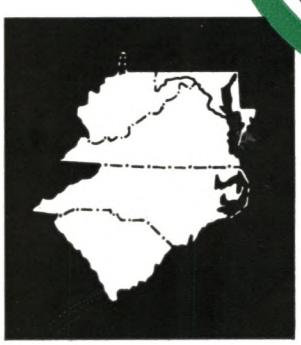
FEDERAL RESERVE BANK OF RICHMOND

# MONTHLY REVIEW

*Bank Deposit Structure 1961-67*
*Stock Market Indexes*
*District Time and Savings Deposits*
*The Fifth District*



JANUARY 1969

# BANK DEPOSIT STRUCTURE 1961-67

The 1960's have witnessed a sharp rise in the degree of sophistication with which individuals, businesses, and governments carry on their financial affairs. To serve the ever-growing and ever-changing demands of these customers, banks of all sizes have had to make numerous adjustments in their operations. In some cases adjustments are reflected in changes in the structure and distribution of bank assets and liabilities. These changes often occur as banks endeavor to compete more effectively and to render more and better services.

Since 1960 individuals have become increasingly conscious of relative rates of return for various uses of their money. Businesses similarly have increasingly used short-term earning assets as substitutes for non-earning cash balances. Governments have had growing responsibilities for investing various trust funds wisely. As the management of cash balances has changed in recent years, the distribution of bank balances among different sizes of banks and among different types of deposits has also changed.

This article will review briefly some of these changes over the period from June 1961 to June 1967, as reflected in data on the distribution of bank deposits. The data used are based on June 1961 and June 1967 Condition Reports of the Board of Governors of the Federal Reserve System. For the purposes of this article a distinction will be made between banks and banking organizations. Data on banks will cover all insured commercial banks. Data on banking organizations will consolidate individual banks into holding companies wherever possible and exclude uninsured banks. Thus the same banks will be included in each group but the data on bank organizations will suggest some of the effects of holding company acquisitions on the distribution of deposits through the commercial banking system. Each of the two groups will be broken down into percentiles according to the size of the bank or organization. In one case size is determined by total deposits. Information about various types of deposits then will be examined for the different size groupings. In other cases size will be determined by the amount of the various types of deposit liabilities of the banks and organizations. The article also will include similar information for the Fifth District states.

**Nationwide Commercial Banking** Total deposits of all insured banks rose from $223.6 billion in June 1961 to $358.7 billion in June 1967, an increase of 60.4% over the six-year span. Over this period the number of insured banks grew from 13,127 to 13,526, while the number of banking organizations encompassing those banks grew from 12,752 to 13,014. The first table shows that time and savings deposits taken together increased by nearly $100 billion or over 121%, accounting for much the larger part of total deposit growth. About $30 billion was added in savings accounts, an increase of nearly 50% over the six years. Time deposits, which in June 1961 totaled only $19 billion, soared to nearly $85 billion in June 1967, a gain of more than 350%.

The sharp rise in time deposits was due primarily to aggressive marketing of certificates of deposit by large money market banks. Introduced in 1961 as an instrument through which money market funds could be channeled through the banking system, the negotiable CD quickly became an effective competitor with Treasury bills, commercial paper, bankers' acceptances, and other short-term liquid investments. It was made available in several convenient maturities, mostly up to one year, and secondary market machinery was quickly provided. For these and other reasons, the CD has grown by leaps and bounds.

As a result of the large growth in time deposits the composition of total deposits has changed markedly. In 1961 demand deposits accounted for some 65% of total deposits at all insured commercial banks. Passbook savings deposits represented another 27% and time deposits only 8%. By 1967, however, these three percentages had changed to roughly 51%, 25%, and 24%, respectively.

The trend from demand deposits to time deposits is evident in the accounts of selected depositors. Ag-

gregate nationwide demand deposits of individuals, partnerships, corporations, the United States Government, and states and political subdivisions represented nearly 57% of total deposits in 1961. By 1967 the share of these depositor groups had dropped to 44%. Conversely, time deposits of the same groups, excluding deposits accumulated for payment of personal loans, grew from 7% to nearly 22% of total deposits, accounting for most of the increase in total time deposits.

**Fifth District** Total deposits at Fifth District banks grew by almost 70% between 1961 and 1967, nearly 10 percentage points faster than the national rate of increase. Similarly, all other deposit categories shown in the first table grew more rapidly in the District than in the nation. Time deposits at District banks advanced from approximately 5% to over 16% of total deposits over this time span, while the share of total District deposits represented by passbook savings recorded only a slight increase. Passbook savings as a share of total deposits in the nation, on the other hand, declined slightly.

The rate of growth of time deposits varied sharply among Fifth District states. Virginia and North Carolina both recorded sizable absolute and percentage gains. In Virginia time deposits at insured commercial banks grew by $1.1 billion to a $1.2 billion total, an increase of 1,100%. North Carolina showed a $1.0 billion increase to a $1.2 billion total, a 500% increase. As in the nation, time deposits held by individuals, partnerships, corporations, the Federal Government, and state and local governments in Virginia and North Carolina grew rapidly, with increases of 500% recorded in each state. Maryland, South Carolina, and West Virginia, each with $0.1 billion or less in time deposits in 1961, realized only $0.1 billion increases over the six years. Time deposits in the District of Columbia grew by 300% to $0.4 billion.

Passbook savings deposits across the District registered 100% increases in Maryland, West Virginia, and the District of Columbia. The share of total deposits held in such accounts grew by 5 to 10 percentage points in each area, and ranged from 25% in the District of Columbia, to 37% in Maryland, and 40% in West Virginia in 1967. Growth rates for savings ranged from 50% in South Carolina, to 58% in Virginia, to 83% in North Carolina, but the fraction of total deposits held in savings accounts declined slightly in each state to 19%, 35%, and 22%, respectively. Fifth District depositors, meanwhile, followed the national pattern in reducing the portion of their total deposits held in demand accounts. Demand deposits of the Federal Government, state and political subdivisions, and individuals, partnerships, and corporations grew more rapidly in the District than in the nation (39% to 24%) but as a per cent of total deposits they declined about in line with national figures. This general pattern characterized the individual Fifth District states except for South Carolina where the fraction of total deposits of these depositor groups held in demand accounts remained essentially unchanged at about 70%.

