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GUARANTEED AND INSURED LOANS UNDER THE SERVICEMEN'S READJUSTMENT ACT

United States participation in World War II withdrew, for varying periods of time, millions of young and relatively young Americans from colleges and universities, business and trade schools, farms, factories, mines, construction and service trades, and mercantile establishments. Service in the armed forces thus interrupted the civilian careers and the economic progress of great numbers of industrial workers, farmers, business men, students, and trainees. That the nation should assure to these millions of its citizens the opportunity of resuming interrupted careers, facilitate rehabilitation and retraining of fighting men who returned from war incapacitated for or dissatisfied with their former occupations, supplement the credit and borrowing power of honorably discharged service men wishing to purchase farms or establish small businesses of their own, and help returning veterans to acquire homes for themselves and their families, seemed to Congress and the President no more than simple justice and deserved compensation for sacrifices made on behalf of the nation. The result was the enactment in 1944 and the liberalization in 1945 of the Servicemen's Readjustment Act, popularly known as the "GI Bill of Rights."

The nation as a whole, without concerning itself much with the details of the Act, has more or less put its faith in this legislation as a sort of guaranty that no veteran of the recent war will ever be reduced to the necessity of selling apples on street corners or peddling pencils or shoe laces on the sidewalks. Whether such security will be the lot of veterans in the years ahead depends in part on the wisdom and efficiency with which the Act is administered and in part on many other factors, such as general economic developments and individual personalities, beyond the scope of the law. There are, however, certain basic provisions of the law which are making the return and readjustment to civilian life and occupations less difficult for veterans of World War II than for veterans of any previous conflict in the nation's history.

Summary of Non-Loan Provisions

Of major and particular interest to most readers of the *Monthly Business Review* are the provisions in Title III of the Act relating to Government guaranty and insurance of loans made to veterans by banks and other private lenders. For that reason, and because of lack of space, the loan provisions only have been selected for detailed discussion in this article. The following brief summary of the non-loan provisions must suffice to reveal the wide scope of benefits and assistance extended to veterans in varying circumstances by this legislation:

Hospitalization, medical, and surgical care, and, in some instances, out-patient treatment for ill, disabled, or maimed veterans; prosthetic appliances for those needing them, and training in the use of such appliances.

Vocational guidance and rehabilitation training for veterans whose service-incurred disabilities have rendered them incapable of engaging in the occupation or occupations in which they had been trained or employed before induction into the armed forces; with subsistence pay during the period of training and for two months after employability is determined.

Job counseling through a Veterans' Representative attached to each field office of the United States Employment Service.

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Readjustment allowances for involuntary unemployment occurring within two years after discharge or release or after the termination of the war (not yet officially proclaimed), whichever is later; at the rate of $20.00 per week for a period adjusted up to a maximum of 52 weeks depending upon the length of the veteran's period of active service.

Education or training, for one year plus the time the veteran was in active service but not for more than 4 calendar years without the approval of the Administrator of Veterans' Affairs; in any qualified and approved educational or training institution or in any business establishment providing on-the-job training chosen by the veteran; to be begun not later than 4 years after the veteran's discharge or the termination of the war, whichever is later, and in no case extending beyond 9 years after the termination of the war; the Government to pay (a) tuition and fees customarily charged by the institution attended not in excess of a rate of $500.00 per school year, except that no pay or other subsidy shall be paid to establishments giving on-the-job training, and (b) a subsistence allowance during the period of satisfactory work of $65.00 per month to the veteran without a dependent and $90.00 per month to the veteran with one or more dependents.

A few comments in passing regarding on-the-job training for veterans may be justified by the potential interest and benefit which that program holds for business men as well as veterans. Types of on-the-job training now in progress in business establishments of this district are reported by the Veterans' Administration as including auto mechanics, radio, refrigeration, and air-conditioning, cabinet making, carpentry, electrical work, accounting, salesmanship, and banking. An official of the vocational rehabilitation and education service estimates that there are approximately 60,000 veterans currently enrolled in on-the-job programs in Texas.[1]

If administered in keeping with its purpose, this program can help make up the deficit of skilled workers which every section of the nation needs—carpenters, plumbers, mechanics, tailors, accountants, and others—and at the same time enable veterans whose start in business or industry was delayed by war service to combine training with gainful employment, learning with earning. The program is not intended to provide opportunity for employers to take advantage of the subsistence payment granted the veteran in training to employ young men at less than living wages. Neither is it intended to subsidize veterans who have no aptitude for or interest other than pecuniary in the jobs for which they may enlist for training. Some abuses of the program by both employers and veterans are coming to light. There is no evidence, however, that such chiseling is either practiced or encouraged by reputable, conscientious employers who desire to enlist and train industrious veterans for permanent employment in their businesses, paying a wage during the training period which when added to the full or adjusted Government subsistence allowance equals not more than the regular wage or salary of the position for which the trainee is being prepared.

Loan Provisions: Guaranty[2]

Eligible veterans. The loan provisions (Title III) of the GI Bill of Rights do not authorize or provide for direct loans by the Government to veterans for any purpose. Instead, the Government, acting through the Administrator of Veterans' Affairs, may guarantee loans made by banks and other private lenders to eligible veterans.[3] This guaranty benefit is available to the veteran at any time up to 10 years following the official termination of the war.

[1]Banks and other employers who have initiated or are considering the initiation of on-the-job training programs to recruit and train veterans as employees may be interested in the following informative articles regarding such programs: "On-the-job Training for Veterans" in the March 1946 issue of the Conference Board *Management Record;* "On-the-Job Veteran Training for Banks," published by the Committee on Service for War Veterans of the American Bankers Association, June 15, 1946. Authoritative information as to how to secure approval for a program of on-the-job training and how to initiate and conduct such a program may be obtained from the Vocational Rehabilitation and Education Officer at the nearest regional office of the Veterans' Administration.

[2]An authoritative analysis of these provisions and other procedures and policies developed for their administration will be found in two official publications of the Veterans' Administration entitled: "Outline of General Administrative Procedures and Policies—Title III, Servicemen's Readjustment Act" and "Regulations under Title III of the Servicemen's Readjustment Act of 1944." These were published in the *American Banker* (Section Two) for Thursday, March 7, 1946. They are also included in a pamphlet "Guaranty or Insurance of Loans to Veterans" which may be obtained upon request from the Loan Guaranty Division of the nearest regional office of the Veterans' Administration. Regional offices serving states in the Eleventh Federal Reserve Districts are located at Dallas, Houston, Waco, San Antonio, Lubbock, Albuquerque, Tucson, Muskogee, and New Orleans.

[3]When a loan has been completed by a private lender in accordance with the provisions of the Act, and endorsed by the Veterans' Administration for guaranty or insurance, the lender receives, from the regional disbursing office of the United States Treasury Department, a check equal to 4 per cent of the amount of the loan guaranty or insurance. This check is credited to the borrower's account and constitutes the only direct contribution which the Government makes to the veteran in connection with the loan. This contribution, paid by the Administrator of the Veterans' Administration out of available appropriations, is a form of bonus and is not chargeable to the veteran.

Eligibility extends to any veteran—male or female—who has served in the active military or naval service of the United States at any time on or after September 16, 1940, and prior to the termination of the war, and who has been discharged or released under conditions other than dishonorable after 90 days or more of such service or because of a service-incurred injury or disability; to any person who meets the above conditions as to date and duration of service and is on terminal leave or is undergoing hospitalization pending final discharge; and to any veteran of the active military service of any government allied with the United States in World War II who meets the above conditions as to date and duration of service, who was a citizen of the United States at the time of entrance into such service, and who at the time of applying for benefits under the Act is a resident of the United States and is not applying for and has not received the same or similar benefits from the nation in whose armed forces he served.

