★ FEDERAL HOME LOAN BANK

REVIEW

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"The housing needs of our country today constitute one of our most challenging obligations, but there is ample evidence that there is a widespread awareness of those needs and a full readiness to take up the task of meeting them."

Harry Truman

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Vol. 11 No. 11

AUGUST 1945

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RENT CONTROL AND REAL ESTATE STABILIZATION

The importance of rent control operations makes the subject one of widespread interest. This article discusses the purposes, scope and wartime accomplishments under the Rent Stabilization Act in relation to the entire anti-inflationary program.

By IVAN D. CARSON
Deputy Administrator for Rent
Office of Price Administration

■ THE migration of hundreds of thousands of people has been one of the significant aspects of the home front during World War II. They have come from towns, villages and farms to the Detroits, Mobiles and Hartfords to help build the planes, tanks and shells. Many a small town which before the war was going along placidly in a fixed economic pattern has become overcrowded, a boom town overnight, because of the location of an army camp or flying field nearby.

A few examples will show the magnitude of this migration. From 1940 to 1944 the population of the Norfolk-Hampton Roads area in Virginia, with an increase of over 300,000, nearly doubled in population. In the same period the population of the Detroit-Willow Run area increased by over 200,000, Los Angeles by 518,000, and the San Francisco Bay area by 583,000. The San Diego area rose 110 percent, Mobile 68, Charleston, South Carolina 57, and San Francisco 40 percent.

Housing in these cities, towns and villages has been jammed to the bursting point. Vacancies literally are non-existent. When a family moves there are five waiting to move in. It is not difficult to imagine what would have happened if the Congress had not wisely decided that rents must be controlled.

Rent comprises from 17 to 18 percent of the cost of living. Food is the only other item which looms larger in the average American family's budget. Shelter is one thing which the American family can't give up. If the price of most other items in the cost of living increases we can change our buying habits and cut down here and there. This can't be done so readily with rent. We have to have a roof over our heads and, with housing as tight as it is now, we simply can't move to cheaper quarters when rent increases stare us in the face. We should keep in mind also that some 20,000,000 of our citizens are living on fixed incomes and have not benefited from increased wartime earnings. As an increasing number of married men and those with dependents have been called into the service, the number of families living on fixed military allotments has grown. These are some of the reasons why rent increases become especially significant in the average family budget, and why the control of rents is one of the most important parts of the over-all program to curb inflation.

The really surprising stabilization record achieved during this war would not have been possible without effective rent control. A break in rents would have brought other breaks all along the line.

Accomplishments

Before discussing rent stabilization as it has affected real estate, I should like to point out certain aspects of rent control which I'm sure have not occurred to many of us. It has made a substantial contribution to war production. Certainly this will be obvious when we stop to consider that the accomplishment of new production quotas each month is not compatible with skyrocketing rents and unwarranted evictions. Constantly rising rents and threats of eviction would have made it impossible to recruit and hold the labor required to man our war production plants.

In his testimony before the House Banking and Currency Committee in the spring of 1944, when hearings were being held on the renewal of the Price Control Act, Under Secretary of War Patterson told the Committee: "I am speaking of labor, of course, in war industry, in which the Army is interested in the output of the plant. It has been reported again and again that needed in-migrant workers could not have been secured for congested war production centers or for isolated Army establishments if rent controls had not been set and enforced. Workers will not migrate if an increase in housing expenses will wipe out any financial advantages to be gained, or result in a net loss of income. Under rent control, workers have been able to move into war centers without fear of inflated rentals or unreasonable evictions. In some communities the establishment of rent controls was the turning-point from failure to success in getting recruits from other areas."

The morale of our service men and their families is a matter of great concern to every one of us. Under Secretary Patterson called attention to the important contribution that rent stabilization has made in this regard: "Army representatives have repeatedly attested to the favorable influence of rent control upon the morale and welfare of military and civilian personnel. Time and again representatives of the War Department have had occasion to refer Army personnel to local rent control offices which have effectively dealt with justifiable complaints and cases of undue hardship, and have successfully handled rent adjustments, postponements in evictions and like problems. The commanding officer of one installation has expressed the opinion that the Rent Control Branch of OPA has contributed more to the morale of his personnel, both military and civilian, and to the efficient operation of his station than any other civilian government agency."

Most of you who will read this, or the institution which you represent, have been affected directly by rent control. Many of you have been irked by some of the requirements of the rent regulations. For this reason I have briefly called attention to some of the over-all purposes that have been accomplished by the Office of Price Administration. War is not pleasant and to win a war such as this one, requires all of us to pitch in and do many things and make certain sacrifices that are completely foreign to our peacetime way of living.

Scope of Operations

Before taking up certain aspects of the subject, such as the operating results of rental housing under rent control, the long run advantages of rent stabilization and certain disturbing trends in the general over-all picture, I should like to mention briefly some significant facts showing the size of the rent control operation. This is important because generally we think only of rent control in our town and we have no real conception of the size of the job nationally. Close to 16,000,000 units have been registered with OPA and over 500,000 hotels, rooming houses and tourist courts. Rents are controlled in 487 areas with a total population of over 90,000,000. Approximately 600,000 individual rent adjustments have been made and over 1,000,000 landlord petitions acted upon. The first areas were put under control in June 1942, and the pressures for extending controls to new areas are continuing even though victory in Europe has been won. Rent control in the United States is no small undertaking.

In spite of the magnitude of the job the rent line has been held. The Bureau of Labor Statistics rent index shows an increase of only 3.7 percent since September 1939. From September 1939 to May 1942, rents rose 5.3 percent. With the installation of rent control in 20 areas in June 1942, the index was rolled back 1.3 percent. A further decline of 0.5 percent took place between June and July 1942, and since then the index has risen only slightly.

Effects on Rental Housing

To determine how the control of rents has affected the operation of rental housing, the OPA, beginning early in 1942, has made detailed surveys of the actual operation of rental property throughout the country. These surveys have been made in some 70 representative cities and cover figures on income and expense of about 200,000 rental units. They are made periodically to determine the extent of shifts in income and expense which have taken place. Accountants of the OPA gather the data directly from the books of account for rental properties made available through the cooperation of local real estate boards, banks, property management organizations and individual property owners.

The accountants' reports show that the operations of both apartment houses and small structures have been much more profitable under rent control than in the prewar years. Our most recent survey covers the operations of apartment houses in 28 cities and small structures in 27 cities during a period of two years under rent control through June 30, 1944. For the year ending June 30, 1944, the net operating income, before interest and depreciation, for apartments was 34 percent higher than 1939 and for small structures the increase was close to 45 percent.

This is the result of several factors. Operating costs remained practically stable in apartment houses from 1939 to 1944, and even declined in the case of small structures. This rather surprising trend in expenses has resulted largely from reductions in competitive outlays, such as frequent painting and decorating, and a slight decline in real estate taxes. Taken together these reductions have been more than sufficient to offset the rise in materials and labor costs. Furthermore, the tight housing market has virtually eliminated vacancy losses. As a result, while rents have been held to 3.7 percent since September 1939, rental income has advanced better than 12 percent since 1939. All these factors explain the large increases in net operating incomes since 1939.

OPA surveys of the operating of rental housing are made in terms of net operating income before interest and depreciation, not in terms of true net income. This is necessary because, in general, operators' books do not show depreciation or interest. By using net operating income, however, we have understated greatly the favorable trend in the financial returns of rental housing. The reason for this, of course, is that interest and depreciation have remained relatively stable or have declined over this period, while net operating income has increased sharply.

Sample studies of *net income* as contrasted to *net operating income* (before interest and depreciation) have been made for apartment house operations where figures on these items are available. In each case the percentage increase in net income since 1939 has been much greater than in net operating income. For example, a survey of some 2,300 units in Los Angeles, where interest and depreciation figures were available, showed an increase of 140 percent in net income as compared to an increase of 22 percent in net operating income.

The operation of rental housing under rent control follows the same trend as the operation of business and industry generally under price control. The earning position of landlords generally is substantially better than in prewar years. Some have felt that because the rise in rents has been held down to only 3.7 percent while a number of other prices have had larger increases, the Office of Price Administration has discriminated against rental property. This contention is based on the assumption that if prices do not go up, earnings must stay low. The experience of business and industry in peacetime and during the war proves that this assumption is false. The experience of rental property itself, as revealed in the results of OPA surveys just quoted, shows that the contention is wrong. It is also true that a comparison of the earnings of rental property with the earnings of other businesses will show that rent control has not been discriminatory.

It is not difficult for those of us who went through the catastrophe of the early thirties to imagine the havoc which would follow this period if rents had not been controlled or if the control had been ineffective. Constantly mounting rents accompanied by chains of sales at higher and higher prices would have followed and real estate would be headed for another collapse. We learned in the thirties how far reaching can be the effects of a collapse of the real estate and mortgage markets.

Other Inflationary Dangers

While rents have been effectively stabilized, it should not be assumed that the dangers of inflation in the field of real estate have thus been eliminated. Rent control has served as a brake, but because the sales prices of real estate have remained uncontrolled, pressures have accumulated to such an extent that we are now in a period of inflated sales prices. Unmistakably, we are headed for trouble.

Little housing has been built in the past five years. Yet in no previous period has there been such a demand for housing. This pressure alone has been sufficient to send prices soaring. Furthermore, national income is the highest in our history and more people have money to spend for homes than has been true in any previous period.

In rent control we have a good opportunity to observe what is happening. For example, we have seen the number of certificates of eviction issued in connection with sales double in 1944 as compared with 1943. During the first quarter of 1945 the number of certificates issued was a third larger than in the same period in 1944. Daily there is evidence of tenants all over the country being forced to buy to keep a roof over their heads. Many of them are in-migrant workers who may or may not become permanent residents of the community. They are not willing purchasers. Such purchases at today's inflated prices make no contribution to the progress and broad objectives of home ownership. Just the opposite is true.

Inflationary sales prices are not confined to the field of single-family structures. Multi-unit properties are being sold, in spite of controlled rents, at prices which will prove to be uneconomic when operations settle down to a more normal basis. There are instances where the same apartment buildings have been sold a number of times in the same year—each time at higher prices. It is not at all uncommon for an area rent director to have to send a notice to four or five parties before it reaches the current owner.

To the short-range thinker everything is great. Income from commissions gets bigger and bigger. Deals are easy to turn and profits go higher and higher. But we know that such booms eventually go "bust" and a great many people and institutions get badly hurt.

Operators of lending institutions can help keep inflation from going further. In this period, self-protection demands the exercise of great care in mortgage lending. It is so often true, however, that conservative lenders are eventually forced by less responsible competition to relax their vigilance in order to stay in business. It is because of this and because of the increased volume both of cash purchases and of mortgage lending by individuals, that a form of control is necessary if the job of keeping prices from getting further out of hand is to be accomplished.

Proposed Controls

A number of plans for control have been discussed. Obviously the control of real estate prices presents difficult problems. For example, prices as of a certain base date chosen for the purpose of holding prices to a previous level do not exist for all properties offered for sale today. In other words, real estate is not marketed as are automobiles. An owner of a house or apartment building may own it for years with no thought of selling. If he decides to take advantage of today's high prices and sell, he will start out with a certain price, but the house may have had no price on January 1, 1942.

In spite of the difficulties involved in adapting the principles of price control to real estate, the job could be reasonably well done and the line generally could be held by prohibiting transfers at prices in excess of those obtained for comparable properties in a period selected for purposes of stabilization. There are a sufficient number of sources of informed opinion in communities throughout the country which could be utilized. Certainly if such control had been in effect during the past two years we would not be faced with the potentialities of real estate trouble in the postwar period nearly to the same extent as we are today.

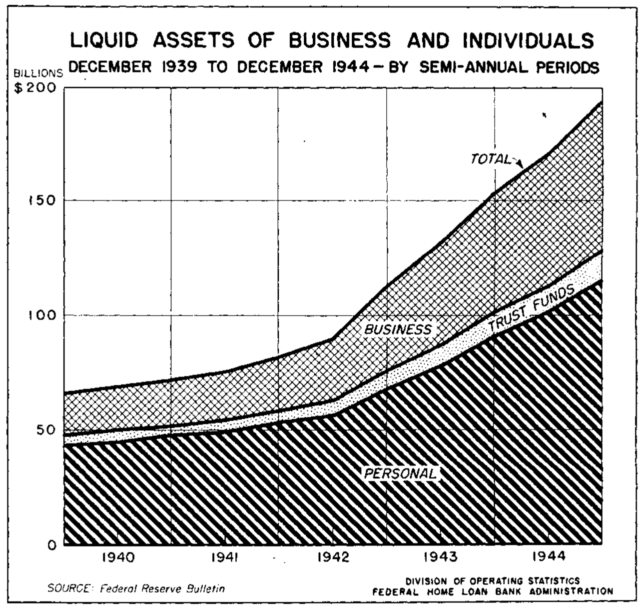
Another proposal is to restrict real estate credit. Stiff down payments and possibly shorter periods of amortization could be required. This proposal may be more practicable at the present time than direct control of selling prices. If put into effect, much good should be accomplished. The excessive prices buyers are now able to pay for housing would be substantially reduced, and at the same time sales to buyers able to meet the restricted credit terms would be less likely to end in foreclosure.

A revision of the capital gains tax has also been suggested. A combination of more effective credit control and higher capital gains taxes might well prove sufficient to halt the growing excesses. We should remember that frozen real estate assets resulting from the boom and collapse of the twenties and early thirties were a major factor in the crisis of banks and other lending institutions in the last depression. A program of control to avert a repetition of that story should receive wholehearted support in the mortgage lending and real estate fields.

Trends in Estimated Liquid Resources

■ RECENTLY, the Board of Governors of the Federal Reserve System released its preliminary estimate of the liquid asset holdings of domestic business and individuals. While extremely tentative, the magnitude of change provides an adequate rule-of-thumb gauge of the improved position of both business and individuals to stimulate trade in postwar markets. Holdings of all governmental units, foreigners, insurance companies, savings and loan associations and banks have been excluded.

As of the end of the calendar year 1944, total liquid holdings (currency, demand and time deposits, and U. S. Government securities) are placed at $193,-600,000,000, standing almost three times as high as in December 1939. Personal holdings, excluding those of trust funds, are believed to have totaled $114,-900,000,000, having increased more than two and one-half times during the five-year period.



SHOULD COMMISSIONS BE PAID TO SECURE SAVINGS ACCOUNTS?

From time to time a few savings and loan associations, by attracting savings through brokerage channels, have deviated from the customary policy of exclusively personalized service. The following article points out the dangers of this practice which is alien to the savings and loan function.

By RALPH H. RICHARDS, *President*
Federal Home Loan Bank of Pittsburgh

■ It should be said at the outset that this article will take a position which is unqualifiedly opposed to the payment of commissions under any circumstances for the purpose of attracting share capital to savings and loan associations. The point of view is one which has been reached not only after careful consideration, but also after many years of observing the experience and possible consequence of this type of money and the manner in which it is attracted; namely, through commission brokers who are located, in many cases, long distances from the association's place of business and who have no direct interest whatsoever in the success or future welfare of the institution.

Savings and Loans—A Local Enterprise

All of us know that savings and loan practices have undergone many changes during the past 15 years; that the over-all pattern of today is a far cry from that which prevailed even in 1929. Since that time we have seen the enactment of the Federal Home Loan Bank Act, the setting up of the Federal Savings and Loan Insurance Corporation, legislation enabling the chartering of Federal savings and loan associations and provision for insuring mortgages through the facilities of the Federal Housing Administration. All of the acts mentioned are national in scope, but along with Federal legislation have also come progressive changes in the laws of our individual states. Legislation provides only a foundation which must be built upon and developed by management. To put it briefly, we are getting away from the older type sinking fund, serial, one-night-a-month stand, which prevailed in many sections of the country. In its place, we now have units of considerable size together with exclusive operation in well equipped and dignified offices.

This does not in any sense of the word mean that the fundamentals of our business have changed one iota. No matter how large the association or how elaborate its quarters, the fact remains it is still designed to take care of the savings and home financing needs of the territory in which it operates. Indeed, the local nature of a savings and loan association has been one of the cardinal and outstanding features of these institutions since their inception. In truth, the title of the present United States Savings and Loan League originally contained the word "local." Therefore, we must proceed from the thesis that the operations of such institutions should be geared primarily to serve the local communities in which they are doing business.

This means then that share capital should come in the main from the savers of the community and that such funds should be loaned on the security of homes in the same neighborhood. Obviously, this theory does not preclude the acceptance of funds from former residents who have moved to other neighborhoods nor, for that matter, from savers in other parts of the country who voluntarily and with good reason, on their own initiative, desire to open share accounts in a given association. It does, however, preclude the solicitation of funds through far removed commission brokers who have access to pools of investment money.

