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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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109728—38——1

DIVIDEND RATES OF SAVINGS AND LOAN ASSOCIATIONS

■ DURING this month, boards of directors of savings and loan associations will meet to declare dividends to the holders of share accounts. These questions will be raised: What is the trend of dividend rates paid by savings and loan associations? Is our dividend policy sound? Do we need to consider possible changes in the light of rapidly changing conditions in the home-mortgage lending field?

These questions cannot be answered by a study of the trend of dividend rates alone. Dividends must be considered in terms of home-mortgage interest rates, as a savings and loan association is required to invest the major portion of its funds in home-mortgage loans. When the general level of home-mortgage interest rates falls, an institution must keep in step if it is to continue to secure high-grade risks. Since a spread must be maintained between the average return from its home-mortgage loans and the rate of dividends paid upon invested capital sufficient to meet operating costs and to build adequate reserves, it is evident that dividend rates are directly dependent upon the prevailing level of home-mortgage interest rates.

Home-mortgage interest rates in turn are greatly influenced by the conditions of the general money market. In recent years, both long-term and short-term interest rates have declined sharply. Short-term interest rates, which tend to fluctuate much more violently than long-term rates, have shown the greatest decline. Interest rates on commercial paper have fallen from 5.85 percent in 1929 to a current yield of .69 percent. U. S. Treasury bills of 91-day duration, which were introduced in 1934 at an average yield of .28 percent, are today quoted at .04 percent. Long-term interest rates, with which home-mortgage interest rates are more comparable, have shown smaller declines. The yield on long-term U. S. Treasury bonds, which averaged 3.60 percent in 1929, is currently 2.31 percent. The annual average return on corporate high-grade bonds was 4.73 percent in 1929 as compared with 3.09 percent today.

Home-mortgage interest rates have been carried to lower levels in this downward movement of the entire structure of interest rates. High rates on really good mortgages cannot be obtained today. The Chairman of the Federal Home Loan Bank Board in his recent speech before the United States Building and Loan League pointed out: "Except in a few sections, 5 to 5½ percent is now the going rate throughout the country and likely to remain so for years to come. It is true that because of the higher costs of servicing, small loans command a somewhat higher rate and probably this will continue to be the case. The general trend of rates on the better class of loans is, however, quite clear . . ."

While it may be true that there are substantial variations between interest rates in different parts of the country, there is reason to believe that if present economic conditions continue, some of the geographical differences in mortgage-lending rates for home-finance and construction will probably be narrowed. We now have the Federal Home Loan Bank System, operating as a national organization, with ample reserve funds. With the aid of its 4,000 member institutions, the Bank System can transfer the surplus funds of one community to another which needs capital. The insurance of mortgages by the Federal Housing Administration is tending to level interest rates charged by all types of lenders in many parts of the country. Perhaps even more important than the work of any single agency in lowering interest rates has been the acceptance of the inherent soundness of a well-made home-mortgage loan as a safe and profitable outlet for the surplus funds of various types of lending institutions.

Current Position of Dividend Rates

Since dividend rates of savings and loan associations are directly dependent upon home-mortgage interest rates, it may be said that in the long run directors of savings and loan associations do not determine dividend rates but rather that the general conditions of the money market establish the level of dividend payments. This is true not only for savings and loan associations but also for other types of financial institutions. The maximum interest rate which member commercial banks of the Federal Reserve System have been permitted to pay on savings deposits since January 1, 1936, is 2½ percent, and in many sections of the country commercial banks are paying an interest rate substantially below the maximum authorized level. All legal reserve life insurance companies have already announced that effective January 1, 1939, there will be a reduction in the return guaranteed to policy holders from 3 percent to 2.5 percent.

These same general influences are making themselves felt in the savings and loan industry, as is apparent from a survey of dividend rates of Federal savings and loan associations. This report, prepared by the office of the Governor of the Federal Home Loan Bank System, reveals that from 1935 to 1937 the weighted average dividend rate declined from 3.69 to 3.48 percent—a reduction of .21 in the dividend rate paid. These weighted dividend rates were obtained by multiplying each association's dividend rate by its average invested capital for each year. (These averages show that the *total* of dividend payments upon the *total* average invested capital of these associations was at a slightly lower rate in 1937 than in 1935. They do not indicate necessarily that the policy of all savings and loan associations has been to lower dividend rates in response to general money market conditions.)

The decline in the national dividend average of Federal associations from 1935 to 1937 was reflected in the individual averages of 10 of the 12 Bank

Table 1.—Average annual dividend rates (weighted) of Federal savings and loan associations

[Source: Office of the Governor, Federal Home Loan Bank System]

Bank District	Calendar years 1935	1936	1937	Net decrease (−) or increase (+) 1935 to 1937
	Percent	*Percent*	*Percent*	
UNITED STATES	3. 69	3. 44	3. 48	−. 21
No. 1—Boston	3. 88	3. 70	3. 53	−. 35
No. 2—New York	2. 99	2. 46	2. 65	−. 34
No. 3—Pittsburgh	3. 92	3. 96	3. 91	−. 01
No. 4—Winston-Salem	3. 82	3. 90	3. 94	+. 12
No. 5—Cincinnati	3. 62	3. 54	3. 50	−. 12
No. 6—Indianapolis	3. 66	3. 10	3. 10	−. 56
No. 7—Chicago	4. 03	3. 83	3. 79	−. 24
No. 8—Des Moines	3. 52	3. 40	3. 39	−. 13
No. 9—Little Rock	3. 97	4. 08	4. 09	+. 12
No. 10—Topeka	3. 87	3. 80	3. 84	−. 03
No. 11—Portland	3. 82	3. 62	3. 52	−. 30
No. 12—Los Angeles	4. 15	3. 96	3. 91	−. 24

Districts: Winston-Salem and Little Rock excepted. The Indianapolis Region cut its average dividend rate from 3.66 to 3.10, a net reduction of .56 percent. The Boston (−.35), New York (−.34), and Portland (−.30), areas also showed sizeable reductions, while Chicago and Los Angeles reduced their average dividend rates nearly one-quarter of 1 percent. Des Moines, Cincinnati, Topeka, and Pittsburgh indicated that they were falling in line with minor decreases (see Table 1).

The country-wide average dividend rate was raised fractionally (.04) during the year 1937, but it is not clear whether this was due to the addition of a number of associations, not previously included, which were paying the prevailing rate of dividends, or whether it may be attributed to an interruption in the downward trend of dividend rates apparent in 1936.

Further evidence of the present position of dividend rates may be gained from a report of dividend policies of all member institutions of the Federal Home Loan Bank of Indianapolis, prepared by the Advisory Committee of that Bank. This Committee presents a summary indicating that the majority of member associations in that area are now paying dividends at the rate of 3 percent a year (Table 2). A downward trend in dividend rates for those institutions paying above 3 percent is indicated by the fact that a number of associations operating in West Central Indiana, paying a 4-percent rate on June 30, 1938, notified their shareholders on July 1 that the December 31 dividend payment would not exceed 3 per centum per annum. This report adds further that the Committee does not find any significant correlation between a high dividend rate and an increasing flow of private share investment, or between a low dividend rate and a decreasing participation of private capital.

This same emphasis upon lower dividend rates is found in the State of New York, where the Federal Home Loan Bank of New York reports that for the six months ending June 30, 1938, 62 out of its 64 member Federal associations paid dividends of 3 percent or less.

Our facts show that general money market conditions have already been reflected in the return paid to investors by commercial banks, life insurance companies, and other financial institutions. The statistical evidence indicates that the dividend rates of savings and loan associations have also been affected by these same general influences.

Table 2.—Dividend rates of member associations of the Federal Home Loan Bank of Indianapolis as of Dec. 31, 1937

[Source: Advisory Committee of the Board of Directors, Federal Home Loan Bank of Indianapolis]

	Number of associations declaring dividends at:							Total
	Less than 2½%	3%	3¼%	3½%	4%	4½%	5% and over	
Indiana:								
State-chartered associations		34		8	32	3	10	87
Federal savings and loan associations		48		5	10	2		65
Michigan:								
State-chartered associations	3	13	1	2	8			27
Federal savings and loan associations	1	18		1	1		1	22
Total	4	113	1	16	51	5	11	201

Investment of Private Share Capital

Of prime importance to boards of directors and managers of savings and loan associations is the effect of a downward trend of dividend rates upon the investment of private capital. Initial steps in the study of such statistics were taken in the October issue of the Review, when the experience of 11 insured savings and loan associations in a large mid-western urban area was considered.

In this selected community it was found that during the first six months of 1938, nine of the 11 associations showed a greater net increase in private investment than during the entire 12 months of 1937. These gains were registered in spite of the fact that none of these institutions had declared dividends at a semiannual rate in excess of 1½ percent at any time after the insurance of the accounts of their members. This 3-percent annual dividend rate is considerably below the average dividend rate of Federal associations in this District during 1937 of 3.39 percent.

The survey of Federal associations prepared by the Governor's office presents additional statistics which support the contention that the careful investor will not refuse to save, even though the prospective return on his investment is lower than has been customary in former years, provided that he is satisfied as to the safety of his funds.

In 1936, the United States national average indicated a 6.62 percent increase over the previous year in the investment of private funds in Federal associations (Table 3). This upward trend was reflected in all but two regions—Indianapolis and Little Rock. Winston-Salem and Los Angeles displayed the largest gains in private share investment of 39 percent and 32 percent, respectively. The following year Federal associations in *all* Bank Districts were able to show increased private funds, causing the total investment for the United States to increase 16.39 percent in 1937, with the Winston-Salem and Los Angeles Bank Districts again leading the way.

Singling out those Districts which reflected a net decrease in dividend rates from 1935 to 1937 (all but Winston-Salem and Little Rock), we find that in each District Federal associations received a larger share of private capital in 1937 than in 1936, as is clear from Table 3.

Careful study of the average percentage gains in the investment of private capital in Federal asso-

(*Continued on p. 87*)

Table 3.—Trend of private capital investments in Federal savings and loan associations, 1936 and 1937

[Source: Office of the Governor, Federal Home Loan Bank System]

Federal Home Loan Bank District	Percentage increases or decreases (−) in private capital invested in Federal associations during—	
	1936	1937
	Percent	*Percent*
United States	6.62	16.39
No. 1—Boston	19.98	26.49
No. 2—New York	1.59	9.79
No. 3—Pittsburgh	22.70	24.35
No. 4—Winston-Salem	39.53	36.93
No. 5—Cincinnati	5.61	13.49
No. 6—Indianapolis	−7.09	2.07
No. 7—Chicago	21.79	32.49
No. 8—Des Moines	5.09	15.03
No. 9—Little Rock	−.14	27.20
No. 10—Topeka	.02	6.79
No. 11—Portland	18.60	21.11
No. 12—Los Angeles	32.36	36.18

HOW DO SAVINGS AND LOAN ASSOCIATIONS SPEND THE ADVERTISING DOLLAR?

This article, third in a series, tells how 271 insured member savings and loan associations distributed their advertising expenditures among nine advertising media during 1937.

■ IN its inquiry into the typical advertising and promotional program of savings and loan associations, the Federal Home Loan Bank Board has been interested not only in *what* these institutions spent during 1937 but also in *how* they used these funds. In what advertising media are the associations investing most of their budget for promotion?

The answer to this question, while not presented as necessarily an ideal division of the advertising budget, at least reveals what the more successful insured associations are finding most effective. Hence, it may serve as a rough guide to institutions which are giving their advertising programs scientific and analytical consideration.

It will be recalled that this study is based upon answers received to a questionnaire directed to more than 600 growing Federal and State-chartered insured savings and loan associations, varying in size from those with assets of $50,000 to those with more than $10,000,000, and scattered widely throughout the Nation. A total of 271 associations made replies suitable for analysis. It is reasonable to assume that these replies are good indicators of the distribution of the advertising expenditures of those insured institutions in the various size groups which made marked progress during 1937. The total sample offered a cross section of the more successful insured institutions.

A study of *how* these institutions spent the $782,000 that they devoted to advertising last year shows that by far the largest part of it—55 percent, or more than half—went for newspaper space. The advertising expenditure in newspapers ($433,000) was 24 percent greater than the entire amount ($349,000) which all 271 associations spent for the eight other advertising media combined. Virtually all associations—269 of 271, or 99 percent—used the advertising columns of the public press to convey their messages to potential investors and borrowers (Table 1 and Chart A).

In size these advertisements varied from brief notices in the classified advertising sections of newspapers to the wide use of display space.

An article in a recent issue of *Time* magazine regarding advertising during recent years mentions the fact that in 1937 newspapers received 59 cents out of every advertising dollar spent generally by American business. On this basis, the Federal and State-chartered insured associations—the two types to which our inquiry was addressed and to which our knowledge is limited—appear to have followed closely the national norm in allocating their 1937 expenditures for newspaper advertising.

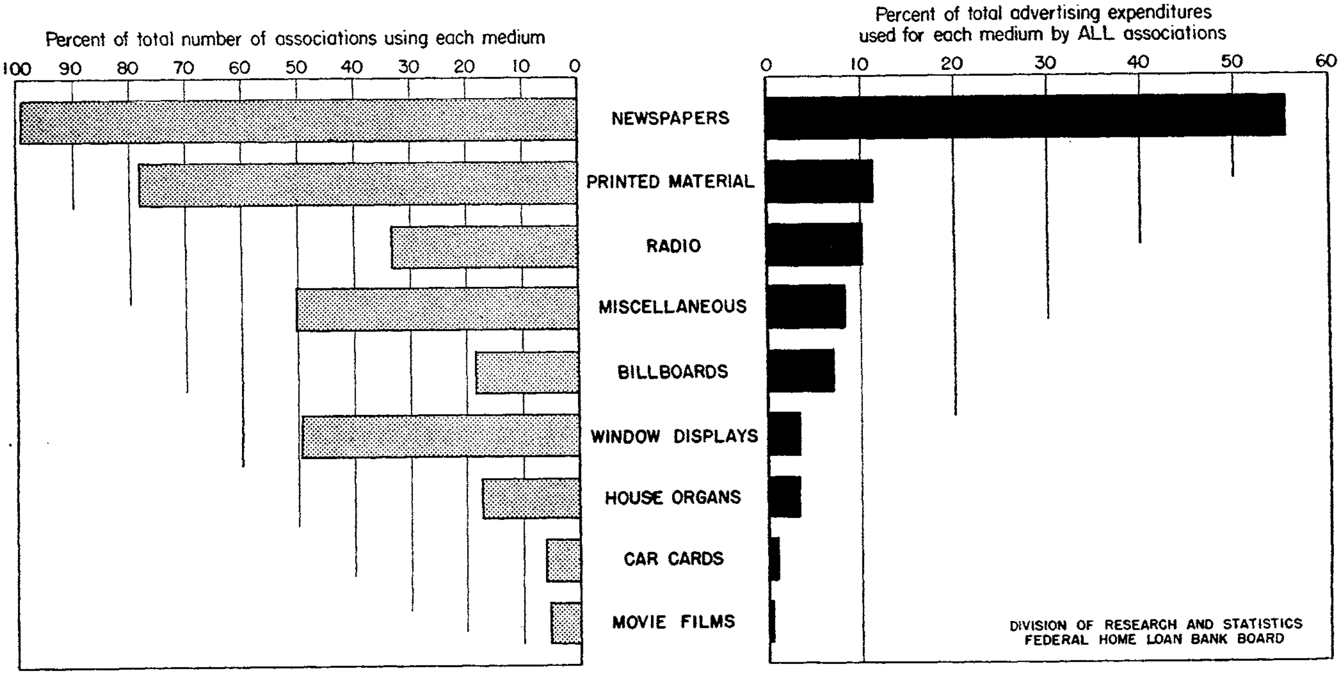
***Table 1.*—Percentage distribution of total advertising expenditures of 271 insured member associations, according to advertising medium**

[*Calendar year 1937*]

Medium	Associations using medium: Number	Associations using medium: Percent of total number of associations	Advertising expenditure	Percent of total advertising expenditure
Newspapers	269	99.3	$432,699	55.4
Printed material	212	78.2	88,300	11.3
Radio	90	33.2	78,855	10.1
Miscellaneous	136	50.2	64,329	8.2
Billboards	50	18.5	55,007	7.0
Window displays	134	49.4	26,454	3.4
House organs	47	17.3	26,010	3.3
Car cards	16	5.9	7,443	1.0
Movie film	14	5.2	2,674	0.3
Total			781,771	100.0

Chart A HOW 271 MEMBER INSURED SAVINGS AND LOAN ASSOCIATIONS SPENT THE ADVERTISING DOLLAR IN 1937

(BASED ON TABLE 1)



Associations in each gross income group devoted one-half or more of their advertising budgets to the newspapers (Table 2). Those with earnings of more than $500,000 for the year reported expenditure for this class of advertising of half of their budgets while those with incomes of less than $10,000 spent 63 percent of their advertising funds in this manner. In general, the averages show that associations with smaller gross incomes tended to rely more heavily upon newspaper advertising in proportion to other advertising expenditures than did associations with higher gross incomes.

Printed Material

The pamphlet, the brochure, the form letter, and other printed forms—grouped as "direct-mail advertising"—followed newspaper space in accounting for the next largest portion of the advertising dollar in the budget of the typical insured savings and loan association. Returns from the questionnaire revealed that 212 associations, or 78 percent of all institutions, used this form of appeal in which was invested 11 percent of their total expenditure.

