Seventh Annual Report

FEDERAL HOME LOAN BANK BOARD

for the period JULY 1, 1938–JUNE 30, 1939

covering operations of the

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND
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for the period

JULY 1, 1938, *through* JUNE 30, 1939

For sale by the Superintendent of Documents, Washington, D. C. - - - - - - - - Price 35 cents

Letter of Transmittal

FEDERAL HOME LOAN BANK BOARD,
Washington, D. C., October 1, 1939.

The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: Pursuant to section 20 of the Federal Home Loan Bank Act, we have the honor to submit herewith the Seventh Annual Report of the Federal Home Loan Bank Board for the period July 1, 1938, through June 30, 1939, covering the operations of the Federal Home Loan Banks, the Federal Savings and Loan Associations, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation.

Section I of the report presents a broad summary of the activities of the Federal Home Loan Bank Board and the agencies under the Board. Section II deals with significant developments in the field of residential construction and home finance during the reporting period. The subsequent sections contain reports on the operations of each of the agencies under the Board for the fiscal year 1939.

Mention should be made of three major events affecting the operations of the Board and its agencies after the close of the fiscal year.

On July 1, 1939, Reorganization Plan No. I became effective, grouping the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, and the Federal Savings and Loan Insurance Corporation with certain other Government agencies under the newly created "Federal Loan Agency."

By an amendment to the Home Owners' Loan Act approved on August 11, 1939, the Home Owners' Loan Corporation was authorized to extend the amortization period of its mortgage loans from fifteen years to a maximum of twenty-five years, if, in the judgment of the Corporation, the circumstances of the home owner and the condition of the security justify such extension or revision.

In addition, the Home Owners' Loan Corporation has made provision to accept until further notice interest at the rate of 4½% per annum on all payments due on and after October 16, 1939, on the indebtedness of home owners to the Corporation arising from any loan, advance, or sale of property. A further step has thus been taken designed to aid home owners in their rehabilitation.

Respectfully,

John H. Fahey, *Chairman,*
T. D. Webb, *Vice Chairman,*
Fred W. Catlett,
William H. Husband,
Frank W. Hancock, Jr.,
Members.

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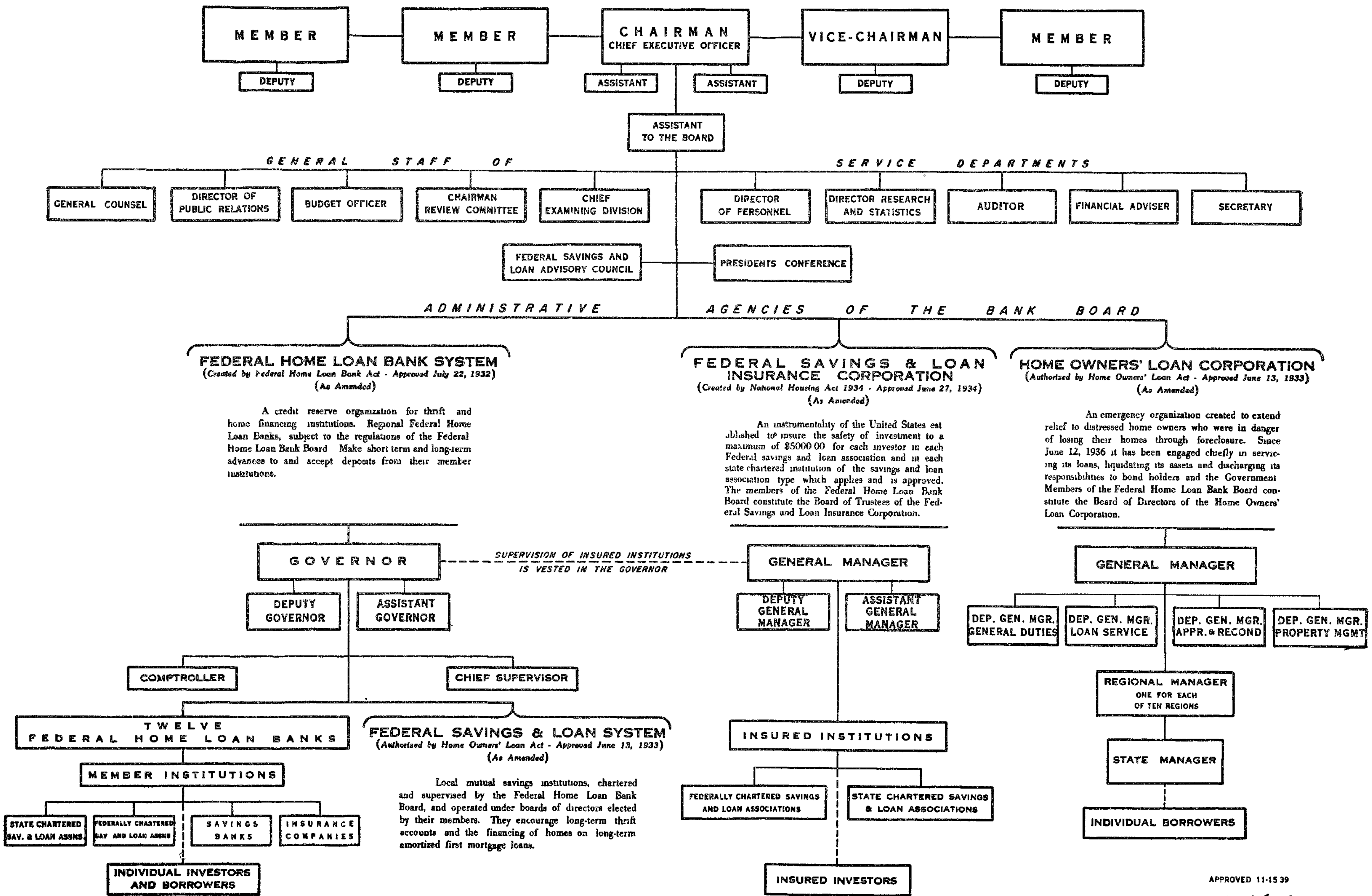
ORGANIZATION CHART OF THE AGENCIES OF THE

FEDERAL HOME LOAN BANK BOARD

(Created by Federal Home Loan Bank Act - Approved July 22 1932)



APPROVED 11-15 39

John H Fahey Chairman,

FEDERAL HOME LOAN BANK BOARD

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I

The Federal Home Loan Bank Board and Its Agencies

THE Federal Home Loan Bank Board, created by Congress in 1932 to administer the Federal Home Loan Bank System, has been charged with a number of additional functions in subsequent years. In 1933, when the Home Owners' Loan Act was passed, the Federal Home Loan Bank Board was designated to serve as Board of Directors of the Home Owners' Loan Corporation. By the same Act, the Board was authorized to charter, organize, and supervise Federal savings and loan associations. In 1934, the Federal Home Loan Bank Board was directed to act as the Board of Trustees of the Federal Savings and Loan Insurance Corporation, created to insure the accounts of investors in thrift and home financing institutions.

SIGNIFICANCE OF HOME OWNERSHIP AND HOME FINANCE

Despite these several functions, the Federal Home Loan Bank Board is primarily concerned with one field of the country's economic and social life: the field of home ownership and the related activities of home finance and thrift. The importance of this field in our national economy springs from deep sources. Americans have always cherished the goal of home ownership, and the rise of large industrial and commercial centers has brought but little change in this respect. Home ownership in this country is not confined to a small wealthy class, but is widespread among all classes of the population.

The vast majority of our nonfarm families live in one- and two-family houses. In 1930, approximately 70 percent of all existing occupied dwelling units in nonfarm areas were single-family houses. Another 15 percent of the existing dwelling units were in two-family houses, and only the remaining 15 percent in multifamily and apartment houses. Likewise, about eighty out of each hundred dwelling units built since 1930 were in one- and two-family houses.

The aggregate value of small houses in the United States represents the largest single item of our national wealth. Naturally, the credit structure built around these properties constitutes a great portion of our total private long-term debt. With an estimated amount of

$17,721,000,000 in 1938, the mortgage debt on one- to four-family dwellings is the largest single block in the private long-term debt in the United States.

The safeguarding of the wealth invested in our homes, and the smooth functioning of credit which serves to finance the building and purchase of homes have only recently become matters of national concern. For a long time the rapid growth of the country in territory, population, and resources had tended to obscure existing defects of our home-financing system. It was only during the depression from 1929 to 1933 that serious weaknesses were exposed and recognized as national problems. It is unnecessary to recite the experience of these years in detail. The mounting number of home owners who lost their properties or were threatened by foreclosure, the freezing up of credit, the break-down of confidence, runs on home-financing institutions, the collapse of the real estate market—all this is still fresh in our minds. While the distress of the mass of home owners was due in part to the particular severity of the depression, Congress realized that much of it could have been prevented if better safeguards had been placed around home ownership and thrift, which affect so large a portion of our population. The Federal Home Loan Bank Board and its agencies were brought into existence to provide such added protection.

ORIGIN OF AGENCIES UNDER THE BOARD

The *Federal Home Loan Bank System* was created in 1932 to serve as a permanent credit reservoir for thrift and home financing institutions. It assists both borrowers and investors in such institutions through the supply of money to maintain liquidity or to provide for mortgage lending when local funds are insufficient. With the establishment of the Federal Home Loan Bank System, a basic weakness of the American home-financing structure—the lack of any credit reserve facilities—has been eliminated.

However, before the Federal Home Loan Bank System began its actual operation, the financial disaster had assumed such proportions that emergency action was needed. In June 1933, Congress established the *Home Owners' Loan Corporation* to help distressed home owners directly by refinancing mortgages on owner-occupied one- to four-family homes. This was strictly a temporary expedient and in June 1936, the Home Owners' Loan Corporation closed its refinancing operations.

To strengthen the home-financing structure, the Home Owners' Loan Act provided for the creation of a national system of thrift and home financing institutions, the *Federal savings and loan associations.* These institutions, including newly established associations in areas theretofore and then inadequately served, and existing associations which applied and were approved for conversion from State to Federal charter, operate under a uniform national charter which seeks to combine the best policies and practices developed by the savings and loan industry as a whole. Today, Federal savings and loan associations represent one of the most progressive and serviceable units of the home-financing system.

Finally, successful operation of insurance for bank deposits by a Federal agency, introduced in 1933, led to the extension of a similar service to home-financing institutions in the following year. To restore and maintain public confidence in savings and loan associations, Congress created the *Federal Savings and Loan Insurance Corporation* which protects the savings held in such institutions to a maximum of $5,000 for each investor. Insurance of accounts reduces the danger of mass withdrawals of funds in general or local panics and thus fortifies the home-financing system against unusual hazards. This protection represents another permanent safeguard placed around home ownership and thrift.

SUMMARY OF OPERATIONS

The operations of the various agencies under the Federal Home Loan Bank Board during the fiscal year 1939 are set forth in subsequent chapters of this report. However, in order that their achievements, measured against the predepression defects of our thrift and home-financing system, may be more fully understood, a summary of activities from the inception of the agencies to date is given at this point.

1. Federal Home Loan Bank System

In the seven years of its existence, the Federal Home Loan Bank System has become an integral part of the American financial structure. To the credit reserve systems for commercial banks and for farm finance provided by the Federal Reserve System and the Federal Land Banks, the Federal Home Loan Bank System has added a national credit reservoir for another important sector of our credit mechanism: home mortgage finance.

On June 30, 1939, the Federal Home Loan Bank System served 3,946 home-financing institutions, with aggregate resources of approximately $4,600,000,000, located in all the 48 States and in the District of Columbia, Alaska, and Hawaii. At the same date, member institutions were operating in 1,963 cities and towns which contain about 85 percent of the urban population of the United States. As most of the members, although strictly local institutions, are empowered to make loans within a reasonably wide radius of their home office, it is evident that by and large, thrift and home financing institutions in the entire nonfarm area of the country are provided with the services of the Federal Home Loan Bank System. These services now extend into every sizable community in the United States.

Member institutions of the Federal Home Loan Bank System serve an estimated number of 6,500,000 individuals, either savers or borrowers or both. Since most of these individuals are heads of families, it may be roughly estimated that six million out of the some twenty-three million nonfarm families in the United States receive the benefits of the facilities offered by the Federal Home Loan Bank System.

On June 30, 1939, the membership of the Federal Home Loan Bank System comprised 3,897 savings and loan associations, building and loan associations, homestead associations, and cooperative banks; 9 savings banks; and 40 insurance companies.

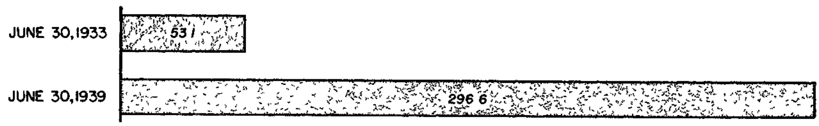
Within the field of savings and loan association—the only type of specialized home-financing institution in the country—the Federal Home Loan Bank System today comprises the bulk of the total industry. The assets of the member savings and loan associations represent over 66 percent of the total assets of all savings and loan associations operating in the country, and their mortgage loans outstanding are equal to 72 percent of all mortgage loans held by this type of financial institution. With such a degree of representation, the Federal Home Loan Bank System, in the field of home finance, has attained a place similar to that occupied by the Federal Reserve System in the field of commercial banking where member banks hold approximately 70 percent of the total deposits in commercial banks. In terms of number of member institutions, the Federal Reserve System comprises 41 percent of all banks; the Federal Home Loan Bank System, 47 percent of all savings and loan associations and similar thrift and home-financing institutions.

The chief function of the Federal Home Loan Banks is to supply, primarily on first mortgage collateral, funds required by member institutions in order that they may meet the home-financing needs in their communities and withdrawal demands of savers and investors. From October 15, 1932, when the twelve Federal Home Loan Banks first opened for business, to June 30, 1939, advances to home-financing institutions totaled $523,023,390, of which $354,061,827 has been repaid. This indicates the extent to which the Federal Home Loan Bank System has been called upon to serve as a national credit reservoir. Through the Federal Home Loan Bank System, thrift and home mortgage finance have been better protected against local and nation-wide economic fluctuations, home ownership has been placed on a more secure basis, and the construction of new homes and the improvement of housing conditions have been encouraged.

The establishment of a credit reserve system has brought to home-financing institutions not only a larger volume of potential credit, but cheaper money and a type of credit adapted to their special needs. The Federal Home Loan Banks obtain their funds from their capital stock, the proceeds from the sale of their securities to the public, and deposits received from their member institutions. From these sources the Federal Home Loan Banks are able to advance funds to member institutions on long terms up to ten years—in line with the essentially long-term character of the mortgage loans made by these institutions. The interest rates charged on advances have been substantially reduced since the organization of the Banks. In 1932, at the inception of the Federal Home Loan Bank System, when money was still scarce and dear, interest rates on Federal Home Loan Bank advances were from 4 to 5 percent; on June 30, 1939, they ranged from 1½ to 3½ percent.

CHART I

ASSETS OF THE TWELVE FEDERAL HOME LOAN BANKS

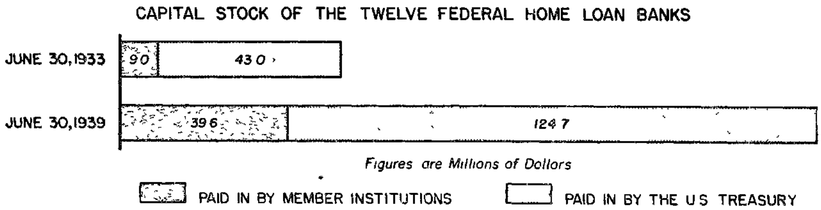


Figures are Millions of Dollars

The resources of the twelve Federal Home Loan Banks have continuously grown until at June 30, 1939, they aggregated $296,629,853. On that date, the capital stock, surplus, and undivided profits stood at $173,128,616.

The capital stock of the twelve Federal Home Loan Banks is made up by subscriptions of member institutions and of the United States Treasury on behalf of the Federal Government. To assist in the organization of the Federal Home Loan Bank System, Congress authorized the Secretary of the Treasury to invest up to $125,000,000 in the capital stock of the Federal Home Loan Banks. With the growth in number and assets of member institutions, however, the proportion of Federal Home Loan Bank stock held by the United States Treasury to the total stock of the Banks has decreased. On June 30, 1933, this proportion was 82.7 percent, and on June 30, 1939, 75.9 percent. Conversely, the proportion of stock held by member institutions during that period has increased from 17.3 to 24.1 percent. From the beginning of operations through June 30, 1939, the twelve Federal Home Loan Banks have declared dividends aggregating $12,498,632, of which $9,849,146 was paid to the United States Treasury and $2,649,486 to member institutions.

CHART II



Through the issuance of bonds and debentures, the Federal Home Loan Bank System has access to the money market of the country. For the first time in the history of American home-mortgage finance, local home-financing institutions have thus been afforded an avenue to the vast general money resources of the Nation. From April 1, 1937, when the first issue of consolidated Federal Home Loan Bank debentures was offered, to June 30, 1939, such debentures were issued in the amount of $142,700,000, of which $52,700,000 had been repaid; on July 1, 1939, an additional amount of $41,500,000 was retired at maturity. The successful issuance of these debentures marked the passing of an important milestone in the history of the Federal Home Loan Bank System.

In addition to security issues which permit the tapping of the general credit resources of the country, member deposits furnish a means of transferring funds from localities where money is ample to localities where money is scarce. On the whole, therefore, some elasticity of credit is provided which makes home mortgage lending less dependent on the irregular accumulation of savings in the various individual areas and communities.

Evidence of the importance of the Federal Home Loan Bank System in the field of home-mortgage finance is found in the lending activity of its member institutions. In the fiscal year 1939, member savings and loan associations of the Federal Home Loan Bank System made mortgage loans in the amount of $687,000,000, which represents 79 percent of the total amount of mortgage loans made by all savings and loan associations, both member and nonmember. Of the total amount of home-mortgage loans made by all institutional lenders in the last few years, member institutions of the Bank System accounted for approximately two-fifths.

2. Federal Savings and Loan Associations

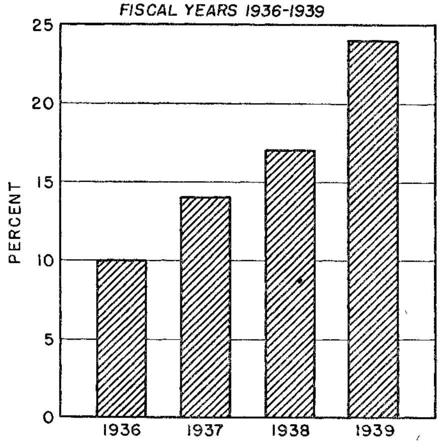
Federal savings and loan associations have been operating for six years. The record of these operations evidences that the objectives of the Act authorizing the creation of Federal savings and loan associations have been attained in a large measure.

Federal savings and loan associations have supplied substantial funds for the financing of homes. From June 13, 1933, to June 30, 1939, these institutions have made mortgage loans in the amount of $1,137,000,000, of which $445,000,000 was for new construction and reconditioning. Federal savings and loan associations have also encouraged regular and systematic savings which constitute the primary source of home-mortgage finance. On June 30, 1939, about 1,300,000 individual investors held close to a billion dollars in shares of Federal savings and loan associations. At the same date, share investments of the United States Treasury and the Home Owners' Loan Corporation, designed to stimulate the flow of private money into this improved type of home-financing institution, totaled $217,025,500, equivalent to approximately one-fifth of private investments in Federal savings and loan associations.

CHART III

PERCENT INCREASE OF PRIVATE REPURCHASABLE CAPITAL IN COMPARABLE FEDERAL SAVINGS & LOAN ASSOCIATIONS

FISCAL YEARS 1936-1939



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The rate at which private investments in Federal savings and loan associations have increased is illustrated by the above chart.

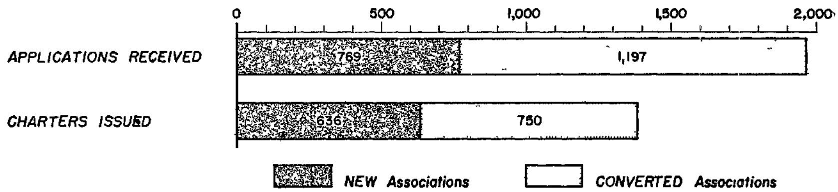
At the end of the fiscal year 1939, there were 1,386 Federal savings and loan associations operating in 46 States, in the Territories of Hawaii and Alaska, and in the District of Columbia. They serve wholly or in part 2,867 counties, or 93 percent of the total number of counties in the United States, and through their establishment, thrift- and mortgage-lending facilities have been made available to many communities which prior to 1933 had not had the benefit of local home-financing institutions.

The demand for the organization of new Federal savings and loan associations and for conversion from State to Federal charter has been indicative of the need for home-financing institutions in communities not previously served by such institutions, and for the development of a uniform national system of savings and loan associations throughout the country. From the beginning of operations to June 30, 1939, the Federal Home Loan Bank Board has received 769 applications for the creation of new Federal savings and loan associations, of which 636 were approved, 131 rejected, withdrawn, and canceled, and 2 are pending. During the same period, applications for conversion from State to Federal charter numbered 1,197, of which 750 were approved, and 349 rejected, withdrawn, and canceled; 98 applications were pending on June 30, 1939.

CHART IV

NUMBER OF APPLICATIONS RECEIVED AND CHARTERS ISSUED (NET) THROUGH JUNE 30,1939

NEW AND CONVERTED FEDERAL SAVINGS AND LOAN ASSOCIATIONS



Before the issuance of charters to newly organized associations, the Federal Home Loan Bank Board examines the necessity for a new home-financing institution in the community and investigates whether its establishment would unduly injure properly conducted existing local thrift- and home-financing institutions. It also considers the character and responsibility of applicants and the probability of usefulness and success of the proposed association. Hearings are conducted which provide an opportunity for full discussion of the application. In approving applications for conversion from State to Federal charter, the Board's decision is determined by a thorough analysis of the financial condition and the operation and management of the association.

The effects of the establishment of Federal savings and loan associations have reached far beyond these institutions themselves. The savings and loan industry as a whole has benefited greatly through the organization of a national system of such institutions managed under high standards of operation. The improved and simplified savings and loan plans under which Federal savings and loan associations operate have set an example which is gradually being adopted through amendments to the statutes of many States and in the operations of

State-chartered institutions; likewise, the Federal requirements with respect to management have paved the way for a general rise in standards of management throughout the savings and loan industry.

With the establishment of Federal savings and loan associations, the set-up of the home-financing system of the country has followed the development of the banking structure. As there are State-chartered banks operating under State statutes and supervised by State authorities, and national banks chartered under the National Bank Act of 1863 and supervised by the Office of the Comptroller of the Currency, so there are State-chartered savings and loan associations operating under State law and supervised by State authorities, as well as Federal savings and loan associations operating under Federal charter and supervised by the Federal Home Loan Bank Board. Just as national banks are required to be members of the Federal Reserve System and to obtain insurance of deposits, so must Federal savings and loan associations be members of the Federal Home Loan Bank System and obtain insurance of accounts. In fact, membership in the Federal Home Loan Bank System and insurance of accounts have been important factors in the success of Federal savings and loan associations.

3. Federal Savings and Loan Insurance Corporation

The Federal Savings and Loan Insurance Corporation closed its fifth year of operations in June 1939. At the end of this five-year period, the Corporation had extended insurance of accounts to 2,170 thrift- and home-financing institutions, comprising all savings and loan associations operating under Federal charter and 787 State-chartered savings and loan associations which have applied and been approved for insurance. On June 30, 1939, the aggregate assets of these institutions were approximately $2,339,411,000, individual investors protected by insurance of accounts numbered 2,236,043, and their insured accounts totaled $1,657,859,000. It is estimated that 3,500,000 families in the United States are served by insured savings and loan associations, either through the lending or savings facilities offered by these institutions.

By protecting investments in insured savings and loan associations to a maximum of $5,000 for each investor, the Federal Savings and Loan Insurance Corporation safeguards the typically small investor in home-financing institutions against loss of his savings. As 98 percent of all accounts in insured associations are not in excess of $5,000, the coverage is virtually complete.

Assured that the safety of his investment is guaranteed by an instrumentality of the United States, the insured investor no longer has to

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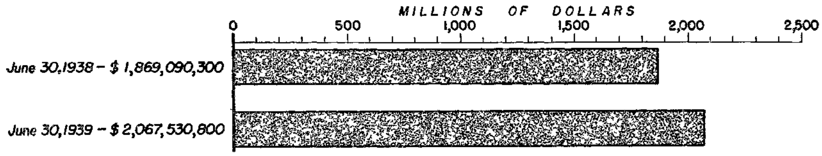
fear a recurrence of the critical period of the early Thirties when many people lost their savings through the failure of banks and savings and loan associations. Insurance of accounts has thus strengthened public faith in the basic security of thrift- and home-financing institutions, has materially helped to encourage the inflow of money for investment, and has contributed to the restoration of the home-financing system of the country.

In addition, a continuing guaranty of safety for savings invested in insured institutions has become a stabilizing factor in the development of the savings and loan industry and home-mortgage finance. Individuals saving money on a long-term basis place safety ahead of return, and insured associations have, therefore, been able to attract private capital in volume at lower rates of return than formerly were possible. This in turn has enabled insured institutions to reduce interest rates on home mortgages, to expand their lending activity, and to meet the present keen competition for sound mortgage loans.

The beneficial effects of Federal insurance of accounts are evidenced by the progress of insured savings and loan associations.

CHART V

ASSETS OF AN IDENTICAL GROUP OF 1,882 INSURED SAVINGS AND LOAN ASSOCIATIONS AS OF JUNE 30,1938 and JUNE 30,1939



The Federal Savings and Loan Insurance Corporation has also assisted in the rehabilitation of savings and loan associations—a process that became necessary as an aftermath of the depression. Through June 30, 1939, the Corporation has been instrumental in effecting reorganization, with subsequent insurance of accounts, of 284 savings and loan associations, with aggregate assets of approximately $213,000,000 immediately after reorganization, and with $270,000,000 in assets on June 30, 1939.

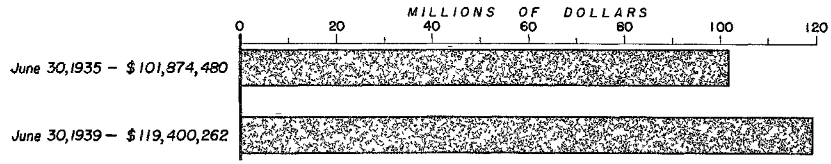
The strength of the protection provided by the Federal Savings and Loan Insurance Corporation lies in a combination of several factors which, in the main, are: wide geographical distribution of risk; reliance of the public upon the resources and integrity of an instrumentality of the United States; strong capital structure and conservative operating policy of the Corporation itself; and the assurance of sound operating practices of insured institutions by virtue of proper supervision. Among these factors, the diversification of risk over almost all sections of the country may be singled out as of particular importance in view of previous failures and present endeavors to provide insurance protection on a local basis.

The number of settlements which the Corporation has had to make during its five years of operation is comparatively small. Through June 30, 1939, the Corporation has settled seven cases and paid losses of $386,000, or about 5.9 percent of total premiums received (taking into consideration recoveries by the Corporation already realized). In all these cases, the settlements were cash contributions to restore the impaired capital of insured institutions. No individual investor protected by the Corporation has lost any portion of his investment in an insured institution.

CHART VI

RESOURCES OF THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

AS OF JUNE 30, 1935 and JUNE 30, 1939



The resources of the Federal Savings and Loan Insurance Corporation have steadily grown until on June 30, 1939, they totaled $119,400,262. To the capital stock of $100,000,000—subscribed for by the Home Owners' Loan Corporation—$18,283,344 was added in reserves and surplus within five years, thereby strengthening the Insurance Corporation's resources on which its value to the insured institutions and to the investing public ultimately depends. During the whole period, the interest earned on the reserve fund was sufficient to pay administrative expenses which were only 3.9 percent of total income.

4. Home Owners' Loan Corporation

The Home Owners' Loan Corporation in the period from July 12, 1933, to June 12, 1936, completed the immense task of refinancing the mortgage loans of 1,017,827 small-home owners who were in default and threatened with the loss of their properties. This refinancing operation of the Federal Government has protected directly about one-tenth of all owner-occupants of nonfarm homes in the United States against immediate dispossession. The low-cost mortgage loans of the Home Owners' Loan Corporation, repayable in small monthly installments over a fifteen-year period, have afforded substantial relief to distressed borrowers and have helped a large number of families to rehabilitate themselves—families which, as a result of the economic collapse in the early Thirties, were in imminent danger of losing their homes only a few years ago.

Some borrowers of the Corporation have been unable or unwilling to carry even these low-cost loans made available to them. Up to June 30, 1939, the Corporation was obliged to authorize foreclosures on 171,036 original loans (withdrawals deducted), equivalent to only 16.8 percent of the total number of original loans made. A number of borrowers, on the other hand, were in a position to repay their loans in full prior to the expiration of their loan contracts; as of June 30, 1939, there were 53,676 borrowers, or almost 5.3 percent of the total number of original borrowers, who had thus liquidated their entire indebtedness to the Corporation. Of the some 800,000 original borrowers remaining on the books of the Corporation on June 30, 1939, more than four-fifths were in satisfactory status and have given all indications of being on the road to complete rehabilitation.

The results reflected in these figures have been accomplished, in a large measure, by the careful attention and cooperative assistance which is given to those borrowers who find it difficult to meet their obligations, and by the utmost leniency shown in all deserving cases where the borrower has any prospect of "coming through" in the future. Through formal and informal adjustments for the payment of arrearages, and through advances for reconditioning, taxes, and insurance, efforts have been made to aid such borrowers in their rehabilitation.

Since the closing of its refinancing operations in June 1936, the Home Owners' Loan Corporation has entered the phase of gradual liquidation. The chart on page 13, which shows the disposition of the original loans at June 30, 1939, illustrates the changes that have occurred through the liquidation program.

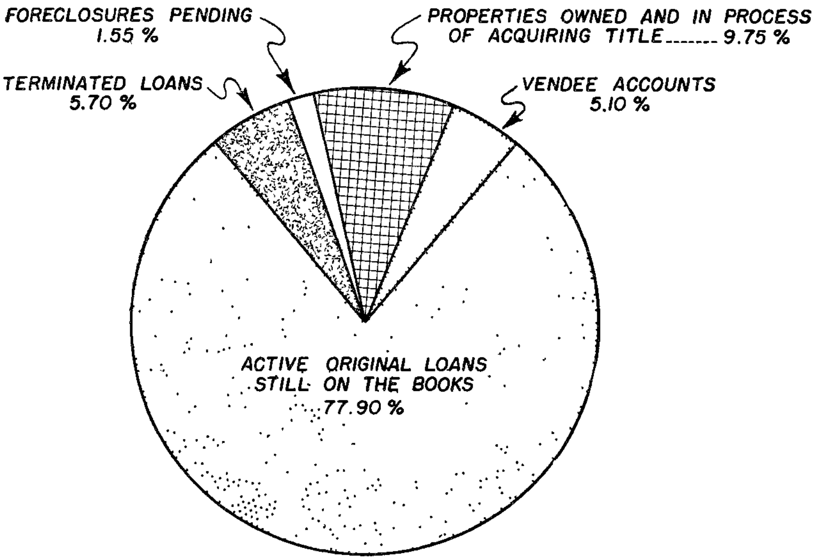
Of the original refinancing loans made by the Corporation, 77.90 percent were still in active status on the books of the Corporation; 5.70 percent had been removed from the Corporation's records by payment in full, cash sales of properties, and charge-off; 1.55 percent of the total number of original loans were in foreclosure pending judgment or sale; 9.75 percent were on the books as properties owned; and 5.1 percent had returned to the records as accounts of vendees; that is, of purchasers of HOLC properties sold on extended terms of payment.

Through repayments on principal by original borrowers and vendees and through cash proceeds from property sales, the Corporation has liquidated approximately one-fifth of its gross investment in loans and properties, as of June 30, 1939. As was to be expected, the liquidation of mortgage loans made primarily to defaulted borrowers has been attended by losses. After provision of $147,223,168 for past and future losses, the deficit as of June 30, 1939, stood at $59,562,029.

In the process of liquidation, the Corporation's activities have changed in nature, but its total work load has remained substantial. The reduction in the number of original borrower accounts, for

CHART VII

DISPOSITION OF ORIGINAL REFINANCING LOANS MADE BY THE HOME OWNERS' LOAN CORPORATION ON JUNE 30, 1939



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instance, has been offset in large part by an increase in vendee accounts originating from property sales; and the management, renting, reconditioning, and sale of the properties which the Corporation has been acquiring has increased rather than diminished in importance and volume. From the beginning of operations through June 30, 1939, the Corporation has acquired 141,752 and has sold 55,303 properties, leaving 87,618 owned on June 30, 1939. In addition, there were 11,736 properties in process of acquisition on that date. The book value of properties owned and in process of acquisition was $549,441,184. On June 30, 1939, there were 76,911 dwelling units rented in properties owned by the Corporation. At the same date, the Corporation's total cumulative expenditure for reconditioning, necessary for the protection of the Government's interests, reached approximately $140,000,000.

Since the beginning of liquidation, the Home Owners' Loan Corporation has effected drastic reductions in administrative costs as illustrated by the chart below. Total personnel dropped from a peak number of 20,811 in November 1934 to 11,007 on July 1, 1939. These economies were made possible by the elimination and consolidation of field offices, attendant upon the cessation of refinancing operations, and through improvements in organization and efficiency.

CHART VIII

ADMINISTRATIVE EXPENSES OF THE HOME OWNERS' LOAN CORPORATION

During the fiscal year 1939, operating expenses [1] of the Home Owners' Loan Corporation were approximately 1.94 percent of the average dollar load in loans and properties in the period. In considering this figure, account must be taken of the fact that the average loan made by the Corporation was only slightly in excess of $3,000. The servicing of such small loans made to defaulted home owners, and the management of small properties spread over the whole country, presents an administrative task of the first order. In view of these facts, it is evident that operating expenses of less than 2 percent of the total dollar load in loans and properties represents the lowest level consistent with the maintenance of an organization adequate for carrying out the purpose of the Home Owners' Loan Act.

GENERAL EFFECTS

The combined achievements of the agencies under the Federal Home Loan Bank Board have reached into the entire field of thrift- and home-mortgage lending, and as the financial system of a country is no stronger than its weakest link, they have fortified our financial structure as a whole. The work of these agencies has been instrumental in bringing about far-reaching reforms in home finance—reforms providing one of the bases for the recovery of home-construction and home-mortgage lending which has taken place in the last few years (and which will be surveyed in Section II of this report).

[1] Including administrative, general, and property expenses; excluding the cost of money and capital losses.

The Home Owners' Loan Corporation laid the ground work by arresting the avalanche of foreclosures, the deflation of property values, and the freezing up of large numbers of financial institutions. A real-estate market which was already suffering from half a million foreclosures on urban properties in 1931 and 1932 never could have survived the million more foreclosures halted directly by the refinancing operations of the HOLC. Without this refinancing, the stabilization of the real-estate market upon which any sound revival of new construction is predicated would have been delayed by years or indefinitely. Moreover, the long-term amortization loan plan instituted by the HOLC on a nation-wide scale has set an example which today is accepted by most private mortgage-lending institutions as sound and safe.

The existence of a central reserve system for thrift- and home-financing institutions, and insurance of accounts in a large number of these institutions, has stimulated confidence and helped to direct the flow of money into home finance and new building. The revival of home-mortgage lending is evidenced by the almost $3,500,000,000 of home-mortgage loans made by savings and loan associations in the five-year period from 1934 to 1938, of which approximately $1,000,000,000 was for new construction. The creation of a new progressive type of savings and loan association, chartered and supervised by a Federal instrumentality, has given added strength to the home-financing industry as a whole. Through rules and regulations laid down by the Federal Home Loan Bank Board, and through supervision and guidance of home-financing institutions, mortgage-lending practices and savings plans have been improved, standards of management raised, and costs of home ownership reduced.

The adoption of the direct-reduction loan plan by the institutions under direct supervision of the Federal Home Loan Bank Board has brought millions of savings to home owners. Liberal loan limits and longer amortization periods permitted under Federal law have made home ownership available to families of moderate means. At the same time, the gradual transformation of large portions of the short-term mortgage indebtedness into long-term amortized loans has reduced unnecessary hazards to borrowers and lenders as well. By all these legislative and administrative measures, thrift and home ownership have been placed on a broader and more secure basis, and a greater degree of uniformity has been injected into a sector of our financial system once characterized by a confusing variety of plans of operations and by lack of national coordination.

IMPORTANCE OF COORDINATION

By concentrating responsibility for the supervision of the Federal Home Loan Bank System and the Federal savings and loan associations, as well as the direction of the operations of the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation in one governing unit, Congress combined major elements of urban home mortgage finance in the Federal Home Loan Bank Board. Through this provision there was assured a uniformity of policy and direction which otherwise would not have been possible. Coordination under one management has also permitted the utilization of the experience gained in one agency under the Board for the benefit of the others. As Federal activity in the field of home-mortgage finance is of such recent origin, this coordination has greatly facilitated the orderly development of sound standards and the gradual training of a staff of public servants chosen to specialize in this important field.

Finally, the concentration of management under one Board has resulted in substantial economies. Not only are the administrative expenses of the Board, with the exception of those of the Examining Division, absorbed by the several agencies, but—as will be seen from the Organization Chart facing page 1—ten general service units are at the disposal of all agencies under the Board, with the result that overhead costs as a whole are considerably lower than if each agency had to maintain such service divisions of its own. These divisions include the Legal Department, the Examining Division, the Division of Research and Statistics, the Review Committee, the Public Relations Department, the Personnel Department, the Personnel Committee, and the offices of the Secretary, the Financial Adviser, and the Budget Officer.

To a large extent, a similar system of coordination is in effect in the regional organization of the activities under the Board's jurisdiction. While the primary function of the Federal Home Loan Banks is that of credit reserve institutions, the officers of the Banks act as agents for the Board in the supervision of Federal savings and loan associations and State-chartered insured savings and loan associations. They also act in an advisory capacity with respect to operating problems of all member institutions in their Districts; handle applications for membership in the Federal Home Loan Bank System, for insurance of accounts, and for the issuance of Federal charters; and receive and make recommendations on requests for investments by the Home Owners' Loan Corporation in member institutions. This procedure reduces the volume of reports, examinations, and other work, not only for the agencies under the Board but also for the home-financing institutions themselves. It has helped to keep costs at a minimum and to render the Federal Home Loan Banks a source of invaluable information on home-financing conditions in their Districts.

SUPERVISION AND EXAMINATION

Coordination is of particular value in the field of supervision. The concentration of Federal supervision over home-financing institutions in the Federal Home Loan Bank Board has permitted a great degree of simplicity and uniformity.

As already indicated, the Examining Division of the Federal Home Loan Bank Board serves all agencies under the Board. It conducts periodic and special supervisory examinations of Federal savings and loan associations, of State-chartered savings and loan associations which are insured by the Federal Savings and Loan Insurance Corporation, and of such noninsured member institutions of the Federal Home Loan Bank System as are not subject to State supervision. It also analyzes the financial condition of institutions which apply for membership in the Federal Home Loan Bank System, for insurance of accounts, for conversion from State to Federal charter, or for investments by the Home Owners' Loan Corporation. This centralization of examining functions results in many advantages. Federal savings and loan associations are subjected to examination by only one agency. In the case of State-chartered savings and loan associations insured by the Federal Savings and Loan Insurance Corporation, agreements have been reached with 33 States providing for joint examinations in order that overlapping of Federal and State examination may be reduced. If insured State-chartered savings and loan associations apply for conversion to Federal charter or for investments by the Home Owners' Loan Corporation, the data collected by the Board's Examining Division may be used in the consideration of such request. Uniform standards and procedures are being applied in all examinations and analyses of reports.

Supervision is one of the most important functions of the Federal Home Loan Bank Board. On June 30, 1939, there were 2,214 thrift- and home-financing institutions with total assets of approximately $2,400,000,000 under the direct supervision of the Board, including all Federal- and State-chartered insured savings and loan associations, and member associations of the Federal Home Loan Bank System that are not supervised by State authorities. In addition, the Board is charged with the semi-annual examination of the twelve Federal Home Loan Banks.

Thorough and efficient supervision is not only a matter of sound business practice, but a means of safeguarding the savings of more than four million individual investors in the institutions supervised by the Board. It is also instrumental in protecting the large amount of funds invested in these institutions and related Federal agencies by the United States Treasury and the Home Owners' Loan Corporation. All together, investments of the United States Treasury and the Home Owners' Loan Corporation in the capital stock of the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation, and in shares of member institutions of the Bank System are close to $600,000,000. The responsibility for such supervision as may be necessary to protect the Government interests rests upon the Federal Home Loan Bank Board.

The following table contains a summary of the examinations and analyses conducted by the Examining Division of the Federal Home Loan Bank Board during the fiscal year 1939:

	Number
Supervisory examinations	399
Supervisory examinations and audits	1, 443
Miscellaneous examinations	261
Examinations and analyses of applications for membership, insurance, conversion, and HOLC investments	753
Other services [1]	259
Total	3, 115

[1] Examinations on occasion of mergers; purchase, sale, transfer, or segregation of assets; services to Federal Home Loan Banks and Federal Savings and Loan Insurance Corporation; and other services.

During the fiscal year 1939, examination costs to the institutions supervised by the Federal Home Loan Bank Board were materially reduced. A revised, simplified examination report form, which was developed in conferences by the National Association of State Building and Loan Supervisors, the United States Building and Loan League, and representatives of the Federal Home Loan Bank Board, was adopted in October 1938. Furthermore, the basic rate of per diem charges was decreased by 10 percent, effective January 2, 1939, and charges for assistant examiners were computed at lower per diem rates, effective March 1, 1939.

OPERATION ON A SELF-SUPPORTING BASIS

Although the Federal Home Loan Bank Board and its agencies are entirely self-supporting, they operate within budgets approved by Congress. The Board derives its income from assessments upon the twelve Federal Home Loan Banks, from charges made against the Home Owners' Loan Corporation and the Federal Savings and Loan

Insurance Corporation for services rendered by the Board, and from fees received for the examination of home-financing institutions. The greater portion of the Board's operating budget represents expenses of the Examining Division, all of which are reimbursed by the institutions examined.

The Federal Home Loan Banks obtain their income from interest on advances and investments, and the Federal Savings and Loan Insurance Corporation from insurance premiums and interest earned on investments. The Home Owners' Loan Corporation has also been able to operate within the revenue which it collects, although it has sustained some inevitable losses in the liquidation of its emergency loans.

At the end of the fiscal year 1939, the personnel of the Federal Home Loan Bank Board totaled 347. Exhibit 1 presents a summary of personnel by departments, as of June 30, 1938, and June 30, 1939. A statement of receipts and disbursements of the Federal Home Loan Bank Board for each of the fiscal years 1938 and 1939 is given in Exhibit 2.

II

Survey of Housing and Mortgage Finance

THE fiscal year 1939 witnessed notable progress in the fields in which the Federal Home Loan Bank Board operates.

Residential construction played a prominent part in the general improvement of business which marked the period from July 1, 1938, to June 30, 1939. The volume of new residential building increased substantially over the preceding fiscal-year period and nearly reached the level of 1929. Moreover, through concerted efforts of private industry and public agencies, a beginning was made in the adaptation of home construction to the broad mass demand. In the real-estate market, rents and vacancies were stable, foreclosures decreased, and the volume of properties involuntarily owned by private financial institutions was reduced.

Home-mortgage lending was one of the most active sectors in the private capital market. Whereas in other fields of economic activity new capital investments were slow, housing has become one of the major outlets for the utilization of accumulated savings. The supply of funds for mortgages was plentiful, and because of the steady flow of savings and the lack of other immediate investment opportunities, sharp competition developed in the home-mortgage market. As a result, financing costs for new construction as well as for the purchase and refinancing of homes were brought down to unprecedented levels.

1. RESIDENTIAL CONSTRUCTION AND THE REAL-ESTATE MARKET

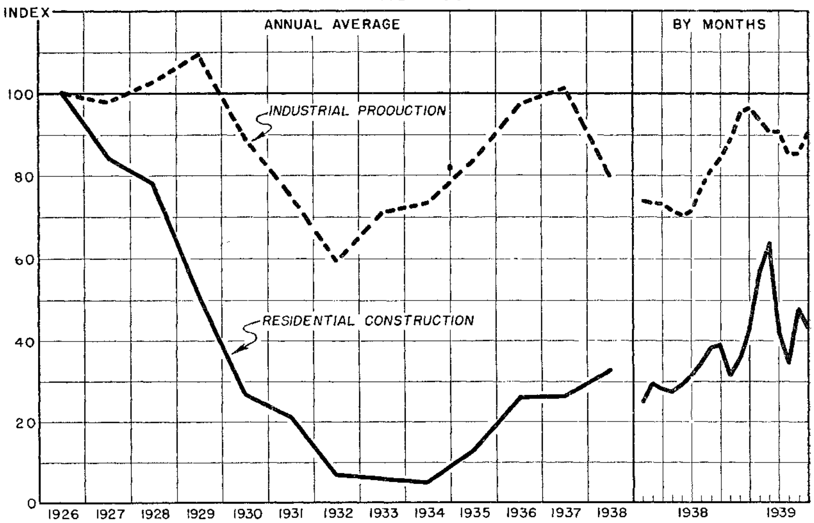
Expansion of Building Activity

Building permits indicate that the number of new nonfarm dwelling units on which construction was started during the fiscal-year period from July 1938 through June 1939 was 429,352 as against 273,742 in the preceding year—an increase of 56.8 percent. With such volume, the current production of new nonfarm dwellings, for the first time since 1929, has approached 500,000 dwelling units, the most commonly accepted estimate of the annual volume of construction necessary to meet the demand created by normal replacements and by increases in the number of families.

The dollar volume of new construction in nonfarm areas shows a somewhat smaller increase, because the average dwelling unit built in 1938–39 cost less than in the previous year. The total cost of new residential building commenced in the fiscal year 1939 is estimated at $1,558,000,000, as compared with $1,051,000,000 for the preceding fiscal year. If allowance is made for the widespread undervaluation of building permits, it is safe to assume that approximately $2,000,000,000 went into nonfarm residential building during the reporting period.

CHART IX

INDICES OF RESIDENTIAL CONSTRUCTION AND INDUSTRIAL PRODUCTION
1926 = 100



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As will be seen from Chart IX, last year's accomplishments were in the line of a major upward movement of residential building which started in 1935 and has lasted, with some minor interruptions, for nearly five years. In the latter half of 1938 and in the first six months of 1939, the revival of residential building gathered considerable momentum.

Apart from the special impetus given by the Federal Government in its spending program approved in April 1938, the revival of residential construction was no doubt one of the determining factors in the business recovery from the 1937–38 recession. This recovery is reflected in the increase of industrial production since July 1938, followed by a slight decline during the first few months of 1939.

The upswing of residential building was accompanied by an expansion of other construction; but while other construction was due primarily to Government expenditure in connection with the spending program, the recovery of residential building was supported mainly by private activity although assisted by Federal insurance of mortgage loans and—to some extent—by the start of public housing projects under the United States Housing Act of 1937. From July 1, 1938, to June 30, 1939, approximately 27,000 nonfarm dwelling units, or 6.3 percent of the total number of units on which construction was started, were reported as provided by public building.

Stability of Market Factors

On the whole, the growth of private activity in residential building was well in line with the demand and supply factors that determine the volume of new building as well as of real-estate activity in general. Market factors were favorable, but characterized by a remarkable degree of stability rather than by spectacular movements upward or downward. Generally low vacancies and stable rents indicated that the additional supply of new dwellings was balanced by the increased demand that appears to be the combined effect of the accumulated housing shortage and somewhat higher family incomes resulting from improvement of business after the recession. The level of building costs, on the other hand, remained practically unchanged; and financing costs, which have been moving downward ever since 1934, were further reduced.

Chart X on page 24 shows the movement of residential rentals for identical occupied dwellings (U. S. Department of Labor), and for a composite of dwellings including newly built as well as existing units and reflecting more clearly market conditions for new homes (National Industrial Conference Board). The increase of rentals dating from 1934 or 1935 was checked toward the end of 1937, but both rent indices have remained fairly stable in subsequent periods.

Sample surveys of the Bureau of Labor Statistics covering 32 cities indicate that all types of dwelling units, one- and two-family houses as well as multi-family structures, shared in the relative stability of rents during the fiscal year 1939.

Vacancies vary widely from city to city and even from one sector of a city to another. This serves to emphasize that local rather than national conditions determine the actual housing need in individual communities. However, occupancy statistics for a number of cities suggest that, by and large, vacancies have remained at the level reached in 1937 after several years of steady decline. Of the 60 cities

CHART X

INDICES OF RESIDENTIAL RENTALS

1926 = 100

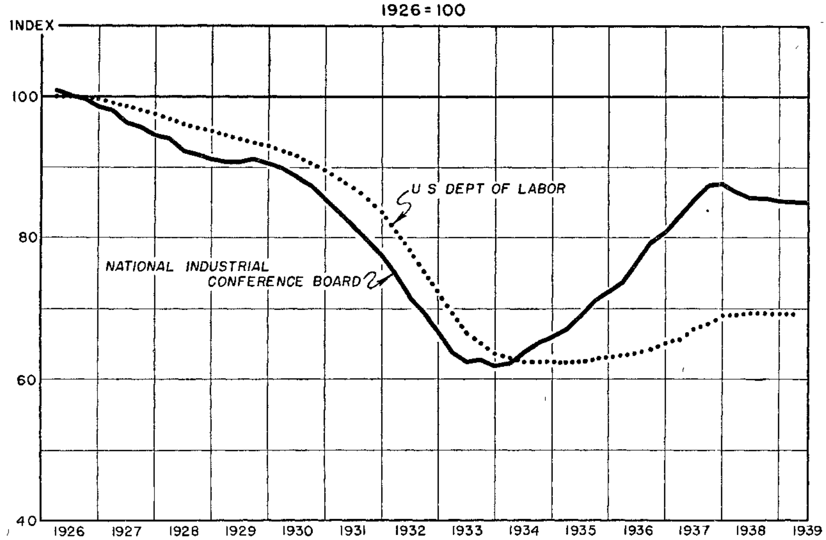

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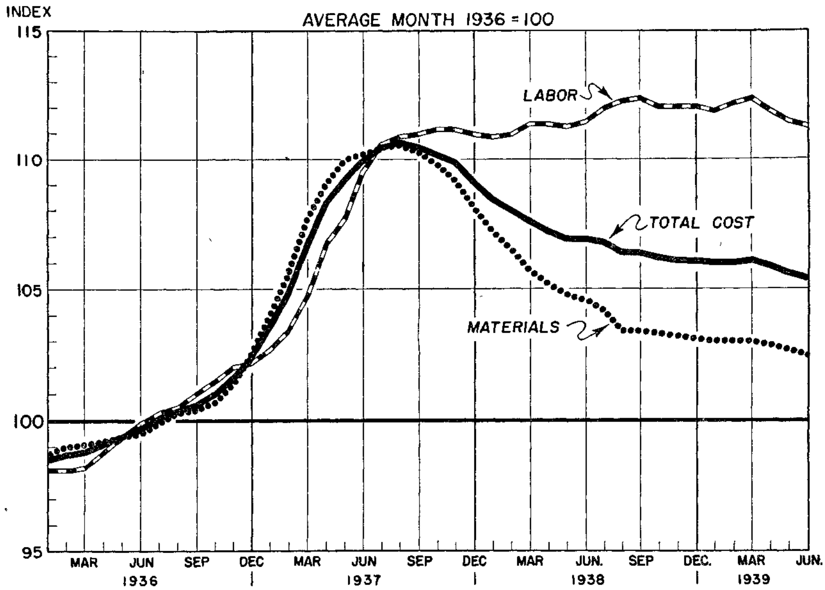
CHART XI

INDICES OF MATERIAL AND LABOR COSTS FOR CONSTRUCTING A STANDARD SIX-ROOM FRAME HOUSE

AVERAGE MONTH 1936 = 100



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reporting to the U. S. Department of Commerce, 37 reported vacancies below 3 percent, and 15 reported vacancies between 3 and 4 percent for 1938–39. In most cities, changes in vacancy ratios during the year were within narrow limits reflecting varied local situations.

A reduction in building costs, or at least stability of costs in relation to the general price level is a prime requisite for a sustained and sound recovery in residential construction. Only recently has the country experienced the deadly effect of price excesses on building activity. From 1935 to the early months of 1937, when residential building rose rapidly, the expanding volume of construction was accompanied by sharp increases in both labor and material costs. Following these cost increases, the demand for new dwellings and the volume of new building was greatly reduced during the latter part of 1937. Since then, material prices have declined, labor costs have remained almost unchanged, and total costs have been brought down to somewhat lower levels (Chart XI). It is gratifying to see that from July 1938 to June 1939, both material and labor costs were stable or tended even slightly downward despite substantial gains in the volume of construction.[1]

With stable building costs on the one hand, and fairly constant rent levels on the other, the rent-cost relationship was little changed throughout the fiscal year 1939. This is illustrated by Chart XII, on page 26, which shows the index of market rentals together with the index of building material prices as representative of building costs.

Recovery of the Real-Estate Market

The recovery of the real-estate market from the collapse it suffered during the early Thirties has been slow and incomplete. The number of foreclosures, although no longer as excessive as from 1932 to 1934, remained unusually high in subsequent years, and the huge volume of real-estate involuntarily owned by mortgage lenders has been a constant drag on the market. However, since 1937 a gradual improvement has been noted, and the fiscal year 1939 has seen some further progress.

Chart XIII on page 26 evidences that in the first half of 1939, after five consecutive years of decline, foreclosures were back to the level of 1928, and about one-half of what they were in 1934. The reduction in real-estate foreclosures in the fiscal year 1939 was fairly evenly dis-

[1] For actual figures underlying Chart XI, see Exhibit 3.

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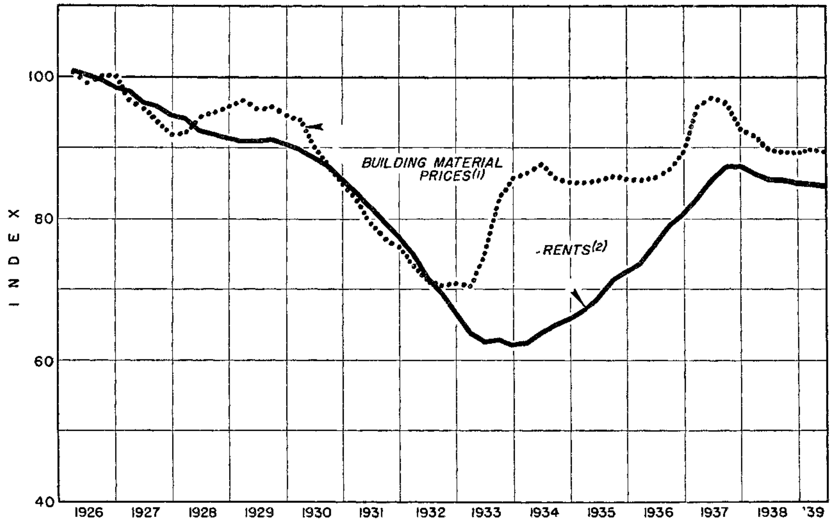
Chart XII

INDICES OF MARKET RENTALS AND BUILDING MATERIAL PRICES

1926 = 100



Source (1) U S Dept of Labor
(2) National Industrial Conference Board

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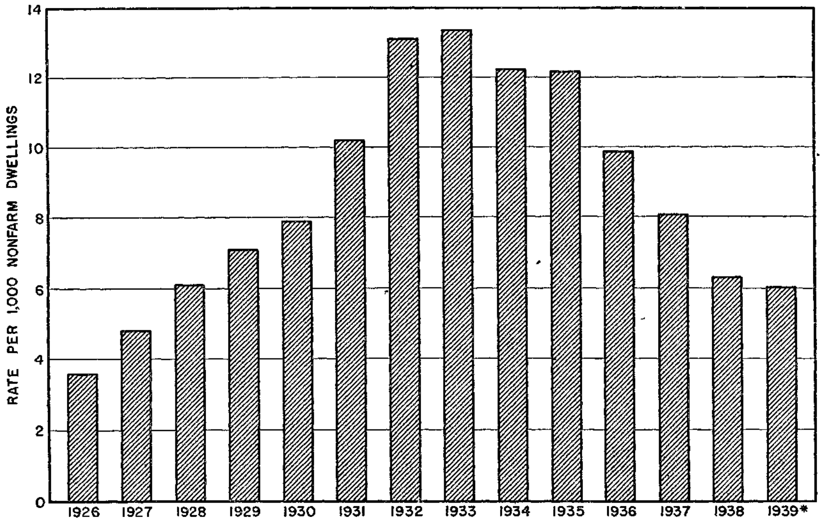
Chart XIII

NONFARM REAL ESTATE FORECLOSURES IN THE UNITED STATES

SHOWS NUMBER OF FORECLOSURES PER 1,000 NONFARM DWELLINGS



**1st 6 MONTHS (RATE ON ANNUAL BASIS)*

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tributed over the country. All Federal Home Loan Bank Districts and all but ten States reported fewer foreclosures than in the preceding year.[2]

The volume of real-estate sales has been expanding, and the experience of the Home Owners' Loan Corporation as well as of private mortgage lending institutions indicated that there is a substantial demand for homes in the lower-price brackets. However, the real-estate market as a whole showed mixed trends. There was evidence, at least in some areas, that the increase in the supply of newly built dwellings offered at attractive terms tended to depress the prices of "second-hand" properties. This is true, in particular, for the higher-priced used homes, the demand for which appears to be limited because of changes in the national income and its distribution and because of the competition of new dwellings which are more attractive to prospective buyers by reason both of more modern conveniences and more acceptable neighborhoods.

In last year's report, the Federal Home Loan Bank Board called attention to the existence of a huge "overhang" of unsold real estate held by financial institutions and other mortgage lenders. Available statistics indicate that during the calendar year 1938, the volume of such undigested real estate owned by private financial institutions was somewhat reduced by increased sales, on the one hand, and by the decline of foreclosures, on the other. The estimated book value of one- to four-family dwellings owned by the principal home-mortgage lending institutions, including savings and loan associations, mutual savings banks, commercial banks, and life-insurance companies, decreased from approximately $1,860,000,000 at the end of 1937 to $1,737,000,000 at the end of 1938, or by 6.6 percent. During the same period, however, the book value of properties repossessed by the Home Owners' Loan Corporation increased from $331,006,820 to $488,997,499, thus more than offsetting the reduction in private holdings. On the whole, the volume of one- to four-family dwellings owned by financial institutions is still alarming, representing, as it does, approximately 20 percent of the total amount of home mortgages held by those institutions.

The following table shows the book value of the overhang of all types of residential properties, including apartment houses as well as one- to

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[2] Exhibit 4 shows the estimated number of real-estate foreclosures for all nonfarm areas and the rate of foreclosures per 1,000 nonfarm dwellings from 1926 to the first half of 1939. Exhibit 5 presents a survey of nonfarm real-estate foreclosures, by Federal Home Loan Bank District and by States, for each of the fiscal years 1938 and 1939.

four-family dwellings, held by selected financial institutions, as of December 31, 1938:

Estimated overhang of residential properties held by selected financial institutions, December 31, 1938

Type of lending institution:	Amount
Savings and loan associations [1]	$950,000,000
Mutual savings banks [2]	500,000,000
Commercial banks [2]	315,000,000
Life-insurance companies [3]	576,282,000
Home Owners' Loan Corporation	488,997,499
Total	2,830,279,499

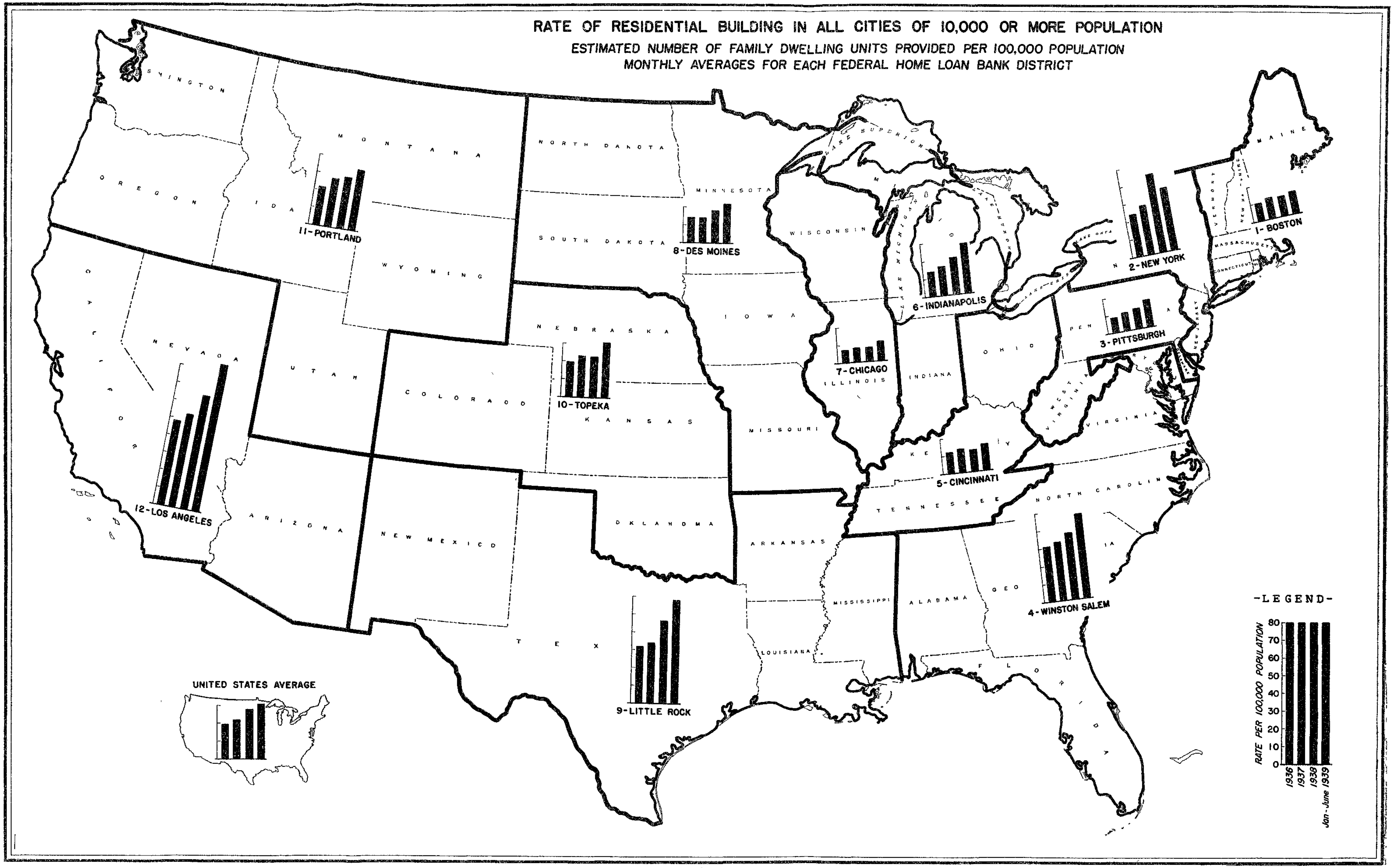
[1] Estimate based on reports received by the Federal Home Loan Bank Board.

[2] Estimates based on the reports of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The estimate for commercial banks excludes trust departments.

[3] Estimate of the Federal Home Loan Bank Board based on a questionnaire survey of the largest life-insurance companies.

In a consideration of the problems created by the real-estate overhang, it must be taken into account that the above figures represent but one portion of the total overhang in the country. They cover admitted holdings only; they do not include real estate involuntarily owned by individuals, closed banks, closed savings and loan associations, mortgage companies, or trustees of mortgage and real-estate bond companies; nor do they comprise properties acquired by municipalities in tax sales. Estimates place the total amount of repossessed residential real estate held by institutions as well as individuals well above $4,000,000,000.

In view of the magnitude of the problem, its bearing on new building and the real-estate market, and its effect on financial institutions throughout the country, the assimilation of the real-estate overhang remains one of the foremost tasks of the future. The holding of hundreds of thousands of properties for sale by financial institutions retards the full recovery of the real-estate and the home-mortgage markets. Financial institutions which have a large portion of their resources frozen in real estate contribute little to new mortgage lending and are a source of public misgivings, which in turn induces people to hoard rather than to invest. Also, many of the repossessed properties represent nonearning assets. In the last two years, home-financing institutions have begun to realize the necessity for quick and orderly liquidation of the real-estate overhang and have acted accordingly. However, further efforts will be required to bring the problem anywhere near to solution. In some areas, this task is rendered more difficult by the competition of new dwellings, as indicated earlier, but



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there is still a broad demand for repossessed homes if they are placed in good condition and offered at competitive terms.

