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FEDERAL HOME LOAN BANK REVIEW

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FEDERAL HOME LOAN BANK BOARD

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FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

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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. APPROVED BY THE BUREAU OF THE BUDGET.

NOMINAL AND EFFECTIVE INTEREST RATES

■ THE FEDERAL HOME LOAN BANK REVIEW has been studying for some time the trends in costs of mortgage money in the belief that it is now possible to make a more comprehensive survey of effective interest rates charged for home-mortgage loans than has ever before been available. There have never been completely accurate figures on effective interest rates for the country as a whole, but the study made by the REVIEW shows that there are figures which are reliable enough to give a clear indication of the trend in interest rates.

In the November issue, the REVIEW made a summary analysis of the actual decrease in the cost of home-financing funds to borrowers from savings and loan associations that has taken place since the establishment of the Federal Home Loan Bank System in 1932. As the second in a series of articles dealing with the general structure of interest rates, the REVIEW now presents a study of the significance of the decline in effective home-mortgage interest rates which has taken place during the past five years.

It is essential to establish clearly first of all the basic difference between a *nominal* and an *effective* interest rate. A *nominal* interest rate, as its name implies, is the interest rate which is named in the mortgage loan contract. It is the interest rate which the borrower contracts to pay. However, a nominal interest rate in most cases does not represent accurately the actual cost to the borrower of the mortgage money which he obtains. If, for example, an initial loan fee, service charge or commission is paid by the borrower, he is actually paying interest during the life of the loan at a rate in excess of the nominal rate specified in the contract. If the borrower contracts to pay interest upon the face amount of his loan, although by his principal repayments he constantly reduces the original amount of his indebtedness, he is paying an effective interest rate which is greater than the nominal rate specified in his contract.

An *effective* interest rate, on the other hand, represents the total cost to the borrower of the mortgage money during the entire life of the loan. An effective interest rate includes the ordinary interest charge named in the contract, plus any loan fee or initial service charge, averaged over the life of the loan.

Table 1 will make clear the distinction between a nominal and an effective interest rate. Table 1 shows the increase caused by payment of an initial loan fee in the nominal rate of interest paid by a borrower over the life of the loan. The loan-term in the example is 139 months, written at a nominal interest rate of 5 percent. For a non-insured, direct-reduction loan, the effective rate of interest is 5 percent if no initial loan fee is charged, 5.2 percent if a loan fee of 1 percent is charged, and 5.5 percent if a loan fee of 2½ percent is charged.

For a mortgage loan insured under Title II of the National Housing Act, also written at a nominal interest rate of 5 percent for a term of 139 months, the effective interest rate without any loan fee is 6.3 percent because of the payment of an annual service charge of one-half of 1 percent upon the decreasing balance, and of one-half of 1 percent annual insurance premium upon the face amount of the loan.

If the loan fees permitted under the Rules and Regulations of the Federal Housing Administration are charged, the effective rate of interest is further increased. An initial loan fee of 1 percent on an existing loan, or of 2½ percent on a new loan, will increase the effective interest rates to 6.5 percent and 6.8 percent, respectively.

Few people realize how great the difference may be between effective and nominal interest rates. It follows that few people know how great a decrease there has been in the cost of home mortgage money supplied on long-term amortized loans by the savings and loan associations of this country. Table 2 is highly significant for the reason that the rates which it shows are effective interest rates and therefore do represent total cost to the borrower during the entire life of the loan. The trends which are shown in Table 2 consequently reflect actual decreases in the cost of home mortgage money to borrowers.

The figures in Table 2 for effective interest rates charged by savings and loan associations in 1931 are not completely representative. They are based upon voluntary replies of over 1,200 savings and loan associations to questionnaires sent out in September 1931 requesting information on their current lending practices. The interest rates have been computed to represent actual cost to the borrower during the life of the loan and are therefore effective interest rates. The figures used for Federal savings and loan associations in 1936 are also effective interest rates. They represent total cost to borrower on loans made during 1936 by Federal savings and loan associations.

These qualifications of figures in Table 2 should be kept in mind, but they should not be allowed to obscure the greatest significance of Table 2—the trend of effective interest rates which is shown. In 1931 when the national average effective interest rate to savings and loan association borrowers was 8 percent, the Federal Home Loan Bank System had not been created. The average effective interest rate charged by savings and loan associations ranged from a low of 6.2 percent or 6.4 percent in New England and Middle Atlantic States to such high points as 15.3 percent in Tennessee, 12.5 percent in Alabama, or 11.6 percent in New Mexico. Iowa and Louisiana were the only States west of the Mississippi where effective interest rates were not 8 percent or more.

Table 2 conclusively answers the question: What has been the course of the trend in effective interest rates since 1931? With the establishment of the Federal Home Loan Bank System in 1932 and the introduction of other stabilizing factors in home mortgage finance, effective interest rates definitely turned downward. By the end of 1936, this steady downward trend had reduced the national average effective interest rate to 6.3 percent for Federal savings and loan associations.

This is the most significant fact about the trend of interest rates. It means that in 1936, four years after the Bank System came into being, its member Federal savings and loan associations were charging average effective interest rates which were lower than the 1931 average effective interest rates for all reporting savings and loan associations, by from 1.0 percent to 2.6 percent in all of the 12 Bank Districts, except in the Boston and New York Federal Home Loan Bank Districts. In those two Districts, abundance of capital had always kept interest rates relatively low and the decreases were only 0.8 percent and 0.9 percent, respectively. Federal savings and loan associations in Tennessee reduced the 1931 effective interest rate from 15.3 percent to 6.3 percent. In Alabama, the average rates charged by Federal associations were 6.9 percent—a reduction of 5.6 percent from the former prevailing rate of 12.5 percent.

Most striking of all, in 1931, every State west of the Mississippi, except Iowa and Louisiana, had average effective interest rates of 8 percent or more. In 1936, there were *no* States west of the Mississippi where the average effective interest rate charged by Federal savings and loan associations was in excess of 7.3 percent.

Further, there was not a single reporting State which did not show a decrease in the effective interest rates charged by Federal savings and loan associations in 1936, in comparison with the effective interest rates charged by savings and loan associations reporting in 1931. The declines ranged from a minimum of 0.3 percent in Eastern States to a maximum varying between 3 percent and 9 percent in the South and West.

Causes of Decreased Interest Rates

There are a number of significant factors which underlie this trend of decreasing rates charged by savings and loan associations over the country as a whole. A major cause of lower interest rates has certainly been the general adoption and use by savings and loan associations of the direct-reduction type of loan. The savings and loan associations were the first institutions in this country to make a regular practice of lending home mortgage funds for long terms. The savings and loan associations were also the leaders in the movement which has become increasingly general in recent years, towards the use of the long-term amortized loan known as the direct-reduction plan. Under this plan the principal amount of the mortgage indebtedness decreases each month and the borrower pays interest only upon this constantly diminishing balance.

At the time of enactment of the Home Owners' Loan Act in June 1933, the Federal Home Loan Bank Board was authorized to charter Federal savings and loan associations, and the use of the direct-reduction loan plan was made mandatory for such institutions. It therefore came about that Federal associations were steadily building the volume of their direct-reduction loans at the same time that the Home Owners' Loan Corporation was making more than one million direct-reduction loans at 5 percent interest in all parts of the country. As a result, a much wider understanding of the simplicity and convenience of this type of loan plan was promoted, and the direct-reduction method of loan repayment began to come into general use, with increasing emphasis placed upon lower interest rates.

The direct-reduction loan plan is now being used by more and more associations. A comparison of the direct-reduction loan plan with the share-account sinking-fund plan which was extensively used in earlier years shows that under a direct-reduction loan, the effective interest rate is definitely established at the time the contract is made between the institution and the borrower. Under the sinking-fund plan, it is impossible to determine at the time the loan is granted what the effective interest rate during the entire life of the loan will be. Over a period of years, experience has shown that, in the aggregate, the direct-reduction plan tends to reduce the cost of money to the borrower, for the reason that under no circumstances can the borrower be required to pay interest upon any amount other than the current unpaid balance of his indebtedness.

A second major cause of decreased interest rates charged by savings and loan associations has been the existence of the Federal Home Loan Bank System itself. The creation of the Bank System provided a central reservoir of credit from which advances were made to members to supplement local home-financing funds when the demand for home mortgage loans in a community exceeded the supply of local available capital. Because these additional funds were available from the Federal Home Loan Banks, the economic isolation of the member home-financing institutions, and their complete dependence upon an inadequate supply of local capital was ended. The fact that members of the Bank System are assured today of credit on either short-term or long-term advances at rates of interest as low as 3 percent has contributed substantially to the markedly greater reductions in interest rates in the South and West. As the preceding analysis of Table 2 showed, greatest decline in effective interest rates has taken place in those areas of our country where rates in the past have always been the highest.

THE GENERAL STRUCTURE OF INTEREST RATES

It is not possible to give a comprehensive analysis of even the major causes for the pronounced decline in effective interest rates charged by savings and loan associations without making it apparent that this trend is a reflection of the comparable downward movement of the whole general structure of interest rates. For this reason, the trend is affected by the same general influences which have been operative throughout the money market itself. Interest rates as an entire structure have moved downward, and the reduction in effective interest rates by savings and loan associations is one part of this entire movement.

It is true that long-term and short-term interest rates have displayed striking differences in behavior. Brookings Institution has pointed out that the high rate structure of short-term interest rates fell rapidly throughout 1930. Interest rates on call loans and commercial paper, as well as over-the-counter rates, were sharply reduced in that year, and have since declined to even lower levels. Long-term interest rates, on the other hand, not only held comparatively steady in 1930, but reached extraordinarily high levels in 1931–33. Since 1933, long-term rates have fallen, but they still remain at levels far above short-term rates. This is not a new characteristic, however, for the same tendency for short-term rates to fluctuate much more violently than long-term rates was observed in pre-war business cycles.

One effect of the decline in the whole interest rate structure is evident from the REVIEW's study of the single field of effective home mortgage interest rates. Prevailing interest rates charged by the principal different types of lenders upon urban residential property have leveled off, and are grouped within a much narrower range than in the past.

For example, although it is difficult to make an exact comparison of interest rates charged by savings and loan associations with those charged by commercial banks on urban residential loans, we can approximate the comparative trends by keeping two important facts firmly in mind.

The first is that the interest rates reported for commercial banks are *nominal*, not *effective*, rates since they do not include loan fees, commissions, or special charges. Illustrations have already been given of the effect of such commissions upon the effective interest paid by a borrower during the life of a loan. The figures for savings and loan associations are *effective* interest rates, and include loan fees.

In many cases, the loan fee or initial service charge includes the entire cost to the borrower of title search, appraisal, recording, and the other services rendered in loan closing.

The second fact is that the interest rates reported for commercial banks are the interest rates charged principally upon straight mortgage loans which represent well over 50 percent of total urban home mortgage loans held by this type of institution. These loans are usually made for a term of three to five years. Because they require no amortization of principal during the life of the loan, the borrower, unless he has saved the face amount of the loan, may be forced to pay renewal charges which materially increase his interest burden. On the other hand, savings and loan associations make amortized loans which run often for terms of 12 to 20 years, at the end of which time the loan is fully repaid.

As a basis for the comparison made in Table 3, we take the most common rates charged on the largest volume of urban residential loans on October 1, 1936 by country bank members of the Federal Reserve System. The source is a table on page 298 of the *Federal Reserve Bulletin* for April 1937. The *Federal Reserve Bulletin* points out that "the figures shown in the table are probably fairly typical, not only of rates charged on the largest volume of loans by all banks, but also of those charged largest number of borrowers," so that these figures may be taken as an approximation of the nominal interest rates actually prevailing on the largest volume of urban residential loans made by all member banks of the Federal Reserve System.

Since the commercial bank rates are reported by Federal Reserve Districts, they were compared in Table 3 with the average effective interest rates of Federal savings and loan associations located in areas closely corresponding to those Districts. The result of this comparison was to show that the most common nominal interest rates charged by commercial banks range from 6 to 8 percent, and that the average effective interest rates charged by Federal savings and loan associations range from 5.7 to 6.7 percent, in the respective Federal Reserve Districts.

In three of the Districts (Boston, New York, and Dallas) the average effective Federal savings and loan rate is lower than the average nominal rate of the commercial banks. In four of the remaining Districts (Atlanta, Minneapolis, Kansas City, and San Francisco) the Federal savings and loan association average effective rate lies between the spread of 6 to 8 percent given for the nominal rates of the banks, and in every case is closer to the lower rate given.

In the West the banks charge an average nominal interest rate of as much as 8 percent. Money rates have always been relatively high in these areas. It is particularly interesting to note, therefore, that the average effective interest rate charged by Federal savings and loan associations in any Federal Reserve District is in no case as high as 7 percent.

The comparison is, of course, only a rough index of the tendency for the structure of home mortgage interest rates to shift within the larger movement of the whole interest rate structure, since nominal interest rates are here contrasted with effective interest rates. This point is well illustrated by the fact that for no Federal Reserve District is the average effective interest rate of Federal savings and loan associations more than 0.7 percent greater than the corresponding nominal bank rate. This slight difference would be completely absorbed by even a small loan fee or initial service charge.

***Table 1.*—Comparison of a non-insured loan and a F. H. A. insured loan, both written for terms of 139 months, to show the increase in nominal interest rates caused by initial loan fees**

Direct-reduction mortgage loan	Nominal rate of interest	Effective rates		
		No initial charge	1-percent loan fee	2½-percent loan fee
	Percent	*Percent*	*Percent*	*Percent*
Non-insured	5. 0	5. 0	5. 2	5. 5
Insured under Title II of N. H. A	5. 0	6. 3	6. 5	6. 8

Table 2.—Effective interest rates charged in 1936 by Federal savings and loan associations and in 1931 by savings and loan associations

[Sources: 1931—Based upon special reports submitted to the Finance Committee of the President's Conference on Home Building and Home Ownership. 1936—Annual reports to the Federal Home Loan Bank Board]

Federal Home Loan Bank Districts and States	Savings and loan associations 1931	Federal savings and loan associations 1936	Change 1931 to 1936
	Percent	*Percent*	*Percent*
UNITED STATES	8.0	6.3	−1.7
District No. 1	6.5	5.7	−0.8
Connecticut	6.2	5.9	−0.3
Maine	8.2	6.0	−2.2
Massachusetts	6.6	5.6	−1.0
New Hampshire	--------	5.0	--------
Vermont	6.8	6.0	−0.8
District No. 2	6.6	5.7	−0.9
New York	6.4	5.7	−0.7
District No. 3	8.0	6.1	−1.9
Pennsylvania	7.8	6.1	−1.7
West Virginia	10.2	6.2	−4.0
District No. 4	8.1	6.4	−1.7
Alabama	12.5	6.9	−5.6
Florida	9.0	6.6	−2.4
Georgia	9.9	6.8	−3.1
Maryland	--------	6.0	--------
North Carolina	6.5	6.0	−0.5
South Carolina	8.5	6.2	−2.3
Virginia	8.2	6.1	−2.1
District No. 5	8.1	6.1	−2.0
Kentucky	8.4	6.2	−2.2
Ohio	7.5	6.0	−1.5
Tennessee	15.3	6.3	−9.0
District No. 6	7.4	6.3	−1.1
Indiana	7.8	6.4	−1.4
Michigan	7.1	6.2	−0.9
District No. 7	7.4	6.4	−1.0
Illinois	7.4	6.5	−0.9
Wisconsin	7.4	5.9	−1.5
District No. 8	8.7	6.3	−2.4
Iowa	7.1	6.2	−0.9
Minnesota	9.1	6.1	−3.0
Missouri	8.7	6.7	−2.0
North Dakota	9.8	6.9	−2.9
South Dakota	9.8	7.0	−2.8
District No. 9	9.7	6.9	−1.8
Arkansas	9.5	7.2	−2.3
Louisiana	7.5	6.0	−1.5
Mississippi	9.7	7.2	−2.5
New Mexico	11.6	6.6	−5.0
Texas	10.5	7.2	−3.3
District No. 10	9.4	7.0	−2.4
Colorado	10.5	6.5	−4.0
Kansas	9.1	7.1	−2.0
Nebraska	8.0	5.9	−2.1
Oklahoma	10.2	7.3	−2.9
District No. 11	9.0	6.4	−2.6
Idaho	8.9	6.5	−2.4
Montana	8.5	6.5	−2.0
Oregon	10.3	6.6	−3.7
Utah	8.8	6.7	−2.1
Washington	8.9	6.2	−2.7
Wyoming	8.2	6.8	−1.4
District No. 12	8.8	6.7	−2.1
Arizona	10.0	6.0	−4.0
California	8.8	6.7	−2.1
Hawaii	--------	7.0	--------

Table 3.—Comparison of nominal interest rates charged by member Banks of the Federal Reserve System with effective interest rates charged by Federal savings and loan associations: both on urban residential loans

NOTE.—Commercial bank rates are *nominal* interest rates, and include no loan fees or initial service charges. Federal savings and loan association rates are *effective* interest rates, and include all loan fees and initial service charges.

Federal Reserve District	Commercial bank members of F. R. System	Federal savings and loan association
	Prevailing *nominal* interest rate [1]	Prevailing *effective* interest rate [2]
	Percent	*Percent*
No. 1—Boston	6	5.7
No. 2—New York	6	5.8
No. 3—Philadelphia	6	6.1
No. 4—Cleveland	6	6.1
No. 5—Richmond	6	6.1
No. 6—Atlanta	6–8	6.6
No. 7—Chicago	6	6.2
No. 8—St. Louis	6	6.6
No. 9—Minneapolis	6–8	6.5
No. 10—Kansas City	6–8	6.7
No. 11—Dallas	8	6.6
No. 12—San Francisco	6–8	6.5

[1] Federal Reserve Bulletin, April 1937.

[2] Based on annual reports of Federal savings and loan associations. Because Federal Reserve Districts cut State lines, the rates for Federal savings and loan associations are grouped in the nearest approximation of Federal Reserve Districts.

Publication of The Financial Survey of Urban Housing

■ IN 1934 a comprehensive study was undertaken of the financial and economic aspects of residential properties in 52 representative American cities. This study, known as the Financial Survey of Urban Housing, covered intensively a selected sample of properties in each locality which were also covered by the general inventory and physical description of the Real Property Inventory. The data were collected and tabulated as a Civil Works Administration project. As the results of this project became available, they were used extensively by the various Government departments concerned with housing.

