★ FEDERAL HOME LOAN BANK

REVIEW

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Victory, won at so tremendous a cost, has brought us only to the threshold of peace. There are still many responsibilities to be faced if we are to have the orderly reconversion necessary to assure us the ultimate fruits of this victory.

The stage is finally set for the long-awaited resurgence of the building industry. Mortgage financing institutions, by exercising prudence as well as imagination in tackling the problems ahead, can play a major role in providing good housing for a peace-time America.

James Twohy

Governor,
Federal Home Loan Bank System

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APPROVED BY THE BUREAU OF THE BUDGET.

THE ROAD BACK

THE termination of hostilities came with almost the same suddenness that marked our entry into the war. Now the country is moving with increasing rapidity along the road back—back to a peacetime economy. In readjusting to civilian production we are returning to the system of competitive marketing in which the individual citizen is the principal buyer, compared with our wartime economy in which Government purchases for war dominated the scene. However, our return cannot be considered complete until resumed civilian production restores sufficient demand-supply equilibrium to reestablish free market operations.

To the problems of reconversion now before us, the Director of War Mobilization and Reconversion recently gave the answer:

> "Only a production vastly expanded over anything this or any other nation has ever seen will make possible the attainment of the four major economic objectives which face us in the months ahead . . . .
>
> (1) Jobs for all those willing and able to work.
>
> (2) A steadily rising standard of living.
>
> (3) Stabilization of our economy to avoid disastrous inflation or deflation.
>
> (4) Increased opportunities for farmers and businessmen.
>
> * * *
>
> "Wherever immediate removal of controls will help to get expanded production under way faster, they will be removed. Wherever the removal of controls at this time would bring a chaotic condition or cause bottlenecks, or produce a disruptive scramble for goods, controls will be kept and used."

In accordance with plans made public 24 hours after President Truman's announcement of the unconditional surrender of Japan, literally hundreds of controls over industry were abandoned or scheduled for cancelation by WPB. Significant to the home building industry among these early cancelations were orders affecting hand tools, hardware, copper, logging equipment and wood products machinery and equipment, Douglas fir logs, plumbing and heating and domestic cooking appliances.

Although the old wartime priorities control system, including the Controlled Materials Plan, will be eliminated at the end of September, a new limited system for use during the reconversion period is to be introduced. Under this system a new, junior, non-extensible, civilian "CC" preference rating will be used in limited cases to break bottlenecks in reconversion and to insure, when necessary, continued production and services. However, WPB explained that its policy, for the most part, will be not to assign priorities assistance for non-military needs.

Housing

In housing, NHA moved immediately to expand the goal for the 12 months ending next July which had previously been set at 400,000 starts for residential construction. Almost simultaneously, all regulations restricting occupancy of privately financed war housing to war workers were lifted. However, as this issue of the Review goes to press, word has not been received as to changes in the Construction Order L-41. These are currently under consideration and are expected as soon as a decision is reached on the point of sales and rental ceilings for new construction during the period of reconversion.

With respect to lumber, the elimination of controls by the WPB will undoubtedly release a supply sufficient to allow some expansion in building activity. It is reported that an adequate stock of the proper grades of seasoned lumber to be used in residential construction is not expected to be available before the spring of next year.

As early as August 11, telegraphic orders were issued by FPHA stopping the awarding of contracts for Federally financed war housing and plans were speeded for the eventual disposition of such accommodations on hand.

The importance of housing in the postwar period received special comment from the President in his message of September 6 to Congress:

"There is wide agreement that, over the next 10 years, there should be built in the United States an average of from a million to a million and a half homes a year.

"Such a program would provide an opportunity for private capital to invest from six to seven billion dollars annually. Private enterprise in this field could provide employment for several million workers each year . . ."

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THE SUPERVISORY EXAMINATION—ITS PURPOSES AND OBJECTIVES

Impartial examination has come to be accepted as a necessary procedure from the standpoint of public policy, as well as for the internal direction and management of thrift institutions. An understanding of the principles and practices of examination enables the directors and officers to obtain the maximum benefits of the examiner's report.

By VERNE C. BONESTEEL, *Chief Examiner Federal Home Loan Bank Administration*

■ THE managers of some savings and loan associations may regard the annual supervisory examination as little more than a necessary burden. Others value it as the constructive and useful analysis which it is intended to be.

Much can be gained from this periodic examination if the procedures are thorough without delving into the unessential, if the examiner is objective in his viewpoint without being uncooperative, if he is helpful without wavering in his duty to portray his findings accurately, and finally, if the proper use is made of the examination report. Every manager needs an impartial review of the condition and operations of his institution. The examination report may be used as a constructive tool by the manager and as an unbiased analysis for the protection and consideration of the board of directors.

The examiner's work, like that of any other profession, is a science and an art. Underlying and defining the work is a philosophy. The science of examining is concerned with the technical knowledge which must be mastered as a basis for the work. Its philosophy deals with the reasoning and purposes which support the science. But, to the examiner, a knowledge of the science and an understanding of the philosophy are useless and impractical without proficiency in the art, which is the practical application of the principles and philosophy.

This article presents the philosophy or the purposes and objectives of the examination of savings and loan associations. It attempts to clarify certain questions that sometimes may occur to managers and directors. Why is a supervisory examination necessary? What are the principal objectives of the examination and the audit? What is the function and responsibility of the examiner? What specific uses can managers and directors make of the examination report? Is it feasible to reduce as well as to expand procedures to fit conditions?

Savings and loan managers through the years have appreciated the necessity of audits more than they have valued supervisory examinations. Even prior to statutory regulation, by-laws generally made some provision for an annual audit. Judge Seymour Dexter in his *Treatise on Cooperative Savings and Loan Associations* published in 1889, in one of the two chapters on how to organize an association in New York State, suggested that the constitution or by-laws include a section which would provide for an auditing committee, the members of which should not be officers of the association. In this, he emphasized the importance of the independence of the auditors.

Legislative Aspects

Legislation, including provision for audits and examinations, has usually been proposed and endorsed by organizers and officers of savings and loan associations. The development has been progressive and gradual: audits by committees; then, reports to state officials; next, permissive examination by supervisory authorities; and finally, compulsory periodic examinations.

The demand for examinations thus came from the business itself. The interests of good management are not in conflict with the purposes and objectives of supervisory examinations. Although the examiner is employed by the state or by the Federal Home Loan Bank Administration, his examinations are conducted not only in the interest of the supervisory authorities and for the protection of the members of the association and the general public, but also in the interest of the directors who accept the responsibility of determining the policies of the association, and the officers and employees who may find the examiner's observations helpful in the performance of their duties.

Section 5 (a) of Home Owners' Loan Act of 1933 reads: "In order to provide local mutual thrift institutions in which people may invest their funds and in order to provide for the financing of homes, the Board is authorized, under such rules and regulations as it may prescribe, to provide for the organization, incorporation, examination, operation, and regulation of associations to be known as Federal savings and loan associations . . ." Title IV of the National Housing Act, Section 403 (b), provides that applications for insurance of accounts "shall contain an agreement (1) to pay the reasonable cost of such examinations as the Corporation shall deem necessary in connection with such insurance, and (2) if the insurance is granted, to permit and pay the cost of such examinations as in the judgment of the Corporation may from time to time be necessary for its protection and the protection of other insured institutions."

Thus, the business itself and legislation recognize that examination and supervision are necessary because savings and loan associations are quasi-public institutions and are trustees of the people's savings. Obviously, if associations are to be supervised fairly and intelligently, current information regarding their condition and operations must be obtained. Moreover, the Rules and Regulations for Insurance of Accounts provide that if an insured institution is not audited at least once each year in a manner and by auditors satisfactory to the Corporation, the annual supervisory examination by the Corporation shall include an audit. Whether an association is to be audited separately or at the time of the annual examination is a matter for determination by the association.

Purposes Served

What are the principal purposes of the examination and the audit? An examination of a lending institution is conducted for three purposes: first, to determine by analysis of assets, liabilities and operations, the actual condition of the institution and whether it is being operated in accordance with sound principles; second, to see whether there are violations of charter, by-laws, statutes or regulations; and third, to see whether all transactions have been properly recorded.

In the examination and audit of associations, a division of purposes, or at least of emphasis, has naturally developed. Supervisory examinations are made principally for the first and second reasons—to ascertain whether the association is being operated soundly and is following the laws and regulations; and audits are conducted princially for the third reason—to determine whether accounts are accurate, whether there are technical errors such as inaccurate computations and posting to the wrong accounts, and errors of principle, such as confusion between capital accounts and profit and loss accounts or failure to discriminate between apparent and real profits. It would be wholly theoretical, however, to assert that there could be this complete separation of purposes, for there must be some overlapping in examinations and audits when conducted separately. It is largely because of this overlapping or duplication of part of the work that there is a saving in expense when the examination and the audit are combined.

The supervisory examination must include what is usually referred to as a balance sheet audit—a proving of the subsidiary accounts with the controlling accounts, and a sufficient review of the income and expense accounts to distinguish operating and non-operating items, and to see that reserve allocations are proper. But this does not mean any detailed analysis or verification of receipts and disbursements or of income and expense. Hence, in the supervisory examination alone, the integrity of the accounts is to some extent accepted, since the examiner depends upon the auditor for adequate test checks and proofs.

Examiners observe these distinctions between the procedures of a supervisory examination and the additional procedures which are involved when the work is to include an audit. These additional features all relate to the testing of the accuracy of the accounts. In an examination, among other differences, there is no analysis of all transactions for any specific period, nor are there verifications by direct correspondence.

The actual inspection of all assets with supporting documents is not repeated in each examination; but in an audit, and to a lesser extent in an examination, test checks of old assets are made. Considerable time is thus saved by accepting work previously done. However, speaking cumulatively of work previously and currently done, the examiner verifies all assets by recognized procedures, such as by inspection, counting, reconcilement, or direct correspondence; he ascertains by inspection of attorney's opinion or title policy that the asset is genuine; and he determines the liabilities by proof and analysis of the accounts. He analyzes operating accounts, making test checks of expense charges and income credits. He prepares reconcilements of undivided profits and reserve accounts. He reviews the minutes of directors' and shareholders' meetings for authorizations and confirmation of policies. He evaluates assets on the basis of payment performance and other qualities. He makes an investigation of the association's appraisal methods and lending policies. He analyzes the system of internal check and control, and he suggests methods of improving the association's accounting practices.

Within the reasonable limitations of approximate average time for an assignment of a certain size and difficulty, and within the general instructions as to scope and uniformity, independence in determining procedures is essential in an examination or audit. The examiner must maintain his independence and keep free from all shadow of suspicion that his work is influenced by any considerations other than the obtaining and the reporting of unbiased facts.

When the Examining Division was organized in 1934, it was agreed that the responsibility of examining should be separated as much as practicable from the responsibility of supervising. The principle is that fact finding should be uninfluenced by considerations of actions which might follow the presentation of unbiased facts. However, to a considerable degree, a good examiner will keep in mind not only the purposes and objectives of his procedures from an examining standpoint, but he will also bear in mind the use that may be made of the information; otherwise his facts and comments may not be clear and useful to the supervisor or to the association.

Managers and directors are interested in the ability, integrity and alertness of the men who conduct their examinations. They want men not only competent from a technical standpoint, but men familiar with the savings and loan business. This emphasizes the training necessary to develop an examiner. After the basic technical knowledge or science has been acquired through study and review of instructions to examiners, much of the development must come through actual practice. An inexperienced examiner is placed under the supervision of an experienced examiner. Then, partly to give him different approaches and methods and clearer understanding, an assistant examiner is assigned to periods of service under other senior examiners. Any examiner who has the necessary qualifications will develop through observation and questioning. It is planned in every Federal Home Loan Bank District to have periodic staff meetings of the examiners, when all procedures are reviewed and problems are discussed with them.

What specific uses can managers and directors make of the examination report? The manager should fully review every report of examination with the board of directors. No matter how well informed a manager is about his association, he wants to know what the examiners found; and the directors are entitled to know all the facts and the examiner's comments. In reviewing a report, it should be understood that the scheduling of a loan does not mean that ultimate payment of the loan is questioned. Loans are scheduled because of lack of performance or because of some other reason based upon the formula set forth in the report, a formula agreed upon by representatives of the Bank Administration and of the business. The examiner endeavors to be reasonable and yet he cannot depart from the standards established.

"Standard Form"

The report form used for examinations of all insured institutions is usually referred to as the "standard form". It is the product of many collaborators, and it includes what are regarded as some of the best features of forms used in several of the states. It was approved by the National Association of Building and Loan Supervisors, representatives of management who were members of a committee of the United States Savings and Loan League and by the Federal Home Loan Bank Administration.

Many managers have found it practicable to make their monthly reports to boards of directors in substantially similar form; then the information obtained by the examiner should not vary materially from that given to the directors at the most recent board meeting. Also, the month-to-month changes and trends will have real meaning to the board.

Some managers are keeping a desk manual which follows the general plan of the examination report. The first section in such a manual is a month-by-month comparison of the balance sheet. The second section, as in the examination report, is the statement of operations. The budget estimates are sometimes presented cumulatively from month to month beside the actual figures. The itemized income and expense may also be shown in comparison with other months.

The third section of such a manual, as in the examination report, shows loan statistics. Loans closed during the month may be broken down as to purpose—that is, construction, home purchase, refinancing, reconditioning, etc. Here, too, a record is kept of delinquencies.

Another section is for information regarding the share accounts. Still another part of the manual may deal with any specific problems such as real estate owned or other slow assets.

It is a simple matter each month to prepare from this desk manual an intelligent and valuable report for the directors.

The form of the examination report does not control the procedures to be followed in obtaining information for the report. It provides the manner and sequence in which the information is to be presented, but not the method by which it is to be obtained. The report form prescribes the orderly arrangement of information. The examination method or program relates to the procedure by which an examination is accomplished.

Plans of Procedure

There are two plans of examination procedures or programs, (1) the predetermined and (2) the general. The first has the advantage of providing the examiner with a check sheet; the second has the advantage of accentuating objectives rather than methods. The Examining Division uses the first plan in order that the work may be divided efficiently and that the scope of the program may be recorded in the working papers; but the examiners are encouraged to develop the thinking which is essential to the second plan. Although the predetermined program is used, the examiners understand that program must never be a substitute for judgment. They are taught that the value of any examiner's work depends more upon his ability to grasp the significance of his findings than upon his following the program thoughtlessly or implicitly. It therefore logically follows that procedures may be contracted in those instances when that course can be safely followed. In other words, it is feasible to reduce as well as to expand procedures to fit conditions.

Internal Check and Control

There is much that can be done by some associations to reduce their examination costs. For the past three or four years, and especially during the past year, examiners have been reporting as to systems of internal check and control. Improvements in associations' methods have enabled directors and managers better to discharge their trusteeship responsibilities and, at the same time, they have made it possible for the examiner to dispense with some of the auditing procedures which would otherwise be necessary.