The disposition of the real-estate overhang, while being of national importance, is largely a regional problem. Studies made by the Federal Home Loan Bank Board indicate that three States, New York, New Jersey, and Pennsylvania, account for almost one-half of the total overhang in the entire country. Naturally, financial institutions in these States are most affected by the large volume of real estate they own, and particular efforts should be made to cure the situation in these three States.

Regional Variations of New Construction

Close observation of building activity in recent years reveals two significant features: concentration of residential construction in a few selected regions of the country, and a decline in the average cost of new dwellings placed on the market.

The rate of residential construction is never uniform throughout the country. The different degrees of development of the various parts of the Nation, migrations from one region to another, and varying intensities of prosperity cause marked regional variations, and the over-all picture for the Nation therefore gains in significance by observation of regional trends.

The map between pages 28 and 29 shows the regional distribution of residential construction in all cities of 10,000 or more population, from 1936 through the first half of 1939, by Federal Home Loan Bank Districts, expressed in terms of number of dwelling units built per 100,000 population.[3]

In the last few years, the relatively largest growth of residential construction was in the Southwest (Los Angeles District) where population pressure has stimulated new building. The second largest gain was in the South (Little Rock District) where the housing need was greatest and the improvement in business conditions most prominent—partly as the result of industrialization. The same holds true for the Southeast (Winston-Salem District) which ranked third in the rate of residential construction. The New York District showed the fourth largest rate of building, due primarily to the rapid development of suburban areas. Approximately 70 percent of total building activity in 1938 and the first six months of 1939 was concentrated in these four regions. On the other hand, the rate of construction in the Boston, Pittsburgh, Cincinnati, Chicago, and Des Moines Districts was far below the average rate for the entire country.

[3] For actual figures underlying the bars on the map and for explanatory notes, see Exhibit 6.

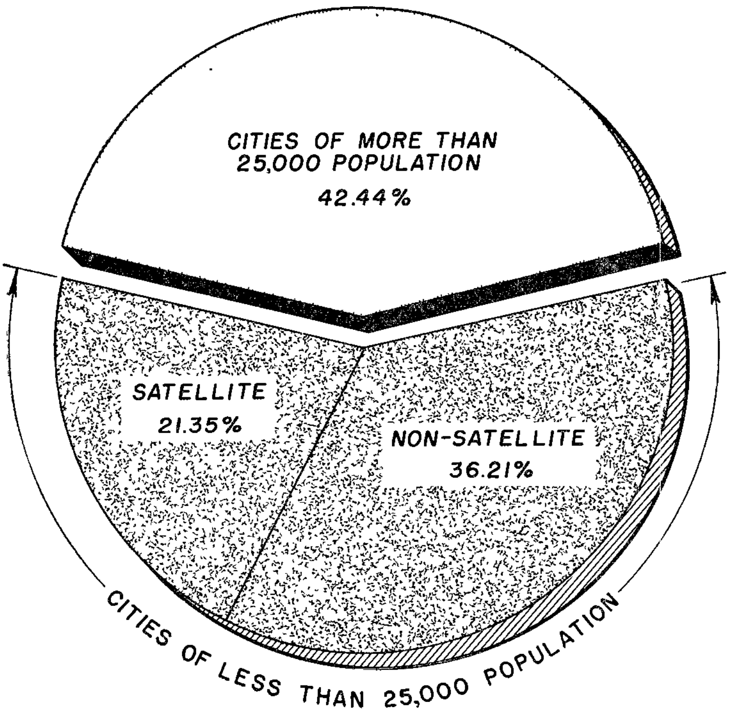
Importance of Smaller Communities and of Home Building

Approximately 58 percent of the total nonfarm dwelling units built in the calendar year 1938 was in communities with 25,000 population or less, although these communities represented only 46.6 percent of

CHART XIV

DISTRIBUTION OF RESIDENTIAL CONSTRUCTION IN 1938

BY SIZE AND TYPE OF COMMUNITY*



*Estimated by the Construction and Real Property Section, United States Department of Commerce

the total nonfarm population and 46.8 percent of the total number of nonfarm families in 1930.

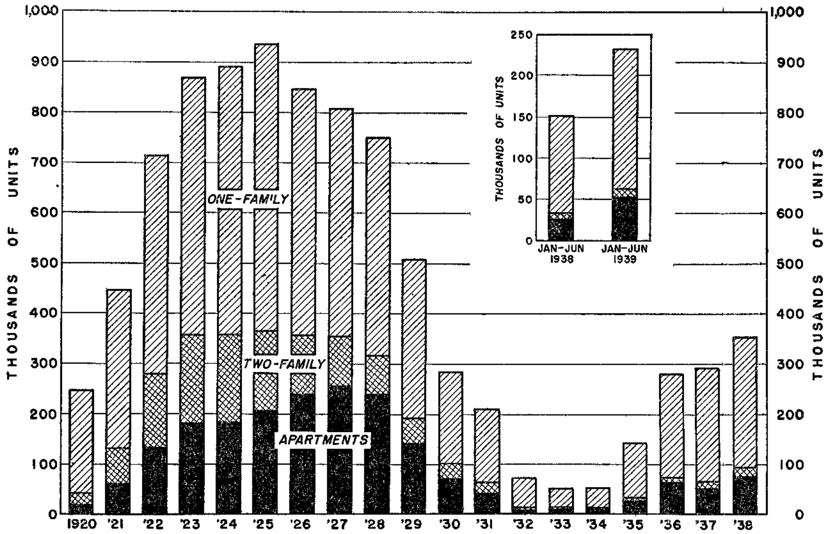
Chart XIV illustrates the distribution of residential construction among cities of more than 25,000 population and cities with 25,000 population or less, in 1938. For the latter cities, building activity is shown separately for "satellite" communities, that is, suburban communities in metropolitan areas where construction is influenced by the growth of metropolitan centers, and for "nonsatellite" communities which are independent and nonsuburban.

The higher rate of residential building in smaller communities is due in part to a higher birth rate and faster population growth, and to a cessation of migration to the larger cities. It is also attributable to particularly active building in suburban areas; but about two-thirds of total residential construction in cities with 25,000 population or less

CHART XV

NUMBER OF NEW NON-FARM DWELLING UNITS BUILT

BY TYPE OF DWELLING; 1920-1938



Source: National Bureau of Economic Research 1920-1936
U S Department of Labor 1937-1939

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was in nonsuburban communities and only one-third in "satellite" communities.

It is in the smaller communities, both satellite and nonsatellite, that the proportion of one- and two-family homes in total residential construction is highest, and it is in those communities where specialized home financing institutions of the savings and loan type are most numerous. Within the total building activity of the country, home construction and home finance have the foremost place. This is further evidenced by the overwhelming proportion of one- and two-family dwellings in total nonfarm construction throughout the country, as shown in the above chart.[4]

[4] For actual figures underlying this chart, see Exhibit 7.

Building for the Mass Market

Better adjustment of prices to the consumer's ability to pay was perhaps one of the most important tendencies of the building market in the last fiscal year. Analyses of the income distribution of families have demonstrated that in the past the construction industry has been building homes priced far too high for the mass of American families. This failure to tap the broad mass market has not only impeded the satisfaction of the Nation's housing needs, but it has also limited the volume of new building and consequently economic activity in general.

During the early Thirties, the average price of new homes had already dropped. However, this was in a period of a declining general price level and of a decreasing volume of construction. In contrast, the recent reduction in average prices at which new homes are offered occurred in a period of growing volume of construction, and of rising costs of building material and labor in 1937 and only slightly declining costs in 1938. Nevertheless, price reductions were made possible by a greater willingness of home buyers to purchase dwellings of smaller size and simpler design. Moreover, the building industry has been concentrating more fully in the broad area of mass demand. In the last two years, considerable pioneering has been done all over the country to meet the housing needs of families with moderate incomes, and more of such pioneering is under way. The results thus far achieved are presented in the following table:

Average cost of new dwelling units in cities of 2,500 population and over, by types of dwellings [1]

Calendar year	Total residential	1-family	2-family	3-and-more family
1936	$4,044	$4,363	$2,763	$3,639
1937	3,995	4,307	2,834	3,524
1938	3,645	3,971	2,625	3,224
1939 [2]	3,611	3,961	2,552	3,194

[1] Based on building permit data of the Bureau of Labor Statistics. Although permit valuations do not reflect the final cost, their movement from year to year may be held to be indicative of the general direction of costs.
[2] January to June.

From 1936 to the first half of 1939, the average cost of new dwelling units decreased in all types of dwellings, one- and two-family homes as well as multifamily structures; the decline was more than 10 percent for all types of units built. As the volume of public housing throughout that period was comparatively small, the decrease in average cost reflects, to a great extent, attempts of the private building industry to provide simpler and less expensive homes.

Despite such progress, the building industry still has a long way to go before the price of its product will be more fully adjusted to the incomes of the majority of our families. The selling price of the majority of newly built houses still is above $5,000, if the costs of land and land improvement as well as sales commissions and profits are included. Income statistics for 1935 and 1936, on the other hand, have indicated that only one-fourth to one-fifth of all nonfarm, nonrelief families had an income that would enable them to buy a home priced in excess of $5,000 (under the generally accepted rule of thumb that a family should invest not more than two or two and one-half times its annual income in a home). Further adjustments are necessary if the building industry is to reach down into what has been called the "no man's land" of housing.

In any analysis of the housing market in general, it must be recognized that a large portion of our population will always have to look for existing buildings rather than for new structures for the satisfaction of its housing needs. Even with the greatest volume of construction practicable, not more than 3 percent could be added annually to the supply of existing structures, and the "filtering-up process," which in the past enabled families to move from less to more satisfactory quarters vacated by families in the higher income groups, will remain an important factor in the total housing market. "It is manifestly impossible for economic society to supply all families or the increases in families in all income classes with *new* units. In nearly all cases, families of low income can be housed more adequately in old but sound units having sufficient space and other facilities for comfortable living than in small and otherwise inadequate structures having the sole advantage of being new." [5]

In this connection, it is worth mentioning that the large supply of low-priced homes repossessed by financial institutions provides an important opportunity for housing larger families in the lower income groups on an ownership basis—an opportunity too frequently overlooked. The extent to which resales of institutionally owned properties may meet the mass demand for low-priced homes is illustrated by the sales experience of the Home Owners' Loan Corporation.

Property sales of Home Owners' Loan Corporation, by price brackets, through June 30, 1939

Price range	Number	Percent of total
Up to $2,000	15,878	28.7
$2,001 to $3,000	12,138	21.9
$3,001 to $4,000	10,001	18.1
$4,001 to $5,000	6,573	11.9
$5,001 to $6,000	4,178	7.6
$6,001 to $7,000	2,600	4.7
$7,001 and over	3,935	7.1
Total	55,303	100.0

[5] "Residential Building", by Lowell J. Chawner, prepared for the Industrial Committee of the National Resources Committee, Washington, D. C., 1939.

As shown by the table, 50.6 percent of all property sales of the Home Owners' Loan Corporation was in the price classes below $3,000 which generally are within the reach of families with less than $1,500 annual income, and that almost 30 percent was in the price group below $2,000, which may well be classified as being within the reach of "low-income" families.

The Federal Home Building Service Plan

Building for the families of average income is a matter not only of quantity but of quality. Particularly in the small-home field, in which the agencies under the Federal Home Loan Bank Board primarily operate, there is little gained by large volumes of construction if the new homes are built without due regard to sound standards. Bad planning, shoddy construction, carelessly selected neighborhoods, and substandard materials have frequently jeopardized the value of home ownership, and the small-home owner can least afford any hazard to his investment. Likewise, such methods of construction are apt to endanger the funds of home-financing institutions invested in small-home mortgages, by virtue of the abnormal depreciation and obsolescence of substandard properties and because of the natural dissatisfaction of the borrower.

The extent and the consequences of substandard building in this country were brought to the attention of the Bank Board through the experience gained by the Home Owners' Loan Corporation in refinancing more than a million homes. After a careful analysis of this experience—revealing an appalling lack of proper planning and a widespread extent of flimsy workmanship in the small-home field—the Federal Home Loan Bank Board, in September 1936, adopted the "Federal Home Building Service Plan" as a means of fostering better home construction in the future. The Plan is designed particularly to serve those prospective home owners in the average income groups who in the past have not had the benefit of architectural advice and have been unprotected against the deadly effects of substandard building.

The Federal Home Building Service Plan, although sponsored by the Federal Home Loan Bank Board, is operated entirely by local organizations comprising the various elements of the building industry—mortgage-lending institutions, architects, builders and contractors, and material dealers. The agencies under the Board participate in the Plan only to encourage and assist local cooperative endeavor.

Under the Plan, all planning elements are provided such as home designs, floor plans, working drawings, and specifications, as well as the all-important supervision on the job whereby the owner receives maximum assurance of dollar-for-dollar value. Other important features include professional assistance in qualifying contractors, taking of contract bids, and inspection of materials. In short, the small-home builder no longer is forced to "shop" in a field with which he is entirely unfamiliar; he has available a moderately priced technical advisory and supervisory service and a wide variety of economical-to-build home designs intended to make it easier and safer to build a properly planned and soundly constructed home. As all these operations are coordinated, the home builder is spared the multiplicity of contacts previously required to complete his plans. The service thus eliminates many of the difficulties which heretofore have discouraged the prospective builder of a small home.

Key items of the Plan are the "Home Selector," a portfolio of home designs chosen for the specific community, and a "Certificate of Registration" which is issued to the home owner as a testimonial of the sound construction of his house.

The Federal Home Building Service Plan is a joint industry-Government program. Originally designed for the protection of the member institutions of the Federal Home Loan Bank System, the Plan was later broadened to permit other mortgage lenders to participate. During the fiscal year 1939, the Plan has obtained the active sponsorship of other important factors in the building industry: the architects and the material producers. The American Institute of Architects, representing the architectural profession, and the Producers' Council, comprising the Nation's largest materials manufacturers, have both given the Plan their support as an effective means toward eliminating substandard constuction in the small-home field. The retail lumber and building-materials trades and operative builders are also cooperating under the Plan.

As of June 30, 1939, 267 home-financing institutions in 76 communities had applied for the facilities provided by the Federal Home Building Service Plan, and 440 new small-home plans had been approved at that date, constituting the most comprehensive collection of designs ever assembled in this field.

The Plan has been developed and organized after considerable investigation of conditions throughout the country. It is now being aggressively promoted in several areas where definite results are being obtained, and it is expected that the Plan will be extended into many other communities in the near future.

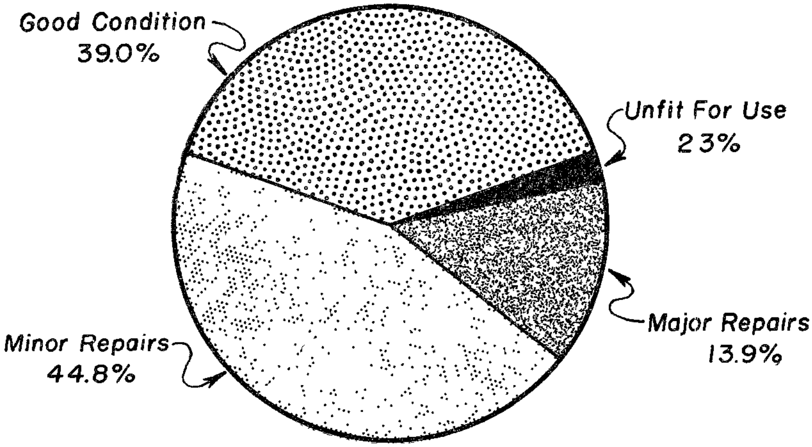
Need for Rehabilitation

As only a small number of dwelling units can be added annually to the existing supply of housing, new building is but one way of improving housing standards. Large-scale rehabilitation and modernization of existing structures that are basically sound are important aspects of a well-rounded housing program.

Real-property inventories conducted between 1934 and 1936 by the Works Progress Administration revealed that only 39 percent of the

CHART XVI

CONDITION OF URBAN RESIDENTIAL STRUCTURES[a]



[a] *Based on real property inventories conducted as work projects by the Works Progress Administration, 1934-1936*

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more than five million structures examined were in what was termed "good condition." Of the remainder, 44.8 percent needed minor repairs, 13.9 percent required major repairs, and 2.3 percent were unfit for use.

The survey of the Works Progress Administration showed also the extent of substandard housing conditions. Of all dwelling units covered in the survey, 15 percent had no private indoor flush toilets, 20 percent were without private bathtubs (or showers), and in the Southeast, 25.4 percent of all dwelling units were without gas or electric lighting facilities and 12.8 percent without running water.

These conditions are in part the consequence of neglect in maintenance and modernization during the last ten years. Residential properties in general have not been maintained at predepression standards and have, therefore, depreciated in value as well as usability at a faster rate than normal; even less has been done to increase their life expectancy and habitability through provision of modern facilities.

In the field of one- to four-family homes, the Home Owners' Loan Corporation, which holds mortgages on, or title to, dwellings equivalent to approximately 10 percent of all owner-occupied nonfarm homes, has done a great deal to arrest the progress of depreciation and obsolescence. From 1934 to June 30, 1939, the Home Owners' Loan Corporation has expended or advanced approximately $140,000,000 for the reconditioning of more than 500,000 dwellings.

Rehabilitation is not only a problem of individual properties, but largely a problem of neighborhoods. City surveys conducted by the Division of Research and Statistics of the Federal Home Loan Bank Board have demonstrated that a large portion of our city dwellings is located in neighborhoods undergoing various phases of deterioration caused by bad planning, overzoning for commercial uses, shifts in population, traffic hazards, and many other factors. Such deterioration is not only a detriment to housing standards but a threat to property values, tax resources, and the safety of the billions of savings invested in mortgage loans. Every year communities throughout the country suffer a staggering loss from the deterioration of neighborhoods—a deterioration which, once well under way, cannot be halted.

Individual home owners and lending agencies can do very little to avert these trends, and some sort of neighborhood organization under the guidance and control of municipalities and other public bodies is required to carry out a comprehensive program of rehabilitation. Such a program will be of vital importance to the community at large as it will create a mechanism for the prevention of further blight, provide an effective means of community planning, prevent unnecessary decentralization, and make for a better utilization of existing public utilities, transportation facilities, schools, and other public buildings.

During the past fiscal year several attempts have been made to institute rehabilitation progams on a large-scale basis. The Federal Home Loan Bank Board, through its agencies, has offered to cooperate in such programs not only as a matter of sound public policy but also in protection of the properties on which the Home Owners' Loan Corporation holds mortgages or which it owns, and in protection of the savings entrusted to the financial institutions which the Federal Home Loan Bank Board supervises. As an example of such cooperative program, the rehabilitation project for a residential section in Baltimore may be cited:

Toward the end of 1938, the Baltimore Housing Authority, with the cooperation of the Home Owners' Loan Corporation, the United States Housing Authority, and several municipal agencies and organizations, determined to conduct a survey and planning project for the Waverly area of Baltimore. The project was designed to provide that neighborhood with a detailed inventory and analysis of its present condition and future prospects, and to develop a general plan for protective development and betterment. With the assistance of a WPA project and the contribution of supplies, equipment, and technical personnel services from the above-mentioned agencies, the program was started in March 1939.

Covering an area of 54 blocks, containing approximately 1,600 properties, the survey has procured general physical and economic data for each property and for the neighborhood as a whole. The planning project has analyzed and studied the accumulated data, has established the varying degrees of incipient blight present throughout the area, and has determined the isolated spots of excessive deterioration. Furthermore, in order to provide economic protection to the neighborhood in the future, ways and means of arresting blight, of recouping and stabilizing values, and of maintaining good standards have been specified.

Paralleling the survey and planning work, there has been conducted a program of encouragement to organizations and parties interested or located in the area to develop an organized determination on the part of the neighborhood itself to undertake rehabilitation and maintenance for mutual protection.

A like program, again with the assistance of the Home Owners' Loan Corporation, is being developed for the Woodlawn area of Chicago, and municipal and civic bodies in Cleveland, New Orleans, Memphis, and Louisville have indicated an interest in similar undertakings.

2. SAVINGS AND MORTGAGE FINANCE

During the past fiscal year the operations of home-financing institutions were marked by a continuing influx of savings, on the one hand, and by keen competition in the mortgage market, on the other. More and more, the problem before these institutions has become how to find sound and safe mortgage loans rather than how to obtain funds for such loans.

Increase of Individual Long-Term Savings

The flow of savings is a matter of primary importance to home finance. For decades the large majority of urban homes in this country have been built out of the savings of the great mass of our people, and each year a considerable portion of individual long-term savings is being invested in thrift and home-financing institutions. The trend of such savings over the last decade is indicated in the following table which includes savings in financial institutions either specializing or participating in home finance, and selected types of investments that are directly competitive to savings deposits and investments in home-financing institutions:

Changes in selected types of individual long-term savings [1]

[In millions of dollars]

Year	Amount of accumulated savings	Increase or decrease during year	Year	Amount of accumulated savings	Increase or decrease during year
1929	$44,958		1934	$41,653	$1,744
1930	46,059	$1,101	1935	43,934	2,281
1931	45,954	−105	1936	46,517	2,583
1932	42,829	−3,125	1937	49,515	2,998
1933	39,909	−2,920	1938	51,698	2,183

[1] Savings in life-insurance companies, mutual savings banks, all other banks, savings and loan associations, postal savings, 2½ percent postal-savings bonds, and United States savings bonds. For explanatory notes, see Exhibit 8.

There has been a very pronounced recovery in these types of savings in the last few years. The annual increases from 1934 to 1938 have more than offset the depression losses in the three preceding years, and at the end of 1938 the amount of accumulated long-term savings reached an all-time high in the history of American finance, exceeding the $50 billion mark. The largest annual increment of savings in this recovery period occurred in 1937. During 1938 the growth was somewhat smaller, reflecting the decline in business activity and in national income in the latter half of 1937 and the first half of 1938.

To a large extent, these savings represent the accumulated resources of our middle and lower income groups—a fact which places special responsibility on the institutions to which they are entrusted, and on the public agencies, Federal and State, charged with the supervision of financial institutions. In 1938 the average cash value of life-insurance policies was $300, the average investment per private investor in savings and loan associations, $780, the average savings account in mutual savings banks, $832, and the average savings account in national banks, $421. All in all, the more than 50 billions of dollars of accumulated long-term savings in the country represents approximately 115 million accounts.[6]

The distribution of accumulated savings over the various types of institutions and investments and the changes during 1938 are shown in Exhibit 8. The largest rate of increase was in holdings of United States savings bonds, which grew by 49.6 percent during the year. Life-insurance companies, which account for most of the growth in the dollar amount of savings during the last decade, showed an increase of 6.6 percent. Private investments in all savings and loan associations rose by 2.6 percent, and savings deposits in commercial banks by 2.5

[6] As a number of savers may hold several accounts, this figure includes some duplications.

percent. The volume of postal savings and postal-savings bonds and deposits in savings banks fell slightly.

Within the field of specialized home-financing institutions, the rate of increase in individual long-term savings during 1938 varied substantially among the different types of institutions. Federal savings and loan associations, which are of comparatively recent origin, showed the largest rate of increase—21.3 percent for an identical group of 1,309 institutions. Insured State-chartered associations ranked next, with a gain of 6.4 percent for an identical number of 547 associations. The flow of private funds into 901 identical noninsured member associations of the Federal Home Loan Bank System grew at the rate of 0.5 percent. All together, private investments in the above-listed member associations of the Federal Home Loan Bank System increased by 10.3 percent.[7]

Growing Competition in the Mortgage Market

The steady increase of savings is partly responsible for the highly competitive conditions that have recently developed in the home-mortgage market and that have become more pronounced during the past fiscal year. While financial institutions of all types had an overabundance of funds available for investment, immediate opportunities for the profitable employment of such funds were very limited. Low yields on Government bonds, which today constitute a major portion of the portfolio of commercial banks, mutual savings banks, and life-insurance companies, and the scarcity of industrial and commercial loans have made investments in home mortgages more attractive to these institutions. In consequence, they have reentered the field of home mortgage lending to an increasing extent, encouraged in part by Federal mortgage insurance under the National Housing Act of 1934. Similarly, trust and pension funds, endowments, and individuals have been more actively engaged in making home-mortgage loans. In general, there is a growing recognition of mortgage loans as a worth-while long-term investment, and there is a tendency for large insurance companies even to go into direct building; this latter tendency is evidenced by New York State legislation permitting domestic life-insurance companies to invest up to 10 percent of their total assets in housing operations on a full ownership basis.

As a result of competition, the financing costs of home ownership, which had already decreased in preceding years, have been lowered further in the reporting period. Interest rates have dropped, amorti-

[7] See Section III of this report (p. 79). Because of the increase in number of Federal savings and loan associations and insured State-chartered associations during the year, identical groups of associations operating throughout the year provide a more equitable basis of comparison.

zation periods have been lengthened, and down payments have been reduced by higher percentage loans. All this, coupled with other favorable market factors, has contributed to the revival of new construction and the real-estate market.

In many regions of the country, particularly in the Northeast and in the larger communities, nominal interest rates for new home-mortgage loans have fallen to 5 percent, and in the spring of 1939, some savings banks in New York, where interest rates have regularly been lower than in the rest of the country, reduced their rates for selected home mortgages insured under the National Housing Act to 4¼ percent. At the same time financial institutions have begun to assume part of the costs incident to the making of the loan, resulting in a reduction of effective interest charges.

Through the amendment to Title II of the National Housing Act of February 3, 1938, the maximum nominal rate for insured home mortgages, excluding the insurance premium, has been revised from 5½ to 5 percent.[8] Together with this reduction in interest rates, the amortization period for mortgage loans on small, new, owner-occupied, one-family homes was lengthened from 20 to 25 years and the maximum loan limit raised from 80 to 90 percent of the appraised value of the property. Although only part of home-mortgage lending was directly affected by this legislation, competition has operated to adjust loan terms more closely to those for insured home-mortgage loans within the limits set by existing State and Federal statutes governing the lending powers of financial institutions.

Thrift and home-financing institutions also have more widely adopted the practice of lending at variable interest rates, based on risk rating for each individual mortgage loan, instead of lending at a uniform rate. This has tended to lower interest charges particularly for selected loans.

To assist in the reduction of interest rates, the Federal Home Loan Bank Board in May 1939 adopted a regulation under which savings and loan associations obtaining new share investments from the Home Owners' Loan Corporation are required to lend these funds on the direct-reduction plan at an effective interest rate of not more than 6 percent. This rate includes interest, premiums, initial loan fees, and other charges for the use of the money.

In comparisons of interest rates, scrupulous care must, of course, be taken to distinguish between nominal and effective rates which include premiums, loan fees, service charges, prepayment penalties, delin-

[8] Effective August 1, 1939, this rate was further reduced to 4½ percent for all home mortgage loans insured under Section 203 of the National Housing Act

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quency charges, and other items. Also, interest rates vary not only among the different regions of the country but also by localities and neighborhoods. Mortgage rates on homes in selected areas tend to be lower than in deteriorating neighborhoods. Rates in small communities are generally higher than in larger localities. With respect to loan terms, mortgage loans on older structures normally require quicker amortization than those on new and modern properties, because they involve a greater risk of obsolescence. Likewise, amortization periods for mortgages on lightly built structures are shorter than for mortgages on solid structures. Only if due weight is given to all these factors can the comparative cost of home financing as between different groups of lending institutions and as between different loan types be appraised. The large number of elements determining interest rates and loan terms explains why over-all comparisons of financial costs are gravely misleading.

Another factor is the size of mortgage loans. The initial cost of making small loans and the cost of servicing and record-keeping of such loans is relatively higher than on larger loans. Small loans, therefore, frequently demand a relatively higher rate than large ones. In this connection, the following figures on the average size of new mortgage loans made by the various types of lenders are pertinent:

Average size of nonfarm mortgage loans by types of lenders [1]
January to June 1939

Insurance companies	$4, 957
Mutual savings banks	3, 371
Banks and trust companies	3, 249
Savings and loan associations	2, 519
Individuals	1, 936
Other mortgagees	3, 343

[1] Division of Research and Statistics, Federal Home Loan Bank Board. Based on recordings of nonfarm mortgages of not more than $20,000.

It is evident from this table that the average size of mortgage loans made by savings and loan associations is lower than that of any other type of financial institution.

Reduction of Dividends of Home-Financing Institutions

The effects of competition on thrift and home-financing institutions have been manifold. Competition has been an incentive to improve management and efficiency and thus to induce these institutions to operate on a lower spread between cost of money and interest rates charged. A more aggressive attitude toward the acquisition of new lending business has been developed, and advertising is being used to a greater extent. Many institutions have found it useful to simplify and modernize their loan plans. In these endeavors, they were greatly assisted by the constructive guidance of the twelve Federal Home Loan Banks.

For mortgages on new buildings, a more complete "merchandising technique" has been developed, including selection of suitable designs and building materials, architectural advice, and supervision of construction. The Federal Home Building Service Plan, described in an earlier section of this report, should greatly aid in the development of such services.

Finally, the downward trend of interest rates on home mortgages in many cases has led to a reduction in the rate of return paid to investors in home financing institutions. In line with the general downward movement of yields on long-term investments in the last few years, dividends paid by savings and loan associations have gradually been reduced to lower levels. The average annual dividend rate paid by Federal savings and loan associations, for instance, decreased from 3.69 percent in 1935 to 3.50 percent in 1937. In 1938, this tendency toward lower dividends was reflected in decreased average rates in 23 out of the 46 States for which comparable data for Federal savings and loan associations are available.[9] There are also indications that a number of State-chartered associations have revised their dividend rates to conform more fully with present conditions, particularly in combination with insurance of accounts afforded by the Federal Savings and Loan Insurance Corporation. Insurance of accounts naturally provides an effective medium through which long-established dividend rates on share investments can be reduced, by virtue of the greater shareholders' confidence instilled by a Federal guaranty.

An increasing number of home-financing institutions recognize that lower dividend rates are necessary to meet the competition for mortgage loans and to secure good loans which are a sound investment protecting the safety of the funds in custody of the institutions. It has also been recognized more widely that savings are entrusted to financial institutions because of the safety of principal and regularity of returns rather than because of expected high returns. Experience has shown that because of the greater emphasis placed on safety, moderate reductions of dividend rates in the long run are unlikely to affect materially the flow of funds into home-financing institutions.

To a certain extent, the dividend policy of home-financing institutions is determined by the rate of return paid on competitive types of savings. United States savings bonds, if held for ten years to maturity, return a maximum of 2.9 percent. During the fiscal year 1939, the interest paid on postal-savings deposits was a flat 2 percent.

[9] For complete information, see Section IV, pp. 98 and 99.

Mutual savings banks were paying dividends ranging between 2 and 3 percent, with the average close to 2 percent. Commercial banks insured by the Federal Deposit Insurance Corporation are permitted to pay maximum rates of 2½ percent on savings deposits, but in many cases the rates are below this maximum. Until recently, the return guaranteed on life-insurance policies of legal reserve companies has usually been about 3 percent, but during the fiscal year 1939, several companies have reduced the return guaranteed on new policies to 2½ percent. A reduction of dividend rates paid by home-financing institutions to 3 or 3½ percent, depending on local conditions, would still maintain the traditional margin above the return paid on other types of savings, without loss of competitive advantage.

Moratorium Laws

In view of the full revival of the mortgage market, a gradual removal of the still existing moratorium laws appears to be warranted. Moratoria on mortgages were introduced at the bottom of the depression when incomes were at an extremely low level and refinancing by private mortgage lenders was practically impossible. At that time, moratoria were believed to be well justified to stem the tide of foreclosures and to prevent the dispossession of hundreds of thousands of home owners in default. These conditions are no longer present. The national income is much larger than in 1932 or 1933, home-mortgage lenders have plenty of funds ready to invest, and refinancing of extising loans at advantageous terms is easy. Therefore, no real hardship to home owners is to be expected if moratoria are gradually lifted. On the other hand, the elimination or modification of moratorium laws would go a long way toward restoring normal conditions in the mortgage and real-estate market and would thus contribute to the attainment of full economic recovery.

During the past few years, a number of moratorium laws have expired. In addition, the moratorium laws of Iowa, Kansas, Mississippi, and Nebraska have been declared to be unconstitutional. Arkansas has repealed its moratorium act.

However, on June 30, 1939, moratorium laws were still in force in thirteen States: Alabama, Arizona, California, Louisiana, Michigan, Minnesota, Montana, New York, North Dakota, Ohio, South Dakota, Vermont, and Wisconsin.

Home Mortgage Lending Activity

The fact that home mortgage lending is a highly localized activity and that the average loan involves a comparatively small amount of money has for a long time tended to obscure the importance of the aggregate volume of home-mortgage lending. However, this total volume has always been considerable, and in the last few years when most other sectors of the private capital market were sluggish and inactive, home-mortgage lending has attained an outstanding place. This is evidenced by the following comparison: the average annual amount of all corporate securities issued by railroads, utilities, and all other corporations in 1937 and 1938 was only $2,255,000,000, including new securities as well as securities issued for refunding purposes. On the other hand, total mortgage loans on one- to four-family dwellings made by financial institutions and individuals in each of the calendar years 1937 and 1938 amounted to approximately $2,500,000,000. With such volume, home mortgage lending has exceeded the aggregate amount of corporate finance.

The flow of money into housing is of great national importance not only because it enables our population to meet its housing needs to a larger extent, but also because it helps to overcome one of the basic difficulties which our economy is facing. As explained in a previous section of this report, the Nation is saving large amounts each year, irrespective of minor fluctuations in economic activity and national income. During the last few years, these savings were only to a limited extent put to productive use. For a number of reasons, long-term capital investments in durable goods, which are normally financed out of accumulated savings, have been small. Large unutilized savings, on the one hand, and small capital investments, on the other, could not but create an unhealthy situation reflected in a low level of employment and of economic activity in general. If savings are idle, men and machinery are out of work.

The absorption of investible funds by housing may well contribute to a solution of this problem. Normally, investments in housing represent a considerable portion of total capital investment. This is evidenced by the fact that in the period from 1919 to 1935, which comprises years of high and low building activity, residential construction, including major alterations and repairs, accounted for more than one-fifth of total domestic capital investment; from 1922 to 1928, a period of substantial residential building, the share of residential construction in total domestic capital investment exceeded 28 percent.[10] Larger investments in housing which appear to be forthcoming at the present time will, therefore, be an important factor in the much needed

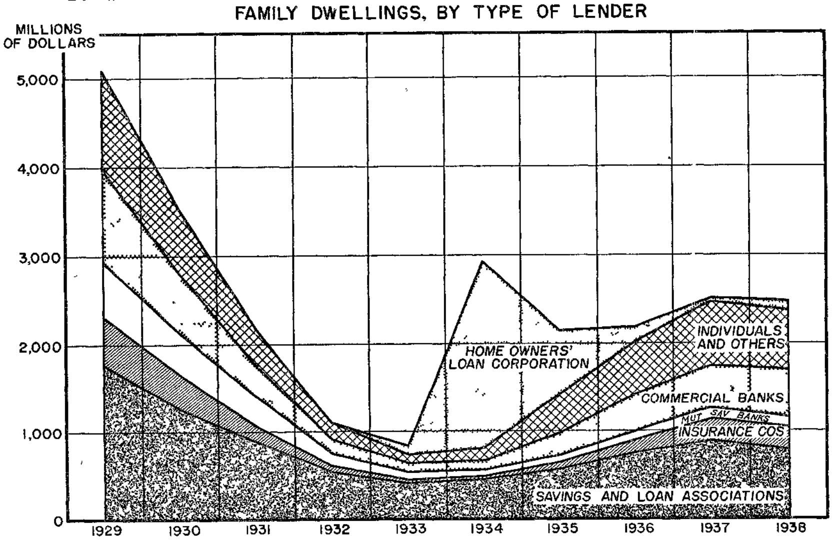
[10] Total domestic capital investment is equal to "gross capital formation" as estimated by Simon Kuznets in "National Income and Capital Formation, 1919–1935" (National Bureau of Economic Research), after deduction of changes in business inventories, in stocks of gold and silver, and in net claims against foreign countries. Data on residential construction comprise debt financing as well as equity financing.

establishment of a balance between savings and capital investment in general, and help to restore employment and prosperity.

Chart XVII presents the record of home-mortgage-lending activity from 1929 to 1938. The chart illustrates the extent to which home-mortgage lending had dropped in the early Thirties and the degree of recovery in recent years; it also shows the extent of the refinancing operations of the Government-owned Home Owners' Loan Corporation in relation to the volume of private home-mortgage lending.

Chart XVII

ESTIMATED VOLUME OF MORTGAGE LOANS MADE ON NONFARM ONE TO FOUR FAMILY DWELLINGS, BY TYPE OF LENDER



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In a comparison of lending activity in the last few years and the lending volume of 1929 or 1930, account must, of course, be taken of the reduction in real-estate prices which has taken place in the meantime. Average prices per dwelling and dwelling unit have decreased, and a loan volume of $2,463,000,000 in 1938, therefore, means much more in terms of number of properties and mortgages than it would have meant in 1929.

Actual figures underlying the above chart are shown in Exhibit 9. Throughout the ten-year period from 1929 to 1938, savings and loan associations represent the largest single group of mortgage lenders on one- to four-family dwellings. With an estimated volume of $798,000,000 in mortgage loans made in 1938, they accounted for 32.4 percent of the total amount of home-mortgage loans made during that year. "Individuals and others" ranked next. Home-mortgage lending of commercial banks and their trust departments in 1938 is estimated at $560,000,000, and that of life-insurance companies at $242,000,000. Mutual savings banks in 1938 made $105,000,000 of home-mortgage loans. The highest rate of increase from 1935 to 1938 was in the loan volume of life-insurance companies and commercial banks, due largely to particularly active participation of these institutions in lending on home mortgages insured under the National Housing Act of 1934.

Mortgage Recording Studies

The figures presented in the above section are revisions of previous estimates prepared by the Division of Research and Statistics of the Federal Home Loan Bank Board. Such revisions have been made possible through the institution of a survey of real-estate-mortgage recordings which has been undertaken each month from December 1938 and will be continued as a regular service. This is the first time that data on mortgage recordings have been collected and compiled in such detail on a nation-wide basis and it is hoped that this service will be a valuable contribution to our knowledge of developments in the mortgage field. Because of the lack of adequate data, Government agencies and lending institutions have been too much in the dark in formulating their policies and in analyzing the market in different States and localities. The new mortgage-recording studies permit not only a more exact determination of the share of the various types of lenders in total activity, but also a classification of mortgage lending by States.

Through the cooperation of savings and loan associations, the support of the United States Building and Loan League and the Mortgage Bankers Association, and endorsement by the National Association of Title Companies, the coverage of mortgage recording data has gradually been extended until in June 1939 it included 482 counties which contained 52.5 percent of the total nonfarm population and were located in 45 States and in the District of Columbia. The national and State figures given in the following paragraphs are estimated on the basis of statistics received from reporting counties.[11]

Mortgage-recording statistics collected by the Division of Research and Statistics include mortgages of not more than $20,000 on non-

[11] The estimates are based upon original reports received each month from field cooperators. Summaries of these reports are prepared for each State, by type of mortgagee, and from the totals of reported statistics, estimates representing total mortgages recorded in each State are developed on the basis of the relation of the nonfarm population in the sample to the total nonfarm population in the State. Adjustment factors are employed in the calculation to correct for the concentration of type of lenders and for the influence of metropolitan areas.

farm property. Within that group they comprise home mortgages as well as other mortgages; they thus cover a broader field than mortgages on one- to four-family homes alone. For this and other reasons [12] the mortgage-recording data are not directly comparable with the data on home-mortgage lending given in Chart XVII and Exhibit 9.

Estimated volume of mortgages on nonfarm property recorded each month from January to June 1939 [1]

Month	Number	Amount	Month	Number	Amount
January	90,555	$244,015,000	April	110,570	$304,351,000
February	85,160	226,991,000	May	125,604	349,454,000
March	109,873	312,465,000	June	128,005	360,868,000

[1] Includes nonfarm mortgages of not more than $20,000.

Exhibit 10 presents a classification of mortgages recorded during the first half of 1939, by Federal Home Loan Bank Districts, by States, and by types of lenders, together with the amount of mortgages recorded per capita. The highest per capita figure for that period is in the District of Columbia ($58.19) but this is followed closely by California ($49.89). Florida likewise shows per capita figures far above the national average, which is $19.47. The smallest per capita figures are to be found in Alabama, Arkansas, Tennessee, North Dakota, South Dakota, and Mississippi.

The distribution of the total amount of mortgages recorded over the various types of lenders is summarized in the chart on page 49.

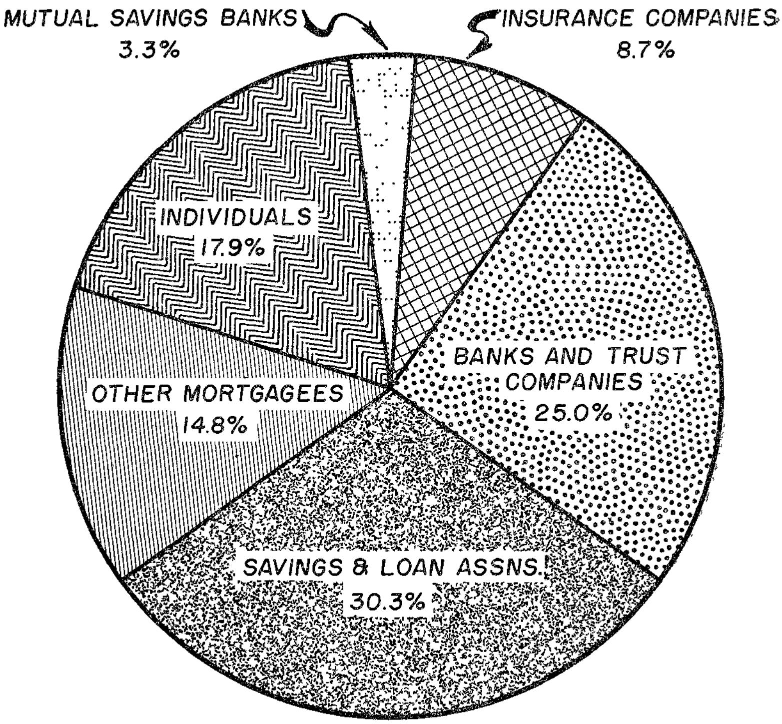
On the basis of mortgage recordings, we again find that savings and loan associations are the predominant factor, accounting for 30 percent of the total amount of all mortgages recorded under $20,000. Banks and trust companies rank next with 25 percent of the total. Individual lenders account for 18 percent of all mortgages recorded—a surprisingly large share in view of the heavy losses sustained by individual mortgagees during the depression, and of the restriction of Federal mortgage insurance to financial institutions. It appears that the continuous lowering of yields on other investments available to individuals has encouraged them to place funds directly in the more profitable investment medium of mortgages.

[12] Others reasons are: The period covered by mortgages recorded and loans made is not necessarily the same. Lending statistics are reported as of the date of loan commitment, while recording figures reflect the actual date of loan registration. Further, any alterations in the terms of an existing contract necessitates a new registration. In the case of refinancing an institution's own mortgage, for example, the face amount of the instrument would appear in the recording totals, whereas only that portion which represented an increase in funds loaned would be included in lending figures.

In terms of number of mortgages recorded, the share of savings and loan associations is even greater than in terms of dollar amounts. Institutions of the savings and loan type accounted for 33.3 percent

CHART XVIII

DOLLAR DISTRIBUTION OF MORTGAGES RECORDED BY TYPE OF MORTGAGEE JANUARY 1939 TO JUNE 1939



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of the total number of mortgages recorded from January to June 1939, banks and trust companies for 21.3 percent, and insurance companies for 4.9 percent. This reflects the fact that the average mortgage loan made by savings and loan associations is smaller than the average loan made by any other type of lending institution.

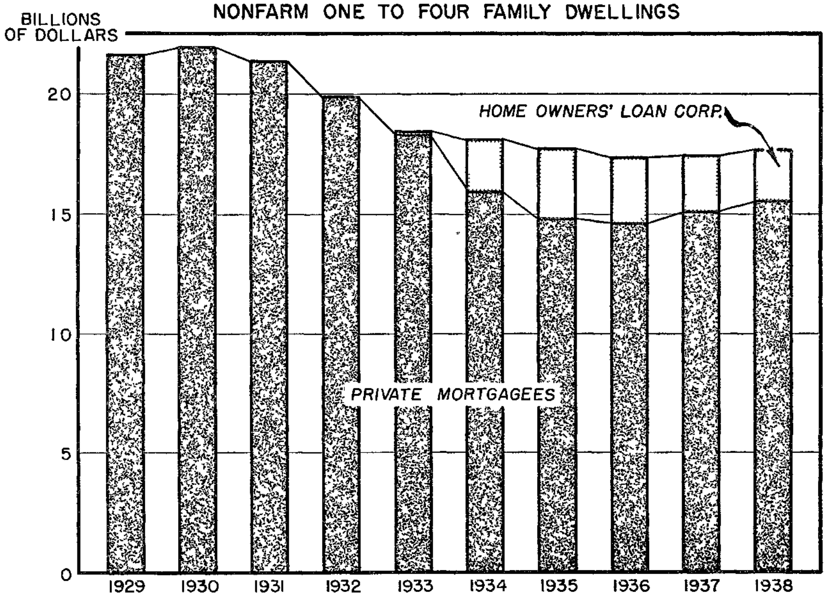
Increase of Home-Mortgage Debt in 1938

For the first time since 1930, the total home-mortgage debt outstanding showed a substantial increase in 1938. This may well be taken as a symptom of recovery because the reduction of the home-mortgage debt from 1930 to 1937 was due, in great part, to the extraordinary effect of the depression on the home-mortgage structure. The decrease in this period was caused mainly by the large amount of foreclosures resulting in property acquisitions by mortgage lenders in lieu of debt. It was also caused by large irregular repayments which many lenders required during the financial crisis, and by regular amortization of outstanding mortgages. New mortgage lending, on the other hand, dropped sharply as a result of the decline in construction and was insufficient to offset these liquidating factors. Conversely, the net increase of the home-mortgage debt in 1938 exemplifies not only the resumption of new lending activity, but a recovery from the impact of the depression on the real-estate and home-mortgage market.

CHART XIX

HOME MORTGAGE DEBT, 1929-1938

ESTIMATED BALANCE OF OUTSTANDING MORTGAGE LOANS ON NONFARM ONE TO FOUR FAMILY DWELLINGS



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From 1930—the peak year—to 1936, the total home-mortgage debt was reduced by approximately $4,500,000,000, or almost 21 percent. The decline was most precipitous in 1932 and 1933, but slowed down in subsequent years when the Home Owners' Loan Corporation refinanced over $3,000,000,000 of home-mortgage loans, a large portion of which otherwise would also have been liquidated in one form or another. In 1937 the reduction of the home-mortgage debt came to a halt, and in 1938 there was a net increase of $220,000,000, or 1.3 percent over 1937.

As will be seen from Chart XIX, the Home Owners' Loan Corporation has reduced its balance of outstanding mortgage loans since 1935. In contrast, the balance of mortgage loans held by private mortgagees has grown by substantial amounts since 1936. In only two years, this balance has increased by more than $850,000,000.

Detailed estimates of the amount of home-mortgage loans outstanding and of the holdings of the various types of lenders are presented in Exhibit 11.

3. PROBLEMS AHEAD

In the seven years which have passed since the formation of the Federal Home Loan Bank Board, energies have been concentrated on curing the ill effects of the collapse brought about by the depression, and on restoring the economic position of home ownership and mortgage finance. The present recovery in these fields is evidence of the progress made. However, the problems which public and private agencies in home building and mortgage finance are facing have not ceased to exist. They have rather changed in nature to an extent that makes them appear as wholly new problems.

Large construction activity almost inevitably creates tendencies to reduce building standards, and there are already indications that jerry-building, poor methods of construction, and utilitization of cheap materials are increasing in volume. Building for the mass market is a desirable goal, but if it is achieved at the expense of good material and sound construction, the gain in terms of housing standards is very questionable. Such tendencies not only threaten the value of home ownership but endanger the safety of funds invested in mortgages. Home-financing institutions and supervising agencies, therefore, have a vital interest in well-organized control over building methods. In this lies the particular significance of the Federal Home Building Service Plan developed by the Board. More than ever, financial institutions have a stake in the structural soundness of the properties which constitute the basic security for their loans, because the ratio of loan to property value generally is higher and the term of mortgage loans longer than at any time in the past.

This subject also casts some light on the problem of competition. Undoubtedly, the present sharp competition in the mortgage market is benefiting home owners and widening the market for new building. However, the scramble for new loans creates a situation where lending institutions tend to lose sight of sound standards of construction, appraisal, and mortgage lending. With respect to the term of mortgage loans, for example, it is important to keep in mind that the longer the term of the loan, the greater the likelihood that neighborhoods may change in character and may be encroached upon by less desirable types of structures or dwellers. This indicates that there are limits beyond which loan terms cannot be safely extended.

In the last few years, the extension of loan terms as well as the reduction of down payments and similar measures were intended mainly to stimulate new construction. When building gathers momentum, more conservative lending practices, larger down payments, and shorter maturities may well be desirable, and steps should be considered to avoid the recurrence of overlending and speculation as experienced in the Twenties. With the establishment of various Governmental agencies in the field of housing and mortgage finance, means of influencing a building boom would seem to be more adequate than in the past. One reliable and effective method of combating depressions is to combat excessive booms.

An important aspect of such control is the prevention of sudden price increases. As long as construction draws on ample resources of unemployed labor and on unutilized plants for the production of material, the danger of excessive price increases should be relatively slight. However, a rapidly increased volume of residential building, if coupled with extensive public construction, may give rise to shortages of productive factors. Already, scarcity of skilled building labor is reported in some localities. Since the depression, when the construction volume was extraordinarily low, building workers have changed their occupation, many have died or passed the age where they can be employed at the site, while comparatively few new workers have entered the building trades. This means that the present volume of labor resources available for a sustained recovery of construction is probably lower than during the Twenties, and if activity increases beyond the limit of available resources, nationally or locally, prices may easily become unsound. Under these circumstances national, regional, and local studies of the present capacity to produce, and measures to overcome shortages of productive factors are worth-while subjects for research. In the meantime, close cooperation between the various public agencies which directly and indirectly influence a large portion of total construction is needed to avoid dangerous upturns in prices.

In addition to such new problems arising from recovery, there remains the fundamental task of improving—in the broadest sense—the market mechanism of construction and mortgage lending. In its 1938 report, the Federal Home Loan Bank Board called attention to the obstacles to housing resulting from the poor organization of the building industry, and from expensive, cumbersome, and antiquated real-estate laws. While during the past year some improvements have been made in the modernization of building operations, progress in the reform of foreclosure and title registration laws has been negligible. Under present methods of foreclosure, home building and mortgage lending are at a definite disadvantage as compared with other types of production and finance, where rapid, simple, and inexpensive legal methods are used. A reform along the lines of the uniform Real Estate Mortgage Act prepared by the Legal Department of the Federal Home Loan Bank Board for the Central Housing Committee is badly needed. The same is true for a modernized, uniform land title registration act. A suggested draft of such a law is being prepared by a subcommittee of the Central Housing Committee. The Legal Department of the Federal Home Loan Bank Board is cooperating in this work.[13]

[13] For an analysis of present foreclosure costs and procedures, see the report of the Home Owners' Loan Corporation, pp. 134 and 135.

III

Federal Home Loan Bank System

1. OPERATIONS OF THE FEDERAL HOME LOAN BANKS

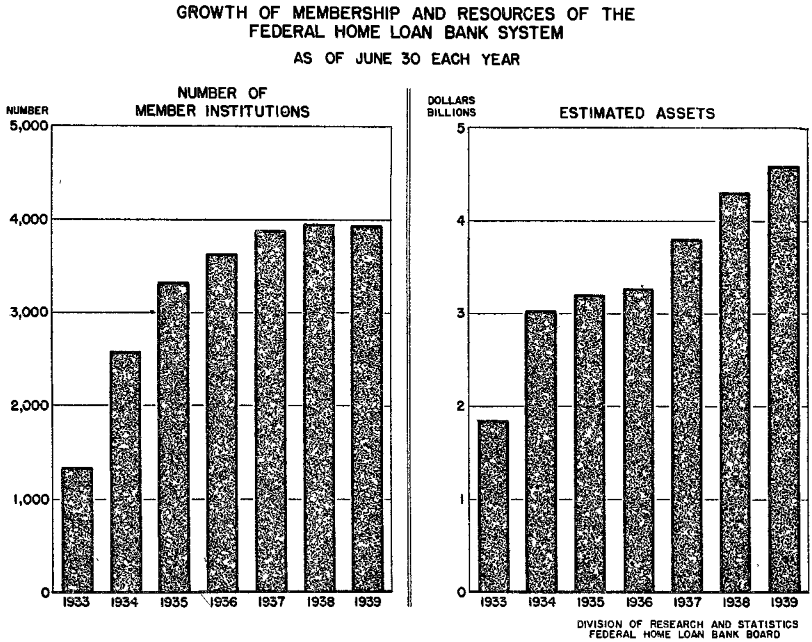
Changes in Membership

AFTER the rapid expansion in membership during the first six years of its existence, the Federal Home Loan Bank System has entered into a phase characterized by more normal growth. Consolidations and mergers of member institutions, which tended to strengthen the home-financing system, resulted in a net decrease in membership from 3,956 on June 30, 1938, to 3,946 on June 30, 1939. However, the combined resources of member institutions increased from approximately $4,308,000,000 at the close of June 1938 to approximately $4,600,000,000 on June 30, 1939, or by 6.8 percent. This growth of resources is all the more remarkable when it is taken into consideration that the assets of a number of member savings and loan associations have been revised downward as the result of consolidations and reorganizations and by the decrease in assets arising from the elimination of mortgage-pledged shares, attendant upon the more general adoption of the direct-reduction loan plan.

During the fiscal year ended June 30, 1939, there were 122 thrift- and home-financing institutions admitted to membership, and withdrawals from membership numbered 132. These withdrawals represent 56 institutions which were merged or consolidated with other members, 58 member institutions which went into liquidation, 2 institutions which were removed from membership because of failure to comply with the Federal Home Loan Bank Act and/or the regulations of the Board, and 16 member institutions which withdrew voluntarily.

On June 30, 1939, there were 105 applications for membership in the Federal Home Loan Bank System on file. In the majority of these cases, final action had not been taken because the applicants had not been able to comply with the necessary requirements.

CHART XX



The following table presents the number and assets of members, by types of institutions, as of June 30, 1938, and June 30, 1939:

	June 30, 1938		June 30, 1939		Net change in fiscal year	
	Number	Assets (millions of dollars)	Number	Assets (millions of dollars)	Number	Assets (millions of dollars)
Savings and loan associations [1]	3, 909	$3, 700	3, 897	$3, 936	−12	+$236
State-chartered	2, 572	2, 487	2, 517	2, 496	−55	+9
Federally-chartered	1, 337	1, 213	1, 380	1, 440	+43	+227
Other members	47	608	49	664	+2	+56
Savings banks	9	203	9	202	0	−1
Insurance companies	38	405	40	462	+2	+57
Total	3, 956	4, 308	3, 946	4, 600	−10	+292

[1] Includes savings and loan associations, building and loan associations, homestead associations, and cooperative banks.

Federal savings and loan associations are required by law to be members of the Federal Home Loan Bank System. Membership is also open to State-chartered savings and loan associations, savings banks, and insurance companies. Exhibit 12 shows the number and estimated assets of member institutions, by Federal Home Loan Bank Districts and by States, as of June 30, 1938, and June 30, 1939.

Savings and loan associations constitute the bulk of the present membership of the Federal Home Loan Bank System, and the great majority of eligible institutions of the savings and loan type are now included in the System's membership. Reports from the Presidents of the twelve Federal Home Loan Banks indicate that on June 30, 1939, member savings and loan associations represented more than 70 percent of the total number of potential members in the savings and loan industry. The assets of these member institutions comprised about 84 percent of the aggregate assets of all potential members of the savings and loan type.

Volume of Advances

The fiscal year 1939 was marked by a considerable increase in the liquidity of member institutions, caused by the large flow of private savings into share investments in home-financing institutions. As a result, the demand for Federal Home Loan Bank advances was reduced, and many borrowing members were in a position to make substantial repayments on their outstanding advances during the year.

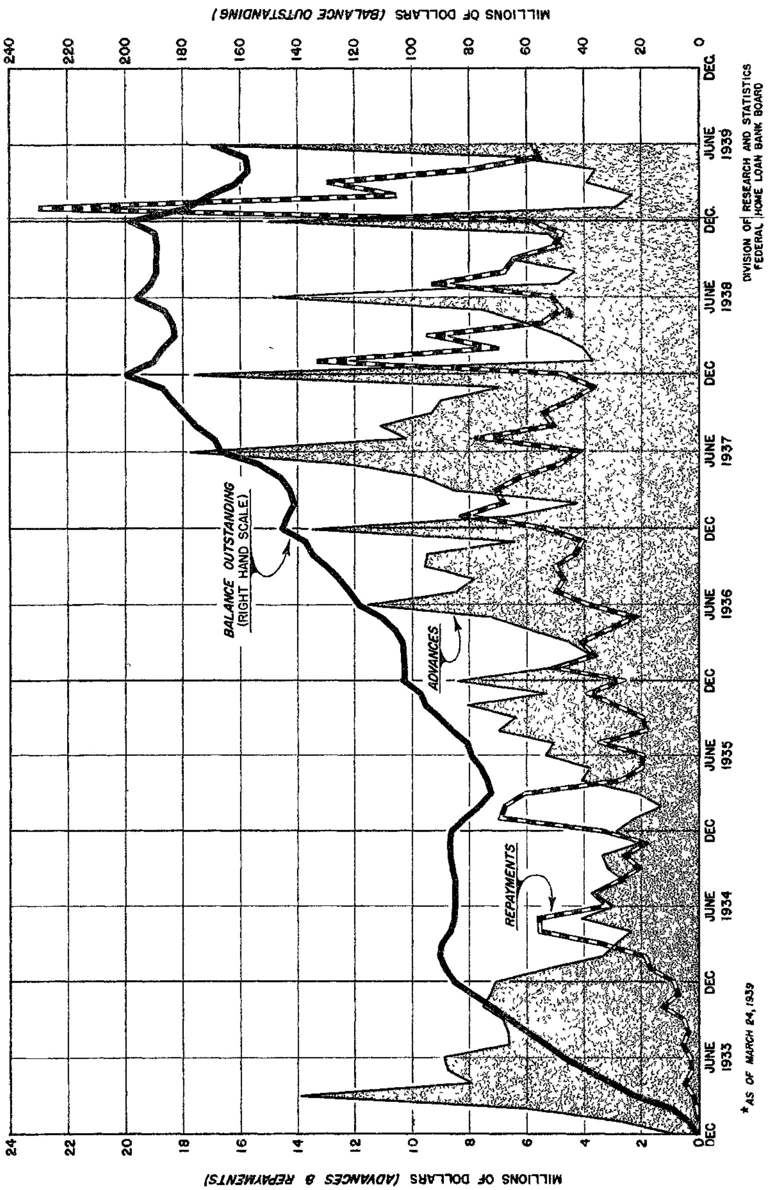
Advances made by the Federal Home Loan Banks during the fiscal year 1939 totaled $76,659,075. Repayments of advances aggregated $103,922,449. In consequence, the balance of advances outstanding was reduced from $196,224,937 at the end of the preceding fiscal year to $168,961,563 on June 30, 1939. Exhibit 13 shows the aggregate amount of advances and repayments and the balance of advances outstanding from the beginning of operations of the Bank System to June 30, 1939.

During the reporting period, the demand for advances varied greatly among the twelve Federal Home Loan Bank Districts (Chart XXII on page 59). On June 30, 1939, the Des Moines and Los Angeles Districts showed an increase in advances outstanding over the preceding fiscal year. Advances outstanding in the New York, Pittsburgh, and Topeka Districts were slightly lower. The Federal Home Loan Banks of Boston, Winston-Salem, Cincinnati, and Little Rock recorded a substantial decrease in outstanding advances ranging from about 20 to 30 percent. A summary of advances outstanding at the end of each fiscal year from 1934 to 1939, by Federal Home Loan Bank Districts, appears in Exhibit 14.

The generally reduced demand for advances was reflected in a decreasing number of members borrowing from the Federal Home Loan Banks. On June 30, 1938, borrowing members numbered 2,681, or 67.8 percent of the total number of member institutions. On June 30, 1939, the number of borrowing members was only 2,385, or 60.4 percent of the total number of member institutions at that

Chart XXI

ADVANCES AND REPAYMENTS BY MONTHS AND BALANCE OF ADVANCES OUTSTANDING



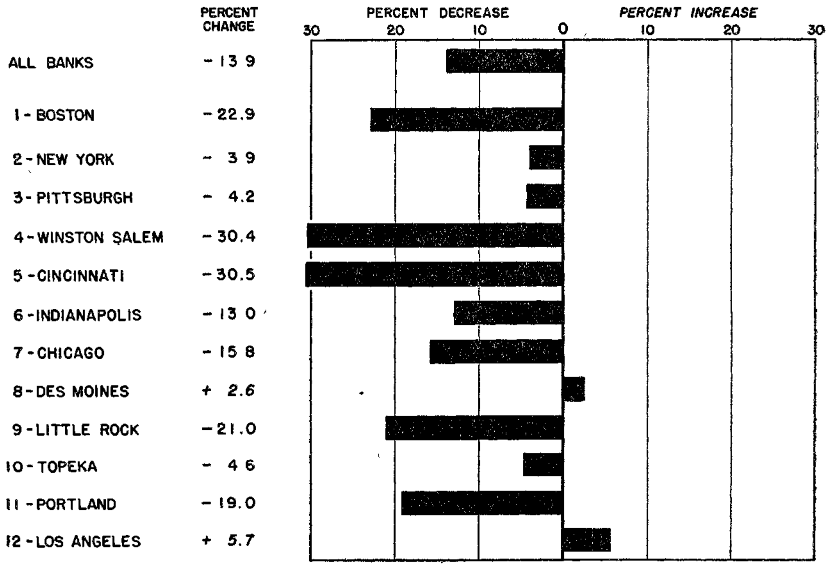
date. Exhibit 15 indicates the changes in the percentage of borrowing members to total members for each of the twelve Federal Home Loan Bank Districts, from the fiscal year 1935 to the fiscal year 1939.

Types of Advances

Federal Home Loan Bank advances are made up to ten years on the security of home mortgages, or obligations of or guaranteed by the United States, and up to one year on an unsecured basis. All ad-

CHART XXII

PERCENT CHANGE IN THE AMOUNT OF BANK ADVANCES OUTSTANDING DURING THE FISCAL YEAR 1939 BY FEDERAL HOME LOAN BANK DISTRICTS



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vances, whether secured or unsecured, are collateralized by an investment of the borrower in the stock of the Bank to the extent of at least one-twelfth of the total outstanding advances to such borrower. A detailed description of the various types of advances is given in Exhibit 16.[1]

[1] Through an amendment to the Federal Home Loan Bank Act of May 28, 1935, Congress authorized the Federal Home Loan Banks to make advances to nonmember mortgagees approved under Title II of the National Housing Act. The amendment provided that such advances were not to be subject to the other provisions and restrictions of the Federal Home Loan Bank Act, but were to be made upon the security of mortgages insured under Title II of the National Housing Act. To June 30, 1939, Federal Home Loan Banks made advances to three nonmember mortgagees in the aggregate amount of $159,400, all of which, with the exception of $2,805, had been paid in full prior to the fiscal year 1939. During the year the balance of $2,805 was repaid in full and no advances to nonmember mortgagees were made.

An analysis of the collateral securing Federal Home Loan Bank advances demonstrates that there is a substantial margin of protection behind these advances. Of the total amount of advances outstanding at the end of the reporting period, $145,442,668, or 86.1 percent, was secured by mortgages, obligations of or guaranteed by the United States Government, and capital stock of the Banks, while $23,518,895, or 13.9 percent, was unsecured, except for the amount of capital stock of the Banks paid in by borrowers. Unsecured advances were made exclusively to members whose creditor liabilities did not exceed 5 percent of their net assets.

The secured advances were collateralized by 146,958 home mortgages with unpaid balances of $333,934,883, and obligations of the United States Government (direct or fully guaranteed) aggregating $2,210,625. As additional collateral for both secured and unsecured advances, borrowing members had paid in $22,456,725 on subscriptions to the Banks' capital stock. Exhibit 17 gives detailed information on the trend of secured and unsecured advances by fiscal-year periods, since the beginning of operations to June 30, 1939.