According to the introduction of this book: "Information was obtained on the size, age, and materials of the structures; also on value or rent, the cost and method of acquisition of homes; the amount, sources, interest rate, and other terms of any credit secured by the property; and the extent of delinquency of rents or loans. Other factors studied related to the family occupying the dwelling unit, the number of persons living there, total income of the family, the amount of income in wages or salary, and the proportion of time employed."

To show the effects of the depression on such factors, this information was collected, wherever possible, for the years, 1930, 1933, 1934.

The Financial Survey of Urban Housing was the first extensive study which has ever been made of residential properties. It has revealed the value to the mortgage lender of a thorough knowledge of real estate conditions which can only be acquired by specific studies of local conditions.

Detailed statistics for 22 of the 52 cities together with summary tables for all cities have been prepared in book form for general distribution. The cost of this book, bound in buckram, is $3.25, payable to the Superintendent of Documents, Government Printing Office, Washington, D. C.

Because the information tabulated in this book will be particularly valuable to the mortgage lender located in the cities analyzed, they are listed below. These 22 cities have been selected with great care to be representative of the whole area in which they are located and, consequently, the results should also be of general interest.

Portland, Me.
Worcester, Mass.
Providence, R. I.
Syracuse, N. Y.
Trenton, N. J.
Cleveland, Ohio
Indianapolis, Ind.
Peoria, Ill.
Minneapolis, Minn.
Des Moines, Iowa
Wichita, Kans.
Richmond, Va.
Wheeling, W. Va.
Atlanta, Ga.
Birmingham, Ala.
Oklahoma City, Okla.
Dallas, Tex.
Butte, Mont.
Casper, Wyo.
Salt Lake City, Utah
Seattle, Wash.
San Diego, Calif.

Announcement of Dividends:
An Occasion For Effective Advertising

■ MORE and more it is becoming recognized that good advertising policies are a definite responsibility of management. Effective advertising for home mortgage lending institutions is always a difficult problem, however, since they are not retail establishments, selling so many bars of soap, or so many boxes of matches. Their problem is the difficult one of merchandising not selected commodities, but of merchandising an institution itself. Good advertising must above all sell to the public the financial institution and the services which it renders.

Good institutional advertising should have continuity. What is more, the advertising program should be regarded as an integral part of the institution's public relations. Therefore, a well planned advertising program will at all times attempt to educate the public not only in a better understanding of the particular institution, but also of thrift and home financing in general.

Upon the occasion of the payment of dividends, the institution has an opportunity to dramatize its services and its value to a community as at no other time in the year. In particular, it is a time when thrift can be emphasized effectively. It is thrift which is the basis of all home financing, and an institution must succeed in attracting the savings of its community by the creation of confidence and public interest if it is to fulfill its basic responsibilities as a home-financing institution. The association may customarily think of savings in terms of "new money" with which to make additional loans, but the service which the institution is performing is much more fundamental than this. When it adds new savings accounts or increases old ones, the institution is fostering the habit of thrift, and it is this habit which alone can assure the continued progress of home financing itself.

USE OF NEWSPAPERS

The first general consideration of the official responsible for the institution's advertising will be, "What type of advertisement shall I place in the newspapers?" As a general rule, home-financing institutions still find that the newspaper is the most effective means of reaching the public. On this and the following pages, several different types of effective newspaper dividend advertising are reproduced. The type employed by the Minnesota Federal Savings and Loan Association is in the direct tradition of dignified institutional advertising. One of its very good features is the listing of the officers and the directors of the association, together with their affiliations in local business. A second distinct type of newspaper advertising is the advertisement used by the Charleston (West Virginia) Federal Savings and Loan Association, which is effective both because of its unusual cut and its striking lead. A third type might combine emphasis upon the safety of investment with a short account of the association's record over a period of years, stressing uninterrupted dividend payments and similar outstanding facts. A fourth type of newspaper advertisement which has proved effective is the publication of the institution's statement of condition. Such publication tends to identify the advertiser more completely in the public mind with other leading financial institutions of the community. Such a balance sheet can be made very effective by incorporating enough explanation of the different items composing the balance sheet to make it

MORE THAN 5,000 INVESTORS

Are Helping Us Celebrate Our Fifteenth Birthday

By Sharing in the $108,919.35 distributed as Dividends

At the rate of 3% per annum on

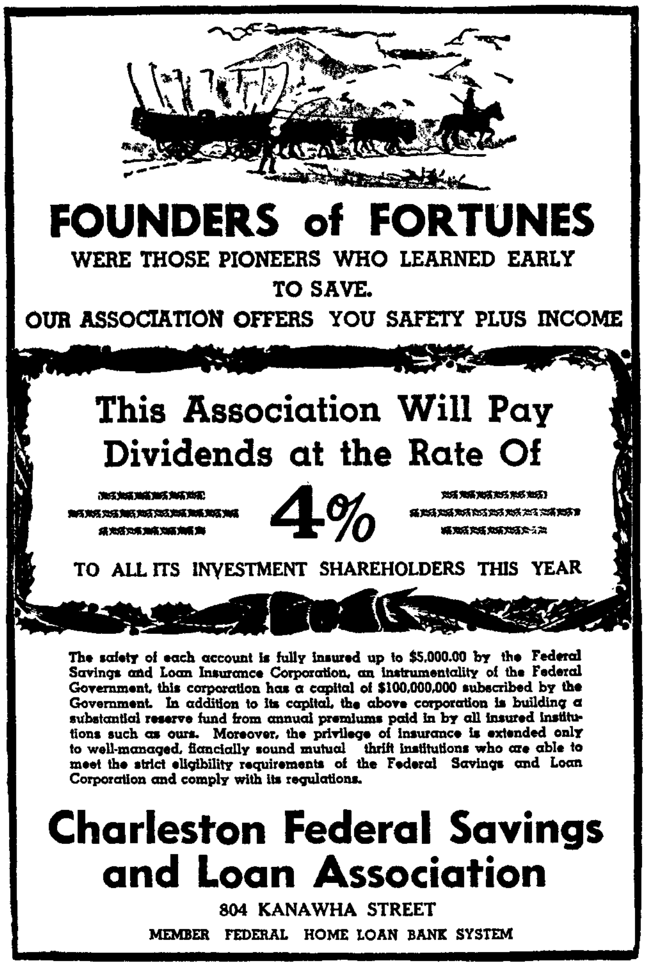
June 30, 1937

Minnesota Federal Savings and Loan Association

John F. Scott	President
J. C. Enright President, Old Fashioned Millers, Inc.	Vice President
Thos. E. Good President, St. Paul Union Stockyards Co.	Vice President
H. C. Lindquist	Vice President
W. Beaupre' Eldredge	Secretary
C. H. Ohm	Treasurer
Jennings L. O'Connor County Treasurer, Renville County	Director
Lee F. Warner Treas.-Genl. Mgr., McGill-Warner Co.	Director
E. C. Lundquist President, Willmar Federal Sav. & Loan Ass'n.	Director

Robert at Fifth, Saint Paul, CE. 0731   7th at Marquette, Minneapolis, AT. 3264

RESOURCES OVER TEN MILLION DOLLARS



FOUNDERS of FORTUNES

WERE THOSE PIONEERS WHO LEARNED EARLY TO SAVE.

OUR ASSOCIATION OFFERS YOU SAFETY PLUS INCOME

This Association Will Pay Dividends at the Rate Of

4%

TO ALL ITS INVESTMENT SHAREHOLDERS THIS YEAR

The safety of each account is fully insured up to $5,000.00 by the Federal Savings and Loan Insurance Corporation, an instrumentality of the Federal Government, this corporation has a capital of $100,000,000 subscribed by the Government. In addition to its capital, the above corporation is building a substantial reserve fund from annual premiums paid in by all insured institutions such as ours. Moreover, the privilege of insurance is extended only to well-managed, fiancially sound mutual thrift institutions who are able to meet the strict eligibility requirements of the Federal Savings and Loan Corporation and comply with its regulations.

Charleston Federal Savings and Loan Association

804 KANAWHA STREET

MEMBER FEDERAL HOME LOAN BANK SYSTEM

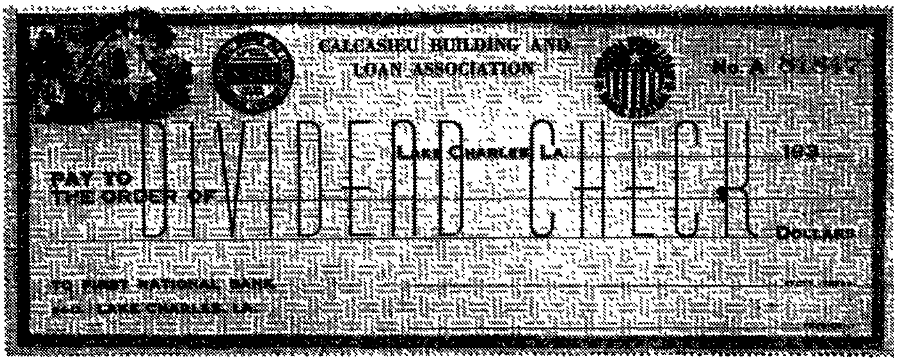
readily understandable even to the average layman. The October 1937 issue of the REVIEW contains a fifth example of dividend announcement for newspaper use in the cooperative advertisement run by a group of Little Rock savings and loan associations.

Essential elements in newspaper advertising of this type are the rate of dividend declaration, the total amount of dividends distributed, and the number of investors receiving these dividends. Where a dividend record has been uninterrupted over a period of years, or where the past earning record has been outstanding, these facts should be briefly but vividly presented. Moreover, because the prevailing dividend rates of member home-financing institutions of the Bank System are equal to or higher than the yield on most other investments of comparable safety, safety factors should be stressed as a background to the statement of earnings. Such factors of this kind include the value of the real property securing the loans which make up the association's portfolio, membership in the Bank System, or insurance of investors' accounts.

The manager's job is not finished when he has prepared the copy for his newspaper advertisements. He has a good newspaper story of general reader interest in the mere fact that the institution has paid dividends. If this story is properly developed from the angle of news and not of mere propaganda, the newspapers in general will be glad to print it. One means of securing the proper reader interest in such stories is to write a lead paragraph, linking the payment of dividends by the institution with the general economic progress of the community, pointing out, for example, that the payment of a number of consecutive dividends is proof of sustained business activity in that community. Another point of community interest which could be emphasized is the fact that the dividends paid by the association represent earnings of the association paid to a specified number of local investors, and that these earnings resulted from loans extended to local residents for financing a stated number of homes in that city during the past year. In such newspaper stories it is also valuable to emphasize additions to reserves, or to discuss the advantages of Federal Home Loan Bank System membership to the association and to its members, or to bring out the protection afforded each investor through the Insurance Corporation.

DIVIDEND CHECKS AND DIRECT MAIL ADVERTISING

In addition to newspaper advertisements and stories, however, there are many other good forms of advertising open to an association at dividend time. The shareholders of an association are its



CALCASIEU BUILDING AND LOAN ASSOCIATION

No. A [illegible]

DIVIDEND CHECK

LAKE CHARLES, LA. 193

PAY TO THE ORDER OF $

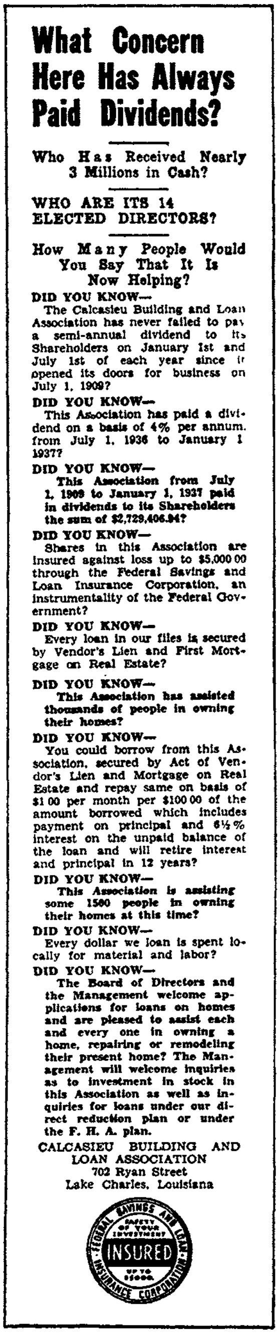
DOLLARS

TO FIRST NATIONAL BANK

LAKE CHARLES, LA.

most loyal supporters, and the dividend check which is sent to them can be made an effective advertising medium. The specimen check utilized by the Calcasieu Building and Loan Association emphasizes the fact that it is a dividend payment and carries a picture of a home, together with the insigina of the Bank System and the Insurance Corporation. The specimen check used by the Gibraltar Savings and Building Association, which was reproduced in the August 1936 Review, is another excellent example of the use of this type of personal advertising medium.

Many associations have found that an enclosure sent with the dividend check is more effective in reaching a large proportion of the mailing list than any other form of direct mail advertising. The Calcasieu Building and Loan Association sends out its dividend check in an attractive folder of a type employed by many financial institutions, and uses the interesting slip enclosure in question-and-answer form, part of which is reproduced on this page, which has attracted a large amount of comment. Personal letters directed to shareholders, understandable statements of condition, or other forms of "stuffers", have all been employed successfully. Other associations have made use of original and attractive folders. A Minnesota institution sends out a 4-page leaflet, with a photographic front cover which shows its president in the act of handing a dividend check across his desk, under the caption, "Here is your dividend check from the . . . association." The Gibraltar Savings and Building Association sends out its dividend checks with a neat heavy paper sheet to which is attached a postage-free business reply card, upon which the shareholder may list the names of friends who might be interested in making investments in the association. The shareholder also declares his own interest in making additional investments. In this way a select prospect list is continually built up.



What Concern Here Has Always Paid Dividends?

Who Has Received Nearly 3 Millions in Cash?

WHO ARE ITS 14 ELECTED DIRECTORS?

How Many People Would You Say That It Is Now Helping?

DID YOU KNOW—
The Calcasieu Building and Loan Association has never failed to pay a semi-annual dividend to its Shareholders on January 1st and July 1st of each year since it opened its doors for business on July 1, 1909?

DID YOU KNOW—
This Association has paid a dividend on a basis of 4% per annum. from July 1, 1936 to January 1 1937?

DID YOU KNOW—
This Association from July 1, 1909 to January 1, 1937 paid in dividends to its Shareholders the sum of $2,729,406.94?

DID YOU KNOW—
Shares in this Association are insured against loss up to $5,000 00 through the Federal Savings and Loan Insurance Corporation, an instrumentality of the Federal Government?

DID YOU KNOW—
Every loan in our files is secured by Vendor's Lien and First Mortgage on Real Estate?

DID YOU KNOW—
This Association has assisted thousands of people in owning their homes?

DID YOU KNOW—
You could borrow from this Association, secured by Act of Vendor's Lien and Mortgage on Real Estate and repay same on basis of $1 00 per month per $100 00 of the amount borrowed which includes payment on principal and 6½% interest on the unpaid balance of the loan and will retire interest and principal in 12 years?

DID YOU KNOW—
This Association is assisting some 1500 people in owning their homes at this time?

DID YOU KNOW—
Every dollar we loan is spent locally for material and labor?

DID YOU KNOW—
The Board of Directors and the Management welcome applications for loans on homes and are pleased to assist each and every one in owning a home, repairing or remodeling their present home? The Management will welcome inquiries as to investment in stock in this Association as well as inquiries for loans under our direct reduction plan or under the F. H. A. plan.

CALCASIEU BUILDING AND LOAN ASSOCIATION
702 Ryan Street
Lake Charles, Louisiana

Analysis of Advertising Results

It is not enough simply to decide upon an advertising program, approve the appropriation, and provide the continuity which will carry it through to completion. Unless there is also some provision for observing and carefully checking the results obtained from the different types of advertising and publicity which are employed, the institution will be no better fitted to determine what advertising media to use on a subsequent occasion. Moreover, proper balance in an advertising program can only be determined on a basis of trial and error. There must therefore be a means of tentatively checking the results which newspaper, radio, direct mail, and other methods produce, if the most successful media are to receive just emphasis. A good method of checking is to make a tactful effort to obtain information from each investor or loan applicant when he comes to the association's office as to what directly influenced him to bring in his savings or his loan application. Some associations maintain a special form, listing the different types of publicity they employ, on which each employee is required to check the medium which most influenced the customer.

In addition to thorough and consistent efforts made to check an association's own advertising campaign, it is equally important to observe and study the publicity programs carried on by other financial institutions, whether competitors or not. Many large institutions have devoted much time and money to the general problem of institutional advertising, and much can be learned from a study of their general methods. Advertising which is effective enough to divert funds from an association, or to reduce the use made of its services, should be studied with equal care whether the successful competitor is in the same or in a quite different field. Analysis of the reasons for its effectiveness will often disclose successful methods for the association itself to follow.

The General Problem of Institutional Advertising

All advertising must, of course, be adapted to local conditions which will vary substantially in

(Continued on page 109)

BUILDING A MODERN APPRAISAL PLANT

■ THE lending institutions in the field of home mortgage finance are increasingly concerned with the necessity for the maintenance of current records on such influences as population trends, industrial activity, neighborhood trends, and many other local and national factors which affect the value of the real property underlying their loans. The appraisers for these institutions, whether they are a committee composed of directors and officers, or professional valuators retained on a fee basis, or professional appraisers employed as regular salaried personnel, would like at all times to be familiar with such trends and statistics. In many cases, however, the valuators are discouraged by what seems to be the vastness of the field which confronts them and the mass of unorganized information of all kinds which is available. They find it hard to make the careful selection of materials which will permit them to work effectively in their appraisal laboratory.

Managers of home-financing institutions can now bring to the attention of their appraisers the results of recent research carried on in this field to simplify the problems. In 1937, recognizing the complexity of the data in the appraisal field, the Central Housing Committee appointed a Joint Committee on Appraisal and Mortgage Analysis to coordinate the efforts of both governmental and non-governmental agencies interested in valuation and mortgage finance. The Committee was composed of six representatives of three governmental agencies (Farm Credit Administration, Federal Housing Administration, and Federal Home Loan Bank Board) and six representatives from three private agencies (American Institute of Real Estate Appraisers, National Association of Housing Officials, and Society of Residential Appraisers). As a result of its study, the Joint Committee planned the National Appraisal Forum which was held in Washington, November 19 and 20. The Forum was built about the general subject of "Appraisal Data—Their Social and Economic Significance". At the Forum the Joint Committee presented information as to the nature of available real estate appraisal data. The participants in the Forum discussed the social and economic importance of such data and attempted to determine what types of necessary real estate appraisal data are lacking, so that a definite program of research to supply this need might be formulated. All matters relating to valuation principles and methods were excluded.

