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FEDERAL HOME LOAN BANK REVIEW

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FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

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HOME-MORTGAGE INVESTMENTS OF LIFE INSURANCE COMPANIES[1]

The increasing participation in the urban home-mortgage field by life insurance companies during 1937 is analyzed in this article to show current major trends.

■ A STUDY recently completed by the Division of Research and Statistics of the Federal Home Loan Bank Board reveals that life insurance companies are expanding their investments in urban home mortgages more rapidly than in any other type of mortgage loan and that they are in a position to shift $4,000,000,000 to the mortgage field when and if investments there become sufficiently attractive.

Thus, it may be inferred, life insurance companies will probably participate to an increasing extent in the urban home-mortgage field, although during the last decade they have been relatively uninterested in this particular form of investment.

Specifically, the study shows that life insurance companies invested 3.27 times as much money in new mortgage loans upon nonfarm homes in 1937 as in 1935, the year in which the first substantial upturn in their new urban home-mortgage lending occurred. Moreover, an increasing proportion of total new mortgage investments by these companies is secured by home property.

This is evident from the fact that new home-mortgage loans in 1937 increased 248 percent over 1935, whereas new mortgage investments of all kinds by life insurance companies increased only 158 percent. As a result of this marked trend, new home-mortgage loans, which made up 28 percent of total new mortgage loans in 1935, increased to nearly 38 percent of the total in 1937.

NOTICE

FEDERAL HOME LOAN BANK REVIEW INDEX

The Index of Volume 4, Federal Home Loan Bank Review (October 1937–September 1938), is published at the back of this issue beginning on page 457.

In spite of improving trends in home-mortgage lending, life insurance companies found that there was no appreciable improvement during 1937 in the market for home property which they acquired through foreclosure. Although they were able to dispose of the same amount of home property in 1937 as in 1936, the volume of acquisition of home property during 1937 was nearly as great as in 1936. In contrast, the trend in disposal of *all* types of acquired real estate was upward.

It is known that life insurance companies finance approximately one-sixth of the total real estate mortgage debt of the country. Until the development of annual surveys by the Federal Home Loan Bank Board, however, information as to their types of mortgage lending was available only in the form of a rough division between farm and nonfarm real estate. The present study goes further and permits an analysis of the nonfarm home-mortgage holdings of the companies. (For the purpose of this study, home property is defined as nonfarm homes of 1- to 4-family units, extended to include joint home and business structures which are primarily residential.)

The increasing volume of new home-mortgage lending comes as part of the general improvement which is taking place in the position of life insurance companies in the mortgage-financing field, as is evident from Table 1. After a steady decline for several years, the balance of total mortgage loans outstanding began to rise in 1937. Total new mortgage loans have increased substantially each year since 1935.

[1] The estimates in this article were prepared by the Division of Research and Statistics of the Federal Home Loan Bank Board and are based upon the answers to a special questionnaire from 80 life insurance companies which held approximately 95 percent of all life insurance company assets on Dec. 31, 1937. Table 3 lists the most important statistics from this survey.

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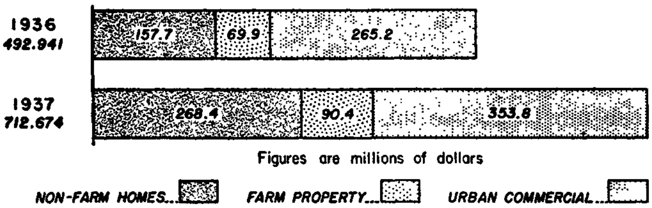
The total mortgage loans outstanding of life insurance companies at the end of 1937, however, amounted to only 20 percent of their total assets. From 1926 to 1928 these loans represented 43 percent of life insurance company assets. During these intervening years, liquid assets (principally U. S. bonds) have risen steadily and at the end of 1937 reached unprecedented proportions, thus taking up much of the slack which resulted from the decline in mortgage investments. If and when mortgage investments become sufficiently attractive, life insurance companies could shift at least $4,000,000,000 to the real estate mortgage field without even closely approaching the 43 percent ratio of 1926–1928.

New Mortgage Investments: 1937

[*Table 3—Section III*]



This bar chart shows that total new mortgage loans made by life insurance companies during 1937 amounted to $713,000,000, an amount 45 percent greater than the $493,000,000 total made in 1936. The following tabulation shows the increasing emphasis which is currently placed upon home-mortgage lending:

Type of mortgage loan	*Volume in 1937, expressed as percentage of 1936 volume* — *Percent*
Home	348
Urban commercial	232
Farm	194
Total	258

In other words, life insurance companies made more than two and a half times as great a volume of total new mortgage loans in 1937 as in 1935 but the volume of home-mortgage loans was nearly three and a half times as great, while the volume of urban commercial loans and of farm-mortgage loans was *less than* two and a half times the 1935 volume.

Mortgages on urban commercial properties, such as hotels, office buildings, and large apartment buildings continued to account for the bulk of insurance company mortgage investments. The accompanying table, giving the proportion of new mortgage loans of each category to total loans for the years 1935, 1936, and 1937, shows that urban commercial loans constitute roughly one-half of current new mortgage investments of life insurance companies.

Type of mortgage loan	*1935 Percent*	*1936 Percent*	*1937 Percent*
Home property	27. 9	32. 0	37. 6
Farm	16. 8	14. 2	12. 7
Urban commercial	55. 3	53. 8	49. 7
	100. 0	100. 0	100. 0

It is significant that farm-mortgage loans and urban commercial loans continue to make up an

Table 1.—Estimated home property items and estimated total real estate items of all life insurance companies, 1933–1937

[Source: Division of Research and Statistics, Federal Home Loan Bank Board]

[Thousands of dollars]

Year	Unpaid balance of mortgage loans		Real estate owned outright (excluding office buildings and land contracts)		New mortgage loans made		Real estate disposed of	
	Nonfarm homes [1]	Total	Nonfarm homes [1]	Total	Nonfarm homes [1]	Total	Nonfarm homes [1]	Total
1933	$1, 766, 661	$6, 719, 781	$190, 623	$864, 255				
1934	1, 505, 195	5, 811, 565	275, 451	1, 180, 102				
1935	1, 319, 000	5, 404, 000	300, 308	1, 651, 862	$74, 819	$276, 086	$49, 381	$148, 290
1936	1, 264, 000	5, 178, 000	302, 427	1, 805, 537	145, 910	492, 941	73, 141	194, 008
1937	1, 278, 918	5, 254, 779	298, 634	1, 784, 715	244, 607	712, 674	71, 475	227, 426

[1] Does not include (Item 2a, Table 3) joint home and business structures primarily residential.

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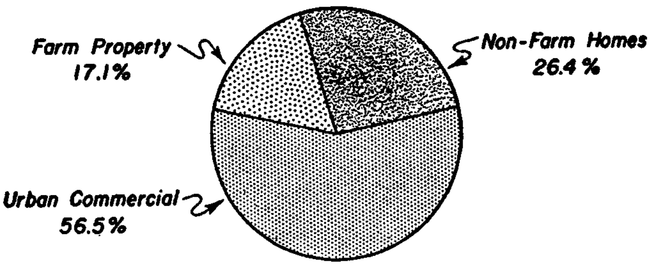
increasingly smaller proportion of the total and that home-mortgage loans have increased from 27.9 percent of the total in 1935 to 37.6 percent in 1937.

The average size of a new home-mortgage loan made in 1937 was $5,654, somewhat smaller than the average loan of $5,831 in 1936.

MORTGAGE LOANS OUTSTANDING: 1937

[*Table 3—Section I*]



Total mortgage loans outstanding, after a steady decline each year since 1931, rose $77,000,000, or 1.5 percent during 1937, to $5,254,779,000, or about 20 percent of total resources. The circle chart shows the percentage distribution of the loans outstanding at the end of 1937.

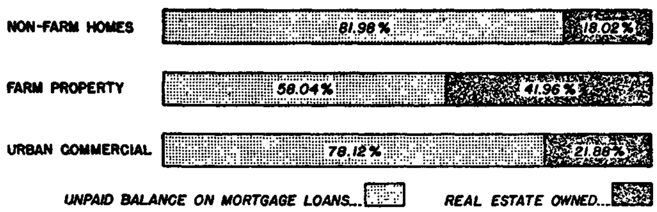
Home-mortgage loans outstanding, which have remained at a ratio of approximately 25 percent of total mortgages for the past three or four years, likewise have declined steadily in amount during recent years. The reports for 1937, however, showed a reversal of this trend: mortgages held on home properties by life insurance companies increased $85,000,000, or about 6 percent from the end of 1936. (A very large proportion of this increase was due to the rise recorded for the item "joint home and business structures—primarily residential". Table 3 shows irregular changes between the two years for subitems (a) and (b) under this heading which apparently indicate a shifting of amounts between the two items due to incomplete reporting in previous schedules.)

Farm mortgages made up the only major category of loans outstanding which declined during 1937. The decrease amounted to $46,000,000, and brought farm mortgages to a point about 5 percent below the preceding year. This is a continuation of the trend which has been well-defined during the past 10 years. Since 1927, the balance of farm mortgage loans outstanding has decreased each year, dropping from 15 percent of total assets at the end of that year to 3.4 percent of assets at the end of 1937—a 59-percent drop for the 10-year period.

Mortgages on urban commercial properties were the most substantial contributing factor to the rise shown during 1937 for total mortgage loans outstanding.

REAL ESTATE: 1937

[*Table 3—Sections II and IV*]



These three bars show the relationship existing between each type of real estate owned by life insurance companies and the total insurance company interest in that type of real estate—the unpaid balance of mortgage loans plus the value of the real estate owned outright. Nonfarm home property displays the most favorable relationship, with farm property definitely making the poorest showing.

The amount of real estate owned by life insurance companies through foreclosure declined more than 1 percent during 1937 from the amount held at the end of the preceding year, thus reversing for the first time the steady upward climb of this account in the past few years (Section II). This decline was due primarily to an 11-percent decrease in the amount of farm property owned. Urban commercial property owned showed an increase of nearly 8 percent during

Table 2.—Estimates of real estate acquired by all life insurance companies during 1935, 1936, and 1937

[Source: Division of Research and Statistics, Federal Home Loan Bank Board]

[Amounts are shown in thousands of dollars]

Year	Value of real estate acquired during year		Ratio of real estate acquired to balance of mortgages of the same type outstanding at beginning of period	
	Homes	All properties	Homes	All properties
			Percent	*Percent*
1935	$76, 368	$620, 050	5. 1	10. 7
1936	76, 401	347, 683	5. 7	6. 4
1937	75, 468	206, 604	5. 8	4. 0

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19[illegible] while nonfarm home property owned remained practically stationary in amount. Although farm property in 1937 bettered its relationship to total real estate owned, the farm element is still relatively large since mortgages on this type of property represent only about 17 percent of all mortgages outstanding, yet farm property at the end of 1937 made up 36 percent of the total amount of real estate owned by life insurance companies. At the end of 1937, the real estate which life insurance companies owned outright was classified in the following proportions of the total:

Type of real estate owned	*Percent of total*
Nonfarm home	17.1
Farm	36.3
Urban commercial	46.6
	100.0

No decline in real estate owned would have been recorded during 1937 had it not been for "real estate sold on contract" as a medium of disposition. This account showed increases during 1937 of 32 percent for all types of property and of 81 percent for homes. Real estate owned outright decreased $21,000,000

(Continued on p. 456)

Table 3.—Estimated total amount of real estate investments by all life insurance companies of the United States as of Dec. 31, 1937, and Dec. 31, 1936 [1]

[Source: Federal Home Loan Bank Board. Estimated by the Division of Research and Statistics from data reported by 80 (including the 34 largest) life insurance companies, possessing assets amounting to about 95 percent of those of all companies. Since all reporting companies did not report all items, some estimates are based on reports for companies holding between 54 percent and 95 percent of all assets]

[Amounts are shown in thousands of dollars]

Type of property securing investment	Amount: Dec. 31, 1937	Amount: Dec. 31, 1936	Ratio to total: 1937	Ratio to total: 1936	Percent change	Average loan: 1937	Average loan: 1936
I. Unpaid balance of mortgage loans [2] on:			*Percent*	*Percent*			
1. Nonfarm homes (1 to 4 families) [3]	$1,278,918	$1,264,000	24.3	24.4	+1.2	$4,483	$4,621
2. Joint home and business structures (1 to 4 family units):							
a. Primarily residential	110,629	41,000	2.1	0.8	+169.8	14,537	16,633
b. Primarily commercial	74,321	161,000	1.4	3.1	−53.8	8,652	53,276
3. Other nonfarm property [4]	2,895,056	2,770,000	55.1	53.5	+4.5	70,284	55,342
4. Farm property	895,855	942,000	17.1	18.2	−4.9	5,737	5,740
Total unpaid balance of mortgage loans	5,254,779	5,178,000	100.0	100.0	+1.5	-------	-------
II. Real estate owned outright: [5]							
1. Nonfarm homes (1 to 4 families)	298,634	302,427	16.7	16.7	−1.3	6,036	6,812
2. Joint home and business structures (1 to 4 family units):							
a. Primarily residential	6,850	2,347	0.4	0.1	+191.9	14,241	28,277
b. Primarily commercial	194,236	89,555	10.9	5.0	+116.9	42,830	92,611
3. Other nonfarm property	637,460	682,493	35.7	37.8	−6.6	64,948	54,252
4. Farm property	647,535	728,715	36.3	40.4	−11.1	8,282	8,423
Total real estate owned outright	1,784,715	1,805,537	100.0	100.0	−1.2	-------	-------
III. New mortgage loans made during the year [6] on:							
1. Nonfarm homes (1 to 4 families)	244,607	145,910	34.3	29.6	+67.6	5,654	5,831
2. Joint home and business structures (1 to 4 family units):							
a. Primarily residential	23,807	11,831	3.3	2.4	+101.2	7,818	49,091
b. Primarily commercial	20,661	15,281	2.9	3.1	+35.2	7,895	64,750
3. Other nonfarm property	333,169	249,921	46.8	50.7	+33.3	55,882	72,970
4. Farm property	90,430	69,998	12.7	14.2	+29.2	6,154	5,436
Total new mortgages made during year	712,674	492,941	100.0	100.0	+44.6	-------	-------
IV. Real estate disposed of during the year: [7]							
1. Nonfarm homes (1 to 4 families)	71,475	73,141	31.4	37.7	−2.3	5,182	5,639
2. Joint home and business structures (1 to 4 family units):							
a. Primarily residential	3,283	776	1.5	0.4	+323.1	21,742	6,867
b. Primarily commercial	24,555	2,910	10.8	1.5	+743.8	37,777	29,100
3. Other nonfarm property	44,161	45,010	19.4	23.2	−1.9	38,301	42,382
4. Farm property	83,952	72,171	36.9	37.2	+16.3	6,819	6,464
Total real estate disposed of during year	227,426	194,008	100.0	100.0	+17.2	-------	-------

[1] Certain estimates in this report vary somewhat from estimates released by the Federal Home Loan Bank Board in the March 1938 REVIEW. In explanation, this sample included a larger number of institutions, and the sample information was as of Dec. 31, 1937, whereas in the earlier tabulation it was as of September 1937.
[2] Excludes real estate owned outright, properties owned subject to redemption, and properties sold under contract.
[3] All purely residential structures containing not more than four family units.
[4] Includes residential or joint home and business structures that contain five or more family units.
[5] Includes all properties held for investment, such as special housing developments; excludes all properties held subject to redemption, those sold under contract, offices and other properties used in carrying on the business.
[6] Includes amount disbursed for refinancing of mortgages previously held by other institutions, and amount of increase involved in refinancing mortgage loans by same institution. Excludes recasting of loans representing no change in outstanding principal balance.
[7] Includes all properties sold under contract or otherwise even though title may not have passed in the first instance.