Further indication of the soundness of Federal Home Loan Bank advances is the fact that the Federal Home Loan Banks have sustained no losses on their outstanding advances and that on June 30, 1939, there was only one borrowing member (exclusive of those in liquidation) which was delinquent over thirty days, in the nominal amount of $702. At the same date, eleven borrowing institutions were in liquidation, the liquidation in all but three of these cases being voluntary. These eleven borrowers, as of June 30, 1939, had a total indebtedness to the Banks of $421,304 which was secured by home mortgages with an estimated value of $603,857, and by paid-in stock in the Banks aggregating $72,200. No loss is anticipated on the indebtedness of any of the liquidating borrowers.

In accordance with the character of the operations of home-financing institutions, most of the Federal Home Loan Bank advances are on a long-term amortized basis. On June 30, 1939, almost four-fifths of the total amount of outstanding advances was for terms from one to ten years, and only one-fifth for terms up to one year. This is in contrast to the early period of the Federal Home Loan Bank System when a larger portion of the advances outstanding was on a short-term basis.

Distribution of Federal Home Loan Bank advances outstanding, by long-term and short-term advances, as of June 30

Year	Dollar amounts		Percent distribution	
	Long-term	Short-term	Long-term	Short-term
1933	$17,460,425	$30,203,405	36.6	63.4
1934	57,885,363	27,262,991	68.0	32.0
1935	51,020,430	28,212,084	64.4	35.6
1936	74,653,428	43,933,410	63.0	37.0
1937	118,257,717	48,799,169	70.8	29.2
1938	149,227,685	46,997,252	76.0	24.0
1939	133,919,650	35,041,913	79.3	20.7

Since the Federal Home Loan Banks have been operating but a little over six years, complete data on the actual life of the long-term advances up to ten years are not yet available. However, there are many indications that the average life of these advances will be considerably less than the stipulated period. Reports obtained from the Federal Home Loan Banks evidence that repayments received on long-term advances have been considerably in excess of the amount of repayments due on such advances. During the past fiscal year, in particular, the increased liquidity of home-financing institutions induced many borrowers to make repayments in excess of amortization requirements or to retire their indebtedness in full. This has naturally contributed to the decline in advances outstanding.

Advances from Federal Home Loan Banks are used by member institutions for a variety of purposes, but for the most part, they are obtained to enable home-financing institutions to meet the needs of their communities for mortgage loans on homes when the demand is running at a greater rate than the local supply of funds. Reports from various Federal Home Loan Banks indicate that during the fiscal year 1939 the major portion of the long-term advances, which constitute approximately 80 percent of total advances outstanding, was for the purpose of making mortgage loans, whereas the remainder was used for liquidity purposes. In many cases, of course, the funds advanced for liquidity purposes helped indirectly to maintain normal mortgage-lending activities of member institutions.

Interest rates on advances to members are determined by the Boards of Directors of the respective Banks within a range approved by the Federal Home Loan Bank Board. At the end of the fiscal year 1939, such interest rates ranged from 1½ to 3½ percent for short-term, and from 3 to 3½ percent for long-term advances. These rates reflect various reductions made during the year. The Federal Home Loan Banks of Boston and New York revised their rates for short-term advances from 3 to 2½ percent, and on June 28, 1939, the Federal Home Loan Bank Board approved a further reduction on short-term amortized advances by the New York Bank to 1½ percent. During the fiscal year 1939, the New York Bank also lowered its rate on long-term advances from 3¾ to 3 percent. The Federal Home Loan Bank of Portland reduced the interest rates on all advances from 3½ to 3 percent. The Federal Home Loan Bank of Pittsburgh likewise reduced its rates on all advances from 3½ to 3¼ percent, and the Federal Home Loan Banks of Cincinnati and Des Moines from 3¼ to 3 percent. The Federal Home Loan Bank of Chicago decreased the interest rate charged on secured advances from 3¼ to 3 percent and the rate on unsecured advances from 3½ to 3¼ percent. Exhibit 18 contains detailed information on interest rates charged by each Federal Home Loan Bank as of July 1, 1939.

At the end of the fiscal year 1939, the borrowing capacity of member institutions—which is the approximate amount for which each member may legally obligate itself, or 50 percent of its net assets, whichever amount is the lower—was close to $1,700,000,000, or about ten times the present volume of advances outstanding. Within the borrowing capacity, each Federal Home Loan Bank has established lines of credit for the individual member institutions, and such credit lines are revised at least annually or more often if deemed necessary.

Increase in Liquidity of the Federal Home Loan Banks

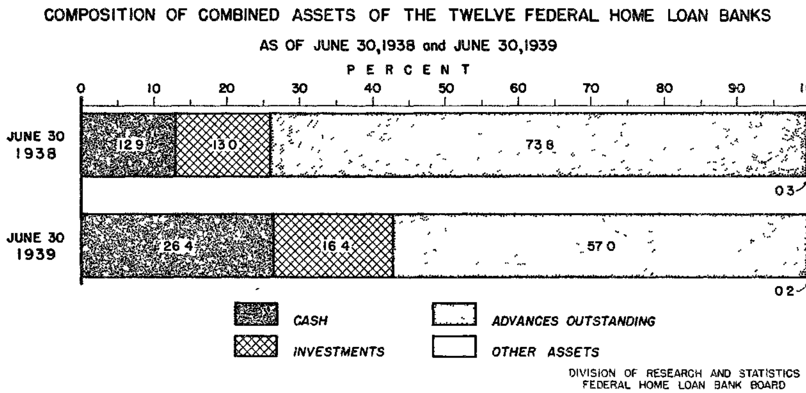
Financial operations of the twelve Federal Home Loan Banks during the fiscal year 1939 were characterized by a continued growth in total resources, on the one hand, and by the aforementioned decline in advances to member institutions, on the other. As a result, the Federal Home Loan Banks as a whole and each of the Banks separately experienced a substantial increase in liquidity.

On June 30, 1939, the consolidated resources of the twelve Federal Home Loan Banks were $296,629,853, compared with $265,770,804 at the end of the preceding fiscal year—a growth of 11.6 percent. The main changes in assets and liabilities which occurred during the reporting period are illustrated in Charts XXIII and XXIV, and a detailed statement of condition for the Banks as a whole and for each of the Banks separately, as of June 30, 1939, is presented in Exhibit 19.

The larger liquidity of the Federal Home Loan Banks is shown in the marked increase of cash and investment holdings. On June 30, 1939, cash held by the Banks amounted to $78,205,795 as against $34,334,856 the year before. Investments, which consisted exclusively of United States Government obligations and securities guaranteed by the United States Government, increased from $34,445,173 to $48,702,247. The par value of these investments as of June 30, 1939, was $47,663,875 and the market value $50,627,051.

At the end of the fiscal year 1939, cash and investments totaled $126,908,042, or 42.8 percent of the consolidated assets of the twelve Federal Home Loan Banks; at the close of the preceding fiscal year they were only 25.9 percent of the consolidated assets. Through the retirement of $41,500,000 debentures on July 1, 1939, a substantial portion of the excess cash was absorbed. However, an ample volume of liquid funds remained available to meet the demand for advances by member institutions.

CHART XXIII



The following table shows the distribution of securities held by the Federal Home Loan Banks on June 30, 1939, grouped by maturity dates and yields:

Distribution of securities held by the twelve Federal Home Loan Banks, as of June 30, 1939

Maturity	Amount	Percent of total	Average weighted yield [1]
			Percent
Under 1 year	$1,653,000	3.5	1.05
1 to 5 years	15,311,000	32 1	1.26
5 to 10 years	9,954,000	20 9	1 72
10 to 15 years	10,327,000	21 7	2 44
15 to 20 years	6,114,000	12 8	2 71
20 years and over	4,305,000	9 0	2 60
Total	47,664,000	100.0	1 91

[1] Based on cost to maturity/callable dates.

A detailed statement of security holdings of the twelve Banks, as of June 30, 1939, is presented in Exhibit 20.

Growth of Capital Stock

The growth of resources of the Federal Home Loan Banks was due to increases in capital-stock subscriptions, proceeds from the sale of debentures, and an increased amount of member deposits. On June 30, 1939, the total paid-in capital stock of the twelve Banks stood at $164,327,175, as compared with $161,512,205 the year before. As subscriptions of the United States Treasury to the capital stock have ceased since November 19, 1937, this increase was entirely due to member subscriptions. As of June 30, 1939, the capital stock of the twelve Banks consisted of $124,741,000, or 75.9 percent of the total, paid in by the United States Treasury under the terms of the Federal Home Loan Bank Act,[2] and of $39,586,175, or 24.1 percent of the total, paid in by private member institutions. Each member institution is required to maintain an investment in the stock of the Federal Home Loan Bank of which it is a member to the extent of at least one-twelfth of advances outstanding and in an amount of not less than 1 percent of the unpaid principal of its home-mortgage loans, but not less than $500. Despite the decrease in advances, the average amount of Federal Home Loan Bank stock held by each member institution rose from $9,320 to $10,038 during the past fiscal year.

The combined capital-stock structure of the Federal Home Loan Bank System, as of June 30, 1938, and June 30, 1939, may be summarized as follows:

	June 30, 1938	June 30, 1939
Total stock subscriptions:		
Members	$36,872,000	$39,609,100
United States Government	124,741,000	124,741,000
Payments received on stock subscriptions:		
Members	36,771,205	39,586,175
United States Government	124,741,000	124,741,000
Balance due on above stock subscriptions:		
Members	100,795	22,925
United States Government	------------	------------

From the beginning of their operations through June 30, 1939, all capital stock of the Federal Home Loan Banks has been sold at par and will continue to be sold at par unless and until a price in excess thereof has been designated by the Federal Home Loan Bank Board.

The reserves of the Federal Home Loan Banks have been strengthened materially during the reporting period. On June 30, 1939,

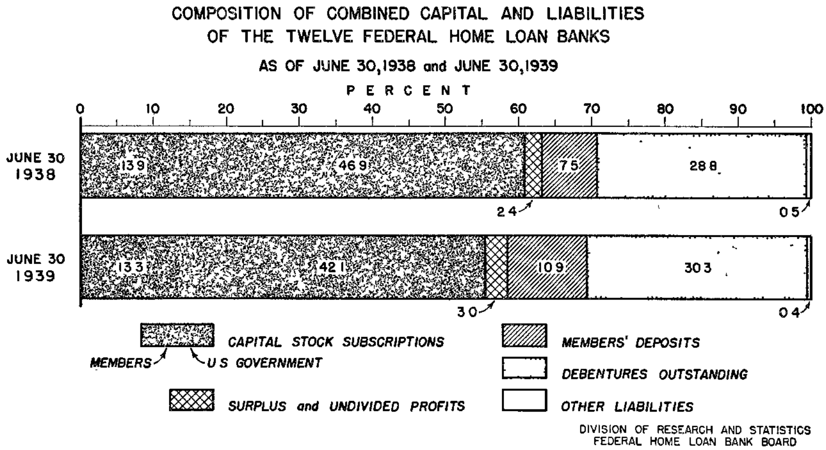
[2] Under the terms of the Federal Home Loan Bank Act, the Secretary of the Treasury was required to subscribe on behalf of the United States for such part of the minimum capital stock of each Federal Home Loan Bank as was not subscribed for by members within a period of 30 days from the date stock-subscription books were opened by the Board. On this basis, the Secretary of the Treasury was committed to subscribe for $124,741,000 of stock in the twelve Federal Home Loan Banks, all of which had been paid in prior to November 19, 1937.

surplus and undivided profits of the Federal Home Loan Banks amounted to $8,801,440 as against $6,469,125 the year before.

Debentures and Member Deposits

Consolidated Federal Home Loan Bank debentures outstanding increased from $76,500,000 to $90,000,000 during the year. Because of the reduced demand for Federal Home Loan Bank advances and the high liquidity of the Banks, Series E, which matured on July 1, 1939, was retired on that date, leaving a balance of debentures outstanding of $48,500,000. While under the terms of the Federal Home

CHART XXIV



Loan Bank Act each Bank may issue its own debentures, the issues heretofore placed on sale have been consolidated debentures representing the joint and several obligations of all Federal Home Loan Banks. A summary of these issues (including retired series) is presented in the following table:

Consolidated debentures of the Federal Home Loan Banks

Number of series	Date of issue	Term	Maturity	Amount	Interest rate
		Years			*Percent*
A [1]	Apr. 1, 1937	1	Apr. 1, 1938	$24, 700, 000	1½
B [1]	July 1, 1937	1	July 1, 1938	28, 000, 000	1¼
C	Dec. 1, 1937	3	Dec. 1, 1940	25, 000, 000	2
D	Apr. 1, 1938	5	Apr. 1, 1943	23, 500, 000	2
E [1]	July 1, 1938	1	July 1, 1939	41, 500, 000	1

[1] Series A, B, and E were retired at their maturity dates.

The success of the five offerings made to June 30, 1939, has been most gratifying. Each offering was heavily oversubscribed, and the financial community has quickly become acquainted with the type of security offered by Federal Home Loan Bank debentures. In order to further familiarize bankers and investment dealers with the Federal Home Loan Bank System, a series of meetings was held in financial centers of the country during the fiscal year 1939. The better understanding of the Bank System and the goodwill created through these meetings will be of great value whenever the demand for Federal Home Loan Bank advances increases and new debenture issues may become necessary.

Data on the participation of each Federal Home Loan Bank in the debenture issues outstanding on June 30, 1939, are given in Exhibit 21.

The liquidity of member institutions during the reporting period was reflected in a substantial increase of member deposits in the Federal Home Loan Banks. On June 30, 1939, such deposits were $32,191,666 as compared to $19,873,357 the year before.

Of the total member deposits held by the Federal Home Loan Banks on June 30, 1939, $4,462,258 was in demand deposits and $27,729,408 in time deposits. In view of the increase in the amount of deposits, and the declining demand for advances, several of the Banks found it necessary during the reporting period to limit the amount of the total interest-bearing time deposits of any one member and also to lower the rates of interest paid on such deposits. Exhibit 22 shows the rates of interest paid on time deposits by each of the Federal Home Loan Banks as of July 1, 1939. No interest is paid on demand deposits.

Interbank deposits outstanding as of June 30, 1939, totaled $3,300,000, as compared with $15,150,000 at the close of the preceding fiscal year. Such deposits from one Federal Home Loan Bank with another have been arranged to provide an interregional exchange of funds when one or more Banks may have demand for additional funds while others have surplus funds on hand. From the beginning of operations to June 30, 1939, the total amount of interbank deposits aggregated $67,250,000, of which $63,950,000 had been repaid, leaving the above-mentioned amount of $3,300,000 outstanding.

Income and Expenses

The consolidated gross income of the twelve Federal Home Loan Banks during the fiscal year 1939 was $7,274,390, as compared with $7,260,623 in the preceding period. Expenses, including nonoperating charges, moved slightly upward from $2,504,733 to $2,740,149. This left a net income of $4,534,241 as against $4,755,891 during the preceding fiscal-year period. The following table presents the consolidated profit and loss account of the twelve Federal Home Loan Banks for each of the fiscal years 1938 and 1939; a detailed statement of profit and loss for each of the Banks for the period July 1, 1938, through June 30, 1939, is given in Exhibit 23.

Condensed consolidated statement of profit and loss of the twelve Federal Home Loan Banks

	Fiscal year 1938	Fiscal year 1939
Income:		
Interest earned on advances	$5,952,844	$5,669,103
Interest earned on investments	751,354	891,301
Nonoperating income	556,426	713,986
Gross income	7,260,624	7,274,390
Less—Charges:		
Compensation, travel, and other administrative expenses	890,255	922,523
Interest on deposits	162,109	250,276
Interest on debentures	935,179	1,120,292
Assessments for expenses of Federal Home Loan Bank Board	302,440	300,000
Other expenses	144,593	83,168
Nonoperating charges	70,157	63,890
Total deductions	2,504,753	2,740,149
Net income	4,755,891	4,534,241

The decrease in interest earned on advances reflects the lower volume of advances and the reduction of interest rates, while the increased earnings on investments resulted from the larger security holdings during the year. Nonoperating income consisted chiefly of profits on the sale of securities. Among charges to income, interest on debentures and member deposits absorbed considerably larger amounts than in the preceding fiscal-year period, due to the increase of debentures and deposits outstanding.

The net income of the twelve Federal Home Loan Banks for the fiscal year 1939 was distributed as follows:

Allocation to reserves:	
To legal reserves	$906,848
To reserve for contingencies	473,656
Total to reserves	1,380,504
Dividends paid:	
United States Government	1,664,559
Members	537,367
Total dividends paid	2,201,926
Balance to undivided profits	951,811
Total net income (consolidated)	4,534,241

An analysis of the surplus and undivided profits of the Federal Home Loan Banks, individually and collectively, as of June 30, 1939, is given in Exhibit 24.

Because of the decrease in the volume of advances and the reduction of interest rates charged on such advances, total earnings of some of the Federal Home Loan Banks were lower than in the preceding fiscal year, and five of the twelve Banks reduced their dividend rates. As a result, the annual dividend rate on the average capital stock of the twelve Federal Home Loan Banks for the fiscal year 1939 was approximately 1.36 percent as compared with 1.57 percent in the preceding year. The United States Government is receiving the same annual rate of return on its investment in the capital stock of the Banks as is received by the member institutions. Exhibit 25 shows the dividends declared by each Bank to stockholders for the fiscal year 1939 and cumulative from the beginning of operations to June 30, 1939.

Administration of the Federal Home Loan Bank System

Under the direction of the Board, the chief responsibility for the administration of the Federal Home Loan Bank System and the supervision of the twelve Federal Home Loan Banks is vested in the Office of the Governor.

Each Federal Home Loan Bank is examined twice a year. These semi-annual examinations are conducted in considerable detail for the purpose not only of ascertaining the actual condition of the Banks, but also for the purpose of determining that all disbursements were proper and all requirements of the Federal Home Loan Bank Act and the Rules and Regulations of the Federal Home Loan Bank Board have been adhered to in every respect.

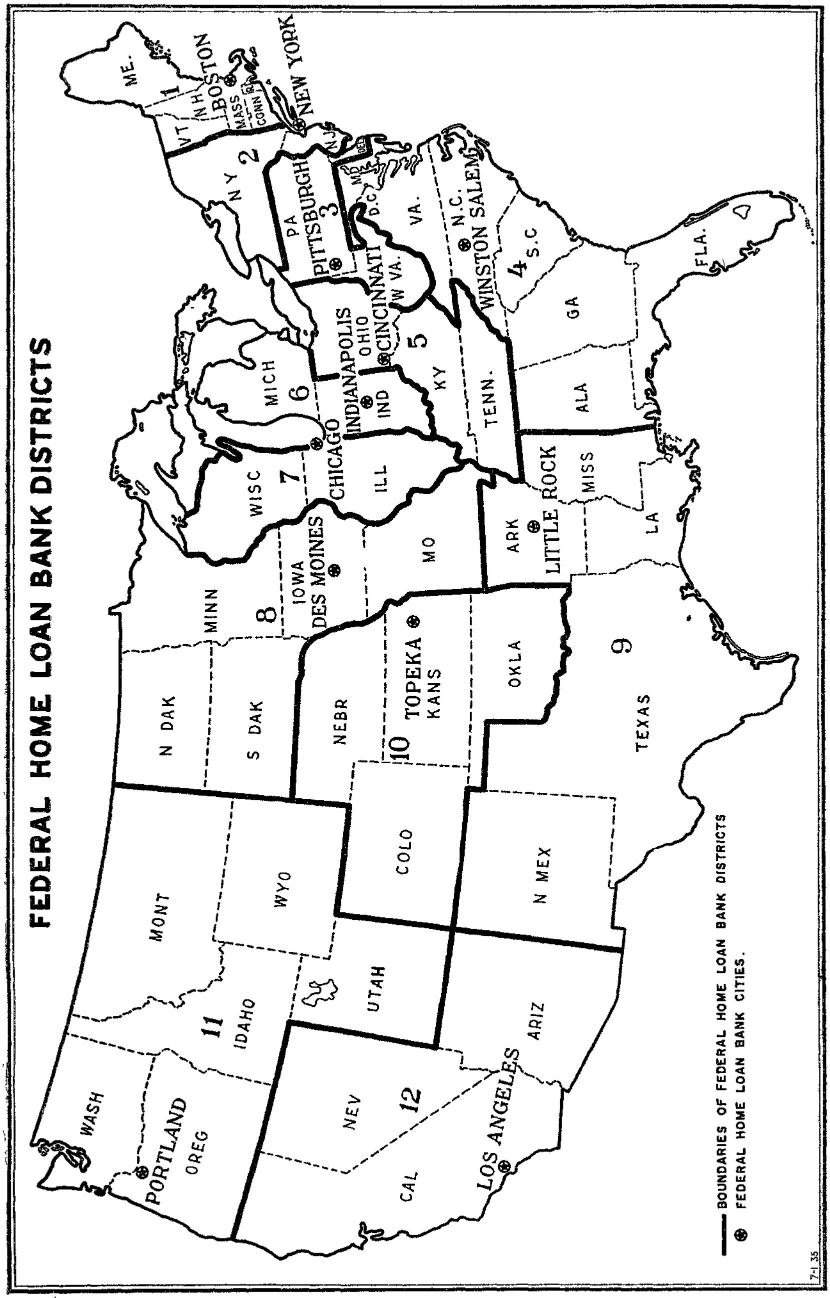
After the completion of each semi-annual examination of a Federal Home Loan Bank, a copy of the report of examination, together with a letter of criticism based on such report, is transmitted to the Bank with the request that the Board's Comptroller be promptly advised of the action taken by the Bank to correct the situation which may have been discussed in the report and letter of criticism. The President of the Bank is also requested to present the report of examination and the letter of criticism to the Board of Directors of the Bank and to incorporate the Comptroller's letter of criticism as well as the Bank's reply thereto in the minutes of the next meeting of the Board of Directors.

In addition to the close supervision by virtue of these semi-annual examinations, each Bank is required to furnish the Board's Comptroller with a daily statement reflecting its lending and other transactions, as well as with a detailed monthly report on the operations and condition of the Bank. Each Bank is also required to furnish copies of the minutes of the meetings of its Board of Directors, Executive Committee and Stockholders, and copies of reports of its Advisory and Reviewing Committees. On the basis of this information, the Federal Home Loan Bank Board is able to conduct current analyses of the activities of the twelve Federal Home Loan Banks. Such current analyses are designed to bring to light any undesirable trends or conditions which may be found to exist and enable the Board to keep in close touch with the operations of the Banks, so that such changes in its Rules and Regulations or policies as may be deemed desirable may be made from time to time.

The management of each of the Federal Home Loan Banks is vested in a Board of twelve Directors, four of whom are appointed by the Federal Home Loan Bank Board to represent the public interest, while eight Directors are elected by the member institutions in each Bank District in accordance with the terms of the Federal Home Loan Bank Act and the Rules and Regulations prescribed by the Federal Home Loan Bank Board. The respective Boards of Directors elect the executive officers of the Banks subject to the approval of the Federal Home Loan Bank Board.

The Bank Presidents' Conference, established by Resolution of the Board and consisting of the executive heads of the twelve Federal Home Loan Banks, held two meetings during the year ended June 30, 1939. At these meetings, administrative and supervisory problems, credit policies, and home-financing conditions in each of the Bank Districts were considered, and in view of the growing importance of Government bonds in the total assets of the Banks, proper investment procedures were discussed.

The Federal Savings and Loan Advisory Council, created by the Federal Home Loan Bank Act, also held two meetings during the year. This body consists of one member elected by each of the twelve Boards of Directors of the Federal Home Loan Banks and six members appointed by the Federal Home Loan Bank Board. The meetings of the Federal Savings and Loan Advisory Council were helpful in the formulation of the Board's policies and in the maintenance of a close contact between the management of home-financing institutions in the various parts of the country and the central administration in Washington. During the year ended June 30, 1939, the discussions of the Advisory Council were focused upon the liquidity of home-financing institutions, the determination of interest and dividend rates, and the questions of supervision, competition, and taxation. The


FEDERAL HOME LOAN BANK DISTRICTS
BOSTON
NEW YORK
PITTSBURGH
WINSTON SALEM
CINCINNATI
INDIANAPOLIS
CHICAGO
DES MOINES
LITTLE ROCK
TOPEKA
PORTLAND
LOS ANGELES
ME.
VT
N H
MASS
CONN
R I
N J
N Y
PA
DEL
MD
D.C
VA.
W VA.
N.C.
S.C
GA
FLA.
ALA
MISS
LA
TENN.
KY
OHIO
IND
MICH
ILL
WISC
MINN
IOWA
MO
ARK
OKLA
TEXAS
KANS
NEBR
S DAK
N DAK
COLO
N MEX
WYO
MONT
UTAH
ARIZ
IDAHO
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BOUNDARIES OF FEDERAL HOME LOAN BANK DISTRICTS
FEDERAL HOME LOAN BANK CITIES.
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Council also considered the Banks' policies with respect to the establishment of lines of credit for member institutions and endorsed the legislative proposals sponsored by the Federal Home Loan Bank Board. A list of members of the Federal Savings and Loan Advisory Council attending the two meetings during the fiscal year 1939 is presented in Exhibit 26.

Proposed Federal Legislation

In order to increase the usefulness of the agencies under the Federal Home Loan Bank Board to thrift- and home-financing institutions, the Board has supported a series of proposed amendments to the Federal Home Loan Bank Act and other laws governing the activities of the Federal Home Loan Bank Board. These proposals are based on more than six years' experience and deliberation. During these years, the Federal Home Loan Bank Board has made a thorough study of the effects of the existing legislation and has carefully considered improvements regarded as desirable. The amendments now before Congress represent a program which, in the opinion of the Board, will assist greatly in a more efficient performance of the functions of the agencies under the Board, and which will better enable these agencies to meet future emergencies.

With respect to the Federal Home Loan Bank System, the proposed amendments include two major items:

1. *Broadening of the collateral base for Federal Home Loan Bank advances.*—Under the existing law, mortgages eligible as collateral for Federal Home Loan Bank advances are confined to mortgages on one- to four-family dwellings with a maturity limit of twenty years. Under the amendatory legislation as introduced in Congress, any first mortgage would be acceptable as collateral, the maturity limit would be extended to twenty-five years, and the present $20,000 limit on mortgages eligible as collateral for advances to members would be removed. In addition, the Federal Home Loan Banks would be allowed to make advances to members on obligations of the Banks themselves and those of the Federal Savings and Loan Insurance Corporation, as well as on any other obligations, acceptable to the Board, which such members may lawfully have available. The House Committee on Banking and Currency, in reporting the proposed legislation, amended these provisions so that eligible mortgages would have to be on properties designed principally for residential use, and so that a $100,000 limit would be substituted for the $20,000 limit.

The pending legislation would broaden the power of the Federal Home Loan Banks to accept as collateral, without undue restriction, those mortgages and obligations which are legal investments for member institutions. It would also enable the Banks to extend more useful services to savings banks and insurance companies which are eligible for membership in the Federal Home Loan Bank System, since savings banks and insurance companies have only a small portion of their funds invested in the types of mortgages and obligations which are at present eligible for acceptance as collateral by the Federal Home Loan Banks.

2. *Purchase of Federal Home Loan Bank obligations by the Treasury.*—In order to enable the Federal Home Loan Banks to meet unexpected emergencies, the amendment provides that the Secretary of the Treasury shall be authorized to purchase, at his discretion, obligations of the Federal Home Loan Banks. While other financial systems of the country are protected against unforeseen developments—the commercial banks through the authority of the Federal Reserve System to issue currency; and the farm-credit structure through a 2 billion dollar revolving fund guaranteed by the Government to support Federal Land Banks and other corporations of the Farm Credit Administration—no such provision has been made for the credit reserve system created on behalf of thrift and home-financing institutions. Under normal conditions, such aid to the Federal Home Loan Bank System is unnecessary. However, to prevent the recurrence of a freezing up of financial institutions and the resulting deflationary effects, safeguards are essential in order to enable the Federal Home Loan Banks to obtain funds for advances in times of financial stress when their securities might not be readily marketable.

Other provisions of the proposed legislation are designed to clarify the powers of the Federal Home Loan Bank Board with reference to annual reports by, and examination, audit, and supervision of, member institutions; to extend the criminal provisions of the Federal Home Loan Bank Act for the protection of the Banks and member institutions against circulation of false statements in regard to their financial condition; and to strengthen the penal provisions pertaining to misconduct by examiners of the Banks and of member institutions and to the unauthorized disclosure of confidential information concerning the institutions examined.

2. OPERATIONS OF MEMBER INSTITUTIONS

Increase in Assets

Operations of member institutions during the fiscal year 1939 showed distinct improvements. Total assets and private investments in member savings and loan associations increased. Mortgage lending was more active than in the preceding fiscal year. Real estate owned continued to decline. A better liquidity position was indicated by larger cash holdings which permitted substantial repayments of Federal Home Loan Bank advances.

On the other hand, the keen competition in the mortgage market referred to in the "Survey of Housing and Mortgage Finance" naturally created new operating problems. The general reduction of interest rates on home mortgages which resulted from such competition required changes in lending policies and dividends paid to investors; and greater efforts had to be made to retain old loans as well as to add new sound loans to the mortgage portfolio. The record of 1938–39 indicates that, in general, member institutions of the Federal Home Loan Bank System were in a position to meet these new conditions successfully.

During the fiscal year 1939, all types of member savings and loan associations showed gains in assets. This is revealed by the following figures for an identical group of 2,605 savings and loan members of the Federal Home Loan Bank System, representing approximately 75 percent of the total assets of member savings and loan associations:

Growth in assets of 2,605 identical member savings and loan associations, from July 1, 1938, to June 30, 1939

[In thousands of dollars]

Number and types of associations	Total assets		Increase during year	
	June 30, 1938	June 30, 1939	Amount	Percent
2,605 identical member associations	$2,740,385	$2,953,605	$213,220	7 8
1,286 Federal savings and loan associations	1,169,083	1,337,693	168,610	14.4
596 insured State-chartered associations	700,008	729,838	29,830	4.3
723 noninsured State-chartered associations	871,294	886,074	14,780	1.7

In this group, Federal savings and loan associations recorded the largest increase in assets during the year, namely 14.4 percent. Insured State-chartered associations ranked next with a gain of 4.3 percent. The 1.7 percent growth in assets of noninsured State-chartered member associations, although small, is significant because it marks the reversal of the downward trend which this type of member institution had experienced in preceding years.

The growth in assets was general throughout the country, but the rate of growth varied among the different Federal Home Loan Bank Districts. Within the group of 2,605 identical member savings and loan associations, assets of member institutions in the Winston-Salem District showed the largest gain—15.7 percent. Members in the

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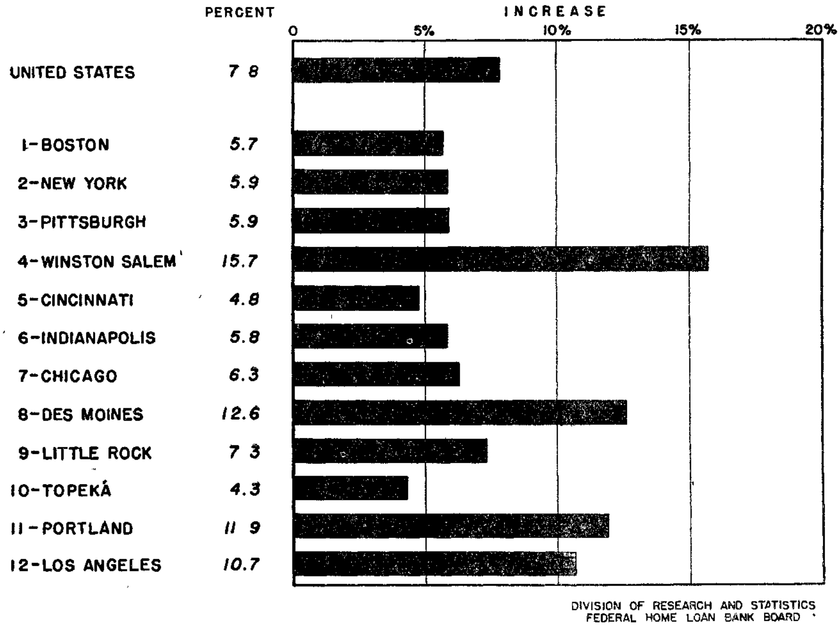
Des Moines District ranked next with an increase of 12.6 percent. Assets of member associations in the Portland and Los Angeles Districts likewise increased more than 10 percent. The smallest increases—slightly below 5 percent—were recorded in the Cincinnati and Topeka Districts.

CHART XXV

PERCENT INCREASE IN ASSETS OF 2,605 IDENTICAL MEMBER SAVINGS & LOAN ASSOCIATIONS DURING FISCAL YEAR 1939 BY F.H.L.B. DISTRICTS



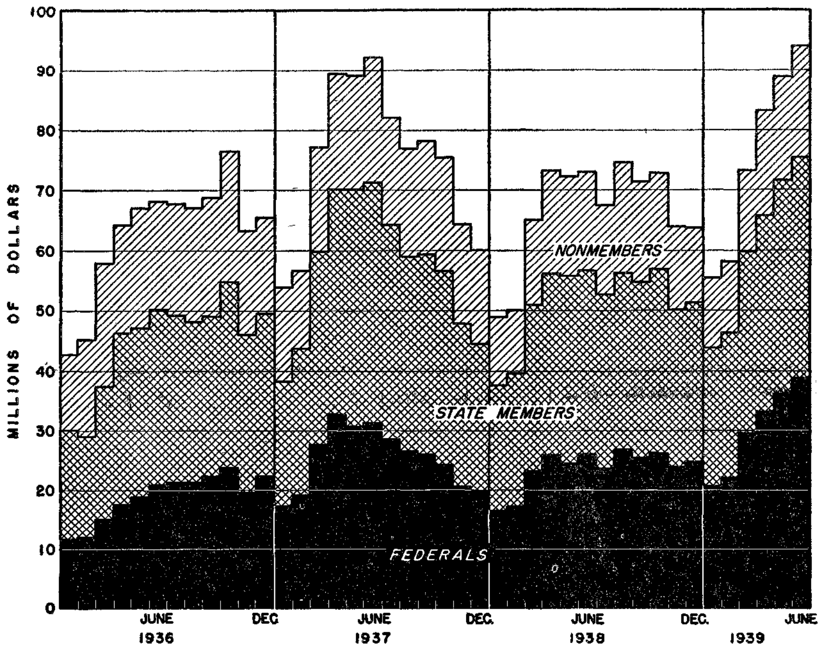
Lending Activity

The estimated amount of new mortgage loans made by member savings and loan associations of the Federal Home Loan Bank System from July 1, 1938, to June 30, 1939, was $686,697,000, as compared with $629,560,000 in the preceding fiscal year—an increase of more than 9 percent. On the other hand, the estimated amount of mortgage loans made by nonmember associations dropped from $191,126,000 in the fiscal year 1938 to $182,189,000 in the fiscal year 1939. All in all, the estimated volume of mortgage loans made by all savings and loan associations during the reporting period aggregated $868,886,000, compared with $820,686,000 in the preceding fiscal-year period.

While the total increase in lending activity was small, there was a definite improvement over the preceding year for each month from January through June 1939. In the six months' period from January to June 1939, the lending activity of member institutions was 22.3 percent higher than in the first half of 1938, and the lending activity of nonmember associations was 5.3 percent above that period. In

CHART XXVI

VOLUME OF NEW MORTGAGE LOANS MADE BY SAVINGS AND LOAN ASSOCIATIONS BY TYPE OF ASSOCIATION



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June 1939, the volume of new mortgage loans made by all savings and loan associations reached a post-depression high. The above chart shows the estimated lending activity of savings and loan associations since January 1936, by months, by types of institutions.[3]

During the fiscal year 1939, loans made by member savings and loan associations of the Federal Home Loan Bank System accounted for approximately 79 percent of the total amount of mortgage loans made by all savings and loan associations throughout the country. Among the various types of member associations of the Federal Home

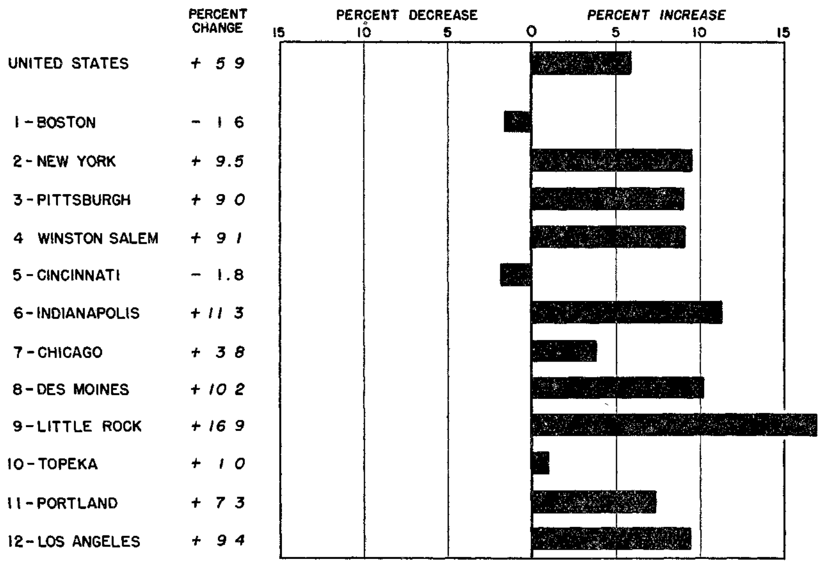
[3] For actual figures, see Exhibit 27.

Loan Banks, Federal savings and loan associations accounted for 48.6 percent of the total volume of loans made by members of the savings-and-loan type. State-chartered insured member associations were responsible for 22.3 percent and noninsured member associations for 29.1 percent.

The lending activity of savings and loan associations varied widely among the different Federal Home Loan Bank Districts during the year. The largest percent increases in loan volume were in the

CHART XXVII

PERCENT CHANGE IN ESTIMATED NEW MORTGAGE LENDING ACTIVITY BY SAVINGS & LOAN ASSOCIATIONS DURING THE FISCAL YEAR 1939 BY F.H.L.B. DISTRICTS



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Little Rock District where new building was particularly active, and in the Indianapolis, Des Moines, New York, and Los Angeles Districts. The Winston-Salem District, which also recorded an unusual expansion of construction activity, led in the dollar increase over the 1938 volume of mortgage lending. A survey of the lending activity of savings and loan associations in each of the fiscal years 1938 and 1939 by Federal Home Loan Bank Districts, and the percent change, is presented in Exhibit 28.

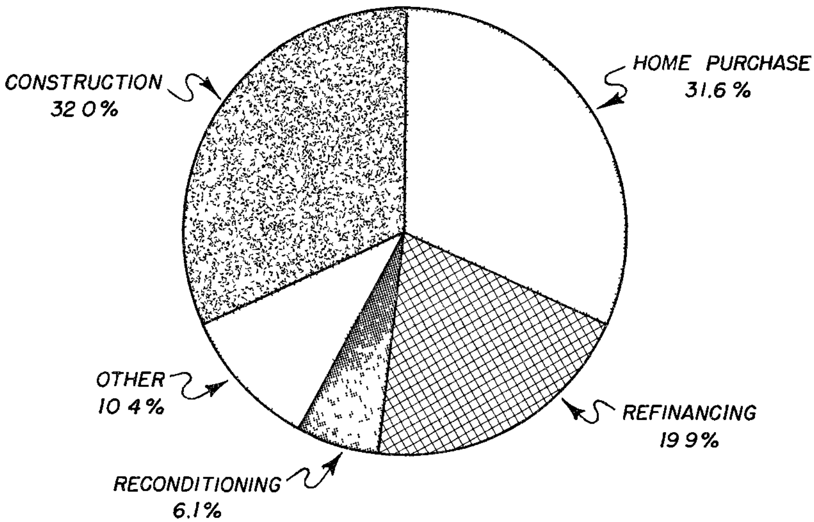
Of the total amount of loans made by member associations of the Federal Home Loan Bank System in the fiscal year 1939, loans for new construction were $219,726,000, or 32 percent, as compared to 28 percent in the preceding fiscal year—a reflection of the increasing volume of home construction during the reporting period. The proportion of loans for home purchase and refinancing, on the other hand, decreased from 33 to 32 percent, and from 21 to 20 percent, respectively. The following chart shows the distribution of new mortgage loans made by member associations of the Federal Home Loan Bank System during the fiscal year 1939, classified by purpose of loan:

CHART XXVIII

DISTRIBUTION OF NEW MORTGAGE LOANS MADE BY MEMBERS OF THE FEDERAL HOME LOAN BANK SYSTEM

ACCORDING TO PURPOSE

FISCAL YEAR 1939



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FEDERAL HOME LOAN BANK BOARD

Exhibit 29 gives a detailed account of the distribution of new mortgage loans made by member associations of the Federal Home Loan Bank System, classified by purpose of loan.

Reduction of Real Estate Holdings

A very significant improvement in the financial condition of member savings and loan associations was the decrease of real-estate holdings, corresponding to the general reduction of the so-called real-estate overhang described in an earlier chapter of this report.[4] Consolidated balance sheets of member savings and loan associations for the calendar

[4] Survey of Housing and Mortgage Finance, pp. 27 to 29.

year 1938 evidence a slow but continuous decrease of the absolute amount of real estate involuntarily owned by member institutions, as well as a decline of property holdings in proportion to total assets.

Real-estate holdings of all reporting member savings and loan associations of the Federal Home Loan Bank System [1]

Date	Number of members	Amount	Proportion of total assets
			Percent
December 31, 1936	3,746	$512,116,000	16.49
December 31, 1937	3,890	488,517,000	13 77
December 31, 1938	3,894	450,139,000	11.99

[1] Excluding office buildings.

The reduction in real-estate holdings marked a definite reversal of the trend from 1929 to 1936, when, as a result of the depression, property holdings mounted to unprecedented levels. On account of such holdings, home-financing institutions in many instances had become frozen and unable to meet withdrawals and maturities of share accounts, or to make new mortgage loans. Low or negative net yields on property owned had seriously affected earnings, while depreciation and obsolescence had also taken their toll. The gradual disposition of real-estate holdings in the last two or three years is perhaps one of the most important symptoms of the successful rehabilitation of home-financing institutions.

The progress made in recent years reflects, in part, improved conditions in the real-estate market, but it is also due to a more realistic attitude of home-financing institutions toward the solution of the problem. In the past, many institutions have been reluctant to dispose of real estate at a loss. Only slowly has it been recognized that large real-estate holdings are a drag on the active operation of such institutions, that previous book values in many cases were out of line with market prices, and that losses must be absorbed by utilizing reserves already created for this very purpose. Realizing the necessity for more constructive action, many home-financing institutions have recently revised their sales prices and instituted aggressive real-estate sales campaigns. Further progress along these lines is necessary to strengthen the position of savings and loan associations in the field of home-mortgage finance and to restore the full confidence of savers and investors.

The ratio of repossessed real estate to total assets varies widely among the different types of member institutions. At the end of 1938, Federal savings and loan associations, a large number of which were organized after 1933 and have, therefore, been spared the flood of repossessions in the early Thirties, showed a low ratio of 7.5 percent. On the same date, the ratio for State-chartered insured associations was 11.2 percent, and for State-chartered noninsured associations, 16.1 percent.

Other Financial Operations

The consolidated statements of balance-sheet items for member savings and loan associations as of December 31, 1937, and December 31, 1938 (Exhibits 30 and 31), show further significant changes.

During the calendar year 1938, the private repurchasable capital of member associations grew by $197,000,000, with the result that the ratio of private capital to total resources increased from 71.03 percent at the end of 1937 to 72.40 percent at the end of 1938. Government holdings of shares in member savings and loan associations, on the other hand, rose only by $6,000,000, and their proportion to total resources declined from 7.13 to 6.90 percent.

The following table shows the increase of private investments in an identical group of 2,757 member savings and loan associations:[5]

Private investments in 2,757 identical member savings and loan associations, as of Dec. 31, 1937, and Dec. 31, 1938

[Dollar amounts in thousands]

Number and types of associations	Dec. 31, 1937	Dec. 31, 1938	Increase during year	
			Amount	Percent
2,757 member associations	$1,716,162	$1,892,797	$176,635	10.3
1,309 Federal savings and loan associations	678,202	822,322	144,120	21.3
547 insured State-chartered associations	462,278	492,019	29,741	6.4
901 Noninsured State-chartered associations	575,682	578,456	2,774	0.5

Private investments in this group of identical member associations increased 10.3 percent. Of the various types of member institutions, Federal savings and loan associations made the best showing with a growth in private investments at the rate of 21.3 percent. State-chartered noninsured members recorded a gain of 0.5 percent. Insured State-chartered associations, with a rise of private investments by 6.4 percent, occupied an intermediate position.

Mortgage-pledged shares as reported in the consolidated balance sheets show a decrease of approximately $25,000,000, or more than 12 percent, during 1938. As pledged shares indicate the extent to which associations are operating under the old share-account sinking-fund plan, their reduction reveals the gradual abandonment of this

[5] By the exclusion of newly admitted member institutions and of such associations as were converted from state to Federal charter or were insured during the year, comparisons are on a more equitable basis

loan plan in favor of the direct-reduction plan which is more advantageous to borrowers and more adequate to meet the present competition for mortgage loans.

Borrowings of member savings and loan associations remained almost unchanged in absolute amount, but because of the increase in total resources, the ratio of borrowed money to total resources declined from 6.09 to 5.77 percent.

The condensed balance sheets reflect an increased tendency to build up larger reserves. During the year, member institutions added $28,000,000 to their general reserves and undivided profits, and the ratio of general reserves and undivided profits to total resources increased from 6.76 to 7.15 percent.

On the asset side of the ledger, first-mortgage loans increased by $209,000,000, or from 72.8 to 74.4 percent of total assets—a significant improvement both from the standpoint of lending volume and of earnings. The $2,800,000,000 in first mortgages held by member associations of the Federal Home Loan Bank System is an increase of 8 percent over the balance at the end of 1937, and represents approximately 72 percent of the total amount of mortgages held by all savings and loan associations, both member and nonmember.

The reduction of repossessed real estate was accompanied by an increase in real estate "sold on contract"; the ratio of real estate sold on contract to total assets increased from 3.61 percent at the end of 1937 to 3.78 percent at the end of 1938. Sale of property on installment contracts at liberal terms has proved an effective instrument in the disposition of real estate, particularly for low-priced homes.

As a result of the ample flow of funds into member institutions, cash on hand rose by $32,000,000, or more than 25 percent, and the ratio of cash to total assets increased from 3.54 to 4.20 percent.

Exhibit 32 shows operating ratios for member savings and loan associations based on reports from 3,094 members for the calendar year 1938. Of the gross operating income of these institutions, 84.24 percent was derived from interest on mortgage loans, 3.82 percent from interest on real-estate contracts, and 3.44 percent from real estate owned and 8.50 percent from other sources. Compensation to directors, officers, and employees absorbed 12.71 percent of gross operating income, interest charges, 9.19 percent, advertising, 2.06 percent, and various other items, 11.17 percent, leaving a net operating income of 64.87 percent. After inclusion of nonoperating income and deduction of nonoperating charges, the net income for the year was 64.31 percent of the total income. Almost four-fifths of this went to shareholders in the form of dividends and bonuses, and more than one-fifth was added to reserves and undivided profits.

3. STRUCTURAL CHANGES IN THE SAVINGS AND LOAN INDUSTRY

Rehabilitation

The current improvement in the condition of home-financing institutions obtains its appropriate perspective through a broader review of the revolutionary changes which occurred in this sector of our financial structure during the last five or six years.

After the collapse in the early Thirties, rehabilitation of the financial organization of the country was the prime task. Drastic measures were taken in the field of commercial banking, culminating in the temporary closing of all banks in March 1933. Many banks went into liquidation, and a large number of banks were reorganized as individual units or through merger, with the aid of the Reconstruction Finance Corporation and with other Government assistance. Finally, Federal insurance of deposits for the majority of banks, effective from January 1, 1934, helped to revive confidence, but as an aftermath of the depression there were still hundreds of banking institutions closed, liquidated, and reorganized since that date.

Likewise, the thrift- and home-financing institutions of the country have gone through a process of rehabilitation. In some respects, this process has been similar to that in the field of commercial banking. Through liquidation of inactive or insolvent institutions and through merger of small or weak institutions, the number of savings and loan associations operating in the country has been reduced from approximately 10,500 in 1933 to approximately 8,400 in June 1939. However, a number of the existing associations are inactive and will either be reorganized, absorbed by other institutions, or formally liquidated. These associations are largely concentrated in a few States where the rehabilitation of the savings and loan industry has not as yet come to a close. In connection with its program for insurance of accounts, the Federal Home Loan Bank Board has for some time given particular attention to those problem areas and has cooperated with State supervisory authorities in the execution of rehabilitation plans. In several areas a definite improvement is under way.

Within the membership of the Federal Home Loan Bank System, the rehabilitation process in the savings and loan industry has been reflected in the liquidation of 107 member associations from the inception of the Bank System to June 30, 1939; and 185 member associations have been merged or absorbed by other members, partly in combination with financial reorganization. Of the associations which have obtained insurance of accounts, 284 associations were insured after reorganization.[6]

[6] For further information on reorganization of savings and loan associations, see the report of the Federal Savings and Loan Insurance Corporation, pp. 117 to 121.

However, the elimination of weak or small associations, and mergers and reorganizations were of comparatively minor importance in the rehabilitation of the savings and loan industry. Much more significant have been the fundamental changes in the structure and operations of thrift- and home-financing institutions and the integration of these institutions into a national system of home-mortgage finance. Some of these changes are outlined in the following sections.

Improvements in Management

The savings and loan associations of the country have grown out of small community organizations. Neighbors in small communities banded together and pooled their resources to assist each other in the acquisition of a home. In the more than 100 years of their existence, while still preserving their essential local character, the savings and loan associations have gained a place of real importance in the financial structure of the Nation. Their management and operations, however, have only slowly been adjusted to the modern age. The majority of associations existing in the early Thirties were still operating under part-time management, at private meeting places or part-time offices, and under antiquated, varying, and complicated loan plans which had served a useful purpose in the past, but were not adapted to the quick and simple handling of financial transactions which is required today.

The last few years have witnessed a gradual but radical evolution of the savings and loan industry. Particularly among the member associations of the Federal Home Loan Bank System, part-time, poorly compensated management has been replaced by full-time management through responsible and trained officers who give their undivided attention to the associations' affairs. A clearer division of functions between the manager as the executive officer and the directorate as the policy-determining and supervising body has evolved. In connection with the granting of Federal charters, and with insurance of accounts by the Federal Savings and Loan Insurance Corporation, more strict and uniform management requirements have been set up, and close supervision of Federal and insured associations has operated to maintain and strengthen standards of management in a large sector of the savings and loan industry. The general level of management in the industry has thereby been raised considerably. Accounting practices have been improved, and a standard accounting system is now used by all Federal savings and loan associations as well as a large number of insured and noninsured State-chartered associations. Obscure and inconvenient meeting places for the "pay night" or office combinations with other businesses have given way to modern independent offices in ground-floor locations situated in business centers of the community. While many of the smaller associations, particularly in small localities, have still preserved their traditional pattern, the more progressive and larger institutions have definitely set the pace, and stimulated by their success, the industry as a whole shows much evidence that it will soon follow their example.

Along with these changes has come the realization of the fact that many existing associations are too small to be efficiently operated. Size is not an objective in itself, but to obtain the benefits of full-time management and independent offices, a minimum size is required which, in many cases, is above the present size of home-financing institutions. To maintain and strengthen the position of savings and loan associations in the home-financing field, further progress in this direction through merger and other means would appear to be desirable, particularly in the larger communities.

Exhibit 33 shows the number and asset distribution of member savings and loan associations of the Federal Home Loan Bank System, by size groups. On June 30, 1939, almost 33 percent of all member associations had assets of less than $250,000, but these small institutions held only 4.6 percent of the total assets of all member associations. More than one-half of the member savings and loan associations were in the asset groups below $500,000, with aggregate assets equal to 12.7 percent of the total assets of all member associations. The remainder of 87.3 percent was held by the member associations having assets in excess of $500,000, although these institutions represented only 44.4 percent of the total number of member savings and loan associations.

Improvements in Plans of Operation

Other changes in operations of savings and loan associations are marked by the gradual disappearance of "serial" associations which issue series of shares at stated intervals. The "permanent" plan of operation under which shares are issued at any time desired has become the standard plan under which the most progressive associations operate today. All Federal savings and loan associations are required to operate under this plan, and when insurance of accounts is granted to State-chartered associations by the Federal Savings and Loan Insurance Corporation, these associations are also urged to adopt the permanent plan.

Together with this change in operations, a clearer separation has evolved between the lending activity of savings and loan associations, on the one hand, and their function as custodians of savings, on the other. In the early days of the savings and loan associations, when the urge to build a home was dominant among their members, investors and borrowers were more or less an identical group. In many cases investors who were not prospective borrowers were not accepted, and vice versa. Today, with a more complex structure of society, with millions of members who want to save for an undefined purpose, and millions of other members who need funds to buy or build a home, conditions are entirely different. In consequence, a large number of savings and loan associations have revised their plans of operation so that they may receive savings from individuals who have excess funds, and lend such funds to other individuals who need loans upon mortgage security. In savings and loan associations operating under Federal charter, the borrowers are not required to be investors or vice versa, and many State-chartered associations have adopted a similar practice.

Loan plans of savings and loan associations have also changed considerably. In the past, the majority of savings and loan associations have operated under two loan plans, the share-account sinking-fund plan and the cancel-and-endorse plan. Under the share-account sinking-fund plan, the borrower subscribes to shares, paid for in monthly installments, which will mature and cancel his loan. Interest is paid on the full amount of the loan until the value of the entire share subscription, plus earnings credited to the account, equals the amount of the loan. The cancel-and-endorse plan is similar except that as regular payments accrue to the value of one share, that share is canceled and the principal outstanding is reduced by a like amount. Under either of these plans, the term of the loan depends on the time required to mature the shares.

In the last few years, chiefly under the influence of the Federal Home Loan Bank Board, these plans have gradually been abandoned and the "direct-reduction plan" has become the standard loan plan under which an increasingly large number of associations operate. Under the direct-reduction plan, the borrower does not subscribe to any shares. His monthly payments are immediately applied to a reduction of the loan and interest is charged only on the diminishing balance of the loan. This type of loan plan is not only less expensive to the borrower, but is also more simple and easily understood. The amortization period is not dependent on factors over which the borrower has no control, such as the maturity of shares and the profits the association is able to make.

The adoption of the direct-reduction plan has greatly assisted savings and loan associations in meeting the increased competition of other home-mortgage lenders during the last few years.

By their charter, all Federal savings and loan associations are required to operate under the direct-reduction plan of amortization, with the exception of straight loans permitted up to 15 percent of assets. An increasing number of State-chartered insured associations are adopting this plan for their new lending operations, and in many cases their existing mortgage loans are being recast to conform to the plan. Likewise, State-chartered noninsured associations are changing from their old loan plans, which are no longer competitive, to a direct-reduction schedule. It is roughly estimated that two-thirds of all mortgage loans currently made by savings and loan associations are direct-reduction loans.[7]

In recent years, a number of savings and loan associations have also adopted the variable-interest-rate plan. Under this plan, the rate charged on each loan is determined on the basis of the risk involved in such loan, the risk being measured by the location of the property, the type of construction, its age and desirability, the income and credit rating of the borrower, the ratio of loan to the appraised property value, the amortization period, and similar factors. By charging variable interest rates, associations are in a position to attract borrowers with the highest type of security in competition with other mortgage-lending institutions, and can at the same time serve worthy borrowers who have good but less desirable security.

In the past, many savings and loan associations were accustomed to levy a number of charges on both investors and borrowers. Investors were charged membership fees, fines, and forfeitures for late payments, and fees for the withdrawal of accounts. Originally designed to encourage regular savings, these charges not only were a burden on savers, but complicated procedures and caused confusion and misunderstandings. Borrowers were charged premiums, discounts, and commissions in addition to regular interest payments. All these charges resulted in a considerable step-up of effective interest rates above nominal rates and are no longer competitive today.

In the last few years these practices have been revised to an increasing extent. Charges to borrowers and investors have either been eliminated or reduced. Federal savings and loan associations are not permitted to charge fees and fines for late payments by their savers,

[7] This estimate is based on the fact that Federal savings and loan associations and State-chartered insured associations account for 55 percent of the total amount of mortgage loans currently made by savings and loan associations, and that a portion of the new mortgage loans made by State-chartered noninsured associations are also direct-reduction loans.

and they must not penalize borrowers who are behind in their contractual payments except by a proper charge for interest on the unpaid balance of the loan. They are not allowed to charge excessive premiums or any withdrawal fees. Similarly, the Federal Savings and Loan Insurance Corporation requires that where such charges exist, they must not exceed equitable amounts if insurance of accounts is to be granted.

More Adequate Reserves

Another vital improvement in the operations of savings and loan associations is the greater emphasis given to adequate reserves. In the early days of the industry, reserves were neither required by State laws nor regarded as necessary by the industry itself. Under the conception that savings and loan associations were cooperative organizations designed to provide each member with a mortgage loan, profits were not distributed periodically, and any losses were charged against the common fund. Later, when the savings and loan associations developed into a permanent type of institution, most State laws still failed to recognize the vital importance of reserves. In consequence, many associations had inadequate reserves at their command when they suffered severe losses during the depression, and in some States, they were forced to recapture accumulated profits.

This experience, together with more progressive legislation in a number of States and Federal regulation in recent years, has completely changed the attitude of the industry toward reserves. Today it is generally recognized that savings and loan associations, like any other type of financial institution, should have sufficient reserves to provide a cushion against losses and contingencies, and many savings and loan associations have built up reserves substantially in excess of the minimum required by Federal or State regulation.

By the revised Federal charter, Federal savings and loan associations are required at each dividend date to set aside at least 5 percent of net earnings before dividends are distributed, until they build up aggregate reserves equal to 10 percent of total share capital. Legislation authorizing insurance of savings and loan accounts provides that all insured associations, whether operating under Federal or State charter, shall build reserves equivalent to 5 percent of all insured accounts within a reasonable period, not exceeding twenty years. Under regulation of the Federal Savings and Loan Insurance Corporation, insured associations must transfer each year to a reserve for losses at least three-tenths of 1 percent of the aggregate of the insured accounts standing on the books of the association at the beginning of the fiscal year until such reserve equals 5 percent of all insured accounts, which ratio must be maintained thereafter.

With respect to State legislation, it is significant that during the twenty-year period, 1919 to 1938, 21[8] States and the Territory of Hawaii established mandatory reserve requirements for the first time. Of those measures, 12 were initiated from 1919 to 1929 and 10 during the period from 1931 to 1938. During the latter period, 14 States strengthened their reserve requirements. Prior to the 1939 legislative sessions, 39 States and the Territory of Hawaii had established mandatory reserve requirements, while 9 States and the District of Columbia, Alaska, and Puerto Rico still lacked such requirements. At the 1939 legislative sessions, and prior to the end of the fiscal year, Iowa and Vermont adopted mandatory requirements, while Colorado, Michigan, Texas, and Hawaii strengthened the provisions of their laws, and Pennsylvania increased the maximum limits of reserves permitted without special approval by the Department of Banking.

Among the State statutes, there is a growing uniformity in reserve requirements. A large and increasing number of jurisdictions require that a minimum of 5 percent of net earnings be transferred periodically to reserves. More than half the States set a minimum measure for the accumulation of ultimate reserves at 5 percent or more of assets or share capital, with a recent trend toward a 10 percent requirement.[9]

Greater Emphasis on Liquidity

Finally, present operations of savings and loan associations give more attention to the maintenance of liquidity. During the early development of savings and loan associations, liquidity was not considered important. As the assets of such associations were invested in long-term mortgage loans, members were required to wait until funds were available to meet withdrawal requests, and penalties were imposed when savers desired to withdraw before the shares matured. Later these penalties were reduced and particularly during the easy-money period of the Twenties, the practice of paying on demand was more widely adopted. The depression, however, brought such unusually heavy withdrawals that many institutions were compelled to place withdrawals on a restricted basis and to withhold the payment of matured shares. With the exception of a few States where savings and loan associations still have pent-up maturities and withdrawals, such unpaid claims have been reduced to negligible amounts in the last few years.

[8] This figure includes two States (Tennessee and West Virginia) whose statutes, though mandatory in nature, do not set a minimum measure, and one (Georgia) in which the reserve requirements are set forth in regulations promulgated by the Secretary of State pursuant to statutory authority.

[9] For detailed information on statutory reserve requirements and reserve policies of savings and loan associations, see Federal Home Loan Bank Review, September 1938, November 1938, December 1938, and May 1939.

Today it is generally recognized that shareholders in savings and loan associations, although their investments are of a long-term nature, desire and are entitled to a reasonable availability of cash funds in case of need. From the point of view of the association, the payment of withdrawals in a manner satisfactory to the investor is necessary for the maintenance of confidence and public support. From the point of view of home-mortgage finance, institutions specializing in long-term home financing will not obtain sufficient funds to serve the needs of home builders or purchasers unless some degree of liquidity is assured. The Federal charter for savings and loan associations provides for a liberal withdrawal schedule,[10] and the Federal Savings and Loan Insurance Corporation expects insured associations in general to meet reasonable withdrawal requests promptly.

Liquidity of home-financing institutions, however, presents peculiar problems. The overwhelming portion of the resources of savings and loan associations is invested in long-term home mortgages which naturally do not constitute liquid assets. In this respect, the liquidity of such institutions is necessarily limited. It is in regard to liquidity that the Federal Home Loan Bank System performs one of its important services. The Bank System enables member institutions to obtain, without delay, cash on mortgage collateral and thus to meet withdrawals required by investors who are temporarily in need of money. The availability of funds in a central reserve bank reduces the necessity and costs of maintaining large liquid funds within each member institution. By supplementing their own liquidity with a large liquidity reserve, the Bank System places its member institutions in a position to meet any current or future needs with a greater degree of success than in the past.

Federal Aid

The above review reveals the considerable influence which the agencies under the direction of the Federal Home Loan Bank Board have exerted on the improvements in practices and operations of home-

[10] Charter K contains the following provisions for repurchases of shares: "Holders of share accounts shall have the right to file with the association their written applications to repurchase their share accounts, in part or in full, at any time. Upon the filing of such written applications to repurchase, the association shall number and file the same in the order received and shall either pay the holder the repurchase value of the share account, in part or in full as requested, or, after 30 days from the receipt of such application to repurchase, apply at least one-third of the receipts of the association from holders of share accounts and borrowers, to the repurchase of such share accounts in numerical order; provided, that if any holder of a share account applies for the repurchase of more than $1,000 of his share account or accounts, he shall be paid $1,000 in order when reached, and his application shall be charged with such amount as paid and shall be renumbered and placed at the end of the list of applications to repurchase, and thereafter, upon again being reached, shall be paid a like amount, but not exceeding the value of his account and until paid in full shall continue to be so paid, renumbered, and replaced at the end of the list"

financing institutions. However, the establishment of these agencies in itself was perhaps an even greater factor in the restoration of such institutions. Through the Federal Home Loan Bank System, savings and loan associations have been provided with a central source of financing, the absence of which proved so disastrous during the first few years of the depression. Through the establishment of a national system of savings and loan associations operating under a uniform Federal charter, the Federal savings and loan associations, a more complete geographic distribution of home-financing institutions over the country was achieved. Insurance of accounts through the Federal Savings and Loan Insurance Corporation has helped to revive and maintain confidence in the security and safety of thrift- and home-financing institutions.

Along with the establishment of Federal agencies in the field of home finance, direct Federal assistance, in the form of investments, has largely contributed to the rehabilitation of thrift- and home-financing institutions. Primarily designed to supply immediate funds for home finance at a time when private money sources had dried up, they have helped to develop a better system of home-financing institutions, to encourage the flow of private money into such institutions, and to stabilize the home-mortgage structure of the country. The following table presents a summary of Federal investments in thrift- and home-financing institutions and in permanent agencies under the Federal Home Loan Bank Board designed to assist such institutions:

Government investment in home-financing institutions and related Federal agencies, June 30, 1939

Federal Home Loan Bank System [1]	$124, 741, 000
Federal Savings and Loan Insurance Corporation [2]	100, 000, 000
Federal savings and loan associations [3]	217, 025, 500
Insured State-chartered savings and loan associations [4]	42, 917, 010
State-chartered noninsured member associations of the Federal Home Loan Bank System [4]	508, 000
Total	585, 191, 510

[1] Investment of United States Treasury in the capital stock of the 12 Federal Home Loan Banks.

[2] Investment of the Home Owners' Loan Corporation in the capital stock of the Federal Savings and Loan Insurance Corporation.