The term internal check and control is used to describe the measures and methods employed by the association to safeguard the assets and to check the accuracy of the records. The basic principle is that the several responsibilities and duties of the personnel shall be so separated and yet coordinated that there is a constant check of the work of one department against that of another and the work of one employee against that of another, so that no one person has complete control over any entire important transaction. Obviously, the extent to which a system can be put into practice depends to some extent upon the number of employees; and yet there are important but simple methods that can be adopted in any savings and loan association regardless of size.

A broader and perhaps more constructive viewpoint of internal check and control is that some system is essential to assist employees in carrying out their several responsibilities in accordance with the objectives of the directors who establish the policies. It is a method of self-regulation of associations directed by men who realize their trusteeship responsibilities and are seeing to it that they are carried out.

It is necessary for employees to have standards and objectives. It is, of course, possible to have them without reducing them to writing, provided they are understood and accepted by all of the employees. There is real value, however, in having duties and standards made matters of record. That results in clearer understanding. The outline of instructions supplements memories. It is especially useful in the event of the absence of certain employees.

Such a record enables the examiner more quickly to analyze the system and the duties of personnel, particularly as to the flow of cash, the custody and control of assets and the accounting methods. Even where a good system of internal check and control exists, the effectiveness of its operation must be established by test; but consideration of these factors will enable the examiner to provide in his program for the minimum tests which are needed to reveal any absences of order.

Instructions to Examiners

Examiners are instructed to observe the "4C's" in their comments. They are directed to bear in mind that the report should be clear, coherent, concise and complete. The extent of an examiner's comments does not necessarily indicate the extent of the

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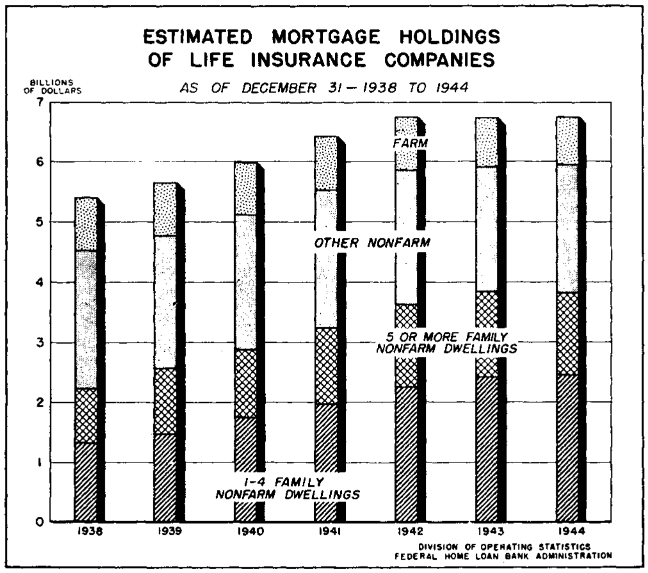
MORTGAGE INVESTMENTS OF LIFE INSURANCE COMPANIES

This article is based on the annual study, made by the Division of Operating Statistics, of mortgage and real estate activity of life insurance companies. Highlights of last year were a declining proportion of funds secured by new mortgages on small homes and a decrease in loans obtained by purchase.

■ THE total mortgage portfolio of life insurance companies showed only a fractional increase last year in spite of the fact that their new lending activity gave the first indication of recovery from the declines of early war years. Held down by an unusually high volume of principal repayments, the unpaid balance of mortgages held by these institutions was estimated at $6,771,000,000 on December 31, 1944, an advance of only 0.3 percent, or $23,000,000, over the 1943 year-end figure. This slight increase resulted from gains in the holdings of mortgages on 1- to 4-family homes and on commercial properties, offset to some extent by losses in multi-family and farm property balances. During this period the number of mortgages held decreased by about 3,000 and the average value increased from $8,199 to $8,259.

Life insurance companies, thus, were the only type of lending institution, except savings and loan associations, to show any increase in mortgage holdings last year, although their fractional gain did not compare with the 6-percent increase of savings and loan members of the Bank System. However, it bettered the record of a 3-percent decline shown by insured commercial banks and the drop of 4 percent in the mortgage portfolio of mutual savings banks.



Rising for the eighth successive year, the unpaid balance of mortgages on 1- to 4-family homes held by life insurance companies at the end of December stood at $2,458,000,000. However, the rate of increase in this category was considerably diminished from 1943—only 2 percent last year compared with a 7-percent gain the year before. Even so, the rise was sufficient to increase the proportion of these loans from 35.7 percent of the total mortgage portfolio in 1943 to 36.3 percent last year. The average size of these loans increased from $4,045 in 1943 to $4,085 last year.

Other residential mortgage holdings (5- or more-family dwellings) reversed the upward trend evident since 1938, dropping almost 5 percent during 1944. The $1,361,000,000 secured by these apartment properties accounted for fractionally more than 20 percent of total holdings in 1944 compared with more than 21 percent the year before. In this category the average loan declined slightly from $50,036 to $49,876.

As a consequence of these divergent trends, total nonfarm residential mortgage holdings of life insurance companies dropped from $3,834,000,000 to $3,819,000,000. Last year they represented fractionally less than they had the year before—56.4 compared with 56.8 percent of the total mortgage portfolio.

The unpaid balance of mortgages on commercial properties, which, in proportion to the total portfolio, had been declining slowly since 1938, increased almost 4 percent last year to $2,153,000,000 and represented about 32 percent of total mortgage holdings compared with less than 31 percent a year earlier. On the other hand, the volume of mortgages held on farm properties continued downward, receding to less than 12 percent ($799,000,000) of the total loan balance. In 1943 farm mortgages amounted to $840,000,000, approximately 13 percent of the total.

FHA Activity

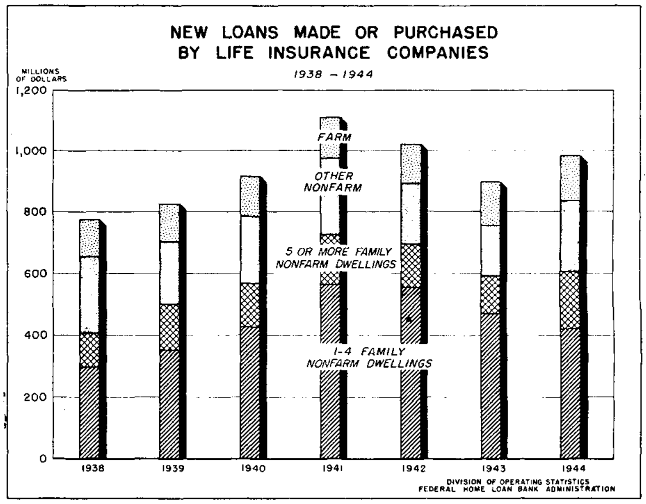
Once again, as in 1943, life insurance company holdings of insured mortgages on 1- to 4-family homes exceeded the balance outstanding on uninsured loans of this category. At the close of 1944, these insured loans amounted to $1,302,000,000, or 53 percent of the balance outstanding on this type of property compared with 51 percent in 1943. The increase of 6 percent last year represented a slackening in the rate of growth from the 19-percent gain shown in 1943. At the same time, the ratio of insured loans on 1- to 4-family homes to the total FHA insured loans held by life insurance companies dropped from above 94 percent in 1943 to slightly more than 92 percent last year. Apartment house FHA insured loans, however, increased from 6 to almost 8 percent of the total.

FHA reports on the face amount of mortgages on 1- to 4-family homes insured under Titles II and VI indicated that insurance companies of all kinds held 32.8 percent of the total amount, which was the second largest share for any one type of lending institution, and that life insurance companies alone held 29.7 percent of the total amount. Life insurance companies held 57.4 percent of the total face amount of mortgages on large-scale rental housing projects insured under Titles II and VI which, combined with their holdings of insured mortgages on 1- to 4-family homes, represented 31.2 percent of the total face amount of mortgages of all types insured under Titles II and VI.

Ratio to Assets

The ratio of loan balances to admitted assets provides another indication of the effect of wartime conditions on new mortgage investments. From 1936 through 1942, the gain in mortgage holdings kept pace with the growth of assets so that the ratio of total loans to admitted assets fluctuated around 19–20 percent. In 1943 this ratio dropped to 17.9 percent, while last year a practically stationary mortgage portfolio coupled with an unprecedented asset growth brought the ratio down to 16.6 percent of admitted resources.

The decline in the ratio of mortgages held on small homes to total assets showed considerably more stability, reflecting only a fractional decrease from 6.4 percent in 1943 to 6.0 percent last year. This was because mortgage holdings on 1- to 4-family homes increased more rapidly than total loans, although the advance was relatively less than the expansion of resources.



New Loans During 1944

For the first time since 1941 the gross volume of mortgages made or purchased by life insurance companies increased. The $984,000,000 of these new loans was 9 percent greater than the 1943 volume but still 11 percent below the post-depression peak of $1,111,000,000 added to their portfolio in 1941. At the same time that the 1944 dollar volume of new loans increased, the number declined 21 percent with the result that the average value of these mortgages rose 39 percent from $7,102 in 1943 to $9,863.

A breakdown by type of property shows that multi-family dwellings recorded the largest gain in the average value of new mortgages placed on books of these companies—up 55 percent. The second largest increase in average size occurred among mortgage loans on commercial properties, which were 51 percent greater than the average for this type reported in 1943. However, the increase in the average size of mortgage loans made on 1- to 4-family homes was considerably less, this type showing a gain of 20 percent, while the average gain among farm mortgages was 9 percent.

Reflecting the generally tight condition of the 1944 mortgage market, loans acquired by purchase reversed a 10-year upward trend and declined 26 percent to $164,000,000. They represented only 17 percent of total lending activity in 1944 compared with 25 percent the year before. Conversely, loans made in the names of the companies themselves increased 24 percent. The $685,000,000 of these mortgages accounted for 70 percent of the year's aggregate activity whereas in 1943 such loans represented 61 percent. Those made in the name of correspondents increased 8 percent to $135,000,000

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during 1944 but their proportion to total lending remained practically the same as the year before—about 14 percent.

Perhaps the most outstanding finding in an analysis of these data was the diversion of funds from mortgages on 1- to 4-family homes. Although those properties remained the most favored type of security, they represented only 43 percent ($420,000,000) of the total lending volume compared to 52 percent in 1943. This was the first time in four years that mortgages on this type of property represented less than half of all new real estate loans acquired. Furthermore, this type of loan was the only one to show a decrease in dollar volume (as distinct from number) during 1944—down $48,000,000, or 10 percent, compared with increases ranging from 5 to 49 percent for other types of real estate security held by life insurance companies.

Mortgages made on 5- or more-family units reflected the greatest percentage gain during the year, advancing over 48 percent, or $60,000,000, to $182,000,000 and accounting for almost 19 percent of last year's new business. Commercial properties, following a 40-percent increase, made up the second most important segment of new mortgages—$234,000,000, or 24 percent of the total. Farm loans increased 5 percent to $148,000,000. However, because of the greater proportionate increase in total loans acquired, these new mortgages represented a fractionally smaller ratio to the year's total—15.0 percent last year compared with 15.7 percent the year before.

Owned Real Estate

The diminishing supply of marketable properties in the hands of mortgage lending institutions was reflected in the fact that real estate sales, although still high, were less than in 1943 when the volume reached $345,000,000. However, sales totaling $274,000,000 last year resulted in a reduction of more than one-third in the book value of all real estate held the year before. At the close of 1944, owned real estate was estimated at $479,000,000, or 7.1 percent of the value of outstanding loans. In 1938 when total real estate owned by life insurance companies reached its peak, this ratio stood at 32 percent.

Experience with 1- to 4-family homes continued to be particularly favorable. Relatively low acquisitions together with brisk sales resulted in a reduction of 65 percent ($33,297,000) from the previous year-end figure. On December 31, 1944 this category of owned properties represented less than 4 percent of total real estate holdings compared with a ratio of nearly 7 percent which was shown the year before.

Holdings of farm properties decreased from almost 28 to 25 percent of total real estate owned, while the ratio for multi-family dwellings remained constant at about 22 percent. Only commercial properties showed an increase in this respect, rising from 44 to 49 percent of all acquired real estate owned outright.

Examinations

(Continued from p. 347)

procedures followed in preparing the information. Therefore, shortening the comments will not always save examining time, but it will usually save time in writing the report. Examiners are advised to omit comments that are not necessary to bring out a salient point, and to avoid repetition of the information presented.

Other important instructions as to shortening procedures in obtaining information and as to methods of reporting were issued recently. The Examining Division is always pleased when examination time can be saved. Managers will appreciate, however, that in an examination the examiner's procedures must be sufficient to enable the examiner to present the essential statements, exhibits, and schedules with his comments on the condition, operations and policies of the association; and in an examination-audit the examiner must make sufficient test checks of accounting records and other supporting evidence to enable him to be reasonably satisfied as to the integrity of the accounts.

Through examination and supervision, through the leadership and reserve facilities of the Federal Home Loan Banks, and through insurance of investors' accounts, the contribution of the Federal Home Loan Bank Administration to higher standards of operation has been important in the past 12 years; but the policies of each association are established by its board of directors and are carried out by its officers and employees. The testing period of those past and current policies lies just ahead in the months and years to come. The prewar emphasis on improved methods and the wartime stressing of conservative but forward-looking mortgage lending policies should result in postwar success and continued progress for the vast majority of savings and loan associations.

EFFECTS OF BUSINESS AND INDUSTRIAL LOCATION ON RESIDENTIAL AREAS

The location of business and industry is of fundamental importance to the economic and social life of any community. This article, the fifth in a series on urban planning,[1] discusses the considerations involved and reviews various proposals for the proper relationships of commercial, industrial and residential property.

■ The historical motives which influenced the location and early growth of many American cities have been largely lost during the passing years, or have been clouded by local legends indicating conflicting and illogical reasons for the birth of the city. A number of towns trace their origins to the intersection of Indian trails or the location of their camps, the meeting of waterways, or the traditional use of waterholes. The stockades of Fort Dearborn, Fort Dusquesne and Fort Pontchartrain took advantage of militarily strategic water and topographic features to serve as trading and collection posts and for protection against marauding Indians and renegades. These, then, were the forerunners of Chicago, Pittsburgh and Detroit. Legend has it that Chicago was located at the mouth of the sluggish Chicago River rather than the Calumet River as a result of the interest of a young Army surveyor in a settler's daughter—whose cabin was near the Chicago River. By such a quirk of fate was the destiny of a great city determined.

The Strategic Location of Cities

Possibly more than any other factor, the strategic location of Chicago as a point of trans-shipment has accounted for its phenomenal growth. The cities of Buffalo and New Orleans and the Duluth-Superior area, among others, trace their origin to similar location factors.

