MONTHLY REVIEW

The consumer calls for more and better homes.

FEDERAL RESERVE BANK OF RICHMOND SEPTEMBER 1958

More and Better Homes

Home building has played a prominent role among the factors which have led to recent improvement in the major measures of economic activity. Early in 1958 work being started on new private houses was at its lowest rate in almost a decade—since May of 1949 to be exact. The number of new houses started each month has grown steadily since March and so rapid has been the increase that the rate of new work started in July, if maintained for a year, would provide 1,160,000 new houses—the highest annual rate of new starts in two years. The 107,300 new homes put under construction in July was 3% greater than the number started in June and an impressive 14% above the 93,900 started in July 1957.

Over $1.5 billion was spent on houses under construction in July. Taking into account the various seasonal factors which affect the home-building industry, this rate of spending would add up to $17 billion for the year as a whole.

Contracts awarded for future construction give further evidence of continued expansion. Through the first six months of 1958, contracts awarded for residential construction totaled $6.5 billion, with each month's total after February significantly larger than that for the preceding month. Although the total for the six months was only 1% above the like period in 1957, June's 20% gain over June of last year gives added significance to the accumulating figures. In the states of the Fifth District developments in the home-building industry have been even more striking. The six months' total of contracts awarded for residential construction this year was 8.5% greater than that for the same period in 1957.

ORGANIZED FOR BUILDING The recent pickup in home-building activity highlights the role of this industry both as an important contributor to the steadily rising standard of American living and as a provider of jobs and incomes in many diverse sectors of the economy ranging from manufacturing to the realms of high finance.

The complexity of the industry which has evolved from man's basic need for shelter matches that of the modern home itself. The general contractor performs the role of top management in the construction industry. But the insistence of modern homeowners on improved design and structural characteristics and on numerous devices and installations for better living has brought into growing prominence the "special-trade" contractor whose skill and interest lie in some single aspect of construction. There is hardly a single facet of home building from the foundation to the final decorating that is not represented by special contractors today. The building of the average medium-priced home requires the work of an estimated twenty subcontractors. The general contractor, while retaining final responsibility for the over-all structure, has been to an increasing extent employing the services of these special contractors. Of the 2,394,000 persons engaged in building construction in 1957, only 40% were in general contracting while 60% were in the special trades. Since 1946, employment in general contracting has increased by 49%—but employment in special-trade contracting has more than doubled.

The general contractor is the chief executive in the industry, whether he builds a single house or carries through the development of a subdivision containing several thousand units. He initiates the work in large-scale investment building (construction for sale rather than under a contract with a home buyer) and, according to one prominent builder in the District, coordinates and supervises all phases of planning and construction for approximately two-thirds of the persons who want custom-built homes.

For higher priced houses, an architect frequently handles the initial contact with the customer, converts his wishes into blueprints, sets materials specifications, arranges for competitive bidding by contractors, and supervises the construction while it is under way. However, even in these cases the general contractor must initiate each step in the construction process, acquire the necessary materials, engage the special-trade contractors, and directly supervise and be responsible for all aspects of the construction. Many large contracting firms have one or more architects associated with them, thus providing all-inclusive home-building services to customers dealing directly with the builder.

SPECIAL LABOR CHARACTERISTICS The labor force which has evolved to handle the problems peculiar to the modern home-building industry is highly stratified by skills. The growth of special-trade contractors has contributed to the stratification, as has also the unionization of labor along special trade lines. But the ultimate causation lies in the growing complexity of the home itself. He is a rare "Jack-of-all-trades" indeed who, today, can efficiently perform all the tasks necessary to build a modern home. However, the work of all the specialists must be coordinated and the coordinators are the architects and the contractors.

Employment in the industry is widely different from most other employment arrangements. Much of the labor force is a "floating" force in that the workers are not permanently attached to a single employer. Most general and special-trade contractors, especially the latter because of the special skills involved, attempt to maintain a permanent force of key men, but a large proportion of the workers may change employers several times during a single year. For many workers, only the large projects provide a stable employer relationship for a long period of time.

CONSTRUCTION FOR SALE More than half of total home building in the United States today is initiated by investment builders—who build for sale in the market—rather than by home buyers. Ranging from the construction of a single occasional unit to that of several hundred units at a time, houses are produced for sale in the market just as are many other manufactured goods. To minimize risk, builders employ a great variety of methods in their production. Perhaps the most common is the acquisition of land suitable for a subdivision and the building of model homes representing two or three basic plans which will be used for all units to be built in the subdivision. After completion, the model homes are opened to the public for inspection. The prospective home buyer can then appraise the merits of several basic plans at stated prices and determine the cost of possible modifications to meet his individual preference in layout or facilities. The contractor is thus able to gain the advantages of large-scale production and standardization while actually building under contract. This procedure is frequently used for medium and higher priced houses.