[3] Investment of the United States Treasury and the Home Owners' Loan Corporation in shares of Federal savings and loan associations.

[4] Investment of the Home Owners' Loan Corporation in shares of such institutions.

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IV

Federal Savings and Loan Associations

INCREASE IN NUMBER AND ASSETS OF FEDERAL ASSOCIATIONS

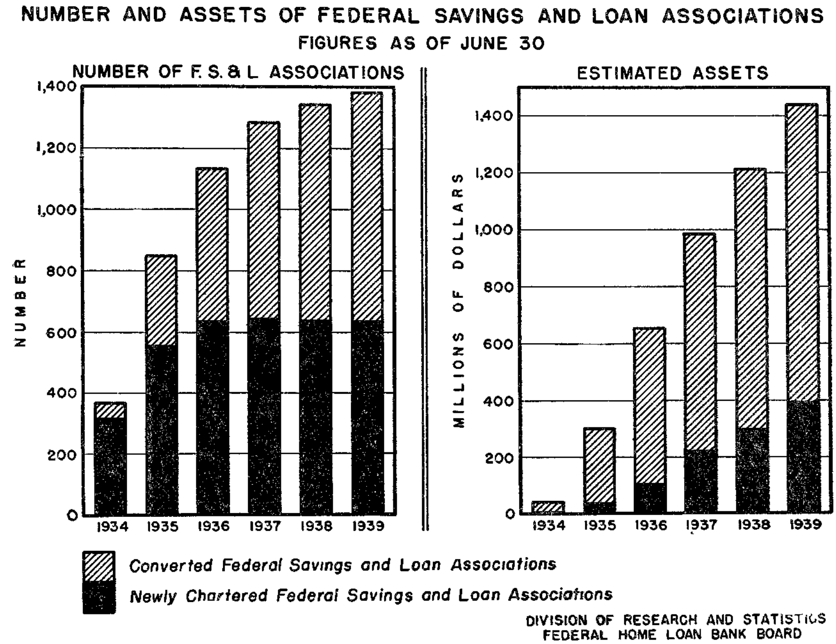
During the year ending June 30, 1939, the number of savings and loan associations operating under Federal charter increased from 1,346 to 1,386.[1] This net addition of 40 institutions to the Federal system of savings and loan associations was due, in the main, to conversions of State-chartered associations to Federal charter. As by and large the purpose of the Act providing for the establishment of new Federal savings and loan associations in areas not adequately served has been accomplished, the chartering of newly organized associations has naturally diminished in importance.

From July 1, 1938, to June 30, 1939, there were 78 charters issued, of which 4 were for new associations, and 74 for associations converting from State to Federal charter. During the same period, there were 38 charters canceled because of merger and liquidation. At the end of the fiscal year 1939 there were 100 applications for the issuance of Federal charters on file.

Owing to the continued growth in the resources of existing Federal savings and loan associations, the percentage increase in aggregate assets during the year by far exceeded the percentage increase in the number of associations operating under Federal charter. On June 30, 1939, the total estimated assets of Federal savings and loan associations stood at $1,442,069,000, as compared to $1,213,874,000 at the end of the preceding fiscal year—an increase of 18.8 percent. Exhibit 34 presents the number and estimated assets of Federal savings and loan associations, classified by new and converted associations, for each of the fiscal-year periods from June 30, 1934, to June 30, 1939.

[1] The difference between the 1,386 Federal savings and loan associations reported as chartered and the 1,380 Federal savings and loan associations listed as members of the Federal Home Loan Bank System is due to the lapse of time between the issuance or withdrawal of Federal charters and the issuance or withdrawal of membership certificates. The difference results from such time lapses mainly in the cases of conversions from State to Federal charter and terminations.

CHART XXIX



The following table indicates significant changes in the size distribution of Federal savings and loan associations during the fiscal year 1939; there was a general shift from the lower to the higher asset brackets, with the result that the number of associations in the asset brackets up to $250,000 decreased from 539 to 454, while the number of associations in each of the higher asset brackets increased.

Distribution of Federal savings and loan associations, by size groups

Asset size group	Number of associations	
	June 30, 1938	June 30, 1939
All associations	1,346	1,386
Less than $100,000	219	146
$100,000 to $250,000	320	308
$250,000 to $500,000	241	284
$500,000 to $1,000,000	250	264
$1,000,000 to $2,500,000	218	260
Over $2,500,000	98	124

At the end of the reporting period, 47 percent of all Federal savings and loan associations had assets in excess of $500,000, and 28 percent had assets in excess of $1,000,000.

Exhibit 35 shows the number, estimated assets, and mortgage loans outstanding of Federal savings and loan associations as of June 30, 1938, and June 30, 1939, by Federal Home Loan Bank Districts and by States.

During the year, the largest increase in the number of Federal savings and loan associations was in the Pittsburgh Federal Home Loan Bank District where there was a net addition of 21 institutions. The Cincinnati, Topeka, and Los Angeles Districts show smaller increases, and in several Districts, among which are Boston, New York, and Little Rock, the number of associations operating under Federal charter remained unchanged.

The increase in assets was general throughout the country. Again, the largest relative gain—of more than 50 percent—was in the Pittsburgh District, which recorded the above-mentioned addition of 21 Federal associations. The Los Angeles District ranked next with a growth in assets of Federal associations of 36 percent.

Mortgage loans outstanding increased by more than $195,000,000 to well above one billion dollars on June 30, 1939.

CONTINUED GROWTH IN PRIVATE INVESTMENTS

Ever since their organization, public confidence in Federal savings and loan associations has manifested itself in a large flow of private funds into these institutions. The fiscal year 1939 witnessed a further rapid increase of private investments. The number of private investors in Federal savings and loan associations rose from 1,030,096 to 1,299,915, an addition of 269,819 new investors, or 26 percent. The total amount of private investments in shares of Federal savings and loan associations increased from $763,725,000 to $990,872,000, or 30 percent. Some of this growth was, of course, due to the increase in number of Federal associations, but studies for an identical group of associations demonstrate that irrespective of changes in the number of associations, private funds have been entrusted to this youngest sector of the savings and loan industry at a steadily rising rate.

Index of private repurchasable capital in comparable Federal savings and loan associations [1]

[Cumulative; average month 1936=100]

Date	Private repurchasable capital	Percent increase over preceding year	Date	Private repurchasable capital	Percent increase over preceding year
June 30, 1935	91		June 30, 1938	133	17
June 30, 1936	100	10	June 30, 1939	165	24
June 30, 1937	114	14			

[1] This index eliminates the effect of conversion of State-chartered into Federally-chartered associations, and the addition of newly established Federal associations during the period. Any growth of associations due to consolidation, merger, or purchase of assets from other institutions is not reflected in the index.

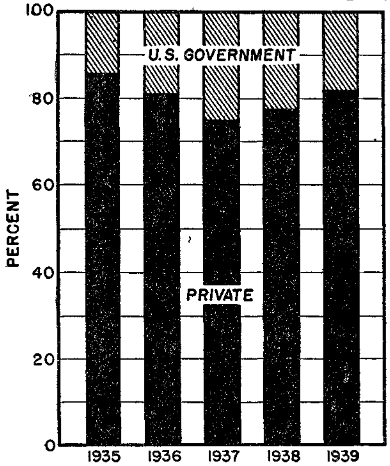
Exhibit 36 gives a detailed summary of the number of private investors and the volume of private investments in Federal savings and loan associations as of June 30, 1939, by Federal Home Loan Bank Districts and by States.

The continuous increase of investments by private shareholders resulted in a diminishing proportion of Government investments in the capital structure of Federal savings and loan associations. Such investments were made until November 1935 by the Secretary of the Treasury, on behalf of the United States Government, in the amount of $49,300,000; when these funds approached exhaustion, the Home Owners' Loan Corporation was authorized to invest in shares of Federal savings and loan associations and other member institutions of the Federal Home Loan Bank System up to $300,000,000. It may be said that these Government investments in savings and loan associations are a parallel to the support given the commercial banks by subscriptions of the Reconstruction Finance Corporation for preferred stock of banks. In both cases, Government assistance was designed to strengthen the capital structure of financial institutions, to encourage the flow of private money into such institutions, and to expedite the resumption of lending activity after the financial crisis.

CHART XXX

PRIVATE AND GOVERNMENT INVESTMENTS IN FEDERAL SAVINGS & LOAN ASSOCIATIONS

PERCENT DISTRIBUTION BY FISCAL YEAR PERIODS



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

As shown in the above chart, the proportion of Government investments in the total share capital of Federal savings and loan associations increased in the fiscal years 1936 and 1937, but declined substantially in the two following years.

During the fiscal year 1939, for the first time since the organization of Federal savings and loan associations, Treasury and HOLC investments in these institutions declined not only as a percent of total share capital but in absolute amount. At the end of the fiscal year 1938, net investments of the United States Treasury and the Home Owners' Loan Corporation totaled $218,567,000. A year later, such investments were reduced to $217,025,500. This decrease was due to substantial voluntary repurchases of Government investments by

Federal savings and loan associations, and to the policy of the Bank Board restricting new investments by the Home Owners' Loan Corporation to special cases, primarily in connection with reorganizations of individual associations and community-wide rehabilitation programs.

The terms under which investments were made by the Secretary of the Treasury and the Home Owners' Loan Corporation provide that neither the Treasury nor the HOLC may request the retirement of such investments for a period of five years from the date of the investment, and that thereafter requests may be made at the discretion of the Federal Home Loan Bank Board, but in no event in an amount exceeding (in any one year) 10 percent of the total amount invested in shares of any association by the Secretary of the Treasury or the Home Owners' Loan Corporation. As of June 30, 1939, the five-year period had expired in the case of 21 Federal savings and loan associations which had been the first recipients of Treasury investments. After having determined that the associations were in a position to meet this request, the Federal Home Loan Bank Board consented to call upon each of these associations to retire 10 percent of the Treasury investments made prior to July 1, 1934. These retirements become effective after the close of the fiscal year 1939.

However, a growing number of Federal savings and loan associations have begun voluntarily to repurchase share investments of the Government prior to the expiration of the five-year period. Particularly during the fiscal year 1939, the increase in private capital supplied the large majority of the associations with ample money to meet the demand for mortgage loans, and many associations had surplus funds available with which to retire shares subscribed for by the Government. The Federal Home Loan Bank Board has permitted such repurchases as a matter of sound policy whenever this was compatible with the condition of the associations in question.

Voluntary repurchases of Government investments by Federal savings and loan associations (cumulative), June 30

Investment by—	1936	1937	1938	1939
Treasury	$77,000	$1,116,300	$1,497,300	$5,308,300
HOLC	0	12,000	231,000	1,490,000

Under the rules and regulations prescribed by the Federal Home Loan Bank Board, voluntary repurchases of Treasury and HOLC investments are applicable to the next succeeding requests for repurchase which the Secretary of the Treasury or the Home Owners' Loan Corporation is permitted by law to make.

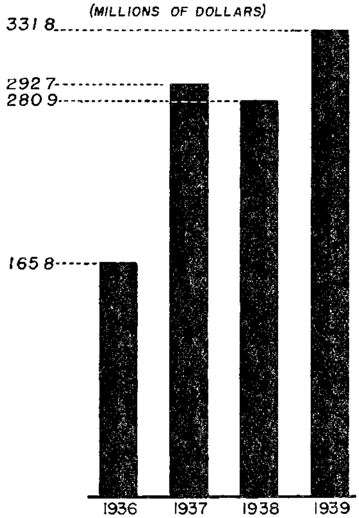
New investments of the Home Owners' Loan Corporation in shares of Federal savings and loan associations during the fiscal year 1939 aggregated only $1,649,000, as compared to $18,864,900 in the preceding fiscal year—a reflection of the above-mentioned policy to restrict such investments to cases of special importance where additional liquidity is needed.

Exhibit 37 presents a survey of share investments by the United States Treasury and the Home Owners' Loan Corporation in Federal savings and loan associations, as of June 30, 1938, and June 30, 1939, by Federal Home Loan Bank Districts and by States.

CHART XXXI

ESTIMATED VOLUME OF MORTGAGE LOANS MADE BY FEDERAL SAVINGS & LOAN ASSOCIATIONS BY FISCAL YEAR PERIODS

(MILLIONS OF DOLLARS)



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

During the calendar year 1938, for which full information on dividend payments is available, Federal savings and loan associations distributed $34,660,567 in dividends, of which $26,904,351 went to private shareholders, while $1,688,805 and $6,067,411, respectively, went to the United States Treasury and the Home Owners' Loan Corporation which receive dividends on their share investments on the same basis as do the private investors.

EXPANSION OF LENDING ACTIVITY

In the fiscal year 1939, the mortgage-lending activity of Federal savings and loan associations reached a new high. The estimated volume of mortgage loans made during this period totaled $333,959,000, as compared with $281,851,000 in the preceding fiscal-year period. This growth of more than 18 percent in mortgage-lending activity is all the more remarkable as the number of associations operating under Federal charter increased only slightly during the year.

The rapid expansion of their mortgage-lending activity is perhaps the most convincing evidence that the Federal savings and loan associations supply a much needed function. While the success of each association may be due to a variety of conditions, the progress of the Federal system of savings and loan associations as a whole has been the result primarily of four factors: the ability to attract ample funds; generally sound financial condition; aggressive and mostly full-time management; and the almost universal operation under one simple loan plan, the direct-reduction plan. All these factors have enabled Federal savings and loan associations to meet the sharp competition in the home-mortgage market without difficulty.

Of the total amount of mortgage loans made by Federal savings and loan associations during the past fiscal year, $142,412,000, or two-fifths of the total, was for home construction, reconditioning, and repair. The following figures show the distribution of mortgage loans written by Federal savings and loan associations during the year, classified by purpose of loan:

Estimated volume of mortgage loans made by Federal savings and loan associations during fiscal year 1939, by purpose of loan

Purpose	Amount	Percent of total	Purpose	Amount	Percent of total
Construction	$123,870,000	37.1	Other purposes	$28,942,000	8.7
Home purchase	95,161,000	28.5			
Refinancing	67,444,000	20.2	Total	333,959,000	100.0
Reconditioning and repair	18,542,000	5.5			

A summary of loans made by reporting Federal savings and loan associations during the year ended June 30, 1939, classified by purpose of loans, by Federal Home Loan Bank Districts and by States, is given in Exhibit 38.

FINANCIAL OPERATIONS

On the basis of the annual reports submitted by Federal savings and loan associations on standard forms, a detailed consolidated statement of operations has been compiled for the first time since the organization of such associations. The statement for the calendar year 1938, presented in Exhibit 39, shows that 1,355 reporting Federal savings and loan associations operating during that period produced a gross operating income of $66,666,000. Of this amount, $19,049,000, or 28.6 percent, was used for operating expenses. The aggregate net income (after interest and other charges) amounted to $44,464,000, of which 77.9 percent was distributed in dividends to accountholders and 22.1 percent added to reserves and undivided profits. As in previous years, these aggregate additions to reserves were far above statutory requirements.

Among operating expenses, compensation to directors, officers, and employees, and expenditure for advertising are the two largest items.

Total expense for compensation during the calendar year 1938 amounted to $8,852,000, or an average of $6,533 per reporting association, and absorbed 13.3 percent of gross operating income. Expenditure for business promotion totaled $2,086,000, or an average of approximately $1,540 per reporting association, and equalled 3.13 percent of gross operating income. Special studies made during the fiscal year 1939 indicate that savings and loan associations are using the various media of advertising to an increasing extent, and that Federal savings and loan associations play a leading part in this development.[2]

The Federal Home Loan Bank Board, through the twelve Federal Home Loan Banks, exercises supervision over the accuracy and fairness of the advertising of Federal savings and loan associations as well as of State-chartered associations insured by the Federal Savings and Loan Insurance Corporation. Efforts have been made to assist insured associations in the development of proper and effective methods of business promotion.

As operating ratios vary considerably according to the size of institution, an analysis of such ratios, grouped as to size of association, is presented in Exhibit 40. On the basis of this analysis, local managements are able to compare the operations of an individual association with those of a representative number of associations in the same size group. The data may also serve as a yardstick for operating budgets.

In the last few years, Federal savings and loan associations have made more intensive use of budgets as an instrument of business management and control. Through such budgets, associations are able to set definite goals to be attained in a given year, and to check the results of their operations in a more effective manner. Main factors in savings and loan budgets are the income obtained from mortgage loans and other sources, operating expenses—particularly compensation and advertising, an adequate dividend to attract capital, and the attainment of a strong reserve position.

As was pointed out in another section of this report,[3] decreased earnings resulting from the competition in the mortgage market, and the decline of interest rates on home mortgages have caused savings and loan associations in some sections of the country to reduce their dividend rates—in line with the general reduction of investment yields and of the interest paid on savings by other financial institutions. Exhibit 41 shows the average annual dividend rates paid by Federal

[2] For a detailed survey of business promotion expenditure of savings and loan associations, see Federal Home Loan Bank Review, May, June, and July, 1939.

[3] Survey of Housing and Mortgage Finance, pp. 43 to 44.

savings and loan associations, by Federal Home Loan Bank Districts and by States, for the calendar years 1937 and 1938.

Of the 46 States for which comparable data are available, 23 showed decreases in the average dividend rates paid by Federal savings and loan associations, and of the 12 Federal Home Loan Bank Districts, 9 reflected reductions of such rates. The greatest decline was in the Boston District where average dividend rates fell from 3.53 to 3.29 percent.

Combined balance sheet items of Federal savings and loan associations as of December 31, 1937, and December 31, 1938, are presented in Exhibits 30 and 31. Principal changes during the year were a decrease of real estate owned from 8.41 to 7.46 percent of total assets, an increase of first mortgage loans from 79.39 to 79.80 percent of aggregate assets, and improved liquidity in the form of larger cash holdings. The substantial flow of private money into Federal savings and loan associations is reflected in an increased ratio of private repurchasable capital to total resources; at the close of 1937, this ratio was 61.27 percent and a year later, 65.88 percent. Conversely, the ratio of Government investments to total resources declined from 19.65 to 16.58 percent.

PROPOSED FEDERAL LEGISLATION

As was mentioned in the preceding section dealing with the Federal Home Loan Bank System, the Bank Board has supported legislative proposals embodying a number of amendments to the laws governing the operations of its agencies. Among these amendments introduced in the Seventy-sixth Congress, the following main provisions refer to the operations of Federal savings and loan associations:

1. *Extension of lending and investment powers.*—Under the existing statute, mortgage loans made by Federal savings and loan associations are restricted to first liens of not more than $20,000 on one- to four-family homes or combination home and business properties, located within 50 miles of their home office. However, up to 15 percent of the total assets of a Federal savings and loan association may be loaned on first liens on "other improved real estate" without regard to the $20,000 and 50-mile limitations. The proposed legislation provides that the Federal Home Loan Bank Board shall be authorized to permit individual Federal savings and loan associations, because of their size or location, to lend within the 50-mile limit but without regard to the $20,000 limitation an additional 15 percent of their total assets on properties designed principally for residential use which may be for more than four families. The legislation as reported by

the House Committee on Banking and Currency would place a $100,000 limit on the size of any loan made under this provision.

Experience has shown that the present limitations on the character of mortgages which Federal savings and loan associations are allowed to make are too narrow for associations located in larger cities. In such cities a substantial portion of the existing dwelling units is in multi-family structures and the building and financing of such structures is an economic necessity. The proposed amendment would permit Federal savings and loan associations which have surplus funds to participate more fully in the financing of these multi-family structures. Apart from giving Federal savings and loan associations in large cities an outlet for their funds, this provision will enable these associations to cooperate to a greater extent in the housing program of the Government.

Furthermore, the proposed legislation would permit Federal savings and loan associations to participate more fully in the program under Title I of the National Housing Act (insured loans up to $2,500 for alterations, repairs, and improvements, and for new construction).

Finally, it is proposed to liberalize the investment powers of Federal savings and loan associations by allowing such associations to invest in those types of securities which are legal investments for trust funds. The Home Owners' Loan Act of 1933 limits investments of this type to obligations of the United States and the bonds of the Federal Home Loan Banks. Under this limitation, they cannot invest idle funds for their reserves or for temporary return in other sound securities. The proposed amendment would place them in a position to make better use of funds which, because of any current low demand for mortgage loans, they are unable to invest in mortgages. Investment would also be permitted in obligations of the Federal Savings and Loan Insurance Corporation.

2. *Conversion from Federal to State charter.*—There is no express provision in the existing law by which a Federal savings and loan association may abandon its Federal charter and convert into a State-chartered institution. Many of the State statutes authorize a Federal savings and loan association to obtain a State charter by this process of reconversion. The proposed amendment would expressly permit Federal savings and loan associations to reconvert into State-chartered institutions and would thus declare the principle of reciprocity between the respective States and the Federal Government in the matter of the conversion of home-financing institutions.

The amendment also expressly provides that State-chartered institutions may not convert to Federal charter if conversion would be in contravention of the State law. This provision merely gives statutory recognition to the decision in *Hopkins Federal Savings and Loan Association* v. *Cleary*, 296 U. S. 315 (1935).

STATE LEGISLATION

At the beginning of the fiscal year 1939, laws specifically permitting conversion of locally chartered member associations of the Federal Home Loan Bank System into Federal savings and loan associations had been enacted in 40 States and the Territory of Hawaii. During the fiscal year such laws were enacted in Vermont and Wisconsin. Legislation to permit the reconversion of Federal savings and loan associations into State-chartered institutions was enacted during said period in nine jurisdictions, including the two last named. In the reporting period, legislation was enacted in eighteen jurisdictions relative to investment by savings and loan associations, fiduciaries, banks, savings banks, insurance companies, or public corporations in the shares of Federal savings and loan associations. In one State (New York) a provision authorizing State-chartered associations to subscribe to shares of Federal savings and loan associations was repealed.

Since many of the legal relations which attach to Federal associations and their shares and accounts depend upon local rather than Federal law, it is considered desirable, for purposes of clarification, that it be expressly provided in the local statutes that such associations and the holders of their shares and accounts shall have the same rights, powers, privileges, exemptions, and immunities as locally chartered associations and their shareholders. Legislation on this point, which was regarded as adequately covered in only four jurisdictions at the beginning of the 1939 legislative sessions, was enacted in six additional jurisdictions during the reporting period.

The example of the Federal savings and loan associations has been an important factor in shaping the course of State legislation in the savings and loan field since 1933. To an increasing extent the trend of State laws has been toward the modernization of the structure and operations of State-chartered savings and loan associations through the permissive or required use of the direct-reduction loan, through specific statutory authorization of optional-payment shares, through prohibitions or restrictions on the issue of securities creating a debtor-creditor relation or having a definite maturity or rate of return, through mandatory provisions for adequate reserves, and through the reduction or abolition of fines, penalties, and forfeitures. All these are, and from the beginning of the program have been, features of the Federal savings and loan associations by virtue of provisions of the Home Owners' Loan Act of 1933 authorizing the organization of such associations, or by virtue of the charters, bylaws, and regulations prescribed by the Federal Home Loan Bank Board. Their adoption for the Federal savings and loan associations was the first instance of their general use throughout the Nation, though each of them had previously been used in particular localities. The reception of these features into the system of Federal savings and loan associations was also an important factor in bringing about their incorporation into the Uniform Savings and Loan Act. The Uniform Savings and Loan Act is designed to serve as a model for State legislation, and through this channel the practices adopted for the operations of Federal savings and loan associations will play a further part in molding the pattern of State legislation.

CONSTITUTIONALITY OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

On January 16, 1939, in the case of *Martin et al.* v. *First Federal Savings and Loan Association*, 305 U. S. 666, the United States Supreme Court, upon the motion of the Attorney General of Wisconsin and the members of the Banking Commission of that State, dismissed the writ of certiorari to the United States Circuit Court of Appeals for the Seventh Circuit in *First Federal Savings and Loan Association of Wisconsin* v. *Loomis et al.*, 97 F. (2d) 831 (1938). With this dismissal, the decision of the Circuit Court of Appeals, upholding the constitutionality of the provisions of Section 5 of the Home Owners' Loan Act of 1933 for the chartering and operation of Federal savings and loan associations, has become final.

The origin of the case dates back to July 1936, when the State Attorney General and the members of the Banking Commission petitioned the Supreme Court of the State for leave to file in that court an original proceeding in the nature of quo warranto against the association and its directors, alleging that the defendants were illegally conducting a building and loan business in the State without complying with the Wisconsin laws in regard to the organization, incorporation, and operation of building and loan associations. Thereupon, the association filed suit in the United States District Court for the Western District of Wisconsin against the Attorney General and the members of the Banking Commission, reciting, among other things, that defendants had threatened to bring suit and had made public assertions that the association was unlawfully operating in Wisconsin and that Section 5 of the Home Owners' Loan Act of 1933 was unconstitutional and void. The bill prayed an injunction to restrain defendants from interfering with the association and a declaration that the latter had a lawful right to transact business in the State.

The defendants, by their amended answer, substantially admitted the facts alleged, but contended that Section 5 was unconstitutional and beyond the powers of Congress, that the plaintiff association was therefore not legally organized or incorporated, and that it was doing business in Wisconsin without right and in contravention of the laws of the State. The District Court, after hearing the case without testimony, on the association's motion to strike the amended answer, held Section 5 to be constitutional and enjoined the defendants from interfering with the transaction of business in Wisconsin by the association (*First Federal Savings and Loan Association* v. *Finnegan et al.*, 19 F. Supp. 678 (1937).) This decision was affirmed by the Circuit Court.

In the opinion rendered by the majority of the Circuit Court, it was held that the provision of Section 5 that Federal savings and loan associations shall act as fiscal agents of the United States when designated by the Secretary of the Treasury, and may act as agent for any other instrumentality of the United States when designated by such instrumentality, brings such associations within the implied power of Congress to create financial corporations as fiscal agents of the Government. This power, the court stated, has been recognized so often—beginning with *McCulloch* v. *Maryland*, 4 Wheat. 316, and continuing through *Smith* v. *Kansas City Title and Trust Company*, 255 U. S. 180—that it must be regarded as a settled matter. The majority opinion also expressed the view that Section 5 is sustainable under the general welfare clause of the Constitution. After referring to recent cases in which the Supreme Court upheld the validity of certain provisions of the Social Security Act under the authority of Congress to expend money for the general welfare, the majority opinion stated: "To our mind the preservation of home owners and the promotion of a sound system of home mortgage is none the less national in scope than the provisions for the unemployed and the aged. Its scope, as affecting the welfare of the Nation as a whole, is of equal importance. To say that Congress has the authority to make provision for one class but not the other is to make a distinction justified by neither logic nor common sense. The problem presented in one case is no less national in its aspect than that presented in the other."

V

Federal Savings and Loan Insurance Corporation

PROGRESS OF INSURANCE PROTECTION

During the fiscal year 1939, the Federal Savings and Loan Insurance Corporation has made further progress in extending protection to investors in thrift- and home-financing institutions. From July 1, 1938, to June 30, 1939, the number of savings and loan associations insured by the Corporation increased from 2,015 to 2,170. Of the latter number, 1,383 were Federal savings and loan associations,[1] and 787 State-chartered savings and loan associations.

During the year, new insurance certificates were issued to 176 institutions, with assets of approximately $138,000,000. Of these newly insured associations, 138 were State-chartered institutions, and 38 were institutions operating under Federal charter. In the same period, 21 insured savings and loan associations discontinued operations as independent institutions through merger or liquidation. As a result, there was a net increase of 155 insured institutions for the year.

Exhibit 42 presents the number and the approximate assets of insured associations as well as the number of private investors holding repurchasable shares in these institutions, as of June 30, 1939, by Federal Home Loan Bank Districts and by States. The total assets of insured savings and loan associations rose from $1,978,000,000 to $2,339,411,000 during the year—an increase of 18 percent. The number of private investors holding accounts in insured institutions increased from 1,832,764 to 2,236,043 or by 22 percent. Each of these investors is protected by the Corporation against loss of his savings and credited earnings to a maximum of $5,000.

The large majority of insured investors are small savers who have accumulated moderate sums in thrift- and home-financing institutions to provide reserves for a "rainy day" or funds for the acquisition of a home. On June 30, 1939, the average account per private investor in insured savings and loan associations was $741.

[1] The difference between the 1,383 Federal savings and loan associations reported as insured and the 1,386 Federal savings and loan associations reported as chartered is due to the lapse of time between the issuance or withdrawal of Federal charters and the issuance or withdrawal of insurance certificates.

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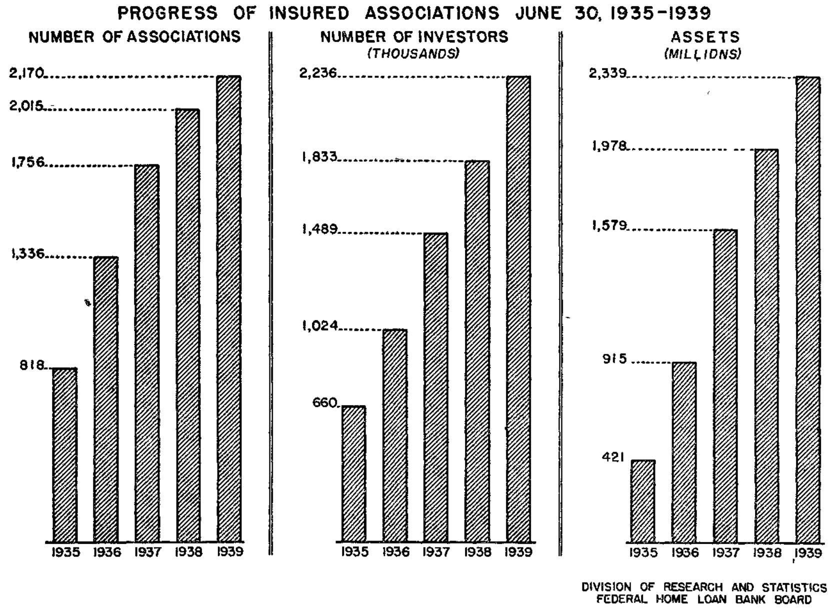
The extent of insurance protection afforded by the Federal Savings and Loan Insurance Corporation is indicated by the fact that on June 30, 1939, more than 55 percent of the total number of member savings and loan associations of the Federal Home Loan Bank System were insured. These associations held approximately 60 percent of the total assets of savings and loan members of the Bank System. In many parts of the country, the majority of sound, eligible thrift- and home-financing institutions now offer their investors insurance

CHART XXXII



protection against loss; in 23 States, more than 75 percent of all savings and loan members of the Federal Home Loan Bank System were insured by the Federal Savings and Loan Insurance Corporation as of June 30, 1939.[2]

As the insurance program proceeds, a larger percentage of applicant associations are found to be in need of improvement in financial condition or management before they are able to meet the eligibility requirements of the Corporation. In a few areas, particularly, a substantial amount of reorganization work will be necessary before the insurance of share investments by the Corporation can be extended. In these areas, there are still considerable numbers of associations

[2] For a comparison of savings and loan members of the Federal Home Loan Bank System with associations insured by the Federal Savings and Loan Insurance Corporation, by Bank Districts and by States, see Exhibit 43.

which, as a result of the depression, are burdened with excessive holdings of real estate and other assets of doubtful quality, and which therefore cannot qualify for insurance of accounts at the present moment. Naturally, the solution of the involved problems of associations in need of reorganization requires time and effort. This results in a less rapid increase in the number of insured associations than was the case in the early years of the Corporation's history.

COMMUNITY PROGRAMS

In the last fiscal year the Federal Savings and Loan Insurance Corporation, in cooperation with the Federal Home Loan Banks and State supervisory authorities, has devoted much attention to the alleviation of conditions which prevent home-financing institutions in certain parts of the country from operating normally. For several areas where fundamental improvements are necessary, community programs have been developed with a view to providing an over-all solution of the savings and loan situation.

These programs are based on a review of general economic and real estate conditions in the community, a determination of the need for savings and home-financing facilities, and a survey of the condition of existing savings and loan associations. Based on these analyses, the programs provide for the voluntary or involuntary liquidation of associations which should be discontinued, for the merger of weak or small associations, for reorganizations in various forms, and for the ultimate insurance of accounts of eligible associations.

In some areas, the execution of community programs has progressed steadily and has brought about a substantial rehabilitation of the local savings and loan industry. In other areas, the development of community programs is under way and will result, in the near future, in the insurance of an appreciable number of sound associations.

An example of a well-rounded community program for the rehabilitation of the entire local savings and loan industry is that for the city of New Orleans. At the close of 1934, when the New Orleans program was formulated, there were 53 associations with assets of $87,386,000 operating in the city. As a result of a rehabilitation program executed by the State supervisory authorities in collaboration with the Insurance Corporation, there remained 32 associations, which on June 30, 1939, had aggregate assets of $57,563,000. All these associations have been insured by the Federal Savings and Loan Insurance Corporation. The beneficial effects of a program such as this are clearly evident in the operating statistics of the present New Orleans associations. From July 1, 1938, to June 30, 1939, the aggregate assets of these associations increased by 8.17 percent, and their total private repurchasable capital rose by 13.06 percent. The combined volume of mortgage loans made by the associations in that period amounted to $11,797,000, and they accounted for two-thirds of all nonfarm mortgages of not more than $20,000 recorded in this lending area. The situation today is in sharp contrast to that existing in 1934 when virtually all associations in the city were on a restricted basis with respect to the payment of withdrawals, home-financing activity was at a standstill, and many associations were in imminent danger of going into receivership.

In the city of Milwaukee where there has been developed a comprehensive program of rehabilitation and insurance, 25 associations were insured as a group in June 1939. These associations had not been operating normally in the payment of withdrawals and it was therefore felt that simultaneous insurance would do much to foster confidence. In the first few weeks following insurance, this group of 25 associations, far from being overwhelmed with withdrawal demands, actually recorded substantial net gains in private capital investments.

In Baltimore, Chicago, and Philadelphia, city-wide programs to rehabilitate the local savings and loan industry are in various stages of progress. Of these, the Chicago program is perhaps nearest to completion. When this program was originally drawn up, there were 256 associations with combined assets of approximately $105,569,000 operating in the Chicago area. Many of these associations were small neighborhood institutions under part-time management and barely able to operate profitably. As of June 30, 1939, the Federal Savings and Loan Insurance Corporation had insured 89 institutions with assets of $79,739,000, and there remained 54 associations, with total assets of $21,234,000, which appeared to be insurable either as independent institutions or on a merger basis. Estimates as of June 30, 1939, indicate that at the conclusion of the Chicago program there will be approximately 125 active associations with combined assets of about $100,000,000, all of which will be sound, normally operating institutions with the majority insured by the Federal Savings and Loan Insurance Corporation.

In the State of New Jersey the Insurance Corporation has cooperated in the development of rehabilitation programs for some 64 communities. As of June 30, 1939, there were 56 insured associations in that State; a substantial number of these institutions represent mergers or consolidations of two or more associations. As the execution of community programs continues, a further increase in the number of sound insured associations in New Jersey is expected.

ELIGIBILITY REQUIREMENTS

On June 30, 1939, there were 222 applications for insurance of accounts pending. Of these, 30 were undergoing examination in Washington, and 192 were awaiting action in the field, divided as follows: conditionally approved cases, where the applicant association had not yet complied with previously imposed requirements, 106; awaiting field examination, 19; and deferred or in suspense, 67 cases.

As a protection to the Government, which has provided its capital stock, and as a safeguard to the investing public and to the institutions which are already insured, the Federal Savings and Loan Insurance Corporation maintains minimum eligibility requirements which must be met before insurance can be obtained by applicant associations. Through these requirements, which are based on the best practices developed by the industry itself, the general quality of management and operations of the savings and loan business throughout the country has been raised substantially.

As efficient management is a prime requisite to the continued successful operation of a financial institution, the Corporation requires in general that full-time executive management be provided. Under modern conditions the growth and development of an association in a measure commensurate with the opportunities in its community usually demand the full time and attention of an association's management. Full-time executive management also tends to eliminate the combination of savings and loan management with that of other businesses such as real estate, insurance, or the practice of law—a relic in many parts of the country of the early days of the savings and loan industry. Where necessary, improvement in the quality of management is a condition for the insurance of accounts. In reorganization cases, the Corporation requests changes in management and directorate whenever this is dictated by the past record of operations.

The Corporation urges insured associations in all but the smallest communities to establish full-time office quarters in a location commensurate with the needs of a financial institution, and desires that such offices be dissociated from any other business enterprise. For obvious reasons, the Corporation insists in every case that the insured association shall not share space with any savings and loan association or other financial institution accepting funds from the public not insured by the Corporation itself or by the Federal Deposit Insurance Corporation.

Another requirement of the Corporation, designed to strengthen public confidence, is the elimination of unpaid withdrawals and maturities and the submission of evidence that the applicant association will be willing and able to meet withdrawal demands promptly. As membership in the Federal Home Loan Bank System is the best assurance of an association's ability to meet unusual cash requirements, membership in the Bank System is regarded as desirable for all associations applying for insurance.

The Corporation advocates the adoption by insured associations of a few uniform, basic types of share investments. In past years there was a tendency among savings and loan associations in certain parts of the country to offer installment savings facilities exclusively and to refuse lump-sum investments. In other sections so many different types of share accounts were made available to investors that the public was confused. In its requirements relative to forms of security, the Insurance Corporation has endeavored to take a middle course between these extremes. It has encouraged the use of simple types of share accounts providing opportunity for lump-sum investments and for installment payments, either regular or optional.

The Corporation requires that all forms of security issued by an insured institution shall be approved by the Corporation and shall not contain any language which might in any way serve to confuse or mislead investors. The Corporation encourages all insured associations either to eliminate penalties for withdrawals of share investments or at least to adopt a reasonable dividend-retention schedule which will not work an undue hardship on the withdrawing investor.

SUPERVISION

As a means of protecting its own interests as well as those of the insured investors, the Federal Savings and Loan Insurance Corporation exercises close supervision over insured institutions. This supervision extends not only to the annual examination and audit of each insured savings and loan association and to matters of statute and regulation, but includes constant study of the progress of each insured institution through an analysis of monthly reports and through personal contacts of the officers of the twelve Federal Home Loan Banks, who act as agents of the Insurance Corporation in their respective Districts.

While its immediate purpose is to discover unhealthy trends in the operation of insured institutions and to bring about remedial steps before such trends impair the safety of insured investments, supervision attempts at the same time to develop to the maximum degree the usefulness of savings and loan associations to their communities. It undertakes to assist local management with respect to sound lending and savings plans and progressive and efficient business practices. The Federal Home Loan Banks which, through their close observation of the operations of hundreds of institutions in each District, have become a storehouse of experience in this field, are doing a great deal of consultation work designed to improve the operations of insured institutions. In a number of Federal Home Loan Bank Districts, operating budgets have been developed for associations of various sizes to assist in cost analyses and control. With the cooperation of the Insurance Corporation, the Federal Home Loan Banks have also helped in the development of effective advertising methods and in the organization of joint advertising campaigns by groups of insured associations in the same community or area.

Federal savings and loan associations are examined annually by the Examining Division of the Federal Home Loan Bank Board. For State-chartered insured institutions, joint examinations by the Examining Division of the Bank Board and the State supervisory authorities are conducted in all but fifteen States. This should result in keeping the cost and inconvenience of examination to such institutions at a minimum.

As was mentioned in an earlier part of this report,[3] the cost of examinations conducted by the Examining Division of the Federal Home Loan Bank Board was reduced materially during the fiscal year 1939.

SETTLEMENTS

During the reporting period, the Federal Savings and Loan Insurance Corporation completed three settlements, which brought the total number of settlements since its creation to seven. On June 30, 1939, there were three additional cases pending.

In all cases hitherto settled, the Corporation has acted under the authority given by Section 406 (f) of the National Housing Act as amended, which reads:

> "In order to prevent a default in an insured institution or in order to restore an insured institution in default to normal operation as an insured institution, the Corporation is authorized, in its discretion, to make loans to, purchase the assets of, or make a contribution to, an insured institution or an insured institution in default; but no contribution shall be made to any such institution in an amount in excess of that which the Corporation finds to be reasonably necessary to save the expense of liquidating such institution."

In three of the seven cases settled up to June 30, 1939, the associations, with the aid of cash contributions by the Corporation, liquidated voluntarily, paying all insured investors in cash immediately. In two instances, the associations, with the assistance of a cash con-

[3] Section I, p. 18.

tribution by the Insurance Corporation, continued operation under new management, and in the remaining two instances, the impaired associations after restoration of their assets were merged with other insured institutions in the community.

There follows a brief description of the three cases settled during the fiscal year 1939:

Because of poor management and large real estate holdings, a converted Federal savings and loan association in an eastern State encountered serious difficulties resulting in an impairment of capital. After a thorough examination of the association, the Insurance Corporation determined that continued operation of the association under new management was desirable both from the standpoint of the association's investors and the savings and loan business as a whole, and that the needed contribution was less than the cost of liquidation. The Corporation made a contribution of $34,083.97 to restore the capital of the institution and interested a progressive group of citizens in serving as directors of the association. In the six months following the settlement, the assets of the association more than doubled in size, and the association, under new management, has become an important factor in the thrift and home financing activity of the community. That portion of the contribution not needed to cover losses realized in the liquidation of undesirable assets is subject to return to the Corporation.

Appraisals of real estate owned by a State-chartered insured institution in a northeastern State reflected an impairment of capital. In cooperation with the State supervisory authority, a plan of merger with a near-by insured State-chartered institution was developed. Upon determination by the Insurance Corporation that a cash contribution to restore the association's capital was more desirable and less expensive than liquidation, the Corporation made a contribution of $5,000 toward the restoration of the impaired capital of the association. The latter thereupon merged into the neighboring institution.

A similar settlement was effected for another State-chartered savings and loan association in the Northeast, in which a considerable impairment developed because of poor management and a decline of real-estate values in the community. A detailed audit of the association and a study of the local situation revealed that the most desirable and the least expensive method of settlement was restoration of the association's capital and merger into a strong well-managed Federal savings and loan association in the same community. A contribution of $246,905.35 was thereupon made to the association, and after conversion of the association to Federal charter, the merger was effected. It was agreed that the portion of the contribution ultimately not required to absorb losses is subject to return to the Corporation and if losses are greater than anticipated, the Corporation will make further contributions to a maximum of $104,629.36, upon approval of its board of trustees.

Contributions made during the fiscal year 1939 totaled $285,989.32. Aggregate gross contributions since the beginning of operations to June 30, 1939, were $390,834.82, part of which is subject to recovery in the liquidation of assets. Recoveries of $4,752.74 have already been realized and returned to the Corporation prior to June 30, 1939.

OPERATIONS OF THE INSURANCE CORPORATION

With the growth in private capital of institutions already insured and the increase in number of insured associations, the potential liability of the Corporation rose from $1,400,000,000 on June 30, 1938, to $1,725,000,000 on June 30, 1939. These figures represent the aggregate amount of all insured share accounts (up to $5,000) and the total creditor obligations of all insured institutions. It is inconceivable that the potential liability should all become real, since this could be occasioned only by the failure of every association with no recovery from any asset. Experience has proved that under any but the most abnormal conditions, savings and loan failures are relatively few, and that in the event of failure, a substantial return from the assets may be safely anticipated. On June 30, 1939, the combined net assets of insured associations exceeded the total potential liability of the Corporation by more than $600,000,000.

Against the potential liability, resources of the Corporation on June 30, 1939, totaled $119,400,262, or $1 for each $14 of potential liability. In addition to its capital stock of $100,000,000 provided by Congress and subscribed for by the Home Owners' Loan Corporation, the Insurance Corporation on June 30, 1939, had a surplus of $2,439,857, a reserve fund as provided by law in the amount of $3,843,487, and a special reserve for contingencies of $12,000,000. As in prior years, all income above expenses was placed in the reserves of the Corporation, and contributions for the settlement of insurance cases were deducted from the reserves.

The capital of the Corporation is invested in Government-guaranteed bonds of the Home Owners' Loan Corporation. Reserve funds are invested primarily in United States Treasury bonds, with the remainder in Home Owners' Loan Corporation bonds and in obligations of the Reconstruction Finance Corporation and the Commodity Credit Corporation.

The Corporation operates on the principle of mutual insurance. Each insured institution pays an annual insurance premium of ⅛ of 1 percent of the total of its insurable accounts plus all creditor obligations. The annual payment approximates 11 cents for each $100 of assets of the institution.

The premium income of the Corporation during the fiscal year 1939 totaled $2,291,893 as compared with $1,881,450 during the preceding fiscal year. As a fair contribution to the already accumulated reserves of the Corporation, the institutions which were newly insured during the fiscal year 1939 paid an admission fee equal to 4 cents for each $100 of the aggregate amount of all accounts of an insurable type and creditor liabilities. Admission fees aggregated $45,353 as against $65,927 in the preceding year.

During the fiscal year 1939, interest earned on investments totaled $3,367,432 as compared with $3,262,774 in the preceding year. Including miscellaneous items, the aggregate income of the Corporation during the year was $5,729,377, an increase of $519,121 over the preceding period. Administrative expenses were $213,122, including $69,197 for services rendered to the Corporation by the Federal Home Loan Bank Board; and nonadministrative expenses, representing in the main expenses for travel, special examinations, attorneys' fees, and other expenses in connection with settlement cases, totaled $9,873. This compares with total expenses, administrative and nonadministrative, of $192,848 in the preceding fiscal-year period.

Exhibits 44, 45, and 46 present detailed statements of financial condition and of income and expense during the fiscal year 1939.

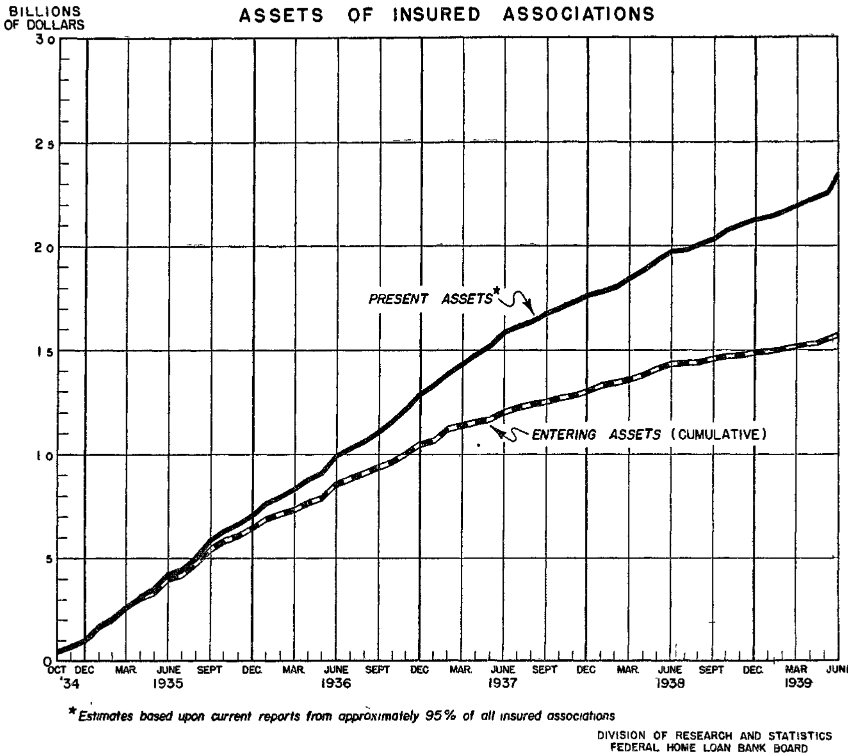
On June 30, 1939, the Corporation's personnel numbered 39 as compared to 41 one year before. This decrease was due to internal adjustments with the Federal Home Loan Bank Board and does not reflect any reduction in work load. In addition to its own staff, the Corporation has available the facilities of the general service divisions under the Federal Home Loan Bank Board, the members of which also act as trustees of the Corporation. In return for these services the Corporation shares in the general expenses of the Bank Board as indicated above. This arrangement has helped to keep administrative expenses of the Insurance Corporation at the lowest possible level.

OPERATIONS OF INSURED ASSOCIATIONS

The value of insurance of accounts to home-financing institutions is reflected in the substantial progress of insured savings and loan associations. In general terms, this progress is revealed in Chart XXXIII showingt he trend of "entering assets" and "present assets" of insured associations from the beginning of operations to June 30, 1939. The dotted line on the chart represents the assets as of the date at which insurance was granted; the addition of these entering assets yields a cumulative total at the end of each month. The solid line represents the total amount of assets of insured associations at the end of each month. The spread between the two lines indicates the gain in assets of insured institutions after insurance of accounts was obtained.

To provide an accurate account of the growth of associations insured by the Federal Savings and Loan Insurance Corporation, a special study has been made tracing over two years—from December 31, 1936, to December 31, 1938—the operations of associations that had been insured up to December 31, 1936, eliminating the institutions insured after that date and those which were involved in mergers. The results of the study show that during the two-year period, the total assets of 1,383 identical associations increased by 28 percent. Their private repurchasable capital rose by 29 percent, and their first-mortgage holdings, by 40 percent.

CHART XXXIII



Increase in selected balance sheet items of 1,383 identical insured savings and loan associations, Dec. 31, 1938, compared with Dec. 31, 1936

	Amounts		Percent increase in 2 years
	Dec. 31, 1936	Dec. 31, 1938	
Total assets	$1,145,341,000	$1,461,571,600	28
First mortgages held	816,751,600	1,144,514,500	40
Private repurchasable capital	756,664,000	974,526,300	29

One of the causes of the success of savings and loan associations which have obtained insurance of accounts is the cumulative effect of insurance. A survey made for all associations insured up to the close of 1936, grouped by year of insurance, evidences clearly that the benefits from insurance of accounts to the institutions themselves are intensified in proportion to the length of time during which insurance has been in force. These benefits are mainly reflected in larger numbers of investors and increased amounts of private share capital.

Growth of private investments in all associations insured through Dec. 31, 1936, during the two-year period 1937–38

Year of insurance	Increase in private investors	Increase in private share capital
Associations insured in—	*Percent*	*Percent*
1936	15.3	16.2
1935	28.1	27.5
1934	60.1	85.7

Those associations which had obtained insurance in 1936 showed a gain in private investors and private capital by about one-sixth during the two-year period under consideration. Those associations which received their insurance certificates in 1935 reported an increase by more than one-quarter during the same two-year period, and the associations insured in 1934 recorded the largest gain. All together, the 1,529 institutions included in this survey opened new accounts for more than a third of a million investors, and they increased their private share capital by approximately $260,000,000 during 1937 and 1938. Exhibit 47 shows the average increase in private repurchasable capital for these institutions, grouped by year of insurance and by Federal Home Loan Bank Districts.

Exhibits 30 and 31 present a summary of combined balance sheet items for Federal savings and loan associations as well as State-chartered insured associations, as of December 31, 1937, and December 31, 1938. At the close of 1938, private investments in all insured associations totaled close to $1,500,000,000, and Government investments aggregated $258,036,000. During the year, the ratio of Government investments to total resources of insured associations decreased from 14.3 to 12.1 percent, and the ratio of private investments to total resources increased from 68.0 to 70.6 percent—another reflection of the substantial flow of private money into insured associations.

With the growth in resources, insured savings and loan associations during the fiscal year 1939 were able to lend substantial amounts on mortgages. All together, the estimated volume of mortgage loans made by insured associations from July 1, 1938, to June 30, 1939, was $487,208,000, or approximately 56 percent of the total amount of mortgage loans written by all savings and loan associations during that period.

INSURANCE AS A FACTOR IN REHABILITATION

Apart from its general effect on the restoration of confidence in home-financing institutions, insurance of accounts has become an important factor in the rehabilitation of those savings and loan associations which—in consequence of the general financial crisis in the early Thirties—required reorganization. As institutions which for some time are inactive become a drag on the sound associations in their respective communities, the rehabilitation efforts of the Federal Savings and Loan Insurance Corporation will ultimately enhance the stability and progress of the savings and loan industry as a whole.

Before the establishment of the Federal Savings and Loan Insurance Corporation, correction of unsound conditions of savings and loan associations by reorganization was seldom attempted. With a few exceptions, those associations which became impaired, or burdened with excessive real-estate holdings and other bad assets, had to go into voluntary or involuntary liquidation—a procedure which was costly and cumbersome, and generally produced unsatisfactory results for the members.

With the aid of insurance of accounts, savings and loan associations were able to undertake effective reorganization measures in a large number of cases. As soon as the advantages of insurance of accounts were understood by the general public, shareholders of associations which had become involved in financial difficulties of various kinds evidenced a willingness to support sound reorganization assuring normal operations.

From the beginning of operations through June 30, 1939, the Federal Savings and Loan Insurance Corporation has been instrumental in effecting reorganization with subsequent insurance of accounts in the case of 284 savings and loan associations, with aggregate assets of $338,636,000 prior to reorganization. Of this number, 177 associations underwent segregation of assets, 43 accomplished capital reorganization through write-down, and 64 strengthened their reserves by means of pledge of shares.

In general, segregation of assets has been used where the association is burdened with an excessive proportion of slow assets; write-down where there is a moderate amount of capital impairment coupled with an otherwise sound asset picture; and pledge of shares where too small a margin of free reserves is indicated without actual impairment of capital.

Of the various forms of reorganization, segregation of assets has to date been the most common. Under this method, the assets are divided into acceptable and unacceptable groups with a corresponding division of liabilities. As a rule, all real estate owned, slow mortgage loans, funds in closed banks, and other assets of a questionable quality are segregated for eventual liquidation.

In the majority of earlier segregations undertaken with the cooperation of the Insurance Corporation, the unacceptable assets were transferred to liquidating trustees or specially chartered corporations. However, many associations which have undergone reorganization in the past year or two have followed the procedure of transferring the good or acceptable assets to a new association organized specifically for that purpose. Immediately upon completion of the transfer, the newly organized association receives insurance and is ready for normal operation. The old association which retains the unacceptable assets goes into formal liquidation. The method of transferring acceptable assets to a completely new association facilitates the process of rehabilitation, since it dissociates the new association from the old institution which ran into difficulty. The new insured association is, therefore, in a much better position to attract savings from the general public and to operate normally.

Through such segregation of assets, only the form of the members' investment is changed. Investors receive, to the total amount of their accumulated savings and profits, share certificates in the new association and certificates of interest in the old liquidating corporation. They gain, on the other hand, by having such portion of their investments as is transferred to the new association insured and withdrawable, while previously their funds were entirely frozen.

As a result of its experience over the past five years, the Federal Savings and Loan Insurance Corporation now seldom, if ever, gives its approval to a plan of reorganization contemplating a division of share liability on anything less favorable than a fifty-fifty basis. In many cases it has been possible to raise the original segregation ratio, based on the division of assets, by loans from the Reconstruction Finance Corporation and other sources, secured by the collateral available in the liquidating corporation. The cash proceeds of such loans are transferred to the new association together with the sound loans and other acceptable assets, but the liability for the loan remains in the old association going into liquidation. This procedure permits a material increase in the proportion of share investments which can be transferred to the new insured institution.

The experience of associations undertaking segregation of assets as a means of qualifying for insurance generally has been very satisfactory.

The 177 institutions which have been insured following segregation had combined assets of $104,155,000 immediately after segregation. As of June 30, 1939, however, this group of associations had total resources of approximately $133,262,000, reflecting an average growth subsequent to segregation and insurance of approximately 28 percent.

In contrast to segregation, reorganization through write-down of share capital is a relatively simple matter. In such cases, it merely becomes necessary to determine the actual extent of existing impairment and the amount of additional free reserves which should be provided in the light of the quality of the particular assets in question. To judge from the experience of the Insurance Corporation, this form of reorganization is desirable only if the amount of required write-down does not exceed 15 or 20 percent of outstanding capital. Where any greater reserve deficiency exists, segregation has been found to represent a more satisfactory solution.

In securing the shareholders' approval for write-down of capital, little difficulty has been encountered once the situation has been fully explained to them. In most cases, the amount of the write-down is equivalent to no more than the dividends declared on shares during the preceding two or three years. As compared with the expense of a long drawn out liquidation or the tying up of a substantial portion of all accounts as a result of segregation, the advantages of an immediate write-down to eliminate the difficulties, once and for all, are quickly apparent.

The 43 associations in various parts of the country which were insured following write-down of capital have shown an excellent recovery from the effects of reorganization. As a group, these institutions had total resources of approximately $44,603,000 immediately after reorganization. In the interval between the time of reorganization and June 30, 1939, their aggregate assets have grown to $60,132,000—an increase of about 35 percent.

Where the capital of an association applying for insurance is found to be unimpaired, but the margin of free reserve after allowance for all indicated losses is too narrow in relation to the quality of the institution's assets, readjustment of the capital structure through pledge of shares often provides a satisfactory solution. In most instances the amount of the required pledge is not large in relation to the total amount of capital outstanding and it is often possible for the directors and officers themselves to set up the pledge out of their own holdings, thus making it unnecessary to disturb the main body of shareholders.

Under this procedure, a group of shareholders, either officers or directors or interested individuals not connected with the management, pledge all or a portion of their share investments as a guarantee to the association against losses of any and all kinds which may exceed available reserves. The shares so pledged are ordinarily placed in escrow with the Federal Home Loan Bank serving the area in which the association is located.

The pledge and escrow agreement always contains a clause providing for the release of the shares pledged when certain stated conditions have been met. Ordinarily, the condition for release is based upon the transfer to reserves of a predetermined amount out of future earnings. Occasionally the release is made contingent upon a stated increase in the percentage of free reserves to net assets. In practically all cases, moreover, there is a further provision in the agreement for release of the pledge at the discretion of the Insurance Corporation if the condition of the association as disclosed by any regular or special supervisory examination appears to justify such action. In some cases where anticipated net earnings are unduly low, the pledge agreement may also contain a waiver of dividends on the part of the holders of the escrowed shares.

The 64 associations which have been insured following pledge and escrow of share capital had combined assets of $64,515,000 at the time of reorganization. Since that time to June 30, 1939, their resources have grown to $77,418,000—an increase of approximately 20 percent.

Rehabilitation of savings and loan associations in the last few years has been assisted by the investment of Government funds in shares of such associations. As pointed out in other sections of this report, the Home Owners' Loan Corporation was authorized in 1935 to invest up to 300 million dollars in the shares of savings and loan associations which are members of the Federal Home Loan Bank System or which are insured by the Federal Savings and Loan Insurance Corporation. These investments were designed to assist in the rehabilitation of the country's home-financing structure. In the summer of 1937 when such investments by the Home Owners' Loan Corporation had reached approximately 200 million dollars, the Federal Home Loan Bank Board determined that in order most effectively to utilize the remaining 100 million dollars, further investments should be restricted to such associations as were most in need of new capital, either by virtue of their own condition or because of the situation in their communities.

A substantial fund was thus set aside for assistance to those associations which, in order to qualify for insurance of accounts, must undergo reorganization. In such cases, share investments by the Home Owners' Loan Corporation, immediately following upon reorganization and insurance, accelerate the process of reconstruction by enabling the associations to resume active lending operations at a time when they might otherwise be forced to conserve all their cash resources as a reserve against anticipated withdrawal demands.

In all rehabilitation cases completed up to now, advances from the Federal Home Loan Banks and the proceeds of collateralized loans from the Reconstruction Finance Corporation or other sources have provided sufficient liquidity to meet even the heaviest withdrawals immediately after reorganization and insurance. In most instances, the initial critical period of shrinkage has been followed by a rapid reestablishment of confidence and an influx of new funds in substantial volume.

PROPOSED FEDERAL LEGISLATION

As part of the legislative program supported by the Federal Home Loan Bank Board, a series of amendments to Title IV of the National Housing Act governing the operations of the Federal Savings and Loan Insurance Corporation has been proposed. The principal items include the following changes:

1. *Reduction of insurance premium.*—The amendments provide that the present premium rate of one-eighth of 1 percent per year shall be reduced to one-twelfth of 1 percent. The lowering of interest rates on home mortgage loans in the last few years has narrowed the margin on which thrift and home-financing institutions operate to such an extent that the cost of insurance is an item of appreciable import. A reduction of the premium rate would therefore appear to be desirable. Although it is difficult to measure precisely the premium rate required for sound operation of the Insurance Corporation, the proposed reduction would seem to be justified in the light of past experience.

Under the present law, the Federal Savings and Loan Insurance Corporation may assess annually an additional one-eighth of 1 percent to cover losses and expenses. It is proposed to reduce this power to assess, which heretofore has not been used, likewise to a rate of one-twelfth of 1 percent.

2. *Dividends of the Insurance Corporation.*—At the present time the Insurance Corporation is required to pay a cumulative dividend of 3 percent on its capital stock, which was subscribed for by the Home Owners' Loan Corporation. The amendment would change this 3-percent cumulative dividend to a noncumulative dividend payable only after the 5-percent statutory reserve of the Insurance Corporation has been established. Until adequate and substantial reserves have been accumulated, the payment of dividends is unsound.

The proposed amendment would not mean that the Corporation would be wholly relieved from paying dividends on its capital stock. It would merely modify the dividend provision so that the Corpora-

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tion would be required, when the 5-percent statutory reserve has been accumulated, to pay noncumulative dividends at a rate equal to the current cost of long-term money to the Government. The amendment would not cost the Government any money; the funds would simply be accumulated within the Insurance Corporation to create the 5-percent reserve, instead of being paid over to the Home Owners' Loan Corporation. The reserve belongs to the Government, which owns, through the Home Owners' Loan Corporation, all the capital stock of the Insurance Corporation.

3. *Settlements.*—In case of default of an insured institution, the present law gives the insured accountholder the option of accepting an insured account in another insured association or a settlement of 10 percent in cash, 45 percent in one-year debentures, and the remaining 45 percent in three-year debentures. These debentures are required to be noninterest bearing. Experience has made it seem desirable to give the Insurance Corporation somewhat more discretion in the manner of settlement. The proposed amendment, therefore, provides that the Corporation, in the event of default, shall make payment of insurance either by tendering to insured account holders other insured accounts in a going institution in the same community, or in such other manner as the Corporation may prescribe.

4. *Purchase of Insurance Corporation obligations by the Treasury.*—The proposed amendatory legislation provides that the Secretary of the Treasury shall be authorized to purchase, at his discretion, obligations issued by the Federal Savings and Loan Insurance Corporation. The reasons for this proposal are similar to those indicated for the proposed amendment to provide for purchase of Federal Home Loan Bank debentures by the United States Treasury (see the report of the Federal Home Loan Bank System, p. 72). This authorization would be an additional safeguard for the stability of home-financing institutions in periods of emergency.

5. *Termination of insurance.*—The proposed amendments would liberalize the provisions of the law in regard to the termination of insurance. The present law provides that upon voluntary termination, an institution and its members immediately lose insurance protection, but must continue to pay a premium for a period of three years. Institutions which have their insurance protection terminated by the Corporation because of violations of the statute or regulations must continue to pay the insurance premium for a five-year period although only those accounts which were insured as of the date of termination continue to have the insurance protection for such five-year period.

The proposed amendment would provide that insurance shall be continued for a two-year period and that, whether termination be voluntary or involuntary, two annual premiums shall be paid in advance at the time of termination for such continued insurance. The amendment furthermore requires that notice of termination of insurance be given to insured investors.

STATE LEGISLATION

The Federal Savings and Loan Insurance Corporation has a vital interest in the manner in which an insured institution which has gone into default is liquidated, since the only way in which it can retrieve, at least in part, the amount it has been required to pay to the insured investors is through such liquidation. In view of this interest, it is clear that the most adequate protection exists where the State law provides that the Insurance Corporation shall be appointed receiver or liquidator. At the beginning of the fiscal year 1939 only two jurisdictions were regarded as having adequate laws in this respect. Eight jurisdictions amended their laws during the fiscal year so as to make them adequate, or at least more nearly adequate, in this regard.

During the fiscal year 1939, laws which would authorize investments by savings and loan associations, fiduciaries, banks, savings banks, insurance companies, or public corporations in the shares or accounts of State-chartered institutions insured by the Federal Savings and Loan Insurance Corporation were enacted in 21 jurisdictions. Similar legislation was enacted in 18 jurisdictions with regard to Federal savings and loan associations which are also insured by the Corporation.

VI

Home Owners' Loan Corporation

SURVEY OF PRESENT ACTIVITIES

SINCE June 12, 1936, when the refinancing operations of the Home Owners' Loan Corporation ceased, the activities of the Corporation have been directed toward two main objectives: to assist as many borrowers as possible in their rehabilitation and to carry out a program of gradual liquidation.