Implications of Commissions

When our savings and loan associations adopt a policy of offering commissions for share capital, it must be considered an admission of failure on the part of management to become well enough established to attract sufficient local funds to take care of mortgage loan demands, or it must be concluded that management has a desire to achieve rapid growth for the sake of growth itself. Any fair-minded person surely will admit that a savings and loan association should be as large or as small as is dictated by the needs of the community in which it operates. If the neighborhood will support an institution of substantial size or if the community is growing rapidly, it follows that the association, under proper management, will grow rapidly. This does not mean, however, that safety should be sacrificed for growth. In other words, the term "growth" should be synonymous with expansion on a financially sound basis.

From time to time, literature comes from the pens of brokers, some of whom are aspiring to operate on a nationwide basis, while others confine themselves to a reasonable radius from their headquarters office. Some of the literature released from such sources goes so far as to declare the minimum rate of dividend which an association should pay. For example, ". . . Steps should be taken at once to build up totals of share capital to meet the tremendous demands immediately ahead, and dividend rates should not be below 3 percent because of an urgent need for institutional accounts to meet these loan demands. . ." It matters little to the broker whether the customer can either afford or find it necessary to pay a rate as high as 3 percent. Ordinarily such literature also implies that money from this source is more stable than funds received from local investors. It would seem that such tracts are designed purely for sales purposes since there are no conditions at the present time which subject the stability of this type of money to a real test. It must be remembered that the brokerage notion has developed on a rather wide scale in the past few years, during which period the national income and therefore national savings have been on the increase. Hence, there can be no real test of the relative stability of brokers' money vs. local voluntary investment until the reverse situation occurs when many people who are now "in the money" will need to withdraw their investments for various purposes. Until that time comes, there can be no factual basis for comparing the stability of different types of investment funds.

This much is certain, and it has been determined from actual experience, that money received from faraway brokers can be "hot money." There have been cases, which can be authenticated, where the same investment appeared in as many as three different institutions within the period of two years. To be sure, "one bird does not make a summer," and, therefore, a few cases of this sort cannot be used to condemn all money raised by this method. However, it must be admitted that the temptation is there and brokers are in business on a strictly commission basis; therefore, the more frequently funds are reinvested, the more often the broker receives a commission.

A Personalized Business

Undoubtedly some proponents of the philosophy of paying for share capital will inquire as to why the savings and loan business must be made so pure when other types of institutions operate by paying commissions for the purpose of securing new business . . . for example, life insurance companies and other institutions in the business of selling investment contracts. The answer is very simple. Savings and loan associations are local financial institutions dealing in a direct and intimate way with their customers; their doors are open during business hours for the purpose of both receiving savings and lending money. On the other hand, life insurance companies and the so-called investment contract companies operate on a commission basis with a headquarters office, selling investments entirely different from the share account in a savings and loan association. The customer contact is not intimate, but through agents and brokers usually far removed from headquarters. Thus, we must conclude that any such contention is not a fair one since like financial organizations are not being compared.

The Desire To Grow Rapidly

Perhaps the most compelling reason for associations' management raising money by the commission method is prompted by the desire to grow rapidly. If this policy is actuated by such a desire, then the association is bound to be drawn into a vicious circle fraught with many adverse possibilities. First of all, the association wants to grow and outstrip its competitors. It "steals a march" by offering commissions to one or more brokers for share capital. The brokers immediately advertise in metropolitan newspapers and circularize a list of potential investors. This results in the broker writing to a large number of individuals on behalf of the association and speaking for it just as though he were an official of the institution.

Such literature, by its very nature, must have something to say about the association itself, its policies, and particularly its dividend rate. In discussing the dividend rate the broker is likely to make an implied promise that a certain rate will be maintained indefinitely. Ordinarily, the stated rate is a comparatively high one. Once the association has obtained a substantial amount of money through such representations (or should it be misrepresentations?) its management is then reluctant to effect a reduction in dividend rate even when necessary, for fear it will result in the wholesale withdrawal of funds. It follows, therefore, that associations will hold up dividend rates to the bitter end, lest a downward adjustment prove to be disastrous.

It seems quite inconsistent for association managers to insist that brokerage money is not "hot money," yet in the next breath express apprehension about a downward movement in the dividend rate for fear it might result in a "flight of capital." If the desire to grow demands a maintenance of a comparatively high dividend rate for a period beyond which it can be justified on the basis of sound financial considerations, then certainly the association's future security is being jeopardized. Put simply, it means such an association will not be able to provide the reserve which it should have to take care of any future eventuality.

Other Effects

A plethora of capital occasioned by the payment of commissions does something else. It encourages the making of mortgage loans on a large scale, simply because surplus capital in the hands of some officials might be compared to a small amount of change burning a hole in a little boy's pocket. In the desire to utilize such funds quickly there is every temptation for management to get into the field of unsound lending. Could a more unhappy situation be contemplated than that of an institution which has grown rapidly with purchased capital during the past few years in a rapidly rising real estate market, finding itself in a reverse position; a high established dividend rate which the out-of-town shareholders have come to expect, a large volume of questionable high percentage loans on its books, and only meager reserves? Such a combination in a declining market or in a depression, spells almost certain disaster.

Nor are the above the only possible consequences. It must be remembered that commissions cost money. For example, the typical rate is 1 percent for the first year. An association which raises a million dollars in this manner will be forced to incur an outlay of $10,000 to receive such funds. If the association, as is usually the case, is paying a comparatively high rate of dividend it may be that the rate is higher than the interest rate for advances charged by the Federal Home Loan Bank of which the association is a member. To illustrate, if an association is attempting to maintain a 3½ percent dividend rate while the bank is charging but 2½ percent, it results in a differential of 2 percent on such funds for the first year, or $20,000 over and above what would be paid to its Federal Home Loan Bank in the form of interest.

Not for a minute is it meant to advocate that funds from the Federal Home Loan Bank should be other than a temporary substitute for private share capital. It is axiomatic that an association over a period of time should be able to operate normally, meet withdrawals and demands for mortgage money with funds received from private investors and loan repayments. However, it is also a well established fact that savings and loan operation is one of unbalance. At certain times there is too much money coming in and at other times not enough. Therefore, the Federal Home Loan Banks should be used to smooth out these unbalanced periods, and for a limited period of time such funds can and should take the place of private share capital invested for the most part by local citizens.

A savings and loan association is a financial institution. Management should be zealous of its reputation and should leave nothing undone to build upon sound operating policies over the years. It follows that the association should be staffed with officers and employees of proven ability and integrity, that the representations made by such staff members should be such that will always redound to the benefit of the association and enhance its prominence and dependability in the eyes of the community. How then can any management, looking toward the future, afford to permit its wares to be advertised by brokers, no matter how well intentioned or honest, who perhaps have never met the Board of Directors or stepped inside the quarters of the association?

Moreover, the investors obtained by this method have no personal interest whatever in the affairs of the association or the community it represents. In the very nature of the transaction, the funds which they invest are invested because they bring a comparatively high rate of return. If this assumption is true, then does it not logically follow that such money will "take flight" as soon as the rate is adjusted downward and attempt to find refuge in some other high dividend association? How can any advocate of the practice argue for a minute that such funds will not be withdrawn if they came to the association in a purely impersonal way and were attracted only by the rate of return?

It must, therefore, be concluded that the receipt of large sums of money through outside brokers must result in certain disadvantages to the association, a

(*Continued on p. 331*)

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HOME BUILDING IN TRANSITION

■ THE country today is moving toward the reconversion of its industrial plant to peacetime production. Naturally, an undertaking of this kind which is started while the war is still in progress must be surrounded by many uncertainties. Nevertheless, the War Production Board and the National Housing Agency have been able to reach a definite agreement on a goal of 400,000 dwellings to be placed under construction (H–1, H–2 and H–3) during the 12 months through June 1946. While this represents a volume of building in excess of the average rate for the decade preceding the war, both the WPB and NHA have expressed the opinion that it is within realistic limits.

To reach this anticipated volume of residential building during the period specified, about 165,000 units will have to be put under construction during the last half of 1945. Of these, 158,000 would be built with priority assistance and 7,000 would be started on the authority of unrated construction certificates (without priorities).

As of the first part of July, there were in the hands of builders rated certificates for the erection of 73,000 privately financed homes upon which work had not then begun, while priorities for another 45,500 were then available. In addition to these, the NHA was authorized to issue certificates and priority assistance for the building of 98,000 residential units during the balance of the calendar year. The great bulk of these are to be for privately financed construction. If the schedule of starts is maintained through December, about 203,000 privately financed units will have been placed under construction during 1945.

A total of 32,000 unrated construction certificates may be issued now by the state and district offices of FHA in communities where no H–2 construction has been authorized. However, this building, which will be subject to statewide price and rental ceilings established by NHA regional representatives, cannot be started before October 1.

According to the determination by the WPB, unrated certificates for 106,000 homes may be issued by NHA during the first quarter of 1946 and approvals for the construction of 119,000 units may be granted in the second quarter of next year. In announcing this program for the "reconversion" of the building industry, the NHA emphasized the difficulties builders may face even with the availability of programs and priorities. Serious shortages of lumber and other building materials, as well as difficulties in attracting sufficient skilled labor, may retard activity in a number of localities. Also, it should be understood that the issuance of authority to build does not mean that construction will start immediately, since sites must be secured, plans drafted and materials acquired. However, present programming indicates that, so far as possible, the way has been cleared for the builder.

Plans for the period of transition to peacetime home building were first drafted early in the spring of 1944, and as soon as military requirements permitted, authorizations under the H–2 and H–3 programs moved ahead. In order to permit builders to take advantage of this year's building season, the greatest part of the year's programming was accomplished during the first six months. Approvals of new programs during the last half of the year will be granted with a view to giving particular assistance to the more seriously war-crowded communities.

Priorities

According to the recently revised regulations covering the issuance of priorities for residential construction for relief in cases of personal hardship, such applications will be handled under the H–2 program. Such houses, if sold or rented, will be subject to the H–2 price or rental ceiling. These ceilings on sales generally range from $6,000 to $7,500, with a top of $8,000 only in areas where it is recognized that building costs are such as to require the maximum to permit construction of a standard three-bedroom house. Rental ceilings are at corresponding levels.

In areas where no H–2 quotas have been established, statewide ceilings will apply. These will be established by NHA regional representatives. The maximum for all but exceptionally high-cost areas will be $7,500 for sale and $62.50 for rental.

During the war, publicly financed housing has been produced exclusively to meet the needs of migrating war workers. The bulk of this housing has been completed. Prewar low-rent projects which were suspended during the war total some 25,000 units, about one-third of which are in war-congested areas and thus may be eligible for construction under the H–2 program. Any additional low-rent public housing will depend on Congressional action and upon requests for Federal aid.

OPERATING RATIOS OF MEMBER SAVINGS AND LOAN ASSOCIATIONS

The 1944 operating statements of all member savings and loan associations show a continuation of most of the trends apparent during the previous year. Reduction of income from mortgage loans was again evident, coupled with a large gain in revenues from bond holdings. Reserves absorbed a growing proportion of net income.

■ WARTIME influences on the amount and composition of savings and loan association assets and liabilities were again reflected in the income and expense patterns of these institutions. This analysis of the 1944 operating statements of all savings and loan members of the Bank System, which supplements last month's discussion of their combined balance sheet, rounds out the picture for the past year. Both of these studies show that, despite the numerous abnormalities of operations during the war, these associations maintained a strong position for the tests that will come with reconversion and peace.

During 1944, the gross operating income of the 3,652 reporting associations totaled $269,898,000. Operating expenses amounted to $76,000,000, of which almost half ($37,164,000) went for compensation to directors, officers and employees. The net income reported by these associations aggregated $195,471,000 after allowing for interest on borrowed money and for non-operating income and expense items. Dividends (including interest on deposits and investment certificates) accounted for $137,750,000, while $57,721,000 was allocated to reserves and undivided profits.

All these dollar amounts represented increases over like items of 1943 operating statements. However, in order to facilitate comparison with previous years, this study is based on *operating ratios* rather than on dollar changes. This provides a measure of the proportionate amounts of income and expense items in relation to gross operating income and is, therefore, not affected by the fluctuating numbers of reporting institutions. Table 1 presents a summary of these ratios.

Income Pattern

An analysis of the sources of income during 1944 shows an accentuation of the previous year's war-induced pattern. For the second consecutive time, interest from mortgage loans—the principle source of savings and loan revenue—accounted for a diminishing proportion of gross operating income. Of each $100 received by these reporting institutions, only $84.14 came from interest on mortgage loans, considerably less than the $87.44 received in 1943 and the $89.33 in 1942. This condition reflects the dwindling rate of effective interest on mortgage portfolios and the declining ratio of loans to assets which have been evident during the past two years in spite of the increase in lending activity. As long as wartime influences of curtailed construction and heavy prepayments on loans continue, this trend can scarcely be expected to be reversed.

While income from the portfolio of mortgage loans has continued to represent a smaller proportion of gross operating income, yields from Government security holdings have shown a proportionate increase in prominence, this trend being perhaps the most outstanding feature of 1944 operations. Last year's earnings from this source accounted for $7.38 out of each $100 of gross operating income compared with $3.32 in 1943 and $1.16 the year before. Thus, a greater proportion of total operating income of member associations was represented by the return which was realized on comparatively low-yield investments.

This condition was in turn reflected in the relation of net operating income to the average amount of capital invested in these associations. In 1944 all reporting institutions earned only 3.66 percent on their average invested capital in comparison with a return of 3.99 and 4.33 percent during 1943 and 1942, respectively.

Wartime activity in the real estate market brought institutionally owned property to an all-time low and caused another decline in real estate sold on contract. As a result, the net income from these two items represented only $0.48 and $2.68, respectively, of each $100. Other sources of operating income increased slightly from $5.15 per $100 in 1943 to $5.32 last year.

Expense and Net Income

Operating expense, excluding interest on borrowed money, claimed $28.16 of each $100 of gross operating income in 1944. This was the fifth consecutive year in which this ratio has increased, the one-point gain over the 1943 ratio being the largest rise reported for any of the five years. As will be seen from the table, the increase in 1944 resulted from an increased proportion of the operating income dollar going to employee compensation, advertising charges and other expenses, which outweighed the slight proportionate decline in charges to maintenance and depreciation of office quarters.

Reversing the trend of preceding years, net income, after allowance for interest and non-operating items, declined in 1944 to represent $72.43 for each $100 of gross operating income.

Distribution of Net Income

The distribution of the net income of all reporting associations is shown in the lower part of the tables. From this it will be seen that the most important change was the comparatively large increase in the proportion of funds allocated to reserves. This has been increasing steadily and last year represented an amount equal to about one-fifth of all net income (20.46 percent) following two years of only fractional gains when 18.49 and 18.05 percent, respectively, was set aside for reserves.

At the same time, the proportion allocated to undivided profits showed a more-than-offsetting decrease. In 1944 it took a relatively steep drop to 9.07 percent of net income from 11.25 in 1943 and 11.30 percent the year before. As a result, the combined reserves and undivided profits account absorbed only 29.53 percent in 1944 compared with 29.74 percent in 1943.

For the first time since 1940 the proportion of net income used for dividend payments (including interest on deposits and investment certificates) showed an increase from the preceding year. Of each $100 of 1944 net income, $70.47 went for dividend payments as against $70.26 for this purpose during the previous year.

Table 1.—Selected operating ratios for reporting savings and loan members of the Federal Home Loan Bank System

[Calendar years 1943 and 1944]

Item	All associations		Federals		Insured state chartered		Uninsured state chartered	
	1944	1943	1944	1943	1944	1943	1944	1943
Number of associations	3,652	3,681	1,464	1,466	994	960	1,194	1,255
	RATIO TO GROSS OPERATING INCOME							
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Interest income:								
On mortgage loans	84.14	87.44	83.97	88.23	82.84	85.61	86.07	88.00
On real estate sold on contract	2.68	3.31	2.14	2.62	3.63	4.59	2.61	3.20
On investments and bank deposits	7.38	3.32	8.34	3.48	6.98	3.47	5.93	2.86
Net income on real estate owned	0.48	0.78	0.14	0.28	0.68	1.18	0.92	1.23
Gross income from office building	1.28	1.20	1.24	1.12	1.22	1.18	1.43	1.39
All other operating income	4.04	3.95	4.17	4.27	4.65	3.97	3.04	3.32
Total gross operating income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Compensation	13.77	13.46	14.08	13.89	14.66	14.32	12.07	11.77
Maintenance and depreciation of office quarters	3.05	3.07	3.05	3.11	3.23	3.22	2.84	2.82
Advertising	1.77	1.74	2.19	2.21	1.67	1.70	1.03	0.94
All other operating expense	9.57	8.89	9.98	9.39	11.26	10.48	6.73	6.29
Total operating expense	28.16	27.16	29.30	28.60	30.82	29.72	22.67	21.82
Net operating income (before interest, etc.)	71.84	72.84	70.70	71.40	69.18	70.28	77.33	78.18
Less: Interest on FHLB advances and other borrowed money	0.88	0.97	1.17	1.22	0.80	0.95	0.38	0.54
Add: Total non-operating income	2.23	2.40	1.69	1.65	2.89	3.46	2.51	2.63
Less: Total non-operating charges	0.76	1.19	0.64	1.10	0.87	1.28	0.89	1.25
Net income	72.43	73.08	70.58	70.73	70.40	71.51	78.57	79.02
	RATIO TO NET INCOME							
Distribution of net income:								
Dividends (including interest on deposits and investment certificates)	70.47	70.26	67.30	67.83	71.31	70.60	75.29	73.83
Transfer to reserves	20.46	18.49	23.25	19.72	20.95	19.55	14.92	15.48
Balance to undivided profits	9.07	11.25	9.45	12.45	7.74	9.85	9.79	10.69
Net income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Variation by Class

Variations from the over-all pattern were relatively minor among the different classes of associations, and none of the deviations was more than fractional. Although Federals reported the greatest proportionate loss in income from mortgage loans, they also showed the greatest relative increase in revenue from Government bond holdings. In relation to gross operating income, uninsured state associations recorded the lowest proportionate operating expense ratio and the highest proportionate net income. This follows previous trends, as does the fact that their ratio of mortgage income was the highest for all classes of associations while interest on investments was less than in either insured state chartered or Federal associations.

