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FEDERAL HOME LOAN BANK REVIEW

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FEDERAL HOME LOAN BANK REVIEW

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FEDERAL HOME LOAN BANK BOARD

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FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

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LIFE INSURANCE COMPANY INVESTMENTS

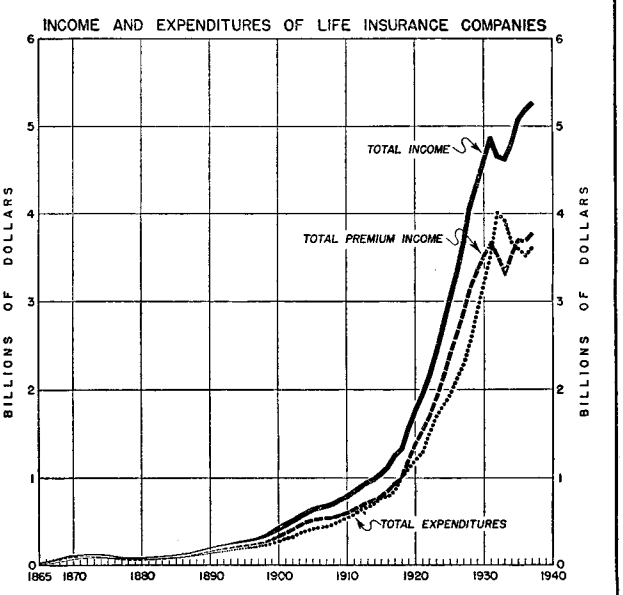
Annual study of investment portfolios of life insurance companies during 1938 reveals their increasing participation in the real estate mortgage field.

■ ANALYSIS of current major trends of life insurance company investment policies by the Division of Research and Statistics of the Federal Home Loan Bank Board shows an increased participation by these companies in the placement of funds in both nonfarm and farm mortgages in 1938. This year the study is supplemented by information made available during the hearings of the Temporary National Economic Committee which is currently studying the underlying factors of the American system of business.

The rapid increase in the economic importance of life insurance companies as an element in the financial world is clearly shown in a survey of their progress during the last third of a century. On December 31, 1906, there were 138 legal reserve life insurance companies with aggregate assets of $2,924,000,000. At the close of 1937, the number of institutions had risen to 308 with combined assets of $26,249,000,000 and by the end of last year the amount of those assets had further increased by $1,500,000,000, bringing the total to almost 28 billion dollars.

Further evidence of the striking growth of these institutions may be seen from the records made by three individual companies, each of which in 1906 controlled about one-half billion dollars in assets. Thirty-two years later, one of these companies can lay claim to almost 5 billion dollars in assets, another to over 2½ billion dollars, and the resources of the third are well over a billion dollars.

The trend of insurance company assets has been consistently upward. At no time has the aggregate total of life insurance assets at the close of a year been less than at the beginning of that same year—a condition which is unique among the operating records of financial institutions, according to the testimony of Dr. D. H. Davenport, special consultant to the insurance section of the Securities and Exchange Commission. "Since records have been kept, their total yearly income never has fallen below their total expenditures. Even in the three worst years of the depression these assets increased by about $2,500,000,000."



The aggregate income of all United States legal reserve life insurance companies amounted to 5.3 billion dollars in 1937. Of this amount, 3.8 billion dollars was taken in as premiums and the balance as returns from investments. Total expenditures for all purposes amounted to 3.6 billion dollars. In only 1918 and 1932–1934 were total expenditures in excess of premium income.

It was also brought out in the analysis of Dr. Davenport that only in 1918, at the time of the influenza epidemic, and in the years 1932, 1933, and 1934, have expenses of life insurance companies been in excess of their *premium* income. This means that their return on invested funds may usually be devoted entirely to the accumulation of surplus and reserve accounts, and for this reason the assets of life insurance companies have continued to gain in good times and in bad.

The ratio of life insurance company total income from premiums and investments to national income has varied from one-tenth of 1 percent in 1880, to a peak of 11.6 percent in 1932, when the insurance company income was slightly under 5 billion dollars. The 1937 proportion was 7.5 percent, but the dollar volume was almost equal to the total income of the Federal Government. The premium income of

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one of the largest insurance companies from residents of the State of New York during 1935 was nearly half as great as the sum total of *all* taxes collected by the Empire State.

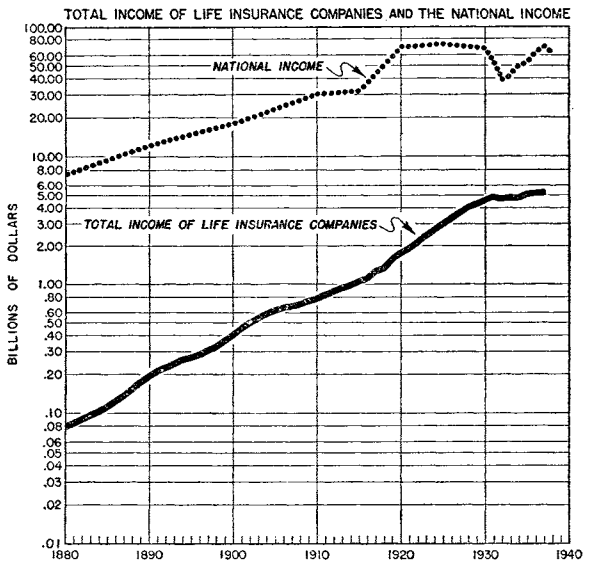
It is estimated that there is approximately 183 billion dollars of life insurance in force throughout the world. Of this amount, 60 percent, or 110 billion dollars, has been written in the United States. Dr. Davenport pointed out that, "While population grew 100 percent, the amount of insurance in force increased 2,500 percent . . . 25 times as rapidly as the population of the United States." His figures showed that in 1890 there was $4,100,000,000 insurance in force, and that in 1937 the total was $109,600,000,000. During this same period, population grew from 62,900,000 to 129,300,000 persons in 1937. It is estimated by the Association of Life Insurance Presidents that insurance in force in this country covers approximately 64,000,000 separate lives—that is, one out of every two lives is protected by some kind of insurance policy.

Investment Trends During 1938

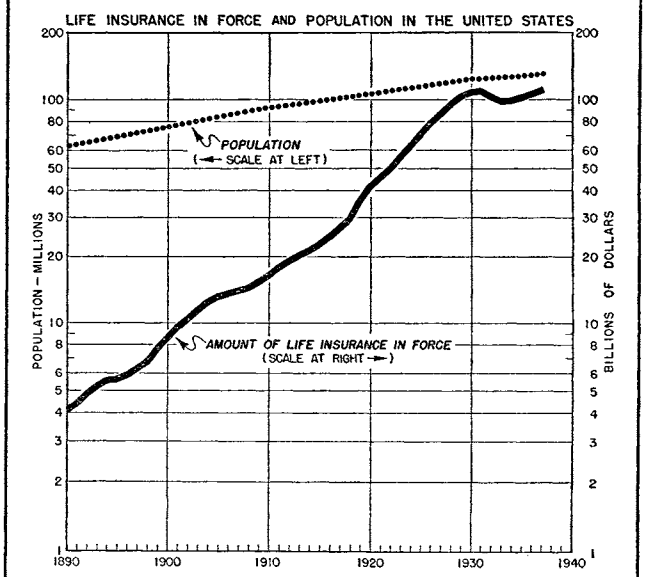
It was revealed in the hearings before the Temporary National Economic Committee that the $4,142,000,000 of urban mortgages held by insurance companies constituted 14 percent of the total of all urban mortgages. It was further brought out that the investments of insurance companies in United States Government bonds amounted to more than 10 percent of the entire Government debt. In addition, these institutions were reported to hold 22 percent of all utility debts, 23 percent of the railroad bonds, 15 percent of the industrial obligations, 10 percent of the municipal debts, and 11 percent of the farm mortgages outstanding.

The magnitude of their investment portfolio makes changes in investing policies upon the part of insurance companies of particular significance. Upon the basis of statistics from approximately 50 insurance companies with assets aggregating between 90 percent and 95 percent of the assets of all life insurance companies in the United States, the Division of Research and Statistics of the Federal Home Loan Bank Board has analyzed those changes which occurred during the year just concluded.

Total *new* investments by life insurance companies during 1938 are estimated at slightly over $3,500,000,000, an increase of about 54 million dollars over the 1937 placement of funds. Of this amount, approximately three-quarters of a billion dollars were loaned by these institutions on real estate mortgage security—about one-fifth of their to-



The income of legal reserve life insurance companies in 1937, which was in excess of 5 billion dollars, amounted to 7.5 percent of the national income. In 1932, insurance income from premiums and investments was slightly below 5 billion dollars and was equal to 11.6 percent of the total national income.



The amount of life insurance in force in the United States in the legal reserve companies was 4.1 billions of dollars in 1890; in 1937 it had reached 109.6 billions of dollars—a growth of more than 2,500 percent. In the same interval, population of the United States increased 105 percent.

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Table 1.—Estimated investments of life insurance companies in the United States

[Source: The Association of Life Insurance Presidents, Wall Street Journal, and returns from special questionnaire to life insurance companies]

[Amounts are shown in thousands of dollars]

Type of investment	Estimated total investments held as of Dec. 31, 1938		Estimated new investments					
	Amount	Percent of total	Amount			Percent of total		
			1938	1937	1934	1938	1937	1934
Nonfarm mortgages	$4, 500, 000	21. 5	$630, 146	$622, 244	$55, 217	17. 8	17. 8	2. 6
Farm mortgages	869, 000	4. 2	111, 853	90, 430	32, 574	3. 1	2. 6	1. 6
Total mortgages	5, 369, 000	25. 7	741, 999	712, 674	87, 791	20. 9	20. 4	4. 2
U. S. Government bonds	4, 944, 000	23. 6	1, 169, 805	1, 152, 317	1, 222, 952	33. 0	33. 0	58. 9
Other government bonds	2, 161, 000	10. 3	272, 700	275, 935	369, 357	7. 7	7. 9	17. 8
Stocks and other bonds	8, 462, 000	40. 4	1, 364, 998	1, 354, 709	396, 844	38. 4	38. 7	19. 1
Total investments	20, 936, 000	100. 0	3, 549, 502	3, 495, 635	2, 076, 944	100. 0	100. 0	100. 0

tal new investments for the year. One-third of the investments were made in U. S. Government bonds, while an additional 7.7 percent was expended for the purchase of other Government obligations. Stocks and other bonds received the remaining 38 percent of the new funds invested during 1938.

Although the aggregate amount of new investments rose only 1.5 percent over those in 1937, the amount loaned on real estate was 4.1 percent above the figure for the previous year. New investments in nonfarm real estate mortgages, however, were only 1.3 percent above what they were in 1937. This relatively greater improvement in the farm-mortgage investments (23.7 percent) together with the fact that the decreases in the volume of farm-mortgage holdings have been progressively smaller each year since 1934, seems to indicate at least a temporary halting of the downward trend of the farm-mortgage portfolio which has been in evidence for more than a decade.

Nonfarm mortgages held by life insurance companies have risen in dollar volume for the past two years, and last year showed no decline in relation to total assets for the first time since 1929. At the close of 1938 the holdings of real estate mortgages on nonfarm property were estimated at $4,500,000,000, the highest figure since 1934. Their ratio to total assets on December 31 of last year is estimated at 16.3 percent as compared with 30 percent at the end of 1929. Approximately 630 million dollars, or somewhat more than one-sixth of the new investments last year were in nonfarm real estate (Table 1), but judging from past experience it is likely that not more than 40 percent of this amount was on 1- to 4-family dwellings.

The amount of new investment by insurance companies in U. S. Government bonds showed a slight dollar increase over the year 1937, but the proportion of this type of security in relation to the total new investment for the year remained exactly the same. The total amount of insurance company holdings of U. S. Government bonds showed the smallest percentage increase during 1938 of any year since 1930, and the ratio of these bond holdings to total assets declined for the first time in eight years.

The classifications of "other Government bonds" and "stocks and other bonds" were the only two groups which showed even fractional declines in their proportion of the total new investments made by life insurance organizations during 1938. Of these, only the "other Government bonds" group had a smaller dollar value of investments than in the previous 12-month period.

Cash of life insurance companies, which has been abnormally high in relation to total assets for the past few years, declined from the preceding year in 1936 and 1937, but turned upward in 1938. In dollar volume, cash decreased only in 1937. The amount of cash on hand at the end of 1938 was more than six times the balance in this account at the end of 1929. It is probable that the increased cash position during 1938 is a temporary reversal of trend and that the decline is likely to be resumed until the account stands below 2 percent of assets.

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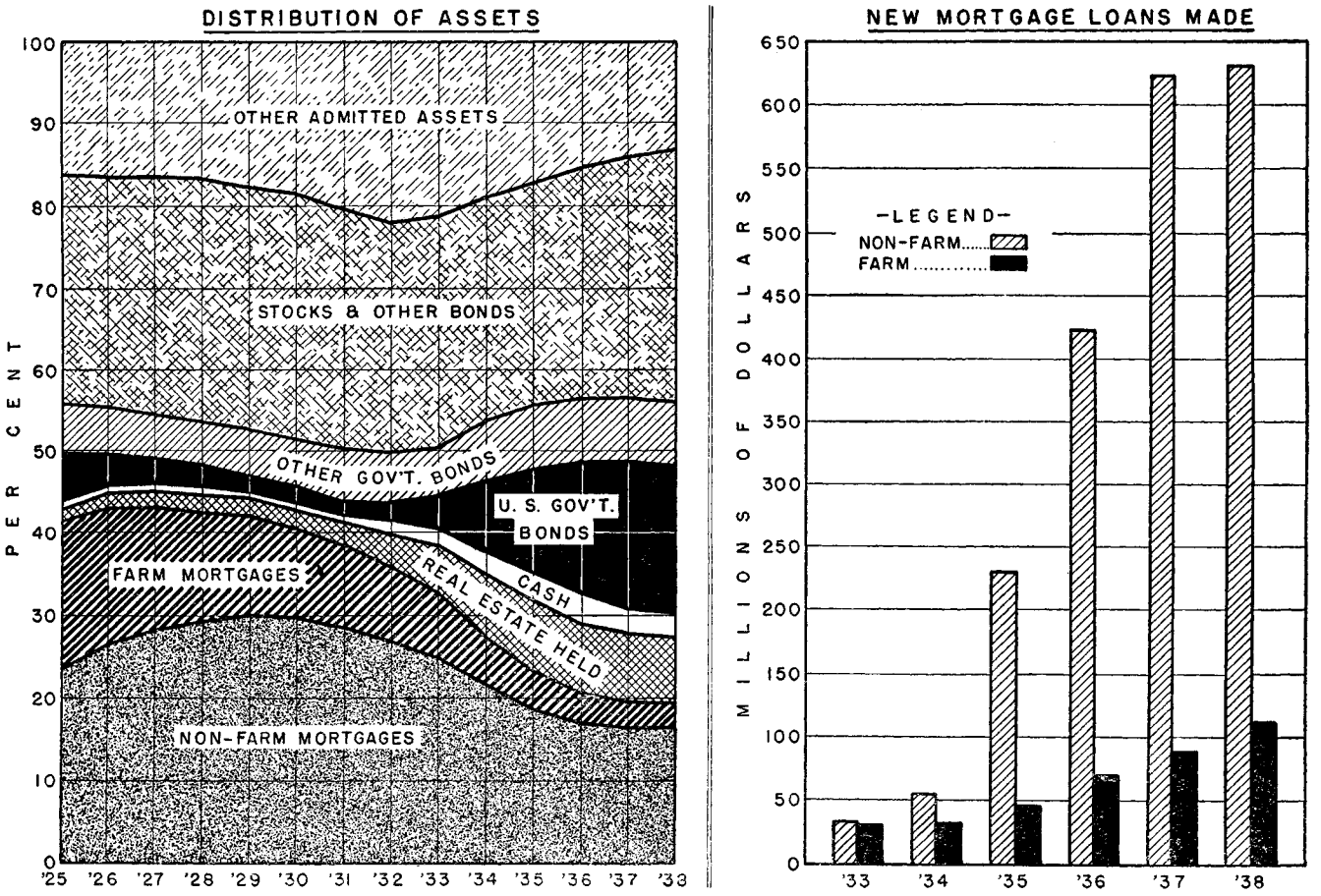
Real Estate Owned

For the second consecutive year the ratio of real estate owned to total assets declined, after having risen steadily from 1927 to 1936 when it reached a peak of 8.3 percent. In dollar volume, however, this account has continued to rise even throughout the past two years, and at the end of 1938 totaled $2,150,000,000. This figure included both real estate sold on contract and branch and home office properties. The real estate sold on contract has been increasing with each year, and at the end of 1938 constituted approximately 10 percent of the amount of real estate held. The amount invested in branch and home office properties is believed to maintain a more or less fixed relation to total assets—about 1 percent, which would be equal to approximately $276,000,000 on December 31, 1938.