The aggregate expenditure for printed material might have been greater, had it not been for the fact that a few reporting associations indicated that they had used calendars or some other piece more properly classed as direct-mail advertising matter, but on the questionnaire included the cost of this material under "miscellaneous," merged with other unclassified forms of advertising and sales promotion.

Radio

The third most important form of advertising reported, from the standpoint of total advertising expenditure, although not in relation to the number of associations using it, was that newest of promotional agents, the radio. Advertising over the air accounted for 10 percent of the total budgets reported and 90, or 33 percent, of the associations broadcast appeals for new accounts or loans.

The *Time* article on advertising, referred to earlier, stated that during 1937 radio's part of the United States advertising dollar was 17 percent, of which 7 percent went for "network" broadcasting and 10 percent for air time sold by local stations. Inasmuch as the "network" type of radio advertising is not suitable for the localized advertising message of savings and loan associations, the extent to which they employed radio may be judged entirely by their use of local stations and this coincided almost exactly with that of other types of American business.

Miscellaneous

Under this heading are included a variety of business-promoting activities and devices which, alone, do not warrant separate classification. Together, they accounted for the fourth largest class of advertising expense, or 8 percent of the total budget. The 136 associations reporting use of these forms comprised half of those reporting.

Included in this classification are home savings banks for the accumulation of coins, electric signs, advertising pencils, calendars, pocket memorandum books, fans, premiums, car license holders, novelty Christmas gifts to contractors and real estate men, and telephone directory advertisements. Participation in housing shows and in civic events is also included in this classification.

Billboards

Fifty associations, including 19 percent of those questioned, used billboard advertising to promote the growth of their associations and spent 7 percent of their budgets for it. This form of advertising ranked fifth in importance among the nine different media. The largest individual association expenditures for outdoor advertising in 1937 were $5,200 and $5,138. The first amount was spent by an insured State-chartered association in Texas and represented 27 percent of the association's total advertising expenditure. A Federal association in the State of Washington invested $5,138, or 11 percent of its total 1937 advertising expenditure, in billboards.

Window Displays

Window displays, although ranking only sixth in terms of dollar expenditure in these advertising budgets, were rather widely used by the associations questioned. One hundred thirty-four of them, or approximately half, found that prospective investors or borrowers were attracted into their offices by well-designed pictures or slogans placed in their show windows.

In addition to the conventional type of window display, some associations found that passers-by were attracted by timely news pictures of current events of the sort which can be obtained from any number of photo syndicates.

House Organs

Forty-seven associations, or 17 percent of the total number, used house organs to keep their present investors and borrowers informed of the institution's progress and to solicit new business from prospects. Expenditures for house organs accounted for 3 percent of their budgets.

Such publications either may be printed exclusively for the use of one association or purchased from syndicates which supply magazines containing certain pages of reading matter of general interest, leaving others blank for individualized news about the particular community and the association distributing them.

Some associations stated that their house organs were of little or no expense, because of the advertising they carried of other businesses interested in approaching the same type of customer.

***Table 2.*—Percentage distribution of total advertising expenditure of 271 insured member associations, analyzed by gross income groups**

[*Calender year 1937*]

Gross income group	Number of reporting insured associations	Advertising expenditure	Percent of gross income	Percentage distribution of total advertising expenditure									
				News-papers	Printed material	Radio	Miscel-laneous	Bill-boards	Window displays	House organs	Car cards	Movie film	Totals
Over $500,000	6	$96, 162	1. 5	49. 4	9. 7	10. 7	4. 9	17. 7	2. 4	3. 3	2. 5	0. 6	100. 0
$250,000–$500,000	18	218, 316	3. 3	55. 7	10. 6	6. 7	8. 1	9. 6	3. 9	5. 3	0. 0	0. 1	100. 0
$100,000–$250,000	51	250, 089	3. 3	53. 2	10. 6	14. 6	9. 8	5. 8	2. 6	2. 2	1. 2	0. 1	100. 0
$50,000–$100,000	55	113, 424	2. 8	62. 5	10. 5	11. 0	7. 0	1. 8	3. 7	1. 8	1. 5	0. 2	100. 0
$25,000–$50,000	69	82, 366	3. 2	57. 0	16. 1	5. 2	10. 1	1. 2	5. 1	3. 7	0. 9	1. 3	100. 0
$10,000–$25,000	47	16, 821	2. 2	58. 6	20. 7	3. 7	3. 1	1. 6	4. 6	4. 7	0. 6	2. 3	100. 0
Under $10,000	25	4, 593	2. 7	62. 7	14. 5	1. 9	12. 3	4. 0	2. 1	2. 3	0. 0	0. 1	100. 0
Total	271	781, 771	2. 8	55. 4	11. 3	10. 1	8. 2	7. 0	3. 4	3. 3	1. 0	0. 3	100. 0

Table 3.—Relative valuation of advertising media used by 271 insured savings and loan associations

[*Calendar year 1937*]

Advertising medium	Number of associations using	Number of associations rating [1]	Association ratings								
			First	Second	Third	Fourth	Fifth	Sixth	Seventh	Eighth	Ninth
Newspapers	269	194 (72.1%)	154 79.4%	31 16.0%	5 2.6%	2	2	------	------	------	------
Printed material	212	138 (65.1%)	19 13.8%	62 44.9%	34 24.6%	20	2	1	------	------	------
Radio	90	61 (67.8%)	11 18.0%	17 27.9%	16 26.2%	12	5	------	------	------	------
Window displays	134	90 (62.2%)	6 6.7%	28 31.1%	29 32.2%	20	3	2	2	------	------
Miscellaneous	136	68 (50.0%)	4 5.9%	6 8.8%	20 29.4%	18	13	4	2	1	------
Billboards	50	25 (50.0%)	1 4.0%	4 16.0%	6 24.0%	10	3	1	------	------	------
House organs	47	30 (63.8%)	7 23.3%	9 30.0%	12 40.0%	2	------	------	------	------	------
Car cards	16	10 (62.5%)	------	1 10.0%	------	4	4	------	------	1	------
Movie film	14	6 (42.9%)	------	1 16.7%	2 33.3%	1	1	------	------	------	1

[1] Percentages in parentheses show relation of associations rating to total using medium.

Car Cards

Ranking eighth in importance in advertising budgets and accounting for 1 percent of total advertising expenditures were car cards, used by 16, or 6 percent, of the associations.

The largest individual expenditures for this type of advertising were $2,089 and $1,200, made by associations in Michigan and Indiana, respectively.

Movie Films

Last in rank among forms of advertising was movie film, used by 14 associations, 5 percent of those reporting, and accounting for only a fraction of 1 percent of the total advertising expenditures. No detailed comment was offered on the type of film used.

Valuation of Advertising Media by Associations

The associations replying to the questionnaire were asked to rate the different advertising media which they had used in the order of their importance. Table 3 permits a comparison of the preferences indicated and shows that the preference ratings parallel closely the relative total amounts of advertising expenditures in 1937 for the nine different media by the 271 reporting associations. This is evident when we compare the relative rankings of the media in Table 1 and Table 3. Table 1 ranks the different media in terms of the dollar amounts expended for them by reporting associations. Table 3, in which the associations rate the media according to their productiveness, reveals only one change from the ranking in terms of dollar amount: Window displays, which was sixth according to dollar expenditure, rose to fourth place in the preference ratings, and was rated above miscellaneous and billboards in productiveness. As in all cases of preference ratings, however, the dependability of these conclusions is influenced both by the degree of accuracy in reporting and by the human tendency to be inclined to think best of the thing in which we have the largest investment.

The relative valuation table shows definitely that newspapers were regarded by the majority of reporting associations as their best advertising medium. Almost all of the associations made some use of newspapers, and 154 associations out of 194 which rated this medium indicated that newspaper advertising was the most productive means of business development.

Printed material ranked as the second most productive advertising medium. Although only 19 associations regarded printed material as of first importance, 62 associations considered that it merited second place, and 34 gave it third place rating.

Although radio was used for business development in 1937 by only 90 reporting associations, 44 associations, or 72 percent of the associations rating this advertising medium, included radio among the first three most productive media.

Window displays were rated by 90 associations out of the 134 which reported the use of this medium. Sixty-three associations (70 percent) classified window displays among the three most productive media.

Miscellaneous forms of advertising, although rather widely used, were rated among the first three media in importance by only 30 out of 68 associations stating their preferences.

Billboards, house organs, car cards, and movie film were much less widely used than newspapers, printed material, radio, window displays, and miscellaneous advertising. Less than 20 percent of the associations reported use of these media. Fifty associations used billboards and 47 associations used house organs, but a higher advertising value was placed upon house organs than upon billboards. Ninety-three percent of the associations rating house organs placed such bulletins among the first three advertising media, while only 44 percent of the associations using billboards ranked this form of advertising so high.

Use of car cards and movie film was even more restricted. No association considered these media of first importance.

Classification of Associations by Gross Income Groups

In studying the distribution of advertising expenditures of these insured associations, an important purpose was to present ratios or averages applicable to institutions enjoying approximately the same amount of business volume. For this reason, the 271 insured associations were grouped within seven classifications, according to their gross operating incomes in 1937, as shown in Table 2. Such a grouping tends to eliminate extremes, and the ratios of advertising expenditure within each gross income group become more dependable indices of how the typical association in that classification invested its advertising dollar.

The amount of gross operating income during 1937 was used to determine the classification of an association, rather than the amount of assets. It seemed advisable to use this measure because gross operating income, which includes all normal recurring income, is a more definite and timely index of an association's earning power and its capacity for growth than are its capital assets. It is also more in accord with general practice in other lines of business to base advertising appropriations upon earnings rather than upon capital resources or assets.

It was not possible in the analysis of the *distribution* of advertising expenditures to use the replies from all the institutions which gave figures on total advertising expenditures. Because the replies used are not identical in the two cases, the total dollar amount of advertising expenditure and its ratio to gross operating income vary slightly in this analysis from figures published in the November Review.

Records of Results From Advertising Essential

Students of advertising who are interested in the types of promotional activity used by associations of various income classes will find a detailed study of this in Table 2.

The division of advertising funds among the different media as set forth here represents only the average allocations of associations in different gross income groups. One thing may be emphasized, however: almost without exception, associations which furnished the data upon which this survey is based were successful during 1937 in acquiring a substantial volume of new private capital. For this reason, the proportion of the advertising budgets devoted to the different media by these associations and their ratings of the media according to productiveness deserve serious consideration.

An individual association, however, can make its advertising most effective by a definite study of its market. From such data as U. S. census reports, compilations of local chambers of commerce, studies by local real estate boards, and tax records, it is possible to determine the approximate number of prospects in a community and to classify them according to occupational group, age and sex, automobile ownership, and according to other economic factors which serve as a measure of the amount, regularity, and stability of their earnings.

The advertising plans and appropriations can then be based upon the facts disclosed by the individual market study. In any case, advertising should be allotted a definite place in the association's yearly budget and its division among the different media should be planned as far as possible upon the basis of known results. A definite plan of tracing and recording results from the association's various advertising activities is the only certain way to check the division of the advertising appropriation between the different media, and to assure increasing

(*Continued on p. 73*)

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FAMILY INCOMES AND THE URBAN HOUSING MARKET IN THE UNITED STATES

Only one out of every three urban American families can afford to own the type of home which is being built today. A recent study of family incomes shows that two out of every three families are excluded from the housing market.

■ THE most salient problem now faced by home-financing agencies, the building trades, material dealers, and Federal agencies interested in housing is the provision of a comfortable but low-cost home to sell for $4,000 or less for the great mass of American families whose incomes will not justify a larger investment.

This fact was stressed recently before the National Association of Housing Officials in an address by Chairman John H. Fahey of the Federal Home Loan Bank Board, who advocated close cooperation between private and Federal agencies in solving this problem. He stated it succinctly in these words:

> While I am aware that progress has been made in better planning, it cannot be claimed that we have yet found the way to provide for $4,000 and less the kind of home the American family of moderate means is entitled to have. The market for such homes is enormous, and the sooner we begin to meet that demand, the better it will be for the business of the entire country.

Meanwhile, a report by the National Resources Committee on "Consumer Incomes in the United States" has provided a picture of unusual clarity of the American family's income.[1] From this it can readily be seen that the housing industry, as it exists today, is building homes priced far too high for the average family. Costs must be reduced sharply if this great potential market is to be tapped.

The survey, covering the period from July 1935, through June 1936, showed the distribution of that year's national income of $60,000,000,000 among America's 128,000,000 consumers. To determine how the lump sum of $60,000,000,000 was divided, sample income data of 300,000 families apportioned among cities, villages, farms, and representative of 30 different States, were studied minutely.

It was found that America's 29,500,000 families of two or more persons, made up of 116,000,000 individuals, included 91 percent of the total body of consumers and hence is the market toward which all major merchandising efforts should be directed. America's families of two or more persons received four-fifths of the total national income in that year. The remaining $12,000,000,000 was distributed among the 10,000,000 single individuals and 2,000,000 institutional residents, comprising 9 percent of America's consumer units.

In any analysis of the housing market, the member institutions of the Federal Home Loan Bank System are primarily interested in conditions in urban areas. If we exclude rural families and all families which received relief at any time during the year, there were 14,000,000 urban nonrelief families. From this study these facts stand out:

1. These urban families received two-thirds of the national income distributed to all nonrelief families, urban and rural, in the country.

2. The income of the typical urban American family for the 1935–1936 year was $1,475, or slightly less than $125 per month. Half of these families received less than $1,475, and one-half more than that amount.

3. Income within this great family group is far from evenly distributed. Had it been apportioned equally among all, the typical family's income would have been raised from $1,475 to $2,064—from $125 to $170 per month.

4. It is evident that 70 percent of America's urban families received less than $2,000, since one-half of all urban families of two or more persons received incomes of less than $1,500, and an additional 20 percent received incomes between $1,500 and $2,000.

These figures offer a partial key to the housing problem.

It is generally calculated by rule of thumb that a family is justified in investing in a home not more

[1] The complete report of the National Resources Committee, "Consumer Incomes in the United States," from which these facts are taken, can be purchased for 30 cents from the Superintendent of Documents, Government Printing Office, Washington, D. C.

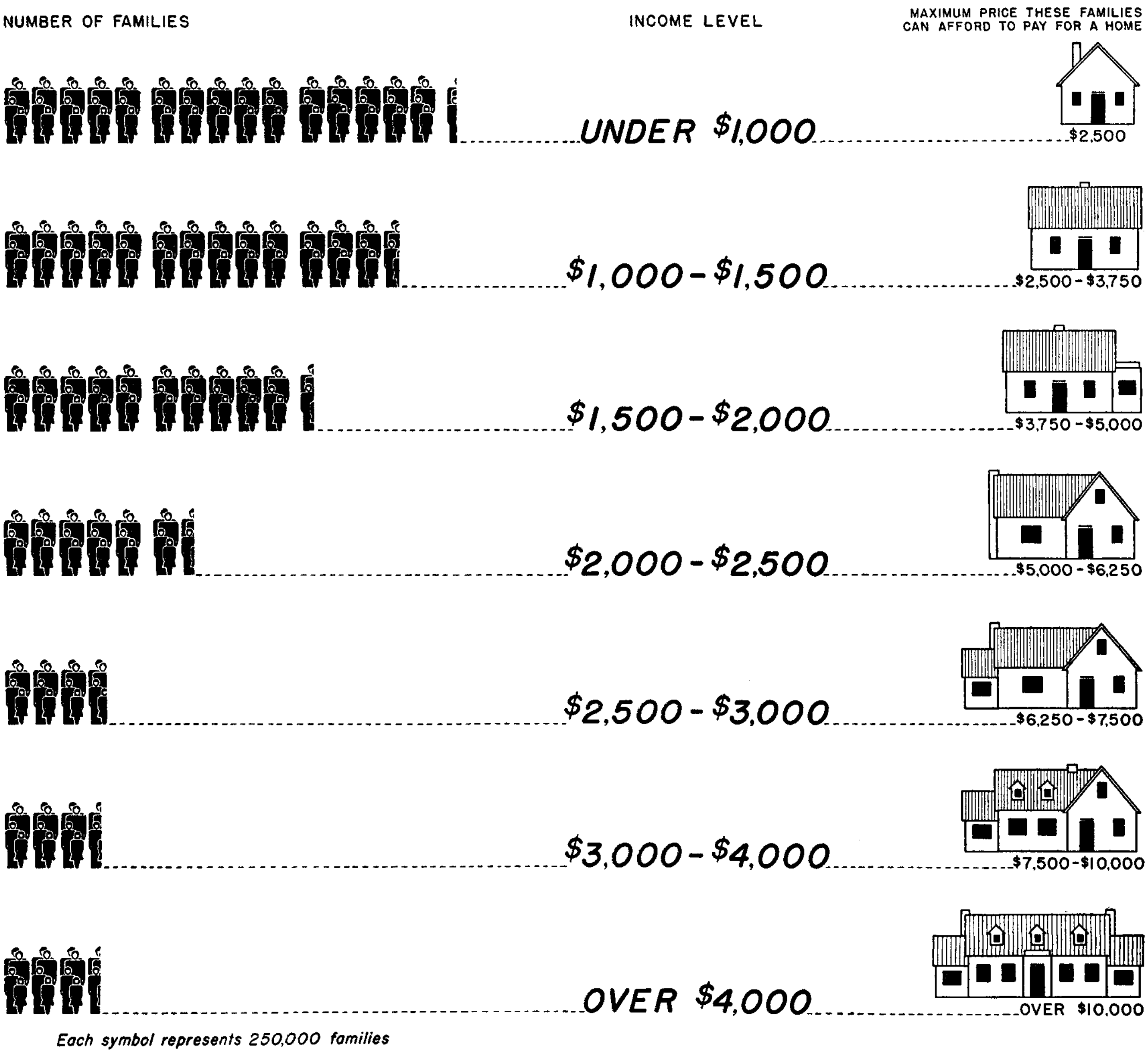
than two and a half times its annual income. On this basis, one-half of all these urban families could not purchase houses costing more than $3,750. Only one family out of every three could afford a house costing more than $5,000. Chart A gives a picture of the housing market among these urban families in 1935–1936.