The exploitation of wild-life, timber and agriculture, mineral resources and water supply has also accounted for the early development of a town or city. Syracuse's initial start resulted from the coincidence of salt deposits and adequate wood fuel for processing them. By the time the salt deposits were exhausted, other industries had made sufficient gains to perpetuate and advance the city's economy, aided largely by the completion of the Erie Canal. Minneapolis, at first nothing more than the outpost Fort Snelling, was nourished in its economic growth by the indiscriminate exploitation of northern Minnesota timber and later by the grain and milling activities of the Northwest. The rich, extensive Mesabi Range ores were responsible for the growth of the Lake Superior ports and indirectly, for the growth of Pittsburgh, Chicago and Detroit.

Difficulties in transporting raw materials of large bulk to processing plants and finished products to the market confine basic industries to locations where both functions can be accomplished with maximum economy. Transportation, in the broad sense, includes power transmission lines, pipe lines for oil and gas, freight carriers and facilities for assembling labor. The use of the automobile has eased the problem of labor supply by increasing the commuting area for labor around industrial plants. This development has made it possible for plants to locate on the outskirts of cities. The improvements in passenger transportation have extended the trading areas of cities and have diverted trade from country villages and towns. Rarely in the past has a city site been selected for livability alone. This fact is reflected in the resulting haphazard pattern of streets, misuse of land, uneconomic and socially undersirable relationship of industry to transportation facilities and the working population, as well as blight and the depreciation of residential real estate.

The Supply of Labor

To say that local economic prospects and opportunities will have an important influence upon the size of population in a given area seems to be a truism; yet it is a fundamental fact. Trends of mortality and reproduction can be computed with a fair degree of accuracy. Migration to and from an area in response to job opportunities can only be estimated. This is not to say that a good estimate cannot be made, based upon such facts as are available, and that it is not well worth the making. A realistic estimate of future population is basic to a determination of the future need for homes in the

[1] Prepared by Reginald R. Isaacs and Victor H. Bringe of the Urban Development Division, National Housing Agency.

area and, in fact, to the need for goods and services of all kinds.

It is a matter of common observation that transportation routes, major markets and physical resources are important elements in determining a city's location and the amount of industrial and commercial activity that locates in the vicinity. What is not so well understood is that the supply of labor available and the types of skills represented are in themselves active factors in the locational process. Plants carrying on processes requiring a large proportion of skilled labor may find it necessary to locate in areas where such skilled labor already resides. In the same manner, the existence of a pool of unskilled and unutilized labor may attract an industry which can utilize it. The shift of many textile plants from the New England area to other parts of the country is commonly attributed to this cause, at least in part.

Local subsidies have often been offered to attract new industries to particular communities. Such studies as have been made indicate that these efforts are sometimes ill-fated and may not return to the community the actual expenditures involved. The Tennessee State Planning Commission, in a recent publication,[2] records the evils which may spring from reliance by towns and cities upon subsidies to attract employment-providing industries. Competitive efforts by many cities cancel each other out. When the fly-by-night firm has squeezed the final concession from the town council it is likely to move on to another town, leaving financial headaches behind it.

During the war years the location of industries drew population from many parts of the country to the coast cities and stimulated developments in the West and South. Social and economic considerations could not take precedence over the need for immediate production. In some cities over-concentration of working population and inadequate accommodations were the results. In many areas readjustments will be required for more stable relationships between industry and population.

Locations of Business and Industry

Although residential development has often exploited land better suited for other uses, conversely, business-industry has laid waste land more desirable for open space or residential purposes.

For instance, in southern California we find ugly oil derricks straddling what were once fine residential and recreational lands—a gain in spectacular wealth, but a depreciation of the section for living purposes. Inclined drilling of oilheads from considerable distances would conserve residential values and still permit exploitation of mineral resources.

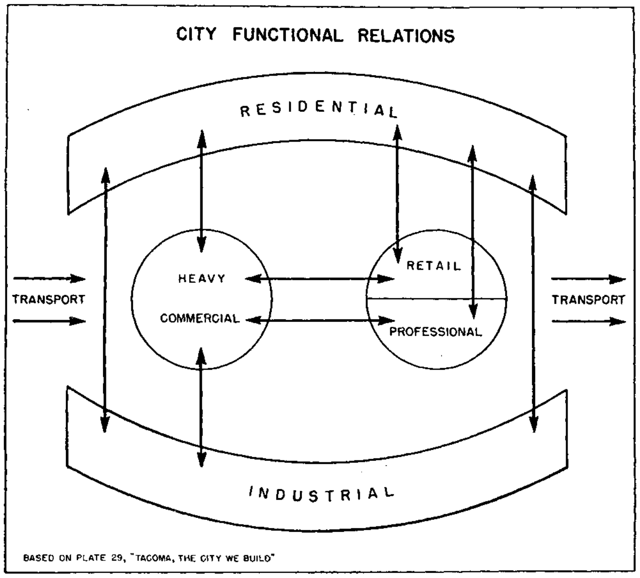
It is also true that commercial development has appropriated gently rolling slopes ideally suited to the location of homes. The banks of rivers and lakes might serve for recreation as well as for industry and harbors; the commercial development of shorelines must be accompanied with restrictions on their use for industrial purposes—for example, the amount and condition of returned water. Industry has often followed a too easy path, moving in on neighborhoods old but otherwise good from the standpoint of location, facilities, densities and similar criteria. Resulting truck routes traversing these neighborhoods encourage ribbon development and other uses of land not harmonious with residential areas.

What are the area relationships that we want in a city? It is easier to diagram than to describe these *relationships.* The cut on the following page[3] is a pattern of forms purposely drawn this way so as not to confuse the diagram with a city plan. The shape which is designated "industrial" simply indicates that this is the industry of a city regardless of where it is located. Another shape is designated as "residential." The flow lines indicate that people who work in the industries should live close enough to the place of work to make it efficient, safe and convenient for them to go from home to work. The same is true of those who work in "commercial" areas. "Transportation" is indicated by arrows entering the diagram from the left. Movement of people and of goods should be related to industrial, wholesale and commercial areas. These relationships must be kept constantly in mind in developing an over-all plan for future city growth.

Over the last decade or two, there has been a trend toward establishment of organized industrial districts like the Northwest Terminal of Minneapolis and the Clearing of Chicago. The organized Clearing Industrial District, situated at the western edge of Chicago, has had a strong appeal in pulling many manufacturing establishments from the city, as well as in attracting newly established concerns. This district has special features not ordinarily found in potential industrial areas either inside or outside the city. Among these are financial services which

[2] *The Tennessee Planner, Vol. V, No. 5,* June 1945, Tennessee State Planning Commission, Nashville.

[3] Adapted from *Tacoma, The City We Build,* Mayor's Research Committee on Urban Problems, 1944.



are offered to concerns locating in the Clearing District. In addition, the district maintains its own engineering staff and can quickly design and erect a factory building suitable to the particular requirements of the new concern. This appeals to many infant industries with limited capital. Clearing's property tax rate—about one-third that of the Chicago city rate—offers a particular advantage.

The absence of building codes in unincorporated suburban territory and the less exacting industrial and inspection regulations naturally enable factories to be erected in less time and at less capital cost. Land acquisition costs are less in suburban areas, and large sites for one-story structures with extended production lines are more readily available.

Toledo has recognized the need for properly locating industry in relation to highways and to water supply. The City Plan Commission has proposed setting aside areas for industrial development near its rivers and away from the congested central districts.

During the war years, new plants have been built largely in suburban areas, but few planned communities have been erected to house their workers. As soon as it is determined which plants will be converted to peacetime purposes, it is hoped that permanent residential neighborhoods will be provided with adequate community services and facilities, protective buffer strips, segregation of light and heavy traffic and proper orientation to minimize the undesirable effects of industrial smoke and gas.

A city planning body may perform many important functions for a community in relation to industry and commerce. Direct facilities may be planned for industry and commerce within the area. Good arrangement of railroad sidings and highways, efficient water, gas, sewerage and electric power systems, well articulated organization of industrial, commercial, residential and public uses of land will yield substantial convenience, economy and satisfaction to businesses locating there. These advantages may determine the success or failure of such enterprises.

The planning body may also assist in providing an attractive community background with convenient and efficient schools, playgrounds and parks, public buildings and services. When such factors as cost of power, nearness to markets, freight rates, supply of labor and ease of transportation are on a par as among a number of towns, sound community morale and well being may tip the scales in favor of the city with the most ordered civic household and best run government. While these advantages are not always measurable in dollars, they may have a profound influence upon the future welfare of the city.

DIRECTORY CHANGES

July 16—August 15, 1945

Key to Changes

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

District No. 1

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

District No. 3

Pennsylvania:
Imperial:
**Montour Valley Savings, Building and Loan Association, Sauers Building, Main Street.
Philadelphia:
#Protected Future Federal Savings and Loan Association, 404 Beury Building, 3701 North Broad Street.
Sellersville:
*Sellersville Building and Loan Association, 214 North Main Street.

District No. 4

Florida:
Melbourne:
*First Federal Savings and Loan Association of Brevard County, Arcade Building.

District No. 8

Missouri:
Jefferson City:
*City National Building and Loan Association, 306 Monroe Street.

NATIONAL HOUSING AGENCY
John B. Blandford, Jr., *Administrator*

FEDERAL HOME LOAN BANK ADMINISTRATION
John H. Fahey, *Commissioner*

SOUND SALARY ADMINISTRATION—A PAYING PROPOSITION

At the request of several member associations, the Personnel Department of the Federal Home Loan Bank Administration recently drew up a "Statement of Salary Administration Policy." The following article is based on this suggested plan which is easily adaptable to any set of local operating conditions.

■ DURING the past 10 years, competition in the savings and loan field has increased and progressive management, in rising to the challenge, has found that capable, qualified personnel is one of its greatest assets. Whether a savings and loan association is large or small, whether or not its business is expanding, policy in handling personnel matters has a definite bearing upon the full development of the institution. Through an efficient and reliable staff, an executive multiplies the effectiveness of his own capacity. Sound personnel policy is a paying proposition—advantageous in its promotion of efficiency and economical in reducing turnover costs with a consequent cut in operating cost ratios. Not the least of its merits is the solid basis it provides for developing a staff of future leaders.

It is axiomatic in any business that there are some jobs that are worth more than others and some people who are worth more than others on the same job. To apply this principle on a fair and systematic basis is a fundamental of sound personnel practice.

The following plan, drawn up by the FHLBA Personnel Department in answer to requests from several savings and loan associations for a system of establishing and administering an equitable salary program, is not a Federal pay plan. It represents merely a suggested basic pattern which can be tailored to fit the requirements of any organization. Such a program provides a common yardstick for measuring jobs and thereby assures that all positions of like duties and responsibilities will receive like treatment. Also, it gives recognition to the extent of differing responsibilities and value of work. Such a salary plan, based on facts, eliminates much guesswork and many personal considerations, thus letting employees know where they stand and what their reasonable expectations are.

Basic Features

A well balanced and consistent plan to provide equal pay for work of equal difficulty has three basic features—job classification, pay scale and administrative policy. The first of these—job classification—consists of the orderly sorting and ranking of jobs in a progressive sequence according to the comparative difficulty and responsibility of the duties involved.

Such an over-all inventory is frequently an eye-opener to management. It will show up most flaws in work organization, indicate the possibilities of more efficient use of present personnel and provide a reliable guide to future hiring.

The initial step is the preparation of a description of each position, setting forth the assigned duties, responsibilities and authority. Positions are then grouped into classes according to the similarity of assigned duties and responsibilities, and the required education, specialized knowledge, experience, abilities and personal characteristics.

Following this general allocation of the various positions to their appropriate classes, it is necessary to undertake a careful comparative evaluation so that all classes of jobs may be ranked progressively within and among the different groups. This can be done accurately by allowing a specified number of points for each significant job factor. The table below suggests a method of ranking based on the comparative values to a job of these essential requirements. A wider spread of points on these factors could be used if it should seem advisable.

Suggested table for ranking employees

Job Factor	Range
Education required	1– 30 points
Experience required	1– 50 points
Special knowledge required	1– 40 points
Ability required	1– 40 points
Personal traits required	1– 40 points
Difficulty of work	1–100 points
Responsibility of work	1–100 points
Total	400 points maximum

When the jobs have been evaluated, the accuracy of the totals should be verified by comparing the points allowed for each factor. Some adjustments may be necessary. For example, the points assigned to personal traits for a teller would have to be appreciably higher than those for a bookkeeper, since the teller must successfully deal with the public. Titles and grade numbers, which are indicative of their relative importance, are then assigned to the various classes of positions.

It frequently will be found, particularly in smaller associations, that there are "mixed" positions, that is, those involving duties of different classes of positions. For instance, there may be a teller whose job also includes some other work, such as typing. The more difficult duty determines the classification, providing the duties of teller comprise a substantial part of the job; such a job would fall in the former, rather than in the latter group.

Pay Scale

When all positions have been grouped and classified, the next step is to establish a consistent and equitable pay scale. Rates of pay are of such fundamental importance that it is necessary to see that they are properly related to general wage scales within the community and the region, as well as to prevailing salaries for similar work in competing organizations. On the basis of these data, which can be readily obtained, a pay scale can be set up which takes into account these factors as well as rates already in effect within the association itself. Such a wage schedule would, of course, have to conform to the existing minimum wage legislation.

The mechanics of this procedure consist of establishing a salary range for each class of positions. A spread of 25 to 35 percent between the minimum and the maximum rates has been found advisable. In addition, each range should include several intermediate steps—preferably three, five or seven—with a difference of 4 to 8 percent between each step. This is usually sufficient to constitute the necessary inducement to hold desirable employees. Such a salary range should coincide with the relative difficulty and responsibility of the class of position. Once it is set up, substantial changes need be made only upon drastic alterations in generally prevailing wage rates.

Administrative Policy

On the basis of position classification and an established salary schedule, the functioning of an effective salary policy depends upon orderly and equitable administration. The principles should be known and understood by all employees and deviations, which should be infrequent, must be well justified.

The minimum rate for each class of positions is chiefly an employment device. It should be high enough to attract qualified employees and should be considered the standard wage for a newcomer to any position. Exceptions are occasionally justifiable when, for instance, an applicant has considerably better than the minimum required qualifications for the position. On the other hand, it is sometimes desirable to make short-term probationary appointments below the minimum rate. Temporary employees may be paid at a rate in excess of the minimum.

The maximum rate for each position should always be the ceiling above which the salary for a particular job can never go. This amount, for a class of executive positions should be lower than the minimum rate for the next higher class of executive positions. However, the maximum for a class other than one covering executive positions *may be higher* than the minimum for the next higher class in the same line of work. This variation is warranted on the ground that differences in responsibility in these positions are less than in executive positions.

