87	250.00	16,024.87	21,300.00	10,875.00
Other Federal Home Loan Banks.....	2,900,000.00	0	0	300,000.00	0
Members' loan prepayments.....	167,228.57	0	0	14,865.95	0
Accrued interest:					
Members' deposits.....	15,972.77	3,021.37	5,056.59	389.01	1,175.74
Affiliated banks, deposits.....	1,377.04	0	0	1,377.04	0
Accounts payable.....	1,163.51	0	0	0	0
Total liabilities.....	11,292,358.05	1,025,634.43	1,486,081.46	432,644.69	194,650.74
Capital:					
Capital stock, issued and outstanding:					
Fully paid:					
Members.....	25,153,500.00	2,070,400.00	3,445,500.00	1,827,200.00	2,142,900.00
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
Partially paid:	98,542,000.00	5,300,000.00	12,500,000.00	9,600,000.00	7,500,000.00
Members.....	782,400.00	87,100.00	62,100.00	35,900.00	42,400.00
Total capital stock outstanding.....	124,477,900.00	7,457,500.00	16,007,600.00	11,463,100.00	9,685,300.00
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.....	1,820,389.79	65,518.72	269,084.55	177,453.43	87,246.53
Total surplus.....	3,209,697.40	133,362.66	463,484.75	324,062.90	187,261.55
Total capital.....	127,687,597.40	7,590,862.66	16,471,084.75	11,787,162.90	9,872,561.55
Total liabilities and capital.....	138,979,955.45	8,616,497.09	17,957,166.21	12,219,807.59	10,067,212.29

LOAN BANKS

condition as at Apr. 30, 1936

Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
\$14,180.90 368,637.76	0 \$649,457.65	\$300.00 956,482.41	\$25.00 1,259,439.32	\$25.00 229,950.76	\$25.00 177,050.75	0 \$177,634.48	\$510.00 385,888.47
562,828.10 0	205,228.47 600,000.00	0 0	0 0	130,591.92 0	71,815.57 0	155,838.92 2,000,000.00	278,514.11 0
253,492.04	358,663.51	960,183.34	36,615.76	0	8,702.80	59,750.00	126,355.04
1,199,138.80	1,813,349.63	1,916,965.75	1,296,080.08	360,567.68	257,594.12	2,393,223.40	791,267.62
18,612,893.14 0	4,596,875.00 0	17,970,508.89 0	5,722,492.01 0	7,762,908.18 0	5,318,072.47 0	2,960,461.70 0	5,024,256.75 3,808.23
18,612,893.14	4,596,875.00	17,970,508.89	5,722,492.01	7,762,908.18	5,318,072.47	2,960,461.70	5,028,064.98
60,343.57 0	11,939.04 1,480.87	48,175.45 0	14,271.16 0	23,832.07 0	11,566.29 0	9,881.84 3,448.08	10,988.79 0
15,822.92 0	11,093.82 958.33	1,945.33 0	3,905.26 0	9,320.68 0	7,625.00 0	8,645.03 0	3,796.62 0
76,166.49	25,472.06	50,120.78	18,176.42	33,152.75	19,191.29	21,974.95	14,785.41
3,030,804.70 118,575.00	2,051,937.00 36,850.00	156,611.18 83,875.00	1,060,397.14 2,925.00	2,416,725.00 7,425.00	1,050,000.00 17,225.00	1,099,575.00 2,940.00	671,691.39 37,575.00
0 973.00 1,666.66	0 704.18 0	3,500.84 1,291.01 0	0 717.49 0	0 966.13 0	0 791.60 0	0 758.35 0	0 822.30 109.25
2,639.66	704.18	4,791.85	717.49	966.13	791.60	758.35	931.55
157.95 0	100.60 15.81	0 734.17	0 0	253.45 1.00	9.00 0	0 0	1,064.47 0
157.95	116.41	734.17	0	254.45	9.00	0	1,064.47
23,040,375.74	8,525,304.28	20,183,607.62	8,100,788.14	10,581,999.19	6,662,883.48	6,478,933.40	6,545,380.42
695,000.00 812,828.10 22,375.00 2,300,000.00 152,362.62	21,167.50 205,228.47 14,600.00 0 0	0 2,659,080.95 8,500.00 0 0	240,000.00 0 8,850.00 0 0	0 130,591.92 4,100.00 0 0	15,000.00 71,815.57 900.00 0 0	0 155,838.92 125.00 0 0	0 278,514.11 48,975.00 300,000.00 0
566.67 0 0	0 0 0	5,227.76 0 0	520.88 0 0	0 0 0	14.75 0 0	0 0 0	0 0 1,163.51
3,983,132.39	240,995.97	2,672,808.71	249,370.88	134,691.92	87,730.32	155,963.92	628,652.62
5,429,300.00	1,990,400.00	2,752,200.00	1,180,300.00	1,420,400.00	1,091,600.00	565,900.00	1,237,400.00
12,775,700.00 0	6,577,400.00 577,400.00	14,173,900.00 0	7,394,900.00 894,900.00	8,772,400.00 0	7,333,600.00 2,033,600.00	5,960,000.00 300,000.00	9,967,900.00 5,507,900.00
12,775,700.00	6,000,000.00	14,173,900.00	6,500,000.00	8,772,400.00	5,300,000.00	5,660,000.00	4,460,000.00
223,200.00	68,900.00	120,200.00	5,400.00	16,600.00	31,700.00	5,800.00	83,100.00
18,428,200.00	8,059,300.00	17,046,300.00	7,685,700.00	10,209,400.00	6,423,300.00	6,231,700.00	5,780,500.00
277,528.27 351,515.08	108,966.28 116,042.03	191,361.62 273,137.29	69,305.97 96,411.29	102,362.17 135,545.10	49,250.17 102,602.99	37,345.98 53,923.50	44,318.52 91,909.28
629,043.35	225,008.31	464,498.91	165,717.26	237,907.27	151,853.16	91,269.48	136,227.80
19,057,243.35	8,284,308.31	17,510,798.91	7,851,417.26	10,447,307.27	6,575,153.16	6,322,969.48	5,916,727.80
23,040,375.74	8,525,304.28	20,183,607.62	8,100,788.14	10,581,999.19	6,662,883.48	6,478,933.40	6,545,380.42