The National Housing Committee, a private research organization interested in the problems of low-cost housing, found that between 1930 and 1935 more than half of our residential building was concentrated in the construction of houses costing $5,000 and more. We were building mainly for one family out of three and we were excluding two-thirds of our potential consumers of houses from the market.

Differences in Family Income

Comparisons of the incomes of the 14,000,000 urban nonrelief families show wide variations be-

CHART A.—THE HOUSING MARKET AMONG URBAN NONRELIEF FAMILIES, 1935–1936



Division of Research and Statistics
Federal Home Loan Bank Board

tween different types of communities. Incomes of typical families tended to be larger in large cities and metropolises, as Table 1 shows.

Even more pronounced differences in family incomes are found if each family is classified according to the occupation from which the largest part of the family's earnings came. In our cities, one out of every two families receives the bulk of its income from wages. Nonrelief wage-earning families totaled 9,500,000, by far the largest number of families in any occupational group. The typical wage-earning family, however, received a lower income than the typical family in any other occupational group in our cities.

The mortgage lender and the builder are particularly interested in the analysis of the income of the wage-earning families, making up the backbone of our cities' population. It is this wage-earning group which constitutes a vast untapped portion of the housing market. Earlier studies have shown that urban wage-earning families are more strongly inclined to home ownership at any given income level than any other occupational group.

There are nearly 9,500,000 wage-earning families in the country if we include the 2,000,000 families which live in rural communities (in communities with population under 2,500 or in the open country, but not on farms). Table 2 shows the distribution of these wage-earning families in different types of community.

The typical wage-earning family's income ranges from $1,500 in a metropolis to $1,150 in the smaller cities and drops further to $950 in rural communities (Table 2 and Chart B). It is apparent that the middle families of these wage-earning groups, no matter how strongly they are inclined to own their homes, cannot purchase houses that cost more than $2,900 in the small and middle-sized cities or more than $3,750 in the metropolises. Typical wage-earning families in rural communities need houses priced at a maximum of $2,375.

It is true, of course, that a higher ratio of home ownership among wage-earning families is to be expected in the small communities which are satellites of larger cities than in communities of the same size which are independent of larger urban areas. In the more highly urbanized areas a wage earner can count on various chances of finding a job. In the independent small communities which are not suburban areas of larger cities, a change in work would be more likely to compel a wage earner to move to another community. The National Resources Committee points out that the study of consumer incomes did not include suburban villages or cities in the sample. As a result, the income figures for wage-earning families in rural nonfarm communities and in small cities are possibly somewhat lower than they should be, since many of the wage-earning families classified as residents of the smaller cities and rural communities are actually residents of suburban areas, where incomes are higher and the tendency to home ownership is strongest.

What Light Do These Income Figures Throw Upon the Housing Problem?

Later reports by the National Resources Committee will show what goods and services American families actually purchased with their share of the national income. The basic pattern of family expenditures for housing and home maintenance will be traced. The present study of consumer incomes, however, makes it very clear that the housing problem can logically have only two solutions. The type

Table 1.—Median incomes of urban nonrelief families, 1935–1936

[Source: National Resources Committee]

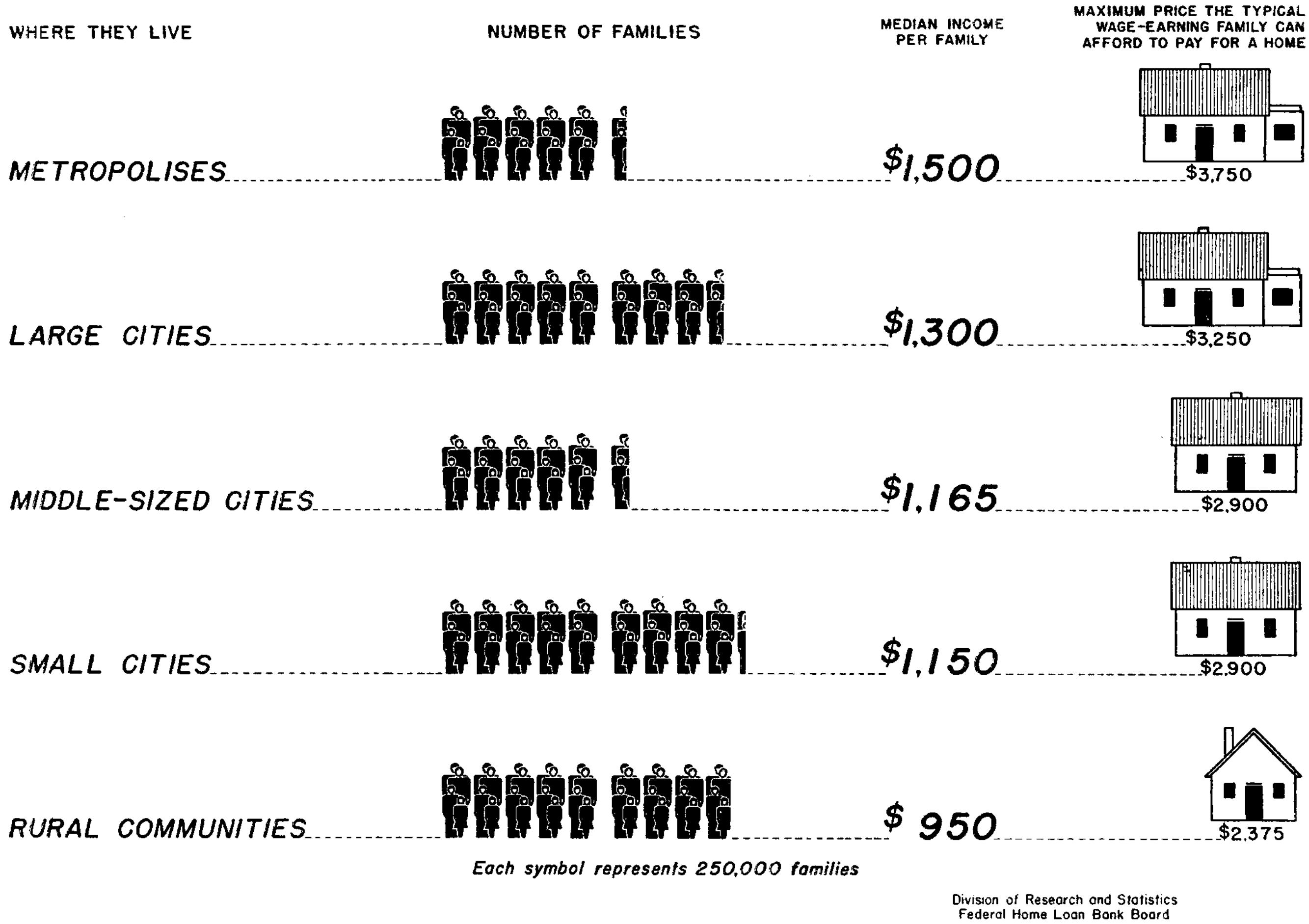
Type of community	Median income per family
Metropolises:	
1,500,000 population and over	$1, 730
Large cities:	
100,000 to 1,500,000 population	1, 560
Middle-sized cities:	
25,000 to 100,000 population	1, 360
Small cities:	
2,500 to 25,000 population	1, 290
All urban communities	1, 475

Table 2.—Incomes of wage-earning families, 1935–1936

[Source: National Resources Committee]

Type of community	Number of wage-earning families	Median income per family
Metropolises:		
1,500,000 population and over	1, 368, 500	$1, 500
Large cities:		
100,000 to 1,500,000 population	2, 155, 100	1, 300
Middle-sized cities:		
25,000 to 100,000 population	1, 409, 600	1, 165
Small cities:		
2,500 to 25,000 population	2, 305, 800	1, 150
Rural communities	2, 220, 300	950
All communities	9, 459, 300	1, 175

CHART B.—THE HOUSING MARKET AMONG WAGE-EARNING FAMILIES, 1935 –36



of housing which is being produced in quantity today is within the financial reach of only one-third of our families. The incomes of two families out of every three must be substantially increased if they are to purchase homes at these cost levels. Until consumer incomes are raised, therefore, the only means of tapping the market which does exist for homes in this country today is to produce a satisfactory house at costs far lower than those prevailing at the present time. It is in an attempt to reach down into this group of consumer units and to supply adequate small homes that the Chairman of the Federal Home Loan Bank Board urged the cooperation of Federal agencies and private institutions so that private credit as well as the safeguards and credit facilities offered by the Government can be used to employ more fully the vast resources of the Nation as a whole.

The Advertising Dollar

(*Continued from p. 69*)

efficiency in its allocation. A record of results from the various advertising activities can be maintained in a number of ways. The keying of newspaper advertising, the use of coupons, the restriction of one type of copy to a single advertising medium, and above all, the intelligent and tactful questioning of new borrowers and new investors are all important means of gathering such information.

Upon the basis of a definite market study and with the aid of a careful plan for checking the results of advertising, an association is able to direct its advertising more accurately to the attention of the real prospects in its community, and to concentrate its expenditures among the most productive media.

RESIDENTIAL CONSTRUCTION ACTIVITY IN CITIES OF DIFFERENT SIZES

RESIDENTIAL construction has now regained the ground lost during 1937, due principally to the high rate of building activity in the South where commercial conditions have been favorable, and in the Southwest where population pressure has stimulated home building. There is the added factor that the rush for building permit applications in New York City under a new building code artificially sustained construction statistics in that District during the early part of this year.

The outstanding recovery in the building industry during the past year is shown in the chart on page 80, which also portrays important general business trends. It is clear from the chart that the recession in business, general throughout the industrial structure, was first reflected in residential construction activity. The index of building activity had begun to decline in the spring of 1937, before factory pay rolls, employment and production started their precipitous fall. The low point in residential building was reached in October 1937 but it was not until May of 1938 that the low point in industrial production was recorded.

Recovery has carried the rate of residential building activity, during the first nine months of 1938, to a level substantially higher than in the same period of 1937 and nearly three times as great as in 1935.

***Table 1.*—Estimated number of family dwelling units provided per 10,000 population by new residential building, classified by size of city** [1]

First nine months of—	All cities of 10,000 and over	Size of city			
		10,000 to 25,000	25,000 to 50,000	50,000 to 100,000	100,000 and over
1935	9.3	12.7	7.8	7.4	9.1
1936	19.1	20.7	16.4	13.9	20.0
1937	21.1	27.2	19.5	18.3	20.4
1938	25.7	27.0	21.3	19.0	27.4

[1] Based on estimated population for the respective years.

The chart on the opposite page, which shows the rate of building not only by geographic areas but by size of cities within those areas, indicates the extent of the recovery in residential building. To make comparison easy, residential building activity is expressed in terms of the number of family dwelling units provided per 10,000 persons during the first nine months of 1935, 1936, 1937, and 1938. (The rate of building is the ratio of the number of new units as indicated by building permits to the estimated population in each group of cities.) Home-financing institutions can see from the chart the extent of home building in their Districts and the approximate location of areas of greatest activity.

Rate of Building Activity

Generally speaking, cities in the 10,000–25,000 size bracket have built more dwellings per 10,000 population over the past four years than have larger cities. The most outstanding exception to this generalization is in District No. 2 (New York) where in the early months of 1938 building permit data were distorted by the inception of a new building code in New York City, causing not only an abnormally high rate for the larger cities of the District but for the United States as a whole. The rate of building in the middle groups of cities with populations of 25,000 to 100,000 has consistently lagged behind the rate in the smallest and largest cities. This tendency continues in 1938 despite small gains in home building by these middle-sized communities.

In District No. 6 (Indianapolis) and in District No. 10 (Topeka) cities of 100,000 population and over have shown a higher rate of building in 1938 than other city groups. In half of the Districts, however, the larger cities showed a lower rate of residential building than any of the three smaller city groups.

Trends in Residential Construction

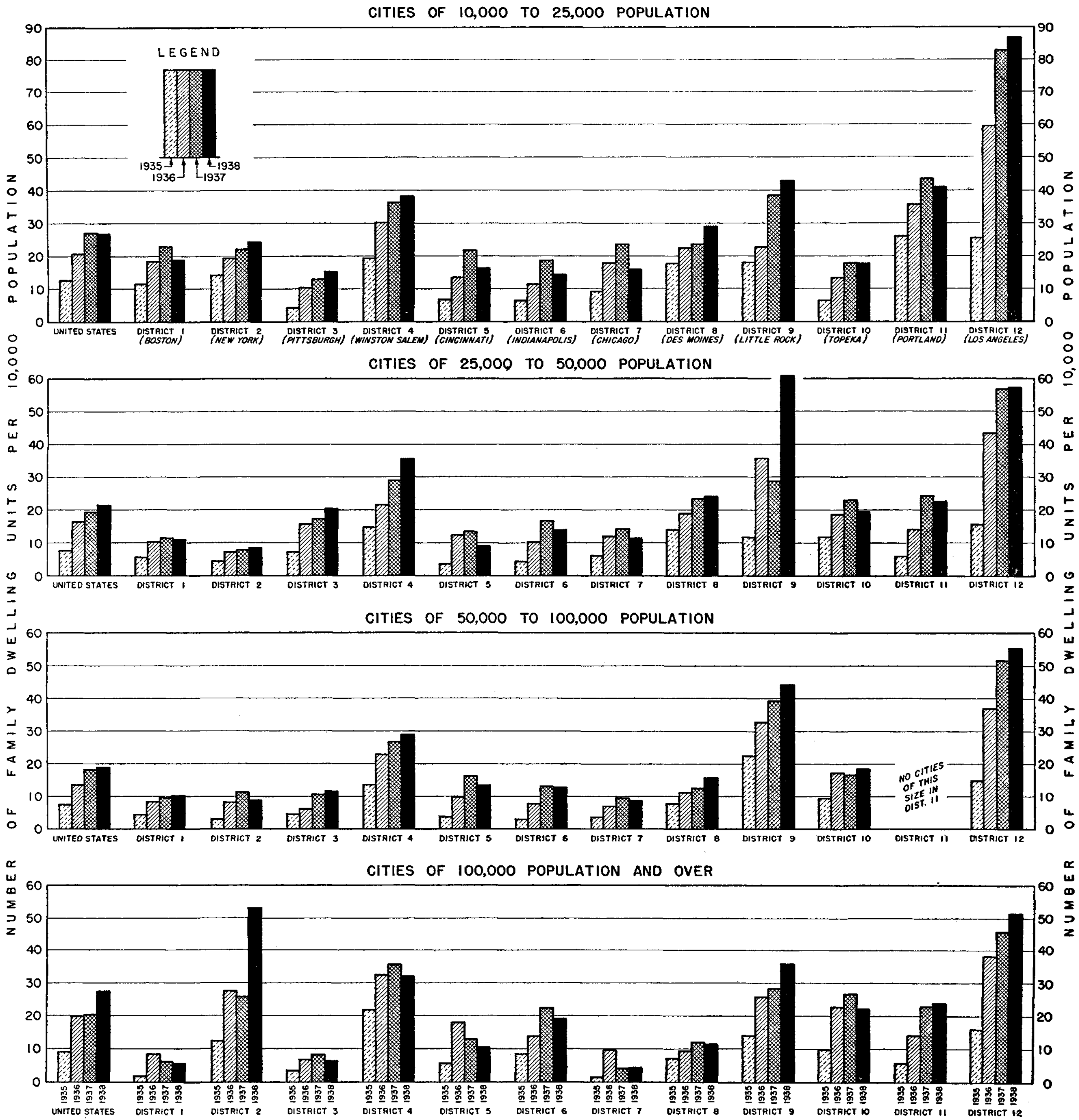
Despite the high rate of building in small communities, the trend was less favorable in 1938 for the

(*Continued on p. 96*)

RATE OF RESIDENTIAL BUILDING IN CITIES OF DIFFERENT SIZE IN THE FIRST NINE MONTHS OF 1935, 1936, 1937 AND 1938

Represents the established number of family dwelling units provided per 10,000 population in all cities of 10,000 or more inhabitants, classified by size of community for the United States and for each Federal Home Loan Bank District.

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



RESERVE REQUIREMENTS FOR SAVINGS AND LOAN ASSOCIATIONS UNDER FEDERAL REGULATIONS

This article, third in a series, completes the picture of mandatory reserve requirements for savings and loan associations today.