Relation to Efficiency

In justice to employees and to the association, salary increases should be made at specified periods but not be entirely automatic. They should be based on a definite system of rating each employee's efficiency and progress on the job.

An "outstanding" rating, representing 90–100 percent efficiency, could then be required to justify the highest rate in a salary range of three to five steps or the sixth or seventh rate in a range of seven steps. A rating of "adequate," indicating 75–89 percent efficiency, would permit progression to the middle step in a three to five rate range or to the fifth step in a seven rate range.

"Weak," 65–74 percent efficiency, would not be sufficient to advance an employee beyond entrance pay except in cases where the salary range is comprised of seven steps. In this event, the first rate above minimum could be justified. An "unsatisfactory" rating, less than 65 percent efficiency, would necessitate reassignment or dismissal.

Administrative, or merit, increases are normally one step in a salary range. They should not be more than two steps.

Promotion from one job to another of higher rank should be accompanied by an increase. In most instances this would mean adjustment to the minimum salary of the new grade. If that rate does not represent a raise, the next step in the grade is in order. Any larger increase should be justified by considerably better than required qualifications for the job, the same as new employment at a rate above the grade minimum. In the case of a promotion to a new line of work, a trial period of 60 days (never more than 120 days) may be provided before a salary adjustment is made.

Transfers to positions of like salary range usually entail no salary change. Demotions to lower paying jobs, as a rule, should involve salary adjustment to the maximum of the new position unless that is more than the employee had been receiving.

For particularly meritorious service—for example, if an employee is responsible for an improvement in operating methods or a saving in the cost of operation—a special reward might well be provided. This could be effected without regard to the regular period for pay increases.

With postwar plans now about to be placed in operation, a competent staff is of paramount importance. The Bank Administration will be glad to furnish additional information and reasonable assistance to any association which is interested in starting or expanding a personnel administration program.

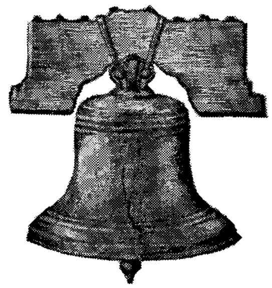
Bond Sales by Members Exceed Billion Dollar Mark

■ ACTIVITY during the Seventh War Loan carried to $1,294,000,000 the total of sales of U. S. Government securities by members of the Federal Home Loan Bank System since May 1941. During the same period, these institutions purchased for their own accounts $2,801,601,000 of obligations of the Federal Government.

The 2,690 members reporting sales and purchases of war bonds during the months of April through July, which included the period of the Seventh War Loan, indicated sales to others aggregating $142,093,000, while purchases by these organizations for their own accounts amounted to $675,866,000. According to reports by the Treasury Department, all savings and loan associations purchased a total of $811,000,000 of Government obligations during the Drive.

In sales and purchases combined during both the defense and war finance programs, members of the Federal Home Loan Bank System have accounted for $4,096,000,000 in Government securities.

The Victory Loan Drive



On October 29 the Treasury Department will begin the Victory Loan Drive to sell $11,000,000,000 in Government securities. The period of this, the last public drive, will extend through December 8. Again, as in the past, the major emphasis will be placed on sales to individuals, proceeds from this source being expected to yield $4,000,000,000, with the remaining $7,000,000,000 to come from sales to other non-banking investors. Of the individual quota, $2,000,000,000 is to be obtained through the sale of Series E bonds.

Although the present Treasury balance is large, it is expected to be quickly depleted in meeting obligations incurred in the achievement of victory. Thus, additional funds will be needed in December despite the fact that Government expenditures are being drastically reduced.

Offerings during the drive will include Series E, F and G Savings Bonds; Series C Savings Notes; 2½ percent Treasury Bonds of 1967–1972; 2¼ percent Treasury Bonds of 1959–1962; and ⅞ percent Certificates of Indebtedness maturing December 1, 1946. The Drive for individuals will extend from October 29 through December 8 and subscriptions from all other non-banking investors for marketable securities will be received from December 3 through December 8. However, all Series E, F and G bonds and Series C Savings Notes processed through the Federal Reserve Banks between October 29 and December 31 will be credited to the Drive.

The 2½ percent and 2¼ percent bonds will be dated November 15 and the certificates of indebtedness will be dated December 3, 1945, and will be sold at par and accrued interest from these dates. Savings institutions will be permitted to make deferred payment, at par and accrued interest, for the 2½ percent and 2¼ percent marketable bonds allotted to them, up to February 28, 1946. Commercial banks will not be permitted to own the 2½ percent and 2¼ percent marketable bonds offered in the Drive until within 10 years of their respective maturity dates. The Treasury will request that there be no trading in the marketable securities and no purchases of such securities other than on direct subscription until after December 8.

BRITISH BUILDING SOCIETIES SHOW ACTIVE YEAR

Reports on the activities of British building societies last year showed a continued strengthening of their position in spite of over five years of war. The postwar period finds them ready and able to play a major role in the huge task of reconstruction.

■ RECORD assets, a greatly increased volume of mortgage lending and continued growth of reserves characterized the operations of British building societies during the fifth year of war, according to a report recently published in the *Building Societies' Gazette*.

The 924 societies, from whose records these preliminary estimates have been compiled, reported total assets of $3,181,726,000 [1] at the close of 1944. This represented an increase of $103,738,000, or almost 4 percent, during the year. The year-end total far surpassed any previous figure, exceeding by some $89,000,000 the record volume in 1939.

Even more significant than this fact, however, is the evidence of the steadily increasing volume of mortgage lending. While the actual dollar amount ($212,389,000) was insignificant compared with prewar levels of $560,000,000, the amount of loans last year was $100,007,000, or almost 89 percent, greater than the 1943 figure of $112,382,000. The bulk of this new lending by the British building societies, like that of our own mortgage financing institutions, was based on purchases of existing properties.

Assets and Liabilities

Despite the greatly increased volume of new loans added to the portfolio, the mortgage asset account of these societies declined again during 1944, dropping off $57,609,000, or 2.5 percent, to $2,247,000,000. This decline, however, was considerably less than the $128,000,000 recession of 1943. The comparatively small shrinkage last year compares favorably with an average drop in mortgage assets of over $128,000,000 a year for the previous four years. Obviously, these British institutions have felt acutely conditions more severe than those which confronted savings and loan associations in this country. The five-year lack of construction, with the consequent absence of construction lending activity, and amortization (frequently at an increased rate due to favorable wartime earning conditions) have brought about the decline. As evidence of the general resurgence of lending activity, the fact was cited that many of the reporting institutions showed increases in their mortgage assets during 1944.

Liabilities to shareholders amounted to $2,341,000,000, an increase of $81,000,000 over 1943. By the end of last year, liabilities to depositors had increased $22,700,000 over the same 1943 date and stood at $595,000,000. To quote the *Gazette:* "In short, the movement now holds some £30,000,000 [$120,000,000] more of the public's money than it did before the war, a striking tribute to the manner in which it has retained the confidence of investors."

Investments and Reserves

A new high was registered last year in the investments shown by reporting societies, although the rate of increase—25.5 percent—was less than that of the previous year. During 1944, investments totaled $796,170,000, an increase of $161,675,000 over the previous peak which was attained in 1943. This account, during last year, represented approximately 25 percent of total assets compared with about 21 percent the preceding year. Paralleling the situation prevalent among American savings and loan associations, these investments were largely government war bonds. A large part of the $138,227,000 standing to the credit of other assets was held in cash.

The balance of profits and reserves increased 3.5 percent in 1944—fractionally more than the 1943 rate. At last year-end they stood at $202,466,000—an outstanding achievement in the face of continued loss of income from the principal revenue source, heavy taxes and large contributions to the War Damage Fund.

Summary of reports

[Thousands of dollars]

924 Societies	1944	1943
Advances on mortgage	$212, 389	$112, 382
Mortgage assets	2, 247, 329	2, 304, 938
Investments	796, 170	634, 495
Other assets	138, 227	138, 555
Total assets	3, 181, 726	3, 077, 988
Profit and reserves	202, 466	195, 508

[1] All references to dollar amounts are on the basis of $4 = £1.

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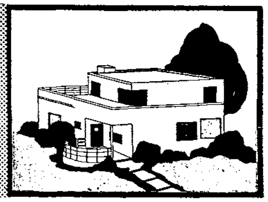
NEWS NOTES



Popularity of payroll savings

What may prove to be a significant aftermath of wartime financing techniques was disclosed in the popularity of the payroll deduction plan for regular savings. A special pilot study, conducted in Detroit by the U. S. Treasury Department just before VE Day, showed that seven out of ten of the people interviewed would like to continue regular participation in such a plan, with the amount depending on postwar incomes and the cost of living.

The survey, based on interviews with war bond purchasers, established the fact that 92 percent approved the plan unconditionally, while only 3 percent were opposed. Of the remaining people interviewed, 4 percent were undecided or gave qualified approval, and the opinions of 1 percent were not ascertained. It was also found that the majority of those who own bonds are anxious to keep them until maturity.

The survey covered a random sample of households of people employed in Detroit manufacturing industries. More than three-fourths of the group were skilled or semi-skilled workers; 11 percent, clerical employees; and 6 percent held managerial or professional positions. About one-half earned \$56–\$75 weekly, approximately one quarter getting more and the same proportion receiving less.

Federal tax receipts reach all-time high

The American people paid a record high of almost \$24,000,000,000 in Federal income taxes during the fiscal year ending June 30, 1945, according to the Bureau of Internal Revenue. Collections of \$6,923,713,981 in New York topped receipts from any single state. Next largest income tax revenues came from California with \$3,051,642,491, and Illinois with \$3,012,770,139.

All sources of Federal internal revenue, including income tax, yielded nearly \$44,000,000,000 in fiscal 1945 as compared to \$40,000,000,000 during the preceding fiscal year. New York again led the 48 states with receipts of \$8,261,525,191 from all types of Federal taxes.

Despite wartime shortages of consumer items, manufacturers' excise taxes increased by \$279,000,000 to a 1945 total of \$783,000,000. The scrapping of automobiles during the year was reflected in the \$5,600,000 drop to \$129,000,000 brought in by Federal use tax stamp sales.

Survey shows mortgage preferences

The majority of prospective home owners in all income groups prefer a mortgage which would mature in 10 to 14 years, the recent urban housing survey made by the Curtis Publishing Company revealed. The next most popular term of payment would run from 15 to 19 years.

As to the type of mortgage chosen, 90.1 percent of those who plan to finance their home purchases thus picked a "reducing" mortgage. The straight or old-type loan appealed to only 5.1 percent of potential customers, while 4.8 percent stated no preference.

Opinions on the amount of monthly mortgage payments varied among income groups. According to the survey, "93.7% prefer to make regular monthly payments on principal of \$46 per month. The preferences in median monthly payments, however, range from \$37 for those in the lowest income brackets to \$59 for those in the \$5,000 and over group."

The study was based on complete interviews with 4,007 separate families in 118 centers of population in 35 states. Of all those interviewed, 34.3 percent indicated that they expected to buy or build a home, 58.5 percent did not plan to acquire a house and 7.2 percent were uncertain about future plans.

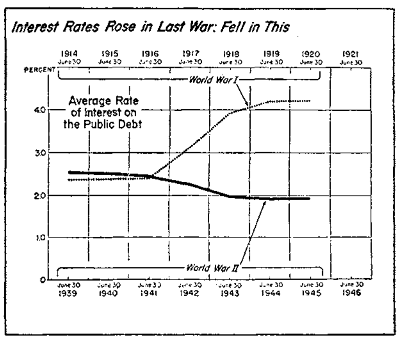
Although only 11.2 percent expect to cover the entire purchase cost from personal funds, already three-fourths of those who want to own their homes have begun setting aside money for that purpose. Nearly half of the prospective home owners—47.8 percent—plan to employ a definite schedule of mortgage payments. On the other hand, almost as large a portion, or 41 percent, of the would-be home purchasers have only relatively vague ideas of how to finance such transactions.

War costs exceed a trillion dollars

By the end of June 1945, the fiscal costs of World War II had exceeded a trillion dollars, according to the estimates of the Tax Institute in New York. Of this total, the Allies had spent about six-tenths.

The United States headed the list with \$287,000,000,000 spent for war purposes, although Germany was a close second with war expenditures of \$280,000,000,000. Russia had spent \$136,000,000,000 and the British Commonwealth, \$130,000,000,000 by the end of the period. War costs totaled \$49,000,000,000 for Japan and \$34,000,000,000 for France, including the occupation costs levied by Germany and Italy. Until the last few months, Germany had led in the total amount of war expenditures, while Japan had the most rapidly increasing outlay.

"Even though we cannot grasp the meaning of this figure," commented the Tax Institute, "we can perceive some of the sinister implications of the war-cost data that are available. . . . It is startling to observe the fiscal effort that has been put forth by our enemies, the presumably 'have-not' nations."



Interest Rates Rose in Last War: Fell in This

U. S. Treasury

Proposed Amendment

FSLIC
Bulletin No. 20

PROPOSED AMENDMENT TO RULES AND REGULATIONS FOR INSURANCE OF ACCOUNTS RELATING TO DECLARATION OF DIVIDENDS WHEN LOSSES ARE CHARGED TO FEDERAL INSURANCE RESERVE. (Proposed September 5, 1945.)

On September 5, the Federal Savings and Loan Insurance Corporation issued Bulletin No. 20 in notification of a proposed amendment of Section 301.12 (e) of the Rules and Regulations for Insurance of Accounts. The principal change in this subsection, which relates to the declaration of dividends when losses are charged to the Federal insurance reserve, would be the requirement specifying that each insured institution accumulate, within 13 years of the effective date of insurance, a Federal insurance reserve equivalent to 2½ percent of all insured accounts. The requirement that these institutions accumulate in this account a sum equivalent to 5 percent of insured accounts within 20 years of the effective date of insurance would be incorporated in the subsection by this amendment.

(e) *Declaration of dividends when losses are charged to Federal insurance reserve.*—An insured institution may not pay dividends from its Federal insurance reserve account.

(1) If at any time before the Federal insurance reserve account equals 5 percent of all insured accounts, losses are charged to such reserve account the insured institution shall not declare any dividends until such reserve account equals a sum aggregating the credits of three-tenths of 1 percent of its insured accounts hereinabove required to be annually credited to such reserve account and until such reserve account also meets the requirements of paragraphs (2) and (3) hereof. If at any time after the Federal insurance reserve account equals or exceeds 5 percent of all insured accounts, losses are charged to such reserve account so that such reserve account is reduced below 5 percent of all insured accounts, the insured institution shall credit an amount sufficient to restore such reserve account to 5 percent of all insured accounts before any dividend can be paid on the shares of the insured institution: Provided, however, that if such reserve account shall have been brought up to 5 percent of all insured accounts by credits thereto in excess of the amounts hereinabove required to be annually credited to such account, then it shall only be necessary before dividends may be declared or paid by the insured institution, to restore such reserve account to an amount which shall equal a sum aggregating the credits of three-tenths of 1 percent of its insured accounts hereinabove required to be annually credited to such reserve account and to an amount which shall be sufficient to meet the requirements of paragraphs (2) and (3) hereof, and thereafter such annual credits shall be resumed until the net credits again equal 5 percent of all insured accounts. Even though losses may have been charged to the insurance reserve account, dividends may be declared and paid in any year if the declaration of such dividends is approved by the Corporation.