In the distribution of net income, Federals once more led in the proportionate amount transferred to the reserves and undivided profits account. A breakdown of this item shows, in all classes, an increased proportion going to reserves. Except for Federals, the relative decline more than offset that gain, with the result that state members (both insured and uninsured) reported a decrease from 1943 in the ratio of reserves and undivided profits. Dividend payments continued to absorb proportionately more of the net income of uninsured members than of insured state associations or of Federals.

Size Groups

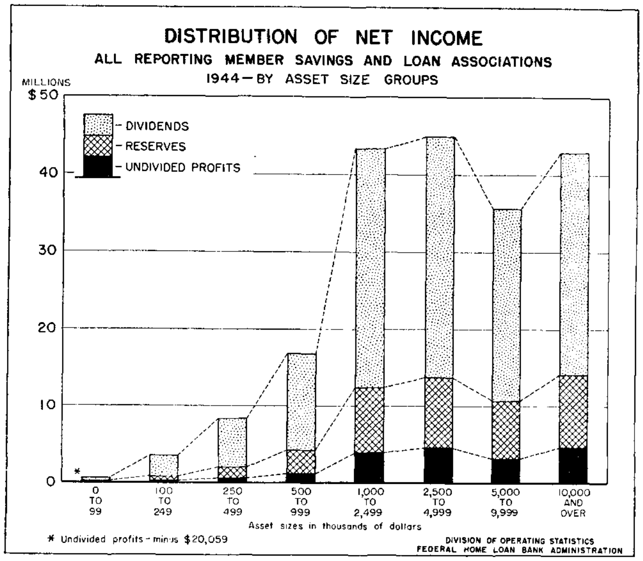
The best measure for savings and loan executives to use in assessing the position and progress of their own association is a comparison with other institutions of approximately the same asset size. Data covering the five-year span of this series have pointed to several significant conclusions. The developments during 1944, in general, confirmed findings of previous years.

For the fifth successive year, a higher operating efficiency was shown by the larger associations. That is, the ratio of total operating expenses to gross operating income declined with the increasing size of an association. From a high of 38.7 percent for the smallest institutions it dropped progressively to 27.3 percent for associations between $5,000,000 and $10,000,000 assets. The 83 members with assets of over $10,000,000 showed a fractional rise to 27.8 percent. This duplicated the previous indication that the next-to-largest size group enjoyed the most favorable ratio in this respect.

Table 2.—Selected operating ratios for 3,652 savings and loan members of the Federal Home Loan Bank System

[For the year ending December 31, 1944, by size of association]

Item	Total	Less than $99,999	$100,000-$249,999	$250,000-$499,999	$500,000-$999,999	$1,000,000-$2,499,999	$2,500,000-$4,999,999	$5,000,000-$9,999,999	Over $10,000,000
Number of associations	3,652	165	559	654	714	874	428	175	83
	RATIO TO GROSS OPERATING INCOME								
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Interest income:									
On mortgage loans	84.14	84.49	87.07	86.25	85.18	85.49	84.68	82.32	82.60
On real estate sold on contract	2.68	4.79	2.91	3.34	3.74	2.80	2.61	2.92	1.83
On investment and bank deposits	7.38	1.90	2.96	3.74	4.79	6.07	7.17	8.37	10.31
Net income on real estate owned	0.48	1.86	1.41	1.22	0.85	0.50	0.54	0.35	0.13
Gross income from office building	1.28	0.85	0.61	0.81	0.92	1.02	1.11	1.75	1.64
All other operating income	4.04	6.11	5.04	4.64	4.52	4.12	3.89	4.29	3.49
Total gross operating income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Compensation	13.77	23.62	18.19	16.93	16.06	14.63	13.61	12.36	12.21
Maintenance and depreciation of office quarters	3.05	3.70	3.16	3.07	2.89	2.91	2.89	3.32	3.17
Advertising	1.77	0.67	0.73	0.91	1.08	1.54	1.91	2.03	2.17
All other operating expense	9.57	10.67	8.51	8.68	8.99	9.42	9.56	9.58	10.23
Total operating expense	28.16	38.66	30.59	29.59	29.02	28.50	27.97	27.29	27.78
Net operating income (before interest, etc.)	71.84	61.34	69.41	70.41	70.98	71.50	72.03	72.71	72.22
Less: Interest on FHLB advances and other borrowed money	0.88	1.29	0.88	0.77	0.73	0.84	0.71	0.96	1.12
Add: Total non-operating income	2.23	5.82	1.91	2.58	1.94	1.65	2.20	2.16	2.94
Less: Total non-operating charges	0.76	3.11	0.95	0.56	0.86	0.72	0.79	0.67	0.82
Net income	72.43	62.76	69.49	71.66	71.33	71.59	72.73	73.24	73.22
	DISTRIBUTION OF NET INCOME								
Dividends (including interest on deposits and investment certificates)	70.47	86.72	78.09	76.54	75.39	71.56	69.58	69.71	67.11
Transfer to reserves	20.46	18.65	17.87	16.89	18.00	19.59	20.52	21.62	22.20
Balance to undivided profits	9.07	−5.37	4.04	6.57	6.61	8.85	9.90	8.67	10.69
Net income	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00



For the fourth time, the spread in the ratio of expense to gross operating income increased. Last year it was 27.3–38.7 compared with 25.9–35.7 the year before. At the same time that the smallest size associations were improving this ratio, the larger size group showed the first more-than-fractional increase.

As has previously been established by these surveys, 1944 ratios showed that the larger the association, the smaller the proportion of gross income going to compensation. The opposite was again true about money spent for advertising.

The outstanding change evident during 1944 in the expense pattern was in the proportionate amounts absorbed by the payment of interest on FHLB advances and other borrowed money. In the past it had been found that the smaller institutions spent a relatively greater sum for this purpose than did larger institutions. Last year, however, there was an obvious deviation from that pattern. While associations under $100,000 still led in the proportion of income going for interest (1.29 percent) the next highest proportions were found in the two largest size groups (1.12 and 0.96, respectively).

The spread in these ratios during 1944 was considerably narrower than in the previous year—0.96 to 1.29 percent compared with 0.82 to 1.51. Although the lowest proportion in 1944 was somewhat higher than in 1943, all associations except the two largest size groups showed a reduction last year in the proportion of income expended for interest.

Net income as a proportion of gross operating income showed a slightly larger spread between the larger and smaller size associations than was the case in 1943—62.76 to 73.24 percent compared with 65.12 to 74.58 percent. The only increase last year was among associations of $250,000 to $500,000 in assets.

The larger associations again set aside proportionately more of their net income in reserves and undivided profits than did those institutions in the smaller asset size groups. However, only associations in the $2,500,000 to $5,000,000 class and those over $10,000,000 were able to increase the proportion over that of 1943.

DIRECTORY CHANGES

June 16—July 15, 1945

Key to Changes

*Admission to Membership in Bank System
**Termination of Membership in Bank System
#Federal Charter Granted
##Federal Charter Canceled
ØInsurance Certificate Granted
ØØInsurance Certificate Canceled

District No. 1

Connecticut:
Torrington:
#First Federal Savings and Loan Association of Torrington, 61 Main Street.

District No. 2

New Jersey:
Camden:
*ØUnion Federal Savings and Loan Association, 107 North Sixth Street.
Perth Amboy:
*ØFirst Savings and Loan Association of Perth Amboy, 339 State Street.
Trenton:
*Mutual Building and Loan Association, 59 North Stockton Street.

District No. 3

Pennsylvania:
Huntingdon:
**Franklin Building and Loan Association, 521 Washington Street.
Philadelphia:
#Protected Future Federal Savings and Loan Association, 3701 North Broad Street.
**Southwark Foundry Building Association, 730 South Fifth Street.

District No. 9

Texas:
Corpus Christi:
##ØØFirst Federal Savings and Loan Association of Corpus Christi, Mesquite at Peoples Street.

District No. 12

California:
Fullerton:
ØFullerton Building-Loan Association, 113 West Amerige Avenue.

NATIONAL HOUSING AGENCY
John B. Blandford, Jr., *Administrator*
FEDERAL HOME LOAN BANK ADMINISTRATION
John H. Fahey, *Commissioner*

Advisory Council Member

THE Federal Home Loan Bank Administration has recently announced the appointment of Ernest T. Trigg as a member of the Savings and Loan Advisory Council. He will serve until May 27, 1946.

★ ★ ★ WORTH REPEATING ★ ★ ★

ACCUMULATED WEALTH: "America's pool of war savings is important in a way that mere property alone can never be. It is a challenge—a challenge to use our savings, no matter how much or how little—as seed, to put our accumulated wealth to work. For the war savings pool can become an instrument to guarantee for tomorrow both security and opportunity."

Supreme Court Justice William O. Douglas, in address to War Fund workers, Indianapolis, Indiana.

SELF-RESTRAINT: "If . . . savings are dissipated rapidly before there has been time to reconvert the economy for civilian production, they will cause a rise in prices and be largely wasted. They will do worse than that. They will create dislocations in the economy and greatly impede the difficult process of postwar readjustment. Self-restraint and public spirit in the use of these savings by the people will be a powerful contribution to orderly postwar reconstruction and to the maintenance of the economy on a stable basis."

E. A. Goldenweiser, Economic Adviser, Federal Reserve Board, *Savings Bank Journal*, June 1945.

LET'S NOT PRETEND: "It would be idle to pretend that it will be easy to reach and hold full-employment levels. It would be folly, on the other hand, to pretend that it is impossible. The American people will not be content to go back to protracted large scale unemployment. It is imperative that we find ways and means to provide jobs for those willing and able to work. Depressions are not acts of God, any more than wars are. They are the product of our man-made institutions and the way we organize our society. We can and must organize to prevent both."

Fred M. Vinson, Secretary of the Treasury.

FLIGHT TO THE SUBURBS: "The constant leakage of taxable wealth from the larger cities threatens the bankruptcy of several of them within the foreseeable future. Since it takes two to make a bargain, and some of the advantages of suburban living would be lost if the suburb were to be merged with the larger entity, annexation is severely resisted. Buffalo, for example, has annexed no new territory for more than a hundred years. New York City has taken in no new territory for a third of a century, Philadelphia has annexed only one-tenth of a square mile since 1854, and San Francisco is the same size today that it was eighty-eight years ago.

"These trends cannot be reversed, nor can the financial situation of the urban districts be improved, unless the city is made a better place in which to live."

Maj. Gen. Philip B. Fleming before the Sub-Committee on Housing and Urban Redevelopment of the Senate Postwar Economic Policy and Planning Committee.

THE REAL LACK: "The housing problem is admittedly one of providing livable homes for the lower income groups at rent or ownership levels which can be afforded by them. . . In the years ahead the adequate housing of millions of our citizens will require common-sense planning and action. Slum conditions with their harmful results will eventually cost the nation more than the wise use of its credit and resources to eliminate the spawning beds of crime, disease and civil unrest."

The New York Times, July 21, 1945.

SUSTAINED CONSTRUCTION: "The construction industry must have time to build up to a peak that can be sustained. It must not be made a catch-all for the unemployed to the exclusion of other areas of production which can provide more sustained employment. The stability of the construction industry itself must be a consideration in setting the goals for its expansion. We shall not serve total economic stability by exaggerating the cycles in construction."

Report on Postwar Public Works and Construction, House Special Committee on Postwar Economic Policy and Planning, July 1945.

CONVERTIBLE CITIES ". . . Metropolitan areas, regardless of prewar size, will tend to retain new growth if it is a more or less normal projection of wartime growth. This is so because manpower released from war industry will be in ready demand by service enterprises. To sum up, cities with readily convertible war industries may suffer little or no population loss provided their war growth has not too far exceeded their physical capacity to accommodate people.

"It may seem contradictory to refer . . . to a rush to the cities, and . . . to comment on the flight from the cities. This anomaly is resolved when we distinguish between the 'job rush' to the cities and the 'residence flight' from them."

J. C. Capt, Director, Bureau of the Census. *Domestic Commerce*, July 1945.

POSTWAR BOOKSHELF

Although inclusion of title does not necessarily mean recommendation by the REVIEW, the following recent publications will be of interest.

AN APPRAISAL METHOD FOR MEASURING THE QUALITY OF HOUSING; A YARDSTICK FOR HEALTH OFFICERS, HOUSING OFFICIALS AND PLANNERS: (Part 1). 1945. 71 pp. Available at $1 from American Public Health Association Committee on the Hygiene of Housing, 1890 Broadway, New York 19, N. Y.

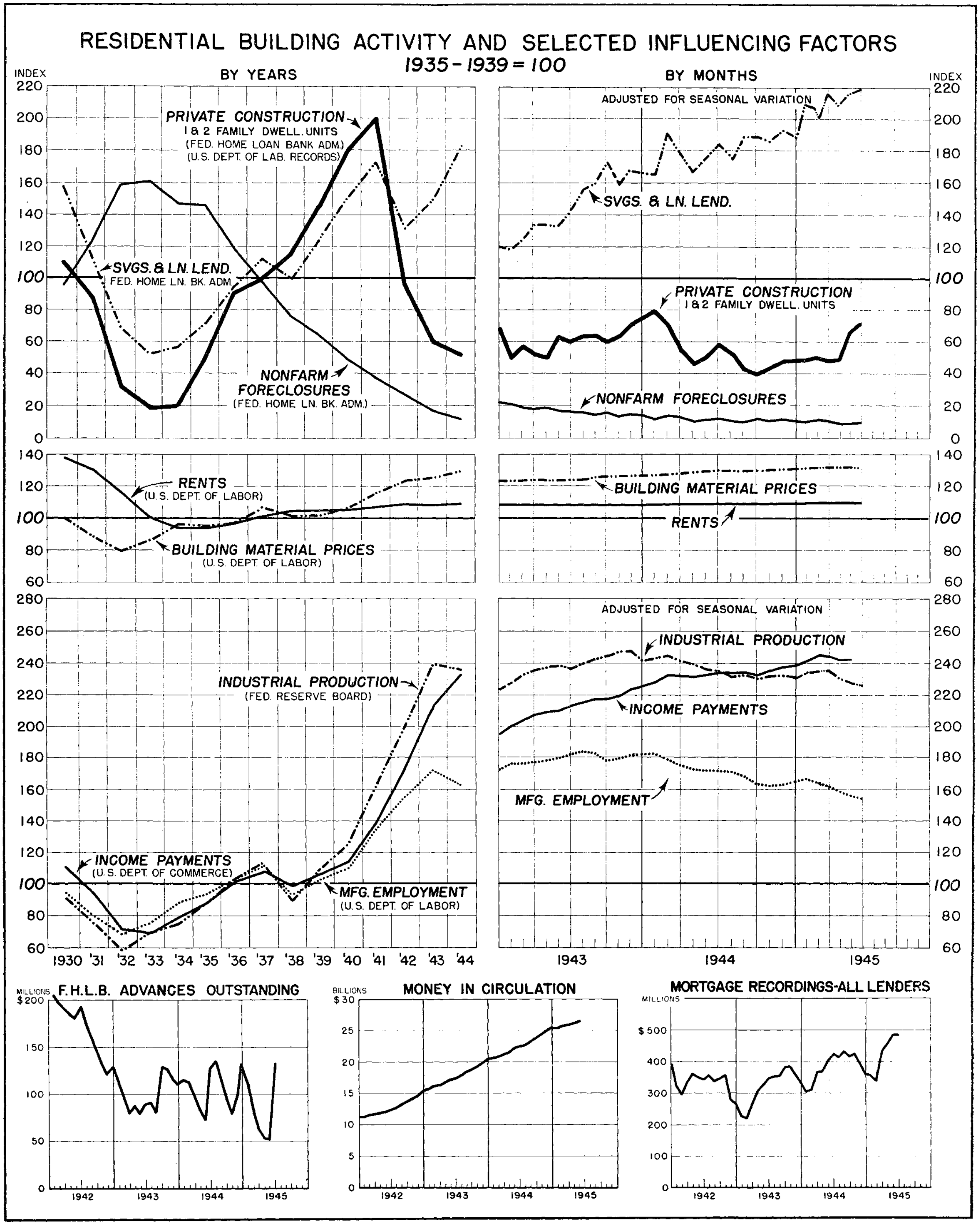
WHEN DEMOCRACY BUILDS: By Frank Lloyd Wright. Available at $4 from University of Chicago Press, 5750 Ellis Avenue, Chicago, Ill.