Growth and Lending Operations of the Federal Home Loan Banks

THE net balance of advances outstanding from the 12 Federal Home Loan Banks to member institutions increased by \$2,614,000 during April to a total of \$105,972,000 at the end of the month.

During April, 44 members were added to the Federal Home Loan Bank System, bringing the total number of member institutions to 3,587. As of April 30, the combined assets of member institutions were approximately \$3,234,130,000.

There were no changes during May in the

interest rates on advances from the Federal Home Loan Banks, but the Des Moines Bank announced a change to go into effect on July 1. Interest on all advances outstanding at that date will be collected at 3½ percent even though the written rate exceeds that amount. On all advances made after July 1, the written and collectible interest rate shall be 3½ percent. Further, if the balance of loans outstanding to any one member equals or exceeds \$1,000,000, the interest thereon shall be at the rate of 3 percent.

Interest rates, Federal Home Loan Banks: rates on advances to member institutions¹

Federal Home Loan Bank	Rate in effect on June 1	Type of loan
	<i>Percent</i>	
1. Boston.....	3	All advances.
2. New York.....	3¼ 3¾	All advances for 1 year or less. All advances for more than 1 year shall be written at 4 percent, but interest collected at 3¾ percent during 1936. This rate shall be applicable to balances outstanding on Jan. 1, 1936.
3. Pittsburgh.....	3½	All advances for 1 year or less. All advances for more than 1 year are to be written at 4 percent, but until further notice credit will be given on all outstanding advances for the difference between the written rates of 5, 4½, or 4 percent and 3½ per centum per annum.
4. Winston-Salem....	3½	All advances, with the provision that the interest rate may be increased to not more than 4½ percent after 30-days written notice.
5. Cincinnati.....	3	All advances.
6. Indianapolis.....	3 3½	All secured advances for 1 year or less. All unsecured advances, none of which may be made for more than 6 months.
7. Chicago.....	3 3½	All secured advances for more than 1 year. All secured advances are to be written at 3½ percent, but interest collected at 3 percent.
8. Des Moines.....	3½ 3½ ² 3½-4	All unsecured advances. All advances for 1 year or less. All advances for more than 1 year shall bear an interest rate of 3½ percent for the first year, and 4 percent for subsequent years, but interest will be collected at 3½ percent so long as this rate is in effect on short-term advances.
9. Little Rock.....	3	All advances.
10. Topeka.....	3	Do.
11. Portland.....	3	All advances to members secured by mortgages insured under Title II of National Housing Act.
	3½	All advances for 1 year or less. All advances for more than 1 year to be written at 4 percent, but interest collected at 3½ percent so long as short-term advances carry this rate.
12. Los Angeles.....	3	All advances.