(2) Each insured institution shall build up its Federal insurance reserve account to 5 percent of all insured accounts within a reasonable period, not exceeding 20 years from the effective date of insurance. An insured institution which has been insured for 20 years or more may not pay any dividends if any losses are charged to the insurance reserve which reduce such reserve below 5 percent of its insured accounts: Provided, that for any year dividends may be declared and paid when losses are so charged to such reserve if the declaration of such dividends in such case is approved by the Corporation.

(3) Each insured institution shall build up its Federal insurance reserve account to 2½ percent of all insured accounts within a reasonable period, not exceeding 13 years from the effective date of insurance. An insured institution which has been insured for 13 years or more may not pay any dividends if any losses are charged to the insurance reserve which reduce such reserve below 2½ percent of its insured accounts: Provided, that for any year dividends may be declared and paid when losses are so charged to such reserve if the declaration of such dividends in such case is approved by the Corporation.

The proposed amendment will not be adopted by the FSLIC until at least 30 days have elapsed after a copy has been mailed to each member of the Federal Savings and Loan Advisory Council. (September 6, 1945.)

Amendment to Rules and Regulations

FHLBA
Bulletin No. 44

AMENDMENT TO RULES AND REGULATIONS FOR THE FEDERAL SAVINGS AND LOAN SYSTEM RELATING TO AUTHORIZATION OF ADDITIONAL LENDING POWERS NECESSARY FOR CHARTER K ASSOCIATIONS TO PARTICIPATE IN MORTGAGE LENDING UNDER THE SERVICEMEN'S READJUSTMENT ACT OF 1944. (Approved August 30, effective August 31, 1945.)

Section 203.21 of the Rules and Regulations for the Federal Savings and Loan System, which was added on October 19, 1944, has been rescinded and the following section substituted therefor.

The new section restates the previously provided mechanism for Charter K associations, which have adopted Section 14.1, to make loans guaranteed by the Administrator of Veterans' Affairs under Title III of the GI Bill of Rights, removing, however, the necessity for filing applications and receiving acknowledgment. (The original Section 203.21 was published in the REVIEW in November 1944, page 63. Provisions and procedures for the adoption of Section 14.1 were published in December 1943, page 62). In addition, the new section specifies the terms, types, percentages and ratio to assets of loans permissible under the increased lending powers provided in this amendment.

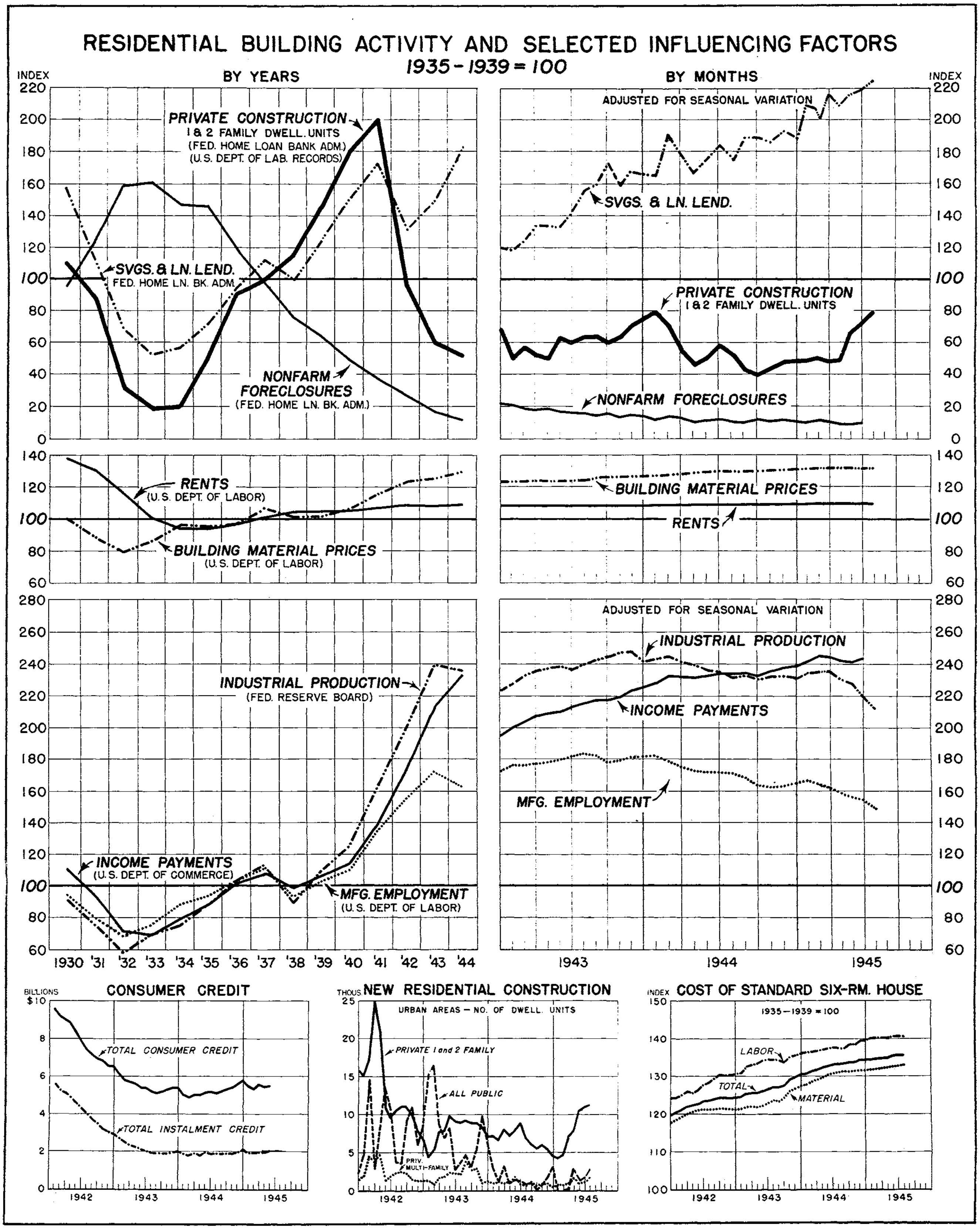
203.21 *Additional Lending Powers.* Federal associations operating under Charter K, and having duly adopted the standard Section 14.1 amendment thereof may, upon approval of the directors of said association, use the following lending powers provided that all loans made pursuant to this Section shall comply with the requirements of Section 5 (c) of Home Owners' Loan Act of 1933, as now or hereafter amended:

(1) The increase of the present authorized percentage of lending to appraised value of the underlying improved real estate security to the extent of the guarantee by the Administrator of Veterans' Affairs under Title III of the Servicemen's Readjustment Act of 1944, and any amendments thereto, and the loan plans, practices and procedures now or hereafter provided by the Administrator of Veterans' Affairs thereunder.

(2) Loan plans as follows, provided, however, that all loans under this subparagraph (2) shall be permitted under this Section only when such loans, together with all other loans which are included in the 15% of assets limitation fixed by Section 13 of Charter K, are not in excess of 15% of the assets of the particular Federal association:

(i) In an amount not exceeding 60% of the value of real estate which is improved by an income-producing structure thereon, when such loans

(Continued on p. 370)



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.)
RENTS
(U.S. DEPT. OF LABOR)
BUILDING MATERIAL PRICES
(U.S. DEPT. OF LABOR)
INDUSTRIAL PRODUCTION
(FED. RESERVE BOARD)
INCOME PAYMENTS
(U.S. DEPT. OF COMMERCE)
MFG. EMPLOYMENT
(U.S. DEPT. OF LABOR)
1930 '31 '32 '33 '34 '35 '36 '37 '38 '39 '40 '41 '42 '43 '44
1943
1944
1945
CONSUMER CREDIT
BILLIONS
TOTAL CONSUMER CREDIT
TOTAL INSTALMENT CREDIT
NEW RESIDENTIAL CONSTRUCTION
THOUS
URBAN AREAS — NO. OF DWELL. UNITS
PRIVATE 1 and 2 FAMILY
ALL PUBLIC
PRIV. MULTI-FAMILY
COST OF STANDARD SIX-RM. HOUSE
1935—1939 = 100
LABOR
TOTAL
MATERIAL
1942

« « « MONTHLY SURVEY » » »

HIGHLIGHTS

I. Industrial production, affected by post-VE Day cutbacks, dropped 8 points in July to 212 percent of the 1935–1939 average.

II. Urban residential construction increased 17 percent in July when units totaled 15,911—nearly 62 percent more than in the same 1944 month.

III. New lending by savings and loan associations, in spite of a 4-percent decline in July, totaled $160,000,000—28 percent greater than in the same month last year.

A. Construction loans increased fractionally, while all other types declined.

B. In contrast to the over-all decline, five FHLB Districts showed increases during July.

IV. Mortgage recordings of $20,000 or less declined 4 percent from June. In July the volume aggregated $469,000,000.

A. All types of mortgagees and all FHLB Districts, except Topeka, shared in this drop.

B. Recordings by savings and loan associations accounted for a record proportion—36.2 percent—of the total volume.

V. FHLB advances outstanding totaled $121,608,000 at the end of July—$14,500,000 less than at the same time last year.

A. General reserves and undivided profits of all insured associations, amounting to $356,000,000, were 9 percent higher than six months ago.

B. Total resources of all Federals, as of July 31, were $3,550,000,000—an increase of $24,000,000 during the month.

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BUSINESS CONDITIONS—Cutbacks reflected in production

The end of the war is, of course, the big news in business and industry. Reconversion, which got under way almost within hours of the Japanese capitulation, has already started far-reaching changes in our national economy. The broad outline of some of the significant alterations in the wartime set-up are discussed on page 343, but it is still too soon to have data on many early results.

Industrial production continued, in July, to show the effects of accelerated cutbacks incident to a one-front war, dropping from 220 in June to 212 percent of the Federal Reserve Board's seasonally adjusted index (1935–1939=100). This was 18 points below the July 1944 figure and reflected the lowest level of industrial activity since the early months of the war (September 1942).

Aircraft production declined 20 percent during July, and operations at shipyards and in other munitions industries were reduced considerably from June rates. At the same time, production of lumber, stone, clay, and glass products was maintained.

Total employment, as reported by the Bureau of the Census, increased by 600,000 during July when it reached 52,660,000—still 1,340,000 below the July 1944 level. The month's increase, however, was not sufficient to offset the greater gain in the total labor force (up 610,000 to 53,750,000). As a result, the number of unemployed increased 90,000 to total 1,090,000 in July.

Department store sales, as measured by the Federal Reserve Board's seasonally adjusted index rose 16 points in July to 218 percent of the 1935–1939 average, compared with only 189 percent in July last year. This upward trend continued during early August when the index again stood considerably higher than at the same time a year ago.

The Labor Department's index of wholesale commodity prices (1926=100), when converted to the basis of 1935–1939=100, showed only a fractional decline between the last week of June and that of July—down 0.1 percent to 131.3 percent. This gradual downward movement continued through the week ending August 18 when the index stood at 130.9. Despite the recent trend, though, it was 1.8 percent above the corresponding week of 1944.

Money in circulation, belying the opinion that the upward trend had been halted, reached a new all-time high as reported in the U. S. Treasury *Monthly Statement*. At the end of July, for the first time, it exceeded $27,000,000,000. The increase during the month amounted to $422,229,000—almost double the gain registered in the same month last year.

[1935-1939=100]

Type of index	July 1945	June 1945	Percent change	July 1944	Percent change
Home construction (private)[1]	79.1	71.7	+10.3	52.0	+52.1
Rental index (BLS)	108.3	108.3	0.0	108.2	+0.1
Building material prices	131.2	131.1	+0.1	129.4	+1.4
Savings and loan lending[1]	224.7	218.6	+2.8	175.1	+28.3
Industrial production[1]	212.0	[r] 220.0	−3.6	230.0	−7.8
Manufacturing employment[1]	148.3	[r] 153.2	−3.2	170.8	−13.2
Income payments[1]	232.3	[r] 244.6	−0.9	233.2	+3.9

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

BUILDING ACTIVITY—Exceeded like 1944 month for fourth time

Although still more than 4 percent below the volume reported for the like month in the first year of war, the total of 15,911 family dwelling units covered in building permits issued and Federal contracts awarded during July was nearly 62 percent larger than in the corresponding month of 1944. This was the fourth successive month in which the number of dwellings authorized has exceeded the volume of the corresponding month last year. The monthly totals are still small and it cannot be presumed that all of these units have been placed under construction, but the upward movement of this series is the first statistical indication of a post-VE Day gain in residential building.

Of the July total, private construction accounted for 81 percent, or 12,054 units, the largest July number since 1941. The proportion of public to total residential building in urban areas has been declining steadily since April when it accounted for 24 percent compared with 19 percent in July.

Home building in the first seven months of 1945 declined 2 percent from the same period last year. However, private construction advanced 4 percent in this comparison, accounting for close to 88 percent of total. [TABLES 1 and 2.]

BUILDING COSTS—Gradual increase continued

Residential construction costs continued to increase gradually during July, according to the FHLBA's index of the cost of building the standard house. Preliminary computations placed the July index at 135.6 (1935–1939=100) compared with 135.3 in June (revised). Both materials and labor advanced slightly during the month, the former to 133.0 and the latter to 140.6. Since July of last year, the total index has advanced 1.9 percent, the result of a 1.5 percent rise in the cost of building materials and an increase of 2.4 percent which was reported in labor charges.

Construction costs for the standard house

[Average month of 1935–1939=100]

Element of cost	July 1945	June 1945	Percent change	July 1944	Percent change
Material	133.0	132.7	+0.2	131.0	+1.5
Labor	140.6	[r] 140.5	+0.1	137.3	+2.4
Total	135.6	[r] 135.3	+0.2	133.1	+1.9

[r] Revised.

The U. S. Department of Labor's composite index of wholesale prices of building materials also continued upward during July, advancing fractionally to 131.2. Indexes of the prices of brick and tile and of lumber advanced during July, but those for paint and paint materials declined slightly. All other components of the over-all index remained unchanged from June. [TABLES 3, 4 and 5.]