For lower priced houses—say, at today's prices, under $12,000—a builder may complete between five and ten houses and maintain a like number of units under construction. In order to maintain more continuous employment for his own people and his subcontractors, he establishes a planned progression of the work from unit to unit. As the excavators move from lot to lot, the cement workers follow with the foundations, the bricklayers with the lower walls, and so on.

If demand for this type house is strong and his completed units are sold very shortly after completion, the contractor tends to speed up work under construction in order to maintain a number of houses available for sale. Conversely, should sales of completed units lag, he may slow up work under construction and postpone setting out foundations for additional units. Thus the builder is able to maintain a necessary flexibility in his construction program, tailoring it continuously to changing demand conditions. Under this procedure, the home buyer has no voice in planning the layout, and limited choice of location, but the builder has the opportunity of taking optimum advantage of various economies of mass production and is, therefore, able to give the home buyer much more for his money than if the same sum were put into a custom-built house.

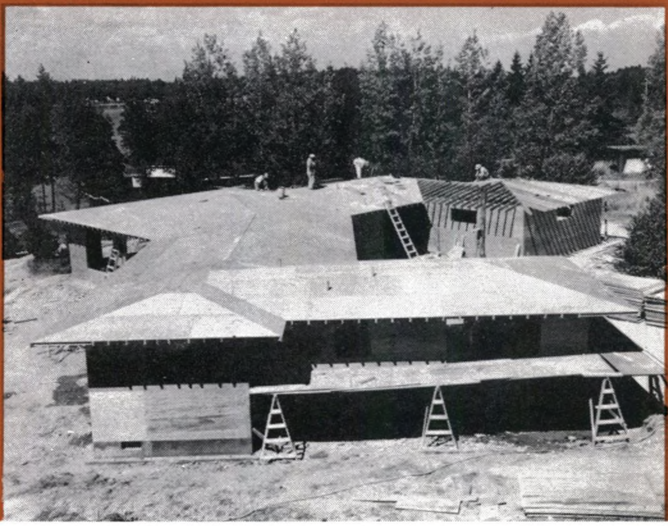
THE REAL ESTATE BROKER Investment building—building for sale in the market—is heavily dependent on the services of experienced selling organizations. Mass building cannot profit without mass sales. For this function the contractor joins hands with the real estate broker. The degree of cooperation between the two varies widely, but the relationship will nearly always be found where investment building is attempted.

Most investment builders bring the realtor into the picture at the earliest planning stages of their projects. Because of his experience with the home-buying public, the real estate broker is in a better position to gauge its reaction to the appearance of the project as a whole and to the types of houses the builder plans to put up. He can give

Above:
The hundreds of units built in subdivisions or in housing developments represent the investment of builders who construct houses, as others produce commodities, for sale in the market.

Right:
Modern kitchens—with built-in appliances, special lighting, and planned work area—symbolize the emphasis placed upon planning today's homes to provide both comfort and convenience.

Below:
Custom building is big business also: about two-fifths of all new houses are built according to owner's specifications, and houses built under contract are generally higher priced.



invaluable advice as to street layout, size of lots, variations in design and appearance, the placement within the project of the various designs, and on financial arrangements. The realtor generally obtains the conditional commitments for loan insurance or guarantee from the Federal Housing Authority and the Veterans' Administration and the firm commitments from such lenders as insurance companies, mortgage companies, savings and loan associations, and the like to make loans up to specified proportions of the appraised values of the finished units to qualified borrowers. It is on the basis of such loan commitments that the contractor is able to obtain short-term construction loans to meet his costs until the houses are sold.

The contractor rarely meets the public and in any case not until sales are under consideration or completed. The real estate broker advertises the properties, maintains salesmen on the premises to interview prospective home buyers, and handles the multitude of paper work that is necessary to complete a sale. His compensation is generally the exclusive right to handle all the houses in the subdivision and to receive a percentage commission on the selling price of each.

MONEY FOR THE INVESTMENT BUILDER The investment builder has many costs to meet before he receives any money from the sale of his houses. He must acquire land and materials, pay his labor and his subcontractors, take care of attorneys' and architects' fees—and in many cases cover the cost of installing sewage lines and streets. How, then, is he able to finance so costly a venture?

The most important source of funds is, of course, the builder's own capital. Although it may constitute only a fraction of the total amount needed, it is vitally important to provide funds for immediate expenditures and to establish a satisfactory credit base on which to borrow additional funds. To supplement his own net worth as a basis for borrowing to finance construction, the investment builder will make arrangements before starting construction with a mortgage lender—bank, mortgage company, insurance company, savings and loan association—to write mortgages to apply on his houses after completion for purchasers with satisfactory credit ratings. With written commitments from such lenders to provide mortgage money, and with an acceptable capital position, the qualified builder will have little trouble obtaining a satisfactory loan to provide the money needed to meet his expenses until the finished houses are sold.