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

² Note changes referred to in text, to become effective July 1.

Federal Savings and Loan System

THE 980 new and converted Federal savings and loan associations reporting for the two months made 18.9 percent more loans during April than March of this year as compared to an April increase of 11.6 percent reported by 572 Federal associations in 1935. The combined total of mortgage loans made by the 980 associations during April was \$16,521,242. As a result of this great volume of activity, the associations made a net gain of 3.1 percent in balance of loans outstanding on their books at the end of the month.

Loans made in April were distributed according to purpose as follows: new construction and reconditioning, 36.5 percent; purchase of homes, 22.8 percent; refinancing, 32.4 percent; and other purposes, 8.3 percent (table 1). During April, 2.7 percent less of the total loans made went for refinancing than during March. Last year at that time 55 percent of all loans made by reporting Federals were allocated to refinancing.

The Federal Home Loan Bank advances outstanding to the 980 Federal associations

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

	564 new associations			416 converted associations		
	April	March	Change March to April	April	March	Change March to April
Share liability at end of month:			<i>Percent</i>			<i>Percent</i>
Private share accounts (number) . . .	89, 893	88, 228	+1. 9	428, 627	430, 506	-. 4
Paid on private subscriptions	\$38, 383, 197	\$36, 082, 164	+6. 4	\$306, 823, 898	\$305, 802, 815	+ . 3
Treasury and H. O. L. C. subscriptions	39, 502, 700	37, 404, 400	+5. 6	44, 033, 900	42, 056, 900	+4. 7
Total	77, 885, 897	73, 486, 564	+6. 0	350, 857, 798	347, 859, 715	+ . 9
Average paid on private subscriptions . .	427	408	+4. 6	716	710	+ . 9
Repurchases during month	532, 413	638, 184	-16. 6	4, 064, 038	4, 665, 750	-12. 9
Mortgage loans made during month:						
a. Reconditioning	452, 065	325, 244	+39. 0	645, 296	550, 130	+17. 3
b. New construction	2, 718, 601	2, 248, 889	+20. 8	2, 216, 189	1, 694, 282	+30. 8
c. Refinancing	2, 339, 062	2, 104, 542	+11. 2	3, 016, 331	2, 802, 847	+7. 6
d. Purchase of homes	1, 407, 206	1, 209, 382	+16. 4	2, 355, 482	1, 802, 690	+30. 6
e. Other purposes	402, 988	380, 402	+5. 9	968, 022	872, 583	+10. 9
Total for month	7, 319, 922	6, 268, 459	+16. 8	9, 201, 320	7, 722, 532	+19. 1
Loans outstanding end of month	81, 499, 238	74, 914, 626	+8. 8	296, 337, 250	291, 490, 616	+1. 7
Borrowed money as of end of month:						
From Federal Home Loan Banks	8, 900, 339	8, 210, 357	+8. 4	22, 823, 872	22, 187, 587	+2. 9
From other sources	72, 950	123, 612	-40. 9	2, 452, 698	2, 231, 059	+9. 9
Total	8, 973, 289	8, 333, 969	+7. 7	25, 276, 570	24, 418, 646	+3. 5

increased by \$1,326,267 in April. This figure represents 50 percent of the month's net increase in total Federal Home Loan Bank advances to all member institutions. As of April 30, outstanding advances to the 980 reporting Federals constituted 29.9 percent of the total outstanding advances to all members.

A further source of funds was provided by the Home Owner's Loan Corporation which subscribed to an additional \$4,075,-300 of shares in the 980 associations, bringing the total of Treasury and Corporation subscriptions to \$83,536,600. Private investments also increased \$3,322,116—70 percent

of which were investments in the 564 new associations. As of the end of April, total share subscriptions in the 980 associations were \$428,743,695. Accompanying this increase in new investments was a reduction of 13.3 percent in repurchases for April over March.

During the month of April the number of savings and loan associations under Federal charter increased by 24, bringing the total Federal associations to 1,102 with combined assets of \$570,351,261. Of this number, 6 were newly organized associations and 18 were converted from established State-chartered institutions.

