Eighth Annual Report

FEDERAL HOME LOAN BANK BOARD

for the period

JULY 1, 1939, *through* JUNE 30, 1940

---

covering operations of the

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

Eighth Annual Report

FEDERAL HOME LOAN BANK BOARD

covering operations of the

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

for the period

JULY 1, 1939, *through* JUNE 30, 1940

Letter of Transmittal

FEDERAL HOME LOAN BANK BOARD,
Washington, D. C., October 1, 1940.

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 Eighth Annual Report of the Federal Home Loan Bank Board for the period July 1, 1939, through June 30, 1940, 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.

During the fiscal year 1940, the war abroad had little direct influence on housing and mortgage finance, the two broad fields of activity with which the Federal Home Loan Bank Board is principally concerned. Residential building activity continued at a fairly high level and exceeded the total volume of the preceding fiscal year. The flow of savings into financial institutions continued to increase, and home mortgage lending activity by both private institutions and individuals reached a new nine-year high.

New mortgage loans made on one- to four-family dwellings, during the calendar year 1939, totaled approximately $2,871,000,000—an increase of 16.6 percent over the preceding year and an all-time peak since 1930. Selected types of long-term savings, which constitute the principal source of home mortgage credit, increased substantially during the calendar year 1939. The first section of the present report, entitled *Survey of Housing and Mortgage Finance*, analyzes these developments and other trends equally important to the operations of the Board.

The *Federal Home Loan Bank System* has completed its eighth year of operation as a central reservoir of credit for thrift and home-financing institutions. From the fall of 1932, when the twelve District Banks were organized, through June 30, 1940, advances totaling $631,033,292 have been made to member institutions. Of this amount, $473,636,245 has been repaid, leaving $157,397,047 in

advances outstanding on June 30, 1940. During the same period, the Federal Home Loan Banks earned a net income of $24,536,799, of which $10,264,036 has been allocated to reserves and undivided profits, thus strengthening the capital structure of the Banks. The remaining $14,272,763 was distributed in dividends to stockholders, of which $11,183,336 was paid to the U. S. Treasury and $3,089,427 to member institutions.

During the fiscal year 1940, the number of member institutions declined from 3,946 to 3,914, due principally to mergers and other improvements in the financial structure. The aggregate assets of members, however, increased 7.1 percent, totaling approximately $4,930,000,000 on June 30, 1940. New mortgage loans made by member savings and loan associations during the reporting period totaled $894,212,000, or an increase of 30 percent over the preceding year.

On June 30, 1940, there were 1,429 *Federal savings and loan associations* as compared with 1,386 associations operating under Federal charter a year previous. Federal savings and loan associations are private thrift and home-financing institutions which operate under the supervision of the Federal Home Loan Bank Board as provided by the Home Owners' Loan Act of 1933. Federal associations are established either by conversion from State to Federal charter, or by granting charters to newly organized institutions. There was a dual purpose in the establishment of these institutions: (1) To make available facilities for savings and home-mortgage lending in communities where such facilities were formerly lacking or inadequate and (2) to combine under Federal charter the best practices developed in over one hundred years' experience by the savings and loan industry. Private capital entrusted to Federal savings and loan associations on June 30, 1940, totaled $1,268,000,000. New mortgage loans made by these institutions during the fiscal year amounted to $457,816,000, or an increase of 30 percent as compared with the preceding fiscal year.

The *Federal Savings and Loan Insurance Corporation* was established in 1934 under Title IV of the National Housing Act. By guaranteeing the safety of investments of $5,000 or less in insured savings and loan associations, the Corporation has strengthened public confidence in these institutions and stimulated the flow of savings into the thrift- and home-financing field. The number of

savings and loan associations insured by the Federal Savings and Loan Insurance Corporation increased from 2,170 to 2,235 during the fiscal year 1940. During the same period, the number of individual investors in insured institutions increased from 2,236,000 to 2,591,600, and the amount of private capital invested rose from $1,657,859,000 to $2,019,808,000.

On June 30, 1940, total resources of the Corporation amounted to $124,917,101 as compared with $119,400,262 a year previous. In addition to the capital stock of $100,000,000, the Corporation's balance sheet at the end of the reporting period showed $23,620,811 in surplus and reserves. This represents an increase of $5,337,467 in the surplus and reserve accounts during the fiscal year. From the beginning of operations to the end of the reporting period, only 16 insured associations have experienced difficulties which necessitated corrective action by the Corporation.

Assistance given by the *Home Owners' Loan Corporation* to home owners was broadened during the fiscal year 1940. Under the terms of an amendment to the Home Owners' Loan Act, approved August 11, 1939, the loan amortization period was extended up to a maximum of 25 years for a substantial number of HOLC borrowers. By resolution of the Board, provision was made to accept interest on loans at 4½ percent on all payments due on and after October 16, 1939. A procedure was established to enable borrowers to remit taxes and insurance premiums to the Corporation in periodic payments with their loan installments. The progress toward liquidation of the Home Owners' Loan Corporation was marked by a decrease in the total balance of loan and property accounts from $2,629,952,937 to $2,436,945,646 during the fiscal year 1940. Rapid progress was made in the sale of owned properties. The number of properties owned and in process of acquisition declined from 99,354 to 70,780 during the fiscal year 1940. The vast majority of the Corporation's original borrowers continued to make steady progress in repaying the indebtedness on their homes. On June 30, 1940, the average loan balance outstanding per original borrower was $2,268 as compared with an average original loan of $2,930 at the time the loans were refinanced—a reduction of 22.6 percent.

Since July 1, 1939, the Federal Home Loan Bank Board, the Home Owners' Loan Corporation, and the Federal Savings and Loan Insurance Corporation have been grouped with certain other Government agencies under the Federal Loan Agency.

During the fiscal year 1940, as in the past, the Federal Home Loan Bank Board and the agencies under the Board used no appropriated funds from the public treasury. Although operating under budgets and appropriations approved by the Congress, the actual income of each of the agencies is obtained from interest on loans and investments, insurance premiums, and similar forms of revenue.

Respectfully,

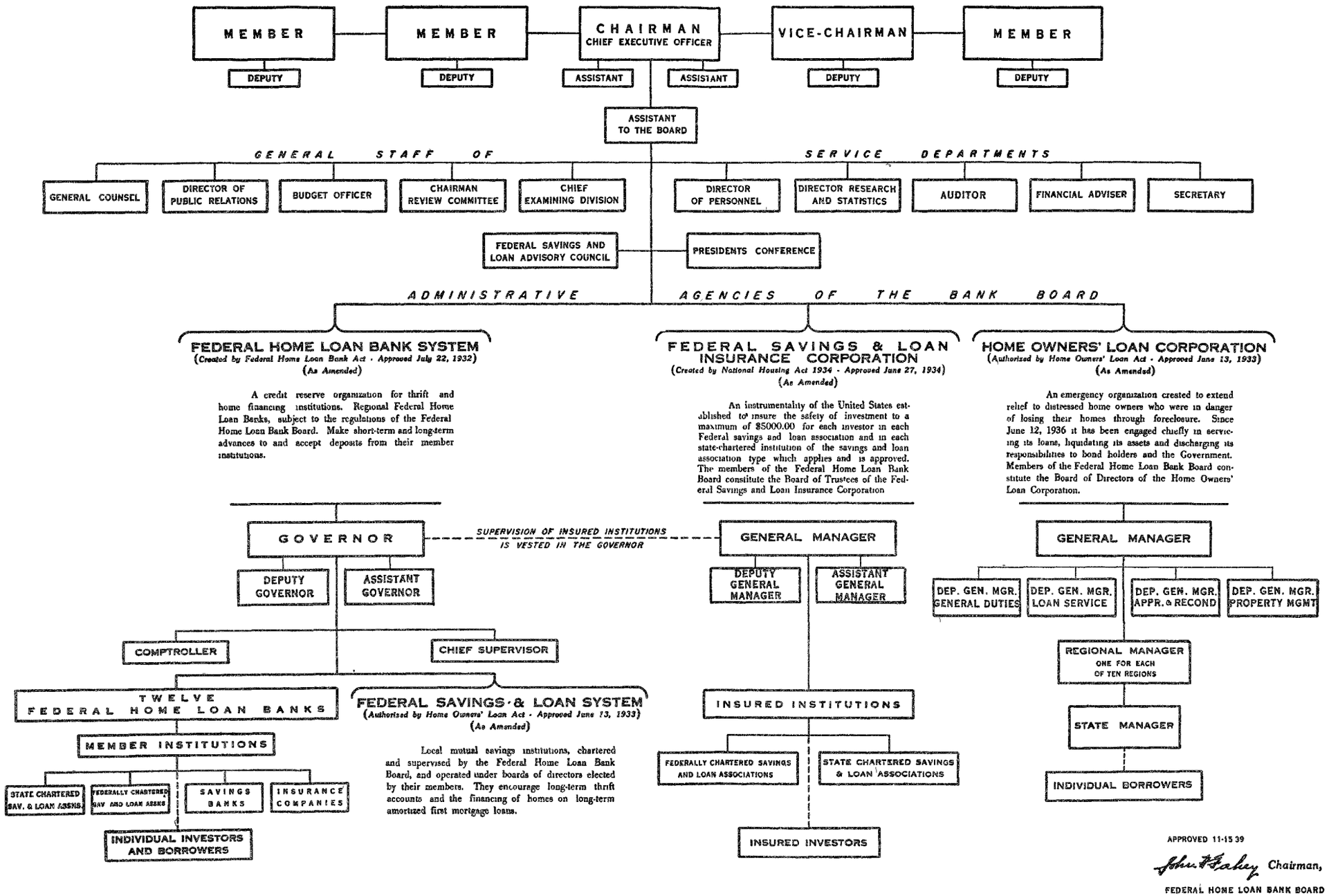
JOHN H. FAHEY, *Chairman*,
T. D. WEBB, *Vice Chairman*,
FRED W. CATLETT,
WILLIAM H. HUSBAND,
FRANK W. HANCOCK, Jr.,
Members.

Contents

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. Haley Chairman,

FEDERAL HOME LOAN BANK BOARD

270198—40 (Face p. 1)

I

Survey of Housing and Mortgage Finance

THE fiscal year 1940 was overshadowed by the armed conflict in Europe that came to have effects of varying intensity on economic conditions in the United States. The fields in which the Federal Home Loan Bank Board operates were not directly influenced by the war during the reporting period. Investment of funds in home mortgages, the construction of new homes, activity in the real-estate market, and operations of home-financing institutions continued in much the same manner as might have been expected had there been no war in Europe.

Upon the outbreak of the war, there was a widespread inclination to look for analogies with the last World War in which housing and real-estate financing had been progressively handicapped even before the United States became a belligerent. When the fiscal year 1940 drew to a close, neither the fears nor the hopes derived from such analogies had come to pass. The flow of savings into financial institutions continued unabated. A brief flurry of withdrawals in some areas during the first few weeks of the war was quickly reversed. Lending activity on home mortgages by private institutions and individuals reached a nine-year high, and financing costs of home ownership dropped further. Residential construction remained on a reasonably high level and exceeded even the substantial volume of the preceding fiscal year.

On the other hand, optimistic expectations of a marked rise in real-estate values because of war psychology failed to materialize; prices for old properties were stable at best or continued to decline. The only direct and continuing effect of the war was a sharp increase in many building-material prices during the latter half of 1939—a dislocation which unfortunately was little corrected in subsequent months.

Inasmuch as war orders and increased exports to neutral countries helped to sustain the improvement of domestic business that appeared to be in the offing in the summer of 1939, they aided in the rise of national income which is one of the factors determining the volume of home purchase and home building. Toward the end of the reporting

period, moreover, the American defense program added a new stimulus.

The absence of marked repercussions on housing and mortgage finance in the first twelve months of the European war through September 1940 (when this report goes to press) does not, of course, preclude substantial interferences in the future should the war be protracted. In any evaluation of war effects, the time element is a most potent factor. In addition, the defense program may raise new problems in the fields in which the Federal Home Loan Bank Board operates.

Whatever the future may bring, the home-financing structure today is better prepared to face an emergency than ever before. The member institutions of the Federal Home Loan Bank System can draw on the resources of the Bank System to obtain funds for the payment of withdrawals or for making mortgage loans. Certain Government agencies are especially equipped to provide a market for mortgage loans insured by the Federal Housing Administration. Commercial banks are permitted to obtain advances on the security of mortgages as well as other acceptable collateral. Insurance of accounts in savings and loan associations has a beneficial effect on investors' confidence. The preponderance of long-term amortized mortgages in the present home-mortgage structure reduces hazards that would result from large-scale maturities of straight loans calling for renewal.

1. RESIDENTIAL CONSTRUCTION AND THE REAL-ESTATE MARKET

Continued Increase of Residential Building

General business conditions were highly erratic throughout the fiscal year 1940. A hectic buying wave upon the outbreak of the war generated a steep rise in industrial production which resulted, however, in inventory accumulations rather than in a concomitant increase of consumption. This was followed by a sharp reduction in output from January to April, which brought the level of industrial activity back to that of the fall of 1939, and by a subsequent recovery engendered mainly by defense orders or their anticipation. Nonagricultural income as a whole moved less irregularly and rose from $61,541,000,000 in the fiscal year 1939 to $64,938,000,000 in the fiscal year 1940, or by 6 percent. Since the cost of living during the past fiscal year remained fairly stable, there was an approximately equal increase in real income—a condition favorable to the building and purchase of homes.

Taking the fiscal year 1940 as a whole, residential construction continued the major upswing that has been under way since 1935, but the expansion was at a much lower rate than during the previous

CHART I

INDICES OF RESIDENTIAL CONSTRUCTION AND INDUSTRIAL PRODUCTION

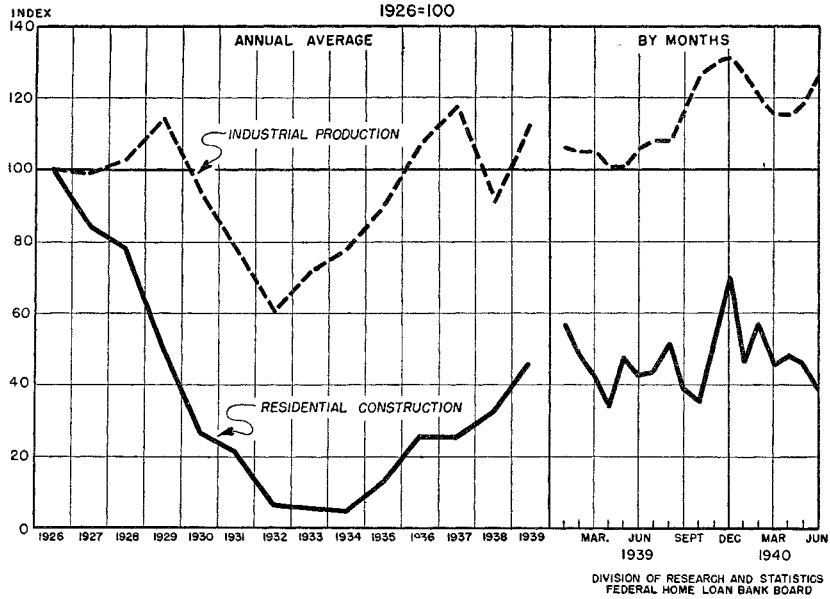
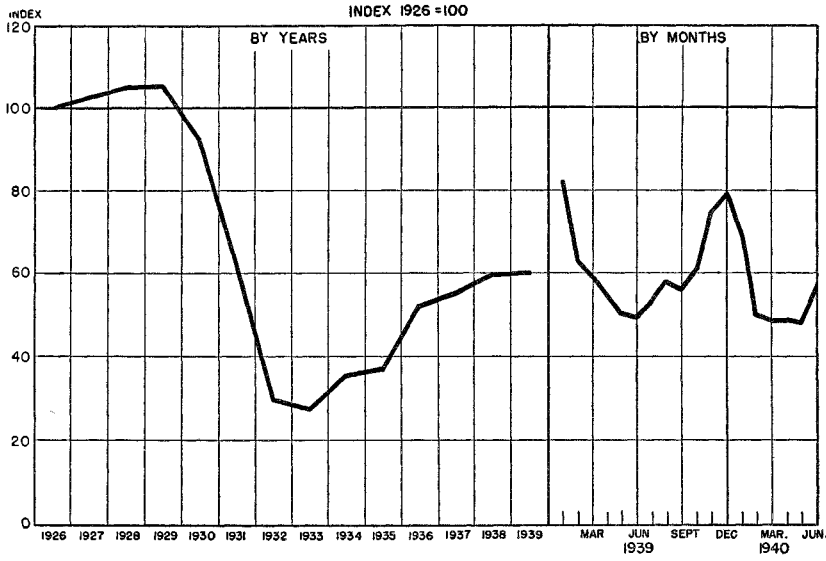


CHART II

CONSTRUCTION OTHER THAN RESIDENTIAL

CONSTRUCTION CONTRACTS AWARDED



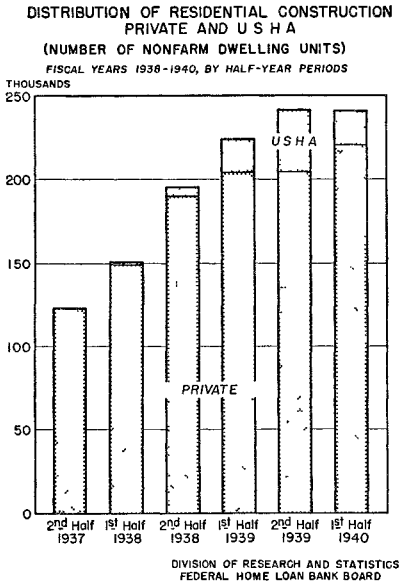
Source Board of Governors of the Federal Reserve System, based on reports of the F W Dodge Corporation

fiscal year. As evidenced by building permits, construction was started on 482,804 nonfarm dwelling units as compared with 419,539 in the fiscal year 1939, and the dollar cost of these units was estimated at $1,639,270,000 as against $1,483,148,000 in the preceding fiscal year. This was an increase of 15.1 percent in the number of units and of 10.5 percent in dollar volume, as compared with increases of 53.3 and 41.1 percent, respectively, in the previous year.

The larger volume of residential building operated to offset, to a certain extent, a decline in nonresidential construction during the year.

Private nonresidential building, especially factory construction, reflected some increase over the fiscal year 1939. On the other hand, public nonresidential construction, which looms very large in total nonresidential construction, showed a substantial decrease due to the completion of the Public Works Program of 1938. As a result, nonresidential construction as a whole was lower than in the preceding fiscal year.

CHART III



Private Versus Public Construction

During the fiscal year 1940, publicly financed building was an important factor in total residential construction. The number of dwelling units provided under the slum clearance provisions of the United States Housing Act of 1937 was 58,716 as compared with 25,505 in the preceding year. This rise was augmented by some State and locally sponsored projects such as those undertaken under the New York Public Housing Law of 1939.

All in all, it is estimated that over 12 percent of the nonfarm dwelling units on which construction was started in the fiscal year 1940 was provided by projects financed through the United States Housing Authority. The bulk of this activity was concentrated in the period from July to December 1939. In the first few months of 1940, the volume of publicly financed building declined.

The following table compares the expansion of USHA-financed construction with the increase in private building activity in nonfarm areas:

Comparison of private residential construction with USHA-financed construction

Fiscal-year period	Total construction		Private construction		USHA construction	
	Dwelling units started	Increase over preceding year	Dwelling units started	Increase over preceding year	Dwelling units started	Increase over preceding year
	Number	*Percent*	*Number*	*Percent*	*Number*	*Percent*
1938	273,742	----------	273,022	----------	720	----------
1939	419,539	53.3	394,034	44.3	25,505	3,442.4
1940	482,804	15.1	424,088	7.6	58,716	130.2

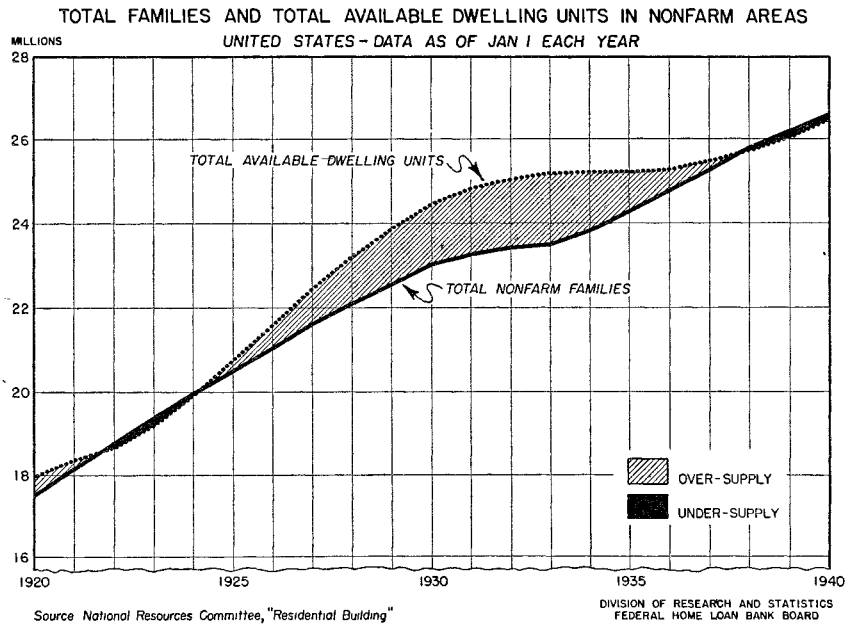
These figures indicate that more than one-half of the 1940 increase of total residential construction was accounted for by projects financed through the United States Housing Authority. Private building rose only by 30,054 dwelling units, or as little as 7.6 percent.

The relatively small expansion of private building activity during the fiscal year 1940 raises the question whether new private construction is not approaching a period of relative stability. It is true of course that the effects of the defense program may change the present relationships between the supply and demand for housing. However, it appears that at the present level of family incomes and building costs, an annual supply of approximately 450,000 dwelling units is about all the effective demand, resulting from normal replacements and increases in the number of families, can absorb. Further expansion of private building seems to be predicated upon (1) a material rise in national income, without corresponding increase in building costs, (2) a marked reduction of building costs, or (3) a further decrease of financing costs. For a number of years, private home building has been supported by an ample supply of funds and a continuous lowering of financing costs through reduced interest rates. Amortization periods have been extended and down payments reduced. The 1940 experience may indicate that this impetus has spent its force, and it is an open question whether substantial general reductions of financing costs from the present low level will be forthcoming.

Essentially, however, and barring unforeseen events, the situation remains favorable to private building. The following chart indicates that the oversupply of nonfarm dwelling units in relation to the number of nonfarm families, accumulating since 1925, had been

absorbed by 1938. Since then, the number of total available housing units has been moving closely parallel to the number of nonfarm families, with an indicated slight shortage of dwelling units in 1939 and 1940. In fact, 1938 was the first year showing a deficiency in available family units since 1924.[1]

CHART IV



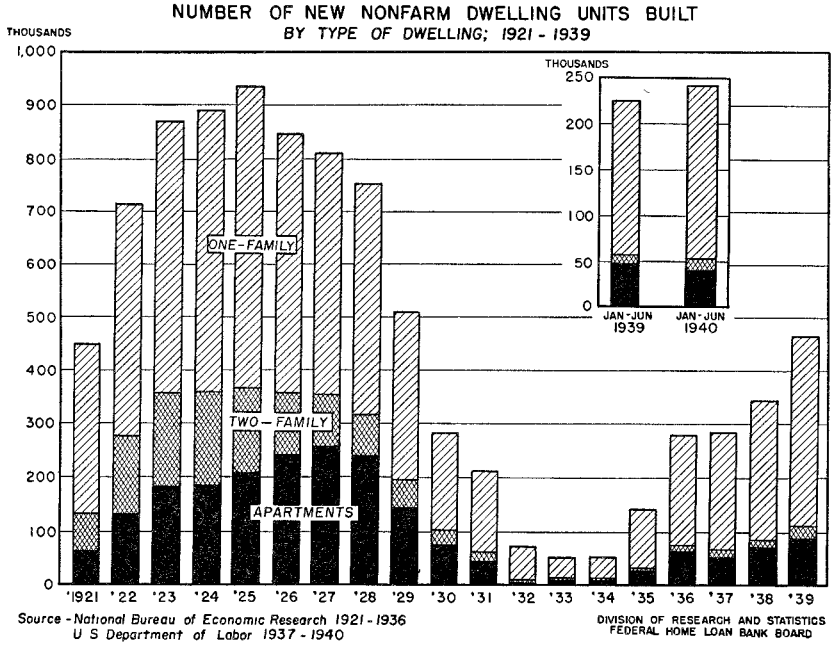
Predominant Position of Single-Family Houses

The single-family dwelling continues to hold a predominant position in new construction. This is not only indicative of the strength of traditional preferences of the average American, but should also be an encouragement to local savings and loan associations which from the very beginning have specialized in financing this type of dwelling.

[1] Chart IV measures the total number of available dwelling units and the total number of families. The fact that an oversupply of dwelling units is revealed for the period from 1925 to 1938, and that the undersupply thereafter is only small, does not preclude serious local shortages; nor does it preclude shortages for certain income groups. In addition, the number of available housing units includes substandard dwellings as well as others. The doubling up of a large number of families also influenced these trends. The two curves in the chart are based on: National Resources Committee, Housing Monograph Series, No. 1, Residential Building, Table VI. The underlying estimates of the number of nonfarm families and the number of nonfarm dwelling units were brought up to date by the Construction and Real Property Section of the Bureau of Foreign and Domestic Commerce.

In past building cycles, an upswing was usually accompanied by a disproportionate increase in the erection of apartment houses, attendant upon the growth of our cities. In the Twenties, for example, the proportion of new dwelling units in apartment houses to total dwelling units built rose from 18.6 percent in 1922 to 22.2 percent in 1925 and to 31.7 percent in 1928, with both an absolute and relative decrease in the construction of one- and two-family houses. In fact, the boom in apartment-house building came into full swing from 1926 to 1928 when total residential construction was already on the decline. The present building recovery thus far has distinguished itself by a consistently high share of single-family dwellings in total construction, and a large proportion of these dwellings is designed for owner-occupancy rather than rent. Cities still grow in population, but the expansion is mainly in outlying metropolitan areas where there is enough open space for the desired single homes, rather than in the congested central districts where apartment-house building previously was concentrated. Improved highway facilities and increasing per capita ownership of automobiles have accelerated this movement toward suburban single-family homes.

CHART V



270198—40——2

In contrast to the steady decrease in single-family home construction during the Twenties, dwellings of this type, including row houses, constituted between 73 and 79 percent of all units built from 1933 to 1940. Even the recent increase in publicly financed construction, which is concentrated in the larger cities, did little to change this picture. Approximately 56 percent of the dwelling units in USHA-financed public projects started during the calendar year 1939 were in one- and two-family houses, including row houses.

Another significant long-term trend in residential building is the declining importance of two-family dwellings. In the early Twenties, two-family homes represented from 15 to 20 percent of all newly constructed units. The Census of 1930 still showed 15 percent of existing homes in this type of dwelling. In the last few years, the share of two-family homes in total new construction has decreased to less than 5 percent. Coupled with the difficulties of financial institutions in disposing of old properties of this type, this indicates clearly that the demand generally has turned away from two-family houses. Exhibit 1 shows the actual figures underlying Chart V.

Changing Frontiers

In last year's Annual Report, the Federal Home Loan Bank Board called attention to the unequal distribution of new residential building over the country. In the fiscal year 1940, construction of dwellings remained "spotty," depending on widely varying local conditions.

In fact, the upswing of residential building activity in the last few years seems to have been the combined result of predominantly local needs, reflecting in part changing frontiers. In past decades, the extension of our external frontiers and the settlement of new territories led, of course, to great regional variations in home building. This pushing forward of our external frontiers has long since come to a close, but our regional and local frontiers are still in flux due to migrations of peoples and industries, to new technical developments, and changes in the age structure of the population. As a result, certain areas and cities show phenomenal growth, while others decline or remain stagnant. Preliminary findings of the 1940 Census show, for example, the following changes in population of selected cities from 1930 to 1940, in the face of a 5.1 percent increase in total population of the 405 cities for which Census data had been released through September 13, 1940.

Changes in city population,[1] 1930–40

30 cities with growing population				30 cities with declining population			
City	Population		Percent increase	City	Population		Percent decline
	1930	1940			1930	1940	
Corpus Christi, Tex	27,741	57,443	107.1	Bayonne, N. J	88,979	78,905	11.3
Austin, Tex	53,120	87,878	65.4	Hamtramck, Mich	56,268	50,160	10.9
Miami, Fla	110,637	170,877	54.4	Schenectady, N. Y	95,692	86,226	9.9
St. Petersburg, Fla	40,425	59,178	46.4	St. Joseph, Mo	80,935	75,642	6.5
Santa Monica, Calif	37,146	52,828	42.2	El Paso, Tex	102,421	96,677	5.6
San Diego, Calif	147,995	202,038	36.5	Holyoke, Mass	56,537	53,569	5.2
Washington, D. C	486,869	663,153	36.2	Jersey City, N. J	316,715	301,012	5.0
Phoenix, Ariz	48,118	65,434	36.0	Covington, Ky	65,252	62,014	5.0
Jacksonville, Fla	129,549	174,336	34.6	Akron, Ohio	255,040	243,130	4.7
Houston, Tex	292,352	386,150	32 1	Union City, N. J	58,659	55,947	4.6
Glendale, Calif	62,736	81,744	30.3	Elizabeth, N. J	114,589	109,396	4.5
Jackson, Miss	48,282	61,965	28.3	Highland Park, Mich	52,959	50,727	4.2
Shreveport, La	76,655	97,964	27.8	Lynn, Mass	102,320	98,072	4.2
Dearborn, Mich	50,358	63,655	26.4	Atlantic City, N. J	66,198	63,787	3.6
Columbus, Ga	43,131	53,104	23.1	Troy, N. Y	72,763	70,117	3.6
Charlotte, N. C	82,675	100,327	21.4	Toledo, Ohio	290,718	281,096	3.3
Los Angeles, Calif	1,238,048	1,496,792	20.9	Flint, Mich	156,492	151,275	3.3
Amarillo, Tex	43,132	51,497	19.4	Newark, N. J	442,337	428,236	3.2
San Jose, Calif	57,651	68,298	18.5	Cicero, Ill	66,602	64,438	3.2
Montgomery, Ala	66,079	78,008	18.1	Irvington, N. J	56,733	54,955	3.1
Columbia, S. C	51,581	60,505	17.3	Hamilton, Ohio	52,176	50,632	3.0
Fresno, Calif	52,513	60,644	15.5	Grand Rapids, Mich	168,592	164,061	2.7
Madison, Wis	57,899	66,802	15.4	South Bend, Ind	104,193	101,410	2.7
Long Beach, Calif	142,032	163,441	15.1	Passaic, N. J	62,959	61,341	2.6
Memphis, Tenn	253,143	291,312	15.1	Brockton, Mass	63,797	62,262	2 4
Durham, N. C	52,037	59,731	14.8	Cleveland, Ohio	900,429	878,385	2.4
Mobile, Ala	68,202	78,324	14.8	Altoona, Pa	82,054	80,071	2.4
Galveston, Tex	52,938	60,334	14.0	Cambridge, Mass	113,643	111,120	2.2
Charleston, S. C	62,265	70,869	13.8	Pawtucket, R. I	77,149	75,449	2.2
Stockton, Calif	47,963	54,513	13.7	Scranton, Pa	143,433	140,393	2.1

[1] Includes cities with 50,000 population or more for which Census data had been released through Sept. 13, 1940.

Although final Census data are not yet available, it is noteworthy that with few exceptions the largest increases in city population were in the West and in the South, while declines in city population, again with few exceptions, were concentrated in the East and in the North Central sections.

In a number of cases, the decrease or stagnation of city population is, of course, due to shifts of residents to suburbs beyond corporate city limits and does not denote a population decline in metropolitan areas. At any rate, divergent population trends such as those revealed in the foregoing table naturally generate a widely varying demand for housing. As a result, mortgage lending more than ever before must be based on a careful analysis of regional and local market factors.

Continuing the trends observed over the last few years, the rate of private residential building during the first six months of 1940 was highest in the Pacific and Mountain States and in the South. The lowest rates of residential construction in terms of population were

found in New England, the Middle Atlantic States, and in the East North Central and West North Central regions.

Private residential construction in nonfarm areas during the first half of 1939 and 1940, by geographic divisions

[Rate per 100,000 population [1]]

Geographic division	First six months of—		Geographic division	First six months of—	
	1939	1940		1939	1940
New England	85.0	105.3	West South Central	318.0	305.2
Middle Atlantic	170.1	144.8	Mountain	299.1	352.7
East North Central	141.5	174.3	Pacific	594.3	664.4
West North Central	178.4	188.4			
South Atlantic	320 1	379.7	United States total	220.9	238.1
East South Central	180.2	212.6			

[1] In the compilation of this material, building-permit data collected by the U. S. Department of Labor have 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.

Closer analysis shows even more striking variations of building activity. Of the metropolitan areas throughout the country, Miami ranked first with 3,235 dwelling units built per 100,000 population in the calendar year 1939. Washington, D. C., was next with a rate of 2,000 dwelling units, and Los Angeles, where 1,581 dwelling units were constructed per 100,000 population, ranked third. On the other hand, the metropolitan districts of Altoona, Scranton, Wilkes-Barre, and Johnstown, Pennsylvania; and Kansas City, Missouri, showed abnormally low rates of residential construction, with less than 100 dwelling units per 100,000 population. If USHA housing is excluded, Utica and Syracuse, New York; Trenton, New Jersey; and Reading, Pennsylvania, ranked in the same group. As an example, private residential building in Miami was almost 100 times as large as in Utica, in terms of population.[2]

Under the impetus of the new defense program, regional and local shifts in residential building may become more accentuated.

Mixed Trends in the Real-Estate Market

The real-estate market still is in a stage of incomplete convalescence from the shock of the early Thirties. Real property by its very nature is a "slow moving" commodity, and liquidation in this field requires a longer period of time than for other commodities which can be more or less quickly consumed. In addition, the market at the beginning of the Thirties did not reflect the true extent of the real-estate depression. Values dropped, but there were relatively few sales on the lower price level from 1929 to 1934. Property owners

[2] For detailed data, see Exhibit 2.

generally held to their investments because of the very heavy sacrifice which would have been suffered in event of sale. When the market failed to rise, when foreclosures mounted and an accumulated overhang of real estate began to be liquidated, a growing volume of sales tended to reduce prices of old houses further. Consequently, we have today the phenomenon of increased real-estate transactions at continuously depressed prices.

Furthermore, it cannot be ignored that the real-estate market in the last few years has been influenced by Government activity to mitigate the after effects of the depression from 1929 to 1933. Moratorium laws in most of the States prevented or postponed foreclosures on many properties which otherwise would have been an immediate drug on the market. The Home Owners' Loan Corporation refinanced mortgaged loans on approximately one million homes, most of which otherwise would have passed into the hands of mortgagees and been placed on sale. The foreclosure policy of the HOLC, dictated primarily by efforts to salvage its borrowers, again reduced the potential number of distressed properties on the market. All this has alleviated conditions brought about by a crash of disastrous dimensions. Meanwhile, depreciation and obsolescence have exacted their toll.

Finally, the tax burden in many communities has become an obstacle to a complete recovery of the real-estate market. In the early Thirties, assessed values were not sufficiently adjusted to the declining real-estate values, and since 1934 they have remained practically constant, although the trend of market values continued to be downward. Tax rates, on the other hand, increased after 1933, although the rate of increase has been diminishing in the last two years.[3] Overvaluation of properties in terms of present prices and revenues, outmoded tax appraisal methods, high tax rates, excessive costs of tax collection through the 175,000 overlapping tax jurisdictions discourage owner-occupancy and investment in real estate alike. Existing properties are not only taxed out of proportion to other forms of investments, but in many cases bear a heavier burden of taxation than equivalent new houses which generally are in outlying districts and satellite communities enjoying lower tax rates than cities, and which do not carry inflated assessments of bygone days. Differences in tax burden alone, in fact, sometimes determine the home purchaser's preference for a new suburban house. The tax situation has thus become a factor in the competition between new and "second-hand" properties.

Taken together, these factors go far in explaining the belated and prolonged depression in the real-estate field when other sectors of our

[3] Based on comparative data for 287 cities; National Municipal Review, December 1939.

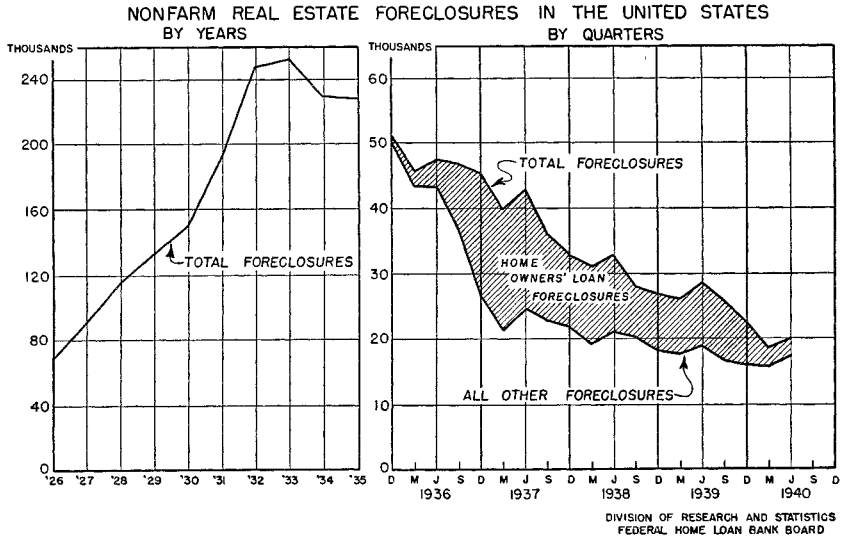
economy had more or less passed that stage. Under their influence, the real-estate market in the fiscal year 1940 continued to show mixed trends. On the one hand, there were predominantly declining prices for old properties, reflecting increased competition of new moderately priced homes sold on easy terms, the preference given by home purchasers to attractive new neighborhoods and modern designs and conveniences, and the above-mentioned tax differentials. Also, local overbuilding was indicated by difficulties that arose here and there in disposing of new houses built by real-estate operators.

On the other hand, sales activity in general was substantially higher than the year before, particularly in low-priced properties; the real-estate overhang held by financial institutions was reduced; and foreclosures dropped to the lowest level in thirteen years.

Decrease of Foreclosures

Nonfarm real-estate foreclosures continued the downward trend begun in 1934. However, the decline from the fiscal year 1939 to the fiscal year 1940 was in part accounted for by the drop in foreclosures brought by the Home Owners' Loan Corporation, attendant upon the latter's extension program,[4] and did not reflect regular market conditions. To disengage the effect of HOLC policy from the general trend of foreclosures, the following chart shows total estimated foreclosures as well as HOLC and other foreclosures separately:

CHART VI



[4] See the report of the Home Owners' Loan Corporation, page 123 ff.

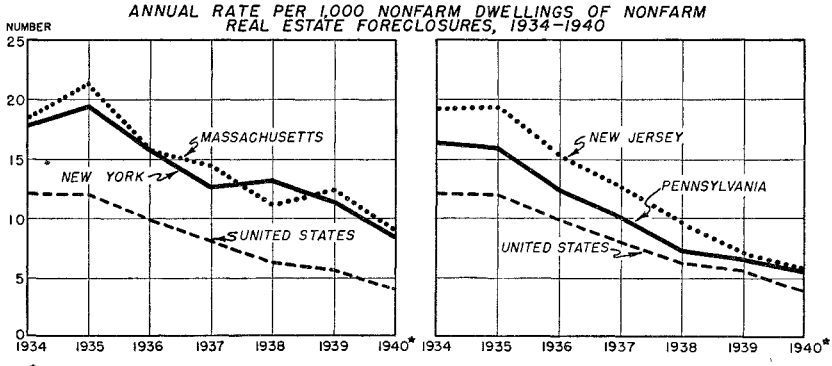
The chart indicates that foreclosures other than those instituted by the Home Owners' Loan Corporation levelled off during the fiscal year 1940 and that the decline of these foreclosures throughout the last two or three years had been at a very low rate. It appears that with a volume of foreclosures approaching the 1926 level a more "normal" foreclosure situation has been restored.

However, while nonfarm foreclosures for the country as a whole were back to more normal levels, this was not true for several States which, from the point of view of real estate, are "problem areas." The foreclosure rate for the States of Massachusetts, New York, New Jersey, and Pennsylvania is still much higher than the national rate. By and large, the States listed are those in which real-estate holdings of financial institutions are concentrated and where the situation of the market as a whole is still unsettled.

CHART VII

RATE OF FORECLOSURES FOR THE UNITED STATES AND SELECTED STATES

ANNUAL RATE PER 1,000 NONFARM DWELLINGS OF NONFARM REAL ESTATE FORECLOSURES, 1934–1940



*For first 6 months on an annual basis

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Exhibits 3 and 4 present data on nonfarm real-estate foreclosures for the United States and for each of the Federal Home Loan Bank Districts.

Reduction of Real-Estate Overhang

For the country as a whole, the decline in foreclosures and substantially increased property sales resulted in a reduction of the real-estate overhang—that is, in the volume of residential properties held by

financial institutions and other mortgagees. This is illustrated by the following figures:

Estimated overhang of residential properties held by selected financial institutions

Type of lending institution	Dec. 31, 1938 [1]	Dec. 31, 1939	Decrease	
			Dollars	*Percent*
Savings and loan associations [2]	$890, 320, 000	$684, 547, 000	205, 773, 000	23. 1
Mutual savings banks [3]	500, 000, 000	450, 000, 000	50, 000, 000	10. 0
Commercial banks [3]	290, 000, 000	245, 000, 000	45, 000, 000	15. 5
Life insurance companies [4]	576, 282, 000	563, 507, 000	12, 775, 000	2. 2
Private mortgage lenders	2, 256, 602, 000	1, 943, 054, 000	313, 548, 000	13. 9
Home Owners' Loan Corporation [5]	488, 997, 499	462, 229, 879	26, 767, 620	5. 5
Grand total	2, 745, 599, 499	2, 405, 283, 879	340, 315, 620	12. 4

[1] Revised.
[2] Estimate based on reports of operating associations received by the Federal Home Loan Bank Board.
[3] 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, but includes an allowance for investments and other assets indirectly representing bank premises or other real estate.
[4] Estimate of the Federal Home Loan Bank Board based on a questionnaire survey of the largest life insurance companies.
[5] Capital value.

In the calendar year 1939, estimated residential real-estate holdings of the above-listed institutions were reduced by $340,315,620, or 12.4 percent. All types of institutional lenders registered declines in real estate owned, but savings and loan associations showed the greatest dollar decrease and the greatest percentage reduction in holdings. It is true, of course, that the reduction in holdings of savings and loan associations is influenced to some extent by the number of State institutions placed in liquidation. Although these estimates do not include real estate owned by individuals and by closed banks and other financial institutions and remain, therefore, short of the total overhang, they probably indicate in a fair measure the declining trend of involuntary real-estate holdings. They illustrate, at the same time, the magnitude of the task of liquidation that still confronts mortgage-lending institutions.

In the past year, the disposition of real estate by financial institutions appears to have been larger in volume than at any time before. This was the result of changed policies rather than a reflection of improved market conditions. Belatedly, financial institutions have come to realize the danger of holding real estate indefinitely; a larger number of them have priced their properties realistically, have placed them in condition for sale by repair and modernization, and have instituted carefully planned sales programs.[5] However, any transfer of these holdings to a sound, more permanent ownership basis is wholesome in itself. Moreover, the absorption of a large volume of

[5] In one instance savings and loan associations have organized a central property bureau for that purpose; see Exhibit 49.

"overhang" properties in the low-price groups indicated a substantial demand for single-family houses by middle- and low-income families. This is demonstrated by the experience of the Home Owners' Loan Corporation which has been able to dispose of its low-priced properties at a faster rate than was possible for properties in the higher value groups. Through June 30, 1940, the Home Owners' Loan Corporation has sold 30,513 properties priced at $2,000 or less, equivalent to 29 percent of its total property sales. As the usual terms on properties sold by the Corporation include fifteen-year amortized loans at 4½ percent up to 90 percent of the sales price, it can readily be appreciated that the monthly payments on these low-priced homes are well within the reach of families with incomes of less than $1,000.[6]

The sale of "overhang" properties is of particular importance for housing large families of moderate income on an ownership basis. In an effort to cater to the modern small family and to reduce costs, new construction in the last few years has shown a preference for houses with five rooms or less. This leaves unsolved the problem of larger families which need suitable accommodation. In most cases, existing properties, if reconditioned, are better adapted to provide quarters for these families than small new houses.

Like so many elements in the real-estate market, the "institutional overhang" is largely a problem of specific regions and communities. To a very great extent, the institutional holdings of residential property remain concentrated in the northeastern section of the country.

Four States, New York, New Jersey, Pennsylvania, and Massachusetts, in approximately that order, show the most serious situations. At the end of 1939, these four States accounted for 62 percent of all HOLC holdings, for 70 percent of the residential properties owned by insured commercial banks, for 43 percent of the one- to four-family dwellings held by life insurance companies, and for approximately 54 percent of real estate owned by savings and loan associations. At the same time, the vast majority of residential property held by mutual savings banks is in these States. For the Home Owners' Loan Corporation, mutual savings banks and life insurance companies, the New York situation gives the most concern. Between one-quarter and one-half of the residential properties owned by these institutions are in New York State. For commercial banks, Pennsylvania appears to be the worst problem area; that State accounts for more than one-third of the residential real estate held by insured commercial banks. For savings and loan associations, the situation is most serious in New Jersey where about 30 percent of their total holdings are located.

[6] For further information, see page 141

Exhibit 5 shows data on residential real estate held by selected financial institutions, segregated by Federal Home Loan Bank Districts and by States.

Building Costs—Still a Problem

In the last few years, the demand for homes was supported by a continuous decrease in financing costs. Lower interest rates, smaller down-payments, and longer amortization periods together operated to make homes available at easier terms than at any other time in the history of American mortgage finance.[7]

In contrast, building costs have failed to show any appreciable reduction. On the down-grade of the business cycle, from 1929 to 1933, prices of building materials fell less than prices of most other commodities. Nevertheless, when prices generally turned upward after 1933, building materials rose more rapidly in price than other commodities. From 1935 to 1939, the index of building material prices fluctuated between 85 and 95 percent of the 1926 level, that is, about 10 points above the general wholesale price index. Following the outbreak of the war, prices again showed a rapid increase from this high level. The index of building material prices rose from 89.7 in July 1939 to 90.9 in September, 93.0 in November, and 93.4 in January 1940.

Although the war-created scramble for commodities had come to a halt as early as November 1939, prices for many building materials remained on a high level, and in June 1940 the index compiled by the Department of Labor still stood at 92.4, or 2.9 points above the index for June 1939. The price rise of some individual building materials was even more marked than the average, as evidenced by the following data reported by the Reconditioning Section of the Home Owners' Loan Corporation, beginning September 1939:

Prices of selected building materials [1]

First of month	Lime [2]	Crushed stone [3]	Siding [4]	Common boards [5]	Sheathing [6]
1939					
September	$0.49	$1.43	$67.01	$45.51	$1.17
October	.51	1.72	69.45	46.40	1.27
November	.57	2.00	70.45	47.16	1 33
December	.58	1.89	75.76	47.92	1.37
1940					
January	.58	1.91	76.52	48.61	1.38
February	.58	1.93	76.64	48 82	1.40
March	.59	1.93	78.21	48.51	1.39
April	.58	1.87	78.07	50.50	1.43
May	.57	1.91	77.29	48.11	1.41
June	.56	1 84	77 06	47.84	1.38

[1] National averages, based on prices paid by contractors for materials delivered on the job.
[2] Hydrated (finishing) 50-pound bag.
[3] ¾-inch trap rock or gravel, ton.
[4] B & B Beveled ¾-inch thick, 8 inches and 10 inches wide, 1,000 board feet
[5] No. 1, 1 x 6 S4S D & M—1,000 board feet.
[6] Rosin-sized, 40 pounds per roll of 5 squares each.

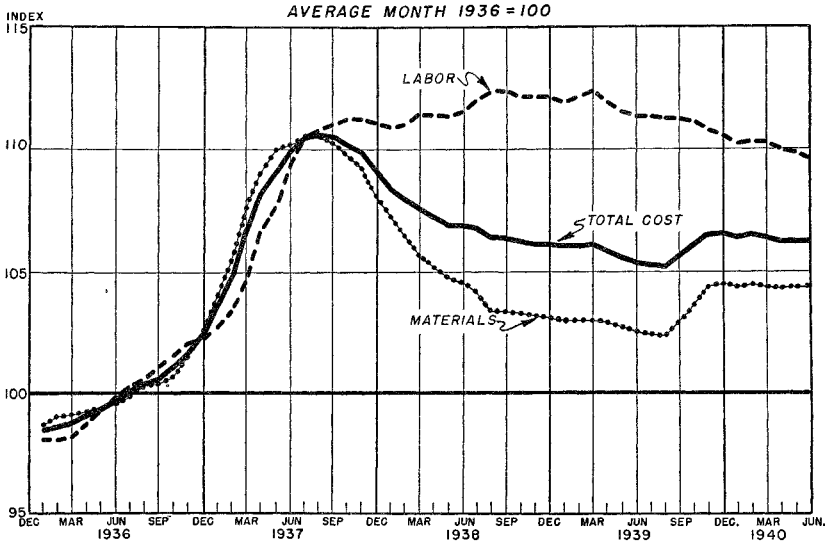
[7] For detailed info rmation on the trend of financing costs, see pages 35–38.

The only important building material showing a substantial price reduction in that period was window glass. Prices for window glass [8] fell from $6.33 in October 1939 to $4.78 in June 1940.