In the first three years of the Corporation's existence, from June 1933 to June 1936, the Home Owners' Loan Corporation refinanced the mortgage loans of 1,017,827 home owners [1] in the total amount of $3,093,450,641. When these loans were closed, the emergency task of the Home Owners' Loan Corporation was far from being completed. The loans were made to home owners in serious distress, and the refinancing itself was only the first step in the Corporation's rescue efforts. In many cases the advantages afforded by the low-cost, fifteen-year amortization loans of the Corporation were sufficient to solve the borrowers' problems. In other cases, however, extensive assistance has become necessary to aid home owners who—although their burden had been relieved to some extent—could not even meet their reduced obligations. True to the intent of the Home Owners' Loan Act to extend relief to distressed home owners, the Corporation attempts to acquaint itself with the exact circumstances of the individual case whenever accumulating arrearages indicate that the borrower is in serious difficulties, and tries to find a temporary or more permanent solution as the case warrants. This activity, included in its "loan service" operations, has continued to absorb a great deal of the Corporation's attention and will remain an important phase of its work. In addition, there are supplementary operations such as the advance of funds to original borrowers for reconditioning, taxes, and insurance, necessary to assist many of these borrowers as well as to protect the Government's investment.

[1] The disparity between this figure and the figure of 1,017,948 given in the report for the fiscal year 1938 is due to the consolidation of supplemental loans with original loans made to the same borrower so as to reflect the number of original borrowers rather than the number of original loans made.

In this manner, the Home Owners' Loan Corporation makes available continued assistance to those of its borrowers who need it. At the same time, the Corporation is making regular progress in the recovery of the amounts loaned and in the liquidation of its affairs. The activities involved in the process of liquidation comprise the collection of interest and principal on original loan accounts; the acquisition of properties in those cases where borrowers—despite the liberal collection policy pursued by the Corporation—are unable or unwilling to retain their homes; the management, reconditioning, renting, and sale of such properties; the collection of rents; and the collection of interest and principal from purchasers of HOLC properties sold on extended terms of payment (vendee accounts).

STATUS OF BORROWER ACCOUNTS

During June 1939 the records of the Home Owners' Loan Corporation showed 798,385 original borrowers in "active status." [2] At the end of June, 27,809 defaulted loans were in various stages of foreclosure proceedings. Past experience would seem to indicate that a number of these foreclosures may be withdrawn and the loans reinstated.

Of the 798,385 active borrower accounts, 672,563 were in satisfactory status, which means that 84.2 percent of all active borrowers were meeting their loan obligations in a fashion acceptable to the Corporation. More than four-fifths of all active HOLC borrowers in June 1939 were thus definitely on the way to home ownership free and clear of debt—a measure of the success with which the Home Owners'Loan Corporation, through its low-cost amortized loans, has assisted home owners who at the time of refinancing were hopelessly unable to retain their properties. Not only are these borrowers meeting their interest payments without serious difficulty, but they are also accumulating substantial equities in their properties.

The group of original borrowers in satisfactory status includes 594,087 borrowers paying on schedule or less than three monthly installments in arrears, and 78,476 borrowers who are more than three monthly installments in arrears, but are reducing their delinquency by regular payments. In view of the fact that on the average more than fifty monthly installments have fallen due since the beginning of HOLC operations, the problem of making up arrearages of less than three months usually presents little real difficulty to the borrower. Also, when defaulted borrowers are making regular payments for the liquidation of their arrearages in addition to their current monthly

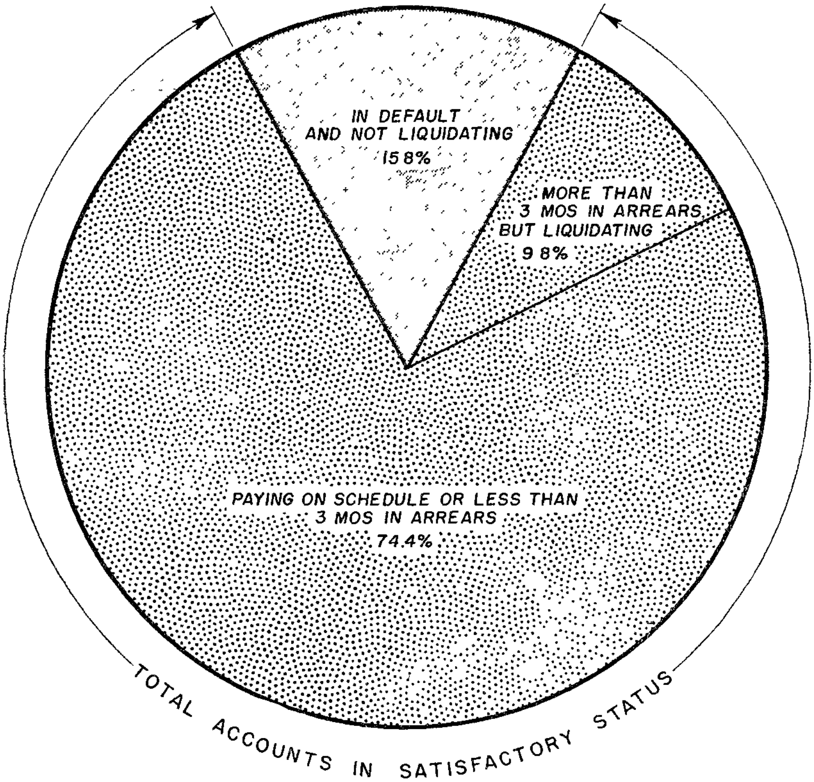
[2] Active accounts include all original borrower accounts on which the Corporation is still making collections. In other words, they represent all original loans less those which have been paid in full and those foreclosed or authorized for foreclosure.

remittances, the solution of their problems in the near future can safely be anticipated.

In June 1939 original borrowers who were in default, that is, more than three monthly installments in arrears, and not able to liquidate

CHART XXXIV

STATUS OF ACTIVE BORROWER ACCOUNTS
JUNE 1939



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their delinquency, numbered 125,822, representing 15.8 percent of the total number of active accounts at that date. However, only 9,708 of these cases were classified as insoluble; in all other cases, efforts were being made to solve the borrower's problems with a view to avoiding foreclosure.

Exhibit 48 presents a classification of the status of borrower accounts, as of June 30, 1939, by HOLC regions and by States.

On June 30, 1939, arrearages on all original borrower accounts, active and inactive, totaled $96,215,518. Of this total, $90,114,198 was due and unpaid on principal, and $6,101,320 was due and unpaid on interest.

THE COLLECTION RECORD

In the fiscal year 1939, the Home Owners' Loan Corporation collected $101,602,160 in interest and $168,482,399 in principal from original borrowers, or a total of $270,084,559. This included the amount of $46,478,954 received during the year for loans paid in full.

Cumulatively to June 30, 1939, the Corporation has collected $568,332,553 in interest, and $601,002,640 in principal from original borrowers, aggregating $1,169,335,193. Of this total $125,638,128 represented amounts received for original loans paid in full.

Chart XXXV

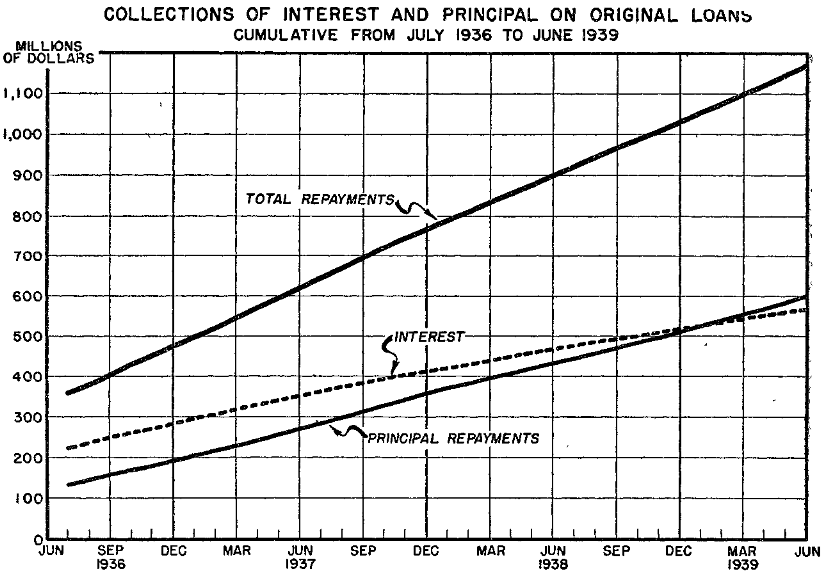
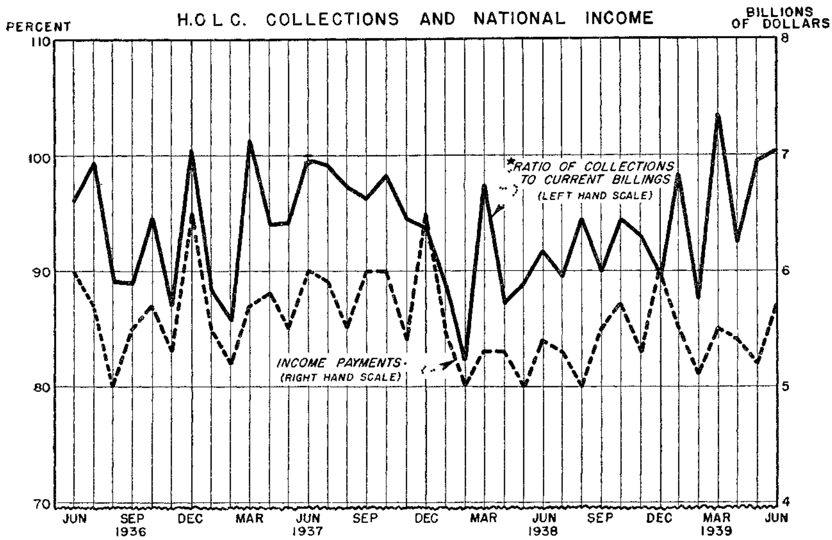


Chart XXXV shows cumulative collections of interest and principal on original borrower accounts from July 1936 to June 1939. As will be seen from the chart, the curve representing principal repayments crossed the curve of interest payments in February 1939, indicating that from that date the collection of principal exceeded the collection of interest. As HOLC loans are based on the direct-reduction amortization plan, requiring equal monthly payments, the proportion of principal repayments increases steadily because a growing percentage of the borrowers' monthly payments is being applied to the reduction of the principal, and the proportion of interest payments decreases continuously because interest is calculated on the constantly reducing principal of the loan. Principal repayments are also accelerated by the increasing number of original loans paid in full.

The experience of the Corporation has shown that its record of collections follows closely the fluctuations of business in general.

CHART XXXVI



*In some months, the ratio exceeds 100% because of the collection of arrearages not included in current accruals and because of loan repayments in full

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Whenever employment slackens and family incomes decrease, collections from borrowers decline. Whenever economic activity improves and family incomes rise, collections increase. Similarly, the Corporation's collection experience varies from one section of the country to another, depending upon the economic conditions that exist in the different areas.

In general, the fiscal year 1939 witnessed an improving performance of borrowers as compared with the preceding year, particularly from January to June 1939. This is evidenced by the above chart showing by months the ratio to current billings of all payments received on "active" borrower accounts. To indicate the close relationship between HOLC collections and general economic conditions, the chart shows also aggregate income payments to individuals as computed by the United States Department of Commerce.

The improving situation of HOLC borrowers during the fiscal year 1939 is also indicated by the increasing number of loans repaid in full. In that period 18,769 original borrowers were able to retire their entire indebtedness to the Corporation prior to the expiration of the loan contract, either by means of their own or by private refinancing. In the preceding fiscal year such repayments numbered 15,582.

LOAN SERVICE

The collection of interest and principal due the Corporation is a task of extraordinary proportions. The operations of the Home Owners' Loan Corporation are unique in their scope as well as in the fact that it is dealing generally with debtors who were heavily in default. The hundreds of thousands of HOLC borrowers are spread over the whole country, and the servicing of HOLC loans, therefore, extends into the smallest communities as well as into large cities in every State of the Union. Furthermore, the Corporation is dealing not with normal mortgage risks comparable to those of private lending institutions, but with distressed home owners whom it assists in their rehabilitation. To achieve its purpose as determined by the Home Owners' Loan Act, the Corporation gives each delinquent borrower every available opportunity to work out his problem and makes certain that it does not foreclose needlessly or prematurely on people who might still have a chance of salvaging their homes. Also, a close study of the circumstances of the individual case is necessary if the Corporation is to guard against a promiscuous granting of unjustified concessions and if the interests of the Government are to be adequately protected.

Careful consideration is given to borrowers who are behind in their payments. In the case of serious default the circumstances of each individual borrower are studied in detail on the basis of personal interviews and other information, with a view to bringing the account to a paid-up status or at least to preventing further arrearages. Because it is to the best interest of all concerned to keep the borrower in his home, foreclosure is avoided as long as any possibility remains of restoring the account to a satisfactory standing. Informal adjustments are made designed to assist delinquent borrowers in the payment of arrearages and, where warranted, formal agreements have been concluded since February 1937 in order that borrowers may reduce accumulated delinquencies in a manner adapted to their capacity to pay.

The Home Owners' Loan Corporation has also liberalized its requirements from time to time so as to afford borrowers every reasonable means of avoiding default. For example, proceeds from the sale of part of the property securing HOLC loans or from indemnities on insurance losses may be applied to interest arrearages as well as to a reduction of the principal indebtedness. Advances are made to borrowers for the purpose of reconditioning where necessary to make all or part of the property available for rental, if such additional income will prevent default. Even after foreclosure has been authorized, a payment proposal may be accepted and the foreclosure withdrawn. For the most needy borrowers, attempts are made to find employment or to obtain public assistance. All these procedures are designed to assist home owners who, under more perfunctory and impersonal methods, would have drifted eventually into foreclosure.

During the fiscal year 1939, the number of active original loan accounts decreased from 845,284 to 798,385. During the same time, however, the number of vendee accounts trebled. These accounts represent purchase-money mortgages and sales contracts on properties sold by the Corporation. Their steady increase offsets in a large measure the reduction in the work load resulting from the decline in the number of original loan accounts.

At the end of the fiscal year 1939, there were 390,410 original borrowers requiring special servicing attention, equivalent to 49 percent of the total number of original loans serviced. This group comprised 204,298 borrowers who were more than three monthly installments in arrears on loan payments, 74,374 borrowers technically not in default, but representing problem cases, and 111,738 borrowers not in default on loan payments but delinquent in taxes.

As of June 30, 1939, there were 81,668 original loan accounts which had been revised to permit liquidation of arrearages over the remaining life of the loan. Of this total, 43,446 agreements were made during the fiscal year 1939. The results of such agreements have been gratifying. Of the 81,668 home owners with whom extension agreements were in effect, 71,674 or about 88 percent have been able to avoid default under the agreement, and of the 9,994 borrowers in default, only 303 were a year or more in arrears on June 30, 1939.

A serious problem with which the Home Owners' Loan Corporation is confronted is the handling of taxes coming due on properties securing its loans. On June 30, 1939, there were 115,579 borrowers in default on their loan accounts and delinquent in taxes as well. An additional 111,738 borrowers were delinquent in taxes, although not in default on their loan accounts. While these 227,317 home owners were delinquent in taxes an average of less than two years, approximately 10 percent of this number had a considerably greater tax arrearage.

The above figures indicate that in the past many borrowers were unable to pay up their tax arrearages and at the same time to maintain the contractual payments on their loan accounts. This situation naturally tended to jeopardize the security behind the Corporation's loans. Furthermore, to obtain information on tax delinquencies the Corporation had to undertake extensive and costly tax searches. This experience has resulted in the adoption of a new policy which should eliminate virtually all tax delinquency and permit considerable savings both to the home owner and to the Corporation. Under the new policy the Corporation continues to encourage all borrowers to bring their taxes current from their own resources; if they are unable to do so, however, the Corporation advances funds for the payment of taxes, on behalf of borrowers, to avoid excessive interest and penalties as well as to protect the Corporation itself against the loss of the security behind the loan. A procedure has been established whereby borrowers may avoid future tax delinquencies by depositing monthly with the HOLC one-twelfth of the estimated annual taxes, and whereby they authorize the Corporation to pay such taxes, when due, out of the funds accumulated in this manner. At the close of June 1939 these arrangements were being made at a rate which indicated that before the end of the fiscal year 1940 the majority of borrowers delinquent in taxes will have availed themselves of the plan.

FORECLOSURE EXPERIENCE OF THE CORPORATION

In accordance with the purpose of the Home Owners' Loan Act, the Home Owners' Loan Corporation proceeds to foreclose only as a last resort after all efforts to prevent the borrower's default—described in the chapter on Loan Service—have failed. This is evidenced by the fact that the average interest and principal arrearage on original loans foreclosed during the fiscal year 1939 totaled 18.2 monthly installments at the time foreclosure action was authorized. In other words, in the average foreclosure case the borrower was delinquent to the extent of all interest and principal coming due over more than one year and a half. In many cases, the borrower was also in serious default on taxes.

The following figures show the percentage distribution of all foreclosures brought during the fiscal year ended June 30, 1939, by accumulated arrearages prior to foreclosure:

Arrearages before foreclosure:	*Percent of all cases authorized and dispatched for action*
Less than 12 months	21. 3
12 to 17 months	28. 3
18 to 23 months	27. 6
24 months and over	22. 8
Total	100. 0

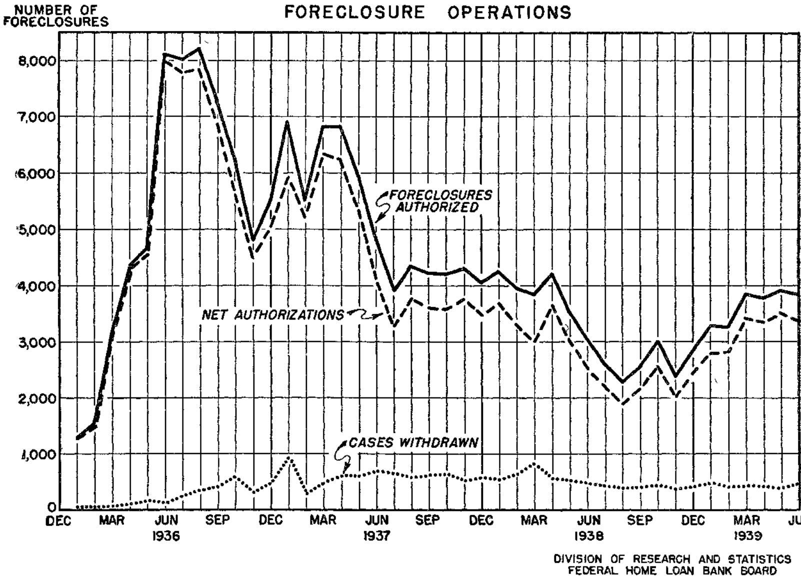
In 78.7 percent of all foreclosure cases, the arrearage accumulated prior to foreclosure was 12 monthly intallments or more, and in 50.4 percent of all cases, it was 18 monthly installments or more.

From the beginning of operations through June 30, 1939, the Home Owners' Loan Corporation has authorized 189,908 foreclosures on original loans, of which 18,872 were withdrawn. The net foreclosure authorizations of 171,036 represent only 16.8 percent of the total number of original loans made by the Corporation—a ratio which compares not unfavorably with the experience of private mortgage lending institutions during the period in question, despite the fact that in general the HOLC borrowers were in serious financial distress or default when they obtained their refinancing loans from the Home Owners' Loan Corporation. Exhibit 49 presents, cumulatively, to June 30, 1939, net foreclosure authorizations and the ratio of authorizations to the total number of original loans, by HOLC regions and by States.

The chart on page 134 shows the number of foreclosures authorized by the Corporation on original loans, the number of cases withdrawn, and the net volume of foreclosure authorizations, by months, from January 1936 to June 30, 1939.

The chart reveals a characteristic feature of the Corporation's foreclosure operations. The bulk of foreclosures was concentrated in the period from July 1936 to June 1937, when the average age of the loans was approximately two years. With a mortgage portfolio comprised entirely of refinancing loans to more than one million distressed home owners—loans granted over an emergency period of three years—it was to be expected that the Corporation should have to eliminate a number of hopeless cases in the early period of operations. Where a loan was definitely beyond the borrower's capacity to carry or where the borrower ignored his obligations, the situation generally was revealed within two years or so after the granting of the loan. Since the summer of 1937, net foreclosure authorizations have been on a much lower level. During the period July 1, 1938, to June 30, 1939, foreclosure authorizations, after deduction of withdrawals, numbered 32,599 as compared to 40,602 in the fiscal year 1938 and 70,864 in the fiscal year 1937.

CHART XXXVII



Foreclosure authorizations on original loans

Fiscal year	Foreclosures authorized	Foreclosures withdrawn	Net foreclosures authorized	Fiscal year	Foreclosures authorized	Foreclosures withdrawn	Net foreclosures authorized
1934	6	0	6	1937	76,896	6,032	70,864
1935	564	14	550	1938	47,745	7,143	40,602
1936	27,081	666	26,415	1939	37,616	5,017	32,599

A detailed summary of foreclosures on original loans, by fiscal-year periods, is presented in Exhibit 50. In addition to properties acquired through foreclosure, the Corporation has acquired 24,690 properties by deed in lieu of foreclosure. Where such deeds were taken, the personal obligations of the borrowers were canceled.

COST OF FORECLOSURE

The Home Owners' Loan Corporation attempts to keep foreclosure costs at a minimum. When foreclosure operations began, a fair fee schedule was developed. Members of the bar were interviewed in the various States and reasonable fees in accordance with the volume of foreclosures were established. A further reduction of foreclosure costs is dependent on a greater simplification and unification of foreclosure procedures under the various State laws, and on the elimination of excessive cost elements in many States.

For a number of years, the Corporation has made extensive studies of the cost and time of foreclosure. The results of these studies are given in Exhibit 51. Highest foreclosure costs are found to exist in those States where foreclosure by court action is the predominant method. This method is followed in 30 States. Under the power-of-sale method, used principally by the Corporation in 18 States, costs are much lower. The foreclosure costs were highest in Illinois, where the average cost per case was $349.59, and in New York, where the average cost per case was $280.94. On the other extreme, Maine and Missouri had an average foreclosure cost of only $21.29 and $54.08, respectively. These extremes indicate the wide diversity of foreclosure costs in the various parts of the country.

The average time required to complete foreclosure action likewise varies considerably among the different States. The time required from the date foreclosure was dispatched for action until date of acquisition of title ranges from 36 days in Mississippi to 25 months and 23 days in Alabama. Again, the period generally is shorter in those States where the power-of-sale method is primarily used. Redemption of foreclosed properties is permitted in 22 States and the redemption periods range from 6 to 24 months.

Where deeds were obtained in lieu of foreclosure, the total costs per case were generally lower than in the case of foreclosure. For the period from December 1, 1937, to June 30, 1939, the approximate total cost of deeds in lieu of foreclosure was $34 per case.[3]

After the expiration and elimination of a number of moratorium laws affecting the Home Owners' Loan Corporation, such laws were still in force on June 30, 1939, in South Dakota, Vermont, and Wisconsin. The Supreme Court of Wisconsin decided in May 1939 that the legislature had no right to make the moratorium act retroactive so as to affect loans made by the Corporation prior to its passage.

The moratorium acts expire March 1, 1941, in South Dakota and Vermont, and April 1, 1941, in Wisconsin. Under the Vermont act the moratorium provided is, in effect, a postponement of the foreclosure sale, under the judgment, for a period of three months, which may be extended at the discretion of the court. While the Wisconsin moratorium act expires April 1, 1941, foreclosure may be delayed under its terms until April 1, 1942.

[3] For cost data on deeds in lieu of foreclosure, by States, see Exhibit 52.

PROPERTY MANAGEMENT

Although the Home Owners' Loan Corporation has found it necessary to acquire but 13.9 percent of the homes which it had refinanced, the management, reconditioning, renting, and sale of these properties has become one of the major activities of the Corporation. This is in line with the experience of all mortgage lending institutions during the last decade, but the wide scope of HOLC operations and the particular type of properties acquired by the Corporation present unusual problems.

These properties are widely scattered over the country and are located in every State of the Union. They are, in the main, small one- to four-family dwellings; many of them are in a bad state of repair when acquired; and a large number are obsolete and in deteriorating neighborhoods. Few, if any, public or private institutions ever were confronted with the problem of managing, reconditioning, renting, and selling a large number of properties of this type on a nation-wide scale.

It is the policy of the Corporation to dispose of its properties as speedily as is consistent with the Government's interests and with conditions of the real estate market. To hold its properties indefinitely would be inconsistent with sound business practice, particularly for a liquidating agency of the Federal Government. To sell its properties under pressure and below current market prices would not only entail tremendous losses, but depreciate the mortgage collateral behind all the loans made by the Home Owners' Loan Corporation and depress the mortgage and real estate markets in general. The Corporation, therefore, attempts to avoid either of these extremes, and offers its properties for sale at current market levels even if sales prices are below book values.

The Corporation entered the fiscal year 1939 with 82,987 properties owned and 20,145 properties in process of acquiring title,[4] or a total of 103,132 properties. The combined capital value[5] of these properties was $516,206,401. At the end of the fiscal year, the Corporation owned 87,618 properties, and 11,736 properties were in process of acquiring title, or a total of 99,354 with a combined capital value[5]

[4] Properties in process of acquiring title are those where the foreclosure action has been advanced to the point of judgment or sale but where because of the existence of a redemption period or for other reasons, some additional time must yet elapse before the Corporation can acquire full title.

[5] The capital value of property is comprised of the following elements: (*a*) Unpaid principal balance of loans, advances, and interest merged with principal in extension agreements, at the time of foreclosure judgment or foreclosure sale where such sale is not preceded by a judgment; (*b*) unpaid accrued interest to date of foreclosure judgment or foreclosure sale where such sale is not preceded by a judgment; (*c*) all foreclosures and acquisition costs; (*d*) all expenditures, less all receipts, regardless of nature, applicable to the period between foreclosure as described in (*a*) and the acquisition of absolute title; (*e*) initial repairs or reconditioning regardless of nature; (*f*) assessments with benefits of more than one year; and (*g*) improvements or other expenditures which enhance physical value.

of $549,441,184. In total number, properties owned and properties in process of acquiring title showed a decrease during the year—the first decrease since the beginning of operations. This was the result of a declining number of property acquisitions coupled with a rising volume of property sales.

Property acquisitions and sales, by fiscal-year periods

Period	Acquisitions		Sales			Ratio of sales to acquisitions [2]
	Number of properties [1]	Aggregate capital value [1]	Number of properties	Aggregate capital value	Aggregate sales price	
1936	5,275	$23,930,096	142	$497,117	$523,055	2.6
1937	39,534	181,196,458	2,231	8,248,929	8,293,100	5.4
1938	55,190	303,226,436	15,159	62,001,901	54,182,578	26.7
1939	41,743	228,932,138	37,771	166,888,675	130,177,111	89.1
Total	141,742	737,285,128	55,303	237,636,622	193,175,844	38.5

[1] Includes all adjustments to June 30, 1939

[2] For the purpose of computing the percentage of properties sold to those cumulatively acquired, properties sold prior to acquisition, and properties remaining "in process of acquiring title" in Alabama have been added to the number of properties acquired.

The Corporation was able to sell 37,771 properties during the fiscal year 1939 as compared with 15,159 in the preceding fiscal year. This increase in property sales is all the more significant in the light of growing competition in the real-estate market. Not only have private financial institutions—as pointed out in other sections of this report—disposed of larger numbers of properties which they had repossessed in previous years, but with the growing volume of residential construction there was an increased number of newly built homes offered at attractive terms.

As will be seen from the chart on page 138, the volume of property sales began to exceed the number of net foreclosure authorizations in June 1938 and has remained above the level of foreclosures, with the exception of the first three months of 1939. During the months of April, May, and June 1939, the number of sales also exceeded the number of properties acquired, thereby reducing the number of properties owned from 90,136 on March 31, 1939, to 87,618 on June 30, 1939.

The property holdings of the Corporation, although scattered over the country, are particularly concentrated in a few States. One-fifth of the properties owned and in process of acquiring title as of June 30, 1939, was located in the State of New York and one-eleventh was located in New Jersey. Further points of concentration are Ohio, Massachusetts, Pennsylvania, Wisconsin, Illinois, Indiana, Kansas, Missouri, Michigan, Oklahoma, Texas, and California. All together, 76.5 percent of the properties owned and in process of acquiring title

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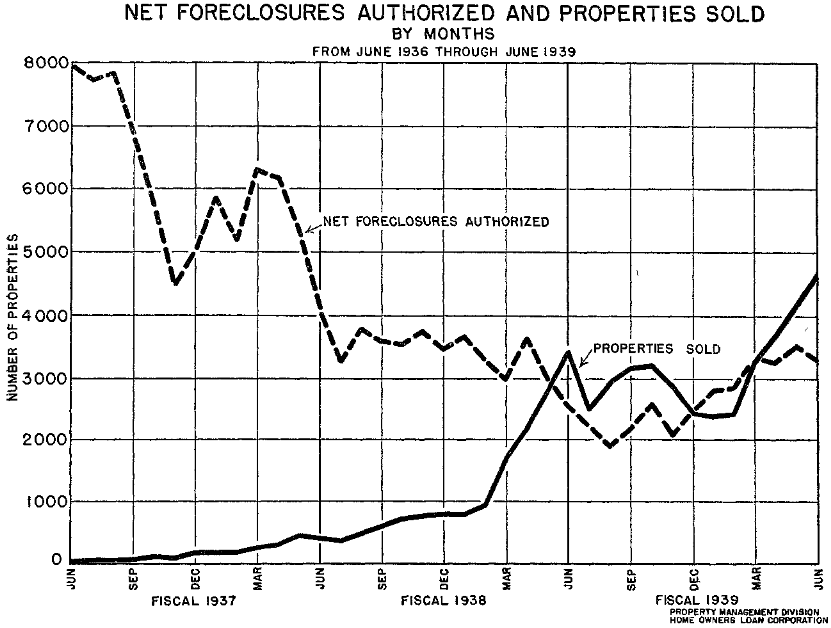
are located in the fourteen States mentioned above. This concentration corresponds in many instances to the concentration of the "real-estate overhang" held by private mortgage lending institutions.[6] Exhibit 53 shows the distribution of properties owned and properties in process of acquiring title at June 30, 1939, by HOLC regions and by States.

In accordance with the intent of the Home Owners' Loan Act, the Corporation shows considerable leniency toward its borrowers before

CHART XXXVIII



it proceeds to foreclosure and permits the defaulted owner to retain his home much longer than would be justified by pure business considerations. During the period of default, arrearages accumulate on interest and on taxes, and in many cases substantial reconditioning is required upon acquisition. Foreclosure and other acquisition costs must be added to the unpaid balance of the loan. In most instances, therefore, book values after acquisition exceed current market prices, due in part to the capitalization of accruals, and the disposition of properties is accompanied by losses.

Property sales through the end of the fiscal year 1939 resulted in a cumulative capital loss of $44,460,778 or an average of approximately

[6] See Section II, p. 29.

$804 per property, representing the spread between the sales price and the capital value [7] on the books of the Corporation. The cumulative capital loss to June 30, 1939, was 18.7 percent of the capital value of all properties sold. A detailed statement of profit and losses on property sales by calendar years is presented in Exhibit 54.

The majority of HOLC properties have been sold on extended terms for a small down payment with the balance due amortized over a period up to fifteen years. Through June 30, 1939, the average down payment on such sales was 12.8 percent of the purchase price.

Property sales through June 30, 1939, by terms

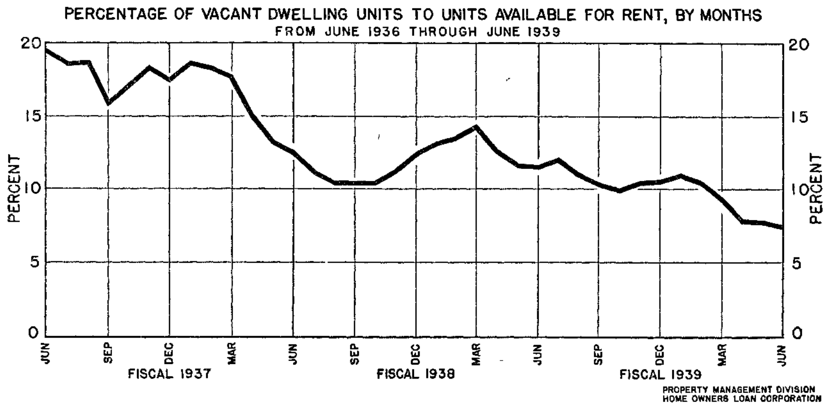
Term	Number of properties	Percent of total
Cash sales	2,999	5.4
Sales on security instruments	32,517	58.8
Sales contracts or other instruments in lieu thereof	19,787	35.8
Total	55,303	100.0

PROPERTY INCOME AND EXPENSE

Of the 115,500 dwelling units in properties owned by the Corporation on June 30, 1939, there were 84,097, or 72.8 percent, available for rental,[8] and 76,911, or 91.5 percent of the units available for rental, were rented.[9] The following chart shows that the vacancy ratios in HOLC properties available for rental followed, to a certain extent,

CHART XXXIX

VACANCY RATIOS IN HOLC PROPERTIES



[7] For a definition of capital value, see footnote 5 on p. 136. The capital loss does not include sales brokers commissions and selling expenses which, cumulatively to June 30, 1939, totalled $11,912,362

[8] Units not available for rental comprise those held vacant for repairs, those held vacant for exclusive sale, those adversely occupied, and those awaiting report.

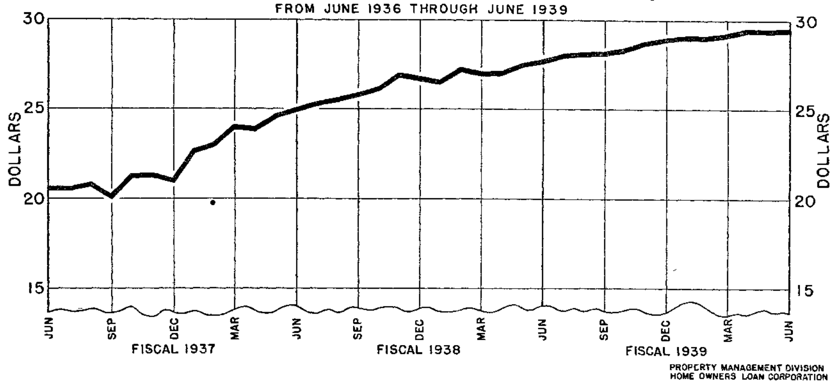
[9] In 959 cases dwelling units could not be rented because the tenants were in the process of eviction.

the fluctuations in general business conditions. The recession in the latter part of 1937 and the first few months of 1938 was reflected in increasing vacancy ratios, but since March 1938, the vacancy ratio decreased continuously until in June 1939 it dropped to 7.4 percent of all units available for rent.[10]

CHART XL

RENTS

AVERAGE RENT PER DWELLING UNIT RENTED IN HOLC PROPERTIES, BY MONTHS
FROM JUNE 1936 THROUGH JUNE 1939

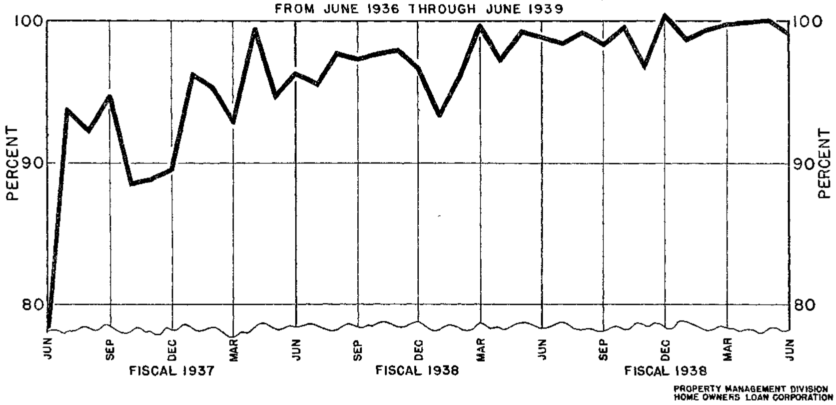


The average rent per dwelling unit rented in HOLC properties has constantly increased—reflecting in part a larger proportion of higher-priced properties rented in the last two fiscal years, and indicative also of a more favorable rental market in many communities. A similar improvement is indicated in the upward trend of rental collections.[11]

CHART XLI

RENT COLLECTIONS

PERCENTAGE OF COLLECTIONS TO TOTAL RENT ACCRUALS, BY MONTHS
FROM JUNE 1936 THROUGH JUNE 1939



[10] For figures underlying Chart XXXIX, see Exhibit 55.

[11] For figures underlying Charts XL and XLI, see Exhibit 55.

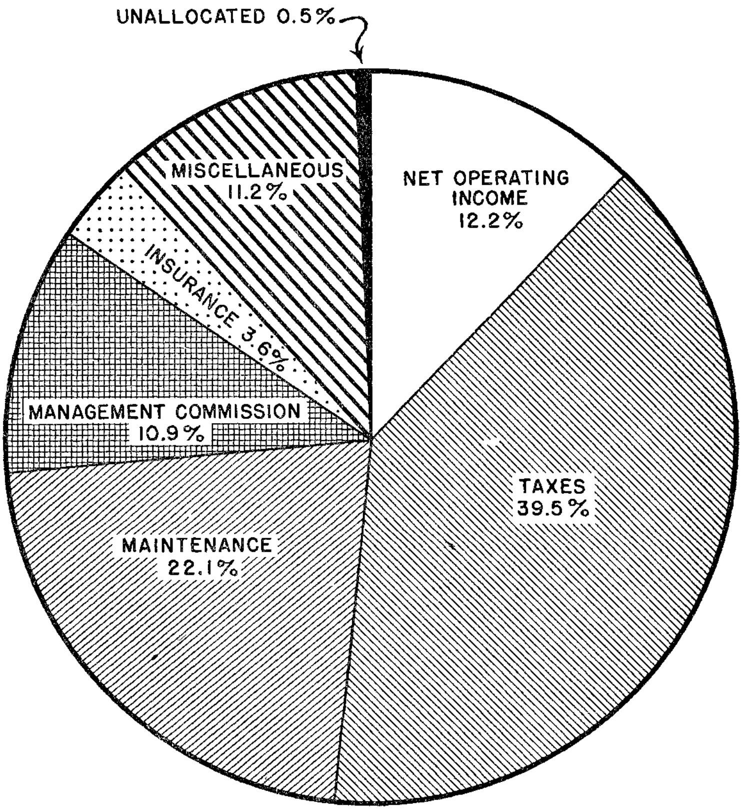
During the fiscal year 1939, the gross operating income derived from the properties owned was $26,353,510, and the gross operating expense on properties owned, $23,161,271, leaving a net operating income of $3,192,239. Cumulatively from the beginning of operations

CHART XLII

WHERE THE RENTAL INCOME GOES

PROPERTY EXPENSES AS PERCENTAGES OF TOTAL PROPERTY INCOME

FISCAL YEAR 1939



PROPERTY MANAGEMENT DIVISION
HOME OWNERS' LOAN CORPORATION

to June 30, 1939, rent collections totaled $46,672,110 while total property expense was $40,755,699 This resulted in a cumulative net operating income from property of $5,916,411.

Chart XLII illustrates the distribution of property expense during the fiscal year 1939. As will be seen from this chart, taxes, over which the Corporation has no control, absorbed the largest portion of aggregate property income, representing approximately 40 percent of total income derived from property.[12]

VENDEE ACCOUNTS

Through the sale of acquired properties on extended terms of payment, the Home Owners' Loan Corporation has to deal with an increasing number of mortgagors who are not original borrowers.

During the fiscal year 1939, the number of vendee accounts on the books of the Corporation rose from 16,572 to 52,022, and collections of interest and principal on vendee accounts aggregated $15,384,286, as compared with $3,115,164 in the preceding fiscal-year period. Cumulatively through June 30, 1939, the Corporation has collected $5,712,564 in interest, and $13,179,398 in principal from vendees.

On the whole, the performance of vendees has been satisfactory. Only in a few cases has it been necessary to bring foreclosure against vendees in default who were unable or unwilling to meet their contractual payments. Cumulatively through June 30, 1939, foreclosures against vendees numbered 596, of which 102 were withdrawn, leaving 494 net foreclosures, or less than 1 percent of the total number of properties sold on security instruments and sales contracts. Through the end of June 1939, there were 319 properties reacquired from vendees, and 25 properties were in the process of acquiring title.[13]

RECONDITIONING OPERATIONS

The reconditioning operations of the Home Owners' Loan Corporation are undertaken for two broad purposes. The Corporation has to see that the properties on which it holds mortgages are maintained in such a condition of repair that its security will be protected from serious deterioration during the term of the mortgage. This safeguards the interest not only of the Corporation but of its borrowers as well. Borrowers who are unable to make necessary repairs or to keep up their property lose interest in it, fall behind in their payments, and easily become subject to foreclosure. In addition, the Corporation has to recondition a large number of properties which it is obliged to acquire. In order to rent or sell these properties, it is necessary to place them in a sound condition suitable for normal

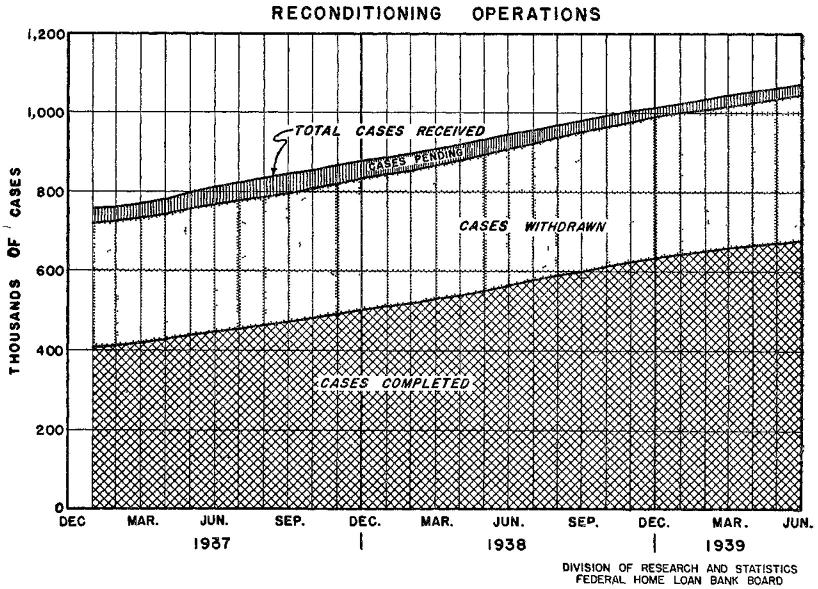
[12] Operating expenses on all owned properties are charged against the operating income received from those properties which are rented.

[13] These properties are included in the acquisition figures given on p. 137.

habitation. Otherwise they cannot compete with properties in the immediate neighborhood and the Corporation loses revenue both in rentals and in sales.

The following chart gives a survey of the reconditioning activities of the Home Owners' Loan Corporation from the beginning of operations to June 30, 1939:

CHART XLIII



From the beginning of operations to the close of June 1939, the Corporation has completed 729,809 cases of reconditioning, with a total expenditure of $139,349,472. Through this reconditioning, more than 500,000 small homes have been protected against undue deterioration, and between 13 and 14 million days of work have been provided directly for masons, carpenters, plumbers, painters, and others in the building trades.[14]

In addition to these reconditioning cases handled by the Reconditioning Division of the Corporation, certain other expenditures are made by contract management brokers who have authority to provide for small maintenance repairs on properties under their management.

During the fiscal year 1939, the number of reconditioning contracts completed was 117,698, in the amount of $26,590,243, as compared

[14] This estimate is based on the generally accepted assumption that $1,000 of expenditure for repairs represents 100 days of labor.

with 118,540 contracts, amounting to $23,146,876, in the preceding fiscal-year period. Detailed information on the various types of reconditioning cases completed during the fiscal year 1939 and since the beginning of operations is presented in Exhibit 56.

Despite the mass character of its reconditioning operations, the Corporation, through its regional and local offices, considers the reconditioning need of each property individually and applies, where necessary, all the customary construction technique of plans, specifications, contracts, and supervision.

The Corporation's experience has proved that through the expenditure of a reasonable amount, the marketability for properties on hand has been greatly enhanced regardless of the age of the property or its condition upon acquisition. The results of systematic reconditioning are evidenced by the large volume of sales of reconditioned properties which, in many sections of the country, must compete with new houses offered to the buying public at attractive terms.

APPRAISALS

During the fiscal year 1939, the Appraisal Section of the Corporation has completed 101,118 appraisals, or an average of 8,426 per month. This compares with 90,310 appraisals completed in the preceding fiscal year.

In the early period of operations, appraisals were needed primarily to arrive at a valuation of each of the more than one million homes refinanced and thus to determine the limit to which the Corporation should make loans on these properties. In subsequent years, appraisal activities have been concentrated on valuations for the determination of sales prices or rents of acquired properties, appraisals for foreclosures and deeds in lieu of foreclosure, tax assessments, partial releases, substitution of security, and insurance and disaster losses. Furthermore, appraisals are supplied in litigation cases affecting property values and in cases involving damage to the Corporation's liens through floods, earthquakes, earth slides, blight, and other conditions. Finally, the decisions of the Corporation to improve, recondition, or demolish owned properties are based on careful appraisals of such properties.

As the physical condition of properties, general economic conditions, and real-estate values change, appraisals made in previous years become obsolete, and reappraisals or supplemental reviews are necessitated to an increasing extent. From the beginning of operations through June 30, 1939, appraisals completed totaled 4,926,892.

In addition to its work for the HOLC, the Appraisal Section also renders services to the other agencies under the Federal Home Loan Bank Board, for which the Corporation is reimbursed. Also, under a cooperative arrangement with the Procurement Division of the United States Treasury Department, the Appraisal Section assists that Department in the appraisal of various types of properties throughout the country, particularly old post-office and customhouse structures which are no longer needed for Government use. The Treasury Department reimburses the Corporation for all expenses incurred in connection with this work.

INVESTMENTS OF THE CORPORATION

In addition to its immediate objective to bring relief to distressed home owners, the Home Owners' Loan Act, as amended, included measures to place the home-financing industry on a more stable basis. With this in view, the Act authorized the Home Owners' Loan Corporation to invest up to $300,000,000 in savings and loan associations, either Federal or State-chartered, provided they are member institutions of the Federal Home Loan Bank System or insured by the Federal Savings and Loan Insurance Corporation, and to subscribe for the capital stock of the Federal Savings and Loan Insurance Corporation in the amount of $100,000,000.

On June 30, 1939, investments of the Home Owners' Loan Corporation in savings and loan associations totaled $216,458,810, as compared to $211,726,610 at the end of the preceding fiscal-year period. The following table gives a summary of HOLC investments in savings and loan associations for the fiscal year 1939:

Investments of the Home Owners' Loan Corporation in savings and loan associations

Type of association	Cumulative investments to June 30, 1938	New investments, July 1, 1938 to June 30, 1939	Repurchases, July 1, 1938 to June 30, 1939	Cumulative investments to June 30, 1939
Federal savings and loan associations	$170,764,300	$3,528,500	$1,259,000	$173,033,800
State-chartered savings and loan associations	40,962,310	3,623,700	1,161,000	43,425,010
Total	211,726,610	7,152,200	2,420,000	216,458,810

A detailed statement of HOLC investments in savings and loan associations, by States, is presented in Exhibit 57.

During the fiscal year 1939 the Home Owners' Loan Corporation received $7,457,939 as dividends on its investments in savings and loan associations, as against $6,134,331 in the preceding fiscal-year period.

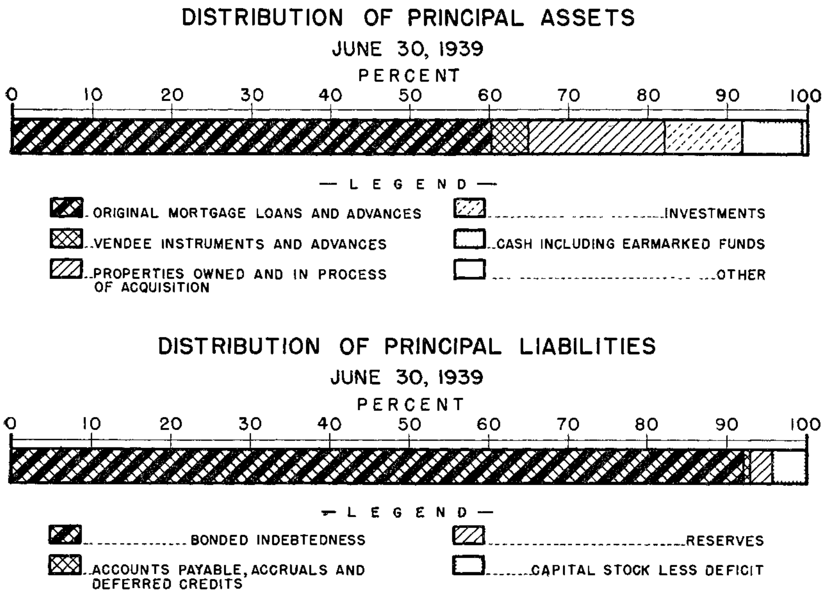
This represents a return of approximately 3.5 percent on the average amount of HOLC investments during the year—a return well above the cost of money to the Corporation.

FINANCIAL OPERATIONS

Exhibit 58 presents a statement of condition of the Home Owners' Loan Corporation as of June 30, 1939.

During the fiscal year 1939, principal changes on the asset side of the balance sheet were characterized by a decrease of original mortgage loans and advances from $2,214,064,318 to $1,928,212,237, by an

CHART XLIV



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

increase of vendee instruments and advances from $50,610,692 to $151,896,337, and by an increase of property owned and in process of acquisition from $516,206,401 to $549,441,184. The bond retirement fund rose from $91,366,431 to $149,217,560, and investments from $311,726,610 to $316,458,810. On the other side of the balance sheet, the bonded indebtedness decreased from $2,952,993,850 to $2,949,305,025, and accrued liabilities, including mainly accrued interest on bonded indebtedness, declined from $16,431,521 to $7,832,281.

The reserve for losses shows a reduction from $99,977,654 to $89,488,388, and the deficit an increase from $40,893,292 to $59,562,029.

Detailed statements of income and expense for the fiscal year ended June 30, 1939, and from the beginning of operations to June 30, 1939, as well as an analysis of changes in deficit for the fiscal year 1939, are given in Exhibits 59, 60, and 61, respectively.

During the fiscal year 1939 the distribution of income as well as of expenses showed marked changes. Such changes are summarized in the following table which gives a condensed comparative statement of income and expenses for the fiscal years 1938 and 1939, together with provisions for losses and the net deficit in each year.

Condensed income and expense statement for the fiscal years 1938 and 1939

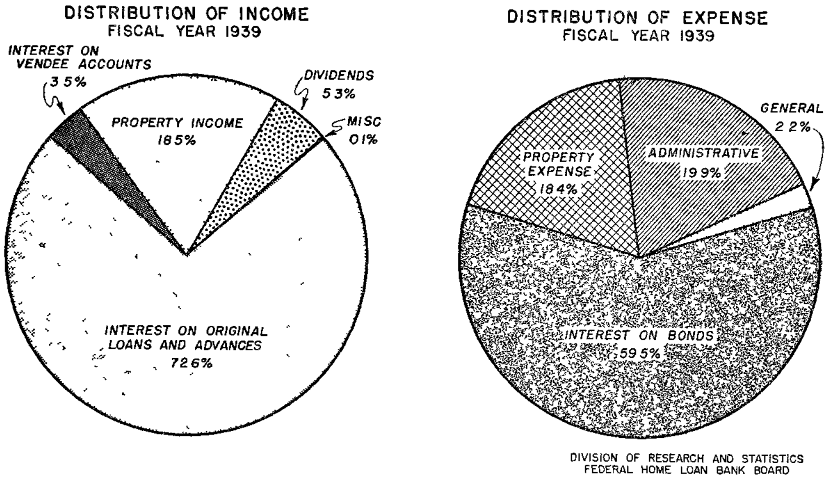
Items	July 1, 1937, to June 30, 1938	July 1, 1938, to June 30, 1939
Operating and other income		
Interest on original mortgage loans and advances	$118,593,929	$103,263,288
Other interest earned [1]	1,091,450	4,979,590
Property income	16,160,089	26,353,510
Dividends on investments in savings and loan associations	6,134,331	7,457,939
Miscellaneous	165,816	201,771
Total income	142,145,615	142,256,098
Operating and other expenses		
Interest on bonds	75,768,685	72,199,571
Amortization of discount on refunded bonds	2,351,438	2,638,265
Administrative and general expenses	31,984,320	27,853,484
Property expenses	13,836,854	23,161,271
Miscellaneous	184	
Total expense	123,941,481	125,852,591
Net income before losses in the liquidation of assets and provision for losses	18,204,134	16,403,507
Losses in liquidation of assets and provisions for losses	38,051,800	34,921,055
Deficit for period	19,847,666	18,517,548

[1] Consists primarily of interest on purchase money mortgages and advances and on sales contracts and advances.

Because of the decrease in the number of loans outstanding and the reduction in the borrowers' indebtedness, income from interest on original mortgage loans and advances decreased by $15,330,641, or almost 13 percent. This, however, was approximately offset by an increase in property income of $10,193,421, by an increase of interest earned on vendee accounts of $3,897,693, and by an increase of dividends received on share investments in savings and loan associations of $1,323,608.

On the expense side, administrative and general expenses were reduced sharply by $4,130,836, or 13 percent. Interest paid on HOLC bonds likewise decreased by $3,569,114 because of interest savings resulting from refunding operations and because of a reduction in bonds outstanding. Property expenses, however, rose by $9,324,417 due to the increase in property owned. The larger property expenses were mainly responsible for the slight increase in total operating and other expenses. Property income exceeded property expenses by $3,192,239 during the year.

Chart XLV



After provision for losses in the amount of $34,921,056 during the year, the deficit for the operations of the fiscal year 1939 was $18,517,548 as against $19,847,666 in the preceding fiscal year.

Cumulatively from the beginning of operations to June 30, 1939, the total operating and other income of the Corporation was $699,782,645, and total operating and other expenses $612,121,506, leaving a net income—before deduction of losses in the liquidation of assets and provision for losses which may be sustained in the process of liquidation—of $87,661,139. After deduction of $147,223,168 for such losses and loss reserve provisions, the net deficit as of June 30, 1939, stood at $59,562,029.

As was pointed out in previous sections of this report, the Home Owners' Loan Corporation, in an emergency operation of unprecedented magnitude, refinanced more than one million mortgage loans which had been in default or at the point of default. From the outset, it was to be expected that a number of HOLC borrowers would not be able to carry the cost of home ownership, despite the liberal terms provided by the Corporation, and that the liquidation of defaulted loans and the disposition of property acquired might be attended by losses. The liquidation experience made by the Corporation to date has confirmed that view.

Sound business practice requires the setting aside of reserves to which such losses may be charged. The Board of Directors of the Corporation has, therefore, determined that each year specified amounts be set aside from income, the accumulation of which is intended to approximate eventually the total losses which may be sustained in the liquidation of mortgage loans, delinquent interest, and property. Under this provision, reserves were accumulated at the rate of approximately $2,900,000 per month during the fiscal year 1939.[15]

Analysis of reserves and charges to reserves

Item	Cumulative to June 30, 1938	Fiscal year 1939	Cumulative to June 30, 1939
Allocated to reserves	$111,237,153	$34,900,000	$146,137,153
Losses—			
On mortgage loans and vendee instruments [1]	51,086	42,756	93,841
On capital value of properties sold	7,753,334	36,707,444	44,460,779
On property charged off		181,783	181,783
Sales brokers' commissions and selling expenses	3,459,168	8,453,194	11,912,362
Total losses	11,263,588	45,385,177	56,648,765
Balance in reserves	99,973,565	−10,485,177	89,488,388
Adjustments to cumulative reserve account for prior years	4,089		
Total balance	99,977,654	−10,485,177	89,488,388

[1] Includes reserve provisions for accumulated interest.

As shown in the above table, the balance of reserves for losses on mortgage loans, interest, and properties decreased by $10,485,177 during the fiscal year 1939 because losses charged off during that year exceeded the provisions for such losses.

BONDS OUTSTANDING

In addition to its capital of $200,000,000, the Home Owners' Loan Corporation has been authorized to issue bonds up to $4,750,000,000 to carry out the purposes of the Act creating the HOLC. Additional bonds may be issued to refund outstanding obligations. The gross amount of bonds issued through June 30, 1939, was $5,766,675,875.

[15] By Board resolution of November 15, 1938, retroactive effect was given to a charge to reserves for losses sustained prior to June 30, 1938, in the amount of $11,211,150.83 previously charged directly to profit and loss. This amount included $7,749,213.71 for loss on capitalized value of property sold, $3,459,202.24 for commissions and selling expenses on property sales, and $2,734.88 for loss of interest on foreclosure sales, redemptions, etc. Of the total of $11,211,150 83, losses in the liquidation of assets applicable to the fiscal year 1938 amounted to $10,880,999.10.

Of this amount, $2,383,222,325 was for refunding outstanding issues and $480,048,525 was retired, leaving a net bond liability outstanding of $2,949,305,025 on June 30, 1939, as compared with $2,952,993,850 on June 30, 1938. In addition to bonds retired to June 30, 1939, there was available to the Bond Retirement Fund $149,217,560, and $19,706,646 was earmarked for transfer to the fund in July, for a total of $168,924,206 which may be used for the retirement of bonds. All unmatured bonds outstanding are guaranteed by the United States Government as to principal and interest.

The Corporation continued making exchanges of 2¼ percent bonds for 2¾- and 3-percent bonds when favorable market conditions permitted. The cumulative amount of exchanges to June 30, 1939, involved over $1,400,000,000 of the Corporation's bonds, and will result in a net saving in interest to the HOLC of approximately $20,600,000. Of the cumulative total of exchanges, over $247,000,000 were completed during the fiscal year 1939.

On June 1, 1939, a total of $325,254,750 Series F, 1½-percent bonds matured, of which $319,669,300 was refunded through an exchange offer into $127,867,400 Series K, ⅜-percent bonds due May 15, 1940, and $191,801,900 Series L, ⅝-percent bonds due May 15, 1941, and provision was made for payment in cash of the balance, amounting to $5,585,450. On May 18, 1939, an announcement was made that 2¾-percent Series B bonds of 1939–49 would be redeemed on August 1, 1939, and an offer was made to the holders of same to exchange these bonds for Series M, 1½-percent bonds of 1945–47. A total of $687,266,800 Series B, 2¾-percent bonds was accepted for exchange, and the balance amounting to approximately $217,000,000 was paid off in cash on and after August 1, 1939.

As a result of exchange and refunding operations, the average interest rate on all bonds was reduced from 2.527 percent as of June 30, 1938, to 2.098 percent as of June 30, 1939. A detailed statement of bonds issued, refunded, and retired to June 30, 1939, and bonds outstanding on that date, is presented in Exhibit 62.

PROGRESS IN LIQUIDATION

During the fiscal year ended June 30, 1939, the Home Owners' Loan Corporation made substantial progress toward liquidation. This is particularly significant in that it reflects the accelerating rehabilitation of the hundreds of thousands of distressed borrowers who, when refinanced by the Home Owners' Loan Corporation, were on the average delinquent two years in both principal and interest and between two and three years in taxes.

When the Corporation ceased its refinancing operations, it had loans in the total amount of $3,093,450,641 on its books. Subsequent advances to original borrowers for various purposes and interest converted to principal increased this amount to $3,173,730,305 as of June 30, 1939.

At the end of the fiscal year 1939, there had been repaid on this principal $601,002,640, or 18.9 percent of the gross amount of original loans and advances; and $644,515,428, or 20.3 percent of the gross amount of original loans and advances, had been transferred to property and similar accounts representing, for the most part, properties acquired or in process of acquisition. This left a net balance of original loans outstanding, plus advances, of $1,928,212,237 on June 30, 1939. At the end of the preceding fiscal-year period, such net balance stood at $2,214,064,317.

Reduction of original loans

	Up to June 30, 1938	Up to June 30, 1939
Original amount of loans closed	$3,093,450,642	$3,093,450,641
Advances to borrowers and interest merged with principal in extension agreements	40,325,427	80,279,664
Cumulative gross indebtedness of borrowers	3,133,776,069	3,173,730,305
Less principal repayments	432,520,240	601,002,640
Less balances transferred to property and similar accounts	487,191,512	644,515,428
Balance of original loans and advances outstanding	2,214,064,317	1,928,212,237

To an increasing extent, the reduction of original loans and advances has been effected by loan repayments in full. Through June 30, 1939, the loans of 53,676 original borrowers, in the total amount of $125,638,128, had been voluntarily repaid in full prior to the expiration of the loan contract. Of these, 18,769 loans aggregating $46,478,954 were repaid during the fiscal year 1939.

The following table gives a summary of all terminated accounts, including, in addition to the above-mentioned payments in full by original borrowers, a number of accounts terminated by other methods:

Cumulative number and amount of accounts terminated to June 30, 1938, and June 30, 1939

	Up to June 30, 1938		Up to June 30, 1939	
	Number	Amount	Number	Amount
Original loans paid in full or redeemed	34,907	$79,159,174	53,676	$125,638,128
Cash sales at foreclosure	458	1,288,358	684	1,918,077
Cash sales of acquired properties	1,025	3,735,215	3,000	10,492,806
Vendee instruments paid in full or redeemed	71	229,944	585	1,585,301
Properties and accounts charged off or consolidated	23	48,449	91	81,341
Total accounts terminated	36,484	84,461,140	58,036	139,715,653

A more comprehensive measurement of the progress in liquidation is the amount by which the Corporation was able to reduce the balance of its total debtor and property accounts.[16] At the end of the fiscal year 1938, the balance of these accounts stood at $2,781,359,590. During the fiscal year 1939, the Corporation received $179,222,497 in principal repayments on original loans and vendee accounts, $21,475,577 proceeds from property sales, and charged off as loss on principal $45,380,102, for a total of $246,078,176. During the same period, $94,671,523 was added to borrower, vendee, and property accounts in the form of advances or capital charges to property, mainly for reconditioning. As a result, the balance of debtor and property accounts on June 30, 1939, was $2,629,952,937, a net decrease of $151,406,653 during the year.

All together, through June 30, 1939, the Corporation's gross investment in loans and properties—aggregating $3,335,226,769 at that date—has been reduced by $705,273,832, or 21.15 percent of the total. Of this reduction, $648,636,965, or 19.45 percent of the gross total investment, is accounted for by sums actually received by the Corporation in the form of repayments on debtor accounts and of proceeds from property sales; $56,636,867, or 1.70 percent of the gross total, represents losses sustained in the liquidation of loans, interest, and property.

Reduction of total debtor and property accounts through June 30, 1939

	Amount	Percent
Gross investment in loans and properties, June 30, 1939	$3, 335, 226 769	100 00
Less repayments on original loan accounts through June 30, 1939	601, 002, 640	
Less repayments on vendee accounts through June 30, 1939	13, 179, 398	
Less proceeds from property sales through June 30. 1939	34, 454, 927	
Total	648, 636, 965	19 45
Less loss on principal sustained through June 30, 1939	56, 636, 867	1.70
Balance of loans outstanding and properties on hand, June 30, 1939	2, 629, 952, 937	78.85

The progress in liquidation varies considerably among the different regions as indicated in Chart XLVI.

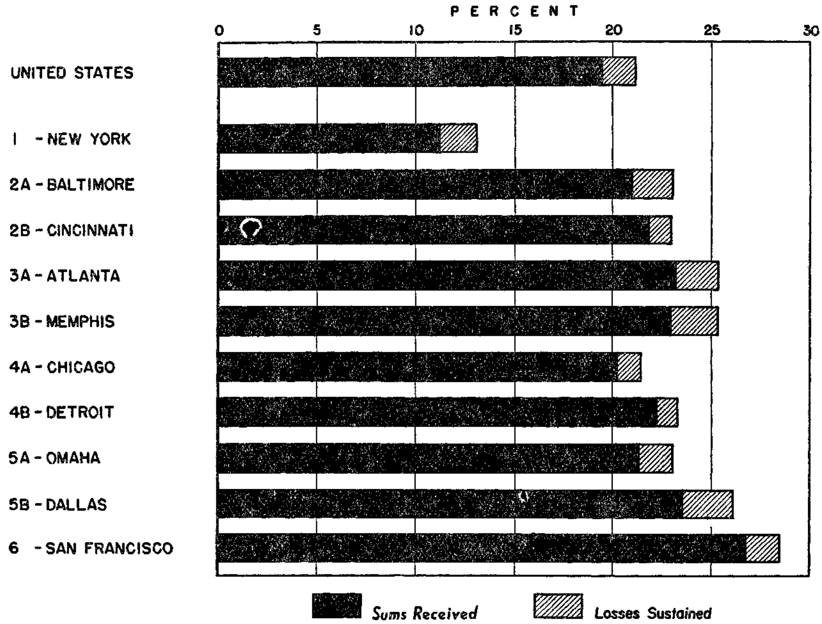
As of June 30, 1939, the San Francisco region, including the Pacific and Mountain States, led with a reduction of the Corporation's gross investment by 28.48 percent, including losses sustained in the liquida-

[16] Debtor accounts include original loans and advances to borrowers, subsequent additions to the original loans, and intere t converted to principal by extension; they also include vendee accounts originating from property sales of the Corporation, and advances to vendees. Property accounts represent the book value both of property owned and property in foreclosure on which a foreclosure judgment has been obtained or foreclosure sale has been held subject to redemption period; they include unpaid interest on the loan accounts transferred to property accounts, the cost of initial repairs and improvements, and acquisition costs, taxes, etc., applicable to the period prior to the acquisition of absolute title.

tion. On the other extreme, the New York region, which comprises New York, New Jersey, and the New England States, was far below the national average with a reduction of only 13.11 percent. It is known that in this area, home owners and real-estate values have been particularly affected by the turn in economic conditions in the early Thirties as evidenced by the excessive volume of repossessed real estate held by private financial institutions in that area.