The Act provides that an honorable discharge shall be deemed a certificate of eligibility to apply for a guaranteed loan, and that any veteran who does not have a discharge certificate or who received a discharge other than honorable may apply to the Administrator of Veterans' Affairs for a certificate of eligibility. Photostatic, certified, or other copies of the original honorable discharge or separation papers are not acceptable in determining eligibilty. Because the amounts of guaranty benefits were increased by the liberalization of the Act which became effective on March 1, 1946, certificates of eligibility issued before that date will be void after September 30, 1946. Upon surrender to the Veterans' Administration, however, they will be replaced with new certificates on which may be endorsed the amount of guaranty benefit unused or still available.

In most cases, the lender receiving a request for a loan to be guaranteed will be able to determine the veteran's eligibility from an examination of the honorable discharge or the separation papers in possession of the applicant. If, however, the lender prefers not to risk such provisional determination, he may forward the original discharge or separation papers to the nearest office of the Veterans' Administration for advice as to eligibility before making the loan.

Eligible lenders. The veteran desiring an eligible loan may make his own choice of an eligible lender. Such lenders, as defined in the Act, are of two classes: supervised and non-supervised. Supervised lenders include "any Federal land bank, national bank, State bank, private bank, building and loan association, insurance company, credit union, or mortgage and loan company, that is subject to examination and supervision by an agency of the United States or any State or Territory, including the District of Columbia." All other lenders are classed as non-supervised.

Supervised lenders may make loans to veterans that will be automatically guaranteed, and evidence of automatic guaranty will be issued to the lenders when the loans are found to have been made and reported to the nearest regional office of the Veterans' Administration in accordance with the Act and the procedures and regulations prescribed for its administration. A loan by a non-supervised lender may be guaranteed and certificate of guaranty issued to the lender only on the basis of a certificate of approval obtained from the Administrator prior to the making of the loan.

Loans at least 20 per cent of which are automatically guaranteed may be made by national banks or Federal savings and loan associations without regard to limitations and restrictions of other statutes respecting: "Ratio of amount of loan to the value of the property; maturity of loan; requirement for mortgage or other security; dignity of lien; or percentage of assets which may be invested in real estate loans."[4]

Eligible loans. To be eligible for Government guaranty, loans to veterans must be made for one or more of three general purposes:

> **Home loans**—for purchasing residential property or constructing a home or for making repairs, alterations, or improvements in property owned by a veteran and occupied as his home;
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> **Farm loans**—for purchasing any lands, buildings, livestock, equipment, machinery, supplies or implements, or for repairing, altering, constructing or improving any land, equipment, or building, including the farm house, to be used in farm operations conducted by

[4]The effect of this and other provisions of the amended Servicemen's Readjustment Act upon the authority of national banks to make real estate loans to veterans under Section 24 of the Federal Reserve Act is discussed in instructions issued March 25, 1946, by the Comptroller of the Currency to all chief national bank examiners and published in the *Federal Reserve Bulletin* for May 1946, pages 474-76.

the veteran involving production in excess of his own needs, or for working capital requirements necessary for such operations, or to purchase stock in a cooperative association where the purchase of such stock is required by Federal statute as an incident to obtaining the loan; **Business loans**—the proceeds to be used for the purpose of engaging in business or pursuing a gainful occupation, or for the cost of acquiring for such purpose land, buildings, supplies, equipment, machinery, tools, inventory, stock in trade, or for the cost of construction, repair, alteration, or improvement of any realty or personalty used for such purpose, or to provide the funds needed for working capital.

While loans made for these three basic purposes will generally be principal or primary loans, related secondary loans on property already covered in part by a guaranteed or insured principal loan, and loans to refinance delinquent home, farm, or business enterprises not previously covered by veteran's guaranty benefit are eligible for guaranty under conditions set forth in Sections 505 (a) and 507 of the Act.

Types of loans and security. Loans for the purchase of real estate or for the construction, repair, alteration, or improvement of buildings for residential, farming, or business purposes are referred to as **real estate** or **realty loans;** loans for other purposes are **non-realty** loans. The former must be secured by a lien on the realty, except in the case of loans of less than $1,000 for repairs, alterations, or improvements. Loans for more than $1,000 for repairs, alterations, or improvements but less than 40 per cent of the reasonable value of the property prior to the improvement may be secured by either first or second liens. Secondary real estate loans which may be made in accordance with Section 505 (a) of the Act must be secured by second liens. All non-realty loans must be secured by a lien on personalty to the extent legal and practicable. Loans for working capital or other capital purposes, merchandise stocks, good-will, or other intangible assets may, however be made without a lien.

Limitations on amount of loan guaranty. Distinction must be made between the amount of the loan which may be contracted by a veteran and the amount of loan guaranty to which he is entitled. There are only general limits on the amount of the loan, namely, a proper relation between the terms of repayment and the veteran's present and anticipated income and expenses, and the reasonable appraised value of the property or business against which the loan is made. The loan guaranty, however, is specifically limited to an amount which may be less than but not in excess of 50 per cent of the loan. Moreover, the maximum loan guaranty to which any eligible veteran is entitled is $4,000 for real estate loans, or $2,000 for non-realty loans, or a prorated portion of each of these amounts for loans of both types; provided, that the aggregate amount of guaranty which may be approved for any veteran shall not exceed $4,000. It is further provided that in the case of any guaranteed loan the Government's liability under the guaranty shall decrease or increase pro rata with any decrease or increase in the amount of the unpaid portion of the obligation. For example, if a loan for $4,000, of which $2,000 was covered by guaranty, has been reduced 25 per cent through repayments to $3,000, liability under the guaranty is correspondingly reduced to $1,500. If thereafter advances permitted under the loan regulations for improvements or repairs should raise the amount unpaid to $3,200, the guaranty would be increased proportionately to $1,600. In no event, however, can the amount payable under the guaranty of a particular loan exceed the original amount guaranteed.

In the case of a veteran who has used a part of the loan guaranty to which he is entitled on one or more loans, the amount of unused guaranty available is not increased by repayment of part or all of such loan or loans. A convenient rule for computing the amount of unused guaranty available for each type of eligible loan may be stated as follows: "To the realty guaranty used on prior loans add twice the amount of non-realty guaranty used. Subtract this sum from $4,000. The amount remaining, if within the limitation of the law, is the unused realty guaranty available. To find the non-realty guaranty available, divide the available realty guaranty by 2."

To illustrate, if a veteran has previously used $1,500 and $500 of his guaranty benefit on realty and non-realty loans, respectively, the unused guaranty available for realty loans would be $1,500, determined as follows: to the realty guaranty ($1,500) used on prior loans, add twice the amount ($500) of his non-realty guaranty used, or $1,000. Subtract that total ($1,500 plus $1,000) from $4,000 to determine the unused guaranty ($1,500) for realty loans. The non-realty guaranty in this case is $750, determined by dividing the realty guaranty ($1,500) by two. For a second example, assume previous guaranties of \$2,500 on realty and \$750 on non-realty loans. In this case there would be no unused guaranty available for additional loans of either types, since \$4,000 less \$2,500 less twice \$750 would equal zero.

The unused guaranties thus computed are the **maximum** amounts available for guaranteeing either realty or non-realty loans if no additional loan of the other type is involved. In case part of the remaining guaranty for realty loans is used, the maximum available for guaranty of non-realty loans will be reduced, and *vice versa.* A recomputation of the guaranty remaining within the limitation of the law for each type of loan can be made by use of the rule stated above after each new loan of either type has been consummated.

Term, interest rate, and amortization of loans. Subject to the general limitation that the maturity of a loan should not extend beyond the economic life of the property by which it is secured, the term of guaranteed loans of different types is more specifically limited to the following **maximum** periods: Non-amortized loans, 5 years; non-realty loans, 10 years; home or business realty loans, 25 years; farm realty loans, 40 years. The interest rate on any guaranteed loan shall not exceed 4 per cent per annum. Any loan for a term in excess of 5 years must be amortized, and, with only specified exceptions, the schedule of repayments must require approximately equal periodic instalments not less often than annually during the life of the loan. Right is reserved to the borrower to prepay at any time without premium or fee the entire remaining indebtedness, or any part thereof not less than the amount of one instalment or \$100, whichever is less.