At the Washington meeting of the National Appraisal Forum the participants discussed these problems under the leadership of nationally known figures in the field of real estate valuation, economics, and home mortgage finance. As an integral part of the Forum, the Joint Committee distributed four catalogs of real estate appraisal data sources.

Two of these catalogs deal primarily with the appraisal of urban real estate, and two are devoted to the appraisal of farm real estate. These catalogs are not only carefully outlined according to subject matter, but complete the picture by telling where a given article may be obtained or referred to, by listing the purchase price when known, and by supplying brief annotations to describe the content of each article.

"The Catalog of Urban Real Estate Appraisal Data Sources" does not deal with publications relating to appraisal principles or techniques, but lists the different sources of other information valuable to real estate appraisers under six major classifications: economic background and environment; income and expense; land use; physical property; population; and real estate market. Any one wishing to include in his appraisal library an authoritative source of such vital statistics as lives of structures, tax statistics, fluctuations in labor supply, and so on, will find in this catalog a broad listing of relevant items.

To be used with this catalog is a "Bibliography on Urban Real Estate Appraisal" which indicates the scope of appraisal literature concerning urban real estate in this country in comprehensive fashion. It does not touch the field of foreign appraisal literature. The bibliography includes publications relating to appraisal principles or techniques, and groups its material under six main headings. First, there is a general section listing appraisal and related bibliographies. This is followed by sections headed, respectively: appraisers; appraisal technique; improved property valuation; land valuation; and valuation factors.

Two bulletins were also distributed which deal primarily with farm real estate valuation. "A Survey of Rural Real Estate Appraisal Data Sources" analyzes the main sources of data, such as government agencies, libraries, bibliographies, and lists of publications, of interest in rural appraisal and mortgage analysis, but does not attempt, except by recording a few references to be taken as an example of the form in which a complete catalog could be compiled, to give *specific* data sources of use to appraisers of rural property. The Bureau of Agricultural Economics contributes "Valuation of Real Estate with Special Reference to Farm Real Estate", which entirely supersedes and brings up to date its earlier bibliography with the same title. This is a combination of select references to published material on the valuation of real estate in this country. It contains a section devoted entirely to urban valuation and general methods, but the emphasis is upon valuation of farm real estate.

Individuals and mortgage-lending institutions which have found it difficult to build and maintain a modern appraisal plant will find that these catalogs are of great value to them in giving quickly a comprehensive view of published material on the wide variety of subjects with which the competent valuator today must be familiar.

NOTE: For further information regarding these catalogs, inquiries should be directed to the Editor of the REVIEW.

A House Built Under the Federal Home Building Service Plan

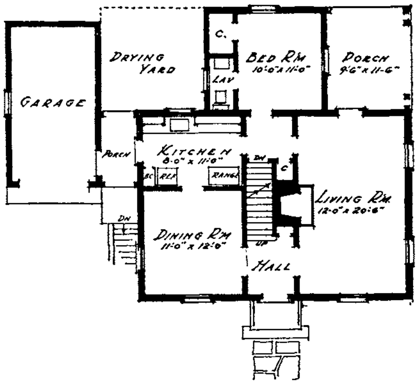
■ ON the opposite page is a picture of a small house built under the Federal Home Building Service Plan. This house is located in College Heights, Maryland, a few miles outside of Washington, D. C.

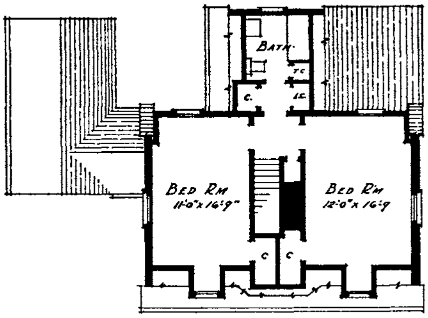
The project was initiated and developed through the Federal Home Building Service Department of a local savings and loan association which is a member of the Federal Home Loan Bank System. This lending institution handled all the details for the owners, safeguarding their interests by attending to all the details involved in house construction.

One of the primary provisions of the Federal Home Building Service Plan is that the house be designed by an architect or approved technician. This house was planned by the architectural firm of Schreier and Patterson, and is one of the multiple-use designs of the Federal Home Building Service Plan. However, the duties of the architects did not end with the design. They also supervised construction to insure sound workmanship and good materials.

The attractiveness and convenience of this house plan are evident. The six rooms are well centered on a stair hall with a bedroom and bath forming a wing at the back. All the rooms have cross ventilation. The porch is located on the southeast corner of the house and is consequently sheltered from the afternoon sun. The connecting porch between the house and garage, besides tying the design together, acts as a passage between the drying yard and the outside basement stairs to the laundry.

NOTE: Information concerning working drawings of the plan shown on the opposite page may be procured by writing to the Editor of the REVIEW.





HOUSE BUILT UNDER
THE FEDERAL HOME BUILDING SERVICE PLAN

Architects—Schreier & Patterson, Washington, D. C.

RESIDENTIAL CONSTRUCTION and HOME-FINANCING ACTIVITY

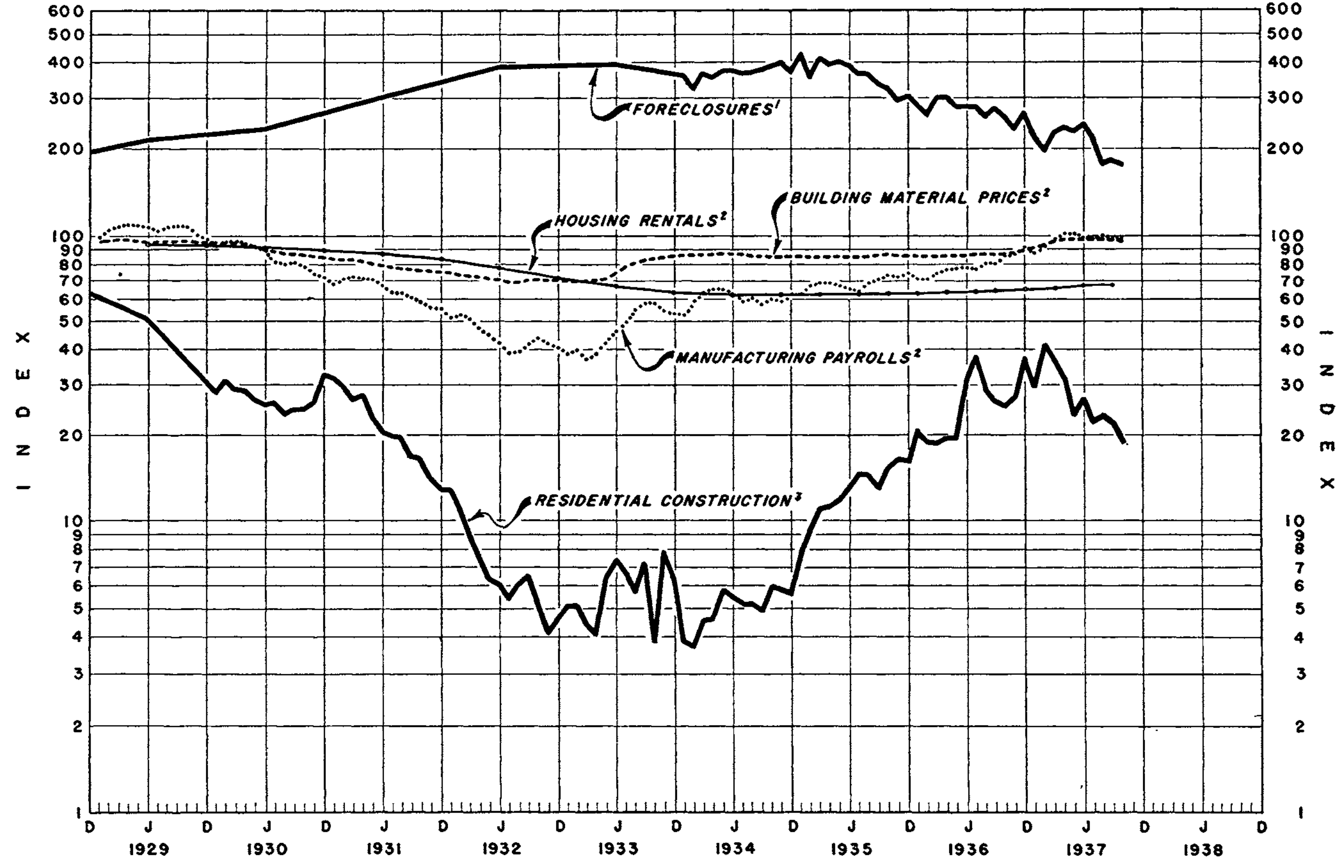
■ ALTHOUGH the peak of building costs was reached early in the summer, the general public did not become fully aware of the sharply rising costs until recent months. Newspapers and other news sources are now assigning more and more weight to high costs as the cause of the present slump in building, and it is to be expected that many builders will therefore delay operations until a more favorable time. Other factors which must be considered, however, are still favorable to an increase in building. A major factor is that, although the coming of winter may defer the revival of building until next year, the pressure of an acute shortage of dwelling units which are actually needed must eventually force a renewal of construction activity. Another favorable sign is the definite confirmation of a decrease in building costs, now very clearly pointed out by the returns from the building cost index for November.

The index of residential construction, based on 1926=100 and covering the total number of family dwelling units provided in all cities of 10,000 population or over and adjusted for normal seasonal variation, dropped from 21.9 in September to 17.6 in October. This is the lowest point of the index since December 1935, and represents a volume of building only 53 percent of that in March of this year.

In the cities of 10,000 and more population, 10,652 dwelling units at a total cost of $40.592,100 were authorized in October. In October 1936, 15,148

RESIDENTIAL BUILDING ACTIVITY AND SELECTED INFLUENCING FACTORS

1926=100



Source:- 1. Federal Home Loan Bank Board (County Reports)
2. U. S. Dept. of Labor (Converted to 1926 Base)
3. Federal Home Loan Bank Board (U. S. Dept. of Labor Records)

such units were authorized and in September 1937, 12,162 units. In spite of the general drop in building, 1-family dwellings constitute about the same proportion of total private building this October as last October: over 70 percent. In October last year Government-financed low-cost housing projects bolstered total building by 1,372 units; whereas, in the same month this year only 2 units were authorized.

In spite of the recession in building this year, the number of units provided in the first 10 months remains above the number provided in the same months of 1936. So far, 142,705 dwelling units have been provided in 1937—a far cry from the 750,000 dwelling units a year estimated as necessary to overcome adequately the existing shortage.

The wholesale price of building materials index, which reached its peak for 1937 in May, has fallen slightly in each succeeding month. The largest decline of the index in any one month, up to October, had been only 0.4 percent. The index for the month of October, however, shows a decrease of 0.8 percent in the price of all building materials. There was no type of building material on which the wholesale price increased during October, and a decrease of 1.7 percent was shown for both the wholesale price of brick and tile, and of lumber. The price of lumber has declined each month since May, but this is apparently a normal reaction from the sudden sharp rise which took place in the first three months of 1937.

The general level of all building material prices, although reflecting these declines, stood 9.3 percent above the general level in October 1936.

[1926=100]

	Oct. 1937	Sept. 1937	Percent change	Oct. 1936	Percent change
Residential construction [1]	17.6	21.9	−19.6	25.1	−29.9
Foreclosures (metro. cities)	177.0	180.0	−1.7	259.0	−31.7
Rental market (NICB)	88.0	87.4	+0.7	79.7	+10.4
Rent (Labor Dept.)	--------	67.8	--------	[2] 64.3	--------
Cost of living (Labor Dept.)	--------	82.9	--------	[2] 80.4	--------
Building material prices	95.4	96.2	−0.8	87.3	+9.3
Manufacturing employment	99.1	100.8	−1.7	95.5	+3.8
Manufacturing payrolls	96.6	96.5	+0.1	85.8	+12.6
Average wage per employee	97.5	95.7	+1.9	89.8	+8.6

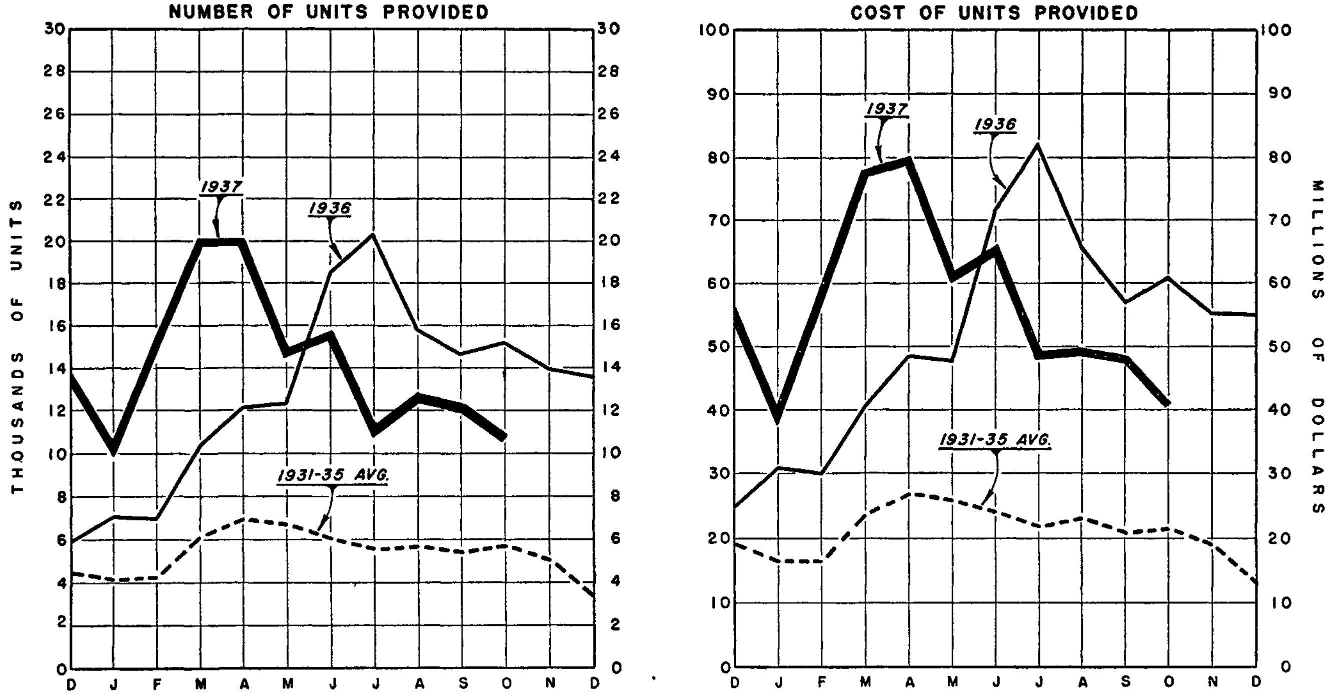
[1] Corrected for normal seasonal variations.

[2] As of September 1936.

The index of real estate foreclosures in metropolitan communities declined from 180 in September to 177 in October. This means that for the third consecutive month the index did not exceed the average for 1928. The decline of less than 2 percent between these two months is favorable when we consider that normally there is no change between September and October. Rises and recessions ap-

ESTIMATED NUMBER AND COST OF FAMILY DWELLING UNITS PROVIDED IN ALL CITIES OF 10,000 OR MORE POPULATION

(Source: Federal Home Loan Bank Board. Compiled from residential building permits reported to U. S. Dept. of Labor)



peared rather scattered geographically. The index stood 32 percent below the level of October 1936, when the figure was 259.

RATE OF BUILDING

In view of the decline in volume of building, it was to be expected that the rate of building, i. e., the number of family dwelling units provided per 100,000 population, also declined. In September, 19.4 units per 100,000 were authorized; in October, 17.0 units were authorized.

Only one Federal Home Loan Bank District could report a significant increase in the rate of building between these two months. In the Little Rock District the rate rose from 32.4 units to 35.7 units.

The Los Angeles Bank District continues to report greater activity than any other section of the country in spite of an almost continuous decrease in rate since the first part of this year. In October, 42.7 dwelling units were built in this area for each 100,000 of population.

Indexes of Small-House Building Costs

[*Table 3*]

■ THE first signs of a definite halt in rising building costs appeared in July when half of the reporting cities returned costs which had either remained stable over the 3-month period from April to July, or which showed slight decreases. This tendency for building costs to level off was confirmed by the reports of the other two groups of cities in August and September.

In October, the group of cities which in July first gave signs of the levelling off of costs furnished further evidence pointing to a definite decrease in building costs.

In November, the second group of cities in this cycle submitted a report definitely confirming this downward trend by percentage declines of greater magnitude. Estimates of building costs reported by 25 cities in November showed decreases of 2 percent or more from August in 7 cities, and declines of 1 percent or more in 5 other cities. The decline in building costs was attributable for the most part to slight decreases in the price of materials, since labor costs remained practically stationary. Nineteen out of the 25 cities reported a decrease in building costs from August levels. In Dallas and Reno, there was no change in building costs reported.

Only four cities reported increases in costs, and only in Wheeling and in New Orleans, where the increases amounted to 2 percent or more, was the fluctuation marked.

The greatest decrease in costs occurred in Columbus, Ohio, where a decline of 6.2 percent since August dropped the cost of the standard house from $6,536 to $6,134. This more than absorbed the increase reported by Columbus for the period May to August, which was the largest percentage increase for any reporting city at that time, and was due primarily to labor rates.

The lowest total cost was again reported by Little Rock, Arkansas, where costs have remained relatively stable since February 1936. In August, Little Rock was the only city in this group reporting a cost of under 22 cents a cubic foot. In spite of the decreases in November, Little Rock retains this distinction, with Nashville, at 22.8 cents, remaining its closest rival.

Monthly Lending Activity of Savings and Loan Associations

[*Tables 4, 5, 6, and 7 and Supplemental Charts A and B*]

■ THE present home-financing and building slump has affected the volume of savings and loan lending not only in loans for new construction but in all other categories as well. The estimated total mortgage loans by all types of savings and loan associations dropped from $66,411,000 (revised) in September to $63,621,000 in October, a continuation of the steady decline which started in June.