CHART XLVI

REDUCTION OF THE GROSS INVESTMENT IN LOANS AND PROPERTIES THROUGH JUNE 30,1939, BY H.O.L.C. REGIONS



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Along with the realization of assets, the bonded indebtedness of the Corporation has been gradually reduced. In accordance with the provisions of the Home Owners' Loan Act, all principal repayments by borrowers have been deposited regularly in the Bond Retirement Fund and used only for the retirement of bonds. By Board resolution, certain other receipts, such as cash proceeds from property sales and repurchases of investments in savings and loan associations, have likewise been applied to the retirement of bonds. Through June 30, 1939, repayments of borrowers on their principal indebtedness amounted to $614,182,038, and other items applied to the retirement of bonds aggregated $34,790,380, for a total of $648,972,418. Of this amount, $629,265,772 had been deposited in the Bond Retirement Fund through June 30, 1939, and $19,706,646 was deposited during July.

The following table shows the disposition of the funds allocated to the Bond Retirement Fund through June 30, 1939:

Applied to retirement of bonds	$480, 048, 211
Deposited with U. S. Treasury for retirement of matured bonds on which interest has ceased	1, 356, 425
Available for future bond retirement	147, 861, 136
	629, 265, 772

The net reduction of the bonded indebtedness has been below the gross retirement of bonds as required by principal repayments of loans. The peak of bonds outstanding was reached on May 31, 1936, at about the same time the refinancing operations of the Home Owners' Loan Corporation were discontinued. At that date, bonds outstanding totaled $3,047,046,575. On June 30, 1939, bonds outstanding aggregated $2,949,305,025—a net reduction of $97,741,550 over about three years. The discrepancy between the net reduction of the bonded indebtedness and the gross receipts applied to the retirement of bonds throws an interesting light on the liquidation problem of the Corporation. In the process of liquidation, the Home Owners' Loan Corporation has been obliged to acquire a substantial volume of properties and to expend considerable amounts on reconditioning, taxes, and insurance; it has sold many of these properties on extended terms of payment and has thus acquired vendee instruments in lieu of the original mortgage loans; and it has made advances to original borrowers and vendees for various purposes. Also, the Corporation has increased its investments in savings and loan associations—as authorized in the Home Owner's Loan Act—during the last few years. All these factors have offset, in part, the reduction of original loan balances and have naturally tended to retard the liquidation of the bonded indebtedness.

ADMINISTRATION AND PERSONNEL

Up to the end of the fiscal year 1939, the process of liquidation has involved shifts in the Corporation's activities rather than an appreciable reduction of its work load. It was shown in preceding pages how the decrease in the number of original loans serviced has been offset in a large measure by an increase in the volume of acquired properties to be managed, sold, or rented, and by a rise of vendee accounts to be serviced. The volume of necessary reconditioning and of appraisal work is still high; foreclosure cases, although less than in previous years, are still substantial in number.

Again it should be borne in mind that the particular type of borrowers and properties with which the Home Owners' Loan Corporation has to deal, and the nation-wide operations of the Corporation present administrative problems of immense magnitude. The original borrowers of the Corporation were in heavy default and still require, in a large number of cases, considerable assistance in their efforts to rehabilitate themselves. The Corporation's activities, therefore, include many services for borrowers not normally required in the operations of private mortgage-lending institutions. Furthermore, the handling of the typically small loans made by the Corporation is relatively expensive since overhead expenses on an average mortgage loan of $3,000 are approximately the same as on an average loan of $30,000. Finally, the Corporation services loans in almost every one of the 3,073 counties of the United States, and the properties it had to acquire are similarly spread over the whole country.

Despite the magnitude of its task and the continued complexity of its liquidation problem, the Corporation in the last few years has operated under steadily decreasing administrative costs brought about by contractions in organization and reduction in personnel, attendant upon the cessation of its refinancing operations, and by greater efficiency of management. This is illustrated by the following figures:

In November 1934, when the peak in the number of offices maintained by the Corporation and in personnel was reached, there were 458 offices operating in the field, including regional, State, division, district, and other branch offices. On June 30, 1939, the number of administrative or supervisory offices of the Corporation was reduced to 66, including 10 regional, 52 State, division, and territorial offices, and 4 district offices. In addition, the Corporation maintained 110 field stations at that date. Such stations have been established at points of loan concentration where collection facilities are needed but where no full offices are required. They permit close contact with the Corporation's borrowers at a minimum of expense. Most of these stations are in post office space or in the homes of HOLC representatives and involve no rental cost to the Corporation.

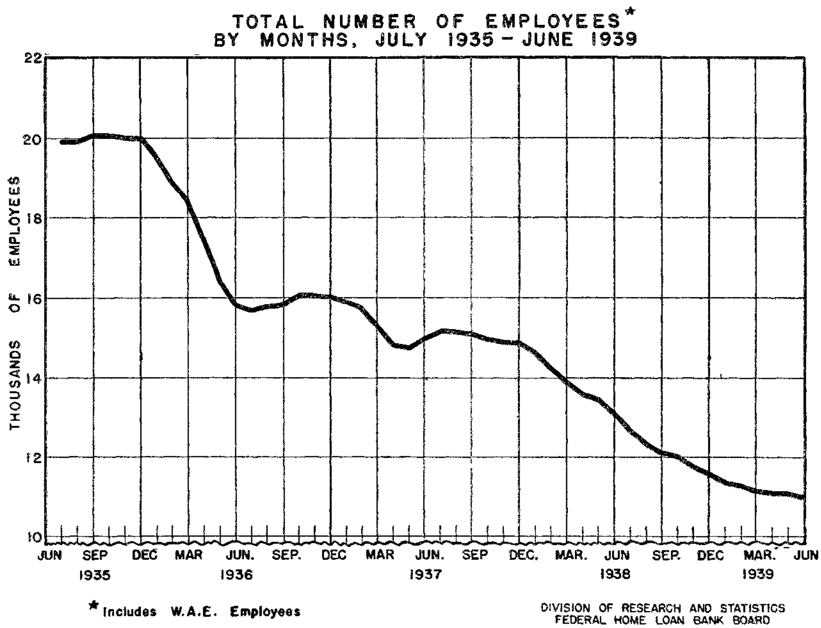
On November 30, 1934, the personnel of the HOLC numbered 20,811, of whom 2,762 were employed in the Washington office, and 18,049 in the field. On July 1, 1939, this number was reduced to 11,007, of whom 1,318 were employed in the Washington office, and 9,689 in the field.[17]

[17] All these figures include employees on a per diem basis

Administrative expenses, which include all salaries, reached their peak in the fiscal year 1936, in which the lending operations of the Corporation ceased; in that year they amounted to $35,881,600. In the fiscal year 1939, they were only $25,025,000, or approximately 70 percent of the 1936 peak.

The above data include various reductions in offices and personnel made during the fiscal year 1939. In that period the Boston Regional Office was closed and its operations transferred to the New York

CHART XLVII



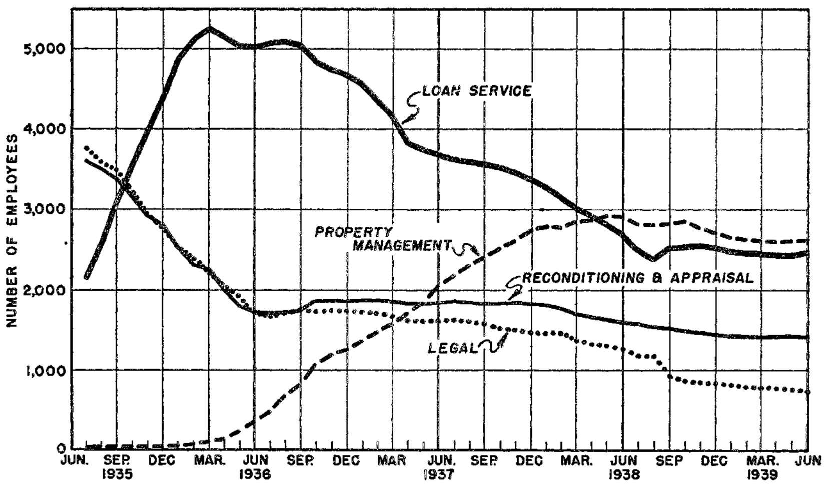
Regional Office. Furthermore, 15 divisional, district, and subdistrict offices were closed, and the number of field stations was reduced by 63. In the Washington office, the organization was simplified by abolition of the general supervision over the six territorial districts through Assistant General Managers; since September 1, 1938, supervision of territorial and field operations has been exercised by the General Manager through the department heads in charge of the operating divisions of the Corporation.

From July 1, 1938, to July 1, 1939, the number of employees dropped from 13,140 to 11,007—a decrease of 2,133 employees, or by more than 16 percent, with an attendant reduction of $2,713,720 in annual salary cost. Detailed information on the number of employees on July 1, 1939, by departments, divisions, and sections, is given in Exhibit 63.

In its personnel policy, the Home Owners' Loan Corporation is faced with a difficult problem. In the process of liquidation, the Corporation is forced to reduce its staff by large numbers each year; on the other hand, it needs a well trained personnel to carry out highly specialized tasks requiring experience and skill. With the prospect of continuous reductions in personnel because of liquidation, and with the increase in building activity and mortgage lending in

CHART XLVIII

NUMBER OF EMPLOYEES IN PRINCIPAL DEPARTMENTS*
BY MONTHS, JULY 1935–JUNE 1939



*Includes W.A.E Employees

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the last few years, many HOLC employees have sought and found positions in private business at better pay and have therefore voluntarily resigned. The number of such voluntary resignations during the period from July 1, 1937, to July 1, 1939, was 3,058. It thus becomes increasingly difficult for the Corporation to retain its trained personnel against the competition of private employers who avail themselves of the opportunity to obtain employees well versed in the various economic, legal, and technical aspects of mortgage finance. The personnel policy of the Corporation, therefore, places growing emphasis on the development of incentives to more and better work by a fair plan of advancement and promotion, and on a more accurate adaptation of employees' ability to the Corporation's work through training on the job.

Salaries paid by the Corporation are based upon the classification of positions as required in the President's Executive Order of June 21, 1934. All positions, both in the field and in the home office, have been classified. Salary schedules have been worked out which provide steps within the grade and, except in cases in which a probationary period is obviously in order, new employees are started at the minimum of the range of the appropriate grade. Increases in salary are based upon ability and performance. An important factor in this process is an employee service rating plan which periodically records opinions of responsible supervisors concerning quantity and quality of work performed.

List of Exhibits

THE FEDERAL HOME LOAN BANK BOARD AND ITS AGENCIES

SURVEY OF HOUSING AND MORTGAGE FINANCE

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

EXHIBIT 1

Federal Home Loan Bank Board—Comparative statement reflecting, by offices, the number of Board employees as of the close of the fiscal years 1938 and 1939

	1938	1939		1938	1939
Offices of Board Members	13	13	Legal Department	17	11
Office of the Governor:			Review Committee	2	8
Governor's immediate office	9	7	Home Building Service Division		8
Office of the Comptroller	35	33			
Office of the Chief Supervisor	20	23	Examining Division:		
			Washington office	9	9
Total Governor's office	64	63	Field	184	191
Office of the Secretary	16	21	Total Examining Division	193	200
Office of Public Relations	2	6			
Division of Research and Statistics	7	17	Grand total	314	347

EXHIBIT 2

Federal Home Loan Bank Board—Statement of receipts and disbursements of the Board for the fiscal years 1938 and 1939

	July 1, 1937, to June 30, 1938	July 1, 1938, to June 30, 1939
Balance at beginning of fiscal year	$256, 593 79	$292, 476 78
Receipts:		
Assessments upon—		
Federal Home Loan Banks	150, 000. 00	225, 000. 00
Home Owners' Loan Corporation	295, 144. 14	125, 615. 00
Federal Savings and Loan Insurance Corporation	64, 615 90	69, 257. 28
Examining receipts	783, 874. 27	643, 939. 19
Miscellaneous refunds	4, 381. 17	6, 787. 10
Total receipts	1, 298, 015. 48	1, 070, 598. 57
Total cash and receipts	1, 554, 609. 27	1, 363, 075. 35
Disbursements:		
Salaries	857, 807. 09	888, 650. 32
Supplies and materials	10, 511 97	9, 405. 19
Newspapers and periodicals	59. 75	101 67
Communications	28, 881. 49	16, 011. 95
Travel	176, 876 56	144, 884. 78
Transportation of things	787. 92	861. 69
Printing and binding	13, 756 64	15, 365 17
Photographing and duplicating	22, 979. 17	13, 822. 36
Rents	18, 514 96	23, 502 14
Equipment, furniture, and fixtures	6, 956. 94	12, 044 97
Total disbursements	1, 137, 132 49	1, 124, 650. 24
Repayment to Home Owners' Loan Corporation and Federal Savings and Loan Insurance Corporation for retirement of amounts previously advanced by the Corporation	125, 000. 00	0
Total disbursements and repayments	1, 262, 132. 49	1, 124, 650. 24
Balance at end of fiscal year	292, 476. 78	238, 425. 11

Statement of cash receipts and disbursements of the savings and loan promotion fund for the year ended June 30, 1939

Balance as of June 30, 1938	$34, 063. 98
Receipts	0
Total cash and receipts	34, 063. 98
Disbursements: Travel	7. 89
Balance as of June 30, 1939	[1] 34, 056. 09

[1] This balance reverts to the general fund of the Treasury Department as of June 30, 1939.

EXHIBIT 3

Indices of total building cost, and of cost of materials and labor used in construction of standard six-room frame house

[Average month 1936=100]

	Materials	Labor	Total		Materials	Labor	Total
1936				*1938*			
January	98. 7	98 1	98. 5	January	107. 2	110. 9	108. 4
February	99. 0	98 1	98. 7	February	106. 5	111. 0	108. 0
March	99. 1	98 2	98. 8	March	105. 7	111. 4	107. 6
April	99. 2	98 8	99. 1	April	105. 2	111. 4	107. 2
May	99. 4	99. 4	99. 4	May	104. 8	111. 3	106 9
June	99. 5	99. 9	99. 7	June	104. 6	111. 5	106. 9
July	99. 9	100 3	100 1	July	104. 2	112 0	106. 8
August	100. 3	100. 5	100. 4	August	103 4	112. 3	106. 4
September	100. 4	101. 0	100 6	September	103 4	112. 4	106. 4
October	100. 7	101. 5	101. 0	October	103 3	112. 1	106. 2
November	101. 4	102 0	101. 6	November	103. 2	112. 1	106. 1
December	102. 5	102 2	102. 4	December	103. 1	112. 1	106. 1
1937				*1939*			
January	104. 0	102. 7	103. 6	January	103. 0	111. 9	106. 0
February	105. 6	103. 4	104. 9	February	103. 0	112. 2	106. 0
March	107. 7	104 7	106 7	March	103. 0	112. 4	106. 1
April	109. 1	106. 7	108. 3	April	102. 9	111. 9	105. 9
May	110. 0	107. 7	109. 2	May	102. 7	111. 5	105. 6
June	110. 2	109. 5	110. 0	June	102. 5	111. 3	105. 4
July	110. 5	110 6	110. 5				
August	110 6	110. 9	110. 7				
September	110 3	111. 0	110. 5				
October	109. 8	111. 2	110. 2				
November	109. 2	111 2	109 9				
December	108. 1	111. 0	109. 1				

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 4

Nonfarm real estate foreclosures in the United States, 1926 to 1939

Year	Number	Rate per 1,000 nonfarm dwellings	Year	Number	Rate per 1,000 nonfarm dwellings
1926	68, 100	3. 60	1933	252, 400	13. 34
1927	91, 000	4. 80	1934	230, 988	12. 21
1928	116, 000	6. 10	1935	229, 550	12. 13
1929	134, 900	7. 10	1936	186, 993	9. 88
1930	150, 100	7. 90	1937	153, 025	8. 09
1931	193, 800	10 20	1938	119, 290	6. 31
1932	248, 700	13. 10	1939 [1]	(56, 953)	6. 02

[1] January to June; rate on annual basis.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 5

Estimated number of nonfarm real estate foreclosures, by Federal Home Loan Bank Districts and by States

State and Bank District	Year ending June 30, 1938	Year ending June 30, 1939
United States	133,568	112,241
No. 1—Boston	13,642	12,614
Connecticut	2,406	2,686
Maine	904	977
Massachusetts	8,485	7,786
New Hampshire	423	330
Rhode Island	1,134	661
Vermont	290	174
No. 2—New York	26,406	25,915
New Jersey	7,828	5,501
New York	18,578	20,414
No. 3—Pittsburgh	16,666	13,685
Delaware	216	249
Pennsylvania	15,096	12,875
West Virginia	1,354	561
No. 4—Winston-Salem	13,403	11,013
Alabama	1,868	1,704
District of Columbia	483	384
Florida	1,793	1,612
Georgia	1,317	1,494
Maryland	2,552	1,860
North Carolina	2,649	2,230
South Carolina	794	399
Virginia	1,947	1,330
No. 5—Cincinnati	15,823	10,783
Kentucky	1,615	1,357
Ohio	11,717	7,274
Tennessee	2,491	2,152
No. 6—Indianapolis	8,786	6,596
Indiana	5,360	2,453
Michigan	3,426	4,143
No. 7—Chicago	8,864	7,989
Illinois	5,596	4,769
Wisconsin	3,268	3,220
No. 8—Des Moines	7,947	6,744
Iowa	1,065	1,093
Minnesota	1,489	1,030
Missouri	4,349	3,894
North Dakota	379	223
South Dakota	665	504
No. 9—Little Rock	5,235	4,727
Arkansas	668	387
Louisiana	1,004	906
Mississippi	816	503
New Mexico	170	227
Texas	2,577	2,704
No. 10—Topeka	7,202	4,817
Colorado	574	383
Kansas	1,508	1,271
Nebraska	2,117	1,392
Oklahoma	3,003	1,771
No. 11—Portland	2,705	1,868
Idaho	106	94
Montana	218	124
Oregon	529	515
Utah	400	191
Washington	1,402	749
Wyoming	50	195
No. 12—Los Angeles	6,889	5,490
Arizona	377	181
California	6,491	5,292
Nevada	21	17

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 6

Rate of residential building in all cities of 10,000 or more population—Estimated number of family dwelling units provided in each Federal Home Loan Bank District, per 100,000 population, monthly averages [1]

	1936	1937	1938	1939 [2]
United States	19.4	21.9	28.0	31.0
No. 1—Boston	10.2	12.0	11.4	12.9
No. 2—New York	24.0	28.0	44.6	35.5
No. 3—Pittsburgh	8.8	10.5	11.7	15.4
No. 4—Winston-Salem	31.0	33.1	37.5	47.6
No. 5—Cincinnati	12.0	13.4	12.6	15 0
No. 6—Indianapolis	14.0	16.6	20.9	28.3
No. 7—Chicago	7.2	8.1	8.1	11.2
No. 8—Des Moines	14.1	14.1	18.2	22.0
No. 9—Little Rock	31.7	34 0	46.4	58.2
No. 10—Topeka	19.7	23.1	22.8	31.0
No. 11—Portland	21.8	27.2	29 0	34 2
No. 12—Los Angeles	48 3	53.1	64.9	84.1

[1] In the compilation of this material, building-permit data collected by the U. S. Department of Labor has been used; publicly financed units are excluded. In order to provide a basis for comparison of residential building activity between various sections of the country, a ratio of the total number of new family dwelling units to existing population has been computed instead of the absolute number of dwelling units provided. Population estimates used in computing the rate of building are based on the U. S. Census of 1930, with adjustment for population increases since that time.
[2] Monthly average, January to June 1939.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 7

New nonfarm residential building in the United States

[Thousands of dwelling units]

Year	1-family	2-family	Apartment	Total	Year	1-family	2-family	Apartment	Total
1922	437	146	133	716	1933	39	4	11	54
1923	513	175	183	871	1934	42	3	10	55
1924	534	173	186	893	1935	110	6	28	144
1925	572	157	208	937	1936	207	10	65	282
1926	491	117	241	849	1937	225	14	54	293
1927	454	99	257	810	1938	260	17	70	347
1928	436	78	239	753					
1929	316	51	142	509	January to June				
1930	185	28	73	286	1938	118	8	25	151
1931	147	21	44	212	January to June				
1932	61	6	7	74	1939	171	10	52	233

Source: For 1922 to 1936· National Bureau of Economic Research. For 1937, 1938, and 1939· Department of Labor, on the basis of building permit reports for cities of 2,500 population or over.

EXHIBIT 8

Changes in selected types of individual long-term savings

	1937	1938	Change
			Percent
Life insurance companies [1]	$20,509,978,554	$21,857,993,609	+6.6
Mutual savings banks [2]	10,185,271,000	10,145,790,000	−0.4
All other banks [3]	11,996,594,000	12,291,525,000	+2.5
Savings and loan associations [4]	4,472,913,000	4,591,484,000	+2.6
Postal savings [5]	1,267,673,740	1,251,799,180	−1.3
2½ percent postal savings bonds [6]	119,086,360	118,065,420	−0.9
U. S. savings bonds [7]	963,735,743	1,441,547,895	+49.6
Total	49,515,252,397	51,698,205,104	+4 4

[1] Estimated accumulated savings in U. S. life insurance companies. Represents reserves plus unpaid dividends and surplus to policyholders, except that deduction is made of policy notes and loans and net deferred and unpaid premiums. Source: Spectator Life Insurance Year Books and Proceedings of the Association of Life Insurance Presidents. Figures as of Dec. 31.

[2] Deposits evidenced by savings passbooks. Source: Annual reports of the Comptroller of the Currency. Figures as of June 30.

[3] Deposits evidenced by savings passbooks. National banks, State commercial banks, loan and trust companies, stock savings banks, and private banks. Source: Annual reports of the Comptroller of the Currency. Figures as of June 30.

[4] Estimated private investments in savings and loan associations, including deposits, investment securities, and shares pledged against mortgage loans. Includes estimates for private investments in State-chartered savings and loan associations in Maryland, South Carolina, Colorado, Idaho, and Arizona. Source: Compilation by FHLBB Division of Research and Statistics of reports by FHLB System on Federal savings and loan associations and by State banking commissioners on State-chartered savings and loan associations. Figures mostly as of Dec. 31.

[5] Balance to credit of depositors. Source: Annual Report of the Postmaster General on Operations of the Postal Savings System. All figures as of June 30.

[6] Source: Annual reports of the Secretary of the Treasury for years prior to 1935. For 1936 and 1937 Treasury Daily Statement. All figures as of June 30.

[7] Current redemption value. Source: Treasury Daily Statement All figures as of Dec 31.

EXHIBIT 9

Estimated volume of mortgage loans made on nonfarm 1- to 4-family dwellings, by type of lender

[Millions of dollars]

Type of lender	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Savings and loan associations	$1, 791	$1, 262	$892	$543	$414	$451	$564	$755	$897	$798
Insurance companies	525	400	169	54	10	16	77	140	232	242
Mutual savings banks	612	484	350	150	99	80	80	100	120	105
Commercial banks and their trust departments	1, 040	670	364	170	110	110	264	430	500	560
Home Owners' Loan Corporation	------	------	------	------	103	2, 116	722	154	27	89
Individuals and others	1, 120	720	400	175	100	150	443	605	723	669
Total	5, 088	3, 536	2, 175	1, 092	836	2, 923	2, 150	2, 184	2, 499	2, 463

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 10

Summary of estimated nonfarm mortgage recordings,[1] January–June 1939

[Mortgages of $20,000 and less]

(Amounts shown are in thousands of dollars)

Federal Home Loan Bank District and State	Savings and loan associations		Insurance companies		Banks and trust companies		Mutual savings banks		Individuals		Other mortgagees		Total		Amount per capita (nonfarm)
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
United States	216, 427	$545, 279	31, 685	$157, 076	138, 110	$448, 760	17, 424	$58, 729	166, 661	$322, 683	79, 460	$265, 617	649, 767	$1, 798, 144	$19 48
No. 1—Boston	15, 301	43, 950	267	1, 966	4, 502	15, 736	8, 539	26, 796	12, 919	30, 147	2, 289	7, 513	43, 817	126, 108	
Connecticut	1, 089	3, 569	245	1, 834	1, 289	5, 216	1, 893	6, 568	2, 327	5, 625	1, 416	4, 797	8, 259	27, 609	18. 16
Maine	1, 873	4, 293	3	18	793	1, 698	1, 207	1, 989	[2] 1, 798	[2] 3, 056	92	188	5, 766	11, 242	17. 95
Massachusetts	9, 721	29, 030			1, 542	5, 845	4, 032	13, 614	[2] 7, 416	[2] 18, 699			22, 711	67, 188	16. 28
New Hampshire	947	2, 543			15	65	842	2, 843	413	717	15	14	2, 232	6, 182	15 36
Rhode Island	775	2, 705	19	114	404	1, 447	492	1, 668	631	1, 365	668	2, 090	2, 989	9, 389	13 99
Vermont	896	1, 810			459	1, 465	73	114	334	685	98	424	1, 860	4, 498	18 23
No. 2—New York	16, 564	53, 819	2, 535	16, 586	13, 975	58, 845	6, 222	24, 221	20, 684	49, 559	8, 268	32. 800	68, 248	235, 830	
New Jersey	5, 759	19, 863	916	5, 679	6, 545	28, 064	339	1, 585	6. 630	18, 666	4, 017	15, 885	24, 206	89, 742	22. 95
New York	10, 805	33, 956	1, 619	10, 907	7, 430	30, 781	5, 883	22, 636	14, 054	30, 893	4. 251	16, 915	44. 042	146, 088	12 31
No. 3—Pittsburgh	14, 602	37, 007	1, 766	9, 620	10, 632	38, 046	152	375	9, 802	22, 662	6, 784	25, 099	43, 738	132, 809	
Delaware	304	772	71	406	238	972	66	249	280	630	166	531	1, 125	3, 560	18 56
Pennsylvania	10, 917	28, 506	1, 478	8, 274	7, 934	31, 184	25	75	7, 737	19, 036	6, 001	23, 502	34, 092	110, 577	12 60
West Virginia	3, 381	7, 729	217	940	2, 460	5, 890	61	51	1, 785	2, 996	617	1, 066	8, 521	18, 672	14 59
No. 4—Winston-Salem	32, 465	74, 458	6. 232	27, 350	12, 952	36, 808	323	1, 408	27, 112	45, 139	13, 635	35, 598	92. 720	220. 761	
Alabama	1, 228	1, 771	560	2, 215	1, 041	2, 046			2, 340	2, 842	1, 873	4, 874	7, 042	13, 748	10. 53
District of Columbia	2, 479	11, 544	406	2, 597	462	2, 614			1. 668	5, 083	1, 471	6, 470	6, 486	28, 308	58. 19
Florida	2, 801	10, 039	1, 603	6, 356	1, 821	5, 675	5	9	3, 047	6, 803	4, 117	11, 954	13, 394	40, 836	34. 34
Georgia	4, 116	7, 236	796	3, 541	2, 377	4, 939	11	17	3, 750	4. 285	961	1, 600	12, 011	21, 618	14 51
Maryland	5, 868	13, 641	203	1, 460	1, 122	6, 019	301	1, 379	1, 915	4, 977	834	3, 235	10, 243	30, 711	22 03
North Carolina	9, 844	15, 127	854	2, 423	2, 522	4, 279			4, 328	3, 930	1, 440	3, 071	18, 988	28. 830	18 36
South Carolina	2, 731	5, 345	261	1, 377	1, 252	2, 704			3, 104	3, 214	2, 068	2, 115	9, 416	14, 755	17 94
Virginia	3, 398	9, 755	1, 549	7, 381	2, 356	8, 532	6	3	6, 960	14, 005	871	2, 279	15, 140	41, 955	28 52
No. 5—Cincinnati	32, 821	83, 442	3. 015	16, 293	15, 359	42, 819	661	1, 964	10, 088	17, 800	7, 132	23. 105	69. 076	185, 423	
Kentucky	6, 998	16, 378	737	3, 535	2, 101	6, 243			1, 028	1, 562	541	1, 378	11, 405	29, 096	20 23
Ohio	21, 977	62, 317	1, 815	10, 839	8, 522	30, 656	661	1, 964	6, 749	13. 065	4, 863	18, 052	44, 587	136, 893	24 30
Tennessee	3, 846	4, 747	463	1, 919	4, 736	5, 920			2, 311	3, 173	1, 728	3, 675	13, 084	19, 434	13 87

No. 6—Indianapolis	14,182	28,123	2,883	14,174	13,269	40,442	285	499	6,057	10,888	5,182	20,037	41,858	114,163	----
Indiana	10,377	18,182	1,180	5,360	4,878	12,844	285	499	2,724	3,950	1,614	3,984	21,058	44,819	18 48
Michigan	3,805	9,941	1 703	8,814	8,391	27,598	----	----	3,333	6,938	3,568	16,053	20,800	69,344	17 08
No. 7—Chicago	14,032	38,666	1,796	10,148	7,706	29,819	79	196	8,935	21,327	7,277	33,337	39,825	133,493	----
Illinois	10,224	28,629	1,331	7,862	5,197	21,508	17	62	3,976	10,688	6,319	29,174	27,064	97,923	14 77
Wisconsin	3,808	10,037	465	2,286	2,509	8,311	62	134	4,959	10,639	958	4,163	12,761	35,570	17.28
No. 8—Des Moines	16,739	38,611	3,475	14,295	8,261	19,306	377	1,001	11,949	19,537	5,224	14,675	46,025	107,125	----
Iowa	4,323	8,933	486	2,098	3,219	8,217	26	32	2,429	3,669	1,020	2,762	11,503	25,711	17.22
Minnesota	5,846	16,321	2,295	8,835	1,737	4,315	343	967	2,959	5,825	770	2,394	13,950	38,657	23 17
Missouri	5,197	10,759	653	3,168	2,702	5,838	8	2	5,695	8,821	3,289	9,238	17,544	37,826	15 04
North Dakota	852	1,731	3	24	264	431	----	----	346	485	113	198	1,578	2,869	10 12
South Dakota	521	867	38	170	339	505	----	----	520	737	32	83	1,450	2,362	7.80
No. 9—Little Rock	17,413	45,378	3,607	18,075	4,945	14,318	124	319	12,855	24,794	9,808	31,784	48,752	134,668	----
Arkansas	2,053	3,867	140	508	934	1,994	----	----	1,085	1,358	633	1,295	4,845	9,022	12 27
Louisiana	4,636	14,907	276	1,555	462	1,233	2	15	2,021	5,081	1,246	3,057	8,643	25,848	20 34
Mississippi	1,248	3,041	245	1,074	610	1,225	----	----	1,064	1,638	813	2,054	3,980	9,032	13 96
New Mexico	1,276	2,278	41	277	243	605	2	5	1,406	1,670	225	551	3,193	5,386	20 35
Texas	8,200	21,285	2,905	14,661	2,696	9,261	120	299	7,279	15,047	6,891	24,827	28,091	85,380	24 59
No. 10—Topeka	13,965	30,661	1,773	7,208	4,714	11,649	10	34	9,196	14,578	5,887	16,670	35,545	80,800	----
Colorado	1,666	4,349	145	754	831	2,310	----	----	3,312	5,955	1,563	4,540	7,517	17,908	23.78
Kansas	3,979	7,701	604	2,282	1,751	3,913	6	25	1,649	2,310	1,281	3,580	9,270	19,811	16.88
Nebraska	3,054	6,754	569	2,026	447	1,436	4	9	1,127	1,863	180	511	5,381	12,599	15.90
Oklahoma	5,266	11,857	455	2,146	1,685	3,990	----	----	3,108	4,450	2,863	8,039	13,377	30,482	22.22
No. 11—Portland	9,775	21,366	1,537	6,052	6,690	16,301	652	1,916	6,422	9,258	2,916	7,849	27,992	62,742	----
Idaho	1,229	2,436	92	339	777	2,082	----	----	955	1,275	304	784	3,357	6,916	26.95
Montana	1,404	3,399	410	1,966	502	1,212	----	----	883	1,387	182	473	3,381	8,437	25.34
Oregon	1,738	3,775	307	1,229	848	2,502	64	196	1,912	2,693	758	2,415	5,627	12,810	17.55
Utah	749	2,075	77	210	1,133	2,873	----	----	407	522	325	520	2,691	6,200	15.81
Washington	4,187	8,337	645	2,291	3,120	6,753	588	1,720	1,826	2,611	1,078	2,983	11,444	24,695	19.62
Wyoming	468	1,344	6	17	310	879	----	----	439	770	269	674	1,492	3,684	24.17
No. 12—Los Angeles	18,568	49,798	2,799	15,309	35,104	124,671	----	----	30,642	56,994	5,058	17,150	92,171	263,922	----
Arizona	836	2,354	71	263	1,238	4,168	----	----	888	1,352	312	734	3,345	8,871	26.36
California	17,497	46,835	2,696	14,917	33,448	119,211	----	----	29,441	55,087	4,678	16,255	87,760	252,305	49.89
Nevada	235	609	32	129	418	1,292	----	----	313	555	68	161	1,066	2 746	36 80

[1] Based upon county reports submitted through the cooperation of savings and loan associations, the U. S. Building and Loan League, the Mortgage Bankers Association, and the American Title Association.

[2] Includes insurance companies and other mortgagees.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 11

Estimated balance of outstanding mortgage loans on nonfarm 1- to 4-family dwellings [1]

[Millions of dollars]

Type of mortgagee	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938
Savings and loan associations	$7,008	$6,984	$6,485	$5,756	$5,906	$4,012	$3,467	$3,361	$3,480	$3,630
Insurance companies	1,731	1,844	1,899	1,835	1,767	1,547	1,415	1,358	1,343	1,320
Mutual savings banks	3,225	3,300	3,375	3,375	3,200	3,000	2,850	2,750	2,700	2,670
Commercial banks [2]	2,500	2,425	2,145	1,995	1,810	1,189	1,189	1,230	1,400	1,600
Home Owners' Loan Corporation	------	------	------	------	103	2,209	2,897	2,763	2,398	2,169
Individuals and others [3]	7,200	7,400	7,500	7,000	6,700	6,200	6,000	6,000	6,180	6,332
Total	21,664	21,953	21,404	19,961	18,486	18,157	17,818	17,462	17,501	17,721

[1] The estimates of the outstanding balance of nonfarm home-mortgage loans by type of institution for 1938 and the revised statistics for the immediately preceding years have been developed from exhaustive studies of recent surveys of mortgages recorded throughout the country by type of mortgagee. These comprehensive analyses have been used in conjunction with reported statistics of the mortgage holdings of savings and loan associations, life-insurance companies, mutual savings banks, commercial banks, and the Home Owners' Loan Corporation The figures for the Home Owners' Loan Corporation reflect the actual balance of mortgage loans held and advances outstanding. The figures for savings and loan associations are based on a compilation of the annual reports of Federal savings and loan associations to the Federal Home Loan Bank Board, and of the annual reports of State-chartered savings and loan associations to their supervisors and to the Federal Home Loan Bank Board. The estimates for life-insurance companies were developed from study and summary of detailed reports which were received from a sample group of insurance companies holding more than 85 percent of life-insurance-company assets. These schedules provide a detailed break-down of their mortgage-loan portfolios. The estimates for mutual savings banks were developed by applying to the total mortgage holdings of these banks, as reported by the Comptroller of the Currency, additional material collected by the Division of Research and Statistics of the Federal Home Loan Bank Board. As a result of this investigation, it was possible to segregate mortgage holdings of mutual savings banks into the farm and nonfarm element and further to separate the nonfarm element into mortgages on homes and other-than-home property. The project covered mutual savings banks in the States of New York and Massachusetts, and involved institutions containing more than 50 percent of all mutual savings bank assets. For commercial banks, use was made of a study conducted at the end of 1934 by the Federal Housing Administration in conjunction with the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation. This canvass segregated mortgages on homes from other nonfarm real-estate holdings of the reporting banks. The relationships shown then have been applied to total mortgage holdings of the banks for earlier years. In recent reports the Comptroller of the Currency has provided a segregation of mortgage holdings by national banks. Adjustments have been made in the estimated data on the basis of the Comptroller's reports as well as the FHA reports indicating increased mortgage lending by commercial banks. Finally, in the case of individuals and other types of mortgagees, estimates have been developed for recent years on the basis of studies of mortgage recordings by type of mortgagee conducted by the Division of Research and Statistics of the Federal Home Loan Bank Board For earlier years the estimates have been prepared after reviewing many studies, bulletins, and researches of various Government and private agencies. Included in these sources are the Financial Survey of Urban Housing, the refinancing operations of the Home Owners' Loan Corporation by type of mortgagee, local surveys conducted by the National Association of Real Estate Boards, special surveys of the Federal Home Loan Banks, figures supplied by the New York State Mortgage Commission, sundry reports of the Mortgage Bankers Association, hearings of the Sabath Committee investigating real estate bond holdings committees

[2] Does not include trust department of commercial banks.

[3] Includes trust department of commercial banks, fiduciaries, real-estate, bond companies, title and mortgage companies, philanthropic and educational institutions, fraternal organizations, construction companies, RFC Mortgage Company, etc.

The first figure of the 1933 column should read $4,906,000,000 instead of $5,906,000,000.

EXHIBIT 12

Federal Home Loan Bank System—Number and estimated assets of member institutions, June 30, 1938, and June 30, 1939

	Number of members		Assets of members	
	1938	1939	1938	1939
United States	3,956	3,946	$4,308,104,000	$4,600,318,000
No. 1—Boston	208	216	621,377,000	649,203,000
Connecticut	46	48	79,455,000	85,315,000
Maine	21	22	17,869,000	18,373,000
Massachusetts	118	123	467,888,000	485,581,000
New Hampshire	15	15	26,404,000	27,556,000
Rhode Island	4	4	25,967,000	28,159,000
Vermont	4	4	3,794,000	4,219,000
No. 2—New York	419	420	474,085,000	474,561,000
New Jersey	295	296	246,014,000	219,708,000
New York	124	124	228,071,000	254,853,000
No. 3—Pittsburgh	569	548	236,695,000	244,955,000
Delaware	7	7	2,209,000	2,485,000
Pennsylvania	530	510	216,813,000	223,435,000
West Virginia	32	31	17,673,000	19,035,000
No. 4—Winston-Salem	428	417	462,836,000	535,129,000
Alabama	23	22	24,526,000	29,221,000
District of Columbia	18	20	114,803,000	125,949,000
Florida	53	53	41,713,000	53,803,000
Georgia	57	57	25,367,000	30,342,000
Maryland	86	75	50,599,000	53,771,000
North Carolina	112	114	153,921,000	182,589,000
South Carolina	40	40	23,105,000	27,484,000
Virginia	39	36	28,802,000	31,970,000
No. 5—Cincinnati	564	579	790,350,000	841,697,000
Kentucky	94	93	88,852,000	93,554,000
Ohio	428	444	647,697,000	686,295,000
Tennessee	42	42	53,801,000	61,848,000
No. 6—Indianapolis	208	214	239,983,000	250,887,000
Indiana	156	159	141,847,000	151,833,000
Michigan	52	55	98,136,000	99,054,000
No. 7—Chicago	482	477	389,555,000	405,353,000
Illinois	353	349	239,507,000	258,193,000
Wisconsin	129	128	150,048,000	147,160,000
No. 8—Des Moines	243	246	178,300,000	197,402,000
Iowa	61	66	33,525,000	39,204,000
Minnesota	40	39	36,152,000	44,689,000
Missouri	115	114	89,776,000	93,794,000
North Dakota	14	14	9,363,000	9,787,000
South Dakota	13	13	9,484,000	9,928,000
No. 9—Little Rock	293	288	332,862,000	364,532,000
Arkansas	41	41	14,743,000	16,380,000
Louisiana	70	69	124,074,000	129,217,000
Mississippi	28	27	20,043,000	22,570,000
New Mexico	16	15	4,969,000	5,249,000
Texas	138	136	169,033,000	191,116,000
No. 10—Topeka	232	234	181,520,000	188,703,000
Colorado	40	40	27,105,000	29,044,000
Kansas	105	104	61,179,000	58,779,000
Nebraska	35	35	39,448,000	43,607,000
Oklahoma	52	55	53,788,000	57,273,000

Federal Home Loan Bank System—Number and estimated assets of member institutions, June 30, 1938, and June 30, 1939—Continued

	Number of members		Assets of members	
	1938	1939	1938	1939
No. 11—Portland	137	134	114, 194, 000	128, 017, 000
Idaho	9	8	117, 000	6, 985, 000
Montana	13	12	6, 523, 000	9, 700, 000
Oregon	29	30	8, 989, 000	29, 167, 000
Utah	10	10	25, 807, 000	14, 252, 000
Washington	65	63	13, 410, 000	63, 235, 000
Wyoming	10	10	55, 301, 000	4, 518, 000
Alaska	1	1	4, 047, 000	160, 000
No. 12—Los Angeles	173	173	286, 347, 000	319, 879, 000
Arizona	3	3	2, 334, 000	3, 078, 000
California	164	163	280, 711, 000	312, 997, 000
Nevada	2	3	732, 000	794, 000
Hawaii	4	4	2, 570, 000	3, 010, 000

EXHIBIT 13

Federal Home Loan Banks—Advances and repayments for periods indicated, and the balance of advances outstanding at the close of such periods

	Advances	Repayments	Balance outstanding
Fiscal year:			
1933	$48, 894, 602. 41	$1, 230, 772. 82	$47, 663, 829. 59
1934	62, 871, 970. 22	25, 387, 445. 72	85, 148, 354. 09
1935	36, 683, 308. 61	42, 599, 148. 52	79, 232, 514. 18
1936	78, 195, 224. 32	38, 840, 900. 50	118, 586, 838. 00
1937	114, 287, 052. 41	65, 817, 003. 85	167, 056, 886. 56
1937—July	10, 221, 429. 84	7, 707, 421. 76	169, 570, 894. 66
August	11, 116, 419. 02	5, 080, 175. 81	175, 607, 137. 85
September	9, 330, 371. 28	5, 426, 303. 27	179, 511, 205. 86
October	8, 991, 254. 84	4, 461, 350. 20	184, 041, 110. 50
November	7, 001, 123. 74	3, 706, 692. 48	187, 335, 541. 76
December	17, 590, 772. 89	4, 831, 686. 17	200, 094, 628. 48
1938—January	3, 722, 730. 00	13, 279, 451. 72	190, 537, 906. 76
February	4, 070, 622. 57	7, 090, 461. 42	187, 518, 067. 91
March	4, 900, 573. 80	9, 293, 152. 19	183, 125, 489. 52
April	6, 088, 928. 11	5, 464, 846. 38	183, 749, 571. 25
May	7, 551, 480. 00	4, 791, 230. 17	186, 509, 821. 08
June	14, 846, 451. 86	5, 131, 335. 58	196, 224, 937. 36
Total, fiscal year 1938	105, 432, 157. 95	76, 264, 107. 15	
1938—July	4, 944, 007. 35	9, 276, 755. 82	191, 892, 188. 89
August	4, 293, 884. 00	6, 768, 425. 78	189, 417, 647. 11
September	6, 561, 499. 04	6, 428, 884. 85	189, 550, 261. 30
October	4, 735, 722. 66	5, 065, 948. 26	189, 220, 035. 70
November	5, 246, 902. 10	4, 779, 461. 97	189, 687, 475. 83
December	14, 995, 541. 90	5, 840, 579. 58	198, 842, 438. 15
1939—January	2, 922, 785. 00	22, 913, 631. 53	178, 851, 591. 62
February	2, 333, 900. 00	10, 571, 147. 80	170, 614, 343. 82
March	3, 898, 200. 00	12, 898, 951. 04	161, 613, 592. 78
April	3, 580, 641. 91	8, 018, 005. 31	157, 176, 229. 38
May	6, 307, 000. 00	5, 572, 017. 37	157, 911, 212. 01
June	16, 838, 990. 66	5, 788, 639. 57	168, 961, 563. 10
Total, fiscal year 1939	76, 659, 074. 62	103, 922, 448. 88	
Grand total through June 30, 1939	523, 023, 390 54	354, 061, 827 44	

EXHIBIT 14

Federal Home Loan Banks—Advances outstanding by Bank Districts at the close of each fiscal year 1934–39

	1934	1935	1936	1937	1938	1939
Boston	$2, 982, 340. 82	$2, 275, 230. 86	$3, 518, 784. 57	$7, 540, 012. 31	$8, 260, 689. 10	$6, 368, 675. 99
New York	13, 414, 258. 25	14, 059, 169. 43	16, 113, 360 04	19, 084, 080. 31	17, 604, 256. 88	16, 926, 006. 24
Pittsburgh	10, 236, 810. 34	10, 163, 204. 84	12, 440, 437. 03	14, 584, 513. 29	17, 312, 068. 05	16, 584, 498. 07
Winston-Salem	6, 164, 934. 16	6, 080, 260. 40	8, 826, 208. 68	13, 660, 614. 82	18, 599, 959. 05	12, 951, 918. 83
Cincinnati	16, 876, 551. 82	15, 373, 586. 20	20, 576, 290. 96	26, 337, 086. 50	28, 388, 514. 11	19, 728, 295. 42
Indianapolis	6, 174, 450. 93	4, 095, 285. 50	6, 389, 683. 44	9, 475, 516. 75	12, 084, 384. 74	10, 515, 994. 89
Chicago	11, 299, 317. 00	12, 324, 760. 32	20, 141, 668. 81	27, 779, 232. 64	32, 557, 741. 63	27, 418, 752. 14
Des Moines	4. 373, 084. 84	3, 519, 830. 24	7, 192, 262. 09	11, 091, 987. 99	15, 083, 069. 64	15, 474, 581. 91
Little Rock	4, 631, 160. 05	3, 305, 630. 65	8, 331, 450. 46	10, 734, 265. 04	11, 623, 047. 84	9, 179, 484. 75
Topeka	3, 945, 824 99	2, 838, 711. 12	6, 108, 935. 50	8, 038, 541. 51	11, 284, 314. 79	10, 760, 610. 22
Portland	2, 146, 650. 77	2, 207, 408 00	3, 016, 172. 29	5, 903, 378. 26	6, 913, 525. 48	5, 599, 006. 89
Los Angeles	2, 902, 970. 12	2, 989, 336. 62	5, 931, 584. 13	12, 827, 657. 14	16, 513, 366. 05	17, 453, 737. 75
Total	85, 148, 354. 09	79, 232, 514. 18	118, 586, 838. 00	167. 056, 886. 56	196, 224, 937. 36	168, 961, 563. 10

EXHIBIT 15

Federal Home Loan Banks—Percent of members borrowing as of June 30

	1935	1936	1937	1938	1939
Boston	28.9	40 4	44 0	39.9	32.4
New York	54.8	60.3	61.7	63 2	60.5
Pittsburgh	71.0	76.1	80.4	80 8	78.1
Winston-Salem	55.8	61.7	65.7	71.7	56.6
Cincinnati	52 2	55.6	54.8	56 0	46.8
Indianapolis	43 5	54.1	70 5	66.8	59.3
Chicago	73.1	80.5	82 4	81.1	75.3
Des Moines	51.7	60 7	68.7	68.7	65.0
Little Rock	33.1	59.5	62.7	60.1	51.7
Topeka	42.5	63 2	67 5	66.8	58.5
Portland	55.8	60.6	67.2	69.3	53.0
Los Angeles	46.9	61.3	68.2	73.4	71.1
Total	54.6	63.6	67.3	67.8	60.4

EXHIBIT 16

Types of advances made by the Federal Home Loan Banks

The twelve Federal Home Loan Banks may make the following types of advances:

ADVANCES TO MEMBERS

(*a*) Up to ten years on the security of home mortgages or obligations of or guaranteed by the United States. Such advances up to one year need not be amortized, but when made for more than one year, must be amortized on a monthly or quarterly basis, and are subject to the following limitations as to amount:

1. If secured by a mortgage insured under the provisions of Title II of the National Housing Act, the advance may be for an amount not in excess of 90 percent of the unpaid principal of the mortgage loan.
2. If secured by a home mortgage given in respect of an amortized home mortgage loan which was for an original term of six years or more, or in cases where shares of stock, which are pledged as security for such loan, mature in a period of six years or more, the advance may be for an amount not in excess of 65 percent of the unpaid principal of the home mortgage loan; but in no case shall the amount of the advance exceed 60 percent of the value of the real estate securing the home mortgage loan.
3. If secured by a home mortgage given in respect of any other home mortgage loan, the advance shall not be for an amount in excess of 50 percent of the unpaid principal of the home mortgage loan; but in no case shall the amount of such advance exceed 40 percent of the value of the real estate securing the home mortgage loan.

4. If secured by obligations of the United States, or obligations fully guaranteed by the United States, the advance shall not be for an amount in excess of the face value of such obligations.

(*b*) Up to one year on securities other than obligations of or guaranteed by the United States, providing such securities constitute an investment which the member is legally authorized to make, have a readily ascertainable market value and are not in default with respect to payments of interest or principal. Such advances cannot be in excess of 80 percent of the market value or the principal amount of such securities, whichever is less.

(*c*) Up to one year without security or on any kind of security to members whose creditor liabilities (not including advances from the Federal Home Loan Bank) do not exceed five percent of their net assets.

(*d*) Up to thirty days on an unsecured basis or on any kind of security. Such advances must be repaid at maturity or refunded with eligible collateral. In making such advances, there is no requirement that the creditor liabilities of the member do not exceed five percent of its net assets.

ADVANCES TO NONMEMBER MORTGAGEES

Up to ten years on mortgages insured under Title II of the National Housing Act. Advances for more than one year must be repaid on a monthly or quarterly amortization basis.

EXHIBIT 17

Federal Home Loan Banks—Statement reflecting the trend of collateralized and uncollateralized advances outstanding by half-year periods

	Total advances outstanding	Collateralized advances		Uncollateralized advances	
		Amount outstanding	Percent of total	Amount outstanding	Percent of total
June 30, 1933	$47, 663, 830	$46, 521, 239	97. 6	$1, 142, 591	2. 4
Dec. 31, 1933	85, 427, 254	84, 299, 622	98. 7	1, 127, 632	1. 3
June 30, 1934	85, 148, 354	82, 740, 248	97. 2	2, 408, 106	2. 8
Dec. 31, 1934	86, 658, 313	82, 032, 059	94. 7	4, 626, 254	5 3
June 30, 1935	79, 232, 514	68, 045, 199	85. 9	11, 187, 315	14. 1
Dec. 31, 1935	102, 794, 588	77, 212, 211	75. 1	25, 582, 377	24. 9
June 30, 1936	118, 586, 838	90, 893, 235	76 6	27, 693, 603	23. 4
Dec. 31, 1936	145, 400, 730	111, 596, 594	76. 8	33, 804, 136	23. 2
June 30, 1937	167, 056, 887	130, 944, 112	78. 4	36, 112, 775	21. 6
Dec. 31, 1937	200, 094, 628	159, 255, 784	79. 6	40, 838, 844	20. 4
June 30, 1938	196, 224, 937	163, 386, 013	83. 3	32, 838, 924	16. 7
Dec. 31, 1938	198, 842, 438	167, 239, 646	84 1	31, 602, 792	15. 9
June 30, 1939	168, 961, 563	145, 442, 668	86. 1	23, 518, 895	13 9

EXHIBIT 18

Federal Home Loan Banks—Interest rates charged to member institutions for advances as of July 1, 1939

	Long term secured	Short term secured	Short term unsecured
	Percent	*Percent*	*Percent*
Boston [1]	3	2½ or 3	2½ or 3
New York [1]	3	1½ or 3	1½ or 3
Pittsburgh	3¼	3¼	3¼
Winston-Salem	3½	3½	3½
Cincinnati	3	3	3
Indianapolis	3	3	3½
Chicago	3	3	3¼
Des Moines	3	3	3
Little Rock	3	3	3
Topeka	3	3	3
Portland	3	3	3
Los Angeles	3	3	3

[1] To obtain the lesser rate the advance must be repaid in installments within 1 year.

EXHIBIT 19

Federal Home Loan Banks—Statement of condition as of June 30, 1939

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
ASSETS							
Cash:							
On hand	$24,164.75	$24,164.75	$500.00	$500.00	$1,200.00	$10.00	$510.00
On deposit with—							
U. S. Treasurer	23,845,359.93	23,845,359.93	1,655,328.73	8,250,487.96	103,107.99	3,576,750.25	2,228,886.01
U. S. Treasurer—Special Accounts Nos. 17-677 and 17-678 [1]	41,707,500.00	41,707,500.00	0	0	3,015,000.00	3,517,500.00	9,145,500.00
Commercial banks	12,613,688.51	12,613,688.51	3,867,698.35	[2] 254,957.65	642,294.42	550,229.59	1,298,721.32
Federal Home Loan Bank of New York, agent	15,000.00	15,000.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00
Other Federal Home Loan Banks	0	3,300,000.00	0	0	0	3,300,000.00	0
In transit	82.19	0	0	0	0	0	0
Total cash	78,205,795.38	81,505,713.19	5,524,777.08	[2] 8,507,195.61	3,762,852.41	10,945,739.84	12,674,867.33
Deposit with U. S. Treasurer for matured obligations	17,692.50	0	0	0	0	0	0
Investments: U. S. Government obligations and securities fully guaranteed by United States	48,702,246.89	48,702,246.89	7,940,617.60	3,942,194.14	4,998,070.85	363,875.00	9,224,416.74
Advances outstanding: Members	168,961,563.10	168,961,563.10	6,368,675.99	16,926,006.24	16,584,498.07	12,951,918.83	19,728,295.42
Accrued interest receivable:							
Deposits—other Federal Home Loan Banks	0	176.71	0	0	0	176.71	0
Investments	206,508.90	206,508.90	31,033.22	21,366.39	24,383.41	1,227.63	43,499.63
Advances to members	307,128.75	307,128.75	7,298.96	53,221.95	61,072.48	42,329.95	68,343.98
Total accrued interest receivable	513,637.65	513,814.36	38,332.18	74,588.34	85,455.89	43,734.29	111,843.61
Deferred charges:							
Prepaid debenture expense	73,576.56	73,576.56	0	0	9,270.77	8,229.33	7,934.02
Prepaid assessment, Federal Home Loan Bank Board	141,607.45	141,607.45	8,267.12	12,692.66	13,724.49	15,755.22	18,203.94
Prepaid surety bond and insurance premiums	8,034.21	8,034.21	562.50	929.36	583.13	325.44	1,411.54
Other	321.72	321.72	0	0	0	66.50	255.22
Total deferred charges	223,539.94	223,539.94	8,829.62	13,622.02	23,578.39	24,376.49	27,804.72
Other assets:							
Accounts receivable	4,202.37	4,202.37	121.60	250.00	1,983.91	136.10	252.83
Miscellaneous	1,175.00	1,175.00	0	0	0	650.00	0
Total other assets	5,377.37	5,377.37	121.60	250.00	1,983.91	786.10	252.83
Total assets	296,629,852.83	299,912,254.85	19,881,354.07	29,463,856.35	25,456,439.52	24,330,430.55	41,767,480.65

See footnotes at end of table.

Federal Home Loan Banks—Statement of condition as of June 30, 1939—Continued

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
LIABILITIES AND CAPITAL							
Liabilities:							
Deposits:							
Members:							
Time	$27,729,407.60	$27,729,407.60	$2,906,957.95	$4,588,721.43	$660,049.14	$1,139,306.68	$4,113,000.00
Demand	4,462,258.12	4,462,258.12	130,000.00	562,968.00	30,000.00	0	1,500,913.70
Applicants	83,728.61	83,728.61	4,500.00	12,025.00	15,028.61	4,750.00	26,200.00
Other Federal Home Loan Banks	0	3,300,000.00	0	0	1,500,000.00	0	0
Total deposits	32,275,394.33	35,575,394.33	3,041,457.95	5,163,714.43	2,205,077.75	1,144,056.68	5,640,113.70
Accrued interest payable:							
Deposits:							
Members	38,705.62	38,705.62	7,233.42	1,942.63	3,261.52	1,110.85	190.17
Other Federal Home Loan Banks	0	94.52	0	0	82.19	0	
Debentures	366,666.59	366,666.59	0	0	37,499.98	35,000.00	62,583.33
Total accrued interest payable	405,372.21	405,466.73	7,233.42	1,942.63	40,843 69	36,110.85	62,773.50
Dividends payable:							
U. S. Government	555,893.51	555,893.51	62,337.50	0	0	0	127,757.00
Members	202,532.91	202,532.91	18,964.47	0	0	0	72,968.63
Total dividends payable	758,426.42	758,426.42	81,301.97	0	0	0	200,725.63
Accounts payable	80.80	80.80	0	0	0	0	0
Premiums on debentures	44,270.87	44,270.87	0	0	2,656 25	5,312.50	4,869.76
Consolidated debentures:[3]							
1-percent Series E, due July 1, 1939	41,500,000.00	41,500,000.00	0	0	3,000,000.00	3,500,000.00	9,100,000.00
2-percent, Series C, due Dec. 1, 1940	25,000,000.00	25,000,000.00	0	0	1,500,000.00	3,000,000.00	2,750,000.00
2-percent Series D, due Apr. 1, 1943	23,500,000.00	23,500,000.00	0	0	4,000,000.00	2,500,000.00	2,500,000 00
Total consolidated debentures	90,000,000.00	90,000,000.00	0	0	8,500,000.00	9,000,000.00	14,350,000.00
Matured obligations:							
Consolidated debentures	15,000.00	0	0	0	0	0	0
Interest on consolidated debentures	2,692.50	0	0	0	0	0	0
Total	17,692.50	0	0	0	0	0	0
Total liabilities	123,501,237.13	126,783,639.15	3,129,993.34	5,165,657.06	10,748,577.69	10,185,480.03	20,258,482.59

Capital:							
Capital stock (par):							
Members (fully paid)	39, 550, 900. 00	39, 550, 900. 00	3, 895, 100. 00	4, 421, 700. 00	2, 570, 700. 00	3, 879, 400. 00	7, 422, 200. 00
Members (partially paid)	58, 200. 00	58, 200. 00	700. 00	11, 700. 00	2, 300. 00	4, 600. 00	33, 800. 00
Total	39, 609, 100. 00	39, 609, 100. 00	3, 895, 800. 00	4, 433, 400. 00	2, 573, 000. 00	3, 884, 000. 00	7, 456, 000. 00
Less unpaid subscriptions	22, 925. 00	22, 925. 00	200. 00	8, 150. 00	1, 000. 00	3, 050. 00	8, 675. 00
	39, 586, 175. 00	39, 586, 175. 00	3, 895, 600. 00	4, 425, 250. 00	2, 572, 000. 00	3, 880, 950. 00	7, 447, 325. 00
U. S. Government (fully paid)	124, 741, 000. 00	124, 741, 000. 00	12, 467, 500. 00	18, 963, 200. 00	11, 146, 300. 00	9, 208, 200. 00	12, 775, 700. 00
Total paid in on capital stock	164, 327, 175. 00	164, 327, 175. 00	16, 363, 100. 00	23, 388, 450. 00	13, 718, 300. 00	13, 089, 150. 00	20, 223, 025. 00
Surplus:							
Reserve as required under Sec. 16 of Act	4, 261, 328. 42	4, 261, 328. 42	260, 125. 22	552, 886. 03	396, 917. 83	368, 783. 54	706, 051. 70
Reserve for contingencies	482, 607. 86	482, 607. 86	0	43, 660. 09	0	44, 474. 22	194, 473. 55
Total surplus	4, 743, 936. 28	4, 743, 936. 28	260, 125. 22	596, 546. 12	396, 917. 83	413, 257. 76	900, 525. 25
Undivided profits	4, 057, 504. 42	4, 057, 504. 42	128, 135. 51	313, 203. 17	592, 644. 00	642, 542. 76	385, 447. 81
Total surplus and undivided profits	8, 801, 440. 70	8, 801, 440. 70	388. 260. 73	909, 749. 29	989, 561. 83	1, 055, 800. 52	1, 285, 973. 06
Total capital	173, 128, 615. 70	173, 128, 615. 70	16, 751, 360. 73	24, 298, 199. 29	14, 707, 861. 83	14, 144, 950. 52	21, 508, 998. 06
Total liabilities and capital	296, 629, 852. 83	299, 912, 254. 85	19, 881, 354. 07	29, 463, 856. 35	25, 456, 439. 52	24, 330, 430. 55	41, 767, 480. 65

See footnotes at end of table.

Federal Home Loan Banks—Statement of condition as of June 30, 1939—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
ASSETS							
Cash:							
On hand	$8,271.26	$2,733.16	$10,155.33	$25.00	$25.00	0	$235.00
On deposit with—							
U. S. Treasurer	1,901,137.04	1,005,138.28	2,006,974.07	1,945,128.62	450,754.56	$626,401.14	95,265.28
U. S. Treasurer—Special Accounts Nos. 17-677 and 17-678 [1]	1,758,750 00	9,296,250.00	2,010,000.00	2,010,000.00	2,010,000.00	2,035,125.00	6,909,375.00
Commercial banks	741,319 93	4,267,273.69	248,898 92	0	5,106.15	40,000.00	697,188.49
Federal Home Loan Bank of New York, agent	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00	1,250.00
Other Federal Home Loan Banks	0	0	0	0	0	0	0
In transit	0	0	0	0	0	0	0
Total cash	4,410,728.23	14,572,645.13	4,277,278.32	3,956,403.62	2,467,135.71	2,702,776.14	7,703,313.77
Deposit with U. S. Treasurer for matured obligations	0	0	0	0	0	0	0
Investments: U. S. Government obligations and securities fully guaranteed by United States	6,777,635.06	4,590,000.00	1,367,000.00	2,490,000.00	1,938,750.00	1,855,000.00	3,214,687.50
Advances outstanding: Members	10,515,994 89	27,418,752.14	15,474,581.91	9,179,484.75	10,760,610.22	5,599,006.89	17,453,737 75
Accrued interest receivable:							
Deposits—other Federal Home Loan Banks	0	0	0	0	0	0	0
Investments	21,833 21	16,244.20	11,086.12	13,011.87	11,525.75	2,948.55	8,348 92
Advances to members	867.20	6,540.07	11,243 80	24,906.48	10,270 17	15,352.28	5,681.43
Total accrued interest receivable	22,700 41	22,784.27	22,329.92	37,918.35	21,795.92	18,300 83	14,030.35
Deferred charges:							
Prepaid debenture expense	7,048.54	15,069.45	11,979.23	3,402.82	4,635.48	0	6,006.92
Prepaid assessment, Federal Home Loan Bank Board	10,573 68	20,374 91	15,273.46	0	8,798.38	7,291.85	10,651.74
Prepaid surety bond and insurance premiums	487 64	1,209.18	500 41	560.88	476.65	541.69	445.79
Other	0	0	0	0	0	0	0
Total deferred charges	18,109.86	36,653.54	27,753.10	3,963.70	13,910.51	7,833.54	17,104.45
Other assets:							
Accounts receivable	150.10	225.00	0	148.20	0	75.00	859 63
Miscellaneous	100 00	0	0	0	0	0	425.00
Total other assets	250 10	225.00	0	148.20	0	75.00	1,284.63
Total assets	21,745,418.55	46,641,060 08	21,168,943.25	15,667,918.62	15,202,202.36	10,182,992 40	28,404,158 45

LIABILITIES AND CAPITAL							
Liabilities:							
Deposits:							
Members:							
Time	5,267,014.78	6,208,557.62	1,369,800.00	0	915,000.00	0	561,000.00
Demand	291,750.53	0	7,500 00	71,363.54	0	335,000.00	1,532,762.35
Applicants	1,450.00	7,025 00	5,250 00	0	0	0	7,500.00
Other Federal Home Loan Banks	0	0	0	0	0	300,000 00	1,500,000.00
Total deposits	5,560,215 31	6,215,582 62	1,382,550.00	71,363 54	915,000 00	635,000 00	3,601,262 35
Accrued interest payable:							
Deposits:							
Members	15,099.97	7,531.77	284 74	0	2,050 55	0	0
Other Federal Home Loan Banks	0	0	0	0	0	12.33	0
Debentures	24,583.30	74,583.33	37,500 00	18,333 33	21,250 00	10,125 00	45,208 32
Total accrued interest payable	39,683 27	82,115.10	37,784.74	18,333 33	23,300 55	10,137.33	45,208.32
Dividends payable							
U. S. Government	49,330 50	141,739.00	46,218.13	43,862 00	0	22,350 00	62,299 38
Members	20,081 46	45,731 80	13,491.42	10,159.65	0	4,098.58	17,036.90
Total dividends payable	69,411 96	187,470.80	59,709.55	54,021.65	0	26,448 58	79,336 28
Accounts payable	50.00	0	0	0	0	0	30 80
Premiums on debentures	3,541 73	14,166.67	5,312.50	885 48	1,328 03	0	6,197 95
Consolidated debentures: [3]							
1-percent Series E, due July 1, 1939	1,750,000 00	9,250,000.00	2,000,000.00	2,000,000.00	2,000,000 00	2,025,000.00	6,875,000 00
2-percent Series C, due Dec. 1, 1940	2,000,000 00	8,000,000.00	3,000,000.00	500 000 00	750,000 00	0	3,500,000.00
2-percent Series D, due Apr. 1, 1943	2,500,000.00	3,000,000.00	4,500,000.00	1,500,000 00	2,000,000.00	0	1,000,000 00
Total consolidated debentures	6,250,000.00	20,250,000 00	9,500,000.00	4,000,000 00	4,750,000 00	2,025,000 00	11,375,000.00
Matured obligations:							
Consolidated debentures	0	0	0	0	0	0	0
Interest on consolidated debentures	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Total liabilities	11,922,902 27	26,749,335.19	10,985,356.79	4,144,604 00	5,689,628 58	2,696,585 91	15,107,035 70

See footnotes at end of table.