■ RESERVE requirements for savings and loan associations under Federal regulations and charter have been largely modelled upon the best mandatory practices already provided for in the State statutes. As is only natural, the current tendency in State legislation to call for the maintenance by savings and loan associations of larger reserves against losses has influenced Federal requirements.

Reserve requirements are established by Federal legislation, charter, or regulations for Federal savings and loan associations and for all institutions which have insured the accounts of their members with the Federal Savings and Loan Insurance Corporation. Insured institutions may operate either under Federal or under State charter. The charter under which each Federal association operates stipulates that certain periodical transfers must be made to reserves and establishes a minimum ultimate reserve requirement. The minimum ultimate reserve required of all insured institutions is specifically set forth in the legislation providing for the insurance of savings and loan accounts.[1]

General Reserve Requirements for Federal Savings and Loan Associations

The charter of a Federal savings and loan association provides for the maintenance of general reserves against losses, termed "aggregate reserves". The minimum ultimate reserve requirement is that each Federal association must build aggregate reserves at least equal to 10 percent of the association's total share capital. The minimum measure of periodical transfers to general reserve accounts is 5 percent of net earnings before dividends at each dividend date.

[1] Appendix A of "The Accounting Guide," published by the Federal Home Loan Bank Board, discusses in greater detail reserve requirements for Federal savings and loan associations and for insured State-chartered associations, and is available upon request to the Editor of the Review.

The aggregate reserves of a Federal association include its "Federal Insurance Reserve" account, its "Reserve for contingencies," and any other reserve account to which unknown losses may be charged. For example, an association may include its real estate reserve, when the amount of this reserve is not definitely determined as being the difference between book and appraised values of real estate owned. The real estate reserve account would not be included in determining aggregate reserves, however, if this reserve is periodically adjusted to represent the difference between aggregate book and appraised value of real estate owned or is used as a specific reserve to offset certain known losses—in other words, if it represents a depreciation reserve account.

An association owning real estate with a book value of $100,000 might find, for example, that the appraised value of the real estate was only $80,000. A specific reserve of $20,000, established to absorb the anticipated loss on this real estate, would not be counted in determining the aggregate reserves of the association.

Specific reserve accounts, set up to absorb known losses or to evaluate assets, or created by the appreciation of any asset, cannot be considered part of the association's aggregate reserves. An account set up for deferred loan fees as "Income collected in advance" could not be included, nor could such accounts as "Unearned profit on real estate sold," "Reserve for uncollected interest," "Reserve for junior liens," or "Reserve for bonus". Valuation accounts established, such as allowance for the depreciation of the office building, or for the depreciation of furniture, fixtures, and equipment, are not considered part of aggregate reserves.

Included in determining aggregate reserves is the "Federal Insurance Reserve" account which each Federal association is required to maintain as an insured institution. During each calendar year a Federal association must transfer to this account at least three-tenths of 1 percent of the aggregate of insured accounts standing on the books at the beginning of that calendar year. At each semiannual closing date (June 30 and December 31 of each year), at least one-half of this amount must be credited to the "Federal Insurance Reserve" account.

Such minimum periodical transfers are made until the "Federal Insurance Reserve" account equals 5 percent of all insured share accounts. When a reserve has been accumulated in this amount, the association may cease to make such periodical credits. Whenever the amount of the Federal insurance reserve falls below the 5 percent minimum of all insured accounts, however, semiannual credits must be resumed until the reserve is again equal to 5 percent of all insured share accounts.

Specific Reserves Required for Federal Associations

The "Federal Insurance Reserve" account and the other reserves maintained by Federal associations against unknown losses are general reserves. In addition to these general reserves, provision is made for certain specific reserve accounts. Each Federal association is required to accrue interest monthly in advance on all loans. This requirement applies to loans made on the security of share accounts, on all types of mortgage loans, and on real estate contracts. A Federal association must maintain a reserve equivalent in amount to all interest in default more than 90 days. It is recommended, however, that the reserve be maintained at a figure equivalent to all uncollected interest since it is conservative accounting practice to take no interest into earnings until it is actually collected.

In the event that there has been depreciation in the value of any asset on the association's books, it is recommended and may be required that a specific reserve equal to the amount of the depreciation be set up. In the illustration used earlier, the association which owned real estate in the amount of $100,000 may have maintained a real estate reserve account pending the establishment of a definite current appraised value of the real estate. The reserve account then was in the nature of a general reserve against unknown losses and was properly included in the aggregate reserves of that association. When the current appraisal has been made, however, and the aggregate appraised value of the real estate established at $80,000, a specific reserve of $20,000 should be created. This reserve could be set up either from undivided profits, if such a transfer could be made without endangering the dividend policy of the association, or from general reserves. If the transfer of $20,000 were made from general reserves, the aggregate reserves of the association would no longer be considered to include the specific real estate reserve and for that reason would be reduced by $20,000.

When such a specific reserve for depreciation in value has been set up, the statement of condition of the association will show that provision has been made for anticipated loss and will reflect the market value of the property. The statement of condition then will clearly bring out the fact that the amount of general reserves over and above the anticipated loss is for the protection of shareholders against unknown losses. A specific reserve for depreciation of an asset should be periodically adjusted to reflect the difference between book and appraised values.

Reserves Required for Insured State-Chartered Associations

The Act of Congress authorizing the insurance of savings and loan accounts definitely states that all insured associations, whether operating under Federal or State charter, shall build reserves equivalent to 5 percent of all insured accounts within a reasonable period, not exceeding 20 years.[1] This legislation prohibits the payment of dividends from such reserves, and declares further that no dividends shall be paid if any losses are chargeable to these reserves, unless the Insurance Corporation approves the declaration of dividends. The statute also empowers the Federal Savings and Loan Insurance Corporation to establish regulations to assure the provision of adequate reserves in insured associations.

Under these regulations, insured State-chartered associations must maintain a "Federal Insurance Reserve" account for the sole purpose of absorbing losses. During each fiscal year, an association must credit to this reserve at least three-tenths of 1 percent of the aggregate of insured accounts standing on its books at the beginning of that fiscal year. The Federal Insurance Reserve requirements, as to minimum measure of periodical transfers and as to minimum ultimate reserve, are the same for insured State-chartered associations as for Federal associations.

(*Continued on p. 96*)

[1] Title IV of the National Housing Act, approved June 27, 1934, Section 403(b), as amended.

Resolutions of the Board

AMENDMENT TO RULES AND REGULATIONS FOR FEDERAL SAVINGS AND LOAN SYSTEM, PROVIDING FOR ABSORPTION OF STATE-CHARTERED INSTITUTIONS BY FEDERAL ASSOCIATIONS BY MERGER IN STATES WHERE LAW PERMITS SUCH MERGER: Approved October 25, 1938; effective upon filing for publication in the Federal Register.

Section 104.001 [1] of the Rules and Regulations for the Federal Savings and Loan System, which did not formerly permit a State-chartered savings and loan association to merge directly with an existing Federal association, was amended to read as follows:

Sec. 104.001. *Merger of Federal Associations*

PAR. a. *Scope of Section.*—For the purpose of this section the word "association" means a Federal association and any building and loan association, savings and loan association, cooperative bank or homestead association incorporated under the laws of any of the States or Territories of the United States or of the District of Columbia, provided that any such institution under the laws of the jurisdiction of its creation is empowered to merge or consolidate with a Federal association.

PAR. b. *Procedure: Effective Date.*—Two or more associations may merge in the following manner (the associations which will be absorbed upon the effective date of the merger being hereinafter referred to as the "merging associations"), provided, however, that if any one or more of the merging associations is not a Federal association, such merging associations shall, in addition, comply with all requirements of law of the jurisdiction of their creation, subsection (i) of Section 5 of Home Owners' Loan Act of 1933, as amended, and the pertinent provisions of these rules and regulations prescribed pursuant thereto; except that no Charter K will be issued to such association because such association is simultaneously merging into the Federal association resulting from the merger (hereinafter referred to as the "resulting association"):

The board of directors of each association by a majority vote of each of the separate boards of directors shall approve a plan of merger evidenced by a merger agreement. Such agreement shall specify (1) the name to be used by the resulting association, which may be the name of the resulting association, the name of any of the merging associations, or a proposed new name; (2) the charter under which the resulting association shall operate, which shall be a Charter K; (3) the location of the home office of the resulting association; (4) the basis of the issuance of the share accounts of the resulting association to the holders of share accounts; (5) the number of directors of the resulting association and the names and residences of those who are chosen to serve until the first annual meeting of the resulting association. Application for approval by the Board of the merger shall be made by filing, with the Federal Home Loan Bank of which at least one of the associations, party to the merger, is a member, two copies of the merger agreement properly executed in the name of the respective associations and two certified copies of the minutes of all of the meetings of the respective boards of directors at which the plan of merger was considered and approved. The merger agreement shall state that it shall not be effective unless and until approved by the Board. Upon receipt of such application the Board will thereupon either approve or disapprove the plan of merger or recommend modifications of the proposed plan of merger, which, if accepted by the respective boards of directors, will make the plan of merger satisfactory to the Board. If the plan of merger as approved by the Board is approved by the respective boards of directors, the Board shall be promptly notified by the similar filing of two copies of an amended merger agreement properly executed which incorporates the modifications recommended by the Board, and by the similar filing of two certified copies of the minutes of all meetings of the boards of directors at which such modified plan of merger was considered and approved. If any of the merging associations is not a Federal association, it shall thereupon hold the meeting of its shareholders to vote upon conversion into a Federal association coincident with its merger under the plan, as provided in section 102.023 [1] hereof. If the resulting association is to operate under a new name, its charter shall be surrendered to the Board so that the name may be amended by reissuance of such charter in the new name of the resulting association. If the location of the home office of the resulting association is to be different from the location of the home office set forth in its charter, the location of the home office of the resulting association will be set forth in the reissued charter of the resulting association. The charters of the merging associations, which are Federal associations, shall be surrendered for cancelation by being similarly filed. The last date on which any of such charters are canceled by the Board shall be the effective date of the merger, except that if any of the merging associations is not a Federal association, the effective date shall be the date, as to each such merging association, upon which it ceases to exist under the laws of the jurisdiction of its creation. Membership in a Federal Home Loan Bank of any merging association shall be canceled and its stock subscription shall be refunded to the resulting association, after adjustment to the minimum number of shares required to be held by the resulting association under the provisions of the Federal Home Loan Bank Act, unless the resulting association desires to retain a larger stock subscription than the required minimum. The certificate of insurance of any merging associations which are insured by the Federal Savings and Loan Insurance Corporation shall be surrendered for cancelation to the Federal Savings and Loan Insurance Corporation after adjustment by additional premium payment or premium credit, pursuant to the rules and regulations for insurance of accounts. The membership certificate and the insurance certificate of the resulting association shall be surrendered for

(*Continued on p. 86*)

[1] 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 104.001: Section 48.
Section 102.023: Section 23.
Section 101.002: Section 54.
Section 201.022: Section 22.

Directory of Member, Federal, and Insured Institutions

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN OCTOBER 16, 1938, AND NOVEMBER 15, 1938

DISTRICT NO. 2

NEW YORK:
Brooklyn:
Brooklyn Mutual Building & Loan Association, 312 Ashland Place.

DISTRICT NO. 3

PENNSYLVANIA:
Philadelphia:
Anchor Building & Loan Association, 606 Bailey Building.
City of Penn Saving Fund & Loan Association of Philadelphia, 608 Bailey Building.

DISTRICT NO. 4

NORTH CAROLINA:
Conover:
Peoples Building & Loan Association of Conover.

DISTRICT NO. 7

ILLINOIS:
DuQuoin:
DuQuoin Home Loan Association, 201-a East Main Street.
Farmington:
Farmington Home & Loan Association.

DISTRICT NO. 8

IOWA:
Stuart:
Guthrie & Adair County Building & Loan Association of Stuart, Iowa.

DISTRICT NO. 10

OKLAHOMA:
Durant:
Indian Territory Building & Loan Association.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN OCTOBER 16, 1938, AND NOVEMBER 15, 1938

ILLINOIS:
Chicago:
Ben Franklin Building & Loan Association (cancelation of membership).
Guaranty Savings & Loan Association (merger with Lipany Building & Loan Association, Chicago, Illinois).
MARYLAND:
Baltimore:
Preston Permanent Building & Loan Association of Baltimore City, 1244 East North Avenue (voluntary withdrawal).
NEW MEXICO:
Albuquerque:
Western American Life Insurance Company (voluntary withdrawal).
PENNSYLVANIA:
Braddock:
Tri-Boro Building & Loan Association, 308 Sixth Street (voluntary withdrawal).
Philadelphia:
Burton Building Association.[1]
Carver Building Association.[1]
Commonwealth Building Association.[1]
Home Fund Building & Loan Association.[1]
Sarsfield Building & Loan Association.[1]
Simon Building Association.[1]
South West Building Association.[1]

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN OCTOBER 16, 1938, AND NOVEMBER 15, 1938

DISTRICT NO. 4

MARYLAND:
Baltimore:
Standard Federal Savings & Loan Association, 1603 North Gay Street (converted from Standard Permanent Building & Savings Association of Baltimore City).
Union Federal Savings & Loan Association, 215 North Calvert Street (converted from Union Square Building Association, Inc.).

[1] These 7 associations, located at Twentieth & Passyunk Avenue, Philadelphia, Pennsylvania, have consolidated into "Burton C. Simon Building & Loan Association", 2009 Passyunk Avenue, Philadelphia, Pennsylvania.

DISTRICT NO. 5

OHIO:
Gnadenhutten:
Indian Village Federal Savings & Loan Association (converted from Indian Village Savings & Loan Association).

DISTRICT NO. 6

INDIANA:
Michigan City:
First Federal Savings & Loan Association of Michigan City, 720 Franklin Street (converted from Peoples Building & Loan Association of Michigan City, Indiana).

DISTRICT NO. 8

NORTH DAKOTA:
Grand Forks:
First Federal Savings & Loan Association of Grand Forks (converted from Dakota Building & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN OCTOBER 16, 1938, AND NOVEMBER 15, 1938

ILLINOIS:
Villa Park:
Dupage Federal Savings & Loan Association of Villa Park (voluntary dissolution).
MARYLAND:
Baltimore:
Pearl Street Federal Savings & Loan Association (merger with Atlantic Federal Savings & Loan Association, Baltimore, Maryland).
PENNSYLVANIA:
Dormont:
Potomac Federal Savings & Loan Association of Dormont (merger with First Federal Savings & Loan Association of Mt. Lebanon, Mt. Lebanon, Pennsylvania).

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

DISTRICT NO. 2

NEW JERSEY:
Union City:
Palisade Building & Loan Association, 349 New York Avenue.

DISTRICT NO. 3

PENNSYLVANIA:
Lansdale:
First Federal Savings & Loan Association of Lansdale, 410 West Main Street.
Philadelphia:
Burton C. Simon Building & Loan Association, Corner Twentieth Street & Passyunk Avenue.

DISTRICT NO. 4

MARYLAND:
Baltimore:
Union Federal Savings & Loan Association, 215 North Calvert Street.

DISTRICT NO. 5

OHIO:
Cleveland:
Orleans Federal Savings & Loan Association of Cleveland, 3649 East Ninety-third Street.
Conneaut:
First Federal Savings & Loan Association of Conneaut, 209 Broad Street.
Lorain:
First Federal Savings & Loan Association of Lorain, 1790 Broadway.

DISTRICT NO. 6

INDIANA:
Michigan City:
First Federal Savings & Loan Association of Michigan City, 720 Franklin Street.

DISTRICT NO. 7

ILLINOIS:
Chicago:
Grunwald Savings & Loan Association, 3804 South Kedzie Avenue.

DISTRICT NO. 12

CALIFORNIA:
Los Angeles:
Southern Federal Savings & Loan Association, 3871 Wilshire Boulevard.
Santa Paula:
Santa Paula Building & Loan Association, 940 Main Street.

SUMMARY: RESIDENTIAL CONSTRUCTION AND HOME-FINANCING ACTIVITY

I. Foreclosure activity recedes during October to a new post-depression low.

II. Although residential construction index in October suffered its first major 1938 decline—

- *A. The unfavorable trend was caused primarily by contraction of building in New York City and Buffalo. For entire country, excluding New York State, a net rise in number of units provided in October.*
- *B. October 1938 rate of building nearly double that of October 1937.*
- *C. Rise of 38,000 residential units provided in cities of over 10,000 population during first ten months of 1938.*

III. Improvement continues unabated in general business conditions.

- *A. Industrial production has recovered nearly half the ground lost during the 1937–1938 recession, and its current rate of activity is above the corresponding rate in 1937.*

IV. Building costs continued to decline fractionally and in October stood only 6 percent above the average month of 1936.