Loan-Making and Guaranty Procedures[5]

Appraisals. Of prime importance to any lender in considering a veteran's application for a Government-guaranteed loan are the specific requirements of the Act that the purchase price paid by the veteran for any property to be acquired by him for home, farm, or business or the cost of construction, alterations, improvements, or repairs made on property owned or acquired by him shall not exceed the reasonable value of the property as determined by an appraiser designated by the Administrator of Veterans' Affairs. "Reasonable value" is defined in the administrative regulations as "that figure which represents the amount a designated appraiser, unaffected by personal interest or prejudice, would recommend as a proper price or cost to a prospective purchaser whom the appraiser represents in a relationship of trust as being a fair price or cost in the light of prevailing conditions." The adoption in the amended Act of this standard of "reasonable value in the light of prevailing conditions" represents a considerable liberalization of the standard of "reasonable normal value" set in the original Act and has permitted the guaranteeing of some loans which were ineligible prior to the amendment.

Appraisal by a designated appraiser of the reasonable value of property or business to be purchased, or of repairs or improvements to be made, by aid of a loan becomes, therefore, an essential step in processing loans that are to be guaranteed. Lenders may obtain by request, from the nearest regional office of the Veterans' Administration, a panel of names and addresses of persons in their respective communities who have been designated to render appraisal services. The appraiser's fee is a charge to be borne by the applicant for a loan and may be paid out of the proceeds of the loan. The appriaser's report is intended as an aid to the lender in deciding whether the amount of the proposed loan bears a proper relation to the value of the property or business to be affected by the loan. The prime responsibility of the designated appraiser to give a right opinion of "reasonable value" does not, however, relieve the lender of his duty to review the appraiser's report, nor does it preclude him from exercising his best judgment as to whether the loan should or should not be made.

Procedures for supervised lenders. For supervised lenders willing to assume the risk of determining the eligibility of the borrower and the eligibility of the loan without prior approval from the Veterans' Administration, the revised procedures effective March 1, 1946, for making and guaranteeing loans involve a minimum of "red tape" and paper work. Loans made by supervised lenders will be automatically guaranteed when made in accordance with the Act and the regulations and reported, within 30 days after full disbursement of the proceeds of the loan, to the regional office of the Veterans' Administration which serves the area in which the security is located.

[5]In processing and reporting loans for guaranty, certain forms prepared by the Veterans' Administration are necessary. A lender proposing to make loans to veterans should mail request to his regional Veterans' Administration Office for a supply of the forms appropriate to his status as a supervised or non-supervised lender.

Such a lender may proceed by methods of his own choosing in counseling with the veteran desiring a loan and in investigating the eligibility, credit, and resources of the applicant and the soundness of the investment which the veteran proposes to make. These informal procedures call for the exercise of a high degree of human understanding, tact, and good judgment by the lender. They are as vital to the successful administration of the loan program as are the formal procedures by which the lender reports to the Veterans' Administration the making and disbursement of the loan in order to obtain a certificate of loan guaranty.

In reporting a **home loan** for automatic guaranty, the lender must transmit: (1) the veteran's original honorable discharge, or the certificate of eligibility (Form 1870) issued by the Veterans' Administration, or other separation papers necessary to establish the veteran's term of service; (2) a Home Loan Report (Form 1820); (3) an Appraisal Report (Form 1803); and (4) the executed note or other evidence of the indebtedness if the lender desires to have the amount of guaranty endorsed thereon in lieu of a loan guaranty certificate. In case of a home loan of less than $1,000 for alterations, repairs, and improvements, a statement of valuation in letter form of the cost of the work to be done may be made in lieu of the appraisal form.

In reporting other types of loans the forms which must accompany the veteran's original honorable discharge or certificate of eligibility vary according to the purpose of the loan. **Farm loans** require the use of Farm Loan Report (Form 1840) and Farm Appraisal Report (Form 1823), or an alternative letter statement of valuation of the work to be performed in case of alterations, repairs, and improvements costing less than $1,000. **Business loans** call for the use of Business Loan Report (Form 1860) and Appraisal Report for Realty (Form 1803) or Appraisal Report—Nonreal estate Loan (Form 1845). Here again, in case of alterations, repairs, and improvements costing less than $1,000, a letter of valuation may be submitted in lieu of the Appraisal Report.[6]

If unwilling to proceed at his own risk, a supervised lender may submit the appropriate home, farm, or business loan report and corresponding appraisal report to the regional office of the Veterans' Administration for prior determination of the three following matters only affecting the loan: the veteran's eligibility, the amount of guaranty credit available to the veteran, and the eligibility of the purpose of the loan. If his findings on all three points are favorable, the regional loan guarantee officer will issue a certificate of approval (VA Form 1866) for the loan to be guaranteed and forward it to the lender with necessary instructions for closing the loan.

Lenders must not, without prior approval of the Veterans' Administration, close a loan where there is a deviation exceeding 5 per cent of the amount stated in the loan report upon which the certificate of approval has been issued. When the loan has been closed and fully disbursed the lender is required to complete the record of the loan within 30 days from the date of disbursement. This he does by sending to his regional Veterans' Administration Office the Certificate of Loan Disbursement (Form 1876) and the note or other evidence of indebtedness if the lender wishes the amount of guaranty to be endorsed thereon.

Procedures for non-supervised lenders. Differences in procedure between supervised and non-supervised lenders are due chiefly to the fact that loans made by the latter class of lenders cannot under any conditions receive automatic guaranty. To be guaranteed, loans by such lenders must have prior approval of the loan guarantee officer of the nearest regional office of the Veterans' Administration. In addition to prescribed forms comparable to those submitted by supervised lenders seeking prior confirmation for loans of the various types, the non-supervised lender must obtain and submit a credit report regarding the veteran applicant, obtained, when possible, from a reputable credit reporting agency. A Loan Closing Statement (Form 1861) is also required. In some instances there must be a copy of the offer or contract to sell, and in cases of new construction or major repairs and improvements, plans and specifications certified by the appraiser must accompany the appraisal report. The credit report is required as a means of determining, as directed by the Act, that the terms of payment required in the proposed loan bear a proper relation to the veteran's present and anticipated income and expenses, that the ability and experience of the veteran, in case of a farm loan or business loan, constitute a reasonable likelihood that farming or business operations conducted by him will be successful, or that the refinancing of indebtedness, as provided for in Section 507 of the Act, will aid the veteran in his economic readjustment.

[6]Procedures for guaranty of secondary loans and of loans to finance delinquent indebtedness, provided for in Sections 505(a) and 507, respectively, of the Act, vary slightly from those prescribed in the case of primary home, farm, and business loans. Lenders concerned with making such loans should consult the sources of official information cited in footnote 2.

Approval by the regional loan guarantee officer of a loan proposed by a non-supervised lender clears the way for closing and full disbursement of the loan. In no case should such a lender close a loan where there is a deviation in excess of 5 per cent of the amount stated in the application for loan guaranty, unless such deviation has been approved by the Veterans' Administration. Within 30 days after full disbursement, the lender meets the final requirements for obtaining guaranty of the loan by sending in a final, completed Loan Closing Statement, the note or other evidence of indebtedness if the lender desires to have the amount of guaranty endorsed thereon in lieu of a loan guaranty certificate, and in the case of a loan of more than $1,000 for new construction, alteration, improvement, or repairs, a letter from the appraiser that the work has been completed according to plans and specifications.