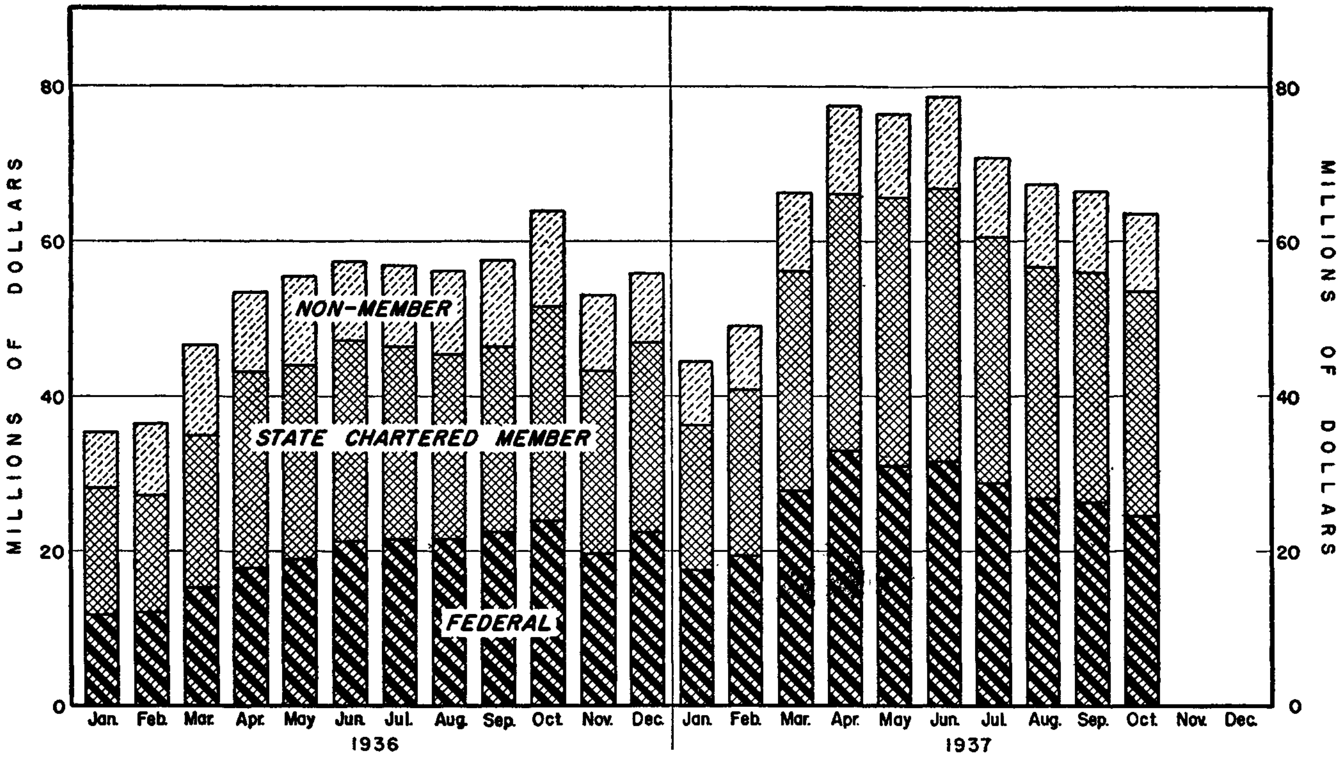
Supplemental Chart A, on the facing page, clearly shows this trend. The bars for each month are divided by type of institution. For October, the Federal savings and loan associations were responsible for 38 percent of total lending, the State-chartered members of the Federal Home Loan Bank System for 46 percent, and the nonmember savings and loan associations for 16 percent. This chart represents graphically the figures of Table 5 on page 98.

Supplemental Chart B shows the distribution of new mortgage loans made by all savings and loan associations during the last two years. Most conspicuous is the gradually increasing proportion of loans which have been made for home purchase. In

LENDING ACTIVITY OF SAVINGS AND LOAN ASSOCIATIONS

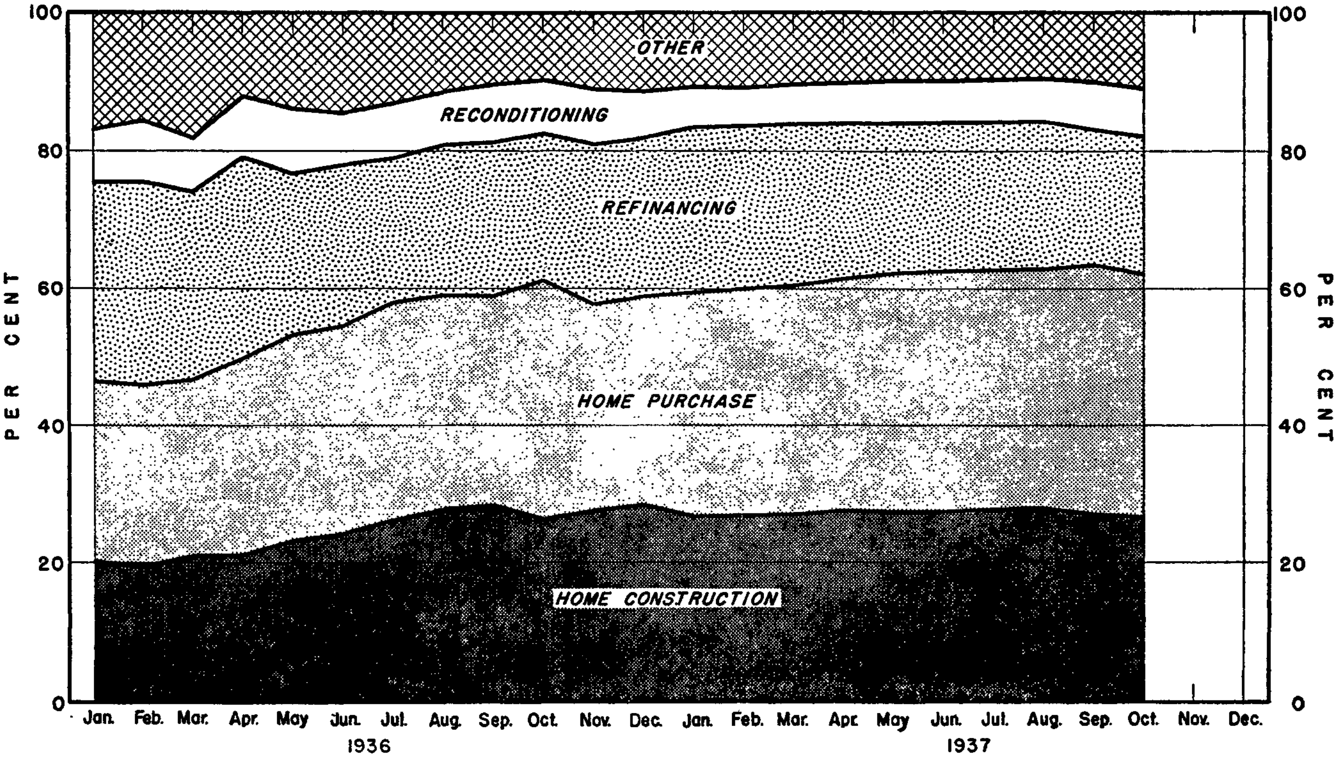
SUPPLEMENTAL CHART A

VOLUME OF NEW LOANS BY TYPE OF ASSOCIATION



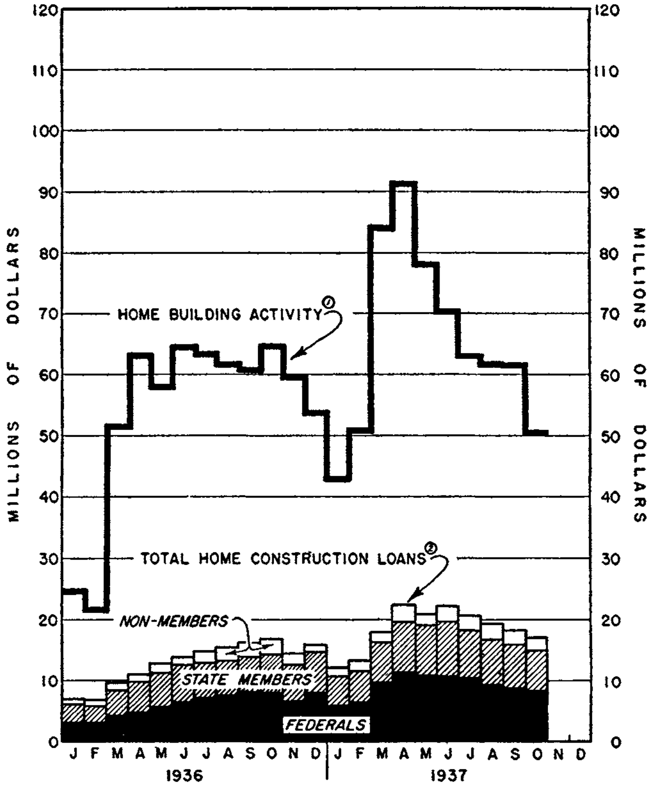
SUPPLEMENTAL CHART B

MONTHLY DISTRIBUTION OF NEW LOANS BY PURPOSE



January 1936, only 26.3 percent of the total went for this purpose while in October 1937 the proportion was 35.3 percent. Also noteworthy is the almost constant percentage of loans for new construction. About 27 percent of all savings and loan lending has been for this purpose during the past year in spite of the drastic fluctuations in residential construction.

HOME CONSTRUCTION LOANS MADE BY ALL SAVINGS AND LOAN ASSOCIATIONS COMPARED WITH HOME BUILDING ACTIVITY



① Estimated for all cities of 2,500 or more population based on building permits for 1 & 2 family dwellings reported to U.S. Department of Labor.
② Estimated for all active associations by Federal Home Loan Bank Board

Of the total estimated lending by all associations in October, 26.9 percent went for new construction, 35.3 percent for home purchase, 20.0 percent for refinancing, 7.1 percent for reconditioning, and 10.7 percent for other purposes.

Federal Savings and Loan Insurance Corporation

[Tables 9 and 10]

■ THE trend in savings and loan activity this fall seems to be a slowing-up of investment activity and a rather drastic reduction of mortgage lending. The 352 reporting insured State-chartered institutions reflect this trend. Their total share liabili[illegible] in November remained almost stationary as compared with September, being bolstered slightly by increased H. O. L. C. share subscriptions. Their mortgage lending during the month, on the other hand, decreased almost a million dollars to $7,042,900. But as was true of Federal associations, this reduction was not sufficient to affect adversely the size of their loan portfolio. Mortgage loans outstanding on October 31 amounted to $317,682,400, a two and one-half million dollar rise during the month.

The volume of loans for both new construction and home purchase fell most drastically during October. They both fell almost 20 percent but were still the two largest categories for which loans were made. Home purchase loans accounted for 36.8 percent of all loans made, new construction for 23.7 percent, while refinancing amounted to 17.2 percent of the total and reconditioning to 7.3 percent. Loans for purposes other than those listed were the only group which increased over September. Consequently, they represented 15.0 percent of total loans; whereas, last month they represented only 11.8 percent.

On October 31, there were 1,839 insured savings and loan associations of all types. Of this number 541 were State-chartered associations, 11 more than at the beginning of the month; 653 were Federal savings and loan associations converted from State-chartered associations, an increase of 8; and 645 were newly organized Federals, an increase of 1.

Federal Savings and Loan System

[Table 11]

■ THE volume of loans made each month by reporting Federal savings and loan associations has been declining steadily during the summer and shows no signs of slackening. In June, 1,181 reporting Federals made $30,000,000 in mortgage loans during the month. In October, the latest reporting month, 1,211 Federals made only $23,000,000 in new loans.

The same group of Federal savings and loan associations loaned $25,000,000 in September. In none of the cateogries for which loans are made, listed in Table 11, has lending increased between these two latest reporting months, but the balance of loans outstanding increased 1.8 percent. Thus, lending activity by these associations has been slowing down but it has not yet reached the point where there is any danger of actual shrinkage of loan portfolios.

In October, 33.8 percent of total loans were made for new construction, and 6.4 percent for reconditioning. This portion of Federal activity is directly related to the building industry. Of other lending, 32.8 percent went for home purchase, 19.9 percent for refinancing, and 7.1 percent for other purposes.

In contrast to the unfavorable drop in mortgage lending, the rate at which funds were flowing into the reporting associations increased somewhat. Almost 10 percent more private funds were invested during October than during September, and 11.0 percent less was withdrawn.

Progress in number and assets of Federal savings and loan associations

	Number		Approximate assets	
	Sept. 30, 1937	Oct. 31, 1937	Sept. 30, 1937	Oct. 31, 1937
New	650	649	$222, 636, 578	$242, 460, 483
Converted	657	662	777, 683, 581	800, 597, 235
Total	1, 307	1, 311	1, 000, 320, 159	1, 043, 057, 718

At the end of October, the share liability of these 1,211 reporting Federals amounted to $806,692,100 of which $206,666,200 had been subscribed by the Treasury and the Home Owners' Loan Corporation. On the same date, their assets amounted to over $1,002,536,600, an increase of 1.3 percent during the month.

Federal Home Loan Bank System

[*Tables 12 and 13*]

■ FOR the second consecutive month, advances by the 12 Federal Home Loan Banks decreased, paralleling the slackening in mortgage-lending activity witnessed during this summer and fall. But advances in October amounted to $8,991,000 and repayments to $4,461,000, leaving a net increase which raised the balance of loans outstanding to a new high of $184,041,000.

Only 2 of the 12 Banks advanced over one million dollars in October. They were the Winston-Salem and the Los Angeles Banks. The greatest increase in advances was reported from the New York Bank which advanced three times as much in October as in September. The Pittsburgh Bank doubled its advances. The volume of advances by all the other Banks either changed very slightly between these two months or declined.

No changes in interest rates charged by the Banks were reported up to the time of going to press.

The Third Issue of Debentures

On November 16, the Federal Home Loan Banks announced the public offering of a third consolidated debenture issue. This new issue of $25,000,000 of 3-year 2 percent Consolidated Debentures, Series C, was the first public financing ever undertaken by the Federal Home Loan Banks with a maturity exceeding one year. This offering sold at a price of $100⅜ and was immediately oversubscribed, as were the previous issues.

The two issues of 1-year debentures offered publicly in April and July amounted to $52,700,000. The first and second offerings, though 1-year debentures, had slightly less than 11 months to maturity from the date of issuance and carried coupon rates of 1½ percent and 1¼ percent, respectively. The 3-year debentures offered in November bring aggregate sales of Federal Home Loan Bank issues to a total of $77,700,000. These Series C Consolidated Debentures are due December 1, 1940, and were priced to yield about 1.87 percent.

A secondary effect of the Federal Home Building Service Plan

■ AN association in the Middle West finds that the Home Building Service Plan attracts many people who are financially unable to build a new home. These people are naturally disappointed when the financial advisor tells them that he cannot recommend that they build under the Plan. But they are not sent away disappointed; the association holds several properties which it has reconditioned and is holding for sale. The prospect is shown these properties which are naturally lower in price than a new dwelling. He understands how much easier his financial obligation will be if he buys one of them than if he builds, and, consequently, a sale is often made.

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 [1]

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

Type of structure or agency	Number of family units provided					Total cost of units (thousands of dollars)				
	Monthly totals			January-October totals		Monthly totals			January-October totals	
	Oct. 1937	Sept. 1937	Oct. 1936	1937	1936	Oct. 1937	Sept. 1937	Oct. 1936	1937	1936
1-family dwellings	7,920	9,078	9,900	95,564	81,133	$32,146.6	$37,783.6	$41,704.6	$413,862.0	$348,389.2
2-family dwellings	698	896	768	8,150	6,220	1,690.5	2,291.7	2,092.8	22,017.4	17,123.2
Joint home and business [2]	74	113	87	928	693	258.0	404.5	311.6	3,401.4	2,503.8
3- and more-family dwellings	1,960	2,075	4,393	38,063	45,055	6,497.0	7,538.0	15,978.1	129,747.7	166,374.2
Total residential	10,652	12,162	15,148	142,705	133,101	40,592.1	48,017.8	60,087.1	569,028.5	534,390.4
Private housing	10,650	12,162	13,776	139,094	119,109	40,557.2	48,017.8	54,982.9	552,659.3	461,036.1
Public housing [3]	2	0	1,372	3,611	13,992	34.9	0.0	5,104.2	16,369.2	73,354.3

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

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

[3] Includes only Government-financed low-cost housing project units as reported by U. S. Department of Labor.

Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in October 1937, 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]
[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost		Number of family dwelling units		Estimated cost	
	October 1937	October 1936	October 1937	October 1936	October 1937	October 1936	October 1937	October 1936
UNITED STATES	10,652	15,148	$40,592.1	$60,087.1	8,692	10,755	$34,095.1	$44,109.0
No. 1—Boston	584	724	2,706.8	3,568.5	577	712	2,703.3	3,513.5
Connecticut	155	214	700.8	1,064.7	155	202	700.8	1,009.7
Maine	31	50	110.2	139.7	31	50	110.2	139.7
Massachusetts	275	347	1,420.7	1,976.6	268	347	1,417.2	1,976.6
New Hampshire	15	21	49.7	55.9	15	21	49.7	55.9
Rhode Island	99	81	386.4	280.1	99	81	386.4	280.1
Vermont	9	11	39.0	51.5	9	11	39.0	51.5
No. 2—New York	1,745	3,439	7,791.7	14,335.3	933	1,352	4,310.6	5,936.0
New Jersey	182	352	1,063.0	1,758.9	182	283	1,063.0	1,548.9
New York	1,563	3,087	6,728.7	12,576.4	751	1,069	3,247.6	4,387.1
No. 3—Pittsburgh	628	723	2,841.8	3,542.2	500	650	2,542.5	3,239.1
Delaware	9	6	46.6	38.0	9	6	46.6	38.0
Pennsylvania	503	630	2,467.7	3,198.7	383	571	2,189.9	2,960.3
West Virginia	116	87	327.5	305.5	108	73	306.0	240.8
No. 4—Winston-Salem	1,354	2,172	4,426.0	6,738.4	1,051	1,384	3,598.5	4,456.2
Alabama	72	648	312.6	1,883.5	72	99	312.6	197.2
District of Columbia	340	344	1,283.2	1,448.0	111	172	618.2	1,013.5
Florida	357	414	1,195.0	1,255.5	298	387	1,055.0	1,168.9
Georgia	122	169	251.2	262.0	122	159	251.2	251.8
Maryland	122	109	421.5	437.7	122	106	421.5	430.7
North Carolina	177	257	463.8	694.6	173	238	454.8	660.6
South Carolina	75	106	140.0	270.8	64	106	126.5	270.8
Virginia	89	125	358.7	486.3	89	117	358.7	462.7

Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in October 1937, by Federal Home Loan Bank Districts and by States—Continued

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost		Number of family dwelling units		Estimated cost	
	October 1937	October 1936	October 1937	October 1936	October 1937	October 1936	October 1937	October 1936
No. 5—Cincinnati	702	1, 464	$3, 149. 2	$6, 372. 3	645	628	$2, 932. 1	$3, 052. 0
Kentucky	95	107	281. 1	384. 3	95	91	281. 1	333. 8
Ohio	500	480	2, 575. 3	2, 630. 9	443	417	2, 358. 2	2, 403. 4
Tennessee	107	877	292. 8	3, 357. 1	107	120	292. 8	314. 8
No. 6—Indianapolis	834	817	3, 449. 4	4, 285. 0	800	792	3, 363. 6	4, 187. 0
Indiana	203	146	686. 1	618. 3	203	146	686. 1	618. 3
Michigan	631	671	2, 763. 3	3, 666. 7	597	646	2, 677. 5	3, 568. 7
No. 7—Chicago	502	596	2, 551. 2	3, 178. 6	469	577	2, 386. 3	3, 136. 2
Illinois	274	285	1, 563. 2	1, 793. 7	247	266	1, 399. 9	1, 751. 3
Wisconsin	228	311	988. 0	1, 384. 9	222	311	986. 4	1, 384. 9
No. 8—Des Moines	501	663	1, 826. 2	2, 308. 6	451	647	1, 729. 2	2, 271. 4
Iowa	121	131	434. 9	419. 8	121	131	434. 9	419. 8
Minnesota	207	196	799. 6	769. 5	165	196	719. 6	769. 5
Missouri	137	284	482. 1	993. 8	129	268	465. 1	956. 6
North Dakota	21	20	62. 6	56. 2	21	20	62. 6	56. 2
South Dakota	15	32	47. 0	69. 3	15	32	47. 0	69. 3
No. 9—Little Rock	1, 183	1, 199	2, 890. 7	2, 962. 0	1, 002	1, 115	2, 426. 1	2, 882. 6
Arkansas	31	46	68. 4	136. 0	31	46	68. 4	136. 0
Louisiana	94	132	246. 9	362. 6	81	124	223. 6	354. 1
Mississippi	74	67	108. 1	120. 0	74	57	108. 1	101. 7
New Mexico	52	64	128. 6	164. 4	44	57	113. 6	150. 4
Texas	932	890	2, 338. 7	2, 179. 0	772	831	1, 912. 4	2, 140. 4
No. 10—Topeka	418	487	1, 209. 3	1, 811. 5	386	385	1, 169. 8	1, 348. 7
Colorado	100	75	292. 6	293. 9	80	75	262. 6	293. 9
Kansas	111	102	299. 4	387. 4	103	92	293. 4	347. 4
Nebraska	49	71	171. 4	244. 8	49	71	171. 4	244. 8
Oklahoma	158	239	445. 9	885. 4	154	147	442. 4	462. 6
No. 11—Portland	369	500	1, 163. 5	1, 495. 7	346	439	1, 100. 5	1, 402. 5
Idaho	18	58	67. 7	170. 9	18	46	67. 7	148. 9
Montana	47	58	106. 4	127. 2	47	37	106. 4	88. 2
Oregon	83	107	282. 1	417. 9	60	107	219. 1	417. 9
Utah	71	70	219. 1	215. 3	71	62	219. 1	208. 3
Washington	136	197	440. 7	518. 9	136	177	440. 7	493. 7
Wyoming	14	10	47. 5	45. 5	14	10	47. 5	45. 5
No. 12—Los Angeles	1, 832	2, 364	6, 586. 3	9, 489. 0	1, 532	2, 074	5, 832. 6	8, 683. 8
Arizona	28	52	94. 1	202. 8	28	52	94. 1	202. 8
California	1, 790	2, 298	6, 399. 2	9, 195. 9	1, 490	2, 008	5, 645. 5	8, 390. 7
Nevada	14	14	93. 0	90. 3	14	14	93. 0	90. 3

RATE OF RESIDENTIAL BUILDING IN ALL CITIES OF 10,000 OR MORE POPULATION

Represents the estimated number of family dwelling units provided per 100,000 population.

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

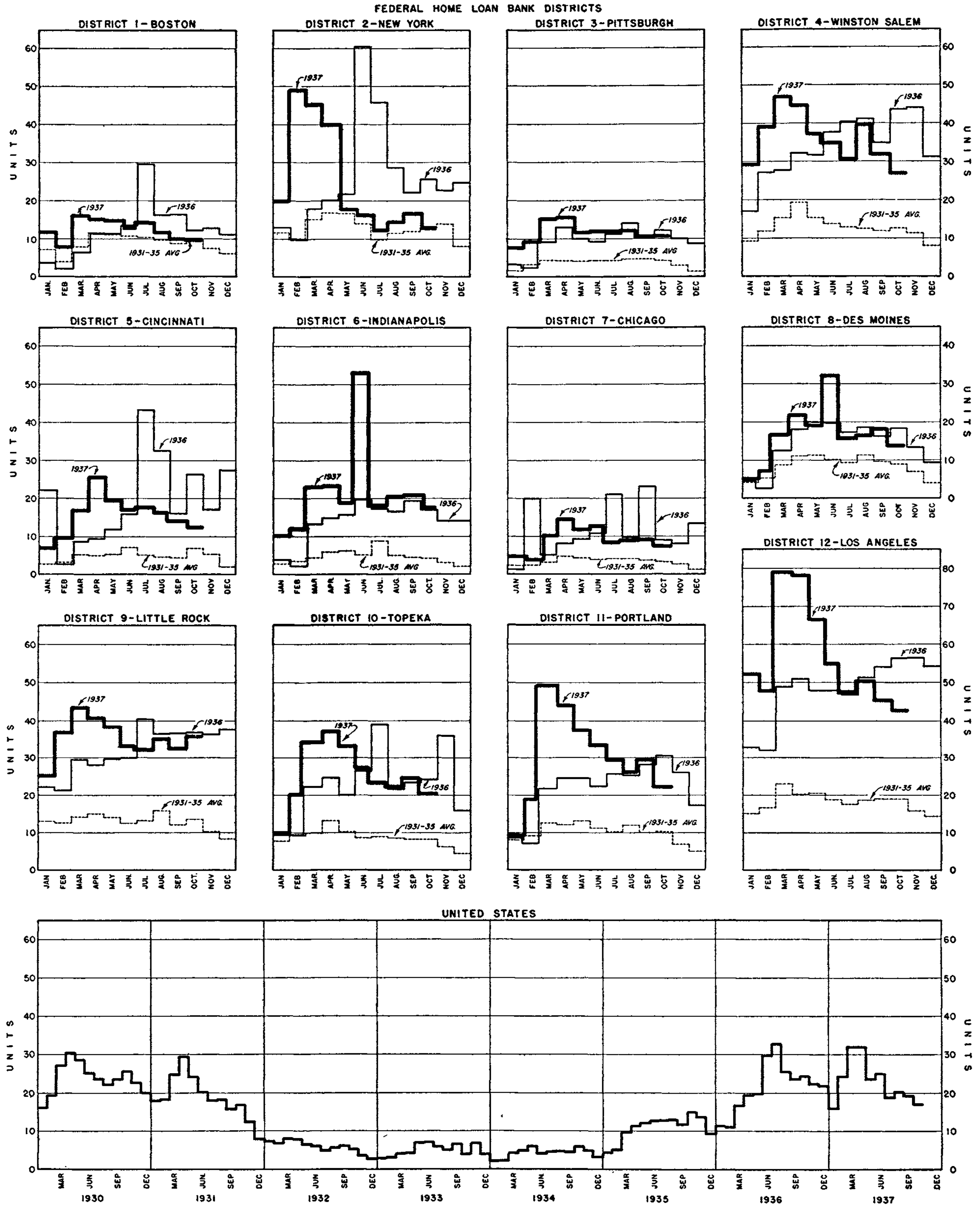


Table 3.—Cost of building the same standard house in representative cities in specific months [1]

NOTE.—These figures are subject to correction

[Source: Federal Home Loan Bank Board]

Federal Home Loan Bank Districts, States, and cities	Cubic-foot cost		Total building cost							
	Nov. 1937	Nov. 1936	Nov. 1937	Aug. 1937	May 1937	Feb. 1937	Nov. 1936	Aug. 1936	May 1936	Feb. 1936
No. 3—Pittsburgh:										
Delaware:										
Wilmington	$0. 242	$0. 219	$5, 811	$5, 784	$5, 737	$5, 406	$5, 258	$5, 259	$5, 290	$5, 213
Pennsylvania:										
Harrisburg	. 251	. 225	6, 031	6, 186	6, 186	5, 668	5, 408	5, 405	5, 439	5, 371
Philadelphia	. 238	. 209	5, 720	5, 948	5, 944	5, 483	5, 010	4, 929	4, 870	4, 584
Pittsburgh	. 280	. 247	6, 715	6, 781	6, 730	6, 179	5, 920	5, 433	5, 405	5, 474
West Virginia:										
Charleston	. 263	. 237	6, 312	6, 350	5, 857	5, 696	5, 696	5, 564	5, 477	5, 476
Wheeling	. 285	. 240	6, 836	6, 704	--------	5, 846	5, 763	--------	--------	--------
No. 5—Cincinnati:										
Kentucky:										
Lexington	. 235	. 218	5, 635	5, 721	5, 887	--------	5, 223	5, 237	5, 120	4, 993
Louisville	. 245	. 227	5, 883	6, 066	6, 111	--------	5, 456	5, 338	5, 326	5, 384
Ohio:										
Cincinnati	. 279	. 239	6, 689	6, 711	6, 321	5, 849	5, 748	5, 932	5, 827	5, 809
Cleveland	. 284	. 259	6, 827	6, 981	6, 756	6, 320	6, 213	6, 165	6, 147	6, 028
Columbus	. 256	. 241	6, 134	6, 536	6, 352	6, 052	5, 778	5, 850	5, 529	5, 522
Tennessee:										
Memphis	. 240	. 212	5, 748	5, 752	5, 704	5, 462	5, 092	5, 080	5, 120	4, 841
Nashville	. 228	. 212	5, 476	5, 504	5, 421	5, 267	5, 094	5, 096	5, 089	5, 030
No. 9—Little Rock:										
Arkansas:										
Little Rock	. 216	. 214	5, 186	5, 208	5, 285	5, 195	5, 136	5, 202	5, 215	5, 215
Louisiana:										
New Orleans	. 259	. 225	6, 204	6, 027	5, 911	5, 601	5, 395	5, 124	5, 075	5, 075
Mississippi:										
Jackson	. 249	. 225	5, 981	6, 112	5, 849	5, 607	5, 412	5, 365	5, 333	5, 319
New Mexico:										
Albuquerque	. 277	. 243	6, 653	6, 744	6, 358	5, 948	5, 827	5, 779	5, 625	5, 625
Texas:										
Dallas	. 256	. 235	6, 147	6, 147	6, 143	5, 968	5, 641	5, 641	5, 618	--------
Houston	. 252	. 242	6, 047	6, 073	6, 391	5, 935	5, 809	5, 809	5, 933	--------
San Antonio	. 260	. 231	6, 250	6, 284	6, 284	5, 884	5, 538	5, 532	5, 532	5, 464
No. 12—Los Angeles:										
Arizona:										
Phoenix	. 279	. 243	6, 706	6, 814	6, 742	5, 885	5, 843	6, 032	6, 112	6, 044
California:										
Los Angeles	. 243	. 229	5, 833	6, 001	6, 015	5, 800	5, 489	5, 301	5, 239	5, 316
San Diego	. 259	. 233	6, 218	6, 181	6, 141	6, 137	5, 581	5, 361	5, 381	5, 385
San Francisco	. 266	. 259	6, 375	6, 452	6, 407	6, 319	6, 222	6, 151	6, 017	--------
Nevada:										
Reno	. 278	. 265	6, 677	6, 677	6, 641	6, 360	6, 354	6, 313	6, 324	6, 097

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[1] The house on which costs are reported is a detached 6-room home of 24,000 cubic feet volume. Living room, dining room, kitchen, and lavatory on first floor; 3 bedrooms and bath on second floor. Exterior is wide-board siding with brick and stucco as features of design. Best quality materials and workmanship are used throughout.

The house is *not* completed ready for occupancy. It includes all fundamental structural elements, an attached 1-car garage, an unfinished cellar, an unfinished attic, a fireplace, essential heating, plumbing, and electric wiring equipment, and complete insulation. It does *not* include wall-paper nor other wall nor ceiling finish on interior plastered surface, lighting fixtures, refrigerators, water heaters, ranges, screens, weather stripping, nor window shades.

Reported costs include, in addition to material and labor costs, compensation insurance, an allowance for contractor's overhead and transportation of materials, plus 10 percent for builder's profit.

Reported costs do *not* include the cost of land nor of surveying the land, the cost of planting the lot, nor of providing walks and driveways; they do not include architect's fee, cost of building permit, financing charges, nor sales costs.

In figuring costs, current prices on the same building materials list are obtained every 3 months from the same dealers, and current wage rates are obtained from the same reputable contractors and operative builders.

Table 4.—Estimated volume of new loans by all savings and loan associations, classified according to purpose [1]

[Thousands of dollars]

Month	Mortgage loans on homes				Loans for all other purposes	Total loans, all purposes
	Construction	Home purchase	Refinancing	Reconditioning		
1936						
October	$16, 806	$22, 217	$13, 569	$4, 994	$6, 171	$63, 757
1937						
January	11, 884	14, 510	10, 643	2, 583	4, 794	44, 414
February	13, 084	16, 629	11, 405	2, 667	5, 298	49, 083
March	18, 251	22, 007	15, 502	3, 915	6, 501	66, 176
April	22, 098	27, 381	15, 811	4, 949	7, 261	77, 500
May	20, 600	28, 831	15, 113	4, 862	7, 016	76, 422
June	21, 628	28, 696	15, 905	5, 069	7, 369	78, 667
July	20, 283	24, 934	14, 668	4, 472	6, 317	70, 674
August	19, 342	23, 172	14, 382	4, 339	6, 026	67, 261
September	17, 942	24, 277	12, 919	4, 691	6, 582	66, 411
October	17, 114	22, 494	12, 695	4, 527	6, 791	63, 621

[1] 1937 data are on a revised basis.

Table 5.—Estimated volume of new loans by all savings and loan associations, classified according to type of association [1]

[Amounts are shown in thousands of dollars]

Month	Volume of loans				Percent of total		
	Total	Federal	State members	Non-members	Federal	State members	Non-members
1936							
October	$63, 757	$23, 914	$27, 519	$12, 324	38	43	19
1937							
January	44, 414	17, 543	18, 671	8, 200	40	42	18
February	49, 083	19, 360	21, 509	8, 214	39	44	17
March	66, 176	27, 829	28, 325	10, 022	42	43	15
April	77, 500	32, 915	33, 153	11, 432	42	43	15
May	76, 422	30, 998	34, 616	10, 808	41	45	14
June	78, 667	31, 577	35, 221	11, 869	40	45	15
July	70, 674	28, 693	31, 799	10, 182	41	45	14
August	67, 261	26, 768	29, 866	10, 627	40	44	16
September	66, 411	26, 189	29, 673	10, 549	39	45	16
October	63, 621	24, 539	29, 020	10, 062	38	46	16

[1] 1937 data are on a revised basis.

Table 6.—Estimated volume of new lending activity of savings and loan associations, classified by District and type of association [1]

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank District and type of association	New loans		Percent increase, Oct. 1937 over Sept. 1937	New loans, October 1936	Percent increase, Oct. 1937 over Oct. 1936
	October 1937	September 1937			
United States: Total	$63, 621	$66, 411	− 4	$63, 757	0
Federal	24, 539	26, 189	− 6	23, 914	+ 3
State member	29, 020	29, 673	− 2	27, 519	+ 5
Nonmember	10, 062	10, 549	− 5	12, 324	− 18
District 1: Total	6, 830	6, 775	+ 1	6, 820	0
Federal	1, 561	1, 485	+ 5	749	+108
State member	3, 395	3, 629	− 6	3, 628	− 6
Nonmember	1, 874	1, 661	+13	2, 443	− 23
District 2: Total	5, 271	5, 110	+ 3	5, 309	− 1
Federal	1, 906	1, 770	+ 8	1, 988	− 4
State member	1, 750	1, 630	+ 7	1, 593	+ 10
Nonmember	1, 615	1, 710	− 6	1, 728	− 7
District 3: Total	3, 555	3, 807	− 7	3, 145	+ 13
Federal	1, 116	1, 084	+ 3	841	+ 33
State member	1, 284	1, 450	−11	1, 001	+ 28
Nonmember	1, 155	1, 273	− 9	1, 303	− 11
District 4: Total	8, 755	8, 472	+ 3	8, 868	− 1
Federal	3, 402	3, 495	− 3	3, 212	+ 6
State member	4, 243	3, 907	+ 9	4, 152	+ 2
Nonmenber	1, 110	1, 070	+ 4	1, 504	− 26
District 5: Total	10, 323	11, 295	− 9	9, 956	+ 4
Federal	4, 745	5, 223	− 9	4, 751	0
State member	5, 293	5, 580	− 5	4, 364	+ 21
Nonmember	385	492	−42	841	− 66
District 6: Total	3, 760	3, 745	0	4, 227	− 11
Federal	1, 775	1, 678	+ 6	1, 495	+ 19
State member	1, 582	1, 720	− 8	2, 237	− 29
Nonmember	403	347	+16	495	− 19
District 7: Total	6, 139	6, 183	− 1	5, 536	+ 11
Federal	2, 236	2, 511	−11	2, 100	+ 6
State member	3, 387	3, 208	+ 6	2, 824	+ 20
Nonmember	516	464	+11	612	− 16
District 8: Total	4, 474	4, 664	−4	4, 128	+8
Federal	1, 644	2, 026	−19	2, 100	−22
State member	1, 456	1, 217	+20	1, 109	+31
Nonmember	1, 374	1, 421	−3	919	+50
District 9: Total	3, 737	4, 116	− 9	3, 590	+ 4
Federal	1, 286	1, 304	− 1	1, 298	− 1
State member	2, 191	2, 414	− 9	1, 775	+ 23
Nonmember	260	398	−35	517	− 50
District 10: Total	3, 640	3, 981	− 9	4, 038	− 10
Federal	1, 439	1, 690	−15	1, 354	+ 6
State member	993	1, 192	−17	974	+ 2
Nonmember	1, 208	1, 099	+10	1, 710	− 29
District 11: Total	2, 381	3, 039	−22	2, 955	− 19
Federal	1, 248	1, 494	−16	1, 665	− 25
State member	929	1, 011	− 8	1, 208	− 23
Nonmember	204	534	−62	82	+149
District 12: Total	4, 756	5, 224	−9	5, 185	−8
Federal	2, 181	2, 429	−10	2, 361	−8
State member	2, 517	2, 715	−7	2, 654	−5
Nonmember	58	80	−28	170	−66

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[1] 1937 data are on a revised basis.