CITY DEVELOPMENT: By Lewis Mumford. 240 pp., index. Available at $2 from Harcourt, Brace & Co., 383 Madison Avenue, New York 17, N. Y.

PRIVATE ENTERPRISE HOUSING: REPORT OF THE PRIVATE ENTERPRISE SUBCOMMITTEE OF THE CENTRAL HOUSING ADVISORY COMMITTEE OF THE MINISTRY OF HEALTH, [Great Britain]. London, 1944. 56 pp., chart. 1s. net.

AMERICA'S ROLE IN THE WORLD ECONOMY: By Alvin H. Hansen. Available at $2.50 from W. W. Norton and Company, Inc., 70 Fifth Avenue, New York 11, N. Y.

PLANNING TO BUILD: By Thomas H. Creighton. 228 pp. Available at $2.50 from Doubleday, Doran and Company, Inc., Garden City, New York 20, N. Y.



RESIDENTIAL BUILDING ACTIVITY AND SELECTED INFLUENCING FACTORS
1935-1939 = 100
BY YEARS
BY MONTHS
INDEX
ADJUSTED FOR SEASONAL VARIATION
PRIVATE CONSTRUCTION
1 & 2 FAMILY DWELL. UNITS
(FED. HOME LOAN BANK ADM.)
(U.S. DEPT. OF LAB. RECORDS)
SVGS. & LN. LEND.
FED. HOME LN. BK. ADM.
NONFARM FORECLOSURES
(FED. HOME LN. BK. ADM.)
SVGS. & LN. LEND.
PRIVATE CONSTRUCTION
1 & 2 FAMILY DWELL. UNITS
NONFARM FORECLOSURES
RENTS
(U.S. DEPT. OF LABOR)
BUILDING MATERIAL PRICES
(U.S. DEPT. OF LABOR)
BUILDING MATERIAL PRICES
RENTS
INDUSTRIAL PRODUCTION
(FED. RESERVE BOARD)
INCOME PAYMENTS
(U.S. DEPT. OF COMMERCE)
MFG. EMPLOYMENT
(U.S. DEPT. OF LABOR)
INDUSTRIAL PRODUCTION
INCOME PAYMENTS
MFG. EMPLOYMENT
1930 '31 '32 '33 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44
1943 1944 1945
F.H.L.B. ADVANCES OUTSTANDING
MILLIONS
MONEY IN CIRCULATION
BILLIONS
MORTGAGE RECORDINGS-ALL LENDERS
MILLIONS
1942 1943 1944 1945

★ ★ ★ SIX-MONTH SURVEY ★ ★ ★

HIGHLIGHTS

I. The over-all volume of economic activity was relatively unaffected by victory in Europe.

A. Continuing the long-range gradual decline, industrial output in June 1945 stood at 222 percent of the1935–1939 average—13 points below June 1944.

B. Except for steel, copper and aluminum, civilian supplies will probably remain tight until VJ Day.

II. Mortgage recordings reached a new peak in the first half of 1945 with all lenders, except life insurance companies, showing gains over figures for the like period last year.

III. In the first half of 1945, home building activity in urban areas was 12 percent lower than in the same 1944 period. Permits were issued for 56,968 units by June 30, 1945, compared with 64,500 by the end of June 1944.

IV. Savings and loan lending in the January–June period reached a record high, standing 21 percent above the previous peak reported in the corresponding period of 1944. New construction loans were the only type to show a decline.

V. Showing a new low of 7,785 for the January–June period, nonfarm mortgage foreclosures gave definite signs of leveling off.

VI. FHLB assets at the end of June were $6,819,875 greater than at the close of the calendar year.

A. Government securities held by the FHL Banks showed a $15,716,000 increase over the December figure.

B. Lending by the Banks, although lower than in the corresponding period of 1944, was greater than in any like six months before the war.

☆ ☆ ☆

BUSINESS CONDITIONS—VE Day brought little change

Although hostilities did not cease in Europe until early May, the entire first half of 1945 was permeated with an air of anticipation of the coming shift to a one-front war. Reflecting the revision of a number of munitions schedules at the turn of the year, industrial production, allowing for seasonal variations, increased during the first quarter. However, since then it has declined steadily and in June stood at 222 percent of the Federal Reserve Board's seasonally adjusted index (1935–1939=100). Thus, at the halfway point in 1945 it was 13 points below the level of June 1944.

However, the fact that it has followed a gradually sloping plateau, rather than falling off abruptly as the German collapse approached, is but another indication that the war against Japan means large, even though reduced, demands on materials and labor. While there has been a reduction in munitions output, it has been according to previous schedule and little change in the over-all volume of economic activity was evident since VE Day.

Forthcoming reductions in munitions will result in substantial increases in the supply of steel, copper and aluminum for civilian production. Other than in these basic metals, though, the materials situation is expected to remain tight until the end of the Japanese War. The limited resumption of civilian goods manufacture is only expected gradually to ease shortages in certain lines.

Retail activity, as reflected by the Federal Reserve Board's index of department store sales, reached a high of 224 percent of the seasonally adjusted average (1935–1939=100) in March. The following month it dropped to 181 percent, then resumed its upward movement to reach a level of 201 percent in June. One indication of the inflationary pressure on the civilian goods market is to be found in the fact that June 1945 did not show the usual decline from the preceding month. In June the price control and stabilization acts, with amendments, were continued by Congress for another year.

Incomes received by individuals and business have been maintained in 1945 at a record level. Payments to individuals during the second quarter are estimated by the Federal Reserve Board at an annual rate of $163,000,000,000 as compared with a rate of $156,000,000,000 in the like period of last year.

Following the relaxations of the construction limitation order by WPB at the end of hostilities in Europe, private construction contract awards showed considerable increase in both May and June. However, activity in this line may be temporarily restricted by shortages of lumber and other building materials, as well as an insufficient supply of skilled labor.

[1935–1939=100]

Type of index	June 1945	May 1945	Percent change	June 1944	Percent change
Home construction (private) [1]	71.7	65.1	+10.1	58.5	+22.6
Foreclosures (nonfarm) [1]	10.0	9.1	+9.9	11.4	−12.3
Rental index (BLS)	108.3	108.3	0.0	108.1	+0.2
Building material prices	131.1	131.0	+0.1	129.4	+1.3
Savings and loan lending [1]	218.6	215.7	+1.3	183.9	+18.9
Industrial production [1]	222.0	[r] 226.0	−1.8	235.0	−5.5
Manufacturing employment [1]	153.7	[r] 155.8	−1.3	171.5	−10.4
Income payments [1]	243.8	[r] 241.9	+0.8	233.9	+4.2

[r] Revised.
[1] Adjusted for normal seasonal variation.

BUILDING ACTIVITY—Six-month total below last year

Home building activity in urban areas of the United States during the first half of 1945 was about 12 percent under that for the same period last year. Estimates of the Bureau of Labor Statistics placed the number of family dwelling units for which building permits were issued or contracts awarded (for public construction) at about 56,968 compared with 64,500 in the first half of 1944. Both privately and publicly financed building contributed to this decline, the latter type accounting for well over two-thirds of the drop.

The 51,056 units of private construction started through June, more than four-fifths of which were 1-family structures, fell about 4 percent under the cumulative total at mid-year 1944. Public construction, which reached its peak in 1942 and 1943, continued to decline, dropping from 11,152 to 5,912 units, or 47 percent, in this comparison.

Private building activity in urban areas continued to increase gradually during June, accounting for 11,982 units, or about 7 percent more than in May. This, coupled with a rise from 1,283 to 1,598 in the number of publicly financed dwelling units, raised the total for the month 9 percent to 13,580. [TABLES 1 and 2.]

BUILDING COSTS—Upward trend continued to mid-year

The steady upward trend in the index of the cost of building the standard house, which has prevailed for about five years, was evident throughout the first half of 1945. The rate at which the index rose during the latter period, however, was considerably below that shown in the same interval last year. From January 1 through June 1945, the index of total costs rose 0.7 percent (from 134.4 to 135.4 percent of the 1935–1939 average) compared with a gain of 1.9 percent during the same period of 1944. Material costs increased 0.9 percent during this interval to 132.7 and labor costs gained 0.6 percent to 140.8. During the first six months of 1944, material costs advanced 2.4 percent and labor charges rose by 1.1 percent.

The Department of Labor's composite index of wholesale prices of building materials followed a similar trend, increasing 0.8 percent during the first six months of this year compared with a rise of 2.2 percent in 1944. All components of the index moved to higher levels during this half-year period, except structural steel and paint and paint materials which showed no change.

During June the index of the cost of constructing the standard house rose fractionally over May (revised), the result of gains of 0.2 percent in material costs and 0.1 percent in labor costs. The Department of Labor's index of wholesale building material prices also advanced fractionally during June to reach 131.1 percent of the 1935–1939 average. [TABLES 3, 4 and 5].

Construction costs for the standard house

[Average month of 1935–1939=100]

Element of cost	June 1945	May 1945	Percent change	June 1944	Percent change
Material	132.7	r 132.5	+0.2	130.7	+1.5
Labor	140.8	r 140.7	+0.1	137.5	+2.4
Total	135.4	r 135.2	+0.1	133.0	+1.8

r Revised.

New mortgage loans distributed by purpose

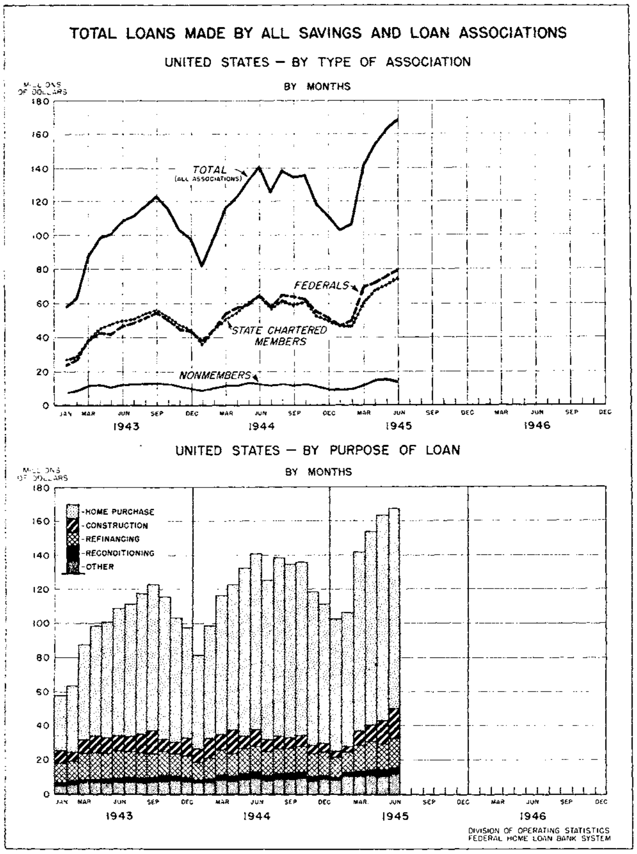
[Dollar amounts are shown in thousands]

Purpose	June 1945	May 1945	Percent change	June 1944	Percent change
Construction	$17,567	$13,032	+34.8	$9,663	+81.8
Home purchase	116,798	120,244	−2.9	103,276	+13.1
Refinancing	17,147	15,887	+7.9	14,963	+14.6
Reconditioning	3,364	3,396	−0.9	2,957	+13.8
Other purposes	12,435	10,520	+18.2	9,850	+26.2
Total	167,311	163,079	+2.6	140,709	+18.9

MORTGAGE LENDING—All-time high shown in first half year

New mortgage loans of $833,900,000 made by savings and loan associations during the first half of this year brought the volume to the highest point on record for any comparable period. This year's activity was 21 percent above the previous peak of $691,100,000 reported in the January–June period of 1944. All Bank Districts participated in this gain, with increases ranging from 2 percent in Little Rock to 41 percent in New York.

During the January–June period this year, construction loans were the only ones to show a decline—down 7 percent to $54,400,000. In the other categories increases ranged from 12 percent for reconditioning to 29 percent in the miscellaneous classifi-



cation. Home purchase loans continued to account for the greatest proportion of total lending—$610,700,000, or 73 percent. Last year this type of lending represented 71 percent of total savings and loan activity.

New lending, which has increased each month this year, reached $167,300,000 in June, breaking all records for any month since the early twenties. The June 1945 volume was 3 percent greater than that reported in May. However, the gain was confined to the Boston, Cincinnati, Chicago, Des Moines and Los Angeles regions. New loans made in June of this year were 19 percent greater than in the same 1944 month, with Little Rock the only District showing a decline.

The $17,600,000 of construction loans, although relatively insignificant in prewar comparisons, represented the highest monthly total since July 1942. It was 35 percent above May and 82 percent greater than in June last year. Home purchase loans, in spite of a 3-percent decline from May, accounted for 70 percent of all lending. The $116,800,000 disbursed for that purpose in June was 13 percent greater than the $103,300,000 loaned during the same month last year. [Tables 6 and 7.]

MORTGAGE RECORDINGS—New high set in first half of 1945

Establishing a new high for this series, nonfarm mortgages of $20,000 or less were recorded in the amount of $2,556,878,000 during the first six months of 1945. This represented a gain of about 18 percent above recordings in the like period of last year and was almost 15 percent greater than the previous first-half peak reported in 1941. The size of the average mortgage recorded in the first six months of the current year was $3,372, or about 6 percent larger than the $3,175 average in the same 1944 interval.

The dollar volume rise resulted from an increase in the recordings by all types of mortgagees, except life insurance companies, over the corresponding months of last year. Individuals showed the largest gain, up 30 percent, followed by mutual savings banks which recorded about 23 percent more than in the like six months of 1944. Savings and loan associations had the third largest proportionate rise—more than 21 percent.

In the month of June, which closed this six-month period, $487,041,000 in small nonfarm mortgages was recorded, showing a barely perceptible drop from the figure reported for the preceding month. However, it was 16 percent above recordings in June 1944.

With the exception of life insurance companies and "other mortgagees," all types of lenders recorded a greater dollar volume of loans than in the like month of 1944. Individuals continued to show the greatest proportionate increase, higher by 23 percent than in June of last year, while savings and loan associations were more than 21 percent above their level for the same month last year. [Tables 8 and 9.]

Mortgage recordings by type of mortgagee

[Dollar amounts are shown in thousands]

Type of lender	Percent change from May 1945	Percent of June 1945 amount	Cumulative recordings (6 months)	Percent of total recordings
Savings and loan associations	+2. 1	36. 1	$879, 670	34. 4
Insurance companies	+1. 6	4. 5	117, 563	4. 6
Banks, trust companies	+0. 3	18. 8	480, 150	18. 8
Mutual savings banks	−2. 2	3. 8	89, 675	3. 5
Individuals	−3. 2	25. 0	673, 781	26. 3
Others	−0. 4	11. 8	316, 039	12. 4
Total	−0. 1	100. 0	2, 556, 878	100. 0

FEDERAL HOME LOAN BANK SYSTEM

[TABLE 12]

A review of the condition and operations of the Federal Home Loan Banks during the first six months of 1945 shows only a few significant changes from the previous year. Last year's pattern was duplicated in an increase in consolidated assets of the 12 Banks. At the close of June they amounted to $309,832,787—a gain of $6,819,875 in six months and a rise of $26,000,000 over assets reported on June 30, 1944.

Lending activity during the first half of the year was not so high as in the January–June interval of 1944, although it remained greater than during any similar prewar period. Advances of $111,352,000 were about $6,000,000 less than in 1944 but more than twice as great as those in the first six months of 1943.

Member institutions retired their indebtedness to the FHL Banks at an accelerated rate during the first half of this year, but the higher volume of repayments was again less than new advances. By the end of June, the Banks had received $110,249,000 compared with the previous record repayment volume of $119,310,000 in the last six months of 1944.

Because of the excess of advances over repayments in the first six months of this year, the balance of advances outstanding continued to rise and on June 30 stood at $131,666,000. This represented an increase of $1,103,000 above the last year-end balance and was $3,388,000 more than the amount outstanding at the end of June last year.

Partially reflecting the decreased volume of advances during the first six months of 1945, as well as increased deposits, the total of Government securities held by the FHL Banks reversed last year's decline and showed a six-months' increase of $15,716,000. At the end of June, $159,762,000 of these investments were carried on the consolidated statement of condition, compared with $131,973,000 on the same date last year.