MONEY FOR THE CUSTOM BUILDER Construction costs of the custom builder are similar to those of the investment builder, though of smaller proportions. In the event his capital is inadequate to cover cost of labor and materials as construction progresses, he has recourse to a short-term construction loan, or—secured through his customer as the borrower on a long-term mortgage commitment—construction loan advances which are paid at various stages of construction. It is customary for one-third of the money to be paid when the roof is on the building and the entire building enclosed, one-third when plaster work is finished, and one-third when the house is ready for delivery to the purchaser.

HOMES ARE BUILT FOR PEOPLE The recent upsurge in building activity appears to have been soundly based in sales. The greater enthusiasm for home buying which has appeared this year may be related in large measure to the increased availability of mortgage money on easier terms than during the past two years. Fairly sharp declines in returns on other forms of investment increased the attractiveness of mortgages to lending institutions. At the same time, down-payment terms on FHA insured mortgages were eased considerably, the permissible interest rate on VA loans was increased, and smaller Government-sponsored mortgages were made more attractive to lenders by FNMA authorization to purchase them at par.

In spite of the stimulus provided by easier terms under Government-sponsored mortgages, approximately two-thirds of home mortgage loans currently being written are conventional loans, that is, without Government insurance or guarantee. Although lending institutions are restricted in mortgage loan maturities and loan-to-value ratios by applicable Federal and state laws and by supervisory agencies, conventional loans can be made by some lenders with maturities ranging up to 25 years and in amounts up to 80% of the appraised value of the property.

Although availability of money and terms of mortgage loans play an important role in decisions to buy a home, such decisions must rest ultimately on personal income. Since March of this year, total personal income has risen moderately but steadily; and job prospects and job security have also improved in recent months. The combination of high and rising income, the firmer expectation of its continuance, and the easy availability of mortgage money on lenient terms have brought expanding business to the home builder.

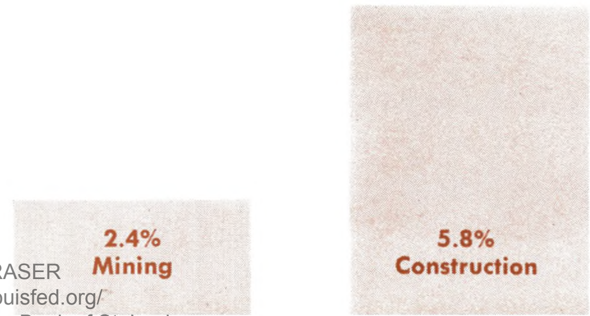
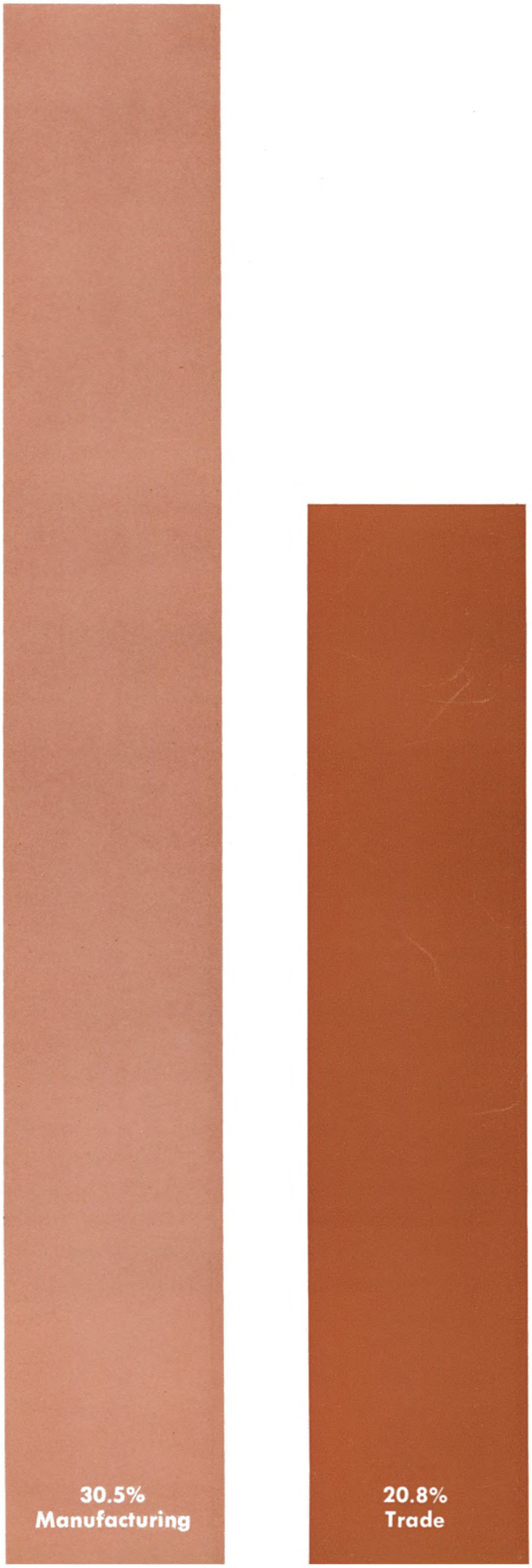
PEOPLE