MORTGAGE LENDING—Slight decline in July

Although continuing at a very high level, new mortgage lending by all operating savings and loan associations declined 4 percent during July. The estimated $160,000,000 of new loans made during the month represented a drop of $7,000,000 from June but was $35,000,000, or 28 percent, greater than the volume estimated for July 1944.

New mortgage loans distributed by purpose

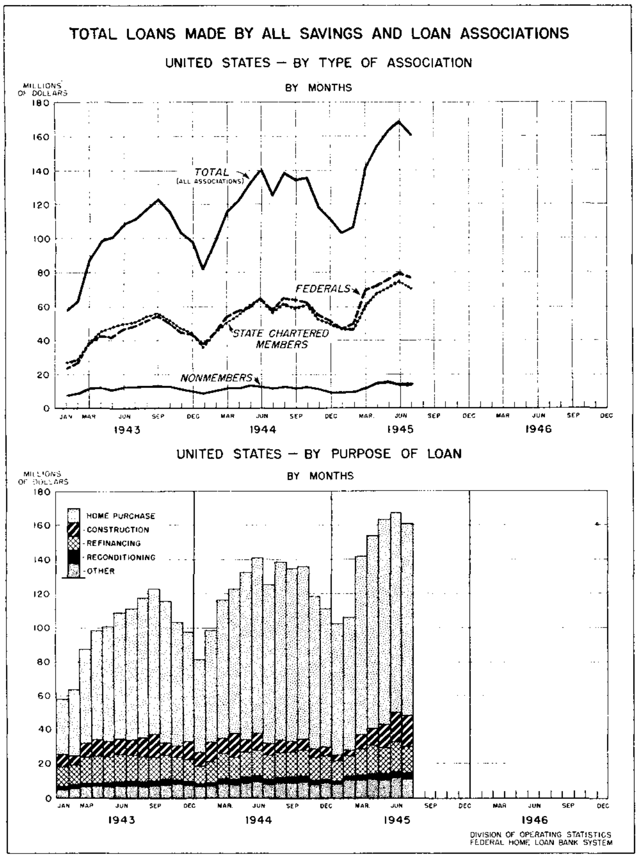
[Dollar amounts are shown in thousands]

Purpose	July 1945	June 1945	Percent change	July 1944	Percent change
Construction	$17,658	$17,567	+0.5	$7,078	+149.5
Home purchase	112,761	116,798	−3.5	93,232	+20.9
Refinancing	15,622	17,147	−8.9	13,871	+12.6
Reconditioning	3,351	3,364	−0.4	2,841	+18.0
Other purposes	11,007	12,435	−11.5	8,014	+37.3
Total	160,399	167,311	−4.1	125,036	+28.3

Loans made for the construction of homes, which accounted for 11 percent of total loans made during the month, increased fractionally from June. All other loan-purpose categories, however, registered declines, ranging from 11 percent in the "other purpose" group to a fractional drop in reconditioning loans. Home purchase lending, which fell off 3.5 percent during the month, accounted for 70 percent of the July total. A year ago, 75 percent of all loans made by associations were for this purpose.

The drop in new lending during July was not general throughout the United States. Three Districts (Winston-Salem, Cincinnati and Los Angeles) reflected gains of about 1 percent, while Little Rock and Topeka associations showed increases of 12 and 13 percent, respectively.

During the first seven months of 1945, savings and loan associations extended about $994,000,000 of new mortgage credit compared with $816,000,000 in the January–July period of last year. Associations in all



parts of the country contributed to this rise. Similarly, all types of loans registered gains: "Other purpose", 30 percent; home purchase, 24 percent; refinancing, 14 percent; and reconditioning, 13 percent. Home construction loans, although showing substantial percentage gains in recent months, registered the smallest relative rise in this cumulative comparison—up 10 percent from the same period last year. [TABLES 6 and 7.]

MORTGAGE RECORDINGS—July volume down slightly

The total volume of nonfarm mortgages of $20,000 or less recorded during July—$469,000,000—represented a drop of 4 percent from the recent high volumes of $487,000,000 recorded during each of the two preceding months. All types of mortgage lenders shared in this drop. The greatest relative decline from June, 8 percent, was reported by insurance companies and the smallest, 1 percent, by banks and trust companies. Recordings by savings and loan associations, which accounted for 36.2 percent of the July total (a record proportion), declined 4 percent from the preceding month.

With one exception, the total amount of mortgages recorded during July in each of the FHL Bank Districts was below that shown during June. In the Topeka region, July mortgage recordings were 3 percent greater than in June.

Since the first of this year, an estimated $3,026,000,000 of nonfarm mortgages of $20,000 or less have been recorded in the United States, an increase of 17 percent over the first seven months of last year and 47 percent above the same 1943 period. With the exception of life insurance companies, whose recordings declined 8 percent, all types of lenders reported greater activity than in the like months of last year.

Significant shifts have occurred in the relative participation of the several types of lenders in total mortgage financing activity since America's entry into World War II. By far the greatest increase during the January–July period of this year compared with that of the same 1941 months has been shown by individual lenders. Their percent of the total rose from 16.5 percent in 1941 to 26.1 percent in 1945. Savings and loan associations were the only other type of lender to show a gain, increasing their percent of the total from 32.0 to 34.7 percent. Declines shown by other types of mortgagees were as follows: Insurance companies from 8.3 to 4.6 percent; banks and trust companies from 24.9 to 18.8 percent; mutual savings banks from 4.4 to 3.6 percent, and "other" mortgagees from 13.9 to 12.2 percent. [TABLES 8 and 9.]

Mortgage recordings by type of mortgagee

[Dollar amounts are shown in thousands]

Type of lender	Percent change from June 1945	Percent of July 1945 amount	Cumulative recordings (7 months)	Percent of total recordings
Savings and loan associations	−3. 6	36. 2	$1, 049, 454	34. 7
Insurance companies	−7. 5	4. 3	137, 736	4. 6
Banks, trust companies	−1. 2	19. 2	570, 349	18. 8
Mutual savings banks	−2. 7	3. 9	107, 737	3. 6
Individuals	−4. 0	24. 9	790, 745	26. 1
Others	−5. 9	11. 5	370, 126	12. 2
Total	−3. 6	100. 0	3, 026, 147	100. 0

FHLB SYSTEM—Outstanding advances dropped in July

The balance of advances outstanding at the end of July dropped to $121,608,000—down $10,000,000 from June and $14,500,000 less than in July 1944.

Only in 1943 were the outstanding advances reported for any July in the past 10 years below the 1945 figure for that month.

Declining sharply to about one-twelfth of the all-time high volume of June, the monthly advances made by the 12 FHL Banks in July totaled $7,444,000. All Districts conformed to the downward trend in amounts loaned. The July advances, which were only one-fourth as large as those in the same month of 1944, represented the smallest amount advanced in that month since 1939.

Repayments to the Banks during July reached $17,501,000. This was almost three times as much as all Banks received in June, although it represented a 15.2 percent decrease from the July 1944 repayments. Only Topeka deviated from the general pattern of larger repayments in July than in June. Repayments exceeded advances in all Districts. [Table 12.]

Flow of Private Repurchasable Capital

Private savings invested in and withdrawn from all operating savings and loan associations during July were substantially higher than in the same month last year. The estimated $243,000,000 of savings received during July 1945 was a record amount and represented an increase of $52,000,000, or 27 percent, over gross receipts in July 1944.

Share investments and repurchases, July 1945

[Dollar amounts are shown in thousands]

Item and period	All associations	All insured associations	Uninsured members	Nonmembers
Share investments:				
1st 7 mos. 1945	$1,335,786	$1,083,488	$158, 492	$93, 806
1st 7 mos. 1944	$1,092,128	$848, 526	$147, 774	$95, 828
Percent change	+22	+28	+7	−2
July 1945	$243, 361	$196, 944	$28, 666	$17, 751
July 1944	$191, 535	$155, 218	$22, 364	$13, 953
Percent change	+27	+27	+28	+27
Repurchases:				
1st 7 mos. 1945	$758, 510	$588, 412	$106, 688	$63, 410
1st 7 mos. 1944	$645, 198	$481, 126	$99, 068	$65, 004
Percent change	+18	+22	+8	−2
July 1945	$179, 183	$144, 932	$22, 191	$12, 060
July 1944	$150, 971	$120, 349	$19, 095	$11, 527
Percent change	+19	+20	+16	+5
Repurchase ratio (percent):				
1st 7 mos. 1945	56. 8	54. 3	67. 3	67. 6
1st 7 mos. 1944	59. 1	56. 7	67. 0	67. 8
July 1945	73. 6	73. 6	77. 4	67. 9
July 1944	78. 8	77. 5	85. 4	82. 6

Withdrawals of approximately $179,000,000, also a record month for recent years, showed a somewhat smaller rise—both in percent and amount—$28,000,000, or 19 percent, over a year ago. As the result of the greater gain in gross receipts, the private repurchasable capital of all associations was increased by approximately $64,000,000 during July compared with $41,000,000 in the same 1944 month.

Cumulative data for the first seven months of this year placed total savings receipts by these institutions at approximately $1,336,000,000, about 22 percent more than in the same period of last year. Withdrawals through July amounted to $759,000,000, resulting in a net gain of about $577,000,000 in the amount of private savings held.

INSURED ASSOCIATIONS—General reserves and undivided profits increased

As of July 31, the 2,473 insured savings and loan associations reported total assets of $5,594,000,000, of which 6.4 percent had been set aside in reserves. At this time their general reserves and undivided profits accounts totaled about $356,000,000, standing 9 percent higher than they were six months ago.

Private repurchasable capital showed a 1-percent gain during July to total $4,840,000,000 at the end of the month.

For each $100 invested in these institutions in July, $74 was withdrawn. [Table 13.]

Federal Savings and Loan Associations

On July 31 there were 1,467 associations operating under Federal Charter, additions during the month consisting of one newly chartered association and one institution converted from state to Federal charter. Total resources of these associations amounted to $3,550,000,000, of which $203,300,000, or 5.7 percent, constituted general reserves and undivided profits.

Progress in number and assets of Federals

[Dollar amounts are shown in thousands]

Class of association	Number		Approximate assets	
	July 31, 1945	June 30, 1945	July 31, 1945	June 30, 1945
New	632	631	$1, 220, 423	$1, 212, 465
Converted	835	834	2, 331, 731	2, 315, 562
Total	1, 467	1, 465	3, 552, 154	3, 528, 027

Table 1.—BUILDING ACTIVITY—Estimated number and valuation of new family dwelling units provided in all urban areas in July 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	
	July 1945	July 1944	July 1945	July 1944	July 1945	July 1944	July 1945	July 1944
UNITED STATES	15,911	9,830	$59,824	$30,015	11,244	7,397	$46,220	$22,684
No. 1—Boston	270	78	1,197	211	270	78	1,197	211
Connecticut	53	31	260	124	53	31	260	124
Maine	20	1	31	1	20	1	31	1
Massachusetts	145	36	676	63	145	36	676	63
New Hampshire	4		14		4		14	
Rhode Island	48	10	216	23	48	10	216	23
Vermont								
No. 2—New York	747	42	3,644	114	583	42	3,012	113
New Jersey	352	27	1,503	75	268	27	1,318	75
New York	395	15	2,141	39	315	15	1,694	38
No. 3—Pittsburgh	387	182	1,733	450	206	118	974	317
Delaware	1		7		1		7	
Pennsylvania	349	159	1,641	437	168	95	882	304
West Virginia	37	23	85	13	37	23	85	13
No. 4—Winston-Salem	1,936	1,547	5,595	5,056	1,399	660	4,042	1,332
Alabama	208	120	320	110	208	112	320	86
District of Columbia	461	222	1,430	547	56	88	236	328
Florida	562	381	1,569	927	448	243	1,223	549
Georgia	212	78	595	79	201	75	588	76
Maryland	21	626	109	3,158	21	26	109	70
North Carolina	233	39	745	34	233	39	745	34
South Carolina	75	32	86	73	68	28	80	61
Virginia	164	49	741	128	164	49	741	128
No. 5—Cincinnati	1,137	738	5,922	2,690	1,000	645	5,377	2,363
Kentucky	35	13	123	12	35	13	123	12
Ohio	837	539	5,060	2,325	718	446	4,551	1,998
Tennessee	265	186	739	353	247	186	703	353
No. 6—Indianapolis	925	685	4,544	2,784	925	494	4,544	2,171
Indiana	304	195	1,143	765	304	189	1,143	753
Michigan	621	490	3,401	2,019	621	305	3,401	1,418
No. 7—Chicago	1,184	442	6,354	1,958	673	415	3,627	1,883
Illinois	850	354	4,572	1,562	374	349	1,979	1,548
Wisconsin	334	88	1,782	396	299	66	1,648	335
No. 8—Des Moines	450	110	1,976	213	440	110	1,967	213
Iowa	69	22	274	49	69	22	274	49
Minnesota	232	23	1,238	38	232	23	1,238	38
Missouri	97	58	313	115	93	58	309	115
North Dakota	20	2	74	6	20	2	74	6
South Dakota	32	5	77	5	26	5	72	5
No. 9—Little Rock	2,141	1,937	4,729	4,083	1,798	1,748	3,875	3,643
Arkansas	191	62	462	20	191	62	462	20
Louisiana	95	497	154	1,154	95	497	154	1,154
Mississippi	103	79	96	40	103	79	96	40
New Mexico	320	170	686	405	75	90	87	263
Texas	1,432	1,129	3,331	2,464	1,334	1,020	3,076	2,166
No. 10—Topeka	628	147	1,843	326	428	147	1,387	326
Colorado	118	12	484	23	118	12	484	23
Kansas	279	24	633	40	83	24	190	40
Nebraska	57	43	232	194	53	43	219	194
Oklahoma	174	68	494	69	174	68	494	69
No. 11—Portland	2,355	477	6,704	1,725	630	469	2,778	1,703
Idaho	22	20	99	22	22	20	99	22
Montana	55	4	141	11	55	4	141	11
Oregon	266	78	952	129	168	78	697	129
Utah	88	225	291	1,037	72	225	261	1,037
Washington	1,912	137	5,169	490	301	129	1,528	468
Wyoming	12	13	52	36	12	13	52	36
No. 12—Los Angeles	3,751	3,445	15,583	10,405	2,892	2,471	13,440	8,409
Arizona	81	27	341	47	73	27	313	47
California	3,604	3,411	14,864	10,344	2,753	2,437	12,749	8,348
Nevada	66	7	378	14	66	7	378	14