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	Mar. 31, 1936	Apr. 30, 1936	Mar. 31, 1936	Apr. 30, 1936
New.....	57	321	481	554	605	623	629	\$75, 230, 371	\$91, 660, 794
Converted.....	2	49	158	297	418	455	473	462, 261, 567	478, 690, 467
Total.....	59	370	639	851	1, 023	1, 078	1, 102	537, 491, 938	570, 351, 261

Federal Savings and Loan Insurance Corporation

THE period April 18 to May 15 saw 47 additional associations granted insurance by the Federal Savings and Loan Insurance Corporation. Furthermore, this figure does not tell the complete story of the month's activity, since, beginning May 15, 1936, only those associations that have actually remitted their initial insurance premiums are listed as insured. Figures for earlier periods included all applications which had been approved by the Board. Due to the change inaugurated in the figures for May 15, seventeen associations that had received the Board's approval but had not yet remitted their initial premiums are not included.

Of the 47 associations added during the month, 17 were State-chartered, 22 were converted from State to Federal charter, and 8 were newly organized Federal associations. During the April 18-May 15 period, 42 additional applications were received, bringing the total of all applications to 1,616. The combined assets (as of date of application) of these applicants were \$1,194,904,318.

A further revision has been made in the accompanying table on associations insured in that the number of shareholders, assets, and share and creditor liabilities of insured associations are of the most recent date obtainable. In previous monthly reports these figures have been as of the date of insurance. Henceforth, they will be brought up-to-date at least semiannually. The revised assets of the 1,277 associations as of May 15 were \$836,633,708 and the share and creditor liabilities were \$763,846,890. The individual holdings of the 943,201 shareholders of these associations are each insured up to \$5,000.

REPORTS FROM INSURED ASSOCIATIONS

PROOF of the value of share insurance in restoring public confidence in and reviving the flow of savings into savings and loan associations accumulates with each additional institution insured. The extracts quoted below from letters written by insured associations indicate that the investing public in all sections of the country want the safety of insurance.

From a State-chartered association in New York which was insured January 4, 1936:

We immediately notified all of our members of the insurance feature and inserted an announcement in our local papers. During the first ten days of January, we opened many new and substantial Income Share accounts, and receipts were larger by far than in any like period since 1929. We are continually receiving new accounts and our cash on hand is much greater than it has been for a number of years.

Our Association had always met all demands for withdrawals and had never had a waiting list. Withdrawals have practically ceased since insurance became effective and it is quite evident from the attitude of our members that they really appreciate the added protection to their savings.

From a Federal savings and loan association in Pennsylvania which represents the consolidation of four associations formerly under State charters:

Prior to receiving the Federal charter, and of course the Federal Insurance, many of our stockholders were decidedly uneasy about their investments as a consequence of the losses sustained by themselves, or by their friends in other associations. There was a fairly large list of withdrawals and perhaps \$60,000 of unpaid maturities, for which the stockholders were clamoring. It was found that those most insistent for their money immediately deposited their checks in a Saving Fund account. Then, too, there were no new shares, no money to take care of loans

and consequently the association was virtually in the process of orderly liquidation.

With the advent of insurance, however, withdrawals slackened materially and confidence was in the major part restored. A little sales talk about the advantage of Federal Insurance resulted in the conversion of approximately 80 percent of unpaid maturities into optional or full-paid income shares.

This Association, since it began operation on February 3, 1936, has passed new mortgage loans aggregating \$30,000 and has sold 400 new shares of stock. Besides this, about \$40,000 has been received in optional or full-paid shares. It has not yet been necessary to make a Treasury call for funds from the United States Government.

Considered solely from an advertising standpoint, the premium we have paid for insurance has been a splendid investment. The protection to stockholders magnifies greatly the return from the premiums paid. . . .

From a State-chartered association in Indiana:

In order that you may understand the situation more fully may we say that we were the only one of three associations in our community operating under a general license from the Department of Financial Institutions and that we had an unbroken line of dividend payments and no withdrawal list on file. However, we were not receiving or seeking any new money due to lack of confidence generally in the community regarding the future of building and loan associations and naturally we had been in a process of slow liquidation.

We procured share insurance less than 60 days ago and we can now say that the tide of liquidation has been stemmed. The chief benefit we have received to date is the strengthening of the morale of our officers and loyal shareholders, who can now recommend with certainty investment in our association.

From a State-chartered association in Kansas:

Since receiving our certificate of insurance we have been advertising and talking this fact and we have received more new money so far this year than we did in all of 1935.

Our shareholders seem to be pleased over the fact that their investments are now insured.

It is a great deal of satisfaction to an officer in talking about the shares of his association to know that he has the insurance feature backing

up the management and strength of his association. We have been receiving ample funds to meet all demands for new loans and have made a substantial payment on our advance from the Federal Home Loan Bank.