MINING—which is mostly bituminous coal mining in West Virginia—takes the smallest share of the District's nonfarm labor force, and its share has declined substantially since 1947 when it included 4% of the total.

CONTRACT CONSTRUCTION employs from 3.4% (D. C.) to 7.5% (Maryland) of nonfarm workers. Although the proportion of workers engaged directly on construction projects is small, activity in the industry reaches into practically all the major types of employment.

MANUFACTURING in the Fifth District is chiefly of nondurable goods, which currently absorb about 19% of the labor force. Durable goods manufacturing takes 11% of all District nonfarm workers. This is a reversal of the national pattern and results from the heavy employment in industries in which the District states are important: textiles (the Carolinas), apparel (Maryland and the Carolinas), and chemicals (the Virginias and South Carolina).

TRADE firms, while employing a smaller percentage of the labor force in the District than in the nation as a whole, are taking a larger share of available workers now than the 18.7% of 1947. Of the total about one-fifth are in wholesale trade, the remainder in retail.

AT WORK

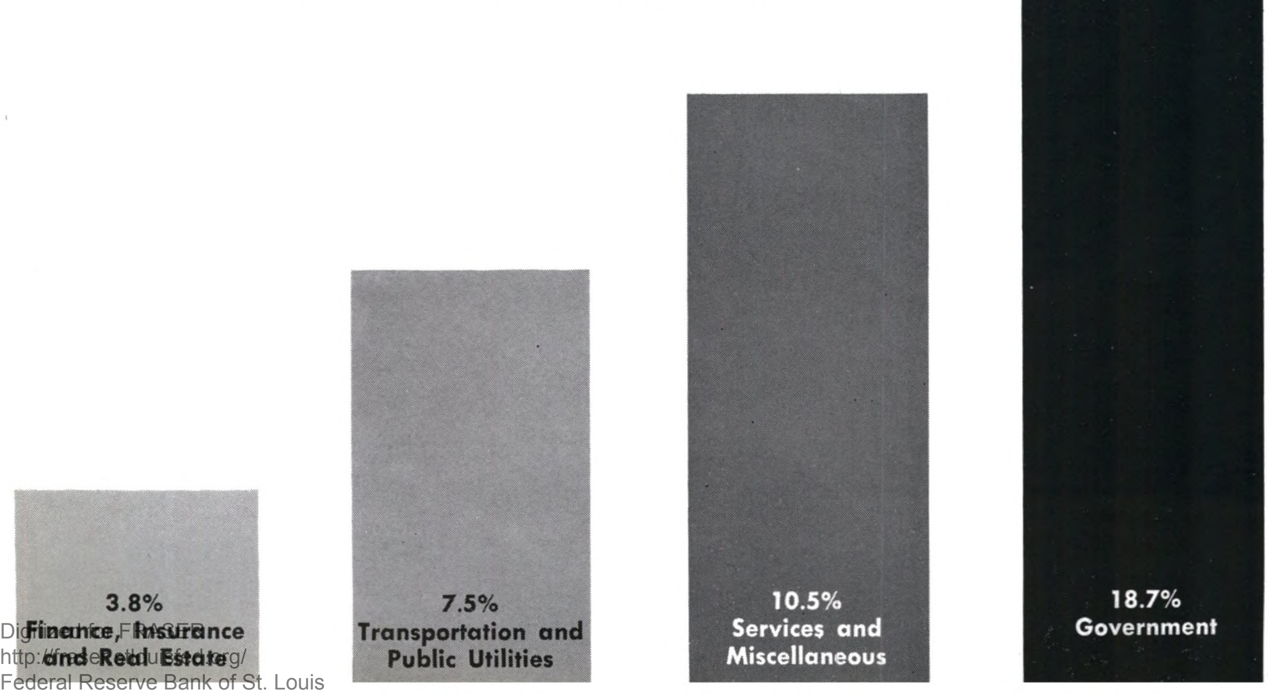
Manufacturing employs one in every three nonfarm workers in the Fifth District, and trade comes next with one in five. Government follows close behind. This is much the national pattern, though government is a less important employer in the U. S. totals.