Table 7.—Monthly lending activity and total assets as reported by 2,689 savings and loan associations in October 1937

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

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	Number of associations		Loans made in October according to purpose											Total assets Oct. 31, 1937[3]	Total number of savings and loan associations[4]
			Mortgage loans on 1- to 4-family nonfarm homes							Loans for all other purposes		Total loans, all purposes			
	Submitting reports	Reporting loans made	Construction		Home purchase[1]		Refinancing and reconditioning[2]								
							Number	Amount							
			Number	Amount	Number	Amount		Refinancing	Reconditioning	Number	Amount	Number	Amount		
UNITED STATES	2,689	2,284	4,082	$12,944.4	6,224	$15,705.6	7,246	$9,421.4	$3,081.7	3,196	$4,362.5	20,748	$45,515.6	$2,700,226.3	10,020
Federal	1,225	1,131	2,504	7,914.9	3,008	7,666.0	3,490	4,667.9	1,503.9	1,362	1,656.7	10,364	23,409.4	1,013,634.2	1,305
State member	1,038	881	1,356	4,493.7	2,667	6,880.2	3,162	4,297.3	1,295.7	1,433	2,063.6	8,618	19,030.5	1,361,045.0	2,588
Nonmember	426	272	222	535.8	549	1,159.4	594	456.2	282.1	401	642.2	1,766	3,075.7	325,547.1	6,127
No. 1—Boston	152	136	244	851.3	586	1,899.5	587	739.2	304.4	316	423.7	1,733	4,218.1	309,765.6	367
Connecticut	28	22	57	201.0	34	127.0	29	76.6	1.7	22	12.6	142	418.9	18,686.6	53
Maine	21	16	14	27.4	42	83.6	44	61.3	13.0	13	4.8	113	190.1	12,106.9	42
Massachusetts	86	81	113	405.9	387	1,316.4	402	463.8	229.8	235	353.0	1,137	2,768.9	242,404.6	219
New Hampshire	8	8	17	41.2	25	40.4	39	40.8	15.0	23	11.9	104	149.3	7,226.8	30
Rhode Island	5	5	39	169.5	85	291.7	64	86.5	34.1	22	37.3	210	619.1	26,475.5	9
Vermont	4	4	4	6.3	13	40.4	9	10.2	10.8	1	4.1	27	71.8	2,865.2	14
No. 2—New York	284	182	306	1,149.5	369	1,275.8	264	508.7	186.8	216	221.7	1,155	3,342.5	330,001.0	1,787
New Jersey	150	65	12	53.1	73	214.3	35	44.2	22.5	30	57.6	150	391.7	113,201.5	1,498
New York	134	117	294	1,096.4	296	1,061.5	229	464.5	164.3	186	164.1	1,005	2,950.8	216,799.5	289
No. 3—Pittsburgh	231	158	130	357.0	256	628.4	237	295.7	107.4	109	119.3	732	1,507.8	99,696.7	2,520
Delaware	6	5	4	15.0	18	51.0	3	2.0	0.7	22	15.2	47	83.9	4,041.1	42
Pennsylvania	202	132	60	191.6	202	508.0	172	217.1	72.6	53	71.9	487	1,061.2	82,200.2	2,410
West Virginia	23	21	66	150.4	36	69.4	62	76.6	34.1	34	32.2	198	362.7	13,455.4	68
No. 4—Winston-Salem	285	250	603	2,243.9	648	1,635.0	1,071	1,917.2	405.5	340	506.0	2,662	6,707.6	248,182.9	1,287
Alabama	17	15	20	33.9	61	70.4	28	28.9	5.9	14	11.5	123	150.6	5,728.5	42
District of Columbia	12	12	75	651.1	63	290.8	481	1,384.6	99.8	80	58.3	699	2,493.6	106,998.5	29
Florida	48	42	137	638.7	62	176.2	78	83.7	50.1	47	152.5	324	1,101.2	27,574.1	102
Georgia	45	37	74	163.0	44	75.7	82	51.8	52.7	45	44.1	245	387.3	14,623.3	62
Maryland	53	43	41	128.3	182	525.5	54	79.3	16.7	42	85.4	319	835.2	29,216.3	693
North Carolina	44	43	117	247.2	115	219.2	172	129.7	68.8	66	86.2	470	751.1	29,269.8	188
South Carolina	39	35	93	222.0	46	94.5	95	55.2	77.6	18	21.2	252	470.5	14,421.2	79
Virginia	27	23	46	159.7	75	173.7	81	104.0	33.9	28	46.8	230	518.1	20,351.2	92
No. 5—Cincinnati	388	358	558	1,810.2	1,392	3,812.8	1,278	1,551.0	543.5	587	877.0	3,815	8,594.5	535,337.3	975
Kentucky	60	55	87	256.8	190	448.1	192	192.6	78.4	95	87.0	564	1,062.9	55,189.2	186
Ohio	292	270	362	1,322.6	1,159	3,286.4	1,005	1,274.5	428.4	461	734.4	2,987	7,046.3	462,617.7	733
Tennessee	36	33	109	230.8	43	78.3	81	83.9	36.7	31	55.6	264	485.3	17,530.4	56
No. 6—Indianapolis	200	187	369	947.6	607	1,166.8	798	581.8	328.3	307	345.9	2,081	3,370.4	229,911.5	376
Indiana	142	134	203	469.7	518	924.8	633	410.8	253.7	213	224.3	1,567	2,283.3	130,878.5	303
Michigan	58	53	166	477.9	89	242.0	165	171.0	74.6	94	121.6	514	1,087.1	99,033.0	73
No. 7—Chicago	276	233	232	702.1	537	1,465.7	697	1,124.9	304.5	222	308.8	1,688	3,906.0	214,313.6	1,072
Illinois	206	173	115	401.8	447	1,211.9	592	986.7	259.2	172	229.6	1,326	3,089.2	164,798.3	864
Wisconsin	70	60	117	300.3	90	253.8	105	138.2	45.3	50	79.2	362	816.8	49,515.3	208
No. 8—Des Moines	185	160	229	738.4	295	622.0	493	682.8	163.9	185	187.5	1,202	2,394.6	115,789.9	442
Iowa	47	44	54	153.9	79	130.8	143	170.1	44.5	44	53.4	320	552.7	22,382.5	99
Minnesota	47	42	97	368.0	101	255.6	151	203.4	41.9	48	71.4	397	940.3	34,232.6	76
Missouri	70	58	55	163.3	82	187.7	147	257.5	51.7	60	37.3	344	697.5	49,563.8	225
North Dakota	14	9	12	34.9	28	44.5	30	30.4	10.5	29	14.6	99	134.9	7,001.7	24
South Dakota	7	7	11	18.3	5	3.4	22	21.4	15.3	4	10.8	42	69.2	2,609.3	18

[1] Loans for home purchase include all those involving both a change of mortgagor and a new investment by the reporting institution on a property already built, whether new or old.

[2] Because many refinancing loans also involve reconditioning it has been found necessary to combine the number of such loans, though amounts are shown separately. Amounts shown under refinancing include solely new money invested by each reporting institution and exclude that part of all recast loans involving no additional investment by the reporting institution.

[3] Assets are reported principally as of Oct. 31, 1937.

[4] Number of members as of Oct. 31, 1937. Number of nonmembers as reported for year 1936 adjusted for conversion through Oct. 31, 1937, except for Maryland and Illinois where the number of nonmembers is estimated.

Table 7.—Monthly lending activity and total assets as reported by 2,689 savings and loan associations in October 1937—Continued

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	Number of associations		Loans made in October according to purpose												Total assets Oct. 31, 1937	Total number of savings and loan associations
			Mortgage loans on 1- to 4-family nonfarm homes							Loans for all other purposes		Total loans, all purposes				
	Submitting reports	Reporting loans made	Construction		Home purchase		Refinancing and reconditioning									
							Number	Amount								
			Number	Amount	Number	Amount		Refinancing	Reconditioning	Number	Amount	Number	Amount			
No. 9—Little Rock	272	237	422	$1, 110. 5	506	$1, 039. 3	533	$442. 7	$258. 1	301	$515. 5	1, 762	$3, 366. 1		$163, 615. 0	409
Arkansas	41	35	40	83. 4	50	84. 1	58	30. 2	26. 7	65	77. 6	213	302. 0		10, 835. 5	66
Louisiana	72	68	117	363. 9	216	505. 1	172	186. 3	114. 7	135	275. 6	640	1, 445. 6		85, 009. 7	89
Mississippi	29	25	19	32. 7	23	21. 2	56	34. 5	14. 4	8	8. 7	106	111. 5		4, 964. 2	50
New Mexico	11	7	17	56. 0	6	13. 5	9	4. 5	3. 3	6	11. 2	38	88. 5		2, 711. 7	22
Texas	119	102	229	574. 5	211	415. 4	238	187. 2	99. 0	87	142. 4	765	1, 418. 5		60, 093. 9	182
No. 10—Topeka	186	162	269	768. 8	514	993. 1	478	477. 6	173. 8	316	382. 3	1, 577	2, 795. 6		164, 828. 3	381
Colorado	34	25	35	106. 9	72	155. 5	74	104. 2	18. 8	25	33. 8	206	419. 2		19, 560. 2	63
Kansas	67	61	72	179. 4	158	272. 4	142	106. 5	66. 6	76	89. 3	448	714. 2		50, 514. 0	152
Nebraska	35	29	43	129. 3	128	226. 5	113	100. 9	40. 5	99	101. 9	383	599. 1		42, 446. 4	90
Oklahoma	50	47	119	353. 2	156	338. 7	149	166. 0	47. 9	116	157. 3	540	1, 063. 1		52, 307. 7	76
No. 11—Portland	118	113	250	639. 8	224	464. 6	391	414. 5	172. 2	164	255. 2	1, 029	1, 946. 3		97, 426. 7	185
Idaho	8	8	24	43. 7	16	23. 3	23	25. 1	8. 4	16	17. 2	79	117. 7		5, 715. 2	13
Montana	17	16	34	91. 2	18	44. 8	47	25. 5	35. 5	15	15. 1	114	212. 1		11, 438. 0	26
Oregon	24	24	61	155. 4	42	79. 7	106	124. 1	56. 8	28	46. 4	237	462. 4		23, 290. 0	38
Utah	7	7	21	81. 1	18	50. 6	20	26. 0	17. 5	13	32. 0	72	207. 2		8, 243. 0	21
Washington	51	47	103	256. 0	110	226. 2	186	206. 7	42. 9	86	132. 9	485	864. 7		44, 584. 2	72
Wyoming	10	10	7	12. 4	20	40. 0	8	7. 1	7. 1	6	11. 6	41	78. 2		4, 066. 4	14
Alaska	1	1	0	0. 0	0	0. 0	1	0. 0	4. 0	0	0. 0	1	4. 0		89. 9	1
No. 12—Los Angeles	112	108	470	1, 625. 3	290	702. 6	419	685. 3	133. 3	133	219. 6	1, 312	3, 366. 1		191, 357. 8	219
Arizona	3	3	18	46. 2	4	5. 3	40	66. 0	0. 9	1	1. 5	63	119. 9		1, 872. 3	4
California	107	103	446	1, 569. 4	282	683. 3	373	608. 3	130. 1	130	215. 0	1, 231	3, 206. 1		187, 189. 0	198
Nevada	1	1	4	5. 4	0	0. 0	2	0. 0	1. 7	0	0. 0	6	7. 1		678. 2	5
Hawaii	1	1	2	4. 3	4	14. 0	4	11. 0	0. 6	2	3. 1	12	33. 0		1, 618. 3	12

Table 8.—Index of wholesale price of building materials in the United States

[1926=100]

[Source: U. S. Department of Labor]

	All building materials	Brick and tile	Cement	Lumber	Paint and paint materials	Plumbing and heating	Structural steel	Other
October 1936	87. 3	88. 3	95. 5	86. 1	80. 2	76. 6	97. 1	90. 4
1937								
January	91. 3	89. 7	95. 5	93. 0	83. 7	77. 1	104. 7	93. 9
February	93. 3	91. 0	95. 5	99. 0	83. 4	77. 4	104. 7	95. 0
March	95. 9	91. 8	95. 5	102. 1	83. 9	77. 6	112. 9	98. 9
April	96. 7	94. 9	95. 5	103. 0	82. 9	78. 7	114. 9	99. 9
May	97. 2	95. 0	95. 5	103. 0	83. 7	78. 7	114. 9	101. 3
June	96. 9	95. 0	95. 5	102. 2	83. 6	78. 7	114. 9	101. 1
July	96. 7	95. 4	95. 5	101. 3	83. 9	78. 7	114. 9	101. 0
August	96. 3	95. 5	95. 5	99. 5	84. 1	78. 8	114. 9	101. 0
September	96. 2	95. 0	95. 5	99. 0	84. 6	80. 6	114. 9	100. 8
October	95. 4	93. 4	95. 5	97. 3	84. 2	80. 6	114. 9	100. 2
Change:								
Oct. 1937–Sept. 1937	−0. 8%	−1. 7%	0. 0%	−1. 7%	−0. 5%	0. 0%	0. 0%	−0. 6%
Oct. 1937–Oct. 1936	+9. 3%	+5. 8%	0. 0%	+13. 0%	+5. 0%	+5. 2%	+18. 3%	+10. 8%

Table 9.—Institutions insured by the Federal Savings and Loan Insurance Corporation [1]

	Cumulative number at specified dates					Number of shareholders	Assets	Share and creditor liabilities
	Dec. 31, 1934	Dec. 31, 1935	Dec. 31, 1936	Sept. 30, 1937	Oct. 31, 1937	Oct. 31, 1937	Oct. 31, 1937	Oct. 31, 1937
State-chartered associations	4	136	382	530	541	743, 909	$599, 202, 799	$522, 351, 298
Converted F. S. and L. A	108	406	560	645	653	682, 163	727, 063, 343	664, 984, 772
New F. S. and L. A	339	572	634	644	645	133, 239	165, 942, 590	155, 568, 488
Total	451	1, 114	1, 576	1, 819	1, 839	1, 559, 311	1, 492, 208, 732	1, 342, 904, 558

[1] Beginning Dec. 31, 1936, 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.

Table 10.—Monthly operations of 352 identical insured State-chartered savings and loan associations reporting during September and October 1937

	September	October	Change September to October
Share liability at end of month:			*Percent*
Private share accounts (number)	482, 511	483, 031	+0. 1
Paid on private subscriptions	$338, 396, 900	$338, 093, 700	−0. 1
H. O. L. C. subscriptions	24, 936, 800	25, 895, 800	+3. 9
Total	363, 333, 700	363, 989, 500	+0. 2
Private share investments during month	5, 608, 000	5, 924, 400	+5. 6
Repurchases during month	6, 410, 600	6, 373, 600	−0. 6
Mortgage loans made during month:			
a. New construction	2, 076, 200	1, 664, 700	−19. 8
b. Purchase of homes	3, 221, 600	2, 594, 600	−19. 5
c. Refinancing	1, 251, 600	1, 211, 700	−3. 2
d. Reconditioning	532, 000	514, 800	−3. 2
e. Other purposes	948, 400	1, 057, 100	+11. 5
Total	8, 029, 800	7, 042, 900	−12. 3
Mortgage loans outstanding end of month	315, 129, 200	317, 682, 400	+0. 8
Borrowed money as of end of month:			
From Federal Home Loan Banks	20, 373, 700	20, 791, 900	+2. 1
From other sources	2, 270, 300	2, 151, 600	−5. 2
Total	22, 644, 000	22, 943, 500	+1. 3
Total assets, end of month	461, 634, 100	463, 923, 400	+0. 5

Table 11.—Monthly operations of 1,211 identical Federal savings and loan associations reporting during September and October 1937

	September	October	Change September to October
Share liability at end of month:			*Percent*
Private share accounts (number)	802, 821	813, 200	+1. 3
Paid on private subscriptions	$594, 644, 700	$600, 025, 900	+0. 9
Treasury and H. O. L. C. subscriptions	204, 699, 100	206, 666, 200	+1. 0
Total	799, 343, 800	806, 692, 100	+0. 9
Private share investments during month	12, 445, 500	13, 664, 700	+9. 8
Repurchases during month	9, 198, 400	8, 185, 800	−11. 0
Mortgage loans made during month:			
a. New construction	8, 355, 200	7, 852, 100	−6. 0
b. Purchase of homes	8, 111, 500	7, 618, 100	−6. 1
c. Refinancing	5, 122, 000	4, 636, 700	−9. 5
d. Reconditioning	1, 631, 300	1, 499, 900	−8. 1
e. Other purposes	1, 828, 800	1, 649, 200	−9. 8
Total	25, 048, 800	23, 256, 000	−7. 2
Mortgage loans outstanding end of month	769, 116, 500	782, 846, 300	+1. 8
Borrowed money as of end of month:			
From Federal Home Loan Banks	81, 453, 400	84, 481, 900	+3. 7
From other sources	2, 827, 400	3, 071, 700	+8. 6
Total	84, 280, 800	87, 553, 600	+3. 9
Total assets, end of month	989, 658, 900	1, 002, 536, 600	+1. 3