From the analysis of the investments of life insurance companies during 1938, these facts stand out: (1) the phenomenal increase of holdings of United States Government bonds appears likely to have reached a reaction point; (2) real estate mortgages continue to receive increasingly favorable attention for new investments, with greatest increase in new investments registered by farm mortgages; (3) the nonfarm-mortgage portfolio received the same proportionate share of new investments as in 1937 but more than six times the ratio of 1934; (4) the proportion of real estate holdings to total assets of insurance companies declined for the second successive year; (5) the augmented cash position reflects a reversal of the previous 2-year trend in relation to total assets and emphasizes the inability of insurance companies, as well as of most other types of financial institutions, to find opportunities for investments with satisfactory elements of safety and yield.

ESTIMATED ASSETS AND NEW MORTGAGE LOANS MADE EACH YEAR BY ALL LIFE INSURANCE COMPANIES IN THE UNITED STATES

(Based on Reports of Leading Life Insurance Companies Having Approximately 90% of Total Assets)



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HOW CAN WE REDUCE CONSTRUCTION COSTS?

One answer: through technical research which develops more efficient use of existing building materials.

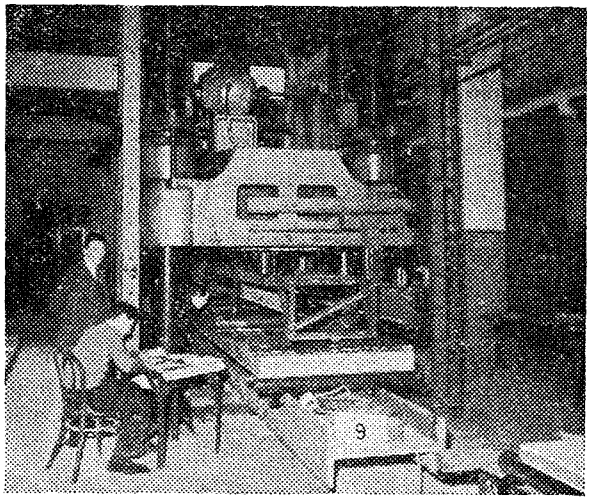
■ "THE building industry is out of step with the modern world. It is shackled by tradition and convention, in marked contrast with the transportation industry, especially the automobile and aviation branches. The life stream of these industries has been enormously quickened by continuous technical research to improve old products and develop new ones. The railway industry is awaking to the possibilities of research. Air conditioning, the use of new materials such as aluminum and stainless steel with new methods of construction, and other improvements are producing striking changes. Streetcars have become more agile. Airplanes continue to go faster and farther. Is it too much to expect that good housing at a low cost can be produced by the same method—intensive and continuing technical research?"

The National Public Housing Conference meeting in New York at the end of January heard this question raised in the introductory remarks of Dr. Hugh L. Dryden, Chairman of the National Bureau of Standards' Staff Committee which is administering and coordinating the Bureau's program of technical research on building materials and structures. Dr. Dryden pointed out that although the really radical changes in building practice will probably come from the development of suitable materials of lower cost, new discoveries of this type rarely are made as the result of a direct attack but arise usually in the course of basic scientific research to discover facts without thought of immediate practical application. Plastics were developed by an accidental mixing of chemicals. The discovery of the X-ray was not the result of a research project conducted to develop methods of viewing the internal structure of the human body.

Technical research then is a partial answer to the question, "How can we reduce construction costs?", and the building industry is likely to show greatest progress through research into the more efficient use of materials. "Most of the progress in other industries has come about through the more efficient use of materials, and it is in this direction that technical research has paid the highest dividends."

More Efficient Use of Materials

The program now being carried on by the National Bureau of Standards and other research work in this field have shown that there are a number of important ways of using building materials more efficiently. One prime possibility is to reduce costs by using no more material than is actually needed when it is demonstrated that more material is used in constructing houses than is necessary to withstand loads. For example, one material may serve two functions. It may combine the function of thermal insulation and exterior or interior sheathing. It may serve as thermal insulation and as a base for plaster. Research shows that a material may combine the function of moisture barrier and insulation, or that structural members may be combined with interior or exterior finishes. The use of a single construction as floor and ceiling, and the use of cabinets or closets as partitions are being studied



TRANSVERSE TEST

Floors, walls, and roofs are all subjected to transverse or bending loads. In the picture above, a specimen of a type of roof is being tested for the effect of such bending loads as are applied by wind, the weight of snow, or by workmen. Transverse loads are applied to a floor by the weight of furniture and persons, while walls bear horizontal bending loads caused by the wind.

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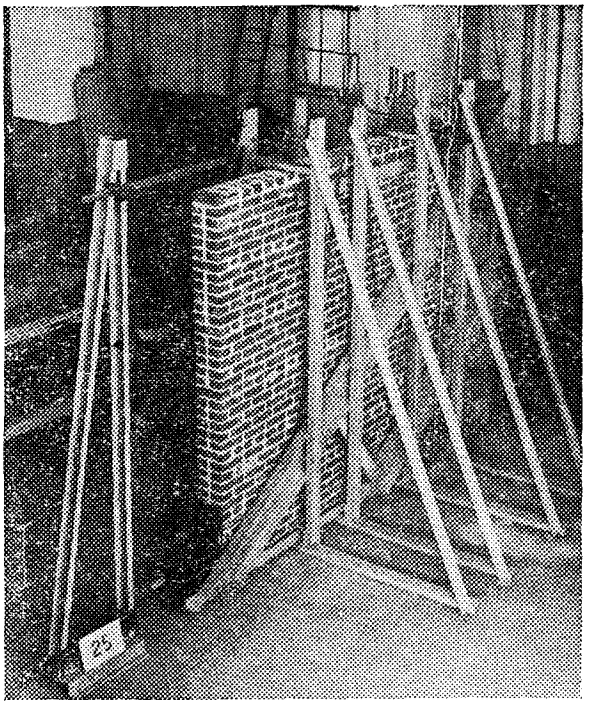
by the building industry. All the technical problems connected with these combined uses have not been solved, but as research continues, these are some of the directions in which experimentation will attempt to lower costs.

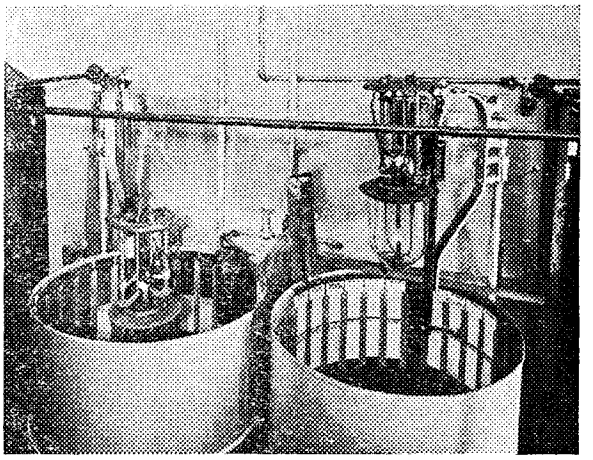
Fabrication of materials to facilitate their handling and erection is another important way of increasing the efficiency of their use. The factory may assemble materials in the form of panels, or clay products may be used in the form of tile, or builders may receive framing members pre-cut to exact size.



RACKING TEST

When the wind blows against the side of a house, there is considerable pressure against other walls in addition to the one against which the force is directly applied. The ability of sample constructions to withstand the action of the wind on these adjoining walls is measured in the racking (or shearing) load illustrated above. The loads are applied horizontally to the upper right-hand section, and the deformation calculated.

Technical research also seeks new ways to use existing materials to reduce costs. The steel stairs and closets used in a recent housing project are an example. The Forest Products Laboratory house and others of similar design have introduced plywood as an interior wall finish. The use of incombustible fillings in an otherwise combustible construction may make it possible to obtain a required fire resistance at lower cost.



ACCELERATED-WEATHERING APPARATUS

To determine by laboratory methods the effect of exposure upon exterior wall finishes, the Bureau of Standards has developed the "weather-accelerator" shown above. Test specimens are placed in the cylindrical rack which makes a complete rotation every 20 minutes. The arc lights are in continuous operation and each panel is thoroughly sprayed with tap water every 20 minutes.

More efficient use of materials also means the standardization of sizes of building units. "With intelligent cooperation between various branches of the industry," said Dr. Dryden, "agreements could be reached under the procedures of the American Standards Association and the Divisions of Simplified Practice and Trade Standards of the National Bureau of Standards which would lead to substantial reductions in cost of construction."

The Future of Technical Research in Housing Construction

There is a serious lag in the building industry in giving attention to technical research on the problem of the house as a whole. The National Bureau of Standards' program of technical research makes a new approach to the problem: it emphasizes the materials as incorporated in the structural elements and equipment of the house. The Bureau's experimental work has been based upon the cooperation of individuals, organizations, architects, and engineers who have sponsored constructions which they believed were satisfactory for low cost houses. Twenty-two sponsors have submitted 57 constructions for walls, partitions, floors, or roofs, and many

(*Continued on p. 183*)

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A $7,750,000,000 CHALLENGE

W. P. A. survey of urban housing reveals amazing condition of residential structures throughout the United States. The cost of rehabilitation would be equal to six times the dollar volume of residential construction during 1938.

■ "ONLY two-fifths of the American homes are in 'good condition'." That is the headline most newspapers throughout the country used to describe the findings contained in a comprehensive report of the Works Progress Administration on "Urban Housing" which was released during the early weeks of this year. Begun over four years ago as work relief projects under the program of the Civil Works Authority, these studies constitute the most complete source of statistical information on the physical characteristics of housing in the United States.

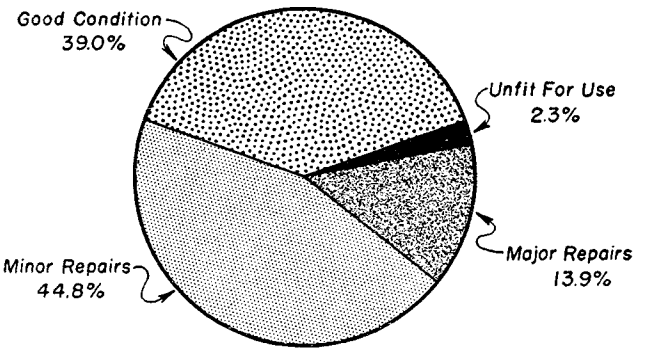
Reviewing the fact that only seven cents out of every dollar of new loans made by savings and loan associations during 1938 were for purposes of reconditioning, it is evident that the rehabilitation of even a small proportion of these substandard homes, which amount to 60 percent of all residential dwellings, would provide substantial outlets for loanable funds. Further, the congested family conditions and structural deficiencies of some of these dwellings would indicate that ultimate satisfaction in these facilities can be obtained only through new construction, thus offering additional opportunities for lending institutions.

The report is made up of real property inventories conducted in 203 urban areas during the years 1934–1936, covering approximately the number of dwelling units sufficient to house 45 percent of all city families enumerated in the 1930 census. More than 8,000,000 dwelling units and 5,000,000 dwelling structures were surveyed and information has been tabulated on the following subjects: size, type of construction, age, condition, value, and mortgage status of residential structures; and the number of rooms, the number of persons per room, sanitary facilities, and monthly rental of dwelling units.

In view of the fact that these individual studies were completed at various periods throughout the three years during which the report was compiled, statistics which are concerned with the financial and occupancy ratings of the dwelling units and structures are subject to the variations of general real estate and business conditions. The physical characteristics—the actual facilities for housing—however, are not likely to be greatly affected by such economic factors.

There are many definitions of substandard housing, but for the purposes of this survey the factors which rendered a dwelling unit below the standard requirements were "the absence of sanitary facilities, unsafe condition of the physical structure of the dwelling, over-crowding, and the presence of extra families". Applying this norm to all areas of the country, the cities in the Southeastern region were found to have the largest proportion of substandard units, while housing in the Northeastern region was relatively more adequate. Western cities fell into an intermediate category, with substandard housing somewhat more frequent in the Southwest than in the Northwest.

CONDITION OF URBAN RESIDENTIAL STRUCTURES



PHYSICAL CHARACTERISTICS OF URBAN HOUSING

The extent of deterioration in residential structures was shown in the figures which revealed that only 39 percent of the more-than-5,000,000 structures examined were able to qualify as being in "good condition". Nearly 45 percent of the buildings were in need of minor repairs, and an additional 14 percent would require major recondition-

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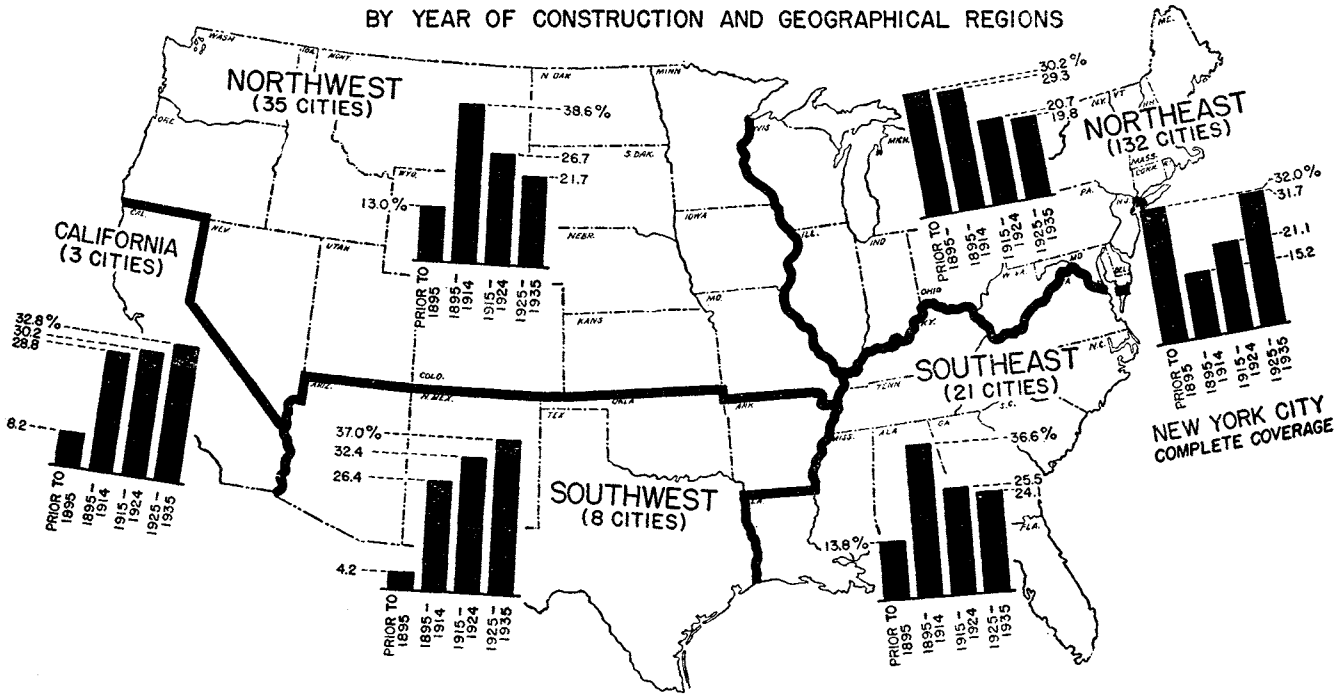
PERCENT DISTRIBUTION OF URBAN RESIDENTIAL STRUCTURES
BY YEAR OF CONSTRUCTION AND GEOGRAPHICAL REGIONS



Source: "URBAN HOUSING" (W.P.A.)

ing to provide satisfactory housing facilities. The remaining 2 percent were considered to be unfit for housing use. New York City which was completely canvassed showed the highest percentage of buildings in good condition.