From a State-chartered association in North Carolina, insured on December 3, 1935:

While the association has not been on notice for withdrawals for more than two years, new money had not found its way into our treasury in sufficient amounts to permit any loan activities.

For the 11 months ended November 30, 1935 the association's average monthly income was \$23,000. For the month of December 1935 the income amounted to \$58,900, and the income for January 1936 amounted to \$59,500.

There seems to be a steady flow of new money that is unquestionably due to the fact that our shares are now insured up to \$5,000. Many of the new shareholders are known to have had former savings connection with the association, but continued to carry their saving accounts with insured banks, or other places, until the insurance feature was announced.

Until the present time the association's income was only in a sufficient amount to pay operating expenses, meet withdrawal and maturity demands and make required payments upon borrowed money. Since insuring our shares we have again become active in the lending field, have retired some \$30,000 of borrowed money and at this writing have approximately \$100,000 in cash and H. O. L. C. bonds on hand, *and advertising for loans.*

From a converted Federal savings and loan association in California:

We converted and secured insurance about simultaneously. Since, it has been like old times—only more so. Our public's apprehensions seem to have subsided entirely and whereas we have been paying out more than we have taken in for several years—and have been in the habit of calculating new savings per month in tens of dollars, we have since the first of 1936 following conversion and insurance, taken nearly \$10,000 of new savings in addition to receiving \$75,000 of H. O. L. C. savings,—made over \$50,000 of new loans. This without any effort to build business—and being simply an appetizer for what we know we can get when we shortly recapture our long since depleted office force—and really go out after the business.

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	Apr. 18, 1936	May 15, 1936	Apr. 18, 1936	May 15, 1936
State-chartered associations.....	53	188	351	454	471	\$667, 757, 875	\$672, 749, 208
Converted F. S. and L. A.....	134	360	480	508	527	496, 178, 508	508, 625, 494
New F. S. and L. A.....	393	517	575	612	618	13, 480, 701	13, 529, 616
Total.....	580	1, 065	1, 406	1, 574	1, 616	1, 177, 417, 084	1, 194, 904, 318

INSTITUTIONS INSURED ¹

	Number at 6-month intervals			Number		Number of shareholders	Assets	Share and creditor liabilities
	Dec. 31, 1934	June 30, 1935	Dec. 31, 1935	Apr. 18, 1936	May 15, 1936	May 15, 1936	May 15, 1936	May 15, 1936
State-chartered associations.....	4	45	136	192	209	362, 297	\$307, 571, 736	\$272, 421, 035
Converted F. S. and L. A.....	108	283	406	439	461	496, 681	455, 614, 785	419, 661, 442
New F. S. and L. A.....	339	512	572	599	607	84, 223	73, 447, 187	71, 764, 413
Total.....	451	840	1, 114	1, 230	1, 277	943, 201	836, 633, 708	763, 846, 890

¹ Beginning May 15, figures on number of associations insured include only those associations which have remitted premiums. Earlier figures include all associations approved by the Board for insurance.

Number of shareholders, assets, and share and creditor liabilities of insured associations are as of latest obtainable date and will be brought up-to-date after June 30 and December 31 each year.

Home Owners' Loan Corporation

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:								
Dec. 31, 1935.....	27	\$1, 131, 700	33	\$2, 480, 000	553	\$21, 139, 000	613	\$24, 750, 700
Apr. 30, 1936.....	52	2, 432, 700	88	7, 077, 500	1, 119	40, 560, 100	1, 259	50, 070, 300
May 20, 1936.....	56	2, 542, 700	95	7, 685, 100	1, 218	45, 989, 100	1, 369	56, 216, 900
Subscriptions:								
Dec. 31, 1935.....	2	100, 000	24	1, 980, 000	474	17, 766, 500	500	19, 846, 500
Apr. 30, 1936.....	18	1, 055, 000	73	5, 985, 000	1, 056	38, 121, 600	1, 147	45, 161, 600
May 20, 1936.....	19	990, 000	84	6, 890, 000	1, 126	40, 412, 600	1, 229	48, 292, 600

¹ Refers to number of separate investments, not to number of associations in which investments made.