The following chart, which shows the FHLBB index of the cost of constructing a standard six-room frame house reflects the rise in building material prices only in part as dealers' prices (which form the basis for the price curve) increased less than manufacturers' prices. Nevertheless, the cost index for materials used in the standard house increased from 102.5 in June 1939 to 104.4 in June 1940. Labor

CHART VIII

COST INDICES FOR CONSTRUCTION OF A STANDARD SIX ROOM FRAME HOUSE



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

costs moved downward from 111.3 to 109.7, or approximately 10 percent above the average of 1936. The index of total costs in June 1940 was slightly higher than in June 1939 and 6.2 percent above the level of 1936.

Exhibit 6 presents these cost indices from January 1936 through June 1940.

In the fiscal year 1940, the Anti-trust Division of the Department of Justice undertook various actions against local monopolistic practices in the building trades with the view to freeing the industry from price rigidities and restraints of competition. From the beginning of its investigation to June 30, 1940, according to reports of the

[8] 10 inches by 12 inches SSA—one box, 60 pieces

Department of Justice, 95 indictments involving 1,265 defendants, and 16 consent decrees involving 331 parties were effected. The investigations covered the whole range of the building industry: manufacturers, distributors, and dealers of building materials, contractors, subcontractors, and labor unions as well. As a result, local costs for specific materials and jobs in a number of communities were reduced, and although this failed to bring about a general decline in building costs, it may have prevented a further rise.

Despite some experimentation with technological improvements, new materials, and large-scale production, a real cost reduction which would bring new homes within the reach of families of average income has not yet materialized. Thus far the approach to the mass market for new homes—commendable in itself—has been mainly through the construction of homes of smaller size, less rooms, and simpler design. In some cases, cost reductions were accomplished at the expense of sound building standards—a false economy for which the home owner has to pay in the form of higher expenses for operation, maintenance, and repair.[9]

Stability of Rents and Vacancies

For the United States as a whole, available data indicate that rents and vacancies have remained practically unchanged over a period of almost three years—evidencing that the newly built dwelling units could be absorbed without inroads into the occupancy and rent structure. However, in 1939–40, a number of communities reported lower rents and higher vacancies for apartments—danger signals pointing to local oversupply in this type of dwelling, as measured by present effective demand.

As is demonstrated by the chart on the opposite page, rents on the average advanced from 1935 through the end of 1937 and have been moving sideways ever since.

Local statistics compiled by the Department of Labor for 32 individual cities by and large confirm the movement of national indices. However, a number of cities showed some drop in apartment rents due to local overbuilding in this type of dwelling and to the movement of families from apartments in central districts to single-family houses in suburbs.

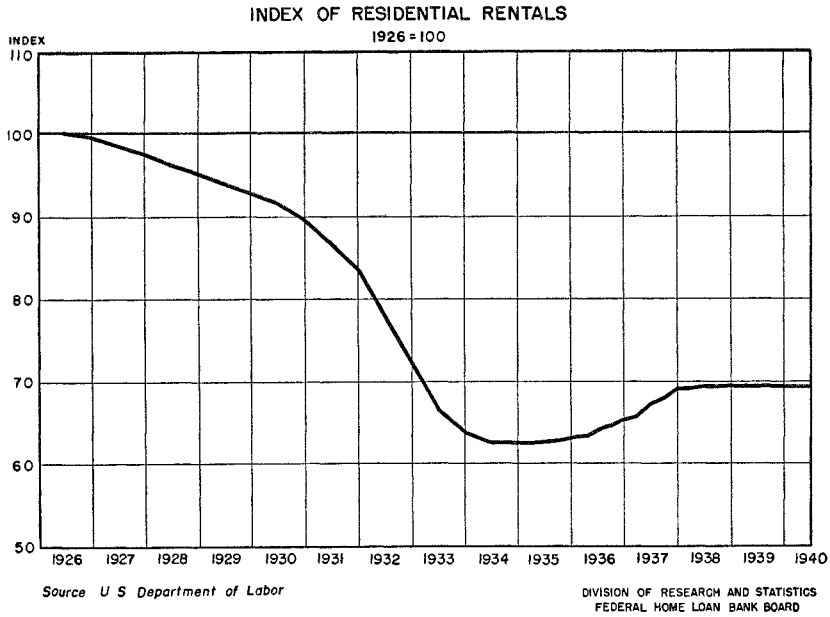
---

[9] The reduction in the number of rooms is well illustrated by the statistics for new single-family homes accepted for mortgage insurance by the Federal Housing Administration (FHA Sixth Annual Report, page 57):

Average number of rooms in new single-family houses

Calendar year	1936	1937	1938	1939
Number of rooms	5.8	5.5	5.3	5.2

CHART IX



Likewise, the scattered vacancy data available at present indicate a remarkable degree of stability. The general decline in vacancies that began in 1933 came to a halt in 1936 and since that time changes upward or downward were small and determined apparently by local rather than national conditions. Of the 35 cities for which comparable surveys were made in 1939 and 1938, 20 reported a lower percentage of vacancies last year, 14 showed a higher percentage than in 1938, and one indicated no change. To judge from the few cities reporting vacancy data for different types of structures, vacancy ratios in apartment houses have been consistently higher than in single-family houses, and in 1939, there was a noticeable tendency for vacancies in apartments to increase, 10 communities out of 14 showing larger vacancies than the year before. This is in line with the decline in apartment rents registered in a number of cities. In contrast, vacancies in single-family houses were on a low level, ranging from 1 to 3 percent, and showed predominantly fractional decreases during the last year.

Neighborhood Conservation

The need for rehabilitation of our older urban neighborhoods, emphasized in the last two Annual Reports of the Federal Home Loan Bank Board, came to be more generally recognized in the fiscal year

1940. Private attempts to undertake large-scale rehabilitation on a profit basis increased in number and received wide publicity. As a result of the first comprehensive "Neighborhood Conservation Survey" for a residential section of Baltimore, Maryland, initiated by the Home Owners' Loan Corporation in cooperation with other Federal and local agencies and organizations, a cooperative neighborhood improvement plan was developed, the execution of which is now under way. Meanwhile, a similar survey has been started in the Woodlawn area of Chicago, Illinois. The Federal Housing Administration, on March 1, 1940, changed its regulations under Section 207 of the National Housing Act to liberalize insurance of mortgage loans for rehabilitation projects. The New York Public Housing Law of 1939 authorized municipalities to make loans for rehabilitation of multiple dwellings. In the spring of 1940, the Legislature of the State of New York passed an "Urban Redevelopment Corporations Act" (which, however, was vetoed by the Governor) providing for rehabilitation by private corporations equipped with special privileges and operating under public supervision. In several States, the adoption of Neighborhood Improvement Acts has been urged by organizations interested in the control of urban blight.

Naturally the agencies under the Federal Home Loan Bank Board have a vital interest in a program of urban neighborhood conservation. The Home Owners' Loan Corporation holds mortgages and properties of approximately $2,500,000,000, a large number of which are in districts undergoing various phases of blight. The member institutions of the Federal Home Loan Bank System possess outstanding mortgage loans and real estate in the amount of $3,900,000,000, a substantial portion of which is on properties in older neighborhoods. The Federal Savings and Loan Insurance Corporation has insured about $1,900,000,000 of investments in home-financing institutions, and the safety of these investments depends on the soundness of real-estate loans. Hence, the Federal Home Loan Bank Board has a tremendous stake in the whole fabric of residential real-estate values and has long sought a remedy for neighborhood decay.

More, however, is involved in the rehabilitation of urban districts than the salvage and maintenance of property values. Conservation of natural resources has become a recognized national policy. Far too long a similar program has been lacking as applied to those man-made resources which have been created in the past, particularly in urban neighborhoods which represent a considerable part of the total national wealth. As a result, in almost all American cities there have developed slums which are beyond cure and must be eradicated by a major surgical operation, and other districts diseased by incipient

blight which, if not halted, will transform them into slums. In the meantime, while the process of deterioration takes its toll and partly because of this very process, families move into outlying districts where new city and utility services have to be established: streets and sidewalks, sewers and water mains, gas and electrical equipment, schools, fire and police protection, and so forth. Many of the existing services in the central districts, on the other hand, cannot be reduced proportionately, with the result that increased overhead causes higher tax burdens. This has contributed in large measure to the increased total cost of local government.

The problem of neighborhood conservation thus is closely related to the progressive decentralization of our cities. It is true that many factors are responsible for decentralization. The reaction against modern city life, and the popularization of the automobile are among the most important. However, physical obsolescence of houses, changes in the character of neighborhoods, traffic hazards, lack of parks and playgrounds, encroachment by business uses, excessive tax burdens on old districts are also contributing causes. And yet, because of their location close to business centers, many of the blighted areas represent potentially desirable neighborhoods and can be salvaged by a determined cooperative effort, if the individual properties are structurally sound and not too obsolete.

Neighborhood deterioration and decentralization of cities move, indeed, in a vicious circle. Blight of central districts drives people into suburbs and this in turn fosters the progress of blight. Similarly, high taxes in city centers cause families to move toward the urban rim; as community services must nevertheless be maintained, this increases the per capita tax burden on the centers or is at least an obstacle to tax reduction. As a result, more families are induced to leave the centers. Unless these problems are solved, actual depopulation of central city districts will continue unchecked.

The problem is aggravated by the declining rate of population growth. Decentralization of cities in past decades was accompanied by a rapid influx of immigrants and an increase in total population with the result that families of lower income moved into the neighborhoods vacated by the original home owners. Also, the expansion of industry and commerce transformed widening zones of the city centers into business use. With few exceptions, this is no longer taking place, and industry shows a definite tendency toward decentralization.

These observations make it clear that urban neighborhood conservation is not only a matter of repairing groups of properties (although in some cases this may suffice), but touches upon the broader aspects of city planning and includes rezoning, street adjustments, parks and

playgrounds, and modifications of traffic. Based upon such broad concepts, a conservation program will not only maintain urban property values, but increase the social usefulness of our older neighborhoods and advance housing standards.

As an example, the plan for the Waverly area in Baltimore provides for two parallel but not necessarily integrated programs. The first program calls for the early physical restoration—by means of the minor repair and the major reconditioning, remodeling, modernizing, embellishment, and landscaping—of all depreciated housing within the area, supplemented by continued maintenance thereafter, at the level established for the neighborhood. The second program provides for the adjustment of zoning regulations and street patterns, as a parallel but separate step, requiring confirmation by the residents of the area and concurrence by the Plan Commission and the city. This part of the Plan is, therefore, to be developed over a considerable period of time.

Upon the preparation of the survey and master plan for the Waverly area,[10] a permanent neighborhood organization has been formed designed to inspire and supervise the completion of the physical rehabilitation of the area. Even before the program was fully launched, however, the volume of repair, reconditioning, and remodeling already undertaken throughout the area greatly exceeded that for any like period in former years. A considerable measure of this activity has been attributed to the interest aroused by the survey and planning stage of the project.

The Waverly survey, it is hoped, provides a pattern which can be applied to the treatment of similarly threatened, small home neighborhoods everywhere and will stimulate local leadership on which the attack on blight largely depends. In view of the vast amount of funds ready to be invested at reasonable return, financing problems should be no obstacle to an early execution of rehabilitation plans.

2. MORTGAGE FINANCE AND SAVINGS

Operations of home-financing institutions during the fiscal year 1940 were dominated by the same general trends at work during the past two or three years; and these trends became, if anything, more accentuated. The flow of savings into financial institutions and the piling up of surplus funds were unbroken, while home-mortgage loans continued to be one of the very few investment outlets utilized by lending institutions. In consequence, the home-mortgage market showed increased activity and greater intensity of competition. Interest rates on mortgage loans and the rate of return on savings declined further. A considerable net growth of the home-mortgage debt during three successive years furnished evidence that the abrupt cancellation of debt by foreclosure has come to a halt and that new loans now well exceed foreclosures and repayments of principal.

[10] The survey and master plan have been published under the title, "Waverly—A Study in Neighborhood Conservation." Copies may be obtained from the Superintendent of Documents, Washington, D. C. ($1.25).

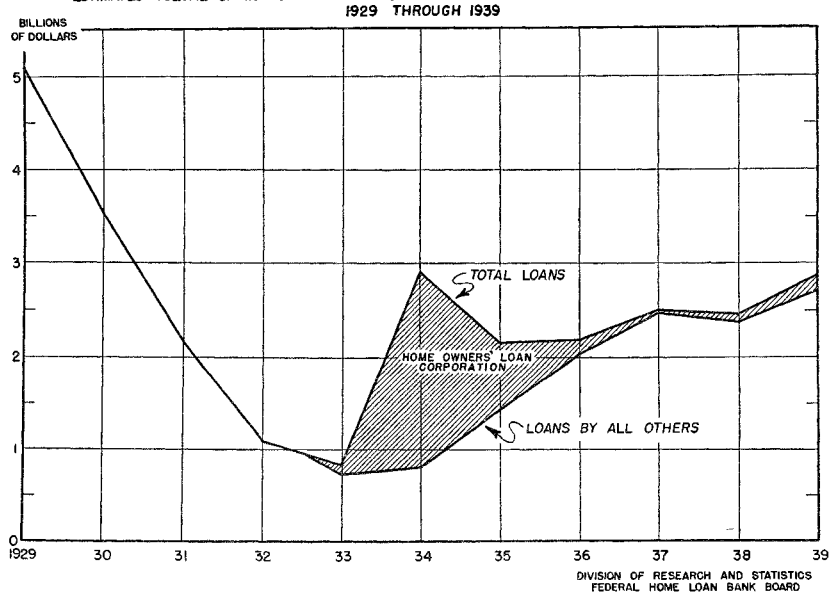
Increased Volume of Home-Mortgage Lending

Home-mortgage lending remained one of the most active segments of our otherwise sluggish capital market. The estimated volume of new mortgage loans made on one- to four-family dwellings during the calendar year 1939 was $2,871,000,000—an increase of $408,000,000, or 16.6 percent, over 1938 and an all-time peak since 1930 in private-lending activity.[11] As in the past few years, the volume of new home-mortgage loans exceeded the total amount of corporate financing. During 1939, corporate securities issued for new financing and refunding by railroads, utilities, and all other corporations aggregated $2,099,000,000, that is, 27 percent less than total home-mortgage lending in that year.

CHART X

HOME MORTGAGE LENDING ACTIVITY

ESTIMATED VOLUME OF MORTGAGE LOANS MADE ON NONFARM ONE TO FOUR-FAMILY DWELLINGS 1929 THROUGH 1939



All types of lenders increased their activity during 1939. Savings and loan associations originated new home-mortgage loans in the amount of $986,000,000—an increase of $188,000,000, or 23.5 percent, over 1938. Commercial banks and their trust departments loaned a total of $610,000,000, or 9.1 percent more than in the preceding year. Life insurance companies placed home-mortgage loans in the

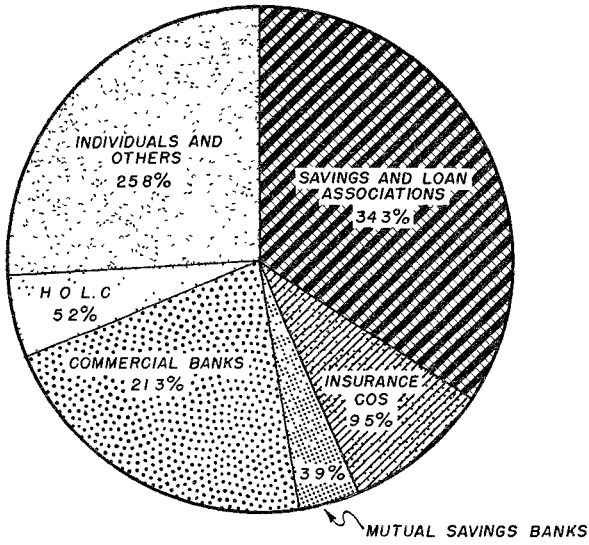
[11] From 1933 to 1936 the total lending volume was inflated by the refinancing operations of the Home Owners' Loan Corporation.

amount of $274,000,000 which was 13.2 percent above the 1938 level. The volume of new home-mortgage loans made by mutual savings banks was $112,000,000, as against $105,000,000 the year before. Individuals and others accounted for $740,000,000, or $71,000,000 more than in 1938. Loans originated by the Home Owners' Loan Corporation aggregated $149,000,000 as compared with $89,000,000 which reflects increased sales of properties against

CHART XI

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

CALENDAR YEAR 1939



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

purchase-money mortgages and advances made to HOLC borrowers. Exhibit 7 gives a complete survey of estimated home mortgage-lending activity from 1929 through 1939, by types of lenders.

Mortgage recording data, compiled since the close of 1938 by the Division of Research and Statistics of the Federal Home Loan Bank Board, reflect recent developments in mortgage-lending activity in greater detail. The coverage of these data has been extended gradually until in June 1940 actual reports (which serve as a basis for the estimated totals) were received from nearly 600 counties, containing

63 percent of the total nonfarm population and located in every State and the District of Columbia.[12]

Although mortgage recordings reflect not only new lending, but include mortgage registrations attendant upon alterations in the terms of existing contracts, their movement over a period of time is indicative of changes in the lending volume. The data are designed primarily to measure activity in the field of small and medium-sized mortgage loans and are, therefore, confined to loans of $20,000 or less on nonfarm property. Hence, mortgage recording data comprise not only home mortgages but mortgages on other types of properties which fall within the $20,000 limitation.[13]

In the following analysis of lending activity, these are the most conspicuous facts:

1. Within total nonfarm real-estate financing in the loan class of $20,000 or less, savings and loan associations represent the largest single group of lenders, accounting roughly for one-third of all mortgage recordings.

2. Lending activity in the first six months of 1940 was considerably above that of the corresponding period in 1939, and savings and loan associations have increased their share in the larger total volume.

3. With the expansion of home building in the last four or five years, loans for new construction have increased more rapidly than any other type of loan; in contrast, refinancing loans though still large in volume have declined in relative importance.

Savings and Loan Associations in Lead

During the fiscal year 1940, mortgage lenders throughout the country recorded 1,402,365 nonfarm mortgages, of $20,000 or less, in the total amount of $3,854,449,000. Institutional lenders were responsible for 76 percent of the number and 83 percent of the dollar amount of these mortgages, while the remainder was accounted for by individual mortgagees.

[12] Reports are 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.

[13] Mortgage recording data are not directly comparable with the estimates on home-mortgage lending presented in Chart X and Exhibit 7. As pointed out in the text, recordings include mortgages on one- to four-family homes as well as mortgages on other types of properties within the $20,000 limitation. Moreover, 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. Finally, alterations in the terms of an existing contract may necessitate 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.

Total recordings of mortgages of $20,000 or less on nonfarm property, fiscal year 1940

Type of lender	Number	Percent	Amount	Percent
Savings and loan associations	484,670	34	$1,221,562,000	32
Insurance companies	64,641	5	325,936,000	8
Banks and trust companies	293,504	21	941,061,000	24
Mutual savings banks	43,004	3	157,637,000	4
Individuals	339,871	24	638,530,000	17
Others	176,675	13	569,723,000	15
Total	1,402,365	100	3,854,449,000	100

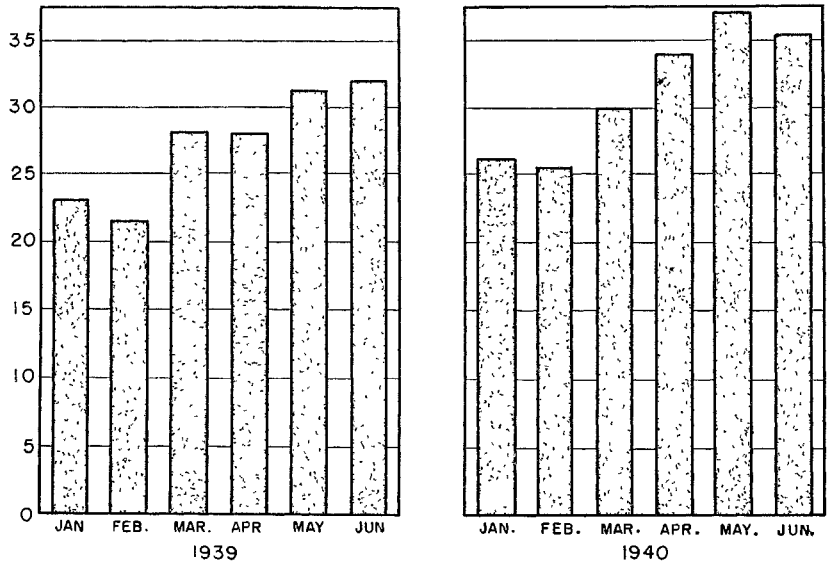
Savings and loan associations led all other types of lenders, with 484,670 mortgages recorded in the total amount of $1,221,562,000, or 34 percent of the number and 32 percent of the aggregate volume of all mortgages recorded. Banks and trust companies, which were responsible for 21 percent of the total number and 24 percent of the total dollar amount, ranked next, followed by the group "other mortgagees" which comprises miscellaneous lenders such as mortgage companies, estates, receivers or conservators of financial institutions, and the Home Owners' Loan Corporation. Life insurance companies and mutual savings banks were of relatively minor importance in the

CHART XII

ESTIMATED VOLUME OF MORTGAGE RECORDINGS ON NONFARM PROPERTY

(MORTGAGES OF $20,000 OR LESS)

FIRST HALF OF 1939 COMPARED WITH FIRST HALF OF 1940



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

small-loan field; however, it should be remembered that life insurance companies have always been more active in the financing of larger projects, and that mutual savings banks operate but in a limited number of States.

Mortgage recordings by Federal Home Loan Bank Districts and by States during the fiscal year 1940 are given in Exhibit 8.

For the first time since the establishment of the mortgage recording service, data are available permitting a comparison over a year's time. They show that in each month, from January to June 1940, the volume of recordings exceeded that of the corresponding period in 1939. All together, nonfarm mortgages recorded from January to June 1940 numbered 689,338, in the amount of $1,886,998,000, a gain of 82,111 in number and of $246,147,000, or 15 percent, in amount over the same period in 1939. Although all types of mortgage lenders participated in this larger activity, they did so in varying degrees as will be seen from the following table and Chart XIII.

Recordings of nonfarm mortgage loans of $20,000 or less, first half of 1940 compared with first half of 1939

Type of lender	January to June		Increase	Percent of total January to June	
	1939	1940		1939	1940
	Number of mortgages recorded				
Savings and loan associations	198,049	238,672	40,623	32.6	34.6
Insurance companies	25,935	30,556	4,621	4.3	4.5
Banks and trust companies	133,296	147,651	14,355	22 0	21.4
Mutual savings banks	17,003	19,859	2,856	2.8	2.9
Individuals	154,953	164,867	9,914	25 5	23.9
Others	77,991	87,733	9,742	12.8	12.7
Total	607,227	689,338	82,111	100.0	100.0
	Dollar amount of mortgages recorded (in thousands of dollars)				
Savings and loan associations	$481,916	$598,766	$116,850	29.4	31.7
Insurance companies	130,523	151,498	20,975	7.9	8.0
Banks and trust companies	424,817	465,342	40,525	25.9	24.7
Mutual savings banks	60,674	75,557	14,883	3.7	4 0
Individuals	289,007	312,861	23,854	17.6	16.6
Others	253,914	282,974	29,060	15.5	15.0
Total	1,640,851	1,886,998	246,147	100.0	100.0

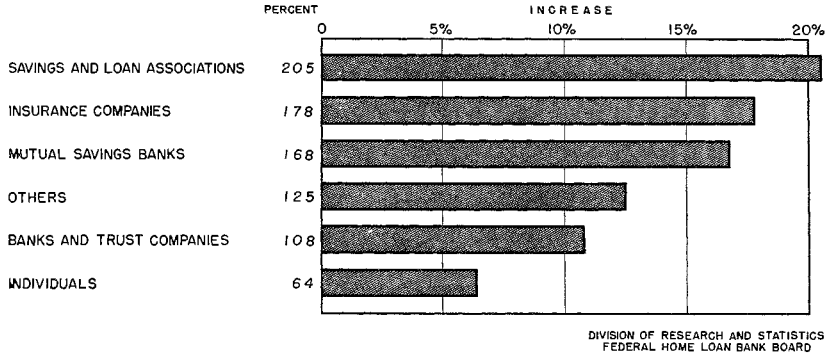
Savings and loan associations scored the largest gain in both number and dollar volume of mortgage recordings, with the result that their share in the total dollar volume of recordings rose from 29.4 percent in the first six months of 1939 to 31.7 percent in the first six monthe of 1940. Mutual savings banks and life insurance companies also

raised their positions slightly. Recordings of banks and trust companies, of individuals, and of "others" increased less than proportionately; consequently, their share in the total declined.

CHART XIII

PERCENT INCREASE IN THE NUMBER OF MORTGAGES RECORDED, BY TYPES OF LENDERS

FIRST 6 MONTHS OF 1940 COMPARED WITH FIRST 6 MONTHS OF 1939



Mortgage recordings for nonfarm loans of $20,000 or less as well as the estimates of home-mortgage lending proper demonstrate that savings and loan associations, despite the increased competition in the mortgage market during recent years, have been able to hold their position as the largest single group of lenders on residential mortgages, accounting for more than 30 percent of the total dollar volume and for 38 percent of the aggregate volume of institutional lending in the small-loan field. (See Chart XIV on opposite page.)

In line with the time-honored emphasis of savings and loan operations in the small loan field, the average mortgage loan made by savings and loan associations is lower than that of any other type of lender, except for individual mortgagees.

Average size of nonfarm mortgage loans recorded, January 1939 through June 1940

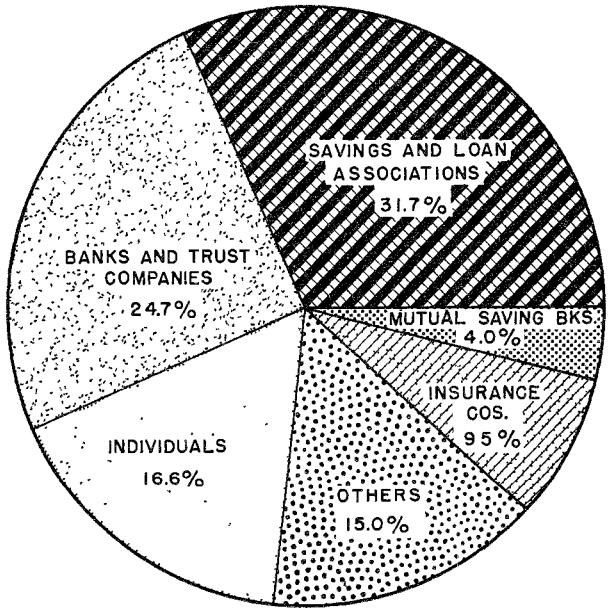
Type of lender	Average size of loan	Type of lender	Average size of loan
Individuals	$1,874	Other mortgagees	$3,234
Savings and loan associations	2,495	Mutual savings banks	3,638
Banks and trust companies	3,200	Insurance companies	5,040

It is interesting to note that the average loan registered by insurance companies was approximately twice as large as that made by savings and loan associations, and that the average loan recorded for banks and trust companies was almost 30 percent higher than the average savings and loan mortgage.

CHART XIV

DOLLAR DISTRIBUTION OF MORTGAGES RECORDED BY TYPE OF MORTGAGEE

JANUARY TO JUNE 1940



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Regional Variations of Mortgage-Lending Activity

Earlier in this report, it was emphasized that residential construction and real-estate conditions vary from region to region and from community to community. Likewise, mortgage-lending activity shows marked local differences. This is indicated in the following table presenting the number of mortgage recordings per 1,000 nonfarm dwellings, or, in brief, the rate of mortgage recordings in each of the Federal Home Loan Bank Districts and in the 48 States.

Rate of mortgage recordings by Federal Home Loan Bank Districts and by States

[Number of mortgages recorded per 1,000 nonfarm dwellings,[1] January to June 1940]

Bank District and State	Number of mortgages recorded	Rate per 1,000
United States	689,338	36
No. 1—Boston	51,324	39
Connecticut	9,792	37
Maine	5,092	38
Massachusetts	28,693	42
New Hampshire	2,698	31
Rhode Island	3,391	30
Vermont	1,658	30
No. 2—New York	55,674	25
New Jersey	21,639	31
New York	34,035	22
No. 3—Pittsburgh	46,682	22
Delaware	1,873	41
Pennsylvania	36,904	20
West Virginia	7,905	29
No. 4—Winston-Salem	96,169	44
Alabama	7,597	26
District of Columbia	6,739	79
Florida	15,262	52
Georgia	12,061	35
Maryland	11,372	38
North Carolina	20,180	60
South Carolina	7,995	43
Virginia	14,963	46
No. 5—Cincinnati	76,755	41
Kentucky	10,748	34
Ohio	54,612	43
Tennessee	11,395	36
No. 6—Indianapolis	50,153	34
Indiana	24,633	41
Michigan	25,520	30
No. 7—Chicago	46,306	28
Illinois	30,860	26
Wisconsin	15,446	35
No. 8—Des Moines	54,516	38
Iowa	12,297	32
Minnesota	15,142	42
Missouri	23,389	42
North Dakota	1,899	32
South Dakota	1,789	25
No. 9—Little Rock	47,423	33
Arkansas	4,645	26
Louisiana	9,905	33
Mississippi	3,880	28
New Mexico	2,168	35
Texas	26,825	34
No. 10—Topeka	35,252	35
Colorado	7,735	42
Kansas	8,522	29
Nebraska	6,060	31
Oklahoma	12,935	49
No. 11—Portland	32,496	43
Idaho	3,011	49
Montana	2,172	27
Oregon	7,647	40
Utah	3,727	47
Washington	14,586	47
Wyoming	1,353	36
No. 12—Los Angeles	96,588	70
Arizona	3,330	39
California	92,573	73
Nevada	685	33

[1] Based on 1930 Census.

It is no mere coincidence that the rate of mortgage recordings is highest in those areas and States where the rate of residential construction is highest, generally in the West and in the South.

Also, the share of the various types of lenders in total mortgage lending activity varies considerably in the different parts of the country. The position of each type of lending institution in a given State or region is determined by a large number of long-term and short-term factors. In many areas, savings and loan associations have traditionally been more numerous and stronger than other types of mortgage lenders. In a few areas, on the other hand, commercial banks have predominated in the mortgage-lending field. Mutual savings banks are concentrated in a few States, mostly in the Northeast. Mortgage lending by individuals may be related to local concentration of private

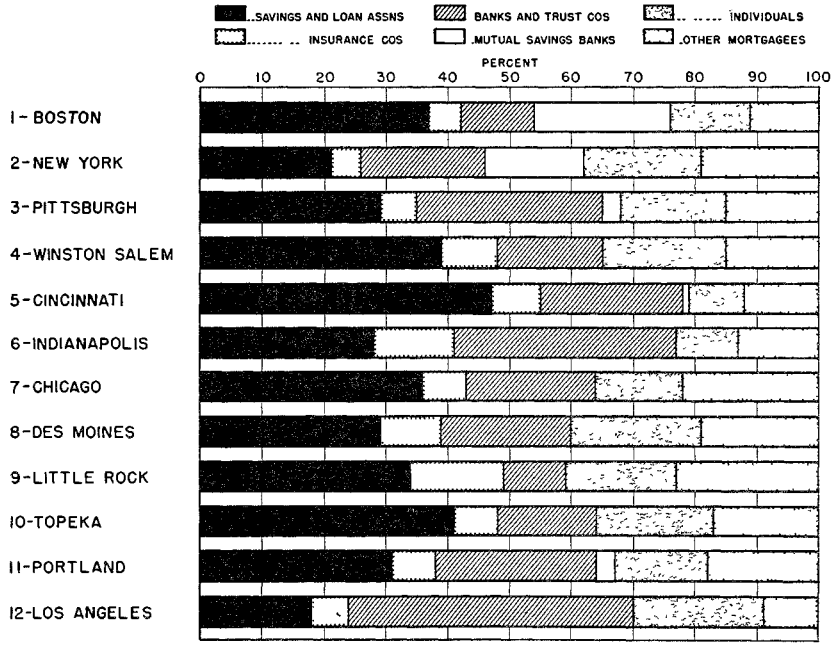
capitalists or the lack of financial institutions. In States with very large cities where apartment houses predominate, savings and loan associations naturally are less active than in States with a more equal distribution of population and wider home ownership. In each District and State, the different types of financial institutions have shown varying degrees of recovery from the depression. Finally, the extent to which banks and insurance companies have entered into the field of mortgage finance depends in many cases on local conditions and individual management.

The following chart shows the relative importance of the various types of lenders for each Federal Home Loan Bank District; Exhibit 9 presents the same classification, by Federal Home Loan Bank Districts and by States.

CHART XV

MORTGAGE RECORDINGS FROM JANUARY TO JUNE 1940, BY F. H. L. B. DISTRICTS

PERCENT OF TOTAL DOLLAR VOLUME, BY TYPE OF LENDER



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

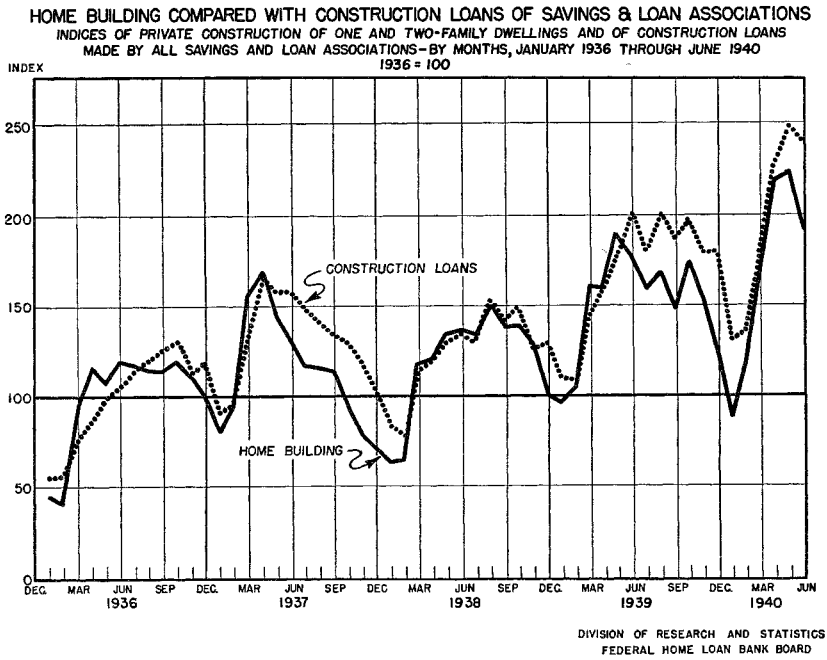
In all but three Federal Home Loan Bank Districts, savings and loan associations ranked first as lenders on residential mortgages of $20,000 or less. In the Pittsburgh, Indianapolis, and Los Angeles Districts, commercial banks were the most important lenders in this

field. As to States, savings and loan associations accounted for 50 percent or more of total mortgage recordings in Maryland, North Carolina, Kentucky, Ohio, Louisiana, and Nebraska. In Massachusetts, New Hampshire, Indiana, North Dakota, Kansas, Oklahoma, and the District of Columbia they were responsible for 40 to 50 percent of the total.

Increase of Construction Loans

During the last few years the emphasis in home-mortgage lending has changed greatly from refinancing loans to construction and home purchase loans. This shift was occasioned by the largely increased volume of new building, on the one hand, and by a decreasing demand for refinancing, on the other.

CHART XVI



The increase in construction loans is illustrated by the mortgage-lending data for savings and loan associations—the only type of institution for which current loan classifications by purpose are available. The volume of construction loans made by savings and loan associations was $298,628,000 in the fiscal year 1940, as against $219,726,000 in the preceding period.

The volume of construction loans made by savings and loan associations has increased with the gains in home building since 1936. As indicated by the above chart, savings and loan associations have not only been able to hold their own, but have expanded their activity in the financing of new home construction although competition in this field has been particularly keen.

Construction loans rose not only in dollar volume, but their proportion to total lending activity of savings and loan associations increased year by year from 1936.

Distribution of loans made by savings and loan associations, by purpose of loan

Purpose of loan	Amounts in millions of dollars					Percent distribution				
	1936	1937	1938	1939	1940 [1]	1936	1937	1938	1939	1940 [1]
Construction	$178.4	$234.1	$220.4	$301.1	$172.6	24	26	28	31	31
Home purchase	230.1	326.6	265.5	339.6	197.9	30	37	33	34	36
Refinancing	178.0	180.8	160.2	182.0	101.4	23	20	20	18	18
Reconditioning	65.4	62.2	58.6	59.5	30.2	9	7	7	6	5
Other	103.1	92.9	93.3	104.2	56.3	14	10	12	11	10
Total	755.0	896.6	798.0	986.4	558.4	100	100	100	100	100

[1] January to June.

In 1936, less than one-fourth of the total amount loaned was for newly built homes. In 1939–40, almost one-third of the aggregate loan volume went into new construction. The increased demand for owner-occupied homes is also reflected in the larger proportion of home-purchase loans to the total. From 1937 to 1940, between 33 and 36 percent of the aggregate loan amount was for home purchase as compared with 30 percent in 1936.[14] All together, in the first six months of 1940, construction and purchase loans, that is, loans for the acquisition of homes, accounted for 67 percent of the total volume of loans made as against 54 percent in 1936.

Decline in Refinancing

The above table reveals, at the same time, a continuous decline in the relative importance of refinancing loans made by savings and loan associations. While still large in dollar volume, refinancing loans in the first six months of 1940 constituted only 18 percent of total lending as compared with 23 percent in 1936. Although no comparable data are available for other types of institutions, the decline in loans

[14] It may be noted that a certain number of loans listed for home purchase were really for new construction; some reporting associations classify as purchase loans such mortgage loans that were made on homes erected by operative builders to be purchased and financed after completion, although such transactions in reality represent the first permanent financing of new construction. To that extent, the volume of construction loans is understated.

on existing properties insured by the Federal Housing Administration [15] would seem to corroborate the general observation that the period of wholesale refinancing in the home-mortgage field is approaching its end and that a more normal situation is about to be restored.

Since 1933, the volume and character of refinancing have been unusual in the history of American home-mortgage finance. It is true that in previous decades the proportion of refinancing to total mortgage-lending activitiy was high because of the predominance of short-term straight loans calling for frequent renewals. This, however, was far from being a refinancing "program" and rarely included a decisive improvement of loan terms for the borrower; in numerous cases it was a change for the worse. In contrast, refinancing in the last seven years was accompanied and prompted by an easing of the borrower's burden and has changed the whole structure of the home-mortgage debt.

Major refinancing activity was concentrated in the period from 1933 to 1936. In these three years, the Home Owners' Loan Corporation alone refinanced 13.6 percent of the total home-mortgage debt existing in 1932, at lower interest rates and on an amortized basis. In addition, private institutions refinanced some portion of the short-term loans which prior to the Thirties had normally been extended at maturity, and converted them from straight loans into amortized loans. Likewise, when second mortgages fell due, borrowers sought refinancing by consolidation of the senior and the junior lien. In many cases the mortgagee was faced with the granting of concessions to borrowers, involving refinancing or recasting of loans, as the only alternative to foreclosure. In more recent years the refinancing process was prolonged and fostered by the large amount of idle funds seeking investment and by the resulting intense competition of mortgage lenders and the sharp decline in interest rates. In the case of savings and loan associations, refinancing or recasting connoted frequently

[15] The following table shows the amount of home mortgages accepted for insurance by the Federal Housing Administration, distributed over new and existing homes:

Year	Amounts in millions of dollars		Percent distribution	
	New homes	Existing homes	New homes	Existing homes
1935	$60.2	$110.3	35.3	64.7
1936	212.3	226.2	48.4	51.6
1937	248.9	200.6	55.4	44.6
1938	451.0	199.2	69.4	30.6
1939	562.0	179.1	75.8	24.2

Source: Sixth Annual Report of the Federal Housing Administration, p. 48.

the transformation of loans made under the old sinking-fund plan into direct-reduction loans which are more advantageous to the borrower.

It may roughly be estimated that from 1933 through 1939, between five and six billion dollars of home owners' indebtedness was refinanced, including the $2,700,000,000 refinanced by the Home Owners' Loan Corporation.[16] In addition, where changes in ownership of properties occurred, the mortgage loan was frequently refinanced by the same or by other mortgagees. Finally, many existing loans were recast and numerous informal concessions made by mortgagees.

Nearly all of the loans outstanding in 1932 have either been paid off or have been recast or refinanced. Since 1933, new loans written total $16,000,000,000. It is therefore obvious that a substantial percentage of the $18,420,000,000 in home-mortgage debt outstanding at the end of 1939 has been contracted since 1933. The majority of these loans are written on the long-term amortized basis and carry interest rates lower than at any time before. Accordingly, the demand for refinancing has tapered off.

The large volume of home-mortgage refinancing throughout the Thirties had its parallel in many other sectors of the capital market. Billions of public bonds, including Federal, State, and municipal debt, have been refunded in the past decade. In the field of long-term farm finance, the Federal Land Banks and the Federal Farm Mortgage Corporation carried out a huge program of debt refinancing with Government assistance. In the field of corporate finance, more than two-thirds of the total amount of corporate securities issued by railroads, utilities, and other corporations from 1933 to 1939 was for refunding purposes, and less than one-third went into new financing.

Lowering of Financing Costs

The lowering of financing costs of home ownership during the past decade has been little short of a revolution in home-mortgage finance. Interest rates of first mortgages on homes have been reduced from a typical range of 6 to 8 percent at the beginning of the Thirties to a typical range of 4½ to 6 percent today. Further interest savings, not appearing in the contract rate, were effected by the more general application of the direct-reduction loan plan under which monthly interest is charged only on the constantly reducing balance instead of on the original principal of the loan. At the same time, loan limits for first

[16] The remainder of the approximately $3,000,000,000 loaned by the Home Owners' Loan Corporation in its original refinancing operations was applied to the payment of taxes, reconditioning expenditure, and appraisal and other fees.

mortgages have been extended to a point where junior financing is less necessary than before, and as interest rates on second and third mortgages in the past had been as high as 10 and 12 percent, the conversion of senior and junior liens into one single mortgage has resulted in far greater interest savings than is apparent from rate comparisons for first mortgages alone. Through longer amortization periods, the monthly amount of principal repayments has been diminished. All these factors have operated, in typical cases, to reduce total monthly financing charges on identical dwellings by one-third to one-half of the customary charges in the early Thirties. Likewise, discounts and charges incidental to the making of home-mortgage loans, such as commissions, fees, and bonuses, are now better fitted to services performed.

It is estimated that total savings to borrowers of the Home Owners' Loan Corporation alone represent an annual amount of approximately $100,000,000, including interest rate reductions, savings accruing from the average write-down of 7 percent on the principal indebtedness at the time of refinancing, and the elimination of second and third mortgages. The combined total of estimated savings to all home-mortgage borrowers throughout the country, due to lower interest rates and the reduction of second and third mortgages, is in the neighborhood of $300,000,000 a year, comparing financial charges in 1939 with those in 1933. Even more important than the actual amount of savings is the fact that lower charges to borrowers helped to preserve homes that otherwise would have been foreclosed.

During the fiscal year 1940, financing costs continued to decline. To an increasing extent, moreover, financial institutions in the quest for loan volume competed not only by interest rate reduction, but by extending the term of mortgage loans, by lowering down-payments, and by assuming some of the initial loan expenses. In localities where competition was particularly sharp, there was even some tendency to make concessions in the form of liberal appraisals.

As in previous years, the lowering of financing costs was the combined effect of keen competition in the mortgage market resulting from the abundance of investable funds, and of various actions by public agencies. In August 1939, the Federal Housing Administration reduced the maximum interest rate for all home mortgages insured under Section 203 of the National Housing Act from 5 to 4½ percent (plus ½ of 1 percent insurance premium). In October 1939, the Home Owners' Loan Corporation made provision to accept, until further notice, interest payments at the rate of 4½ percent instead of 5 percent.[17] Effective January 1, 1940, the Federal

[17] For details, see the report of the Home Owners' Loan Corporation, page 122.

Housing Administration liberalized its provisions for insurance of loans on new residential properties costing $2,500 or less, under Title I of the National Housing Act.

The following statistics of interest rates on mortgages recorded in Cook County are a fair illustration of the movement of interest rates from 1936 to 1939:

Interest rates on mortgages recorded in Cook County, Ill. [1]

[Percent distribution of the amount of mortgages recorded, by interest rates]

Interest rate	1936	1937	1938	1939
4 percent or less	4.8	4.8	5.1	7.6
4½ percent	11.8	14.2	13.2	23.5
5 percent	39.2	45.3	49.0	38.6
5½ percent	10.1	7.5	5.8	5.0
6 percent	30.3	25.6	23.5	18.2
6½ percent and higher	1.0	.4	.3	.7
Not reported	2.8	2.2	3.1	6.4
Total	100.0	100.0	100.0	100.0

[1] Nominal rates as listed in the mortgage instrument. Data underlying the table were compiled by the Recorder's Office of Cook County. Although the coverage varied from year to year, the percentage figures given in the table are believed to represent a fair approximation to the trend of interest rates.

The decreasing proportion of 6 percent loans over the four-year period, the increase of 5 percent loans from 1936 to 1938, and the growing importance of loans at 4½ percent or less in 1939 all point in the direction of lower financing costs. The above data indicate at the same time the large variety of existing interest rates. The pace is set by loans on newly built structures located in first-class neighborhoods of the larger cities where money is particularly plentiful. Even when the personal credit risk is equal, loans on properties in less desirable neighborhoods, or on older properties, or in small cities where the market generally is narrower, demand higher interest rates. Likewise, smaller loans which generally involve proportionately higher service costs justify somewhat higher rates. In a period of declining interest rates, moreover, existing unmatured loans for some time may carry higher interest rates than new loans. In fact, any such statement of general principles falls short of the multitude of factors determining rates, since money costs are the product of varying local conditions which persist in spite of the greater leveling of interest rates accomplished, in recent years, by the uniform rates of the Home Owners' Loan Corporation and the uniform maximum rates established by the Federal Housing Administration.

Of the many elements entering into home-financing costs, two over which financial institutions have little control have thus far resisted any change: title examination fees which are a direct part of mortgage loan expense, and foreclosure expense which is one of the risk factors

to be included in lending costs. Title examination in many States is still loaded with excessive expenses and cumbersome procedures. Likewise, exorbitant foreclosure costs in many States are a deterrent to liberal terms of mortgage loans.[18] Some further reduction in the cost of financing home ownership could be accomplished if title registration and foreclosure systems were thoroughly reformed.

Lending Policies in a Competitive Market

In the last few years, the Federal Home Loan Bank Board has attempted in various ways to aid in a realistic adjustment of interest rates. As a matter of general policy, the Board has advocated that savings and loan associations establish and maintain such interest rates as will enable them to attract and hold the best mortgage loans available in the community, since any other policy would result in inferior mortgage portfolios. It has recommended the adoption of variable interest rates for different classes of loans in order that associations may be able to compete for first-class loans and obtain a diversified portfolio. It suggests that equal treatment be given to old and new borrowers and that loans already held be refinanced at lower rates to preserve loan volume and good will. Because of the close relation between the cost of money and mortgage interest rates, the Board has urged associations to revise dividend rates where they are out of line with the generally decreased rate of return on savings. In these educational efforts, the Board has found the most gratifying support by the Presidents and the Boards of Directors of the twelve Federal Home Loan Banks who have devoted much time and energy to bringing these general principles home to the institutions in their respective Districts.

Moreover, the Board and the officers of the twelve Federal Home Loan Banks, in their supervisory capacity, have repeatedly taken steps to correct local situations. These measures were necessarily on a case basis. They were prompted by a desire to assure policies of "sound and economical home financing" as prescribed by Section 4 (a) of the Federal Home Loan Bank Act and Section 403 (c) of the National Housing Act, and in an attempt to forestall such difficulties for the associations themselves as result from the acceptance of poor risks at high interest rates.

Furthermore, the Board exerts considerable influence on interest rates and initial loan charges through the eligibility requirements for associations applying for insurance of accounts by the Federal Savings and Loan Insurance Corporation. The conditions for approval

[18] For details, see Seventh Annual Report, pp. 134–135.

of insurance include the requirement that the associations adopt lending policies, terms, and rates satisfactory to the Board. To clarify this requirement the Board, on July 18, 1939, adopted a resolution stating—

> that it is the policy of the Board to approve an application for insurance of accounts only when it is supported by evidence that the applicant association will establish and maintain such interest rates on loans as will enable it to attract and hold the best mortgage loans available in the territory it serves and that, consistent with its purpose of providing economical home financing, the association will continue to reduce interest rates and initial loan charges whenever feasible.

Last, but not least, the rules and regulations for Federal savings and loan associations which are under the direct supervision of the Federal Home Loan Bank Board, have done a great deal to reduce premiums and other initial loan charges which enter into the cost of home financing. As Federal associations account for over 40 percent of the total current lending volume of savings and loan associations throughout the country, these provisions have a considerable effect on lending practices, and in addition, they have to an increasing extent set the standard for progressive home-financing institutions.

The Board recognizes that as long as competition between the various types of local mortgage lenders prevails, this in itself will operate as a major safeguard for economical operations and reasonable charges to borrowers. Such competition is not lacking in the mortgage market. The fact that savings and loan associations as a group have maintained and improved their relative position in total home mortgage-lending activity—analyzed earlier in this report—is perhaps the most eloquent proof of their ability generally to meet the highly competitive situation. Under these circumstances, the proper realm of supervisory authorities seems to lie in the establishment of general policies designed to insure the soundest type of lending operations.

On the other hand, horizontal reductions of interest rates, or the establishment of over-all maximum rates would fix only one of the many conditions in the loan contract which determine real financing costs. The ratio of loan to property value, provisions for amortization, different loan types, commissions, and other elements of the contract are of equal importance. Hence, from a practical point of view, the direct regulation of mortgage interest rates would be extremely difficult. Moreover, home-mortgage lending is primarily a local activity and local money is its main source; interest rates are, therefore, subject to many local influences which cannot be ignored without tampering with the free flow of money into investments.