Insurance of Loans

To supervised lenders only, Section 508 of the amended Act offers the alternative of loan insurance in lieu of guaranty on loans of any type which might be guaranteed under the provisions of the loan title. Under this plan the Veterans' Administration will set up in the name of the lending institution an account to which will be credited a sum not in excess of 15 per cent of the principal of the loan to be insured. There are the same limitations on the total amount of insurance which may be placed upon realty and non-realty loans made to an individual veteran as in the case of loan guaranty; and the total of guaranty and insurance benefit cannot exceed $4,000 for realty or $2,000 for non-realty loans, or a prorated portion of such amounts for loans of both types. Loans in excess of $15,000 which are to be offered for insurance must be submitted to the regional Veterans' Administration Office for prior approval. Insured loans on realty must bear interest not exceeding 4 per cent per annum; on non-realty loans the maximum interest rate cannot be in excess of a 3 per cent discount rate or an equivalent straight interest rate of 5.7 per cent. Limitations on the term of loans and requirements as to amortization of loans to be insured are the same as in the case of guaranty. The processing of loans for insurance follows the same steps as outlined above for loans presented by supervised lenders for guaranty protection.

The maximum insurance which will be credited to a supervised lending institution's account is 15 per cent (or as much thereof as other limitations in the law will permit) of all eligible GI loans made or purchased by such institution. Thus the insurance credit is cumulative and, from a practical standpoint, applies to the institution's insured loan portfolio rather than, as in the case of loan guaranty, to the individual loan. The reduction in the amount of an insured loan or the final payment of it does not reduce the institution's reservoir of insurance credit. Experience with similar insurance under Title I of the National Housing Act suggests that institutions doing a large volume of insured lending to veterans may in the course of time accumulate insurance coverage equivalent to 100 per cent of the unpaid balance of loans held in their portfolios. This possibility, when generally understood by lending institutions, may lead to a wider use than has been made so far of the loan insurance plan by banks and other supervised lenders.

Summary of Miscellaneous Provisions Regarding Loans

The foregoing discussion of the loan provisions of the GI Bill of Rights has necessarily been limited to basic considerations connected with the making, guaranteeing, and insuring of loans. Many details relating to these matters have been omitted from consideration, for example: costs and charges payable in connection with the making of loans; protection of the lender's rights through hazard insurance or life insurance paid for by the borrower in the case of certain loans; the application of the general rules to loans made to joint obligors, one or all of whom are veterans; and effects on loan guaranty of sale or transfer of property by the borrower. Nor has it been possible to detail the provisions and procedures applicable in the case of defaults in repayment of guaranteed or insured loans.

All such details, however, are covered in "The Outline of General Administrative Procedures and Policies" and in the Administrator's "Regulations," to which earlier reference has been made. An understanding of these official statements should supply the answers to many questions arising in connection with the making, guaranty, insurance, and collection or liquidation of veterans' loans. There will likely be some questions of legal interpretation, however, on which the advice of the lender's attorney will be required, particularly in situations where state laws or other governmental agencies have imposed limitations or restrictions on lenders' policies and practices which general regulations cannot deal with in particular terms.

Review of Business, Industrial, Agricultural, and Financial Conditions

DISTRICT SUMMARY

Preliminary reports of the wheat harvest, now near completion, strongly support the revised estimate made by the United States Department of Agriculture on June 14 that the yield of the 1946 Texas wheat crop will approximate 46,000,000 bushels, exceeding the crop of 1945 by about 10 per cent. An oat crop near the 1935-44 yearly average but about 25 per cent under last year's yield was in prospect at the beginning of June. Cultivation and harvesting of crops in the eastern and southern parts of the district, which had been seriously interfered with by excessive rains in many sections during May, went forward rapidly in the drier, more open weather of June except in low lands which had been inundated by floods. Cotton and corn made generally good progress everywhere except in the drought stricken western part of the district. Local rains in most of the Panhandle and parts of West Texas during the latter part of June encouraged the planting of feed and late cotton crops and brought some improvement in the ranges. Many areas, however, in the west and northwest are still suffering from a deficiency of moisture which is reflected in shortages of range feed and stock water and in a deterioration in the condition of cattle and sheep. Outside the drought areas, pastures are good and the condition of live stock generally satisfactory. Prices of most farm products continue to rise, with wheat recently reaching the highest price level since 1925.

In response to the heavy demand for petroleum products, the Texas Railroad Commission set the June net crude production allowable for the State at an all-time high of more than 2,250,000 barrels per day. The oil industry's response is revealed in new well completions, which, during the first 4 months of this year, exceeded those of the comparable period last year by 800 in the nation as a whole and by 250 in the district. Some improvement in the rate of lumber production and restrictions imposed at the end of May by the Civilian Production Administration upon approvals for new commercial and industrial construction projects offer hope that the Veterans' Housing Program, which to date has achieved much in contract awards but little in completed housing, may gradually obtain a better supply of the vital building materials essential to the achievement of its goal.

Sales during May in department and furniture stores of the district showed strong gains in dollar volume over the same month last year and, due partly to one more shopping day in May than in the preceding month, exceeded by small margins the high totals achieved in April. Inventories in both types of stores also showed moderate improvement.

BUSINESS

Sales by dollar volume of reporting department stores in the district during May were 31 per cent above sales for the same month last year, and fractionally above the figure for April of this year. May with one more business day than April showed an index of daily average sales less than 3 per cent below that for the preceding month, in which sales had been dominated by pre-Easter shopping. Analysis of the sales of weekly reporting stores reveals that, following a sharp post-Easter decline in the last week of April, sales rose rapidly during the first two weeks in May in general conformity with the seasonal pattern in other years, except that the peak of the rise was reached this year in two weeks after the lowest point of the post-Easter slump, whereas in 1944 and 1945 the climb from post-Easter low to May peak required four weeks. During the third week of May this year, as in other recent years, sales declined moderately to a level which was maintained during the remainder of the month. The 31 per cent increase in sales in the district during the whole of May over the same month last year was only slightly below the 35 per cent increase in the country at large, and exceeded the percentage increase shown in four other Federal Reserve Districts.

Preliminary figures for the first two weeks in June indicate that department store sales were running, as in previous years, at the same level as during the last half of May and were approaching the period when sales may be expected to show the seasonal decline which normally begins in the latter part of June.

By comparison with the May sales increase in the district of 31 per cent over May 1945, sales in April this year had increased 53 per cent over April a year ago. The smaller percentage gain in May, however, over the corresponding month in 1945 does not reflect a decline in dollar volume of sales as compared with the previous month, but rather a leveling off of the general upward trend of sales which characterized the first four months of this year. The high level of sales in April had brought the cumulative increase for the first four months of this year over the same months last year to 27 per cent, in comparison with a cumulative first-quarter increase of 18 per cent. The continued large volume of sales in May lifted the cumulative increase for the first five months of this year over the same period last year very slightly to 28 per cent.

Cash sales of reporting department stores in May constituted 44 per cent of total sales. This ratio indicates the continuation of a downward trend which began immediately after V-J Day in the relation of cash to credit transactions in department store sales. This trend progressed slowly from August 1945 through January of this year, moving downward from a high point of 54 per cent at the beginning of the period to 51 per cent in November and 52 per cent in January. Then it quickened its pace, dropping to 46 per cent in February, 47 per cent in March and April, and 44 per cent in May. This trend clearly indicates an increasing use of credit by consumers who

WHOLESALE AND RETAIL TRADE STATISTICS

	Number of reporting firms	Percentage change in — Net sales — May 1946 from May 1945	April 1946	Jan. 1 to May 31, 1946 from 1945	Stocks‡ — May 1946 from May 1945	April 1946
Retail trade:						
Department stores:						
Total 11th Dist.....	48	+31	+†	+28	+13	+13
Corpus Christi.....	4	+29	−3	+20	+20	+4
Dallas............	7	+36	+2	+33	+12	+7
Fort Worth........	4	+30	−3	+21	+19	+9
Houston...........	7	+35	+2	+30	+17	+7
San Antonio.......	5	+23	−5	+29	+15	+48
Shreveport, La.....	3	+26	+3	+23	....	....
Other cities........	18	+26	+1	+21	+3	+9
Retail furniture:						
Total 11th Dist.....	50	+53	+5	....	+25	+10
Dallas............	4	+65	+9	....	+23	+7
Houston...........	5	+34	−9	....	....	....
Port Arthur.......	3	+78	−2	....	....	....
San Antonio.......	3	+46	+5	....	....	....
Wholesale trade:*						
Machinery eqp't & supplies.........	6	+6	−24	....	+22	+8
Automotive supplies	5	+52	+9	....	+27	+8
Drugs.............	5	+27	−3	+26	+11	−7
Electrical supplies..	3	+85	−5	....	....	....
Groceries..........	30	+13	+4	+20	+6	−6
Hardware.........	8	+46	−1	+36	+25	+5
Tobacco & products	3	+4	−13	....	....	....