In contrast to the national experience in the 1961-1967 period, the number of insured commercial banks and the number of banking organizations in the District declined. Bank merger activity was the chief factor in this decline. For the District as a whole, the number of insured commercial banks declined from 947 to 829. West Virginia, which does not permit branching, was the only District state to

## DEPOSITS
### Insured Commercial Banks
(Dollars in Billions)

| | UNITED STATES | | | | | FIFTH DISTRICT | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | | % of Total Deposits[1] | | % Increase | Amount | | % of Total Deposits[1] | | % Increase |
| | 1961 | 1967 | 1961 | 1967 | 1961-1967 | 1961 | 1967 | 1961 | 1967 | 1961-1967 |
| Total | 223.6 | 358.7 | 100.0 | 100.0 | 60.4 | 11.9 | 20.2 | 100.0 | 100.0 | 69.7 |
| Demand | 144.2 | 182.9 | 64.5 | 51.0 | 26.8 | 7.8 | 10.8 | 65.5 | 53.5 | 38.5 |
| Time | 18.5 | 84.7 | 8.3 | 23.6 | 357.8 | 0.6 | 3.3 | 5.0 | 16.3 | 450.0 |
| Savings | 60.9 | 91.1 | 27.2 | 25.4 | 49.6 | 3.4 | 6.1 | 28.6 | 30.2 | 79.4 |
| IPC, etc.[2] | | | | | | | | | | |
| Demand | 127.0 | 157.7 | 56.8 | 44.0 | 24.2 | 7.2 | 10.0 | 60.5 | 49.5 | 38.9 |
| Time[3] | 15.6 | 77.5 | 7.0 | 21.6 | 396.8 | 0.6 | 3.3 | 5.0 | 16.3 | 450.0 |

[1]Demand, time, and savings deposits as percentages of total deposits may not add to 100% due to rounding.
[2]Also includes the U. S. Government and state and local subdivisions.
[3]Excludes deposits accumulated for payment of personal loans.
Source: Board of Governors of the Federal Reserve System.

show an increase in the number of banks. Virginia, which amended its banking code to permit statewide branching through merger in 1962, recorded the sharpest drop in number of insured commercial banks of any District state. Holding company consolidations in Maryland, Virginia, and the District of Columbia were responsible for a decline in the District's banking organizations, as defined in this article, from 943 to 792 over the six years.

**Distribution of Deposits** The changes described thus far have been accompanied by an equally significant redistribution of deposits among bank size-groups. This has been true in both the Fifth District and in the nation as a whole. The size of the banks surveyed has been determined according to total deposits.

Looking at the shares of total deposits held by various size-groups of banks across the country, the top 5% of the banks on the whole saw their share decline between 1961 and 1967 while all the categories below the top 5% reported increased shares, however small. The share of total deposits held by the top 1% of the banks in the nation declined from 50.04% to 49.82%, but within this category the top 0.1% registered a very small increase.

The top 1% of banks graded by total deposits accounted for over 52% of the nearly $70 billion increase in time deposits at all insured commercial banks between 1961 and 1967. Moreover, the expansion recorded by the top 1% of the banks was about equally divided between the first 0.1%, which comprised only 14 banks in both 1961 and 1967, and the next 0.9%, which included 119 banks in 1961 and 122 banks in 1967. Further pointing up the importance of large banks, almost 80% of the growth in time deposits between 1961 and 1967 was accounted for by the top 15% of all insured commercial banks.

While the very large banks exhibited the biggest absolute increases in time deposits, they did not always have large enough increases to maintain their 1961 share of total time deposits. Despite a $17 billion gain, the top 0.1% of the nation's banks saw their share of total time deposits decline from just over 30% in 1961 to just under 27% in 1967. On the other hand, the next largest 0.9% of banks experienced a small increase in their share of the total, from 24.5% to 26%. As shown in the second table, increases in shares of total time deposits were similarly registered in every other size grouping of banks except for the two smallest classes, which include 50% of all insured banks.

This general pattern of time deposit growth also held in the Fifth District, with most of the growth occurring at the large banks. In South Carolina and West Virginia, however, increases were small and showed no marked pattern of distribution. In North Carolina and Virginia, where most of the District's time deposit growth occurred, the top 5% of the banks accounted for most of the total increase. A similar pattern existed in Maryland although the absolute increases were not as large as in North Carolina and Virginia.

In the Fifth District the redistribution of total deposits over the period tended to be toward the larger banks and away from the smaller banks. An exception occurred in West Virginia where the top 1% and the next 4% each experienced a decline of over one percentage point in their share of total deposits while all the categories of smaller banks increased their shares. In West Virginia the top 1% of the banks in the state accounted for less than 11% of total deposits in 1967 while in the cases of Maryland, North Carolina, and South Carolina, the top 1% in each state held between 30% and 40% of total deposits. In Virginia the top 1% held over 26% of total deposits. The lower shares in West Virginia and Virginia are probably due in some part to the absence of branch banking in the former and the relatively recent inauguration of statewide branching in the latter. The absence of branching tends to limit the size of banks and in particular the size of large, expansion-minded banks.

The proportion of demand deposits held by the top 1% of the nation's banks declined between 1961 and 1967 while each of the smaller size-groups of banks shown in the table registered small percentage increases in the nation as a whole. Large banks in the Fifth District, however, generally recorded increased shares of total demand deposits. The top 5% of the banks in each of Maryland, South Carolina, and Virginia increased their shares, but in West Virginia the three groups making the top 15% of that state's banks each lost part of their 1961 share. The share of the top 1% in North Carolina also declined but the shares of the next 4% and the following 10% rose.