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RESERVE ACCOUNTS AND MANAGEMENT

This article, the first in a series, analyzes the various types of reserves used in savings and loan associations. Later articles will discuss reserve requirements under the various State laws and under Federal regulations, and will analyze the experience of associations of different sizes, confronted with radically different operating problems, in reaching a satisfactory reserve policy.

■ EVENTS of recent years have clearly demonstrated the importance of reserves in the financial structure of modern savings and loan associations. Adequate reserves provide a cushion against unusual losses and contingencies. In addition, they permit greater flexibility of management policies in meeting the problems arising from changing conditions. For example, the management of an association with adequate reserves, since it can operate on a narrower margin, can take steps to meet competition in interest or dividend rates.

For what purposes should such reserves be established? How large should they be? To what extent can regulatory legislation protect institutions and the investing public by requiring the setting up of such reserves?

Historically, it may be recalled that the recognition of the importance of reserves is a fairly recent innovation among savings and loan institutions. Early building societies were organized for the sole purpose of providing each member with a mortgage loan. When that function had been performed, their lives ended. Until the actual termination of the association, no earnings were distributed, and consequently all losses were taken from a common fund.

With the development of the perpetuating type of savings and loan association, however, regulatory laws were placed on the statute books. In these early laws there was little recognition of the fact that savings and loan associations should set up reserves. Many States limited the size of the reserves by law.

The legal supervision of associations began with the requirement that regular reports of their activities must be sent to State officials. Finally, examinations were made compulsory. Meanwhile, the need for reserve accounts for savings and loan associations gradually was acknowledged, but the decision to establish reserves was frequently left to the association's own board of directors.

In later years, a few States led the way in requiring more adequate reserves in the savings and loan associations under their supervision. It was not, however, until recently that the adequacy of reserve funds was given the serious consideration it merited. This resulted partly from progressive statutes passed by various States and partly from new Federal regulations.

Hand in hand with the development of such types of progressive legislation came the rapidly changing attitude of the management of savings and loan associations toward reserves. In earlier days, minimum statutory reserve requirements were generally considered the maximum necessary. As management participated in the discussion and formulation of new minimum reserve requirements, both in Federal regulations and in State enactments, the feeling grew that legal reserves were in reality only the minimum requirements, to be augmented as earnings permitted and judgment dictated. The growth in reserves became a definite measure of progress and development. Progressive management emphasized to association members that the surplus of earnings left and transferred to reserves, after paying operating expenses and dividends on savings funds, was a reflection of good management and resulted in building a stronger institution.

The Need for Reserves

Current discussion of reserve problems shows general agreement on the necessity of providing specific reserves for depreciation against all assets declining in value. In this way losses may be charged directly to the period in which they are incurred, and thus no undue burden falls upon any particular operating period.

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Adequate specific reserves for depreciation of office building, furniture and fixtures, equipment, real estate, securities, or any other assets that have declined in value, will promote confidence in the management of the institution on the part of the investing public. When such reserves have been set up the financial statement will show clearly the approximate value of assets. It is true that realization of assets may bring more or less than this approximate value, but such value is as close to the actual realization as the use of scientific methods and good judgment makes possible.

If an institution is to avoid impairment of capital when unforeseen losses occur, general reserves must be established. The decisions of management can not always prevent loss to the institution, and general reserves enable an association to absorb losses which may occur through errors in judgment. Also, there are losses resulting from contingencies over which the institution has no control. Among these are those caused by fluctuations of the business cycle, and other national factors, as well as local conditions of industrial activity, employment, shifting property values, or other unusual circumstances. Such factors also will result at times in losses greater than those which were anticipated in building up specific reserves for the depreciation in value of assets.

It is frequently the practice to consolidate specific and general reserves, calling the consolidated reserve a general reserve. This fusion tends to conceal the identity or type of losses which the reserves are intended to cover. As a consequence, the investor is handicapped in determining the wisdom or soundness of the reserve policy. Also, he may receive the impression that all assets are stated at their realizable value and that the entire reserve constitutes a protection against an impairment of capital resulting from losses which cannot be anticipated. As far as the actual protection to the shareholder is concerned, the question of earmarking specific reserves or merging them into a lump sum is of little consequence, assuming that the total amount is the same. The major point at stake is the presentation of a financial statement which reflects the bases upon which the reserves are determined and what they are intended to cover. Specific reserves give the investor a more accurate picture of particular asset items.

Types of Reserves

Today management becomes more and more concerned with the problem of reserves. This has been brought about largely as a result of the experiences arising out of the recent general economic depression. Associations with adequate reserves were able to withstand losses, and continue to earn a satisfactory return on invested capital. Those institutions which had not established adequate reserves found it necessary to reduce or discontinue dividends, and in some cases an impairment of capital resulted.

What types of reserves should be established and how shall management determine the minimum necessary for adequate protection against the many risks of loss? The present article treats the different types of reserves which good management today commonly establishes. Later articles will discuss the statutory reserve requirements of the different States and under Federal regulations and will draw upon the experience of various associations confronted with radically different operating problems.

Reserves may be classified as either "specific" or "general". It is commonly accepted practice today for management to establish a specific reserve for the depreciation of assets in order to recognize and make allowance for normal declines in value, due to deterioration and obsolescence. Such a reserve is established against the association's office building and built up at rates determined by experience. A similar reserve is also established against normal depreciation of furniture, fixtures, and equipment, including automobiles owned by an association. Normal depreciation for this type of assets is not based solely upon usage, since the factor of anticipated replacement for modernization enters. Constant improvements may require replacement, even though the assets still are usable.

Since property acquired by foreclosure is reconditioned, if necessary, and then placed on the market for sale, ordinary depreciation reserves need not be established against it. When such property has been held for a period of time, however, it has been shown to be the best practice to recognize normal deterioration. In addition to this factor, there are always the risks of declining neighborhood standards, market fluctuations, and other conditions. These may so affect the value of the property that the association will realize upon sale an amount less than the value at which it has been carried on the books. Since the amount of such depreciation of owned real estate can be approximated by appraisal, a specific reserve may be provided in an amount equal to the difference between the book value and the appraised value.

Other specific reserves are also commonly established by management today. A reserve for uncol-

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lected interest is becoming recognized as desirable. In the case of junior liens, the best judgment of many successful managers has been that unless the association also holds the first lien, the junior liens should be offset by a full reserve.

General Reserves

Although management can establish reserves to protect the institution against losses which may be foreseen with reasonable accuracy, no business manager can anticipate the future so clearly as to provide specifically against all items of loss. His only means of protecting against them is to establish general reserves. Where specific reserves have been set up, general reserves represent a margin of safety to the shareholders over and above all anticipated losses. They include such accounts as the "Federal insurance reserve" required of all insured institutions, "reserve for contingencies", and legal or statutory reserves, after specific reserves have been provided for known or anticipated losses, or assets have been written down to appraised value by charges to such general reserve accounts or to undivided profits.

Maintenance of Proper Reserves

Two fundamental factors have greatly influenced the development of the reserve policy of savings and loan associations: (1) State statutes have been enacted and Federal regulations adopted, *creating* minimum reserve requirements; (2) Management has recognized the fact that these are *minimum* reserve requirements and has attempted to clarify and to improve the existing concept of reserves both for the benefit of the institution and for its shareholders.

Today, adequate reserves assist management in maintaining a regular rate of return to investing members by eliminating the necessity of using current earnings to cover losses which may have resulted from transactions which occurred in prior operating periods. The question of what constitutes *adequate* reserves, however, is still open to debate. Rapidly growing associations often need more than the minimum required reserves to afford proper protection to their shareholders. On the other hand, the establishment of too large reserves will temporarily limit the rate of return on investment and withhold earnings which properly should go to investors.

A sound reserve policy helps an association to create confidence among the investing public; yet the law can set only minimum standards. It is impossible to establish statutory reserve requirements which will be satisfactory for all sections of the country and which will be adaptable to all sorts of operating conditions. The maintenance of adequate reserves, both specific and general, is the responsibility of management.

Membership of the Federal Savings and Loan Advisory Council

■ THE Federal Home Loan Bank Board has announced the names of the members of the Federal Savings and Loan Advisory Council for the fiscal year 1938–1939. Representatives elected by the 12 Federal Home Loan Banks are:

Boston: Raymond P. Harold, Worcester Cooperative Federal Savings and Loan Association, Worcester, Massachusetts.

New York: LeGrand W. Pellet, The Building and Loan Association, Newburgh, New York.

Pittsburgh: James J. O'Malley, First Federal Savings and Loan Association of Wilkes-Barre, Wilkes-Barre, Pennsylvania.

Winston-Salem: George W. Bahlke, Progress Building Association, Baltimore, Maryland.

Cincinnati: Herman F. Cellarius, San Marco Building and Loan Association, Cincinnati, Ohio.

Indianapolis: William C. Walz, Huron Valley Building and Savings Association, Ann Arbor, Michigan.

Chicago: Morton Bodfish, United States Building and Loan League, Chicago, Illinois.

Des Moines: L. A. Boyles, Yankton Building and Loan Association, Yankton, South Dakota.

Little Rock: I. Friedlander, Gibraltar Savings and Building Association, Houston, Texas.

Topeka: George E. McKinnis, First Federal Savings and Loan Association of Shawnee, Shawnee, Oklahoma.

Portland: Frank S. McWilliams, Fidelity Savings and Loan Association, Spokane, Washington.

Los Angeles: Harold B. Starkey, Bay City Building and Loan Association, San Diego, California.

Members of the Council appointed by the Federal Home Loan Bank Board are:

Ernest T. Trigg, National Paint, Varnish and Lacquer Association, Philadelphia, Pennsylvania.

Joseph H. Soliday, Franklin Savings Bank, Boston, Massachusetts.

Paul F. Good, Attorney, Lincoln, Nebraska.

Will C. Jones, Jr., The Murray Company, Dallas, Texas.

Charles T. Fisher, Jr , National Bank of Detroit, Detroit, Michigan.

David G. Davis, Raphael Weill & Company, San Francisco, California.

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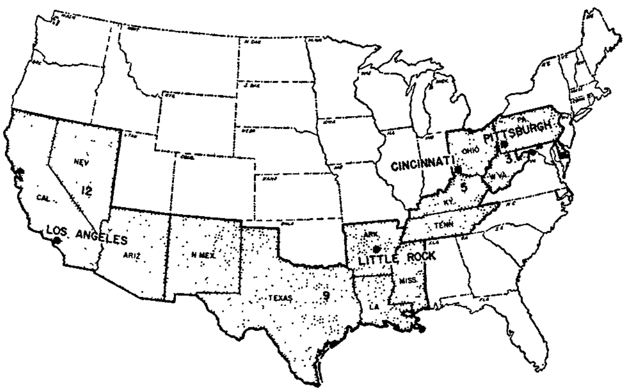
AN ANALYSIS OF THE BUILDING COST INDEX

This article, fourth and last in a series, analyzes the cost of materials and labor used in building the standard house. Based on the building cost index published monthly in the REVIEW, it covers 24 cities, located in four Federal Home Loan Bank Districts, reporting in February, May, August, and November.

■ THE introductory article of this series on the building cost index appeared in the May REVIEW and indicated the trend of material and labor costs for the United States as a whole. Although material costs rose throughout 1936, a sharp increase took place between October 1936 and May 1937 which accounted for a large part of the increase in total costs. The rise in labor costs has been steadier but with some acceleration during the same 7-month period. The peaks both in material and labor costs were reached during the summer of 1937. Since that time labor costs have remained relatively stable. Material prices have fallen steadily since last autumn.

Lumber was the principal contributor to the sharp rise in material costs in 1937 in the majority of the cities studied. Subsequent declines in the cost of lumber eventually offset this increase. With the exception of masons' supplies, costs in the other material groups showed substantial increases during 1937 in each of the 12 Federal Home Loan Bank Districts.

If one accepts the theory that the prospective home owner can purchase a home costing not more than two and one-half times his annual income, the family with an income of $2,500 a year could afford a home similar in design to the standard house which is used as the basis for the building cost index. The cost of the semi-completed standard house averages around $6,000, according to the index for the majority of the reporting cities. It must be emphasized that the house is *not* completed ready for occupancy nor do reported costs include the cost of land. (See the footnote to Table 3, page 448 for a brief explanation of the basis of the index.) In using the cost index as a guide, one may obtain an idea of the size and type of home which can be built for the money in the individual areas by study-



ing the descriptive article on page 353 of the July REVIEW in connection with the statistical data for the city under consideration.

GEOGRAPHIC VARIATIONS IN MATERIAL AND LABOR COSTS

Throughout this series of studies, a wide variation has appeared in the cost of both materials and labor in the reporting cities. For instance, the 1937 average cost of lumber was highest among cities of this cycle in Pittsburgh, where over $2,340 was estimated as necessary to provide studding, millwork, finished lumber, and miscellaneous items such as insulation. This high cost is probably due largely to the inaccessibility of timber in the Pittsburgh area (see Table 2 on page 436).