270198—40——4

Thus, uniform maximum rates throughout the United States might be inequitable and in some instances harmful; if they were too low, they would deprive those localities where money is scarce of mortgage investments which otherwise would be made at the prevailing local rates; if they were too high, they would fail to benefit those regions where the "natural" rate is below the maximum. To grade maximum rates by regions or size of communities, on the other hand, would introduce an element of unjustifiable arbitrariness. Furthermore, experience has shown that maximum prices, stamped with official approval, tend only too easily to become minimum prices.

Finally, mortgage loans are far from being a standardized product. The personal credit standing of the borrower, the age, location, and physical condition of the property securing the loan, the term of the loan, and the ratio of loan to property value are some of the many risk factors determining interest rates. The size of the loan is an important consideration as to the relative cost of servicing it. Maximum interest rates cannot possibly take all these factors into account unless they are restricted to loans of prime quality. Thus, borrowers who are not in this group but who are worthy credit risks would be excluded from the assumed benefits of controlled interest rates.

Continued Rise of Home-Mortgage Debt

During the calendar year 1939, the estimated private mortgage debt on nonfarm one- to four-family dwellings continued the increase begun in 1937. In fact, each of the last three years showed an increased rate of debt expansion. During 1937, the home-mortgage debt rose by only $55,000,000; in 1938, the increase was $317,000,000; and 1939 recorded a growth of $694,000,000, thus bringing the total debt to $18,415,000,000. If the Home Owners' Loan Corporation, which has been liquidating since 1936, is excluded, the expansion of home-mortgage holdings by all active types of mortgage lenders is even more conspicuous.

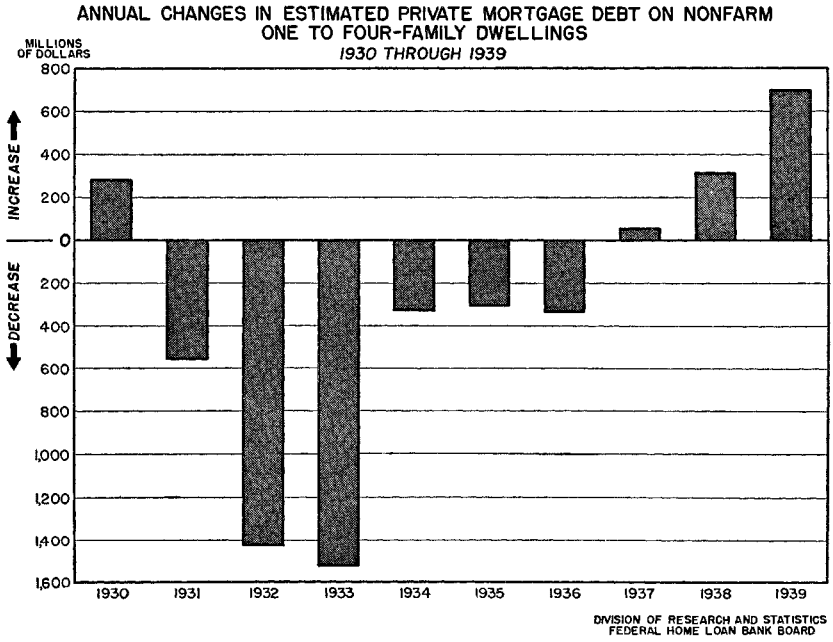
Estimated balance of outstanding mortgage loans on nonfarm one- to four-family dwellings

[Millions of dollars]

Classes of lenders	1936	1937	1938	1939	Increase or decrease			
					1937	1938	1939	1936 through 1939
Home Owners' Loan Corporation	$2,763	$2,398	$2,169	$2,038	−$365	−$229	−$131	−$725
All others (institutions and individuals)	14,586	15,006	15,552	16,377	+420	+546	+825	+1,791
Total	17,349	17,404	17,721	18,415	+55	+317	+694	+1,066

From the low of 1936, the mortgage portfolio of all lenders, excluding the Home Owners' Loan Corporation, increased by $1,791,000,000, or 12.3 percent, but since the holdings of the Home Owners' Loan Corporation in the same period declined by $715,000,000, the net gain of total debt was only $1,066,000,000, or 6.1 percent. Even so, the upward trend of the home-mortgage debt was in distinct contrast to all other types of private long-term debt which remained stagnant or continued to decline through 1939.

CHART XVII



The net growth of home-mortgage debt from 1936 has been due to a number of factors. One of them, of course, was the increased volume of home building which was financed mainly through mortgage debt, supplemented by low equity capital. Another factor was the substantial sale of real estate acquired by mortgagees in previous years through foreclosure or deed in lieu of foreclosure. The acquisition of such real estate from 1930 to 1936 had been accompanied by the extinction of mortgage debt, as creditor claims were exchanged against ownership rights, and this was one of the principal causes of debt liquidation. To the extent that financial institutions dispose of these properties, the process works in reverse. Real-estate holdings of financial institutions are normally sold for small down payments

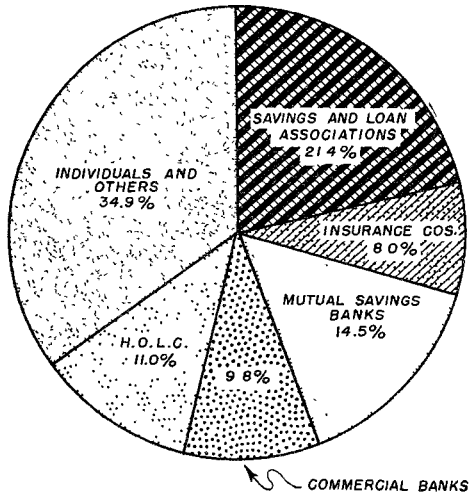
against purchase-money mortgages, and these mortgages enter the balance sheet as home-mortgage loans. At the same time, the abnormal debt liquidation of the depression years, through foreclosure and maturity of short-term loans, has come to an end, and liquidation is now more or less limited to the regular annual amortization of loans.

In the period from 1936 to 1939, savings and loan associations scored the largest dollar increase in home-mortgage holdings—from $3,361,000,000 to $3,957,000,000, or by approximately 18 percent. Commercial banks showed a similar growth in dollar amount, from $1,230,000,000 to $1,810,000,000, or an increase of 47 percent. Holdings of insurance companies rose by more than 19 percent during this three-year period, and amounted to $1,490,000,000 at the end of 1939. Holdings of mutual savings banks remained almost unchanged.

CHART XVIII

ESTIMATED BALANCE OF OUTSTANDING MORTGAGE LOANS ON NONFARM ONE TO FOUR-FAMILY DWELLINGS, BY TYPE OF LENDER

DECEMBER 31, 1939



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Among private institutional lenders, savings and loan associations continued to be the largest holders of home-mortgage loans, accounting for approximately 40 percent of the total home-mortgage portfolio of private financial institutions in 1939, and for 21.5 percent of the total balance of home mortgages outstanding. That the field of home-mortgage finance is far from monopolized by a few types of financial

institutions is indicated by the large share of the group "individuals and others" which represented 35 percent of the total balance of home-mortgage loans outstanding in 1939.

The relative importance of the Home Owners' Loan Corporation has declined from 1936 because of the progressing liquidation of HOLC loans; at the end of 1939, HOLC loans outstanding constituted only one-ninth of the total home-mortgage debt. A complete survey of the estimated home-mortgage debt from 1929 to 1939, by types of lenders, is presented in Exhibit 10.[19]

The increase in home-mortgage debt during the past few years is no cause for alarm. At the end of 1939, this increase had brought the debt volume back to the level of 1933, which was clearly a depression level. Under modern conditions, moreover, debt financing is the necessary companion of any expansion of economic activity although it raises, in the realm of real estate as well as in other investment fields, the question of a desirable balance between debt and equity financing. However, more important than the mere quantity of debt is the quality of the debt structure, and from this point of view, the debt increase in recent years may be held to be much sounder than in any comparable period in the past. The rapid debt expansion during the Twenties was occasioned and accompanied by a continuous stepping up of real-estate prices, by widespread speculation, and by superficial and defective appraisals; it was financed to a large extent by short-term or medium-term loans and by junior mortgages; it occurred in the face of serious weaknesses in the home-financing structure such as an almost complete absence of marketability for mortgages and lack of a credit reservoir for home-financing institutions. In the meantime, great strides have been made toward remedying these defects.

A more critical attitude toward real-estate values has evolved; the technique of appraisals has been improved; and most of the new loans

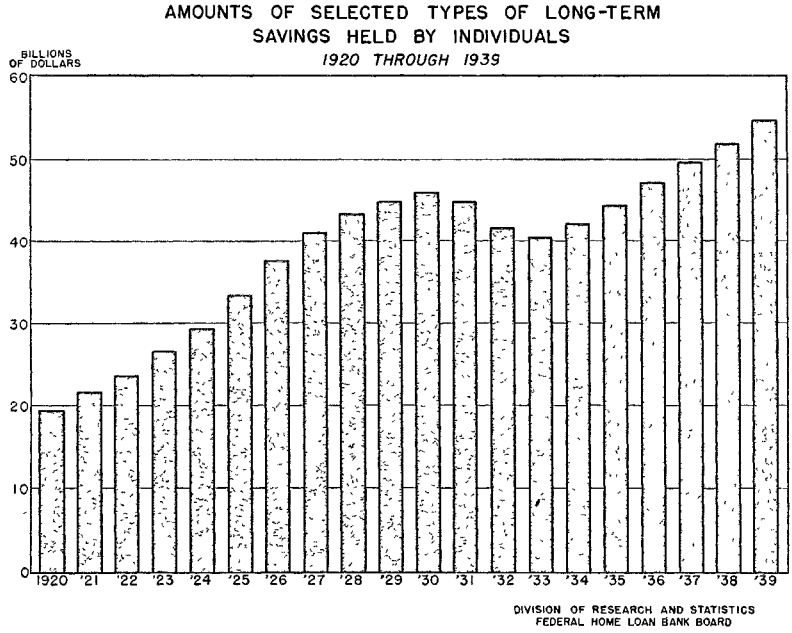
[19] In passing, it may be noted that the increase in home-mortgage holdings of savings and loan associations was really greater than appears in the available statistics. A large portion of their holdings has been transferred in recent years from the share-account sinking-fund plan to the direct-reduction loan plan. Under the share-account sinking-fund plan, the balance of the loan on the books of the associations was somewhat inflated. The borrower pledged shares against the loan and paid periodic installments toward the maturity of these shares; instead of applying each installment immediately to a reduction of the principal of the loan, the now outmoded plan provided for cancellation of the loan against the accumulated shares only as the latter matured. Thus, the balance of mortgage loans held by savings and loan associations in past years appears to be higher than it actually was. When loans based on the sinking-fund plan are transformed into direct-reduction loans under which the principal is reduced with each periodic payment, the amount of pledged shares, in one operation, is deducted from the principal amount of the loan. To the extent that such transformations took place in recent years, they tended to deflate the balance of mortgage holdings and to offset increases in these holdings. While no reliable figures are available on the total volume of such transfers, they have been substantial, running into several hundreds of millions of dollars from 1933 to 1939. As one indication of the trend, certain statistics compiled by the Massachusetts Cooperative Bank League are of interest. According to the League, the percentage of sinking-fund loans in Massachusetts cooperative banks declined from 81 percent of all loans in October 1938 to 30 percent in May 1940. (Cooperative Banker, July 1940.)

made during recent years are on a long-term amortized basis. In the Federal Home Loan Bank System, a credit reservoir has been provided to assure greater elasticity of credit for home-financing institutions. Opportunities for the marketing of home-mortgage loans have been created; and lending practices of home-financing institutions have been reformed. All these reforms, necessary in themselves after the collapse in 1929, have at the same time assured a sounder basis for recovery.

Abundance of Savings

The recovery of home-mortgage finance, reflected in the expanded home-mortgage debt, has been supported by a continued flow of savings into financial institutions. To an ever increasing extent, savings and loan associations have been facing the problem of surplus funds that has confronted other financial institutions for years.

CHART XIX



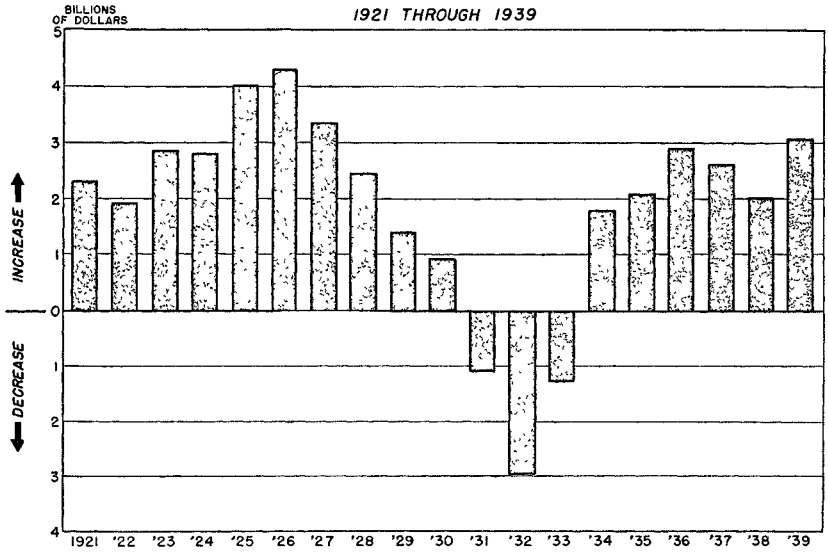
The above chart shows for the past two decades the quantitative changes in selected types of long-term savings which individuals have accumulated. Only such savings are included as are potentially available for investment in home mortgages or as are directly competitive to share investments in savings and loan associations: savings deposits

in banks, savings in life insurance companies, and savings and loan associations, postal savings, postal savings bonds, and United States savings bonds.

The growth of these individual long-term savings from 1921 to 1930, reflecting the prosperity of the Twenties, was followed by a period of decline from 1930 through 1933. Since then, a substantial recovery has taken place which carried the total volume of these types of savings far beyond the predepression peak of 1930. The increase of over $14,000,000,000 from 1933 to 1939 indicates not only the prevailing propensity to save, but probably denotes a shift of investment

CHART XX

ANNUAL NET CHANGES IN SELECTED TYPES OF LONG-TERM SAVINGS



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

habits on the part of savers. In brief, savings are being institutionalized. In previous decades, a large portion of such funds had been invested by savers directly in enterprises, mortgages, commercial loans, or securities. The Thirties have witnessed a growing disinclination toward, or lack of opportunity for, such direct investments with the result that proportionately larger funds have been entrusted to banks, insurance companies, and savings and loan associations for investment by them; in addition, postal savings grew in popularity in the early Thirties, and the U. S. Savings Bonds, issued since 1935, have attracted substantial amounts of individual savings.

During the calendar year 1939, individual long-term savings of the above-mentioned types increased by $3,000,000,000 as compared with $2,000,000,000 the year before. The increase during 1939 represents a new post-depression high.

As in previous years, United States savings bonds showed the largest relative growth—53.2 percent. Savings in life insurance companies, represented largely by their legal reserves, made the largest dollar gain during the year—$1,523,000,000, or 7.0 percent. However, new life insurance sales were lower than in both 1938 and 1939 as evidenced by the following figures:

New paid-for life insurance[1]

[Excluding group insurance]

1936	$7, 344, 349, 000
1937	7, 533, 468, 000
1938	6, 526, 610, 000
1939	6, 425, 633, 000

[1] Face amount of policies. Life Insurance Sales Research Bureau.

Savings deposits in insured commercial banks increased by 3.5 percent during 1939 and in mutual savings banks by 2.4 percent. Postal savings gained by 2.2 percent. Private investments in all savings and loan associations rose by 0.6 percent. Exhibit 11 furnishes detailed information on the distribution of individual savings of the long-term variety over the various types of institutions and investments in 1938 and 1939.

Of the different classes of savings and loan associations, member institutions of the Federal Home Loan System showed an increase in private repurchasable capital by 11.2 percent during the calendar year 1939, whereas nonmembers experienced a decline of about 7 percent. Within the membership of the System, Federal savings and loan associations continued to record the largest growth—29.1 percent. State-chartered insured members registered a gain of 17.9 percent, while private repurchasable capital in State-chartered noninsured members declined 4.4 percent.

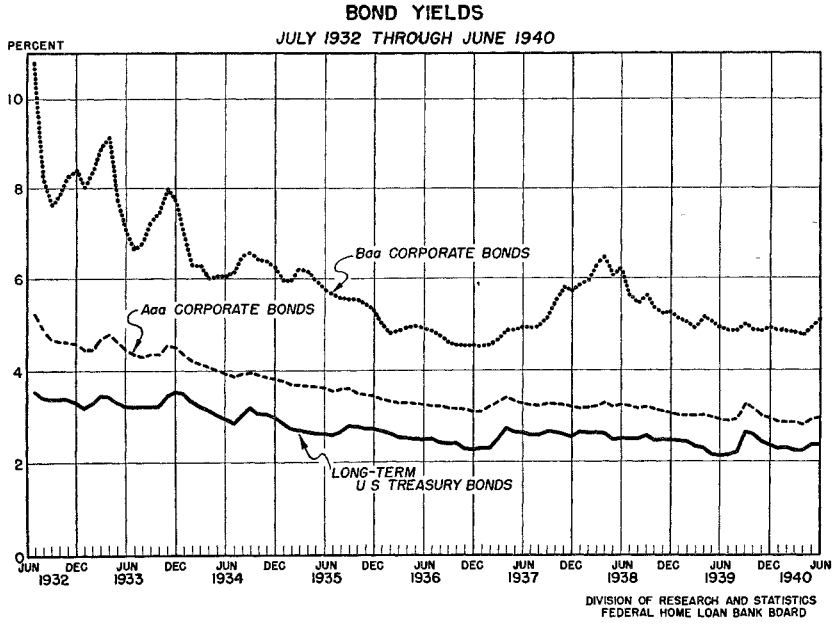
Declining Return on Savings

Easy money conditions in the fiscal year 1940 led to a further decline in the rate of return on savings. The average dividend rate paid by mutual savings banks (on a weighted basis) stood at 2.04 percent at the end of June 1940 as against 2.17 percent a year previous. A number of mutual savings banks in New York City revised their dividends to 1½ percent for the second quarter of 1940. In several instances, the return on savings deposits in commercial banks was

reduced by agreement among the institutions and is now in many cases substantially below the 2½ percent maximum permitted for members of the Federal Reserve System and nonmember insured banks. Further, less visible reductions were effected by "scaling," through which balances exceeding a stated maximum received declining rates of return. Operating ratios of member banks of the Federal Reserve System for 1939 showed an average interest payment of 1.6 percent on time deposits. In New Jersey, the Department of Banking and Insurance, on July 1, 1939, limited the maximum interest rate on savings deposits for banking institutions, including savings banks, to 1 percent, and the interest rate on postal savings in that State was likewise reduced from 2 to 1 percent—the first revision of the uniform rate of 2 percent which has been in effect since 1911 when the Postal Savings System was created. In not a few cases, financial institutions have actually limited the amount of individual savings accounts they are willing to accept. In the case of United States savings bonds, however, for which the return is 2.9 percent on ten-year maturities there has been no change since 1935 when this new type of Government bond was introduced.

Bond yields experienced a somewhat erratic movement during the reporting period. In the first few weeks of the European war, yields

CHART XXI



on long-term bonds turned upward but they reverted quickly to lower levels. In May 1940, when the war entered into a dramatic stage, a second upturn began which continued through June.

Whether the flurries in bond yields during the fiscal year 1940 presage a definite reversal of the downward trend of interest rates observed since 1932 depends on many unpredictable circumstances. Even a more permanent increase in bond yields, however, may not lead immediately to rising yields on other less flexible types of investments, just as the downward movement of bond yields in the early Thirties was slow in transmitting itself to other investment types.

Dividend Policy of Thrift- and Home-Financing Institutions

For a number of years, dividend rates paid by savings and loan associations have shown a tendency to decline, but the movement has not been uniform throughout the country. Many savings and loan managements have assumed that any reduction of dividend rates must be avoided lest confidence and the flow of money into home-financing institutions be impaired. They have been reluctant to concede the general and radical nature of the reduction in investment yields during the last five or six years. However, the downward adjustment of dividend rates has recently become more pronounced. As an example, the average annual dividend rate paid by Federal savings and loan associations was 3.39 percent for the calendar year 1939 as against 3.49 percent for 1938[20] and 3.69 percent for 1935.

The rate of return paid to savers in thrift- and home-financing institutions cannot, of course, be forced down to the point where thrift is discouraged. As mutual institutions, savings and loan associations are bound to pay a return to savings members which is as high as is consistent with sound business practices. The money placed in savings and loan associations and other savings institutions comes in small amounts from average working people. Since such funds make possible most of the home building in this country, a decrease in the flow of their savings into mortgage-lending institutions must inevitably have serious repercussions. It must not be overlooked that the function of the Federal Home Loan Bank System and of its member institutions is twofold—to encourage thrift and with the funds thus accumulated to develop home ownership.

Dividend rates which are uneconomically high, however, necessarily hamper associations in the present sharp competition for loans and may force institutions to make mortgage investments of the second or third class rather than first-grade loans which can be obtained only

[20] For more detailed data on dividends in 1938 and 1939, see Exhibit 46.

at low interest charges. Inasmuch as interest rates are being reduced as a result of competition in the mortgage market, high dividends tend to narrow the margin between cost of money and income. Consequently, they limit the amount that can be added to reserves. Moreover, the experience of associations which have reduced their dividend rates in recent years clearly indicates that such reductions have only a temporary adverse effect on the volume of funds invested in the associations, and that the generally sound condition of an institution and its competitive strength are more effective in maintaining investors' confidence than high dividend rates.

Within its supervisory authority, the Federal Home Loan Bank Board has corrected local situations in those cases where individual associations paying high dividend rates were pursuing questionable lending or reserve allocation policies. In addition, the Board and the Presidents of the twelve Federal Home Loan Banks have continuously called to the attention of the savings and loan industry the necessity of realistic revisions of dividend rates to conform with prevailing money conditions. In general, the Board advocates annual dividends at the present time at a rate of not more than 3 percent which would enable associations to meet loan competition, to pay operating expenses, and to strengthen reserves. In some regions, particularly in the New York City area, competitive conditions permit and require dividend rates of 2½ percent.

Finally, the Federal Home Loan Banks have supported the trend toward lower cost of money to savings and loan associations by reductions in the interest rate charged on Bank advances. In 1932, after the organization of the Federal Home Loan Bank System, interest rates on advances ranged from 4 to 5 percent; on July 1, 1940, they varied between 1½ and 3 percent, reflecting a series of reductions which continued through the fiscal year 1940.[21]

[21] For details, see page 73.

II

Federal Home Loan Bank System

1. SUMMARY

AN ABUNDANCE of money was the most noteworthy development in the operations of both the twelve Federal Home Loan Banks and their member institutions during the fiscal year 1940.

The flow of private capital into member savings and loan associations was large enough to enable them to make new mortgage loans in the amount of $894,212,000—an increase of 30 percent over the preceding fiscal year—to retire investments of the U. S. Treasury and the Home Owners' Loan Corporation in the amount of $24,827,600, to reduce their net borrowings from the Federal Home Loan Banks by $11,564,516, and still to increase cash reserves substantially.

This situation was reflected in the reduction of Federal Home Loan Bank advances outstanding to $157,397,047 at the end of the fiscal year, and in the increase of member deposits in the twelve Banks to $33,114,867. On June 30, 1940, the Federal Home Loan Banks held $36,249,169 in cash available for advances, and the excess of security holdings over legal requirements was $41,334,671. The lower volume of advances outstanding was the principal cause for a decline in net income from $4,534,241 in the fiscal year 1939 to $3,236,727 in the reporting period.

The primary purpose of the Federal Home Loan Banks is to provide home-financing institutions with credit when the local demand for funds exceeds the local supply. The usefulness of such a secondary credit system must, of course, be measured by its potential credit capacity rather than by the actual volume of credit it extends in any given period. The public service and advantages accruing to members are also a better gauge of usefulness. It is to be expected that at a time when there is an abundance of local money flowing into member institutions, the credit facilities of the Federal Home Loan Banks will not be used to the fullest extent. The main benefits of a secondary credit system may be derived from the stabilizing effect of its mere existence and from its capacity to extend credit in periods of financial stress.

With respect to public service, the Federal Home Loan Banks, through advice and assistance given to members during an unusually difficult period, have been responsible in no small measure for the

rehabilitation and recovery of home-financing institutions during the last few years; for the modernization of plans of operation; and for higher standards in management, thereby assuring better services to investors and borrowers. This activity, while progressing satisfactorily, will continue for some time to come. Designed to benefit the entire home-financing structure, the Federal Home Loan Bank System is steadily building its membership into a more closely knit and sounder component group within the industry. The strength of a credit system depends chiefly on the strength of its member institutions. Hence, any improvement in the position of its members will reflect favorably on the Federal Home Loan Bank System as a whole.

Earnings of a credit institution naturally fluctuate with the volume of its lending activity. They will be low in "good times" when advances outstanding are also low, and will be higher in "bad times" when there is a great demand for reserve credit. During the eight years of their existence, the Federal Home Loan Banks have earned a net income of $24,536,800, of which $10,264,036 was allocated to reserves and undivided profits, thus strengthening the capital structure of the twelve Banks. The remainder, $14,272,763, was distributed in dividends to stockholders, of which $11,183,336 was paid to the U. S. Treasury and $3,089,427 to member institutions. Thus, eight years of experience have settled the doubts expressed during the legislative discussion of the Federal Home Loan Bank Act that a reserve system in the home-mortgage field could be operated on a self-supporting basis.

2. MEMBERSHIP

Changes in Membership

At the close of the fiscal year 1940, member institutions of the Federal Home Loan Bank System numbered 3,914 as compared with 3,946 a year previous. The aggregate assets of members were 7.1 percent above those on June 30, 1939, totaling approximately $4,930,000,000 as against $4,600,000,000 at the end of the preceding year.

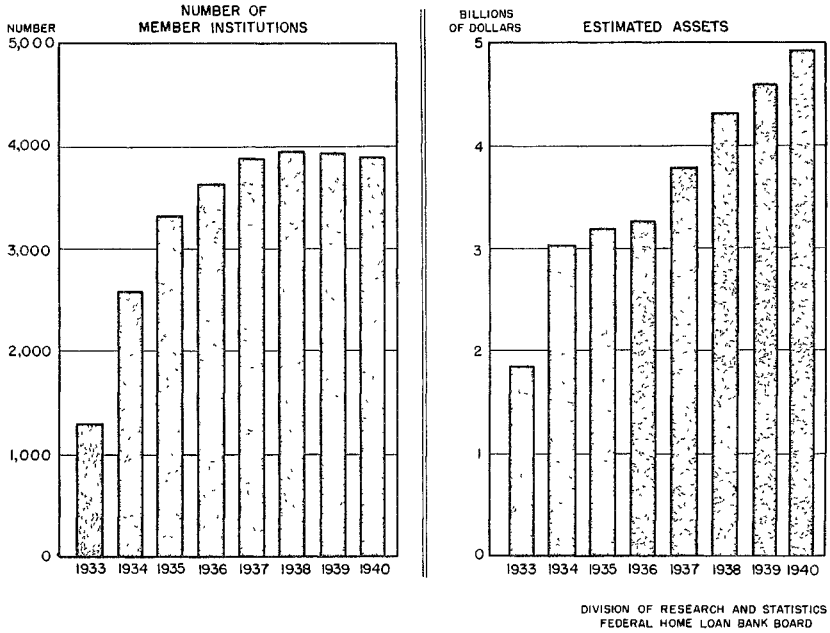
In the past three fiscal years, from July 1, 1937, to June 30, 1940, the membership of the Federal Home Loan Bank System has remained about constant in number, varying, within narrows limit, around 3,900 institutions. In the same three-year period, however, the combined assets of members have grown by more than $1,000,000,000 and they now approach the five billion dollar mark. This in itself is an indication of the fact that, in spite of little change in the number of members, the importance of the Federal Home Loan Bank System in our home-financing structure has increased rather than diminished. During the period from 1932 to 1937, in which the Bank System was built

up, its membership expanded rapidly in numbers as well as in assets. In the present stage of the System, growth is almost entirely in the resources of members; whatever contraction in numbers occurs is due primarily to the progressing consolidation in the savings and loan industry which constitutes the bulk of membership in the Federal Home Loan Bank System.

CHART XXII

NUMBER AND COMBINED ASSETS OF MEMBER INSTITUTIONS OF THE FEDERAL HOME LOAN BANK SYSTEM

AS OF JUNE 30 EACH YEAR



This situation is clearly reflected in the record of admissions to, and withdrawals from, membership. During the reporting period, 90 thrift and home-financing institutions were admitted to membership in the Federal Home Loan Bank System as compared with 122 in the fiscal year 1939; and applications for membership pending on June 30, 1940, totaled 96 as against 105 at the close of the preceding fiscal year. The reduced volume of admissions and applications is indicative of the continuous decline in the number of savings and loan associations outside the Bank System that can meet the standards for admission to membership.

On the other hand, of the 122 terminations of membership during the reporting period, 56 were occasioned by merger or consolidation of member institutions and did not involve withdrawal of all their

assets from the System. In addition, 50 member institutions went into liquidation, 2 were removed from membership by the Board, and 14 member institutions, including 2 insurance companies, voluntarily withdrew.

The following table summarizes, by types of institutions, the changes in membership during the fiscal year 1940:

Number and assets of member institutions of the Federal Home Loan Bank System, June 30, 1940, compared with June 30, 1939

[Dollar amounts in millions]

	June 30, 1939		June 30, 1940		Net change in fiscal year	
	Number	Assets	Number	Assets	Number	Assets
Savings and loan associations [1]	3,897	$3,936	3,865	$4,233	−32	+$297
Insured associations:						
Federally-chartered	1,380	1,440	1,421	1,726	+41	+286
State chartered	786	896	812	979	+26	+83
Uninsured associations	1,731	1,600	1,632	1,528	−99	−72
Other members	49	664	49	694		+30
Savings banks	9	202	11	213	+2	+11
Insurance companies	40	462	38	481	−2	+19
Total	3,946	4,600	3,914	4,927	−32	+327

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

Among savings and loan members, associations insured by the Federal Savings and Loan Insurance Corporation now represent 57.8 percent of the number and 63.9 percent of the total assets of all savings and loan members of the Federal Home Loan Bank System. Exhibit 12 shows the number and estimated assets of member institutions, by Federal Home Loan Bank Districts and by States, as of June 30, 1939, and June 30, 1940.

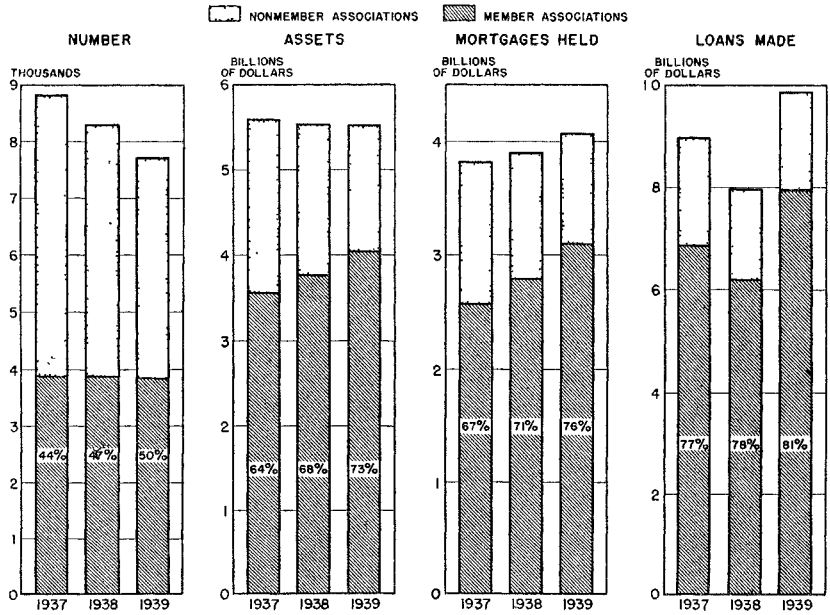
The savings and loan membership of the Federal Home Loan Bank System today comprises a larger proportion of the entire savings and loan industry than ever before. Although including less than one-half the number of all savings and loan associations, member associations, at the end of 1939, accounted for more than two-thirds of total assets and for approximately three-fourths of the first mortgage loans held by all savings and loan associations in the country; and in the past fiscal year they were responsible for more than four-fifths of all loans made by savings and loan associations. (Chart on opposite page.)

At the close of the fiscal year 1940, member institutions of the Federal Home Loan Bank System were operating in 2,000 cities and towns, comprising about 85 percent of the urban population of the United States. They served an estimated 7,000,000 individuals,

either savers or borrowers or both. The majority of investors and borrowers of savings and loan associations are, of course, heads of families; hence, it is roughly estimated that 6½ million out of some 23 million nonfarm families in the United States benefit from the facilities offered by member institutions of the Federal Home Loan Bank System.

CHART XXIII[1]

MEMBER SAVINGS AND LOAN ASSOCIATIONS COMPARED WITH ALL OPERATING SAVINGS AND LOAN ASSOCIATIONS
(BY CALENDAR YEARS)



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Members of the Bank System, while distributed over cities of all sizes, are relatively more numerous in small communities which in so many other respects have been stepchildren of the American financial system. Approximately 50 percent of all member institutions are located in cities of 25,000 or less, which explains in part the relatively small average size of home-financing institutions. It is in the smaller communities that home ownership is most common among all classes of the population; in the larger cities, home ownership is less widespread and savings and loan associations are fewer in number, though larger in size.

[1] For actual figures, see Exhibit 13.

Distribution of savings and loan members of the Federal Home Loan Bank System, by size of community, June 30, 1940

Size of community	Number of members	Percent of total members
Less than 10,000	1,422	36.8
10,000 to 25,000	568	14.7
25,000 to 50,000	323	8.3
50,000 to 100,000	285	7.4
100,000 to 250,000	212	5.5
250,000 to 500,000	378	9.8
500,000 and over	677	17.5
Total	3,865	100 0

The Consolidation in the Savings and Loan Industry

As already mentioned, the savings and loan industry is at present in a process of consolidation which, although reducing the number of member associations, on the other hand exerts a wholesome effect on our home-financing system. The Bank Board and the twelve Federal Home Loan Banks have supported this process by assisting in mergers and reorganizations with subsequent insurance of accounts by the Federal Savings and Loan Insurance Corporation, and by encouraging the sale of assets of those member associations which are too small or weak to survive as independent units. They were guided in these efforts by a policy of developing a membership of sound and strong institutions capable of meeting the vastly increased needs for economical and efficient home financing.

Essentially, the present trend toward larger and stronger home-financing institutions, within the bounds of local conditions, is a parallel to developments in other sectors of our national economy and, more specifically, in the banking field. However, the consolidation in commercial banking, extending practically over the last two decades and culminating in the suspension of thousands of institutions after the bank holiday in 1933, preceded the comparable process in the savings and loan industry. In the banking field, failures, liquidations, and mergers led to a reduction in the number of active banks throughout the Twenties, despite the general business expansion in that period. Difficulties of the early Thirties accentuated, of course, the trend toward contraction. As a result, the number of active banks in 1939 was only half that in 1921—15,035 as against 30,560.

In contrast, the number of savings and loan associations increased through the greater part of the Twenties, reaching a peak in 1927, and decreased slowly in subsequent years. Only recently has their number been reduced in substantial measure as a belated consequence

of the depression period from 1929 to 1933. The slow effect of unfavorable economic conditions on urban mortgage loans and real estate, the long-term character of investments in savings and loan associations, and the possibility of restricting repurchases operated to delay consolidation in the savings and loan field and to carry it over to a period of recovery. In fact, this process is not yet completed. More than 2,000 of the 7,737 associations existing at the end of 1939, although not in process of formal dissolution, are, in effect, in a state of gradual liquidation. They make no new loans and receive no new share investments, and restrict their operations to the collection of interest and principal on mortgage loans and to the disposition of real estate owned.

Number of commercial banks and savings and loan associations in the United States

Year	Operating banks [1]	Operating savings and loan associations [2]	Year	Operating banks [1]	Operating savings and loan associations [2]
1921	30,560	9,255	1931	19,966	11,442
1922	30,158	10,009	1932	18,390	10,990
1923	29,505	10,744	1933	15,011	10,561
1924	28,806	11,844	1934	16,039	10,838
1925	28,257	12,403	1935	15,837	10,478
1926	27,367	12,626	1936	15,628	9,779
1927	26,416	12,804	1937	15,393	8,840
1928	25,576	12,666	1938	15,206	8,300
1929	24,630	12,342	1939	15,035	7,737
1930	22,769	11,777			

[1] Federal Reserve Board, Annual Report, 1937, page 106, and Federal Reserve Bulletin, June 1940.
[2] Savings and loan associations, building and loan associations, homestead associations, and cooperative banks. For the period 1921 to 1931: Building and Loan Annals; for later years: Division of Research and Statistics, Federal Home Loan Bank Board.

The table demonstrates that the contraction in number of operating savings and loan associations has continued steadily during the past several years. The declining number of savings and loan associations does not imply that there have been too many institutions of that type in all parts of the country. When the Home Owners' Loan Act of 1933 authorized the organization of Federal savings and loan associations, it was discovered that approximately one-half of the counties in the United States had no local home-financing institutions whatsoever. This situation has subsequently been improved. It is true that in certain areas, however, too many savings and loan associations had been chartered and developed. It is this condition which has largely contributed to the contraction which is now under way. In many communities located in these areas, there have been an excessive number of associations struggling for existence, for the most part too small in size, unable to support competent management and satisfactory office quarters, offering neither a safe investment channel for savers

nor a modern home-financing service for mortgage borrowers. The elimination or absorption of these institutions, together with the concomitant development of associations in areas that previously had too little home-financing facilities, will eventually bring about a more balanced distribution of thrift and home-financing institutions over the country. The savings and loan industry as a whole will emerge from this transition as a stronger and more potent constituent of our financial system.

Within the membership of the Federal Home Loan Bank System, the trend toward fewer associations has resulted in the merger or consolidation of 276 members from the beginning of operation in 1932 through June 30, 1940; in the same period, 135 savings and loan members went into liquidation. The bulk of liquidations in the savings and loan industry have taken place outside the Bank System among those associations that had been unable to meet the eligibility requirements for membership in the System.

The process of consolidation naturally results in larger associations, although size in itself is not a guarantee of strength. The trend toward larger associations has certain advantages as measured in terms of the community and area served by each association. Institutions of reasonably large size are better able to support expert, full-time management which is important to the successful operation of financial institutions. Likewise, the maintenance of a full-time office located in the business center of the community and separated from a confusing and often injurious association with other enterprises is difficult for many small institutions. In addition, the sharp competition in the home mortgage market requires modern business methods and streamlined services that can be more adequately provided by larger institutions.

From these points of view, it is significant that on December 31, 1939, the average size of savings and loan members of the Federal Home Loan Bank System was $1,047,000 as compared with $400,000 for nonmembers. Exhibit 14, which shows the distribution of member savings and loan associations by asset size groups, evidences in greater detail the trend toward larger institutions. On June 30, 1939, member associations with assets of $500,000 or less represented 55.6 percent of all members. On June 30, 1940, this proportion was reduced to 52.4 percent. The percentage of associations with assets of $1,000,000 or more, on the other hand, rose from 24.6 to 27.3.

While the small- and medium-sized associations still predominate in number, the larger associations hold an overwhelming proportion of the total assets of savings and loan members. On June 30, 1940, associations with assets of $1,000,000 or more accounted for only 27.3 percent

of total members, but their assets were 75.4 percent of the aggregate assets of all members.

It should not be assumed that the tendency toward larger savings and loan associations means that small associations are not equally capable of meeting the thrift and home-financing needs of their communities. The optimum size of savings and loan associations, in fact of all financial institutions, must be gauged primarily by the size of the community in which they are located and the volume of business which normal requirements demand. Local institutions which outgrow their communities are subject to operating difficulties which may well be quite as serious as those confronting very small institutions in larger cities.

3. OPERATIONS OF MEMBER INSTITUTIONS

Most characteristic features of member operations during the fiscal year 1940 were increased lending activity and substantial retirements of Treasury and HOLC investments—both accelerated by the large amounts of private capital placed in member savings and loan associations.

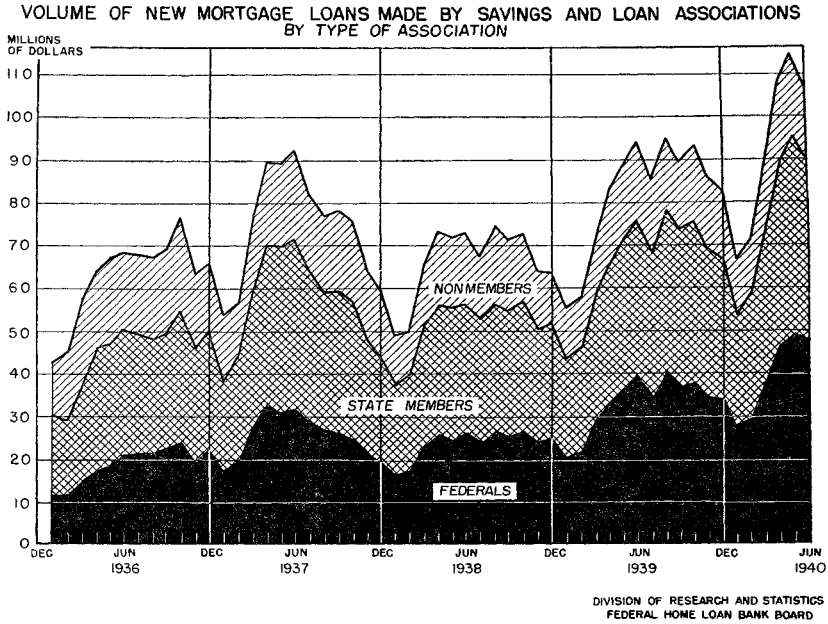
New High of Lending Activity

The estimated amount of new mortgage loans made by member savings and loan associations totaled $894,212,000 during the fiscal year 1940 as compared with $686,697,000 in the preceding fiscal-year period, a growth of $207,515,000, or 30 percent. Estimated lending activity of nonmember associations rose at the rate of 8 percent, with $196,576,000 in new mortgage loans made during the fiscal year 1940 as against $182,189,000 the year before. The combined lending volume of all savings and loan associations passed the billion dollar mark, reaching a new post-depression high of $1,090,788,000, which was one-quarter above the level of the fiscal year 1939.

The distribution of total lending activity over the various types of savings and loan associations has greatly changed during the last three years. In the fiscal year 1937, member savings and loan associations accounted for 75 percent and nonmember associations for 25 percent of all loans made by savings and loan associations. For the fiscal year 1940, these ratios were 82 percent and 18 percent, respectively. Within the membership of the Federal Home Loan Bank System, Federal associations were responsible for only 34 percent of all savings and loan mortgages written in 1937, whereas in the fiscal year 1940, their share in the total had increased to 42 percent, and the proportion of their lending volume to that of all member associations had risen to not less than 51 percent. These shifts reflect in part, of

course, the growth in membership of the Federal Home Loan Bank System over the five-year period and the increasing number of Federal associations due mainly to conversions from State to Federal charter. At the same time, they are indicative of the concentration of the more active savings and loan associations in the Federal Home Loan Bank System as demonstrated by the fact that during the reporting

CHART XXIV



period member associations loaned $221 for each $1,000 in assets and nonmembers only $117.

Percentage distribution of new mortgage loans made by savings and loan associations over the various types of associations, fiscal year figures

Type of association	1937	1938	1939	1940
All savings and loan associations	100.00	100.00	100.00	100.00
Member savings and loan associations	75.08	76.71	79.03	81.98
Federal associations	33.62	34.34	38.44	41.97
State-chartered associations	41.46	42.37	40.59	40.01
Nonmember associations	24.92	23.29	20.97	18 02

Exhibit 15 shows the monthly volume of new mortgage loans made by savings and loan associations, separated by types of associations, from January 1936 to June 1940, and Exhibit 16 presents the dollar

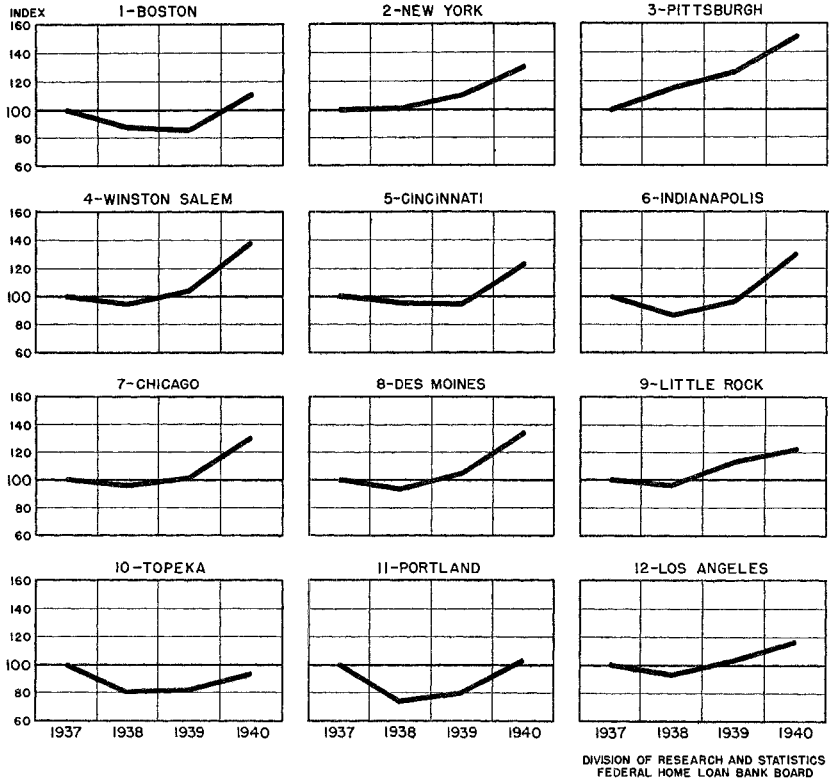
amount and percentage distribution of such loans, by Federal Home Loan Bank Districts, for the fiscal years 1939 and 1940.

All Federal Home Loan Bank Districts, without exception, participated in the higher lending volume during the fiscal year 1940, and it is notable that those Districts which had shown less activity or little increased activity from the fiscal year 1938 to the fiscal year 1939 evidenced a substantial recovery in 1940. This is true, for example, in the case of the Boston, Cincinnati, and Chicago Districts. The largest percent increase in the fiscal year 1940 was in the Indianapolis District, and the Winston-Salem District was a close second.

CHART XXV

INDICES OF MORTGAGE LENDING ACTIVITY BY SAVINGS AND LOAN ASSOCIATIONS, BY F. H. L. B. DISTRICTS

FISCAL YEAR 1937=100



The distribution of mortgage loans made by member savings and loan associations according to purpose of loan followed closely the pattern for all savings and loan associations (p. 33). The share

of construction loans increased from 32.0 percent in the fiscal year 1939 to 33.4 percent in the fiscal year 1940, home purchase absorbed 31.6 percent of the total loan volume last year as against 33.2 percent during the reporting period, and the share of refinancing loans declined from 19.9 to 18.6 percent. Reconditioning loans and loans "for other purposes" showed only minor changes. A detailed account of the distribution of new mortgage loans made by member savings and loan associations, classified by purpose of loan, is given in Exhibit 17.

Retirement of Government Investments

During the fiscal year 1940, outstanding investments of the United States Treasury and the Home Owners' Loan Corporation in savings and loan associations declined appreciably. The ample flow of private capital into member savings and loan associations enabled them to repurchase such investments in substantial amounts. Consequently, the balance of Treasury and HOLC investments outstanding was reduced from $260,450,510 on June 30, 1939, to $237,161,310 on June 30, 1940. At this time, a review of the program of Government investments in thrift- and home-financing institutions may be of interest.

When Congress in 1933 passed the Home Owners' Loan Act to provide immediate relief to home owners, it realized that a more lasting solution of the problems in home finance lay in the rehabilitation of the country's home-financing institutions. At that time, the flow of private money into savings and loan associations as well as other private financial institutions had practically ceased. Mortgage lenders were unable to make new home-mortgage loans and were forced into liquidating existing loans to meet withdrawals of money by needy or panicky investors. In order to check the painful process of liquidation, to restore the confidence of savers, and to supply immediate funds for home-mortgage lending, Congress provided for temporary assistance by the Government through placing public funds in home-financing institutions. The U. S. Treasury was authorized to invest up to $100,000,000 in shares of Federal savings and loan associations, of which amount $50,000,000 was appropriated; subsequently, the Home Owners' Loan Corporation was authorized to make similar investments to the maximum extent of $300,000,000 in the shares of savings and loan associations which were members of

the Federal Home Loan Bank System or which were insured by the Federal Savings and Loan Insurance Corporation. The program provided for the gradual repurchase of Treasury and HOLC investments by the associations. Repurchases do not begin until five years after investments are made, and are limited annually thereafter to 10 percent of the total amount invested in any savings and loan association by the Treasury or the Home Owners' Loan Corporation. The Federal Home Loan Bank Board was charged with the responsibility for carrying out this program.

The following table shows the volume of such investments made by the Treasury and the Home Owners' Loan Corporation for each of the fiscal years from 1934 through 1940:

Gross investments made by the U. S. Treasury and the Home Owners' Loan Corporation in member savings and loan associations

Fiscal year	Investments by the U. S. Treasury		Investments by the HOLC		Total investments	
	Amount invested	Cumulative	Amount invested	Cumulative	Amount invested	Cumulative
1934	$1,086,300	$1,086,300			$1,086,300	$1,086,300
1935	29,520,400	30,606,700			29,520,400	30,606,700
1936	18,693,300	49,300,000	$63,142,700	$63,142,700	81,836,000	112,442,700
1937		49,300,000	119,890,300	183,033,000	119,890,300	232,333,000
1938		49,300,000	28,964,610	211,997,610	28,964,610	261,297,610
1939		49,300,000	7,152,200	219,149,810	7,152,200	268,449,810
1940		49,300,000	1,538,400	220,688,210	1,538,400	269,988,210

Of the $50,000,000 appropriated for Treasury investments, Congress made available to the Federal Home Loan Bank Board an amount of $700,000 to be used in the promotion and development of thrift and home-financing institutions. The remaining $49,300,000 was invested in income shares of 661 Federal savings and loan associations. This program was completed in November 1935. Of the $300,000,000 available for investments by the Home Owners' Loan Corporation, a gross amount of $220,688,210 was invested in 1,344 Federal and State-chartered institutions by June 30, 1940. The increase in private capital received by member institutions has brought about a decrease in the need for HOLC investments during the last two fiscal years. Since 1938, the Board has restricted new HOLC investments to special cases usually in conjunction with the rehabilitation of the local savings and loan industry.