The fraction of total passbook savings deposits held by the top 5% of the nation's insured commercial banks increased from nearly 62% to over 64% over this period, while for all other size-groups the fraction declined. The redistribution of such deposits in the Fifth District was more marked but varied from state to state. The proportion of savings accounts held by the top 5% of the banks in each of Maryland, North Carolina, and Virginia rose by some 11 percentage points. In Maryland this in-

crease was almost solely accounted for by the top 1% of that state's banks. In North Carolina and Virginia the increase was more evenly divided between the top 1% and the next 4%. In South Carolina the top 1% category registered a one percentage point decline in its proportion of savings deposits. This was the only District state in which the top group experienced such a decline. The next 4% category, however, registered an increase in its share from 19% to 24%. In West Virginia the top 5% of the banks in the state recorded less than a percentage point increase in their share of savings deposits. Increases actually were recorded only in the top 1% and the smallest 25% categories.

**Banking Organizations** In general, the distribution of deposits among banking organizations, as defined in this article, closely resembled the pattern among banks. One major distinction was that in both 1961 and 1967 the top 0.1% and the next 0.9% of the nation's banking organizations held larger shares of all the deposit categories in the first table than did the corresponding groups of banks. Furthermore the other size-groups comprising smaller organizations generally held smaller shares than the corresponding size-groups of banks.

In the Fifth District, three states, North Carolina, South Carolina, and West Virginia, had no registered holding companies in either 1961 or 1967. In Virginia a pattern similar to the nation appeared with the top 1% and the next 4% of organizations showing larger shares of deposits than corresponding categories of banks over the period. Groupings of smaller bank organizations in Virginia recorded smaller shares than those of corresponding groups of banks. In Maryland there were no registered holding companies in 1961. In 1967 the shares of various deposit categories held by the top 1% of banks and banking organizations were the same. The next 4% of organizations in Maryland, however, showed a larger share of all types of deposits than did the similar size-group of banks. Meanwhile, the size-groups comprising the bottom 75% of Maryland bank organizations registered smaller shares of deposits than their bank-group counterparts.

**Largest Holders of Selected Deposits** The nation's largest banks, as ranked by total deposits, are not always the largest owners of every type of deposit. Such differences are apparent upon comparing the shares of selected deposits held by various size-groups of banks as ranked by total deposits with the shares of the same type of deposit owned by the largest holders of that deposit. When such a comparison reveals different shares of a particular type of deposit for similar size-groups on the same date, one can conclude that different banks are included in the two groups.

Several characteristics of the current structure of deposits in the nation's commercial banks emerge from the data. In general the largest banks are also the largest holders of demand deposits. The largest banks, however, do not appear always to be the largest holders of time deposits, despite recording the largest increases in time deposits over the 1961-1967 period. The five size-groups comprising the top 25% of banks each showed larger shares of time deposits in the ranking by those deposits than in the ranking by total deposits. A pattern similar to time deposits exists in the savings category where the largest banks have not been the banks with the largest amounts of savings deposits.

*Joseph C. Ramage*

## PERCENTAGE DISTRIBUTION OF DEPOSITS
### Insured Commercial Banks
### United States

| Size-Groups of Banks[1] | Number of Banks | | Deposits[2] | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | Total | | Demand | | Time | | Savings | |
| | 1961 | 1967 | 1961 | 1967 | 1961 | 1967 | 1961 | 1967 | 1961 | 1967 |
| Top 0.1% | 14 | 14 | 23.87 | 23.93 | 25.28 | 25.14 | 30.43 | 26.80 | 18.61 | 18.86 |
| Next 0.9% | 119 | 122 | 26.17 | 25.89 | 28.35 | 27.28 | 24.46 | 26.09 | 21.44 | 22.93 |
| Next 4% | 526 | 542 | 19.27 | 19.17 | 18.62 | 18.89 | 15.76 | 16.06 | 21.87 | 22.63 |
| Next 10% | 1,313 | 1,353 | 12.02 | 12.04 | 10.73 | 10.95 | 9.78 | 11.10 | 15.76 | 15.17 |
| Next 10% | 1,313 | 1,353 | 5.78 | 5.86 | 5.09 | 5.25 | 4.89 | 5.79 | 7.68 | 7.12 |
| Next 25% | 3,282 | 3,382 | 7.58 | 7.69 | 6.79 | 7.07 | 7.61 | 8.03 | 9.44 | 8.58 |
| Next 25% | 3,282 | 3,382 | 3.71 | 3.82 | 3.49 | 3.69 | 4.89 | 4.25 | 3.93 | 3.60 |
| Next 25% | 3,278 | 3,378 | 1.60 | 1.61 | 1.64 | 1.72 | 2.17 | 1.89 | 1.27 | 1.12 |

[1]Ranked by total deposits.
[2]Columns may not add to 100% due to rounding.
Source: Board of Governors of the Federal Reserve System.

# STOCK MARKET INDEXES



What did the stock market do today? This question is usually answered with a reference to one of the many indexes that measure market performance. Among the first such indexes were those compiled by Dow-Jones, which publishes indexes for industrials, rails, and utilities as well as a composite index for 65 stocks. Standard & Poor's and the New York Stock Exchange also publish often quoted indexes which similarly consist of a composite series along with various component series. In many cases indexes also provide breakdowns for individual industries. Other indexes are published by major newspapers such as *The New York Times* and by other exchanges such as the American Stock Exchange.