Total liabilities showed another gain in a 12-month comparison. By the end of June 1945 they had increased $16,203,000 over the same time last year and stood at $96,418,000 after a barely perceptible decline from the amount reported on December 31, 1944.

Deposits, which at the end of June totaled $45,371,000, showed the most outstanding change. They reversed the decrease evident in 1944, increasing by $16,598,000 during the first six months of 1945 and stood $23,928,000 above June 30, 1944.

Reversing the increase of the preceding six months, debentures outstanding at the end of June totaled $50,000,000 after a drop of $16,500,000 from December 1944. In this connection it is interesting to note that both dates coincided with war loans—the

Condensed consolidated statement of condition of the Federal Home Loan Banks as of June 30, 1945

ASSETS		
CASH	(5.61%)	$17,387,456.75
Cash on hand and on deposit in the U. S. Treasury and commercial banks		
INVESTMENTS	(51.56%)	159,762,453.02
United States Treasury Bills $2,298,411.64		
Other obligations of the U. S. Government and securities fully guaranteed by it, $157,464,041.38		
ADVANCES OUTSTANDING	(42.50%)	131,665,985.23
Advances made under provisions of the Federal Home Loan Bank Act to members		
ACCRUED INTEREST RECEIVABLE	(0.25%)	770,556.41
Interest accrued but not due on investments and advances outstanding		
DEFERRED CHARGES	(0.00%)	7,264.38
Prepaid expense items applicable to future operations		
OTHER ASSETS	(0.08%)	239,072.10
Accounts receivable and miscellaneous assets		
TOTAL ASSETS	(100.00%)	$309,832,787.89

LIABILITIES AND CAPITAL			
Liabilities			
DEPOSITS			$45,370,629.45
Demand and time deposits of members totaled $45,327,829.45 and the deposits of applicants on stock subscribed in connection with membership applications, $42,800.00			
ACCRUED INTEREST PAYABLE			220,608.20
Interest accrued but not due on members' time deposits, $25,811.40 and on consolidated debentures, $194,796.80			
DIVIDENDS PAYABLE			771,307.15
Dividends payable in July 1945 on stock as of record June 30, 1945			
ACCOUNTS PAYABLE			55,223.55
DEBENTURES OUTSTANDING			50,000,000.00
Series "C-1945," 0.85% due 7-16-45			
Consolidated debentures outstanding which are the joint and several obligations of the Federal Home Loan Banks			
TOTAL LIABILITIES			$96,417,768.35
Capital			
CAPITAL STOCK:			
Fully paid issued and outstanding		$193,717,400.00	
Subscribed for and partially paid	$10,000.00		
Less unpaid balance	5,000.00		
		5,000.00	
Total paid in		$193,712,400.00	
SURPLUS:			
Legal reserve (20% of net earnings)		8,915,670.72	
Reserve for contingencies		2,733,815.34	
Total surplus		$11,649,486.06	
UNDIVIDED PROFITS		8,053,133.48	
TOTAL CAPITAL			$213,415,019.54
TOTAL LIABILITIES AND CAPITAL			$309,832,787.89

As of June 30, 1945, the Reconstruction Finance Corporation held 64.3 percent of the total capital stock in the Federal Home Loan Banks, which represented an investment of $124,509,900. The capital stock of the Banks owned by members totaled $69,207,500, an increase of $5,395,600, or 8.5 percent over December 31, 1944.

The Surplus-Reserve and Undivided Profits accounts of the several Banks reflect an increase from $17,921,451.53 at the close of 1944 to $19,702,619.54 on June 30, 1945 which is a gain of 9.9 percent.

6th last December and the 7th in June. The long-range effect of the Banks' increasing liquidity is to be seen in the fact that debentures outstanding in June of this year were $8,000,000 below those of the same date in 1944.

Surplus, undivided profits and total capital continued to increase. The gains reported during the first six months of this year amounted to $799,768; $981,400; and $6, 947,000, respectively.

June advances of $86,734,000 represented a new high volume for any month's lending. Once again, probably reflecting the influence of the war finance program, advances increased more than seasonally over May—$80,000,000. All Banks shared in the gain.

Only four Banks received larger repayments from member associations during June than in May. These represented no one section of the country, being the Banks in Boston, New York, Chicago and Little Rock. Down $1,431,000 from May, the June 1945 repayment total of $5,992,000 was $2,170,000 under the June 1944 figure.

Dividends and Interest Rates

Of the 10 Banks declaring semiannual dividends in June, six paid 1.0 percent and four 1.5 percent. The Cincinnati and Des Moines Banks increased their dividend rates to 1.5 percent while the Little Rock rate dropped to 1.0 percent.

Dividends paid by the 10 Banks on June 30, 1945 totaled $973,773, with $351,292 going to member associations and $622,504 to the Reconstruction Finance Corporation. Since the Bank System was set up in 1932, cumulative dividends paid by *all* Banks have reached $24,529,000. Bank System members have claimed $6,192,000 while the Government has realized $18,337,000 on its investment during this period.

During the first six months of 1945, only the New York and Los Angeles Banks reported any change in interest rates, while Pittsburgh and Chicago were the only others to show changes in the terms

Dividends declared by the Federal Home Loan Banks on June 30, 1945

Federal Home Loan Bank	Rate per annum	Members	Government [1]	Total
	Percent			
Boston	1.0	$32, 053. 75	$62, 337. 50	$94, 391. 25
New York	1.0	34, 053. 55	94, 816. 00	128, 868. 55
Pittsburgh [2]				
Winston-Salem [2]				
Cincinnati	1.5	86, 231. 77	95, 817. 75	182, 049. 52
Indianapolis	1.5	54, 411. 06	47, 597. 25	102, 008. 31
Chicago	1.5	52, 817. 81	106, 304. 25	159, 122. 06
Des Moines	1.5	33, 587. 22	55, 461. 75	89, 048. 97
Little Rock	1.0	12, 942. 14	43, 862. 00	56, 804. 14
Topeka	1.0	11, 958. 52	36, 668. 00	48, 626. 52
Portland	1.0	9, 456. 38	29, 800. 00	39, 256. 38
Los Angeles	1.0	23, 756. 53	49, 839. 50	73, 596. 03
Total		351, 268. 73	622, 504. 00	973, 772. 73

[1] On February 20, 1941 the R. F. C. purchased from the U. S. Treasury, its holdings of Federal Home Loan Banks' stock as provided for by an Act of the Congress, approved June 25, 1940. The Treasury Department waived any claim to dividends arising from earnings subsequent to January 1, 1941.
[2] These Banks declare dividends as of December 31.

Interest rates on advances to members of the Federal Home Loan Bank System [1]

Federal Home Loan Bank	Rate in effect July 1, 1945	Type of advance
	Percent	
Boston	1½	Short-term advances amortized within 1 year, or without amortization when secured by Government bonds
	2	On advances for 5 years, for defense housing purposes, not exceeding 10% of member's assets, amortized at not less than 5% quarterly
	2	On advances for 5 years for G. I. loans, such advances to be amortized at a rate of 5% quarterly
	2½	All other advances
New York	1½	On short-term advances
	2½	On long-term advances
Pittsburgh	1½	On secured advances not to exceed 6 months for the purchase of Government securities during War Loan Drives with bimonthly amortization of 33⅓%
	2	Secured advances up to 5 years with quarterly amortization of 2½% for purpose of repurchasing HOLC share investments
	2½	On advances up to 5 years, advances exceeding 1 year to be collateralized and amortized 2½% quarterly. Within certain limits unsecured advances may be made for a term not to exceed 1 year
	3	All other advances
Winston-Salem	2	All advances
Cincinnati	1½	On advances not exceeding 1 year secured by (1) Obligations of or guaranteed by the Government (2) Other acceptable collateral, advances so secured not to exceed current redemption price of Series F and G Savings Bonds held by member
	2	All other advances
Indianapolis	1½	On advances not exceeding 6 months
	2	On advances not exceeding 1 year, but in excess of 6 months
	2	On long-term advances
Chicago	1½	On short-term advances amortized in equal monthly, quarterly or semiannual instalments, such advances must not exceed in the aggregate 10% of the gross assets of borrowing member
	2	On short-term advances which exceed 10% of member's gross assets or which are unamortized
	3	On long-term advances
Des Moines	1½	On secured advances not exceeding 6 months, without amortization requirement, for purchase of Government bonds. Such advances, together with other type of short-term advances to a member, shall not exceed 40% of its line of credit
	2	Advances not exceeding 1 year
	2½	Advances exceeding 1 year
Little Rock	2	All advances
Topeka	2½	All advances
Portland	2	Advances collateralized by Government obligations
	2	On unsecured advances not exceeding 6 months, for the retirement of Treasury or HOLC monies during the month of July, 1945, renewal of such loans to be on a secured basis
	3	All other advances
Los Angeles	1½	On 1-year secured advances to replace funds invested in Government securities between January 1, 1942, and April 1, 1945, payable quarterly (Total obtainable limited to purchase price or par value, whichever is less, of securities purchased)
	1½	On 6-months secured advances for purchase of Government securities or to replace funds so invested since April 1, 1945, payable quarterly (Total obtainable limited to purchase price or par value, whichever is less, of securities purchased) (Foregoing advances limited to $100,000 or 60% of line of credit, whichever is greater)
	2	All other advances

[1] Rates on advances to nonmembers are ½ percent higher, except Cincinnati which charges 1 percent more.

and conditions placed on their advances. New York, which had previously charged 2.5 percent on all advances, established a rate of 1.5 percent on short-term money but retained the 2.5 percent rate on long-term loans. The Los Angeles Bank which had charged 2 percent and 1.5 percent on secured advances to finance the purchase of Government obligations, established a uniform rate of 1.5 percent on all advances of this type and lowered the rate from 2.5 percent to 2 percent on all other advances.

While the Pittsburgh Bank made no change in interest rates on advances, the 1.5 percent short-term advance provided to finance the purchase of Government securities was specifically limited to six months. Amortization provisions were placed on a bimonthly instead of a quarterly basis. The Chicago Bank also changed the amortization provisions of its 1.5 percent short-term advance to allow semiannual as well as bimonthly and quarterly repayment.

Flow of Private Repurchasable Capital

During the first half of this year it is estimated that gross receipts of private savings by all operating associations approximated $1,092,000,000, an increase of 21 percent over the same 1944 period. This was a continuation of the upward trend evident in the past several years. Savings withdrawals have also been rising, but at a slower rate. From January through June of this year an estimated $579,000,000 was withdrawn, or 17 percent more than in the same months last year. The resulting excess of gross receipts over withdrawals added approximately $513,000,000 to the private capital of these institutions compared with about $406,000,000 during the first half of last year—an increase of 26 percent. The repurchase, or withdrawal, ratio of 53 percent for the first half of the current year represents an improvement of 2 points over that for the same months of 1944.

During June, gross receipts of private savings by all associations amounted to about $204,000,000 and withdrawals totaled $79,000,000. As a result, approximately $125,000,000 was added to private repurchasable capital. In June 1944, receipts exceeded withdrawals by approximately $100,000,000.

Share investments and repurchases, June 1945

[Dollar amounts are shown in thousands]

Item and period	All associations	All insured associations	Uninsured members	Nonmembers
Share investments:				
1st 6 mos. 1945	$1, 092, 425	$886, 544	$129, 826	$76, 055
1st 6 mos. 1944	$900, 593	$693, 308	$125, 410	$81, 875
Percent change	+21	+28	+4	−7
June 1945	$204, 443	$163, 156	$26, 057	$15, 230
June 1944	$167, 661	$127, 945	$25, 381	$14, 335
Percent change	+22	+28	+3	+6
Repurchases:				
1st 6 mos. 1945	$579, 327	$443, 480	$84, 497	$51, 350
1st 6 mos. 1944	$494, 227	$360, 777	$79, 973	$53, 477
Percent change	+17	+23	+6	−4
June 1945	$78, 868	$56, 279	$14, 894	$7, 695
June 1944	$67, 710	$46, 560	$14, 053	$7, 097
Percent change	+16	+21	+6	+8
Repurchase ratio (percent):				
1st 6 mos. 1945	53. 0	50. 0	65. 1	67. 5
1st 6 mos. 1944	54. 9	52. 0	63. 8	65. 3
June 1945	38. 6	34. 5	57. 2	50. 5
June 1944	40. 4	36. 4	55. 4	49. 5

INSURED ASSOCIATIONS—Six-month increase shown in total resources

At mid-year 1945, the 2,471 insured associations had total resources of approximately $5,550,000,000, representing a gain of $537,000,000, or 11 percent, since the beginning of the year. Their private repurchasable capital which totaled $4,787,000,000 on June 30 (10 percent more than six months earlier) was held by 4,200,000 investors whose accounts averaged $1,132. Although these institutions made approximately $628,000,000 of new mortgage loans during the first six months of this year, their net mortgage loan balance increased only $174,000,000 to a total of $3,434,000,000 due to the continuing high rate of mortgage repayments.

Insured associations received approximately $163,000,000 during June from private investors and paid out about $56,000,000 in withdrawals. The ratio of repurchases to new investments, 34 percent, compared favorably with the ratio of 36 percent shown in June of last year.

Total liquid resources of all insured associations continued to expand during the first half of this year and on June 30 amounted to $1,869,000,000, nearly 34 percent of total resources. Since the first of the year, U. S. Government bond holdings of these institutions have increased 29 percent to $1,586,000,000 and now represent 28.6 percent of total assets. At the end of 1944, Government securities represented 24.5 percent of the total resources of these institutions and on June 30 last year, 20.8 percent. Cash on hand and in banks amounted to $283,000,000, or 5.1 percent of assets. [Table 13.]

Progress in number and assets of Federals

[Dollar amounts are shown in thousands]

Class of association	Number		Approximate assets	
	June 30, 1945	May 31, 1945	June 30, 1945	May 31, 1945
New	631	632	$1, 212, 465	$1, 134, 934
Converted	834	834	2, 315, 562	2, 202, 714
Total	1, 465	1, 466	3, 528, 027	3, 337, 648

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

Assets of the 1,465 Federal savings and loan associations aggregated $3,528,000,000 at the end of June after gaining $359,000,000, or 11 percent, since January 1. The net balance of new mortgages held by these institutions rose $107,000,000 during this period to $2,165,000,000, a gain of 5 percent. Federals had $1,231,000,000, or 35 percent, of their total assets in liquid form.

FORECLOSURES—Leveling in decline indicated

During the first six months of 1945 nonfarm real estate foreclosures declined to a new low for the January-June period, with the number of such actions estimated at 7,785 for the United States. This represented a reduction of 15 percent from those completed during the comparable period of 1944 and was 45 percent less than in the first half of 1943. The improvement from last year, however, was not nationwide. Eight Bank Districts showed decreases varying from 6 percent in Portland to 35 percent in Boston. The other four reported gains—18 percent in Little Rock to 81 percent in Indianapolis.

Total foreclosures during the three months ending in June were estimated at 3,861, or 2 percent lower than in the first quarter of the year and 13 percent under the April-June period in 1944. Increases over the first quarter of 1945 were reported for 26 states and the District of Columbia.

The fact that there have been increases in a constantly widening area may be an indication that foreclosures have about reached their lowest point. For a period of more than a year the adjusted index of nonfarm foreclosures has shown definite signs of leveling off, fluctuating between 9.1 and 11.4 percent of the 1935–1939 average. At the end of June the figure was still within this range, standing at 10 percent. [TABLE 15.]

Commissions

(*Continued from p. 317*)

combination of which could prove to be disastrous in the future: (1) the maintenance of an unjustifiably high rate of dividend; (2) the inability to build sufficient reserves for continued safety; (3) the desire to expand too rapidly, with the result that loans may be made recklessly; (4) the chance that such funds might prove to be "hot money" and demands made for withdrawals at a time when the association is least prepared to meet such demands; (5) the extra expense occasioned by attracting funds through brokers; (6) the fact that management in some degree is turning over its functions to outsiders who have no interest in the association or the community it was chartered to serve.

With all these dangers inherent in paying commissions for share capital, it is to be questioned whether the immediate advantages and the opportunity to increase assets rapidly is worth the risk taken—in contrast to a longer-range but safer program of educating folks in the community to the value of their savings and loan association as a local enterprise and the advantages it offers as a safe place in which to invest money. It is submitted that an association which is willing to be patient and develop on a sounder, longer-pull basis will be still serving the community when some of the other type may be having their troubles and adding nothing to the reputation and prestige of the industry.

Direct Redemption Agents

■ A recent change in Treasury regulations enables savings and loan associations and cooperative banks to qualify as direct agents in the redemption of U. S. savings bonds—series A through E. Heretofore, these institutions acted merely as sub-agents of the FHL Banks or commercial banks.

Application-Agreement forms (P. D. 1958 Revised) may be obtained from Federal Reserve Banks which, after the approval of these forms, will supply such others as are required. No change has been made in the over-all procedure for redeeming bonds other than that settlements will now be made directly with a Federal Reserve Bank.