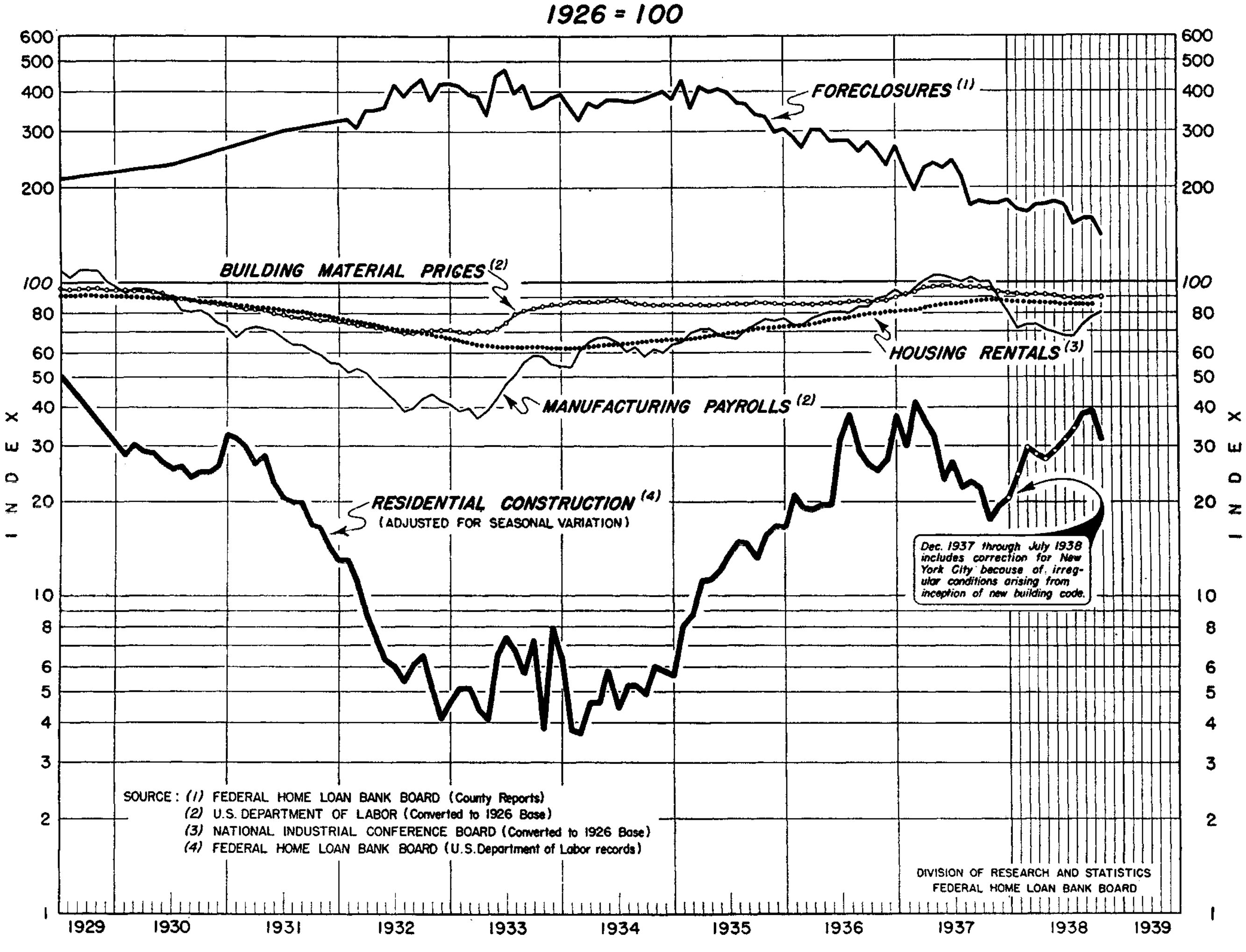
- *A. Retail prices of building materials continue down very gradually.*
- *B. Labor rates receded fractionally in October.*
- *C. Second successive quarterly reports from cities in Ohio, Kentucky, and Tennessee indicate increased building costs in that area, contrary to trend in other regions.*

V. Volume of mortgage lending by savings and loan associations increased slightly over September, compared with a September-to-October decline in 1937.

- *A. Combined loans for construction and home purchase expanding.*
- *B. January–October 1938 volume 13 percent less than in 1937.*

RESIDENTIAL BUILDING ACTIVITY AND SELECTED INFLUENCING FACTORS

1926 = 100



■ A NEW post-depression low in foreclosure activity was established in October. While foreclosures in metropolitan communities as late as June 1935 amounted to four times those for the average month of 1926, they have now receded to a point 42 percent above the 1926 level, after a persistently favorable trend for more than three years. This trend has probably resulted from improvement in property values coupled with increased family incomes, and higher rentals received by owners in recent years.

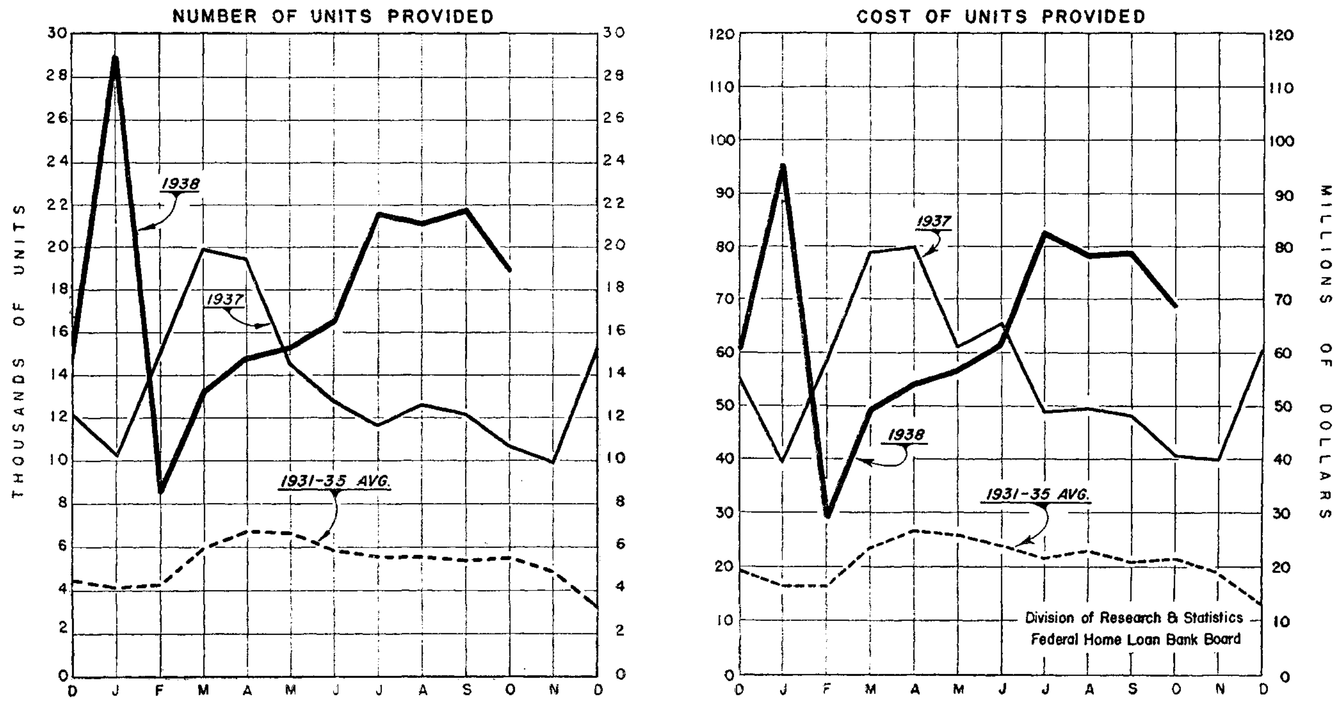
The residential construction index for the United States dropped in October because of a drastic retrenchment in building in New York City and Buffalo where statistics were exaggerated in September due to inclusion of large housing projects. The resulting decline of 20 percent for the month in the seasonally corrected index of residential construction for the country as a whole represents the first major reaction from the rising trend of the preceding 11 months.

Improvement continues unabated in general business conditions. Manufacturing employment rose nearly 1 percent during the month, while the average wage per employee increased 3 percent, indicating greater purchasing power. Industrial production continued to climb sharply during October and the first three weeks of November, reaching the best level of the year. By increasing more than seasonally during the first three weeks of November, industrial activity moved above the rate during the same period in 1937. Within the 4-month period of July through October, nearly half of the sharp decline experienced during the 1937–1938 recession has been recovered. During October the increased pace of industrial production was notable particularly in steel, automobiles, and the durable-goods industries. Freight car loadings have continued to gain on a seasonally adjusted basis, indicating buying activity in primary markets.

Income payments to individuals have increased each month since June. If the present rate of im-

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)



provement is maintained through the final quarter of this year, total income payments will show a decline from 1937 of less than 6 percent, according to United States Department of Commerce estimates. In view of the decline in the cost of living this year, there has not been a marked reduction in purchasing power derived from current income payments from 1937 to 1938.

Material prices charged by building supply dealers have not as yet reflected the fractional increases shown in wholesale building material costs. Although the United States Department of Labor has reported slight increases in wholesale material prices for three months, the cost of materials used in constructing a standard 6-room frame house continues a very gradual downward movement.

[1926=100]

	Oct. 1938	Sept. 1938	Percent change	Oct. 1937	Percent change
Residential construction	31.3	39.1	−19.9	17.6	+77.8
Foreclosures (metro. cities)	142.0	157.0	−9.6	177.0	−19.8
Rental index (N. I. C. B.)	85.5	85.5	0.0	88.0	−2.8
Rentals (U. S. Dept. of Labor)		69.3		[1] 67.8	
Building material prices	89.8	89.5	+0.3	95.4	−5.9
Manufacturing employment	88.0	87.4	+0.7	105.5	−16.6
Manufacturing pay rolls	80.3	77.7	+3.3	100.3	−19.9
Average wage per employee	91.3	88.9	+2.7	95.1	−4.0

[1] Reported as of September 1937.

The *Survey of Current Business* has made an analysis of the relationship of quantity stocks of individual products with reference to volume of consumption or the rate of factory shipments. Statistics on 39 commodities show that stocks at the end of the third quarter, while actually lower than a year ago in most instances, frequently were larger this year in comparison with the current rate of consumption. This was true of the stocks of hollow building tile, lumber, face brick and common brick. Stocks of oak flooring and cement, however, amounted to only two month's supply.

Residential Construction

IN October a total of 18,900 family dwelling units were provided according to building permits issued in all communities of 10,000 population or over. Although this represents a decline of 2,800 units, or 13 percent from September, the drop in New York State accounts for more than enough units to offset the net rise for the rest of the country.

Despite the contraction in the number of units provided during the month, a comparison of October this year with the same month of 1937 reveals that the number of units has nearly doubled for the United States, and has more than doubled in the New York District. During the January-October period of this year, 27 percent more units were provided in the country as a whole than during the corresponding 1937 period.

In considering residential construction by States, by referring to Table 2, page 88, it may be seen that cities in only five of the 48 States granted building permits for fewer units in October 1938 than in the preceding year.

The special article on page 74 presents an analysis of building permits granted during the first three-quarters of 1938, compared with the same periods of 1935, 1936, and 1937, not only geographically (by Federal Home Loan Bank Districts) but by size of community within these areas.

Small-House Building Costs

[*Table 3*]

LABOR rates in the construction industry rose sharply from the early part of 1936 well into the following year, when they steadied. Since the autumn of 1937 labor rates have continued to increase with a gentle upward trend to September; in October a fractional decline was recorded. During this year, most of the communities have shown relatively small changes in labor rates for any one reporting period, but several cities in each group have reported relatively large rate increases. By October, the index of the cost of labor used in constructing a standard 6-room frame house had reached a level 12 percent above the average month of 1936.

The cost of materials used in the standard house, which has been on the decline since the middle of 1937 with a tendency to level off in the past few months, again receded fractionally to a point 3 percent above the 1936 level. Most of the communities reporting at any one time this year have shown at least moderate reductions in material prices, with relatively large reductions in lumber cost. Lumber, which increased in wholesale price more than any of the other groups of products during 1936 and early 1937, declined 14 percent from the May 1937 peak to June of this year. Since that time, an increment of less than 2 percent has been recorded.

The composite building cost index for the construction of a 6-room frame house stood in October 6 percent above 1936, after a slight recession from September. Of the 25 cities reporting as of November 1 (located in the Pittsburgh, Cincinnati, Little Rock, and Los Angeles Federal Home Loan Bank Districts), nine reported relatively small changes from the preceding quarter, while six increased, and 10 indicated declines. Most of the rises in total cost were reported by cities located in the Cincinnati District.

Foreclosures

THE level of foreclosures has for over a year been well below the 1929 level. The index (1926=100) of real estate foreclosures in metropolitan communities for October (142) was nearly 10 percent below that for the preceding month. This movement appears particularly favorable in light of the normal seasonal decrease for this period of only 0.6 percent.

The October index for this year was about 80 percent of that a year ago, and was only slightly higher (3.5 percent) than that for the average month of 1927. For the first 10 months of this year, the index was 21.6 percent less than for the same period of last year.

Of the 81 communities reporting for both September and October, 42 showed decreases, while 35 indicated increases, and four reported no change.

Mortgage-Lending Activity of Savings and Loan Asssociations

[*Tables 4 and 5*]

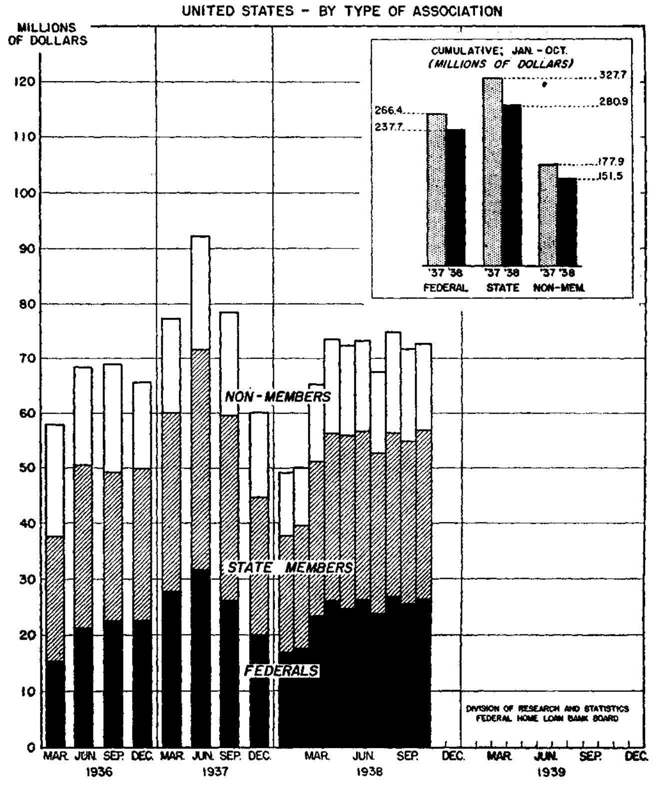
TOTAL loans made by savings and loan associations during the month of October amounted to $72,900,000, an increase of $1,300,000, or 2 percent over the September total. Looking over the past two year's experience, it is noted that in 1936, October lending activity was 11 percent higher than in the previous month, while in 1937 a decline of 4 percent was recorded from September to October. As compared with October of last year, total loans in October 1938 were down 3 percent.

For the first 10 months of this year, $670,000,000 was loaned on mortgage security by savings and loan institutions; of this total Federal savings and loan associations loaned $238,000,000, State-chartered members of the Federal Home Loan Bank System $281,000,000, and nonmember savings and loan institutions $151,000,000. Although associations of each type suffered a sharp curtailment in lending activity from the same period in 1937, State-chartered institutions—member and nonmember—led the recession with declines of 15 percent; total loans of Federal associations were 11 percent lower during the January–October period of 1938.

From the early months of 1936 until the latter part of 1937, a steady flow of funds was supplied by savings and loan associations for the acquisition of homes by prospective owners, either through construction or purchase loans. Other classes of loans were not under the pressure for expansion caused by the increase in building activity, and hence continued to occupy a smaller and smaller proportion of the new business of these institutions. However, as soon as the recession began, loans for the building or purchase of homes decreased rapidly, while refinancing and reconditioning loans tended to continue as usual, thus constituting a greater percentage of total funds loaned. During the past eight months, as the decline in lending volume was checked, more emphasis has again been placed on loans for the purpose of acquiring homes.

In nine of the 12 Federal Home Loan Bank Districts, total loans of all savings and loan associations were greater in October than in September, while as compared with October 1937 only five areas recorded increases. Associations in the Cincinnati District

TOTAL LOANS MADE BY ALL SAVINGS AND LOAN ASSOCIATIONS
UNITED STATES - BY TYPE OF ASSOCIATION



registered a greater decline (29 percent) in the cumulative total of loans made during the January–October period of 1938, as compared with the same period in 1937, than did other areas. However, for the first 10 months of this year, institutions in the Cincinnati District made $103,000,000 in mortgage loans, a larger volume than in any other region, and were followed by associations in the Winston-Salem District with $93,000,000; the Portland District was the lowest in lending volume with a cumulative total of $24,000,000.