Mortgage lenders will be interested in the statistics which were accumulated on the age of existing dwellings. These figures show that the typical American urban residential building is approximately 25 years old, for more than 50 percent of the structures surveyed were built prior to 1915. It was also discovered that almost one-quarter of the dwellings were constructed in 1894 or before. Geographically, the Northeastern region, excluding New York City, has the largest percentage (59.5) of structures built more than 25 years ago. There was little difference between the Southeastern and Northwestern areas in the number of old residential properties. The Southwestern section of the United States had the lowest proportion of older dwellings with only 30.6 percent having been started before 1915. New York City had an unusual chronological sequence in its structural age distribution with 32 percent of its dwellings having been erected prior to 1895, and 31.7 percent since 1925.

Almost 80 percent of the urban residential structures, excluding New York City, were single-family or row-house dwellings. Two-family houses were next in numerical order, followed by 3-family, apartment, and 4-family buildings. From the statistics on the number of dwelling units, however, we find that only 57 percent of total units were provided by 1-family and row-house types. Multifamily buildings offered 18 percent of the unit facilities, 2-family houses contained 17 percent, and miscellaneous structures made up the remaining 8 percent.

Data on the size of the dwelling units revealed that, on the average, homes were larger in the Northeastern part of the country—New York City, of course, being the exception to this. Nearly one half of all dwelling units in the Northeast had six rooms or more, while the homes of this size in the Southwest constituted only 25 percent of the total units in that section. More than one-half of all residential structures in every region but the Northeast were one story high, and in the Southwest 85 percent of the homes were of this type. Wood was easily the most common exterior material, for it was found on 7 out of every 10 houses counted, excluding New York City. Brick was used on almost one-quarter of all homes, especially in the Northeast.

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Stucco was next in order of exterior materials, and was used rather often in California and the Northwest.

Social Aspects of Urban Housing

In addition to the characteristics which relate to structural features, the W. P. A. survey of "Urban Housing" stresses the adequacy of the housing facilities with regard to social and sanitary accommodations, and summarizes the financial background of urban dwellings. Here also are found the same striking geographical differences evident in structural statistics. From these figures we learn that of all urban dwelling units canvassed, 15 percent had no private indoor flush toilets, 20 percent were without private baths or showers, one-third of all dwelling units in the Northern half of the United States lacked central heating facilities, and that 56 percent of all owner-occupied, single-family urban structures were mortgaged.

Although 15 percent of the urban housing units throughout the entire country lacked private indoor flush toilets, in the Southeastern section nearly one out of every three dwelling units was without this facility. In the Southwest, the ratio was one in four; Northwest, one in five; and Northeast, one in eight. Installed bathing facilities, which were found to be less common, followed a similar geographic pattern.

Also in the category of social conditions are the number of persons per room, and the presence of extra families in addition to the primary group in each unit. In 17 percent of all occupied dwelling units there was an average of more than one person per room. Most crowded conditions were prevalent in the Southern sections of the country, with 26 percent of the units in the Southeast, and 24 percent of the units in the Southwest averaging more than one person for each room.

As has been pointed out, economic conditions at the time each city survey was completed would have an influence upon many of these factors, and especially upon the amount of "doubling up" of families. The geographic distribution of the data gathered on this phase of city dwellings furnishes additional evidence of the regional differences in housing conditions. Nearly 9 percent of all families in the two Southern areas were classed as "extra families," against a national average of 5.5 percent. It is interesting to note further, that doubling up was more frequent in owner-occupied dwellings, than in those occupied by tenants and that, in general, owner-occupied units were better equipped as evidenced by figures on facilities available.

Excluding from consideration New York City, it was found that 56.3 percent of all single-family urban structures which were occupied by their owners were mortgaged. Although there was not as great variation between the different geographical regions of the country in regard to the mortgage status of properties, it was found that the highest percentage was in the Northeastern area where 6 out of every 10 houses were mortgaged. The largest percentages of homes free from debt were found in the Southeastern and Northwestern areas studied in this survey.

Summarizing then, it may be said that: (1) the single-family dwelling constructed of wood was by far the dominant type of residential structure; (2) over one-half of the urban buildings were built prior to 1915; (3) 45 percent needed minor repairs; (4) 15 percent needed major repairs; (5) 2 percent were unfit for use as housing accommodations; (6) 20 percent lacked proper sanitary facilities; (7) 17 percent were over-crowded; (8) one-third of the structures in the Northern half of the United States did not have central heating equipment; and (9) only 43.7 percent of 1-family owner-occupied homes were "mortgage-free".

The editors of *Architectural Forum* have estimated that by assuming that "minor repairs" cost about $500 each, and "major repairs" about $1,500, the potential dollar volume for reconditioning the Nation's residential facilities would approximate $7,750,000,000—nearly six times the estimated dollar volume of residential construction during 1938 ($1,302,000,000).

Actually the dollar volume of loans made by all savings and loan associations for reconditioning purposes has declined over 10 percent since 1936. Whereas nine cents out of every dollar loaned by these same institutions in 1936 were for purposes of reconditioning, estimates for 1938 were that the proportion of these loans had dropped to seven cents out of the loan dollar.

United States Department of Labor statistics on building permits issued for additions, alterations, and repairs, on the other hand, reflected an increase during this period. In 1936, the estimated cost for construction work of this type was $133,000,000, while in 1937 it had increased 12.6 percent to above the $150,000,000 mark. Reconditioning loans for all savings and loan associations are believed to have

(*Continued on p. 183*)

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« « « FROM THE MONTH'S NEWS » » »

Low-priced "model" frame dwellings will be erected in many communities under the joint sponsorship of the National Lumber Manufacturers Association and the National Retail Lumber Dealers Association in an effort to show what may be achieved in the way of modern living quarters for a family unable to pay more than $2,000 or $2,500 for a house.

Two basic home designs have been worked out within this price range; one a 4-room cottage and the other a 5-room 2-story home which also includes a built-in garage. There are several architectural variations of each fundamental pattern.

Samples of houses from these designs will be erected by local affiliates of the associations with the cooperation of other material dealers and builders, and many of the dwellings will be open to the public. The idea is to show a house which could be built on payments of a dollar a day or less.

New York Times, February 10, 1939.

"If the judgments of leaders in the field of real estate are to be taken as sound, we are again experiencing a favorable real estate market on a price basis . . . So far as the history of residential real estate in this country is concerned, we have left behind us the era of expansion. We are now entering a new era of replacement, and used houses have an ever-declining value for much the same reason as second-hand automobiles. Thus any future hope for higher prices on old houses (based on the movement of realty prices in the past) is almost certain to prove disappointing . . . It should further be clear that, except for properties yielding a high return, the longer sale is delayed the greater is the possibility of loss . . . The associations which adopted the more courageous policy of accepting losses early are today offering a more complete service to both savers and borrowers in their respective communities."

Third District Quarterly, Federal Home Loan Bank of Pittsburgh, January 1939.

Analyze: "The future behavior of the liabilities determines the functions which the assets must perform. A functional analysis of the assets cannot be undertaken without a behavior analysis of the liabilities."

Irvin Bussing, Director of Research, Savings Bank Trust Company.

Rehabilitation: "Blight is clearly one of today's central urban problems. It is one that involves both rebuilding and re-housing."

E. L. Ostendorf, President, National Association of Real Estate Boards.

Hinders: "The high cost of foreclosures in this State benefits neither the borrower nor the lender. It discourages mortgage financing and depresses the real estate market."

The Honorable Herbert H. Lehman, Governor the State of New York.

Reconditioning: "Good housing is not necessarily new housing. The experience of the Home Owners' Loan Corporation which had reconditioned nearly half a million properties, has shown conclusively that old residences which are soundly built often can be converted into desirable and attractive, modern-looking dwellings by the expenditure of a few hundred dollars."

Dr. William H. Husband, Member of the Federal Home Loan Bank Board.

"Until quite recently it has been assumed throughout the Western World that a rapidly growing population was the normal and healthy condition of a people. Even yet there are many who can scarcely credit the fact that a great change in population growth has taken place within the last few years and that we do not now have enough births to maintain the existing population when the favorable age make-up, due to a high birth rate in the past, no longer exists. Already we are almost at the end of the period of annual increase in the marriageable population. After 1942 there will be a slight decrease in the annual number of boys and girls passing their twentieth year, which will be much accelerated after 1946. (This is assuming that there will be little or no increase in immigration from abroad.) In the normal course of events, therefore, fewer new families will be founded in the decade 1945–1954 than in the decade preceding 1945.

"At the same time that the number and the proportion of young people in the population is decreasing, the number and the proportion of old people is increasing. What the net effect of these changes will be on the demand for housing is difficult to say. But it should be noted that the type of house or apartment which is entirely suitable for an elderly couple or a widow is not suitable for a family with several children, and that, from the standpoint of the growth of population, it is the young couple rearing a family whose needs should be most carefully considered."

The Milbank Memorial Fund Quarterly. "The Effect of Housing Upon Population Growth", by Warren S. Thompson.

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THE BUILDER—HIS PART IN THE FEDERAL HOME BUILDING SERVICE PLAN

Steps which lending institutions may take to gain the understanding of the builder and to win his support.

■ BECAUSE home building is essentially a local enterprise, any movement for more and better building, such as the Federal Home Building Service Plan, is dependent for its success upon local initiative and local leadership. Local lenders, architects, builders, and material dealers all lend active support, particularly the lenders and architects. They lead the way. The lender takes the first step—establishes a policy of rewarding excellence and discouraging shoddiness. The architect should be actively interested in the small-house field—should be convinced that worthwhile returns are to be gained for making his services available to home seekers of modest means.

With lenders and architects pledged to devote themselves to these ends, the next step is to acquaint the builder with the objectives of the program in terms of what it offers him. He must understand that the Federal Home Building Service Plan aims solely at the provision of houses of better quality. It does not propose to change the customary channels by which houses are built and sold.

It is important that the builder realize that the Plan is obtainable from all cooperators—contractors, lumber dealers, realtors, or lenders; and that no general change in relationship between home-selling agencies and the prospective home buyer is contemplated. The only control proposed is directed at the preliminary planning of the house to assure suitable design and a translation of that design and the material specifications into a well-built home fitting family, site, and neighborhood.

It must be emphasized that the Plan in no way is a policing effort designed to hamper the builder's operations, nor a questioning of his honesty and integrity. The most effective way to acquaint the builder with the Plan has been found to be a joint lender-contractor meeting where the program can be described in detail, and the key notes sounded that today's home seekers must be given good home value and that even a small percentage of pronounced failures will again undermine the public's confidence in home ownership and reduce the demand for homes.

Recently, at such a meeting, a speaker brought home these points as follows: "This Plan is designed to stimulate the demand for homes, first by the creation of better homes and, secondly, by backing claims of a better product with specific proof that the product *is* better. We, as lenders, and you, as builders, must jointly demonstrate our willingness to cooperate to the end that home seekers get better planning and design, as well as enlightened guidance in getting the right home, properly fabricated. Renewed confidence in the home as a value worth the money is then a highly reasonable expectation."

Supervised Construction

The feature of the Plan most frequently questioned by builders is supervision of construction. There is no real problem here, however, since the architects approved under the Plan are able consultants, eager to help not only the owner and lender but the builder as well. The builders, moreover, who will use the Plan and benefit from it will not be of the type requiring supervision consisting of policing or detective work.

Many builders will welcome the opportunity to share the responsibility for final results with a supervising technician. A builder who had been very skeptical of the Federal Home Building Service Plan stated it this way at a meeting called to organize the industry in a certain locality: "Does this Plan mean," he asked, "that a competent architect is to supervise the construction of houses that I erect? Then I am for it! Half of the headaches in my business are the complaints that this or that detail of the completed house is wrong. As I see it, owners should be better satisfied, complaints minimized, since I shall be working from carefully prepared blueprints and material lists, with costs accurately figured. Best of all, when owners make unreasonable complaints, I can look to the architect for backing."

Unfortunately, the average builder has been slow to appreciate the value of the architect's participation in home building. He often feels that the archi-

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tect is prone to over-emphasize the importance of good design and is too exacting with regard to materials and methods of construction. Yet the architect relieves him of the highly technical details of drawing up specifications for economical but adequate materials. The builder is directly benefited by working from exact plans and specifications and by using higher grade materials than have ordinarily been put into small homes.

Experience has shown that the architect, far from specifying details that are a departure from the builder's customary practice and thus involving extra expense, can offer the builder many helpful suggestions and point the way to economy in plan and method without detracting from the excellence of the structure.

The Memphis Small-House Construction Bureau in its "Principles of Professional Practice for Architect Members" states: "The contractor depends on the architect to guard his interests as well as those of the client. An architect will condemn workmanship and materials which are not in conformity with the contract documents, but it is also his duty to give every reasonable aid towards a more complete understanding of those documents so that mistakes may be avoided. He will not call upon a contractor to make good oversights and errors in the contract documents."

Advantages the Plan Offers to Builders

To sum up, the contractor reasonably can be expected to build under competent technical service, if these vital points are forcefully presented to him:

1. That the Federal Home Building Service Plan in no sense presages the intrusion of the lending agency into the building business; that it does, however, contemplate the employment of qualified builders working hand in hand with proficient technicians to attain structural excellence.

2. That the floor plan, design, selection of materials, and other preliminaries will be carefully worked out by an architect in advance—thus reducing possibility of error and subsequent misunderstanding—and that the supervisory service appreciably lessens the possibility of dissatisfaction with final results, although the architect cannot be held a guarantor of a flawless structure.

3. That when bids are taken, builders quote on identical plans and specifications for work to be performed under architectural auspices. These procedures assure fair competition, and by permitting accurate estimates, make it difficult for the "jerry-builder" to gain a foothold. At the same time, the builder's chance of loss is minimized. Since the procedure tends to place construction in the hands of responsible builders, sub-contractors are certain to benefit.