Table 12.—Federal Home Loan Bank advances to member institutions by Districts

Federal Home Loan Banks	Advances made during Oct. 1937	Advances made during Sept. 1937
No. 1—Boston	$603, 300. 00	$547, 700. 00
No. 2—New York	963, 200. 00	317, 500. 00
No. 3—Pittsburgh	859, 486. 84	465, 000. 00
No. 4—Winston-Salem	1, 244, 150. 00	1, 776, 140. 00
No. 5—Cincinnati	923, 000. 00	1, 160, 900. 00
No. 6—Indianapolis	471, 900. 00	354, 000. 00
No. 7—Chicago	660, 910. 00	1, 178, 689. 28
No. 8—Des Moines	761, 808. 00	1, 049, 542. 00
No. 9—Little Rock	408, 400. 00	420, 000. 00
No. 10—Topeka	527, 800. 00	418, 700. 00
No. 11—Portland	491, 800. 00	468, 200. 00
No. 12—Los Angeles	1, 075, 500. 00	1, 174, 000. 00
Total	8, 991, 254. 84	9, 330, 371. 28

Table 13.—Lending operations of the Federal Home Loan Banks

[Thousands of dollars]

Month	Loans advanced monthly	Repayments monthly	Balance outstanding at end of month
December 1935	$8, 414	$2, 708	$102, 795
June 1936	11, 560	3, 895	118, 587
December 1936	13, 473	5, 333	145, 401
1937			
January	6, 570	8, 225	143, 745
February	4, 260	6, 800	141, 205
March	8, 591	7, 077	142, 719
April	9, 640	6, 214	146, 146
May	12, 170	4, 825	153, 491
June	17, 769	4, 203	167, 057
July	10, 221	7, 707	169, 571
August	11, 116	5, 080	175, 607
September	9, 330	5, 426	179, 511
October	8, 991	4, 461	184, 041

Table 14.—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
Dec. 31, 1936	89	3, 845, 710	279	21, 016, 900	2, 617	108, 591, 900	2, 985	133, 454, 510
June 30, 1937	125	5, 400, 710	473	32, 873, 600	3, 669	159, 298, 600	4, 267	197, 572, 910
July 31, 1937	125	5, 655, 210	515	35, 410, 100	3, 838	166, 884, 100	4, 478	207, 949, 410
Aug. 31, 1937	126	6, 007, 210	586	39, 633, 420	4, 088	177, 603, 700	4, 800	223, 244, 330
Sept. 30, 1937	126	6, 082, 210	623	41, 510, 420	4, 217	182, 523, 000	4, 966	230, 115, 630
Oct. 31, 1937	127	6, 192, 210	639	42, 148, 470	4, 255	184, 052, 200	5, 021	232, 392, 880
Subscriptions:								
Dec. 31, 1935	2	100, 000	24	1, 980, 000	474	17, 766, 500	500	19, 846, 500
Dec. 31, 1936	45	1, 688, 000	262	19, 455, 900	2, 538	104, 477, 400	2, 845	125, 621, 300
June 30, 1937	63	2, 381, 000	440	30, 283, 600	3, 509	150, 368, 400	4, 012	183, 033, 000
July 31, 1937	52	1, 934, 000	465	31, 176, 600	3, 647	155, 917, 000	4, 164	189, 027, 600
Aug. 31, 1937	48	1, 926, 000	492	32, 950, 600	3, 742	159, 511, 500	4, 282	194, 388, 100
Sept. 30, 1937	47	1, 901, 000	510	33, 675, 720	3, 849	164, 226, 200	4, 406	199, 802, 920
Oct. 31, 1937	48	1, 931, 000	535	34, 954, 770	3, 918	166, 447, 700	4, 501	203, 333, 470

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

Table 15.—Properties acquired by H. O. L. C. through foreclosure and voluntary deed [1]

Period	Number
Prior to 1935	9
1935: Jan. 1 through June 30	114
July 1 through Dec. 31	983
1936: Jan. 1 through June 30	4, 449
July 1 through Dec. 31	15, 646
1937: January	3, 059
February	3, 290
March	4, 143
April	3, 887
May	4, 472
June	4, 608
July	4, 476
August	4, 298
September	4, 657
October	4, 409
Grand total to Oct. 31, 1937	62, 450

[1] Does not include 21,272 properties bought in by H. O. L. C. at foreclosure sale but awaiting expiration of the redemption period before title in absolute fee can be obtained.

In addition to the 62,450 completed cases, 347 properties were sold at foreclosure sales to parties other than the H. O. L. C. and 7,899 cases have been withdrawn due to payment of delinquencies by borrowers after foreclosure proceedings were authorized.

Table 16.—Reconditioning Division—Summary of all reconditioning operations of H. O. L. C. through Nov. 15, 1937 [1]

	June 1, 1934, through Oct. 15, 1937	Oct. 16, 1937, through Nov. 15, 1937	Cumulative through Nov. 15, 1937
Cases received [2]	848, 849	10, 759	859, 608
Contracts awarded:			
Number	484, 438	10, 664	495, 102
Amount	$92, 287, 016	$1, 959, 115	$94, 246, 131
Jobs completed:			
Number	473, 241	11, 612	484, 853
Amount	$88, 593, 747	$1, 787, 961	$90, 381, 708

[1] All figures are subject to adjustment. Figures do not include 52,269 reconditioning jobs, amounting to approximately $6,800,000, completed by the Corporation prior to the organization of the Reconditioning Division on June 1, 1934.

[2] Includes all property management, advance, insurance, and loan cases referred to the Reconditioning Division which were not withdrawn prior to preliminary inspection or cost estimate prior to Apr. 15, 1937.

Administrative Rulings, Board Resolutions, and Counsel's Opinions

Digest of A–B–C Book Opinion

ANY member may obtain from a Federal Home Loan Bank a copy of any administrative ruling, Board resolution, or the complete text of any opinion of the Legal Department of the Board, the digest of which is printed in the REVIEW. "A" indicates administrative rulings by the Governor; "B" indicates resolutions of the Board; and "C" indicates Counsel's opinions. In requesting any such copy, its A–B–C Book reference number and date, as given in parentheses at the end of each of the following digests, should be cited. Copies of the A–B–C Book itself are not available for distribution.

POWERS OF FEDERAL ASSOCIATIONS—Office buildings, purchase of.
REAL ESTATE—Office building, purchase of.
OFFICE BUILDING—Location of, and investment in. Fed. Charter E, Sec. 11; Fed. Charter K, Sec. 3; Fed. Regs. 45, 46.

1. Charter K, Section 3, empowers a Federal savings and loan association to invest in an office building or buildings for the transaction of the association's business without obtaining Board approval, provided the amount so invested does not exceed the sum of its undivided profits and reserve accounts. If the association owns the building in which it is now situated, but wishes to purchase another building in the same locality and immediate vicinity and move its office to the new building, it may do so without obtaining Board approval, provided the total amount invested in both buildings does not exceed the sum of its undivided profits and reserve accounts. Both buildings could be carried on the association's books until satisfactory disposition could be made of the old building. In purchasing real estate for office purposes, if the association intends to move any office from its immediate vicinity or from the location fixed by its charter, or intends to establish a branch office, prior approval of the Board thereto is necessary under the provisions of Federal Regulation 45 before the purchase of such real estate would be an investment for office purposes.

2.[1] The words "undivided profits and reserve accounts" as used in Charter K, Section 3, and Charter E, Section 11, as a measure for determining the amounts a Federal association may invest in real estate whereon there is, or may be, erected a building or buildings for the transaction of the business of an association, mean, at any given date, the sum of the following:

(a) The aggregate amount of all reserves for losses, and such portion of income collected in advance as is not subject to refund, but excluding any contra reserve required to be set up as a condition for conversion or pursuant to Section 46 of the Federal Regulations; and

(b) The amount of the undivided profits account of the association, to-wit, the accumulation of transfers on previous dividend dates to the undivided profits account, less amounts declared as dividends out of the amounts remaining from previous periods in the undivided profits account.

(As to powers of Federal associations with respect to investments in real estate, see paragraph 1 of A–B–C Book Opinion, C–145, entitled "Powers of Federal Associations—Purchase of Real Estate".)

(A–B–C Book, C–055, May 20, 1937)

ADVANCES—Valuation of real estate for purposes of. F. H. L. B. Act, Secs. 10 (a), 10 (b); Bank Reg., Sec. 42 (10).

The value of real estate, for the purpose of determining the maximum amount that may be advanced on the security of a home mortgage under Section 10 (a) (2) or Section 10 (a) (3) of the Federal Home Loan Bank Act, must be based upon the value of such real estate as of the time such advance is made by the Federal Home Loan Bank. Such value shall be established by such evidence as the Federal Home Loan Bank deems appropriate and sufficient.

(A–B–C Book, C–166, June 28, 1937)

ADVANCES TO NONMEMBERS—Large scale mortgages insured by F. H. A.: F. H. L. B. Act, Sec. 10 (b); Bank Reg. 47.

Pursuant to the provisions of Section 10 (b) of the Federal Home Loan Bank Act and the provisions of Bank Regulation 47, a Bank may make advances upon collateral consisting of large scale mortgages, provided such mortgages have been insured by the Federal Housing Administrator, pursuant to the provisions of Section 207 of the National Housing Act (12 U. S. C. 1713), when the mortgagee seeking the advance (1) is not a member of the Bank, (2) is a corporation, (3) is subject to inspection and supervision of a Governmental agency, and (4) its principal activity in the mortgage field consists of lending its own funds. Advances on such collateral are not subject to the provisions and restrictions of the Federal Home Loan Bank Act, but can be made only upon the security of mortgages which, pursuant to the provisions of said Section 207 of the National Housing Act and the Rules and Regulations of the Federal Housing Administrator, have been insured by such Administrator.

(A–B–C Book, C–165, July 17, 1937)

NOTES—Advances to members, prepayment. Bank Regs. 42 (7), 43 (7) (b).

A Federal Home Loan Bank is authorized to accept at any time payment on the principal of notes held by it for advances made in an amount in excess of payments required by the note and to waive the next succeeding payments of principal due in an aggregate amount not exceeding such payment of principal, even though the note does not expressly provide for such prepayment.

(A–B–C Book, C–164, August 20, 1937)

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[1] Paragraph numbered 2 added Oct. 12, 1937.

HOME MORTGAGE—Defined. F. H. L. B. Act, Sec. 2 (6).

Any instrument given to secure advances which makes any real estate described therein, with or without the necessity of a change of possession, specific security (either by reserving title to such real estate or by creating a lien thereon, or by any other method) for the performance of any legal duty or the payment of any obligation either present or to arise in the future, is a "mortgage" within the meaning of the Federal Home Loan Bank Act, as amended, provided such instrument is commonly used to secure advances in the community where the institution is located and provided the instrument is of such nature that the institution, in the event of a default, could subject such real estate to the satisfaction of such legal duty or obligation with at least the same priority accorded a first lien in the community where the institution is located. Any such mortgage upon a fee simple interest in real estate or a leasehold interest in real estate (1) under a lease for not less than 99 years which is renewable or (2) under a lease for a period of not less than 50 years to run from the date such mortgage was executed, on which real estate there is located a dwelling or dwellings for not more than four families, is a "home mortgage" within the meaning of the Federal Home Loan Bank Act, as amended. The term "home mortgage" as used in Section 2 (6) of the Bank Act was not intended by Congress to be confined to instruments which are technically mortgages. Congress intended that this term have a much broader meaning, for Section 2 (6) of the Bank Act provides that the term "home mortgage . . . shall include, in addition to first mortgages, such classes of first liens as are commonly given to secure advances on real estate by institutions authorized under this Act to become members, under the laws of the State in which the real estate is located, together with the credit instruments, if any, secured thereby." The generality of such language shows an obvious intent on the part of Congress to include all types of instruments which are commonly given to secure advances on real estate.

(A-B-C Book, C-080, September 29, 1937)

OFFICERS—Two offices, right to hold. Fed. Charter E, Sec. 5; Fed. Charter K, Sec. 5; Fed. Bylaws ('33), Sec. 6; Fed. Bylaws ('34, '35), Sec. 7.

The same person may not hold more than two offices in a Federal association. The following two offices may simultaneously be held under Charter E or Charter K of a Federal association or any of the bylaws approved by the Board in Federal Regulations: secretary and treasurer, vice president and secretary, vice president and treasurer.

(A-B-C Book, C-100, September 29, 1937)

BORROWING POWER—Insured institutions. Ins. Regs. 9-A, 22; H. O. L. Act, Sec. 5 (b); Fed. Charter K, Sec. 8; Fed. Charter E, Sec. 14; F. H. L. B. Act, Secs. 10, 10 (b); Bank Regs. 42 (7), 43 (7), 47 (6).

1. Insurance Regulation 9-A, effective October 1, 1937, applies both to Federal and State-chartered institutions whether insured prior or subsequent to its adoption, the right to amend, alter, or repeal insurance regulations having been reserved to the Federal Savings and Loan Insurance Corporation by insurance regulations, as originally promulgated and continuing in effect to the date of this opinion. If on October 1, 1937, an insured institution had already borrowed, in accordance with legal provisions then in effect, more than the limitations of this section permit, such insured institution has not violated this section but may not thereafter borrow until it may do so within the limitations of this section. The section expressly provides that a subsequent reduction in the amounts paid in and credited on withdrawable or repurchasable shares, share accounts, certificates of deposit, and investment certificates do not cause prior borrowings, which were made in accordance with this section, to be deemed a violation of this section.

2. The maximum amount which an insured institution may borrow within the limitations of this section must be determined by reference to the statutes (State or Federal) under which the insured institution operates, its charter and bylaws and State or Federal regulations to which it is subject. A Charter K Federal association is authorized by Section 8 of Charter K to obtain aggregate advances of not more than an amount equal to one-half of its share capital on the date of the advance. It has no power to obtain aggregate advances from any source other than a Federal Home Loan Bank of more than an amount equal to 10 percent of its share capital on the date of the advance. Section 9-A is slightly more liberal than the limitations upon borrowing power imposed by Charter K, which must be observed. A Charter E Federal association is authorized by Section 14 of Charter E to obtain aggregate advances of not more than an amount equal to 35 percent of its share capital on the date of the advance. It has no power to obtain aggregate advances from any source other than a Federal Home Loan Bank of more than an amount equal to 10 percent of its share capital on the date of the advance. Such provision of Charter E, which must be observed, is more restricted than the provisions of this section. The charter or bylaws or State law or regulations under which a State-chartered insured institution operates may limit the power to borrow more than the provisions of this section, in which event such provisions must be observed and this section is not a limitation upon the power to borrow of such State-chartered institutions. If, in accordance with the statutes under which the insured institution operates, its charter and bylaws and regulations to which it is subject, the borrowing power of an insured institution exceeds the limitations of this section, such insured institution may not borrow an aggregate amount exceeding one-half the amount paid in and credited on withdrawable or repurchasable shares, share accounts, certificates of deposit and investment certificates, whether or not its withdrawable or repurchasable securities have been pledged to such institution by the holders thereof. Not more than an amount equal to one-tenth of the amount paid in and credited on withdrawable or repurchasable shares, share accounts, certificates of deposit and investment certificates may be borrowed by an insured institution in loans with a maturity of one year or less from the date of the borrowing from sources other than a Federal Home Loan Bank. Sections 10 and 10 (b) of the Federal Home Loan Bank Act and Bank Regulations 42 (7), 43 (7), and 47 (6) authorize a Federal Home Loan Bank to make advances to members or to nonmember mortgagees (approved under Title II of the National Housing Act) for periods not exceeding 10 years from the date of the advance and require such loans to be amortized approximately 10 percent per year.

Other lending institutions do not generally make such long-term amortized loans to insured institutions. Long-term borrowing upon such an amortized basis is safer than short-term borrowing which is repayable on an unamortized basis. This explains the purpose behind the limitation upon borrowings with a maturity of one year or less to one-tenth of the amounts paid in and credited on withdrawable or repurchasable shares, share accounts, certificates of deposit, and investment certificates.

(A–B–C Book, C–060–1, October 12, 1937)

MORTGAGE LOANS—What constitutes a first lien. H. O. L. Act, Sec. 5 (c); Fed. Charter E, Sec. 11; Fed. Charter K, Sec. 13; F. H. L. B. Act, Secs. 10 (a), 10 (b); Bank Reg. 42.

Loans on the security of first liens, as used in Section 5 of Home Owners' Loan Act of 1933, Section 11 of Federal Charter E, and Section 13 of Federal Charter K, are loans upon the security of any instrument (whether a mortgage, deed of trust, or land contract), which instrument makes the real estate described therein, with or without the necessity of a change of possession, specific security (either by reserving title to such real estate or by creating a lien thereon, or by any other method) for the performance of any legal duty or the payment of any obligation, either present or to arise in the future, provided the instrument is of such nature that, in the event of a default, the real estate described in such instrument could be subjected to the satisfaction of such legal duty or obligation with the same priority as a first mortgage or a first deed of trust in the jurisdiction where the real estate is located.

The term "first liens" wherever used in Home Owners' Loan Act of 1933, the Rules and Regulations for Federal Savings and Loan Associations, and in the charters and bylaws of Federal associations, when referring to the security which a Federal association is required to take when making loans on improved real estate, should always be construed as hereinabove defined. Federal associations are required, by Section 5 (a) of Home Owners' Loan Act of 1933, Federal Regulations, and their charters, to pursue the best practices of local mutual thrift and home-financing institutions throughout the United States. Such institutions, in their lending practices, lend upon deeds of trust, upon mortgages (whether such mortgages under the law of the State of the operation constitute a lien or a title), and upon other types of instruments (such as land contracts and bond for title) designed to charge real estate as security for obligations. These associations were intended to operate throughout the United States, and the term "first liens" is clearly intended not to be interpreted as referring to the technical form of instrument, but to refer to the dignity of the instrument which a Federal association should obtain to secure obligations to it. The power of a Federal association to lend its funds under Section 5 (c) of Home Owners' Loan Act of 1933, Federal Regulations, and its charter is a grant of power not only to lend money, but to sell or otherwise dispose of real estate securing the purchase price thereof by a mortgage, deed of trust, or any other instrument creating such a first security for the association upon such real estate, and to enter into any other transaction which results in the creation of an obligation to the association which is secured by such a first security upon improved real estate, either by the execution or assignment and delivery of an instrument which creates such a first security.

Provided a Federal association obtains such a first security upon improved real estate as security for an obligation to it, and such first security and the loan secured thereby comply with the provisions and limitations of the Federal association's charter and bylaws, and the statutes and regulations under which it operates, such loan may be made to any person, whether the person is the owner of the improved real estate, a mortgagee of such improved real estate, or any other person, provided the person is legally empowered to, and does, give as security for the obligation, such a first security upon improved real estate.