*Compiled by United States Bureau of Census (wholesale trade figures preliminary).
‡Stocks at end of month . †Indicates change less than one-half of one per cent.

INDEXES OF DEPARTMENT STORE SALES AND STOCKS

Daily average sales—(1935-1939=100)

	Unadjusted* May 1946	April 1946	March 1946	May 1945	Adjusted May 1946	April 1946	March 1946	May 1945
District.....	322	335	316	246r	342	352r	336r	262r
Dallas......	331	336	315	247	352	354r	335r	263
Houston.....	320	326	297	237	333	329r	345r	247

Stocks—(1935-1939=100)

	Unadjusted* May 1946	April 1946	March 1946	May 1945	Adjusted May 1946	April 1946	March 1946	May 1945
District.....	227	203	186r	186	239	209	196r	196

*Unadjusted for seasonal variation.
r—Revised.

are finding in the stores slowly expanding stocks of many goods which were in short supply during the war.

Merchandise stocks of district department stores at the end of May showed the same increase, 13 per cent, over April of this year and May of last year. Orders outstanding, however, were practically unchanged as compared with April, but were 43 per cent greater than in May 1945. During May this year there was a noticeable increase in quantities received of some items of soft goods which have been in short supply, such as men's furnishings and women's summer apparel, but inventories are still uneven and poorly assorted. The flow of consumer durable goods to dealers, which was showing signs of acceleration in March and early April, was reduced sharply by the protracted shutdown of the soft coal mines and the resulting reduction in output of steel and other industrial products.

Furniture sales of reporting stores in the district showed an increase during May of 5 per cent over the previous month and of 53 per cent over May 1945. Cash sales increased 6 per cent and credit sales 5 per cent over April of this year, and 57 per cent and 51 per cent, respectively, over May a year ago. Cash and credit sales maintained the same ratios to total sales during May, namely, 24 per cent and 76 per cent, as in April. Comparison of these figures with ratios of 23 per cent and 77 per cent for May 1945 suggests that no significant change has taken place in the types of furniture sales transactions during the past year. Continuing the trend observable in April, furniture stocks increased percentage-wise during May more rapidly than sales, showing a gain of 10 per cent over the previous month's inventories and 25 per cent over those of May a year ago.

AGRICULTURE

Excessive rainfall in the eastern part of the district in May interrupted field work and caused considerable damage to growing crops. Severe hailstorms resulted in crop losses in many local areas scattered through the eastern part of the district. Growing conditions were generally improved in this area by the open weather during the middle and latter part of June. Drought conditions persisted during most of June over the western part of the district except for the northern and eastern Panhandle counties and some other scattered local areas, interfering with the planting of spring crops and further reducing the quantity and quality of range feeds. During the last week of June, however, rains covered most of the Panhandle, interfering temporarily with the wheat harvest, but generally improving moisture conditions for late feed crops, cotton, and ranges.

Wheat prospects were improved in Texas during May, and a crop of 46,156,000 bushels was forecast on June 14 by the United States Department of Agriculture. This represents an increase of about 10,500,000 bushels and 4,200,000 bushels above the forecasts of May 1 and June 1, respectively, but falls almost 14,000,000 bushels below the initial estimate as of April 1. The June 14 estimate places this year's crop well above the 41,778,000 bushel crop harvested in 1945, and about 32 per cent above the 1935-44 yearly average of 34,863,000 bushels. Harvesting operations were about finished in north Texas and the Low Rolling Plains by the end of June and were well advanced in the northern Panhandle. Yields were higher than had been expected throughout most of the wheat growing area.

The Texas oat crop was estimated at 31,433,000 bushels on June 1, compared with the unusually large crop of 42,441,000 bushels harvested in the State in 1945 and the 1935-44 yearly average of 33,557,000 bushels. Drought in the west and northwest oat areas and excessive rains and early green bug infestations in the Blackland counties considerably reduced the earlier prospects. A production of 3,000,000 bushels of barley was forecast on June 1, compared with a 3,857,000 bushel harvest in 1945 and the 1935-44 yearly average of 4,166,000 bushels.

Although excessive rains during May damaged corn in the lowlands, the crop elsewhere in the eastern part of the district was in good condition, and prospects were generally improved by drier weather in June. A very good corn crop is also practically assured in most of the southern part of the district. Some improvement in district grain sorghum prospects has occurred in recent weeks, and an excellent crop is being combined in the south Texas commercial area.

Cotton prospects in the eastern part of the district were improved in June as weather conditions permitted the resumption of field work interrupted by excessive moisture in May. Considerable planting and replanting was done, but many fields originally planned for cotton were being diverted to the production of late feed crops. In the High Plains, moisture was still insufficient in mid-June for seeding cotton except on irrigated lands and in some local areas visited by light rains. The rains which visited some parts of that area during the latter part of the month improved planting prospects and furnished sufficient moisture to germinate seed planted in the dust. Flea hoppers, boll weevils, and leafworms were reported in the southern part of the district in the latter part of May, but cotton was generally making good progress in both southern and central Texas.

Crop and harvest conditions improved generally during June in the commercial vegetable areas, where hail, winds, heavy rains, and floods in May had caused considerable damage and delay.

The indicated production on June 1 of 2,613,000 bushels of peaches in Texas this year falls below the unusually large production of last year by about 160,000 bushels but exceeds the 1935-44 yearly average by about 1,000,000 bushels. Early varieties of peaches were making their appearance in the markets by mid-June. Pear production for the State, forecast on June 1 at 524,000 bushels, is above the 496,000 bushels harvested in 1945 and the 1935-44 yearly average production of 421,000 bushels. Prospects for the new citrus crop in Texas were favorable on June 1. The fruit had made satisfactory growth, and trees were in good condition. Rainfall was abundant in May, and the volume of water available now for irrigation is much greater than it was a year ago.

Egg production in Texas during May was estimated by the United States Department of Agriculture at 31,250,000 dozen, compared with 35,250,000 dozen in April and 34,417,000 dozen in May 1945. Unfavorable weather and the shortage of poultry feed were said to account for the greater than seasonal decline in May.

Except for parts of the Panhandle where effective rainfall was received, ranges in the western part of the district continued dry, with very short range feeds and low supplies of stock water. Ranges in New Mexico at the time of the June 1 report were the poorest for that date since 1934. Range conditions in the eastern part of the district were materially improved in May, and prospects for summer grazing in that area are very good.

Cattle in the dry, western area underwent some shrinkage during May and June, but made satisfactory gains in the eastern part of the district. The average condition of cattle in Texas on June 1, while slightly above that of a year ago, was below the 20-year (1923-42) average for that date. The condition in Arizona and New Mexico was reported on June 1 as considerably below that of a year ago and below the 20-year average. In Oklahoma the condition was below that of a year ago, but somewhat above average. Sheep were in generally good condition at the beginning of June, except on some dry, short ranges in the northwest part of the Edwards Plateau. The average conditions of sheep in Texas was the same on June 1 as a year ago, but below the 20-year average condition. In

New Mexico and Arizona, sheep were in better condition on June 1 than a year ago, but below the yearly average for that date.