TABLE 2.—*Applications received and loans closed, by months* ¹

Period	Applications received (number)	Loans closed	
		Number	Amount
1933			
From date of opening through Dec. 31.....	722, 796	37, 249	\$105, 920, 343
1934			
From Jan. 1 through Dec. 31.....	* 1, 020, 132	688, 992	2, 091, 067, 465
1935			
From Jan. 1 through Dec. 31.....	143, 640	245, 549	743, 041, 243
1936			
From Jan. 1 through April 30.....		38, 279	119, 999, 634
May 1 to May 14.....		2, 873	9, 679, 969
Grand total to May 14, 1936.....	1, 886, 568	1, 012, 942	3, 069, 708, 654

¹ These figures are subject to adjustment.

* 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 May 14, 1936*

Period	Number of applications received for reconditioning loans	Total contracts executed		Total jobs completed	
		Number	Amount	Number	Amount
June 1, 1934 through Apr. 16, 1936.....	673, 506	348, 208	\$67, 947, 910	309, 881	\$57, 964, 718
Apr. 17, 1936 through May 14, 1936 ¹	694	5, 448	1, 327, 269	7, 373	1, 769, 254
Grand total through May 14, 1936.....	674, 200	353, 656	69, 275, 179	317, 254	59, 733, 972

¹ The figures for this period are subject to correction.

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

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
April.....	4,367	88	669
Grand total to Apr. 30, 1936.....	14,852	421	3,152

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

² Does not include 1,001 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 3,152 completed cases, 17 properties were sold at foreclosure sale to parties other than H. O. L. C.

Foreclosures in Large Urban Counties

FORECLOSURES continued to show little change during April. The preliminary index for the month stood at 297 percent of the 1926 base as compared with 302 percent in March. This was a normal decline of approximately 2 percent.

Compared with April 1935, when the index was 398, the April 1936 figure represents a drop of 25 percent. For the first four months of 1936, the index averaged 28 percent lower than in the same period in 1935.

Index of number of foreclosures in 78 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.....	302
September.....	378	April.....	297
October.....	389		
November.....	399		
December.....	377		

¹ Combined population of reporting counties is approximately 42,450,000 (1930 Census).

² Preliminary figure.

Resolution of the Board

AMENDING THE RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS CONCERNING DETERMINATION OF THE AMOUNT OF EACH INSURED ACCOUNT IN EVENT OF DEFAULT BY AN INSURED INSTITUTION

On October 3, 1935, the Board amended the Rules and Regulations for the Insurance of Accounts by inserting after the first sentence of Section 18 (b) the following:

"The amount of each insured account will be determined from the books and records of the association and the evidence of the account held by the insured member without regard to the value of the assets of the insured institutions."

On April 30, 1936, the Board further amended this section by the passage of the following resolution:

Be it resolved, That pursuant to the authority vested in the Board of Trustees by Sections 402 (a) and 403 (b) of the National Housing Act, (48 Stat. 1246, 1256, 1257), as amended, Section 18 (b) of the Rules and Regulations for the Insurance of Accounts is hereby amended by striking the second sentence and substituting in lieu thereof the following:

"The amount of each insured account will be determined from the books and records of the insured institution and from the security contract without regard to the actual value of the assets of the insured institution and without regard to provisions of the security contract which authorize the insured institution to retain or deduct in the event of voluntary withdrawal or repurchase any amount on account of premature withdrawal or repurchase."

Directory of Member, Federal, and Insured Institutions

Added during April-May

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN APRIL 20, 1936, AND MAY 16, 1936¹

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

DISTRICT NO. 2
NEW YORK:
Richmond Hill:
Savings & Loan Association of Richmond Hill,
111-06 Liberty Avenue.
Rochester:
Profit Savings & Loan Association, 251 Powers
Building.

DISTRICT NO. 3
PENNSYLVANIA:
Millvale:
Shaler Building & Loan Association of Shaler
Township, 1427 Evergreen Avenue.
Pittsburgh:
Harmony Building & Loan Association No. 2, Sixth
Ward, Pittsburgh, Pa., 1349 Fifth Avenue.
Sheraden Building & Loan Association, 2829 Char-
tiers Avenue.
Springdale:
Springdale Building & Loan Association, 911 Pitts-
burgh Street.

¹ During this period 7 Federal savings and loan associations were admitted to membership in the System.

DISTRICT NO. 4
ALABAMA:
Birmingham:
Woodlawn Building & Loan Association, 404 North
Twenty-first Street.
GEORGIA:
Decatur:
Decatur Building & Loan Association, 107 Sycamore
Street.
VIRGINIA:
Martinsville:
Mutual Building & Loan Association of Martins-
ville, Virginia, Incorporated.