The expectation that investments by the Government would encourage the placement of private savings in savings and loan associations thereby eventually permitting the gradual retirement of public funds has been fully justified. An increasing number of savings and loan associations have voluntarily repurchased Treasury and HOLC investments prior to the expiration of the five-year period provided in the Home Owners' Loan Act and in a far greater amount than stipulated by the law. Through June 30, 1940, repurchases of Treasury and HOLC investments totaled $32,826,900, of which $24,827,600 was retired in the fiscal year 1940. Of the total, only $671,800 represented retirements provided by law. The Board, after examining the financial condition of each savings and loan association in which Treasury investments had been outstanding for five years, determined that all were in a position to make repurchases. Hence, the Board called for all amounts due to be turned back to the Treasury.

The balance of repayments in the amount of $24,155,800 consisted of voluntary repurchases approved by the Federal Home Loan Bank Board. In the belief that Government investments in private financial institutions should be reduced as speedily as possible, the Board sanctioned voluntary repurchases whenever this action appeared to be compatible with the financial condition of associations applying for such repurchases.

Repurchases of Treasury and HOLC investments by member savings and loan associations

Fiscal year	Treasury investments		HOLC investments		Total investments	
	Amount repurchased	Cumulative	Amount repurchased	Cumulative	Amount repurchased	Cumulative
1936	$77,000	$77,000			$77,000	$77,000
1937	1,039,300	1,116,300	$12,000	$12,000	1,051,300	1,128,300
1938	381,000	1,497,300	259,000	271,000	640,000	1,768,300
1939	3,811,000	5,308,300	2,420,000	2,691,000	6,231,000	7,999,300
1940	[1] 9,854,600	[1] 15,162,900	14,973,000	17,664,000	24,827,600	32,826,900

[1] Of this amount, $671,800 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.

Under the regulations of the Federal Home Loan Bank Board, voluntary repurchases of investments by the U. S. Treasury or the Home Owners' Loan Corporation are made in the same order as applications for repurchase of such investments may be made under the terms of the Home Owners' Loan Act. Voluntary repurchases are deducted from requests for repayment which the U. S. Treasury or the Home Owners' Loan Corporation may make.

The following table indicates the net amount of investments outstanding both of the U. S. Treasury and the Home Owners' Loan Corporation, by fiscal-year periods:

Net amounts of Treasury and HOLC investments outstanding

Fiscal year	Treasury investments		HOLC investments		Total investments
	Number of associations [1]	Amount	Number of associations [1]	Amount	Amount
1934	60	$1,086,300			$1,086,300
1935	576	30,606,700			30,606,700
1936	661	49,223,000	776	$63,142,700	112,365,700
1937	661	48,183,700	1,141	183,021,000	231,204,700
1938	623	47,802,700	1,264	211,726,610	259,529,310
1939	585	43,991,700	1,304	216,458,810	260,450,510
1940	501	34,137,100	1,231	203,024,210	237,161,310

[1] A number of Federal associations have received both Treasury and HOLC investments.

Repurchases during the fiscal year 1940 resulted in a decline in the number of associations holding both Treasury and HOLC investments. While a number of associations made partial repurchases, other associations were in a position to repurchase such investments in full. A complete tabulation of Treasury and HOLC investments made and repurchased, and net investments outstanding, by types of member institutions, is attached as Exhibit 18.

The reduction of Government participation in the capital structure of member associations was reported to the Senate as required by Senate Resolution No. 150, Seventy-Sixth Congress. In his Budget Message for the Fiscal Year 1941, the President estimated that it would be feasible to reduce the capital funds invested by the Government in various corporations and agencies by an aggregate amount of $700,000,000 without impeding operations. During recent years, member institutions of the Federal Home Loan Bank System have already contributed substantially to the return of Government funds previously invested. Barring unforeseen events, they may be expected to continue to do so in the future.

Both the U. S. Treasury and the Home Owners' Loan Corporation have received dividends on their share investments in member associations on an equal footing with private shareholders. Cumulatively through June 30, 1940, the U. S. Treasury has received $8,459,797, and the Home Owners' Loan Corporation, $26,626,497, or a total amount of $35,086,294. This is equivalent to a net yield of 3.46 percent on the average amount of Treasury and HOLC investments outstanding from 1934 through 1940.

Condition of Member Associations

An over-all analysis of the condition of member savings and loan associations confirms the favorable picture revealed in the foregoing pages. The consolidated balance sheet for member savings and loan associations as of December 31, 1939, compared with that of the preceding year, shows the following major changes (Exhibits 19 and 20):

1. Growth in assets by $295,000,000 to well over $4,000,000,000.
2. Increase in private investments by approximately $300,000,000 to over $3,000,000,000.
3. Improved liquidity, with cash holdings increased by almost $49,000,000 to $206,000,000, or 5.1 percent of total assets.
4. Expansion of first-mortgage loans by $315,000,000, or from 74.4 to 76.8 percent of total assets.
5. Reduction of real estate owned by $73,500,000, or from 12 to 9.3 percent of total assets.
6. Decline in total borrowings by close to $17,000,000.
7. Increase in general reserves and undivided profits by almost $17,000,000 to $285,000,000.

Assets.—The increase in assets among the various types of institutions during 1939 was confined to Federal savings and loan associations which grew by $265,000,000, and to State-chartered insured associations, which added $116,000,000 to their resources. The assets of noninsured members declined $86,500,000; this drop, of course, was due principally to shifts of associations from the uninsured to the insured category and from State to Federal charter. The following table summarizes the changes in assets of member savings and loan associations during the calendar year 1939:

Changes in assets of member savings and loan associations, from December 31, 1938, to December 31, 1939

[In thousands of dollars]

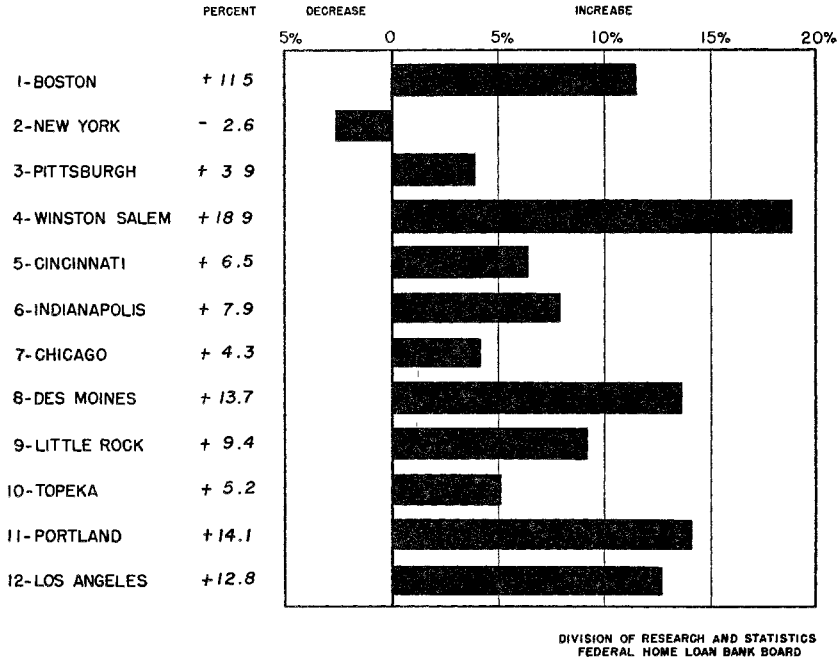
Type of association	Total assets		Change during year	
	Dec. 31, 1938	Dec. 31, 1939	Amount	Percent
All member associations	$3,753,112	$4,048,185	+$295,073	+7.86
Federal savings and loan associations	1,311,006	1,576,155	+265,149	+20.22
Insured State-chartered associations	812,310	928,733	+116,423	+14.33
Noninsured State-chartered associations	1,629,796	1,543,297	−86,499	−5.31

Except in the New York District, the growth in assets was general for the entire country. The decrease of 2.6 percent in the New York District is accounted for entirely by the number of New Jersey associations which have segregated their assets in order to obtain

insurance of accounts. Member institutions in the Winston-Salem District show the most substantial increase in assets—18.9 percent. Associations in the Portland District ranked second with a gain of 14.1 percent, followed closely by Des Moines and Los Angeles where increases of 13.7 and 12.8 percent were registered.

CHART XXVI

PERCENT CHANGE IN ASSETS OF MEMBER SAVINGS AND LOAN ASSOCIATIONS DURING THE CALENDAR YEAR 1939, BY F. H.L.B. DISTRICTS



Private investments.—The growth of private investments in member associations, including shares, deposits, and investment certificates has raised the ratio of such funds to total resources from 72.4 percent at the end of 1938 to 74.6 percent at the end of 1939. Investments of the United States Treasury and the Home Owners' Loan Corporation, on the other hand, were reduced from 6.9 to 6.2 percent of total resources and will show an even more substantial reduction in 1940 when repurchases of such investments gathered momentum.

The following table shows the growth of private investments in member savings and loan associations for the calendar years 1938 and 1939:

Private investments in member savings and loan associations

[Dollar amounts in thousands]

Type of association	Dec. 31, 1938	Dec. 31, 1939	Percent change
Member associations	$2,717,347	$3,020,469	+11.2
Insured members:			
Federally chartered	864,819	1,116,430	+29.1
State chartered	595,288	701,852	+17.9
Uninsured State chartered	1,257,240	1,202,187	−4.4

For all member associations as well as for Federal and State-chartered insured associations, the increase in private funds during 1939 was at a higher rate than the year before. Federal savings and loan associations recorded the largest gain—29.1 percent. State-chartered insured associations registered a growth in private investments of 17.9 percent. State-chartered noninsured members showed a decline of 4.4 percent. It should be noted, however, that this decline was accentuated by the transfer of uninsured associations to the insured or Federal categories. Member associations as a whole enjoyed a net increase in private investments of 11.2 percent.

Mortgage pledged shares declined by $13,740,000 to $180,040,000 and represented only 4.1 percent of total resources at the end of 1939. This exemplifies the continuing elimination of share-account sinking-fund loans, which involve the pledge of shares, and the widening use of the direct-reduction plan.

Borrowings.—The decline in borrowings affected Federal Home Loan Bank advances and other borrowed money. All together, at the end of 1939, borrowed money was slightly below $200,000,000, or only 4.9 percent of aggregate resources as against 5.8 percent the year before. Of this total, more than nine-tenths represented Federal Home Loan Bank advances, and less than one-tenth came from other credit sources. These figures emphasize the fact that the Federal Home Loan Banks are by far the most important source of credit for member institutions.

Reserves.—Despite the fact that member savings and loan associations have been employing reserves to take care of losses incurred in the liquidation of real estate, the ratio of reserves to total assets declined only slightly from 7.1 to 7.0 percent during 1939. It is noteworthy that reduction of real-estate holdings has not prevented the increase in reserves and undivided profits from keeping in line with the growth of resources.

Mortgage loans.—The ratio of first mortgage loans held to total assets has grown steadily from 69.9 percent in 1936 to 76.8 percent in 1939, a reflection of the increased activity in new lending and of

the transfer of real estate owned to purchase-money mortgages which shifted property holdings back into the mortgage loan category. The $3,107,000,000 in first mortgage loans held by member savings and loan associations represents an 11 percent increase over the balance at the end of 1938, and constitutes approximately three-fourths of the estimated mortgage loan portfolio of all active savings and loan associations (member and nonmember) in the United States.

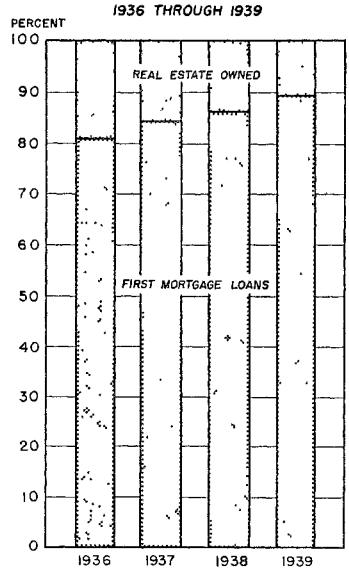
Junior mortgages have always been a small item on the balance sheet of savings and loan associations and have shown a declining trend for a number of years. From 1938 to 1939, they were reduced from $5,545,000 to $4,645,000, or from 0.15 to 0.12 percent of total assets.

Chart XXVII illustrates an essential feature of the recovery of member savings and loan associations: the relative decline of real estate owned as against the relative increase in mortgage loans outstanding.

CHART XXVII

MORTGAGE LOANS AND REAL ESTATE OWNED BY MEMBER SAVINGS AND LOAN ASSOCIATIONS

1936 THROUGH 1939



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Real estate.—For three consecutive years, real-estate holdings of member associations have decreased in dollar volume as well as in proportion to total assets, and by the end of 1939, the liquidation of the large volume of properties acquired through foreclosure or voluntary deed had made substantial progress. Better economic conditions, accompanied by a rapidly declining rate of real-estate foreclosures, and a more active sales policy on the part of member institutions have contributed materially to this improvement.

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

Date	Number of members	Amount of real estate held	Decrease		Proportion to total assets (percent)
			Dollar amount	Percent	
Dec. 31, 1936	3,746	$512,116,000			16.49
Dec. 31, 1937	3,890	488,517,000	$23,599,000	4.61	13.77
Dec. 31, 1938	3,894	450,139,000	38,378,000	7.86	11.99
Dec. 31, 1939	3,866	376,673,000	73,466,000	16 32	9 30

[1] Excluding office buildings

Members in all of the twelve Federal Home Loan Bank Districts showed a decline in real estate owned from 1938 to 1939, and it is particularly significant that the largest reductions were effected in those Districts where the "overhang" has been most substantial: the New York, Chicago, Pittsburgh, Topeka, and Cincinnati Districts.[1] At the end of 1939, member savings and loan associations in 26 States reported real-estate holdings of less than 5 percent of total assets, and in 12 States such holdings represented from 5 to 10 percent of their aggregate assets.

Real estate owned by member savings and loan associations, by Federal Home Loan Bank Districts

Federal Home Loan Bank District	Dollar amounts (in thousands)		Proportion to total assets	
	Dec. 31, 1938	Dec. 31, 1939	Dec. 31, 1938	Dec. 31, 1939
			Percent	*Percent*
United States	$450,139	$376,673	11.99	9.30
No. 1—Boston	46,745	45,264	10.98	9.53
No. 2—New York	102,504	72,128	22.20	16 04
No. 3—Pittsburgh	35,892	31,610	15 70	13.30
No. 4—Winston-Salem	9,964	8,960	2.87	2.17
No. 5—Cincinnati	84,272	76,983	10.93	9.38
No. 6—Indianapolis	27,824	21,792	11.58	8.40
No. 7—Chicago	74,794	62,697	19.12	15.37
No. 8—Des Moines	15,824	13.889	8.84	6.82
No. 9—Little Rock	14,150	10,639	7.30	5.02
No. 10—Topeka	21,859	17,454	13.96	10 60
No. 11—Portland	4,346	4,251	3 67	3.15
No. 12—Los Angeles	11,965	11,006	5 01	4.09

The bulk of acquired properties have been sold against purchase-money mortgages. However, substantial sales on installment contracts are reflected in an increase of real estate "sold on contract" from $141,900,000 at the end of 1938 to $155,200,000, or 3.84 percent of total assets, at the end of 1939.

Cash.—The growth in cash from $157,716,000 to $206,232,000, or 30.7 percent, is all the more remarkable since member associations during the calendar year 1939 repurchased investments of the Treasury and the Home Owners' Loan Corporation in the amount of $8,500,000, and reduced their borrowings by twice that amount. This exemplifies the excess of available funds which developed in spite of the fact that 1939 was the best lending year in nearly a decade. During the past four years, member savings and loan associations have built up their cash reserves from 3.74 percent of total assets (1936) to 5.09 percent of assets (1939).

[1] In some cases, the reduction in real estate owned was due to segregation of assets by which property holdings were placed into special liquidating corporations.

Statement of Operations

For the second year, the Division of Research and Statistics of the Federal Home Loan Bank Board has compiled combined statements of operation for savings and loan members of the Bank System. Since these statements include only those members which submit reports for the calendar year, and in view of the changing composition of membership, operating ratios are more significant than dollar amounts. However, it may be noted in passing that the gross operating income of 3,110 reporting members in 1939 was $182,954,000 as against $163,827,000 reported by 3,094 member associations in 1938, and that the net income after deduction of all charges aggregated $121,575,000 as compared with $105,357,000 the year before.

As to operating ratios, while the changes from 1938 to 1939 were comparatively slight, they were all in a favorable direction (Exhibit 21). Most important is an increase in the ratio of net income to gross operating income from 64.31 to 66.45 percent. Also the distribution of net income varied significantly, inasmuch as a larger proportion of net income was allocated to reserves and undivided profits and a smaller proportion to dividends. In 1938, reporting associations distributed 78.82 percent of total net income to shareholders in the form of dividends and bonuses; in 1939, this was reduced to 75.65 percent. Conversely, allocations to reserves and undivided profits absorbed 24.35 percent of net income in 1939, as against 21.18 percent the year before.

Of the gross operating income in 1939, 85.23 percent was derived from mortgage loans as against 84.25 percent in 1938, while net earnings from real estate contributed only 3.00 percent to gross operating income as compared with 3.44 percent the year before. This is in line with the expansion of the mortgage loan portfolio and the contraction of real-estate holdings during the year. Operating expenses changed only fractionally and remained about 26 percent of gross operating income. Compensation in 1939 absorbed 12.61 percent of gross operating income or approximately one-half of total operating expenses. Advertising expenses were equivalent to 2.12 percent and audit and examination costs to 0.72 percent of gross operating income. Total interest charges on borrowed money were reduced substantially from 9.19 to 7.75 percent of gross operating income, reflecting the smaller volume of borrowings and the lowering of interest rates on such advances.

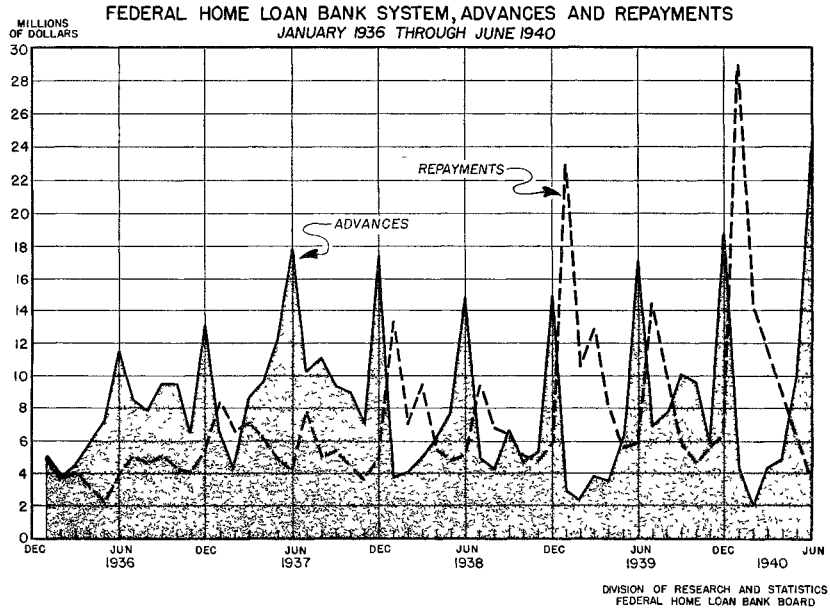
270198—40——6

4. OPERATIONS OF THE FEDERAL HOME LOAN BANKS

Decline of Advances Outstanding

Lending operations of the twelve Federal Home Loan Banks were profoundly affected by the liquidity of member institutions discussed earlier in this report. Each month throughout the fiscal year 1940, the balance of advances outstanding was lower than in the corresponding period of the preceding year. However, this was the result of an unusual volume of repayments rather than of a reduced demand for new advances. Gross advances of the Banks in the fiscal year 1940 were higher than the year before, totaling $108,009,901 as against $76,659,075. At the same time, however, repayments

CHART XXVIII



increased to an all-time high of $119,574,417, as compared with $103,922,449 in the preceding fiscal-year period. The excess of repayments over advances during the reporting period is reflected in the reduction of advances outstanding from $168,961,563 on June 30, 1939, to $157,397,047 on June 30, 1940.

Gross advances of the Federal Home Loan Banks from the beginning of operations through the fiscal year 1940 aggregated $631,033,292 and gross repayments on such advances totaled $473,636,245. A summary of advances, repayments, and balances outstanding from

the inception of the Federal Home Loan Bank System through June 30, 1940, is presented in Exhibit 22.

The decline in advances during the fiscal year 1940 was fairly general throughout the country, with only three of the twelve Federal Home Loan Bank Districts showing a larger balance than the year before. These three were the New York, Winston-Salem, and Portland Banks. The sharpest percent decreases were in the Cincinnati District (25.8 percent) and in the Little Rock District (27.1 percent). Exhibit 23 gives detailed information on the volume of advances outstanding, by Bank Districts.

In line with the declining balance of advances, the number of borrowing members was reduced from 2,385 at the end of the fiscal year 1939, representing 60.4 percent of the membership, to 2,090 on June 30, 1940, representing 53.4 percent of the total number of members. A great number of member institutions were able to repay their advances in full—a process which was facilitated by the general practice of Federal Home Loan Banks to accept repayments, at the convenience of borrowing members, before maturity.

Proportion of borrowing members to total number of members, as of June 30 each year

Federal Home Loan Bank District	1935	1936	1937	1938	1939	1940
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
No. 1—Boston	28.9	40 4	44.0	39.9	32.4	29 9
No 2—New York	54.8	60.3	61.7	63.2	60.5	58.6
No. 3—Pittsburgh	71.0	76.1	80.4	80.8	78.1	72 1
No. 4—Winston-Salem	55.8	61.7	65.7	71.7	56.6	53.8
No. 5—Cincinnati	52.2	55.6	54.8	56.0	46.8	37 8
No. 6—Indianapolis	43.5	54.1	70.5	66.8	59.3	53.5
No. 7—Chicago	73.1	80.5	82.4	81.1	75.3	64.1
No. 8—Des Moines	51.7	60.7	68.7	68.7	65.0	55.0
No. 9—Little Rock	33 1	59 5	62.7	60.1	51.7	41.2
No. 10—Topeka	42.5	63.2	67.5	66.8	58.5	51.7
No. 11—Portland	55.8	60.6	67.2	69.3	53.0	48.1
No. 12—Los Angeles	46.9	61.3	68.2	73.4	71.1	60 5
Total	54.6	63 6	67.3	67.8	60 4	53.4

On July 1, 1940, interest rates charged on Federal Home Loan Bank advances ranged from 1½ to 3 percent on short-term advances and from 2½ to 3 percent on long-term advances, reflecting various reductions made during the fiscal year 1940. On October 12, 1939, the Federal Home Loan Bank Board established a maximum rate of interest of 3 percent per annum on advances to member institutions, effective October 15, including new advances as well as advances outstanding at that date; with the further provision that notes evidencing such advances shall not be written at an interest rate in excess of the rate to be collected.[2] The Federal Home Loan Banks of Boston and

[2] On advances to nonmember mortgagees approved under Title II of the National Housing Act, the rates of interest are not less than ½ of 1 percent nor more than 1 percent higher than the rates of interest charged to member institutions on advances of like character. No such loans were outstanding on June 30, 1940.

New York reduced their interest rates on long-term advances to 2½ percent, and their rates on short-term advances amortized within one year to 1½ percent. The Federal Home Loan Bank of Cincinnati adopted a uniform rate of 2½ percent for all advances. Exhibit 24 shows the interest rates in effect on July 1, 1940.

Shifts in Advances

During the fiscal year 1940, there was a decided shift from long-term to short-term advances, reversing the trend that had prevailed over a number of years. On June 30, 1940, advances for periods up to one year constituted 27.1 percent of all advances outstanding as compared with 20.7 percent on June 30, 1939. This shift has been widespread throughout the country, with 8 Bank Districts showing an increase in both the dollar volume of short-term advances and percent to total advances outstanding. In two additional Districts, Cincinnati and Little Rock, the volume of short-term advances declined, but increased as a percentage of all advances. In only two Districts, Des Moines and Topeka, did short-term advances decline both in volume and ratio to total portfolio.

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
1940	114,732,949	42,664,098	72.9	27.1

The distribution of long-term and short-term advances outstanding in each of the Federal Home Loan Bank Districts is shown in Exhibit 25.

The relative growth in the volume of short-term advances resulted largely from "unsecured" advances which are collateralized only by the investment of the borrower in Federal Home Loan Bank stock. On June 30, 1940, such advances totaled $31,054,548, or 19.7 percent of all advances outstanding, as compared with 13.9 percent the year before. Advances of this type are made on a conservative basis. If unsecured advances are made for a term of more than thirty days, the borrowing association cannot have outstanding liabilities to other

creditors in an amount greater than 5 percent of its net assets. Thus, there is recourse on such advances to a substantial portion of the assets of the debtor institution. Also, any excess collateral which may have been pledged to the Bank as security for long-term advances to the same borrowing member may be utilized, if necessary, to assist in the retirement of an unsecured advance outstanding to such borrower. In no event can unsecured advances be written for a term in excess of one year.

Trend of secured and unsecured advances outstanding, by fiscal-year periods

Date	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
June 30, 1934	85,148,354	82,740,248	97.2	2,408,106	2.8
June 30, 1935	79,232,514	68,045,199	85 9	11,187,315	14.1
June 30, 1936	118,586,838	89,964,281	75.9	28,622,557	24.1
June 30, 1937	167,056,887	130,944,112	78.4	36,112,775	21.6
June 30, 1938	196,224,937	163,386,013	83.3	32,838,924	16.7
June 30, 1939	168,961,563	145,442,668	86.1	23,518,895	13.9
June 30, 1940	157,397,047	126,342,499	80.3	31,054,548	19.7

The $126,342,499 in secured advances outstanding at the end of the fiscal year 1940 was collateralized by 133,054 home mortgages with unpaid balances of $304,724,687, and obligations of the U. S. Government (direct or fully guaranteed) aggregating $1,209,625. In addition, the Banks held as collateral to both secured and unsecured advances a statutory lien on the amounts paid in by borrowers on Federal Home Loan Bank stock, in the total amount of $21,706,900.

A detailed description of the types of advances made by the Federal Home Loan Banks appears in Exhibit 26.

Throughout eight years' operation, none of the twelve Federal Home Loan Banks has sustained any loss on advances. At the end of the reporting period, 2 borrowing member institutions were in voluntary, and 9 members in involuntary liquidation; their indebtedness to the Banks totaled $1,130,495 and was secured by home mortgages valued at $1,441,362 and stock in the Banks aggregating $136,100. Excluding borrowers in liquidation, there were only 3 borrowing members delinquent over thirty days, in the total amount of $118,374. No losses are anticipated on any of the advances outstanding on June 30, 1940.

By Board Resolution of March 4, 1940, the borrowing capacity of member institutions was redefined as the amount for which the member can legally obligate itself or, in the absence of such legal limit, as the equivalent of 50 percent of the member institution's net assets.

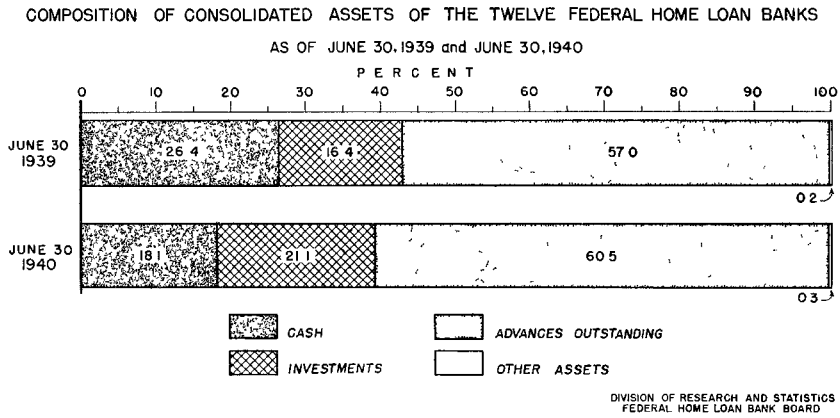
On June 30, 1940, the borrowing capacity of all members was approximately $1,877,000,000. Within the borrowing capacity, a line of credit may be established by the Banks for each member. Lines of credit must be reviewed at least annually, and revised whenever necessary.

Statement of Condition

A statement of condition for the twelve Federal Home Loan Banks as a whole and for each of the Banks separately, as of June 30, 1940, is presented in Exhibit 27.

As already indicated, a high degree of liquidity continued to be the outstanding factor in Federal Home Loan Bank operations during the

CHART XXIX



fiscal year 1940. Although consolidated Federal Home Loan Bank debentures in the amount of $41,500,000 were retired on July 1, 1939, the volume of liquid funds remained in excess of requirements. Cash holdings of the twelve Federal Home Loan Banks on June 30, 1940, totaled $47,109,587 as against $78,205,795 the year before. The latter figure, however, includes $41,500,000 which had been earmarked for the above-mentioned retirement of debentures. Investments, consisting exclusively of United States Government obligations (direct or fully guaranteed), increased from $48,702,247 to $54,856,104 during the year.

At the end of the reporting period, combined cash and investments totaled $101,965,691 and were equal to 39.2 percent of the consolidated assets of the Banks, as compared with 42.8 percent at the close

of the preceding fiscal year. Cash available for advances [3] and securities in excess of legal requirements [4] was $77,583,839.

The securities held by the Federal Home Loan Banks are listed in Exhibit 28. Their book value of $54,856,104 as of June 30, 1940, compares with a par value of $53,688,800 and a market value of $56,569,799. Maturity dates and security yields are indicated in the following table:

Distribution of securities held by the twelve Federal Home Loan Banks, as of June 30, 1939, and June 30, 1940

Maturity	June 30, 1939			June 30, 1940		
	Amount	Percent of total	Average weighted yield [1]	Amount	Percent of total	Average weighted yield [1]
			Percent			*Percent*
Under 1 year	$1,653,000	3.5	1.05	$270,000	0.5	1.10
1 to 5 years	15,311,000	32.1	1.26	21,803,000	40.6	1.17
5 to 10 years	9,954,000	20.9	1.72	13,160,000	24.5	1 97
10 to 15 years	10,327,000	21.7	2.44	12,343,000	23.0	2 55
15 to 20 years	6,114,000	12.8	2.71	2,638,000	4.9	2 45
20 years and over	4,305,000	9.0	2.60	3,475,000	6.5	2 58
Total	47,664,000	100 0	1.91	53,689,000	100 0	1 84

[1] Based on cost to maturity/callable dates

The high degree of liquidity of member institutions caused them not only to reduce their borrowings from the Federal Home Loan Banks, but at the same time to increase their deposits with the Banks. At the close of the fiscal year 1940, member deposits totaled $33,114,867 as compared with $32,191,666 the year before and $19,873,357 on June 30, 1938. The Federal Home Loan Bank Act does not require that members maintain deposits with the Federal Home Loan Banks, nor does it permit the Banks to transact any banking business not specifically authorized in the Act. Nevertheless, member institutions have found the Banks a convenient depositary for excess funds.

Of the total member deposits, $5,012,835 represented demand deposits on which no interest is paid, and $28,102,032 was in interest-bearing time deposits. In view of the declining volume of advances and reductions in interest rates charged on advances, several Banks lowered the rate of interest paid on time deposits, so that the maximum rate at the close of the fiscal year 1940 was 1 percent. The rates paid by each of the twelve Federal Home Loan Banks as of June 30, 1940, are listed in Exhibit 29.

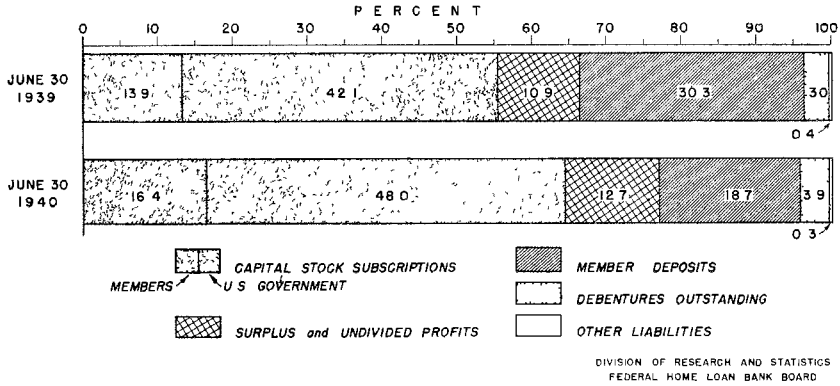
[3] Represents total cash less reserve requirements of 75 percent of members' demand deposits, 25 percent of members' time deposits, total applicants' deposits, and interbank deposits.

[4] Represents the par value of investments owned above the necessary legal reserve of 20 percent of net earnings each six months.

In addition to member deposits, which serve as a means of interlocal equalization of funds within a Bank District, an interregional exchange of funds is provided by interbank deposits from Bank to Bank. From the beginning of operations through June 30, 1940, such interbank deposits (which are unsecured) totaled $79,550,000 and the amount outstanding at the latter date was $2,700,000. Effective December 15, 1939, the interest rate to be paid on interbank deposits was fixed by the Federal Home Loan Bank Board at ½ of 1 percent per year.

CHART XXX

COMPOSITION OF CONSOLIDATED LIABILITIES AND CAPITAL OF THE TWELVE FEDERAL HOME LOAN BANKS AS OF JUNE 30, 1939 and JUNE 30, 1940



Other important changes in the consolidated balance sheet of the twelve Federal Home Loan Banks were a decline in debentures outstanding and an increase in capital stock as well as in surplus and undivided profits. Series E of consolidated Federal Home Loan Bank debentures, in the amount of $41,500,000, was retired at maturity on July 1, 1939, which left only two debenture issues outstanding in the total amount of $48,500,000. They represent the joint and several obligations of all Federal Home Loan Banks. The Banks' participation in these issues is shown in Exhibit 30.

Summary of all consolidated debentures issued by the Federal Home Loan Banks

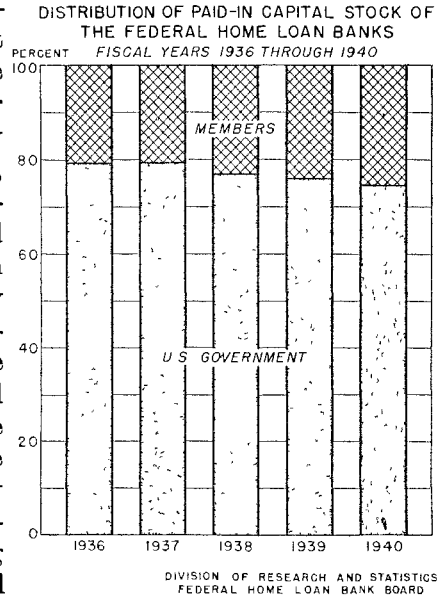
Number of series	Date of issue	Term	Maturity	Amount	Interest rate
		Year			*Percent*
A [1]	Apr. 1, 1937	1	Apr. 1, 1938	$24,700,000	1½
B [1]	July 1, 1937	1	July 1, 1938	28,000,000	1¼
C	Dec. 1, 1937	3	Dec. 1, 1940	25,000,000	2
D	Apr. 1, 1938	5	Apr. 1, 1943	23,500,000	2
E [1]	July 1, 1938	1	July 1, 1939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

[1] Retired at maturity dates.

Despite the decline in the number of member institutions, capital stock subscriptions of members continued to increase, aggregating $42,632,475 on June 30, 1940, as compared with $39,586,175 the year before. Including the $124,741,000 paid in by the U. S. Treasury under the terms of the Federal Home Loan Bank Act,[5] the total paid-in capital stock of the Federal Home Loan Banks aggregated $167,373,475 as of June 30, 1940. Because of increasing member subscriptions, the ratio of paid-in capital stock held by members to the total capital stock has steadily increased.

On a percentage basis, 74.5 percent of the capital stock of the Federal Home Loan Banks was held by the Treasury and 25.5 percent by the member institutions at the close of the fiscal year. The Federal Home Loan Bank Act provides for the gradual retirement of Government stock when the amount subscribed by member institutions exceeds that held by the Treasury. It is necessary, however, to maintain the combined capital stock, public and private, in substantial amount in order to provide a sufficiently large base for debentures now outstanding and those which may be issued in the future. Successful operation of the Federal Home Loan Bank System as a reserve institution depends on its ability to meet demands of member institutions for advances during periods of emergency. A sound capital structure must be maintained at all times if the Bank System is not to be handicapped in fulfilling this responsibility.

CHART XXXI



Under the provisions of the Federal Home Loan Bank Act, each member must hold stock in its Regional Bank in an amount not less than 1 percent of the unpaid principal of its home-mortgage portfolio,

[5] 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.

but not less than $500. Each borrowing member must own stock of the Regional Bank in an amount equal to at least one-twelfth of its outstanding indebtedness to the Bank. Although outstanding advances to members declined, the amount of Federal Home Loan Bank stock held by the average member institution rose from $10,038 to $10,896 during the reporting period.

By an act of Congress, Public No. 664, 76th Congress, approved June 25, 1940, the Reconstruction Finance Corporation was authorized to purchase from the Treasury its subscription to the capital stock of the Federal Home Loan Banks. This authorization is in accord with the plan, outlined in the President's Budget Message for the Fiscal Year 1941, of recapturing approximately $700,000,000 from the capital funds of various Government agencies. The legislation does not contemplate any change in the capital structure of the Federal Home Loan Banks except for the transfer of stock to the Reconstruction Finance Corporation.

The combined capital structure of the twelve Federal Home Loan Banks is summarized in the following table:

Changes in capital structure of the twelve Federal Home Loan Banks

	June 30, 1939	June 30, 1940
Total stock subscriptions:		
Members	$39,609,100	$42,647,900
United States Government	124,741,000	124,741,000
Payments received on stock subscriptions:		
Members	39,586,175	42,632,475
United States Government	124,741,000	124,741,000
Balance due on above stock subscriptions:		
Members	22,925	15,425
United States Government		

From July 1, 1939, to June 30, 1940, the twelve Federal Home Loan Banks increased their surplus and undivided profits by $1,462,595, bringing the total amount of surplus and undivided profits at the end of the reporting period to $10,264,036. Thus, within eight years of operation, close to $11,000,000 has been set aside from earnings to strengthen the Banks' capital structure. On June 30, 1940, surplus and undivided profits were equal to 6.1 percent of the paid-in capital stock.

Due to the retirement of debentures, total resources of the Federal Home Loan Banks were reduced during the past fiscal year from $296,629,853 to $260,067,459. On June 30, 1940, current assets were 270 percent of current liabilities.

Income and Expenses

The Federal Home Loan Banks experienced a rather substantial decline in income during the reporting period. The consolidated gross income dropped from $7,274,390 in the fiscal year 1939 to $5,715,959. This was occasioned by a reduction of interest earnings on advances, attendant upon the lower volume of advances outstanding and lower interest rates charged, and by a decline in nonoperating income. Charges to income were somewhat reduced from $2,740,149 to $2,479,232, chiefly through lower interest expense on outstanding debentures. Since operating expenses of the Banks are more or less independent of fluctuations in the volume of advances, they could not be lowered in the same measure that gross income declined. As a result, net income declined from $4,534,241 in the preceding fiscal year to $3,236,727 in the reporting period.

In an evaluation of the expenses of the Banks, cognizance must be taken of the extent of services performed by the Banks, described in the following sections of this report. These services enhance the usefulness of the Bank System to home finance and thrift and are part of the public responsibility vested in the System.

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

	Fiscal year 1939	Fiscal year 1940
Income:		
Interest earned on advances	$5,669,103	$4,561,889
Interest earned on investments	891,301	956,533
Interest earned on deposits in commercial banks		570
Nonoperating income	713,986	196,967
Gross income	7,274,390	5,715,959
Less—Charges:		
Compensation, travel, and other administrative expenses	922,523	927,106
Interest on deposits	250,276	247,393
Interest on debentures	1,120,292	938,750
Assessments for expenses of Federal Home Loan Bank Board	300,000	300,000
Other expenses	83,168	49,358
Nonoperating charges	63,890	16,625
Total deductions	2,740,149	2,479,232
Net income	4,534,241	3,236,727

Exhibit 31 gives a detailed statement of profit and loss in the fiscal year 1940, for each of the twelve Banks.

Four of the twelve Federal Home Loan Banks reduced their dividend rates during the fiscal year 1940. Consequently, the annual dividend rate on the average capital stock of the twelve Federal Home Loan Banks for the fiscal year 1940 was 1.07 percent as compared with 1.36 percent in the preceding year, and total dividend payments were $1,774,132 as against $2,201,926 the year before. Exhibit 32

shows the dividend rates declared by each Bank for the fiscal year 1940 and cumulative amounts paid from the beginning of operations to June 30, 1940.

The conservative financial policies of the Banks are indicated by the fact that despite reduced net earnings, allocations to reserves and undivided profits were $815,250 in excess of the reserve requirements of the Federal Home Loan Bank Act.

Distribution of net income of the Federal Home Loan Banks, fiscal years 1939 and 1940

	Fiscal year 1939	Fiscal year 1940
Allocation to reserves:		
To legal reserves	$906,848	$647,345
To reserve for contingencies	473,656	419,093
Total to reserves	1,380,504	1,066,438
Dividends paid:		
United States Government	1 664,559	1,334,190
Members	537,367	439,942
Total dividends paid	2,201,926	1,774,132
Balance to undivided profits	951,811	396,157
Total net income (consolidated)	4,534,241	3,236,727

An analysis of the surplus and undivided profits of the Federal Home Loan Banks, individually and collectively, as of June 30, 1940, is given in Exhibit 33.

In addition to administering the Federal Home Loan Bank System, the Federal Home Loan Bank Board serves as Board of Directors of the Home Owners' Loan Corporation and as Board of Trustees of the Federal Savings and Loan Insurance Corporation. Accordingly, the Board derives its operating funds 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. Expenses of the Examining Division of the Board, which represent the greater portion of the Board's operating budget, are reimbursed by the institutions examined.

In the fiscal year 1940, receipts of the Federal Home Loan Bank Board totaled $1,396,788 and disbursements aggregated $1,282,542 as compared with $1,070,599 and $1,124,650, respectively, the year before. Including a cash balance of $238,425 carried over from the preceding year, the balance as of June 30, 1940, amounted to $352,671. Exhibit 34 presents a tabulation showing in detail the administrative receipts and disbursements of the Board for the last two fiscal years.

The personnel of the Federal Home Loan Bank Board totaled 396 at the close of the fiscal year 1940. Of this total, 241 employees

represented the staff of the Examining Division. Exhibit 35 gives a summary of personnel by departments, as of June 30, 1939, and June 30, 1940.

Administration of the Bank System

In the administration of the Federal Home Loan Bank System, emphasis is placed on the maintenance of an equilibrium between centralization and decentralization. Under the direction of the Federal Home Loan Bank Board, the Governor of the Federal Home Loan Bank System is responsible for the administration and supervision of the twelve Banks.

In the determination of its policies, the Federal Home Loan Bank Board is assisted by an advisory body in which each of the twelve Bank Districts is represented to assure a close contact between the operations in the field and the central administration in Washington. This organization was created by the Federal Home Loan Bank Act and is known as the Federal Savings and Loan Advisory Council.

The Council, which 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, held two meetings during the reporting period. At these meetings, the Advisory Council centered its attention on a number of subjects of primary importance to the successful operation of the Bank System, among which were the following: organization of supervisory activities by the Board and the officers of the Banks, earnings of the Banks in the face of declining advances, interest rates on advances, retirement of Treasury and HOLC investments in shares of member institutions, deposits of member institutions in the Banks, questions arising from the proposed recapture of capital funds from Government corporations, and the Federal Home Building Service Plan. The Council also endorsed proposed legislative amendments to the Federal Home Loan Bank Act. Its recommendations were of value in the evolution of rules and regulations governing the operations of the Banks and their member institutions. A list of the members of the Council as of June 30, 1940, is attached as Exhibit 36.

The Bank Presidents' Conference, which is composed of the executive heads of the twelve Banks, met twice during the year. The Conference, established by Board Resolution, meets regularly in Washington to advise and confer with the Governor of the Federal Home Loan Bank System on various administrative and supervisory problems. Among the subjects discussed at the meetings this year were costs of supervision, supervisory duties of Bank officers, annual reports of Federal savings and loan associations, advertising policies and public relations of member institutions, interest rates on Bank

advances, mortgage interest and dividend rates, retirement of Treasury and HOLC investments in member associations, issuance of new debentures, and national and State legislation.

A balance between centralization and decentralization is also accomplished by an arrangement under which the officers of the twelve Federal Home Loan Banks act as agents of the Federal Home Loan Bank Board in various matters under the jurisdiction of the Board. This arrangement makes it possible to give recognition to local conditions while preserving reasonable uniformity of standards, and helps to simplify and make more efficient the work of the Board. The officers of the Banks receive, consider, and submit recommendations on applications for charters for Federal savings and loan associations, for insurance of accounts by the Federal Savings and Loan Insurance Corporation, for investments by the Home Owners' Loan Corporation in member associations, and on other applications requiring specific approval by the Board. As agents of the Board, the officers of the Banks also have the responsibility of supervising the institutions in their Districts which are insured by the Federal Savings and Loan Insurance Corporation. These institutions submit to them for their consideration all such matters as budgets, applications for approval of amendments to charters or bylaws, petitions for permission to establish branch offices, applications for approval of the purchase of assets or of consolidations, mergers, or dissolutions, and similar matters which must be approved by the Federal Home Loan Bank Board under the statutes and rules and regulations of the Board. The officers of each Bank supervise the bonding of directors, officers, and employees of institutions insured by the Federal Savings and Loan Insurance Corporation as required by the statutes, bylaws, and rules and regulations governing such institutions. Upon receiving a report on the supervisory examination of an insured institution, the President of each Bank makes a careful study of such report and transmits a copy thereof to the institution examined accompanied, if necessary, by a supervisory letter based on the facts disclosed in the examination report.

Each of the Federal Home Loan Banks is administered by 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. Effective June 23, 1939, the Board issued new rules and regulations for the election of directors. The election procedure was modeled along the lines of the preferential ballot system used suc-

cessfully by the Federal Reserve Banks for the past twenty-five years. The advantages of this procedure were well demonstrated in the 1939 election in that the secrecy of each ballot prevailed, material reductions were made in election costs, and the period formerly required to conduct the election was reduced by more than one month.

Examination and Supervision

Each Federal Home Loan Bank is examined semiannually by the Federal Home Loan Bank Board. Member institutions are required to file an annual report with the Federal Home Loan Bank of which they are members. The report, together with an analysis prepared by the Board's Examining Division, serves the requirements of the Banks as well as those of the Governor of the Federal Home Loan Bank System.

The Federal Home Loan Bank Board examines and supervises all Federal savings and loan associations, and, in cooperation with State authorities, State-chartered associations which are insured by the Federal Savings and Loan Insurance Corporation. It also examines such noninsured member institutions of the Bank System as are not subject to State examination. On June 30, 1940, there were 2,235 insured thrift- and home-financing institutions under the direct supervision of the Board.

In the early period of operation, examinations were conducted by the twelve Federal Home Loan Banks. Late in 1934, however, an Examining Division was established under the Board, with the Chief Examiner in Washington and a District Examiner in each of the Federal Home Loan Bank Districts. This arrangement has served to assure uniformity of examination standards as far as practicable and to give sufficient emphasis to local conditions.

When the Federal Home Loan Bank Board commenced operations, Federal examination of thrift- and home-financing institutions was an innovation. State supervisory authorities had developed a great variety of examining procedures and practices; examination-report forms and the standards of examination differed from State to State. In the formulation of its examining procedures, the Federal Home Loan Bank Board has attempted to combine and improve the best practices developed by State authorities. A standard examination-report form was prepared and later revised through the collaboration of representatives of the National Association of Building and Loan Supervisors, the Accounting Division of the U. S. Savings and Loan League, and the Federal Home Loan Bank Board. This standard form is now used by the Bank Board and by nearly half the States.

As a result of cost reductions made effective in the fiscal year 1939 and of simplifications in the examination report form, there has been a material decline in average examination charges. Comparing the calendar year 1939 with 1938, the average decline approximated 15 percent.

Soon after the beginning of operations, the Federal Home Loan Bank Board determined that the functions of examination and supervision should be entirely separated. Accordingly, the responsibility for supervision has been vested in the Governor of the Federal Home Loan Bank System and the officers of the Federal Home Loan Banks who act as the Board's agents for this purpose. Separation of examining and supervisory functions assures to examiners a greater measure of independence as fact-finders, and to supervising officials a more detached consideration of information and circumstances revealed by the examinations. Supervisory action is taken only after independent study of the facts as related to the statutes, to the rules and regulations established by the Board, and to general standards and practices in the industry. By delegating immediate supervisory functions to the officers of the Federal Home Loan Banks, supervision has been made responsive to varying conditions in the different sections of the country.

In the discharge of its supervisory authority, the Board is guided by the principle that every institution should be so operated that due regard is given to the public interest. Supervision of financial institutions of all types is now commonly accepted, because of the heavy responsibilities assumed in managing the funds of millions of private individuals. The protection of the interests of private individuals who entrust their savings to financial institutions has logically devolved upon the State and Federal governments.