CASH FARM INCOME
(Thousands of dollars)

	February 1946 — Receipts from — Crops	February 1946 — Receipts from — Livestock*	Total receipts — February 1946	Total receipts — February 1945	Total receipts — Jan. 1 to Feb. 28, 1946	Total receipts — Jan. 1 to Feb. 28, 1945
Arizona	$ 4,005	$ 3,037	$ 7,042	$ 8,607	$ 19,371	$ 21,399
Louisiana	7,118	3,656	10,774	10,851	26,411	29,382
New Mexico	1,985	1,752	3,737	5,275	8,638	12,169
Oklahoma	9,605	15,452	25,057	28,660	52,120	61,762
Texas	31,949	31,172	63,121	78,045	135,610	156,479
Total	$54,662	$55,069	$109,731	$131,438	$242,150	$281,191

*Includes receipts from the sale of livestock and livestock products.
SOURCE: United States Department of Agriculture.

LIVESTOCK RECEIPTS—(Number)

	Fort Worth — May 1946	Fort Worth — May 1945	Fort Worth — April 1946	San Antonio — May 1946	San Antonio — May 1945	San Antonio — April 1946
Cattle	60,328	127,625	88,054	19,722	33,757	31,703
Calves	18,174	26,379	14,835	12,256	25,095	21,991
Hogs	37,586	45,312	57,549	7,496	5,382	8,011
Sheep	433,027	653,763	259,019	76,591	131,529	77,801

COMPARATIVE TOP LIVESTOCK PRICES
(Dollars per hundred weight)

	Fort Worth — May 1946	Fort Worth — May 1945	Fort Worth — April 1946	San Antonio — May 1946	San Antonio — May 1945	San Antonio — April 1946
Beef steers	$17.35	$16.25	$17.35	15.25	$15.50	$16.00
Stocker steers	16.00	14.00	16.50	......	......	......
Heifers and yearlings	17.35	16.25	17.35	16.50	15.50	16.25
Butcher cows	14.25	13.00	15.00	14.00	12.50	13.60
Calves	16.50	14.50	16.50	16.00	14.50	15.75
Hogs	14.65	14.55	14.65	14.65	14.55	14.65
Lambs	15.50	15.00	15.50	13.75	14.50	14.50

Receipts of cattle and calves at the Fort Worth and San Antonio markets in May fell below those of the previous month and far below receipts for the same month last year. The movement of sheep into the Fort Worth market, increasing seasonally during May, was about 60 per cent greater than in April, but receipts at San Antonio declined slightly. Receipts at both markets fell far below those of a year ago.

The May 15 price report of the United States Department of Agriculture showed further rises in the prices of most Texas field crop and livestock items. Prices of grain crops and beef cattle underwent the most significant increases, with wheat reaching the highest price level since 1925. Peanut, sweet potato, hog, and egg prices rose moderately, while cotton, cottonseed, wool, and poultry remained unchanged. Prices of lambs, sheep, and wholesale milk declined slightly, and potatoes and hay were significantly lower.

FINANCE

The Treasury's policy of debt redemption from its large cash balances has resulted in heavy withdrawals from war loan accounts since February of this year. At the end of February, Treasury war loan deposits at all depositary banks in the United States amounted to $24,447,000,000, of which $783,540,000 was held by depositary banks in the Eleventh Federal Reserve District.

Between March 1 and July 1, inclusive, the Treasury redeemed in cash approximately $12,200,000,000 of securities which had matured or had been called for redemption, and for that purpose utilized its war loan deposits at depositary banks. During this period, war loan deposits at all depositary banks in the United States decreased approximately $12,300,000,000, leaving an estimated balance on July 1 of $12,100,000,000. Simultaneously war loan deposits at depositary banks in the Eleventh Federal Reserve District decreased approximately $416,500,000 to an estimated balance of $367,000,000 on July 1.

If the Treasury should continue the debt retirement program in accordance with general expectations, war loan deposits at depositary banks may drop to about 15 per cent of the February 28, 1946, total by the time the retirement program is completed later this year.

TREASURY WAR LOAN DEPOSITS
(Balances in thousands of dollars)

	Depositary Banks in United States	Depositary Banks in Eleventh Federal Reserve District
December 31, 1945	24,044,000	781,765
January 31, 1946	24,030,000	767,655
February 28, 1946	24,447,000	783,540
March 30, 1946	21,776,000	702,658
April 30, 1946	19,502,000	624,420
May 31, 1946	16,949,000	547,325
June 30, 1946	12,100,000*	367,000*

*Estimated.

The continued heavy withdrawals by the Treasury from its war loan acounts at depositary banks was the principal factor contributing to a $36,500,000 decline during May in the daily average of combined gross demand and time deposits of member banks in this district. The May average of these deposits amounted to $5,448,000,000, which was $962,000,000 above the average for May 1945.

The average reserve balances of member banks increased $13,400,000 during May, reaching the highest level since January of this year. However, an increase in required reserves, as a consequence of the shift of some reserve-exempt war-loan deposits to reserve-required deposit accounts, held the increase in excess reserves to $7,000,000.

In contrast with the downward trend during the preceding five months, Federal Reserve notes of this bank in actual circulation increased $5,000,000 between May 15 and June 15. Notes in actual circulation during the first half of June, though at the highest daily average since March of this year, were $33,000,000 less on June 15 than in mid-December 1945, when the peak was reached.

Continuing the trend that began in mid-January of this year, gross deposits of weekly reporting member banks in the district declined $14,800,000 in the five-week period ended June 12, bringing the total decline for five months in these deposits to approximately $231,000,000. Between May 8 and June 12, increases of $41,300,000 in adjusted demand and time deposits and of $8,200,000 in interbank deposits were more than offset by a decrease of $64,300,000 in Government deposits. During this same period a decrease of $28,400,000 in total

CONDITION OF THE FEDERAL RESERVE BANK OF DALLAS
(Thousands of dollars)

	June 15, 1946	June 15, 1945	May 15, 1946
Total gold dertificate reserves	$503,325	$521,427	$476,044
Discounts for member banks	144	None	1,144
Foreign loans on gold	3,840	None	1,440
U. S. Government securities	896,879	748,151	895,880
Total earning assets	900,863	748,151	898,464
Member bank reserve deposits	762,792	673,687	747,266
Federal Reserve Notes in actual circulation	593,713	573,255	588,828

CONDITION STATISTICS OF WEEKLY REPORTING MEMBER BANKS IN LEADING CITIES—Eleventh Federal Reserve District
(Thousands of dollars)

	June 12, 1946	June 13, 1945	May 8, 1946
Total loans and investments	$2,069,427	$1,752,584	$2,097,853
Total loans	680,394	442,561	682,741
Commercial, industrial, and agricultural loans	401,261	275,949	403,867
Loans to brokers and dealers in securities	7,567	5,077	7,553
Other loans for purchasing or carrying securities	141,874	74,964	146,389
Real estate loans	41,859	22,982	39,521
Loans to banks	288	214	285
All other loans	87,545	63,375	85,126
Total investments	1,389,033	1,310,023	1,415,112
U S. Treasury bills	43,530	73,719	55,953
U' S. Treasury certificates of indebtedness	414,928	376,003	437,156
U. S. Treasury notes	215,808	249,698	211,303
U. S. Government bonds	647,285	561,821	642,762
Obligations guaranteed by United States Gov't	145	190	145
Other securities	67,337	48,592	67,793
Reserves with Federal Reserve Bank	400,931	379,136	401,948
Balances with domestic banks	235,546	279,856	225,087
Demand deposits—adjusted*	1,457,893	1,295,044	1,422,443
Time deposits	308,752	249,274	302,870
United States Government deposits	288,525	222,786	352,830
Interbank deposits	556,836	569,249	548,607
Borrowings from Federal Reserve Bank	None	None	2,000

*Includes all demand deposits other than interbank and United States Government, less cash items reported on hand or in process of collection.