Revised Estimates of Lending Activity

The data upon which the original mortgage-lending estimates were based were the monthly volume of mortgage loans reported by cooperating Federal, State-member, and nonmember associations in each Bank District. From these reports were tabulated the new mortgage loans made during the month by all reporting associations of a given type in each Bank District, together with the assets of these reporting associations. The volume of mortgage loans made by *all* savings and loan associations of each type in the District was estimated by multiplying the reported loan volume by the ratio of total assets of *all active* associations of that type to the assets of the reporting group. As an illustration of this technique, assume that State-chartered member associations having assets of $150,000,000 in a given Bank District reported in any one month a total volume of $1,500,000 in new mortgage loans. Total assets of all State-member associations in this Bank District amounted to $400,000,000, but according to the best judgment of competent observers associations holding assets of $100,000,000 were inactive. The reporting sample was then assumed to be representative of the active associations holding $300,000,000 in assets in that District. To compute the estimated volume of mortgage loans by all State-member associations in this Bank District, therefore, the total reported loan volume ($1,500,000) was multiplied by *two*, the ratio of the assets of all active associations ($300,000,000) to the assets of the reporting associations ($150,000,000), resulting in a total estimate of $3,000,000 in new mortgage loans for the month. The same general procedure was followed in estimating the total loans made by Federal associations and by nonmember institutions in each Bank District. However, as all Federal associations were active, no adjustment for inactivity was necessary.

In the process of making these estimates, and as a result of constant research to make the figures more accurate, certain inconsistencies in these original estimates became evident. It was observed that some of the cooperating associations, for example, reported no loans over a period of several months and should more properly have been included among the inactive associations. To check the accuracy of lending-activity estimates, the Division of Research and Statistics addressed a special questionnaire to nonmembers. The replies showed that in a few Districts the total amount of loans reported by approximately 75 percent of the nonmembers for the year 1937 actually exceeded the original estimate of the lending volume of *all* nonmembers. A second check was made by analysis of the annual reports of State-chartered members. Again there were certain inconsistencies apparent between the original estimates for total loans during 1937 and the amounts actually reported.

These analyses seemed to indicate that the monthly reporting sample of associations was representative of all institutions, other than those actually in liquidation, in any given Bank District. A test run of estimated lending activity during 1937 in selected States for which commissioners' reports indicated the year's loan volume confirmed this assumption. A second source of error in the original estimates was found in the marked differences in the activity of associations of the same type in different States of the same District.

In the light of the results of these tests, the technique of estimating mortgage-lending activity was revised to eliminate these sources of error. Three important changes were made: First, the earlier concept of "active assets" was abandoned, since the special survey showed that the activity of cooperators is representative of the lending of all associations, excluding only the liquidating institutions. Second, estimates are now made for certain selected States and combined in order to determine the total lending activity of the Bank District, to eliminate the second source of error in the original estimates. Third, since differences between new and converted Federals and between insured and non-insured State members exist in sampling coverage and in relative lending activity, estimates are now made for each type of Federal association and for each type of State member and then combined to derive the lending volume of all Federal associations and of all State members. This third refinement, however, resulted in no serious change in the estimates for

Federals, for there is usually a coverage of 95 percent or over in this group.

Cooperators should note that to maintain a representative sample of savings and loan activity it is quite essential that they continue to report even though they make no new loans.

In Table 5 on page 93 the revised estimates of new mortgage-lending activity are given in detail for each month from January 1936 through October 1938. The effect of the new procedure has been to revise total mortgage-lending estimates upward. Total loans during 1936 by all savings and loan associations are now estimated at $754,997,000, an increase of 20 percent over the earlier estimate of $627,623,000. The 1937 estimate of $896,579,000 is an increase of 17 percent over the earlier estimate ($764,489,000). For the first six months of 1938, revised figures are 17 percent higher than the original estimates.

Federal Savings and Loan System

[*Table 6*]

■ ALL Federal savings and loan associations increased their private repurchasable capital by $46,000,000 during the June–September quarter, according to a study recently conducted by the Division of Research and Statistics. The rise in capital in this 3-month period was accompanied by a net accession of 66,000 investing members, including the membership of newly chartered Federals. The combined first mortgage loans balance of the Federal System increased $49,500,000, while total assets rose $44,900,000 during the third quarter. As of September 30, the 1,363 Federals had invested in them $809,700,000 in free capital by 1,096,000 private investors; first mortgage loans of $994,200,000 were outstanding to borrowers.

An identical sample of 1,302 Federal associations reported a gain of $18,000,000 in assets during October. Total assets amounted to $1,243,000,000 at the end of October, a net increase of 1.5 percent.

Progress in number and assets of Federal savings and loan associations

	Number		Approximate assets	
	Oct. 31, 1938	Sept. 30, 1938	Oct. 31, 1938	Sept. 30, 1938
New	639	640	$328, 716, 000	$320, 546, 000
Converted	729	723	950, 578, 000	938, 208, 000
Total	1, 368	1, 363	1, 279, 294, 000	1, 258, 754, 000

Payments on private share accounts increased by this same percentage which represents a rise of nearly $12,000,000 during October. This was supplemented by an additional net expansion of $400,000 in subscriptions by the Home Owners' Loan Corporation.

Although the balance of outstanding mortgage loans at the end of October was only $13,300,000 greater than on September 30, a total of $25,900,000 was written in new mortgage loans during October. This lending volume of Federal associations was 3.6 percent greater than in September. The difference of $12,600,000 represents that amount of mortgages repaid, sold or transferred on the books of individual institutions.

Federal Savings and Loan Insurance Corporation

[*Tables 6 and 7*]

■ AT the end of October 1938 there were 2,074 insured institutions with total assets of $2,075,000,000. Private investments of 2,044,000 investors in these associations exceeded $1,398,000,000. The 1,356 insured Federals had resources $1,277,000,000 while total assets of the 718 State-chartered insured associations approximated $798,000,000. This growth in insured associations increased the potential liability of the Insurance Corporation to $1,457,000,000 as of October 31. In October, 20 institutions with resources of $10,819,000 were insured.

During October, applications for insurance were received from 22 savings and loan associations with assets of almost $17,000,000. Eighteen applications were from State-chartered associations and four were from converted Federals.

The 1,929 insured associations submitting reports for both September and October revealed increases of more than $13,000,000 in private capital and almost $2,000,000 in mortgage-lending activity during October. All Bank Districts contributed to the advance in private capital, and all Districts except Pittsburgh, Des Moines, and Portland, shared in the expansion of mortgage financing in October.

Total resources of the Insurance Corporation were almost $116,000,000 at the end of October, a gain of $577,000 from September. This was the largest monthly increase in total resources in the history of the Insurance Corporation. Total income from insurance premiums and admission fees ($186,521) was $35,000 greater than in October 1937. Net income during the first four months of the current fiscal year amounted to $1,779,251, an increase of almost $190,000 from the corresponding period of last year.

Total investments of the Insurance Corporation had a book value at the end of October in excess of $113,515,000. The market value of these investments ($120,423,868) at the end of October exceeded the book value by more than $6,908,000.

Federal Home Loan Bank System

[Table 8]

REPAYMENTS to the Federal Home Loan Banks exceeded new advances during October, as was the case in July and August, but the balance of advances outstanding remained above $189,000,000, the highest October 31 figure for outstanding advances since the organization of the Bank System. Repayments of $5,066,000 exceeded new advances of $4,736,000 made during the month by $330,000. In comparison with September, there was a 28-percent decrease in the amount of new advances and a 21-percent decrease in the amount of repayments.

The total amount advanced by the Federal Home Loan Banks in October was approximately 53 percent of the amount advanced in October 1937 and exactly half of the amount advanced in October 1936. The cumulative total of new advances made by the 12 Banks during the first 10 months of this year is still less than two-thirds of the cumulative total for the corresponding period of 1937 and is approximately $11,500,000 less than the amount advanced during the first 10 months of 1936.

Repayments in October were at the lowest level since May, but the cumulative total of repayments for the first 10 months of 1938 was substantially higher than repayments to the Banks in the same period of either 1936 or 1937. In April, May, June, and September of this year advances by the Banks have exceeded repayments. During the other six months repayments have been at a higher level than new advances.

The Federal Home Loan Banks which had an October volume of new advances greater than September were the Boston, New York, Pittsburgh, and Winston-Salem Banks located along the Atlantic seaboard, and the Federal Home Loan Bank of Los Angeles, serving California, Nevada, and Arizona. All of these five Banks, except New York, increased the balance of advances outstanding during October, as did the Federal Home Loan Bank of Des Moines. October repayments were greater than September in five Bank Districts: New York, Pittsburgh, Indianapolis, Little Rock, and Portland.

The quarterly report of membership progress of the Federal Home Loan Bank System showed that on September 30, 1938, there were 3,960 member institutions with assets of $4,360,000,000. During the third quarter of 1938, the assets of all members of the Federal Home Loan Bank System increased by $47,000,000 and there was a net increase of four members.

Board Resolutions

(*Continued from p. 78*)

reissuance in the new name of the resulting association, if the resulting association is to operate under a new name.

PAR. c. *Assets Transferred by Operation of Law.*—Upon the effective date of such merger, all of the assets and property of every kind and character, real, personal and mixed, tangible and intangible, choses in action, rights and credits then owned by the merging associations, or which would inure to any of them, shall immediately by operation of law and without any conveyance or transfer and without any further act or deed, be vested in and become the property of the resulting association, which shall have, hold, and enjoy the same in its own right as fully and to the same extent as the same were possessed, held, and enjoyed by the merging associations prior to such merger; and the resulting association shall be deemed to be and shall be a continuation of the entity and identity of the Federal association, which absorbed the merging associations; and all of the rights and obligations of the merging associations shall remain unimpaired, and the resulting association, on the effective date of such merger, shall succeed to all of such rights and obligations and the duties and liabilities connected therewith.

AMENDMENT TO RULES AND REGULATIONS FOR FEDERAL SAVINGS AND LOAN SYSTEM, CHANGING METHOD OF NOTIFICATION IN CONNECTION WITH CONSIDERATION OF AMENDMENTS TO FEDERAL REGULATIONS: Approved November 7, 1938; effective upon filing for publication in the Federal Register.

Paragraphs b and d of Section 101.002[1] of the Rules and Regulations for the Federal Savings and Loan System were amended to read as follows:

PAR. b. *Thirty-day Notice of Major Amendments Not of an Emergency Character.*—No amendment deemed to be major affecting a matter of general principle or policy, and not of an emergency character, will be approved by the Board until at least thirty days have elapsed after the proposed amendment has been mailed to each member of the Federal Savings and Loan Advisory Council. A copy of each such proposed amendment shall be filed with the Editor of the Federal Home Loan Bank Review for publication in the next possible issue of such Review. (Sec. 5 (a) of H. O. L. A. of 1933, 48 Stat. 132, 12 U. S. C. 1464

[1] See footnote on p. 78.

(a); Sec. 8a of F. H. L. B. A., as added by Sec. 4, 49 Stat. 294, 12 U. S. C., Sup., 1428a.)

PAR. d. *Hearings on Regulations.*—After receipt of the written requests therefor to the Secretary to the Board of at least seven members of the Federal Savings and Loan Advisory Council or of at least fifty Federal associations (accompanied by certified resolutions of the boards of directors of such associations), the Board will fix a time and place for a hearing on a proposed amendment or upon an existing regulation to which petitioners object. The Secretary to the Board will give written notice of the time and place of such hearing to the members of the Federal Savings and Loan Advisory Council and to each of the Federal associations requesting such hearing. If such requests for hearing have been received before thirty days have elapsed from the date such proposed amendment was mailed to each member of the Federal Savings and Loan Advisory Council, the Board will not take final action upon the proposed amendment prior to such hearing. The filing of a request for a hearing upon an existing regulation to which petitioners object shall not suspend the operation of such regulation. Any member of the Federal Savings and Loan Advisory Council, or any Federal association among those requesting the hearing, may, prior to the date of such hearing, file with the Secretary to the Board a written brief regarding the proposed amendment or existing regulation involved; in addition thereto, such member or institution may appear in person at such hearing before the Board or may be represented at such hearing by any of its directors, officers, employees, agents, or attorney-at-law; and may offer evidence and examine witnesses. (Sec. 5 (a) of H. O. L. A. of 1933, 48 Stat. 132, 12 U. S. C. 1464 (a); Sec. 8a of the F. H. L. B. A. as added by Sec. 4, 49 Stat. 294, 12 U. S. C., Sup. 1428a).

AMENDMENT TO RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS, CHANGING METHOD OF NOTIFICATION IN CONNECTION WITH THE CONSIDERATION OF AMENDMENTS TO INSURANCE REGULATIONS: Approved November 7, 1938; effective upon filing for publication in the Federal Register.

Paragraphs b and d of Section 201.022[1] of the Rules and Regulations for Insurance of Accounts were amended to read as follows:

PAR. b. *Thirty-day Notice of Major Amendments Not of an Emergency Character.*—No amendment deemed to be major, affecting a matter of general principle or policy, and not of an emergency character, will be approved by the Board until at least thirty days have elapsed after the proposed amendment has been mailed to each member of the Federal Savings and Loan Advisory Council. A copy of each such proposed amendment shall be filed with the editor of the Federal Home Loan Bank Review for publication in the next possible issue of such Review.

PAR. d. *Hearings on Regulations.*—After receipt of the written requests therefor to the Secretary to the Board of at least seven members of the Federal Savings and Loan Advisory Council or of at least fifty insured institutions (accompanied by certified resolutions of the boards of directors of such institutions), the Board will fix a time and place for a hearing on a proposed amendment or upon an existing regulation to which petitioners object. The Secretary to the Board will give written notice of the time and place of such hearing to the members of the Federal Savings and Loan Advisory Council and to each of the insured institutions requesting such hearing. If such requests for such hearing have been received before thirty days have elapsed from the date such proposed amendment was mailed to each member of the Federal Savings and Loan Advisory Council, the Board will not take final action upon the proposed amendment prior to such hearing. The filing of a request for a hearing upon an existing regulation to which petitioners object shall not suspend the operation of such regulation. Any member of the Federal Savings and Loan Advisory Council, or any insured institution among those requesting the hearing, may, prior to the date of such hearing, file with the Secretary to the Board a written brief regarding the proposed amendment or existing regulation involved; in addition thereto, such member or institution may appear in person at such hearing before the Board or may be represented at such hearing by any of its directors, officers, employees, agents, or attorney-at-law; and may offer evidence and examine witnesses.

[1] See footnote on p. 78.

Dividend Rates

(*Continued from p. 64*)

ciations in each Bank District reveals no marked relationship between dividend rates and the flow of private funds. Bank Districts in which the trend of dividend rates was upward during these three years showed larger percentage gains in private capital in 1937 than in 1936. This was also true in those Bank Districts where dividend rates were reduced.

SUMMARY

These facts stand out from this analysis:

(1) Home-mortgage interest rates as well as dividend payments cannot be segregated from the conditions prevailing in the broader financial structure.

(2) Prevailing home-mortgage interest rate levels have declined substantially in recent years, responding to influences general throughout the money market affecting both long and short-term finance.

(3) Dividend rates of savings and loan associations, as indicated by the experience of Federal associations, have been affected by the lowering of long-term interest rates.

(4) No matter whether dividend rates tended to rise or to fall, Federal associations in every Federal Home Loan Bank District but one showed a greater percentage increase in private capital invested in 1937 than in 1936, strengthening the belief that institutions in which the investing public has confidence receive as steady an inflow of private savings at lower dividend rates as they do at higher levels.

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]

[Sources: 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–October totals		Monthly totals			January–October totals	
	Oct. 1938	Sept. 1938	Oct. 1937	1938	1937	Oct. 1938	Sept. 1938	Oct. 1937	1938	1937
1-family dwellings	12, 731	12, 550	7, 920	106, 649	95, 564	$49, 897. 4	$47, 780. 1	$32, 146. 6	$418, 886. 4	$413, 862. 0
2-family dwellings	984	778	698	8, 958	8, 150	2, 299. 9	2, 075. 6	1, 690. 5	23, 151. 7	22, 017. 4
Joint home and business [2]	72	107	74	806	928	261. 2	381. 3	258. 0	2, 832. 9	3, 401. 4
3- and more-family dwellings	5, 151	8, 324	1, 960	64, 417	38, 063	16, 236. 2	28, 332. 1	6, 497. 0	209, 322. 6	129, 747. 7
Total residential	18, 938	21, 759	10, 652	180, 830	142, 705	68, 694. 7	78, 569. 1	40, 592. 1	654, 193. 6	569, 028. 5

[1] Estimate is based on reports from communities having approximately 95 percent of the population of all cities with population of 10,000 or over.
[2] Includes 1- and 2-family dwellings with business property attached.

Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in October 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	
	October 1938	October 1937	October 1938	October 1937	October 1938	October 1937	October 1938	October 1937
UNITED STATES	18, 938	10, 652	$68, 694. 7	$40, 592. 1	13, 787	8, 692	$52, 458. 5	$34, 095. 1
No. 1—Boston	822	584	3, 466. 5	2, 706. 8	514	577	2, 389. 9	2, 703. 3
Connecticut	455	155	1, 828. 9	700. 8	154	155	766. 9	700. 8
Maine	43	31	181. 3	110. 2	36	31	166. 7	110. 2
Massachusetts	222	275	1, 057. 9	1, 420. 7	222	268	1, 057. 9	1, 417. 2
New Hampshire	31	15	120. 6	49. 7	31	15	120. 6	49. 7
Rhode Island	62	99	241. 9	386. 4	62	99	241. 9	386. 4
Vermont	9	9	35. 9	39. 0	9	9	35. 9	39. 0
No. 2—New York	4, 980	1, 745	17, 929. 9	7, 791. 7	1, 469	933	6, 192. 5	4, 310. 6
New Jersey	313	182	1, 346. 5	1, 063. 0	280	182	1, 278. 8	1, 063. 0
New York	4, 667	1, 563	16, 583. 4	6, 728. 7	1, 189	751	4, 913. 7	3, 247. 6
No. 3—Pittsburgh	774	628	3, 412. 0	2, 841. 8	670	500	3, 166. 4	2, 542. 5
Delaware	20	9	161. 8	46. 6	20	9	161. 8	46. 6
Pennsylvania	651	503	2, 871. 5	2, 467. 7	559	383	2, 661. 9	2, 189. 9
West Virginia	103	116	378. 7	327. 5	91	108	342. 7	306. 0

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

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank Districts and States	All residential dwellings				All 1- and 2-family dwellings			
	Number of family dwelling units		Estimated cost		Number of family dwelling units		Estimated cost	
	October 1938	October 1937	October 1938	October 1937	October 1938	October 1937	October 1938	October 1937
No. 4—Winston-Salem	2, 276	1, 354	$6, 648. 5	$4, 426. 0	1, 854	1, 051	$5, 728. 1	$3, 598. 5
Alabama	147	72	250. 2	312. 6	147	72	250. 2	312. 6
District of Columbia	465	340	1, 497. 1	1, 283. 2	207	111	940. 1	618. 2
Florida	530	357	1, 791. 3	1, 195. 0	491	298	1, 724. 1	1, 055. 0
Georgia	183	122	441. 3	251. 2	183	122	441. 3	251. 2
Maryland	287	122	920. 9	421. 5	271	122	904. 9	421. 5
North Carolina	344	177	767. 1	463. 8	326	173	736. 8	454. 8
South Carolina	102	75	247. 7	140. 0	94	64	231. 7	126. 5
Virginia	218	89	732. 9	358. 7	135	89	499. 0	358. 7
No. 5—Cincinnati	841	702	3, 628. 1	3, 149. 2	773	645	3, 382. 6	2, 932. 1
Kentucky	145	95	362. 6	281. 1	133	95	339. 6	281. 1
Ohio	564	500	2, 918. 6	2, 575. 3	511	443	2, 697. 1	2, 358. 2
Tennessee	132	107	346. 9	292. 8	129	107	345. 9	292. 8
No. 6—Indianapolis	1, 722	834	7, 890. 6	3, 449. 4	1, 578	800	7, 347. 2	3, 363. 6
Indiana	456	203	1, 648. 6	686. 1	312	203	1, 105. 2	686. 1
Michigan	1, 266	631	6, 242. 0	2, 763. 3	1, 266	597	6, 242. 0	2, 677. 5
No. 7—Chicago	716	502	3, 412. 0	2, 551. 2	656	469	3, 269. 3	2, 386. 3
Illinois	450	274	2, 337. 1	1, 563. 2	422	247	2, 235. 1	1, 399. 9
Wisconsin	266	228	1, 074. 9	988. 0	234	222	1, 034. 2	986. 4
No. 8—Des Moines	735	501	2, 642. 0	1, 826. 2	703	451	2, 553. 9	1, 729. 2
Iowa	210	121	744. 6	434. 9	201	121	721. 4	434. 9
Minnesota	225	207	920. 4	799. 6	225	165	920. 4	719. 6
Missouri	231	137	821. 0	482. 1	208	129	756. 1	465. 1
North Dakota	34	21	92. 4	62. 6	34	21	92. 4	62. 6
South Dakota	35	15	63. 6	47. 0	35	15	63. 6	47. 0
No. 9—Little Rock	1, 723	1, 183	4, 606. 1	2, 890. 7	1, 660	1, 002	4, 433. 3	2, 426. 1
Arkansas	92	31	178. 4	68. 4	88	31	176. 4	68. 4
Louisiana	185	94	641. 2	246. 9	177	81	620. 3	223. 6
Mississippi	130	74	263. 7	108. 1	130	74	263. 7	108. 1
New Mexico	19	52	50. 0	128. 6	19	44	50. 0	113. 6
Texas	1, 297	932	3, 472. 8	2, 338. 7	1, 246	772	3, 322. 9	1, 912. 4
No. 10—Topeka	562	418	1, 826. 1	1, 209. 3	555	386	1, 810. 3	1, 169. 8
Colorado	143	100	461. 5	292. 6	143	80	461. 5	262. 6
Kansas	106	111	281. 7	299. 4	106	103	281. 7	293. 4
Nebraska	67	49	242. 8	171. 4	64	49	237. 0	171. 4
Oklahoma	246	158	840. 1	445. 9	242	154	830. 1	442. 4
No. 11—Portland	532	369	1, 744. 2	1, 163. 5	498	346	1, 678. 7	1, 100. 5
Idaho	29	18	102. 3	67. 7	26	18	93. 5	67. 7
Montana	46	47	107. 4	106. 4	42	47	100. 4	106. 4
Oregon	96	83	351. 6	282. 1	83	60	331. 6	219. 1
Utah	76	71	266. 9	219. 1	76	71	266. 9	219. 1
Washington	260	136	803. 0	440. 7	246	136	773. 3	440. 7
Wyoming	25	14	113. 0	47. 5	25	14	113. 0	47. 5
No. 12—Los Angeles	3, 255	1, 832	11, 488. 7	6, 586. 3	2, 857	1, 532	10, 506. 3	5, 832. 6
Arizona	68	28	224. 3	94. 1	68	28	224. 3	94. 1
California	3, 164	1, 790	11, 171. 9	6, 399. 2	2, 766	1, 490	10, 189. 5	5, 645. 5
Nevada	23	14	92. 5	93. 0	23	14	92. 5	93. 0

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 Nov.	1937 Nov.	1936 Nov.	1938 Nov.	1938 Aug.	1938 May	1938 Feb.	1937 Nov.	1936 Nov.
No. 3—Pittsburgh:									
Wilmington, Del	$0. 246	$0. 242	$0. 223	$5, 898	$5, 898	$5, 914	$5, 914	$5, 811	$5, 342
Harrisburg, Pa	. 237	. 243	. 233	5, 681	5, 682	5, 839	5, 817	5, 823	5, 597
Philadelphia, Pa	. 224	. 240	. 212	5, 379	5, 416	5, 560	5, 531	5, 755	5, 077
Pittsburgh, Pa	. 267	. 280	. 254	6, 409	6, 487	6, 718	6, 512	6, 719	6, 104
Charleston, W. Va	. 245	. 260	. 235	5, 886	5, 905	5, 951	6, 218	6, 240	5, 630
Wheeling, W. Va	. 250	. 277	. 241	6, 005	6, 042	6, 287	--------	6, 636	5, 781
No. 5—Cincinnati:									
Lexiginton, Ky	. 228	. 233	. 218	5, 474	5, 325	5, 322	5, 392	5, 604	5, 236
Louisville, Ky	. 243	. 249	. 231	5, 839	5, 789	5, 722	5, 861	5, 970	5, 543
Cincinnati, Ohio	. 255	[2]. 261	. 242	6, 127	[2] 6, 124	--------	[2] 6, 223	[2] 6, 265	5, 812
Cleveland, Ohio	. 267	. 286	. 259	6, 416	6, 404	--------	6, 569	6, 863	6, 213
Columbus, Ohio	. 239	. 254	. 236	5, 726	5, 919	5, 688	5, 687	6, 097	5, 675
Memphis, Tenn	. 239	. 242	. 213	5, 738	5, 671	5, 661	5, 652	5, 800	5, 106
Nashville, Tenn	. 213	. 228	. 213	5, 116	5, 090	5, 024	5, 144	5, 476	5, 117
No. 9—Little Rock:									
Little Rock, Ark	. 217	. 216	. 214	5, 199	5, 150	5, 164	5, 164	5, 186	5, 136
New Orleans, La	. 249	[2]. 255	. 231	5, 965	[2] 6, 028	[2] 6, 125	[2] 6, 113	[2] 6, 122	5, 542
Jackson, Miss	. 253	. 249	. 227	6, 064	6, 079	6, 111	6, 061	5, 968	5, 452
Albuquerque, N. Mex	. 272	. 277	. 260	6, 539	6, 648	6, 611	6, 586	6, 646	6, 242
Dallas, Tex	. 239	. 253	. 235	5, 748	[2] 5, 888	5, 801	--------	6, 068	5, 634
Houston, Tex	. 246	. 256	. 239	5, 915	5, 993	5, 888	5, 981	6, 143	5, 744
San Antonio, Tex	. 247	. 259	. 231	5, 929	6, 055	6, 058	6, 099	6, 228	5, 541
No. 12—Los Angeles:									
Phoenix, Ariz	. 269	. 281	. 252	6, 468	[2] 6, 489	6, 567	6, 695	6, 741	6, 051
Los Angeles, Cal	. 228	. 247	. 228	5, 469	5, 704	5, 723	5, 874	5, 926	5, 473
San Diego, Cal	. 243	. 258	. 233	5, 822	5, 834	5, 855	6, 098	6, 184	5, 581
San Francisco, Cal	. 265	. 266	. 253	6, 369	6, 329	6, 345	6, 363	6, 375	6, 067
Reno, Nev	. 274	. 278	. 265	6, 567	6, 560	6, 550	6, 634	6, 666	6, 354

[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.

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.

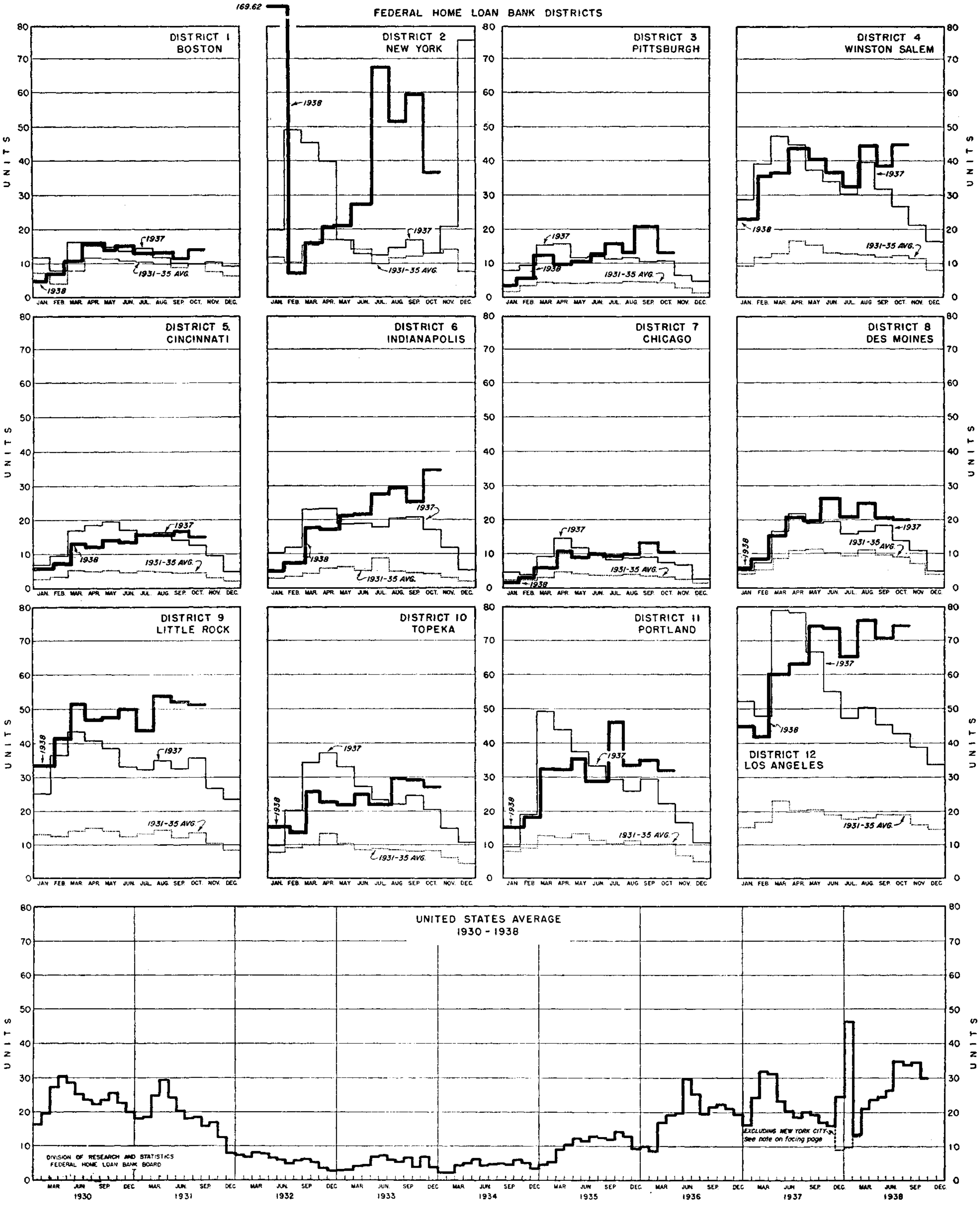


Table 4.—Estimated volume of new lending activity of savings and loan associations, classified by District and type of association

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank District and type of association	New loans		Percent increase, Oct. 1938 over Sept. 1938	New loans, Oct. 1937	Percent increase, Oct. 1938 over Oct. 1937	Cumulative new loans (10 months)		
	Oct. 1938	Sept. 1938				1938	1937	Percent increase
United States: Total	$72,931	$71,647	+2	$75,456	−3	$669,992	$771,980	−13
Federal	26,534	25,650	+3	24,539	+8	237,660	266,411	−11
State member	30,546	29,255	+4	32,104	−5	280,851	327,651	−14
Nonmember	15,851	16,742	−5	18,813	−16	151,481	177,918	−15
District 1: Total	6,610	7,064	−6	7,621	−13	62,890	72,685	−13
Federal	1,875	1,829	+3	1,561	+20	17,392	18,030	−4
State member	3,237	3,544	−9	3,661	−12	30,410	32,543	−7
Nonmember	1,498	1,691	−11	2,399	−38	15,088	22,112	−32
District 2: Total	8,090	7,248	+12	7,896	+2	65,047	71,455	−9
Federal	2,314	1,822	+27	1,906	+21	18,262	17,690	+3
State member	1,776	1,789	−1	1,819	−2	16,691	18,604	−10
Nonmember	4,000	3,637	+10	4,171	−4	30,094	35,161	−14
District 3: Total	5,642	5,323	+6	5,401	+4	52,401	55,923	−6
Federal	1,073	1,150	−7	1,116	−4	10,562	10,437	+1
State member	1,425	1,419	0	1,570	−9	15,102	16,374	−8
Nonmember	3,144	2,754	+14	2,715	+16	26,737	29,112	−8
District 4: Total	9,938	9,937	0	10,141	−2	93,162	95,553	−3
Federal	3,730	3,823	−2	3,402	+10	32,410	34,756	−7
State member	4,816	4,224	+14	4,670	+3	43,687	44,486	−2
Nonmember	1,392	1,890	−26	2,069	−33	17,065	16,311	+5
District 5: Total	11,449	11,253	+2	13,818	−17	103,069	146,129	−29
Federal	4,493	4,240	+6	4,745	−5	39,840	50,498	−21
State member	5,336	5,233	+2	6,683	−20	46,647	70,761	−34
Nonmember	1,620	1,780	−9	2,390	−32	16,582	24,870	−33
District 6: Total	3,488	3,159	+10	3,828	−9	29,362	35,256	−17
Federal	1,566	1,309	+20	1,775	−12	13,497	16,175	−17
State member	1,579	1,485	+6	1,652	−4	13,423	15,537	−14
Nonmember	343	365	−6	401	−14	2,442	3,544	−31
District 7: Total	6,835	6,753	+1	7,189	−5	66,093	80,792	−18
Federal	2,232	2,206	+1	2,236	0	22,193	24,425	−9
State member	3,283	2,633	+25	3,590	−9	28,725	40,049	−28
Nonmember	1,320	1,914	−31	1,363	−3	15,175	16,318	−7
District 8: Total	4,440	5,046	−12	4,558	−3	40,664	42,062	−3
Federal	1,844	2,131	−13	1,644	+12	16,726	18,378	−9
State member	1,549	1,659	−7	1,507	+3	13,510	13,503	0
Nonmember	1,047	1,256	−17	1,407	−26	10,428	10,181	+2
District 9: Total	4,242	4,148	+2	3,692	+15	40,610	38,462	+6
Federal	1,701	1,469	+16	1,286	+32	15,597	13,940	+12
State member	2,403	2,495	−4	2,240	+7	23,121	21,894	+6
Nonmember	138	184	−25	166	−17	1,892	2,628	−28
District 10: Total	3,633	3,581	+1	3,689	−2	34,113	39,575	−14
Federal	1,712	1,572	+9	1,439	+19	14,858	16,348	−9
State member	953	1,113	−14	1,034	−8	10,325	10,623	−3
Nonmember	968	896	+8	1,216	−20	8,930	12,604	−29
District 11: Total	2,426	2,530	−4	2,259	+7	23,792	30,160	−21
Federal	1,433	1,411	+2	1,248	+15	13,155	17,673	−26
State member	785	933	−16	923	−15	8,145	11,003	−26
Nonmember	208	186	+12	88	+136	2,492	1,484	+68
District 12: Total	6,138	5,605	+10	5,364	+14	58,789	63,928	−8
Federal	2,561	2,688	−5	2,181	+17	23,168	28,061	−17
State member	3,404	2,728	+25	2,755	+24	1,065	32,274	−4
Nonmember	173	189	−8	428	−60	34,556	3,593	+27