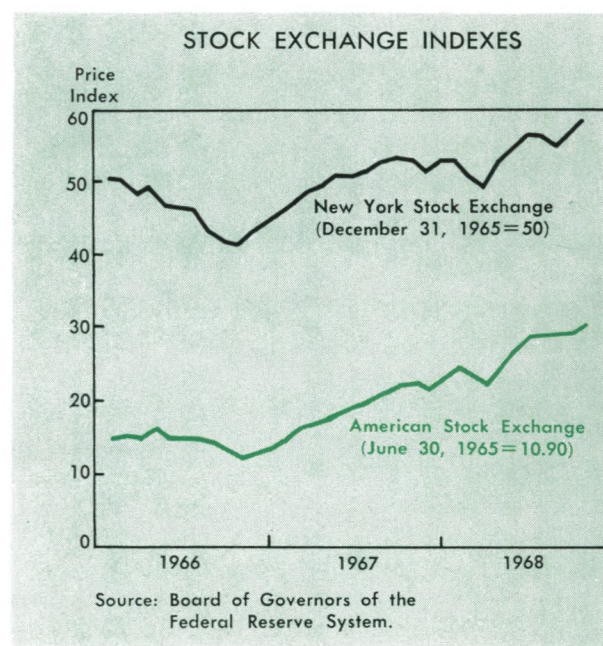
The first Dow-Jones Industrial Index, introduced on May 26, 1896, was an average of the prices of 12 major stocks of that period. In 1916 the list of stocks was broadened to 20 and in 1928 the number was increased to 30, where it stands today. Standard & Poor's present index, begun in 1957 when the older Standard & Poor's indicators were phased out, uses 425 industrial stocks. The newest of the three indicators—the New York Stock Exchange Index—was inaugurated on July 14, 1966. Historical data for the series has been provided back to 1939.

The number of stocks included in different series varies. The Dow-Jones indexes, for example, use a relatively small number of stocks, many of which are so-called "blue chips." These are usually stocks of large, well-established companies. In contrast, the Standard & Poor's composite average uses 500 stocks. The New York Stock Exchange Index is considered the most comprehensive market indicator. It includes all the common stocks listed at any one time on the Exchange, and currently includes over 1,200 common stocks.

Market analysts have varying opinions of the value of different series. Some argue that the Dow-Jones averages do not give a true indication of overall market activity since many small companies are neglected. Others suggest that the emphasis on the larger companies is appropriate because the shares of these companies are so widely held. The Standard & Poor's indexes, which cover many more stocks than the Dow-Jones averages, nevertheless draw similar criticism because their method of computation gives greater weight to the large companies. Some analysts also criticize the inclusion of only New York Stock Exchange stocks in these two indexes as well as in the Exchange's index, but others cite the large proportion of total transactions on registered exchanges accounted for by that exchange.

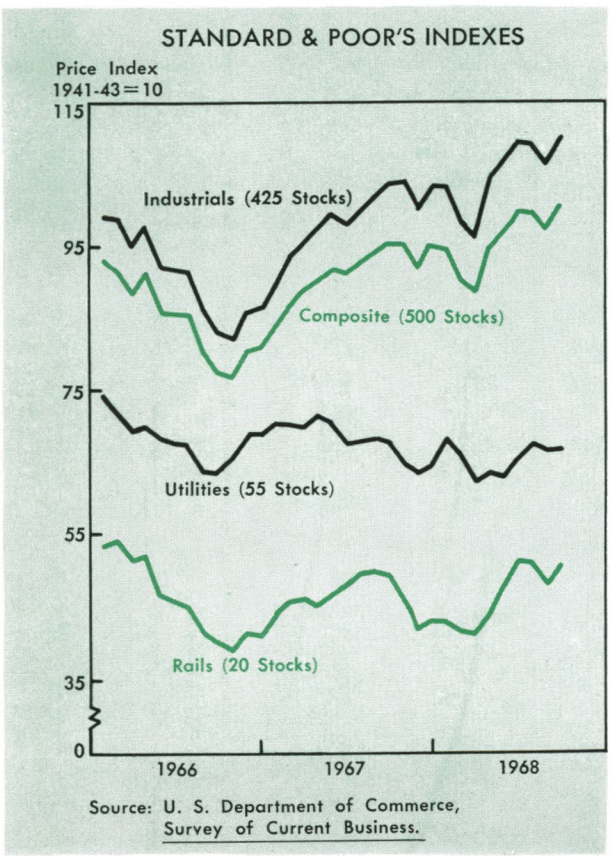
The makeup of stock indexes varies over time. The New York Stock Exchange Index depends on what stocks are currently listed on the Exchange. The composition of the Dow-Jones and Standard & Poor's indexes, with fixed numbers of stocks included, also changes. Substitutions are made from time to time to reflect the overall market better. Changes may also be necessitated by a company merging or changing its principal type of business.

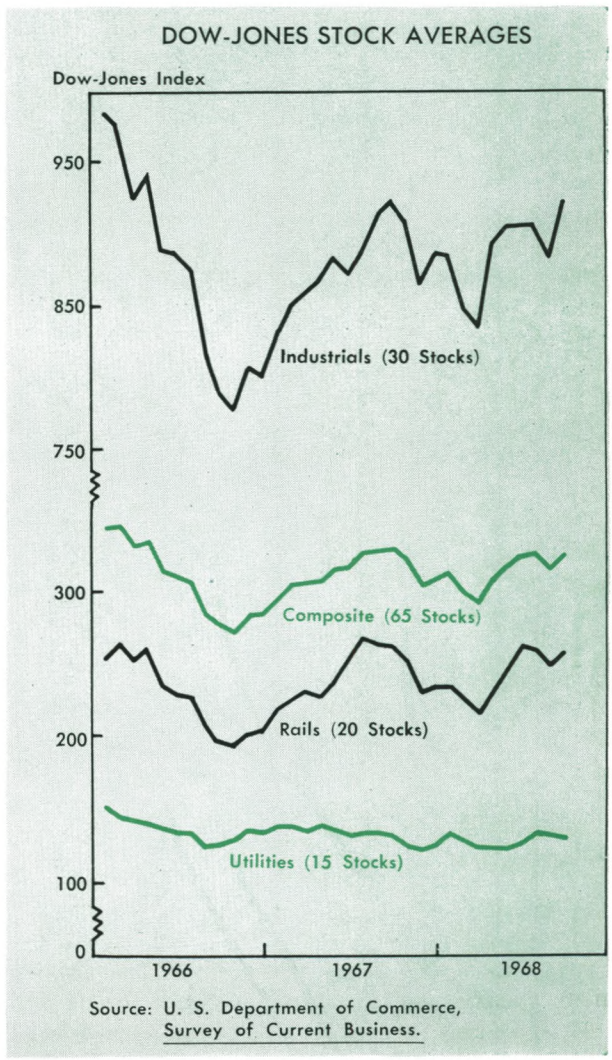
Various methods are used in calculating indexes. Each of the Dow-Jones averages is derived by adding up the price of each of the included stocks and then