This responsibility of the Board does not imply participation in the management of local home-financing institutions. The day-to-day operation of savings and loan associations is properly the concern of local directors and managing officers. The function of the Federal Home Loan Bank Board is rather to establish basic standards of operation to which all insured associations must conform.

The rules, regulations, and standards which have been adopted by the Board are the product of careful study and investigation. They are intended to be specific objective standards which will protect the interests of the public without imposing undue restrictions on legitimate activities of local management.

Although the supervisory activities of the Board are primarily directed toward the compliance by all institutions with the statutes and regulations, the Board has an additional positive interest in developing and maintaining the soundest and most economical practices among

individual institutions. The informal influence of the Board, in encouraging the type of operation which in its considered judgment will assure successful administration of the institutions as well as a maximum service to investors and borrowers, is an important aspect of the Board's supervisory activities. In this same connection, the Board recognizes that no institution will prove more successful than the capability of its management. The establishment of full-time qualified executive management is therefore encouraged in all institutions where warranted by size, budget, and community needs. Wherever possible to do so, the Board attempts to take preventive supervisory measures before proceeding to corrective action. If difficulties can be forestalled in this manner, all interested parties, the association, its borrowers and investors, and the Board, profit thereby.

The limits to the results which can be expected from the supervisory activities of the Board should be noted. Supervisory standards, no matter how well drawn, cannot insure permanent successful operation of individual institutions. Such standards cannot, for example, remove home-financing institutions from the effects of real estate and economic trends. In the last analysis, the success or failure of supervision must be measured in terms of the degree of competence with which the savings and loan industry meets the thrift and home-financing needs of the country.

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 1940:

	Number
Supervisory examinations	408
Supervisory examinations and audits	1, 572
Miscellaneous examinations	101
Examinations and analyses of applications for membership, insurance, conversion, and HOLC investments	683
Other services [1]	459
Total	3, 223

[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.

Federal Home Building Service Plan

The Federal Home Building Service Plan, inaugurated by the Federal Home Loan Bank Board in 1936, has been further developed during the reporting period. While it is contemplated ultimately to extend the Plan to all sections of the country, field activities were confined to six trial areas for intensive development during the fiscal year 1940. Within the six areas, certain cities have been selected as primary and secondary points for promotion of the Plan in the 1940 building

270198—40——7

season. Local operation of the Plan in communities outside of these areas has been, and will continue to be, served by the Bank Board's Home Building Service Section in Washington.

The Federal Home Building Service Plan offers the member institutions of the Bank System and other mortgage lenders a "quality" program operating to insure better planning, design, and construction for new homes financed by such institutions. While designed to safeguard home seekers of modest income, in a field where protective architectural and technical service had been lacking in the past, the Plan is calculated to strengthen the value of collateral behind the mortgage loan, and to provide financial institutions with a proper merchandising technique for loans on new construction. Essentially, its services are a means of reducing the risks—both to borrower and lender—involved in loans on new houses.

The Federal Home Building Service Plan provides mortgage lenders with a program through which they may offer prospective home owners good small-house plans, as well as technical services at minimum cost. The facilities included in the Plan range from advice and guidance in the selection of proper and suitable design, plan, and building site, to the qualification and selection of contractors, the awarding of contracts, and the supervision of construction. The homes erected under the Plan obtain a "Certificate of Registration" attesting that they have been built according to proper standards, thus supplying the product with a much-needed identification of "quality."

The Plan is sponsored jointly by the Federal Home Loan Bank Board, the American Institute of Architects, and the Producers' Council representing the largest materials manufacturers. A number of associations in the building trades such as the National Lumber Manufacturers Association, the National Adequate Wiring Bureau, and the Portland Cement Association have endorsed the Plan and assist in its promotion. However, the Plan is operated in each community by local organizations comprising the various elements of the building industry—mortgage-lending institutions, architects, builders and contractors, and material dealers. Institutions which desire to operate the Plan may use the material and assistance provided under the Plan to develop their own home building service and adapt it to their individual requirements and to local conditions.

As of June 30, 1940, there were 312 home-financing institutions which had been approved to offer the services of the Federal Home Building Service Plan, and 489 architects had been qualified. At the same time, the number of home designs approved under the Plan reached 925.

III

Federal Savings and Loan Associations[1]

PLACE OF FEDERAL ASSOCIATIONS IN THE HOME-FINANCING INDUSTRY

THE progress of Federal savings and loan associations during the fiscal year 1940 continued at a rapid pace. Private investments in the 1,429 [2] associations operating under Federal charter on June 30, 1940, totaled $1,268,000,000 as against approximately $991,000,000 for the 1,386 associations operating the year before. During the reporting period, these private local institutions, chartered and supervised by the Federal Home Loan Bank Board, made new mortgage loans in the amount of $457,816,000, an increase of 37 percent over the preceding fiscal-year period. At the same time, they repurchased investments of the U. S. Treasury and the Home Owners' Loan Corporation to the extent of $21,523,600. Despite such repayments and vastly increased lending operations, they were able to strengthen their cash position as well as their reserves.

After seven years of operation of Federal savings and loan associations, it appears appropriate to survey the place that this national system of home-financing institutions occupies within the savings and loan industry as a whole. At the end of the calendar year 1939, the combined assets of Federal associations represented 26 percent of all savings and loan assets in the United States. However, these institutions accounted for not less than 42 percent of the volume of new mortgage loans made by all savings and loan associations during the fiscal year 1940, and their mortgage holdings were equivalent to 32 percent of the total mortgage portfolio of all savings and loan associations.

[1] Federal savings and loan associations are chartered by the Federal Home Loan Bank Board pursuant to the provisions of Section 5 of the Home Owners' Loan Act of 1933. They are locally owned and managed, and can be said to serve the home mortgage credit field in much the same way that national banks serve the commercial credit structure of the country.

[2] One association is omitted from all statistical figures throughout this section because it had not fully completed organization prior to June 30, 1940. The difference between the 1,429 Federal savings and loan associations reported as chartered and the 1,421 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.

Federal savings and loan associations, operating on a uniform basis and offering simple, progressive lending and savings plans, benefit all sections of the country. Nearly 2,900 counties, or 94 percent of all counties in the United States, fall either wholly or in part within the fifty-mile lending radius or service area of these institutions. Measured in terms of assets, the West, the South, and the Middle West (with the exception of the Chicago area) show a much higher proportion of Federal associations to all savings and loan associations than the Northeast. This is due in part to the organization of new Federal associations in the sections of the country which had inadequate home-financing facilities before 1933—one of the objectives of the Act authorizing the establishment of Federal savings and loan associations.

The following table shows the combined assets of Federal savings and loan associations, by Federal Home Loan Bank Districts, as compared with the estimated assets of all operating savings and loan associations, for December 31, 1939, the latest date for which complete information is available:

Assets of Federal savings and loan associations compared with total assets of all operating savings and loan associations, by Federal Home Loan Bank Districts, as of December 31, 1939

Federal Home Loan Bank District	Assets of Federal associations	Proportion to total operating savings and loan associations
United States	$1,576,155,000	28.5
No. 1—Boston	124,761,000	20.0
No. 2—New York	167,598,000	17.3
No. 3—Pittsburgh	73,428,000	14.1
No. 4—Winston-Salem	176,420,000	35.3
No. 5—Cincinnati	291,293,000	30.1
No. 6—Indianapolis	129,567,000	46.9
No. 7—Chicago	128,693,000	24.8
No. 8—Des Moines	104,811,000	40.1
No. 9—Little Rock	79,731,000	36.4
No. 10—Topeka	101,159,000	43.0
No. 11—Portland	78,258,000	51.2
No. 12—Los Angeles	120,436,000	41.8

In relation to total assets of the savings and loan industry, Federal associations lead in the Portland Federal Home Loan Bank District where they hold over one-half of all savings and loan assets. The Indianapolis Federal Home Loan Bank District shows the second highest proportion of Federal savings and loan associations to all associations, and the Topeka Federal Home Loan Bank District ranks third in this respect. In each of these three Districts and in the Los Angeles and the Des Moines Districts, the combined assets of Federal associations account for more than 40 percent of the total assets of all

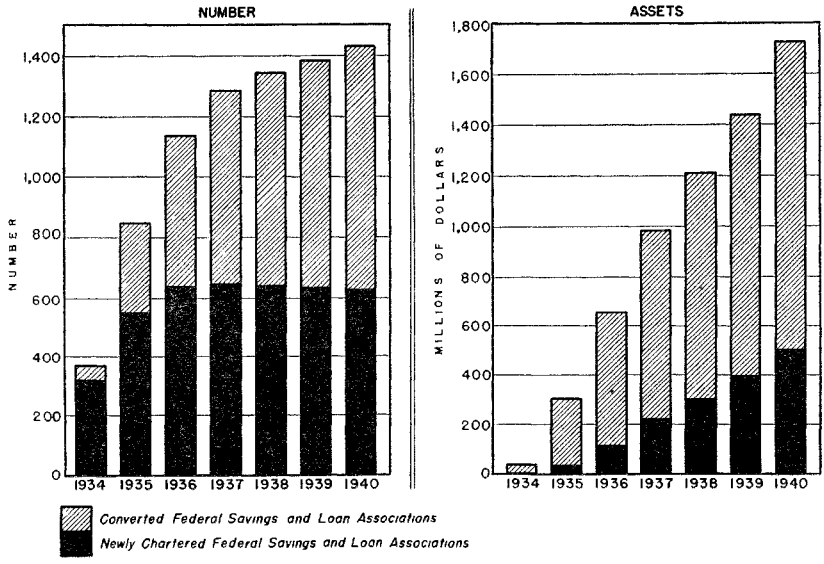
operating savings and loan associations. In the Boston, New York, and Pittsburgh Federal Home Loan Bank Districts they represent 20 percent or less of the total savings and loan assets. In dollar volume of assets, however, Federal associations are highest in the Cincinnati, Winston-Salem, and New York Districts.

GROWTH IN NUMBER AND ASSETS

During the reporting period, a net increase of 43 associations chartered by the Federal Home Loan Bank Board brought the total number of Federal savings and loan associations to 1,429 as of June 30, 1940. At the latter date, the combined assets of Federal associations totaled $1,728,865,000 as compared with $1,442,069,000 on June 30, 1939. The growth in assets during 1940 was 19.9 percent as against 18.8 percent the year before.

CHART XXXII

NUMBER AND ASSETS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The net addition of 43 associations during the fiscal year 1940 was the result of 64 new charters issued and of 21 cancellations of existing charters. Of the new charters, 62 were for conversion of State-chartered associations to Federal charter, and only 2 for newly organized institutions.

As was pointed out in previous reports, the program for the establishment of Federal savings and loan associations, begun in 1933,

served two purposes: (1) to organize new Federal savings and loan associations in communities where sound thrift and home mortgage lending facilities were unavailable or inadequate; and (2) to develop under Federal charter a system of home-financing institutions that would combine the best standards and practices evolved in the long history of savings and loan associations. Except for isolated cases, the first part of this program has more or less come to a close; it has resulted in the organization of 633 new associations operating as of June 30, 1940, with combined assets of $506,588,000.

Changes in number of Federal savings and loan associations, fiscal year 1940

Type of association	Number of associations June 30, 1939	New charters issued	Charters cancelled	Number of associations June 30, 1940
New associations	636	2	5	633
Converted associations	750	62	16	796
Total	1,386	64	21	1,429

Of the 21 cancellations during the reporting period, 18 were occasioned by merger with other Federal associations, two were due to voluntary dissolution, and one charter was withdrawn because the association failed to complete organization. Thus, the majority of cancellations were caused by mergers within the Federal system of savings and loan associations and involved no reduction in assets.

From the beginning of operations, the Federal Home Loan Bank Board has received 770 applications to charter newly organized Federal savings and loan associations, of which 137 were rejected, withdrawn, and cancelled, leaving 633 charters outstanding on June 30, 1940. Of the 1,279 applications for conversion from State to Federal charter registered from the beginning of operations, 386 were rejected, withdrawn, and cancelled, and 97 were on file awaiting final disposition, leaving 796 charters outstanding.

The conversion of existing associations from State to Federal charter is still progressing. During the last fiscal year, conversions were concentrated in the States of Pennsylvania (30), Wisconsin (9), and New Jersey (5). Federal charters were issued in New Jersey for the first time this year. Federal associations are now operating in each of the 48 States, the District of Columbia, Alaska, and Hawaii.

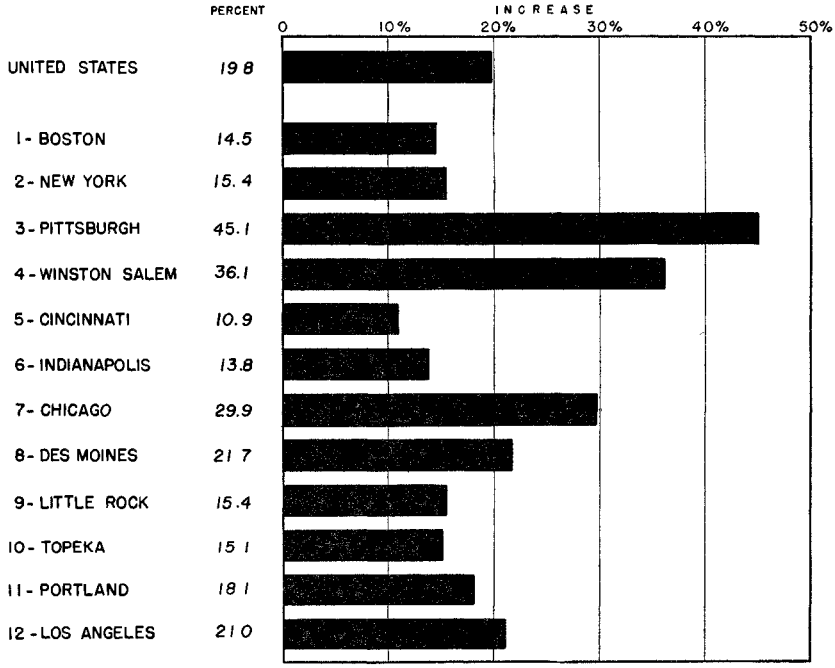
The largest gains in assets of Federal savings and loan associations during the fiscal year 1940 were in the Pittsburgh, Winston-Salem, and Chicago Districts. All Districts show an excellent trend, however, and even Cincinnati, the District with the smallest increase, registered a gain of 10.9 percent.

Exhibit 37 lists the number and assets of Federal savings and loan associations, classified by new and converted associations, for each of the fiscal-year periods from 1934 to 1940, and Exhibit 38 shows the number, assets, and mortgage loans outstanding of Federal associations, by Federal Home Loan Bank Districts and by States.

CHART XXXIII

PERCENT GROWTH IN ASSETS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS BY FEDERAL HOME LOAN BANK DISTRICTS

FISCAL YEAR 1940



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The growth of Federal savings and loan associations is reflected in the increasing number of institutions in the higher asset brackets. At the end of the fiscal year 1938, slightly over 23 percent of all Federal associations were in the asset group of $1,000,000 and more. On June 30, 1940, approximately 32 percent of the associations were in that asset bracket. At the other end of the scale, the proportion of institutions with assets of less than $250,000 has decreased from 40 to 25 percent. Medium-sized associations, with assets from $250,000 to $1,000,000, constituted 42 percent of all Federal associations in 1940 as against 36 percent in 1938.

Distribution of Federal savings and loan associations, by size groups

Asset size group	June 30, 1938		June 30, 1939		June 30, 1940	
	Number	Percent	Number	Percent	Number	Percent
All associations	1,346	100	1,386	100	1,429	100
Less than $100,000	219	16	146	10	89	6
$100,000 to $250,000	320	24	308	22	275	19
$250,000 to $500,000	241	18	284	21	309	22
$500,000 to $1,000,000	250	19	264	19	296	21
$1,000,000 to $2,500,000	218	16	260	19	300	21
$2,500,000 and over	98	7	124	9	160	11

The following table shows the distribution of Federal savings and loan associations by size of community:

Distribution of Federal savings and loan associations, by size of community, June 30, 1940

Population group	Institutions		Assets		
	Number	Percent of total	Amount	Percent of total	Average size
Less than 2,500	143	10.0	$74,761,000	4.3	$523,000
2,500 to 5,000	218	15.2	71,189,000	4.1	327,000
5,000 to 10,000	229	16.0	126,950,000	7.4	554,000
10,000 to 25,000	238	16.7	201,081,000	11.6	845,000
25,000 to 50,000	129	9.0	164,000,000	9.5	1,271,000
50,000 to 100,000	104	7.3	189,642,000	11.0	1,823,000
100,000 to 250,000	93	6.5	261,631,000	15.1	2,813,000
250,000 to 500,000	91	6.4	264,977,000	15.3	2,912,000
500,000 to 1,000,000	80	5.6	125,594,000	7.3	1,570,000
Over 1,000,000	104	7.3	249,040,000	14.4	2,395,000
United States total	1,429	100.0	1,728,865,000	100.0	1,210,000

For the United States as a whole, there is some preponderance in the number of associations in the smaller communities. Approximately 58 percent of all Federal savings and loan associations are located in cities of 25,000 or less. However, because of the lower average size of institutions in these localities, 72.6 percent of total assets of all Federal savings and loan associations are found in communities of 25,000 and over. From the standpoint of both number and average size, Federal associations are well distributed among the various size communities.

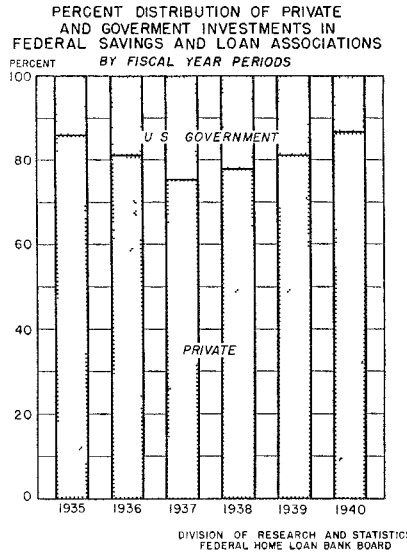
PRIVATE CAPITAL DISPLACES GOVERNMENT INVESTMENTS

The principal measure of the success of Federal savings and loan associations is the continuous rapid growth of private investments in these institutions. During the fiscal year 1940, the number of individual private investors increased to 1,562,079 from 1,299,915,

or by 20 percent, and investments by private shareholders at the end of the fiscal year totaled $1,268,048,000 as against $990,872,000 the year before—a growth by 28 percent. At the same time, investments by the U. S. Treasury and the Home Owners' Loan Corporation were reduced to $197,267,900 from $217,025,500. As a result of these divergent trends, Government investments constituted only 13 percent of total investments in Federal associations as compared with 18 percent the year before.

The following index figures, based on a comparable group of Federal savings and loan associations operating from 1935, through 1940, indicate that during this five-year period, private investments have more than doubled. In the fiscal year 1940, the increase over the preceding year was 24 percent.

CHART XXXIV



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

[Average month 1936=100]

Date	Private repurchasable capital	Percent increase over preceding year
June 30, 1935	91	
June 30, 1936	100	10
June 30, 1937	114	14
June 30, 1938	133	17
June 30, 1939	165	24
June 30, 1940	205	24

[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 39 gives a summary of the number of private investors and the volume of private investments in Federal savings and loan associations, by Federal Home Loan Bank Districts and by States, for the past two fiscal years.

The reduction in Treasury and HOLC investments was brought about primarily by voluntary repurchases of such investments by the associations. Retirement of Treasury investments during the fiscal

year 1940 totaled $9,854,600, and repurchases of HOLC investments, $11,669,000, for an aggregate amount of $21,523,600. Of this amount, only $671,800, representing investments of the U. S. Treasury, was called by the Federal Home Loan Bank Board in accordance with Section 5 (j) of the Home Owners' Loan Act, while $20,851,800 reflected voluntary repurchases approved by the Federal Home Loan Bank Board.

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

Investing agency	1936	1937	1938	1939	1940
U. S. Treasury	$77,000	$1,116,300	$1,497,300	$5,308,300	[1] $15,162,900
Home Owners' Loan Corporation		12,000	231,000	1,490,000	13,159,000
Total	77,000	1,128,300	1,728,300	6,798,300	28,321,900

[1] Of this amount, $671,800 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.

Cumulatively from the fiscal year 1936, when the first repurchases were registered, Federal savings and loan associations have retired Treasury investments in the amount of $15,162,900 and HOLC investments to the extent of $13,159,000, for a total of $28,321,900. As the above table indicates, the bulk of repurchases were in the fiscal year 1940, when they were more than three times the aggregate volume of all retirements in the four preceding years.

Treasury and HOLC investments in Federal savings and loan associations

Investing agency	Investments outstanding June 30, 1939	Additional investments fiscal year 1940	Repurchases fiscal year 1940	Investments outstanding June 30, 1940
U. S. Treasury	$43,991,700		[1] $9,854,600	$34,137,100
Home Owners' Loan Corporation	173,033,800	[2] $1,766,000	11,669,000	163,130,800
Total	217,025,500	1,766,000	21,523,600	197,267,900

[1] Of this amount, $671,800 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.
[2] Only $295,000 was actually invested in Federal savings and loan associations by the Home Owners' Loan Corporation. The remaining $1,471,000 represents an increase in investments outstanding at the end of the year as a result of the conversion to Federal charter of State associations which had already received HOLC investments.

A summary of investments by the U. S. Treasury and the Home Owners' Loan Corporation in Federal savings and loan associations, by Federal Home Loan Bank Districts and by States, as of June 30, 1939, and June 30, 1940, is attached as Exhibit 40. Further information on Government investments and repurchases is given on pages 62–66.

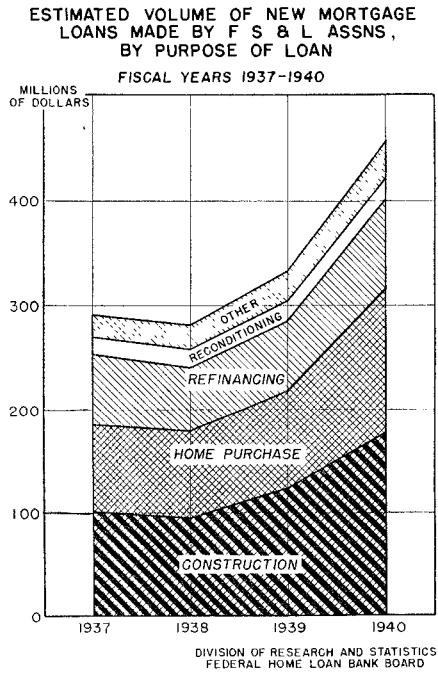
Dividends distributed by Federal savings and loan associations for the calendar year 1939 totaled $40,759,506, of which $33,432,287 went to private shareholders, $1,438,561 to the U. S. Treasury, and $5,888,658 to the Home Owners' Loan Corporation.

INCREASED LENDING ACTIVITY

The large increase in private capital permitted Federal savings and loan associations again to expand their lending activity by considerable amounts. The estimated volume of new mortgage loans made by all Federal savings and loan associations in the fiscal year 1940 was $457,816,000 as against $333,959,000 in the preceding year.

Of the total amount loaned by Federal savings and loan associations during the reporting period, $179,141,000 was for new construction. Over the last five years, the proportion of construction loans to the total loan volume has steadily increased from 29 to 39 percent, while the proportion of refinancing loans declined from 34 to 19 percent. These trends toward growing importance of construction loans and declining importance of refinancing loans were common to all classes of home-financing institutions, as pointed out in an earlier section of this report (pages 32–35). However, they appear magnified in the data for Federal savings and loan associations.

CHART XXXV



In reality, the volume of refinancing in prior years was even greater than the foregoing figures indicate. Federal savings and loan associations make loans on the direct-reduction plan, and many borrowers converted their share-account sinking-fund loans to this basis when it became available. None of this recasting, if no change in mortgagee was involved, is reflected in the above figures.

Distribution of loans originated by Federal savings and loan associations, by purpose of loan, fiscal-year periods

Purpose of loan	Amounts in millions of dollars					Percent distribution				
	1936	1937	1938	1939	1940	1936	1937	1938	1939	1940
Construction	$48,167	$100,698	$95,046	$123,870	$179,141	29.1	34.5	33.7	37.0	39.1
Home purchase	36,610	84,446	84,519	95,161	138,548	22.1	28.9	30.0	28.5	30.3
Refinancing	56,837	68,730	61,083	67,444	85,320	34.4	23.5	21.7	20.2	18.6
Reconditioning	7,314	16,795	17,588	18,542	20,669	4.4	5.8	6.2	5.6	4.5
Other	16,434	21,317	23,615	28,942	34,138	10.0	7.3	8.4	8.7	7.5
Total	165,362	291,986	281,851	333,959	457,816	100.0	100.0	100.0	100.0	100.0

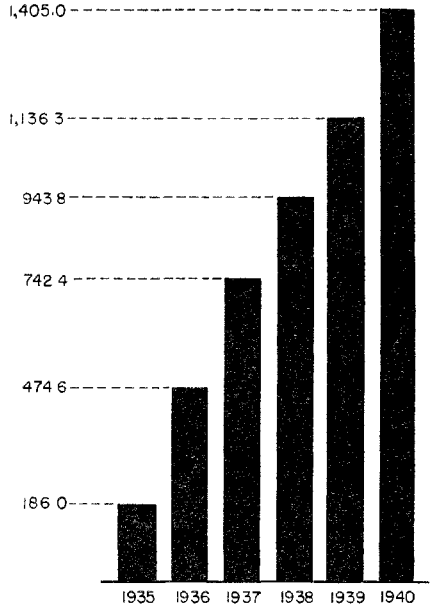
A summary of loans made by reporting Federal savings and loan associations during the year ended June 30, 1940, classified by purpose of loan, by Federal Home Loan Bank Districts and by States, is given in Exhibit 41.

CHART XXXVI [1]

GROWTH OF THE MORTGAGE PORTFOLIO OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FISCAL YEAR PERIODS 1935 THROUGH 1940

(MILLIONS OF DOLLARS)



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Because of the substantial mortgage holdings of Federal savings and loan associations, principal repayments on existing loans have an increasing tendency to offset the dollar volume of new loans made. For this reason, the balance of loans outstanding, although growing rapidly in recent years, does not fully reflect the increase in lending activity.

STATEMENT OF CONDITION AND OPERATIONS

A combined statement of condition for all operating Federal savings and loan associations as of December 31, 1939, is presented in Exhibits 19 and 20. The principal changes outlined in the preceding pages are reflected in an increase in private repurchasable capital from 65.9 percent of total resources at the end of 1938 to 70.8 percent at the close of 1939, in a decline in Treasury and HOLC investments from 16.6 to 13.2 percent, and in a growth of first-mortgage holdings from 79.8 to

[1] For actual figures, see Exhibit 42.

81.5 percent of total assets. The ratio of real estate owned to total assets fell from 7.5 to 5.7 percent, while the cash ratio increased from 4.9 to 5.6 percent.

To eliminate the effect of associations which were newly chartered or which merged during the year, selected balance-sheet items for a group of 1,344 identical Federal savings and loan associations, separated by new and converted associations, are summarized in Exhibit 43. As would be expected, the status of the newly organized, comparatively young associations varies significantly from that of the converted older associations. The newly organized associations experienced a greater proportional growth than the converted associations as to assets, private investments, and mortgage holdings. Property holdings of both types of associations were reduced, converted institutions showing the largest percentage decline. However, the ratio of real estate to total assets in new Federal associations is much lower than in the case of converted institutions. Reserves and undivided profits were accumulated by the new associations at a greater rate than by the converted institutions. On the other hand, the aggregate volume of reserves and undivided profits was proportionately less in new associations owing to the shorter period of operation.

The consolidated statement of operations for the calendar year 1939, attached as Exhibit 44, reflects the effect of increased lending activity on income. Gross operating income of the 1,384 Federal savings and loan associations operating during the calendar year 1939 was $78,255,000 as compared with $66,666,000 for 1,355 reporting associations the year before. Operating expenses were $22,242,000, or 28.4 percent of total gross operating income, which was a slight reduction from the ratio of 28.6 percent for the preceding year. Net income (after interest and nonoperating items) totaled $53,319,000 as compared with $44,351,000 reported the year before. Of this net income, 23.8 percent was allocated to reserves and undivided profits and 76.2 percent was distributed in dividends to shareholders. In 1938, these ratios had been 22.1 and 77.9 percent, respectively. Thus, an increasing proportion of net income was used by Federal savings and loan associations to strengthen their reserve position.

The aggregate expenditure for compensation during the year 1939 was $10,405,000, or 13.3 percent of gross operating income. Advertising, the second largest item of expense, amounted to $2,358,000, or 3 percent of gross operating income. The average expenditure for advertising per association was $1,704 as compared with $1,540 for

the preceding year.[3] While all of the important expense items were higher in dollar amounts than the year before, their ratios to gross operating income show little change.

Since operating ratios vary considerably according to the size of association, an analysis of such ratios grouped as to size of association is presented in Exhibit 45. These data may prove useful to local managers in evaluating and comparing operations with those of a number of associations of comparable size.

Dividend rates paid by Federal savings and loan associations continued the downward trend observed over a number of years. For the calendar year 1939, the average annual dividend rate (weighted by the amount of invested capital) was 3.39 percent as compared with 3.49 percent for the calendar year 1938 and 3.69 percent in 1935. From 1938 to 1939, all of the twelve Federal Home Loan Bank Districts showed reductions in average dividend rates. Of the 46 States in which Federal associations operated throughout the two-year period, 36 indicated lower rates and 9 unchanged rates, and only one State reported slightly increased dividends. The lowering of dividend rates was thus fairly general throughout the country. The wide range of dividend rates is indicated by the average of 2.58 percent for the State of New York, on the one hand, and the average of 4.08 percent for North Carolina, on the other. Exhibit 46 shows the average annual dividend rates paid by Federal savings and loan associations, by Federal Home Loan Bank Districts and by States, for the calendar years 1938 and 1939.

LEGISLATION

At the beginning of the fiscal year, 42 States and one Territory had laws specifically permitting conversion of locally chartered member associations of the Federal Home Loan Bank System into Federal savings and loan associations. During the year, the State of Missouri has been added to this list.

By virtue of a provision of the Social Security Act Amendments of 1939, approved August 10, 1939, Federal savings and loan associations are now subject to the Federal Social Security taxes.

[3] For details concerning the business promotion expenditures of savings and loan associations, see Federal Home Loan Bank Review, April, May and June 1940.

IV

Federal Savings and Loan Insurance Corporation

SUMMARY

THE Federal Savings and Loan Insurance Corporation's sixth year of operaton was marked by continuing progress. The number of individual investors in insured savings and loan associations increased from 2,236,000 to 2,591,600, and the amount of private capital invested in such associations rose from $1,657,859,000 to $2,019,808,000. Insured institutions made new mortgage loans of $662,689,000 during the fiscal year 1940—an increase of 41 percent over the preceding year.

This growth in the volume of savings entrusted to insured associations and in the volume of money loaned by them to finance home ownership testifies to the value of Federal insurance of accounts. Title IV of the National Housing Act, by which the Federal Savings and Loan Insurance Corporation was created, had two basic objectives; to safeguard small savings in order to restore and maintain public confidence in thrift and home-financing institutions, and to facilitate recovery of home mortgage lending by reviving the flow of private money into savings and loan associations. The degree to which these objectives have been attained is apparent from the few data given above and will be more evident from the following pages.

From the beginning of operations through June 30, 1940, only 16 associations have encountered serious difficulties necessitating corrective action by the Corporation. Compared with a total of 2,235 insured associations on June 30, 1940, this is not a substantial figure. In 12 of these cases, the Corporation made cash contributions to restore the impaired capital of insured associations, in the aggregate amount of $917,198.94 (after deduction of recoveries to June 30, 1940). With the assistance and cooperation of the Corporation, one association was enabled to continue normal operations without the payment of a contribution by the Corporation. Three insured institutions were placed in default with the Corporation acting as receiver for two and the Superintendent of Building and Loan Associations of the State of Ohio in charge of the third. Insured shareholders in two of these institutions were issued new share accounts amounting

to $192,260.73 in other insured associations prior to the close of the fiscal year. The ultimate net loss to the Corporation in these cases cannot be determined until final liquidation of the associations' assets has been completed, inasmuch as the Corporation will share in any recovery.

During the fiscal year 1940, resources of the Corporation increased from $119,400,262 to $124,917,101. The balance sheet as of the end of the reporting period showed $23,620,811 in surplus and reserves in addition to the Corporation's capital stock of $100,000,000. There was an increase of $5,337,467 in the surplus and reserve accounts during the fiscal year.

Further progress was made in the execution of community rehabilitation programs developed jointly by the Insurance Corporation and State supervisory authorities. Such programs, which include as the final step the insurance of eligible associations by the Corporation, promise an effective aid in solving the problems confronting the home-financing industry in many areas where the savings and loan structure has been weakened by adverse local conditions.

EXTENSION OF INSURANCE PROTECTION

During the fiscal year 1940, the number of insured savings and loan associations increased from 2,170 to 2,235. Of the latter number, 1,421 [1] are Federal savings and loan associations, which are required by law to qualify for insurance of accounts, and 814 are State-chartered savings and loan associations, which are eligible for insurance upon application and approval by the Corporation.

During the fiscal year, 84 associations received insurance certificates. At the same time, insurance certificates were cancelled for 14 associations which merged with other insured institutions, and for 5 associations which went into liquidation. On June 30, 1940, there were 205 applications for insurance pending.

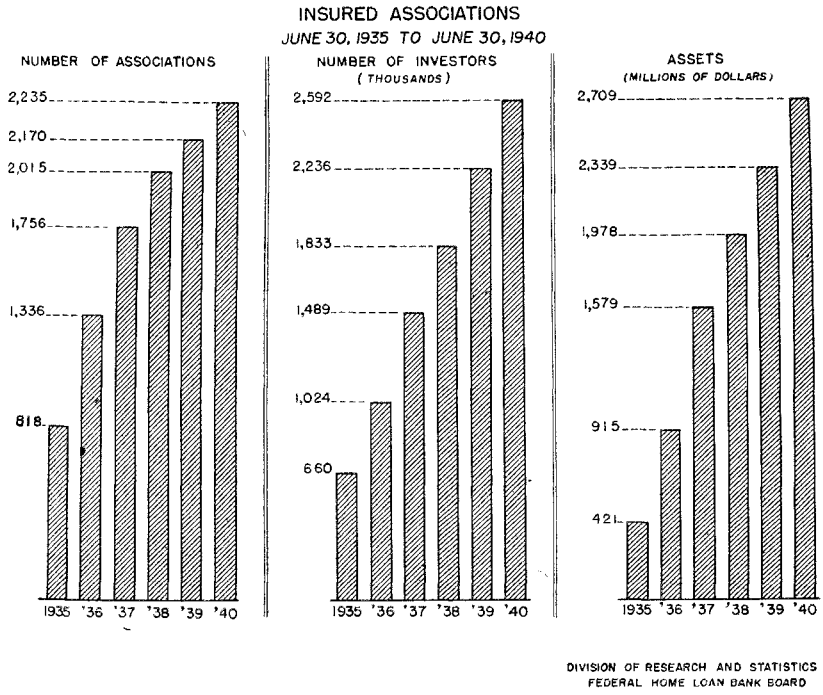
Changes in number of insured associations, fiscal year 1940

Type of association	Associations insured June 30, 1939	New insurance certificates issued	Insurance certificates canceled	Conversions to Federal charter	Associations insured June 30, 1940
Federal savings and loan associations	1,383	20	10	+28	1,421
State-chartered savings and loan associations	787	64	9	−28	814
Total	2,170	84	19		2,235

[1] The difference between the 1,421 Federal savings and loan associations reported as insured and the 1,429 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.

Whereas the number of insured associations increased by only 3 percent, the combined assets of all insured institutions grew from $2,339,411,000 to $2,708,529,000, or 16 percent. Likewise, private capital invested in insured associations rose from $1,657,859,000 to $2,019,808,000, or 22 percent. This rapid growth indicates the continuous progress of those institutions insured in previous years which are benefiting from the cumulative effects of insurance. Only to a lesser extent does it reflect the net addition of 65 insured institutions during the year.

CHART XXXVII



On June 30, 1940, individual investors in insured associations numbered 2,591,600 as against 2,236,000 the year before. This demonstrates the increasingly widespread appreciation of insurance by small savers. On June 30, 1940, the average account per private investor in insured savings and loan associations was $779, and 98 percent of all accounts were $5,000 or less—that is, within the maximum amount protected by the Insurance Corporation for each individual investor.

Exhibit 47 shows the number and assets of insured associations and the number of private investors holding repurchasable shares in these

associations as of June 30, 1940, by Federal Home Loan Bank Districts and by States.

The insurance protection afforded by the Federal Savings and Loan Insurance Corporation now covers a larger portion of the savings and loan industry than at any previous time. On June 30, 1940, approximately 58 percent of the total number of member savings and loan associations of the Federal Home Loan Bank System were insured, and they held 64 percent of the aggregate assets of all members (as against approximately 59 percent the year before). The extension of insurance to an ever-growing sector of the savings and loan industry is illustrated in the chart on the opposite page.

Exhibit 48 presents a comparison of savings and loan associations insured by the Corporation with the member associations of the Federal Home Loan Bank System, by Federal Home Loan Bank Districts and by States, as of June 30, 1940. On that date, 23 States, Alaska, and Hawaii showed more than 75 percent of all savings and loan members insured by the Corporation, and the assets of insured institutions represented more than three-fourths of total member assets in 28 States. In 15 States, insured institutions held from 90 to 100 percent of the assets of member institutions. Only 4 insured associations were not members of the Federal Home Loan Bank System on June 30, 1940.

OPERATIONS OF INSURED ASSOCIATIONS

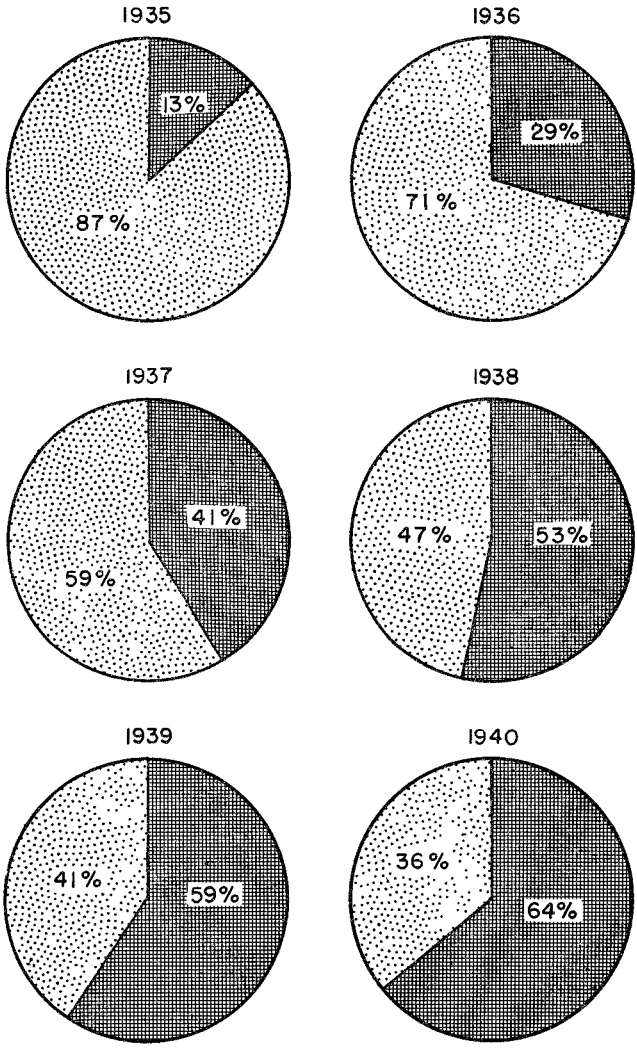
Insured savings and loan associations continued to attract substantial amounts of private capital. At the same time, they were actively making home-mortgage loans. During the fiscal year 1940, insured institutions, including Federal savings and loan associations as well as State-chartered associations, wrote new mortgage loans in the estimated amount of $662,689,000. This was equivalent to 74 percent of all loans made by member savings and loan associations of the Federal Home Loan Bank System and to 61 percent of the total lending volume of all savings and loan associations in the country.

The progress of insured associations is illustrated in the chart on page 106, showing the trend of "entering assets" and "present assets" of institutions insured by the Federal Savings and Loan Insurance Corporation, from the beginning of operations to June 30, 1940. The dotted line on the chart represents the assets of associations on the date 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 assets of all 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.

CHART XXXVIII

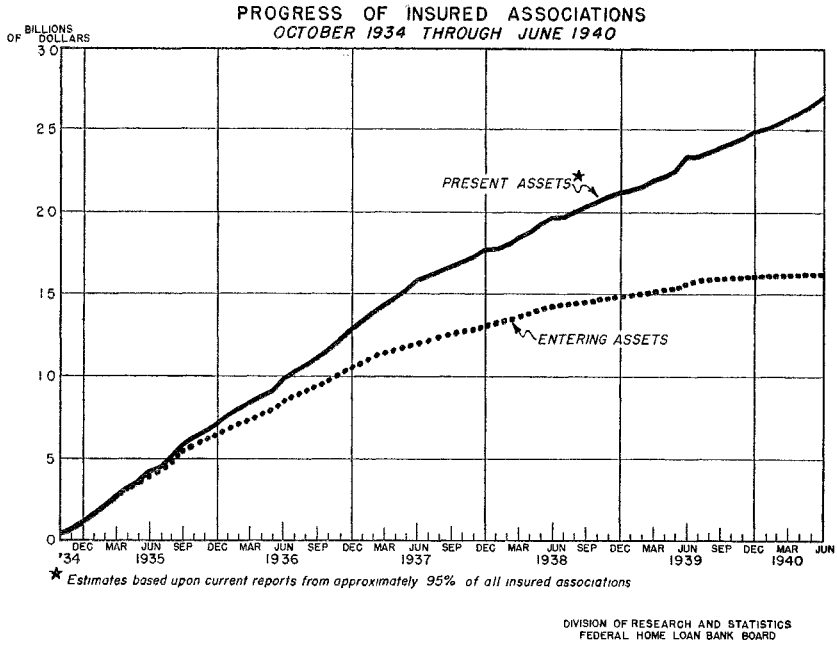
PERCENT DISTRIBUTION OF ASSETS OF INSURED AND NONINSURED MEMBER ASSOCIATIONS OF THE FEDERAL HOME LOAN BANK SYSTEM

1935 THROUGH 1940, AS OF JUNE 30



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

CHART XXXIX



To trace the development of insured associations more accurately, the pertinent balance-sheet items of an identical group of 2,061 institutions have been compiled as of June 30, 1940, compared with June 30, 1939. The combined assets of this group of associations represented approximately 93 percent of the total assets of all insured savings and loan associations at the end of the reporting period.

In the fiscal year 1940, these associations, all of which had been insured prior to June 30, 1939, added $299,364,000 to their private capital—a net increase of 19 percent. During the same period, the number of investors increased by 219,900. At the same time, they were able to reduce investments previously made by the U. S. Treasury and the Home Owners' Loan Corporation by $22,185,000, or 9 percent.[2] Their holdings of first mortgages increased by $295,968,000, or 18 percent, during the year, while real estate owned declined $33,806,000, or 19 percent. Cash and Government obligations expanded by $22,487,000, or 16 percent. Thus, the assets of these institutions have shown a substantial improvement in quality, since real estate—one of the slowest types of assets—is being replaced by liquid funds

[2] For further information on the retirement of such investments, see pp. 62-66.

or new loans secured by home mortgages. In addition, $12,018,000 was added to reserves and undivided profits, bringing the total of these items to $141,135,000. Reserves and undivided profits are now equivalent to 6 percent of the aggregate assets and to 95 percent of the total real estate owned by the associations.

Progress of an identical group of 2,061 insured associations, fiscal year 1940

[Amounts in thousands of dollars]

Item	June 30, 1939	June 30, 1940	Change in dollar volume	Percentage change
Total assets	$2,221,741	$2,512,969	+$291,228	+13.1
First mortgages held	1,687,450	1,983,418	+295,968	+17.5
Real estate owned	182,375	148,569	−33,806	−18.5
Cash and Government obligations	144,688	167,175	+22,487	+15.5
Private repurchasable capital	1,578,953	1,878,317	+299,364	+19.0
Government investment	245,198	223,013	−22,185	−9.0
Reserves and undivided profits	129,117	141,135	+12,018	+9.3
Private investors	2,136,094	2,428,017	+291,923	+13.7

One of the beneficial effects of insurance of accounts in home-financing institutions has been an increasing flow of investments from trust funds, fiduciaries, and endowments into these institutions. As funds from these sources are mostly of a long-term character, their investment in home-financing institutions is particularly suitable, and insurance is viewed as an added safeguard for the security of such investment. The administrators of smaller funds of this type normally are not equipped to make direct loans on the security of home mortgages and in many cases prefer indirect lending through protected investments in insured savings and loan associations. An increasing number of States are adding insured share accounts to the list of legal investments for trust funds.[3]

COMMUNITY PROGRAMS

During the fiscal year 1940, the Corporation continued to participate in the development of community-wide programs designed to bring about comprehensive rehabilitation of the savings and loan industry in certain localities where general weaknesses in the savings and loan structure have been apparent. Conditions pointing to the need for such a community-wide approach most frequently are the outgrowth either of a long-continued downward trend in economic conditions, the overdevelopment of local home-financing institutions in the predepression era, the prevalence in the past of unsound lending and operating policies, or a combination of these and other factors. Whatever the causes, the most common symptom of general weakness is the presence of an excessive volume of owned real estate and other slow

[3] For further information, see p. 120.

assets, coupled with inability to meet the normal withdrawal demands of shareholders.

Preceded by a broad survey of local economic conditions, community programs have two principal advantages as against insurance of individual institutions without a general plan of rehabilitation for all associations in problem areas. First, these programs provide a much more favorable opportunity to develop a well-balanced pattern of associations suited to the needs of the community from the standpoint of number, location, and size. Second, the prospects for successful operation and development of each individual insured association are far better if insurance is predicated upon a comprehensive plan envisaging an adequate number of strong, conveniently located, and well-managed institutions, and the elimination of subnormally operating institutions. For these reasons, and as a matter of general policy, the Corporation rarely approves individual applications for insurance in localities where there is a need for community-wide rehabilitation of the home-financing industry. In such localities, the degree of insurance risk assumed by the Corporation is measured not only by the financial condition of individual associations, but by the prospects for successful operation in the light of general economic and community conditions. Therefore, the Corporation, in cooperation with State authorities, seeks to develop a program involving merger, reorganization, or liquidation of all subnormally operating associations, with the ultimate objective of providing the community with a sufficient number of sound, normally operating institutions commensurate with local thrift and home-financing needs. Insurance applications are then considered in relation to the program as a whole.

These community programs, it should be emphasized, are primarily under the direction and control of State supervisory authorities. While it participates actively in the formulation and execution of the plan of reconstruction, the function of the Federal Savings and Loan Insurance Corporation basically is that of lending the full weight of its assistance to local supervisory authorities in their efforts to correct unsound community situations. In problem areas particularly, Federal insurance of accounts has become a major element in any attempt to place savings and loan associations in sound condition. Insurance of accounts tends to inspire the public confidence necessary to successful rehabilitation.

One of the largest single programs thus far undertaken is that for the city of Chicago. At the inception of the program, in 1937, there were in this area some 256 savings and loan associations, with aggregate resources of approximately $105,000,000. A substantial proportion of these were small border-line institutions. By June 30, 1940,

a total of 94 associations had been insured by the Corporation. Their assets on June 30, 1940, aggregated $108,418,000. A substantial portion of these assets represented growth subsequent to insurance of accounts. It is expected that at the conclusion of the program, associations that were too small or too weak to continue in operation will have been eliminated by merger or liquidation.

During the fiscal year, the Banking Department of the State of Wisconsin, in cooperation with the Federal Savings and Loan Insurance Corporation, further developed a far-reaching program of rehabilitation for all savings and loan associations in the metropolitan area of Milwaukee. At the beginning of the program, institutionally owned residential real estate in this city amounted to over $55,000,000, of which approximately 85 percent was held by local savings and loan associations. The 96 savings and loan associations in operation far exceeded any reasonable estimate of the need for such institutions. With the exception of 17 associations previously insured by the Corporation, only a few of these institutions were operating normally with respect to the payment of withdrawals and many were in serious financial condition due to excessive holdings of real estate and other slow assets. On June 30, 1940, the Insurance Corporation had insured a total of 49 institutions, with assets of $56,646,000. It is contemplated that at the conclusion of the program there will remain in Milwaukee about 60 associations, all operating normally and, with few exceptions, insured by the Federal Savings and Loan Insurance Corporation. The other associations in operation at the beginning of the program either will have been merged with other institutions or will have been placed in liquidation.

In the State of New Jersey, through June 30, 1940, some 15 separate community programs have been developed by the State authorities in collaboration with the Federal Home Loan Bank of New York and formally approved by the Federal Savings and Loan Insurance Corporation. One of these programs has already been carried through to completion. In addition, preliminary surveys, which it is anticipated will lead to the eventual adoption of formal programs, have been conducted in many other communities throughout the State. Coincidentally, with the reorganization program in New Jersey, the State Department of Banking and Insurance has taken possession of a substantial number of subnormal associations. At the end of June 1940, a total of 73 associations, with assets of $66,283,000, had been insured under the State-wide rehabilitation program in New Jersey. Capital reorganization was required in 23 of these cases.

Another community-wide rehabilitation program was inaugurated for Altoona, Pennsylvania, after extended negotiations between the

State supervisory authorities, officers of the Federal Home Loan Bank of Pittsburgh, officials of the Federal Savings and Loan Insurance Corporation, and representatives of local savings and loan associations. Here again an excessive number of savings and loan associations were struggling for existence. Most of these institutions were in serious financial condition and in no position to meet satisfactorily the thrift- and home-financing requirements of their community. It is anticipated that of the 38 savings and loan associations included in the program, now well under way, there will emerge 5 sound and normally operating institutions.