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

[Amounts are shown in thousands of dollars]

Period	Purpose of loans					Total loans	Type of association		
	Mortgage loans on homes				Loans for all other purposes		Federals	State members	Non-members
	Construction	Home purchase	Refinancing	Reconditioning					
1936	$178, 389	$230, 081	$178, 029	$65, 434	$103, 064	$754, 997	$228, 896	$309, 521	$216, 580
January–October	143, 998	190, 317	148, 742	55, 131	87, 959	626, 147	186, 608	255, 925	183, 614
January	8, 170	11, 432	12, 144	3, 497	7, 548	42, 791	11, 764	18, 434	12, 593
February	8, 218	12, 096	12, 941	4, 476	7, 585	45, 316	12, 105	17, 055	16, 156
March	11, 382	14, 722	14, 972	4, 742	12, 053	57, 871	15, 310	22, 180	20, 381
April	12, 852	18, 728	18, 363	6, 046	8, 263	64, 252	17, 740	28, 597	17, 915
May	14, 690	20, 647	15, 333	6, 891	9, 516	67, 077	18, 966	28, 166	19, 945
June	15, 612	21, 234	15, 605	5, 390	10, 461	68, 302	21, 247	29, 197	17, 858
July	17, 013	21, 999	13, 971	5, 917	8, 996	67, 896	21, 491	27, 898	18, 507
August	17, 818	21, 577	14, 186	5, 490	8, 137	67, 208	21, 571	26, 773	18, 864
September	18, 722	21, 350	15, 074	6, 294	7, 473	68, 913	22, 500	26, 761	19, 652
October	19, 521	26, 532	16, 153	6, 388	7, 927	76, 521	23, 914	30, 864	21, 743
November	16, 730	19, 343	14, 360	5, 611	7, 271	63, 315	19, 771	26, 344	17, 200
December	17, 661	20, 421	14, 927	4, 692	7, 834	65, 535	22, 517	27, 252	15, 766
1937	234, 102	326, 629	180, 804	62, 143	92, 901	896, 579	307, 278	379, 286	210, 015
January–October	201, 374	283, 765	155, 456	53, 172	78, 213	771, 980	266, 411	327, 651	177, 918
January	13, 506	18, 211	11, 990	4, 059	6, 101	53, 867	17, 543	20, 729	15, 595
February	14, 181	19, 767	12, 878	3, 320	6, 589	56, 735	19, 360	24, 594	12, 781
March	19, 894	26, 433	17, 841	4, 853	8, 193	77, 214	27, 829	32, 177	17, 208
April	24, 382	32, 853	17, 496	6, 237	8, 632	89, 600	32, 915	37, 395	19, 290
May	23, 452	34, 904	16, 712	6, 124	8, 140	89, 332	30, 998	39, 288	19, 046
June	23, 395	35, 235	18, 405	6, 495	8, 681	92, 211	31, 577	39, 965	20, 669
July	22, 224	30, 624	16, 014	5, 703	7, 669	82, 234	28, 693	35, 758	17, 783
August	21, 082	28, 011	15, 362	5, 147	7, 415	77, 017	26, 768	32, 334	17, 915
September	20, 003	29, 693	14, 643	5, 790	8, 185	78, 314	26, 189	33, 307	18, 818
October	19, 255	28, 034	14, 115	5, 444	8, 608	75, 456	24, 539	32, 104	18, 813
November	17, 447	22, 697	12, 671	4, 796	6, 892	64, 503	20, 829	27, 113	16, 561
December	15, 281	20, 167	12, 677	4, 175	7, 796	60, 096	20, 038	24, 522	15, 536
1938									
January–October	182, 679	223, 454	135, 180	49, 777	78, 902	669, 992	237, 660	280, 851	151, 481
January	12, 572	14, 896	11, 334	3, 409	6, 891	49, 102	16, 781	20, 879	11, 442
February	11, 669	16, 117	11, 293	3, 662	7, 352	50, 093	17, 520	22, 073	10, 500
March	16, 648	21, 056	14, 391	4, 953	8, 170	65, 218	23, 356	27, 835	14, 027
April	17, 710	25, 494	15, 772	5, 683	8, 648	73, 307	26, 107	30, 238	16, 962
May	19, 400	24, 123	15, 281	5, 416	8, 059	72, 279	24, 721	31, 196	16, 362
June	19, 892	25, 636	13, 885	5, 211	8, 443	73, 067	26, 310	30, 350	16, 407
July	19, 096	21, 924	13, 194	5, 397	8, 028	67, 639	23, 823	28, 973	14, 843
August	22, 575	23, 833	14, 701	5, 528	8, 072	74, 709	26, 858	29, 506	18, 345
September	21, 018	25, 698	12, 416	4, 791	7, 724	71, 647	25, 650	29, 255	16, 742
October	22, 099	24, 677	12, 913	5, 727	7, 515	72, 931	26, 534	30, 546	15, 851

Table 6.—Monthly operations of 1,302 Federal savings and loan associations and 627 identical insured State-chartered savings and loan associations reporting during September and October 1938

[Amounts are shown in thousands of dollars]

	1,302 Federal			627 insured State members		
	October	September	Change September to October	October	September	Change September to October
Share liability at end of month:			*Percent*			*Percent*
Private share accounts (number)	1, 085, 054	1, 067, 623	+1. 6	790, 302	785, 166	+0. 7
Paid on private subscriptions	$800, 606. 2	$788, 756. 7	+1. 5	$533, 353. 4	$531, 822. 3	+0. 3
Treasury and H. O. L. C. subscriptions	213, 269. 6	212, 862. 1	+0. 2	[1] 37, 977. 7	[1] 37, 727. 4	+0. 7
Total	1, 013. 875. 8	1, 001, 627. 8	+1. 2	571, 331. 1	569, 549. 7	+0. 3
Private share investments during month	21, 320. 5	17, 423. 2	+22. 4	9, 796. 8	8, 730. 6	+12. 2
Repurchases during month	9, 603. 3	10, 659. 0	−9. 9	8, 272. 9	8, 242. 6	+0. 4
Mortgage loans made during month:						
a. New construction	9, 598. 3	8, 946. 0	+7. 3	4, 419. 9	3, 484. 9	+26. 8
b. Purchase of homes	7, 586. 2	7, 196. 6	+5. 4	3, 727. 2	3, 885. 1	−4. 1
c. Refinancing	4, 950. 3	5, 139. 5	−3. 7	1, 942. 9	1, 890. 4	+2. 8
d. Reconditioning	1, 674. 1	1, 406. 8	+19. 0	689. 9	643. 9	+7. 1
e. Other purposes	2, 089. 1	2, 300. 6	−9. 2	1, 279. 2	1, 194. 5	+7. 1
Total	25, 898. 0	24, 989. 5	+3. 6	12, 059. 1	11, 098. 8	+8. 7
Mortgage loans outstanding end of month	982, 364. 3	969, 064. 1	+1. 4	522, 816. 5	518, 808. 9	+0. 8
Borrowed money as of end of month:						
From Federal Home Loan Banks	94, 683. 5	94, 230. 5	+0. 5	36, 607. 6	36, 545. 2	+0. 2
From other sources	3, 085. 6	2, 916. 6	+5. 8	3, 737. 1	3, 783. 3	−1. 2
Total	97, 769. 1	97, 147. 1	+0. 6	40, 344. 7	40, 328. 5	(2)
Total assets, end of month	1, 242, 910. 1	1, 224, 945. 6	+1. 5	739, 244. 7	734, 524. 4	+0. 6

[1] Includes only H. O. L. C. subscriptions.
[2] Less than 0.1 percent.

Table 7.—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	Sept. 30, 1938	Oct. 31, 1938	Oct. 31, 1938	Oct. 31, 1938	Oct. 31, 1938
State-chartered associations	4	136	382	566	705	718	929, 400	$798, 272	$575, 921
Converted F. S. and L. A	108	406	560	672	[2] 710	[3] 717	831, 300	948, 068	654, 461
New F. S. and L. A	339	572	634	641	640	639	283, 300	328, 716	167, 889
Total	451	1, 114	1, 576	1, 879	2, 055	2, 074	2, 044, 000	2, 075, 056	1, 398, 271

[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, 13 Federals with assets of $3,755,000 had been approved for conversion but had not been insured as of September 30.
[3] In addition, 12 Federals with assets of $2,510,000 had been approved for conversion but had not been insured as of October 31.

Table 8.—Lending operations of the Federal Home Loan Banks

[Thousands of dollars]

Federal Home Loan Banks	October 1938		September 1938		Advances outstanding at end of October
	Advances	Repayments	Advances	Repayments	
Boston	$274	$144	$262	$193	$8, 306
New York	455	490	421	367	17, 211
Pittsburgh	634	561	503	543	17, 494
Winston-Salem	979	684	707	766	18, 312
Cincinnati	379	574	457	1, 162	25, 472
Indianapolis	230	520	1, 261	416	12, 453
Chicago	241	388	376	1, 058	31, 690
Des Moines	490	150	1, 096	320	15, 978
Little Rock	204	430	318	412	10, 241
Topeka	225	295	296	432	11, 438
Portland	51	396	297	250	6, 259
Los Angeles	574	434	567	510	14, 366
Total	4, 736	5, 066	6, 561	6, 429	189, 220
Jan.–Oct. 1938	61, 716	72, 590			
October 1937	8, 991	4, 461			184, 041
Jan.–Oct. 1937	98, 659	60, 019			
October 1936	9, 487	4, 313			134, 941
Jan.–Oct. 1936	73, 370	41, 224			

Table 9.—H. O. L. C. subscriptions to shares of savings and loan associations [1]

[Amounts are shown in thousands of dollars]

	State-chartered		Federal savings and loan associations	Total
	Uninsured F.H.L.B. members	Insured associations		
Requests:				
Oct. 1935–Oct. 1938:				
Number	80	823	4, 468	5, 371
Amount	$4, 371	$52, 168	$193, 571	$250, 110
October 1938:				
Number	0	7	12	19
Amount	0	$475	$491	$966
Subscriptions:				
Oct. 1935–Oct. 1938:				
Number	23	670	4, 090	4, 783
Amount	$1, 001	$41, 107	$172, 246	$214, 354
October 1938:				
Number	0	8	9	17
Amount	0	$565	$369	$934

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

Table 10.—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, 875
1937: Jan. 1 through June 30	23, 225
July 1 through Dec. 31	26, 981
1938: January	4, 807
February	4, 339
March	4, 961
April	4, 851
May	4, 695
June	4, 733
July	4, 056
August	3, 886
September	3, 856
October	3, 616
Grand total to Oct. 31, 1938	115, 436

[1] Does not include 12,467 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 115,436 completed cases, 628 properties were sold at foreclosure sale to parties other than the H. O. L. C. and 15,484 cases have been withdrawn due to payment of delinquencies by borrowers after foreclosure proceedings were authorized.

Table 11.—Reconditioning Division—Summary of all reconditioning operations of H. O. L. C. through Oct. 31, 1938 [1]

	June 1, 1934 through Sept. 30, 1938	Oct. 1, 1938 through Oct. 31, 1938	Cumulative through Oct. 31, 1938
Cases received [2]	979, 529	13, 218	992, 747
Contracts awarded:			
Number	608, 953	12, 177	621, 130
Amount	$117, 962, 984	$2, 694, 851	$120, 657, 835
Jobs completed:			
Number	598, 370	12, 206	610, 576
Amount	$113, 688, 227	$2, 647, 199	$116, 335, 426

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

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

Table 12.—Index of wholesale price of building materials in the United States

[1926=100]

[Source: U. S. Department of Labor]

	All building materials	Brick and tile	Cement	Lumber	Paint and paint materials	Plumbing and heating	Structural steel	Other
October 1937	94.5	93.4	95.5	97.3	84.2	80.6	114.9	100.02
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
August	89.4	90.6	95.5	90.2	80.5	79.2	107.3	91.3
September	89.5	90.9	95.5	90.4	80.4	78.5	107.3	91.3
October	89.8	91.1	95.5	90.3	81.1	78.5	107.3	91.7
Change:								
Oct. 1938–Sept. 1938	+0.3%	+0.2%	0.0%	−0.1%	+0.9%	0.0%	0.0%	+0.4%
Oct. 1938–Oct. 1937	−5.9%	−2.5%	0.0%	−7.2%	−3.7%	−2.6%	−6.6%	−8.5%

Reserve Requirements

(*Continued from p. 77*)

An insured State-chartered association, however, in addition to providing the "Federal Insurance Reserve" account, must comply with the requirements of the State law under which it operates. If the amount transferred to the "Federal Insurance Reserve" account at the end of each fiscal period cannot be considered in determining compliance with State requirements, then the amount required by the State must be credited to the proper loss reserve account.

With the written approval of the Board of Trustees of the Insurance Corporation, an insured institution may designate any reserve account which has been irrevocably established for the sole purpose of absorbing losses as the "Federal Insurance Reserve" account.

The concluding article in this series will give practical illustrations of reserve requirements and reserve policies in savings and loan associations today. Examples will be presented to indicate the place of general and specific reserves, and the need for increasing reserves beyond minimum statutory and regulatory requirements will be discussed.

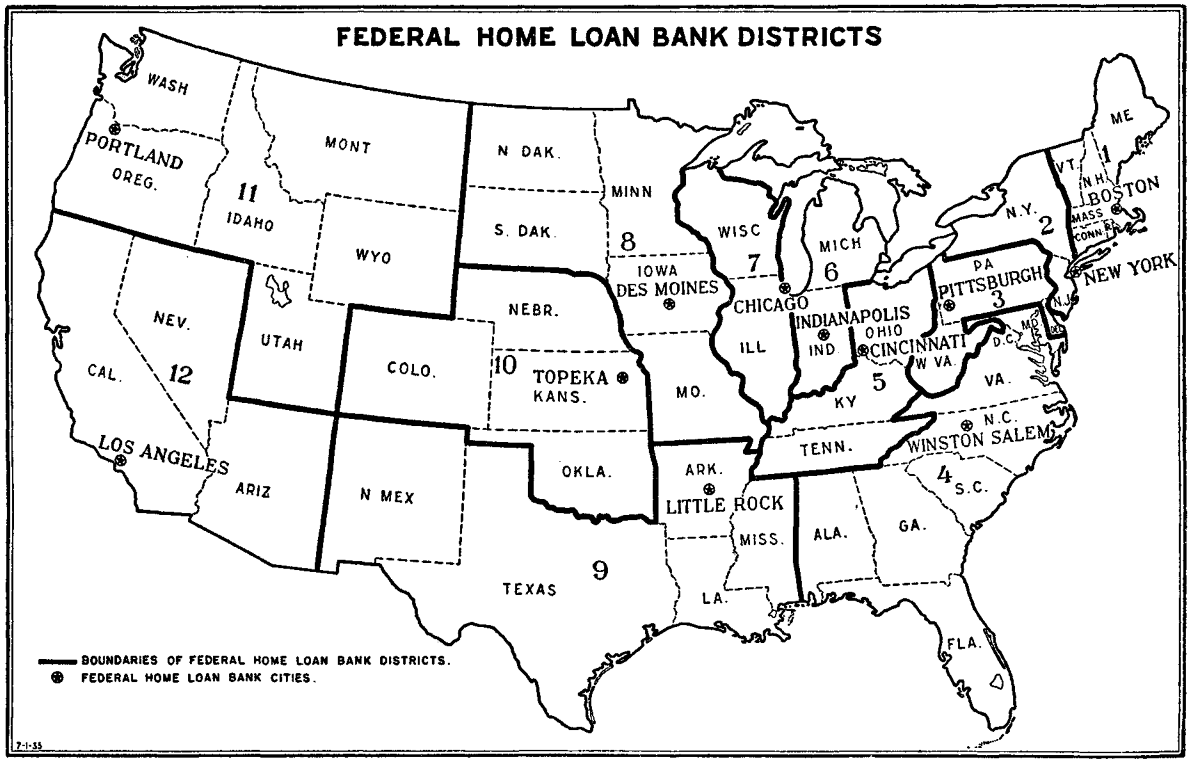
Residential Construction

(*Continued from p. 74*)

cities in this group than for cities in the larger size groups. For the United States as a whole, all city groups except the 10,000 to 25,000 group recorded a continuation of the upward trend of previous years in the rate of residential building. The rate of building in those cities having from 10,000 to 25,000 population remained practically unchanged in 1938. The abnormal increase in the rate of building in cities of 100,000 population and over was caused by unusual conditions in New York City.

The high rate of building in the cities of 10,000 to 25,000 population has meant that the actual number of dwelling units authorized in these cities has been consistently greater than the number of units provided by building permits in cities of 25,000 to 50,000 population or in cities of 50,000 to 100,000 population. For the first nine months of 1938, 162,000 units were authorized in all cities of 10,000 population and over. Almost 107,000 units were provided for in the largest cities and 27,000 units in the smallest cities. Only 28,000 units were authorized in the middle-sized cities with populations of 25,000 to 100,000.

U. S. GOVERNMENT PRINTING OFFICE: 1938



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