dividing the total by a specific number. When the number of stocks used in the Dow-Jones Industrial Average was increased in 1928, this divisor was 30. Since that time the divisor has been changed periodically in order to make adjustments for stock dividends, stock splits, and reverse stock splits. These adjustments are made to preserve comparability of current and past data. When a stock splits, for example, the investor holding the stock usually suffers no loss in the dollar value of his holdings. Yet, unless some adjustment is allowed for in an index, the lower price of one share of stock resulting immediately from the split will bias the index on the low side. When a split occurs in a stock included in a Dow-Jones list, the divisor is lowered to offset the downward shift in the price of the stock. If the other market values in the index remain constant, the index stays at the same level. The New York Stock Exchange and Standard & Poor's indexes use different methods of calculation. The former multiplies the price of each stock by the number of listed shares of the respective stocks. The latter multiplies the price of each stock used by the number of outstanding shares. In this way these indexes are adjusted automatically for stock splits since a decrease in price is offset by an increase in the number of listed or outstanding shares. Standard & Poor's expresses the total value of outstanding shares as a percentage of the average market value during the period 1941-43. The resulting figure is then divided by 10, making it much lower than its Dow-Jones counterpart. The New York Stock Exchange Index is expressed in relationship to the average price of all listed common stocks on December 31, 1965. This index must make adjustments to eliminate changes due to new listings or delistings of stock on the New York Stock Exchange. The different relative positions of the rails and utilities indexes in the Dow-Jones and Standard & Poor's charts suggest not only different methods of computation but also the use of different stocks.

*Mary Ann Chappell*

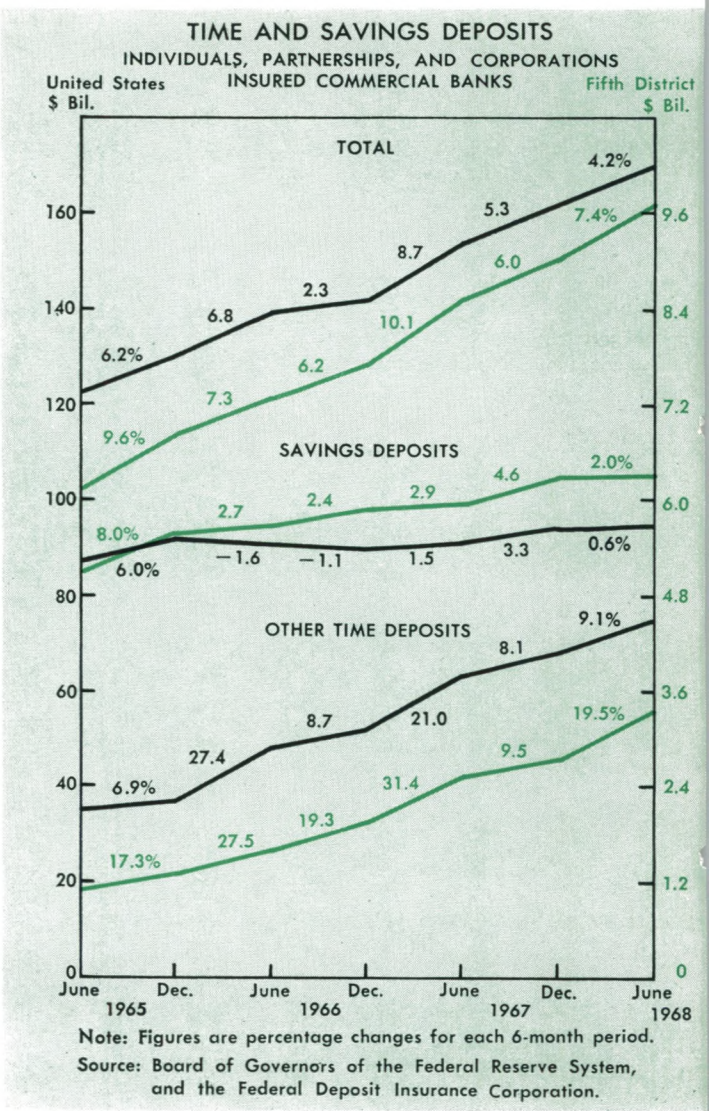


# DISTRICT TIME AND SAVINGS DEPOSITS

Time instruments issued by Fifth District banks to individuals and businesses have more than tripled in the past three years, while passbook savings accounts have grown by only 24.7%. At midyear 1968, total time and savings deposits of individuals, partnerships, and corporations (IPC) amounted to $9.7 billion at District commercial banks. Of this amount $6.4 billion or 65.8% was in passbook savings accounts, ownership of which is limited to individuals and nonprofit organizations. The remaining portion of time and savings deposits, IPC, consists primarily of certificates of deposit (CD's) and time deposits, open account. These instruments are evidenced by a written contract, the terms of which differ widely in maturity, denomination, and rate of interest paid.

In both major categories of time and savings deposits, IPC, growth at District banks outpaced national rates. On June 29, 1968 outstandings at insured commercial banks in the United States amounted to $95.0 billion for passbook savings, up 8.7% from mid-1965, and $74.7 billion in other time deposits, IPC, an increase of 111.2% during the three-year period.



Note: Figures are percentage changes for each 6-month period.
Source: Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation.

**Growth in Time Deposits** Growth in commercial bank time deposits depends to a great extent on interest rates paid by banks in relation to rates available to savers in competitive markets. Evidence of this is the tremendous spurt in "other" time deposits following the December 1965 change from 4½% to 5½% in the maximum allowable interest rate that banks could pay under Regulation Q. This strength was caused partly by individuals switching from share capital at savings and loan institutions and bank passbook savings to small denomination savings certificates offered by commercial banks at higher rates. Many businesses also found the instruments offered by commercial banks an attractive investment since short-term market rates were below the 5½% ceiling. Another factor adding to the popularity of the large denomination CD in negotiable form was the development of the secondary CD market.