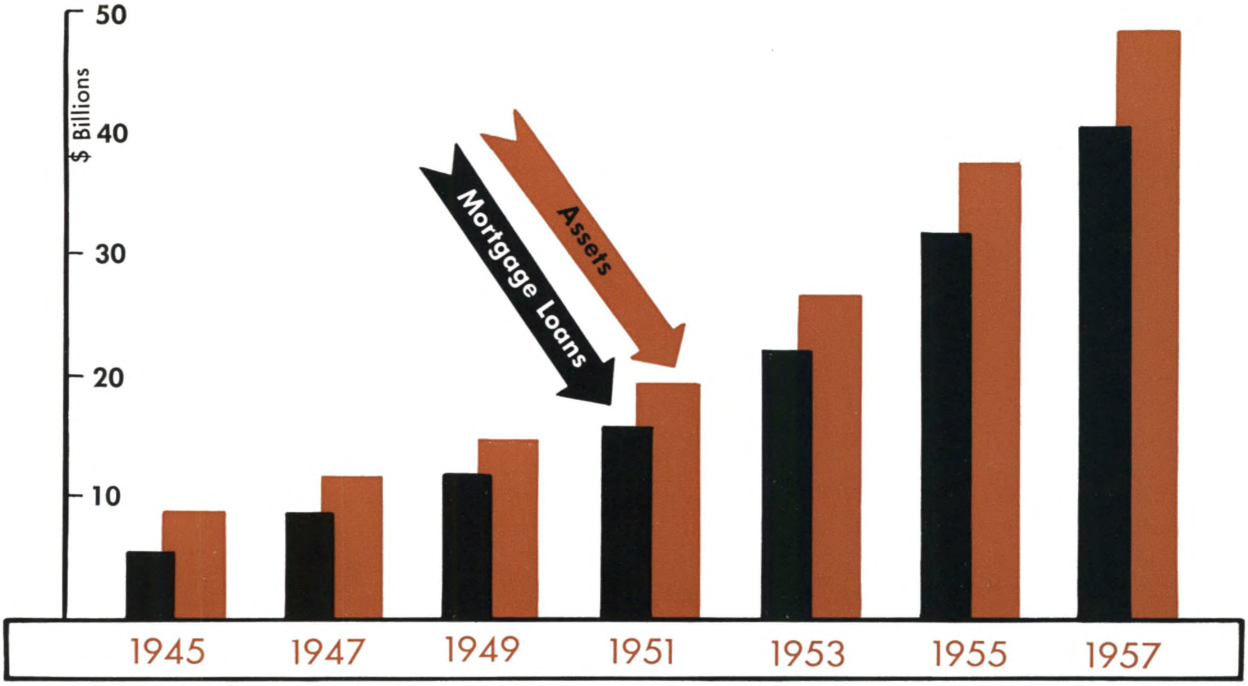
FINANCE, INSURANCE, AND REAL ESTATE activities vary in the proportion of the working force they absorb, from 2.5% in West Virginia to 4.9% in D. C. All are up sharply from 1947, when the District total included 2.8% of nonfarm workers.

TRANSPORTATION, COMMUNICATION, AND PUBLIC UTILITIES employ a smaller percentage of the District's nonfarm workers now than the 8.6% they employed in 1947. This relative drop actually reflects a somewhat larger number of persons employed.

SERVICES employ one in ten nonfarm workers to amuse, beautify, cure, educate, launder, repair, and do a host of other tasks for the rest of us. They account for one in eight workers in the U. S. and within the District of Columbia they number 14.2% of total employment.

GOVERNMENT—Federal, state, and local—is big business in the Fifth District states. Not suprisingly, more than one-half those employed in D. C. work for some form of government, and only in West Virginia and North Carolina is the percentage below the 14.0% of workers employed by governments in the country as a whole.





The Rise of Savings and Loan Associations

On January 3, 1831, a group of citizens assembled at Thomas Sidebotham's Inn at Frankford, Pennsylvania—now a part of Philadelphia. When the meeting closed, articles had been drawn up for the Oxford Provident Building Association of Philadelphia County—the first cooperative home-financing society in the United States.

The idea spread, and soon there were many similar neighborhood associations loaning money to members to buy homes. Each person contributed some savings, and when his turn came up—often when his name was drawn from a hat—could borrow money to buy his home. Once the members' housing needs were satisfied, many of the groups disbanded.