In any discussion of these community programs, two significant developments are worthy of special mention. These are the Milwaukee Properties Bureau and the New Orleans Central Appraisal Bureau. One represents a new and highly successful method of marketing institutionally owned real estate, the other an equally successful plan for providing uniformly sound real-estate appraisals as a basis for mortgage lending. The success of their respective operations points to the desirability of establishing similar facilities in other localities. It may well be that in the future appraisal and sales functions can be combined effectively in a single organization. A brief description of the operation of these bureaus is given in Exhibit 49.

RESULTS OF REORGANIZATION CASES

The assistance rendered by the Corporation in cases where it becomes necessary for a savings and loan association to undergo a reorganization of capital structure was described at some length in the Board's Seventh Annual Report. Insurance of accounts has proved to be a factor of primary importance in restoring public confidence and support wherever reorganizations have been undertaken. Occasionally an association will proceed to reorganize and then apply for insurance on the basis of its improved condition. Much more frequently, associations which recognize their condition to be unsound will file applications for insurance in the expectation that the Corporation will suggest means of capital adjustment designed to make them eligible for insurance.

By far the most common form of reorganization is the process of segregation in which all good assets are transferred to a newly organized association. This method is usually applicable in cases where an association has an excessive proportion of real estate owned, delinquent mortgages, and other unsatisfactory assets. In such a reorganization, the shareholder usually receives a substantial percentage of his original investment in the form of insured shares issued by the new association. The balance of his investment is represented by certificates of

interest in the liquidation of the unacceptable assets. In addition, the Corporation has also been instrumental in bringing about successful reorganizations by means of either a straight write-down of shares in order to remove an indicated impairment of capital, or by a pledge and escrow of a portion of an association's shares in order to provide a secondary recoverable reserve until such time as the association's permanent reserves have been built up to a sound level.

Through June 30, 1940, insurance certificates had been issued to 318 associations following reorganization. Excluding 32 institutions which subsequently merged into other associations, the resources of reorganized institutions on June 30, 1940, totaled $362,891,000 as against $230,457,000 immediately following reorganization and insurance, a growth of approximately 57.5 percent. Almost without exception, these institutions have become valuable assets to their communities, providing a sound protected investment channel for savers and a substantial source of funds for borrowers on home mortgages. The following table gives a survey of all reorganization cases through June 30, 1940:

Reorganizations with subsequent insurance of accounts

Method of reorganization [1]	Number of associations [2]	Assets when insured	Assets June 30, 1940 [3]	Percent increase [3]
Segregation of assets	176	$132,393,000	$197,536,000	49.2
Write-down of capital	51	53,593,000	88,384,000	64 9
Pledge and escrow of shares	69	68,682.000	95,987,000	39.7
Total	296	254,668,000	381,907,000	49 9

[1] For details, see Seventh Annual Report of the Federal Home Loan Bank Board, pages 117-121.
[2] Excludes 13 associations which subsequently merged with other institutions.
[3] Growth, although primarily the result of normal expansion, has been influenced by bulk purchases of assets, HOLC share investments, and Federal Home Loan Bank advances.

EXAMINATION AND SUPERVISION

Through the use of annual examinations and audits of each insured association, the Federal Savings and Loan Insurance Corporation exercises close supervision over insured institutions in order to protect its own interests as well as those of the insured investors. Supervision includes constant study of the progress of each insured institution by an analysis of monthly reports and by personal contacts through the Office of the Governor of the Federal Home Loan Bank System and the officers of the twelve Federal Home Loan Banks who act as agents of the Insurance Corporation in their respective Districts. Supervision also extends to controlling the fulfilment of agreements with associations to which the Corporation has made contributions in order to remove an impairment of capital and to prevent default.

Examinations of Federal savings and loan associations are conducted for the supervisory officials and the Insurance Corporation by the Examining Division of the Federal Home Loan Bank Board. For State-chartered insured associations, duplication of examining work has been minimized by conducting joint examinations with the State authorities supervising such associations. The State examiners accept that part of the examination made by the Board's examiners and the Board's examiners accept that part conducted by the State examiners. This arrangement reduces the cost of duplicate examination and is desirable from the standpoint of convenience to the State-chartered associations. The saving to the institutions is largest in those States in which examination charges are based upon per diem or actual cost rather than on flat fees; this is the case in about half the States.

Joint examinations are now made in 30 States and in the Territory of Hawaii. This covers approximately the whole area where joint examinations are necessary and feasible. In eleven States there are no State-chartered insured associations. In four States there are fewer than five such associations, and it is questionable whether joint examinations of the generally small institutions in these States could be made efficiently and economically. In one State there is no State examining department. In the District of Columbia, examinations by the Comptroller of the Currency are accepted by the Insurance Corporation although several associations in the District have requested examinations conducted jointly by the Bank Board and the Comptroller of the Currency. Hence, joint examination procedure has been set up in all but two of the 32 States and Territories where it is practicable to conduct examinations on this basis.

SETTLEMENTS

In the fiscal year 1940, the Federal Savings and Loan Insurance Corporation assisted five insured institutions by cash contributions. In one case referred to the Corporation during the year, study of all facts revealed that financial assistance by the Corporation was unnecessary. This brought the total number of closed settlements requiring financial help from the Corporation to 12 since the beginning of operations. In all these cases, the Corporation has acted under the authority given by Section 406 (f) of the National Housing Act as amended.[4] In addition, the Corporation fulfilled its guarantee to

[4] 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.

investors in two insured associations, under the terms of Section 405 (b) of the National Housing Act as amended.[5] Final settlement of two other pending cases had not been completed as of June 30, 1940.

After receipt of cash aid from the Corporation, three associations liquidated voluntarily, paying all insured investors immediately. Six associations continued operation under new management, and three associations, after restoration of their capital by the Corporation, were merged with other insured institutions in the community.

Cash assistance to insured associations during the fiscal year 1940 totaled $544,471.73, while recoveries during the year aggregated $13,354.87. Cash assistance in all completed settlements from the beginning of operations to June 30, 1940, totaled $935,306.55. During the same period, recoveries were received in the amount of $18,107.61.

There follows a brief description of the five cases requiring financial help during the fiscal year 1940:

Due to the unwarranted confidence of directors of a Federal savings and loan association in a north central State, the manager of this association was allowed to pursue unsound practices in the disbursement of funds to borrowers for construction loans, which, together with a generally inefficient organization, resulted in a capital impairment of the association. In accordance with the Corporation's requirements, a new president and secretary-treasurer were elected and the board of directors was augmented by the election of new directors. The Corporation, in cooperation with the new management, proceeded to remove the causes of the association's impaired condition. The Corporation made a contribution of $26,418.29 and entered into an agreement with the association whereby that portion of the contribution ultimately not required to absorb losses on specific assets is subject to return to the Corporation; provided, however, that the cost of liquidating these assets by the association will be borne by the Corporation up to an additional amount not exceeding $6,385.

A similar settlement was made in the case of a large converted Federal savings and loan association in a middle western State. The difficulties of the association were due to inefficient operation, particularly in the property-management field, on the part of the former manager, who deferred the liquidation of a too large amount of owned real estate. It was found that withdrawals had not been dealt with properly and had caused ill will and a decline in private capital. Generally poor economic conditions in this area and a rapid decline in real-estate values also contributed to the association's condition. Examination of the association revealed a substantial impairment. The Corporation made an immediate contribution of $395,266.93 to remove the capital impairment, and entered into an agreement

[5] In the event of a default by any insured institution the Corporation shall promptly determine the insured members thereof and the amount of their insured accounts, and shall make available to each of them, after notice by mail at his last-known address as shown by the books of the insured institution, and upon surrender and transfer to the Corporation of his insured account, either (1) a new insured account in an insured institution not in default, in an amount equal to the insured account so transferred, or (2) at the option of the insured member, the amount of his account which is insured under this section, as follows: Not to exceed 10 per centum in cash, and 50 per centum of the remainder within one year and the balance within three years from the date of such default, in negotiable non-interest-bearing debentures of the Corporation. The Corporation shall furnish to all insured institutions a certificate stating that the insurance of accounts in such institution is to be paid in the manner described in this subsection.

with the association providing that the Corporation would be reimbursed that portion of the contribution found to be in excess of requirements in the liquidation of certain specified and evaluated items, and also providing that the cost of liquidating these assets by the association will be borne by the Corporation up to an additional amount not exceeding $204,148.10. Subsequently, a payment of $10,000 on the authorized additional contribution was made.

Appraisals of real estate owned by a State-chartered association in a north central State reflected an impairment of capital. Examination of the association's condition revealed that its difficulties were caused by the inefficiency of the former management, a substantial decline in private capital, and the failure of the board of directors to approve the liquidation of a rapidly increasing volume of owned real estate. In cooperation with the State supervisory authorities, a plan of merger with a nearby Federal savings and loan association was developed. Upon determination by the Corporation that a cash contribution was more desirable and less expensive than liquidation, a contribution of $25,000 was made, the association converted to Federal charter, and the proposed merger was effected.

Inefficient and dishonest operation of a large converted Federal savings and loan association in a northeastern State resulted in overvaluation of real estate and misappropriation of a substantial sum of money with losses exceeding fidelity bond coverage, causing the association's capital to become impaired. Following an examination and audit of the association, the association's directors obtained the resignation of the two former officials and secured the services of a capable managing officer. The Corporation thereupon made a contribution of $44,533.20 in order that the association might continue in a sound and solvent condition. It was arranged that the portion of the contribution ultimately not required to absorb losses is to be returned to the Corporation. The cost of liquidating these assets of the association will be borne by the Corporation up to an additional amount not exceeding $18,594.

A converted Federal savings and loan association in a central State was found to have made a large amount of multiple loans in speculative developments; the association's appraisals were found to be unreliable, and money had been disbursed without regard to the progress of construction. Excessive additional disbursements to complete construction made the final principal amount of the loans exceed the value of the security. Complications arising from this state of affairs placed the association in a serious financial condition. As it was desirable for many reasons that this association continue operation and in order to save the greater expense of liquidation, the Corporation made a contribution of $43,253.31 to remove the capital impairment.

OPERATION OF INSURED INSTITUTIONS IN DEFAULT

The Federal Savings and Loan Insurance Corporation is directed by Section 406 (e) of the National Housing Act as amended [6] to make an annual report to Congress on its operation of defaulted insured institutions.

[6] The Corporation shall make an annual report to the Congress of the operation by it of insured institutions in default, and shall keep a complete record of the administration by it of the assets of such insured institutions which shall be subject to inspection by any officer of any such insured institution or by any other interested party, and, if any such insured institution is operated under the laws of any State, Territory, or possession of the United States, or of the District of Columbia, such annual report shall also be filed with the public authority which has jurisdiction over the insured institution.

During the fiscal year 1940, the Corporation undertook the first two settlements occasioned by the default of insured associations which were closed for liquidation by supervisory authorities. In both cases, the Corporation made available to investors in the associations the optional methods of settlement, which consist of either (1) a new account in another insured association equal to his insured investment (up to $5,000) in the institution in default, or (2) the full insured amount of his account—10 percent in cash, 45 percent in debentures payable within one year, and 45 percent in debentures payable within three years from the date of default. In both cases, the insured shareholders thus far contacted chose settlement in the form of new accounts in other insured savings and loan associations. As of June 30, 1940, over 99 percent of the shareholders had been given new accounts in the amount of $192,260.73. The extent of any loss to the Corporation will, of course, depend on the amount realized in the liquidation of assets. A report on these two cases follows:

The Security Federal Savings and Loan Association of Guymon, Guymon, Oklahoma, an institution with assets of $227,000, located in the heart of the "dust bowl," experienced a downward trend for several years, during which period economic conditions in the community had grown steadily worse due to continued crop failures and the subsequent moving of many inhabitants from the areas in which the association operated. On February 12, 1940, the Federal Home Loan Bank Board appointed the Federal Savings and Loan Insurance Corporation receiver for the institution and on March 29, 1940, directed the Corporation to proceed with liquidation.

The Corporation immediately took possession of the assets of the institution, stationing its agent in the community to supervise their disposal. Liquidation is proceeding as rapidly as possible under the unfavorable economic conditions, and every effort is being made by the agent and the Corporation to minimize the final loss. Comparative statements of condition and of operations as of February 12 and June 30, 1940, are shown in Exhibits 50 and 51.

After determining the insured investors and the amount of their insured accounts, the Corporation requested the investors to appear at the office of the institution during the week of April 15, 1940, to accept, at their option, either an insured account in another insured association, or 10 percent of their insured investment in cash immediately and the remainder in negotiable noninterest-bearing debentures of the Corporation due within one and three years from the date of default.

All investors to date have chosen new insured accounts, and have been issued such accounts by another insured association in the State of Oklahoma, whose officers cooperated fully with the Insurance Corporation to facilitate a prompt settlement satisfactory to all investors. At the end of each day of the "pay-off," the Insurance Corporation issued its check to the Federal savings and loan association in the total amount of accounts issued to investors during the day. In accordance with the policy of the issuing institution, the accounts were permitted to be withdrawn on demand. Individuals who elect to leave their investments with the issuing institution will be entitled to the same rights and privileges accorded other members.

Of the 233 insured accounts, 207 had been settled as of June 30, 1940. New insured accounts had been opened in the amount of $164,003.89, or 99.8 percent of the total amount insured in the Guymon association. Because of difficulties in locating the claimants, 26 insured claims totaling $331.94 had not been paid at the close of the fiscal year. When these investors are located, the optional methods of settlement will be made available to them.

On March 1, 1940, the Board authorized the General Manager of the Insurance Corporation to take all necessary steps to determine the necessity and advisability of assistance, if any, by the Corporation to the Community Federal Savings and Loan Association of Independence, Independence, Missouri.

There was evidence that the association, which had assets of approximately $1,300,000, had miscellaneous contingent liabilities which jeopardized the interests of insured members; that the association was not being operated within the provisions of its charter, Federal statutes, and the Rules and Regulations for the Federal Savings and Loan System; and that it was not in condition to meet repurchase demands of share account holders.

These facts were disclosed by a thorough investigation and examination of the association. Evidence uncovered by examiners and a representative of the Corporation stationed at the office of the association disclosed a situation far more complicated and dangerous than had first been anticipated, and that continued operation of the association was not feasible.

With this evidence before it, the Federal Home Loan Bank Board on June 10, 1940, appointed a temporary conservator directly responsible to the Board, to take charge of and preserve the assets of the institution and to protect the interests of creditors and members.

Arrangements were made for the notification of all officers, directors, members, and creditors of the association regarding a hearing at which they would be given opportunity to show cause why a receiver or conservator should not be appointed. The hearing was conducted on June 19, 1940, by a trial examiner designated by the Board and produced no evidence as to why a receiver or conservator should not be appointed. Consequently, on June 26, 1940, the Federal Home Loan Bank Board appointed the Federal Savings and Loan Insurance Corporation receiver for the purpose of liquidation, and an agent of the receiver was assigned to the institution.

At the close of the fiscal year, arrangements were being made for a hearing in accordance with the Rules and Regulations of the Federal Savings and Loan System at which members, creditors, and other interested parties could present alternative proposals for the liquidation of the institution.

A statement of condition of the Community Federal Savings and Loan Association of Independence, as of June 26, 1940, the date on which the Federal Savings and Loan Insurance Corporation was appointed receiver, is included as Exhibit 52.

In addition to the above-described cases of associations for which it has been appointed receiver, the Corporation has a major interest in the Trenton Building and Loan Association, Trenton, Ohio. A summary of the Corporation's participation in this case follows:

On April 15, 1940, the Superintendent of Building and Loan Associations of the State of Ohio closed the Trenton Building and Loan Association, Trenton, Ohio, and took possession of its assets for liquidation. An examination indicated that

the association, with assets of $34,782, had sustained a substantial loss in the amount of approximately $8,500, and no alternative was deemed acceptable by the Superintendent. Liquidation of the assets is proceeding under the supervision of the State, and it is expected that the ultimate loss will not be substantial.

Beginning May 15, the Corporation made available to the investors in the association the optional methods of settlement. All investors to date have chosen new accounts in a neighboring insured State-chartered institution whose directors and officers cooperated effectively with the Insurance Corporation. Accounts so issued were withdrawable immediately if desired. Of the total of 48 investors, 47 have accepted settlement in the amount of $28,256.84, or 99.5 percent of the total amount of share investment.

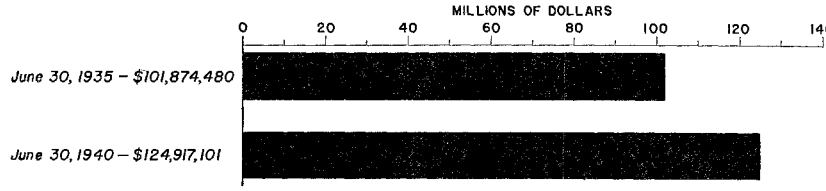
FINANCIAL CONDITION AND PERSONNEL

The potential liability of the Corporation, representing the aggregate amount of all insured share accounts up to $5,000 for each investor and the total creditor obligations of all insured associations, rose from $1,725,000,000 to $2,056,000,000 during the fiscal year. Against the potential liability, capital, reserves, and surplus of the Corporation on June 30, 1940, aggregated $123,620,811, or $1 for each $16.63 of potential liability. In an evaluation of this ratio, it must be

CHART XL

RESOURCES OF THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

AS OF JUNE 30, 1935 AND JUNE 30, 1940



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

remembered, of course, that the potential liability does not constitute the actual insurance risk of the Corporation under realistic assumptions. Against the insured liability must be set the assets of the insured associations which, on June 30, 1940, exceeded the potential liability of the Corporation by $652,400,000.

During the fiscal year 1940, aggregate resources of the Corporation increased from $119,400,262 to $124,917,101. Of these amounts, $100,000,000 represented the capital stock. In addition, the balance sheet as of June 30, 1940, shows a surplus of $2,868,584, a reserve fund as provided by law in the amount of $5,752,227, and a special reserve for contingencies of $15,000,000. In only six years time,

the Corporation has set aside reserves, surplus, and unallocated income to the extent of $23,620,811. At the same time, however, the potential liability of the Corporation has grown at a faster rate, making the continued accumulation of reserves advisable.

The capital stock of the Corporation was exchanged in 1934 for Government-guaranteed bonds of the Home Owners' Loan Corporation. Reserves of the Corporation are invested in Government obligations and securities wholly guaranteed by the U. S. Government. Exhibit 53 shows the Corporation's statement of condition as of June 30, 1940.

The income of the Corporation consists of premiums paid by the insured institutions, admission fees from newly insured associations, and interest earned on investments. All income above expenses is placed in reserves, and contributions for the settlement of insurance cases are deducted from reserves.

Each insured institution is required to pay an annual insurance premium of ⅛ of 1 percent of the total of its insurable accounts plus all creditor obligations, which premium approximates 11 cents for each $100 of assets of the institution. During the fiscal year 1940, premium income was $2,631,241 as against $2,291,893 the year before. Admission fees during the reporting period totaled $19,022 as compared with $45,353 in the fiscal year 1939. The admission fee remained unchanged at 4 cents for each $100 of the aggregate amount of all accounts of an insurable type plus creditor obligations. Income from investments, including $86,549 profits from the sale of securities, amounted to $3,474,266. Including miscellaneous items, the aggregate income of the Corporation during the reporting period was $6,124,660—an increase of $461,686 over the preceding year.

Expenses, administrative and nonadministrative, amounted to $255,809 during the fiscal year 1940, as against $222,996 in 1939. Gross premium income for the year, less total expenses, left a net figure of $2,375,432. Total net income was $5,868,584.

Aggregate payments to insured institutions during the fiscal year 1940 were $544,472 as compared with $285,989 the year before. In addition, there were contingent liabilities due to commitments made to prevent default in insured institutions in the amount of $323,756 at the end of the fiscal year 1940, as against $140,506 the year before. Exhibits 54 and 55 present detailed statements of income and expenses for the fiscal year 1940.

Condensed income and expense statement for the period July 1, 1939, to June 30, 1940

Income:		
Insurance premiums earned	$2, 631, 241. 15	
Admission fees earned	19, 022. 11	
Interest earned on investments	3, 387, 717. 14	
Miscellaneous	130. 30	
		$6, 038, 110. 70
Administrative expenses	240, 383. 39	
Nonadministrative expenses	15, 425. 65	
		255, 809. 04
Net income from operations		5, 782, 301. 66
Other income: Profit on sale of securities		86, 548. 97
Net income for period		5, 868, 850. 63
Less: Adjustment of net income for prior years		266. 90
Net income		5, 868, 583. 73

Distribution of net income

To special reserve for contingencies	$3, 000, 000. 00
To surplus	2, 868, 583. 73
Total	5, 868, 583. 73
Contributions to insured associations deducted from legal reserve fund	537, 471. 73

On June 30, 1940, the personnel on the payroll of the Corporation totaled 47, including one part-time employee. In addition to this small staff, the Corporation has available the facilities of the general service divisions under the Bank Board. The administrative cost to the Corporation for services rendered by the Board during the fiscal year 1940 was $116,582. This arrangement has been a factor in keeping administrative expenses of the Insurance Corporation at a minimum.

During the fiscal year 1940 a further simplification in administration was effected by the appointment of the Comptroller of the Federal Home Loan Bank Board and the Auditor of the Home Owners' Loan Corporation as Comptroller and Auditor, respectively, of the Insurance Corporation to serve without additional compensation.

270198—40——9

STATE LEGISLATION

During the fiscal year, the State of Alabama adopted in substance, though with certain changes, the Uniform Savings and Loan Act. By this action, the Alabama Legislature effected a wholesale revision of the savings and loan statutes in that State. The Uniform Act has been designed as a model State law, and incorporates many features of the law and regulations governing Federal savings and loan associations.

One provision of the new Alabama law deserves special mention. It requires all associations in the State to qualify for and obtain insurance of accounts within a stated period of time. Associations unable to qualify for insurance will be placed in liquidation. Alabama therefore, becomes the first State to require all operating savings and loan associations under its supervision to insure the accounts of their investors with the Federal Savings and Loan Insurance Corporation.

During the fiscal year 1940, laws were enacted in four jurisdictions authorizing investments by fiduciaries, conservators, and receivers, insurance companies, savings banks, and other specified types of corporations in shares or accounts of State-chartered institutions insured by the Corporation.

At the beginning of the fiscal year 1940, ten jurisdictions had passed laws providing for the appointment of the Insurance Corporation as receiver or liquidator in the case of default of an insured State-chartered institution. During the year, four additional States amended their laws to provide for appointment of the Insurance Corporation, under certain conditions, as liquidator or receiver, or coliquidator or co-receiver of insured State-chartered institutions. The Federal Savings and Loan Insurance Corporation has a direct financial interest in the liquidation of defaulted associations and must of necessity aid in keeping losses and costs of liquidation at a minimum. It is, therefore, to the interest of the Corporation as well as of insured associations and their shareholders that adequate statutes be passed providing for the appointment of the Corporation as receiver or liquidator, or coreceiver or coliquidator with the State supervisory authorities.

V

Home Owners' Loan Corporation

1. SUMMARY

DURING the fiscal year 1940, assistance given by the Home Owners' Loan Corporation to home owners was further extended and intensified by various legislative and administrative measures. These aids, designed to help borrowers in meeting their mortgage obligations, were accompanied by a continuation of the normal program of liquidation in which the Corporation is now primarily engaged.

New measures to aid the borrowers of the Home Owners' Loan Corporation may be summarized as follows:

1. By an amendment to the Home Owners' Loan Act, the Corporation was authorized to extend amortization periods to a maximum of 25 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.

2. By resolution of its Board of Directors, the Corporation made provision to accept, until further notice, interest at the rate of 4½ percent 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.

3. To reduce the hazards resulting from default on taxes and insurance, a procedure was established enabling borrowers to remit taxes and insurance premiums to the Corporation in periodic payments with the loan installment.

In addition to these new measures, the Home Owners' Loan Corporation has continued to extend every reasonable assistance to borrowers to enable them to keep their homes. For example, cases of default are studied carefully on an individual basis and every effort is made to postpone foreclosure as long as possible. Informal adjustments of loan terms are made to help borrowers over periods of financial stringency. Substantial advances have been made to borrowers to keep them current on taxes and insurance and to help them maintain their properties in good repair.

The progress toward liquidation of the Corporation's affairs was marked by a decrease in the total balance of loan and property

accounts from $2,629,952,937 to $2,436,945,646 during the fiscal year 1940. The Corporation made particularly rapid progress in marketing its acquired properties. Because sales greatly exceeded new acquisitions, the number of properties owned and in process of acquisition declined from 99,354 to 70,780. On the liability side, the bonded indebtedness of the Corporation was reduced from $2,949,305,025 to $2,634,808,900. The combined resources of the Corporation showed a drop from $3,114,821,877 to $2,790,002,453 during the year.

The vast majority of the original borrowers of the Corporation have made great strides in reducing the indebtedness on their homes. On June 30, 1940, the average loan balance outstanding per original borrower was $2,268 as compared with an average original loan to these borrowers of $2,930 at the time of HOLC refinancing—a reduction of 22.6 percent.

After provision of $187,246,962 for past and future losses, the deficit of the Corporation as of June 30, 1940, stood at $76,453,005. Although the various new measures adopted during the fiscal year involved a heavy increase in work load, administrative expenses were reduced by 7.2 percent and personnel by 10.6 percent.

2. NEW AID TO HOME OWNERS

Reduction of Interest Charges

The acceptance of interest at the rate of 4½ percent on all loans and the extension of amortization periods in a large number of cases represented a broad revision of borrowers' payments to the Home Owners' Loan Corporation. In the original Home Owners' Loan Act, interest charged on HOLC loans had been stipulated at a maximum rate of 5 percent, with the exception of cash loans made at the rate of 6 percent. Only 2,314 loans of this type were made. The amortization period generally had been 15 years.

The resolution of the Board of Directors of the Home Owners' Loan Corporation providing for the acceptance of interest at the rate of 4½ percent was adopted on September 7, 1939:

> In case of payments becoming due on and after October 16, 1939, and until further notice, interest will be accepted at the rate of 4½ percent per annum on the indebtedness of a home owner to the Home Owners' Loan Corporation arising from a loan, advance, or sale of property which carries an interest rate of 5 or 6 percent per annum.

Under the terms of this resolution, the benefits of reduced interest charges were extended to all debtors of the Home Owners' Loan Corporation, whether original borrowers or purchasers of properties

sold by the Corporation on the deferred-payment plan. The loan contracts remained unchanged, thereby saving both borrowers and the Corporation expense and delay in redrawing loan papers. In the case of vendee instruments entered into since October 1, 1939, however, an interest rate of 4½ percent has been written into the contract.

The savings accruing to HOLC debtors during the next fiscal year as a result of this revision of interest rates is estimated to be in the neighborhood of $9,000,000, or $10.50 per debtor to the Corporation.

Loan Extensions and Revisions

The Act "to allow the Home Owners' Loan Corporation to extend the period of amortization of home loans from fifteen to twenty-five years," approved August 11, 1939, reads as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That (a) the fourth sentence of section 4 (d) of the Home Owners' Loan Act of 1933, as amended, is amended by striking out before the semicolon the words "fifteen years" and substituting therefor the words "twenty-five years." (The amended sentence now reads, "Each home mortgage or other obligation or lien so acquired shall be carried as a first lien or refinanced as a home mortgage by the Corporation on the basis of the price paid therefor by the Corporation, and shall be amortized by means of monthly payments sufficient to retire the interest and principal within a period of not to exceed twenty-five years; but the amortization payments of any home owner may be made quarterly, semiannually, or annually, if in the judgment of the Corporation the situation of the home owner requires it.")

(b) That the sixth sentence of section 4 (d) of the Home Owners' Loan Act of 1933, as amended, is further amended to read as follows: "The Corporation may at any time grant an extension of time to any home owner for the payment of any installment of principal or interest owed by him to the Corporation or may at any time during the existence of the mortgage grant an extension and revision of its terms to provide for the amortization by means of monthly payment sufficient to retire the interest and principal within a period not to exceed twenty-five years from the date of its execution if in the judgment of the Corporation the circumstances of the home owner and the condition of the security justify such extension or revision." (Public No. 381, Seventy-sixth Congress.)

Under the authority of this amendment, the benefits of loan extensions and revisions were made available not only in those cases where a favorable outcome seemed to be a matter of reasonable probability, but in many other cases, even though the eventual result may be in serious doubt, provided the borrower had any possible chance of meeting his obligations under the extended or revised loan.

Where extensions of the amortization period were not practicable, loan contracts frequently were revised to provide for the gradual liquidation of arrearages, in keeping with a procedure established by the Corporation in 1937, under which formal adjustments of loan

payments had been granted to 88,048 borrowers prior to October 1, 1939.

The extension program was initiated October 1, 1939, and was virtually completed at the end of the fiscal year 1940. At that time, the bulk of applications for extensions and revisions had been processed, but there will continue to be a small number of extensions each month in the future as circumstances arise which adversely affect the paying ability of individual borrowers. It was possible in many States to provide for the necessary adjustment of mortgage loan contracts without title searches, and without recording the extension agreements. Thus, the benefits of loan extensions were made available at a minimum cost to the borrowers.

In order to make available the benefits of the extension program to a maximum number of home owners and to avoid unnecessary foreclosures, action was held up on all foreclosure cases in which extension or revision of loan terms held out any hope of affording a solution to the borrower's difficulties. While the procedure for carrying out the program was being worked out, the regional offices were instructed to refrain from foreclosure in all cases except those where circumstances precluded any possibility of adjustment. The opportunities offered by the program were made known to all delinquent borrowers. During the period of processing extension applications, foreclosure was authorized only in cases of abandonment of the property, death, wilful default, hopeless inability to pay, and similar instances where extension would offer no solution.

Execution of the Extension Program

As of June 30, 1940, the Corporation had received 229,945 applications for extensions and revisions. The processing of these applications is shown in the following table:

Loan extensions and revisions, Oct. 1, 1939, through June 30, 1940

	Number	Percent of total applications		Number	Percent of applications approved
Applications received	229,945	100.00	Applications approved	207,579	100.00
Applications rejected	16,583	7.21	Applications withdrawn [1]	9,581	4.61
Applications pending decision	5,783	2.08	Applications in process of closing	5,331	2.57
Applications approved	207,579	90.71	Extended and recast accounts set up on the books for closing [2]	192,667	92.82

[1] In these cases, applications had been approved by the Corporation but remained unclosed due to death of the borrower, refusal of the borrower to sign the agreement, and various other reasons.
[2] Of this number, 164,112 had been fully consummated. The remaining 28,555 applications were still awaiting final closing.

From October 1, 1939, to June 30, 1940, extended and recast accounts were set up for 192,667 borrowers and vendees, or about

22.3 percent of the total number of Corporation borrowers and vendees at the latter date. Of these accounts, 172,491 involved an extension of amortization periods, and 20,176 provided for a revision of the borrower's payments without extended amortization (loans recast). Exhibit 56 shows the number of extensions and revisions set up on the books after October 1, 1939, by HOLC Regions and by States.

These extensions and revisions provide for the inclusion in the amount of the loan, as extended or recast, of delinquent interest and principal and of any advances made by the Corporation for delinquent taxes, assessments, and insurance. In this manner, a home owner to whom an extension is granted is brought to a current status with respect to all obligations under his mortgage, and is given a new start with revised installment payments.

The total debtor balance of the 172,491 accounts set up for extension from October 1, 1939, through June 30, 1940, was $567,922,504. Of this, $86,976,495 represented principal arrearage, $3,311,355, interest arrearage, and $477,634,654, unmatured debtor balance. The average account extended in that period had a total debtor balance of $3,292.48, representing principal arrearages of $504.24, interest arrearages of $19.20, and an unmatured debtor balance of $2,769.04 at the time of extension.

In order to provide the best possible safeguard against future delinquencies on taxes and insurance, the Corporation has required that home owners to whom an extension or revision is granted enter into a tax and insurance agreement with the Corporation. Under this arrangement the home owner agrees to deposit monthly with the Corporation one-twelfth of the amount of his annual taxes and one-thirty-sixth of the amount of a three-year fire insurance premium.

The program of extensions and revisions naturally placed emphasis on the accounts on which arrearages had been most heavy. Of the total loans extended and recast from October 1, 1939, through June 30, 1940, there were 54.1 percent in arrears more than twelve monthly installments, and 35.4 percent in arrears more than eighteen months.

Accounts extended and recast from Oct. 1, 1939, through June 30, 1940, classified by arrearage age groups at time of extension

Installments in arrears:	*Percent of total*
Less than 3 months	6.7
3 to 11 months	39.2
12 to 17 months	18.7
18 months and over	35.4
Total	100.0

Under the authority of the new amendment to the Home Owners' Loan Act, loan extensions up to 25 years were granted to original borrowers only; amortization periods on vendee accounts were limited to a maximum of 20 years.

The following table shows the distribution of accounts extended and recast in the period from October 1, 1939, through June 30, 1940, by the revised amortization periods:

Distribution of accounts extended and recast from Oct. 1, 1939, through June 30, 1940, by amortization periods

Amortization periods from original date of loan	Number of accounts		
	Original loans	Vendee accounts	Total
Within 15 years	19,725	451	20,176
More than 15 but less than 16 years	3,142	42	3,184
More than 16 but less than 17 years	4,363	35	4,398
More than 17 but less than 18 years	5,666	56	5,722
More than 18 but less than 19 years	6,332	117	6,449
More than 19 but less than 20 years	7,621	346	7,967
More than 20 but less than 21 years	8,100	1,206	9,306
More than 21 but less than 22 years	8,284		8,284
More than 22 but less than 23 years	10,413		10,413
More than 23 but less than 24 years	16,749		16,749
More than 24 but less than 25 years	41,387		41,387
Exactly 25 years	58,632		58,632
Total	190,414	2,253	192,667

Of the 192,667 accounts extended or recast after October 1, over three-fourths were revised by extending amortization periods from 20 to 25 years. Almost one-third of the accounts were given the maximum extension of 25 years. About 90 percent of the accounts extended or recast were for terms beyond the 15 years for which the loans were originally written.

The performance record of borrowers granted the benefits of loan extensions and revisions has been too short to warrant any definite conclusion as to the effectiveness of the program. It is hoped that through the program a substantial number of borrowers who have been unsuccessful in meeting their payments will now be able to pay the lower monthly installment and thus finally free their homes from debt. On the other hand, it cannot be ignored that in many cases extensions have been granted only as a last resort to afford the home owner every available means of assistance, and when serious delinquencies on extended accounts occur, foreclosure becomes inevitable. At the end of the reporting period, 6,175 loans extended under the program were in default, that is, more than three months in arrears; and as of the same date, foreclosure had been authorized on 368 of such loans as it became evident that the borrower was unable or unwilling to keep up payments despite the revision of the loan.

Tax and Insurance Deposits

The program for the establishment of tax and insurance deposits by borrowers resulted from the experience gained by the Corporation over a number of years. In dealing with approximately one million home owners, the Corporation found that one of the most serious obstacles to home ownership is the burden of taxes, insurance, and other carrying charges which must be paid in addition to the loan installment. While loan payments generally are made in monthly installments, those other carrying charges usually are to be remitted in lump sums. Real estate taxes are the most important item of this character and in some areas they have been the principal cause of default to the Corporation. In order to overcome this obstacle, the Corporation has established facilities for the advance accumulation by home owners on a monthly basis of funds for taxes and insurance. The plan permits the home owner to pay monthly in one amount the loan installment and accruing taxes and insurance premiums on his property. When taxes and insurance premiums come due they are paid automatically from the funds accumulated by the home owner in this manner. In providing a systematic method for the accumulation of necessary tax and insurance funds, the Corporation is in a position to prevent many defaults which would inevitably occur. The home owner finds it easier to meet his tax and insurance payments by building up the amount needed in small payments each month.

Both the Home Owners' Loan Corporation and its borrowers are likewise interested in saving penalties and interest charges on tax delinquencies. Before the introduction of the plan, penalties and interest included in tax payments that the Corporation made for borrowers were averaging more than $500,000 per month. Since September 1939, such expenditure has been declining each month and, with the completion of the program, penalties and interest on taxes will be virtually eliminated. For the home owner, the new procedure reduces the threat of tax default and ultimate foreclosure.

Prior to the time it arranged for the establishment of tax and insurance accounts, the Corporation paid approximately $300,000 annually for the searching of public tax records to determine whether Corporation borrowers had paid their taxes and, if not, to ascertain the years and amount of delinquency. This information was necessary to permit the Corporation to protect the priority of its lien on the mortgaged property. With a large percentage of its borrowers on the tax and insurance accumulation plan, the Corporation will be spared much of the expenditure for searching public tax records.

Finally, the Corporation, to protect its interests, had been obliged to advance considerable amounts to home owners for the payment of taxes. In the fiscal year 1940, such advances totaled $66,283,241. It is hoped that, through the medium of tax deposits, delinquency will be avoided in many cases where it might otherwise have occurred, and that the Corporation will be relieved of much of the necessity for advancing funds for taxes.

Municipalities and other public bodies benefit from the new plan by prompt receipt of real-estate taxes. In short, the tax deposit service, to the extent that it is successful in enabling the borrower to meet his obligation promptly, is profitable to all parties interested in the mortgaged property—the home owner, the Corporation, and local tax authorities.

As of June 30, 1940, tax and insurance agreements had been closed with 289,849 original borrowers and 38,225 vendees, or 38.3 percent of the total number of borrowers and vendees on the books of the Corporation at that date. The Corporation is requiring the establishment of tax and insurance accounts for each new vendee. Purchasers of acquired properties are thus given the advantages of a modern attractive loan contract, and the HOLC will not find it necessary to incur heavy expenses for taxes and insurance in servicing its vendee accounts. As was pointed out on page 125, the establishment of tax and insurance deposits has also been made mandatory for home owners to whom loan extensions were granted.

The results of the new program and of the inclusion of delinquent taxes in extended accounts can be seen in the sharp decline in the number of accounts with tax delinquencies during the fiscal year 1940.

Number of accounts in arrears on taxes, by status of accounts, fiscal year 1940 [1]

Month	Accounts also in default on loan payments	Accounts not in default on loan payments	Total accounts in arrears on taxes	Percent of total active accounts
1939				
July	102,457	102,588	205,045	24.2
August	77,259	94,064	171,323	20.3
September	54,750	86,124	140,874	16.7
October	42,239	85,256	127,495	15.1
November	33,312	69,816	103,128	12.1
December	27,517	56,967	84,484	9.9
1940				
January	22,778	54,188	76,966	9.1
February	18,466	51,021	69,487	8.2
March	13,586	50,132	63,718	7.5
April	10,268	40,972	51,240	5.7
May	9,972	41,032	51,004	6.0
June	7,731	36,334	44,065	5.1

[1] Accounts in default refer to those accounts which are delinquent more than three monthly payments in principal and interest as well as taxes. Accounts not in default consist of those which are current as to principal and interest, but delinquent in taxes. Active accounts include all original borrower accounts and all vendee accounts on which the Corporation is still making collections. In other words, they represent all accounts less those which have been paid in full and those foreclosed or authorized for foreclosure.

3. GENERAL OPERATIONS DURING THE FISCAL YEAR

Shifts in Status of Accounts

During the reporting period, the accounts of the Corporation showed some significant changes. The number of original loan accounts was further reduced by repayments of original loans in full and by foreclosure. Property accounts declined sharply mainly because of increased property sales which, in turn, resulted in an increase of vendee accounts. A substantial number of accounts were wholly terminated not only through complete retirement of the borrowers' indebtedness, but also through cash sales of properties, and for various other reasons.

The number of original borrowers receiving HOLC loans was 1,017,824. However, up to June 30, 1940, the Corporation had set up a total of 1,019,138 accounts, the increase resulting principally from divisions of the properties on which original loans had been made. The status of these accounts at the end of the last two fiscal-year periods is shown in the following table:

Status of accounts, June 30, 1939, and June 30, 1940

	June 30, 1939		June 30, 1940	
	Number	Percent of total	Number	Percent of total
Total number of original accounts	1,018,687	100 0	1,019,138	100.0
Active original accounts on the books	793,643	77.9	759,137	74.5
Active vendee accounts on the books	51,873	5.1	97,025	9.5
Foreclosures pending (original loans and vendee accounts)	15,769	1.5	6,177	6
Properties owned and in process of acquisition	99,360	9.8	70,780	7.0
Accounts wholly terminated	58,042	5.7	86,019	8.4

Of the total number of accounts, 8.4 percent had been wholly terminated as of June 30, 1940, leaving the task of final liquidation of 91.6 percent of all accounts. Three-fourths of all accounts were still in active status on the records as of June 30, 1940, while 0.6 percent were in various stages of foreclosure procedure; 7 percent were on the books as properties acquired through foreclosure or deed in lieu of foreclosure and still owned by the Corporation; and 9.5 percent of all original accounts were represented by properties previously acquired and sold to third parties on a deferred payment plan (vendee accounts).

The extension program had a profound effect on the status of original borrower accounts on the books of the Corportaion. As past delinquencies were included in the loan amount as extended, arrearages were wiped out in one single operation. Hence, many

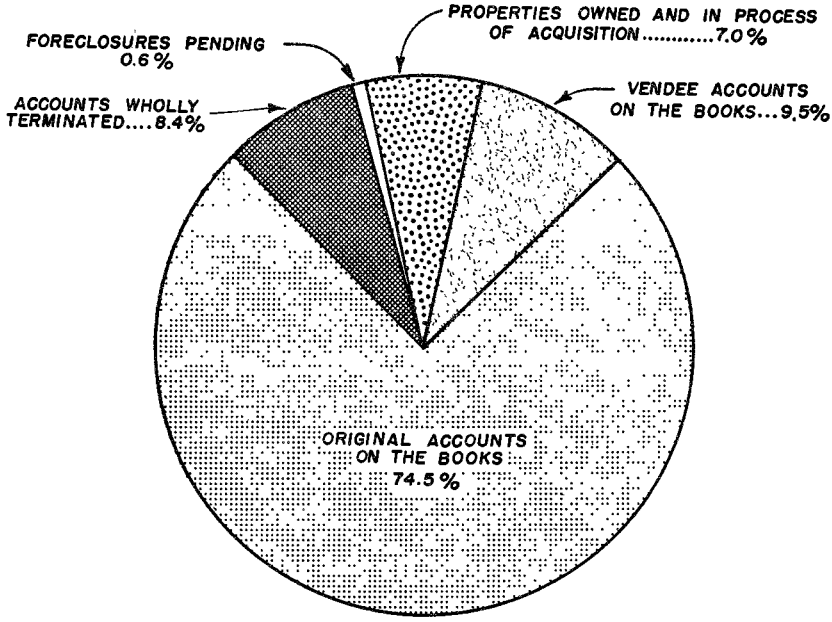
borrowers who had been in default moved into the category of satisfactory performance, but since the extension program has been in effect only a few months, there is no yardstick available for measuring the permanency of these shifts.

Of the active original loan accounts at the end of the reporting period, there were 700,760, or 92.3 percent, in satisfactory status. These borrowers were either paying on schedule or were less than

CHART XLI

STATUS OF ACCOUNTS

AS OF JUNE 30, 1940



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

three months in arrears, or if they were more than three monthly installments in arrears, they were reducing their delinquency by regular payments. Only 58,303, or 7.7 percent of the active original borrowers as of June 30, 1940, were in default and not liquidating.

Status of active borrower accounts, original loans only, June 30, 1940

Classification	Unextended loans		Extended or recast loans [1]		Total	
	Number	Percent of total	Number	Percent of total	Number	Percent of total
Total borrowers in "active status"	509,313	100.00	249,750	100.00	759,063	100.00
Paying on schedule or less than 3 months in arrears	436,455	85.69	230,779	92.40	667,234	87.90
More than 3 months in arrears but liquidating	27,767	5.45	5,759	2.31	33,526	4.42
Total in satisfactory status	464,222	91.14	236,538	94.71	700,760	92.32
In default and not liquidating	45,091	8 86	13,212	5.29	58,303	7.68

[1] Includes all accounts extended or recast prior to and since Oct. 1, 1939.

Irrespective of whether all the shifts brought about by the extension program prove to be permanent, the fact remains that the great majority of original borrowers have experienced no serious difficulty in fulfilling the terms of their obligations. This performance record is a good indication of the measure of success with which the Home Owners' Loan Corporation thus far has accomplished its purpose. The low-cost amortized loans made by the HOLC are enabling most of its borrowers not only to meet their interest payments, but through regular repayment of principal to acquire substantial equities in their homes. Put simply, the HOLC is serving as the medium through which a large number of people in imminent danger of losing their homes a few years ago are now well on the way to debt-free home ownership.

Collections

In the fiscal year 1940, the Home Owners' Loan Corporation collected $80,709,552 in interest and $175,796,316 in principal from original borrowers, or a total of $256,505,868 as compared with $270,084,559 the year before. This decrease in collections was due to the reduction of the rate of interest charged from 5 to 4½ percent, the reduction in monthly loan installments on extended accounts, and to a decline in the number of original accounts as a result of unavoidable foreclosures.

The increase in the number of vendee accounts was reflected in larger collections on such accounts. During the fiscal year 1940, the Corporation collected a total of $50,048,308 from vendees as compared with $27,762,525 the year before. Interest receipts amounted to to $9,531,005 during the reporting period as against $4,644,189 for the fiscal year 1939.

Cumulatively through June 30, 1940, the Corporation had collected on original loans and vendee accounts $664,285,674 in interest and $863,809,859 in principal, aggregating $1,528,095,533. Proceeds from cash sales and initial payments on property sales are included in these figures. Of the total, $220,190,184 represents amounts received on accounts which have been paid in full.

Normally, the collection record of the Corporation from month to month is a good indication not only of the performance of borrowers, but of the general business situation which is the most important factor determining the borrowers' performance. In the fiscal year 1940, however, the execution of the extension program somewhat blurred the picture, both because it reduced amounts falling due and because a number of borrowers withheld payment in anticipation of adjustments while the program was worked out.

Arrearages at the end of the fiscal year 1940 totaled $35,118,808, of which $34,197,227 was due on original loan accounts and $921,581 on vendee accounts. Of this total, $32,282,380 represented amounts due and unpaid on principal, and $2,836,428 amounts due and unpaid on interest. Again, the extension program through which delinquent principal, interest, taxes, and other items were included in the loan amount as extended resulted in a decline of arrearages over the preceding year.

Loan Service

In addition to its routine duties of billing home-owner borrowers each month and contacting delinquent borrowers by mail or personal calls to work out a solution of their problem, the Corporation had to carry a heavy work load resulting from the revision of loan terms undertaken during the fiscal year 1940. Regular billings had to be changed for all borrowers to conform with the charging of interest payments at the lowered rate of 4½ percent. After the passage of the 1939 amendment to the Home Owners' Loan Act, 224,162 applications for extensions and revisions were received and examined through June 30, 1940, and virtually all of these home owners were contacted by representatives to determine a detailed program of extension or revision of the loan. Finally, the establishment of tax and insurance deposits for borrowers involved additional work.

The following table at the top of the opposite page shows the number of borrowers and vendees being serviced at the end of the fiscal year 1940.

Number of accounts serviced

	Original borrowers	Vendees	Total
Total active accounts [1]	759,063	96,618	855,681
Unadjusted accounts	509,314	94,427	603,741
Loans extended beyond 15 years	165,254	1,707	166,961
Loans recast within 15 years [2]	84,495	484	84,979
Tax and insurance accounts	289,849	38,225	328,074

[1] For definition, see footnote on p. 128.
[2] Includes accounts recast prior to Oct. 1, 1939.

The 251,940 accounts on which extensions had been granted or which had been recast, required special attention in order that default under the revised terms and a recurrence of the difficulties which necessitated the revisions be avoided. In addition, there were 76,337 unextended accounts more than three months in arrears requiring special servicing attention.

In its loan service operations, the Home Owners' Loan Corporation has continued to treat each individual case on its merits, in an effort to assist borrowers in their rehabilitation and to avoid foreclosure. Every consideration is given to borrowers who are behind in their payments, and in addition to the formal revisions described in earlier sections of this report, numerous informal adjustments are made to prevent more serious default and final foreclosure. Even after foreclosure has been authorized, a revised payment schedule may be agreed upon and the foreclosure withdrawn. The Corporation's servicing activities are guided by the principle that foreclosure shall not be resorted to until every means of possible rehabilitation has been exhausted. To sum up, the Corporation's servicing operation is one representing a fuller development than any heretofore attained in the history of home mortgage finance.

One of the measures provided for the mutual protection of the Corporation and its borrowers is the advance of supplemental amounts for the payment of taxes, insurance, repairs, and similar costs. Normally, home owners are expected to make such payments from their own funds. However, many of the distressed mortgagors with whom the Corporation is dealing have difficulty in meeting these carrying charges on their homes in addition to regular interest and principal payments due the Corporation. In order to help its borrowers meet these costs during periods of difficulty, and to protect the security behind its mortgage loans, the Corporation has advanced substantial amounts to original borrowers after refinancing their loans.

The following table indicates that advances for the payment of taxes and insurance represent over 97 percent of all advances made through June 30, 1940. The Corporation has established a system of tax and insurance accounts through which borrowers accumulate in monthly installments funds for payment of their taxes and insurance (see page 127). As these accounts are set up, the Corporation frequently finds it necessary to advance sufficient funds to wipe out past tax and insurance delinquencies, and give the borrower a fresh start on the monthly accrual plan. This explains the fact that advances for taxes increased substantially during the last fiscal year. Supplemental advances by the Corporation for these carrying charges should decline sharply in the future.

Advances to original borrowers, by purpose

Fiscal year	Taxes	Insurance	Reconditioning	Miscellaneous	Total
1934	$1,619	$17,017			$18,636
1935	85,035	391,349	$3,696	$676	480,756
1936	1,563,728	2,144,683	311,362	21,904	4,041,677
1937	11,349,050	1,215,925	528,159	66,477	13,159,611
1938	18,607,296	1,269,992	386,026	133,013	20,396,327
1939	36,991,707	1,068,715	415,172	145,979	38,621,573
1940	66,283,241	778,422	886,627	881,794	68,830,084
Cumulative, June 30, 1940	134,881,676	6,886.103	2,531,042	1,249,843	145,548,664

Foreclosure Operations

Foreclosures authorized on original loans, after deduction of withdrawals, numbered 11,078 in the fiscal year 1940, or only one-third of the 1939 volume. Net foreclosures on vendee accounts were 795, as against 394 the year before. The Corporation acquired 4,334 properties during the year by deed in lieu of foreclosure, as compared with 6,127 in the fiscal year 1939.