As may be seen in the accompanying chart, the growth of passbook savings deposits at Fifth District banks slowed markedly, from an 8% increase in the latter half of 1965 to a 3% rise in the first half of 1966. The Regulation Q adjustment had an even greater effect on passbook savings in the country as a whole than in the Fifth District. At all insured commercial banks, passbook savings dropped 2% in the first half of 1966 in contrast to a 6% rise in the previous six-month period. Other time deposits, IPC, which carried a 5½% ceiling compared with the 4% ceiling on savings deposits, jumped 27% in the District as well as in the nation in the six months following the Regulation Q change.

By the fall of 1966, short-term rates caught up and passed the rates banks could offer and there was a general shift of CD money to other financial instruments. As a consequence, other time deposits, IPC, grew at a reduced rate, the level being sustained by the strength of consumer savings.

Yields on competing instruments declined in early 1967 and the growth of commercial bank time deposits picked up tempo. In the first half of 1967 nationwide time deposits, IPC, excluding passbook savings, increased 21%, not far below the rise in the six months following the December 1965 ceiling increase. In the District the 31% growth was greater than that in the first half of 1966.

Beginning around mid-1967, money market rates again moved up sharply, and by spring of 1968 passed the historically high levels of the fall of 1966. On April 19, 1968 the Federal Reserve System adjusted upward the rate ceiling on large denomination time instruments with maturities of two months and longer. Although the competitive position of negotiable CD's was improved, the growth rate for "other" time deposits, IPC, at all commercial banks remained approximately the same as in the preceding six months and in the latter half of 1966. In the District the appreciable slowdown in the growth during the second half of 1967 was followed by a fairly sharp increase during the first half of 1968. The District increase was at the same rate as during the 1966 period of rapidly rising interest rates.

The slowdown in the growth in passbook savings in the District as well as in the rest of the country during the first six months of this year suggests that consumers were transferring these funds to instruments with higher yields. The 2% rise in the first half of 1968 was the District's lowest semiannual growth rate during the period under study. The less than 1% rise for all commercial banks, however, compares with a decline in the year following the historic December 1965 change in Regulation Q.

**Recent Growth by Type of Deposit** Recent surveys conducted by this Bank also indicate that the slowdown in the growth of passbook savings may be caused in part by consumers switching these funds to other types of time deposits offered by commercial banks at higher interest rates. Passbook savings held in District member banks increased $244 million or 5.8% during the year ending October 31, 1968. This compares with a $523 million, or 35%, rise in time instruments, IPC, of less than $100,000 for this same time period. The dollar increase in small denomination certificates of deposit was almost twice that of time deposits, open account, of less than $100,000. The latter instruments, however, almost tripled during the period. This phenomenal growth was caused in part by the popularity of the so-called "golden passbook" accounts which are direct alternatives to regular savings deposits. Separate

## TYPES OF TIME AND SAVINGS DEPOSITS[1]

Fifth District Member Banks
October 31, 1968

| | Amount Outstanding ($ millions) | Change from October 1967 (per cent) |
|---|---|---|
| **FIFTH DISTRICT** | | |
| **Total time and savings[2]** | 7,026.5 | 14.5 |
| **Savings deposits** | 4,435.6 | 5.8 |
| **Certificates of deposit** | 2,289.4 | 26.8 |
| Less than $100,000 | 1,723.1 | 24.7 |
| $100,000 or more | 566.3 | 33.4 |
| Negotiable | 285.5 | 43.8 |
| Nonnegotiable | 280.8 | 24.2 |
| **Time deposits, open account[2]** | 301.5 | 116.8 |
| Less than $100,000 | 282.5 | 180.5 |
| Consumer-type[3] | 135.6 | n.a. |
| Other | 146.9 | n.a. |
| $100,000 or more | 19.0 | – 50.5 |
| **MARYLAND** | | |
| **Total time and savings[2]** | 1,000.9 | 10.9 |
| **Savings deposits** | 890.1 | 8.1 |
| **Certificates of deposit** | 97.0 | 34.0 |
| Less than $100,000 | 73.1 | 51.0 |
| $100,000 or more | 23.9 | – 0.4 |
| Negotiable | 18.1 | 21.5 |
| Nonnegotiable | 5.8 | – 36.3 |
| **Time deposits, open account[2]** | 13.8 | 102.9 |
| Less than $100,000 | 11.7 | 138.8 |
| Consumer-type[3] | 6.1 | n.a. |
| Other | 5.6 | n.a. |
| $100,000 or more | 2.1 | 10.5 |
| **DISTRICT OF COLUMBIA** | | |
| **Total time and savings[2]** | 895.6 | 6.7 |
| **Savings deposits** | 523.4 | – 0.1 |
| **Certificates of deposit** | 337.4 | 15.7 |
| Less than $100,000 | 132.7 | 14.7 |
| $100,000 or more | 204.7 | 16.4 |
| Negotiable | 101.0 | 6.9 |
| Nonnegotiable | 103.7 | 27.6 |
| **Time deposits, open account[2]** | 34.8 | 42.0 |
| Less than $100,000 | 33.1 | 55.4 |
| Consumer-type[3] | 5.5 | n.a. |
| Other | 27.6 | n.a. |
| $100,000 or more | 1.7 | – 46.9 |
| **VIRGINIA** | | |
| **Total time and savings[2]** | 2,751.8 | 15.1 |
| **Savings deposits** | 1,637.8 | 4.7 |
| **Certificates of deposit** | 1,028.4 | 30.6 |
| Less than $100,000 | 926.3 | 27.2 |
| $100,000 or more | 102.1 | 72.2 |
| Negotiable | 63.3 | 163.8 |
| Nonnegotiable | 38.8 | 9.9 |
| **Time deposits, open account[2]** | 85.6 | 119.5 |
| Less than $100,000 | 78.4 | 222.6 |
| Consumer-type[3] | 53.9 | n.a. |
| Other | 24.5 | n.a. |
| $100,000 or more | 7.2 | – 51.0 |
| **WEST VIRGINIA** | | |
| **Total time and savings[2]** | 679.9 | 12.2 |
| **Savings deposits** | 544.4 | 7.5 |
| **Certificates of deposit** | 125.1 | 32.0 |
| Less than $100,000 | 111.7 | 29.1 |
| $100,000 or more | 13.4 | 61.4 |
| Negotiable | 10.0 | 69.5 |
| Nonnegotiable | 3.4 | 41.7 |
| **Time deposits, open account[2]** | 10.4 | 126.1 |
| Less than $100,000 | 9.6 | 159.5 |
| Consumer-type[3] | 1.4 | n.a. |
| Other | 8.2 | n.a. |
| $100,000 or more | 0.8 | – 11.1 |
| **NORTH CAROLINA** | | |
| **Total time and savings[2]** | 1,421.1 | 19.6 |
| **Savings deposits** | 663.5 | 8.3 |
| **Certificates of deposit** | 632.6 | 23.6 |
| Less than $100,000 | 425.3 | 17.2 |
| $100,000 or more | 207.3 | 39.2 |
| Negotiable | 93.1 | 57.8 |
| Nonnegotiable | 114.2 | 27.0 |
| **Time deposits, open account[2]** | 125.0 | 95.3 |
| Less than $100,000 | 117.8 | 154.4 |
| Consumer-type[3] | 48.3 | n.a. |
| Other | 69.5 | n.a. |
| $100,000 or more | 7.2 | – 59.3 |
| **SOUTH CAROLINA** | | |
| **Total time and savings[2]** | 277.2 | 32.4 |
| **Savings deposits** | 176.4 | 9.5 |
| **Certificates of deposit** | 68.9 | 43.2 |
| Less than $100,000 | 54.0 | 35.3 |
| $100,000 or more | 14.9 | 81.7 |
| Negotiable | .... | .... |
| Nonnegotiable | 14.9 | 81.7 |
| **Time deposits, open account[2]** | 31.9 | * |
| Less than $100,000 | 31.9 | * |
| Consumer-type[3] | 20.4 | n.a. |
| Other | 11.5 | n.a. |
| $100,000 or more | .... | .... |