DISTRICT NO. 5
OHIO:
Cleveland:
Park View Savings & Loan Association, 3199 East
Ninety-third Street (restoration due to cancela-
tion of Federal charter).
Fremont:
Citizens Savings & Loan Company, 420 Croghan
Street.

DISTRICT NO. 6
INDIANA:
Connersville:
Fayette Savings & Loan Association.
Huntington:
People's Savings & Loan Association, 450 North
Jefferson Street.
Indianapolis:
Insurance Savings & Loan Association, 505 Indiana
Trust Building.
Lawrenceburg:
Progressive Building & Loan Association, 236 First
Street.

DISTRICT NO. 7

- ILLINOIS:
 Nashville:
 Trust Building & Loan Association of Nashville, Ill.
 Watseka:
 Iroquois Building & Loan Association.
- WISCONSIN:
 Nekoosa:
 Nekoosa-Port Edwards Building & Loan Association, Market Street.
 Wisconsin Rapids:
 Wisconsin Rapids Building & Loan Association, 130 First Street, North.

DISTRICT NO. 9

- ARKANSAS:
 Little Rock:
 Pyramid Life Insurance Company, 317-319 West Second Street.
- LOUISIANA:
 Ruston:
 Ruston Building & Loan Association, 100 North Vienna Street.
- TEXAS:
 Plainview:
 Home Building & Loan Association of Plainview, Texas.

DISTRICT NO. 10

- KANSAS:
 Pratt:
 Wheat Belt Building & Loan Association.
- Topeka:
 State Savings & Loan Association, 931 Kansas Avenue.
- Wichita:
 Commercial Savings & Loan Association, 108 North Topeka Avenue.
- NEBRASKA:
 Lincoln:
 Lincoln Savings & Loan Association, 117 South Twelfth Street.

DISTRICT NO. 11

- UTAH:
 Logan:
 Northern Building Loan Society, Thatcher Building, South Main Street.

DISTRICT NO. 12

- CALIFORNIA:
 Los Angeles:
 Investment Building & Loan Association, 1037 South Broadway.
 Los Angeles Mutual Building & Loan Association, 740 South Spring Street.
 Railway Mutual Building & Loan Association, 202 Pacific Electric Building.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN APRIL 20, 1936, AND MAY 16, 1936

- ARIZONA:
 Prescott:
 Yavapi County Savings Bank, 108 North Cortez Street.
- COLORADO:
 Denver:
 Colorado Building & Loan Association, 1608 Welton Street (consolidated with Colorado Federal Savings & Loan Association).
 Neighborhood Building & Loan Association, 430 University Building (consolidated with First Federal Savings & Loan Association of Denver).

- MARYLAND:
 Baltimore:
 Uncle Sam Loan & Savings Company, 2013-15 Frederick Avenue (association liquidating).
- PENNSYLVANIA:
 Mahanoy City:
 Home Building & Loan Association of Mahanoy City, 35 South Main Street.

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN APRIL 20, 1936, AND MAY 16, 1936

DISTRICT NO. 1

- CONNECTICUT:
 New Britain:
 Co-operative Federal Savings & Loan Association, 24 Washington Street (converted from New Britain Co-operative Savings & Loan Association).
- MAINE:
 Caribou:
 Aroostook County Federal Savings & Loan Association.
- MASSACHUSETTS:
 Boston:
 Second Federal Savings & Loan Association of Boston, 44 School Street (converted from Ausonia Co-operative Bank).

DISTRICT NO. 2

- NEW YORK:
 East Rochester:
 East Rochester Federal Savings & Loan Association, 2 Eyer Building (converted from Despatch Co-operative Savings & Loan Association).
- New York:
 Knickerbocker Federal Savings & Loan Association, 120 Broadway.

DISTRICT NO. 4

- ALABAMA:
 Gadsden:
 First Federal Savings & Loan Association of Gadsden.
- GEORGIA:
 Atlanta:
 Southern Federal Savings & Loan Association of Atlanta, 534 Hurt Building.
- Pelham:
 Pelham Federal Savings & Loan Association, West Railroad Street (converted from Mitchell County Building & Loan Association).
- Quitman:
 Quitman Federal Savings & Loan Association.

DISTRICT NO. 5

- OHIO:
 Akron:
 First Federal Savings & Loan Association of Akron, 122 South Main Street (converted from Society Savings & Loan Company).
- Columbus:
 Hub Federal Savings & Loan Association, Main & Fifth Streets (converted from Hub Building & Loan Company).

DISTRICT NO. 6

- INDIANA:
 Auburn:
 Auburn Federal Savings & Loan Association, 101 West Seventh Street (converted from Auburn Building & Loan Association).