The cost of lumber in Little Rock, on the other hand, was only $1,660, lower than in any other reporting community in this group and $680 less than the amount allotted for lumber in Pittsburgh. The nearby stands of timber in the South, much of which is inexpensive Southern pine, could account for such a wide spread.

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Table 1.—Average cost of materials and labor used in constructing a standard 6-room frame house, by reporting periods

[Includes reporting cities in Pittsburgh, Cincinnati, Little Rock, and Los Angeles Federal Home Loan Bank Districts]

	1936				1937				1938	
	Feb.	May	Aug.	Nov.	Feb.	May	Aug.	Nov.	Feb.	May
Total lumber	$1,733	$1,742	$1,762	$1,781	$1,920	$1,994	$2,027	$1,978	$1,912	$1,890
Unfinished lumber	312	306	309	308	335	352	347	337	313	307
Millwork	571	574	584	594	637	663	680	665	642	645
Finished lumber	641	650	656	666	724	750	767	748	732	713
Miscellaneous items	209	212	213	213	224	229	233	228	225	225
Masons' materials	647	651	656	655	660	670	660	662	660	652
Hardware	93	92	92	91	94	102	102	101	101	103
Painters' materials	83	85	86	86	88	93	94	92	88	86
Total heating and plumbing	655	666	679	688	700	735	731	725	709	696
Heating supplies	258	262	269	274	277	289	286	283	277	277
Plumbing supplies	397	404	410	414	423	446	445	442	432	419
Total materials	3,211	3,236	3,275	3,301	3,462	3,594	3,614	3,558	3,470	3,427
Total labor	1,537	1,587	1,609	1,634	1,679	1,758	1,809	1,812	1,811	1,801

Table 2.—Cost of materials and labor used in constructing a standard 6-room frame house, Federal Home Loan Bank Districts and cities—Average month of 1936 and 1937

Federal Home Loan Bank Districts and cities	Lumber		Masons' materials		Hardware		Painters' materials		Heating and plumbing supplies		Total materials		Total labor	
	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
AVERAGE—all reporting cities	$1,755	$1,978	$653	$663	$92	$100	$85	$92	$674	$723	$3,259	$3,556	$1,597	$1,764
No. 3—Pittsburgh	1,760	2,030	632	641	89	93	82	86	624	678	3,187	3,528	1,555	1,749
Wilmington, Del	1,714	1,871	636	646	82	91	80	86	633	706	3,145	3,400	1,519	1,622
Harrisburg, Pa	1,850	2,108	608	601	93	93	87	87	631	672	3,269	3,561	1,546	1,613
Philadelphia, Pa	1,514	1,878	617	614	95	99	80	82	610	646	2,916	3,319	1,410	1,767
Pittsburgh, Pa	2,023	2,344	686	713	91	94	76	86	592	646	3,468	3,883	1,656	1,949
Charleston, W. Va	1,699	1,949	614	633	84	89	87	91	655	718	3,139	3,480	1,643	1,793
No. 5—Cincinnati	1,719	1,923	613	635	80	91	81	92	655	703	3,148	3,444	1,623	1,818
Lexington, Ky	1,696	1,861	680	704	90	122	82	99	728	750	3,276	3,536	1,172	1,338
Louisville, Ky	1,706	1,839	616	631	86	99	77	86	643	699	3,128	3,354	1,608	1,944
Cincinnati, Ohio	1,736	1,940	631	635	79	83	76	87	658	708	3,180	3,453	1,920	2,138
Cleveland, Ohio	1,845	2,122	569	591	65	71	82	93	680	728	3,241	3,605	2,124	2,275
Columbus, Ohio	1,838	2,056	556	584	79	90	81	90	610	707	3,164	3,527	1,698	1,884
Memphis, Tenn	1,571	1,774	604	629	80	90	85	92	635	689	2,975	3,274	1,436	1,745
Nashville, Tenn	1,641	1,867	632	670	78	88	84	96	628	643	3,070	3,464	1,402	1,400
No. 9—Little Rock	1,776	1,986	704	717	101	111	89	94	718	765	3,388	3,673	1,469	1,580
Little Rock, Ark	1,580	1,660	681	677	113	113	87	92	730	764	3,191	3,306	1,355	1,282
New Orleans, La	1,792	2,144	667	686	78	89	77	82	679	721	3,293	3,722	1,281	1,453
Jackson, Miss	1,749	1,808	705	758	107	119	85	93	718	853	3,364	3,631	1,358	1,543
Albuquerque, N. Mex	1,782	2,015	898	875	97	108	95	106	757	766	3,629	3,872	1,731	1,927
Dallas, Tex	1,853	2,155	589	623	89	103	95	102	660	670	3,286	3,653	1,637	1,637
Houston, Tex	1,683	1,893	706	712	108	117	99	92	842	885	3,438	3,699	1,584	1,665
San Antonio, Tex	1,993	2,225	683	689	117	129	88	93	638	699	3,519	3,835	1,336	1,553
No. 12—Los Angeles	1,773	1,993	657	650	100	103	87	93	691	738	3,308	3,577	1,784	1,960
Phoenix, Ariz	1,842	2,110	756	744	117	109	92	99	785	843	3,592	3,905	1,713	1,870
Los Angeles, Calif	1,690	2,021	548	534	106	115	82	90	650	709	3,076	3,469	1,585	1,730
San Diego, Calif	1,636	1,886	623	602	87	94	84	91	688	711	3,118	3,384	1,659	1,990
San Francisco, Calif	1,806	1,965	675	679	81	86	79	87	666	710	3,307	3,527	1,927	2,058
Reno, Nev	1,891	1,983	685	692	111	113	99	100	668	717	3,454	3,605	2,036	2,154

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The highest cost of the combined total materials last year was reported in Phoenix, probably due largely to high transportation charges since lumber and cement are not readily available and there is almost no manufacture of such items as hardware, paint, and heating and plumbing supplies. The high average cost of materials in Albuquerque (another fairly inaccessible city) is traceable principally to top prices for masons' and painters' materials. The highest labor costs reported for 1937 came from Cleveland—a total of $2,275.

Memphis recorded the lowest total material cost among the reporting communities ($3,274); all material prices were comparatively low. Little Rock, which reported the next lowest material costs due to low lumber prices, also recorded the lowest labor costs—$1,280, or nearly $1,000 less than the estimated total expenditure for labor in Cleveland.

Trends in Material and Labor Costs

Costs within the reporting group of cities rose by quarterly periods in each of the material classifications until May 1937 (Table 1, facing page). Lumber was the only item to show a significant increase in prices during the May-to-August interval in 1937, while each of the other groups leveled off. By May of this year, however, lumber costs had tumbled below the level reported for February 1937. Each of the other material price groups, except hardware, has fallen since the middle of last year.

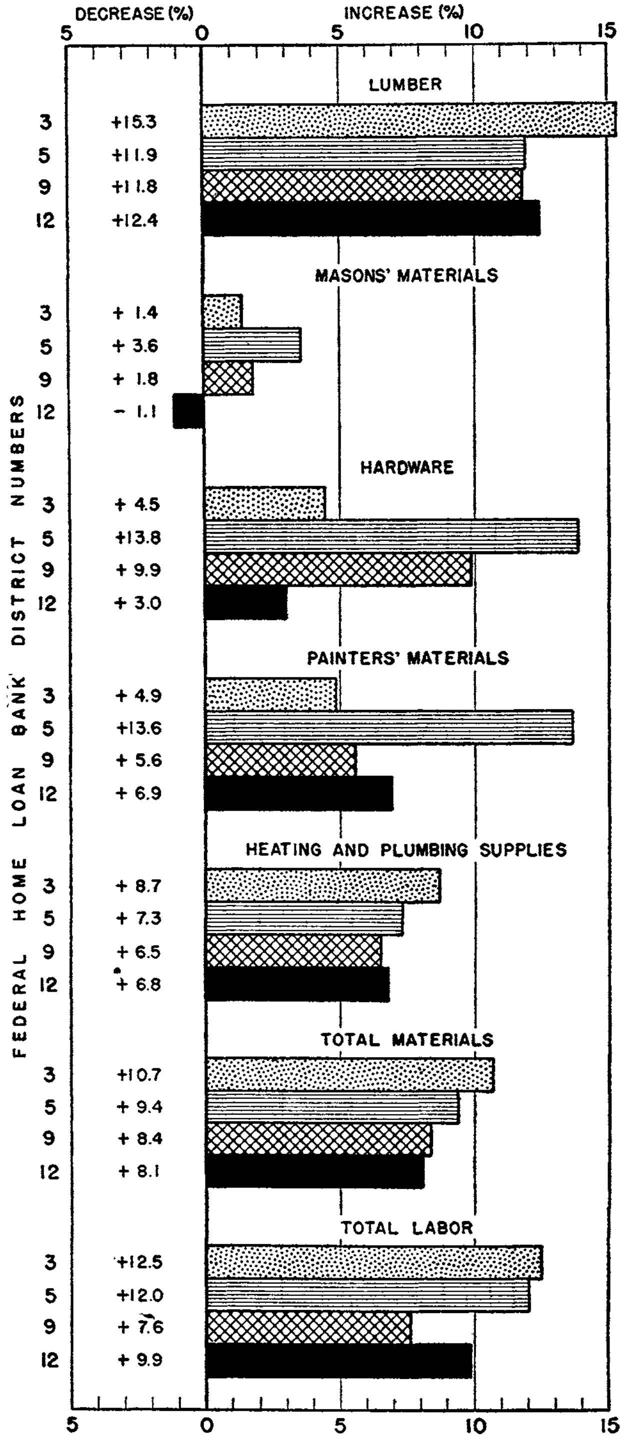
Average labor costs for the 24 cities rose steadily until November of last year. For the following two reporting periods, February and May, very slight declines were shown. From 1936 to 1937, total material costs rose significantly in all of the 24 reporting communities. Increases in the total labor cost were registered in all but three of the cities.

The current national trend in material and labor costs is shown in the chart on the following page. The index of material costs, which stood at 109.6 in December 1937, fell to 105.7 in July, while the index of labor costs during this same period rose from 114.0 to 114.8.

A study of the trend of the total cost of the standard house in the 24 cities between May and August of this year is presented on page 443 of the "Residential Construction and Home-financing Activity" section of this issue of the Review. In using the data in this section, it must be remembered that allowances have been added to material and labor costs for insurance, overhead, and profit to the builder.

PERCENT INCREASE OVER 1936 IN 1937 MATERIAL AND LABOR COSTS for constructing a standard six-room frame house in 4 selected Federal Home Loan Bank Districts

(Source: Division of Research & Statistics, Federal Home Loan Bank Board)



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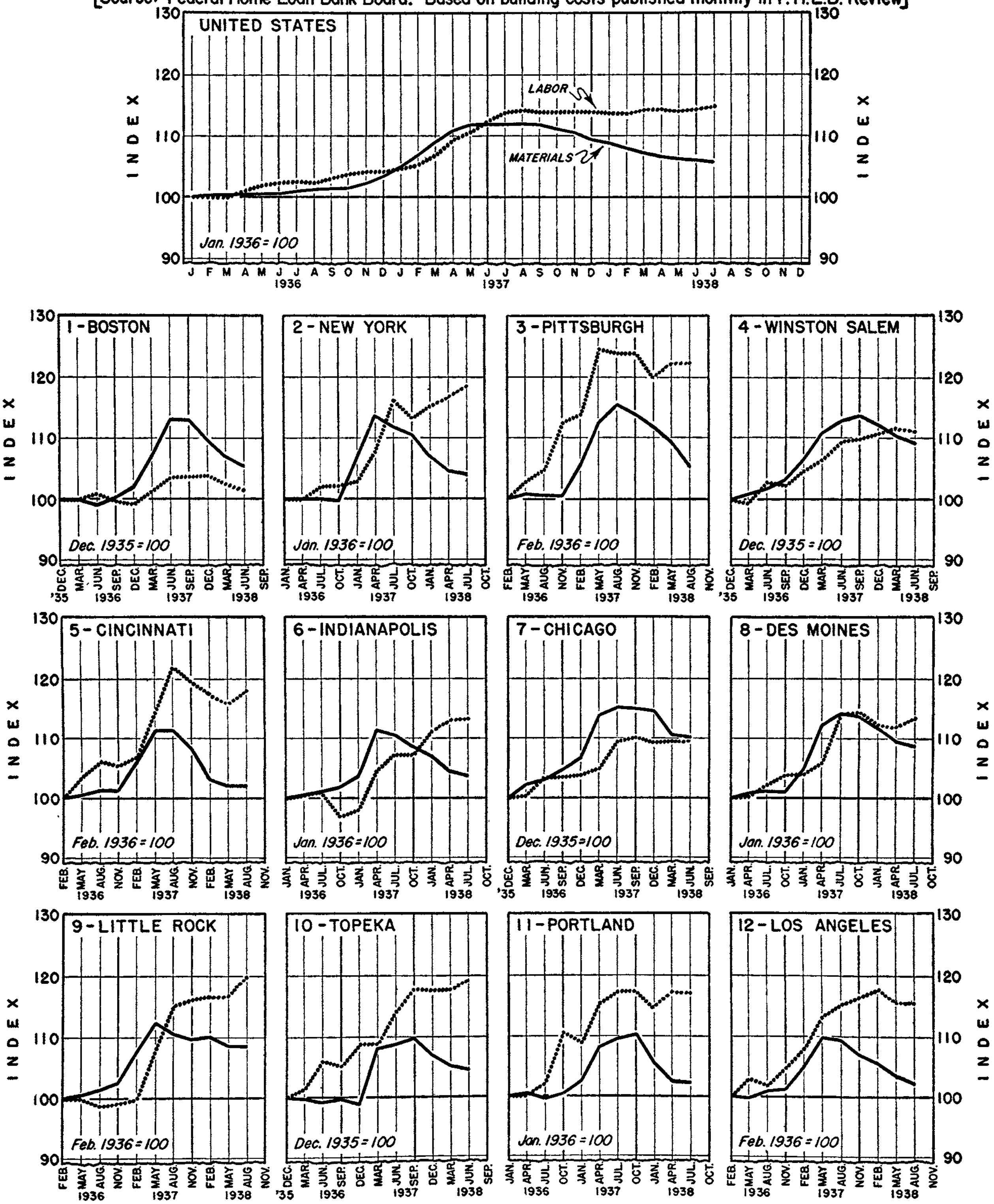
TREND OF MATERIAL AND LABOR COSTS FOR CONSTRUCTING A STANDARD FRAME HOUSE

UNITED STATES AND FEDERAL HOME LOAN BANK DISTRICTS

[Source: Federal Home Loan Bank Board. Based on building costs published monthly in F. H. L. B. Review]



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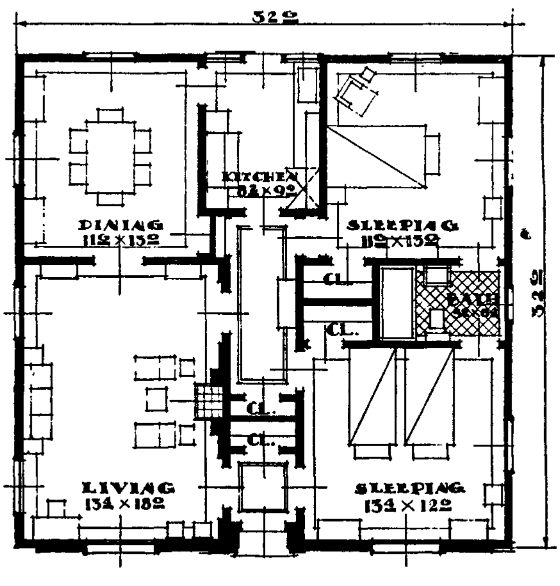

A TEXAS HOUSE DESIGNED FOR USE UNDER THE FEDERAL HOME BUILDING SERVICE PLAN

This well-planned small house illustrates one of the basic objectives of the Home Building Service Plan: it is locally designed, primarily for local use, thus assuring a house adapted to the conditions peculiar to the specific locality. For example, ventilation is facilitated by the large ridge ventilator at the apex of the hip roof.