[1]Deposits of individuals, partnerships, and corporations. [2]Excludes Christmas savings and other special funds. [3]Includes accounts in passbook and statement form. n.a. Not available. * Less than $500,000 in October 1967.

figures were not collected on these accounts in the October 1967 survey.

Negotiable CD's issued in denominations of $100,000 or more also moved up significantly in the year ending October 31, 1968. Outstandings increased from $198.5 million to $285.5 million, a 44% rise. Based on data from the large weekly reporting banks which issue most of these instruments, the gain occurred after the April upward adjustment in ceiling rates. Large denomination CD's in nonnegotiable form increased 24%, to a $280.8 million level. Large open account time deposits, which play a minor role in the District, halved over the year to a level of $19 million.

**Recent Growth by Area** In percentage terms, South Carolina member banks made the most significant gain in attracting the savings dollar of households and businesses. Total time and savings deposits, IPC, rose 32% over the year ending October 31, 1968. The most spectacular gain was in small denomination open account deposits which rose from $0.2 million to $31.9 million. Regular savings accounts also increased at a rate higher than those in other District areas. Although only a few banks in South Carolina issue large denomination time instruments, these deposits rose from $8.2 million to $14.9 million, a gain of 82%.

North Carolina ranked second among District areas in percentage gain in total time and savings deposits, IPC. The largest dollar gain was in small denomination CD's and open account deposits which amounted to two-fifths of total time and savings, IPC. Less than half of the total was in regular passbook accounts.

In contrast, approximately nine-tenths of total time and savings, IPC, in Maryland banks was in regular savings accounts and less than one-tenth was in small denomination time instruments. These latter deposits, however, made substantial percentage gains over the year. The increase in regular savings accounts also was above the District rate. The West Virginia story is similar to that in Maryland. A large proportion of the total was in the form of passbook savings which increased over the year at a higher rate than for the District as a whole.

Banks in the District of Columbia issued a greater proportion of total time and savings in large denomination CD's than banks in other District areas. Outstandings of these instruments, however, increased only 16% from October 1967 to October 1968. Regular savings accounts, which only amount to one-half of total outstandings, remained steady.

Virginia banks, like those in the Carolinas, have actively promoted savings certificates and "golden passbook" accounts. As a result, time instruments issued in denominations of less than $100,000 amounted to over a third of total time and savings, IPC, by October 1968. The increase over the year was $252 million or 34%. Impressive gains were made also in CD's of $100,000 or more, particularly those in negotiable form.

**Rate Structure** The accompanying table shows that most savings deposits and time instruments, IPC, in denominations of less than $100,000 were drawing the Regulation Q ceilings of 4% and 5%, respectively. Rates on both of these types of deposits were adjusted upward during the year. The proportion of the dollar amount of savings deposits at rates over 3½% inched further towards the 100% level, from 94% on October 31, 1967 to 96% in the current survey. The shift to higher rates was highly significant, however, for small denomination time instruments: 94% of outstandings were at banks currently offering rates over 4½%, compared with 85% last year. The rate adjustments were most dramatic in Maryland, South Carolina, and West Virginia.

District banks also made significant upward adjustments on rates paid on large denomination time instruments. In October 1967, over three-fourths of outstandings were at banks offering 5% or less although the ceiling rate was 5½%. In October 1968, 80% of outstandings were at banks paying over 5% and 36% at banks paying over 5½%. Since April 1968, rates permitted under Regulation Q have ranged from 5½% to 6¼%, based upon the maturity of the large denomination instrument.