The largest factor responsible for the reduction in foreclosures was the policy pursued by the Corporation in carrying out the program of loan extensions and revisions. As was pointed out in a previous section of this report, foreclosure action was held up during the execution of the program in order that the largest possible number of borrowers who were in difficulties might take advantage of the program. In many cases, foreclosure authorizations were withdrawn with the result that at times withdrawals outnumbered authorizations for foreclosure.

The table at the top of the following page shows the trend in foreclosure authorizations and withdrawals during the fiscal year 1940, by months.

Foreclosure operations during the fiscal year 1940, by months

Month	Original borrowers			Vendees		
	Authorizations	Withdrawals	Net authorizations	Authorizations	Withdrawals	Net authorizations
1939						
July	2,967	501	2,466	67	11	56
August	2,996	587	2,409	66	6	60
September	2,268	556	1,712	63	10	53
October	1,366	545	821	52	14	38
November	871	455	416	46	16	30
December	639	1,387	−748	36	10	26
1940						
January	902	929	−27	52	9	43
February	995	529	466	55	5	50
March	979	423	556	83	9	74
April	1,251	387	864	115	16	99
May	1,314	386	928	172	22	150
June	1,549	334	1,215	141	25	116
Total	18,097	7,019	11,078	948	153	795

As the extension program approached completion, foreclosures showed some increase from the low level reached in the last few months of 1939 and at the beginning of 1940, and a further resurgence of foreclosures must be expected after the bulk of justifiable extensions has been granted. For one reason, foreclosures postponed during consideration of extensions must be instituted in those cases where careful investigation shows that even the most generous revision of loan terms would fail to bring the borrower's obligations within his ability to repay. Also, it is inevitable that some borrowers with whom extension agreements have been concluded will lapse again into serious default, making foreclosure unavoidable.

Cumulatively from the beginning of operations through June 30, 1940, the Corporation had authorized 208,005 foreclosures on original loans, of which 25,891 were withdrawn, for a net total of 182,114. Foreclosures authorized on vendee accounts numbered 1,544, of which 255 were withdrawn, leaving a net total of 1,289. Of the total authorizations, the Corporation has acquired a total of 29,025 properties by deed in lieu of foreclosure. Exhibit 57 presents, cumulatively to June 30, 1940, net foreclosure authorizations on original loans and vendee accounts, by HOLC Regions and by States, and the ratio of net foreclosures on original loans to the total number of such loans.

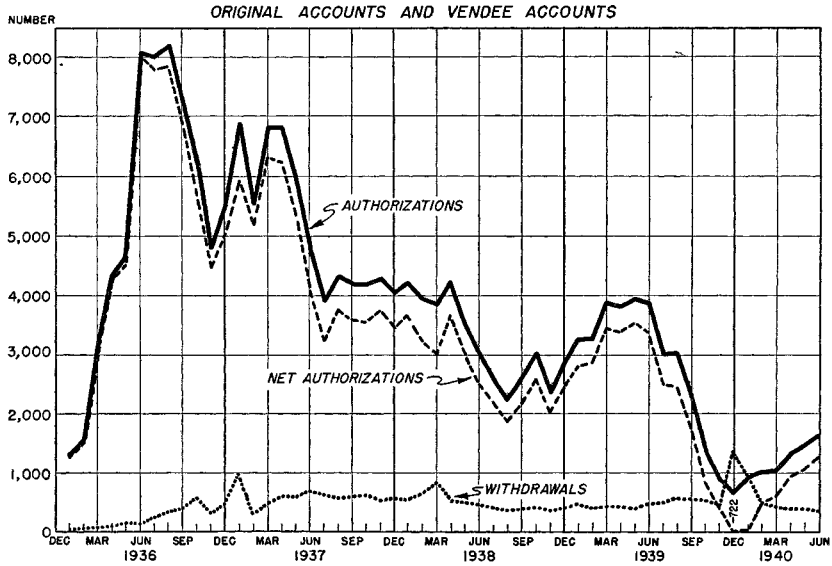
In many cases, foreclosure results not from genuine inability to repay, but from wilful refusal to pay, abandonment of the property, death of the borrower, legal complications outside the control of the Corporation, and failure to cooperate in efforts made to protect the

borrower's investment in his home. Included in this latter category are proposals that the borrower supplement his income by renting the property, or that the property be sold in order to salvage at least part of his equity. In the liquidation of approximately 1,000,000

CHART XLII

FORECLOSURE OPERATIONS

ORIGINAL ACCOUNTS AND VENDEE ACCOUNTS



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

loans that had been in serious distress only a few years ago, foreclosures resulting from causes other than inability to pay were found to be substantial in number—representing over half of all cases. That the Home Owners' Loan Corporation forecloses only after every consideration has been given to the borrower is indicated by the following table:

Percent distribution of foreclosures brought through June 30, 1940, by accumulated arrearages prior to foreclosure

Arrearages before foreclosure:	*Percent of total*
Less than 12 months	29. 2
12 months to 17 months	20. 7
18 months to 23 months	17. 4
24 months and over	32. 7
Total	100. 0

In slightly more than 70 percent of all cases, the Corporation has withheld foreclosure action, in the endeavor to work out with the borrower some satisfactory solution, until the arrearage has amounted to 12 monthly installments or more.

Generally, the Corporation has found its larger loans to be those most likely to become foreclosure cases. A principal reason for this fact is that "overhousing" of HOLC borrowers is most frequent in the case of larger loans, that is, homes owned by such borrowers are far out of line with their present ability to pay under any terms, and even the greatest forbearance by the Corporation cannot begin to solve the borrower's problems.

The following table presents a comparison of the average original amount of all refinancing loans made by the Corporation with the average original amount of such loans on which the Corporation had to foreclose during the period from June 1, 1939, to May 31, 1940. Supplementing these data, the average balance of foreclosed loans at the time of foreclosure is shown.

Average original loan amount and loan balance outstanding of loans foreclosed, June 1, 1939, to May 31, 1940

HOLC Regions	Average amount of all loans closed	Average original loan amount of foreclosed accounts	Average loan balance at time of foreclosure
United States	$3,039	$3,996	$4,235
Region 1—New York	4,756	5,146	5,514
Region 2A—Baltimore	2,957	3,428	3,535
Region 2B—Cincinnati	3,054	2,732	3,428
Region 3A—Atlanta	2,325	2,919	2,823
Region 3B—Memphis	2,550	3,041	3,032
Region 4A—Chicago	3,830	4,372	4,252
Region 4B—Detroit	2,710	3,566	3,908
Region 5A—Omaha	2,017	2,117	2,163
Region 5B—Dallas	2,299	2,529	2,506
Region 6—San Francisco	2,322	2,906	2,868

For the United States as a whole, the average original loan amount of accounts foreclosed has been approximately one-third in excess of the average original loan amount of all refinancing loans made by the Corporation, demonstrating that foreclosures are concentrated in the group of the larger loans which generally means in the group of the more expensive homes. This observation holds true for all HOLC Regions, with the exception of the Cincinnati Region.

The leniency shown by the Corporation before instituting foreclosure becomes evident from a comparison of the average original loan amount of foreclosed accounts with the average balance of such loans at the time of foreclosure. The accounts included in the table, it

should be noted, were foreclosed upon in 1939–40. Hence, they had been on the books of the Corporation for three to six years, and in this period, some repayments on principal should normally have been made by the borrowers. Instead, the figures for the United States show that the average loan balance at the time of foreclosure was actually higher than the average original amount of the foreclosed loans. Thus, not only did the average foreclosed borrower fail to reduce his principal indebtedness by regular amortization, but the Corporation made substantial advances for taxes, insurance, and maintenance over and above the original loan amount before it resorted to foreclosure. This is most conspicuous in the New York Region, which comprises New York, New Jersey, and the New England States; in the Baltimore Region, including Delaware, Maryland, Pennsylvania, Virginia, and the District of Columbia; the Cincinnati Region, consisting of Ohio and West Virginia; and the Detroit Region, comprising Indiana and Michigan. In the remaining Regions, the average loan balance at the time of foreclosure was about the same as the average original loan, or slightly less.

Decline of Real-Estate Holdings

During the fiscal year 1940, the real-estate holdings of the Home Owners' Loan Corporation showed a substantial decline. Some improvement had already been noted in the preceding fiscal year when the number of properties owned and in process of acquiring title [1] had decreased from 103,132 to 99,354. During the reporting period, this latter number was further reduced to 70,780, a decline of 28.8 percent. The combined capital value [2] of property owned or in process of acquiring title was $424,185,212, at the close of the current fiscal year, as against $549,441,184 on June 30, 1939.

The peak of the Corporation's property holdings was reached in July 1938 when properties owned and in process of acquisition numbered 103,349. Since then, the number of properties on hand and in process of acquisition has been reduced by 31.5 percent.

The property holdings of the Corporation show an increasing tendency toward concentration in certain areas where the general real-estate situation is still abnormal and where foreclosures are most numerous and property sales most difficult.[3] On June 30, 1940, over

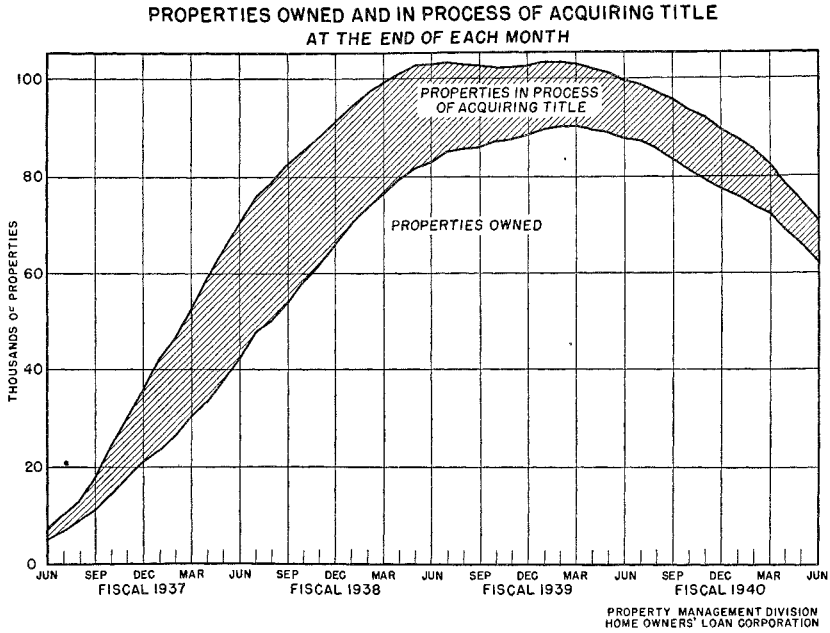
[1] Properties in process of acquiring title are those where the foreclosure action has been advanced to the point of judgment or sale but where because of the existence of a redemption period or for other reasons, some additional time must yet elapse before the Corporation can acquire full title.

[2] The capital value of property is represented by unpaid balances of loans and advances, unpaid interest to date of foreclosure, sale, or judgment, foreclosure costs, net charges prior to date of acquisition, and permanent additions, initial repairs, and reconditioning subsequent to acquisition.

[3] See *Survey of Housing and Mortgage Finance*, pp. 13–16.

one-fourth of the properties owned and in the process of acquiring title were in the State of New York; at the end of the preceding fiscal year, this proportion had been only one-fifth. Further points of concentration are New Jersey, Massachusetts, Pennsylvania, Ohio, Missouri, and Wisconsin. All together, 62.9 percent of the properties owned and in process of acquiring title are located in the seven States mentioned above. Slightly less than 35 percent of the Corporation's loans were made in these same States.

CHART XLIII



The improvement of the real-estate account of the Corporation during the fiscal year 1940 was due both to increased sales of properties and reduced acquisitions through foreclosure or deed in lieu of foreclosure. The latter factor was in part the result of the drop in foreclosures attendant upon the execution of the extension program. Only 23,826 properties were acquired in the fiscal year 1940 as against 41,743 the year before and 55,190 in the fiscal year 1938. Of greater importance, however, was the Corporation's expanding sales activity exemplified by 49,716 sales in the fiscal year 1940 as compared with 37,771 in the fiscal year 1939 and 15,159 in the fiscal year 1938.

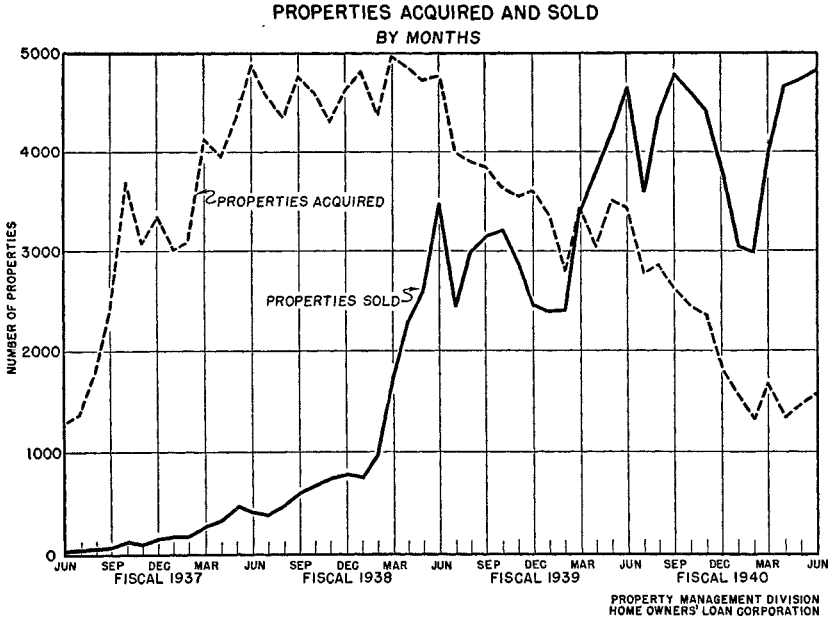
Property acquisitions and sales, by fiscal-year periods

Period	Acquisitions		Sales			Ratio of number of sales to number of 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
1940	23,826	127,055,797	49,716	241,270,671	170,505,356	207.1
Total	165,568	864,340,925	105,019	478,907,293	363,681,200	62.8

[1] Includes all adjustments to June 30, 1940.
[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.

All together, through June 30, 1940, the Corporation has acquired 165,568 properties, equivalent to 16 percent of the original loan accounts, and has sold 105,019 properties, or 63 percent of the properties acquired. These figures include a small number of reacquisitions and resales.

CHART XLIV



As will be seen from Chart XLIV, the volume of property sales began to exceed the volume of monthly acquisitions in April 1939 and has consistently remained above the level of acquisitions from

that date. The fact that this favorable trend developed prior to the execution of the extension program appears to confirm that the trend was not brought about, but only accentuated by the drop of foreclosures in connection with the extension program.

A relatively small number of HOLC properties have been disposed of for cash. The majority have been sold for a down payment averaging in excess of 10 percent, with the balance due amortized over a period up to 15 years. Since October 1939, new sales instruments have been written at an interest rate of 4½ percent. Interest on the unpaid balances of vendee accounts originated prior to that time is also charged at the rate of 4½ percent per year.

Property sales through June 30, 1940, by terms

	Number of properties	Percent of total
Cash sales	6,038	5.7
Sales on security instruments	59,017	56.2
Sales contracts or other instruments in lieu thereof	39,964	38.1
Total	105,019	100.0

Property sales through the end of the fiscal year 1940 resulted in a cumulative capital loss of $115,226,093, or an average of approximately $1,097 per property, representing the spread between the sales price and the capital value on the books of the Corporation. The cumulative capital loss through June 30, 1940, was 24.1 percent of the capital value of all properties sold. A detailed statement of profit and loss on property sales, by calendar years, is given in Exhibit 58.

The losses sustained in the disposition of properties do not warrant the conclusion that the sales experience of the Home Owners' Loan Corporation has been unfavorable. Losses resulting from the sale of real estate are computed on the basis of capital value which includes all costs incident to the forbearance shown by the Corporation toward its borrowers before foreclosure. For this reason losses are, in large part, the result of this forbearance. In its efforts to avoid foreclosure and protect the borrower's interest, the Corporation permits substantial arrearages to accumulate before proceeding to acquisition. Finally, when foreclosure is brought, foreclosure and acquisition costs must be added to the debt already increased by the borrower's loan and tax delinquency, and often extensive reconditioning is necessary to place the property in condition for sale. Hence, capital values in most cases exceed current market prices. The various elements entering into the capital value of properties

owned and in process of acquiring title on June 30, 1940, are shown in Exhibit 59.

The Corporation attempts to sell the properties which it has been forced to acquire as speedily as is consistent with the Government's interests and with the condition of the real-estate market. Pending sale, the vast majority of properties owned are being rented and are thus converted into an income-producing asset of the Corporation.

On June 30, 1940, there were 83,923 dwelling units in properties owned by the Corporation. Of these units, 64,484, or 76.8 percent, were available for rental. The remainder comprised dwelling units held vacant for repairs, properties held vacant for immediate sale, those adversely occupied, and a few cases on which reports were being obtained. Of the units available for rental, 58,769, or 91.1 percent, were rented.[4] Operations of units available for rental are shown in Exhibit 60 which presents information on vacancies, rent collections, and average rent per dwelling unit.

During the fiscal year 1940, the gross operating income derived from properties owned was $26,267,858, and the gross operating expenses on properties owned, exclusive of overhead costs, totaled $22,008,719, leaving a net operating income of $4,259,139. Cumulatively from the beginning of operations to June 30, 1940, gross operating income totaled $72,939,968, while property expense aggregated $62,619,049. Hence, the net operating income from property before payment of overhead costs was $10,320,919. The properties rented are earning, in addition to their own operating expense, more than enough to provide for the operating expense of all properties owned, whether available for rent or not.

Increase of Vendee Accounts

Due to increased sales of those properties which the Corporation has been forced to acquire, the number of vendees, that is, of individuals purchasing acquired properties from the Corporation, has been expanding over a number of years. At the end of the reporting period there were 97,404 vendee accounts on the books of the Corporation as compared with 764,935 original loan accounts. In other words, of the total debtor accounts, 12.7 percent represented accounts resulting from property sales by the Corporation, as contrasted with original refinancing loans.

Although many of the vendee accounts have been established too recently to permit definite conclusions, the performance of vendees thus far has been satisfactory. Of the vendees in active status at the end of the reporting period, 96.3 percent were paying on schedule

[4] In 378 cases, dwelling units could not be rented because the tenants were in the process of eviction.

or were less than three months in arrears; 1.4 percent were more than three months in arrears but liquidating their delinquencies by regular payments; and only 2.3 percent were in default and not liquidating.

Cumulatively through June 30, 1940, foreclosures against vendees numbered 1,544, of which 255 were withdrawn, leaving 1,289 net foreclosures, or 1.3 percent of the total number of properties sold on an amortized payment plan. Through the end of June 1940, there were 848 properties reacquired from vendees, and 58 properties were in the process of acquiring title.[5]

Through June 30, 1940, property sales on a deferred payment basis have brought a total sales price of $343,480,644, which resulted in the setting up of vendee accounts to the extent of $299,915,015. The remainder constituted principally down payments received from property sales. Principal repayments and transfers have reduced the dollar amount outstanding on vendee accounts, as of June 30, 1940, to $277,239,129, which figure includes $1,163,323 in advances made to vendees as well as unpaid balances of instruments received from partial sales.

Reconditioning

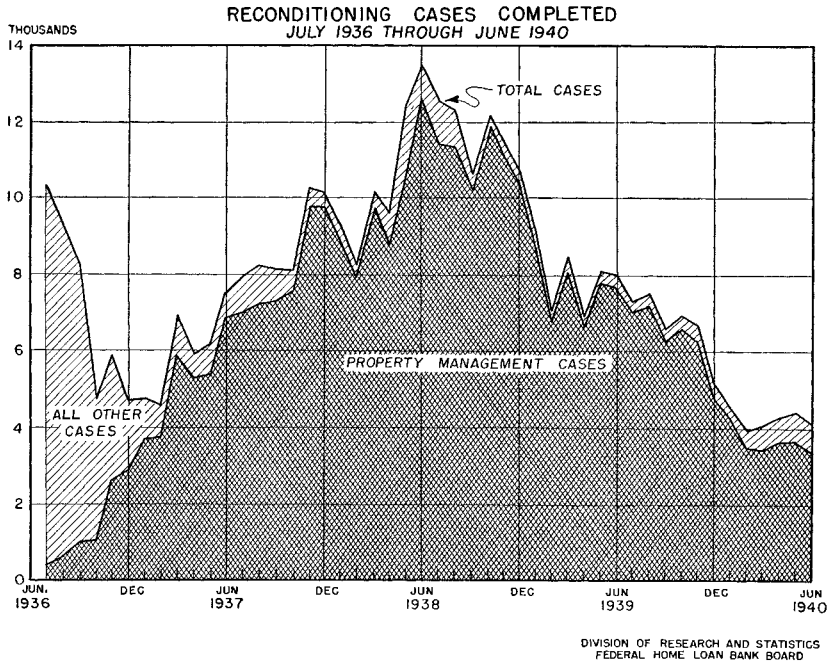
Reconditioning operations showed a sharp decline during the fiscal year 1940, due mainly to the reduction in the number of properties acquired, which necessitated less repair work for sales purposes. During the year, the number of reconditioning contracts completed was 66,085, in the amount of $17,722,229, as compared with 117,698 in the amount of $26,590,243 the year before. Of these contracts, 60,235 were for reconditioning of properties acquired by the Corporation or for properties in process of acquisition.

The Corporation not only reconditions a large number of properties which it has been forced to acquire, but also advances funds to borrowers for repair and maintenance if the borrowers are unable to keep their property in a satisfactory condition. The Corporation has, of course, a vital interest in the protection of the security underlying its loans. At the same time, advances for reconditioning purposes represent one of the services which the Corporation provides for its borrowers in accordance with the intent of the Home Owners' Loan Act.

From the beginning of operations to the close of June 1940, the Corporation has completed 795,894 cases of reconditioning, with a total expenditure of $157,071,700. In addition to these cases, certain other expenditures are made by contract management brokers who

[5] These properties are included in the acquisition figures given on page 140.

CHART XLV



have authority to provide for small maintenance repairs on properties under their management.

Number of reconditioning contracts completed from the beginning of operations through June 30, 1940

Type of case	Number of contracts completed	Total dollar amount	Averge dollar amount
1. Included in original loans to place homes of borrowers in a condition of reasonable structural soundness	417,393	$78,255,416	$187
2. Advanced to borrowers since closing of loans for keeping homes in sound condition	14,779	2,204,652	149
3. Reconditioning to make acquired properties attractive for rent or sale	332,701	70,098,984	211
4. Insurance cases supervised by the Corporation	31,021	6,512,648	210
Total	795,894	157,071,700	197

The reconditioning activities of the Corporation have been an important factor in halting blight in older residential districts. In a number of communities, its efforts have stimulated reconditioning and modernization by home owners and by private mortgage-lending institutions which hold real estate for sale. At the same time, the Corporation has been impressed by the vast extent of blight in American cities and by the need for a well-planned program of conservation for

urban neighborhoods. Consequently, the technical staff of the Corporation has participated in the preparation of neighborhood conservation surveys and in the development of cooperative neighborhood improvement plans in areas where it has a heavy concentration of loans and properties. The Corporation has a very real stake in preventing blight in these areas. Realization of its investments and protection of borrowers' equities depend to a considerable degree on successfully resisting the growth of slums. During the fiscal year 1940, a report on conservation problems in the Waverly area in Baltimore was published to provide a pattern for the physical restoration of urban neighborhoods.[6]

Appraisal Activity

The total number of appraisals completed in the fiscal year 1940 was 90,872 as against 101,118 in the preceding fiscal year. Of the total, 21,141 were initial appraisals as a result of foreclosure, and 65,064 represented reappraisals or supplemental reviews made to keep appraisal data up to date and abreast of changes in local economic conditions, real-estate values, and the physical condition of properties. The remaining 4,667 appraisals include reports for miscellaneous purposes.

Although the refinancing operations of the Home Owners' Loan Corporation were closed in June 1936, appraisals are still an important tool in the management of the Corporation. The majority of appraisals are used as a guide in determining sales prices of acquired properties. Appraisals are also necessary in the conduct of normal property management activities such as improving or reconditioning owned properties. In addition, the Corporation uses appraisals in certain legal proceedings.

The Appraisal Section of the Corporation renders additional 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 Federal Works Agency and the Procurement Division of the U. S. Treasury, the Section assists 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. During the fiscal year 1940, four large appraisals were completed for the War Department, involving several thousand acres of land, both improved and unimproved.

During the reporting period, the Home Owners' Loan Corporation sponsored Technical Appraisal Conferences held in several States and

[6] See *Survey of Housing and Mortgage Finance*, page 22.

open to any person interested in appraisal work. A general improvement of appraisal techniques is of vital interest to the Corporation, the other agencies under the Board, and especially to the local home-financing institutions with which these agencies are concerned.

Insurance

Significant changes were made during the latter part of the reporting period in the Corporation's program with respect to insurance of its borrowers' properties as well as its own properties against fire, windstorm, and other hazards. In May, an agreement was concluded with the Stock Company Association providing for an open policy in each State and Territory under which the properties of those borrowers who maintain accounts with the Corporation for taxes and insurance (see p. 127) and also the properties of those borrowers who neglect to obtain insurance coverage may be insured as required by the Corporation. In June, a plan was adopted for accumulating reserves to cover fire and other hazard losses on properties owned by the Corporation.

It should be emphasized that the majority of the Corporation's borrowers continue to furnish their own insurance policies from companies of their own selection and through their own agents just as they have in the past. The HOLC provides only that the insurance carrier be licensed by the State in which the borrower's property is located and that the policy meet the requirements of the Corporation under the terms of its mortgage.

For the properties owned by the Corporation and for the properties of such borrowers as failed to provide adequate insurance protection, contracts had been maintained since 1935 with the Stock Company Association, which was formed to represent the stock fire insurance companies, and the Mutual Company Association, which was formed to represent the mutual fire insurance companies. When the Corporation, in the summer of 1939, began to offer its borrowers the opportunity of arranging for the monthly payment of taxes and insurance on their properties, renewals of their insurance policies were ordered from the Stock Company Association or the Mutual Company Association, depending upon the type of policy which the borrower had previously provided.

In the late summer of 1939, the Corporation began a thorough study of its entire insurance program in order to reduce the costs of this protection. Because of the unusually large number of mortgage loans and properties held by the Corporation, the reviewing and checking of numerous separate policies as they were written and renewed involved considerable detail work. Also, several years of

experience evidenced that the fire losses on the Corporation's owned properties and on those of its borrowers have been very low compared with the premiums charged for the insurance of these properties. In February 1940, all insurance companies licensed to do business in the United States were invited to submit bids for the insurance of the Corporation's properties and also those of its borrowers. A total of twenty-nine bids was submitted. After a careful study of each of these, the bid of the Stock Company Association was accepted, a new contract was executed, and the existing contracts cancelled.

Under this new contract, properties of the Corporation's borrowers are covered by insurance similar to that provided in the previous contracts with the Stock and Mutual Company Associations. It is also provided that the Corporation conduct a fire prevention program. Under the open policy now in effect in each State and Territory, certificates are issued to insured parties by the various insurance companies which are members of the Stock Company Association.

Under the new contract between the Home Owners' Loan Corporation and the Stock Company Association, even though insurance arrangements are entered into by the mortgagors with the Corporation, the mortgagors may, at the time of expiration of policies held by the Corporation, furnish their own insurance policies through companies and agents of their choice, provided such policies meet the Corporation's requirements. If the Corporation is obliged to order insurance on a mortgagor's property through the Stock Company Association, the mortgagor is still permitted to designate a local agent to receive the commission.

In the past, when the Home Owners' Loan Corporation ordered insurance for its mortgagors, the coverage was usually in the amount and kind previously carried by them. Under the new arrangement, it is the general policy of the Corporation to order insurance only to the extent of the loan balance outstanding; the mortgagor may purchase additional coverage through his local agent.

In June 1940, the Corporation cancelled, with a few exceptions, all outstanding insurance policies on its owned properties and adopted a plan for the monthly accrual of a reserve for fire and other hazard losses. All losses on these properties which were formerly covered by separate insurance policies are now charged to this special reserve. This plan was feasible because of the wide spread of small risks represented by the Corporation's properties. Moreover, the Federal Government generally does not carry insurance on its properties. When properties are sold by the Corporation on an installment basis, insurance must be paid for by the vendee.

4. SURVEY OF HOLC FINANCES

Financial Condition

The financial condition of the Home Owners' Loan Corporation reflects substantial progress in the liquidation of its assets and also several significant shifts in the composition of assets. During the fiscal year 1940, aggregate assets decreased from $3,114,821,877 to $2,790,002,453, or by 10.4 percent. This was the largest drop in assets thus far recorded in any fiscal year. (See Chart XLVI at top of facing page.)

Comparison of the balance sheet as of June 30, 1940, presented in Exhibit 61, with the balance sheet as of June 30, 1939, reveals the following changes in asset items as well as in capital and liability accounts during the fiscal year:

Changes in important balance-sheet items from June 30, 1939, to June 30, 1940

ASSETS	
Original mortgage loans and advances thereon	−$193, 229, 155
Vendee accounts and advances thereon	+125, 343, 792
Property owned and in process of acquiring title	−125, 255, 973
Bond Retirement Fund	−114, 150, 563
Investments	−13, 434, 600
LIABILITIES AND CAPITAL	
Bonded indebtedness	−314, 496, 125
Accounts payable	+9, 256, 584
Reserve for losses	−42, 159, 616
Net worth [1]	−16, 890, 976

[1] Capital stock minus deficit.

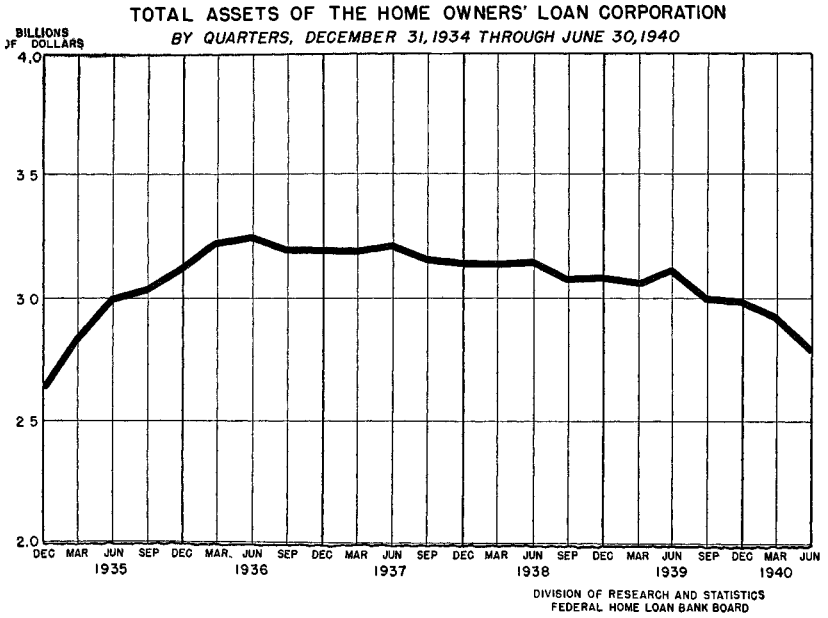
Original mortgage loans.—The balance of original mortgage loans outstanding and advances thereon decreased from $1,928,212,237 to $1,734,883,082, reflecting principal repayments on the part of original borrowers and, to a smaller extent, transfers of loan accounts to property accounts through foreclosure or deed in lieu of foreclosure.

Vendee instruments.—Expanded property sales by the Corporation resulted in an increase of vendee instruments outstanding and advances thereon from $151,896,337 to $277,239,129.

Property owned.—The capital value of property owned and in process of acquiring title dropped from $549,441,184 to $424,185,211 resulting from increased sales and decreasing acquisitions, analyzed in detail on pages 138–142.

Bond Retirement Fund.—This item was reduced from $149,217,560 to $35,066,998 principally as the result of certain bond retirements toward the close of the fiscal year.

CHART XLVI



Investments.—The investments of the Corporation, consisting of $100,000,000 capital stock of the Federal Savings and Loan Insurance Corporation and of shares in savings and loan associations, declined from $316,458,810 to $303,024,210 due to substantial repurchases of share investments by savings and loan associations. These repurchases, discussed on pages 62 to 66 of this report, had the effect of accelerating the liquidation of the Corporation. Exhibit 62 gives a detailed statement of HOLC investments in savings and loan associations.

Bonded indebtedness.—The bonded indebtedness of the Corporation was reduced from $2,949,305,025 to $2,634,808,900. The latter amount included $31,449,200 of bonds matured but not presented for payment and for which a like amount of cash is on deposit with the Treasurer of the United States. Hence, the liability of the Corporation for its outstanding unmatured bonds, all of which are guaranteed by the U. S. Government as to principal and interest, totaled $2,603,359,700; and allowing for the assets held by or due to the Bond Retirement Fund, the net liability of the Home Owners' Loan Corporation was $2,582,979,789.

On August 1, 1939, $904,761,250 Series B, 2¾ percent bonds became eligible for retirement by call. Such a call was made on May 18, 1939. During the latter month, an offer was made to the holders of Series B bonds to exchange them for a new Series M, 1½ percent bonds of 1945–47. Over 75 percent accepted this offer, leaving approximately $217,000,000 Series B bonds to be paid on August 1, 1939. This payment was effected partially from funds in the Bond Retirement Fund and the balance from the proceeds of the sale of $76,350,000 1½ percent Series M bonds, out of which total, $45,900,000 was sold during 1939 and $30,450,000 during the fiscal year 1940.

The only other bonds sold during the current fiscal year consisted of a total of $86,000,000, ¼ percent Series J bonds, due October 1939, and ¼ percent Series N bonds, due October 1940, which were sold at intervals to the U. S. Treasury for general corporate purposes. All of these were repaid, in addition to $20,000,000 Series J bonds which were outstanding at the beginning of the fiscal year. Cash in the amount of $127,867,400 from the Bond Retirement Fund was deposited with the U. S. Treasury for the payment of a like amount of Series K, ⅜ percent bonds which matured on May 15, 1940. A detailed statement of bonds issued, refunded, and retired to June 30, 1940, and bonds outstanding on that date, is presented in Exhibit 63.

Reserves for losses.—The Corporation entered the fiscal year 1940 with a reserve for losses on loans, interest, and property in the amount of $89,488,388. During the year, there was added to this reserve an amount of $3,333,333 per month, for a total of $40,000,000. Losses sustained during the year on mortgage loans and property totaled $82,390,320. As a result, the balance in the reserve for losses was reduced to $47,098,068.

Net worth.—On June 30, 1940, the accumulated deficit after provision for losses amounted to $76,453,005. Hence, the net worth of the Corporation at the close of the current fiscal year stood at $123,546,995, a decline of $16,890,976 during the year.

Exhibit 64 sets forth for the fiscal years 1939 and 1940 the cash receipts and expenditures of the Corporation. Their effect on cash working funds, Bond Retirement Fund, and bond liability, taking into consideration assets of the Bond Retirement Fund follows:

	Fiscal year 1939	Fiscal year 1940
Source of funds:		
Cash working funds, beginning of year	$26,575,820	$79,329,628
Assets in Bond Retirement Fund, beginning of year	91,366,431	149,217,560
Net receipts from operations	113,235,883	159,884,275
Proceeds from bond sales	138,957,879	117,171,577
Discount on bonds purchased		112,631
Net funds available	370,136,013	505,715,671
Use of funds:		
Cash working funds, end of year	79,329,628	39,702,549
Assets in Bond Retirement Fund, end of year	149,217,560	35,066,998
Bonds retired	141,588,825	430,946,124
Total	370,136,013	505,715,671

Income and Expense

During the fiscal year 1940, the income as well as the expenses of the Corporation showed a substantial decline. Total income, operating and other, was $128,527,812, as compared with $142,256,098 the year before, and total expenses amounted to $105,496,796 as compared with $125,852,591 in the fiscal year 1939.

The greatest decline in income was in the interest earned on original mortgage loans and advances. Not only was the number of original loans on the books of the Corporation reduced, but the principal amount of the borrower's indebtedness on which interest is charged is lowering each year through amortization. Another important factor during the reporting period was the reduction of interest payments by borrowers from 5 to 4½ percent, effective October 16, 1939. Interest on vendee accounts increased because of the growth in number of such accounts, although the reduction of interest charges applied to vendees as well as to original borrowers. Gross income from property changed only slightly. Dividends received on share investments from savings and loan associations declined as a consequence of the lower amount of such investments outstanding and a reduction in the rate paid by many associations.

Condensed income and expense statement for the fiscal years 1939 and 1940

Items	July 1, 1938, to June 30, 1939	July 1, 1939, to June 30, 1940
Operating and other income:		
Interest on original mortgage loans and advances	$103, 263, 288	$84, 735, 261
Interest on vendee accounts and advances	4, 958, 892	9, 969, 264
Interest on special investments	20, 698	41, 407
Property income	26, 353, 510	26, 267, 858
Dividends on investments in savings and loan associations	7, 457, 939	7, 253, 960
Miscellaneous	201, 771	260, 062
Total income	142, 256, 098	128, 527, 812
Operating and other expenses:		
Net interest on bonded indebtedness	72, 199, 571	56, 393, 368
Amortization of discount on refunded bonds	2, 638, 265	1, 466, 777
Administrative expense	25, 024, 998	23, 331, 735
General expenses	2, 828, 486	2, 296, 198
Property expense	23, 161, 271	22, 008, 718
Total expense	125, 852, 591	105, 496, 796
Net income before provision for losses	16, 403, 507	23, 031, 016
Provision for losses	34, 921, 055	40, 067, 690
Deficit for period	18, 517, 548	17, 036, 674

The largest drop in expenses—$15,806,203—was in interest on bonded indebtedness, due to the reduction of such indebtedness and to savings resulting from the large refunding operations effected during the latter part of the fiscal year 1939 and the early part of

1940. As of the close of the reporting period, however, the average interest rate on all unmatured bonds outstanding was 2.138 percent as compared with 2.098 percent on June 30, 1939. This slight increase was the result of the maturity of a large volume of low cost bonds in May 1940. Property expense was lower, and administrative expense declined by $1,693,263, or 6.8 percent.

After provision for losses in the amount of $40,067,690 during the year, the deficit for the operations of the fiscal year 1940, was $17,036,674 as against a deficit of $18,517,548 in the preceding fiscal year. Exhibit 65 shows a detailed statement of income and expense for the fiscal year 1940.

Cumulative from the beginning of operations to June 30, 1940, the total operating and other income of the Corporation was $828,310,786, and total operating and other expenses, $717,472,934, 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 $110,837,852. After deduction of $187,290,857 for such losses and loss reserve provisions, the net deficit as of June 30, 1940, stood at $76,453,005.

A statement of income and expense from the beginning of operations to June 30, 1940, and an analysis of changes in deficit for the reporting period are presented in Exhibits 66 and 67.

By resolution of the Board of Directors of the Corporation, specified amounts are set aside from income each year to maintain a reserve, 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. Although these reserve provisions were raised from $34,900,000 in the fiscal year 1939 to $40,000,000 in the fiscal year 1940, the balance of reserves was reduced during the reporting period since losses charged off during the year exceeded the reserve provisions for such losses.

Analysis of loss reserves for mortgage loans, interest, and property

Item	Cumulative to June 30, 1939	Fiscal year 1940	Cumulative to June 30, 1940
Allocated to reserves	$146, 137, 153	$40, 000, 000	$186, 137, 153
Losses:			
On mortgage loans and vendee instruments [1]	93, 841	74, 869	168, 710
On capital value of property sold	44, 460, 779	70, 765, 315	[2] 115, 226, 094
Sales brokers' commissions and selling expenses	11, 912, 362	11, 520, 579	23, 432, 941
On properties charged off	181, 783	29, 557	211, 340
Total losses	56, 648, 765	82, 390, 320	139, 039, 085
Balance in reserves	89, 488, 388	−42, 390, 320	47, 098, 068

[1] Includes reserve provisions for accumulated interest.
[2] Includes accrued interest capitalized of $27,415,423.50.

The final liquidation of the Corporation is as yet too far removed to permit any conclusion as to the ultimate financial result of its operations. There are good reasons to believe that the unavoidable elimination of hopeless cases was concentrated in the first few years of operations. The losses involved in this process naturally had to be set against the income of only a few years, with the result of an accumulating deficit. Inasmuch as the remaining original borrowers have a better chance of successfully retiring their indebtedness, the experience to date can hardly serve as an appropriate yardstick for prognostication.

5. THE PROCESS OF LIQUIDATION

Risks Assumed by the HOLC

Any evaluation or analysis of the liquidation experience of the Home Owners' Loan Corporation must be predicated upon a clear understanding of the risk elements involved in the refinancing loans made by the Corporation. The most salient feature of the loans made by the Home Owners' Loan Corporation was, of course, that they were granted only to individuals who, during the depression emergency, were confronted with imminent foreclosure. A comparison of the lending policy of the HOLC with that of private lenders shows that the Corporation's loans were made (1) at a higher ratio to appraised value and on the basis of a more liberal appraisal formula than was customary, (2) in neighborhoods where other lenders were reluctant to make additional loans, (3) at lower interest rates, (4) for a longer term, (5) with no charge for delinquent payments, and (6) with greater leniency to borrowers before final resort to foreclosure.

The HOLC was established to aid distressed home mortgage borrowers. In his message of April 13, 1933, to the Congress, requesting the Home Owners' Loan Act, President Roosevelt stated, "I ask the Congress for legislation to protect small home owners from foreclosure and to relieve them of a portion of the burden of excessive interest and principal payments. . . . To protect home owners from inequitable and forced liquidation in a time of general distress is a proper concern of the Government." The original purpose of the Act as passed by the Congress on June 13, 1933, was again emphasized when the legislation was entitled "An Act to provide emergency relief with respect to home mortgage indebtedness, to refinance home mortgages, to extend relief to the owners of homes occupied by them and who are unable to amortize their debt elsewhere . . ."

From the first, the Corporation required applicants for refinancing loans to prove that their mortgagees were no longer willing or able

to carry the loans, and that reasonable efforts had been made to refinance the loans with other private lending institutions. Written evidence to this effect was required. The first Manual of Rules and Regulations issued by the Corporation contained (p. 4) the following provision: "It is the primary duty of every agent of the Corporation to ascertain what effort, if any, has been made by an applicant to adjust his financing difficulties with his present mortgagees or to refinance through other sources of mortgage money and to advise what steps along these lines might reasonably be taken."

Throughout the three-year lending period of the HOLC, attention was frequently called to the fact that loans would be refinanced only for distressed borrowers who were in actual danger of losing their homes through foreclosure and who were unable to refinance their loans elsewhere. The Corporation received applications totaling $6,173,000,000, or almost half of the debt then outstanding on owner-occupied one- to four-family homes. Out of this volume of applications, loans were actually closed in the amount of $3,093,000,000. Thousands of applications were withdrawn because private lenders finally agreed to refinance the obligations.

It should be noted that the Corporation disbursed $389,527,917, or one-eighth of its loan volume, through so-called wholesale operations, established to assist in speeding up the liquidation of closed financial institutions. In these cases, the borrower was not required to prove that he was unable to continue his payments. Practically all of these borrowers were in distress, however, or would have found themselves in serious difficulty had their loans been called by the liquidating institutions. At that time, private mortgage money was, for all practical purposes, not available.

The HOLC not only gave its borrowers the advantage of the most liberal loan terms, but also benefited them in many cases by negotiating reductions in their previous mortgage debt. It is estimated that, in the process of refinancing, savings to the borrowers through principal reductions of $200,000,000, or 7 percent of the original debt, were effected.

Not only were debts reduced, but borrowers need pay no interest on that part of the debt which was wiped out. This saving, plus the reduction in annual interest charges, has meant an estimated saving to borrowers of $100,000,000 a year. In contrast with the present 4½ percent rate, borrowers previously paid up to 7 percent or higher on their first mortgage loans, and an even more exorbitant figure on their second and third mortgage loans.

The liquidation experience of the Home Owners' Loan Corporation must be considered in the light of these foregoing factors. The

refinancing loans of the Corporation did not constitute outright grants and the majority of those loans will be repaid with interest. On the other hand, it cannot be overlooked that the Corporation is exposed to losses over and above those sustained in the usual mortgage lending operation because of the care it exercises to grant its borrowers every forbearance possible before finally resorting to foreclosure.

Debt Liquidation by Original Borrowers

Naturally, the liquidation of the Home Owners' Loan Corporation itself is predicated upon the liquidation of the borrowers' indebtedness to the Corporation. The following table demonstrates the progress of the large majority of original borrowers in retiring their mortgage indebtedness.

Debt liquidation of the average outstanding original loan

Number of original accounts outstanding, June 30, 1940	764, 935
Original amount of these loans	$2, 241, 186, 940
Average original amount	$2, 930
Loan balance, June 30, 1940	$1, 734, 883, 082
Average loan balance, June 30, 1940	$2, 268
Percent reduction	22. 6

The above figures show that the present original borrower has been able over a period of from four to seven years [7] to reduce his indebtedness to the Corporation by 22.6 percent. Thus, he has made substantial headway on the road toward debt-free ownership. This achievement is all the more remarkable as the borrowers, when refinanced by the Corporation, were on the average delinquent two years on both principal and interest and between two and three years on taxes.

As would be expected in such a vast relief operation as undertaken by the Home Owners' Loan Corporation, not every borrower came through. Some 175,832 loans had to be foreclosed when the borrowers, though given every opportunity, still failed to meet their loan obligations. On the other hand, 77,141 borrowers who repaid their loans in full prior to the expiration of the loan contract, did even better than amortize their indebtedness in regular installments.

Exhibit 68 shows the average outstanding original loan per borrower and the average loan balance outstanding on June 30, 1940, by HOLC Regions and by States.

In the future, as a result of the loan extensions granted under the terms of the 1939 amendment to the Home Owners' Loan Act, debt liquidation by the Corporation's borrowers will be slower than under

[7] The refinancing loans of the Corporation were made in the period June 13, 1933, through June 12, 1936.

the original terms of HOLC loans. The distribution of loan and vendee accounts with amortization periods of more than 15 years is given in the table on page 126. In addition, there were 594,246 original loan accounts and 95,602 vendee accounts on June 30, 1940, written for terms of 15 years or less.

In its original refinancing operations, the Corporation closed loans in the total amount of $3,093,451,321. Subsequent advances to original borrowers for various purposes, and interest converted to principal, increased this amount to $3,246,633,610 as of June 30, 1940. At the end of the reporting period, there had been repaid on this principal $776,798,956, or 23.9 percent of the gross amount of original loans and advances; and $734,951,572, or 22.6 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 $1,734,883,082 on June 30, 1940.

Reduction of indebtedness of original borrowers

	Through June 30, 1939	Through June 30, 1940
Original amount of loans closed	$3,093,450,641	[1] $3,093,451,321
Advances to borrowers and interest merged with principal in extension agreements	80,279,664	153,182,289
Cumulative gross indebtedness of borrowers	3,173,730,305	3,246,633,610
Less principal repayments	601,002,640	776,798,956
Less balances transferred to property and similar accounts	644,515,428	734,951,572
Balance of original loans and advances outstanding	1,928,212,237	1,734,883,082

[1] Revision.

As was pointed out before, a substantial number of borrowers have wiped out their indebtedness to the Corporation by voluntary payment in full. During the fiscal year 1940, the loans of 23,454 original borrowers were canceled in this manner as against 18,769 the year before, and the amount of repayments in full totaled $57,754,943 as compared with $46,478,954 in the fiscal year 1939. All together, through June 30, 1940, repayments in full aggregated $183,389,074.

Generally, the loans repaid in full were smaller than the average loan made by the Corporation. The average original amount of mortgage loans repaid in full through June 30, 1940, was $2,356 as compared with an average original amount of $3,039 for all refinancing loans made by the Corporation. Naturally, the repayment in lump sums or the refinancing of smaller loans is easier than that of larger loans; however, the records of the Corporation show a generally

better performance of the smaller loan accounts in respect not only to principal repayments, but as to defaults and losses on properties acquired. This experience is corroborated by the fact that foreclosures were most heavy in the group of larger loans as shown on page 137. Thus, the conclusion appears to be justified that the smaller loans generally have fared better than the larger ones. Orderly liquidation has been most rapid in the former group; trouble has been most frequent in the latter category.

Average original amount of mortgage loans paid in full through June 30, 1940, compared with the average original amount of all loans made

HOLC Regions	Average original amount of all loans	Average original amount of loans repaid in full
United States	$3,039	$2,356
Region 1—New York	4,756	3,340
Region 2A—Baltimore	2,957	2,621
Region 2B—Cincinnati	3,054	2,646
Region 3A—Atlanta	2,325	2,088
Region 3B—Memphis	2,551	2,265
Region 4A—Chicago	3,830	3,121
Region 4B—Detroit	2,710	2,163
Region 5A—Omaha	2,017	1,869
Region 5B—Dallas	2,299	1,938
Region 6—San Francisco	2,322	1,980

In addition to repayments of original loans in full, a number of accounts have been terminated by cash sales of acquired properties, charge-off, and various other methods. The following table shows a summary of all terminated accounts:

Cumulative number and amount of accounts terminated

	Through June 30, 1939		Through June 30, 1940	
	Number	Amount	Number	Amount
Original loans paid in full or redeemed	53,676	$125,638,128	77,141	$183,389,074
Cash sales at foreclosure	684	1,918,077	908	2,514,555
Cash sales of acquired properties	3,000	10,492,806	6,038	20,164,481
Vendee instruments paid in full or redeemed	585	1,585,301	1,797	5,330,754
Properties and accounts charged off or consolidated	91	81,341	180	155,299
Total accounts terminated	58,036	139,715,653	86,064	211,554,163

Recoveries and Losses of the Corporation

The liquidation of the Home Owners' Loan Corporation progressed rapidly during the fiscal year 1940. The Corporation's task of liquidation includes the collection of the amount invested in outstanding mortgage loans, plus the unpaid balance on properties

acquired, subsequent additions in the form of advances to borrowers and vendees, interest capitalized, and necessary expenditures on properties acquired.