Federal Home Loan Banks—Statement of condition as of June 30, 1939—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
LIABILITIES AND CAPITAL—continued							
Capital:							
Capital stock (par):							
Members (fully paid)	$2,748,300 00	$4,650,900.00	$2,230,500.00	$2,093,700.00	$1,704,900 00	$1,128,000.00	$2,805,500 00
Members (partially paid)	500.00	1,100.00	1,000.00	0	1,400.00	1,100 00	0
Total	2,748,800.00	4,652,000.00	2,231,500 00	2,093,700.00	1,706,300 00	1,129,100.00	2,805,500 00
Less unpaid subscriptions	375.00	275.00	500 00	0	350.00	350 00	0
	2,748 425 00	4,651,725.00	2,231,000.00	2,093,700.00	1,705,950 00	1,128,750 00	2,805,500.00
U. S. Government (fully paid)	6,577,400.00	14,173,900.00	7,394,900.00	8,772,400.00	7,333 600 00	5,960,000.00	9,967,900.00
Total paid in on capital stock	9,325,825.00	18,825,625 00	9,625,900 00	10,866,100.00	9,039,550.00	7,088,750 00	12,773,400.00
Surplus:							
Reserve as required under Sec. 16 of Act	266,755.05	589,373 14	276,608.33	273,633.60	178,971.83	164,701.89	226,520.26
Reserve for contingencies	0	0	0	0	0	100,000.00	100,000 00
Total surplus	266,755.05	589,373 14	276,608.33	273,633.60	178,971.83	264,701.89	326,520.26
Undivided profits	229,936.23	476,726.75	281,078.13	383,581.02	294,051.95	132,954.60	197,202.49
Total surplus and undivided profits	496,691.28	1,066,099.89	557,686.46	657,214.62	473,023.78	397,656 49	523,722.75
Total capital	9,822,516.28	19,891,724.89	10,183,586.46	11,523,314.62	9,512,573.78	7,486,406.49	13,297,122.75
Total liabilities and capital	21,745,418.55	46,641,060.08	21,168,943.25	15,667,918.62	15,202,202.36	10,182,992.40	28,404,158 45

[1] Funds deposited with the U. S. Treasurer as special agent for the purpose of maturing Series E consolidated Federal Home Loan Bank debentures and interest coupons due and payable on July 1, 1939.

[2] As of June 30, 1939, the New York Bank also administered as agent for the 12 Banks an imprest fund of $15,000, from which expenses of issuing debentures, other than brokerage commissions, are paid. In addition the New York Bank held as agent $119.60 for the payment of premiums on employees' group life insurance in the several Banks.

[3] Consolidated Federal Home Loan Bank Debentures issued by the Federal Home Loan Bank Board and now outstanding are the joint and several obligations of all Federal Home Loan Banks.

EXHIBIT 20

Federal Home Loan Banks—Investment holdings at the close of the fiscal year 1939

	Interest rate	Face value
U. S. Treasury bonds:		
June 15, 1943–40	$3\frac{3}{8}$	$150,000
Aug. 1, 1941	$3\frac{1}{4}$	150,000
June 15, 1947–43	$3\frac{3}{8}$	200,000
Oct. 15, 1945–43	$3\frac{1}{4}$	650,000
Apr. 15, 1946–44	$3\frac{1}{4}$	850,000
Dec. 15, 1954–44	4	500,000
Sept. 15, 1947–45	$2\frac{3}{4}$	2,050,000
Dec. 15, 1945	$2\frac{1}{2}$	235,000
Mar. 15, 1956–46	$3\frac{3}{4}$	200,000
June 15, 1948–46	3	1,650,000
June 15, 1949–46	$3\frac{1}{8}$	900,000
Dec. 15, 1947	2	350,000
Mar. 15, 1951–48	$2\frac{3}{4}$	1,195,000
Sept. 15, 1948	$2\frac{1}{2}$	200,000
Dec. 15, 1952–49	$3\frac{1}{8}$	300,000
Dec. 15, 1953–49	$2\frac{1}{2}$	3,900,000
Sept. 15, 1952–50	$2\frac{1}{2}$	2,850,000
June 15, 1954–51	$2\frac{3}{4}$	3,137,000
Sept. 15, 1955–51	3	140,000
Mar. 15, 1960–55	$2\frac{7}{8}$	5,176,000
Sept. 15, 1959–56	$2\frac{3}{4}$	938,000
Dec. 15, 1965–60	$2\frac{3}{4}$	4,305,000
Total		30,026,000
U. S. Treasury notes:		
Dec. 15, 1939	$1\frac{3}{8}$	250,000
Mar. 15, 1940	$1\frac{5}{8}$	600,000
June 15, 1940	$1\frac{1}{2}$	450,000
Mar. 15, 1941	$1\frac{1}{2}$	150,000
Dec. 15, 1941	$1\frac{1}{4}$	300,000
Mar. 15, 1942	$1\frac{3}{4}$	500,000
Dec. 15, 1942	$1\frac{3}{4}$	200,000
June 15, 1943	$1\frac{1}{8}$	1,845,000
Dec. 15, 1943	$1\frac{1}{8}$	1,450,000
Total		5,745,000
Total Treasury issues		35,771,000
Miscellaneous securities.		
Home Owners' Loan Corporation bonds:		
Aug 1, 1949–39	$2\frac{3}{4}$	3,075
May 15, 1941	$\frac{5}{8}$	120,000
July 1, 1944–42	$2\frac{1}{4}$	2,975,800
May 1, 1952–44	3	500,000
June 1, 1947–45	$1\frac{1}{2}$	2,674,000
Total		6,272,875
Federal Farm Mortgage Corporation bonds.		
Jan. 15, 1947–42	3	300,000
May 15, 1949–44	3	600,000
Total		900,000
Commodity Credit Corporation notes:		
Nov. 2, 1939	$\frac{3}{4}$	200,000
Reconstruction Finance Corporation notes:		
July 20, 1941	$\frac{7}{8}$	480,000
Jan. 15, 1942	$\frac{7}{8}$	3,400,000
Total		3,880,000
U. S. Housing Authority notes:		
Feb. 1, 1944	$1\frac{3}{8}$	640,000
Total miscellaneous issues		11,892,875
Grand total		47,663,875

EXHIBIT 21

Federal Home Loan Banks—Statement of consolidated debentures outstanding, June 30, 1939

	Total outstanding	Series "C" 2% due Dec. 1, 1940	Series "D" 2% due Apr. 1, 1943	Series "E" 1% due July 1, 1939
Boston	0	0	0	0
New York	0	0	0	0
Pittsburgh	$8,500,000	$1,500,000	$4,000,000	$3,000,000
Winston-Salem	9,000,000	3,000,000	2,500,000	3,500,000
Cincinnati	14,350,000	2,750,000	2,500,000	9,100,000
Indianapolis	6,250,000	2,000,000	2,500,000	1,750,000
Chicago	20,250,000	8,000,000	3,000,000	9,250,000
Des Moines	9,500,000	3,000,000	4,500,000	2,000,000
Little Rock	4,000,000	500,000	1,500,000	2,000,000
Topeka	4,750,000	750,000	2,000,000	2,000,000
Portland	2,025,000	0	0	2,025,000
Los Angeles	11,375,000	3,500,000	1,000,000	6,875,000
Total	90,000,000	25,000,000	23,500,000	41,500,000

EXHIBIT 22

Federal Home Loan Banks—Interest rates paid to member institutions for time deposits as of July 1, 1939

	On deposits remaining—		Limitation (whichever is greater)
	30 to 90 days	Over 90 days	
	Percent	*Percent*	
Boston	½	½	$50,000 or 1 percent of assets.[1]
New York		1	None.
Pittsburgh	1	1½	Do.
Winston-Salem		1	$100,000.
Cincinnati		½	$100,000 or 5 times minimum stock subscription.
Indianapolis		1	None.
Chicago	1	1½	Do.
Des Moines		1	Do.
Little Rock			No interest paid.
Topeka		1	None.
Portland			No interest paid.
Los Angeles		1	None.

[1] This limitation does not apply to deposits held on Feb. 28, 1939.

EXHIBIT 23

Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1939

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Gross operating income:							
Interest earned on advances	$5, 669, 103. 35	$5, 669, 103. 35	$225, 256. 91	$528, 728. 47	$573, 261. 28	$554, 754. 95	$745, 146. 07
Interest earned on investments	891, 300. 68	891, 300. 68	82, 906. 94	76, 699. 36	96, 905. 66	45, 344. 21	145, 840. 95
Interest earned on deposits—other Federal Home Loan Banks	0	11, 451. 36	9, 988. 35	415. 06	0	176. 71	0
Gross operating income	6, 560, 404. 03	6, 571, 855. 39	318, 152. 20	605, 842. 89	670, 166. 94	600, 275. 87	890, 987. 02
Less operating charges:							
Compensation, travel, etc. (detail below)	922, 523. 15	922, 523. 10	59, 940. 27	125, 015. 37	114, 252. 62	75, 521. 08	102, 642. 91
Interest on debentures	1, 120, 292. 28	1, 120, 292. 28	0	0	121, 248. 55	121, 560. 81	141, 370. 55
Debenture expense:							
Commissions	58, 523. 21	58, 523. 21	0	0	5, 125. 16	5, 937. 50	9, 229. 49
Other	24, 644. 58	24, 644 58	1, 576. 10	1, 576. 11	2, 005. 31	2, 059. 79	2, 825. 29
Interest on deposits:							
Members	250, 275. 62	250, 275. 62	16, 876. 04	35, 358. 38	7, 532. 55	10, 808. 55	41, 250. 20
Other Federal Home Loan Banks	0	11, 451. 41	0	0	143. 84	131. 50	493, 15
Assessment for expenses of Federal Home Loan Bank Board	300, 000. 00	300, 000. 00	18, 993. 71	28, 111. 84	26, 403. 72	27, 595. 35	39, 675. 06
Total operating charges	2, 676, 258. 84	2, 687, 710. 20	97, 386. 12	190, 061. 70	276, 711. 75	243, 614. 58	337, 486. 65
Net operating income	3, 884, 145. 19	3, 884, 145. 19	220, 766. 08	415, 781. 19	393, 455. 19	356, 661. 29	553, 500. 37
Add—Nonoperating income:							
Profit on sale of investments	636, 783. 24	636, 783. 24	2, 062. 50	45, 623. 17	0	132, 172. 00	187, 090 52
Federal Home Loan Bank Board assessment refund	75, 000. 00	75, 000. 00	4, 807. 50	8, 625. 00	6, 615. 00	6, 585. 00	10, 830. 00
Discount on investments credited	2, 000. 00	2, 000. 00	0	0	0	0	0
Miscellaneous	203. 33	203. 33	0	0	0	0	0
Total nonoperating income	713, 986. 57	713, 986. 57	6, 870. 00	54, 248. 17	6, 615. 00	138, 757. 00	197, 920. 52
Less nonoperating charges:							
Premium charged off on investments	63, 015. 44	63. 015. 44	0	0	159. 81	809. 98	0
Loss on sale of investments	875. 01	875. 01	0	0	0	0	156. 25
Total nonoperating charges	63, 890. 45	63, 890. 45	0	0	159. 81	809. 98	156. 25
Net income	4, 534, 241. 31	4, 534, 241. 31	227, 636. 08	470, 029. 36	399, 910. 38	494, 608. 31	751, 264. 64

Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1939—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Compensation:							
Directors' fees	$37,585 00	$37,585.00	$2,480.00	$5,340.00	$3,150.00	$1,950.00	$4,175.00
Officers' salaries	262,271.58	262,271.58	25,750.00	24,200 04	19,950.00	18,800.00	31,025.00
Counsel's compensation	45,310.92	45,310.92	3,200.00	6,250.00	5,450.00	3,100.00	5,001.00
Other salaries	256,618.86	256,618.86	8,945.00	44,561.50	50,141.15	24,030.90	29,033.78
Total compensation	601,786.36	601,786.36	40,375.00	80,351.54	78,691.15	47,880.90	69,234.78
Travel expense:							
Directors	29,030.22	29,030.22	1,248.47	2,351.77	3,222.24	2,778.48	2,615.42
Officers	34,252.25	34,252 25	3,053.28	4,023.99	3,891.51	3,946.27	2,353.63
Other	17,719.10	17,719.10	32.12	4,238.91	1,774.42	5,281.55	1,187.62
Total travel expense	81,001 57	81,001.57	4,333 87	10,614.67	8,888.17	12,006 30	6,156.67
Other expenses.							
Telephone and telegraph	21,454.23	21,454.23	895.99	2,643.00	3,005.75	1,837.16	2,227.21
Postage and express	20,299.16	20,299.16	614 95	2,835.51	2,248.85	2,120.83	2,177.26
Light, power, etc	8,012.14	8,012.14	338.82	2,724.22	201.21	249.15	861.33
Stationery, printing, and supplies	25,128.24	25,128.24	1,138.73	4,247.22	2,086.90	2,230.68	3,154 62
Insurance and surety-bond premiums	22,895.07	22,895.07	1,778 18	2,843.19	2,276.82	1,178.08	2,696.74
Furniture and fixtures purchased	13,272 08	13,272.08	520.11	1,958.54	1,018.00	253.84	1,085.34
Rent—Less rental charged Examining Division, Federal Home Loan Bank Board	52,815.76	52,815.76	3,200.04	8,349.96	6,506.14	2,865.00	7,200.04
Services of Examining Division	39,827.88	39,827.88	1,856.59	5,482 95	6,001 95	3,621.32	4,177.54
Miscellaneous operating expense	36,030.66	36,030.61	4,887.99	2,964.57	3,327.68	1,277.82	3,671.38
Total other expenses	239,735 22	239,735.17	15,231 40	34,049.16	26,673.30	15,633.88	27,251.46
Total	922,523 15	922,523.10	59,940.27	125,015.37	114,252.62	75,521.08	102,642 91

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Gross operating income:							
Interest earned on advances	$355, 611. 11	$991, 464. 24	$469, 789. 28	$287, 829. 71	$327, 854. 24	$186, 832 24	$422, 574. 85
Interest earned on investments	89, 253. 16	61, 581. 36	73, 152. 38	68, 886 69	42, 803. 77	57, 132. 02	50, 794. 18
Interest earned on deposits—other Federal Home Loan Banks	90. 40	90. 41	8. 22	0	0	0	682. 21
Gross operating income	444, 954. 67	1, 053, 136. 01	542, 949. 88	356, 716. 40	370, 658. 01	243, 964. 26	474, 051. 24
Less operating charges:							
Compensation, travel, etc. (detail below)	59, 930 91	80, 913. 79	58, 580 62	75, 127. 32	55, 270. 60	41, 192. 65	74, 134. 96
Interest on debentures	95, 155. 41	250, 464. 24	154, 999. 03	48, 124. 07	62, 811. 47	8, 858. 39	115, 699. 76
Debenture expense:							
Commissions	4, 010. 60	13, 948. 23	6, 000 03	2, 416. 71	2, 876 04	1, 265. 69	7, 713. 76
Other	1, 828. 95	2, 844. 96	1, 889. 44	1, 854 49	1, 849. 77	1, 843. 24	2, 491. 13
Interest on deposits:							
Members	34, 716 16	75, 439 29	13, 576. 34	0	9, 757. 91	0	4, 960. 20
Other Federal Home Loan Banks	739. 77	9, 745. 89	0	36. 98	0	78 09	82. 19
Assessment for expenses of Federal Home Loan Bank Board	20, 214. 14	43, 303. 51	23, 076. 77	17, 561. 08	16, 482 69	13, 327. 10	25, 255. 03
Total operating charges	216, 595 94	476, 659. 91	258. 122 23	145, 120 65	149, 048 48	66, 565. 16	230, 337. 03
Net operating income	228, 358. 73	576, 476. 10	284, 827. 65	211, 595 75	221, 609 53	177, 399. 10	243, 714 21
Add—Nonoperating income:							
Profit on sale of investments	27, 037. 51	52, 065 27	106, 655 89	0	0	84, 076 38	0
Federal Home Loan Bank Board assessment refund	4, 627. 50	11, 107. 50	5, 865 00	4, 417. 50	3, 412. 50	2, 977. 50	5, 130 00
Discount on investments credited	0	0	0	0	0	2, 000 00	0
Miscellaneous	119. 75	0	0	83 58	0	0	0
Total nonoperating income	31, 784. 76	63, 172. 77	112, 520 89	4, 501 08	3, 412. 50	89, 053 88	5, 130. 00
Less nonoperating charges:							
Premium charged off on investments	4, 393. 42	5, 933. 85	16, 962 33	0	13, 100 00	20, 156. 05	1, 500. 00
Loss on sale of investments	718. 76	0	0	0	0	0	0
Total nonoperating charges	5, 112 18	5, 933. 85	16, 962. 33	0	13, 100. 00	20, 156. 05	1, 500. 00
Net income	255, 031. 31	633, 715. 02	380, 386. 21	216, 096. 83	211, 922. 03	246, 296. 93	247, 344. 21

Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1939—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Compensation:							
Directors' fees	$2,095.00	$3,360.00	$3,275.00	$3,210.00	$4,050.00	$1,600.00	$2,900 00
Officers' salaries	15,320 00	23,474.92	22,350.00	27,799.96	16,100.00	14,630.00	22,871.66
Counsel's compensation	3,010 00	4,149.92	3,150.00	3,300.00	2,100.00	2,400.00	4,200.00
Other salaries	18,593.15	18,011.34	7,588.00	16,460.00	12,844.79	8,415.81	17,993 44
Total compensation	39,018 15	48,996 18	36,363.00	50,769.96	35,094.79	27,045.81	47,965.10
Travel expense:							
Directors	1,522.93	1,978.84	2,882.54	3,183 18	3,427.60	1,959.20	1,859.55
Officers	1,719.74	1,481.18	3,017.60	3,076 77	1,694.69	1,570 00	4,423.59
Other	2,560 50	112.93	145.62	824.44	514.40	953 98	92.61
Total travel expense	5,803.17	3,572 95	6,045.76	7,084.39	5,636.69	4,483.18	6,375.75
Other expenses:							
Telephone and telegraph	1,729.38	1,717 14	881.41	2,525.59	1,078.55	1,021.69	1,891 36
Postage and express	1,258.55	2,608.36	801.50	1,626.12	803.32	698.91	2,505.00
Light, power, etc	463.89	1,618.59	319.00	751.33	0	0	484.60
Stationery, printing, and supplies	962.32	2,361.70	1,938.96	2,077.34	1,160.07	723.05	3,046 65
Insurance and surety-bond premiums	1,711 35	2,040.08	1,467.09	2,395.30	1,464.94	1,400.17	1,643 13
Furniture and fixtures purchased	458.11	2,176.45	1,316.34	1,289.36	2,113.13	275 65	807.21
Rent—less rental charged Examining Division, Federal Home Loan Bank Board	3,180.00	7,434.62	3,999 96	1,800 00	4,200.00	2,700 00	1,380 00
Services of Examining Division	2,813.35	5,040.82	2,041.61	1,999 06	2,337.18	1,086.77	3,368 74
Miscellaneous operating expense	2,532.64	3,346.90	3,405.99	2,808.87	1,381.93	1,757.42	4,667 42
Total other expenses	15,109.59	28,344.66	16,171.86	17,272 97	14,539.12	9,663.66	19,794 11
Total	59,930.91	80,913.79	58,580.62	75,127.32	55,270.60	41,192.65	74,134.96

EXHIBIT 24

Federal Home Loan Banks—Analysis of surplus and undivided profits for the fiscal year ended June 30, 1939

	Combined	Boston	New York	Pitts-burgh	Winston-Salem	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	Port-land	Los An-geles
Surplus—Reserve as required by Section 16 of Act:													
Balance June 30, 1938	$3,354,480.15	$214,598 01	$458,880.15	$316,935.75	$269,861.88	$555,798.77	$215,748.79	$462,630.13	$200,531.09	$230,414.24	$136,587.43	$115,442.50	$177,051.41
Additions to reserve during fiscal year ended June 30, 1939	906,848.27	45,527.21	94,005.88	79,982.08	98,921.66	150,252.93	51,006.26	126,743.01	76,077.24	43,219.36	42,384.40	49,259.39	49,468.85
Balance June 30, 1939	4,261,328.42	260,125.22	552,886 03	396,917.83	368,783 54	706,051.70	266,755.05	589,373.14	276,608.33	273,633.60	178,971 83	164,701.89	226,520 26
Surplus—Reserve for contingencies:													
Balance June 30, 1938	8,951.96	0	8,951.96	0	0	0	0	0	0	0	0	0	0
Additions during fiscal year ended June 30, 1939	473,655.90	0	34,708.13	0	44,474.22	194 473.55	0	0	0	0	0	100,000 00	100,000.00
Balance June 30, 1939	482,607 86	0	43,660.09	0	44,474 22	194,473 55	0	0	0	0	0	100,000.00	100,000.00
Undivided profits:													
Balance June 30, 1938	3,105,693.46	147,347.18	204,008 47	408,130.75	418,830.45	378,044.59	163,888.38	342,924 54	130,553 25	318,630.76	214,287.06	106,338.59	272,709.44
Add—Profit for the fiscal year ended June 30, 1939	4,534,241.31	227,636.08	470,029 36	399,910 38	494,608.31	751,264.64	255,031.31	633,715.02	380,386.21	216,096.83	211,922. 03	246,296.93	247,344.21
Total	7,639,934.77	374,983.26	674,037 83	808,041.13	913,438.76	1,129,309.23	418,919.69	976,639.56	510,939 46	534,727.59	426,209.09	352,635.52	520,053 65
Deduct:													
Dividends declared during the fiscal year ended June 30, 1939:													
U. S. Government	1,664,559.51	155,843.75	189,632.00	111,463 00	92,082.00	255,514 00	98,661 00	283,478.00	120,167.13	87,724.00	73,336.00	59,600.00	137,058.63
Members	537,366.67	45,476 79	42,488 65	23,952 05	35,418.12	143,620.94	39,316 20	89,691.80	33,616.96	20,203.21	16,436.74	10,821.53	36,323.68
Allocation to legal reserve	906,848.27	45,527.21	94,005.88	79,982.08	98,921.66	150,252 93	51,006 26	126,743.01	76,077.24	43,219.36	42,384.40	49,259.39	49,468.85
Allocation to reserve for contingencies	473,655.90	0	34,708.13	0	44,474 22	194,473.55	0	0	0	0	0	100,000.00	100,000.00
Total deductions	3,582,430 35	246,847.75	360,834 66	215,397 13	270,896 00	743,861.42	188,983.46	499,912.81	229,861 33	151,146 57	132,157.14	219,680.92	322,851.16
Balance June 30, 1939	4,057,504.42	128,135.51	313,203 17	592,644.00	642,542 76	385,447 81	229,936.23	476,726 75	281,078 13	383,581.02	294,051.95	132,954.60	197,202.49

EXHIBIT 25

Federal Home Loan Banks—Total dividends declared through June 30, 1939, and the annual rates paid semi-annually for the fiscal years 1938 and 1939

	Total dividends declared through June 30, 1939			Fiscal year 1938		Fiscal year 1939	
	Total	U. S. Government	Members	July 1, 1937, to Dec. 31, 1937	Jan. 1, 1938, to June 30, 1938	July 1, 1938, to Dec. 31, 1938	Jan. 1, 1939, to June 30, 1939
				Percent	*Percent*	*Percent*	*Percent*
Boston	$912,180.42	$720,792 11	$191,388.31	1½	1½	1½	1
New York	1,854,442 59	1,495,852.75	358.589 84	2	2	1	1
Pittsburgh	995,027.34	834,111.39	160,915.95	1	1	1	(1)
Winston-Salem	788,117.25	603,825.29	184,291.96	1	1	1	(1)
Cincinnati	2,243,382 64	1,563,506.79	679,875.85	2	2	2	2
Indianapolis	837,035.56	624,317.09	212,718.47	1½	1½	1½	1½
Chicago	1,880,765.82	1,519,948.45	360,817.37	2	2	2	2
Des Moines	825,054.60	680,531,44	144,523.16	2	2	2	1¼
Little Rock	710,893.23	595,166.62	115,726.61	1	1	1	1
Topeka	418,329.32	349,920.56	68,408.76	1	1	1	1
Portland	425,819.12	372,140.88	53,678.24	1½	1¼	1¼	¾
Los Angeles	607,583.81	489,032.73	118,551.08	1½	1½	1½	1¼
Total	12,498,631.70	9,849,146.10	2,649,485 60				

[1] Dividends are usually declared on a calendar-year basis.

EXHIBIT 26

Federal Home Loan Bank System—Members of the Federal Savings and Loan Advisory Council

MEETING OF NOVEMBER 1938

Name	Federal Home Loan Bank District	Elected or appointed
Morton Bodfish	Chicago	Elected.
G. W. Bahlke	Winston-Salem	Do.
L. A. Boyles	Des Moines	Do.
H. F. Cellarius	Cincinnati	Do.
Albert J. Evers [1]	Los Angeles	Appointed.
Charles T. Fisher, Jr.	Indianapolis	Do.
I. Friedlander [2]	Little Rock	Elected.
Paul F. Good	Topeka	Appointed.
Raymond P. Harold	Boston	Elected.
Will C. Jones, Jr.	Little Rock	Appointed.
George E. McKinnis	Topeka	Elected.
F. S. McWilliams	Portland	Do.
James J. O'Malley	Pittsburgh	Do.
LeGrand W. Pellett	New York	Do.
Joseph H. Soliday	Boston	Appointed.
Harold B. Starkey	Los Angeles	Elected.
E. T. Tripp	Pittsburgh	Appointed.
William C. Walz	Indianapolis	Elected.

MEETING OF APRIL 1939

Name	Federal Home Loan Bank District	Elected or appointed
Morton Bodfish	Chicago	Elected.
L. A. Boyles	Des Moines	Do.
H. F. Cellarius	Cincinnati	Do.
David G. Davis	Los Angeles	Appointed.
Charles T. Fisher, Jr.	Indianapolis	Do.
I. Friedlander [2]	Little Rock	Elected.
Paul F. Good	Topeka	Appointed.
Raymond P. Harold	Boston	Elected.
George E. McKinnis	Topeka	Do.
James J. O'Malley	Pittsburgh	Do.
LeGrand W. Pellett	New York	Do.
Joseph H. Soliday	Boston	Appointed.
Harold B. Starkey	Los Angeles	Elected.
William C. Walz	Indianapolis	Do.
J. T. S. Lyle [3]	Portland	Do.
George W. West [4]	Winston-Salem	Do.

[1] Alternate for David G. Davis.
[2] Acted as Chairman.
[3] Alternate for F. S. McWilliams.
[4] Alternate for George W. Bahlke.

EXHIBIT 27

Estimated volume of new mortgage loans made by all savings and loan associations, by months, July 1936–June 1939

	Total loans	Type of association		
		Federals	State members	Nonmembers
1936				
July	$67,896,000	$21,491,000	$27,898,000	$18,507,000
August	67,208,000	21,571,000	26,773,000	18,864,000
September	68,913,000	22,500,000	26,761,000	19,652,000
October	76,521,000	23,914,000	30,864,000	21,743,000
November	63,315,000	19,771,000	26,344,000	17,200,000
December	65,535,000	22,517,000	27,252,000	15,766,000
1937				
January	53,867,000	17,543,000	20,729,000	15,595,000
February	56,735,000	19,360,000	24,594,000	12,781,000
March	77,214,000	27,829,000	32,177,000	17,208,000
April	89,600,000	32,915,000	37,395,000	19,290,000
May	89,332,000	30,998,000	39,288,000	19,046,000
June	92,211,000	31,577,000	39,965,000	20,669,000
July	82,234,000	28,693,000	35,758,000	17,783,000
August	77,017,000	26,768,000	32,334,000	17,915,000
September	78,314,000	26,189,000	33,307,000	18,818,000
October	75,456,000	24,539,000	32,104,000	18,813,000
November	64,503,000	20,829,000	27,113,000	16,561,000
December	60,096,000	20,038,000	24,522,000	15,536,000
1938				
January	49,102,000	16,781,000	20,879,000	11,442,000
February	50,093,000	17,520,000	22,073,000	10,500,000
March	65,218,000	23,356,000	27,835,000	14,027,000
April	73,307,000	26,107,000	30,238,000	16,962,000
May	72,279,000	24,721,000	31,196,000	16,362,000
June	73,067,000	26,310,000	30,350,000	16,407,000
July	67,639,000	23,823,000	28,973,000	14,843,000
August	74,709,000	26,858,000	29,506,000	18,345,000
September	71,647,000	25,650,000	29,255,000	16,742,000
October	72,931,000	26,534,000	30,546,000	15,851,000
November	64,070,000	24,220,000	26,115,000	13,735,000
December	63,934,000	25,019,000	26,504,000	12,411,000
1939				
January	55,567,000	20,894,000	23,071,000	11,602,000
February	58,309,000	22,298,000	24,191,000	11,820,000
March	73,378,000	29,811,000	30,124,000	13,443,000
April	83,425,000	33,400,000	32,562,000	17,463,000
May	89,123,000	36,358,000	35,426,000	17,339,000
June	94,154,000	39,094,000	36,465,000	18,595,000

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 28

Estimated volume of new mortgage loans made by all savings and loan associations during the fiscal years 1938 and 1939, by Federal Home Loan Bank Districts

District	1938	1939	Percent change
United States	$820, 686, 000	$868, 886, 000	5. 9
No. 1—Boston	78, 951, 000	77, 677, 000	−1. 6
No. 2—New York	78, 075, 000	85, 470, 000	9. 5
No. 3—Pittsburgh	64, 638, 000	70, 425, 000	9 0
No. 4—Winston-Salem	109, 891, 000	119, 865, 000	9. 1
No. 5—Cincinnati	137, 424, 000	135, 003, 000	−1. 8
No. 6—Indianapolis	36, 779, 000	40, 919, 000	11. 3
No. 7—Chicago	82, 133, 000	85, 218, 000	3. 8
No. 8—Des Moines	48, 438, 000	53, 374, 000	10. 2
No. 9—Little Rock	45, 877, 000	53, 616, 000	16. 9
No. 10—Topeka	42, 956, 000	43, 384, 000	1. 0
No. 11—Portland	28, 241, 000	30, 295, 000	7. 3
No. 12—Los Angeles	67, 283, 000	73, 640, 000	9. 4

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 29

Distribution of new mortgage loans made by all savings and loan members of the Federal Home Loan Bank System, according to purpose

Purpose of loan	Fiscal year 1937		Fiscal year 1938		Fiscal year 1939	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Construction	185, 388, 000	28 4	177, 548, 000	28 2	219, 726, 000	32 0
Home purchase	217, 518, 000	33. 4	209, 272, 000	33. 2	216, 789, 000	31. 6
Refinancing	146, 582, 000	22 5	134, 558, 000	21. 4	136, 494, 000	19. 9
Reconditioning	39, 535, 000	6. 1	41, 981, 000	6. 7	41, 842, 000	6. 1
Other	63, 003, 000	9. 6	66, 201, 000	10. 5	71, 846, 000	10. 4
Total	652, 026, 000	100. 0	629, 560, 000	100. 0	686, 697, 000	100. 0

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 30

Combined balance-sheet items for savings and loan member institutions of the Federal Home Loan Bank System as of Dec. 31, 1938, compared with Dec. 31, 1937

[Amounts shown in thousands of dollars]

Item	Total savings and loan members		Federal savings and loan associations		State-chartered insured savings and loan associations		State-chartered uninsured savings and loan associations	
	1937	1938	1937	1938	1937	1938	1937	1938
Number of Institutions	3,890	3,895	1,319	1,362	560	735	2,011	1,798
ASSETS								
First mortgage loans (including interest and advances)	$2,583,287	$2,792,720	$872,513	$1,046,141	$472,429	$596,377	$1,238,345	$1,150,202
Junior mortgage liens (including interest and advances)	5,966	5,545	615	761	1,067	1,398	4,284	3,386
Other loans (including share loans)	31,128	29,763	4,653	5,286	3,823	4,284	22,652	20,193
Real estate sold on contract	128,199	141,916	36,561	45,013	29,867	39,242	61,771	57,661
Real estate owned	488,517	450,139	92,425	97,798	82,712	90,595	313,380	261,746
Federal Home Loan Bank stock	34,159	37,049	12,657	14,856	5,927	7,969	15,575	14,224
Other investments (including accrued interest)	92,539	79,378	18,488	16,461	18,993	19,370	55,058	43,547
Cash on hand and in banks	125,646	157,716	44,535	64,771	27,589	38,160	53,522	54,785
Office building (net)	42,085	43,656	12,727	15,785	10,061	10,806	19,297	17,065
Furniture, fixtures, and equipment (net)	3,421	3,846	1,434	1,795	657	968	1,330	1,083
Other assets	12,681	11,384	2,361	2,339	2,781	3,141	7,539	5,904
Total assets	3,547,628	3,753,112	1,098,969	1,311,006	655,906	812,310	1,792,753	1,629,796
LIABILITIES AND CAPITAL								
U. S. Government investment (shares and deposits)	252,828	258,877	215,994	217,362	35,538	40,674	1,296	841
Private repurchasable shares	2,256,146	2,444,312	673,321	863,669	353,616	447,517	1,229,209	1,133,126
Mortgage pledged shares	204,729	180,040	17,783	15,308	18,483	23,444	168,463	141,288
Deposits and investment certificates	263,837	273,035	1,970	1,150	127,877	147,771	133,990	124,114
Advances from Federal Home Loan Bank	198,324	198,149	102,268	106,578	34,207	43,566	61,849	48,005
Other borrowed money	17,342	18,334	2,357	3,196	2,677	4,127	12,308	11,011
Loans in process	22,435	30,073	13,003	17,993	4,177	7,284	5,255	4,796
Other liabilities	29,000	26,537	8,696	10,573	5,287	7,130	15,017	8,834
Capital, permanent reserve, or guaranty stock	25,353	26,580	46	----------	16,918	20,401	8,389	6,179
Deferred credits to future operations	13,470	15,603	4,773	5,308	3,101	4,496	5,596	5,799
Specific reserves	24,391	13,198	5,240	4,768	4,697	3,275	14,454	5,155
General reserves	172,712	185,989	38,121	45,277	37,297	46,946	97,294	93,766
Undivided profits and surplus	67,061	82,385	15,397	19,824	12,031	15,679	39,633	46,882
Total liabilities and capital	3,547,628	3,753,112	1,098,969	1,311,006	655,906	812,310	1,792,753	1,629,796

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 31

Percentage distribution of balance-sheet items for all savings and loan members of the Federal Home Loan Bank System, as of Dec. 31, 1938, compared with Dec. 31, 1937

Item	Percentage ratio to total assets							
	All savings and loan members		Federal savings and loan associations		State-chartered insured savings and loan associations		State-chartered uninsured savings and loan associations	
	1937	1938	1937	1938	1937	1938	1937	1938
Number of member institutions	3,890	3,895	1,319	1,362	560	735	2,011	1,798
ASSETS	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
First mortgage loans (including interest and advances)	72.82	74.41	79.39	79.80	72.03	73.42	69.07	70.57
Junior mortgage liens (including interest and advances)	.17	.15	.06	.06	.16	.17	.24	.21
Other loans (including share loans)	.88	.79	.42	.40	.58	.53	1.26	1.24
Real estate sold on contract	3.61	3.78	3.33	3.43	4.55	4.83	3.45	3.54
Real estate owned	13.77	11.99	8.41	7.46	12.61	11.15	17.48	16.06
Federal Home Loan Bank stock	.96	.99	1.15	1.13	.91	.98	.87	.87
Other investments (including accrued interest)	2.61	2.12	1.68	1.26	2.90	2.38	3.07	2.67
Cash on hand and in banks	3.54	4.20	4.05	4.94	4.21	4.70	2.99	3.36
Office building (net)	1.18	1.16	1.16	1.20	1.53	1.33	1.08	1.05
Furniture, fixtures, and equipment (net)	.10	.10	.13	.14	.10	.12	.07	.07
Other assets	.36	.31	.22	.18	.42	.39	.42	.36
Total assets	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
LIABILITIES AND CAPITAL								
U. S. Government investment (shares and deposits)	7.13	6.90	19.65	16.58	5.42	5.01	.07	.05
Private repurchasable shares	63.59	65.13	61.27	65.88	53.91	55.09	68.56	69.53
Mortgage pledged shares	5.77	4.80	1.62	1.17	2.82	2.89	9.40	8.67
Deposits and investment certificates	7.44	7.27	.18	.09	19.49	18.19	7.47	7.61
Advances from Federal Home Loan Bank	5.59	5.28	9.31	8.13	5.21	5.36	3.45	2.94
Other borrowed money	.50	.49	.21	.24	.41	.51	.69	.68
Loans in process	.63	.80	1.18	1.37	.64	.90	.29	.29
Other liabilities	1.19	1.12	1.22	1.21	1.28	1.43	1.15	.90
Capital, permanent reserve, or guaranty stock	.71	.71	.01	0	2.58	2.51	.48	.38
Specific reserves	.69	.35	.48	.36	.72	.40	.80	.32
General reserves	4.87	4.95	3.47	3.45	5.69	5.78	5.43	5.75
Undivided profits	1.89	2.20	1.40	1.52	1.83	1.93	2.21	2.88
Total liabilities and capital	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 32

Operating ratios for savings and loan member institutions of the Federal Home Loan Bank System, calendar year 1938

PERCENTAGE RATIO TO GROSS OPERATING INCOME

Item	All reporting savings and loan members	Reporting Federal savings and loan associations	Reporting insured State-chartered members	Reporting uninsured State-chartered members
Number of institutions reporting	3,094	1,355	588	1,151
Interest income:	*Percent*	*Percent*	*Percent*	*Percent*
On mortgage loans—Ordinary cash collection	84.24	85.99	82.49	83.40
On real estate sold on contract	3.82	3.73	5.28	2.96
Net income on real estate owned	3.44	2.39	3.82	4.38
Other operating income	8.50	7.89	8.41	9.26
Compensation to directors, officers, employees, etc	12.71	13.27	13.92	11 27
Rent, light, heat, etc	1.54	1.84	1.42	1.26
Repairs, taxes, and maintenance of office building	1.03	1.04	1.11	.96
Advertising	2.06	3.13	1.92	.93
Federal insurance premium	1.24	1.92	1.93	0
Other operating expense	7.36	7.37	9.26	6.17
Net operating income before interest and other charges	74.06	71.43	70.44	79 41
Interest charges:				
On deposits, investment certificates, etc	5.70	.06	13 39	7.06
On advances from Federal Home Loan Banks	3.18	4.69	2.78	1.73
On other borrowed money	.31	.15	.37	.46
Total interest charges	9 19	4.90	16 54	9.25
Net operating income	64 87	66.53	53 90	70 16
Total nonoperating income	2.91	2 61	3.25	3 03
Total nonoperating charges	3.47	2.44	2 31	5 39
Net income for the year	64 31	66.70	54 84	67 80

PERCENTAGE RATIO TO NET INCOME

Disposition of net income for the year:				
For bonus on shares	0.12	0.26	0.05	0.01
Legal reserves	3 02	.18	3.99	5.67
Federal insurance reserve	3 59	5.50	6.29	.04
For contingencies	5 96	7.07	3.27	6.15
Real estate reserve	1.41	1 12	1.03	1.94
For other purposes	83	.29	1 33	1.17
Dividends	78.70	77.88	74.83	81.67
Balance to undivided profits	6.37	7.70	9.21	3.35

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 33

Number distribution of member savings and loan associations of the Federal Home Loan Bank System, by asset size groups, as of June 30, 1939

Asset size groups	All member savings and loan associations		Federal associations		Insured State-chartered associations		Noninsured State-chartered associations	
	Number	Percent of total	Number	Percent of total	Number	Percent of total	Number	Percent of total
$0 to $100,000	350	9.0	146	10.6	53	6.7	151	8.7
$100,000 to $250,000	933	23.9	307	22.2	155	19.7	471	27.2
$250,000 to $500,000	886	22.7	281	20.4	181	23.0	424	24.5
$500,000 to $1,000,000	771	19.8	262	19.0	158	20.1	351	20.3
$1,000,000 to $2,500,000	623	16.0	260	18.8	160	20.4	203	11.7
$2,500,000 to $5,000,000	213	5.5	74	5.4	52	6.6	87	5.0
$5,000,000 and over	121	3.1	50	3.6	27	3.5	44	2.6
Total	3,897	100.0	1,380	100.0	786	100.0	1,731	100.0

Asset distribution of member savings and loan associations of the Federal Home Loan Bank System, by asset size groups, as of June 30, 1939

[Aggregate assets reported in thousands]

Asset size groups	All member savings and loan associations		Federal associations		Insured State-chartered associations		Noninsured State-chartered associations	
	Aggregate assets	Percent of total	Aggregate assets	Percent of total	Aggregate assets	Percent of total	Aggregate assets	Percent of total
$0 to $100,000	$24,009	0.6	$9,638	0.7	$3,690	0.4	$10,681	0.7
$100,000 to $250,000	157,824	4.0	51,367	3.6	26,749	3.0	79,708	5.0
$250,000 to $500,000	318,845	8.1	100,294	7.0	65,029	7.3	153,522	9.6
$500,000 to $1,000,000	552,276	14.1	189,451	13.1	113,639	12.7	249,186	15.6
$1,000,000 to $2,500,000	968,565	24.6	402,591	27.9	246,629	27.5	319,345	20.0
$2,500,000 to $5,000,000	716,237	18.2	250,014	17.4	182,242	20.3	283,981	17.7
$5,000,000 and over	1,196,885	30.4	436,633	30.3	257,532	28.8	502,720	31.4
Total	3,934,641	100.0	1,439,988	100.0	895,510	100.0	1,599,143	100.0

EXHIBIT 34

Federal Savings and Loan Associations—Number and estimated assets as of the end of each fiscal year, 1934–39

Date	Number of associations			Estimated assets (in thousands of dollars)		
	Total	New	Converted	Total	New	Converted
June 30, 1934	370	320	50	$41,402	$3,198	$38,204
June 30, 1935	851	554	297	304,569	36,145	268,424
June 30, 1936	1,135	637	498	655,192	116,670	538,522
June 30, 1937	1,286	647	639	986,297	222,528	763,769
June 30, 1938	1,346	640	706	1,213,874	301,242	912,632
June 30, 1939	1,386	636	750	1,442,069	397,239	1,044,830

EXHIBIT 35

Federal Savings and Loan Associations—Number of associations chartered, mortgage loans outstanding, and assets, by Federal Home Loan Bank Districts and by States, June 30, 1938, and June 30, 1939

	Number of associations chartered			Mortgage loans outstanding			Assets		
	June 30, 1938	June 30, 1939	Increase	June 30, 1938	June 30, 1939	Increase	June 30, 1938	June 30, 1939	Increase
United States	1,346	1,386	40	[1] $941,000,951	$1,136,288,900	$195,287,949	$1,213,874,000	$1,442,069,000	$228,195,000
No. 1—Boston	51	51	0	75,672,960	86,158,100	10,485,140	105,174,000	116,700,000	11,526,000
Connecticut	15	15	0	8,346,206	10,536,700	2,190,494	9,298,000	11,633,000	2,335,000
Maine	5	5	0	462,648	687,300	224,652	517,000	722,000	205,000
Massachusetts	26	26	0	59,864,148	66,492,600	6,628,452	87,399,000	94,490,000	7,091,000
New Hampshire	2	2	0	5,360,499	5,924,300	563,801	6,085,000	7,015,000	930,000
Rhode Island	1	1	0	368,078	687,100	319,022	395,000	758,000	363,000
Vermont	2	2	0	1,271,381	1,830,100	558,719	1,480,000	2,082,000	602,000
No. 2—New York	64	64	0	97,401,009	116,131,600	18,730,591	129,394,000	151,463,000	22,069,000
New Jersey	0	0	0						
New York	64	64	0	97,401,009	116,131,600	18,730,591	129,394,000	151,463,000	22,069,000
No. 3—Pittsburgh	81	102	21	32,943,396	50,280,900	17,337,504	40,656,000	62,155,000	21,499,000
Delaware	0	1	1		222,400	222,400		231,000	231,000
Pennsylvania	60	80	20	22,740,570	37,959,800	15,219,230	28,061,000	47,251,000	19,190,000
West Virginia	21	21	0	10,202,826	12,098,700	1,895,874	12,595,000	14,673,000	2,078,000
No. 4—Winston-Salem	204	205	1	100,016,402	126,844,900	26,828,498	117,640,000	148,191,000	30,551,000
Alabama	15	14	−1	4,399,921	5,218,500	818,579	5,725,000	6,612,000	887,000
District of Columbia	2	2	0	4,613,045	7,011,800	2,398,755	6,090,000	8,312,000	2,222,000
Florida	48	48	0	28,761,713	36,557,500	7,795,787	32,964,000	43,155,000	10,191,000
Georgia	43	43	0	14,354,690	17,144,700	2,790,010	15,513,000	18,592,000	3,079,000
Maryland	29	32	3	14,876,499	18,977,800	4,101,301	20,357,000	25,244,000	4,887,000
North Carolina	16	16	0	8,637,629	11,206,700	2,569,071	9,531,000	12,170,000	2,639,000
South Carolina	30	30	0	11,485,191	14,359,600	2,874,409	12,792,000	15,875,000	3,083,000
Virginia	21	20	−1	12,887,714	16,368,300	3,480,586	14,668,000	18,231,000	3,563,000
No. 5—Cincinnati	197	206	9	188,571,676	213,567,400	24,995,724	246,917,000	278,405,000	31,488,000
Kentucky	50	51	1	40,109,721	44,407,200	4,297,479	54,690,000	59,702,000	5,012,000
Ohio	109	117	8	131,149,630	148,563,900	17,414,270	172,457,000	195,234,000	22,777,000
Tennessee	38	38	0	17,312,325	20,596,300	3,283,975	19,770,000	23,469,000	3,699,000

No 6—Indianapolis	94	97	3	[1] 75, 105, 676	83, 364, 400	8, 258, 724	108, 431, 000	121, 559, 000	13, 128, 000
Indiana	67	68	1	[1] 57, 134, 598	59, 671, 800	2, 537, 202	78, 990, 000	83, 854, 000	4, 864, 000
Michigan	27	29	2	17, 971, 078	23, 692, 600	5, 721, 522	29, 441, 000	37, 705, 000	8, 264, 000
No. 7—Chicago	128	125	−3	80, 351, 877	94, 224, 800	13, 872, 923	101, 159, 000	117, 436, 000	16, 277, 000
Illinois	101	98	−3	71, 392, 442	82, 940, 400	11, 547, 958	91, 189, 000	105, 151, 000	13, 962, 000
Wisconsin	27	27	0	8, 959, 435	11, 284, 400	2, 324, 965	9, 970, 000	12, 285, 000	2, 315, 000
No 8—Des Moines	108	109	1	60, 919, 172	77, 229, 200	16, 310, 028	78, 823, 000	94, 682, 000	15, 859, 000
Iowa	31	32	1	8, 271, 103	11, 655, 200	3, 384, 097	9, 250, 000	13, 157, 000	3, 907, 000
Minnesota	31	30	−1	26, 464, 578	33, 993, 400	7, 528, 822	32, 356, 000	40, 374, 000	8, 018, 000
Missouri	37	37	0	23, 512, 038	28, 477, 500	4, 965, 462	33, 910 000	37, 350, 000	3, 440, 000
North Dakota	5	6	1	1, 374, 028	1, 655, 400	281, 372	1, 784, 000	2, 108, 000	324, 000
South Dakota	4	4	0	1, 297, 425	1, 447, 700	150, 275	1, 523, 000	1, 693, 000	170, 000
No 9—Little Rock	165	165	0	53, 548, 623	65, 059, 700	11, 511. 077	63, 189, 000	74, 338, 000	11, 149, 000
Arkansas	33	33	0	7, 996, 060	9, 443, 800	1, 447, 740	9, 400, 000	10, 923, 000	1, 523, 000
Louisiana	12	13	1	10, 970, 613	12, 424, 200	1, 453, 587	12, 119, 000	13, 482, 000	1, 363, 000
Mississippi	21	21	0	3, 236, 088	4, 104, 900	868, 812	3, 552, 000	4, 494, 000	942, 000
New Mexico	8	8	0	1, 348, 095	1, 712, 500	364, 405	1, 465. 000	1, 812, 000	347, 000
Texas	91	90	−1	29, 997, 767	37, 374, 300	7, 376, 533	36, 653, 000	43, 627, 000	6, 974, 000
No. 10—Topeka	93	98	5	54, 553, 713	67, 402, 000	12, 848, 287	76, 309, 000	91, 938, 000	15, 629, 000
Colorado	24	23	−1	11, 560, 825	14, 053, 800	2, 492, 975	17, 268, 000	19. 132, 000	1, 864, 000
Kansas	21	27	6	7, 854, 458	13, 091, 200	5, 236, 742	10, 190, 000	21, 017, 000	10, 827, 000
Nebraska	15	15	0	5, 023, 873	5, 799, 200	775, 327	5, 942, 000	6, 807, 000	865, 000
Oklahoma	33	33	0	30, 114, 557	34, 457, 800	4, 343, 243	42, 909, 000	44, 982, 000	2, 073, 000
No. 11—Portland	85	84	−1	52, 436, 762	59, 342, 300	6, 905, 538	63, 561, 000	72, 701, 000	9, 140, 000
Idaho	9	8	−1	5, 938, 067	6, 255, 500	317, 433	6, 524, 000	6, 985, 000	461, 000
Montana	2	2	0	204, 648	282, 800	78, 152	328, 000	395, 000	67, 000
Oregon	22	22	0	9, 816, 532	11, 434, 300	1, 617, 768	11, 668, 000	13, 826, 000	2, 158, 000
Utah	6	6	0	4, 662, 518	5, 149, 200	486, 682	6, 612, 000	7, 034, 000	422, 000
Washington	36	36	0	29, 712, 769	33, 548, 800	3, 836, 031	36, 052, 000	41, 541, 000	5, 489, 000
Wyoming	9	9	0	1, 997, 542	2, 477, 200	479, 658	2, 260, 000	2, 760, 000	500, 000
Alaska	1	1	0	104, 686	194, 500	89, 814	117, 000	160, 000	43, 000
No. 12—Los Angeles	76	80	4	69, 479, 685	96, 683, 600	27, 203, 915	82, 621, 000	112, 501, 000	29, 880, 000
Arizona	3	2	−1	1, 681, 465	2, 158, 000	476, 535	1, 889, 000	2, 426, 000	537, 000
California	72	77	5	66, 185, 755	92, 743, 400	26, 557, 645	78, 939, 000	108, 198, 000	29, 259, 000
Nevada	0	0	0						
Hawaii	1	1	0	1, 612, 465	1, 782, 200	169, 735	1, 793, 000	1, 877, 000	84, 000

[1] Revised. Home purchase agreements amounting to $3,745,602 were included in last year's report of mortgage loans.
Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 36

Federal savings and loan associations—Private investors in repurchasable shares and private repurchasable capital, by Federal Home Loan Bank Districts and by States, June 30, 1938, and June 30, 1939

	Number of private investors in repurchasable shares			Private repurchasable capital		
	June 30, 1938	June 30, 1939	Increase	June 30, 1938	June 30, 1939	Increase
United States	1,030,096	1,299,915	269,819	$763,724,553	$990,871,600	$227,147,047
No. 1—Boston	81,720	98,772	17,052	74,387,313	87,534,300	13,146,987
Connecticut	9,815	14,457	4,642	4,478,426	6,891,600	2,413,174
Maine	473	599	126	219,019	357,200	138,181
Massachusetts	66,049	75,330	9,281	63,927,252	72,756,300	8,829,048
New Hampshire	3,808	6,202	2,394	4,327,715	5,385,100	1,057,385
Rhode Island	537	706	169	167,825	286,600	118,775
Vermont	1,038	1,478	440	1,267,076	1,857,500	590,424
No. 2—New York	160,318	185,205	24,887	84,231,683	105,576,800	21,345,117
New Jersey						
New York	160,318	185,205	24,887	84,231,683	105,576,800	21,345,117
No. 3—Pittsburgh	31,665	56,644	24,979	20,447,459	37,850,900	17,403,441
Delaware		78	78		151,000	151,000
Pennsylvania	24,580	47,532	22,952	14,589,204	29,901,000	15,311,796
West Virginia	7,085	9,034	1,949	5,858,255	7,798,900	1,940,645
No. 4—Winston-Salem	82,695	119,191	36,496	62,998,037	96,682,900	33,684,863
Alabama	5,368	6,852	1,484	3,477,873	4,476,100	998,227
District of Columbia	6,998	7,837	839	4,361,951	6,391,500	2,029,549
Florida	19,386	29,822	10,436	14,289,075	25,678,600	11,389,525
Georgia	12,751	16,942	4,191	7,918,722	11,828,800	3,910,078
Maryland	14,104	24,732	10,628	11,295,416	17,374,700	6,079,284
North Carolina	5,349	8,373	3,024	4,403,507	6,869,300	2,465,793
South Carolina	10,482	13,225	2,743	9,033.839	12,367,200	3,333,361
Virginia	8,257	11,408	3,151	8,217,654	11,696,700	3,479,046
No. 5—Cincinnati	205,419	255,100	49,681	176,713,319	212,056,900	35,343,581
Kentucky	37,249	47,419	10,170	40,564,956	47,061,400	6,496,444
Ohio	156,177	188,160	31,983	127,666,710	152,425,700	24,758,990
Tennessee	11,993	19,521	7,528	8,481,653	12,569,800	4,088,147
No. 6—Indianapolis	88,202	100,138	11,936	76,941,072	90,997,400	14,056,328
Indiana	67,154	70,291	3,137	55,370,948	61,297,600	5,926,652
Michigan	21,048	29,847	8,799	21,570,124	29,699,800	8,129,676
No. 7—Chicago	69,441	97,733	28,292	56,064,257	73,511,500	17,447,243
Illinois	61,911	86,724	24,813	51 442,491	66,166,500	14,724,009
Wisconsin	7,530	11,009	3,479	4,621,766	7,345,000	2,723,234
No. 8—Des Moines	64,827	81,785	16,958	41,927,252	56,299,200	14,371,948
Iowa	7,583	10,867	3,284	4,893,781	8,169,000	3,275,219
Minnesota	32,337	41,653	9,316	15,452,265	23,155,200	7,702,935
Missouri	21,932	25,809	3,877	19,630,426	22,536,400	2,905,974
North Dakota	1,818	2,163	345	1,122,741	1,429,600	306,859
South Dakota	1,157	1,293	136	828,039	1,009,000	180,961
No. 9—Little Rock	44,066	53,643	9,577	42,193,968	53,550,500	11,356,532
Arkansas	5,134	6,337	1,203	5,681,743	7,766,500	2,084,757
Louisiana	6,234	7,003	769	9,262,662	10,716,600	1,453,938
Mississippi	2,915	3,519	604	2,295,771	3,159,200	863,429
New Mexico	949	1,130	181	891,887	1,279,500	387,613
Texas	28,834	35,654	6,820	24,061,905	30,628,700	6,566,795

Federal savings and loan associations—Private investors in repurchasable shares and private repurchasable capital, by Federal Home Loan Bank Districts and by States, June 30, 1938, and June 30, 1939—Continued

	Private investors in repurchasable shares			Private repurchasable capital		
	June 30, 1938	June 30, 1939	Increase	June 30, 1938	June 30, 1939	Increase
No. 10—Topeka	51,125	68,103	16,978	$51,781,301	$65,728,500	$13,947,199
Colorado	13,791	15,127	1,336	11,646,927	13,414,000	1,767,073
Kansas	7,465	17,857	10,392	5,032,105	13,571,600	8,539,495
Nebraska	4,429	5,564	1,135	3,579,046	4,283,700	704,654
Oklahoma	25,440	29,555	4,115	31,523,223	34,459,200	2,935,977
No. 11—Portland	102,257	113,059	10,802	33,454,112	42,828,600	9,374,488
Idaho	7,223	8,487	1,264	3,197,663	3,778,600	580,937
Montana	508	558	50	213,460	264,600	51,140
Oregon	11,003	13,725	2,722	5,099,930	7,298,000	2,198,070
Utah	8,352	8,631	279	3,574,467	3,863,500	289,033
Washington	73,723	79,762	6,039	20,614,199	26,264,600	5,650,401
Wyoming	1,362	1,717	355	726,181	1,280,200	554,019
Alaska	86	179	93	28,212	79,100	50,888
No. 12—Los Angeles	48,361	70,542	22,181	42,584,780	68,254,100	25,669,320
Arizona	1,453	1,781	328	858,120	1,259,100	400,980
California	45,819	67,657	21,838	40,233,386	65,508,800	25,275,414
Nevada						
Hawaii	1,089	1,104	15	1,493,274	1,486,200	−7,074

Source Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 37

Federal savings and loan associations—Investments of the U. S. Treasury and the Home Owners' Loan Corporation, by Federal Home Loan Bank Districts and by States, June 30, 1938, and June 30, 1939

	June 30, 1938	June 30, 1939	Increase
United States	$218,567,000	$217,025,500	−$1,541,500
No. 1—Boston	9,295,700	9,645,700	350,000
Connecticut	3,132,500	3,132,500	0
Maine	207,000	257,000	50,000
Massachusetts	5,246,200	5,446,200	200,000
New Hampshire	475,000	475,000	0
Rhode Island	185,000	285,000	100,000
Vermont	50,000	50,000	0
No. 2—New York	29,973,300	29,143,300	−830,000
New Jersey			
New York	29,973,300	29,143,300	−830,000
No. 3—Pittsburgh	9,530,200	9,868,700	338,500
Delaware			
Pennsylvania	6,386,200	6,690,700	304,500
West Virginia	3,144,000	3,178,000	34,000
No. 4—Winston-Salem	29,743,800	30,029,300	285,500
Alabama	1,260,500	1,310,500	50,000
District of Columbia	50,000	50,000	0
Florida	11,832,400	11,856,400	24,000
Georgia	4,449,900	4,396,900	−53,000
Maryland	3,825,000	3,857,500	32,500
North Carolina	3,013,500	3,093,500	80,000
South Carolina	1,922,500	1,922,500	0
Virginia	3,390,000	3,542,000	152,000

Federal savings and loan associations—Investments of the U. S. Treasury and the Home Owners' Loan Corporation, by Federal Home Loan Bank Districts and by States, June 30, 1938, and June 30, 1939—Continued

	June 30, 1938	June 30, 1939	Increase
No. 5—Cincinnati	$27,327,600	$26,708,100	−$619,500
Kentucky	3,926,000	3,631,500	−294,500
Ohio	16,517,000	16,202,000	−315,000
Tennessee	6,884,600	6,874,600	−10,000
No. 6—Indianapolis	12,075,300	12,036,800	−38,500
Indiana	8,632,000	8,932,500	300,500
Michigan	3,443,300	3,104,300	−339,000
No. 7—Chicago	23,968,500	23,372,500	−596,000
Illinois	20,481,500	20,250,500	−231,000
Wisconsin	3,487,000	3,122,000	−365,000
No. 8—Des Moines	18,794,300	18,793,300	−1,000
Iowa	2,447,000	2,482,000	35,000
Minnesota	8,573,300	8,536,300	−37,000
Missouri	7,116,000	7,107,000	−9,000
North Dakota	305,000	315,000	10,000
South Dakota	353,000	353,000	0
No. 9—Little Rock	9,572,600	8,881,600	−691,000
Arkansas	1,924,500	1,650,000	−274,500
Louisiana	435,500	370,000	−65,500
Mississippi	771,500	754,500	−17,000
New Mexico	342,000	292,000	−50,000
Texas	6,099,100	5,815,100	−284,000
No. 10—Topeka	9,396,000	9,435,500	39,500
Colorado	2,615,000	2,594,500	−20,500
Kansas	2,855,000	3,255,000	400,000
Nebraska	1,441,000	1,336,000	−105,000
Oklahoma	2,485,000	2,250,000	−235,000
No. 11—Portland	18,531,500	18,337,500	−194,000
Idaho	2,325,600	2,325,600	0
Montana	30,000	30,000	0
Oregon	4,621,500	4,597,500	−24,000
Utah	1,700,000	1,700,000	0
Washington	8,813,000	8,643,000	−170,000
Wyoming	1,008,100	1,008,100	0
Alaska	33,300	33,300	0
No. 12—Los Angeles	20,358,200	20,773,200	415,000
Arizona	590,000	605,000	15,000
California	19,768,200	20,168,200	400,000
Nevada			
Hawaii			

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 38

Federal savings and loan associations—Summary of new mortgage loans made by reporting associations during year ended June 30, 1939

	Construction	Home purchase	Refinancing [1]	Repairs and reconditioning	Other purposes	Total
United States	$123, 028, 800	$94, 354, 900	$67, 189, 700	$18, 465, 000	$28, 730, 000	$331, 768, 400
No. 1—Boston	7, 038, 000	7, 723, 400	4, 442, 600	1, 797, 000	1, 933, 500	22, 934, 500
Connecticut	1, 513, 600	829, 300	783, 900	184, 600	31, 600	3, 343, 000
Maine	43, 300	90, 300	100, 700	15, 300	35, 600	285. 200
Massachusetts	4, 950, 400	6, 034, 200	3, 059, 000	1, 393, 000	1, 435, 300	16, 871, 900
New Hampshire	181, 600	263, 900	255, 800	137, 600	373, 700	1, 212, 600
Rhode Island	145, 500	154, 200	102, 900	7, 000		409, 600
Vermont	203, 600	351, 500	140, 300	59, 500	57, 300	812, 200
No 2—New York	13, 805, 200	8, 691, 000	3, 902, 800	546, 100	1, 923, 300	28, 868, 400
New Jersey						
New York	13, 805, 200	8, 691, 000	3, 902, 800	546, 100	1, 923, 300	28, 868, 400
No 3—Pittsburgh	5, 245, 900	5, 863, 000	3, 237, 800	788, 700	866, 700	16, 002, 100
Delaware	57, 000	98, 800	10, 700	7, 000		173, 500
Pennsylvania	4, 127, 600	4, 971, 600	2. 264, 000	359, 600	458, 600	12, 181, 400
West Virginia	1, 031, 300	792, 600	963, 100	422, 100	408, 100	3, 647, 200
No. 4—Winston-Salem	19, 621, 800	11, 245, 100	7, 914, 000	2, 245, 000	4, 042, 800	45. 068, 700
Alabama	433, 400	359, 400	409, 200	137, 500	181, 200	1, 520, 700
District of Columbia	1, 960, 200	738, 800	814, 900	129, 300	304, 800	3, 948, 000
Florida	6, 712, 600	1, 765 000	1, 904, 200	503, 300	1, 886, 900	12, 772, 000
Georgia	2, 031, 800	1, 126, 000	1, 410, 700	382, 700	380, 700	5, 331, 900
Maryland	1, 544, 300	4, 308, 300	807, 300	137, 700	162, 900	6, 960, 500
North Carolina	1, 912, 600	789, 600	808, 900	324, 400	349, 900	4, 185, 400
South Carolina	2, 563, 100	819, 500	833, 400	390, 000	448, 300	5, 054, 300
Virginia	2, 463, 800	1, 338, 500	925, 400	240, 100	328, 100	5, 295, 900
No. 5—Cincinnati	15, 964, 100	17, 374, 400	11, 552, 600	3, 315, 100	5, 066, 600	53, 272, 800
Kentucky	2, 379, 700	3, 346, 600	2, 242, 400	800, 600	938, 000	9, 707, 300
Ohio	11, 156, 500	13, 084, 300	7, 710, 600	2, 073, 100	3, 634, 200	37, 658, 700
Tennessee	2, 427, 900	943, 500	1, 599, 600	441, 400	494, 400	5, 906, 800
No. 6—Indianapolis	5, 966, 700	5, 314, 500	4, 201, 200	1, 722, 800	1, 832, 800	19, 038, 000
Indiana	2, 510, 600	4, 289, 800	2, 639, 100	1, 440, 200	1, 256, 100	12, 135, 800
Michigan	3, 456, 100	1, 024, 700	1, 562, 100	282, 600	576, 700	6, 902, 200
No. 7—Chicago	6, 094, 600	9, 727, 500	7, 772, 900	2, 256, 200	2, 495, 600	28, 346, 800
Illinois	4, 829, 700	8. 411, 100	7, 147, 300	2, 027, 400	2, 255, 500	24, 671, 000
Wisconsin	1, 264, 900	1, 316, 400	625, 600	228, 800	240, 100	3, 675, 800
No. 8—Des Moines	8, 216, 300	6, 256, 100	6, 004, 700	1, 559, 300	1, 823, 300	23, 859, 700
Iowa	1, 582, 800	1, 356, 300	1, 014, 000	357, 500	225, 800	4, 536, 400
Minnesota	4, 624, 800	2, 717, 300	2, 751, 200	752, 700	1, 219, 500	12, 065, 500
Missouri	1, 779, 900	1, 972, 300	2, 093, 800	360, 200	289, 000	6, 495, 200
North Dakota	132, 000	107, 700	62, 800	59, 700	42, 100	404, 300
South Dakota	96, 800	102, 500	82, 900	29, 200	46, 900	358, 300
No 9—Little Rock	9, 818, 000	4, 419, 600	4, 063, 200	1, 490, 700	1, 945, 100	21, 736, 600
Arkansas	909, 200	991, 600	534, 600	293, 500	511, 100	3, 240, 000
Louisiana	1, 991, 100	635, 600	252, 300	248, 300	313, 400	3, 440, 700
Mississippi	575, 700	179, 700	480, 700	158, 300	149, 900	1, 544, 300
New Mexico	332, 000	72, 300	144, 100	27, 800	28, 000	604, 200
Texas	6, 010, 000	2, 540, 400	2, 651, 500	762, 800	942, 700	12, 907, 400
No. 10—Topeka	5, 541, 900	7, 098, 400	3, 908, 300	927, 800	2, 693, 100	20, 169, 500
Colorado	1, 309. 000	1, 661, 100	1, 247, 800	288, 800	543, 900	5, 050, 600
Kansas	833, 700	1, 127, 600	403, 500	145, 900	309, 900	2, 820, 600
Nebraska	711. 000	358, 800	303, 800	86, 100	233, 500	1, 693, 200
Oklahoma	2, 688, 200	3, 950, 900	1, 953, 200	407. 000	1. 605 800	10, 605, 100

[1] Refinancing of associations' own mortgages includes only the amount of increase in the mortgage.