*Elizabeth W. Angle*

## MOST COMMON RATES PAID ON NEW DEPOSITS
### Fifth District Member Banks
**October 31, 1968**

| | Percentage distribution of dollar amount of deposi | | | | | | |
|---|---|---|---|---|---|---|---|
| | Dist. | Md. | D.C. | Va. | W.Va. | N.C. | S.C |
| Savings deposits | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100. |
| 3.50 or less | 3.7 | 1.1 | .... | 2.7 | 16.0 | 0.2 | 12. |
| 3.51-4.00 | 96.3 | 98.9 | 100.0 | 97.3 | 84.0 | 99.8 | 87. |
| Time instruments, | | | | | | | |
| Less than $100,000 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100. |
| 4.50 or less | 5.7 | 21.7 | 0.6 | 1.6 | 55.2 | 1.0 | 7. |
| 4.51-5.00 | 94.3 | 78.3 | 99.4 | 98.4 | 44.8 | 99.0 | 92. |
| Time instruments, | | | | | | | |
| $100,000 or more | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100. |
| 4.50 or less | 2.1 | 18.8 | .... | 1.5 | 24.6 | 1.2 | .. |
| 4.51-5.00 | 17.6 | 13.5 | 3.2 | 38.0 | 75.4 | 17.7 | 17. |
| 5.01-5.50 | 44.1 | 63.1 | 93.2 | 21.1 | .... | 6.5 | 82. |
| 5.51 and over | 36.2 | 4.6 | 3.6 | 39.4 | .... | 74.6 | .. |

# The Fifth District

## CREDIT OUTSTANDING TO REAL ESTATE MORTGAGE LENDERS

Commercial bank credit outstanding to real estate mortgage lenders totaled almost $177 million as of October 30, 1968 according to a survey of twenty-two Fifth District weekly reporting banks. The survey was prompted by the importance of the mortgage market in the overall economic picture and by the lack of similar information since a 1959 survey. The banks in the Federal Reserve panel of weekly reporting banks account for nearly 90% of all such credit outstanding.

**Real Estate Mortgage Lenders** Real estate mortgage lenders borrow money from commercial banks in order to finance mortgages. Their profit depends upon the spread between the cost of their bank credit and the price they charge for a mortgage minus operating costs. Thus monetary policy, and particularly interest rates, play a major role in the mortgage market.

In this survey, real estate mortgage lenders were divided into five groups: life insurance companies, mortgage companies, savings and loan associations, mutual savings banks, and "other" institutions, which included non-life insurance companies and other firms that make or hold substantial amounts of real estate loans.

Mortgage companies accounted for almost 70% of commercial bank credit outstanding to real estate mortgage lenders. Savings and loan associations held almost 17%, and life insurance companies over 5%. Mutual savings banks had none of the credit outstanding and the "other" category accounted for over 8%. The dominance of mortgage companies is due in part to their use as intermediaries by both life insurance companies and mutual savings banks. These activities increase mortgage companies' credit needs from commercial banks and, at the same time, decrease those of life insurance companies and mutual savings banks.

**Type of Credit** Commercial bank credit is extended in two forms to real estate mortgage lenders: loans and repurchase agreements. Loans accounted for 84.5% of the credit outstanding to mortgage lenders in this survey. This category included loans secured by the real estate mortgage loans owned by the borrowers as well as loans to real estate mortgage lenders otherwise secured or unsecured. Mortgage companies were the predominant borrowers, accounting for almost 69% of the loans outstanding. Savings and loan associations held almost 20% of the total, life insurance companies almost 6%, and the "other" category accounted for the rest.

Repurchase agreements made up the remaining 15.5% of the credit extended. These agreements included all mortgages purchased from the real estate mortgage lenders and held under a specific commitment by the borrower to repurchase the mort-

### CREDIT OUTSTANDING TO REAL ESTATE MORTGAGE LENDERS
Fifth District Weekly Reporting Banks*

October 30, 1968

| Real Estate Mortgage Lenders | Loans ($ Thous.) | Repurchase Agreements ($ Thous.) | Total Credit ($ Thous.) |
|---|---|---|---|
| Life Insurance Companies | 8,781 | 1,161 | 9,942 |
| Mortage Companies | 102,909 | 19,993 | 122,902 |
| Savings & Loan Associations | 29,537 | ..... | 29,537 |
| Mutual Savings Banks | ..... | ..... | ..... |
| Other | 8,187 | 6,354 | 14,541 |
| | 149,414 | 27,508 | 176,922 |

* Based on twenty-two of the twenty-five weekly reporting banks.

gages at a specific time. Mortgage companies again led the real estate mortgage lenders with almost 73% of the repurchase agreements outstanding. Life insurance companies held over 4% and the rest of the repurchase agreements fell into the "other" category.

**Comparison with Previous Surveys** The composition and number of weekly reporting banks has changed over time, but some comparison between the current survey and previous ones can be made. Of the commercial bank credit extended to real estate mortgage lenders, loans to mortgage companies accounted for over 58% of the total. Repurchase agreements with mortgage companies accounted for another 11% of the total, thus giving mortgage companies 69% of the interim credit extended. In the past, the mortgage company share of the total has varied from 63.8% on August 13, 1958 to a high of 74.6% on February 11, 1959.

Mutual savings banks have consistently accounted for very little of commercial bank credit to the mortgage lenders. None of the Fifth District banks in the October survey reported extending credit to mutual savings banks and only three times in previous surveys have they accounted for over 0.1% of total credit. In each of the previous instances the credit was in the form of repurchase agreements rather than loans.

Loans to life insurance companies have accounted for anywhere from 1.9% (November 14, 1956) to 5.4% (August 8, 1956) of the total. Their repurchase agreements reached their lowest level in this survey at 0.6% of the total but have been as high as 12.9% (August 10, 1955). Loans to savings and loan associations have fluctuated from a low of 3.8% (February 15, 1956) of the total credit outstanding to a high of 16.7% reported in this survey. Repurchase agreements with savings and loan associations have varied from none in the current report to 4.6% of the total on February 15, 1956.

**Conclusions** Total credit extended to real estate mortgage lenders by responding Fifth District weekly reporting banks totaled almost $177 million in October 1968. In 1959, a similar survey reported almost $83 million of such credit outstanding. Over this period the composition of the credit extended has remained approximately the same. Loans have varied from a low of 77.9% (August 10, 1955) to a high of 92.7% (February 11, 1959) of the total and accounted for 84.5% of the total in this survey. Mortgage companies continue to be the largest users of commercial bank credit.

*Katherine M. Chambers*