However, the new regulation provides for a change in compensation allowed for this service. For the first 1,000 bonds redeemed in any one calendar quarter, $0.15 will be paid. Compensation for the redemption of each bond over 1,000 will be $0.10.

Table 1.—BUILDING ACTIVITY—Estimated number and valuation of new family dwelling units provided in all urban areas in June 1945, by Federal Home Loan Bank District and by state

[Source: U. S. Department of Labor]
[Dollar amounts are shown in thousands]

Federal Home Loan Bank District and state	All residential structures				All private 1- and 2-family structures			
	Number of family dwelling units		Permit valuation		Number of family dwelling units		Permit valuation	
	June 1945	June 1944	June 1945	June 1944	June 1945	June 1944	June 1945	June 1944
UNITED STATES	13,580	11,558	$52,584	$36,078	10,981	8,947	$45,466	$28,603
No. 1—Boston	374	90	1,453	277	231	90	975	277
Connecticut	63	47	224	206	28	47	124	206
Maine	4	2	6	1	4	2	6	1
Massachusetts	252	39	1,003	69	144	39	625	69
New Hampshire	2	2	1	1	2	2	1	1
Rhode Island	51		210		51		210	
Vermont	2		9		2		9	
No. 2—New York	811	203	3,989	954	486	56	2,440	181
New Jersey	565	34	2,829	110	278	34	1,383	110
New York	246	169	1,160	844	208	22	1,057	71
No. 3—Pittsburgh	179	133	663	298	167	133	614	298
Delaware	2	2	4	6	2	2	4	6
Pennsylvania	132	109	563	272	124	109	530	272
West Virginia	45	22	96	20	41	22	80	20
No. 4—Winston-Salem	1,475	1,907	4,237	4,770	1,342	1,164	3,866	2,965
Alabama	237	162	467	213	193	158	302	203
District of Columbia	113	499	405	1,529	83	111	325	460
Florida	423	747	1,057	1,809	371	404	958	1,119
Georgia	173	93	419	126	170	93	404	126
Maryland	29	171	121	447	29	163	121	411
North Carolina	226	49	781	61	226	49	781	61
South Carolina	52	24	87	39	48	24	75	39
Virginia	222	162	900	546	222	162	900	546
No. 5—Cincinnati	1,009	1,457	5,566	5,388	935	1,457	5,266	5,387
Kentucky	45	7	94	17	41	7	82	17
Ohio	753	1,181	4,881	4,399	683	1,181	4,593	4,398
Tennessee	211	269	591	972	211	269	591	972
No. 6—Indianapolis	1,353	1,501	7,782	5,657	1,314	689	7,652	3,152
Indiana	273	322	1,004	1,065	249	222	946	859
Michigan	1,080	1,179	6,778	4,592	1,065	467	6,706	2,293
No. 7—Chicago	759	666	3,786	2,425	702	597	3,559	2,194
Illinois	368	597	1,822	2,308	356	528	1,777	2,077
Wisconsin	391	69	1,964	117	346	69	1,782	117
No. 8—Des Moines	454	125	1,786	380	451	125	1,770	380
Iowa	51	63	135	204	51	63	135	204
Minnesota	246	19	1,182	29	246	19	1,182	29
Missouri	107	41	319	146	104	41	303	146
North Dakota	23		73		23		73	
South Dakota	27	2	77	1	27	2	77	1
No. 9—Little Rock	1,788	2,038	3,918	4,461	1,494	1,527	3,406	3,251
Arkansas	63	37	96	15	63	37	96	15
Louisiana	272	626	375	1,531	116	185	217	504
Mississippi	119	51	146	56	119	51	146	56
New Mexico	70	81	230	121	26	81	142	121
Texas	1,264	1,243	3,071	2,738	1,170	1,173	2,805	2,555
No. 10—Topeka	440	296	1,408	834	440	292	1,408	833
Colorado	133	73	503	222	133	73	503	222
Kansas	69	88	146	263	69	88	146	263
Nebraska	66	52	270	267	66	52	270	267
Oklahoma	172	83	489	82	172	79	489	81
No. 11—Portland	691	624	3,011	2,202	681	603	2,997	2,158
Idaho	77	30	336	57	77	26	336	41
Montana	32	13	96	40	32	13	96	40
Oregon	181	91	688	218	177	91	684	218
Utah	60	260	189	1,040	60	252	189	1,024
Washington	292	221	1,436	820	286	212	1,426	808
Wyoming	49	9	266	27	49	9	266	27
No. 12—Los Angeles	4,247	2,518	14,985	8,432	2,738	2,214	11,513	7,527
Arizona	105	26	517	51	101	26	495	51
California	4,053	2,492	14,331	8,381	2,548	2,188	10,881	7,476
Nevada	89		137		89		137	

Table 2.—BUILDING ACTIVITY—Estimated number and valuation of new family dwelling units provided in all urban areas of the United States

[Source: U. S. Department of Labor]

[Dollar amounts are shown in thousands]

Type of construction	Number of family dwelling units					Permit valuation				
	Monthly totals			January-June totals		Monthly totals			January-June totals	
	June 1945	May 1945	June 1944	1945	1944	June 1945	May 1945	June 1944	1945	1944
Private construction	11,982	11,207	9,973	51,056	53,348	48,161	42,920	31,676	175,227	168,606
1-family dwellings	10,437	9,503	7,554	41,773	40,234	43,551	37,583	23,692	147,973	127,361
2-family dwellings [1]	544	933	1,393	3,819	5,903	1,915	3,148	4,910	12,639	20,182
3-and more-family dwellings [2]	1,001	771	1,026	5,464	7,211	2,695	2,189	3,074	14,615	21,063
Public construction	1,598	1,283	1,585	5,912	11,152	4,423	3,393	4,402	10,212	26,746
Total urban construction	13,580	12,490	11,558	56,968	64,500	52,584	46,313	36,078	185,439	195,352

[1] Includes 1- and 2-family dwellings combined with stores.
[2] Includes multi-family dwellings combined with stores.

Table 3.—BUILDING COSTS—Index of building costs for the standard house in representative cities in specific months [1]

[Average month of 1935-1939=100]

Federal Home Loan Bank District and city	1945			1944		1943	1942	1941	1940	1939
	July	April	Jan.	Oct.	July	July	July	July	July	July
No. 2—New York:										
Camden, N. J	145.2	145.2	143.2	....	143.6	136.4	138.9	126.6	108.8	101.8
Newark, N. J	161.9	161.9	159.7	....	159.3	149.7	146.3	311.1	106.7	102.6
Albany, N. Y	151.6	151.4	148.0	....	143.8	137.6	130.9	120.6	102.5	100.4
Buffalo, N. Y	147.1	149.4	r 144.6	r 144.6	142.1	130.2	128.2	117.3	r 104.5	99.2
No. 6—Indianapolis:										
Indianapolis, Ind.*	140.5	139.5	138.1	137.3	136.6	121.3	118.8	108.5	r 99.1	r 105.2
Detroit, Mich.*	153.6	152.9	152.3	152.1	152.6	129.8	124.3	112.3	102.4	107.2
No. 8—Des Moines:										
Des Moines, Iowa*	120.8	120.8	120.7	120.9	121.1	116.1	116.7	106.1	102.8	101.8
St. Louis, Mo.*	133.2	127.1	126.7	124.6	123.0	119.0	126.5	111.4	100.1	96.5
Sioux Falls, S. D.*	133.0	131.9	130.8	130.8	130.4	126.2	124.2	111.1	103.3	100.8
No. 11—Portland:										
Boise, Idaho*	138.9	138.1	138.1	139.1	137.1	126.9	126.0	117.5	106.5	r 103.4
Portland, Ore.*	141.5	143.4	143.4	143.6	140.9	132.6	120.1	105.1	r 98.7	r 95.4
Salt Lake City, Utah*	129.5	129.1	129.7	129.7	126.8	122.9	120.1	111.7	102.7	102.8
Seattle, Wash.*	139.5	138.9	138.9	138.9	134.6	131.0	122.1	112.7	103.3	101.9

*Indexes of July 1941 and thereafter have been revised in order to use retail material prices collected by the Bureau of Labor Statistics.

r Revised.

[1] This index is designed to measure the changes in the costs of constructing a standard frame house and to provide a basis for the study of the trend of costs within an individual community or in different cities. The various units of materials and labor are selected in accordance with their contribution to the total cost of the completed dwelling.

Material costs are based on prices for a limited bill of the more important items. Current prices are furnished by the Bureau of Labor Statistics and are based on information from a group of dealers in each city who report on prices for material delivered to job site, in average quantities, for residential construction. Because of wartime conditions, some of the regular items are not available at times and, therefore, substitutions must be made of similar products which are being sold in the current market.

Labor costs are based on prevailing rates for residential construction and reflect total earnings, including overtime and bonus pay. Either union or nonunion rates are used according to which prevails in the majority of cases within the community.

Figures presented in this table include all revisions up to the present time. Revisions are unavoidable, however, as more complete information is obtained and becomes available for inclusion in this table.

Cities in FHLB Districts 2, 6, 8, and 11 report in January, April, July, and October of each year; those in Districts 3, 5, 9 and 12 report in February, May, August and November; and those in Districts 1, 4, 7 and 10 report in March, June, September and December.

Table 4.—**BUILDING COSTS**—Index of building costs for the standard house

[Average month of 1935–1939=100]

Element of cost	June 1945	May 1945	Apr. 1945	Mar. 1945	Feb. 1945	Jan. 1945	Dec. 1944	Nov. 1944	Oct. 1944	Sept. 1944	Aug. 1944	July 1944	June 1944
Material	132.7	132.5	r 132.4	r 132.3	131.9	131.7	131.5	131.5	131.3	131.2	131.3	131.0	130.7
Labor	140.8	r 140.7	r 140.7	r 140.4	140.1	140.1	140.0	139.9	139.1	138.5	137.3	137.3	137.5
Total	135.4	r 135.2	r 135.2	135.0	r 134.7	134.5	134.4	134.4	133.9	133.7	133.3	133.1	133.0

r Revised.

Table 5.—**BUILDING COSTS**—Index of wholesale prices of building materials in the United States

[Source: U. S. Department of Labor]

[1935–1939=100; converted from 1926 base]

Period	All building materials	Brick and tile	Cement	Lumber	Paint and paint materials	Plumbing and heating	Structural steel	Other
1943: June	123.5	109.0	102.7	r 154.6	125.4	118.8	103.5	110.0
1944: June	129.4	110.7	105.8	171.5	130.0	121.4	103.5	111.4
July	129.4	110.8	105.8	171.7	129.7	121.4	103.5	111.5
August	129.5	110.8	105.8	171.9	129.7	121.4	103.5	111.6
September	129.5	111.7	106.3	171.5	129.7	121.4	103.5	111.7
October	129.9	115.3	107.0	171.3	130.8	121.4	103.5	111.7
November	130.0	115.6	107.2	171.3	130.7	121.4	103.5	111.7
December	130.0	115.9	107.0	171.3	130.7	121.4	103.5	111.7
1945: January	130.4	121.5	106.9	171.3	130.7	121.4	103.5	111.9
February	130.6	121.6	108.7	171.4	130.8	121.4	103.5	112.0
March	130.8	121.8	109.1	171.3	130.7	121.4	103.5	112.3
April	130.8	121.7	109.1	171.4	130.7	121.4	103.5	112.3
May	131.0	121.8	109.1	171.9	130.8	121.4	103.5	112.6
June	131.1	122.1	109.1	172.5	130.7	121.7	103.5	112.8
Percent change:								
June 1945–May 1945	+0.1	+0.2	0.0	+0.3	−0.1	+0.2	0.0	+0.2
June 1945–June 1944	+1.3	+10.3	+3.1	+0.6	+0.5	+0.2	0.0	+1.3

r Revised.

Table 6.—**MORTGAGE LENDING**—Estimated volume of new home mortgage loans by all savings and loan associations, by purpose and class of association

[Thousands of dollars]

Period	Purpose of loans					Total loans	Class of association		
	Construction	Home purchase	Refinancing	Reconditioning	Loans for all other purposes		Federals	State members	Nonmembers
1943	$106,497	$802,371	$167,254	$30,441	$77,398	$1,183,961	$511,757	$539,299	$132,905
January–June	48,177	334,938	84,588	13,794	34,969	516,466	219,088	236,141	61,237
June	8,946	74,885	15,913	2,707	6,425	108,876	46,730	50,182	11,964
1944	95,243	1,064,017	163,813	30,751	100,228	1,454,052	669,433	648,670	135,949
January–June	58,679	490,700	79,222	14,350	48,196	691,147	315,851	308,485	66,811
June	9,663	103,276	14,963	2,957	9,850	140,709	64,474	63,851	12,384
July	7,078	93,232	13,871	2,841	8,014	125,036	57,164	56,539	11,333
August	7,589	105,050	14,152	3,067	8,816	138,674	64,400	61,377	12,897
September	5,923	101,884	14,495	3,160	8,993	134,455	63,489	59,162	11,804
October	6,095	101,461	15,253	2,699	9,720	135,228	61,965	60,945	12,318
November	4,635	90,182	13,265	2,507	7,785	118,374	54,978	52,241	11,155
December	5,244	81,508	13,555	2,127	8,704	111,138	51,586	49,921	9,631
1945 January–June	54,399	610,668	90,447	16,132	62,289	833,935	392,354	367,810	73,771
January	3,772	76,495	12,167	1,868	7,999	102,301	46,439	46,452	9,410
February	3,081	78,140	12,524	1,994	10,270	106,009	49,900	46,575	9,534
March	7,406	105,307	15,922	2,559	10,287	141,481	69,430	60,688	11,363
April	9,541	113,684	16,800	2,951	10,778	153,754	71,375	67,955	14,424
May	13,032	120,244	15,887	3,396	10,520	163,079	75,607	71,921	15,551
June	17,567	116,798	17,147	3,364	12,435	167,311	79,603	74,219	13,489

Table 7.—LENDING—Estimated volume of new loans by savings and loan associations

[Dollar amounts are shown in thousands]

Federal Home Loan Bank District and class of association	New loans			Cumulative new loans (6 months)		
	June 1945	May 1945	June 1944	1945	1944	Percent change
United States	$167,311	$163,079	$140,709	$833,935	$691,147	+20.7
Federal	79,603	75,607	64,474	392,354	315,851	+24.2
State member	74,219	71,921	63,851	367,810	308,485	+19.2
Nonmember	13,489	15,551	12,384	73,771	66,811	+10.4
Boston	13,007	11,782	12,085	56,441	48,965	+15.3
Federal	5,550	4,940	4,609	23,296	17,416	+33.8
State member	6,306	5,242	6,010	26,830	25,060	+7.1
Nonmember	1,151	1,600	1,466	6,315	6,489	−2.7
New York	17,226	17,680	13,864	81,037	57,354	+41.3
Federal	6,190	6,263	4,691	28,524	16,825	+69.5
State member	8,586	7,990	6,968	38,727	30,260	+28.0
Nonmember	2,450	3,427	2,205	13,786	10,269	+34.2
Pittsburgh	14,261	14,989	11,129	71,034	57,419	+23.7
Federal	6,857	6,655	5,072	32,981	26,325	+25.3
State member	5,090	5,272	3,969	25,001	19,065	+31.1
Nonmember	2,314	3,062	2,088	13,052	12,029	+8.5
Winston-Salem	19,169	19,868	16,888	102,396	83,867	+22.1
Federal	10,298	10,433	9,115	54,748	45,463	+20.4
State member	7,706	8,366	6,718	41,912	33,412	+25.4
Nonmember	1,165	1,069	1,055	5,736	4,992	+14.9
Cincinnati	27,691	27,445	23,804	137,936	117,523	+17.4
Federal	11,601	11,963	9,819	59,430	47,542	+25.0
State member	14,394	13,673	12,314	69,243	59,766	+15.9
Nonmember	1,696	1,809	1,671	9,263	10,215	−9.3
Indianapolis	8,805	9,475	7,635	46,921	37,997	+23.5
Federal	5,012	5,149	3,918	25,022	18,477	+35.4
State member	3,441	3,860	3,382	19,591	17,740	+10.4
Nonmember	352	466	335	2,308	1,780	+29.7
Chicago	20,143	17,982	16,052	95,617	77,700	+23.1
Federal	8,988	7,555	6,623	40,775	32,079	+27.1
State member	9,739	9,124	8,296	47,274	38,891	+21.6
Nonmember	1,416	1,303	1,133	7,568	6,730	+12.5
Des Moines	9,876	9,157	8,754	48,992	41,677	+17.6
Federal	5,154	4,951	4,733	24,938	20,889	+19.4
State member	3,244	3,151	3,000	17,427	15,162	+14.9
Nonmember	1,478	1,055	1,021	6,627	5,626	+17.8
Little Rock	6,766	7,276	7,077	39,950	39,280	+1.7
Federal	3,529	3,405	2,712	19,840	15,693	+26.4
State member	3,169	3,751	4,299	19,592	23,161	−15.4
Nonmember	68	120	66	518	426	+21.6
Topeka	7,386	7,682	6,354	42,302	33,141	+27.6
Federal	4,176	4,050	3,593	22,719	17,239	+31.8
State member	2,089	2,257	1,725	12,469	9,080	+37.3
Nonmember	1,121	1,375	1,036	7,114	6,822	+4.3
Portland	5,583	5,805	4,739	29,344	21,942	+33.7
Federal	3,151	2,987	2,917	17,545	14,698	+19.4
State member	2,275	2,648	1,572	10,877	6,312	+72.3
Nonmember	157	170	250	922	932	−1.1
Los Angeles	17,398	13,938	12,328	81,965	74,282	+10.3
Federal	9,097	7,256	6,672	42,536	43,205	−1.5
State member	8,180	6,587	5,598	38,867	30,576	+27.1
Nonmember	121	95	58	562	501	+12.2