Any such instrument is eligible as security for an advance from a Federal Home Loan Bank under the provisions of Section 10 (a) of the Bank Act, when (1) the home mortgage loan secured by it does not have more than 20 years to run to maturity, (2) the amount due on the home mortgage loan at the time of the advance does not exceed $20,000 in amount, and (3) unless the amount of the debt secured is less than 50 percent of the value of the real estate securing the home mortgage loan at the time the loan was made, the loan is not past due more than six months at the time it is presented as security for such an advance (Federal Home Loan Bank Act, Section 10 (b), Bank Regulation 42), provided the instrument is a home mortgage as defined in Section 2 (6) of the Federal Home Loan Bank Act. For a further definition of "home mortgage", as used in the Bank Act, see A–B–C Book Opinion, C–080, entitled "Home Mortgage—Defined", in this issue of the REVIEW.

(A–B–C Book, C–043–1, October 19, 1937)

REAL ESTATE OWNED—Book value of. Fed. Reg. 46.

Federal Regulation 46 prohibits a Federal association from carrying real estate on its books for a sum in excess of the total amount invested by the association on account of such real estate. The regulation authorizes the inclusion of advances, costs, and improvements on account of real estate in the total amount invested by the association, but does not permit the inclusion in the amount invested of accrued but uncollected interest on the loan secured by such real estate which has been acquired by foreclosure. If the extent that it has depreciated in value be charged off, the books of the association must reflect such charge-off. Under the regulation a Federal association may, therefore, capitalize real estate owned at a sum not in excess of the total amount invested on account of such real estate by the association, less any depreciation in value required by the Board to be charged off. The total amount invested by an association on account of any real estate owned is the cost of acquisition of such real estate, plus the cost of improvements. When not acquired through foreclosure, the cost of acquisition of the real estate is clearly determined by the consideration paid and the expenses of acquisition, which are easily determined, being usually in the nature of sales commissions, if payable by the association. If acquired through foreclosure, the cost to the association of acquiring title to the real estate is the sum of the unpaid principal of the obligation owing to the association which was secured by such real estate (including advances on account of taxes or insurance premiums which, under the terms of the obligation were added to the principal thereof, but excluding accrued but uncollected interest), plus all expenses of the association incurred in acquiring title to such real estate by foreclosure, for example, the cost of title search, recording, conveyancing, taxes paid to date of acquisition of title to obtain title by foreclosure, and court costs. To the total cost of acquisition of real estate as so determined, either by foreclosure or otherwise, may be added the total amount thereafter invested by the association on account of such property. Such investments on account of real estate after acquisition are generally described as improvements. All expenditures on real estate for replacements, renewals, betterments, alterations and additions, which increase the value of the real estate, other than expenditures incurred for repairs and upkeep of such real estate, are investments for improvements which may be added to the amount invested to acquire title, in establishing the total amount invested in real estate which, under the regulation, may be capitalized. The regulation does not require prior approval by the Federal Home Loan Bank Board or any supervisory officer of such determination of the total amount invested by the association which may be carried on the books of the association, although such determination is subject to supervisory review. As to real estate which was acquired by foreclosure, accrued but uncollected interest upon the obligation foreclosed may not be capitalized under the regulation because such interest is not an investment by the association on account of such real estate, but is an item of anticipated income which has not been received.

(A–B–C Book, C–053, November 1, 1937)

Resolutions of the Board

PROVISION OF APPLICATION FORM FOR FEDERAL SAVINGS AND LOAN ASSOCIATIONS WISHING TO MAKE LOANS IN AMOUNTS NOT IN EXCESS OF 60 PERCENT OF THE VALUE OF SMALL APARTMENT HOUSES: Adopted November 4, 1937.

Whereas, Subsection (b) of Section 39 of the Rules and Regulations for Federal Savings and Loan Associations permits Federal savings and loan associations to make loans in amounts not in excess of 60 percent of the value of small apartment houses when the members of a Federal association at a legal meeting have authorized such loans and after approval by the Board of such lending practice for such association; and

Whereas, application in form satisfactory to the Board must be made for approval of such lending practice: Therefore

Be it resolved, That any Federal savings and loan association desiring to make loans in amounts exceeding 50 percent of the value of small apartment houses may make application in the following form for approval of such lending practice:

"APPLICATION FOR PERMISSION TO MAKE LOANS ON SMALL APARTMENT HOUSES IN AN AMOUNT EXCEEDING 50 PERCENT OF THE VALUE OF SUCH SECURITY

FEDERAL HOME LOAN BANK BOARD,
Washington, D. C.

The undersigned association respectfully petitions for approval of its lending on small apartment houses in an amount exceeding 50 percent of the value of such security in accordance with subsection (b) of Section 39 of the Rules and Regulations for Federal Savings and Loan Associations.

In support of our petition, we submit the following:

(1) A map showing the pertinent characteristics of the specific areas in which the association desires to make such loans.

(2) Evidence as to the use of and demand for 4- to 12-family apartment houses in such areas.

(3) A full description of appraisal and property analysis methods used by this association in connection with small apartment house lending.

(4) Evidence of the ability of the association to make and service such loans, including evidence of the ability of at least one employee of the association based upon his training and experience efficiently to analyze each such loan and to manage the property if the mortgage is foreclosed.

Wherefore, petitioner prays that its application be approved by the Board.

By_____________________________
(President)

[SEAL] By_____________________________
(Secretary)

I, ________________________, hereby certify that I am the duly elected, qualified, and acting secretary of the above-named association and that the foregoing petition was submitted at a legal meeting of the members of said association held on the __________ day of ____________________, 19____, and was legally adopted at said meeting; a quorum being present. Said petition has been properly executed by the duly authorized officers of the petitioner, and I submit this certificate under my signature as secretary and under the official seal of the institution.

I further certify that there were ______ shares eligible to vote at such meeting; that ______ shares were present in person; that ______ shares were present by proxy; that ______ shares voted in favor of and ______ shares voted against the resolution as shown by the records of the institution.

[SEAL] _____________________________
(Secretary) "

AMENDMENT TO THE RULES AND REGULATIONS FOR FEDERAL SAVINGS AND LOAN ASSOCIATIONS, REGARDING FIDELITY BONDS: Adopted November 1, 1937; effective immediately.

The Board amended subsection (a) of Section 12 by changing the last two sentences to read as follows:

"The original bond shall be kept in the home office of the association, and a true copy thereof shall be filed with the Federal Home Loan Bank of which the association is a member. Each such bond shall contain clauses, in form approved by the Board, empowering the Federal Home Loan Bank, in case of any loss covered by such bond, to give notice thereof to the surety within the periods limited therefor in such bond, and requiring the surety to notify the Federal Home Loan Bank before cancelation of such bond."

To comply with this amendment, the Board, on the same date, added the following clauses to the fidelity bond provided for in subsection (a) of Section 12 of the Rules and Regulations for Federal Savings and Loan Associations:

"Anything in the attached bond to the contrary notwithstanding, it is hereby understood and agreed that in cases of any loss covered by the attached bond and discovered either by the (insert 'employer', 'insured', or 'obligee') or the Federal Home Loan Bank of ________________________ after the effective date of this rider, the said Federal Home Loan Bank is empowered to give notice thereof to the (insert 'company', 'underwriter', or 'surety') within the periods limited therefor in the attached bond."

"No cancelation or termination of this bond in its entirety, whether by the (insert 'employer', 'insured', or 'obligee') or the (insert 'company', 'underwriter', or 'surety'), shall take effect prior to the expiration of 10 days from the receipt by said Federal Home Loan Bank of written notice of such cancelation or termination, unless an earlier date of cancelation or termination is approved by the said Federal Home Loan Bank."

AMENDMENT TO THF RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS, REGARDING FIDELITY BONDS: Adopted November 1, 1937; effective immediately.

The Board amended subsection (a) of Section 15 by repealing the last sentence thereof and by substituting the following:

"A true copy of such bond shall be filed with the Federal Home Loan Bank of which such insured institution is a member or, if such insured institution is not a member, then with the Federal Home Loan Bank of the District in which such insured institution is located, as agent for the Corporation, and either the original of such bond or a true copy thereof shall be kept in the principal office of such institution. In the event such insured institution is subject to State supervisory authority, such bond shall contain a clause, in form approved by the Corporation, requiring the surety to notify such Federal Home Loan Bank before cancelation or termination of the bond. In the event the insured institution is not subject to State supervisory authority, the bond shall contain clauses, in form approved by the Corporation, empowering such Federal Home Loan Bank, in the case of any loss covered by such bond, to give notice thereof to the surety within the periods limited therefor in such bond and requiring the surety to notify such Federal Home Loan Bank before cancelation or termination of the bond."

To comply with this amendment, the Board, on the same date, approved the following clause to be used in connection with the fidelity bonds required to be obtained by State-chartered insured institutions subject to State supervisory authority:

"No cancelation or termination of this bond in its entirety, whether by the (insert 'employer', 'insured', or 'obligee') or the (insert 'company', 'underwriter', or 'surety'), shall take effect prior to the expiration of 10 days from the receipt by the Federal Home Loan Bank of ________________________ of written notice of such cancelation or termination, unless an earlier date of cancelation or termination is approved by the said Federal Home Loan Bank."

Also, for Federal savings and loan associations and State-chartered insured institutions not subject to State supervisory authority, the following clauses, to be used in connection with the required fidelity bonds, were approved:

"Anything in the attached bond to the contrary notwithstanding, it is hereby understood and agreed that in case of any loss covered by the attached bond and discovered either by the (insert 'employer', 'insured', or 'obligee') or the Federal Home Loan Bank of ________________________ after the effective date of this rider, the said Federal Home Loan Bank is empowered to give notice thereof to the (insert 'company', 'underwriter', or 'surety'), within the periods limited therefor in the attached bond."

"No cancelation or termination of this bond in its entirety, whether by the (insert 'employer', 'insured', or 'obligee') or the (insert 'company', 'underwriter', or 'surety'), shall take effect prior to the expiration of 10 days from the receipt by said Federal Home Loan Bank of written notice of such cancelation or termination, unless an earlier date of cancelation or termination is approved by said Federal Home Loan Bank."

Advertising

(Continued from p. 84)

different parts of the country. However, the important thing which association managers are gradually learning from past advertising experience is the fact that home-financing institutions have the same general problem as other financial institutions. Public understanding of the services which they supply cannot be obtained by the same types of advertising which are used to promote the sale of ordinary retail commodities. For this reason such an event as announcement and payment of dividends constitutes one of the few regular opportunities which an institution will have in a year to present in a vivid and dramatic way the particular message which it is trying to give its own community.

Directory of Member, Federal, and Insured Institutions

Added during October–November

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN OCTOBER 16, 1937, AND NOVEMBER 15, 1937[1]

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

DISTRICT NO. 1

CONNECTICUT:
  Waterbury:
    Waterbury Savings Bank, 14 Center Street.

DISTRICT NO. 3

PENNSYLVANIA:
  Aliquippa:
    Woodlawn Building & Loan Association, 385 Franklin Avenue.

DISTRICT NO. 4

GEORGIA:
  LaGrange:
    Home Building & Loan Association, 206 Truitt Building.

MARYLAND:
  Hagerstown:
    Hagerstown Building & Loan Association, Incorporated, 114 West Washington Street.

DISTRICT NO. 5

OHIO:
  Cleveland:
    St. Hyacinth's Savings & Loan Association, 2968 East Sixty-first Street.

DISTRICT NO. 8

MISSOURI:
  Sedalia:
    Sedalia Savings & Loan Association, 110 West Third Street.

DISTRICT NO. 10

KANSAS:
  Kansas City:
    Inter-State Building & Loan Association, 717 Minnesota Avenue.

DISTRICT NO. 12

CALIFORNIA:
  Los Angeles:
    Occidental Life Insurance Company, 756 South Spring Street.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN OCTOBER 16, 1937, AND NOVEMBER 15, 1937

ALABAMA:
  Decatur:
    New Morgan Building & Loan Association, 508 Bank Street (removal from membership).

MARYLAND:
  Baltimore:
    Assurance Permanent Loan & Savings Association of Baltimore City, 1644 East Baltimore Street (removal from membership).
    Conway Street Building Association No. 1, 726 Washington Boulevard (removal from membership).
    Mayflower Savings & Loan Association, 21 South Broadway (removal from membership).
    Purity Building Association, 2612 East Fairmount Avenue (removal from membership).

NEW JERSEY:
  Nutley:
    Franklin Building & Loan Association, 244 Chestnut Street (voluntary withdrawal).

NORTH CAROLINA:
  Cornelius:
    Cornelius Building & Loan Association (voluntary withdrawal).

OHIO:
  Cincinnati:
    Citizens Building Association No. 2, 915 Clark Street (voluntary withdrawal).

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[1] During this period 1 Federal savings and loan association was admitted to membership in the System.

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN OCTOBER 16, 1937, AND NOVEMBER 15, 1937

DISTRICT NO. 1

MASSACHUSETTS:
  Boston:
    Metropolitan Federal Savings & Loan Association, 80 Federal Street (converted from Metropolitan Co-operative Bank).

DISTRICT NO. 4

MARYLAND:
  Baltimore:
    Lafayette Federal Savings & Loan Association of Baltimore City, 1651 West North Avenue (converted from Lafayette Perpetual Building Association of Baltimore City).
  Hagerstown:
    First Federal Savings & Loan Association of Hagerstown, 114 West Washington Street (converted from Hagerstown Building & Loan Association, Incorporated).

DISTRICT NO. 5

OHIO:
  Alliance:
    Industrial Federal Savings & Loan Association of Alliance, 20 Public Square (converted from Industrial Savings & Loan Association).

TENNESSEE:
  Humboldt:
    Home Federal Savings & Loan Association of Humboldt (converted from Home Savings & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN OCTOBER 16, 1937, AND NOVEMBER 15, 1937

MARYLAND:
  Baltimore:
    Hopkins-Homestead Federal Savings & Loan Association, 2628 Harford Avenue (charter canceled on account of merger with Belair-Hopkins Federal Savings & Loan Association, Baltimore, Maryland).

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN OCTOBER 16, 1937, AND NOVEMBER 15, 1937[1]

DISTRICT NO. 3

PENNSYLVANIA:
  Ambridge:
    Economy Savings & Loan Association, 828 Merchant Street.
  Monessen:
    Monessen Home Building & Loan Association, 100 Sixth Street.

DISTRICT NO. 4

NORTH CAROLINA:
  Rocky Mount:
    New Home Building & Loan Association, 119 Tarboro Street.
  Spray City:
    Home Building & Loan Association, Boulevard Street.

DISTRICT NO. 5

OHIO:
  Bedford:
    Bedford Savings & Loan Company, 686 Broadway.

DISTRICT NO. 7

ILLINOIS:
  Chicago:
    Hoyne Building, Loan & Homestead Association, 2301 West Cermak Road.

DISTRICT NO. 8

MISSOURI:
  Sedalia:
    Sedalia Savings & Loan Association, 110 West Third Street.

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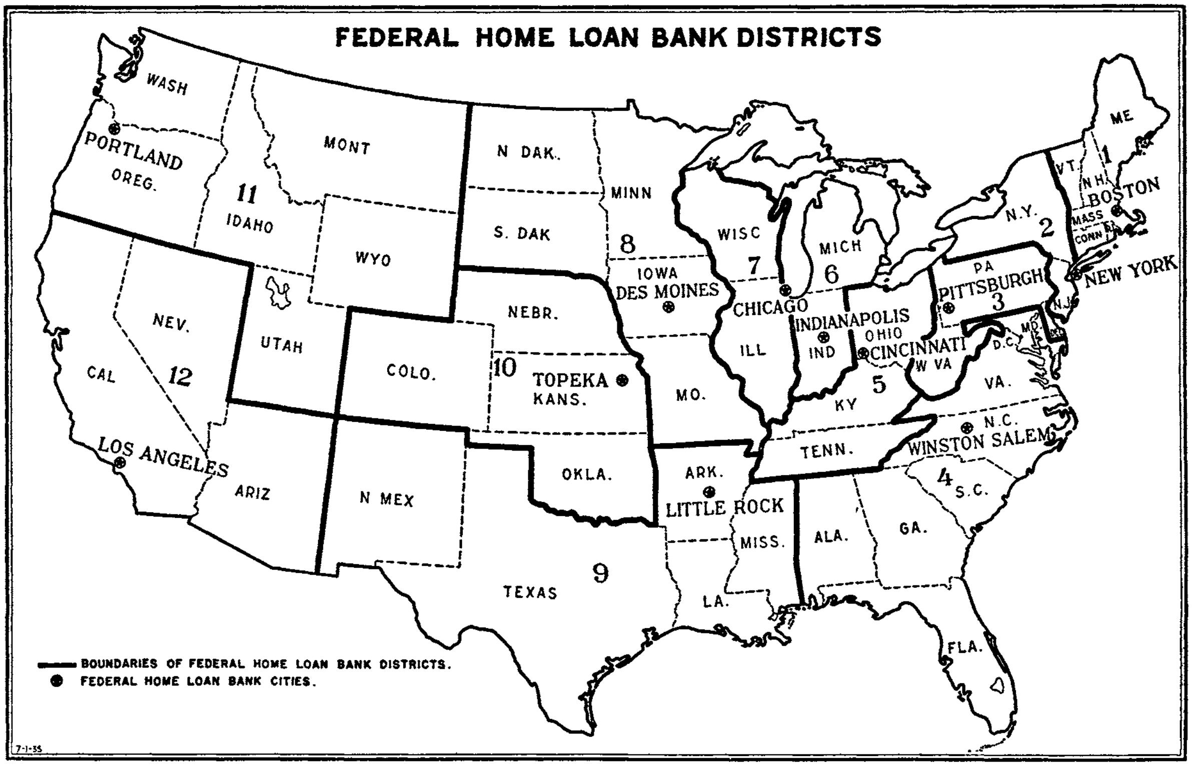
[1] During this period 9 Federal savings and loan associations were insured.

U. S. GOVERNMENT PRINTING OFFICE: 1937



OFFICERS OF FEDERAL HOME LOAN BANKS

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George MacDonald, Chairman; F. V. D. Lloyd, Vice Chairman; G. L. Bliss, President; F. G. Stickel, Jr., Vice President-General Counsel; Robert G. Clarkson, Vice President-Secretary; Denton C. Lyon, Treasurer.

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