Today these organizations are savings and loan associations—or building and loan associations, cooperative banks, or homestead associations as they are sometimes called. They have added non-borrowing members as a principal source of funds; they have become more formal; and the work of a professional staff has replaced the part-time service of members.

They are among our fastest growing nonbank financial institutions. Since World War II, they have chalked up asset gains totaling over 480%. In contrast, life insurance companies and mutual savings banks—both important nonbank financial institutions—have about doubled their assets.

At present there are about 1,800 Federal and 4,400 state-chartered associations—one on the average for every 500 square miles and every 28,000 people. On December 31, 1957, forty associations had assets of over $100 million, and ten had more than $200 million. The largest—the Home Savings and Loan Association of Los Angeles—had over $500 million. All told, their assets now run about $52 billion. In short, the neighborhood cooperative building societies of yesterday have become big business.

JUST WHAT ARE THEY? Despite all these changes, savings and loan associations retain some of their original characteristics. Their business is still confined almost entirely to the channeling of savings into residential mortgages, and most are still mutual organizations. There are, however, about 400 nonmutual state-chartered stock associations scattered through California, Ohio, and several other states. Included in these 400 are some of the nation's largest savings and loan institutions.

Savers in mutuals are not creditors as often supposed. Instead, they are owners—the only stockholders such associations have. Stock associations, however, are owned by regular stockholders, and savers are creditors.

Earnings generally are distributed semiannually but sometimes quarterly. In mutuals, the payments are entirely dividends, and savers—like any owners—have no contract requiring the payment of dividends. Stock companies distribute dividends to the regular stockholders and pay interest to their savers.

If associations have sufficient liquid funds, they must redeem accounts of savers wishing to withdraw funds. Associations customarily meet all such requests upon demand, but if liquidity problems arise both mutuals and stock companies can require account holders to wait indefinitely until sufficient cash is accumulated to meet their requests. Exceptions are New York state-chartered mutuals, which are now required to meet all withdrawal requests of shareholders within 60 days.

Savings and loan associations are organized much like other corporations. At the helm is the board of directors—the policy-making body—which draws up bylaws, elects officers, approves loans, sets dividend rates, and the like. Most duties are delegated to a slate of officers, who direct the day-to-day operations of the association.

Directors of mutuals are elected by "members." Shareholder members of Federal institutions are entitled to one vote for every $100 or fraction of savings capital owned. Their borrowers, too, are members and can cast one vote each. Regardless of the size of his holdings, a shareholder's own votes are limited to a maximum of 50. He can, however, control additional votes by collecting proxies from others.

WHERE DO THEY GET THEIR FUNDS? Currently about 87% of associations' funds come from savings accounts of individuals, trust funds, and various other types of organizations. Reserves and undivided profits supply 7%, and borrowings from the Federal Home Loan Bank and others furnish another 3%. Miscellaneous sources produce the final 3%.

To attract funds, one-sixth of all Federal and state associations at the end of 1957 were paying dividend rates of over 3¾%. Two-fifths paid 3½-3¾%; another two-fifths, 3-3¼%; and a few associations, less than 3%.

WHAT DO THEY DO WITH THEIR FUNDS? Just as in the case of the early building societies, the modern savings and loan association invests practically all its funds in residential mortgage loans. At last report, mortgage holdings totaled over $42 billion—82% of total assets—a ratio that has changed little over the last five years. Government securities—the next most important asset—ran just 6%. Cash and deposits with commercial and Federal Home Loan Banks were even smaller—only 5% of assets.

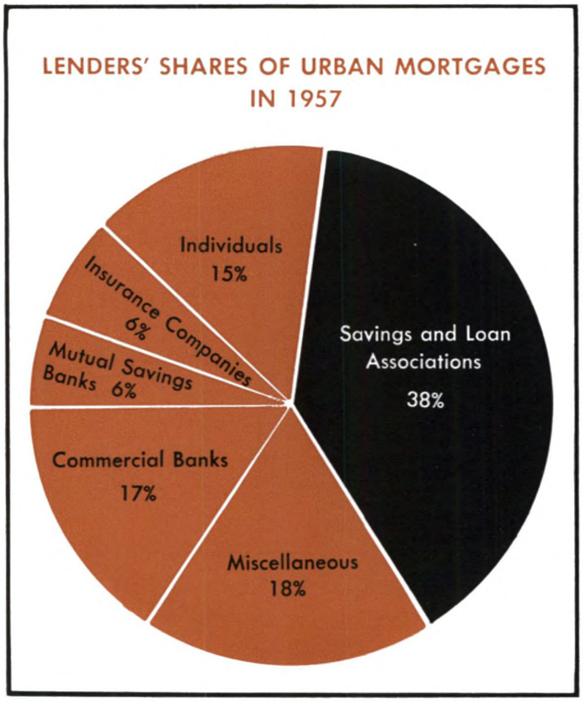
Almost four-fifths of their mortgage loans were "conventional" loans neither guaranteed by the Veterans' Administration nor insured by the Federal Housing Administration. A fairly healthy slice, however—about one-sixth—were VA-guaranteed loans. Less than one-twentieth were insured by the FHA.