DEBITS TO INDIVIDUAL ACCOUNTS

(Thousands of dollars)

	May 1946	May 1945	Pctg.change over year	April 1946	Pctg.change over month
Abilene	$ 23,171	$ 17,975	+29	$ 22,901	+ 1
Amarillo	55,207	49,680	+11	54,442	+ 1
Austin	82,249	63,495	+30	84,142	— 2
Beaumont	57,324	58,094	— 1	55,627	+ 3
Corpus Christi	63,809	55,121	+16	67,564	— 6
Corsicana	7,958	7,264	+10	7,402	+ 8
Dallas	683,332	590,447	+16	699,336	— 2
El Paso	87,690	64,342	+36	79,546	+10
Fort Worth	223,428	224,200	— †	209,835	+ 6
Galveston	53,235	43,577	+22	50,697	+ 5
Houston	656,098	588,885	+11	624,524	+ 5
Laredo	16,379	14,024	+17	15,495	+ 6
Lubbock	36,856	30,593	+20	38,599	— 5
Monroe, La.	24,560	18,697	+31	22,472	+ 9
Port Arthur	24,671	23,506	+ 5	25,855	— 5
Roswell, N. M.	11,353	9,280	+22	11,424	— 1
San Angelo	22,812	17,595	+30	23,929	— 5
San Antonio	205,475	173,716	+18	201,146	+ 2
Shreveport, La.	93,707	88,583	+ 6	86,752	+ 8
Texarkana*	19,891	22,759	—13	20,489	— 3
Tucson, Ariz.	49,333	36,313	+36	46,889	+ 5
Tyler	30,279	25,181	+20	31,021	— 2
Waco	37,837	27,923	+36	37,193	+ 2
Wichita Falls	39,043	33,386	+17	37,912	+ 3
Total-24 cities	$2,605,697	$2,284,636	+14	$2,555,192	+ 2

*Includes the figures of two banks in Texarkana, Arkansas, located in the Eighth District.

†Change less than one-half of one per cent.

GROSS DEMAND AND TIME DEPOSITS OF MEMBER BANKS

Eleventh Federal Reserve District

(Average of daily figures—Thousands of dollars)

	Combined total		Reserve city banks		Country banks	
	Gross demand	Time	Gross demand	Time	Gross demand	Time
May 1944	$3,275,467	$291,239	$1,694,017	$180,464	$1,581,450	$110,775
May 1945	4,092,587	393,090	2,044,524	249,140	2,048,063	143,950
January 1946	5,215,222	452,353	2,681,476	286,583	2,533,746	165,770
February 1946	5,097,096	457,348	2,620,309	293,575	2,476,787	163,773
March 1946	5,101,702	465,564	2,592,431	296,725	2,509,271	168,839
April 1946	5,012,062	472,155	2,520,721	300,908	2,491,341	171,247
May 1946	4,966,772	480,926	2,480,288	305,520	2,486,484	175,406

SAVINGS DEPOSITS

		May 31, 1946		Percentage change in savings deposits from	
	Number reporting banks	Number of savings depositors	Amount of savings deposits	May 31, 1945	April 30, 1946
Beaumont	3	12,558	$ 7,839,239	+ 16.6	+ .7
Dallas	8	130,138	71,449,711	+ 24.9	+ 1.4
El Paso	2	29,252	23,103,524	+ 31.9	+ .9
Fort Worth	3	40,406	32,104,139	+ 21.6	+ 1.3
Galveston	4	24,181	20,141,077	+ 18.0	+ 1.3
Houston	8	103,563	70,639,257	+ 17.3	+ 2.5
Lubbock	2	909	2,520,608	+312.5	+ .5
Port Arthur	2	5,963	5,518,702	+ 18.6	+ .4
San Antonio	5	36,148	42,874,313	+ 23.5	+ 1.6
Shreveport, La.	3	33,340	25,817,222	+ 20.7	+ .6
Waco	3	9,405	8,935,200	+ 25.7	+ .9
Wichita Falls	3	7,337	4,741,006	+ 9.2	— .1
All other	57	60,744	50,601,885	+ 22.1	+ 1.3
Total	103	493,944	$366,285,883	+ 22.3	+ 1.4

loans and investments of these banks provided funds to counterbalance the decrease in deposits and enabled these banks to repay $2,000,000 in borrowings from the Federal Reserve Bank, to increase reserves at the Reserve Bank by $1,000,000, and to increase their balances with correspondent banks by $10,500,000. This increase in balances with correspondent banks represents a modification of the rather steady downward trend of such balances which had been in evidence since the first of the year. The net decline in these balances from the beginning of the year to June 12 totaled $77,500,000.

There was a net decline in total loans of $2,400,000 during this five-week period. A decrease of $4,500,000 in loans for carrying securities to others than brokers and dealers, and a decrease of $2,600,000 in commercial, industrial, and agricultural loans were partially offset by an increase of $2,300,000 in real estate loans and an increase of $2,400,000 in "all other" loans, which includes personal and instalment loans. The $22,200,000 decline in holdings of certificates of indebtedness was associated with the redemption in cash of part of the issue maturing on June 1. Holdings of Treasury bonds and notes each increased by $4,500,000, while there was a decline of $12,400,000 in holdings of Treasury bills for this period. The amount of all other stocks, bonds, and securities held declined by more than $400,000, although holdings of these securities have shown a net increase of $5,000,000 since the first of the year.

INDUSTRY

Construction activity in the United States, as measured by the dollar value of contracts awarded, has increased almost without interruption since the end of the war in Europe, attaining levels appreciably above prewar peaks. The value of contract awards in the nation in April reached the highest total since October 1942 and was substantially larger than in any month prior to the war. Construction activity in the Eleventh District has followed a similar trend. The value of district contract awards in April, which totaled $69,510,000, was approximately twice as great as in any month prior to 1941.

In comparing present and prewar levels of construction activity, however, it is necessary to make some allowance for the pronounced increase in building costs which has occurred since 1940. Furthermore, since the end of the war, apprehension felt from time to time that additional restrictions on building activity would be imposed may have induced builders to apply for building permits and to award contracts in much larger volume than could be expected to be completed without abnormal delays in view of the acute shortages of building materials. The volume of permits and awards is, therefore, a less adequate index of the level of construction activity at this time than it was before the war. Even when these factors are taken into account, however, it appears that construction activity is currently being carried on more intensely than at any time prior to 1941.

Awards for residential construction in the United States and in the Eleventh District were larger during the first 4 months of 1946 than during the first 4 months of any previous year of record. Nevertheless, schedules for new housing established by the Veterans' Housing Program were not maintained, in part because of diversion of scarce materials to non-residential building. In order to speed up the housing program by giving residential construction access to larger supplies of materials, the Civilian Production Administration on May 29 ordered a reduction of two-thirds in the dollar value of approvals for non-housing projects for a period of at least 45 days. Except where denial of applications would impose severe hardship, the district and regional CPA offices will approve only the following commercial and industrial construction projects:

- projects vitally necessary to public health and safety;
- projects which will increase production of critical products;
- projects which are essential to increased food production or preservation;
- projects which will provide minimum community facilities absolutely necessary for new residential areas developed as part of the Veterans' Housing Program;
- projects which will provide urgently needed veterans' educational facilities;
- essential and non-deferrable maintenance and repair;
- projects which will have no impact whatsoever on the housing program.

The order does not apply to federal government projects, to repair and construction projects whose costs are not in excess of specified amounts, or to roads, streets, sidewalks, boardwalks, breakwaters, bridges, bulkheads, canals, dams, utility facilities, mines, tanks, pipelines, oil derricks, fences, silos, and other structures which do not draw heavily upon materials required for construction of houses.