Table 8.—RECORDINGS—Estimated nonfarm mortgage recordings, $20,000 and under

JUNE 1945

[Thousands of dollars]

Federal Home Loan Bank District and state	Savings and loan associations	Insurance companies	Banks and trust companies	Mutual savings banks	Individuals	Other mortgagees	Total
United States	$176,051	$21,801	$91,336	$18,572	$121,800	$57,481	$487,041
Boston	14,743	681	4,868	9,599	6,250	2,973	39,114
Connecticut	1,648	471	1,872	1,427	1,900	946	8,264
Maine	667	32	288	795	524	81	2,387
Massachusetts	10,614	153	1,888	5,853	2,830	1,525	22,863
New Hampshire	455	25	186	679	289	46	1,680
Rhode Island	1,125	-------	539	460	481	350	2,955
Vermont	234	-------	95	385	226	25	965
New York	15,533	2,154	7,992	6,705	19,024	6,684	58,092
New Jersey	4,538	916	3,381	796	4,879	2,356	16,866
New York	10,995	1,238	4,611	5,909	14,145	4,328	41,226
Pittsburgh	14,935	2,251	8,324	628	7,929	3,677	37,744
Delaware	204	159	218	108	278	103	1,070
Pennsylvania	13,897	1,886	6,641	520	6,812	3,418	33,174
West Virginia	834	206	1,465	-------	839	156	3,500
Winston-Salem	17,556	2,771	6,621	140	17,236	4,823	49,147
Alabama	725	224	424	-------	999	355	2,727
District of Columbia	2,974	368	1,021	-------	2,595	881	7,839
Florida	1,975	712	996	-------	5,937	1,240	10,860
Georgia	1,821	257	1,202	-------	1,350	503	5,133
Maryland	4,664	139	952	140	1,742	307	7,944
North Carolina	2,398	552	451	-------	1,389	694	5,484
South Carolina	408	217	443	-------	734	321	2,123
Virginia	2,591	302	1,132	-------	2,490	522	7,037
Cincinnati	33,052	1,987	12,590	569	7,097	4,889	60,184
Kentucky	3,186	385	1,163	-------	398	172	5,304
Ohio	28,967	1,023	10,426	569	6,041	1,405	48,431
Tennessee	899	579	1,001	-------	658	3,312	6,449
Indianapolis	9,938	2,079	8,958	31	3,901	1,672	26,579
Indiana	6,340	739	3,614	31	1,285	691	12,700
Michigan	3,598	1,340	5,344	-------	2,616	981	13,879
Chicago	20,515	1,514	6,288	23	7,844	9,290	45,474
Illinois	16,059	1,210	3,858	-------	4,519	8,498	34,144
Wisconsin	4,456	304	2,430	23	3,325	792	11,330
Des Moines	10,863	1,892	7,759	326	5,948	5,117	31,905
Iowa	3,069	207	1,963	-------	1,078	444	6,761
Minnesota	3,741	314	1,784	326	1,566	1,561	9,292
Missouri	3,488	1,317	3,682	-------	3,042	3,079	14,608
North Dakota	340	38	117	-------	121	24	640
South Dakota	225	16	213	-------	141	9	604
Little Rock	8,652	2,894	2,240	-------	7,981	2,797	24,564
Arkansas	539	83	381	-------	431	81	1,515
Louisiana	2,173	338	164	-------	1,691	573	4,939
Mississippi	425	103	270	-------	480	146	1,424
New Mexico	146	11	116	-------	232	26	531
Texas	5,369	2,359	1,309	-------	5,147	1,971	16,155
Topeka	8,653	819	2,664	-------	5,801	1,824	19,761
Colorado	1,518	88	641	-------	3,237	628	6,112
Kansas	2,597	160	811	-------	599	284	4,451
Nebraska	1,372	318	443	-------	504	155	2,792
Oklahoma	3,166	253	769	-------	1,461	757	6,406
Portland	4,765	436	4,445	551	4,307	2,306	16,810
Idaho	368	28	228	-------	409	105	1,138
Montana	379	25	199	-------	409	19	1,031
Oregon	1,115	221	512	47	1,594	355	3,844
Utah	481	85	663	-------	409	112	1,750
Washington	2,209	77	2,635	504	1,043	1,688	8,156
Wyoming	213	-------	208	-------	443	27	891
Los Angeles	16,846	2,323	18,587	-------	28,482	11,429	77,667
Arizona	376	67	550	-------	1,268	77	2,338
California	16,381	2,240	17,903	-------	26,904	11,333	74,761
Nevada	89	16	134	-------	310	19	568

Table 9.—MORTGAGE RECORDINGS—Estimated volume of nonfarm mortgages recorded

[Dollar amounts are shown in thousands]

Period	Savings and loan associations		Insurance companies		Banks and trust companies		Mutual savings banks		Individuals		Other mortgagees		All mortgagees	
	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent	Total	Percent
1944	$1,563,678	33.9	$256,173	5.6	$877,762	19.0	$165,054	3.6	$1,134,054	24.6	$613,908	13.3	$4,610,629	100.0
January-June	725,872	33.4	125,678	5.8	424,070	19.5	73,036	3.3	518,318	23.8	308,853	14.2	2,175,827	100.0
June	145,893	24.6	22.215	5.3	79,453	18.8	15,536	3.7	99,140	23.5	59,394	14.1	421,631	100.0
July	138,762	33.7	24,707	6.0	80,858	19.7	15,261	3.7	98,194	23.9	53,354	13.0	411,136	100.0
August	149,835	34.8	22,646	5.2	83,094	19.3	15,920	3.7	104,215	24.2	55,066	12.8	430,776	100.0
September	146,151	35.1	22,432	5.4	77,000	18.5	15,447	3.7	104,479	25.1	50,676	12.2	416,185	100.0
October	148,131	35.0	20,985	5.0	76,181	18.0	16,552	3.9	109,767	26.0	51,223	12.1	422,839	100.0
November	134,359	34.1	20,543	5.2	71,752	18.2	15,176	3.9	103,513	26.3	48,296	12.3	393,639	100.0
December	120,568	33.5	19,182	5.3	64,807	18.0	13,662	3.8	95,568	26.5	46,440	12.9	360,227	100.0
1945														
January-June	879,670	34.4	117,563	4.6	480,150	18.8	89,675	3.5	673,781	26.3	316,039	12.4	2,556,878	100.0
January	111,480	31.4	17,882	5.0	65,109	18.4	12,500	3.5	99,200	28.0	48,407	13.7	354,578	100.0
February	111,176	32.8	16,034	4.7	63,933	18.9	10,343	3.1	93,248	27.5	43,963	13.0	338,697	100.0
March	151,361	34.9	20,669	4.8	80,000	18.5	13,599	3.1	114,971	26.5	52,737	12.2	433,337	100.0
April	157,181	34.5	19,718	4.3	88,749	19.5	15,680	3.4	118,713	26.1	55,749	12.2	455,790	100.0
May	172,421	35.4	21,459	4.4	91,023	18.7	18,981	3.9	125,849	25.8	57,702	11.8	487,435	100.0
June	176,051	36.1	21,801	4.5	91,336	18.8	18,572	3.8	121,800	25.0	57,481	11.8	487,041	100.0

Table 10.—SAVINGS—Sales of war bonds[1]

[Thousands of dollars]

Period	Series E	Series F	Series G	Total	Redemptions
1944	$12,379,891	$772,767	$2,891,427	$16,044,085	$3,263,168
June	1,349,794	115,119	377,284	1,842,197	241,278
July	1,686,509	101,082	337,459	2,125,050	220,145
August	499,357	17,807	85,272	602,436	272,125
September	590,827	15,953	85,286	692,066	277,445
October	598,570	13,653	82,871	695,094	394,846
November	806,817	42,680	173,858	1,023,355	376,053
December	1,855,300	124,669	405,880	2,385,849	358,572
1945					
January	803,819	42,034	228,327	1,074,180	333,443
February	653,222	30,695	164,073	847,990	317,083
March	712,133	26,487	150,456	889,076	437,892
April	684,424	23,112	130,100	837,636	381,198
May	1,194,712	62,940	282,437	1,540,089	404,209
June	1,467,673	178,003	532,379	2,178,055	382,536

[1] U. S. Treasury War Savings Staff. Actual deposits made to the credit of the U. S. Treasury.

Table 11.—FHA—Home mortgages insured[1]

[Premium paying; thousands of dollars]

Period	Title II		Title VI (603)	Total insured at end of period
	New	Existing		
1944: June	$81	$17,768	$34,238	$3,263,168
July	82	18,322	42,322	5,713,449
August	90	20,256	48,166	5,781,961
September	79	19,967	42,592	5,844,599
October	40	21,941	43,354	5,909,934
November	54	21,646	38,053	5,969,687
December	31	18,269	36,573	6,024,560
1945: January	67	19,006	38,640	6,082,273
February	27	14,085	31,417	6,127,802
March	37	16,480	29,886	6,174,205
April	63	14,813	26,885	6,215,966
May	80	22,272	23,707	6,262,025
June	374	18,841	20,413	6,301,653

[1] Figures represent gross insurance written during the period and do not take account of principal repayments on previously insured loans.

Table 12.—FHL BANKS—Lending operations and principal assets and liabilities

[Thousands of dollars]

Federal Home Loan Bank	Lending operations June 1945		Principal assets June 30, 1945			Capital and principal liabilities June 30, 1945			Total assets[1] June 30, 1945
	Advances	Repayments	Advances outstanding	Cash[1]	Government securities	Capital[2]	Debentures	Member deposits	
Boston	$2,774	$228	$9,575	$599	$13,036	$20,261	$2,000	$914	$23,280
New York	4,219	553	6,834	5,114	32,049	28,084	5,000	11,050	44,163
Pittsburgh	5,389	539	11,104	2,639	10,873	17,127	5,500	2,038	24,698
Winston-Salem	7,840	157	11,269	274	7,136	18,346	0	371	18,721
Cincinnati	10,187	280	11,844	4,840	24,704	28,010	2,500	10,801	41,558
Indianapolis	4,102	464	8,110	4,151	14,291	15,126	5,000	6,407	26,665
Chicago	18,787	1,942	26,202	2,688	6,329	23,832	6,000	5,287	35,312
Des Moines	7,854	178	9,854	824	12,495	13,573	8,500	1,087	23,288
Little Rock	1,814	513	4,352	1,194	9,117	12,610	2,000	35	14,711
Topeka	1,394	372	3,502	872	8,221	10,945	1,000	644	12,642
Portland	2,368	10	2,368	671	10,861	8,679	2,000	1,208	13,937
Los Angeles	20,006	756	26,652	1,021	10,651	16,822	16,500	5,486	38,360
June 1945 (combined total)	86,734	5,992	131,666	24,887	159,763	213,415	50,000	45,328	317,335
May 1945	6,307	7,423	50,924	23,475	271,929	211,303	50,000	86,359	347,994
June 1944	64,833	8,162	128,278	22,657	131,973	203,479	58,000	21,360	283,693

[1] Includes interbank deposits.
[2] Capital stock, surplus, and undivided profits.

Table 13.—**INSURED ASSOCIATIONS**—Progress of institutions insured by the FSLIC

[Dollar amounts are shown in thousands]

Period and class of association	Number of associations	Total assets	Net first mortgages held	Cash	Government bond holdings	Private repurchasable capital	Government share capital	Federal Home Loan Bank advances	Operations: New mortgage loans	Operations: New private investments	Operations: Private repurchases	Operations: Repurchase ratio
ALL INSURED												
1942: June	2, 374	3, 461, 228	2, 827, 956	219, 374	70, 852	2, 736, 258	185, 783	170, 066	179, 663	184, 789	98, 098	53. 1
December	2, 398	3, 651, 598	2, 871, 641	256, 470	193, 452	2, 983, 310	169, 167	113, 977	46, 705	91, 029	30, 219	33. 2
1943: March	2, 415	3, 690, 918	2, 868, 410	260, 749	241, 818	3, 105, 080	120, 138	66, 970	61, 139	83, 403	48, 955	58. 7
June	2, 428	3, 880, 999	2, 918, 577	276, 785	376, 177	3, 270, 834	119, 252	78, 155	76, 899	103, 939	33, 704	32. 4
September	2, 440	4, 037, 926	2, 971, 411	186, 954	580, 087	3, 389, 891	69, 920	118, 153	87, 878	83, 970	60, 019	71. 5
December	2, 447	4, 182, 728	3, 009, 025	302, 556	581, 651	3, 573, 896	69, 693	100, 340	70, 973	118, 496	37, 885	32. 0
1944: March	2, 452	4, 327, 868	3, 035, 201	228, 303	788, 854	3, 710, 356	50, 868	90, 103	87, 163	104, 494	56, 693	54. 3
June	2, 461	4, 583, 568	3, 117, 585	239, 936	954, 934	3, 922, 705	50, 832	118, 743	105, 245	127, 945	46, 560	36. 4
September	2, 460	4, 713, 875	3, 202, 359	256, 250	997, 983	4, 092, 609	37, 721	86, 840	101, 658	122, 016	56, 102	46. 0
December	2, 466	5, 012, 662	3, 259, 819	269, 701	1, 227, 451	4, 333, 739	37, 701	123, 466	83, 408	142, 291	45, 985	32. 3
1945: March	2, 465	5, 136, 903	3, 300, 601	327, 151	1, 262, 429	4, 538, 426	28, 781	54, 365	110, 287	138, 709	71, 488	51. 5
June	2, 471	5, 549, 563	3, 433, 871	282, 911	1, 585, 708	4, 786, 912	28, 751	124, 936	126, 824	163, 156	56, 279	34. 5
FEDERAL												
1942: June	1, 464	2, 205, 921	1, 849, 400	141, 617	41, 022	1, 735, 932	150, 776	127, 623	110, 729	121, 555	57, 397	47. 2
December	1, 467	2, 299, 895	1, 853, 868	164, 430	117, 339	1, 882, 051	137, 208	84, 135	27, 381	58, 937	16, 530	28. 0
1943: March	1, 467	2, 300, 638	1, 839, 302	156, 792	146, 537	1, 953, 846	96, 109	46, 820	37, 850	54, 824	30, 238	55. 2
June	1, 468	2, 426, 079	1, 865, 991	170, 730	235, 524	2, 060, 502	96, 109	56, 553	46, 730	68, 235	19, 586	28. 7
September	1, 471	2, 523, 737	1, 896, 312	109, 181	369, 954	2, 135, 010	55, 021	87, 648	54, 100	53, 138	37, 274	70. 1
December	1, 466	2, 617, 431	1, 915, 771	183, 038	373, 325	2, 257, 002	55, 021	74, 780	43, 647	76, 677	21, 569	28. 1
1944: March	1, 466	2, 709, 897	1, 927, 122	135, 664	509, 170	2, 346, 042	39, 957	63, 892	53, 883	68, 276	36, 182	53. 0
June	1, 465	2, 881, 276	1, 972, 881	48, 913	620, 016	2, 488, 785	39, 948	84, 602	64, 474	83, 856	25, 969	31. 0
September	1, 464	2, 961, 860	2, 024, 635	151, 862	652, 085	2, 599, 565	29, 562	60, 877	63, 489	79, 126	35, 570	45. 0
December	1, 464	3, 168, 731	2, 058, 045	166, 764	810, 013	2, 760, 927	29, 647	90, 257	51, 586	93, 400	26, 049	27. 9
1945: March	1, 465	3, 237, 942	2, 081, 813	192, 904	832, 311	2, 895, 120	22, 616	37, 109	69, 430	91, 627	46, 574	50. 8
June	1, 465	3, 528, 027	2, 164, 653	178, 377	1, 052, 668	3, 058, 683	22, 616	97, 940	79, 603	106, 770	33, 601	31. 5
STATE												
1942: June	910	1, 255, 307	978, 556	77, 757	29, 830	1, 000, 326	35, 007	42, 443	68, 934	63, 234	40, 701	64. 4
December	931	1, 351, 703	1, 017, 773	92, 040	76, 113	1, 101, 259	31, 959	29, 842	19, 324	32, 092	13, 689	42. 7
1943: March	948	1, 390, 280	1, 029, 108	103, 957	95, 281	1, 151, 234	24, 029	20, 150	23, 289	28, 579	18, 717	65. 5
June	960	1, 454, 920	1, 052, 586	106, 055	140, 653	1, 210, 332	23, 143	21, 602	30, 169	35, 704	14, 118	39. 5
September	969	1, 514, 189	1, 075, 099	77, 773	210, 133	1, 254, 881	14, 899	30, 505	33, 778	30, 832	22, 745	73. 8
December	981	1, 565, 297	1, 093, 254	119, 518	208, 326	1, 316, 894	14, 672	25, 560	27, 326	41, 819	16, 316	39. 0
1944: March	986	1, 617, 971	1, 108, 079	92, 639	279, 684	1, 364, 314	10, 911	26, 211	33, 280	36, 218	20, 511	56. 6
June	996	1, 702, 292	1, 144, 704	91, 023	334, 918	1, 433, 920	10, 884	34, 141	40, 771	44, 089	20, 591	46. 7
September	996	1, 752, 015	1, 177, 724	104, 388	345, 898	1, 493, 044	8, 159	25, 963	38, 169	42, 890	20, 532	47. 9
December	1, 002	1, 843, 931	1, 201, 774	102, 937	417, 438	1, 572, 812	8, 054	33, 209	31, 822	48, 891	19, 936	40. 8
1945: March	1, 000	1, 898, 961	1, 218, 788	134, 247	430, 118	1, 643, 306	6, 165	17, 256	40, 857	47, 082	24, 914	52. 9
June	1, 006	2, 021, 536	1, 269, 218	104, 534	533, 040	1, 728, 229	6, 135	26, 996	47, 221	56, 386	22, 678	40. 2