Construction	*Frame and masonry.*
Exterior finish...............	*Wood siding and brick.*
Ceiling height	*8'-0".*
Cubic feet	*14,336.*

Approved for use under the Federal Home Building Service Plan

Designed by F. TALBOTT WILSON—Architect—Houston, Texas

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SUMMARY OF MOST SIGNIFICANT POINTS IN RESIDENTIAL CONSTRUCTION AND HOME-FINANCING ACTIVITY

I. Residential construction has recovered most of the ground lost in 1937 declines.

A. Rise in the residential building index due partly to significant drop in cost of building (declining building material prices and relatively stable labor costs).

B. More houses provided by permits in cities of 10,000 population and over in first seven months of 1938 than in same period of 1937. (1938: 119,007 residential units. 1937: 107,290 residential units.)

C. Current recovery in residential building is general: two-thirds of the States provided more houses in July 1938 than in July 1937.

D. July residential building permits show contra-seasonal resistance to decline.

II. Improved real estate market evident: building material prices continue their decline. Savings and loan associations indicate generally improved position in owned real estate.

A. Rentals: Rentals on identical occupied homes have risen steadily during 1938 but rentals under new contracts have fallen steadily—an increased incentive for tenants to move.

B. Foreclosures continue downward: first seven months of 1938, 24 percent less than in the same period in 1937.

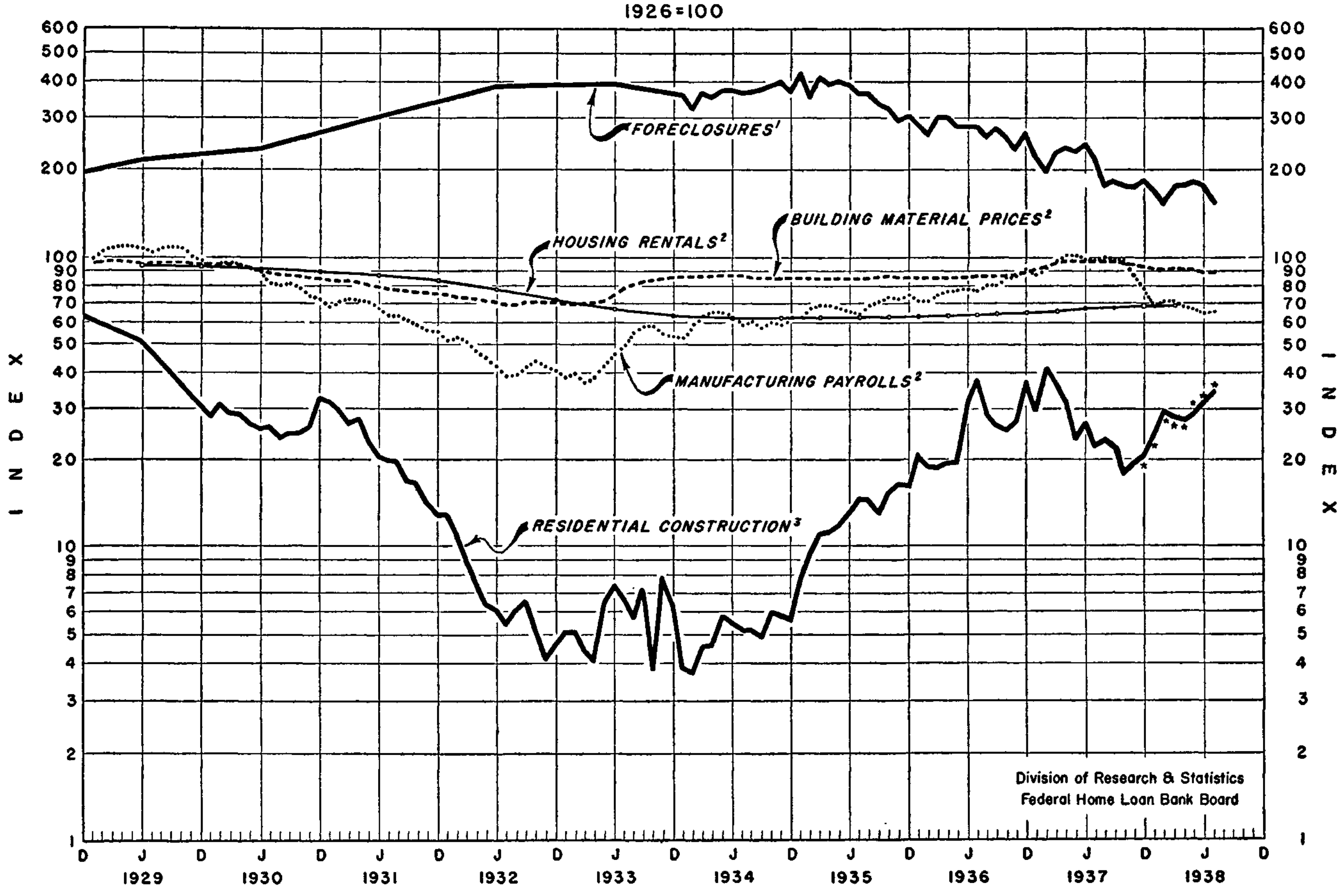
C. Owned real estate of member savings and loan associations constituted a lower percentage of assets at end of 1937 than end of 1936. Survey of 1,700 insured savings and loan associations shows decline of over 1 percent in book value of real estate held during first six months of 1938.

III. Volume of mortgage lending by savings and loan associations shows no strong tendency to rally as yet. July decline, moreover, was seasonal.

IV. Building costs: for the first time in 12 months the index of small-house building costs indicated a rise in August in a relatively high proportion of reporting communities. This is significant, since it follows July reports which indicated a halt in decreases in building costs and a leveling off. The Southwest and Ohio, Kentucky, and Tennessee led the movement of increased building costs among reporting communities in August.

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)

* Includes correction for New York City because of irregular conditions arising from inception of new building code.

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RESIDENTIAL CONSTRUCTION and HOME-FINANCING ACTIVITY

THE declining trend of building material prices during the past year has been accompanied by a relatively stable labor market, resulting in a significant drop in the total cost of building. The economies that may be obtained in constructing a house at the current cost level are probably responsible to a great extent for the increased activity evidenced in residential building so far this year (see chart on opposite page).

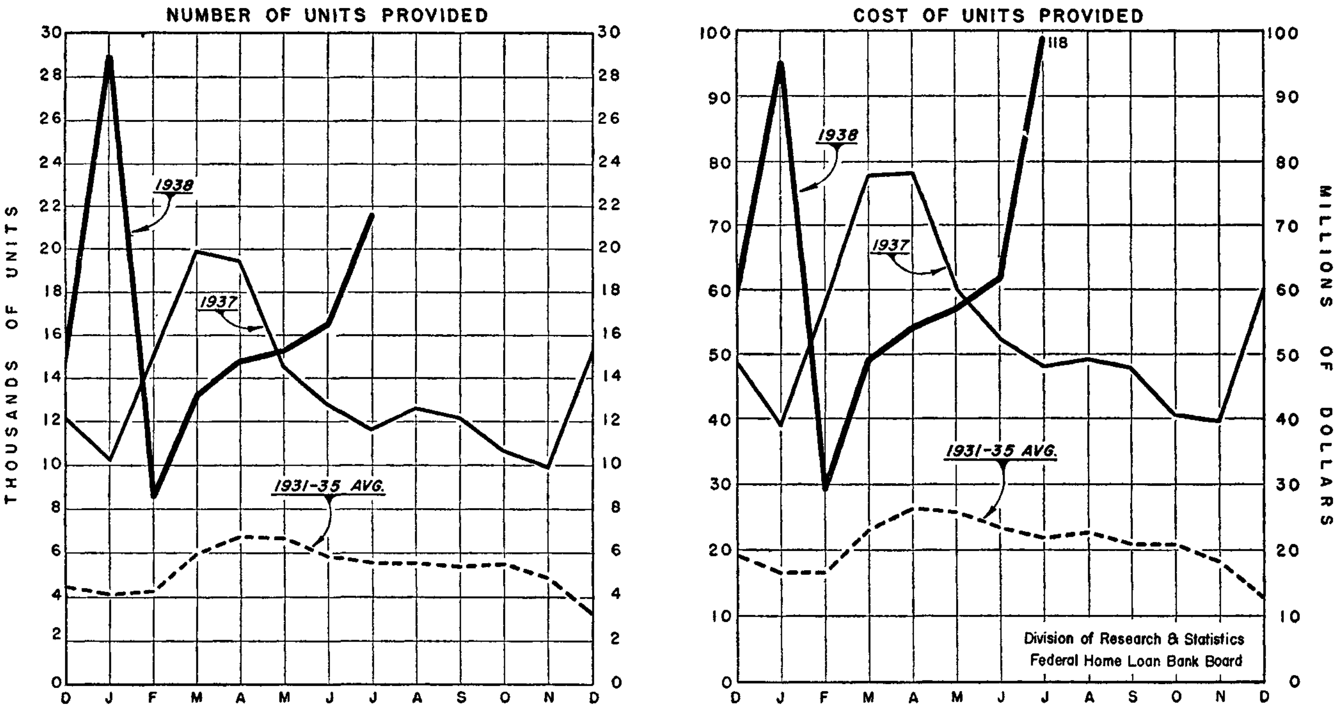
Activity for July in the field of home construction had risen to a level nearly double that recorded during the low month of October 1937, as indicated by the seasonally corrected index. During recent months the various indexes of manufacturing conditions (production, employment, and pay rolls) have steadied considerably after the sharp recession recorded last fall. However, no definite signs of an upward movement in these series are as yet evident, although the volume of residential building has recovered most of the ground lost by the declines of last year.

The relatively favorable position that the owners of rental properties have held during the past year has been an important factor contributing to the improved real estate market. In the face of rather rapid declines in building costs, rents paid on occupied dwellings have continued to increase. Speculative builders and many potential home owners realize that a shortage of adequate and habitable quarters has accumulated during the depression years, and that unless another major depression occurs the pressure caused by the demand for new housing facilities must be relieved somewhat in the next few years. With relatively high rents being received in recent months, and with lower construction costs, many more residential units have been built than last year when a much higher capital outlay was necessary to provide a new house.

The trend in the number of new foreclosures has been definitely downward during the past few years. This favorable movement indicates a return of confidence to the real estate market, and is in itself a

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)



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factor in reducing the current accumulation or "overhang" on the market. Adequate statistics regarding the sale of foreclosed properties by financial institutions are not available, but a survey of over 1,700 insured savings and loan associations indicates a decline of over 1 percent from December 1937 to June of this year in the book value of real estate held.

[1926=100]

	July 1938	June 1938	Percent change	July 1937	Percent change
Residential construction [1]	34.2	31.5	+8.6	22.0	+55.5
Foreclosures (metro. cities)	154.0	177.0	−13.0	214.0	−28.0
Rental index (N. I. C. B.)	85.5	85.6	−0.1	86.0	−0.6
Rentals (Labor Dept.)	--------	69.4	--------	[2] 67.2	--------
Building material prices	89.2	89.7	−0.6	96.7	−7.8
Manufacturing employment	75.4	74.9	+0.7	100.1	−24.7
Manufacturing pay rolls	65.1	64.8	+0.5	97.1	−33.0
Average wage per employee	86.3	86.5	−0.2	97.0	−11.0

[1] Corrected for normal seasonal variations.
[2] As of June 1937.

The volume of mortgage loans made by savings and loan associations has not as yet shown any strong tendency to rally in response to the increased construction activity. However, the total loans made by this type of institution in July were only 16 percent below the same month of last year, while during the months of April, May, and June of this year declines of 19 percent were recorded from the corresponding months of 1937.

Residential Construction

■ THE total number of family dwelling units provided in communities of 10,000 population or over increased 5,000 units in July from June due to a sudden spurt in the construction volume for New York City in the latter month. As this unusual rise is not typical of the situation for the country as a whole, the index has been computed with New York City excluded as in previous months. Latest reports as the REVIEW goes to press indicate that approximately one-third of the units for which building permits were issued in New York City in July were attributable to low-cost housing projects in Queens and Brooklyn under the supervision of the United States Housing Authority.

With residential building permits for the city of New York subtracted from the total, the residual number of family units in July (13,870) remained practically unchanged from the preceding month. However, as there is normally a decline in construction activity from June to July, the index which has been corrected for this typical seasonal recession indicated an increase of 9 percent.

The total number of 1- and 2-family homes for which permits were issued during the January–July period of this year were slightly less than during the corresponding period of 1937. Due to irregularities in New York City the number of multifamily units during the first seven months of 1938 increased by nearly 40 percent over the same months of last year.