Most association loans are amortized first mortgage loans financing single-family, owner-occupied homes. During 1957, over a third of their $10.4 billion in new mortgage loans were for new-home construction, and almost half financed the purchase of existing homes. Another fifth were mortgage refinancing, improvement, reconditioning loans, and the like.

Loan rates vary according to risk and general interest rate levels. It is estimated that almost two-thirds of association conventional loans made last spring carried rates of 6%. About a fifth were 5½% loans; an eighth earned over 6%; and a small amount yielded less than 5½%.

Savings and loan associations are restricted from making many large loans. Federal savings and loan associations must limit most residential loans to less than $35,000 and to properties within a radius of 50 miles of their home office. Noninsured or nonguaranteed loans cannot exceed 80% of property value or have maturities of more than 25 years. Limitations are more strict on noninstalment, nonsecured, nonresidential, and residential repair loans. Associations can, however, loan up to 100% against the value of their own shares. State associations have similar—but often less restrictive—loan limitations.

The Perpetual Building Association of Washington, D. C. is the nation's third largest savings and loan association.



Last year the nation's savings and loan associations extended almost two-fifths of all small nonfarm mortgage loans.

HOW ARE THEY SUPERVISED? The chief supervisory and examining agency is the Federal Home Loan Bank Board in Washington, which examines all Federal associations, those insured by the Federal Savings and Loan Insurance Corporation, and noninsured state members of the Federal Home Loan Bank System, if supervision is not provided for under state law. State-chartered associations are generally supervised by an agency of the state in which they are incorporated. Often Federal and state authorities conduct joint examinations of insured state associations.

Accounts in about 60% of the associations, which include all Federal and many state institutions, are insured up to $10,000 each by the Federal Savings and Loan Insurance Corporation. In all, insured associations hold about 90% of total savings deposits. Such insurance protects a saver against association insolvency but does not, of course, insure him against delays in the repurchase of his shares.

HOW PROFITABLE ARE THEY? In a nutshell, savings and loan associations are quite profitable financial institutions because of their heavy investments in high-yielding mortgages. Last year, for example, gross earnings on invested funds ran 4.5% of total assets; net income before Federal taxes was 3.73% of assets; and net income after taxes was about 3.70% of assets. Comparable figures for all life insurance companies were just 3.4%, 1.4%, and .8%.

Associations have been subject to regular Federal income taxes only since 1952. In computing Federal income taxes, associations are permitted to deduct earnings distributed to account holders and can also charge off all net income to bad debt reserves until reserves, retained profits, and surplus total 12% of all savings accounts. Since most associations have not reached 12%, few have to pay any Federal income taxes. Federal associations are in addition exempt from all other Federal taxes except social security and unemployment taxes. As a result, Federal taxes during 1957 took less than .8% of the net income of all associations.

WHY HAVE THEY GROWN SO RAPIDLY? The strong upsurge in the demand for home mortgage loans in the postwar period is probably the primary reason for the institutions' rapid growth. This has given associations quite profitable outlets for most of their funds, enabling them to pay savers higher rates than offered by competitors. Most competing institutions—either because of more stringent regulations or reluctance to stay so fully invested in risk assets—have not been able to earn as high a rate of return on their assets.

The associations' eye for business also deserves no small credit. Their facilities are modern and attractive, they advertise widely, they employ well-thought-out promotional schemes, and are in general quite good merchandisers.

HOW IMPORTANT ARE THEY? Among nonbank financial institutions, savings and loans' assets of $52 billion rank second only to the $104 billion of life insurance companies. Their nearest competitors, mutual savings banks, have about $35 billion, and other groups of institutions such as fire and casualty insurance companies, credit unions, and pension funds, each have considerably less.

The associations are most important in the home mortgage field, where they are by far the largest lenders. As indicated in the accompanying pie chart, last year savings and loan associations extended 38% of all nonfarm mortgage loans of less than $20,000—more than were made by all insurance companies, commercial banks, and mutual savings banks combined.

They also hold quite a large slice of all savings accounts—32%. Commercial banks, however, still are tops with 41%. Mutual savings banks come next with 24%. The Postal Savings System and credit unions together hold only 3%.