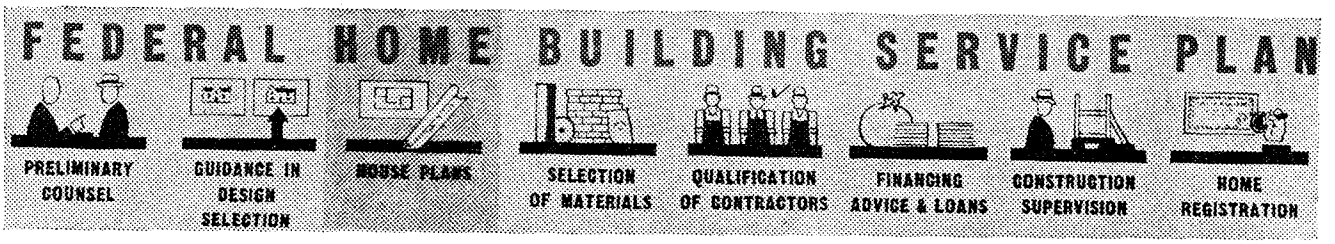
4. That by bringing the lending institution into the picture in the early planning stages, the prospective home owner's financial limitations are established at the outset, and the builder's risk of wasting time and effort upon prospects attempting to build beyond their means is lessened. Definite settlement of financial arrangements upon a sound basis assures the builder of prompt payment—a point of the utmost importance to him.

5. That the Certificate of Registration offers the builder powerful sales advantages, since it is assurance that materials put into the house are as specified and that the workmanship was supervised by a competent and impartial inspector. The builder's name, which appears on the Certificate, definitely identifies him with his product, and his willingness to conform to sound practices substantiates his reputation for dependable dealing and skilled work. As the Plan progresses, houses actually built under the Plan will prove a far more effective sales tool in meeting prospects than lines on a blueprint or an architect's elevation.

6. That the "Home Selector" portfolio of home designs has been found highly effective by builders.

The Plan in Practice

In actual practice how do the builders react to the Federal Home Building Service Plan and what have they actually done in affiliation with it?



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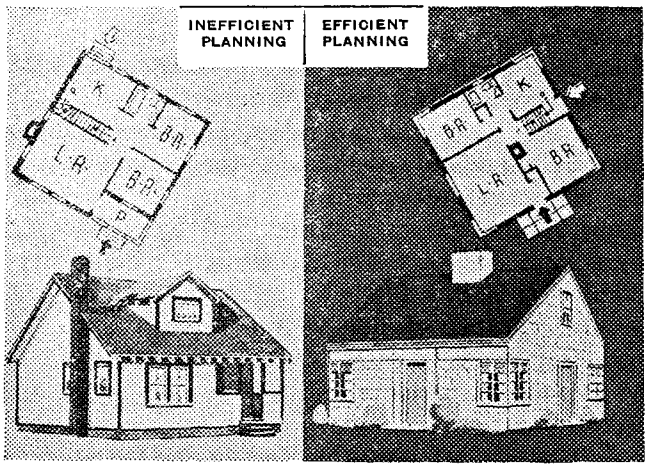

NO EASIER TO LOOK AT THAN LIVE IN WITHOUT TECHNICAL PLANNING

SIMPLICITY AND GOOD PROPORTION WITH TECHNICAL PLANNING

In a Midwestern city a group of contractors met with a number of local architects who had organized themselves to render the modified architectural service according to the requirements of the Federal Home Building Service. The builders and architects entered into an agreement calling for advisory and supervisory architectural service on a group of houses. Two city blocks were planned as a unit and the builders submitted home designs to the architects for suggestion and revision. The architects laid out the development, taking into account site planning and the relation of homes to each other; they prepared working drawings and specifications. The architectural supervision of the construction was delegated to three of the architectural group.

As construction work progressed, varying degrees of compliance with the plan, specification and supervisory requirements were evidenced. In some cases contractors changed or otherwise departed from the prepared plans, or altered details to the detriment of the job. In other instances, builders welcomed the supervisory suggestions and attempted to do a good job throughout.

Although the development in general was of a far better quality than it would have been without the participation of the architects, and although some of the homes could have qualified for Certificates of Registration, the architectural group refused to register the homes because of the degree of non-compliance with the terms of the original agreement.

The net effect of this experience has been to bring the value of the architect's service to the attention of the reliable contractors in the group. These contractors and architects now plan to work together on a smaller development and it is believed that full registration of the homes will be justified as the result of building a product of unusual value to the public. This experience has also demonstrated that practice so generally below par cannot be raised to the desired level quickly, but that it requires patient effort to bring about substantial improvement.

There also have been instances of initial opposition to the Plan on the part of builders, with subsequent whole-hearted cooperation. The secretary of a Small-House Bureau in a Wisconsin community relates that a local builder, who did not favor the Plan at the outset, later approached him on the street to inquire about it. This builder's experience in erecting houses that were still unsold after several months convinced him that many ready-built houses fail to sell because they do not meet individual family requirements. His conclusion was that in the long run better results would be obtained if home seekers were to choose their own designs with discrimination.

The portfolio of small-house designs, which is an integral part of the Plan, is becoming recognized as an exceedingly valuable indication of the type of house which will be most popular and most easy to sell in a given community. Builders report that design selection under the Plan helps to prevent construction of houses for which there are no buyers, even at sacrifice prices.

Builders throughout the country have found that their initial fears were without foundation. For example, a builder in a Southern city ordered a set of working drawings of an approved design. After receiving them he was disgruntled at finding certain details not to his liking, but the supervising architect explained how a minor alteration in the plans would easily correct these points. The builder erected two houses under the Plan, advertised them as registered Federal Home Building Service Plan houses, sold them the very day that he advertised them, and took an order for a third to be built. All three houses were built from the same design with slight variations.

Actual experience with the Plan in different parts of the country bears out the belief that a prime advantage to the builder is the elimination of his undesirable and unethical competitor. An illustration: a joint meeting of builders with the savings and loan group was held in a Middle Western city. At the outset the builders were very much opposed to architectural supervision of their work, although

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they were receptive to any suggestions tending to improve design. Explanation that the supervisory feature is incorporated in the Plan to curb the "jerry-builders" who do poor work and undersell, and that there was no implication that work of reputable contractors needed supervision, provoked an animated discussion. Some felt that legislation governing contractors might tend to eliminate "fly-by-night" builders, but it was pointed out that while much good might come from more stringent city or State legislation, it is difficult to draft laws which effectively eliminate the shoddy builder.

The general conclusion at this meeting was a reflection of the belief of builders in many different parts of the country: it is up to the lenders to assist in making it difficult for the undesirable builder to do business in a community, and the Federal Home Building Service Plan with its supervision of construction provides a potentially effective means of protecting the reputable builder.

Challenge

(*Continued from p. 178*)

been $62,143,000 in 1937, as against $65,434,000 in 1936—a *decrease* of slightly over 5 percent. During 1938, reconditioning loans dropped an additional 5.7 percent from 1937 with a total volume of $58,623,000.

There is then a potential market of great proportions in the rehabilitation of America's urban residential structures and individual dwelling units. The possibilities of this field offer a challenge, the acceptance of which would benefit every family suffering from the effects of substandard housing at the present time, and would open up vast opportunities for material dealers and manufacturers, for architects, contractors, and builders, and ultimately for lending institutions.

* * * * *

Copies of the 326-page report, "Urban Housing—A Summary of Real Property Inventories Conducted as Work Projects, 1934–1936," may be obtained without charge from the Publications Section of the Works Progress Administration, Washington, D. C. Although the information about individual structures and dwelling units is confidential, tabulations have been prepared for city blocks, housing districts, census tracts, and other tabulating units. For many cities, "block maps" have been made, showing the various housing factors relating to each city block, including the percentage of residential structures needing major repairs or unfit for use. In most cases, the complete local report is available in the community surveyed. The sources from which the detailed data for each of the 203 urban areas studied may be secured are included in the text of the published report.

Construction Costs

(*Continued from p. 175*)

more will undoubtedly cooperate as reports of tests are made available.[1]

The objective performance tests as reported by the Bureau of Standards will contribute valuable information about building materials which can be used in the development of lower cost housing, but there will still remain the difficult task of obtaining general use of the constructions which meet desired performance requirements. In this, the building industry (including material manufacturers, distributors of materials, and contractors), lending institutions, local planning boards, and others can cooperate with the research groups. In some cases building codes will need amendment. In others, local groups of lending institutions, contractors, architects, dealers in building materials, and city planning officials can unite to pioneer the introduction of new and cost-saving materials and methods of construction.

There are some indications already that satisfactory housing is being built at substantially lower cost than in earlier years in an attempt to reach down into the wider markets which exist for houses at the lower income levels. Savings and loan associations, which have consistently been the leaders in financing small homes, may have opportunities to advance funds for low cost houses using some of these new constructions. For this reason home-financing institutions and their technical advisors should be particularly interested in the work and reports of the National Bureau of Standards.

[1] The Superintendent of Documents, Government Printing Office, Washington, D. C., will place the names of any who are interested on a special mailing list to receive notices of reports under this program as soon as they are issued. There is no charge for receiving such notices and the 11 reports issued to date may be obtained from the Superintendent of Documents at the price of 10 cents each.

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SUMMARY OF RESIDENTIAL CONSTRUCTION AND HOME-FINANCING ACTIVITY

I. The seasonally adjusted index of residential construction established a new 10-year high during January.
- *A. Totals were 133 percent above the corresponding month a year ago, and 32 percent above December.*
- *B. Improvement was general as all but five States were included in those registering increases over the same period last year.*

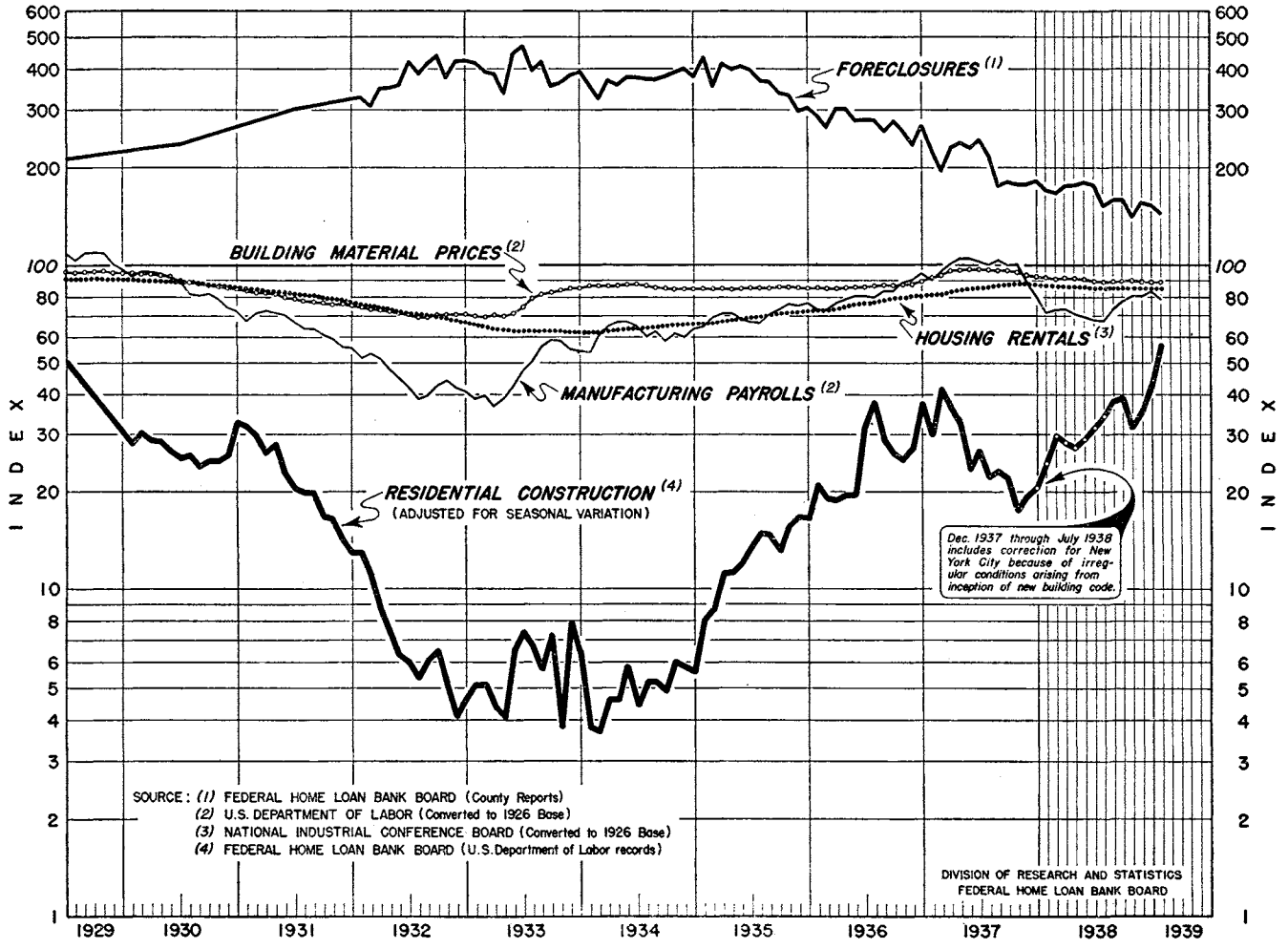
II. Mortgage lending activity by savings and loan associations exceeded January 1938 figures, but reflected usual seasonal decrease from December.
- *A. Construction, home-purchase, and reconditioning loans, each were 16 percent below the previous month, as against 8 percent for refinancing, and 4 percent for "other purpose" loans.*
- *B. Declines were shown by every Bank District as compared with December totals, but 11 of the regions showed up better than in January 1938.*

III. General business conditions: normal seasonal declines in employment and pay rolls; a fractional rise in the adjusted industrial production index.

IV. Building costs, as reflected in the indexes of wholesale prices and cost of the standard 6-room house, continued to show mixed fractional variations.
- *A. The Department of Labor index of wholesale prices indicated minor increases for the second successive month.*
- *B. Materials for the standard house continued their movement contrary to the wholesale index.*
- *C. Labor rates, which were unchanged in December, resumed a downward trend during January.*

V. Foreclosures were down 3.8 percent from December, bringing the index to within 3 points of the October 1938 post-depression low.

RESIDENTIAL BUILDING ACTIVITY AND SELECTED INFLUENCING FACTORS
1926 = 100



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RESIDENTIAL CONSTRUCTION and HOME-FINANCING ACTIVITY

■ ACCELERATED activity in the residential construction field has been predicted for 1939 by many leading economists. In the first month of this year building volume rose to high levels, resulting in the January index more than doubling the level of the residential index for the recession month of January 1938.

As discussed in the "Review of 1938" (page 136, February 1939 REVIEW) outside factors seem to indicate a rise in residential building of about 50 percent for the year 1939 as compared with 1938 if the trend of the final three-quarters of last year continued. Other forecasts, as presented on page 145 of the same issue, range from 30 to 60 percent increases. The extremely rapid rate of recovery experienced in January may not continue throughout 1939, but the year appears to be off to a good start toward greater building.