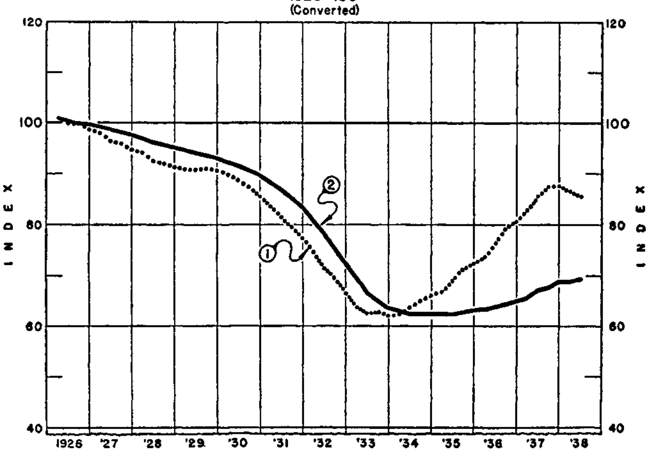
The chart on page 449 indicates the rate of construction activity among the various Federal Home Loan Bank Districts expressed in terms of the number of units provided per 100,000 population. The Los Angeles District has built at a rate in excess of that indicated for other Districts, except for the highly erratic New York District, so far this year. In July, the Los Angeles District provided 65 units for every 100,000 persons, while the Chicago District which is consistently among the areas with lowest activity, reported a rate of only 9 units.

Total construction activity in July was above the same month of last year in nine of the 12 Federal Home Loan Bank Districts. In none of the three remaining areas (Boston, Cincinnati, and Topeka) was the drop in the rate of building significant. Table 2 on page 446 offers a comparison of the volume of new residential construction among the various States. Two-thirds of the States, scattered over the country, had a higher volume of home building during the month of July than in the same month of 1937, both in the number of units constructed and in the estimated cost of those units; hence, the current recovery in the residential building field is in no way restricted to a small area.

Housing Rentals

The accompanying chart indicates recent trends in the rentals received on occupied dwellings as

INDEXES OF RESIDENTIAL RENTALS
① Rentals-(National Industrial Conference Board)
② Rentals on Identical Occupied Dwellings (Department of Labor)
1926=100
(Converted)



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ported to the U. S. Department of Labor, compared with rentals quoted to the National Industrial Conference Board by cooperating agencies. Since the latter index is intended to reflect trend of rentals for newly tenanted structures as well as for occupied structures, it is naturally more sensitive to current changes in the rental market than is the index of the Department of Labor for rents actually received from an identical group of occupied dwellings.

A comparison of the indexes indicates that while the Department of Labor index of rentals on identical occupied homes has risen steadily so far this year, the index which is more quickly responsive to rental market changes has fallen steadily during this same period. These diverse trends may indicate that the incentive for tenants to move has been increased during recent months due to a declining rental market for new contracts which is partially reflected in the National Industrial Conference Board index, while there has been no corresponding reduction in the average rental for those tenants who do not move. Many of the families that move are prospective home owners, and this increased turn over probably contributes to the rise in residential construction.

Indexes of Small-house Building Costs

[*Table 3*]

■ FOR the first time since a year ago, quarterly reports received in August indicated upward movements in building costs in a relatively high proportion of the reporting communities.

Of the 23 cities reporting quotations on the cost of constructing a standard 6-room house, 10 indicated rises in August over the May reporting period; increases of over $200 being recorded by Columbus, Ohio, and Dallas, Texas. All reporting cities for which comparisons between May and August are available in the Cincinnati District showed increases in costs, and costs were generally higher throughout the Little Rock District. Decreases in costs were recorded for all reporting cities in the Pittsburgh and Los Angeles Districts, with the exception of Reno, Nevada.

The analysis of the building cost index which is presented on page 435 describes the trends in cost among various material groups in comparison with labor costs in those communities reporting for the Pittsburgh, Cincinnati, Little Rock, and Los Angeles Districts.

Foreclosures

■ THE index of real estate foreclosures in metropolitan communities for July 1938 was 154 as compared with 177 for the previous month. This decrease of 13.0 percent compares very favorably with the seasonal decrease of 6.6 percent.

In comparison with the same month of last year, July foreclosures in metropolitan communities declined 28.0 percent. For the first seven months of 1938 the index showed foreclosures to be 24.2 percent less than for the first seven months of 1937.

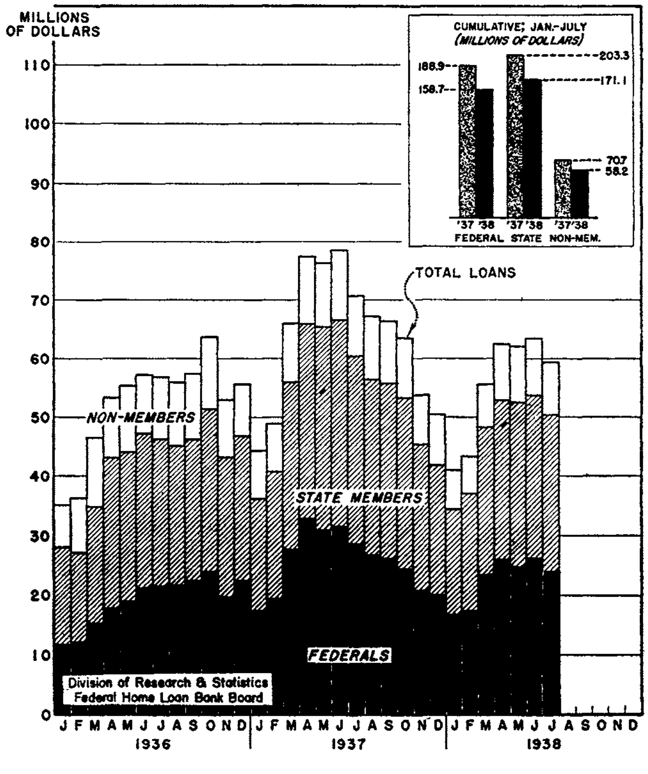
Of the 82 communities reporting for both June and July, 60 showed decreases from June, while 20 indicated increases, and 2 no change.

Mortgage-lending Activity of Savings and Loan Associations

[*Tables 4 and 5*]

■ IN July, the volume of new mortgage commitments of all savings and loan associations was 7 percent below the level of the preceding month—a seasonal decline as evidenced by the experience of these institutions during the past two years. A total

TOTAL LOANS MADE BY ALL SAVINGS AND LOAN ASSOCIATIONS
UNITED STATES-BY MONTHS



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lending volume of $59,400,000 in July compares unfavorably with the level of $70,700,000 reported during the same month of last year. As compared with the corresponding months of 1936, however, each of the first seven months of this year has indicated a rise in the total lending activity of all types of savings and loan associations.

During the January-July period of this year, total loans by Federal and State-member institutions decreased 16 percent from the volume of loans made during the same time in 1937, while those of nonmembers declined 18 percent. A 2-year comparison of lending activity indicates that so far this year loans of Federal savings and loan associations stand about one-third higher than during the corresponding 1936 period, while those of State members have increased one-eighth, and nonmember loans have fallen off one-sixth in two years.

Home purchase loans in July dropped sharply, leading the declines of other types of loans. Through July 31, cumulative loans for the purchase of homes this year amounted to only three-quarters of the volume recorded during the same period in 1937, while each of the other loan classifications indicated a far better showing.

Federal Savings and Loan System

[*Table 7*]

■ IN July, three additional associations were converted from State to Federal charter, while one new association was chartered by subscription to shares. Offsetting these increases in Federal membership were the cancelations of membership of two former associations. At the end of July, a total of 1,346 Federal institutions remained in the System. Of these, seven converted and one newly chartered associations had been approved for membership, but had not as yet paid their initial insurance premium. Total assets of all Federals increased $8,800,000 during the month of July to a total of $1,223,000,000. Most of this rise was accounted for by the accession of new members instead of by growth within previously existing Federals.

Total assets of the 1,279 Federals reporting in both June and July increased less than $500,000 as compared with rises of $15,000,000 during the two preceding months. This apparent slowing-down of the growth among Federal savings and loan associations is due to the closing of accounts and the declaration of dividends at the end of the fiscal period.

Progress in number and assets of Federal savings and loan associations

	Number		Approximate assets	
	June 30, 1938	July 31, 1938	June 30, 1938	July 31, 1938
New	638	639	$301, 242, 000	$306, 594, 000
Converted	706	707	912, 632, 000	916, 109, 000
Total	1, 344	1, 346	1, 213, 874, 000	1, 222, 703, 000

Reporting Federals indicated a new investment of $34,000,000 during July as compared with withdrawals of $21,300,000. As a result, of these operations and because of the reinvestment of declared dividends, private repurchasable capital increased $14,700,000. These 1,279 institutions reported an increase of 19,100 shareholders during July, bringing the total to 1,017,000 with an average investment of $744. The investment of the H. O. L. C. and the United States Treasury declined $124,000 during the month while Federal Home Loan Bank advances dropped $3,300,000. Lending activity for this identical group of Federals showed decreases among all classes of loans. However, the volume of loans outstanding increased $10,300,000 during July.

Federal Home Loan Bank System

[*Tables 13 and 14*]

■ ADVANCES by the Federal Home Loan Banks during July declined almost $10,000,000 from the unusually high figure for advances in June. In every Bank District advances in July were less in amount than in June. Total advances during July of $4,944,000 represented less than one-half the amount of new advances made in July 1937. Only the Pittsburgh and Topeka Banks have advanced a greater amount during the first seven months of 1938 than during the corresponding period in 1937.

Although advances were at a low level during July, repayments were exceptionally heavy, a repetition of the condition that existed last January. The volume of total repayments was greater than in July 1937. In every Bank District, except Indianapolis and Chicago, repayments were greater during July than during June.

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As a result of new advances which amounted to $4,944,000 and repayments which totaled $9,277,000, the balance of advances outstanding at the end of July was reduced to $191,892,000, a decline of more than $4,000,000 since June 30. Increases in the balance of advances outstanding during July were recorded only in the Pittsburgh, Indianapolis, and Topeka Districts. Three Banks, namely, Pittsburgh, Chicago, and Topeka, have increased the amount of advances outstanding over December 31, 1937.

Changes in Interest Rates

The Federal Home Loan Bank of New York has announced a reduction in interest rates. As of September 1, interest rates on short-term advances will be 2½ per centum per annum, with amortization in equal monthly installments. Interest rates on long-term advances will be 3 per centum per annum. These new low rates will apply to the unpaid balances of advances outstanding at that date, and to all advances made after that time until further notice.

The Federal Home Loan Bank of Little Rock has announced that it will write all new advances and will renew present advances upon the request of members at a contractual interest rate of 3 per centum per annum.

Federal Savings and Loan Insurance Corporation

[*Tables 8 and 9*]

■ THERE were 2,029 savings and loan associations insured on July 31, 1938. These institutions, in which 1,960,200 investors' savings are protected, had total resources of $1,982,000,000, and private repurchasable capital of $1,344,048. The potential liability of the Federal Savings and Loan Insurance Corporation in these associations was $1,415,000,000 at the end of July. During July only 16 institutions were granted insurance which compares with 27 in June, 25 in May, and 21 in April.

Applications were received during July from 27 associations having total assets of $20,604,000. Twenty-three applicants were State-chartered institutions of which 10 were not affiliated with the Bank System.

Reports from 1,869 identical insured associations for the months of June and July 1938 show that mortgage loans made during July ($32,600,000) were almost $3,500,000 less than in June. Loans for every purpose were lower in July than in the previous month. Only the Indianapolis District reported greater total lending activity in July than in June. A gain of $17,300,000 in private repurchasable capital occurred in July, with every one of the Bank Districts sharing in the advance.

Total resources of the Insurance Corporation increased almost $500,000 during July and exceeded $114,500,000 at the end of the month. Investments were $200,000 greater than at the end of June and almost $5,000,000 larger than on July 31, 1937.

The $113,053,842 of investments owned by the Corporation have a present market value of almost $119,600,000. The excess of market value over book value is over $6,500,000.

Vacancies: 1938

■ THE *Survey of Current Business*, in its August issue, states that residential vacancies moved upward in many cities in the first half of 1938, reversing the movement from 1933 to 1937. During these preceding five years, vacancies in cities making surveys dropped from an average of 8 or 9 percent to about 2 or 3 percent.

The trends and vacancy levels differ widely from city to city. Kansas City and Boston revealed the highest vacancy ratio in the 1938 figures with over 6 percent of the residential units unoccupied. The lowest vacancy ratios reported were 1 percent in Ann Arbor, Michigan, and Davenport, Iowa. Vacancy appears to be generally lower in single houses than in multifamily houses, but when the vacancy ratio for the city is low the disparity tends to narrow.

The article summarizes and tabulates vacancy statistics for the period 1930–1938 in all cities making two or more vacancy surveys. A second table permits a comparison of vacancy ratios by types of dwelling units for this same period in some 20 cities.

"Along with construction costs, rents, costs of ownership, and other factors, the number of vacancies in a given area is of great importance in determining the outlook for residential construction," the article points out. Analysis of vacancy data revealed that "the vacancy situation, while susceptible to some degree of measurement both on a national scale and by comparison and analogy among cities, is essentially one for local investigation and analysis. It is highly desirable that local interests should sponsor this type of activity."