Table 14.—**SAVINGS**—Held by institutions

[Thousands of dollars]

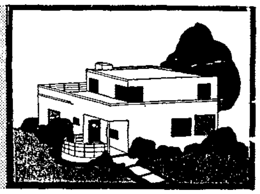
End of period	Insured savings and loans [1]	Mutual savings banks [2]	Insured commercial banks [3]	Postal savings [4]
1942: June	$2, 736, 258	$10, 354, 533	$14, 889, 560	$1, 315, 523
December	2, 983, 310	10, 620, 958	15, 704, 991	1, 417, 406
1943: March	3, 105, 080			1, 492, 966
June	3, 270, 834	11, 104, 707	16, 897, 124	1, 577, 526
September	3, 389, 891			1, 683, 497
December	3, 573, 896	11, 707, 025	18, 572, 406	1, 787, 994
1944: March	3, 710, 356			1, 905, 864
June	3, 922, 705	12, 428, 026	20, 543, 888	2, 034, 136
September	4, 092, 609			2, 197, 701
December	4, 333, 739	13, 331, 811	23, 362, 909	2, 342, 297
1945: March	4, 538, 426			2, 513, 197
June	4, 786, 912	14, 378, 413		2, 655, 646

[1] Private repurchasable capital as reported to the FHLB Administration.
[2] *Month's Work.* All deposits.
[3] FDIC. These figures have been revised to show total time deposits of individuals, partnerships and corporations.
[4] Balance on deposit to credit of depositors, including unclaimed accounts. June total is unaudited.

Table 15.—**FORECLOSURES**—Estimated nonfarm real estate foreclosures, by Federal Home Loan Bank Districts

Federal Home Loan Bank District	Foreclosures: June 1945	Foreclosures: May 1945	Foreclosures: April 1945	Foreclosures: June 1944	Cumulative (6 months): Jan.-June 1945	Cumulative (6 months): Jan.-June 1944	Cumulative (6 months): Percent change
UNITED STATES	1, 383	1, 275	1, 203	1, 564	7, 785	9, 190	−15. 3
Boston	125	114	103	135	779	1, 191	−34. 6
New York	293	319	323	465	1, 873	2, 529	−25. 9
Pittsburgh	272	249	180	320	1, 394	1, 593	−12. 5
Winston-Salem	132	138	143	195	787	986	−20. 2
Cincinnati	164	141	163	85	883	729	+21. 1
Indianapolis	46	29	24	30	322	178	+80. 9
Chicago	79	55	63	63	336	476	−29. 4
Des Moines	70	52	58	97	339	515	−34. 2
Little Rock	56	31	13	41	253	214	+18. 2
Topeka	102	77	79	64	484	345	+40. 3
Portland	5	14	13	13	63	67	−6. 0
Los Angeles	39	56	41	56	272	367	−25. 9

THE HOME FRONT



Appointment of Construction Coordinator announced

The Director of War Mobilization and Reconversion has announced the appointment of Hugh Potter of Houston, Texas, as Construction Coordinator to head the newly established Interagency Committee on Construction. This group is composed of representatives of the Office of War Mobilization, Office of Economic Stabilization, War Production Board, National Housing Agency, War Labor Board, Federal Works Agency, War Manpower Commission, the Departments of Commerce and Labor and the Smaller War Plants Corporation.

This committee will review the construction programs of Federal agencies to coordinate policies and procedures for facilitating reconversion in conformity with total over-all needs. It will also determine impediments to the rapid resumption of construction and recommend appropriate action to the Director of the OWMR.

Standards set for prefab homes

The quality of prefabricated homes can now be measured against commercial standards set up by the National Bureau of Standards. These requirements are effective for one, one and one-half and two story houses produced since May 10, 1945. A prefabricated house is defined as "one having floors, walls, ceilings, or roof composed of section, or panels of varying sizes which have been fabricated prior to erection on the building foundation."

The new code reflects the views of Government agencies, leading manufacturers, distributors and organizations which use prefabrication methods or supplies. Minimum requirements are outlined for structural strength of the component parts, light and ventilation, foundations, chimneys, heating, plumbing, insulation, and electrical wiring. General standards are also recommended for materials, workmanship in the manufacturing processes, erection on site, assembly of prefabricated units, and protection during transportation and erection.

Copies of the code, called "Prefabricated Homes" (CS125–45), are available at \$.05 from the Superintendent of Documents, Government Printing Office, Washington 25, D. C.

Lumber for emergency use

Home owners no longer need an FHA authorization to buy lumber for emergency repairs to their dwellings. They may now certify purchase orders themselves and buy the lumber direct from distributors. Announced jointly July 16 by FHA and WPB, the order amends Direction 8 of the L–335 WPB lumber control regulation.

The directive applies only to persons owning and occupying single family dwellings, not to landlords or tenants. Emergency repair covers damage resulting directly from fire, flood, tornado, earthquake, storm, or similar disasters. Also included in this category is necessary repair to permit continued occupancy of a dwelling which would otherwise be unfit for living purposes.

Distributors are authorized to replace lumber sold under this directive up to 5 percent of their 1944 retail lumber sales, or 10,000 board feet, whichever is more, during the rest of 1945. Purchase orders must be certified and an AA–3 rating applied.

Research finds new uses for wood

To salvage a vast amount of raw material now going to waste, lumbermen have turned to research to uncover new and better ways of using wood and wood products. Almost one-third of the nation's lumber comes from the Pacific Northwest, but approximately 70 percent of every tree felled there was formerly discarded. Concerned over the future of our lumber resources, Federal, state and industrial laboratories have all set up extensive experimental programs. The Federal activities are concentrated in a U. S. Forest Service laboratory at Madison, Wisconsin, while Oregon probably leads in state financed wood research. Individual firms and trade associations are undertaking similar work in their own laboratories. Discoveries are expected to create about 10 percent more jobs within the industry.

Already new techniques promise to affect many phases of everyday living. A recently developed process will permit the use of such soft woods as pine and fir for office furniture and floors. Chemically treated, such wood retains its characteristic appearance but becomes very light in weight, smooth and hard as ebony. A new method of dry-kilning removes acids, resins and fats. It allows the wood to dry uniformly, thus eliminating much cracking and warping. By-products of this process can be used for making glycerine, soap, paints, paper sizing and various other commercially important products. Weed trees of the less valuable pine species are being made into prefabricated paneling.

In wood, research technicians have tapped a huge new potential source of valuable chemicals. Western hemlock bark will furnish tannin for leather makers. "Cork" can be produced from Douglas fir bark. Another laboratory miracle reveals that lignin, a plentiful by-product of wood alcohol plants, yields phenols and resins used in many plastics.

FHA loans on existing houses

In the fiscal year ending June 30, 1945, FHA insured 52,119 mortgage loans on existing houses to attain the highest volume in the past five years. Granted under Title II of the National Housing Act, this insurance totaled \$242,079,000. Title II covers normal peacetime insurance of loans on one-to-four family homes.

FOR THE FUTURE

In the midst of war, many towns and communities are making their plans "For the Future," in order to have healthier, more attractive cities, and to provide employment for the returning servicemen and workers. From time to time, as information becomes available, the REVIEW *will publish accounts of some of these.*

Vancouver plans today for tomorrow

Vancouver, Washington, is not waiting until "tomorrow" to do something about its surplus of land and war-built housing. Already, Government agencies and civic organizations have banded together to formulate plans for the future use of some 22,000 units (family and dormitory) of war housing.

Congress will be asked, under provisions of the Lanham Act, to approve the acquisition of three Federally owned, permanent war housing projects. These developments, which comprise 1,000 units, will be used for housing the low-income families of the city. It is believed that the supply will be adequate to accommodate all such residents.

Based on the theory that at least 50 percent of its in-migrant workers will remain in Vancouver after VJ Day, the school district intends to utilize surplus Federally owned lands in a postwar building program designed to meet this potential demand. A tuberculosis sanatorium, golf course, riding academy, cemetery and parks, to be located on temporary war housing sites, are included in Vancouver's "after the war" plans. Land which is left over after community needs are met will be replatted and sold to private home builders. The Planning Commission estimates that "about 1,000 home sites can be sold without flooding the real estate market through excessive subdivision."

Toledo committee displays city model

The Toledo Tomorrow Committee, a representative group of government, business and civic leaders of Toledo, Ohio, has currently on display a 61 x 30 foot model of an *ideal* plan for their city. Aimed to encourage public support for civic improvement according to an integrated plan, this means of presentation offers at a glance the complete layout proposed by the Committee. A system of loud speakers permits explanation of various details. To put plans for such a modern large-scale project into effect, Toledo planning experts agree that state legislation will be necessary.

The more striking features of the model, as contrasted with the city today, are the elimination of congested transportation lines, the segregation of residential areas from the heart of the city—largely through the introduction of "green belts"—and the relocation of much heavy industry. A union terminal is shown on the model, servicing air, rail and bus lines, while expressways are provided to relieve city streets of the heavy volume of through traffic.

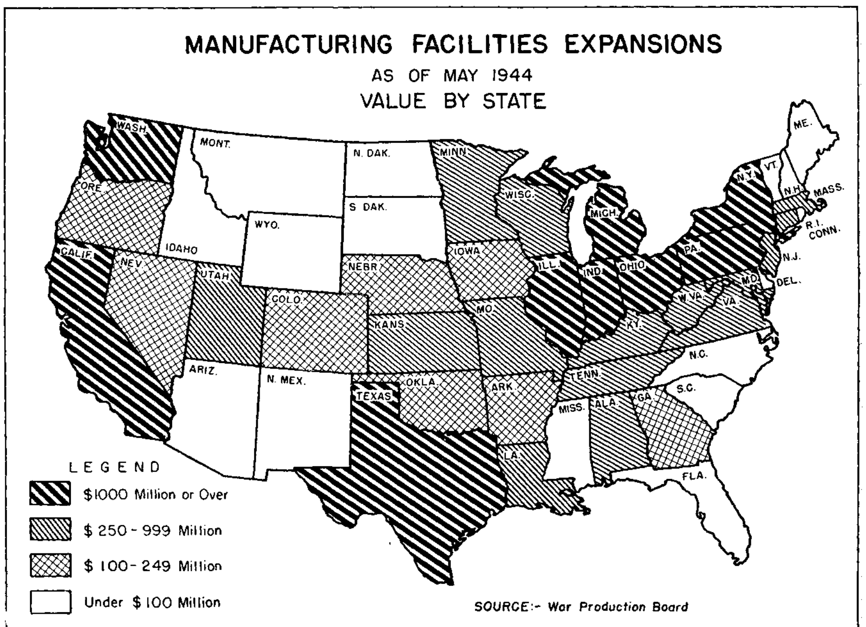
Geographic distribution of wartime plant expansions

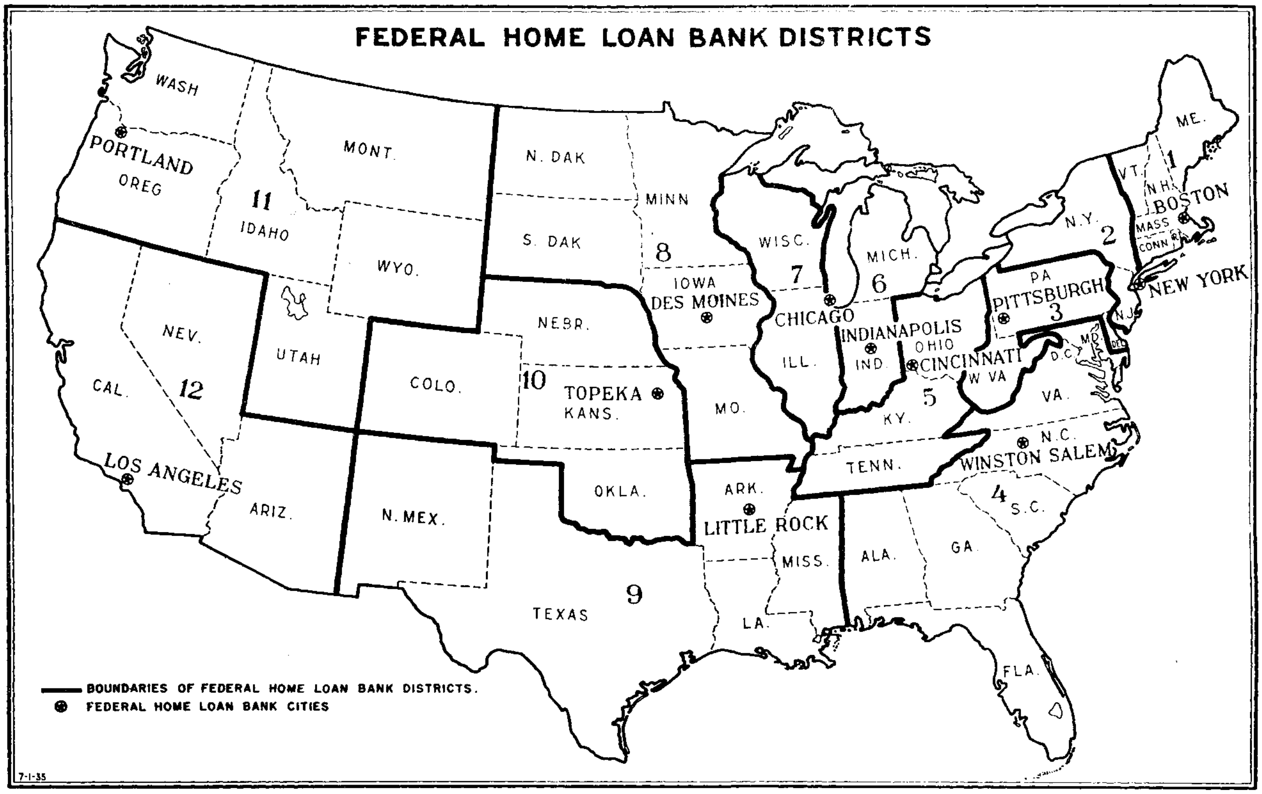
Contrary to impressions that a widespread relocation of industrial plant has occurred as the result of facilities expansion during the war, WPB reports that military and economic considerations resulted in a heavy concentration of these expansions chiefly in the same states and areas where specific industries had operated before the war. "Actually, effective dispersion has been the exception rather than the rule. Certain exceptions are important, however; new facilities for various industries now exist in areas previously not devoted to such industries. Many such new (or greatly expanded) industrial areas are almost certain to continue in importance after the war."

From July 1940 through May 1944, the nation added 13,126 plants (new, expanded or converted) with a total value of $20,300,000,000. The prewar manufacturing plant in terms of gross tangible assets was $39,600,000,000, while adjustment for depreciation reserves yielded $21,300,000,000 net property account balance. While neither the gross nor net figures represent the actual 1939 value, they do furnish a rule-of-thumb gauge to indicate the magnitude of the wartime expansion.

More than 50 percent of the $13,900,000,000 in "new plant" authorized for the country as a whole was concentrated in three regions: East North Central, $3,900,000,000; Middle Atlantic, $2,000,000,000 and West South Central, $1,800,000,000.

Although the East North Central and Middle Atlantic regions have retained their rank of first and second in war expansions as in the value of prewar plants, it is believed that they have shown a proportionate loss in metals and metal products due largely to the expansion of shipbuilding and aircraft production in other coastal and southwestern regions.





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