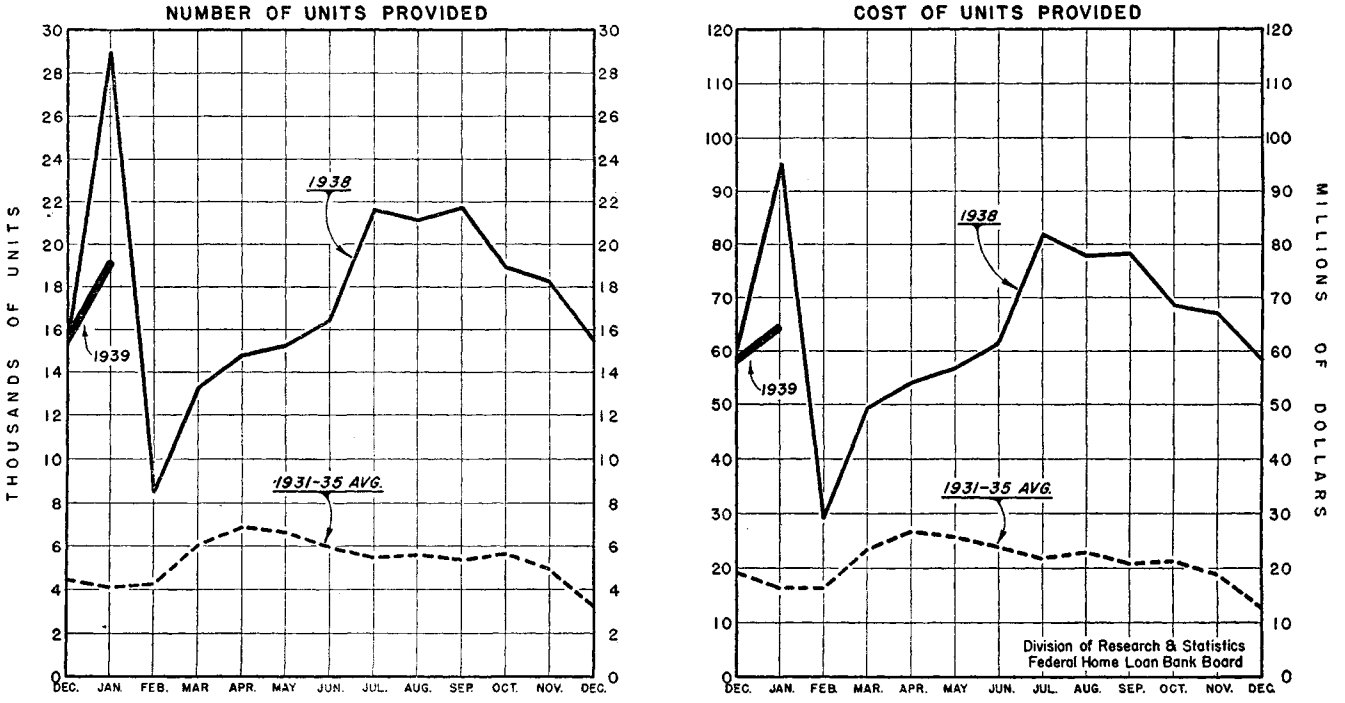
Seasonal influences usually bear down on January indexes of employment, pay rolls, and total national income, as well as residential construction. The last of these indexes is the only series to move counter to this normal decline (after adjustment for abnormal 1938 activity in New York City). Seasonally adjusted residential construction index rose 32 percent from December to January as compared to an 18 percent rise during this same period of last year.

General business indicators, although declining in January, did not show any distinct signs of weakening. Employment and payroll indexes receded in January only to the extent shown in most preceding years—in other words, not more than normally expected at the beginning of the year.

The effect of normal seasonal reaction during the winter months was felt by savings and loan associations in the volume of lending activity. Each class of institution (Federal, State-member, and nonmember) shared in the January recession, as did the totals for each of the five "purpose" classifications. Construction and home-purchase loans showed unusually sharp declines, despite the contra-seasonal rise in residential building volume.

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

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



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[1926=100]

Type of index	Jan. 1939	Dec. 1938	Percent change	Jan. 1938	Percent change
Residential construction [1]	56.9	43.2	+31.7	24.4	+133.2
Foreclosures (metro. cities)	145.0	151.0	−4.0	170.0	−14.7
Rental index (N. I. C. B.)	85.1	85.1	0.0	87.0	−2.2
Wholesale building material prices	89.5	89.4	+0.1	91.8	−2.5
Manufacturing employment	87.8	89.7	−2.1	86.4	+1.6
Manufacturing pay rolls	79.8	83.1	−4.0	72.0	+10.8
Average wage per employee	90.9	92.6	−1.8	83.3	+9.1

[1] Corrected for normal seasonal variation.

Foreclosures continue to reflect the improvement in general economic conditions and opened the new year nearly 15 percent below January 1938. The January decrease carried the index to within three points of the post-depression low, and as it is customary to expect further declines during February, there are indications that a new low for foreclosures may soon be realized.

Wholesale building material prices, according to the United States Department of Labor index, have recovered from declines during the last six months of 1937 and early 1938 to about 90 percent of the 1926 level. Housing rentals have remained relatively constant during 1938 after rising in 1937, as reflected in the index of the National Industrial Conference Board which is more sensitive to the effect of rental levels of newly tenanted structures.

Residential Construction

■ FINAL estimates of the United States Department of Labor for residential building volume in nonfarm areas are now available. Preliminary estimates, as presented in the "Review of 1938" (page 134, February 1939 REVIEW), should be revised and the following data, which are based on more detailed information, substituted:

Estimated residential construction in nonfarm areas

[Source: U. S. Department of Labor]

Type of dwelling	1938	1937	Percent change
1-family	260,200	217,500	+20
2-family	16,900	16,400	+3
Multifamily	69,500	54,800	+27
Total	346,600	288,700	+20

The revised estimated cost of all types of residential building in 1938 was $1,302,000,000 as compared with $1,178,000,000 in 1937—a rise of 11 percent.

Annual totals do not begin to tell the complete story of residential construction activity. As may be observed in the Chart on page 184, there was a definite V-shaped curve formed by the persistent decline of monthly building in 1937, and an equally persistent rise in 1938. December 1938 activity was carried by the force of the upswing to a point 110 percent above the preceding December, while the contra-seasonal recovery in January 1939 increased the spread to 133 percent above the residential construction index of the same 1938 month.

In measuring the strides of recovery in the building industry, an adjustment must be made for misleading influences in closing 1937 and early 1938 data. A reasonable comparison of building activity could not be gained by use of totals for the United States, as New York City figures for December 1937 and January 1938 were inflated beyond reason by a rush of permit applications following the announcement of a new building code which was pending in that city; the following months then suffered a relapse in construction activity. Hence, in computing the index the Division of Research and Statistics used totals excluding New York City, while similar adjustments were made in estimates by the U. S. Department of Labor.

Primary factors involved in bringing about improved building volume are: (1) the need for housing facilities which accumulated during the early 1930's; (2) improved consumer purchasing power; (3) a better parity between construction cost and rental receipt levels; and (4) better home-financing terms.

Recent improvement in residential building has not been localized in any particular section of the country (Table 2, page 190). Except for the total in the State of New York which were abnormally high in January of 1938, all but five States shared in the rise in the number of dwelling units provided by building permits during January of this year compared with the same month in 1938. Of these five, Alabama was the only State which indicated a significant decline in terms of actual units.

Foreclosures

■ JANUARY foreclosure activity in metropolitan communities again eased off—bringing the index to within three points of the post-depression low level established in October 1938. Declines from December to January have now occurred for three consecutive years.

In metropolitan communities, activity was down 3.8 percent in January which brought the index (1926=

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100) from 151 in December to 145. As compared with the rate of foreclosures in January 1938, the index registered a decrease of 14.7 percent.

Of the 81 reporting communities, 41 showed decreases, while 35 reported increases, and 5 indicated no change in foreclosure activity from December to January.

Small-House Building Costs

[*Table 3*]

■ IN January, the cost of labor used in constructing a standard 6-room frame house resumed the downward trend evidenced in the last quarter of 1938, after having been unchanged in December. This is a reversal of a 3-year upward movement of labor rates, but despite these recent declines, labor costs were still 12 percent higher in January than in the average month of 1936, and 1 percent above January 1938.

Wholesale prices of building materials increased from their depression lows in early 1934 through May 1937, according to the index of the United States Department of Labor. From this high level, wholesale prices declined steadily until the latter part of 1938 when they showed a tendency to steady. During January prices rose fractionally, due principally to increases in brick and tile together with lumber.

Dealers' prices for materials used in the standard house, however, still continued fractionally downward, as they have for each month since August 1937. The January 1939 level was 4 percent below the same month in 1938.

Declines in home-building costs were scattered geographically among that group of cities reporting both in November 1938 and in February of this year. Four cities, three of them in the Southwestern area of the country, reported declines in total costs from November of over $100 (Table 3, page 192). Increases greater than $100 were reported in Wheeling, West Virginia, and Lexington, Kentucky, during this same period.

Construction costs for the standard 6-room frame dwelling

[1936=100]

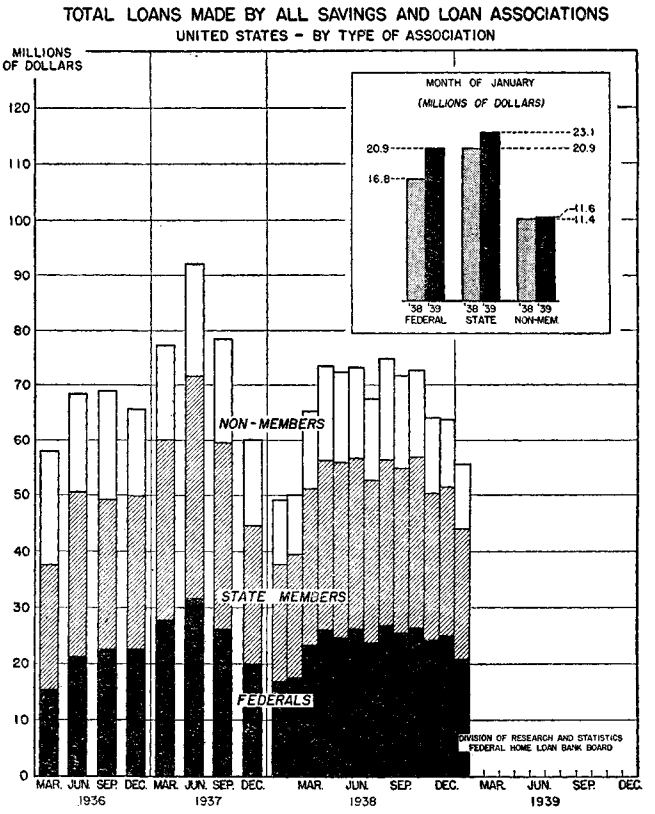
Element of cost	Jan. 1939	Dec. 1938	Percent change	Jan. 1938	Percent change
Material	103. 0	103. 1	−0. 1	107. 2	−3. 9
Labor	111. 9	112. 1	−0. 2	110. 9	+0. 9
Total	106. 0	106. 1	−0. 1	108. 4	−2. 2

Mortgage Lending Activity of Savings and Loan Associations

[*Tables 4 and 5*]

■ JANUARY lending activity of savings and loan institutions dropped 13 percent from December totals in keeping with the usual midwinter reaction. That this drop was purely seasonal in nature is amply borne out by the presence of a widening margin in comparison with the corresponding month of last year. December was the first 1938 month to show an increment over the preceding year with an improvement of 6 percent, while January started out 1939 with a 13-percent rise over the same month in 1938.

Practically all of the December to January recession in savings and loan associations' lending was accounted for by construction and home purchase loans which together decreased $6,400,000 out of the $8,400,000 total drop. While these and reconditioning loans each fell off 16 percent, lending for refinancing declined only 8 percent, and "other" loans 4 percent. The relative stability of the "other purpose" classification is probably due to the large volume of loans for taxes and insurance usually made at the turn of the year.



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Nonmember institutions made a relatively favorable showing in January as compared with December, decreasing only 7 percent as compared with 13 percent for State-chartered members of the Federal Home Loan Bank System, and 17 percent for Federal savings and loan associations. (See chart on page 187, and Table 5 on page 195).

Each of the Federal Home Loan Bank Districts shared in the December-to-January seasonal decline of lending activity with the Des Moines area indicating the greatest drop (31 percent). The Los Angeles District showed the greatest resistance to the downward trend with only a 1-percent recession from December. All Districts, with the exception of Pittsburgh, improved over January 1938.

Federal Home Loan Bank System

[*Table 9*]

■ THE largest amount of repayments ($22,914,000) ever received by the Federal Home Loan Banks, coupled with an exceptionally low volume of new advances during January, resulted in a reduction of total advances outstanding to $178,851,000 on January 31, 1939.

In part, the $20,000,000 reduction in the balance of advances outstanding which took place in January was due to the repayment of advances made during December. Total new advances by the Banks in January were approximately three-fourths as great as the total in January 1938 and less than one-half as great as the total in January 1937. Repayments, which increased $9,635,000 over the exceptionally large volume of January 1938, were two and one-half times as great as repayments in January 1937.

During January repayments exceeded new advances in every Bank District, with the result that no Bank reported an increase in the balance of advances outstanding. The total amount of new advances during January was the smallest volume since March 1935, and only the Boston Bank made a greater volume than during December. Repayments were substantially greater during January in all of the 12 Bank Districts than in the preceding month.

Of the total advances outstanding on January 31, 1939, 80.3 percent were long-term advances compared with 75.1 percent on January 31, 1938. Due primarily to the fact that a larger proportion of short- than of long-term advances were repaid in January, all of the Banks reported an increase over December in the percentage of long-term advances to total advances outstanding.

Interest Rates

Officers of the Federal Home Loan Bank of Boston have been authorized to make short-term advances at an interest rate of 2½ per centum per annum for periods up to six months, with no required principal amortization; however, at the end of six months, renewal, if any, shall be on an amortized basis. For periods up to 12 months, the minimum monthly amortization shall be one-twelfth of the principal.

ERRATUM

The Review reports a correction in the table of dividends paid or declared by the Federal Home Loan Banks, which appeared on page 151 of the February issue. Although the figures in each column of the table were reported correctly, the column headings, *Government* and *Members*, were misplaced and should be reversed in both sections—"Total for 1938" and "Cumulative through December 31, 1938". Thus, as an example, the United States Treasury received $1,845,635 in 1938 on its capital stock investments in the Banks and members were paid $559,987 in dividends during the same period, as indicated in the analysis which accompanied the table.

Federal Savings and Loan System

[*Table 7*]

■ AFTER borrowing heavily in December on a short-term basis from their respective Federal Home Loan Banks and other sources in order to meet year-end repurchase requirements, Federals reported net repayments of about twice as much in January as was borrowed in December (Table 7, page 196). Likewise, Federals repurchased more Treasury and H. O. L. C. shares this month than at any time in the history of the System—the reporting sample of 1,310 associations showing a net decline of $3,700,000, or nearly 2 percent.

New investments in private shares amounted to $53,400,000 in January for the comparable group of Federals; these new investments were more than double repurchases for the month. Outstanding amount of private repurchaseable capital rose $32,100,000, or 4 percent, from the close of 1938. This represents a substantial increase in private savings but is in keeping with usual year-end changes.

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Mortgage lending activity of reporting Federals in January showed sharp decrease from December in all purpose classifications—construction loans leading the decline. The outstanding balance of mortgage loans rose $7,000,000.

Progress in number and assets of Federal savings and loan associations

Type of association	Number		Approximate assets	
	Jan. 31, 1939	Dec. 31, 1938	Jan. 31, 1939	Dec. 31, 1938
New	638	637	$349, 828, 000	$343, 946, 000
Converted	732	729	969, 056, 000	968, 639, 000
Total	1, 370	1, 366	1, 318, 884, 000	1, 312, 585, 000

Federal Savings and Loan Insurance Corporation

[Tables 7 and 8]

■ A SURVEY recently completed by the Division of Research and Statistics indicates that growth in private repurchaseable capital continued among the insured savings and loan associations operating under Federal or State charters. Following is a summary of such growth in these institutions:

Private repurchasable capital of 1,383 identical insured savings and loan associations

[Amounts are shown in thousands of dollars]

Type of association	Number of associations	December		
		1938	1937	1936
State-chartered	253	$309, 394	$296, 263	$291, 935
Converted Federal	544	504, 508	445, 813	408, 298
New Federal	586	160, 625	99, 349	56, 431
Total	1, 383	974, 527	841, 425	756, 664

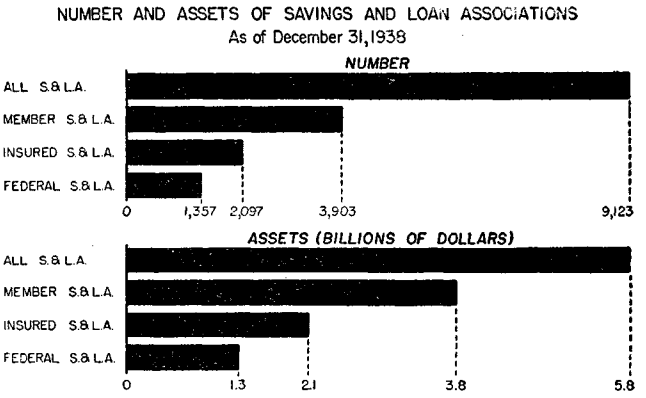
It is apparent from the above table that reporting new Federals have shown by far the greatest percentage growth, which is to be expected because, being in their infancy, they are accumulating share capital at a rapid rate on a relatively small base; converted Federals showed somewhat larger percentage gains than State-insured associations.