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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]

[Amounts are shown in thousands of dollars]

	Number of family units provided					Total cost of units				
	Monthly totals			January-July totals		Monthly totals			January-July totals	
	July 1938	June 1938	July 1937	1938	1937	July 1938	June 1938	July 1937	1938	1937
1-family dwellings	11,707	12,121	9,060	68,218	69,140	$47,162.3	$48,265.1	$38,507.0	$268,543.7	$305,214.8
2-family dwellings	742	978	632	6,152	5,878	2,141.8	2,552.3	1,747.1	15,926.1	16,168.6
Joint home and business [2]	80	86	67	511	646	322.8	347.6	265.2	1,851.6	2,330.8
3- and-more-family dwellings	9,131	3,284	1,993	44,126	31,626	68,621.5	10,299.6	8,276.2	178,454.0	107,339.7
Total residential	21,660	16,469	11,752	119,007	107,290	118,248.4	61,464.6	48,795.5	464,775.4	431,053.9
Private housing	21,660	16,469	11,636	119,006	103,681	118,248.4	61,464.6	48,190.4	464,772.0	414,730.1
Public housing [3]	0	0	116	1	3,609	0.0	0.0	605.1	3.4	16,323.8

[1] Estimate is based on reports from communities having approximately 95 percent of the population of all cities with population of 10,000 or over.
[2] Includes 1- and 2-family dwellings with business property attached.
[3] Includes only Government-financed low-cost housing project units 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 July 1938, 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	
	July 1938	July 1937	July 1938	July 1937	July 1938	July 1937	July 1938	July 1937
United States	21,660	11,752	$118,248.4	$48,795.5	12,529	9,759	$49,626.9	$40,519.3
No. 1—Boston	788	852	3,397.2	3,909.5	725	665	3,254.9	3,358.1
Connecticut	169	158	876.1	794.7	166	154	868.0	784.2
Maine	84	27	255.8	88.6	84	27	255.8	88.6
Massachusetts	368	521	1,634.5	2,449.1	308	344	1,500.3	1,917.1
New Hampshire	31	34	127.7	130.6	31	34	127.7	130.6
Rhode Island	125	98	462.7	405.2	125	98	462.7	405.2
Vermont	11	14	40.4	41.3	11	8	40.4	32.4
No. 2—New York	9,149	1,679	71,122.1	9,691.8	1,552	1,067	6,929.4	5,617.8
New Jersey	480	201	2,039.1	1,278.1	287	192	1,353.2	1,243.1
New York	8,669	1,478	69,083.0	8,413.7	1,265	875	5,576.2	4,374.7
No. 3—Pittsburgh	944	670	3,742.6	3,375.2	690	601	3,199.4	3,219.5
Delaware	2	8	18.0	36.4	2	8	18.0	36.4
Pennsylvania	615	526	2,862.2	2,914.6	587	502	2,801.5	2,868.9
West Virginia	327	136	862.4	424.2	101	91	379.9	314.2
No. 4—Winston-Salem	1,651	1,526	5,783.0	5,111.2	1,464	1,239	5,228.0	4,411.1
Alabama	115	120	258.8	296.3	111	120	246.3	296.3
District of Columbia	301	322	1,277.0	1,319.8	223	146	1,067.5	839.8
Florida	409	352	1,366.3	1,227.3	372	298	1,216.8	1,095.7
Georgia	177	210	537.1	481.7	177	196	537.1	475.5
Maryland	134	119	522.1	504.4	134	115	522.1	501.1

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Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in July 1938, by Federal Home Loan Bank Districts and by States—Con.

[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	
	July 1938	July 1937	July 1938	July 1937	July 1938	July 1937	July 1938	July 1937
No. 4—Winston-Salem—Continued.								
North Carolina	220	224	$655. 4	$614. 5	204	193	$625. 6	$552. 2
South Carolina	87	64	304. 1	184. 0	79	60	285. 5	174. 0
Virginia	208	115	862. 2	483. 2	164	111	727. 1	476. 5
No. 5—Cincinnati	869	988	3, 862. 9	4, 466. 6	756	746	3, 380. 3	3, 342. 6
Kentucky	126	124	357. 4	359. 2	126	116	357. 4	349. 7
Ohio	585	736	3, 008. 9	3, 701. 7	486	502	2, 535. 8	2, 587. 2
Tennessee	158	128	496. 6	405. 7	144	128	487. 1	405. 7
No. 6—Indianapolis	1, 352	870	6, 246. 8	3, 805. 3	1, 315	827	6, 102. 8	3, 664. 5
Indiana	307	234	1, 174. 4	889. 5	273	230	1, 039. 4	877. 0
Michigan	1, 045	636	5, 072. 4	2, 915. 8	1, 042	597	5, 063. 4	2, 787. 5
No. 7—Chicago	625	552	3, 220. 2	2, 774. 3	572	539	2, 950. 2	2, 727. 2
Illinois	355	308	1, 977. 5	1, 672. 2	355	304	1, 977. 5	1, 651. 8
Wisconsin	270	244	1, 242. 7	1, 102. 1	217	235	972. 7	1, 075. 4
No. 8—Des Moines	759	573	2, 943. 0	2, 061. 9	737	528	2, 856. 6	1, 967. 4
Iowa	185	146	675. 5	492. 6	180	146	648. 4	492. 6
Minnesota	276	157	1, 181. 8	633. 4	276	157	1, 181. 8	633. 4
Missouri	230	225	919. 4	838. 7	213	185	860. 1	757. 2
North Dakota	27	21	82. 4	65. 5	27	16	82. 4	52. 5
South Dakota	41	24	83. 9	31. 7	41	24	83. 9	31. 7
No. 9—Little Rock	1, 471	1, 062	3, 872. 5	2, 851. 5	1, 398	995	3, 716. 5	2, 716. 4
Arkansas	63	49	142. 8	105. 2	63	42	142. 8	100. 1
Louisiana	177	109	475. 3	353. 0	173	109	461. 3	353. 0
Mississippi	66	100	127. 3	146. 9	54	79	107. 5	115. 3
New Mexico	50	34	132. 4	94. 5	42	34	119. 4	94. 5
Texas	1, 115	770	2, 994. 7	2, 151. 9	1, 066	731	2, 885. 5	2, 053. 5
No. 10—Topeka	458	478	1, 545. 7	1, 517. 2	429	403	1, 503. 9	1, 310. 3
Colorado	124	109	413. 7	393. 8	102	69	374. 7	272. 8
Kansas	95	108	275. 2	325. 7	88	96	272. 4	309. 2
Nebraska	60	82	235. 3	273. 5	60	68	235. 3	247. 0
Oklahoma	179	179	621. 5	524. 2	179	170	621. 5	481. 3
No. 11—Portland	767	485	2, 534. 5	1, 414. 9	465	471	1, 533. 5	1, 393. 8
Idaho	20	14	72. 4	54. 8	20	14	72. 4	54. 8
Montana	46	62	130. 7	155. 1	46	54	130. 7	145. 1
Oregon	106	94	408. 6	335. 1	106	94	408. 6	335. 1
Utah	78	82	259. 3	270. 2	78	76	259. 3	259. 1
Washington	497	218	1, 579. 0	543. 6	195	218	578. 0	543. 6
Wyoming	20	15	84. 5	56. 1	20	15	84. 5	56. 1
No. 12—Los Angeles	2, 827	2, 017	9, 977. 9	7, 816. 1	2, 426	1, 678	8, 971. 4	6, 790. 6
Arizona	49	27	169. 3	123. 0	41	27	159. 3	123. 0
California	2, 761	1, 981	9, 740. 9	7, 654. 5	2, 368	1, 642	8, 744. 4	6, 629. 0
Nevada	17	9	67. 7	38. 6	17	9	67. 7	38. 6

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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]

	Cubic-foot cost			Total cost					
				1938			1937		1936
	1938 Aug.	1937 Aug.	1936 Aug.	Aug.	May	Feb.	Nov.	Aug.	Aug.
No. 3—Pittsburgh:									
Wilmington, Del	$0.246	$0.242	$0.221	$5,898	$5,914	$5,914	$5,811	$5,811	$5,309
Harrisburg, Pa	.237	.250	.233	5,682	5,839	5,817	5,823	5,995	5,584
Philadelphia, Pa	.226	.249	.207	5,416	5,560	5,531	5,755	5,972	4,962
Pittsburgh, Pa	.270	.283	.242	6,487	6,718	6,512	6,719	6,786	5,816
Charleston, W. Va	.246	.262	.227	5,905	5,951	6,218	6,240	6,282	5,458
Wheeling, W. Va	.252	.271	--------	6,042	6,287	--------	6,636	6,503	--------
No. 5—Cincinnati:									
Lexington, Ky	.222	[2].238	[2].218	5,325	[2] 5,322	[2] 5,392	[2] 5,604	[2] 5,702	[2] 5,223
Louisville, Ky	.241	.253	.226	5,789	5,722	5,861	5,970	6,083	5,424
Cincinnati, Ohio	.264	[2].272	[2].248	6,346	--------	[2] 6,432	[2] 6,464	[2] 6,520	[2] 5,962
Cleveland, Ohio	.267	.291	.257	6,404	--------	[2] 6,569	[2] 6,863	6,981	6,165
Columbus, Ohio	.247	.268	.236	5,919	5,688	5,687	6,097	6,429	5,659
Memphis, Tenn	.236	.242	.213	5,671	5,661	5,652	5,800	5,804	5,115
Nashville, Tenn	.212	.229	.213	5,090	5,024	5,144	5,476	5,504	5,120
No. 9—Little Rock:									
Little Rock, Ark	.215	.217	.217	5,150	5,164	5,164	5,186	5,208	5,202
New Orleans, La	.263	[2].251	[2].216	6,310	[2] 6,294	[2] 6,279	[2] 6,229	[2] 6,028	[2] 5,173
Jackson, Miss	.253	.254	.224	6,079	6,111	6,061	5,968	6,086	5,373
Albuquerque, N. Mex	.277	.279	.257	6,648	[2] 6,611	6,586	6,646	6,690	6,169
Dallas, Tex	.251	.253	.235	6,024	[2] 5,801	--------	6,068	6,068	5,634
Houston, Tex	.250	.257	.239	5,993	[2] 5,888	5,981	6,143	6,162	5,733
San Antonio, Tex	.252	.260	.231	6,055	6,058	6,099	6,228	6,231	5,535
No. 12—Los Angeles:									
Phoenix, Ariz	.266	.283	.254	6,392	6,567	6,695	6,741	6,802	6,088
Los Angeles, Cal	.238	.250	.220	5,704	5,723	5,874	5,926	6,001	5,285
San Diego, Cal	.243	.256	.228	5,834	5,855	6,098	6,184	6,144	5,468
San Francisco, Cal	.264	.269	.250	6,329	6,345	6,363	6,375	6,452	5,999
Reno, Nev	.273	.278	.263	6,560	6,550	6,634	6,666	6,666	6,313

[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.

[2] Revised.

NOTE FOR CHART ON FACING PAGE:

A new building code in New York City, effective January 1938, caused an unusual spurt of applications for permits which threw the United States total out of balance. The dotted line shows that total excluding New York City for December 1937 and January and February 1938.

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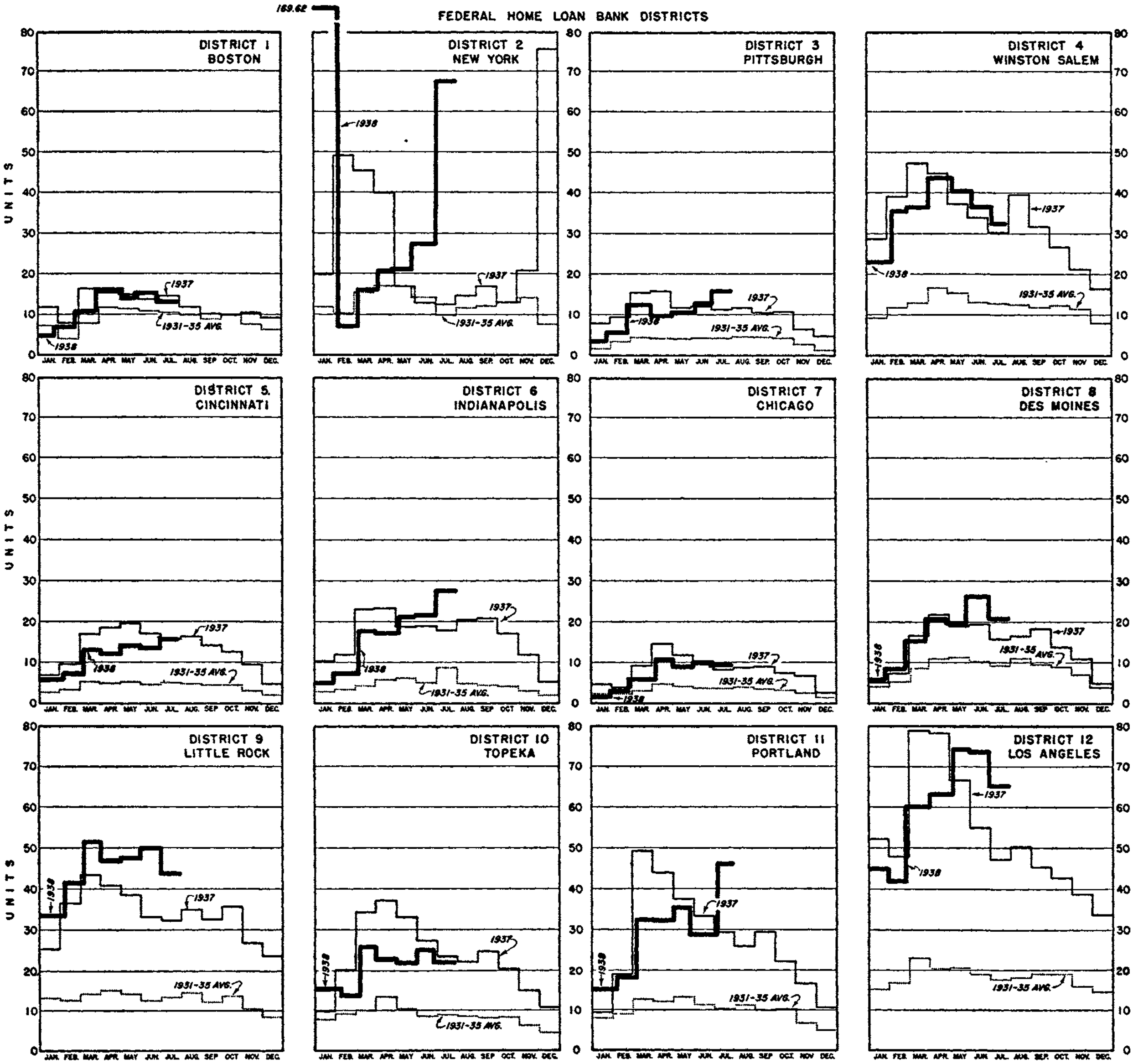
RATE OF RESIDENTIAL BUILDING IN ALL CITIES OF 10,000 OR MORE POPULATION

REPRESENTS THE ESTIMATED NUMBER OF PRIVATELY FINANCED 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.