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-July totals		Monthly totals			January-July totals	
	July 1945	June 1945	July 1944	1945	1944	July 1945	June 1945	July 1944	1945	1944
Private construction	12,954	11,982	8,114	64,010	61,462	$51,675	$48,161	$24,833	$226,902	$193,439
1-family dwellings	10,464	10,437	6,537	52,237	46,771	43,519	43,551	20,174	191,492	147,535
2-family dwellings [1]	780	544	860	4,599	6,763	2,701	1,915	2,510	15,340	22,692
3-and more-family dwellings [2]	1,710	1,001	717	7,174	7,928	5,455	2,695	2,149	20,070	23,212
Public construction	2,957	1,598	1,716	8,869	12,868	8,149	4,423	5,182	18,361	31,928
Total urban construction	15,911	13,580	9,830	72,879	74,330	59,824	52,584	30,015	245,263	225,367

[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
	Aug.	May	Feb.	Nov.	Aug.	Aug.	Aug.	Aug.	Aug.	Aug.
No. 3—Pittsburgh:										
Wilmington, Del	136.2	135.4	134.9	134.9	134.9	130.0	129.7	115.9	93.9	97.5
Philadelphia, Pa	158.3	151.9	151.4	151.1	149.7	145.7	138.5	120.1	110.0	103.8
Charleston, W. Va	135.4	134.1	134.2	134.2	133.4	121.3	121.3	108.0	r 100.7	100.9
No. 5—Cincinnati:										
Louisville, Ky	135.7	136.3	135.2	134.7	134.3	122.0	116.4	108.6	104.4	100.7
Cleveland, Ohio	148.1	147.5	147.9	147.8	142.6	138.5	127.3	121.3	108.4	102.1
Memphis, Tenn	137.7	136.9	136.9	135.6	135.3	121.7	118.6	108.8	102.8	101.2
No. 9—Little Rock:										
Little Rock, Ark	138.8	139.0	138.4	138.5	138.1	135.0	135.0	113.9	r 104.5	102.7
New Orleans, La	141.9	141.9	141.9	141.7	141.2	131.4	131.9	123.9	102.5	101.4
Jackson, Miss	139.2	139.0	137.2	137.2	137.2	123.9	122.7	118.9	106.3	103.0
Albuquerque, N. M	132.3	132.0	134.7	132.0	130.9	118.7	117.7	110.3	r 103.8	103.5
Houston, Tex	126.8	126.8	126.4	126.8	126.7	116.5	115.9	108.9	96.8	100.2
No. 12—Los Angeles:										
Phoenix, Ariz	122.3	122.4	122.3	122.0	122.0	111.5	111.8	107.7	99.0	97.9
Los Angeles, Calif	151.9	151.4	150.9	151.3	148.9	133.5	128.1	105.4	95.4	95.0
Reno, Nev	134.5	133.0	133.0	132.9	133.0	120.7	118.2	110.6	105.5	102.3

[1] Indexes of August 1941 and thereafter have been revised in order to use retail material prices collected by the Bureau of Labor Statistics.

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.

r Revised.

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

[Average month of 1935-1939=100]

Element of cost	July 1945	June 1945	May 1945	Apr. 1945	Mar. 1945	Feb. 1945	Jan. 1945	Dec. 1944	Nov. 1944	Oct. 1944	Sept. 1944	Aug. 1944	July 1944
Material	p 133.0	132.7	132.5	r 132.4	132.3	131.9	131.7	131.5	131.5	131.3	131.2	131.3	131.0
Labor	p 140.6	r 140.5	r 140.5	r 140.5	140.4	140.1	140.1	140.0	139.9	139.1	138.5	137.3	137.3
Total	p 135.6	r 135.3	135.2	r 135.1	r 135.0	134.7	134.5	134.4	134.4	133.9	133.7	133.3	133.1

r Revised.
p Preliminary.

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: July	123.6	109.0	102.7	r 155.6	125.4	118.8	103.5	109.5
1944: 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	130.3	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
July	131.2	122.9	109.1	172.7	130.4	121.7	103.5	112.8
Percent change:								
July 1945-June 1945	+0.1	+0.7	0.0	+0.1	−0.2	0.0	0.0	0.0
July 1945-July 1944	+1.4	+10.9	+3.1	+0.6	+0.5	+0.2	0.0	+1.2

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-July	57,386	412,493	99,513	16,601	41,828	627,821	267,458	286,789	73,574
July	9,209	77,555	14,925	2,807	6,859	111,355	48,370	50,648	12,337
1944	95,243	1,064,017	163,813	30,751	100,228	1,454,052	669,433	648,670	135,949
January-July	65,757	583,932	93,093	17,191	56,210	816,183	373,015	365,024	78,144
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-July	72,057	723,429	106,069	19,483	73,296	994,334	468,709	138,074	87,551
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
July	17,658	112,761	15,622	3,351	11,007	160,399	76,355	70,264	13,780

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 (7 months)		
	July 1945	June 1945	July 1944	1945	1944	Percent change
UNITED STATES	$160,399	$167,311	$125,036	$994,334	$816,183	+21.8
Federal	76,355	79,603	57,164	468,709	373,015	+25.7
State member	70,264	74,219	56,539	438,074	365,024	+20.0
Nonmember	13,780	13,489	11,333	87,551	78,144	+12.0
Boston	10,868	13,007	10,079	67,309	59,044	+14.0
Federal	4,381	5,550	3,949	27,677	21,365	+29.5
State member	4,687	6,306	4,863	31,517	29,923	+5.3
Nonmember	1,800	1,151	1,267	8,115	7,756	+4.6
New York	15,889	17,226	11,259	96,926	68,613	+41.3
Federal	5,483	6,190	3,757	34,007	20,582	+65.2
State member	7,773	8,586	5,507	46,500	35,767	+30.0
Nonmember	2,633	2,450	1,995	16,419	12,264	+33.9
Pittsburgh	12,094	14,261	10,095	83,128	67,514	+23.1
Federal	6,258	6,857	4,593	39,239	30,918	+26.9
State member	4,036	5,090	3,901	29,037	22,966	+26.4
Nonmember	1,800	2,314	1,601	14,852	13,630	+9.0
Winston-Salem	19,449	19,169	14,072	121,845	97,939	+24.4
Federal	10,314	10,298	6,710	65,062	52,173	+24.7
State member	7,923	7,706	6,449	49,835	39,861	+25.0
Nonmember	1,212	1,165	913	6,948	5,905	+17.7
Cincinnati	27,836	27,691	21,325	165,772	138,848	+19.4
Federal	11,596	11,601	9,300	71,026	56,842	+25.0
State member	14,329	14,394	10,374	83,572	70,140	+19.2
Nonmember	1,911	1,696	1,651	11,174	11,866	−5.8
Indianapolis	8,618	8,805	7,061	55,539	45,058	+23.3
Federal	4,646	5,012	3,453	29,668	21,930	+35.3
State member	3,711	3,441	3,290	23,302	21,030	+10.8
Nonmember	261	352	318	2,569	2,098	+22.4
Chicago	17,487	20,143	14,938	113,104	92,638	+22.1
Federal	7,221	8,988	5,840	47,996	37,919	+26.6
State member	9,073	9,739	8,065	56,347	46,956	+20.0
Nonmember	1,193	1,416	1,033	8,761	7,763	+12.9
Des Moines	9,572	9,876	8,187	58,564	49,864	+17.4
Federal	4,933	5,154	4,365	29,871	25,254	+18.3
State member	3,409	3,244	2,758	20,836	17,920	+16.3
Nonmember	1,230	1,478	1,064	7,857	6,690	+17.4
Little Rock	7,607	6,766	6,144	47,557	45,424	+4.7
Federal	3,871	3,529	2,884	23,711	18,577	+27.6
State member	3,609	3,169	3,192	23,201	26,353	−12.0
Nonmember	127	68	68	645	494	+30.6
Topeka	8,315	7,386	6,287	50,617	39,428	+28.4
Federal	4,677	4,176	3,164	27,396	20,403	+34.3
State member	2,280	2,089	1,926	14,749	11,006	+34.0
Nonmember	1,358	1,121	1,197	8,472	8,019	+5.6
Portland	5,178	5,583	4,220	34,522	26,162	+32.0
Federal	3,399	3,151	2,796	20,944	17,494	+19.7
State member	1,629	2,275	1,264	12,506	7,576	+65.1
Nonmember	150	157	160	1,072	1,092	−1.8
Los Angeles	17,486	17,398	11,369	99,451	85,651	+16.1
Federal	9,576	9,097	6,353	52,112	49,558	+5.2
State member	7,805	8,180	4,950	46,672	35,526	+31.4
Nonmember	105	121	66	667	567	+17.6

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

JULY 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	$169,784	$20,173	$90,199	$18,062	$116,964	$54,087	$469,269
Boston	13,540	488	4,501	9,794	6,778	2,897	37,998
Connecticut	1,774	300	2,077	1,539	2,220	886	8,796
Maine	632	22	264	818	556	66	2,358
Massachusetts	9,616	146	1,475	5,944	2,943	1,499	21,623
New Hampshire	386	20	166	691	320	43	1,626
Rhode Island	916		441	419	491	381	2,648
Vermont	216		78	383	248	22	947
New York	14,892	1,671	7,897	6,228	18,229	6,402	55,319
New Jersey	4,680	729	3,668	936	4,667	2,260	16,940
New York	10,212	942	4,229	5,292	13,562	4,142	38,379
Pittsburgh	14,068	2,396	8,477	596	7,394	3,616	36,547
Delaware	211	156	213	80	286	96	1,042
Pennsylvania	12,858	1,949	6,747	516	6,488	3,357	31,915
West Virginia	999	291	1,517		620	163	3,590
Winston-Salem	16,637	2,659	6,039	119	15,587	4,264	45,305
Alabama	590	244	377		941	364	2,516
District of Columbia	2,608	346	512		1,372	394	5,232
Florida	2,050	610	1,007		5,813	1,234	10,714
Georgia	1,856	242	1,244		1,382	546	5,270
Maryland	4,234	165	1,055	119	1,634	248	7,455
North Carolina	2,436	513	419		1,378	507	5,253
South Carolina	435	202	446		740	282	2,105
Virginia	2,428	337	979		2,327	689	6,760
Cincinnati	32,281	2,101	11,957	483	6,825	4,488	58,135
Kentucky	2,685	186	1,027		362	216	4,476
Ohio	28,532	934	9,765	483	5,798	1,468	46,980
Tennessee	1,064	981	1,165		665	2,804	6,779
Indianapolis	9,473	2,038	8,685	9	3,890	1,933	26,028
Indiana	6,138	700	3,470	9	1,486	945	12,748
Michigan	3,335	1,338	5,215		2,404	988	13,280
Chicago	19,262	1,040	6,997	33	8,068	7,883	43,283
Illinois	15,080	693	4,729		4,702	7,148	32,352
Wisconsin	4,182	347	2,268	33	3,366	735	10,931
Des Moines	10,155	1,842	7,673	287	5,331	5,192	30,480
Iowa	2,575	235	1,655		812	318	5,595
Minnesota	3,959	297	1,771	287	1,325	1,489	9,128
Missouri	3,149	1,255	3,914		2,876	3,319	14,513
North Dakota	285	36	168		150	54	693
South Dakota	187	19	165		168	12	551
Little Rock	8,497	2,204	2,118		7,705	2,800	23,324
Arkansas	633	116	383		431	72	1,635
Louisiana	2,296	171	153		1,642	759	5,021
Mississippi	411	121	255		461	146	1,394
New Mexico	184	2	97		259	12	554
Texas	4,973	1,794	1,230		4,912	1,811	14,720
Topeka	8,409	899	2,549		6,280	2,163	20,300
Colorado	1,209	229	626		3,407	938	6,409
Kansas	2,345	132	591		710	340	4,118
Nebraska	1,334	328	419		537	183	2,801
Oklahoma	3,521	210	913		1,626	702	6,972
Portland	4,975	536	4,188	513	3,865	1,942	16,019
Idaho	433	52	169		438	17	1,109
Montana	384	23	189		450	5	1,051
Oregon	1,351	196	391	45	1,374	326	3,683
Utah	407	120	746		292	92	1,657
Washington	2,268	145	2,556	468	1,030	1,491	7,958
Wyoming	132		137		281	11	561
Los Angeles	17,595	2,299	19,118		27,012	10,507	76,531
Arizona	397	93	465		1,202	85	2,242
California	17,102	2,183	18,539		25,517	10,401	73,742
Nevada	96	23	114		293	21	547

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-July	864,634	33.4	150,385	5.8	504,928	19.5	88,297	3.4	616,512	23.9	362,207	14.0	2,586,963	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-July	1,049,454	34.7	137,736	4.6	570,349	18.8	107,737	3.6	790,745	26.1	370,126	12.2	3,026,147	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
July	169,784	36.2	20,173	4.3	90,199	19.2	18,062	3.9	116,964	24.9	54,087	11.5	469,269	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
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
July	1,031,778	47,409	215,288	1,294,475	406,103

[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: 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
July	347	18,207	19,056	6,339,263

[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, July 1945		Principal assets, July 31, 1945			Capital and principal liabilities, July 31, 1945			Total assets July 31, 1945 [1]
	Advances	Repayments	Advances outstanding	Cash [1]	Government securities	Capital [2]	Debentures	Member deposits	
Boston	$241	$324	$9,492	$450	$11,034	$20,184	$0	$896	$21,081
New York	777	1,027	6,585	4,702	26,997	28,172	0	10,323	38,507
Pittsburgh	534	1,737	9,900	2,188	10,872	17,167	4,000	1,902	23,079
Winston-Salem	1,385	1,449	11,205	365	7,135	18,370	0	421	18,794
Cincinnati	1,255	1,895	11,204	3,465	26,202	28,430	2,500	10,212	41,181
Indianapolis	550	1,176	7,484	1,992	15,541	15,214	4,000	5,958	25,186
Chicago	1,049	2,595	24,656	1,506	7,827	23,933	5,000	5,185	34,128
Des Moines	161	1,741	8,274	260	9,483	13,760	3,500	834	18,100
Little Rock	520	673	4,199	993	8,116	12,627	500	255	13,384
Topeka	47	365	3,185	1,047	8,220	10,902	1,000	625	12,529
Portland	170	382	2,155	732	9,857	8,721	1,000	1,075	12,799
Los Angeles	755	4,137	23,269	805	13,652	16,859	10,500	5,956	37,833
July 1945 (combined total)	7,444	17,501	121,608	18,505	154,936	214,339	32,000	43,642	296,601
June 1945	86,734	5,992	131,666	24,887	159,763	213,415	50,000	45,328	317,335
July 1944	28,481	20,641	136,118	18,654	126,055	204,019	58,000	18,948	282,080

[1] Includes interbank deposits.

[2] Capital stock, surplus, and undivided profits.