Extending the upward trend of private repurchasable capital into January of this year, a group of 1,967 comparable insured associations reported a rise of 2.9 percent from December. A similar rise (2.4 percent) occurred in the number of private shareholders, while mortgage loan balance and total assets of the comparable reporting sample showed smaller percentage increments; borrowings declined heavily.

Twelve more associations were insured at the end of January than at the 1938 year-end. Total assets of all insured associations increased $8,600,000 during January—a somewhat smaller rise than usual—to a total of $2,137,000,000 at the end of that month.

Quarterly Report and Annual Statement of Membership Progress

■ THE report of membership progress for the quarter and year ending December 31, 1938 reveals that 43 percent of the total number of all savings and loan associations and 65 percent of the total assets were included in the membership of the Bank System. This compares favorably with 40 percent of the institutions and 61 percent of the assets at the end of 1937.



The growth in number and the increasing strength of insured associations are evident from the fact that at the close of last year 53 percent of the total number of members of the System had their accounts insured up to $5,000 for each investor. Their assets constituted 48 percent of the total member assets. Comparable ratios for 1937 were 48 percent and 42 percent, respectively.

There were 158 savings and loan associations and insurance companies with aggregate assets of $134,652,000 admitted as members during 1938, but

(Continued on p. 200)

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Table 1.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, in the United States [1]

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

[Amounts are shown in thousands of dollars]

Type of dwelling	Number of family units provided					Total cost of units				
	Monthly totals			Year		Monthly totals			Year	
	Jan. 1939	Dec. 1938	Jan. 1938	1938	1937	Jan. 1939	Dec. 1938	Jan. 1938	1938	1937
1-family dwellings	9, 195	8, 924	6, 255	127, 052	108, 601	$35, 433. 5	$36, 178. 9	$22, 701. 9	$501, 083. 0	$465, 223. 4
2-family dwellings	718	600	1, 110	10, 340	10, 126	1, 693. 1	1, 551. 4	2, 579. 7	26, 651. 4	28, 280. 2
Joint home and business [2]	51	47	42	906	1, 031	179. 6	172. 3	119. 6	3, 194. 4	3, 692. 0
3-and-more-family dwellings	9, 197	6, 020	21, 610	76, 435	48, 275	27, 212. 0	20, 463. 1	69, 975. 5	248, 874. 0	171, 977. 9
Total residential	19, 161	15, 591	29, 017	214, 733	168, 033	64, 518. 2	58, 365. 7	95, 376. 7	779, 802. 8	669, 173. 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 January 1939, 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	
	Jan. 1939	Jan. 1938	Jan. 1939	Jan. 1938	Jan. 1939	Jan. 1938	Jan. 1939	Jan. 1938
UNITED STATES	19, 161	29, 017	$64, 518. 2	$95, 376. 7	9, 964	7, 407	$37, 306. 2	$25, 401. 2
No. 1—Boston	413	266	1, 941. 0	1, 194. 4	376	242	1, 782. 3	1, 133. 2
Connecticut	85	58	402. 0	265. 7	85	55	402. 0	258. 5
Maine	17	10	61. 8	36. 9	17	10	61. 8	36. 9
Massachusetts	220	170	1, 122. 0	772. 5	183	149	963. 3	718. 5
New Hampshire	10	6	36. 6	19. 3	10	6	36. 6	19. 3
Rhode Island	80	22	314. 8	100. 0	80	22	314. 8	100. 0
Vermont	1	0	3. 8	0. 0	1	0	3. 8	0. 0
No. 2—New York	6, 646	23, 018	23, 220. 9	76, 026. 3	1, 068	2, 337	4, 760. 8	8, 513. 7
New Jersey	130	113	723. 1	517. 6	130	81	723. 1	443. 6
New York [1]	6, 516	22, 905	22, 497. 8	75, 508. 7	938	2, 256	4, 037. 7	8, 070. 1
No. 3—Pittsburgh	661	190	2, 622. 1	1, 085. 5	311	178	1, 554. 8	1, 055. 5
Delaware	2	0	8. 0	0. 0	2	0	8. 0	0. 0
Pennsylvania	599	144	2, 382. 2	930. 4	253	136	1, 322. 9	905. 4
West Virginia	60	46	231. 9	155. 1	56	42	223. 9	150. 1
No. 4—Winston-Salem	1, 854	1, 151	5, 995. 1	3, 399. 8	1, 441	859	4, 949. 6	2, 603. 6
Alabama	81	106	180. 8	159. 2	76	102	170. 9	149. 9
District of Columbia	314	233	1, 525. 7	830. 3	184	63	1, 133. 7	422. 8
Florida	413	266	1, 498. 7	824. 1	405	247	1, 474. 8	783. 4
Georgia	328	92	869. 5	204. 8	161	88	423. 0	197. 3

[1] For explanation see p. 186.

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Table 2.—Number and estimated cost of new family dwelling units provided in all cities of 10,000 population or over, January 1939, 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	
	Jan. 1939	Jan. 1938	Jan. 1939	Jan. 1938	Jan. 1939	Jan. 1938	Jan. 1939	Jan. 1938
No. 4—Winston-Salem—Continued.								
Maryland	201	61	$647.5	$190.8	201	61	$647.5	$190.8
North Carolina	279	236	578.1	669.5	196	149	430.2	345.0
South Carolina	88	64	168.3	152.9	80	60	160.3	147.9
Virginia	150	93	526.5	368.2	138	89	509.2	366.5
No. 5—Cincinnati	2,302	316	6,174.1	1,208.2	453	260	2,007.4	1,023.2
Kentucky	872	50	943.0	102.2	49	40	141.4	77.2
Ohio	1,303	211	4,884.3	981.1	277	165	1,519.2	821.1
Tennessee	127	55	346.8	124.9	127	55	346.8	124.9
No. 6—Indianapolis	792	230	3,659.8	1,027.5	739	230	3,475.9	1,027.5
Indiana	96	71	341.4	238.5	96	71	341.4	238.5
Michigan	696	159	3,318.4	789.0	643	159	3,134.5	789.0
No. 7—Chicago	323	106	1,681.8	545.8	316	106	1,661.8	545.8
Illinois	242	86	1,297.6	438.1	235	86	1,277.6	438.1
Wisconsin	81	20	384.2	107.7	81	20	384.2	107.7
No. 8—Des Moines	324	198	1,154.3	661.2	284	186	1,068.3	643.2
Iowa	57	28	180.0	93.8	57	28	180.0	93.8
Minnesota	121	73	519.4	263.7	114	73	497.4	263.7
Missouri	134	92	436.5	294.2	105	80	378.0	276.2
North Dakota	6	3	11.5	5.5	2	3	6.0	5.5
South Dakota	6	2	6.9	4.0	6	2	6.9	4.0
No. 9—Little Rock	1,660	1,105	4,502.0	2,543.3	1,529	1,069	4,142.5	2,466.0
Arkansas	60	27	92.6	68.8	60	27	92.6	68.8
Louisiana	218	91	596.5	227.0	214	91	581.5	227.0
Mississippi	131	69	158.0	106.1	131	65	158.0	103.5
New Mexico	34	26	112.3	53.8	34	26	112.3	53.8
Texas	1,217	892	3,542.6	2,087.6	1,090	860	3,198.1	2,012.9
No. 10—Topeka	472	308	1,398.9	884.9	427	231	1,358.9	689.6
Colorado	125	42	326.2	172.2	80	33	286.2	149.2
Kansas	81	42	208.8	107.8	81	42	208.8	107.8
Nebraska	35	11	132.0	39.9	35	11	132.0	39.9
Oklahoma	231	213	731.9	565.0	231	145	731.9	392.7
No. 11—Portland	318	247	1,039.3	667.4	298	201	1,000.8	615.0
Idaho	1	7	2.5	14.8	1	7	2.5	14.8
Montana	17	28	40.2	50.6	17	12	40.2	25.6
Oregon	80	52	284.4	223.9	75	52	269.4	223.9
Utah	30	13	104.5	38.4	30	13	104.5	38.4
Washington	184	138	577.0	315.7	169	112	553.5	298.3
Wyoming	6	9	30.7	24.0	6	5	30.7	14.0
No. 12—Los Angeles	3,396	1,882	11,128.9	6,132.4	2,722	1,508	9,543.1	5,084.9
Arizona	62	33	164.2	64.5	62	33	164.2	64.5
California	3,327	1,842	10,931.8	6,029.5	2,653	1,468	9,346.0	4,982.0
Nevada	7	7	32.9	38.4	7	7	32.9	38.4

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

NOTE.—These figures are subject to correction

[Source: Federal Home Loan Bank Board]

Federal Home Loan Bank Districts and cities	Cubic-foot cost			Total cost					
	1939 Feb.	1938 Feb.	1937 Feb.	1939 Feb.	1938 Nov.	1938 Aug.	1938 May	1938 Feb.	1937 Feb.
No. 3—Pittsburgh:									
Wilmington, Del	$0.240	$0.246	$0.229	$5,762	$5,898	$5,898	$5,914	$5,914	$5,500
Harrisburg, Pa	.238	.242	.240	5,711	5,681	5,682	5,839	5,817	5,765
Philadelphia, Pa	.225	.230	.230	5,392	5,379	5,416	5,560	5,531	5,524
Pittsburgh, Pa	.269	.271	.265	6,458	6,409	6,487	6,718	6,512	6,356
Charleston, W. Va	.244	.259	.236	5,864	5,886	5,905	5,951	6,218	5,652
Wheeling, W. Va	.258	-------	.246	6,193	6,005	6,042	6,287	-------	5,894
No. 5—Cincinnati:									
Lexington, Ky	.236	.225	-------	5,671	5,474	5,325	5,322	5,392	-------
Louisville, Ky	.243	.244	-------	5,838	5,839	5,789	5,722	5,861	-------
Cincinnati, Ohio	.239	[2] .248	[2] .237	5,746	[2] 5,839	[2] 5,836	-------	[2] 5,957	[2] 5,686
Cleveland, Ohio	.268	.274	.263	6,426	6,416	6,404	-------	6,569	6,320
Columbus, Ohio	.237	.237	.247	5,684	5,726	5,919	5,688	5,687	5,938
Memphis, Tenn	.243	.236	.232	5,823	5,738	5,671	5,661	5,652	5,568
Nashville, Tenn	.212	.214	.220	5,082	5,116	5,090	5,024	5,144	5,281
No. 9—Little Rock:									
Little Rock, Ark	.216	.215	.216	5,195	5,199	5,150	5,164	5,164	5,195
New Orleans, La	.244	.255	.237	5,851	5,965	6,028	6,125	6,113	5,688
Jackson, Miss	.253	.253	.234	6,071	6,064	6,079	6,111	6,061	5,621
Albuquerque, N. Mex	.272	.274	.269	6,516	6,539	6,648	6,611	6,586	6,452
Dallas, Tex	.235	-------	.246	5,628	5,748	5,888	5,801	-------	5,903
Houston, Tex	.246	.249	.247	5,903	5,915	5,993	5,888	5,981	5,927
San Antonio, Tex	.245	.254	.243	5,882	5,929	6,055	6,058	6,099	5,830
No. 10—Los Angeles:									
Phoenix, Ariz	.257	.279	.252	6,157	6,468	6,489	6,567	6,695	6,053
Los Angeles, Calif	.225	.245	.242	5,410	5,469	5,704	5,723	5,874	5,800
San Diego, Calif	.241	.254	.256	5,783	5,822	5,834	5,855	6,098	6,137
San Francisco, Calif	.266	.265	.262	6,393	6,369	6,329	6,345	6,363	6,280
Reno, Nev	.274	.276	.265	6,573	6,567	6,560	6,550	6,634	6,360

[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.

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

REPRESENTS THE ESTIMATED NUMBER OF PRIVATELY FINANCED FAMILY DWELLING UNITS PROVIDED PER 100,000 POPULATION

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

FEDERAL HOME LOAN BANK DISTRICTS

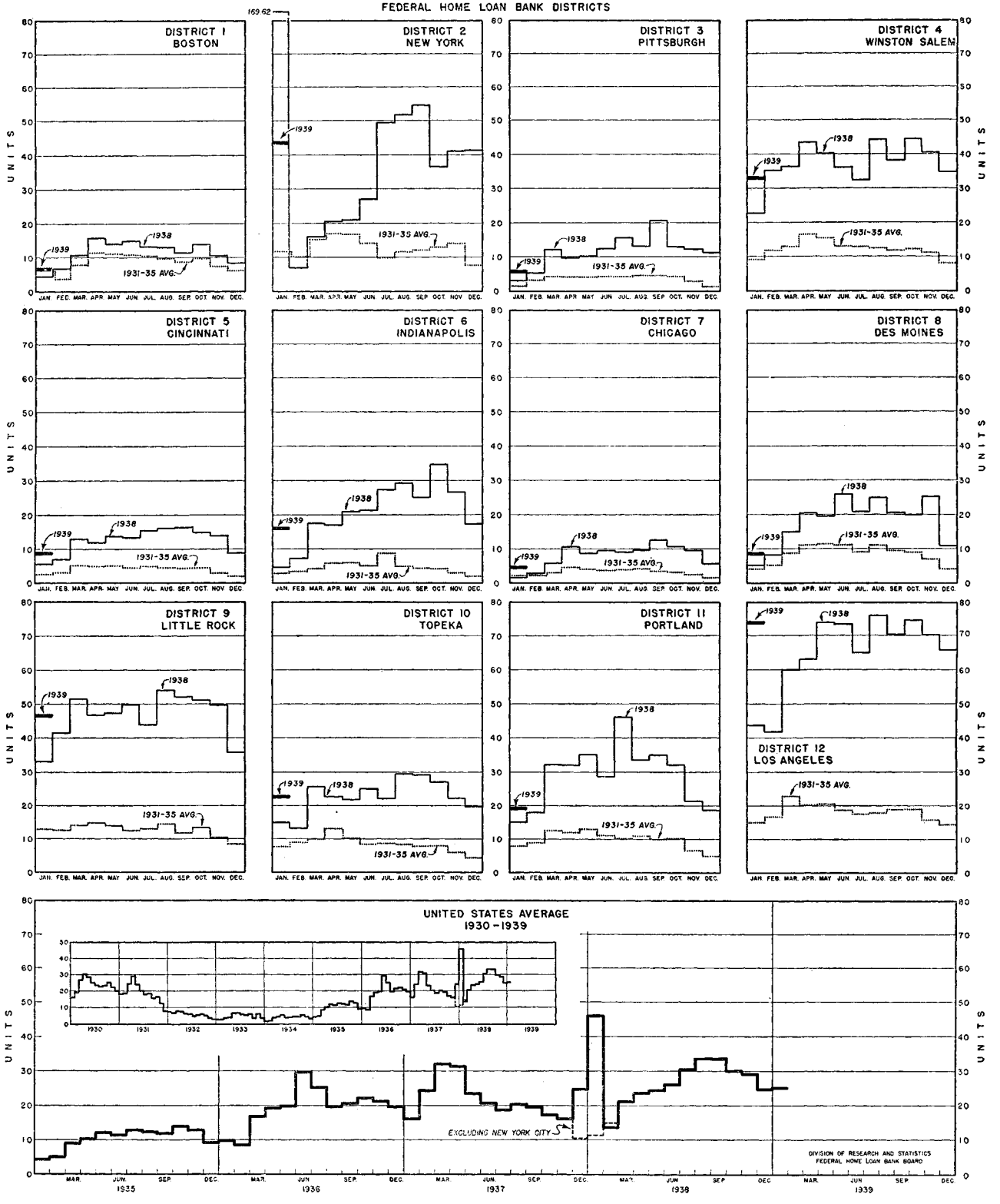

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Table 4.—Estimated volume of new lending activity of savings and loan associations, classified by District and type of association