Federal savings and loan associations—Summary of new mortgage loans made by reporting associations during year ended June 30, 1939—Continued

	Construction	Home purchase	Refinancing [1]	Repairs and reconditioning	Other purposes	Total
No. 11—Portland	$6,233,100	$4,105,600	$4,150,200	$881,900	$2,124,600	$17,495,400
Idaho	469,700	310,100	373,200	89,800	178,300	1,421,100
Montana	48,900	29,400	16,400	7,700	7,900	110,300
Oregon	1,452,500	690,900	836,000	169,500	342,900	3,491,800
Utah	587,200	295,600	197,300	36,100	107,200	1,223,400
Washington	3,141,500	2,527,000	2,538,700	469,900	1,360,200	10,037,300
Wyoming	418,400	224,100	187,000	95,600	128,100	1,053,200
Alaska	114,900	28,500	1,600	13,300		158,300
No. 12—Los Angeles	19,483,200	6,536,300	6,039,400	934,400	1,982,600	34,975,900
Arizona	498,700	148,000	143,300	15,400	112,800	918,200
California	18,706,000	6,243,900	5,800,100	894,900	1,828,600	33,473,500
Nevada						
Hawaii	278,500	144,400	96,000	24,100	41,200	584,200

[1] Refinancing of associations' own mortgages includes only the amount of increase in the mortgage.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 39

Federal savings and loan associations—Consolidated statement of operations for 1,355 reporting Federal savings and loan associations for the year ended December 1938

[Dollar amounts in thousands]

Item	Amount	Ratio to gross operating income	Ratio to net income
GROSS OPERATING INCOME			
Interest:		*Percent*	*Percent*
On mortgage loans—ordinary cash collections	$57,326	85.99	
On mortgage loans—all other	521	.78	
On loans on shares, passbooks, and certificates	219	.33	
On real estate sold on contract	2,486	3.73	
On investments and bank deposits	566	.85	
Other	69	.10	
Premium or commission on loans (current only)	938	1.40	
Appraisal fees, legal fees, and initial service charges	1,470	2.21	
Other fees and fines	191	.29	
Gross income from real estate owned	(8,339)	(12.51)	
Less—cost of repairs, taxes, and maintenance	(6,748)	(10.12)	
Net income from real estate owned	1,591	2.39	
Gross income from office building	798	1.20	
Dividends on stock in Federal Home Loan Bank	206	.31	
Other dividends	22	.03	
Miscellaneous operation income	263	.39	
Gross operating income	66,666	100.00	149.93
LESS OPERATING EXPENSE			
Compensation to directors, officers, employees	8,852	13.27	
Collection expense (agents, etc.)	116	.17	
Legal services—retainer, travel, and special	386	.58	
Expense account of directors, officers, and employees	219	.33	
Rent, light, heat etc	1,229	1.84	
Repairs, taxes, and maintenance of office building	692	1.04	
Depreciation of office building	311	.47	
Furniture, fixtures, and equipment including depreciation	401	.60	
Advertising	2,086	3.13	
Stationery, printing and office supplies	571	.86	
Telegraph, telephone, postage, and express	426	.64	
Insurance and bond premiums	418	.63	
Federal insurance premium	1,282	1.92	
Audit	142	.21	
Supervising examinations and assessments	368	.55	

Federal savings and loan associations—Consolidated statement of operations for 1,355 reporting Federal savings and loan associations for the year ended December 1938—Continued

Item	Amount	Ratio to gross operating income	Ratio to net income
LESS OPERATING EXPENSE—continued		*Percent*	*Percent*
Organization dues	$184	.28	
Other operating expense	1,366	2.05	
Total operating expense	19,049	28.57	42.84
Net operating income before interest and other charges	47,617	71.43	107.09
LESS INTEREST CHARGES			
On deposits, investment certificates, etc	42	.06	
On advances from Federal Home Loan Bank	3,128	4 69	
On borrowed money	96	.15	
Total interest	3,266	4.90	7 34
Net operating income	44,351	66.53	99 75
ADD NONOPERATING INCOME			
Dividends retained on repurchases and withdrawals	31		.07
Profit on sale of real estate	1,229		2.76
Profit on sale of investments	199		.45
Other nonoperating income	281		.63
Total nonoperating income	1,740	2 61	3 91
Net income after interest and before charges	46,091	69.14	103.66
LESS NONOPERATING CHARGES			
Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves)	77		.17
Loss on sale of real estate	965		2 17
Loss on sale of investments	40		.09
Other nonoperating charges	545		1.23
Total nonoperating charges	1,627	2 44	3 66
Net income for the year	44,464	66 70	100 00
LESS TRANSFERS FOR RESERVES AND DIVIDENDS			
For bonus on shares	116		.26
Legal reserves	78		.18
Federal insurance reserve	2,444		5.50
For contingencies	3,142		7.07
Real-estate reserve	498		1.12
Other	129		.29
Dividends	34,629		77.88
Balance to undivided profits	3,428		7 70

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 40

Federal savings and loan associations—Operating ratios of 1,345 Federal savings and loan associations grouped as to size of association

[Based on annual reports for 1938]

Asset groups	Number of reporting associations	Operating income to average net assets	Operating expense to average net assets	Operating expense to gross operating income	Compensation to gross operating income	Advertising to gross operating income
0 to $74,999	148	6 39	1 68	26 27	14.02	1.96
$75,000 to $149,999	199	6 44	1.81	28 07	15 15	2.09
$150,000 to $299,999	266	6 14	1 79	29 22	15 47	2 31
$300,000 to $499,999	170	6 11	1 79	29.35	15 20	2 61
$500,000 to $749,999	155	5 98	1 75	29 26	14 91	2.60
$750,000 to $999,999	99	5 91	1.73	29 31	14.42	3 18
$1,000,000 to $1,499,999	119	5.66	1 68	29 74	13.90	3 42
$1,500,000 to $2,499,999	97	5 63	1 61	28.55	13.19	3.75
$2,500,000 to $3,999,999	37	5 39	1 46	27 07	12 08	3 34
$4,000,000 to $5,999,999	31	5 23	1 48	28.37	12.32	3 28
Over $6,000,000	24	4 89	1 27	25 96	11.78	2.94

EXHIBIT 41

Federal savings and loan associations—Average annual dividend rates declared for the calendar years 1937 and 1938 [1]

	1937	1938
United States	3.50	3.49
District No. 1	3.53	3 29
Connecticut	3 71	3 42
Maine	2 94	3 19
Massachusetts	3 32	3 27
New Hampshire	4 00	3 50
Rhode Island	3 00	3.00
Vermont	3 33	3.33
District No. 2	2.65	2.68
New Jersey		
New York	2.65	2.68
District No. 3	3.91	3 84
Delaware		3.50
Pennsylvania	3 84	3.78
West Virginia	4.00	3 99
District No. 4	3.94	3.92
Alabama	3.94	3.94
District of Columbia		3.98
Florida	4.03	3 98
Georgia	4.07	3.93
Maryland	3 53	3.60
North Carolina	4 25	4.15
South Carolina	4 00	4.00
Virginia	3 97	3 98
District No. 5	3 57	3.56
Kentucky	3.90	3.93
Ohio	3 42	3 39
Tennessee	4 01	4.03
District No. 6	3.10	3.11
Indiana	3 11	3.12
Michigan	3 08	3.09
District No. 7	3.79	3.73
Illinois	3.77	3 70
Wisconsin	3.98	3 96
District No. 8	3.39	3.38
Iowa	3 74	3 76
Minnesota	3 04	3 04
Missouri	3 57	3.56
North Dakota	3.15	3.23
South Dakota	3.95	3 93
District No 9	4.09	4 15
Arkansas	4 06	4 06
Louisiana	4.01	4.02
Mississippi	4 07	4.05
New Mexico	4 46	4 09
Texas	4 15	4 24
District No. 10	3 84	3.71
Colorado	3 51	3.33
Kansas	3.44	3 47
Nebraska	3.28	3 22
Oklahoma	3 99	4 05
District No. 11	3 52	3.37
Alaska	4 00	4.00
Idaho	3 70	3 51
Montana	3 00	3 50
Oregon	3 39	3 38
Utah	3.78	3 34
Washington	3.48	3.32
Wyoming	3 92	3.91
District No. 12	3.91	3 89
Arizona	4.00	4 00
California	3.91	3 90
Nevada		
Hawaii		3.50

[1] Average weighted by amount of invested capital.

EXHIBIT 42

Federal Savings and Loan Insurance Corporation—Number and assets of all insured associations and number of private investors in repurchasable shares, by Federal Home Loan Bank Districts and by States, June 30, 1939

[Average assets are actual, other assets are in thousands of dollars]

State and Bank District	All insured associations			New Federals			Converted Federals			State-chartered associations			Average assets in all insured associations
	Number of associations	Private shareholders	Assets	Number of associations	Private shareholders	Assets	Number of associations	Private shareholders	Assets	Number of associations	Private shareholders	Assets	
United States	2,170	2,236,043	$2,339,411	636	345,933	$397,239	747	953,222	$1,043,819	787	936,888	$898,353	$1,078,070
No. 1—Boston	56	102,976	120,246	18	12,811	10,595	33	85,961	106,105	5	4,204	3,546	2,147,250
Connecticut	20	18,661	15,179	10	9,623	6,387	5	4,834	5,216	5	4,204	3,546	758,950
Maine	5	599	722	5	599	722	0			0			144,400
Massachusetts	26	75,330	94,490				26	75,330	94,490	0			3,634,231
New Hampshire	2	6,202	7,015	1	552	833	1	5,650	6,182	0			3,507,500
Rhode Island	1	706	758	1	706	758	0			0			758,000
Vermont	2	1,478	2,082	1	1,331	1,895	1	147	187	0			1,041,000
No 2—New York	150	272,172	236,344	14	47,299	32,353	50	137,906	119,110	86	86,967	84,881	1,575,627
New Jersey	56	34,185	43,505	0			0			56	34,185	43,505	776,875
New York	94	237,987	192,839	14	47,299	32,353	50	137,906	119,110	30	52,782	41,376	2,051,479
No. 3—Pittsburgh	165	80,083	94,322	36	21,011	20,795	64	35,373	40,923	65	23,699	32,604	571,648
Delaware	1	78	231	1	78	231	0			0			231,000
Pennsylvania	139	69,887	77,229	24	16,848	13,923	54	30,424	32,891	61	22,615	30,415	555,604
West Virginia	25	10,118	16,862	11	4,085	6,641	10	4,949	8,032	4	1,084	2,189	674,480
No. 4—Winston-Salem	251	164,985	194,183	125	60,927	80,522	80	58,264	67,669	46	45,794	45,992	773,637
Alabama	15	8,606	7,181	11	4,680	4,118	3	2,172	2,494	1	1,754	569	478,733
District of Columbia	10	23,096	25,292	1	6,709	5,363	1	1,128	2,949	8	15,259	16,980	2,529,200
Florida	49	30,995	44,027	45	29,476	42,470	3	346	685	1	1,173	872	898,510
Georgia	47	20,614	22,895	26	6,250	7,236	17	10,692	11,356	4	3,672	4,303	487,128
Maryland	42	29,448	29,705	0			32	24,732	25,244	10	4,716	4,461	707,262
North Carolina	30	18,048	20,780	10	3,830	5,603	6	4,543	6,567	14	9,675	8,610	692,667
South Carolina	34	18,573	20,221	17	3,613	5,769	13	9,612	10,106	4	5,348	4,346	594,735
Virginia	24	15,605	24,082	15	6,369	9,963	5	5,039	8,268	4	4,197	5,851	1,003,417

Federal Savings and Loan Insurance Corporation—Number and assets of all insured associations and number of private investors in repurchasable shares, by Federal Home Loan Bank Districts and by States, June 30, 1939—Continued

State and bank district	All insured associations			New federals			Converted federals			State-chartered associations			Average assets in all insured associations
	Number of associations	Private shareholders	Assets	Number of associations	Private shareholders	Assets	Number of associations	Private shareholders	Assets	Number of associations	Private shareholders	Assets	
No. 5—Cincinnati	318	546, 448	$514, 809	62	34, 096	$43, 794	144	221, 004	$234, 611	112	291, 348	$236, 404	$1, 618, 896
Kentucky	55	48, 639	60, 921	18	2, 406	3, 907	33	45, 013	55, 795	4	1, 220	1, 219	1, 107, 655
Ohio	225	478, 288	430, 419	16	21, 232	26, 444	101	166, 928	168. 790	108	290, 128	235, 185	1, 912, 973
Tennessee	38	19, 521	23, 469	28	10 458	13, 443	10	9, 063	10, 026	0			617, 605
No. 6—Indianapolis	171	161, 255	184, 934	44	28, 894	29, 799	53	71, 244	91, 760	74	61, 117	63, 375	1, 081, 485
Indiana	128	105, 198	119, 626	27	19, 055	19, 208	41	51, 236	64, 646	60	34, 907	35, 772	934, 579
Michigan	43	56, 057	65, 308	17	9, 839	10, 591	12	20, 008	27, 114	14	26, 210	27, 603	1, 518, 791
No. 7—Chicago	249	180, 782	222, 882	42	24, 875	27, 516	83	72, 858	89, 920	124	83, 049	105, 446	895, 108
Illinois	177	134, 435	157, 797	15	13, 866	15, 231	83	72, 858	89, 920	79	47, 711	52, 646	891, 508
Wisconsin	72	46, 347	65, 085	27	11, 009	12, 285	0			45	35, 338	52, 800	903, 958
No. 8—Des Moines	155	127, 589	132, 377	57	16, 294	21, 736	52	65, 491	72, 946	46	45, 804	37, 695	854, 045
Iowa	40	14, 315	15, 586	23	6, 905	8, 646	9	3, 962	4, 511	8	3, 448	2, 429	389, 650
Minnesota	34	42, 474	41, 064	14	3, 380	4, 752	16	38, 273	35, 622	4	821	690	1, 207, 765
Missouri	66	65, 045	68, 754	15	5, 266	7, 456	22	20, 543	29, 894	29	39, 236	31, 404	1, 041, 727
North Dakota	8	3, 968	4, 731	3	332	464	3	1, 831	1, 644	2	1, 805	2, 623	591, 375
South Dakota	7	1, 787	2, 242	2	411	418	2	882	1, 275	3	494	549	320, 286
No 9—Little Rock	262	165, 843	199, 486	130	26, 139	33, 429	35	27, 504	40, 909	97	112, 200	125, 148	761, 397
Arkansas	37	7, 849	12, 950	28	4, 401	6, 823	5	1, 936	4, 100	4	1, 512	2, 027	350, 000
Louisiana	68	75, 166	90, 935	9	945	1, 444	4	6, 058	12, 038	55	68, 163	77, 453	1, 337, 279
Mississippi	23	4, 195	5, 241	19	3, 328	4, 255	2	191	239	2	676	747	227, 870
New Mexico	14	3, 455	4, 653	8	1, 130	1, 812	0			6	2, 325	2, 841	332, 357
Texas	120	75, 178	85, 707	66	16, 335	19, 095	24	19. 319	24, 532	30	39, 524	42, 080	714, 225
No. 10—Topeka	152	98, 905	125, 469	34	11, 287	14, 189	64	56, 816	77, 749	54	30, 802	33, 531	825, 454
Colorado	31	20, 850	25, 351	14	3, 106	3, 702	9	12, 021	15, 430	8	5, 723	6, 219	817, 774
Kansas	61	38, 999	42, 904	9	4, 846	5, 883	18	13, 011	15, 134	34	21, 142	21, 887	703, 344
Nebraska	19	6, 102	7, 301	8	2, 831	4, 040	7	2, 733	2, 767	4	538	494	384, 262
Oklahoma	41	32, 954	49, 913	3	504	564	30	29, 051	44, 418	8	3, 399	4, 931	1, 217, 390

No. 11—Portland	110	191, 849	102, 046	36	29, 260	21, 588	48	83, 799	51, 113	26	78, 790	29, 345	927, 691
Idaho	8	8, 487	6, 985	0			8	8, 487	6, 985	0			873, 125
Montana	8	10, 605	8, 495	0			2	558	395	6	10, 047	8, 100	1, 061, 875
Oregon	22	13, 725	13, 826	18	11, 744	11, 222	4	1, 981	2, 604	0			628, 455
Utah	9	22, 129	14, 074	1	66	201	5	8, 565	6, 833	3	13, 498	7, 040	1, 563, 778
Washington	53	135, 007	55, 746	8	15, 970	7, 924	28	63, 792	33, 617	17	55, 245	14, 205	1, 051, 811
Wyoming	9	1, 717	2, 760	8	1, 301	2, 081	1	416	679	0			306, 667
Alaska	1	179	160	1	179	160	0			0			160, 000
No. 12—Los Angeles	131	143, 156	212, 313	38	33, 040	60, 923	41	37, 002	51, 004	52	73, 114	100, 386	1, 620, 710
Arizona	3	2, 802	3, 078	2	1, 781	2, 426	0			1	1, 021	652	1, 026, 000
California	125	138, 446	206, 893	36	31, 259	58, 497	40	35, 898	49, 127	49	71, 289	99, 269	1, 655, 144
Nevada	0			0			0			0			
Hawaii	3	1, 908	2, 342	0			1	1, 104	1, 877	2	804	465	780, 667

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 43

Federal Savings and Loan Insurance Corporation—Comparison of all savings and loan members of the Federal Home Loan Bank System with all insured savings and loan associations, by Federal Home Loan Bank Districts and by States, June 30, 1939

Federal Home Loan Bank Districts and States	All savings and loan members		All insured associations		Ratio all insured associations to all savings and loan members	Ratio of assets of all insured associations to assets of all savings and loan members
	Number	Assets	Number	Assets		
United States	3,897	$3,935,641	2,170	$2,339,411	55.68	59.44
No. 1—Boston	208	449,841	56	120,246	26.92	26.73
Connecticut	45	33,792	20	15,179	44.44	44 91
Maine	22	18,373	5	722	22.73	3.92
Massachusetts	122	351,917	26	94,490	21.31	26.85
New Hampshire	11	13,381	2	7,015	18.18	52.42
Rhode Island	4	28,159	1	758	25 00	2.69
Vermont	4	4,219	2	2,082	50 00	49.34
No 2—New York	420	474,561	150	236,344	35.71	49.80
New Jersey	296	219,708	56	43,505	18.92	19 80
New York	124	254,853	94	192,839	75 81	75.66
No. 3—Pittsburgh	547	237,890	165	94,322	30 16	39.64
Delaware	7	2,485	1	231	14.29	9.29
Pennsylvania	509	216,370	139	77,229	27.31	35.69
West Virginia	31	19,035	25	16,862	80.65	88.58
No. 4—Winston-Salem	402	377,043	251	194,183	62.44	51.50
Alabama	18	8,481	15	7,181	83.33	84.67
District of Columbia	20	125,949	10	25,292	50 00	20.08
Florida	51	45,256	49	44,027	96.08	97.28
Georgia	55	24,509	47	22,895	85.45	93.41
Maryland	75	53,771	42	29,705	56.00	55.24
North Carolina	108	66,057	30	20,780	27.78	31.45
South Carolina	39	21,050	34	20,221	87.18	96 06
Virginia	36	31,970	24	24,082	66 67	75.32
No. 5—Cincinnati	575	801,522	318	514,809	55 30	64.22
Kentucky	92	91,632	55	60,921	59.78	66.48
Ohio	444	686,295	225	430,419	50.68	62.71
Tennessee	39	23,595	38	23,469	97.44	99.46
No. 6—Indianapolis	213	249,715	171	184,934	80.28	74.05
Indiana	159	151,833	128	119,626	80.50	78.78
Michigan	54	97,882	43	65,308	79.63	66.72
No. 7—Chicago	476	402,595	249	222,882	52.31	55.36
Illinois	349	258,193	177	157,797	50.72	61.11
Wisconsin	127	144,402	72	65,085	56.69	45.07
No. 8—Des Moines	244	190,700	155	132,377	63 52	69.41
Iowa	66	39,204	40	15,586	60.61	39.75
Montana	39	44,689	34	41,064	87.18	91.88
Missouri	113	92,792	66	68,754	58.41	74.09
North Dakota	14	9,787	8	4,731	57.14	48.38
South Dakota	12	4,228	7	2,242	58.33	53.02

Federal Savings and Loan Insurance Corporation—Comparison of all savings and loan members of the Federal Home Loan Bank System with all insured savings and loan associations, by Federal Home Loan Bank Districts and by States, June 30, 1939—Continued

Federal Home Loan Bank Districts and States	All savings and loan members		All insured associations		Ratio all insured associations to all savings and loan members	Ratio of assets of all insured associations to assets of all savings and loan members
	Number	Assets	Number	Assets		
No. 9—Little Rock	276	$204,264	262	$199,486	94.93	97.66
Arkansas	39	13,365	37	12,950	94 87	96.89
Louisiana	68	91,709	68	90,935	100 00	99.15
Mississippi	25	6,069	23	5,241	92.00	86 35
New Mexico	15	5,249	14	4,653	93.33	88.65
Texas	129	87,872	120	85,707	93 02	97.54
No. 10—Topeka	231	162,391	152	125,469	65 80	77.26
Colorado	40	29,044	31	25,351	77.50	87.28
Kansas	104	58,779	61	42,904	58.65	72.99
Nebraska	32	17,295	19	7,301	59.38	42.21
Oklahoma	55	57,273	41	49,913	74.55	87.15
No. 11—Portland	133	126,930	110	102,046	82.71	80.40
Idaho	8	6,985	8	6,985	100.00	100.00
Montana	12	9,700	8	8,495	66.67	87.58
Oregon	30	29,167	22	13,826	73.33	47.40
Utah	10	14,252	9	14,074	90 00	98.75
Washington	62	62,148	53	55,746	85 48	89.70
Wyoming	10	4,518	9	2,760	90.00	61.09
Alaska	1	160	1	160	100.00	100.00
No. 12—Los Angeles	172	258,189	131	212,313	76.16	82.23
Arizona	3	3,078	3	3,078	100.00	100.00
California	162	251,307	125	206,893	77.16	82.33
Nevada	3	794	0	0	0	0
Hawaii	4	3,010	3	2,342	75.00	77.81

Source. Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 44

Federal Savings and Loan Insurance Corporation—Financial statement as of June 30, 1939

ASSETS			
Cash in U. S. Treasury			$320, 285. 57
Accounts Receivable:			
Insurance premiums due		$2, 999. 37	
Insurance premiums deferred		616, 343. 44	
			619, 342. 81
Investments:			
U. S. Government securities and securities wholly guaranteed by the United States		117, 576, 500. 00	
Premium less discount on investments		286, 779. 42	
			117, 863, 279. 42
Accrued interest:			
On Investments			597, 354. 40
Total assets			119, 400, 262. 20
LIABILITIES AND CAPITAL			
Accounts payable:			
For purchases and services		$4, 537. 45	
Funds held in escrow (Clinton F. S. & L. A., Clinton, Tenn.)		73. 80	
			4, 611. 25
Deferred income:			
Unearned insurance premiums		1, 112, 282. 57	
Prepaid insurance premiums		24. 44	
			1, 112, 307. 01
Capital and surplus:			
Capital stock outstanding		100, 000, 000. 00	
Reserve fund as provided by law	$4, 129, 475. 94		
Less contributions to insured institutions (current year)	285, 989. 32		
		3, 843, 486. 62	
Special reserve for contingencies		12, 000, 000. 00	
Surplus		2, 439, 857. 32	
			118, 283, 343. 94
Total liabilities and capital			119, 400, 262. 20

NOTE.—A contingent liability of $140,505.64 exists due to tentative commitments to insured associations

EXHIBIT 45

Federal Savings and Loan Insurance Corporation—Income and expense statement for the period July 1, 1938, to June 30, 1939

Income:	
Insurance premiums earned	$2, 291, 892. 74
Admission fees earned	45, 352. 73
Total	2, 337, 245. 47
Expenses: [1]	
Administrative	213, 122. 16
Nonadministrative	9, 873. 48
Total	222, 995. 64
Net operating income	2, 114, 249. 83
Other income:	
Interest earned on investments	3, 367, 431. 81
Amortization of discount on bonds	7. 92
Miscellaneous receipts	40. 50
Profit on sale of securities	24, 651. 75
Total	3, 392, 131. 98
Other deductions:	
Amortization of premium on securities	53, 686. 29
Charge-off of premium on securities	12, 717. 00
Total	66, 403. 29
Other income less other deductions	3, 325, 728. 69
Net income for period	5, 439, 978. 52
Deduct adjustments of prior years	121. 20
Net income	5, 439, 857. 32
Allocated to special reserve for contingencies	3, 000, 000. 00
Unallocated income	2, 439, 857. 32

[1] Detail expense accounts are shown in Exhibit 46.

EXHIBIT 46

Federal Savings and Loan Insurance Corporation—Expenses for the period July 1, 1938, to June 30, 1939

Administrative expenses:	
Personal services	$118, 390. 74
Printing and binding	3, 199. 57
Supplies and materials	335. 29
Travel expenses	13, 237. 11
Telephone and telegraph	619. 51
Advertising	260. 06
Furniture and fixtures	163. 22
Miscellaneous	7, 330. 52
Services rendered by Federal Home Loan Bank Board	69, 196. 77
Audit by Comptroller's Office of the Federal Home Loan Bank Board	389. 37
Total administrative expenses	213, 122. 16
Nonadministrative expenses:	
Travel expenses	1, 326. 64
Telephone and telegraph	55. 84
Examining expense	4, 138. 67
Attorneys' fees and expenses	4, 344. 33
Miscellaneous	8. 00
Total nonadministrative expenses	9, 873. 48
Grand total	222, 995. 64

EXHIBIT 47

Federal Savings and Loan Insurance Corporation—Average increase in private repurchasable capital of 1,529 identical insured institutions during 1937 and 1938

[Thousands of dollars]

Federal Home Loan Bank District	Institutions insured in 1934		Institutions insured in 1935		Institutions insured in 1936	
	1937	1938	1937	1938	1937	1938
United States	$93	$130	$71	$111	$35	$69
No. 1—Boston	245	115	146	189	67	102
No. 2—New York	180	431	77	233	44	91
No. 3—Pittsburgh	78	164	40	62	16	30
No. 4—Winston-Salem	123	186	64	98	85	102
No. 5—Cincinnati	200	198	117	123	−6	51
No. 6—Indianapolis	77	125	41	63	−22	9
No. 7—Chicago	124	157	54	76	73	82
No. 8—Des Moines	39	63	26	132	38	97
No. 9—Little Rock	50	64	51	78	45	126
No. 10—Topeka	39	78	36	59	0	3
No. 11—Portland	93	97	67	138	39	45
No. 12—Los Angeles	223	276	146	190	133	133

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 48

Home Owners' Loan Corporation—Status of borrower accounts (original loans only), June 1939

Districts and States	Paid on schedule or less than 3 installments in arrears	More than 3 installments in arrears but liquidating	Total in satisfactory status	In default and not liquidating
United States	594,087	78,536	672,623	125,762
Region 1A—New York	53,206	20,037	73 243	37,781
Connecticut	4,410	1,133	5,543	2,075
Maine	1,701	271	1,972	589
Massachusetts	7,546	2,559	10,105	6,375
New Hampshire	832	162	994	355
New Jersey	14,864	3,333	18,197	6,310
New York	20,673	11,620	32,293	20,495
Rhode Island	2,586	746	3,332	1,241
Vermont	594	213	807	341
Region 2A—Baltimore	52,653	6,611	59,264	12,702
Delaware	927	203	1,130	210
District of Columbia	1,293	118	1,411	267
Maryland	8,084	1,153	9,237	2,636
Pennsylvania	35,106	4.460	39,566	8,103
Virginia	7,243	677	7,920	1,486
Region 2B—Cincinnati	64,435	8,286	72,721	14,766
Ohio	58,527	7,719	66,246	13,597
West Virginia	5,908	567	6,475	1,169
Region 3A—Atlanta	40,294	4,159	44,453	7,699
Alabama	9,935	1,217	11,152	1,880
Florida	9,011	790	9,801	1,596
Georgia	9,800	984	10,784	1,670
North Carolina	7,631	817	8,448	1,685
South Carolina	3,518	319	3,837	727
Puerto Rico	399	32	431	141
Region 3B—Memphis	50,639	5,072	55,721	6,223
Arkansas	6,923	662	7,585	605
Kentucky	5,719	371	6,090	781
Louisiana	9,275	1,173	10,448	854
Mississippi	5,580	593	6,173	595
Missouri	14,030	1,523	15,553	2,218
Tennessee	9,112	750	9,862	1,170
Region 4A—Chicago	61,237	10,629	71,866	12,186
Illinois	44,954	7,202	52,156	6,910
Wisconsin	16,283	3,427	19,710	5,276
Region 4B—Detroit	87,272	9,694	96,966	13,965
Indiana	31,291	3,926	35,217	4,687
Michigan	55,981	5,768	61,749	9,278
Region 5A—Omaha	56,274	7,610	63,884	8,843
Colorado	8,209	858	9,067	715
Iowa	12,833	1,416	14,249	1,385
Kansas	9,091	1,561	10,652	2,259
Minnesota	13,524	1,998	15,522	1,657
Nebraska	7,277	902	8,179	1,381
North Dakota	2,200	396	2,596	703
South Dakota	3,140	479	3,619	743
Region 5B—Dallas	44,534	3,646	48,180	5,761
New Mexico	1,730	166	1,896	227
Oklahoma	13,485	1,512	14,997	1,702
Texas	29,319	1,968	31,287	3,832

Home Owners' Loan Corporation—Status of borrower accounts (original loans only), June 1939—Continued

Districts and States	Paid on schedule or less than 3 installments in arrears	More than 3 installments in arrears but liquidating	Total in satisfactory status	In default and not liquidating
Region 6—San Francisco	83,543	2,792	86,335	5,836
Arizona	4,821	133	4,954	422
California:				
Northern Division	39,138	1,288	40,426	2,655
Southern Division				
Idaho	3,507	191	3,698	351
Montana	2,767	99	2,866	272
Nevada	902	34	936	46
Oregon	7,249	172	7,421	473
Utah	7,704	343	8,047	620
Washington	15,627	472	16,099	831
Wyoming	1,828	60	1,888	166

EXHIBIT 49

Home Owners' Loan Corporation—Net foreclosure authorizations on original loans, cumulatively to June 30, 1939, by regions and by States

Region and State	Net authorized		Region and State	Net authorized	
	Cumulative	Percent of total loans closed		Cumulative	Percent of total loans closed
United States	171,036	16 8	Region 4A—Chicago	15,284	14.8
Region 1—New York	51,079	31.1	Illinois	8,584	12 3
Connecticut	2,213	21.5	Wisconsin	6,700	20 2
Maine	511	15.0	Region 4B—Detroit	13,246	10 2
Massachusetts	7,663	31.2	Indiana	6,193	12.7
New Hampshire	320	17.1	Michigan	7,053	8.7
New Jersey	11,698	32.2	Region 5A—Omaha	17,154	19.4
New York	27,006	33.7	Colorado	1,071	10.2
Rhode Island	1,378	22.5	Iowa	2,680	14 6
Vermont	290	18 4	Kansas	4,887	27.7
Region 2A—Baltimore	14,364	15.9	Minnesota	2,602	14 0
Delaware	221	13.4	Nebraska	3,406	26.8
District of Columbia	256	12.2	North Dakota	974	23.5
Maryland	3,165	19.9	South Dakota	1,534	26.6
Pennsylvania	8,770	14.9	Region 5B—Dallas	13,283	18.8
Virginia	1,952	16.2	New Mexico	194	7.9
Region 2B—Cincinnati	12,978	12.1	Oklahoma	5,810	24.2
Ohio	12,249	12.4	Texas	7,279	16 4
West Virginia	729	8.0	Region 6—San Francisco	11,886	10.6
Region 3A—Atlanta	7,797	12.2	Arizona	820	12.6
Alabama	2,866	17.2	California:		
Florida	1,234	9.1	Northern Division	1,233	9.8
Georgia	1,637	11 0	Southern Division	3,967	10 0
North Carolina	1,434	11.6	Idaho	368	7.8
South Carolina	626	10.9	Montana	294	8.0
Region 3B—Memphis	13,965	17.2	Nevada	57	4 7
Arkansas	1,526	14 8	Oregon	854	9.0
Kentucky	1,373	14.9	Utah	1,536	14.2
Louisiana	2,165	15 1	Washington	2,630	12.2
Mississippi	1,173	13.4	Wyoming	127	5.1
Missouri	5,799	23.6			
Tennessee	1,929	14.0			

EXHIBIT 50

Home Owners' Loan Corporation—Summary of foreclosures on original loans

Fiscal year	Foreclosures authorized	Cases			Properties		
		Withdrawn	Pending judgment or sale [1]	In process of acquiring title [2]	Redeemed by borrower	Sold to third party	Acquired in fee
1935	570	14	447	6	0	2	123
1936	27,081	666	22,691	1,854	0	29	5,432
1937	76,896	6,032	53,582	44,356	96	234	39,100
1938	47,745	7,143	38,237	46,322	178	288	55,367
1939	37,616	5,017	29,614	26,392	112	224	42,042
Totals, June 30, 1939	189,908	18,872	[3] 15,602	[3] 12,207	386	777	142,064

[1] At end of period.
[2] Cases in which judgment or sale has taken place but a delay for possible redemption or other reasons is necessary before title in absolute fee can be obtained. Figures refer to end of period.
[3] Current totals.

EXHIBIT 51

Home Owners' Loan Corporation—Average foreclosure costs and average time required to complete foreclosure, by States [1]; original loans only

	Method of foreclosure	Average foreclosure costs			Average time to complete foreclosure [3]		Redemption period
		Total	Attorney fees [2]	All other costs	Months	Days	
Alabama	Power of sale	[4] $45.15	$32.44	$12.71	25	4	24 months
Arizona	Court action	197 81	112.72	85 09	9	3	6 months.
Arkansas	do	123.29	50 00	73.29	5	2	None.
California	do	149.74	75.00	74.74	14	19	12 months
Colorado	Power of sale	103.36	50.00	53 36	7	10	6 months.
Connecticut	Court action	114 20	71.30	42 90	5	11	None.
Delaware	do	[4] 137 37	25.00	112.37	4	25	Do.
District of Columbia	Power of sale	[5] 51.52		51 52	2	21	Do.
Florida	Court action	160.40	100.81	59 59	3	27	Do.
Georgia	Power of sale	[4] 54 44	29.13	25 31	0	26	Do
Idaho	Court action	152.63	75.80	76 83	15	6	12 months
Illinois	do	349.59	120 75	228.84	19	12	15 months [6]
Indiana	do	186.19	100 00	86.19	14	1	None.
Iowa	do	123 08	71.26	51.82	15	24	12 months.
Kansas	do	92 95	50.00	42.95	13	24	6 and 18 months.
Kentucky	do	159 67	75 00	84 67	6	17	None.
Louisiana	do	[4] 128 08	50 00	78.08	2	25	Do.
Maine	Power of sale	21.29	10 00	11.29	12	0	12 months.
Maryland	do	151 63	50.00	101.63	2	7	None
Massachusetts	do	[5] 32 92		32.92	0	27	Do.
Michigan	do	86 46	45 00	41.46	14	28	12 months.
Minnesota	do	96.79	60 00	36.79	13	20	Do.
Mississippi	do	55.41	35.00	20 41	0	24	None.
Missouri	do	54 08	25.74	28 34	1	14	Do
Montana	Court action	169.12	121 05	48 07	14	21	12 months.
Nebraska	do	107.90	50 00	57 90	12	22	None.
Nevada	do	[4] 209.79	125 00	84 79	15	2	12 months.
New Hampshire	Power of sale	77 09	50 00	27 09	1	5	None.
New Jersey	Court action	237 90	89 70	148 20	5	25	Do
New Mexico	do	[4] 191 85	98 67	93.18	14	27	9 months.
New York	Court action and power of sale.	280 94	125.00	155 94	3	24	None.

See footnotes at end of table.

Home Owners' Loan Corporation—Average foreclosure costs and average time required to complete foreclosure, by States; original loans—Continued

	Method of foreclosure	Average foreclosure costs			Average time to complete foreclosure		Redemption period
		Total	Attorney fees	All other costs	Months	Days	
North Carolina	Power of sale	$57.42	$30.46	$26.96	1	11	None.
North Dakota	Court action	104.53	52.96	51.57	16	0	12 months.
Ohio	do	129.66	52.27	77.39	4	22	None.
Oklahoma	do	[4] 159.35	60.74	98.61	11	5	Do.
Oregon	do	120.94	69.05	51.89	15	17	12 months
Pennsylvania	do	132.52	50.00	82.52	2	18	None.
Rhode Island	Power of sale	[5] 42 44		42.44	1	22	Do.
South Carolina	Court action	132.01	64.43	67.58	3	10	Do.
South Dakota	Power of sale	79.53	36.85	42.68	13	11	12 months
Tennessee	do	73.14	46.10	27.04	1	3	None.
Texas	do	[5] 3.82		3.82	0	23	Do.
Utah	Court action	158 46	101.88	56.58	9	2	6 months.
Vermont	do	[4] 107.52	75.00	32.52	12	15	12 months.
Virginia	Power of sale	87.53	[7] 50 00	37.53	0	23	None.
Washington	Court action	144.35	85.25	59.10	16	2	12 months
West Virginia	Power of sale	57.12	[7] 30 00	27.12	1	2	None.
Wisconsin	Court action	165.16	100 00	65.16	16	23	12 months.
Wyoming	do	177.76	105 91	71 85	10	25	6 months.

[1] Based on a sample of about 100 representative HOLC foreclosure cases in each State.
[2] Average attorney fees are based only on those cases in which fee attorneys were used. Total foreclosure fees paid by HOLC in 8 States—Alabama, Delaware, Georgia, Louisiana, Nevada, New Mexico, Oklahoma, and Vermont—average less than the figure shown because in these jurisdictions salaried attorneys were employed in a portion of the cases.
[3] From date petition was filed and first advertisement under power of sale.
[4] Both fee and salaried attorneys are used but average costs are based only on cases handled by fee attorneys.
[5] All cases are handled by salaried attorneys.
[6] The owner has 12 months to redeem and creditors have an additional 3 months from the date of sale.
[7] Trustee attorney's fee.

EXHIBIT 52

Home Owners' Loan Corporation—Average cost of deed in lieu of foreclosure by States; original loans only [1]

State	Number of cases	Average cost per case		
		Attorney fees	Other costs [2]	Total costs
Alabama	5	(3)	$5.09	$5.09
Arizona	75	(3)	7.81	7.81
Arkansas	545	$25.12	5.34	30.46
California	994	3.62	7.55	11 17
Colorado	251	5 90	5 13	11.03
Connecticut	182	18.49	6.00	24.49
Delaware	8	(3)	6.44	6.44
District of Columbia	-----	-----	-----	-----
Florida	197	35.33	5.50	40.83
Georgia	12	3.33	4.59	7.92
Idaho	104	(3)	5.20	5.20
Illinois	2,027	13.75	7.71	21.46
Indiana	841	(3)	6.21	6.21
Iowa	616	11 71	5.09	16 80
Kansas	522	10.65	5 08	15 73
Kentucky	558	24.37	4 57	28 94
Louisiana	325	22.80	16 10	38.90
Maine	27	(3)	7.00	7.00
Maryland	240	36.98	7 48	44.46
Massachusetts	1,116	(3)	7.00	7.00
Michigan	204	(3)	10.01	10.01
Minnesota	77	6 76	8.00	14 76
Mississippi	210	26.37	4.15	30.52
Missouri	304	21.02	4.89	25 91
Montana	-----	-----	-----	-----
Nebraska	719	11.40	4.33	15.73
Nevada	30	(3)	9 02	9.02
New Hampshire	84	(3)	7.63	7.63
New Jersey	4,637	39.57	6 22	45.79
New Mexico	72	(3)	5 24	5.24
New York	4,596	39.82	6.22	46.04
North Carolina	5	(3)	7.26	7.26
North Dakota	112	13.14	8.31	21.45
Ohio	10	(3)	5.42	5.42
Oklahoma	1,388	(3)	4 66	4 66
Oregon	401	(3)	5 32	5.32
Pennsylvania	10	(3)	6.60	6.60
Rhode Island	-----	-----	-----	-----
South Carolina	192	17.13	4.34	21.47
South Dakota	273	12.35	9.49	21.84
Tennessee	6	(3)	5.41	5.41
Texas	373	(3)	5.28	5.28
Utah	691	(3)	6.24	6.24
Vermont	68	(3)	7.63	7 63
Virginia	-----	-----	-----	-----
Washington	652	5.50	4.78	10.28
West Virginia	-----	-----	-----	-----
Wisconsin	898	22.90	6.33	29.23
Wyoming	33	(3)	5.12	5.12

[1] Based on cases completed from Dec. 1, 1937, to June 30, 1939. Figures were arrived at by dividing the amount paid out in attorney fees, revenue stamps, and recording fees during that period through the number of cases of deeds in lieu of foreclosure.
[2] Includes recording fees and revenue stamps
[3] Salaried personnel.

EXHIBIT 53

Home Owners' Loan Corporation—Properties owned and in process of acquiring title, by regions and States, as of June 30, 1939

	Properties owned	Properties in process of acquiring title	Total
United States	87,618	11,736	99,354
Region 1—New York	36,583	704	37,287
Connecticut	1,408	82	1,490
Maine	240	62	302
Massachusetts	5,271		5,271
New Hampshire	155		155
New Jersey	8,837	108	8,945
New York	19,867	410	20,277
Rhode Island	690		690
Vermont	115	42	157
Region 2A—Baltimore	8,157	76	8,233
Delaware	52		52
District of Columbia	19	13	32
Maryland	1,816	63	1,879
Pennsylvania	5,217		5,217
Virginia	1,053		1,053
Region 2B—Cincinnati	6,408	811	7,219
Ohio	6,076	811	6,887
West Virginia	332		332
Region 3A—Atlanta	2,493	634	3,127
Alabama	795	634	1,429
Florida	352		352
Georgia	713		713
North Carolina	453		453
South Carolina	180		180
Puerto Rico			
Region 3B—Memphis	7,510	77	7,587
Arkansas	738	27	765
Kentucky	684	29	713
Louisiana	1,209	1	1,210
Mississippi	629		629
Missouri	3,338	20	3,358
Tennessee	912		912
Region 4A—Chicago	5,852	3,019	8,871
Illinois	2,721	1,503	4,224
Wisconsin	3,131	1,516	4,647
Region 4B—Detroit	4,250	2,598	6,848
Indiana	2,471	1,016	3,487
Michigan	1,779	1,582	3,361
Region 5A—Omaha	8,212	2,424	10,636
Colorado	518	45	563
Iowa	906	414	1,320
Kansas	2,508	988	3,496
Minnesota	1,152	252	1,404
Nebraska	1,716	286	2,002
North Dakota	458	177	635
South Dakota	954	262	1,216
Region 5B—Dallas	4,774	342	5,116
New Mexico	37	12	49
Oklahoma	2,458	297	2,755
Texas	2,279	33	2,312
Region 6—San Francisco	3,379	1,051	4,430
Arizona	194	69	263
California:			
Northern Division	183	107	290
Southern Division	1,055	350	1,405
Idaho	119	63	182
Montana	113	44	157
Nevada	3	6	9
Oregon	320	51	371
Utah	412	67	479
Washington	956	289	1,245
Wyoming	24	5	29
Hawaii			
Alaska			

EXHIBIT 54

Home Owners' Loan Corporation—Profit and loss on sales of real estate, by calendar years

Year	Number of properties sold at a profit and amount of profit		Number of properties sold at a loss and amount of loss		Total number of properties sold	
	Number	Profit	Number	Loss	Number	Profit (+) or loss (−)
1935	27	$6,926	2	$1,528	29	+$5,398
1936	366	125,782	235	118,828	601	+6,954
1937	3,033	1,218,126	2,214	1,381,934	5,247	−163,808
1938	5,761	1,729,446	22,957	23,123,114	28,718	−21,393,668
1939 [1]	2,802	817,221	17,906	22,425,131	20,708	−21,607,910

[1] January to June.

EXHIBIT 55

Home Owners' Loan Corporation—Percentage of vacant units to units available for rent, percentage of rents collected to rent accruals, and average rent per unit, by months

Year and month	Vacancies	Collections	Average rent per unit
1936	*Percent*	*Percent*	
July	18.6	93.7	$20.59
August	18.7	92.4	20.75
September	15.9	94.7	20.04
October	17.1	88.5	21.24
November	18.4	88.8	21.26
December	17.5	89.4	20.92
1937			
January	18.7	96.2	22.61
February	18.3	95.3	22.90
March	17.8	92.8	23.90
April	15.0	99.5	23.85
May	13.3	94.7	24.60
June	12.5	96.3	24.99
July	11.2	95.5	25.27
August	10.4	97.7	25.48
September	10.4	97.3	25.77
October	10.4	97.7	26.10
November	11.2	97.9	26.90
December	12.4	96.7	26.75
1938	*Percent*	*Percent*	
January	13.1	93.3	$26.48
February	13.5	96.0	27.19
March	14.3	99.7	26.91
April	12.6	97.2	26.96
May	11.6	99.2	27.40
June	11.5	98.8	27.66
July	12.0	98.4	27.93
August	11.0	99.2	27.99
September	10.3	98.4	28.00
October	9.9	99.6	28.25
November	10.4	96.8	28.69
December	10.5	100.3	28.82
1939			
January	10.9	98.7	29.01
February	10.4	99.4	28.95
March	9.3	99.8	29.14
April	7.8	99.9	29.45
May	7.7	100.0	29.33
June	7.4	99.1	29.43

EXHIBIT 56

Home Owners' Loan Corporation—Reconditioning operations; number of contracts completed

Type of case	July 1, 1938, through June 30, 1939	Cumulative through June 30, 1939
Property management [1]	113,305	272,466
Advances [2]	2,237	10,803
Insurance [3]	2,111	29,150
Refinancing [4]	[5] 45	[6] 417,390
Total	117,698	729,809

[1] Indicates reconditioning completed on properties under the jurisdiction of the Property Management Division.
[2] Cover cases in which reconditioning advances have been granted to borrowers since closing loans.
[3] Refers to reconditioning covered by insurance proceeds and performed under the supervision of the Reconditioning Section.
[4] Refers to reconditioning loans given in connection with the original refinancing of mortgage loans by the Corporation.
[5] This figure represents cases in which, because of legal technicalities or practical difficulties, the execution of reconditioning cases in connection with the refinancing loans made by the Corporation was delayed.
[6] Includes 52,269 reconditioning jobs estimated by the Reconditioning Division as having been completed by the Corporation before the organization of the Reconditioning Division on June 1, 1934.

EXHIBIT 57

Home Owners' Loan Corporation—Investments in savings and loan associations, by States, as of June 30, 1939

State	Federal savings and loan associations		State-chartered savings and loan associations	
	Number	Amount	Number	Amount
Alabama	13	$920,500		
Arizona	2	605,000	1	$150,000
Arkansas	24	1,234,000	1	65,000
California	55	17,609,700	10	1,618,000
Colorado	15	2,344,000	5	800,000
Connecticut	15	2,775,500	3	71,000
Delaware				
Florida	44	9,312,500		
Georgia	40	3,352,000	2	400,000
Idaho	6	1,930,000		
Illinois	78	14,382,500	19	991,000
Indiana	50	7,626,500	19	999,000
Iowa	22	1,714,000	4	106,000
Kansas	19	2,697,000	17	2,332,000
Kentucky	28	3,289,000		
Louisiana	6	302,000	27	6,267,600
Maine	5	257,000		
Maryland	19	3,832,500	3	345,210
Massachusetts	10	5,007,000		
Michigan	23	2,519,300	9	1,365,000
Minnesota	26	7,392,600		
Mississippi	16	485,000	1	20,000
Missouri	30	5,134,000	7	897,400
Montana	1	30,000	1	275,000
Nebraska	9	742,000	2	10,000
Nevada				
New Hampshire	1	400,000		
New Jersey			36	2,969,000
New Mexico	7	148,500		
New York	55	19,989,800	15	1,686,300
North Carolina	14	2,130,000	6	242,500
North Dakota	4	244,000	1	600,000
Ohio	55	12,987,000	33	9,720,000
Oklahoma	17	2,075,000	1	100,000
Oregon	19	3,518,500		
Pennsylvania	48	5,866,900	14	500,000
Rhode Island	1	285,000		
South Carolina	18	1,219,000	1	75,000
South Dakota	4	288,000	3	31,000
Tennessee	35	5,734,000		
Texas	65	4,420,100	8	2,400,000
Utah	6	1,640,000	3	1,450,000
Vermont	1	50,000		
Virginia	19	3,077,500		
Washington	23	7,448,000	11	1,174,000
West Virginia	17	2,348,000	3	270,000
Wisconsin	26	2,734,000	36	5,495,000
Wyoming	9	853,600		
District of Columbia	1	50,000		
Hawaii				
Alaska	1	33,300		
Total	1,002	173,033,800	302	43,425,010

EXHIBIT 58

Home Owners' Loan Corporation—Balance sheet as of June 30, 1939

ASSETS

Mortgage loans, advances and sales instruments—at present face value:			
Original loans and advances thereon		$1, 928, 212, 237. 14	
Vendee instruments (purchase-money mortgages, sales contracts, or instruments used in lieu thereof)		151, 896, 336. 83	
Unposted advances on mortgage loans, purchase-money mortgages, and sales contracts		403, 178. 80	
			$2, 080, 511, 752. 77
Interest receivable			10, 298, 300. 93
Property:			
Owned		$503, 311, 846. 77	
In process of acquiring title		46, 129, 337. 44	
			549, 441, 184. 21
(At amounts represented by the unpaid balances of loans, advances, and unpaid interest; foreclosure and other net costs to date of acquisition; initial repairs and reconditioning, permanent additions and betterments subsequent to acquisition. Unpaid interest included in these costs amounts approximately to $32,623,000.00.)			
			2, 640, 251, 237. 91
Less reserve for losses [1]			89, 488, 387. 98
			2, 550, 762, 849. 93
Investments—at cost:			
Federal Savings and Loan Insurance Corporation (entire capital)		$100, 000, 000. 00	
Savings and loan associations:			
Federally-chartered	$173, 033, 800. 00		
State-chartered	43, 425, 010. 00		
		216, 458, 810. 00	
			316, 458, 810. 00
Bond Retirement Fund:			
Cash (including $1,356,425.00 deposited with U. S. Treasury for retirement of matured bonds)			149, 217, 560. 48

[1] The reserve for losses is being accumulated at an annual rate which, it is estimated, will approximate eventually the total losses which may be sustained in the liquidation of mortgage loans, interest, and property.

Home Owners' Loan Corporation—Balance sheet as of June 30, 1939—Continued

ASSETS—continued

Cash:		
Operating funds (includes $19,706,646.06 payable to Bond Retirement Fund in July 1939; $45,900,000.00 restricted to retirement of 2¾-percent bonds called for payment Aug. 1, 1939; $1,009,218.75 restricted to bond-interest payments; and $1,567,964.33 deposited by borrowers—see contra)	$79, 329, 627. 57	
Special funds held by U. S. Treasury for payment of interest coupons (see contra)	11, 906, 147. 21	
		$91, 235, 774. 78
Fixed assets:		
Home Office land and building—at cost	2, 995, 339. 93	
Furniture, fixtures, and equipment—at cost	2, 940, 366. 92	
Total fixed assets	5, 935, 706. 85	
Less reserve for depreciation	2, 343, 896. 19	
		3, 591, 810. 66
Other assets:		
Accounts receivable	135, 287. 44	
Treasury bonds accepted as repayments (to be retired in July 1939)	150. 00	
		135, 437. 44
Deferred and unapplied charges:		
Unamortized discount on refunded bonds	3, 066, 777. 34	
Unapplied property costs and expenses	99, 419. 70	
Miscellaneous	253, 436. 99	
		3, 419, 634. 03
Total assets		3, 114, 821, 877. 32

Home Owners' Loan Corporation—Balance sheet as of June 30, 1939—Continued

LIABILITIES AND CAPITAL

Bonded indebtedness (guaranteed as to principal and interest by the United States, except $393,175.00 of unpaid matured 4-percent bonds guaranteed as to interest only):		
Bonds outstanding—not matured (Bonds maturing within 1 year—$365,554,700.00)	$2, 947, 948, 600. 00	
Bonds matured—on which interest has ceased	1, 356, 425. 00	
		$2, 949, 305, 025. 00
Accounts payable:		
Interest due July 1, 1939, and prior thereto (see contra)	11, 900, 437. 70	
Vouchers payable	33, 563. 03	
Insurance premiums	340, 655. 71	
Commissions to sales brokers	475, 579. 05	
Special deposits by borrowers	1, 567, 964. 33	
Miscellaneous	10, 650. 03	
		14, 328, 849. 85
Accrued liabilities:		
Accrued interest on bonded indebtedness	7, 523, 613. 36	
Other accrued liabilities	308, 668. 14	
		7, 832, 281. 50
Deferred and unapplied credits:		
Unamortized premium on bonds sold	1, 001, 219. 79	
Miscellaneous	916, 530. 13	
		1, 917, 749. 92
Reserve for fidelity and casualties		1, 000, 000. 00
Capital stock less deficit:		
Capital stock authorized, issued and outstanding	$200, 000, 000. 00	
Less deficit after provision for losses in the manner described in footnote 1 on page 223	59, 562, 028. 95	
		140, 437, 971. 05
Total liabilities and capital		3, 114, 821, 877. 32

EXHIBIT 59

Home Owners' Loan Corporation—Statement of income and expense for the fiscal year 1939

Operating and other income:	
Interest:	
Mortgage loans and advances	$103, 263, 287. 60
Purchase money mortgages and advances	3, 167, 362. 22
Sales contracts and advances	1, 791, 530. 13
Total	108, 222, 179. 95
Special investments	20, 698. 24
Total	108, 242, 878. 19
Property income	26, 353, 510. 19
Dividends received from savings and loan associations	7, 457, 938. 92
Miscellaneous	201, 771. 20
Total income	142, 256, 098. 50
Operating and other expenses:	
Interest on bonded indebtedness	72, 207, 569. 56
Less amortization of premium on bonds sold	7, 998. 96
Total	72, 199, 570. 60
Amortization of discount on refunded bonds	2, 638, 265. 52
Administrative and general expenses	27, 853, 483. 99
Property expense	23, 161, 271. 09
Miscellaneous	
Total expenses	125, 852, 591. 20
Provision for losses:	
On mortgage loans, interest, and property	34, 900, 000. 00
For fidelity and casualties	21, 055. 66
Total	34, 921, 055. 66
Loss for fiscal year	18, 517, 548. 36

EXHIBIT 60

Home Owners' Loan Corporation—Statement of income and expense from the beginning of operations—June 13, 1933, to June 30, 1939

Operating and other income:		
Interest:		
Mortgage loans and advances	$626, 347, 693. 23	
Purchase money mortgages and advances	3, 925, 299. 97	
Sales contracts and advances	2, 228, 631. 39	
	632, 501, 624. 59	
Special investments	141, 015. 96	
		$632, 642, 640. 55
Property income		46, 672, 109. 60
Dividends received—Federal Savings and Loan Insurance Corporation		3, 035, 326. 09
Dividends received from savings and loan associations		16, 018, 800. 08
Miscellaneous		1, 413, 768. 87
Total		699, 782, 645. 19
Operating and other expense:		
Interest on bonded indebtedness	$381, 633, 920. 66	
Less amortization of premium on bonds sold	7, 998. 96	
	381, 625, 921. 70	
Amortization of discount on refunded bonds	6, 531, 551. 97	
Administrative and general expense	183, 208, 333. 46	
Property expense	40, 755, 698. 74	
		612, 121, 505. 87
Net income before losses in the liquidation of assets and provision for losses		87, 661, 139. 32
Losses in the liquidation of assets: Loss on sale of furniture, fixtures, and equipment		43, 895. 38
Net income before provision for losses which may be sustained in the liquidation of assets		87, 617, 243. 94
Provision for losses:		
On mortgage loans, interest and property	$146, 137, 153. 25	
For fidelity and casualties	1, 042, 119. 64	
		147, 179, 272. 89
Loss for period June 13, 1933, to June 30, 1939		59, 562, 028. 95

EXHIBIT 61

Home Owners' Loan Corporation—Analysis of changes in deficit for the fiscal year ended June 30, 1939

Deficit at July 1, 1938			$40, 893, 291. 81
Add:			
Loss for the fiscal year ended June 30, 1939		$18, 517, 548. 36	
Provision for reserve for losses on mortgage loans, interest and property—equivalent to loss on capitalized value of property sold; commission and selling expenses on property sold, and loss of interest on foreclosure sales, redemptions, etc., to June 30, 1938		11, 211, 150. 83	
Administrative and general expenses applicable to prior years		138, 480. 57	
Additional property expenses applicable to prior years		11, 655. 34	
Adjustments of miscellaneous income		2, 873. 86	
Miscellaneous debits		465. 07	
			29, 882, 174. 03
			70, 775, 465. 84
Deduct:			
Losses previously charged to operations transferred to loss reserve:			
Loss on capitalized value of property sold	$7, 749, 213. 71		
Commission on property sales	3, 204, 504. 71		
Expense—sale of property	254, 697. 53		
Losses of interest on foreclosure sales, redemptions, etc	2, 734. 88		
Total (see above for provision for reserve)		11, 211, 150. 83	
Rental property income applicable to prior years		1, 578. 69	
Miscellaneous credits		707. 37	
			11, 213, 436. 89
Deficit at June 30, 1939			59, 562, 028. 95

EXHIBIT 62

Home Owners' Loan Corporation—Bonds issued, refunded, and retired to June 30, 1939, and outstanding as of June 30, 1939

Coupon dates	Coupon rate	Callable date	Maturity date	Amount issued (including issues for refunding)	Refunding and retirements: Amount refunded	Refunding and retirements: Amount retired	Refunding and retirements: Total	Amount outstanding at June 30, 1939
	Percent							
Jan. 1 and July 1	4	(1)	July 1, 1951	$635, 410, 325	$594, 694, 225	$40, 322, 925	$635, 017, 150	$393, 175
Nov. 1 and May 1	3	May 1, 1944	May 1, 1952	1, 116, 178, 275	335, 885, 000	1, 713, 900	337, 598, 900	778, 579, 375
Feb. 1 and Aug. 1	2¾	Aug. 1, 1939	Aug. 1, 1949	1, 339, 795, 875	1, 087, 073, 800	35, 034, 775	1, 122, 108, 575	217, 687, 300
Jan. 1 and July 1	2¼	July 1, 1942	July 1, 1944	879. 282, 450		243, 625	243, 625	879, 038, 825
Feb. 15 and Aug 15	2		Aug. 15, 1938	49, 532, 100		49, 356, 100	49, 356, 100	176, 000
Feb. 15 and Aug. 15	1¾		Aug. 15, 1937	49, 843, 000		49, 843, 000	49, 843, 000	
Feb. 15 and Aug. 15	1½		Aug. 15, 1936	49, 736, 000		49, 726, 000	49, 726, 000	10, 000
Dec. 1 and June 1	1½		June 1, 1939	325, 254, 750	319, 669, 300	4, 808, 200	324, 477, 500	777, 250
Apr. 15 and Oct. 15	¼	(2)	Oct. 15, 1937	132, 000, 000		132, 000, 000	132, 000, 000	
Apr. 15 and Oct. 15	¼	(2)	Oct. 15, 1938	60, 000, 000		60, 000, 000	60, 000, 000	
Apr. 15 and Oct. 15	¼	(2)	Oct. 15, 1939	77, 000, 000		57, 000, 000	57, 000, 000	20, 000, 000
Nov. 15 and May 15	⅜		May 15, 1940	127, 867, 400				127, 867, 400
Nov. 15 and May 15	⅝		May 15, 1941	191, 801, 900				191, 801, 900
Dec. 1 and June 1	1½	June 1, 1945	June 1, 1947	732, 973, 800				732, 973, 800
Total				5, 766, 675, 875	2, 337, 322, 325	480, 048, 525	2, 817, 370, 850	2, 949, 305, 025

[1] Callable at any interest payment date after July 1, 1933. All 4-percent bonds outstanding were called on July 1, 1935.
[2] At any time. Such bonds are usually retired during the month succeeding sale thereof.

EXHIBIT 63

Home Owners' Loan Corporation—Number of employees by departments, divisions, and sections, as of July 1, 1939

Board Members and assistants	39	
Secretary's Office	126	
Research and Statistics	60	
Public Relations	15	
Financial Adviser	3	
Total, Board		[1] 243
General Manager, staff	984	
Property Management	2, 627	
Loan Service	2, 472	
Appraisal and Reconditioning	1, 408	
Comptroller and Accounting	1, 027	
Treasurer	568	
Budget	12	
Auditor	400	
Insurance	271	
Purchase and Supply	73	
Total, Management		9, 842
Legal Department		735
Personnel Department		[1] 187
Total, HOLC		[2] 11, 007

[1] Includes personnel of general service departments which serve all agencies under the Federal Home Loan Bank Board.

[2] Includes 21 employees on per diem basis

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