INDIANA—Continued.

- Elwood:
Elwood Federal Savings & Loan Association (converted from Elwood Rural Savings & Loan Association).
- Tell City:
Tell City Federal Savings & Loan Association, 601 Main Street (converted from The Building Loan Fund & Savings Association of Tell City).
- Vincennes:
North Side Federal Savings & Loan Association of Vincennes, 215 Busseron Street (converted from North Side Building & Loan Association of Vincennes, Indiana).

DISTRICT NO. 7

ILLINOIS:

- Monmouth:
Security Federal Savings & Loan Association of Monmouth, 1 Elks Building (converted from Security Building & Loan Association).
- Sparta:
First Federal Savings & Loan Association of Sparta, 123 West Broadway (converted from Southern Illinois Improvement & Loan Association of Sparta, Illinois).

DISTRICT NO. 11

UTAH:

- Logan:
Northern Federal Savings & Loan Association of Logan, Thatcher Building, South Main Street (converted from Northern Building Loan Society).

DISTRICT NO. 12

CALIFORNIA:

- Los Angeles:
Investment Federal Savings & Loan Association, 1037 South Broadway (converted from Investment Building & Loan Association).
Railway Federal Savings & Loan Association, 202 Pacific Electric Building (converted from Railway Mutual Building & Loan Association).
Standard Federal Savings & Loan Association, 544 South Grand Avenue (converted from Insurance Plan Building & Loan Association).
- San Pedro:
First Federal Savings & Loan Association of San Pedro.
- Tulare:
First Federal Savings & Loan Association of Tulare County, 141 North K Street (converted from Tulare Building & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN APRIL 20, 1936, AND MAY 16, 1936

CALIFORNIA:

- Rialto:
Rialto Federal Savings & Loan Association, 102 North Riverside Avenue (consolidated with Orange Belt Federal Savings & Loan Association, Colton, California).

MASSACHUSETTS:

- Holyoke:
First Federal Savings & Loan Association of Holyoke, 129 Chestnut Street (failure to complete organization).

OHIO:

- Cleveland:
Park View Federal Savings & Loan Association of Cleveland, 3199 East Ninety-third Street.
- Lakewood:
First Federal Savings & Loan Association of Lakewood (No. 2), 14806 Detroit Avenue.

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN APRIL 20, 1936, AND MAY 16, 1936¹

DISTRICT NO. 2

NEW YORK:

- Brooklyn:
South Brooklyn Savings & Loan Association, 44 Willoughby Street.
- New York:
North New York Savings & Loan Association, 344 East One Hundred and Forty-ninth Street.
- Rochester:
Profit Savings & Loan Association, 251 Powers Building.

DISTRICT NO. 4

DISTRICT OF COLUMBIA:

- Washington:
Interstate Building Association, Washington Building.

DISTRICT NO. 6

INDIANA:

- Lawrenceburg:
Progressive Building & Loan Association, 236 First Street.
- Marion:
Marion Building & Loan Association, 114 West Fourth Street.
- Richmond:
Peoples Home & Savings Association of Richmond, Indiana, 29 North Eighth Street.
- Tell City:
Peoples Building & Loan Association of Tell City, Indiana, Corner Main & Humboldt Streets.
- Terre Haute:
Merchants Loan & Savings Association, 23 South Sixth Street.
- Vincennes:
Vincennes Savings & Loan Association of Vincennes, Indiana, 401-403 American Bank Building.

DISTRICT NO. 7

WISCONSIN:

- Milwaukee:
Standard Building & Loan Association, 2012-14 North Farwell Avenue.

DISTRICT NO. 8

MISSOURI:

- Lebanon:
Lebanon Building & Loan Association, 102 East Commercial Street.

DISTRICT NO. 9

ARKANSAS:

- Little Rock:
Peoples Building & Loan Association, 905 Boyle Building.

TEXAS:

- Sequin:
Sequin Building & Loan Association.
- Tyler:
Cooperative Building & Loan Association, Tyler's Citizens Bank Building.

DISTRICT NO. 10

KANSAS:

- Horton:
Horton Building, Loan & Savings Association, 921 Central Avenue.
- Russell:
Russell County Building & Loan Association, Seventh & Main Streets.
- Topeka:
Aetna Building & Loan Association, 112 West Seventh Street.

¹During this period 32 Federal savings and loan associations were insured.

FEDERAL HOME LOAN BANK DISTRICTS