The Fifth District

Business activity in the District maintained a firm tone during the summer months in contrast to the usual hot weather lull. Indications have continued to appear that recovery moves along on a widening base: department store sales swept on upward last month; construction contracts showed substantial further gains in July; lumber, furniture, and cigarette producers continued to increase their activity; and bituminous coal output regained an improved level. In short, only textiles failed to carry through with an expected improvement.

EMPLOYMENT Total nonfarm employment showed a decline of 0.2% from June to July, attributed almost entirely to a decline in government employment as the summer recess reduced the number of teachers at work. In other lines scattered increases just about offset equally scattered declines. The only District state showing a month-to-month increase was West Virginia, the state hardest hit in the downturn.

Over-all, this was a good performance, for recent years have been marked by June-to-July cutbacks somewhat greater than any occurring this year.

Man-hours in manufacturing industries—typically down as vacation closings cut back orders for other plants—held a constant total from June to July for durable goods industries and increased by more than 1% for nondurables.

Unemployment continued to show improvement into the week of August 16. By that time the rate of insured unemployment—insured unemployment as a percentage of covered employment—had fallen below the national figure of 5.3% in every District state except West Virginia.

TRADE The July upsurge in department store sales took the seasonally adjusted District total up 5% from June to a level 4% above July 1957. Estimates of August sales show further gains to bring that total above last August, the previous high.

CONSTRUCTION Contract awards in July bounded into new high ground, increasing by 34% over June, after allowance for seasonal influences, and totaling 64% above July 1957. Public works and utility awards, accounting for about one-fourth of the total, recorded an 81% gain over the year-ago level, and building awards were not far behind. This was a considerably better performance than the 24% year-to-year gain achieved by total awards in the United States, and it augurs well for District construction activity in the near future.

Quarters for 1,100 midshipmen are added to the Naval Academy's Bancroft Hall as part of the armed forces construction program.

Also of significance for the months ahead is the $130,000,000 of additional construction authorized by the Congress for armed forces installations in the Fifth District. Appropriations were made last month for $168,000,000 of work to be done during the current fiscal year on these projects and others already under way. This will amount to perhaps 7% of the year's total construction in the District, and the construction will be of considerable importance in the localities affected.

TEXTILES The center of interest in the District's textile industry shifted last month from cotton cloth for apparel uses to industrial cotton fabrics. The surge of orders for print cloth that had toned up the market in the last part of July subsided before mid-August. The slightly higher prices that had followed right on the heels of improved demand held firm until almost the end of the month. Before Labor Day, however, the listless market finally gave rise to price softness, and the order situation facing mills apparently was back where it was before the July rally.

While this unfavorable situation unfolded, the long and severely depressed industrial cotton cloth market came in for a turn of favorable developments. Heavy cotton cloth used for various industrial purposes and products found an improved demand that was just strong enough to push some prices slightly upward. These were the first industry-wide increases for industrial cotton cloth in almost a year.

As this is written there is considerable speculation about the ultimate source of the improved demand and about its longevity. Many reports trace a good part of the increased orders received by mills back through processors to the automobile companies. In any case, the permanency of the recent market improvement for industrial gray goods and hopes for substantial improvement rest on levels of automobile production the rest of this year.

LUMBER The demand for southern pine continues to increase with the rise in residential building. Price increases have been made on many items, and improving weather conditions have helped production and retail sales. Inventories at retail yards continue at a low level. There is general optimism in the industry as residential starts continue to climb.

FURNITURE Furniture manufacturers in the District report an encouraging increase of orders and shipments in July which carried over at least into early August. Man-hours worked showed an appreciable gain in July over June and drew within 4% of July 1957.

CIGARETTES Cigarette production for the United States—about four-fifths of which is in North Carolina and Virginia—was up 3% in the first half of the year over 1957. Man-hours figures for the two District states indicate a continued gain in July.

BITUMINOUS COAL Mine production following the two-week holiday in early July did not return to the relatively good levels of June, which included extra output in anticipation of the holiday. Late July and early August output levels were, however, still well above the low rates that prevailed from February to May.

This better performance is consistent with the improved market for bituminous coal arising from the better rate of steel operations, a higher level of industrial activity, and further gains in electric power generation. Foreign coal loadings through District ports, on the other hand, have recently declined somewhat further.

BANKING Loan activity at District member banks still presents a mixed picture of business conditions. At weekly reporting banks, business loans in the five weeks ending August 27 climbed much more sharply than in the like period last year. Gains, however, were far below those recorded these weeks of prosperous 1956.

Real estate loans—long the District bright spot—continue to climb steeply. During these same five weeks, real estate loans of weekly reporting banks rose almost 1.5%—quite a contrast to their behavior the two previous years.

Almost the reverse was true of consumer borrowing; consumer loans of weekly reporting banks climbed only moderately when compared with their performances in 1956 and 1957.

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