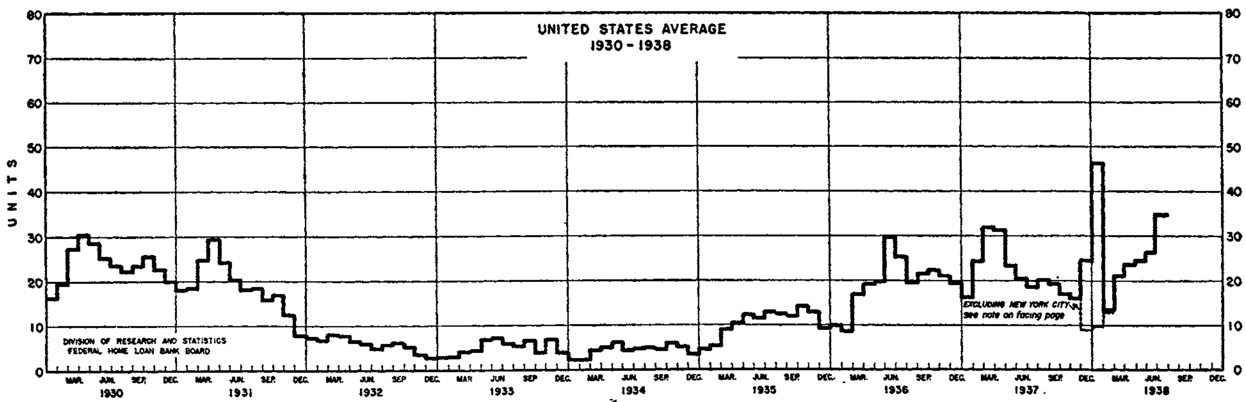


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Table 4.—Estimated volume of new lending activity of savings and loan associations, classified by District and type of association

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank District and type of association	New loans		Percent increase, July 1938 over June 1938	New loans, July 1937	Percent increase, July 1938 over July 1937
	July 1938	June 1938			
United States: Total	$59,400	$63,536	−7	$70,674	−16
Federal	23,900	26,310	−9	28,693	−17
State member	26,309	27,414	−4	31,799	−17
Nonmember	9,191	9,812	−6	10,182	−10
District 1: Total	6,386	6,779	−6	7,982	−20
Federal	2,078	2,211	−6	2,376	−13
State member	3,098	3,361	−8	3,806	−19
Nonmember	1,210	1,207	0	1,800	−33
District 2: Total	5,424	5,917	−8	6,096	−11
Federal	1,879	2,217	−15	2,013	−7
State member	1,692	1,599	+6	1,692	0
Nonmember	1,853	2,101	−12	2,391	−23
District 3: Total	3,149	3,592	−12	3,742	−16
Federal	1,132	1,159	−2	1,235	−8
State member	1,151	1,529	−25	1,475	−22
Nonmember	866	904	−4	1,032	−16
District 4: Total	9,106	8,667	+5	9,480	−4
Federal	3,289	3,524	−7	3,833	−14
State member	4,644	4,202	+11	4,548	+2
Nonmember	1,173	941	+25	1,099	+7
District 5: Total	7,934	8,391	−5	11,171	−29
Federal	3,808	4,328	−12	5,254	−28
State member	3,954	3,811	+4	5,577	−29
Nonmember	172	252	−32	340	−49
District 6: Total	3,246	3,072	+6	3,587	−10
Federal	1,551	1,449	+7	1,672	−7
State member	1,345	1,353	−1	1,689	−20
Nonmember	350	270	+30	226	+55
District 7: Total	5,057	5,688	−11	7,379	−31
Federal	2,121	2,721	−22	2,458	−14
State member	2,603	2,575	+1	4,147	−37
Nonmember	333	392	−15	774	−57
District 8: Total	4,182	4,591	−9	4,918	−15
Federal	1,629	1,911	−15	2,193	−26
State member	1,488	1,493	0	1,731	−14
Nonmember	1,065	1,187	−10	994	+7
District 9: Total	4,209	4,665	−10	3,920	+7
Federal	1,619	1,560	+4	1,549	+5
State member	2,207	2,820	−22	2,204	0
Nonmember	383	285	+34	167	+129
District 10: Total	2,939	3,998	−26	3,651	−20
Federal	1,264	1,711	−26	1,670	−24
State member	950	1,157	−18	919	+3
Nonmember	725	1,130	−36	1,062	−32
District 11: Total	2,868	2,971	−3	3,066	−6
Federal	1,126	1,269	−11	1,659	−32
State member	782	970	−19	1,186	−34
Nonmember	960	732	+31	221	+334
District 12: Total	4,900	5,205	−6	5,682	−14
Federal	2,404	2,250	+7	2,781	−14
State member	2,395	2,544	−6	2,825	−15
Nonmember	101	411	−75	76	+33

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

[Thousands of dollars]

Period	Purpose					Total loans	Type of association		
	Mortgage loans on homes				Loans for all other purposes		Volume of loans		
	Construction	Home purchase	Refinancing	Reconditioning			Federals	State members	Nonmembers
1936	$155,463	$188,637	$152,067	$50,618	$80,838	$627,623	$228,896	$275,972	$122,755
January-June	61,757	80,326	76,103	23,841	42,593	284,620	97,132	128,061	59,427
July	14,857	17,975	12,008	4,601	7,414	56,855	21,491	24,874	10,490
1937	209,851	267,509	161,393	49,435	76,301	764,489	307,278	338,174	119,037
January-June	107,545	138,054	84,379	24,045	38,239	392,262	160,222	171,495	60,545
July	20,283	24,934	14,668	4,472	6,317	70,674	28,693	31,799	10,182
1938									
January	10,796	11,904	10,057	2,745	5,640	41,142	16,781	17,885	6,476
February	10,628	13,632	9,964	2,989	6,077	43,290	17,520	19,600	6,170
March	14,727	17,526	12,734	3,907	6,909	55,803	23,356	25,088	7,359
April	16,603	20,341	13,872	4,681	7,124	62,621	26,107	26,957	9,557
May	17,833	19,664	12,992	4,436	7,267	62,192	24,721	27,816	9,655
June	18,591	21,025	12,303	4,517	7,100	63,536	26,310	27,414	9,812
July	17,717	18,353	11,885	4,428	7,017	59,400	23,900	26,309	9,191

Table 6.—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
1937								
January	91.3	89.7	95.5	93.0	83.7	77.1	104.7	92.9
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	83.9	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
November	93.7	92.9	95.5	94.8	81.5	79.6	114.9	98.7
December	92.5	92.0	95.5	93.8	80.2	79.6	114.9	96.9
1938								
January	91.8	91.8	95.5	92.6	80.1	79.6	114.9	95.8
February	91.1	91.5	95.5	91.0	79.2	79.6	114.9	95.3
March	91.5	91.1	95.5	91.3	82.2	78.9	114.9	94.8
April	91.2	90.4	95.5	91.1	81.4	77.2	114.9	94.8
May	90.4	90.5	95.5	89.3	80.9	77.2	114.9	94.1
June	89.7	90.6	95.5	88.7	80.1	77.2	113.0	93.3
July	89.2	90.7	95.5	88.8	80.5	79.5	107.3	91.2
Change:								
July 1938–June 1938	−0.6%	+0.1%	0.0%	+0.1%	+0.5%	+3.0%	−5.0%	−2.3%
July 1938–July 1937	−7.8%	−4.9%	0.0%	−12.3%	−4.1%	+1.0%	−6.6%	−9.7%

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Table 7.—Monthly operations of 1,279 identical Federal savings and loan associations reporting during June and July 1938

	June	July	Change June to July
Share liability at end of month:			*Percent*
Private share accounts (number)	998, 169	1, 017, 270	+1. 9
Paid on private subscriptions	$741, 635, 200	$756, 371, 000	+2. 0
Treasury and H. O. L. C. subscriptions	206, 885, 100	206, 761, 100	−0. 1
Total	948, 520, 300	963, 132, 100	+1. 5
Private share investments during month	17, 548, 500	34, 007, 500	+93. 8
Repurchases during month	5, 987, 100	21, 254, 100	+255. 0
Mortgage loans made during month:			
a. New construction	8, 561, 000	8, 250, 800	−3. 6
b. Purchase of homes	7, 304, 800	6, 385, 000	−12. 6
c. Refinancing	5, 124, 300	4, 806, 200	−6. 2
d. Reconditioning	1, 698, 300	1, 425, 300	−16. 1
e. Other purposes	2, 274, 300	1, 885, 800	−17. 1
Total	24, 962, 700	22, 753, 100	−8. 9
Mortgage loans outstanding end of month	908, 960, 700	919, 273, 700	+1. 1
Borrowed money as of end of month:			
From Federal Home Loan Banks	96, 077, 500	92, 790, 500	−3. 4
From other sources	2, 283, 500	2, 075, 100	−9. 1
Total	98, 361, 000	94, 865, 600	−3. 6
Total assets, end of month	1, 168, 775, 000	1, 169, 273, 900	(1)

1 Less than 0.1 percent.

Table 8.—Monthly operations of 590 identical insured State-chartered savings and loan associations reporting during June and July 1938

	June	July	Change June to July
Share liability at end of month:			*Percent*
Private share accounts (number)	719, 178	726, 525	+1. 0
Paid on private subscriptions	$496, 921, 300	$499, 453, 000	+0. 5
H. O. L. C. subscriptions	36, 078, 500	36, 283, 700	+0. 6
Total	532, 999, 800	535, 736, 700	+0. 5
Private share investments during month	8, 416, 300	16, 436, 600	+95. 3
Repurchases during month	6, 119, 700	14, 961, 700	+144. 5
Mortgage loans made during month:			
a. New construction	3, 400, 800	3, 111, 900	−8. 5
b. Purchase of homes	3, 731, 200	2, 984, 000	−20. 0
c. Refinancing	1, 938, 200	1, 894, 000	−2. 3
d. Reconditioning	660, 500	743, 100	+12. 5
e. Other purposes	1, 333, 400	1, 112, 600	−16. 6
Total	11, 068, 100	9, 845, 600	−11. 0
Mortgage loans outstanding end of month	481, 615, 600	484, 149, 000	+0. 5
Borrowed money as of end of month:			
From Federal Home Loan Banks	37, 404, 000	36, 246, 600	−3. 1
From other sources	3, 594, 200	3, 160, 000	−12. 1
Total	40, 998, 200	39, 406, 600	−3. 9
Total assets, end of month	688, 938, 000	684, 868, 500	−0. 6

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

[Amounts are shown in thousands of dollars]

	Cumulative number at specified dates						Number of investors	Assets	Private repurchasable capital
	Dec. 31, 1934	Dec. 31, 1935	Dec. 31, 1936	Dec. 31, 1937	June 30, 1938	July 31, 1938	July 31, 1938	July 31, 1938	July 31, 1938
State-chartered associations	4	136	382	566	678	691	907, 400	$771, 817	$562, 236
Converted F. S. and L. A	108	406	560	672	[2] 698	[3] 700	794, 800	[3] 903, 735	629, 548
New F. S. and L. A	339	572	634	641	638	[4] 638	258, 000	[4] 306, 583	152, 300
Total	451	1, 114	1, 576	1, 879	2, 014	2, 029	1, 960, 200	1, 982, 135	1, 344, 084

[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.
[2] In addition, 8 Federals with assets of $5,517,000 had been approved for conversion but had not been insured as of June 30.
[3] In addition, 7 Federals with assets of $12,374,000 had been approved for conversion but had not been insured as of July 31.
[4] In addition, 1 new Federal with assets of $11,000 had been approved for membership but had not been insured as of July 31.

Table 10.—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
Dec. 31, 1937	112	5, 357, 210	666	43, 490, 020	4, 324	187, 015, 400	5, 102	235, 862, 630
Jan. 31, 1938	113	5, 382, 210	675	44, 055, 020	4, 342	187, 668, 400	5, 130	237, 105, 630
Feb. 28, 1938	106	5, 197, 210	692	44, 816, 020	4, 360	188, 535, 900	5, 158	238, 549, 103
Mar. 31, 1938	[2] 100	[2] 4, 992, 210	711	45, 975, 130	4, 368	188, 885, 900	5, 179	239, 853, 240
Apr. 30, 1938	[2] 95	5, 062, 210	739	47, 324, 670	4, 382	189, 693, 900	5, 216	242, 080, 780
May 31, 1938	[2] 89	[2] 4, 772, 210	761	48, 424, 670	4, 399	190, 528, 900	5, 249	243, 725, 780
June 30, 1938	91	4, 972, 210	774	49, 318, 670	4, 418	191, 375, 900	5, 283	245, 666, 780
July 31, 1938	[2] 82	[2] 4, 471, 010	799	50, 684, 870	4, 434	192, 202, 900	5, 315	247, 358, 780
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
Dec. 31, 1937	40	1, 526, 000	564	36, 331, 270	3, 997	168, 762, 300	4, 601	206, 619, 570
Jan. 31, 1938	40	1, 526, 000	573	36, 843, 270	4, 009	169, 035, 300	4, 622	207, 404, 570
Feb. 28, 1938	36	1, 491, 000	582	37, 073, 270	4, 024	169, 670, 300	4, 642	208, 234, 570
Mar. 31, 1938	[2] 33	[2] 1, 401, 000	596	37, 714, 270	4, 033	170, 057, 800	4, 662	209, 173, 070
Apr. 30, 1938	[2] 29	[2] 1, 326, 000	613	38, 590, 570	4, 039	170, 147, 800	4, 681	210, 064, 370
May 31, 1938	[2] 26	[2] 1, 126, 000	632	39, 566, 310	4, 049	170, 772, 800	4, 707	211, 465, 110
June 30, 1938	26	1, 126, 000	642	39, 876, 310	4, 058	170, 995, 300	4, 726	211, 997, 610
July 31, 1938	[2] 25	[2] 1, 101, 000	649	40, 155, 310	4, 065	171, 300, 300	4, 739	212, 556, 610

[1] Refers to numbers of separate investments, not to number of associations in which investments are made.
[2] Reduction due to insurance or federalization of associations.

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Table 11.—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: Jan. 1 through June 30	23, 459
July 1 through Dec. 31	26, 899
1938: January	4, 811
February	4, 334
March	4, 906
April	4, 870
May	4, 767
June	4, 701
July	4, 130
Grand total to July 31, 1938	104, 078

[1] Does not include 15,516 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 104,078 completed cases, 577 properties were sold at foreclosure sale to parties other than the H. O. L. C. and 14,270 cases have been withdrawn due to payment of delinquencies by borrowers after foreclosure proceedings were authorized.