[Amounts are shown in thousands of dollars]

Federal Home Loan Bank District and type of association	New loans		Percent change, Dec. 1938 to Jan. 1939	New loans, Jan. 1938	Percent change, Jan. 1938 to Jan. 1939	Total new loans		
	Jan. 1939	Dec. 1938				1938	1937	Percent change
United States: Total	$55,567	$63,934	−13.0	$49,102	+13.0	$797,996	$896,579	−11.0
Federal	20,894	25,019	−16.0	16,781	+25.0	286,899	307,278	−6.6
State member	23,071	26,504	−13.0	20,879	+10.0	333,470	379,286	−12.1
Nonmember	11,602	12,411	−7.0	11,442	+1.0	177,627	210,015	−15.4
District No. 1: Total	4,891	5,600	−13.0	4,407	+11.0	74,733	85,627	−12.8
Federal	1,280	1,580	−19.0	1,164	+10.0	20,744	20,902	−0.8
State member	2,404	2,887	−17.0	2,083	+15.0	36,096	39,113	−7.7
Nonmember	1,207	1,133	+7.0	1,160	+4.0	17,893	25,612	−30.1
District No. 2: Total	5,733	6,219	−8.0	4,657	+23.0	77,617	83,335	−6.9
Federal	1,877	2,128	−12.0	1,007	+86.0	22,807	20,761	+9.9
State member	1,350	1,699	−21.0	1,398	−3.0	19,999	22,072	−9.4
Nonmember	2,506	2,392	+5.0	2,252	+11.0	34,811	40,502	−14.1
District No. 3: Total	4,373	5,043	−13.0	4,425	−1.0	62,561	67,781	−7.7
Federal	892	1,329	−33.0	731	+22.0	12,981	12,438	+4.4
State member	1,233	1,392	−11.0	1,409	−12.0	17,842	19,102	−6.6
Nonmember	2,248	2,322	−3.0	2,285	−2.0	31,738	36,241	−12.4
District No. 4: Total	7,665	8,962	−14.0	7,365	+4.0	111,104	112,307	−1.1
Federal	2,938	3,479	−16.0	2,394	+23.0	39,102	40,377	−3.2
State member	3,274	3,964	−17.0	3,426	−4.0	52,197	52,673	−0.9
Nonmember	1,453	1,519	−4.0	1,545	−6.0	19,805	19,257	+2.8
District No. 5: Total	8,541	9,248	−8.0	6,928	+23.0	121,652	166,270	−26.8
Federal	3,518	3,698	−5.0	2,808	+25.0	47,212	57,278	−17.6
State member	4,073	4,559	−11.0	2,978	+37.0	55,556	80,096	−30.6
Nonmember	950	991	−4.0	1,142	−17.0	18,884	28,896	−34.6
District No. 6: Total	2,441	3,195	−24.0	2,087	+17.0	35,617	41,032	−13.2
Federal	1,133	1,389	−18.0	962	+18.0	16,520	18,900	−12.6
State member	1,200	1,430	−16.0	963	+25.0	16,021	18,026	−11.1
Nonmember	108	376	−71.0	162	−33.0	3,076	4,106	−25.1
District No. 7: Total	5,134	6,175	−17.0	4,739	+8.0	78,865	93,037	−15.2
Federal	1,665	2,270	−27.0	1,400	+19.0	26,519	28,474	−6.9
State member	2,051	2,420	−15.0	2,480	−17.0	33,709	45,194	−25.4
Nonmember	1,418	1,485	−5.0	859	+65.0	18,637	19,369	−3.8
District No. 8: Total	2,576	3,726	−31.0	2,194	+17.0	48,239	49,211	−2.0
Federal	1,067	1,860	−43.0	971	+10.0	20,251	21,224	−4.6
State member	980	1,198	−18.0	726	+35.0	16,102	15,980	+0.8
Nonmember	529	668	−21.0	497	+6.0	11,886	12,007	−1.0
District No. 9: Total	3,853	4,131	−7.0	2,935	+31.0	48,699	45,081	+8.0
Federal	1,601	1,555	+3.0	1,230	+30.0	18,778	16,186	+16.0
State member	2,037	2,361	−14.0	1,536	+33.0	27,591	25,950	+6.3
Nonmember	215	215	0	169	+27.0	2,330	2,945	−20.9
District No. 10: Total	3,023	3,759	−20.0	2,691	+12.0	41,148	46,476	−11.5
Federal	1,394	1,793	−22.0	1,267	+10.0	18,116	18,979	−4.5
State member	873	1,016	−14.0	660	+32.0	12,290	12,421	−1.1
Nonmember	756	950	−20.0	764	−1.0	10,742	15,076	−28.7
District No. 11: Total	1,721	2,191	−21.0	1,630	+6.0	28,007	33,839	−17.2
Federal	962	1,204	−20.0	992	−3.0	15,426	19,755	−21.9
State member	668	730	−8.0	509	+31.0	9,608	12,266	−21.7
Nonmember	91	257	−65.0	129	−29.0	2,973	1,818	+63.5
District No. 12: Total	5,616	5,685	−1.0	5,044	+11.0	69,754	72,583	−3.9
Federal	2,567	2,734	−6.0	1,855	+38.0	28,443	32,004	−11.1
State member	2,928	2,848	+3.0	2,711	+8.0	36,459	36,393	+0.2
Nonmember	121	103	+17.0	478	−75.0	4,852	4,186	+15.9

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

[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					
1937	$234,102	$326,629	$180,804	$62,143	$92,901	$896,579	$307,278	$379,286	$210,015
1938	220,458	265,485	160,167	58,623	93,263	797,996	286,899	333,470	177,627
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	27,279	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
November	18,627	21,205	12,182	4,821	7,235	64,070	24,220	26,115	13,735
December	19,152	20,826	12,805	4,025	7,126	63,934	25,019	26,504	12,411
1939									
January	16,099	17,503	11,749	3,389	6,827	55,567	20,894	23,071	11,602

Table 6.—Index of wholesale price of building materials in the United States

[1926=100]

[Source: U. S. Department of Labor]

Period	All building materials	Brick and tile	Cement	Lumber	Paint and paint materials	Plumbing and heating	Structural steel	Other
1937								
January	91.3	89.7	95.5	93.0	83.7	77.1	104.7	92.9
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
November	89.2	91.5	95.5	90.2	80.9	78.7	107.3	89.7
December	89.4	91.5	95.5	90.9	81.0	78.7	107.3	89.7
1939								
January	89.5	92.4	95.5	91.7	81.0	78.7	107.3	89.6
Change:								
Jan. 1939–Dec. 1938	+0.1%	+1.0%	0.0%	+0.9%	0.0%	0.0%	0.0%	−0.1%
Jan. 1939–Jan. 1938	−2.5%	+0.7%	0.0%	−1.0%	+1.1%	−1.1%	−6.6%	−6.5%

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Table 7.—Monthly operations of 1,310 identical Federal and 657 identical insured State-chartered savings and loan associations reporting during December 1938 and January 1939

[Amounts are shown in thousands of dollars]

Type of operation	1,310 Federals			657 insured State members		
	January	December	Change December to January	January	December	Change December to January
Share liability at end of month:			*Percent*			*Percent*
Private share accounts (number)	1, 176, 753	1, 136, 995	+3. 5	821, 540	813, 884	+0. 9
Paid on private subscriptions	$871, 478. 6	$839, 370. 5	+3. 8	$557, 904. 3	$549, 957. 9	+1. 4
Treasury and H. O. L. C. subscriptions	210, 989. 9	214, 676. 9	−1. 7	[1] 39, 765. 2	[1] 40, 029. 2	−0. 7
Total	1, 082, 468. 5	1, 054, 047. 4	+2. 7	602, 169. 5	589, 987. 1	+2. 1
Private share investments during month	53, 423. 5	24, 097. 6	+121. 7	22, 399. 5	11, 062. 3	+102. 5
Repurchases during month	25, 020. 2	6, 684. 5	+274. 3	15, 998. 8	6, 994. 5	+128. 7
Mortgage loans made during month:						
a. New construction	7, 490. 8	9, 385. 0	−20. 2	3, 120. 1	3, 642. 3	−14. 3
b. Purchase of homes	5, 523. 0	6, 573. 6	−16. 0	2, 905. 4	3, 586. 1	−19. 0
c. Refinancing	4, 596. 4	5, 243. 9	−12. 3	2, 130. 0	2, 049. 7	+3. 9
d. Reconditioning	1, 060. 1	1, 242. 9	−14. 7	459. 0	567. 3	−19. 1
e. Other purposes	1, 693. 4	2, 063. 5	−17. 9	1, 231. 0	1, 143. 8	+7. 6
Total	20, 363. 7	24, 508. 9	−16. 9	9, 845. 5	10, 989. 2	−10. 4
Mortgage loans outstanding end of month	1, 015, 032. 6	1, 008, 046. 8	+0. 7	534, 073. 4	532, 117. 4	+0. 4
Borrowed money as of end of month:						
From Federal Home Loan Banks	88, 887. 4	103, 478. 1	−14. 1	35, 278. 0	39, 414. 1	−10. 5
From other sources	2, 221. 0	3, 039. 8	−26. 9	3, 331. 0	3, 886. 1	−14. 3
Total	91, 108. 4	106, 517. 9	−14. 5	38, 609. 0	43, 300. 2	−10. 8
Total assets, end of month	1, 286, 298. 1	1, 282, 869. 0	+0. 3	750, 771. 8	753, 080. 3	−0. 3

[1] Includes only H. O. L. C. subscriptions.

Table 8.—Institutions insured by the Federal Savings and Loan Insurance Corporation [1]

[Amounts are shown in thousands of dollars]

Type of association	Cumulative number at specified dates						Number of investors	Assets	Private repurchasable capital
	Dec. 31, 1934	Dec. 31, 1935	Dec. 31, 1936	Dec. 31, 1937	Dec. 31, 1938	Jan. 31, 1939	Jan. 31, 1939	Jan. 31, 1939	Jan. 31, 1939
State-chartered associations	4	136	382	566	737	746	983, 000	$819, 879	$608, 925
Converted F. S. and L. A	108	406	560	672	[2] 723	[3] 725	889, 000	967, 589	694, 781
New F. S. and L. A	339	572	634	641	637	638	316, 200	349, 828	197, 696
Total	451	1, 114	1, 576	1, 879	2, 097	2, 109	2, 188, 200	2, 137, 296	1, 501, 402

[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, 6 Federals with assets of $1,505,000 had been approved for conversion but had not been insured as of Dec. 31.

[3] In addition, 7 Federals with assets of $1,467,000 had been approved for conversion but had not been insured as of Jan. 31.

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Table 9.—Lending operations of the Federal Home Loan Banks

[Thousands of dollars]

Federal Home Loan Banks	January 1939		December 1938		Advances outstanding at the end of January
	Advances	Repayments	Advances	Repayments	
Boston	$210	$1,144	$156	$245	$7,633
New York	690	1,430	1,327	445	17,515
Pittsburgh	428	846	718	463	16,972
Winston-Salem	247	3,910	2,193	733	16,036
Cincinnati	165	2,102	959	575	23,981
Indianapolis	94	2,271	2,095	585	12,126
Chicago	246	1,522	1,028	986	30,528
Des Moines	110	1,887	1,179	422	15,317
Little Rock	86	1,482	921	141	9,122
Topeka	330	971	817	534	10,967
Portland	74	1,184	647	130	5,374
Los Angeles	243	4,165	2,956	582	13,280
Total	2,923	22,914	14,996	5,841	178,851
January 1938	3,723	13,279	-------	-------	190,538
January 1937	6,570	8,225	-------	-------	143,745

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: Jan. 1 through June 30	28,386
July	4,056
August	3,886
September	3,856
October	3,616
November	3,534
December	3,585
1939: January	3,400
Grand total to Jan. 31, 1939	125,955

[1] Does not include 10,809 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 125,955 completed cases, 679 properties were sold at foreclosure sale to parties other than the H. O. L. C. and 16,739 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 Jan. 31, 1939 [1]

Type of operation	June 1, 1934 through Dec. 31, 1938	Jan. 1, 1939 through Jan. 31, 1939	Cumulative through Jan. 31, 1939
Cases received [2]	1,014,015	9,259	1,023,274
Contracts awarded:			
Number	641,306	8,342	649,648
Amount	$124,921,644	$1,953,705	$126,875,349
Jobs completed:			
Number	633,002	8,974	641,976
Amount	$121,312,407	$2,366,297	$123,678,704

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

[Amounts are shown in thousands of dollars]

Requests and subscriptions	State-chartered		Federal savings and loan associations	Total
	Uninsured F. H. L. B. members	Insured associations		
Requests:				
Oct. 1935–Jan. 1939:				
Number	[2] 73	851	4,497	5,421
Amount	$4,248	$53,326	$195,727	$253,301
January 1939:				
Number	0	5	2	7
Amount	0	$205	$18	$223
Subscriptions:				
Oct. 1935–Jan. 1939:				
Number	[2] 18	688	4,110	4,816
Amount	$908	$41,744	$173,089	$215,741
January 1939:				
Number	0	3	1	4
Amount	0	$125	$75	$200

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

[2] Reduction due to insurance or federalization of associations.

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Counsel's Opinions and Board Resolution

Digest of A–B–C Book Opinions [1]

Federals—Right to invest in another Federal association. H. O. L. Act, Sec. 5 (c).

A Federal savings and loan association does not possess the corporate power to invest its funds in shares of another Federal savings and loan association. However, a Federal association has the incidental power to acquire shares of another Federal association or other stock in satisfaction of a debt owing to it.[2]

(A–B–C Book, C–028, Dec. 2, 1938)

Voting—Number of votes. Fed. Char. K, Sec. 4; Fed. Char. E, Sec. 4.

Members of an association having a charter in the form of Exhibit E to Rules and Regulations for Federal Savings and Loan Associations (revised edition effective December 1, 1936) shall be entitled to vote at any meeting of members in accordance with the following provisions: (1) A borrowing member who owns no shares may cast one vote at any meeting of members. A borrowing member who owns shares may vote at any meeting of members as a shareholding member, and in addition cast one vote as a borrowing member, but may not cast more than 50 votes. (2) Each shareholding member may cast one vote at any meeting of members for each share held or subscribed at the time of such vote, but may not cast more than 50 votes. (3) Any member of record at the time of the vote is entitled to vote.