Table 13.—**INSURED ASSOCIATIONS**—
Progress of institutions insured by the FSLIC [1]

[Dollar amounts are shown in thousands]

Period and class of association	Number of associations	Total assets	Operations: New mortgage loans	Operations: New private investments	Operations: Private repurchases	Operations: Repurchase ratio
ALL INSURED						
1944: July	2,463	$4,619,867	$93,305	$155,218	$120,349	77.5
August	2,461	4,667,060	104,008	126,641	64,619	51.0
September	2,460	4,713,815	101,658	122,016	56,102	46.0
October	2,462	4,774,160	100,642	129,938	54,719	42.1
November	2,462	4,867,068	88,227	115,008	52,378	45.5
December	2,466	5,012,662	83,408	142,291	45,985	32.3
1945: January	2,466	5,035,626	76,215	195,077	123,943	63.5
February	2,463	5,076,554	79,479	125,769	63,089	50.2
March	2,465	5,136,903	110,287	138,709	71,488	51.5
April	2,469	5,204,641	113,296	133,651	65,701	49.2
May	2,469	5,292,169	121,808	130,182	62,980	48.4
June	2,471	5,549,563	126,824	163,156	56,279	34.5
July	2,473	5,594,461	121,572	196,944	144,932	73.6
FEDERAL						
1944: July	1,466	2,907,974	57,164	101,500	79,735	78.6
August	1,465	2,934,647	64,400	82,105	40,825	49.7
September	1,464	2,961,860	63,489	79,126	35,570	45.0
October	1,465	3,000,365	61,965	85,297	33,746	39.6
November	1,464	3,059,556	54,978	75,372	32,665	43.3
December	1,464	3,168,731	51,586	93,400	26,049	27.9
1945: January	1,464	3,178,132	46,439	129,640	84,624	65.3
February	1,464	3,200,324	49,900	82,862	41,374	49.9
March	1,465	3,237,942	69,430	91,627	46,574	50.8
April	1,465	3,280,506	71,375	88,356	41,856	47.4
May	1,466	3,337,648	75,607	85,977	40,063	46.6
June	1,465	3,528,027	79,603	106,770	33,601	31.5
July	1,467	3,552,154	76,355	129,958	100,301	77.2
STATE						
1944: July	997	1,711,893	36,141	53,718	40,614	75.6
August	996	1,732,413	39,608	44,536	23,794	53.4
September	996	1,752,015	38,169	42,890	20,532	47.9
October	997	1,773,795	38,677	44,641	20,973	47.0
November	998	1,807,512	33,249	39,636	19,713	49.7
December	1,002	1,843,931	31,822	48,891	19,936	40.8
1945: January	1,002	1,857,494	29,776	65,437	39,319	60.1
February	999	1,876,230	29,579	42,907	21,715	50.6
March	1,000	1,898,961	40,857	47,082	24,914	52.9
April	1,004	1,924,135	41,921	45,295	23,845	52.6
May	1,003	1,954,521	46,201	44,205	22,917	51.8
June	1,006	2,021,536	47,221	56,386	22,678	40.2
July	1,006	2,042,307	45,217	66,986	44,631	66.6

[1] Balance sheet items, formerly shown each month, now appear only in the February, May, August and November issues of the REVIEW.

Tables 14 and 15—now appear quarterly in the February, May, August and November issues of the REVIEW.

Amendment to Rules and Regulations of FS and L System

(*Continued from p. 359*)

are repayable in accordance with paragraph (a) of Section 14 of Charter K, except that the period of amortization shall not exceed 15 years.

(ii) In an amount not exceeding 66⅔% of the value of improved real estate used primarily for residential purposes, when such loans are repayable in accordance with paragraph (a) of Section 14 of Charter K, except that the period of amortization shall not exceed 15 years.

(iii) In an amount not exceeding 60% of the value of improved real estate used primarily for residential purposes, when such loans are repayable in accordance with paragraph (b) of Section 14 of Charter K, except that the maturity period shall not exceed 2 years.

(iv) In an amount not exceeding 75% of the value of residential property for more than four families, but for not more than six families, when such loans are repayable in accordance with paragraph (a) of Section 14 of Charter K.

(v) In an amount not exceeding 60% of the value of home or combination home and business property, when such loans are repayable in accordance with paragraph (b) of Section 14 of Charter K, except that the maturity period shall not exceed 3 years.

This action, being of an emergency character, was adopted by the Federal Home Loan Bank Administration on August 30 and became effective upon filing with the *Federal Register* August 31, 1945.

The Road Back

(*Continued from p. 343*)

Savings and Loan Associations

The savings and loan industry has entered the reconversion period in the strongest position it has enjoyed in its entire history. Not only do its resources (less pledged shares) now approximate the pre-depression peak, but an unprecedented proportion are in liquid form, enabling these institutions to play a major role in financing, on a sound basis, the postwar revival of new home construction. Already they have accounted for the overwhelming bulk of the $26,738,000 of home loans to veterans, guaranteed under the Servicemen's Readjustment Act, and the volume of this activity is expected to show a marked rise.

While the return to peace brings with it a resumption of home building in large volume and the consequent opening of opportunities for lending to finance the construction of new homes, the coming years are expected to be a period of vigorous competition for which savings and loan associations are well equipped—competition in lending as well as competition in the attraction and retention of savings. Throughout the war years the industry has closely reexamined home financing methods and is prepared to offer prospective borrowers a variety of plans designed to suit the circumstances of the individual and assure him the ultimate protection.

The strengthening of the industry's reserve position which has occurred since Pearl Harbor, in spite of the large expansion of liquid assets and the consequent decline in the rate of earnings, has made savings and loan associations increasingly attractive as savings institutions. However, broadening investment opportunities in all lines of civilian production will increase competition among the various types of savings institutions in the years ahead, making it particularly important for savings and loan management to keep its public fully cognizant of its plans for systematic thrift.

Table 16.—**HOLC**—Mortgage loans outstanding and properties on hand

[Dollar amounts are shown in thousands]

Period	Due on original loans	Due on property sold	Properties owned: Book value	Properties owned: Number [1]
1940: July	$1,718,155	$284,524	$382,395	60,470
1941: July	1,502,710	351,868	298,165	43,933
1942: July	1,293,416	363,578	250,126	34,672
1943: July	1,059,151	359,394	179,103	23,728
1944: July	828,977	370,059	28,771	[r] 4,235
August	810,320	366,561	23,318	3,478
September	792,620	362,874	19,009	2,863
October	774,179	358,541	15,641	2,362
November	757,028	354,117	12,660	1,941
December	741,656	349,707	10,701	1,659
1945: January	724,306	344,311	9,157	1,446
February	709,620	339,642	8,278	1,337
March	693,190	334,092	7,342	1,207
April	678,134	328,846	6,439	1,071
May	662,020	323,046	5,194	881
June	647,024	317,592	4,144	710
July	632,598	312,329	3,522	613

[1] Includes re-acquisitions of properties previously sold.
[r] Revised.

Table 17.—**GOVERNMENT SHARES**—Investments in member associations [1]

[Dollar amounts are shown in thousands]

Type of operation	Treasury	Home Owners' Loan Corporation		
	Federals [2]	Federals	State members	Total
October 1935—June 1945:				
Applications:				
Number	1,862	4,710	995	5,705
Amount	$50,401	$213,701	$66,495	$280,196
Investments:				
Number	1,831	4,243	738	4,981
Amount	$49,300	$178,416	$45,441	$223,857
Repurchases	$46,645	$158,320	$39,305	$197,625
Net outstanding investments	$2,655	$20,096	$6,136	$26,232
Second quarter 1945:				
Applications:				
Number	0	0	0	0
Amount	0	0	0	0
Investments:				
Number	0	0	0	0
Amount	0	0	0	0
Repurchases	0	0	$74	$74

[1] Refers to number of separate investments, not to number of associations in which investments are made.
[2] Investments in Federals by the Treasury were made between December 1933 and November 1935.

Table 18.—**FHLBS**—Membership in the Federal Home Loan Bank System

[Dollar amounts are shown in thousands]

Type of institution	1945				1944		1943	
	June		March		June		June	
	No.	Assets	No.	Assets	No.	Assets	No.	Assets
All members	3,696	$7,969,978	3,696	$7,392,554	3,714	$6,840,241	3,774	$6,045,016
Savings and loan associations	3,656	7,013,906	3,657	6,541,038	3,671	5,962,319	3,729	5,249,414
Federal	1,465	3,528,027	1,465	3,237,942	1,465	2,881,276	1,468	2,426,079
Insured state	1,002	2,015,142	996	1,892,876	992	1,696,352	956	1,449,255
Uninsured state	1,189	1,470,737	1,196	1,410,220	1,214	1,384,691	1,305	1,374,080
Mutual savings banks	25	566,553	24	510,230	22	463,580	22	428,566
Insurance companies	15	389,519	15	341,286	21	414,342	23	367,036

Table 19.—**FHA**—Insured home mortgages (Titles II and VI) held, by class of institution [1]

[Thousands of dollars]

Cumulative through end of month	Total	Commercial banks	Mutual savings banks	Savings and loan associations	Insurance companies	Federal agencies [2]	Others [3]
1941: June	$2,754,725	$1,300,734	$174,706	$237,056	$668,069	$220,400	$153,760
December	3,115,616	1,447,101	205,748	255,296	791,617	233,628	182,226
1942: June	3,551,421	1,614,392	242,619	277,704	966,441	245,206	205,059
December	3,795,519	1,694,963	263,825	288,611	1,095,276	251,871	200,973
1943: June	4,153,657	1,819,942	301,058	319,147	1,231,638	259,495	222,377
December	4,308,362	1,894,913	328,041	345,938	1,374,570	116,330	248,570
1944: June	4,514,290	1,929,054	371,071	371,947	1,465,561	133,042	243,615
December	4,555,672	1,919,999	392,643	379,482	1,495,245	134,551	233,752
1945: June	4,677,345	1,982,879	416,254	407,994	1,550,409	99,362	220,447

[1] Original face amount of mortgages held; does not include terminated mortgages and cases in transit to or being audited at the Federal Housing Administration.
[2] The RFC Mortgage Company, the Federal National Mortgage Association and the United States Housing Corporation.
[3] Includes mortgage companies, finance companies, industrial banks, endowed institutions, private and state benefit funds, etc.

★ ★ ★ WORTH REPEATING ★ ★ ★

SECURITY: "It has often been said that the absence of war is not peace, and that there can be no real peace without a measure of economic security. In a democracy, this means an opportunity for the individual to work and to provide for a family. Unless employment and production can be maintained at a high level in future years, it will seem to many people that we have failed to realize at home the ideals for which we fought the war."

M. S. Szymczak, Board of Governors of the Federal Reserve System, Washington, D. C., *The Burroughs Clearing House*, August 1945.

AFTER VICTORY: "In our exuberance of military victory, let us not be blinded to the fact that we must still win the victory of a permanent and prosperous peace. From today on the most pressing problem of the nation is reconversion—reconversion of men, reconversion of machines and factories, reconversion of thinking . . . It is the job of every American to spur private initiative throughout the country and to speed up the removal of all obstacles to quick reconversion."

Eric Johnston, President, Chamber of Commerce of the United States, *Business Action*, Aug. 27, 1945.

EFFECTIVE INSTRUMENT: "Fiscal policy is clearly capable of being utilized as one of the effective instruments for the promotion of full employment in the post-war period. Our primary objective should be to make it possible for our people to purchase the full amount of goods and services which our economy is capable of producing. I do not consider this objective incompatible with that of encouraging the largest possible volume of private investment in industry. On the contrary, I believe that the two objectives go together and that neither can be achieved without the other. Consumer demand is the motivating force of private industry and lays the basis for profitable private investment."

Summary Report of the Secretary of the Treasury, 1945, Washington, D. C.

LONG-TERM ASSETS: "The private housing industry not only was kept alive during this war—in contrast to the last—but it has been in a position to build over a million war housing units, representing the bulk of the permanent war housing construction. Channeled into the areas where a continuing market appeared likely, these units should prove to be a long-term asset in the postwar housing supply. Furthermore, in handling its difficult wartime construction assignment, the private housing industry has broadened its experience with potential mass housing markets and with rental housing, has developed new construction methods for larger-scale operations, and has made its first substantial venture into the field of Negro housing."

Statement by John B. Blandford, Jr., Administrator, National Housing Agency, August 1945.

COORDINATED RESEARCH: "If we are to have progressively higher standards in community housing and development, we must carry out a coordinated program of research in design, planning, construction, land uses, financing, marketing, management and community services.

"If the government is to provide useful technical services to local communities and the building industry, its agency should be empowered to initiate and carry out a comprehensive program of research. The aim of such research should always be to get better housing at less cost."

R. J. Thomas, President, International Union, UAW-CIO, *Problems and Answers*.

OBJECTIVES: "The objectives of a sound program should be to house all Americans at fair prices and decently, but not necessarily all of them in new houses. It should have the secondary purpose of providing employment through the construction industry's normal activities."

Lawrence E. Mawn, American Institute of Architects, *Architect and Engineer*, June 1945.

MARKET INFORMATION: "If all of the diverse elements which make up the construction industry are to plan wisely and aggressively to absorb their share of the manpower and other resources as fast as these resources are released from war production, they must have an adequate knowledge of the markets for such construction. This market information must be sufficiently detailed and sufficiently concrete so that the average businessman can visualize the potentialities of his community and make his plans accordingly.

"If the industry is to prepare, with confidence, for prompt resumption of non-war activity it must have access to a careful and continuing appraisal of the possible bottlenecks limiting such expansion."

Amos E. Taylor, Director, Bureau of Foreign and Domestic Commerce, *The Constructor*, July 1945.

FUTURE ACTIVITY: "No matter whose figures you accept on post-war housing need and demand, the market still looms large. But the largest section of it is still that great middle class, above the lowest income, and below the top strata.

"Finding the ways to provide a well-located, well-designed, well-built, well-financed and serviced house for that segment of the market is the answer to the questions as to how big, how sound, and how long-lasting will the post-war housing activity be for private building enterprise."

Raymond Foley, Commissioner, Federal Housing Administration, *The Bildor*, August 1945.

THE BOOKSHELF

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

NATIONAL BUDGETS FOR FULL EMPLOYMENT: 1945. 96 pp. Available at 50¢ from National Planning Association, 800 21st St., N. W., Washington, D. C.

AMERICAN PLANNING AND CIVIC ANNUAL: Harlean James, Editor. 1944. 178 pp. Available at $3 from American Planning and Civic Association, 901 Union Trust Bldg., Washington, D. C.

RESEARCH AND POST-WAR PLANNING: BIBLIOGRAPHY, PART XVII: 80 pp. Available at $1 from United Nations Information Office, 610 Fifth Avenue, New York 21, N. Y.

IS NOW THE TIME TO BUY OR SELL? By Walter Adams. In August 1945 issue of *Better Homes and Gardens*. Single copy, 15¢.

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THEY FINISHED THEIR JOB—

LET'S FINISH OURS!

U. S. GOVERNMENT PRINTING OFFICE : 1945