Table 12.—Reconditioning Division—Summary of all reconditioning operations of H. O. L. C. through July 31, 1938 [1]

	June 1, 1934 through June 30, 1938	July 1, 1938 through July 31, 1938	Cumulative through July 31, 1938
Cases received [2]	944, 476	11, 225	955, 701
Contracts awarded:			
Number	574, 327	12, 064	586, 391
Amount	$110, 246, 570	$2,483,350	$112,729,920
Jobs completed:			
Number	562, 723	12, 566	575, 289
Amount	$106, 090, 336	$2,382,105	$108,472,441

[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 April 15, 1937.

Table 13.—Federal Home Loan Bank advances to member institutions by Districts

Federal Home Loan Banks	Advances made during July 1938	Advances made during June 1938
No. 1—Boston	$199, 000. 00	$420, 700. 00
No. 2—New York	521, 000. 00	705, 400. 00
No. 3—Pittsburgh	533, 007. 35	892, 400. 00
No. 4—Winston-Salem	1, 182, 500. 00	1, 790, 400. 00
No. 5—Cincinnati	469, 500. 00	956, 400. 00
No. 6—Indianapolis	288, 400. 00	549, 500. 00
No. 7—Chicago	352, 500. 00	2, 304, 000. 00
No. 8—Des Moines	247, 000. 00	1, 314, 686. 00
No. 9—Little Rock	232, 750. 00	924, 000. 00
No. 10—Topeka	395, 350. 00	1, 462, 200. 00
No. 11—Portland	237, 500. 00	728, 650. 00
No. 12—Los Angeles	285, 500. 00	2, 798, 115. 86
Total	4, 944, 007. 35	14, 846, 451. 86

Table 14.—Lending operations of the Federal Home Loan Banks

[Thousands of dollars]

Month	Advances monthly	Repayments monthly	Balance outstanding at end of month
1936			
January–July	$46, 477	$27, 171	----------
July	8, 507	4, 993	$122, 101
1937			
January–July	69, 221	45, 051	----------
July	10, 221	7, 707	169, 571
1938			
January–July	46, 125	54, 327	----------
July	4, 944	9, 277	191, 892

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Resolutions of the Board

AMENDMENT TO RULES AND REGULATIONS FOR THE FEDERAL SAVINGS AND LOAN SYSTEM, REPEALING APPROVAL REQUIREMENT REGARDING REQUESTS FOR FIELD EXAMINATIONS AND APPRAISALS OF APPLICANTS FOR CONVERSION: Approved August 24, 1938; effective upon filing for publication in the Federal Register.

The third sentence of Section 102.020* of the Rules and Regulations for the Federal Savings and Loan System which reads as follows was repealed:

After consideration by an executive officer of the Federal Home Loan Bank of the District in which the applicant is located, by the district examiner, and by the chief examiner, any member of the Board may approve such request, and, if approved, a field examination or appraisal, or both, will then be made by the Board.

AMENDMENT TO RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS REPEALING APPROVAL REQUIREMENT REGARDING FIELD EXAMINATIONS AND APPRAISALS OF APPLICANTS FOR INSURANCE OF ACCOUNTS: Approved August 24, 1938; effective upon filing for publication in the Federal Register.

The third sentence of sub-paragraph (4) of Paragraph d of Section 201.002* of the Rules and Regulations for Insurance of Accounts, which reads as follows, was repealed:

A member of the Board shall approve or disapprove such request, and, if approved, a field examination and appraisal will then be made by the Examining Division.

*Since copies of recodified Rules and Regulations for Federal agencies have not yet been distributed, the old code numbers are listed for the convenience of readers.

Section 102.020: Section 20.
Section 201.002: Section 2.

Directory of Member, Federal, and Insured Institutions

Added during July–August

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN JULY 16, 1938, AND AUGUST 15, 1938 [1]

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

DISTRICT NO. 1

CONNECTICUT:
Willimantic:
Willimantic Building & Loan Association, 666 Main Street.
MASSACHUSETTS:
Chicopee Falls:
Chicopee Falls Co-operative Bank, 20 Broadway.

DISTRICT NO. 3

PENNSYLVANIA:
Philadelphia:
Alvin Progressive Building & Loan Association, 517 Perry Building.
South Philadelphia Building & Loan Association Number 2, 2101 South Nineteenth Street.

[1] During this period 2 Federal savings and loan associations were admitted to membership in the System.

DISTRICT NO. 4

MARYLAND:
Baltimore:
Raspeburg Building & Loan Association, Incorporated, 5718 Belair Road.

DISTRICT NO. 5

OHIO:
Mount Sterling:
Security Building & Loan Company, 23 North London Street.

DISTRICT NO. 6

INDIANA:
Worthington:
Greene County Building Savings & Loan Association.

DISTRICT NO. 7

ILLINOIS:
Springfield:
Springfield Homestead Association, 402 Ridgely-Farmers Building.

DISTRICT NO. 8

MISSOURI:
Jefferson City:
Hub City Building & Loan Association, 131 East High Street.

DISTRICT NO. 10

OKLAHOMA:
Clinton:
Clinton Building & Loan Association.

DISTRICT NO. 12

CALIFORNIA:
Modesto:
El Portal Building-Loan Association, 927 Eleventh Street.
Palo Alto:
Home Building & Loan Association, 545 Ramona Street.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN JULY 16, 1938, AND AUGUST 15, 1938

INDIANA:
Decatur:
Decatur Savings & Loan Association, 119 South Second Street (cancelation of membership).
KANSAS:
Kansas City:
Provident Building, Loan & Savings Association of Kansas City, Kansas (merger with Anchor Building, Savings & Loan Association, Kansas City, Kansas).
Paola:
Home Savings & Loan Association (voluntary withdrawal).
MARYLAND:
Baltimore:
Acme Savings & Building Association of Baltimore City, 1210 East Monument Street (voluntary withdrawal).
Homeland-Willow Building Association, Incorporated, Corner York Road & Homeland Avenue (cancelation of membership).
Jackson Square Loan & Savings Association of Baltimore City, 2018 Orleans Street (voluntary withdrawal).
Madison Square Permanent Building Association of Baltimore City, 1030 North Central Avenue (voluntary withdrawal).
NEW YORK:
Port Richmond:
Port Richmond Co-operative Savings & Loan Association (merger with Northfield Building Loan & Savings Association).[2]
PENNSYLVANIA:
Darby:
Darby Building & Loan Association, Darby Trust Building (voluntary withdrawal).
East Stroudsburg:
East Stroudsburg Building & Loan Association, 93 South Crystal Street (voluntary withdrawal).
Philadelphia:
Alvin Building & Loan Association, Southwest Corner Broad & Federal Streets.[3]
Progressive Home Building & Loan Association of Philadelphia, Southwest Corner Broad & Federal Streets.[3]
Square Deal Building & Loan Association, 517 Perry Building.[3]
TEXAS:
Dallas:
Dallas Homestead & Loan Association, 1117 Praetorian Building (cancelation of membership).

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN JULY 16, 1938, AND AUGUST 15, 1938

DISTRICT NO. 3

PENNSYLVANIA:
Philadelphia:
Alvin Progressive Federal Savings & Loan Association, 517 Perry Building (converted from Alvin Progressive Building & Loan Association).
Pottsville:
Greater Pottsville Federal Savings & Loan Association, 115 Mahantongo Street (converted from Greater Pottsville Building & Loan Association).

[2] Northfield Building Loan & Savings Association, after the merger, changed its name and address as follows: Northfield Savings & Loan Association, 221 Richmond Avenue, Port Richmond, New York.

[3] These three associations consolidated into the Alvin Progressive Building & Loan Association, Philadelphia, Pennsylvania, which became a member and was then converted to a Federal.

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DISTRICT NO. 4

MARYLAND:
Baltimore:
Pearl Street Federal Savings & Loan Association, 30 Pearl Street (converted from Pearl Street Perpetual Savings & Loan Association of Baltimore City).
Raspeburg Federal Savings & Loan Association, 5718 Belair Road (converted from Raspeburg Building & Loan Association, Incorporated).

DISTRICT NO. 12

CALIFORNIA:
Pomona:
Pomona First Federal Savings & Loan Association, 260 South Thomas Street (converted from Pomona Mutual Building & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN JULY 16, 1938, AND AUGUST 15, 1938

ARIZONA:
Phoenix:
Phoenix Federal Savings & Loan Association, 116 North First Avenue (merger with First Federal Savings & Loan Association of Phoenix, Phoenix, Arizona).

III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN JULY 16, 1938, AND AUGUST 15, 1938

DISTRICT NO. 1

CONNECTICUT:
Enfield:
Thompsonville Building & Loan Association, 25 Pearl Street.

DISTRICT NO. 3

PENNSYLVANIA:
Philadelphia:
Clearfield Federal Savings & Loan Association, 7300 Frankford Avenue.

DISTRICT NO. 5

OHIO:
Barnesville:
Peoples Building & Loan Company, 113 West Main Street.
Cleveland:
Third Federal Savings & Loan Association of Cleveland, 6875 Broadway.

DISTRICT NO. 6

MICHIGAN:
Port Huron:
Citizens Federal Savings & Loan Association of Port Huron, 525 Water Street, 18 White Block.

DISTRICT NO. 7

ILLINOIS:
Chicago:
Pulaski Building Loan & Investment Association, 1303 North Ashland Avenue.

DISTRICT NO. 8

IOWA:
Osage:
Home Savings & Loan Association, Cleveland Building.

DISTRICT NO. 9

TEXAS:
Taylor:
Taylor Building & Loan Association.

Announcement of Directors

■ THE Federal Home Loan Bank Board has recently announced the appointment of W. Waverly Taylor, President of Waverly-Taylor, Inc., Washington, D. C., as Public Interest Director for the Federal Home Loan Bank of Winston-Salem. Walter J. L. Ray, Vice President-Secretary, Standard Savings and Loan Association, Detroit, Michigan, was elected Director-at-Large for the Federal Home Loan Bank of Indianapolis.

Insurance Companies

(*Continued from p. 431*)

during 1937 and real estate owned subject to redemption decreased $29,000,000. Against these decreases was a net increase of $48,000,000 in the amount of real estate contracts.

Acquisitions of real estate by life insurance companies were declining during 1937 although more so in the aggregate of all types of property than in the instance of homes alone. Table 2 shows the experience of life insurance companies during the past three years.

It is evident that all types of property collectively displayed a stronger position than homes taken as a group. The value of *home* properties acquired in 1937 equaled 5.8 percent of the home mortgages outstanding at the beginning of the year and was only 1 percent less than the net amount foreclosed upon in 1936. In contrast, the value of *all* types of properties taken over in 1937 amounted to only 4 percent of the total mortgage balance at the beginning of the year and was 41 percent below the net amount acquired in 1936.

Life insurance companies were not only forced to acquire a relatively larger proportion of homes than of other types of real estate during 1937 but they likewise found that it was nearly as difficult to dispose of home property in 1937 as in 1936. Home property in the amount of approximately $75,000,000 was disposed of during 1937—an increase of only 1 percent over 1936 (Section IV). However, the total amount of properties moved during 1937 was 17 percent greater than the amount shifted during 1936, due to the fact that there was particular improvement in the market for farms and for primarily commercial joint home and business structures. Of the total amount of real estate disposed of, homes accounted for 33 percent in 1937 and 38 percent in 1936. Urban commercial property made up 30 percent of the total in 1937 as against 25 percent in 1936, while farm property remained approximately stationary at 37 percent in both of these years.

The apparent conclusions to be reached from this survey are that life insurance companies are finding the urban home-mortgage field increasingly desirable for the investment of their funds. Moreover, it is evident that there is a growing demand for lending for the purchase and construction of urban homes, with adequate funds available to finance a major building boom.

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A–B–C Book Opinions

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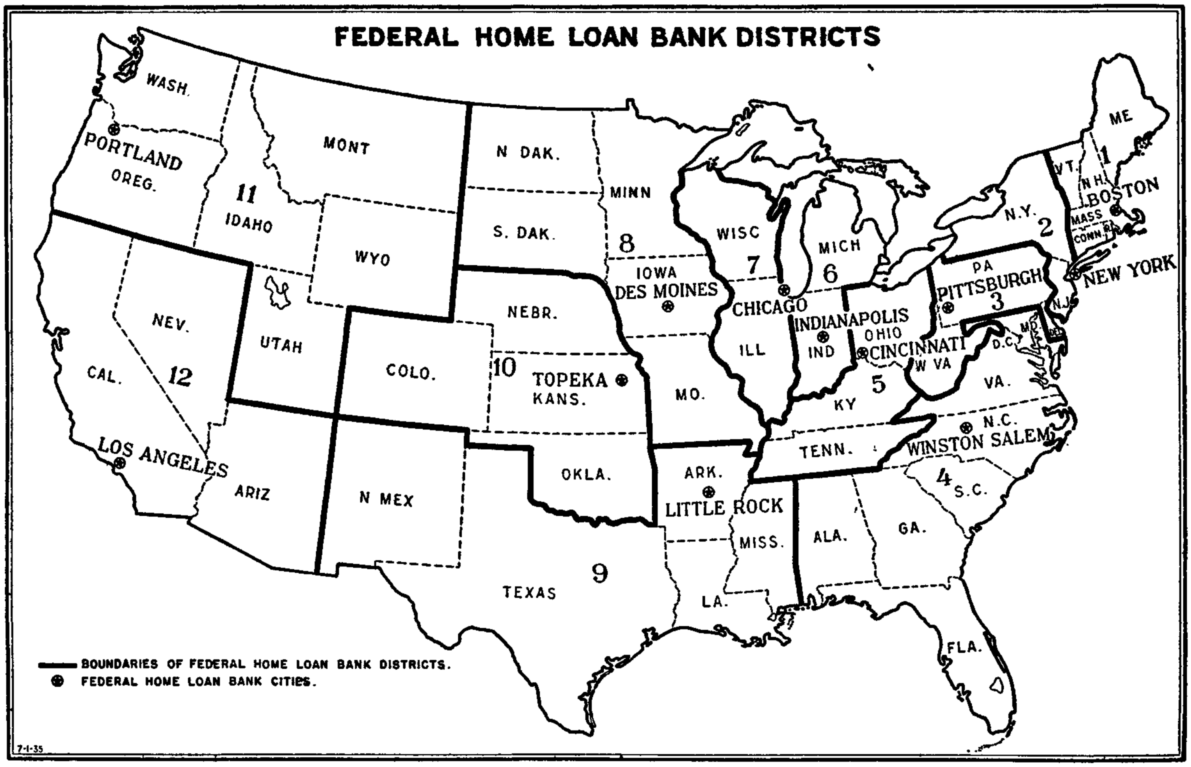

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