Members of an association having a charter in the form of Charter K shall be entitled to vote at any meeting of members in accordance with the following provisions: (1) A borrowing member who owns no share account may cast one vote at any meeting of members, except that persons who became borrowing members of record after the end of the calendar month next preceding the date of the meeting of members may not vote. A borrowing member who owns one or more share accounts of record on the books of the association at the end of the calendar month next preceding the date of the meeting of members may vote as a share account holder at any meeting of members the number of votes which the participation value of his share accounts of record on such date would entitle him to vote, and in addition cast one vote as a borrowing member, but may not cast more than 50 votes. (2) A member owning one or more share accounts of record at the end of the calendar month next preceding the date of the meeting of members may cast a number of votes equal to one vote for each $100 (plus one vote for the fraction over $100, if any) of the participation value of his share accounts on the record date and may not cast more votes than he was entitled to cast on the record date, even though the member has subsequently invested an additional amount in the association, and may cast such number of votes even though the aggregate participation value of his share accounts has subsequently been reduced by transfer, repurchase, or redemption, or the membership has subsequently wholly ceased. No member of either a Charter E or a Charter K Federal association may cumulate his votes. The right to cumulate votes is not granted by statute, regulations, the charter, or bylaws.

(A–B–C Book, C–023, Dec. 22, 1938)

Bonus Plan—Shares eligible for. Fed. Char. E, Sec. 7; Fed. Char. K, Sec. 10.

Under the provisions of Section 7 of Charter E for Federal savings and loan associations, any installment thrift shares upon which monthly installments at the rate of one-half of 1 percent of the amount subscribed have been paid regularly without default for more than 60 days at any one time from the time such shares were purchased by them or by their predecessors in title, and upon which there has been no request for the repurchase of any part of such installment account, are eligible for the bonus of an amount equivalent to the sum which would have been credited to such account if each dividend credited thereto had been at a rate of 1 per centum per annum greater than that actually credited to such installment account. Under Section 10 of Charter K for Federal savings and loan associations, only savings share accounts which have been begun since the member entered into an agreement to make regular monthly share payments of a specified amount on such savings share account until the participation value thereof shall equal either 100 times or 200 times the agreed monthly payment, are eligible under the short-term or the long-term bonus plan. Of course, the members, by bylaw provision, must have obligated the association to pay a cash bonus and the bonus is only payable if the other provisions of such Section 10 are complied with. The fact that shares which are otherwise eligible under any of the bonus plans have been pledged for a loan from the association (whether a share account or a real estate loan) is immaterial. The fact that shares are pledged does not make them ineligible under any of the bonus plans.

(A–B–C Book, C–020, Jan. 26, 1939)

Board Resolution

Amendment to rules and regulations for federal savings and loan system, providing for notice of hearings on petitions for charters to be mailed to state supervisors: Adopted January 31, 1939; effective February 1, 1939.

The second sentence of paragraph b of Section 102.029 (old Section 29) of the Rules and Regulations for the Federal Savings and Loan System was amended by the Board to read as follows:

The applicants shall promptly cause a notice in the form prescribed in paragraph e of this section to be published in a newspaper printed in the English language of general circulation in the county in which the proposed Federal asso-

[1] In requesting copy of digests, their A–B–C Book reference number and date should be cited.

[2] A memorandum of law on this subject is available for distribution upon request.

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ciation will have its home office; and the applicants shall promptly cause a similar notice to be mailed to the State supervisor of home-financing institutions of the State in which the home office of the proposed Federal association will be located.

Directory of Member, Federal, and Insured Institutions

I. INSTITUTIONS ADMITTED TO MEMBERSHIP IN THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN JANUARY 16, 1939, AND FEBRUARY 15, 1939

DISTRICT NO. 1

MASSACHUSETTS:
- Boston:
  - South End Co-operative Bank, 806 Tremont Street.
- Lynn:
  - Equitable Co-operative Bank, 87 Oxford Street.

DISTRICT NO. 2

NEW JERSEY:
- Hoboken:
  - Haven Building & Loan Association of Hoboken, New Jersey, 41 Newark Avenue.
- Trenton:
  - Roma Building & Loan Association, Corner Hamilton & South Clinton Avenues.
- West Long Branch:
  - Shadow Lawn Building & Loan Association, Borough Hall.

DISTRICT NO. 3

PENNSYLVANIA:
- Philadelphia:
  - Wharton Square Building & Loan Association, Corner Twenty-ninth & Wilder Streets.
- Rutledge:
  - Rutledge-Morton Building & Loan Association, Rutledge Fire Hall.

DISTRICT NO. 5

OHIO:
- Dayton:
  - Homestead Loan & Savings Association, 21 East Third Street.
- Leetonia:
  - Peoples Savings & Loan Company of Leetonia, Ohio, 543 Main Street.

DISTRICT NO. 8

IOWA:
- Marion:
  - Home Building & Loan Association.

WITHDRAWALS FROM THE FEDERAL HOME LOAN BANK SYSTEM BETWEEN JANUARY 16, 1939, AND FEBRUARY 15, 1939

COLORADO:
- Denver:
  - Capitol Savings Association (sale of assets to Capitol Federal Savings & Loan Association, Denver, Colorado).

DELAWARE:
- Richardson Park:
  - Five Points Building & Loan Association, Christiana Hundred (voluntary withdrawal).

ILLINOIS:
- Chicago:
  - Advance Building & Loan Association, 1344 West Eighteenth Street (voluntary withdrawal).
  - Dunaj Building & Loan Association, 4756 South Damen Avenue (voluntary withdrawal).
  - Plzen Building & Loan Association, 1942 South Carpenter Street (voluntary withdrawal).

INDIANA:
- South Bend:
  - Trustees-Indiana Savings & Loan Association of South Bend (sale of assets to First Federal Savings & Loan Association of South Bend, Indiana).

LOUISIANA:
- New Orleans:
  - Orleans Homestead Association, 1632 Orleans Street (merger with Investors Homestead Association, New Orleans, Louisiana).

MARYLAND:
- Baltimore:
  - Glyndon Permanent Building Association of Baltimore County (voluntary withdrawal).

MICHIGAN:
- Jackson:
  - Germania Building & Loan Association (sale of assets to Security Savings & Loan Association, Jackson, Michigan).
  - Jackson Savings & Loan Association (sale of assets to Security Savings & Loan Association, Jackson, Michigan).
  - New Michigan Building & Loan Association (sale of assets to Security Savings & Loan Association, Jackson, Michigan).
  - Peninsular Building & Loan Association (sale of assets to Security Savings & Loan Association, Jackson, Michigan).

OHIO:
- Sebring:
  - Buckeye Building & Loan Company, 291 North Fifteenth Street (sale of assets to Midland Buckeye Federal Savings & Loan Association, Alliance, Ohio).

PENNSYLVANIA:
- Coplay:
  - Coplay Building Association (voluntary withdrawal).
- Philadelphia:
  - Independence Building & Loan Association (voluntary withdrawal).
- Pittsburgh:
  - Twenty-first Ward Building & Loan Association Number Four of Pittsburgh (voluntary withdrawal).

II. FEDERAL SAVINGS AND LOAN ASSOCIATIONS CHARTERED BETWEEN JANUARY 16, 1939 AND FEBRUARY 15, 1939

DISTRICT NO. 3

PENNSYLVANIA:
- Norristown:
  - Town & Country Federal Savings & Loan Association, 60 East Penn Street (converted from Town & Country Building & Loan Association).
  - West Norriton Federal Savings & Loan Association, 14 Orchard Lane (converted from West Norriton Building & Loan Association).
- Philadelphia:
  - West Philadelphia Federal Savings & Loan Association 1324 Bankers' Securities Building (converted from Schenley National Building & Loan Association).

DISTRICT NO. 4

MARYLAND:
- Baltimore:
  - Bond Street Federal Savings & Loan Association, Corner Broadway & Gay Streets (converted from Bond Street Perpetual Building Association of Baltimore City).

DISTRICT NO. 5

OHIO:
- Painesville:
  - Lake County Federal Savings & Loan Association, 172 Main Street (converted from Lake County Savings & Loan Company).

DISTRICT NO. 9

LOUISIANA:
- Alexandria:
  - First Federal Savings & Loan Association of Alexandria.

DISTRICT NO. 11

WASHINGTON:
- Bremerton:
  - Peninsular Federal Savings & Loan Association of Bremerton, 327 Pacific Avenue (converted from Peninsular Savings & Loan Association).
- Seattle:
  - Franklin Federal Savings & Loan Association, 1908 Third Avenue (converted from Franklin Savings & Loan Association).

CANCELATIONS OF FEDERAL SAVINGS AND LOAN ASSOCIATION CHARTERS BETWEEN JANUARY 16, 1939, AND FEBRUARY 15, 1939

NEW YORK:
- Brooklyn:
  - Mutual Federal Savings & Loan Association (merger with Flatbush Federal Savings & Loan Association of Brooklyn, New York).

PENNSYLVANIA:
- Philadelphia:
  - New Southwark Federal Savings & Loan Association (merger with Walnut Street Federal Savings & Loan Association, Philadelphia, Pennsylvania).
- Wilmerding:
  - Air Brake Federal Savings & Loan Association (merger with First Federal Savings & Loan Association of Wilmerding, Wilmerding, Pennsylvania).

TEXAS:
- Mexia:
  - First Federal Savings & Loan Association of Mexia (voluntary dissolution and sale of assets to First Federal Savings & Loan Association of Waco, Waco, Texas).

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III. INSTITUTIONS INSURED BY THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION BETWEEN JANUARY 16, 1939, AND FEBRUARY 15, 1939

DISTRICT NO. 2

NEW JERSEY:
West Long Branch:
Shadow Lawn Building & Loan Association, Borough Hall.

DISTRICT NO. 3

PENNSYLVANIA:
Carnegie:
First Federal Savings & Loan Association of Carnegie, 242 East Main Street.
Bradford:
Bradford Building, Loan & Savings Association, 1 Main Street.

DISTRICT NO. 7

ILLINOIS:
Chicago:
Homan Building & Loan Association, 3347 West Twenty-sixth Street.
Lake Shore Building & Loan Association, 2740 East Eighty-third Street.

Membership Progress

(*Continued from p. 189*)

mergers and consolidations of small associations, together with a few withdrawals, reduced the net increase in membership to 19. Total assets of the 3,951 members on December 31 were $4,432,238,000, an increase of $318,000,000 over 1937.

Designation of Chairmen and Vice Chairmen of Two Federal Home Loan Banks

■ THE Federal Home Loan Bank Board recently designated Sam F. Clabaugh as Chairman, and Edward C. Baltz as Vice Chairman of the Federal Home Loan Bank of Winston-Salem. Mr. Clabaugh, who is President of the Protective Life Insurance Company, Birmingham, Alabama, and Mr. Baltz, Secretary and Director of the Perpetual Building Association, Washington, D. C., will serve 1-year terms ending December 31, 1939, or until their successors are designated and qualified.

Due to the recent death of Chairman C. H. Wade of the Federal Home Loan Bank of Los Angeles, the Federal Home Loan Bank Board designated Vice Chairman David G. Davis to serve as Chairman for the remainder of the year 1939. James F. Twohy, Public Interest Director, was designated to succeed Mr. Davis as Vice Chairman for a similar term.

To Every Association Manager

In recent months it has become increasingly evident that many associations are developing more effective methods of building their business. This knowledge and technique should be more widely disseminated among all member associations. Particularly is this true of savings and loan advertising.

Those of you who have developed advertisements, which in your opinion directly produced new business, can contribute to the development of the industry as a whole by letting others know about them. Please send copies of such ads to us. We, in turn, will make them available for the study of every member of the Bank System. Send your comments with your ads, telling what results they scored for you.

You, in turn, will have the benefit of the progressive thinking of others in the business. The sooner we receive a sufficient number of advertisements that have proven successful, the sooner we can make them of service to the entire membership.

Public Relations Department
Federal Home Loan Bank Board

IF YOUR "HUNT FOR FACTS" QUESTIONNAIRE HAS NOT YET BEEN MAILED PLEASE START IT ON ITS WAY TODAY

U. S. GOVERNMENT PRINTING OFFICE: 1939

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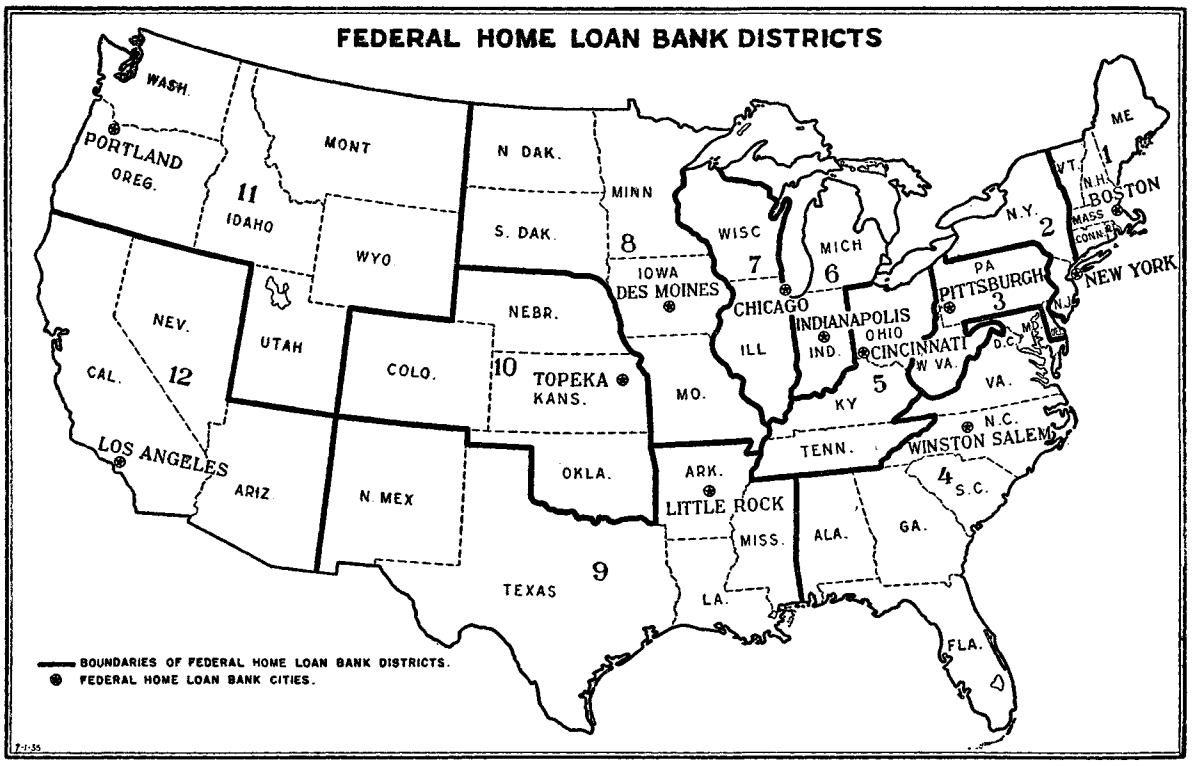

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B. J. Rothwell, Chairman; E. H. Weeks, Vice Chairman; W. H. Neaves, President; H. N. Faulkner, Vice President; Frederick Winant, Jr., Treasurer; L. E. Donovan, Secretary; P. A. Hendrick, Counsel.

New York

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

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Winston-Salem

S. F. Clabaugh, Chairman; E. C. Baltz, Vice Chairman; O. K. LaRoque, President-Secretary; G. E. Walston, Vice President-Treasurer; Jos. W. Holt, Assistant Secretary; Ratcliffe, Hudson & Ferrell, Counsel.

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Theo. H. Tangeman, Chairman; Wm. Megrue Brock, Vice Chairman; Walter D. Shultz, President; W. E. Julius, Vice President; Dwight Webb, Jr., Secretary; A. L. Maddox, Treasurer; Taft, Stettinius & Hollister, General Counsel; R. B. Jacoby, Assigned Attorney.

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D. G. Davis, Chairman; J. F. Twohy, Vice Chairman; M. M. Hurford, President; C. E. Berry, Vice President; F. C. Noon, Secretary-Treasurer; Vivian Simpson, Assistant Secretary; Richard Fitz-Patrick, General Counsel.

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