Significant progress in expanding the number of dwellings constructed and in accelerating the rate of completion of housing, which is necessary if the goals of Veterans' Housing Program are to be attained, cannot be made until production of construction materials has been substantially increased. March production of such indispensable building items as gypsum board, clay tile, hardwood flooring, and plumbing fixtures was at rates far below the levels necessary to attain goals set by the program. The prospects of alleviating the acute lumber shortage are apparently somewhat improved. Lumber production in March was at a rate exceeding minimum requirements for 1946. Lumber production in Texas and the Southwest was greater during the first quarter of 1946 than during the same period of 1945, according to the Bureau of Census. Data compiled by the Southern Pine Asociation indicate, however, that current production at the larger southern pine mills is considerably less than prior to the war or during 1942 and 1943. Stocks of lumber at the mills, which were further reduced during the first 5 months of this year, are currently less than one-third the size of stocks maintained prior to 1941.

Daily average crude oil production in the United States and in the Eleventh District is rising to much higher levels during the first postwar year than had been generally anticipated. Production for the country as a whole in May was only slightly less than at the 1945 wartime peak and was substantially greater than during any month prior to the war. Daily average production in this district of 2,293,000 barrels was 70 per cent greater than in May 1941, and only 4 per cent less than at the war peak attained in August 1945.

The heavy demand for crude oil was reflected by the Texas Railroad Commission's June net production allowable for the State, which was increased to an all-time high of 2,293,000 barrels per day—exactly the daily average of production for the district during May.

Total demand for petroleum products is currently about 20 per cent greater than in 1941. This expansion of demand in the first postwar year above prewar levels is attributable primarily to larger naval and railroad requirements for fuel oil and increased use of distillates and diesel oils for military, export, heating, and transportation purposes. Although consumption of motor fuel during 1946 is expected to be approximately 10 per cent greater than in 1941, the increase will reflect larger exports of motor fuel and expanded non-automotive uses rather than an increase in motor vehicle consumption, which will probably be somewhat smaller in 1946 than in 1941.

The vigorous search for new oil resources is evidenced by intensive drilling activity both in the United States and in the Eleventh District. Wildcat completions are reported to be at the highest level of record, and total well completions, which have not yet regained prewar levels, are increasing rapidly. Approximately 800 more wells were completed in the United States during the first four months of 1946 than during the same period of 1945. Although there were substantially fewer wells completed during the January-April 1946 period than during the comparable period of 1941, present drilling is reported to be increasing at such a rate that drilling activity during 1946 may return to the levels maintained during the years immediately preceding the war. Drilling activity in the Eleventh District and in Texas is following approximately the same trend as in the United States. In the district, 2,765 wells were completed during the first four months of this year, as compared with 2,514 during the same months in 1945, and 3,180 during the comparable period in 1941.

Data compiled by the United States Employment Service covering employment trends in the 17 principal labor market areas in Texas indicate continued strengthening of the demand for non-agricultural labor in the State during April, May, and June. Employment in non-agricultural establishments, which increased by 1.2 per cent between March 15 and April 15, expanded by approximately 2 per cent during the following 60 days, if employers' expectations of hiring activities during that period, as reported by the United States Employment Service, were realized. Employment is being expanded somewhat more rapidly in manufacturing than in trade and service. Demand for additional labor is apparently strongest on construction jobs, in plants producing construction materials, and in establishments manufacturing machinery and similar products.

Despite the steady increase of employment since February 1946, the number of persons in Texas seeking work has declined very slightly because of accessions to the labor force. The United States Employment Service reports that at the end of April, 117,000 persons, 60 per cent of whom were veterans, were seeking work in the 17 principal labor market areas of the State. Although United States Employment Service data indicate that job openings are increasing slightly, there are approximately two job seekers for each job offering in the 17 leading urban areas, and many of the openings require skills which the applicants do not possess. However, the rate of accessions to the labor force is declining, reflecting the falling rate of discharge from the military services, and unemployment should decline during the summer if the anticipated increase in employment develops.

COTTONSEED AND COTTONSEED PRODUCTS

	Texas August 1 to May 31		United States August 1 to May 31	
	This season	Last season	This season	Last season
Cottonseed received at mills (tons)	618,963	935,816	3,093,427	4,288,085
Cottonseed crushed (tons)	689,502	879,711	3,165,037	4,001,972
Cottonseed on hand (tons)	13,660	87,001	146,783	386,969
Production of products:				
Crude oil (thousand lbs.)	207,968	269,740	986,348	1,242,009
Cake and meal (tons)	319,224	416,052	1,391,967	1,837,861
Hulls (tons)	160,513	205,179	760,614	927,202
Linters (running bales)	217,650	266,302	959,577	1,171,488
Stocks on hand May 31:				
Crude oil (thousand lbs.)	695	6,323	9,392	20,091
Cake and meal (tons)	10,328	24,807	45,738	98,595
Hulls (tons)	4,576	21,495	38,678	73,504
Linters (running bales)	7,909	10,612	51,380	53,206

SOURCE: United States Bureau of Census.

DOMESTIC CONSUMPTION AND STOCKS OF COTTON—(Bales)

	May 1946	May 1945	April 1946	August 1 to May 31 This season	Last season
Consumption at:					
Texas mills	18,783	16,642	17,656	166,079	158,450
United States mills	871,559	830,414	813,732	7,643,441	8,109,014
U.S. stocks—end of month:					
In consuming estabm'ts	2,331,841	2,141,194	......	....	....
Public stg. & compresses	6,410,431	10,105,783	......	....	....

CRUDE OIL PRODUCTION—(Barrels)

	May 1946		Increase or decrease in daily average production from	
	Total production	Daily avg. production	May 1945	April 1946
North Texas	7,681,800	247,800	+ 3,900	+ 8,143
West Texas	16,154,100	521,100	+25,800	+33,657
East Texas	16,380,400	528,400	+10,400	+26,576
Southwest Texas	10,276,500	331,500	—24,150	+12,387
Texas Coastal	15,066,000	486,000	—77,300	+16,637
Total Texas	65,558,800	2,114,800	—61,350	+97,400
New Mexico	2,968,650	95,763	— 8,137	— 32
North Louisiana	2,480,400	80,013	+ 9,266	— 5,514
Total District	71,007,850	2,290,576	—60,221	+91,854

SOURCE: Estimated from American Petroleum Institute weekly reports.

BUILDING PERMITS

	May 1946		Percentage change valuation from		Jan. 1 to May 31, 1946		Percentag change valuation
	No.	Valuation	May 1945	Apr. 1946	No.	Valuation	from 1945
Abilene	59	$ 217,227	*	— 53	492	$ 2,500,177	*
Amarillo	223	688,615	+180	+ 14	1,122	3,968,935	+375
Austin	339	1,514,540	+978	— 8	2,042	8,053,335	+ 82
Beaumont	226	213,406	+204	+ 1	1,171	1,487,653	+216
Corpus Christi	255	543,169	+ 6	— 3	1,313	4,165,028	+219
Dallas	1,066	2,554,210	+192	— 41	6,418	24,015,130	+718
El Paso	135	909,466	+582	+218	554	2,222,557	+573
Fort Worth	757	2,781,073	+264	+ 34	3,334	13,377,028	+410
Galveston	118	86,069	— 13	— 45	562	958,603	+202
Houston	702	3,516,258	— 26	— 17	3,662	36,654,632	+188
Lubbock	142	237,771	+ 51	— 21	977	2,278,664	+213
Port Arthur	155	111,284	+ 79	— 4	906	1,039,694	+405
San Antonio	1,479	1,521,436	+218	— 17	6,372	12,550,692	+465
Shreveport, La.	297	797,016	+253	+ 56	1,646	4,886,787	+418
Waco	159	459,786	+ 9	+ 21	692	1,817,239	+162
Wichita Falls	61	96,545	— 29	— 52	356	990,272	+308
Total	6,175	$16,247,871	+ 79	— 9	31,619	$120,966,426	+340

*Over 1,000 per cent.