During the reporting period, the net balance of loans outstanding and the capital value of properties on hand was reduced from $2,629,952,937 to $2,436,945,645, a reduction of $193,007,292, or 7.3 percent, as compared with a decrease of 5.4 percent during the preceding year. The following table shows the various processes by which this reduction was brought about:

Reduction of total debtor and property accounts[1] in the fiscal year 1940

Balance of loans outstanding and properties on hand, June 30, 1939		$2, 629, 952, 937
Plus: Additions during the year:		
Advances to original borrowers	$69, 296, 326	
Advances to vendees	1, 042, 541	
Unposted advances increase	235, 044	
Interest converted to principal (extensions)	3, 649, 054	
Interest capitalized in property	3, 622, 720	
Capital charges to property	22, 185, 972	
Sales brokers' commissions and selling expense	11, 520, 579	
Total additions		111, 552, 236
		2, 741, 505, 173
Minus: Receipts during the year:		
Principal repayments by original borrowers	175, 796, 316	
Principal repayments by vendees and proceeds from property sales	45, 404, 119	
Miscellaneous capital cash credits	968, 772	
Total receipts		222, 169, 207
Loss on principal sustained during the year		[2] 82, 390, 320
Balance of loans outstanding and properties on hand, June 30, 1940		2, 436, 945, 646

[1] Debtor accounts include original loans and advances to borrowers, subsequent additions to the original loans, and interest 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 capital value both of property owned and property in process 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.

[2] Includes sales commissions and selling expenses of $11,520,579.

On June 30, 1940, there remained to be recovered $2,436,945,646, distributed as follows: $1,734,883,082 on original mortgage loans, $277,239,129 on vendee accounts, $424,185,212 on properties, and $638,223 on unposted advances.

From the beginning of operations through June 30, 1940, the Corporation had made gross investments in loans and properties in the amount of $3,448,189,599. At the end of the reporting period, this total had been reduced by $1,011,243,953, or 29.3 percent. Actual recoveries by virtue of principal repayments on debtor accounts, cash proceeds from property sales, and miscellaneous cash credits accounted for $872,204,868, or 25.3 percent of the gross cumulative investment; and losses sustained in the liquidation were responsible for $139,039,085, or 4.03 percent of the gross cumulative investment.

Reduction of total debtor and property accounts through June 30, 1940

	Amount	Percent
Gross investment in loans and properties, June 30, 1940	[1] $3, 448, 189, 599	100. 00
Deduct:		
Repayments on original loans	776, 798, 956	22 54
Receipts—property sales and vendee accounts	87, 010, 903	2. 52
Net miscellaneous cash credits	8, 395, 009	. 24
Total	872, 204, 868	25. 30
Total losses	[1] 139, 039, 085	4. 03
Balance of loans outstanding and properties on hand, June 30, 1940	2, 436, 945, 646	70. 67

[1] Includes sales brokers' commissions and selling expenses.

The liquidation experience of the Corporation thus far has been very unequal in the different parts of the country. The New York Region, which comprises New York, New Jersey, and the New England States, has shown by far the poorest record with respect to recoveries and losses. In this Region, the ratio of recoveries on loans outstanding and properties to total gross investments has been only 15 percent, while in the other Regions, the ratio ranged from 26.5 percent in Chicago to 34.5 percent in San Francisco. On the other hand, the ratio of losses sustained to gross investments has been 5.6 percent in the New York Region as compared with a range of 2.1 to 4.9 percent in the other Regions (Chart on page 160).

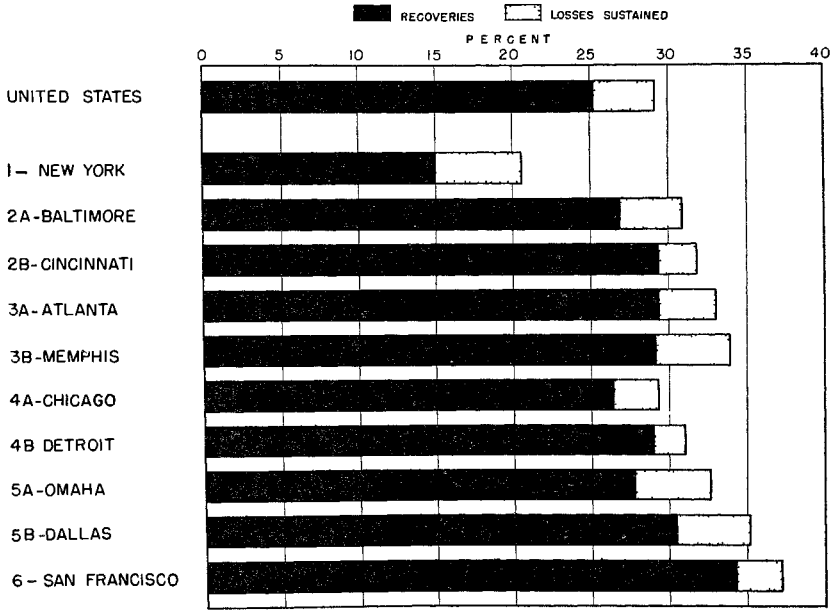
The principal reason for this situation lies in the fact that the Corporation has encountered in the New York Region the most difficult home-mortgage conditions of the country. In the States comprising this Region, recovery has lagged far behind the recovery in other sections. This is an area, too, that is characterized by real-estate taxation heavier by far than that carried elsewhere. In New York City and vicinity, in particular, there is the added element that real estate and the mortgage structure are still suffering from the effects of the inflated values and standards which prevailed during the years preceding the 1929 crash. The difficulties of the mortgage situation in the New York Region are reflected in a delinquency and foreclosure

experience unparalleled by that in any other section of the country and in market conditions confronting lenders with unusual problems in their efforts to dispose of repossessed properties. In brief, this is an area of continued home-mortgage distress and of continued instability in the mortgage and real estate markets.

The San Francisco Region, including the Pacific and Mountain States, and the Dallas Region, including the States of New Mexico, Oklahoma, and Texas, have thus far shown the best records of liquidation.

CHART XLVII

REDUCTION OF THE GROSS INVESTMENT IN LOANS AND PROPERTIES THROUGH JUNE 30, 1940, BY H.O.L.C. REGIONS



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The reduction of the Corporation's debtor and property accounts was accompanied by a decrease in the bonded indebtedness of the Corporation. Total bonds outstanding on June 30, 1940, amounted to $2,634,808,900, which compares with a peak in bonded indebtedness of $3,047,046,575 on May 31, 1936, shortly before the refinancing operations of the Home Owners' Loan Corporation came to an end.

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, 1940, repayments of debtors and receipts from property sales amounted to $863,809,859 and other items applicable to the retirement of bonds aggregated $22,550,957, for a total of $886,360,816. Of this amount, $869,598,703 had been deposited in the Bond Retirement Fund through June 30, 1940, and $16,762,113 was deposited during July.

The following table shows the disposition of the funds allocated to the Bond Retirement Fund through June 30, 1940:

Applied to retirement of bonds	$834, 531, 705
Deposited with U. S. Treasury for retirement of matured bonds on which interest has ceased	31, 449, 200
Available for future bond retirement	3, 617, 798
	869, 598, 703
Amount due Bond Retirement Fund for June 1940 deposited in July 1940	16, 762, 113
	886, 360, 816

6. ADMINISTRATION AND PERSONNEL

Despite the heavy work load resulting from the extension program, which brought additional duties to the legal, accounting, and loan service staff of the Corporation, administrative costs and personnel showed continued reductions during the period from July 1, 1939, to June 30, 1940.

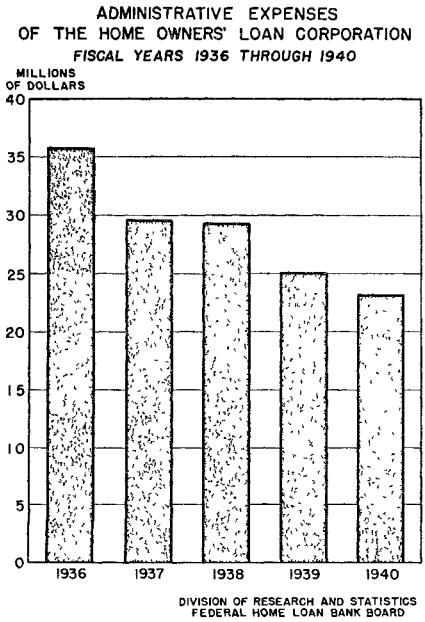
Both as a result of increased efficiency and better organization and because of the declining work load attendant upon the normal process of liquidation, the Corporation has been able to effect a continuing reduction in its payroll costs.

On July 1, 1940, the personnel[8] of the Corporation numbered 9,843, of whom 1,274 were employed in the Washington office and 8,569 in the field. This compares with a total of 11,007 the year before—a decline of 10.6 percent during the reporting period, with an attendant reduction of $1,639,965 in annual salary cost. At the height of HOLC activity during the period of refinancing operations, the Corporation had employed a personnel of more than 20,000. In other words, the present staff of the Corporation numbers less than one-half the peak.

[8] All personnel figures include employees on a per diem basis.

The Corporation has inaugurated a carefully developed program for training employees. This program not only improves the quality of performance, but facilitates promotion from within, by enabling employees to qualify for more responsible work as openings occur. Detailed information on the number of employees on July 1, 1940, by departments, divisions, and sections is given in Exhibit 69.

CHART XLVIII



As a liquidating organization, the Home Owners' Loan Corporation is faced with the problem of releasing gradually substantial numbers of employees who have given loyal service to the Corporation and have demonstrated a high degree of competence in their positions. The Corporation feels a definite responsibility toward these employees and assists them in securing other employment as expeditiously as possible.

Positions are classified in accordance with the requirements of Executive Order No. 6746, of June 21, 1934, which stipulated the rates of compensation for employees in emergency agencies. The classification of positions and the assignment of salary scales are in accordance with the principle of "equal pay for equal work." Classifications are continuously reviewed and positions analyzed in order to take cognizance of changes in duties and procedures.

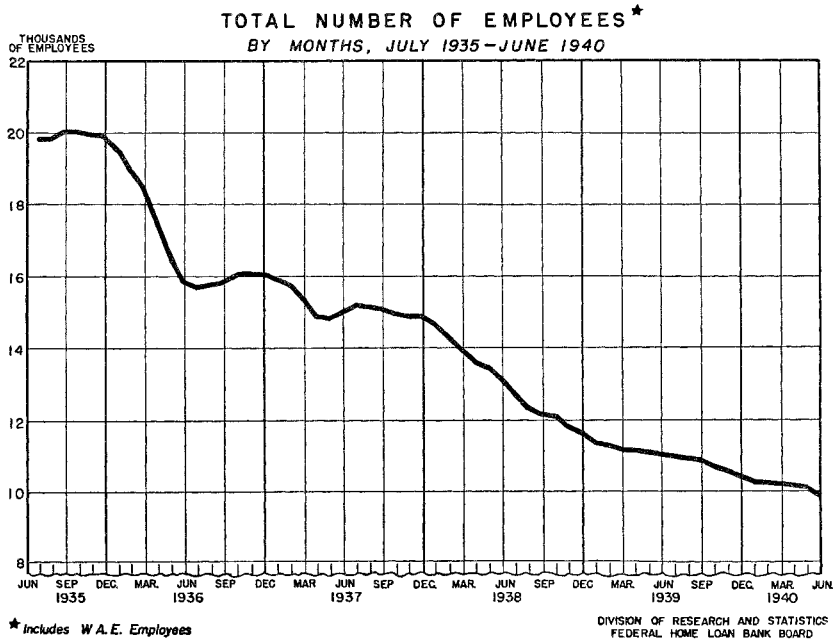
Closely identified with classification is the salary administration program designed to provide equitable rates of pay on the basis of the work performed and the efficiency with which it is carried out. Positions are periodically reviewed for the purpose of making adjustments. A service rating program is conducted twice a year which forms the basis for adjustments and promotions and which provides employees with an appraisal of their work.

During the fiscal year 1940, 22 State, divisional, district, and other branch offices were closed, reducing the total number of such offices to 42 at the end of the period. The number of field stations for servicing purposes declined from 110 to 54. This compares with a total

of 458 offices operating in the field in November 1934, when the peak in the number of offices and in personnel was reached. The contraction in organization was reflected not only in salary savings but, for example, in a reduction of rental space by some 134,000 square feet during the year, with an attendant decline in annual rent of approximately $86,000.

To coordinate the office space used by the agencies under the Federal Loan Administrator, the field offices of the Corporation were

CHART XLIX



joined in a number of localities with similar offices maintained by the Reconstruction Finance Corporation and the Federal Housing Administration. Furthermore, an arrangement was made with the Reconstruction Finance Corporation through which various HOLC offices in localities where no RFC offices exist accept applications for RFC loans and hold interviews in connection with such applications.

List of Charts

SURVEY OF HOUSING AND MORTGAGE FINANCE

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

270198—40——12

List of Exhibits

SURVEY OF HOUSING AND MORTGAGE FINANCE

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

EXHIBIT 1

New nonfarm residential building in the United States

[Thousands of dwelling units]

Year	One-family	Two-family	Apartment	Total
1921	316	70	63	449
1922	437	146	133	716
1923	513	175	183	871
1924	534	173	186	893
1925	572	157	208	937
1926	491	117	241	849
1927	454	99	257	810
1928	436	78	239	753
1929	316	51	142	509
1930	185	28	73	286
1931	147	21	44	212
1932	61	6	7	74
1933	39	4	11	54
1934	42	3	10	55
1935	110	6	28	144
1936	207	10	65	282
1937	219	15	52	286
1938	260	17	70	347
1939	354	22	89	465
January to June 1939	167	11	46	224
January to June 1940	190	14	37	241

Source: For 1921 to 1936: National Bureau of Economic Research. For 1937 through 1940: Department of Labor, on the basis of building permit reports for cities of 2,500 population or over.

EXHIBIT 2

Ten metropolitan areas with highest home-building volume per 10,000 population—year 1939

Metropolitan district	Percent population coverage	Including USHA		Excluding USHA	
		Total units	Units per 10,000 population	Number units	Units per 10,000 population
Miami	92.9	5,049	411.1	3,974	323.5
Washington	96.4	12,283	205.3	11,957	199.8
Los Angeles	81.8	30,595	161.3	29,985	158.1
Houston	89.1	4 480	148.2	4,120	136.3
Sacramento	73.8	1,208	128 9	1,208	128.9
San Diego	86.1	1,959	125.6	1,959	125.6
Dallas	88 7	2,877	104.7	2,877	104.7
Charleston, W. Va	66 9	1,200	165 8	726	100.3
Jacksonville	87.1	1,291	99.7	1,291	99.7
San Jose	61.8	609	95 2	609	95.2

Ten metropolitan areas with lowest home-building volume per 10,000 population—year 1939

Metropolitan district	Percent population coverage	Including USHA		Excluding USHA	
		Total units	Units per 10,000 population	Number units	Units per 10,000 population
Utica	55.8	226	21.2	13	1.2
Trenton	68.5	524	40.2	30	2.3
Altoona	71.8	20	2.4	20	2.4
Syracuse	88.2	752	34.8	74	3.4
Scranton-Wilkes Barre	42.4	138	5.0	138	5.0
Johnstown	49.9	46	6.2	46	6.2
Reading	80.3	490	35.8	90	6.6
Kansas City	85.8	399	7.6	399	7.6
Albany-Schenectady-Troy	77.7	331	10.0	331	10.0
Allentown-Bethlehem-Easton	60.5	518	26.6	196	10.1

Source: Insured Mortgage Portfolio, Volume 4, March 1940.

EXHIBIT 3

Nonfarm real-estate foreclosures in the United States, 1926 to 1940

Year	Number	Rate per 1,000 nonfarm dwellings	Year	Number	Rate per 1,000 nonfarm dwellings
1926	68,100	3.60	1934	230,988	12.21
1927	91,000	4.80	1935	229,550	12.13
1928	116,000	6.10	1936	186,993	9.88
1929	134,900	7.10	1937	153,025	8.09
1930	150,100	7 90	1938	119,290	6.31
1931	193,800	10.20	1939	104,857	5.54
1932	248,700	13 10	1940 [1]	38,712	4.09
1933	252,400	13 34			

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

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

EXHIBIT 4

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

State and Bank District	Year ending June 30, 1939	Year ending June 30, 1940	State and Bank District	Year ending June 30, 1939	Year ending June 30, 1940
United States	112,241	86,954	No. 7—Chicago	7,989	5,207
No. 1—Boston	12,614	11,561	Illinois	4,769	3,029
Connecticut	2,686	2,306	Wisconsin	3,220	2,178
Maine	977	745	No. 8—Des Moines	6,744	5,352
Massachusetts	7,786	7,450	Iowa	1,093	632
New Hampshire	330	310	Minnesota	1,030	840
Rhode Island	661	698	Missouri	3,894	3,250
Vermont	174	52	North Dakota	223	219
No. 2—New York	25,915	19,181	South Dakota	504	411
New Jersey	5,501	4,442	No. 9—Little Rock	4,727	3,526
New York	20,414	14,739	Arkansas	387	351
No. 3—Pittsburgh	13,685	11,711	Louisiana	906	643
Delaware	249	204	Mississippi	503	391
Pennsylvania	12,875	10,837	New Mexico	227	107
West Virginia	561	670	Texas	2,704	2,034
No. 4—Winston-Salem	11,013	8,706	No. 10—Topeka	4,817	3,303
Alabama	1,704	1,049	Colorado	383	327
District of Columbia	384	326	Kansas	1,271	1,041
Florida	1,612	1,307	Nebraska	1,392	898
Georgia	1,494	825	Oklahoma	1,771	1,037
Maryland	1,860	1,802	No. 11—Portland	1,868	1,429
North Carolina	2,230	1,690	Idaho	94	96
South Carolina	399	359	Montana	124	122
Virginia	1,330	1,348	Oregon	515	379
No. 5—Cincinnati	10,783	8,916	Utah	191	120
Kentucky	1,357	1,389	Washington	749	618
Ohio	7,274	5,519	Wyoming	195	94
Tennessee	2,152	2,008	No. 12—Los Angeles	5,490	3,560
No. 6—Indianapolis	6,596	4,502	Arizona	181	173
Indiana	2,453	1,496	California	5,292	3,373
Michigan	4,143	3,006	Nevada	17	14

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

EXHIBIT 5

Selected figures on residential real estate owned by financial institutions, Dec. 31, 1939

FHLB District	All real estate owned by savings and loan associations	1- to 4-family nonfarm homes owned by life insurance companies	Residential real estate owned by insured commercial banks [1]	Properties owned by the Home Owners' Loan Corporation [2]
United States	$684, 547, 000	$247, 819, 000	$182, 688, 000	$462, 229, 879
No. 1—Boston	57, 623, 000	13, 053, 000	12, 735, 000	53, 987, 544
Connecticut	776, 000	4, 430, 000	3, 316, 000	9, 884, 062
Maine	2, 139, 000	2, 000	955, 000	877, 774
Massachusetts	53, 388, 000	8, 277, 000	5, 794, 000	37, 904, 871
New Hampshire	463, 000	74, 000	140, 000	748, 628
Rhode Island	731, 000	198, 000	1, 777, 000	4, 044, 230
Vermont	126, 000	72, 000	753, 000	527, 979
No. 2—New York	238, 389, 000	81, 441, 000	57, 870, 000	227, 036, 139
New Jersey	201, 281, 000	18, 215, 000	23, 490, 000	66, 707, 872
New York	37, 108, 000	63, 226, 000	34, 380, 000	160, 328, 267
No. 3—Pittsburgh	89, 859, 000	17, 617, 000	67, 499, 000	23, 386, 289
Delaware	288, 000	617, 000	793, 000	177, 059
Pennsylvania	86, 525, 000	15, 662, 000	64, 269, 000	22, 217, 637
West Virginia	3, 046, 000	1, 338, 000	2, 437, 000	991, 593
No. 4—Winston-Salem	13, 370, 000	25, 501, 000	9, 113, 000	19, 663, 872
Alabama	2, 633, 000	8, 252, 000	1, 041, 000	2, 695, 209
District of Columbia	609, 000	471, 000	1, 012, 000	123, 043
Florida	131, 000	3, 098, 000	656, 000	1, 118, 512
Georgia	237, 000	6, 518, 000	2, 262, 000	1, 587, 358
Maryland	4, 925, 000	273, 000	1, 519, 000	8, 202, 557
North Carolina	2, 369, 000	5, 353, 000	844, 000	1, 471, 720
South Carolina	535, 000	570, 000	168, 000	420, 005
Virginia	1, 931, 000	966, 000	1, 611, 000	4, 045, 468
No. 5—Cincinnati	97, 085, 000	25, 085, 000	12, 191, 000	29, 377, 597
Kentucky	15, 292, 000	942, 000	1, 506, 000	2, 945, 971
Ohio	80, 911, 000	17, 749, 000	9, 770, 000	23, 661, 693
Tennessee	882, 000	6, 394, 000	915, 000	2, 769, 933
No. 6—Indianapolis	23, 513, 000	21, 500, 000	3, 888, 000	15, 677, 718
Indiana	11, 691, 000	1, 883, 000	2, 736, 000	7, 137, 851
Michigan	11, 822, 000	19, 617, 000	1, 152, 000	8, 539, 867
No. 7—Chicago	90, 285, 000	24, 734, 000	4, 748, 000	30, 173, 868
Illinois	41, 483, 000	24, 238, 000	3, 594, 000	14, 157, 096
Wisconsin	48, 802, 000	496, 000	1, 154, 000	16, 016, 772
No. 8—Des Moines	16, 124, 000	11, 152, 000	1, 392, 000	22, 450, 315
Iowa	2, 057, 000	1, 041, 000	145, 000	2, 103, 584
Minnesota	1, 075, 000	3, 445, 000	264, 000	3, 704, 039
Missouri	11, 940, 000	6, 518, 000	855, 000	13, 480, 946
North Dakota	761, 000	74, 000	88, 000	1, 157, 282
South Dakota	291, 000	74, 000	40, 000	2, 004, 464
No. 9—Little Rock	11, 202, 000	5, 754, 000	2, 243, 000	12, 795, 922
Arkansas	273, 000	570, 000	160, 000	1, 802, 797
Louisiana	7, 627, 000	25, 000	429, 000	3, 992, 976
Mississippi	296, 000	1, 214, 000	532, 000	1, 659, 855
New Mexico	105, 000	5, 000	14, 000	87, 716
Texas	2, 901, 000	3, 940, 000	1, 108, 000	5, 252, 578
No. 10—Topeka	21, 931, 000	4, 709, 000	360, 000	18, 124, 037
Colorado	2, 030, 000	620, 000	131, 000	1, 168, 674
Kansas	11, 514, 000	917, 000	147, 000	6, 535, 528
Nebraska	3, 617, 000	520, 000	49, 000	3, 849, 258
Oklahoma	4, 770, 000	2, 652, 000	33, 000	6, 570, 577

See footnotes at end of table.

EXHIBIT 5—Continued

Selected figures on residential real estate owned by financial institutions, Dec. 31 1939—Continued

FHLB District	All real estate owned by savings and loan associations	1- to 4-family nonfarm homes owned by life insurance companies	Residential real estate owned by insured commercial banks [1]	Properties owned by the Home Owners' Loan Corporation [2]
No. 11—Portland	$9,660,000	$7,530,000	$307,000	$4,755,320
Idaho	78,000	25,000	2,000	284,598
Montana	105,000	424,000	13,000	192,628
Oregon	1,391,000	3,346,000	182,000	654,258
Utah	5,655,000	25,000	37,000	1,085,303
Washington	2,123,000	3,668,000	60,000	2,469,888
Wyoming	308,000	42,000	13,000	68,645
No. 12—Los Angeles	15,506,000	9,743,000	10,342,000	4,801,258
Arizona	35,000	124,000	139,000	988,892
California	15,422,000	9,615,000	10,201,000	3,781,670
Nevada	16,000	4,000	2,000	30,696
Hawaii	33,000			

[1] Excluding possessions. Source: FDIC Report, *Assets and Liabilities of Operating Insured Banks*, December 30, 1939.
[2] Capital value.

EXHIBIT 6

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
1936			
January	98.7	98.1	98.5
February	99.0	98.1	98.7
March	99.1	98.2	98.8
April	99.2	98.8	99.1
May	99.4	99.4	99.4
June	99.5	99.9	99.7
July	99.9	100.3	100.1
August	100.3	100.5	100.4
September	100.4	101.0	100.6
October	100.7	101.5	101.0
November	101.4	102.0	101.6
December	102.5	102.2	102.4
1937			
January	104.0	102.7	103.6
February	105.6	103.4	104.9
March	107.7	104.7	106.7
April	109.1	106.7	108.3
May	110.0	107.7	109.2
June	110.2	109.5	110.0
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
1938			
January	107.2	110.9	108.4
February	106.5	111.0	108.0
March	105.7	111.4	107.6
1938—Continued			
April	105.2	111.4	107.2
May	104.8	111.3	106.9
June	104.6	111.5	106.9
July	104.2	112.0	106.8
August	103.4	112.3	106.4
September	103.4	112.4	106.4
October	103.3	112.1	106.2
November	103.2	112.1	106.1
December	103 1	112.1	106.1
1939			
January	103.0	111.9	106.0
February	103.0	112.2	106.0
March	103.0	112.4	106.1
April	102.9	111.9	105.9
May	102.7	111.5	105.6
June	102.5	111.3	105.4
July	102.4	111.3	105.3
August	102.3	111.2	105.2
September	102.9	111.2	105.7
October	103.6	111.1	106.1
November	104.4	110.8	106.5
December	104.5	110.6	106.6
1940			
January	104.4	110.2	106.4
February	104.5	110.3	106.5
March	104.5	110.3	106.4
April	104.3	110.0	106.2
May	104.4	109.9	106.2
June	104.4	109.7	106.2

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

EXHIBIT 7

Estimated volume of mortgage loans originated on nonfarm one- to four-family dwellings, by type of lender

[Millions of dollars]

Type of lender	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Savings and loan associations	$1,791	$1,262	$892	$543	$414	$451	$564	$755	$897	$798	$986
Insurance companies	525	400	169	54	10	16	77	140	232	242	274
Mutual savings banks	612	484	350	150	99	80	80	100	120	105	112
Commercial banks and their trust departments	1,040	670	364	170	110	110	264	430	500	560	610
Home Owners' Loan Corporation	------	------	------	------	103	2,116	722	154	27	89	149
Individuals and others [1]	1,120	720	400	175	100	150	443	605	723	669	740
Total	5,088	3,536	2,175	1,092	836	2,923	2,150	2,184	2,499	2,463	2,871

[1] Includes fiduciaries, mortgage, title, and real-estate companies, construction companies, philanthropic and educational institutions, fraternal organizations, State and local governments, etc.

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

EXHIBIT 8

Summary of estimated nonfarm mortgage recordings,[1] fiscal year 1940

[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	
	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
United States	477,490	$1,197,744	62,532	$315,491	292,398	$933,722	43,066	$158,747	334,647	$625,233	177,117	$569,643	1,387,250	$3,800,580
No. 1—Boston	40,060	122,508	3,105	16,708	11,047	40,783	22,805	74,255	21,842	45,983	12,521	36,381	111,380	336,618
Connecticut	3,181	11,146	683	4,585	3,417	14,312	4,898	18,097	5,524	13,306	3,263	11,937	20,966	73,383
Maine	4,036	8,754	269	1,106	1,833	4,327	2,917	5,049	2,594	3,671	1,185	2,158	12,834	25,065
Massachusetts	27,201	85,133	1,852	9,374	3,578	14,532	11,140	38,880	10,373	22,696	6,428	17,267	60,572	187,882
New Hampshire	2,192	6,329	120	670	548	1,810	1,629	5,091	1,109	2,021	418	1,178	6,016	17,099
Rhode Island	2,370	8,174	107	561	949	3,501	1,343	4,536	1,408	2,761	958	3,148	7,135	22,681
Vermont	1,080	2,972	74	412	722	2,301	878	2,602	834	1,528	269	693	3,857	10,508
No. 2—New York	30,640	96,260	3,972	23,965	21,875	88,429	14,414	64,300	35,724	83,621	19,383	75,547	126,008	432,122
New Jersey	11,147	34,725	2,022	11,049	11,276	47,034	889	4,223	13,050	33,302	7,914	27,232	46,298	157,565
New York	19,493	61,535	1,950	12,916	10,599	41,395	13,525	60,077	22,674	50,319	11,469	48,315	79,710	274,557
No. 3—Pittsburgh	30,921	80,289	3,068	16,365	23,806	79,063	1,986	7,340	20,538	44,275	11,795	40,630	92,114	267,962
Delaware	736	1,998	352	1,936	729	3,436	352	1,267	1,198	2,426	382	1,536	3,749	12,599
Pennsylvania	24,457	65,172	2,268	12,221	18,027	63,637	1,572	6,033	16,089	36,716	9,731	36,347	72,144	220,126
West Virginia	5,728	13,119	448	2,208	5,050	11,990	62	40	3,251	5,133	1,682	2,747	16,221	35,237
No. 4—Winston-Salem	75,172	170,276	9,598	44,404	28,074	75,129	386	1,459	51,533	84,291	27,036	68,335	191,799	443,894
Alabama	3,075	4,455	881	3,582	2,328	4,911	--------	--------	5,422	6,968	2,927	7,298	14,633	27,214
District of Columbia	5,640	26,851	673	4,467	1,115	6,746	--------	--------	3,083	8,701	3,133	13,464	13,644	60,229
Florida	8,312	25,295	2,950	12,432	3,694	10,213	1	3	9,167	19,606	6,113	16,727	30,237	84,276
Georgia	9,022	15,297	1,842	8,297	5,466	11,856	--------	--------	6,055	8,049	1,993	3,737	24,378	47,236
Maryland	11,913	28,627	383	2,085	3,093	10,286	385	1,456	4,474	10,201	1,992	4,916	22,240	57,571
North Carolina	21,081	36,118	1,145	4,953	3,850	8,901	--------	--------	8,152	7,792	5,015	9,357	39,243	67,121
South Carolina	5,114	9,139	517	2,673	2,854	5,813	--------	--------	6,571	7,053	2,131	3,576	17,187	28,254
Virginia	11,015	24,494	1,207	5,915	5,674	16,403	--------	--------	8,609	15,921	3,732	9,260	30,237	71,993
No. 5—Cincinnati	72,095	195,398	7,337	38,839	33,973	103,022	932	4,064	22,174	36,898	19,540	53,951	156,051	432,172
Kentucky	11,043	23,985	1,575	7,270	5,220	13,904	--------	--------	2,659	3,687	994	3,223	21,491	52,069
Ohio	56,424	162,497	4,052	25,201	22,366	75,676	932	4,064	15,903	29,012	9,494	33,105	109,171	329,555
Tennessee	4,628	8,916	1,710	6,368	6,387	13,442	--------	--------	3,612	4,199	9,052	17,623	25,389	50,548

No. 6—Indianapolis	36,348	72,322	7,260	34,459	33,928	94,392	332	631	14,270	25,576	9,792	35,240	101,930	262,620
Indiana	25,337	44,905	2,998	13,018	11,769	30,035	332	631	4,995	7,752	3,476	8,929	48,907	105,270
Michigan	11,011	27,417	4,262	21,441	22,159	64,357	--------	--------	9,275	17,824	6,316	26,311	53,023	157,350
No. 7—Chicago	37,538	104,286	3,984	21,544	17,416	62,483	128	295	19,596	45,132	14,521	66,688	93,183	300,428
Illinois	27,161	77,896	3,012	16,834	10,615	41,685	3	5	8,834	23,431	11,984	58,293	61,609	218,144
Wisconsin	10,377	26,390	972	4,710	6,801	20,798	125	290	10,762	21,701	2,537	8,395	31,574	82,284
No. 8—Des Moines	34,136	75,300	5,797	26,417	22,078	48,824	465	1,646	30,021	50,771	14,403	41,118	106,900	244,076
Iowa	8,862	17,639	1,111	4,840	6,830	14,972	--------	--------	4,959	7,888	2,375	5,869	24,137	51,208
Minnesota	12,455	31,123	2,854	12,347	5,914	12,416	461	1,617	8,077	14,563	2,218	6,872	31,979	78,938
Missouri	10,173	21,232	1,373	7,655	7,490	18,404	4	29	15,236	25,759	9,190	26,993	43,466	100,072
North Dakota	1,505	3,404	173	739	722	1,235	--------	--------	826	1,125	467	1,104	3,693	7,607
South Dakota	1,141	1,902	286	836	1,122	1,797	--------	--------	923	1,436	153	280	3,625	6,251
No. 9—Little Rock	34,878	82,118	7,860	37,610	10,195	27,940	4	13	24,889	43,909	17,485	51,520	95,311	243,110
Arkansas	3,646	7,001	375	1,570	1,549	3,050	--------	--------	2,318	2,979	1,224	2,614	9,112	17,214
Louisiana	10,700	29,529	691	3,527	1,348	3,508	--------	--------	4,146	7,482	3,374	8,764	20,259	52,810
Mississippi	2,219	4,043	370	1,541	1,281	3,004	--------	--------	2,714	3,960	1,250	3,137	7,834	15,685
New Mexico	1,472	2,923	28	86	615	1,947	--------	--------	1,911	3,324	560	1,055	4,586	9,335
Texas	16,841	38,622	6,396	30,886	5,402	16,431	4	13	13,800	26,164	11,077	35,950	53,520	148,066
No. 10—Topeka	29,435	59,861	2,603	11,482	9,388	22,450	20	23	18,525	26,944	9,967	27,238	69,938	147,998
Colorado	3,905	9,211	257	1,117	1,722	4,583	--------	--------	7,173	12,182	2,755	8,881	15,812	35,974
Kansas	7,826	13,735	700	2,633	3,374	7,184	1	2	3,011	3,653	1,933	4,686	16,845	31,893
Nebraska	7,359	14,720	876	4,102	733	1,978	14	15	2,447	3,890	1,062	2,962	12,491	27,667
Oklahoma	10,345	22,195	770	3,630	3,559	8,705	5	6	5,894	7,219	4,217	10,709	24,790	52,464
No. 11—Portland	20,372	43,883	2,595	9,060	15,100	37,048	1,594	4,721	14,360	21,508	8,663	26,797	62,684	143,017
Idaho	1,287	2,594	169	543	1,282	4,175	--------	--------	2,167	2,834	1,081	2,651	5,986	12,797
Montana	1,925	4,608	255	952	881	2,744	--------	--------	1,615	3,226	278	644	4,954	12,174
Oregon	4,514	9,626	750	2,728	1,967	4,320	185	673	4,698	6,708	2,134	7,180	14,248	31,235
Utah	2,052	5,057	307	985	2,757	7,602	--------	--------	1,193	1,466	586	1,124	6,895	16,234
Washington	9,737	19,679	1,101	3,791	7,655	16,737	1,405	4,047	3,814	5,565	4,186	13,997	27,898	63,816
Wyoming	857	2,319	13	61	558	1,470	4	1	873	1,709	398	1,201	2,703	6,761
No. 12—Los Angeles	35,895	95,243	5,353	34,638	65,518	254,159	--------	--------	61,175	116,325	12,011	46,198	179,952	546,563
Arizona	851	2,258	92	406	1,616	5,380	--------	--------	3,018	6,070	438	964	6,015	15,078
California	34,867	92,563	5,243	34,161	63,527	247,440	--------	--------	57,516	108,792	11,486	45,038	172,639	527,994
Nevada	177	422	18	71	375	1,339	--------	--------	641	1,463	87	196	1,298	3,491

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

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

EXHIBIT 9

Mortgage recordings from January to June 1940, by Federal Home Loan Bank Districts

[Percent of total dollar volume, by type of lender]

	Savings and loan associations	Insurance companies	Banks and trust companies	Mutual savings banks	Individuals	Other mortgagees	Total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
United States	32	8	25	4	16	15	100
No. 1—Boston	37	5	12	22	13	11	100
Connecticut	16	6	20	24	18	16	100
Maine	34	4	18	21	15	8	100
Massachusetts	45	5	8	21	12	9	100
New Hampshire	40	4	11	25	12	8	100
Rhode Island	37	3	15	19	13	13	100
Vermont	39	4	11	26	12	8	100
No. 2—New York	21	5	20	16	19	19	100
New Jersey	23	6	28	3	21	19	100
New York	19	4	15	24	19	19	100
No. 3—Pittsburgh	29	6	30	3	17	15	100
Delaware	16	14	28	10	19	13	100
Pennsylvania	31	5	28	2	17	17	100
West Virginia	27	8	41	(1)	16	8	100
No. 4—Winston-Salem	39	9	17	(1)	20	15	100
Alabama	15	15	17	----------	29	24	100
District of Columbia	45	7	11	----------	15	22	100
Florida	32	15	11	----------	25	17	100
Georgia	31	15	27	----------	18	9	100
Maryland	52	3	16	3	17	9	100
North Carolina	52	8	14	----------	13	13	100
South Carolina	32	9	22	----------	26	11	100
Virginia	35	6	24	----------	20	15	100
No. 5—Cincinnati	47	8	23	1	9	12	100
Kentucky	50	13	24	----------	7	6	100
Ohio	52	7	22	1	9	9	100
Tennessee	17	11	29	----------	9	34	100
No. 6—Indianapolis	28	13	36	(1)	10	13	100
Indiana	43	12	29	(1)	8	8	100
Michigan	17	14	42	----------	11	16	100
No. 7—Chicago	36	7	21	(1)	14	22	100
Illinois	37	8	19	(1)	10	26	100
Wisconsin	32	6	26	(1)	26	10	100
No. 8—Des Moines	29	10	21	(1)	21	19	100
Iowa	34	11	30	----------	15	10	100
Minnesota	39	15	16	2	18	10	100
Missouri	18	6	20	----------	27	29	100
North Dakota	43	11	14	----------	12	20	100
South Dakota	24	20	32	----------	20	4	100
No. 9—Little Rock	34	15	10	----------	18	23	100
Arkansas	38	9	17	----------	19	17	100
Louisiana	54	7	5	----------	13	21	100
Mississippi	24	12	17	----------	25	22	100
New Mexico	33	1	22	----------	32	12	100
Texas	27	21	9	----------	18	25	100
No. 10—Topeka	41	7	16	----------	19	17	100
Colorado	25	4	12	----------	36	23	100
Kansas	43	8	24	----------	11	14	100
Nebraska	53	15	7	----------	14	11	100
Oklahoma	44	6	18	----------	14	18	100

EXHIBIT 9—Continued

Mortgage recordings from January to June 1940, by Federal Home Loan Bank Districts—Continued

	Savings and loan associations	Insurance companies	Banks and trust companies	Mutual savings banks	Individuals	Other mortgagees	Total
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
No. 11—Portland	31	7	26	3	15	18	100
Idaho	23	3	32	----------	25	17	100
Montana	39	7	20	----------	28	6	100
Oregon	31	9	12	1	22	25	100
Utah	33	7	45	----------	10	5	100
Washington	31	6	27	6	8	22	100
Wyoming	36	(1)	23	(1)	29	12	100
No. 12—Los Angeles	18	6	46	----------	21	9	100
Arizona	14	3	33	----------	43	7	100
California	18	7	46	----------	20	9	100
Nevada	14	2	35	----------	42	7	100

[1] Less than 0.5 percent.

EXHIBIT 10

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

[Millions of dollars]

Type of mortgagee	1929	1930	1931	1932	1933	1934	1935	1936	1937	1938	1939
Savings and loan associations	$7,008	$6,984	$6,485	$5,756	$4,906	$4,012	$3,467	$3,361	$3,480	$3,630	$3,957
Insurance companies	1,626	1,732	1,775	1,724	1,599	1,379	1,281	1,245	1,246	1,320	1,490
Mutual savings banks	3,225	3,300	3,375	3,375	3,200	3,000	2,850	2,750	2,700	2,670	2,680
Commercial banks [2]	2,500	2,425	2,145	1,995	1,810	1,189	1,189	1,230	1,400	1,600	1,810
Home Owners' Loan Corporation	------	------	------	------	103	2,209	2,897	2,763	2,398	2,169	2,038
Individual and others [3]	7,200	7,400	7,500	7,000	6,700	6,200	6,000	6,000	6,180	6,332	6,440
Total	21,559	21,841	21,280	19,850	18,318	17,989	17,684	17,349	17,404	17,721	18,415

[1] The estimates of the outstanding balance of nonfarm home-mortgage loans by type of institution for 1939 and the revised statistics for the immediately preceding years have been developed from exhaustive studies 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 the use of data on the total mortgage holdings of these banks, as reported by the Comptroller of the Currency, and the National Association of Mutual Savings Banks as well as certain 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 Federal Deposit Insurance Corporation has provided a segregation of mortgage holdings of insured commercial banks. Adjustments have been made in the estimated data on the basis of the Federal Deposit Insurance Corporation's reports as well as the F. H. A. 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, and hearings of the Sabath Committee investigating real estate bond holdings committees.

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

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

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

EXHIBIT 11

Changes in selected types of individual long-term savings

	Dec 31, 1938	Dec 31, 1939	Percent change
Life insurance companies [1]	$21,857,993,609	$23,381,052,834	7.0
Mutual savings banks [2]	10,235,431,452	10,480,684,326	2.4
Insured commercial banks [3]	12,195,956,000	12,622,325,000	3.5
Savings and loan associations [4]	4,391,828,000	4,417,895,000	.6
Postal savings [5]	1,286,316,255	1,314,637,649	2.2
2½ percent Postal Savings bonds [6]	91,971,840	89,540,440	−2.6
U. S. Savings bonds [7]	1,441,547,895	2,208,880,724	53.2
Total	51,501,045,051	54,515,015,973	5.9

[1] Estimated accumulated savings in United States 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.*

[2] Deposits. Source: *The Month's Work*, published by National Association of Mutual Savings Banks.

[3] Deposits evidenced by savings passbooks. Assets and Liabilities of Insured Commercial Banks. Report No. 12 of F. D. I. C.

[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 F.H.L.B.B. Division of Research and Statistics of reports by F.H.L.B. System on Federal savings and loan associations and by State banking commissioners on State-chartered savings and loan associations. Figures mostly as of December 31.

[5] Due depositors: outstanding principal and accrued interest on certificates of deposits, outstanding savings stamps, and unclaimed deposits. Source: Post Office Department.

[6] Source: *Treasury Daily Statement.* Excludes such bonds held by the Postal Savings System.

[7] Current redemption value. Source: *Treasury Daily Statement.*

EXHIBIT 12

Federal Home Loan Bank System—Number and estimated assets of member institutions, June 30, 1939, and June 30, 1940

Bank District and State	Number of members		Assets of members	
	1939	1940	1939	1940
United States	3,946	3,914	$4,600,318,000	$4,927,154,000
No. 1—Boston	216	221	649,203,000	698,228,000
Connecticut	48	48	85,315,000	93,325,000
Maine	22	22	18,373,000	18,951,000
Massachusetts	123	125	485,581,000	515,013,000
New Hampshire	15	17	27,556,000	35,872,000
Rhode Island	4	4	28,159,000	30,326,000
Vermont	4	5	4,219,000	4,741,000
No. 2—New York	420	413	474,561,000	457,506,000
New Jersey	296	289	219,708,000	179,257,000
New York	124	124	254,853,000	278,249,000
No. 3—Pittsburgh	548	541	244,955,000	261,976,000
Delaware	7	7	2,485,000	2,647,000
Pennsylvania	510	503	223,435,000	237,891,000
West Virginia	31	31	19,035,000	21,438,000
No. 4—Winston-Salem	417	413	535,129,000	626,891,000
Alabama	22	23	29,221,000	34,064,000
District of Columbia	20	20	125,949,000	135,791,000
Florida	53	51	53,803,000	72,352,000
Georgia	57	56	30,342,000	36,750,000
Maryland	75	69	53,771,000	63,336,000
North Carolina	114	117	182,589,000	211,431,000
South Carolina	40	43	27,484,000	32,739,000
Virginia	36	34	31,970,000	40,428,000

EXHIBIT 12—Continued

Federal Home Loan Bank System—Number and estimated assets of member institutions, June 30, 1939, and June 30, 1940—Continued

Bank District and State	Number of members		Assets of members	
	1939	1940	1939	1940
No. 5—Cincinnati	579	590	$841,697,000	$891,073,000
Kentucky	93	96	93,554,000	97,712,000
Ohio	444	452	686,295,000	721,676,000
Tennessee	42	42	61,848,000	71,685,000
No. 6—Indianapolis	214	215	250,887,000	274,096,000
Indiana	159	158	151,833,000	163,827,000
Michigan	55	57	99,054,000	110,269,000
No. 7—Chicago	477	462	405,353,000	425,528,000
Illinois	349	345	258,193,000	292,621,000
Wisconsin	128	117	147,160,000	132,907,000
No. 8—Des Moines	246	240	197,402,000	223,536,000
Iowa	66	69	39,204,000	47,539,000
Minnesota	39	39	44,689,000	57,270,000
Missouri	114	107	93,794,000	98,070,000
North Dakota	14	13	9,787,000	10,515,000
South Dakota	13	12	9,928,000	10,142,000
No. 9—Little Rock	288	284	364,532,000	357,589,000
Arkansas	41	41	16,380,000	18,576,000
Louisiana	69	67	129,217,000	94,806,000
Mississippi	27	26	22,570,000	22,560,000
New Mexico	15	14	5,249,000	5,941,000
Texas	136	136	191,116,000	215,706,000
No. 10—Topeka	234	230	188,703,000	202,773,000
Colorado	40	39	29,044,000	31,556,000
Kansas	104	103	58,779,000	59,583,000
Nebraska	35	34	43,607,000	50,778,000
Oklahoma	55	54	57,273,000	60,856,000
No. 11—Portland	134	133	128,017,000	146,919,000
Idaho	8	8	6,985,000	7,801,000
Montana	12	13	9,700,000	10,646,000
Oregon	30	30	29,167,000	32,658,000
Utah	10	10	14,252,000	15,520,000
Washington	63	61	63,235,000	74,719,000
Wyoming	10	10	4,518,000	5,303,000
Alaska	1	1	160,000	272,000
No. 12—Los Angeles	173	172	319,879,000	361,039,000
Arizona	3	3	3,078,000	4,230,000
California	163	162	312,997,000	352,324,000
Nevada	3	3	794,000	794,000
Hawaii	4	4	3,010,000	3,691,000

270198—40——13

EXHIBIT 13

Federal Home Loan Bank System—Member savings and loan associations compared with all operating savings and loan associations

Item	1937	1938	1939
Number of operating savings and loan associations	8,840	8,300	7,737
Number of member associations	3,894	3,903	3,870
Same, proportion to total (percent)	44.05	47.02	50.01
Assets of operating savings and loan associations (thousands of dollars)	$5,588,866	$5,543,765	$5,527,529
Assets of member associations (thousands of dollars)	$3,565,731	$3,786,636	$4,053,692
Same, proportion to total (percent)	63 80	68 30	73.33
First mortgage loans held by operating savings and loan associations (thousands of dollars)	$3,832,280	$3,907,774	$4,076,110
First mortgage loans held by member associations (thousands of dollars)	$2,583,287	$2,792,720	$3,107,000
Same, proportion to total (percent)	67 41	71 47	76.22
Loans made during year by all savings and loan associations (thousands of dollars)	$896,579	$797,996	$986,383
Loans made during year by member associations (thousands of dollars)	$686,564	$620,369	$796,378
Same, proportion to total (percent)	76 58	77 74	80.74

EXHIBIT 14

Number distribution of member savings and loan associations of the Federal Home Loan Bank System, by asset size groups, as of June 30, 1940

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	271	7.0	88	6.2	31	3 8	152	9 3
$100,000 to $250,000	874	22.6	271	19 1	160	19 7	443	27 2
$250,000 to $500,000	882	22.8	308	21.6	189	23 3	385	23.6
$500,000 to $1,000,000	785	20.3	296	20 8	157	19.3	332	20 3
$1,000,000 to $2,500,000	682	17.7	298	21.0	188	23 2	196	12 0
$2,500,000 to $5,000,000	239	6 2	99	7.0	61	7.5	79	4.8
$5,000,000 and over	132	3 4	61	4.3	26	3.2	45	2.8
Total	3,865	100 0	1,421	100.0	812	100 0	1,632	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, 1940

[Assets in thousands of dollars]

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	$18,756	0 4	$6,006	0 4	$2,121	0 2	$10,629	0.7
$100,000 to $250,000	148,245	3.5	45,384	2 6	27,435	2 8	75,426	4.9
$250,000 to $500,000	318,593	7.5	110,780	6 4	68,747	7.0	139,066	9.1
$500,000 to $1,000,000	558,915	13 2	213,611	12 4	111,554	11.4	233,750	15 3
$1,000,000 to $2,500,000	1,065,020	25 2	464,462	26 9	287,838	29 4	312,720	20 5
$2,500,000 to $5,000,000	815,701	19 3	337,825	19 6	212,497	21 7	265,379	17 4
$5,000,000 and over	1,307,451	30 9	547,749	31.7	268,426	27.5	491,276	32 1
Total	4,232,681	100.0	1,725,817	100 0	978,618	100 0	1,528,246	100.0

EXHIBIT 15

Estimated volume of new mortgage loans made by savings and loan associations, by type of association, January 1936 through June 1940

	Federal	State member	Nonmember	Total
1936				
January	$11,764,000	$18,434,000	$12,593,000	$42,791,000
February	12,105,000	17,055,000	16,156,000	45,316,000
March	15,310,000	22,180,000	20,381,000	57,871,000
April	17,740,000	28,597,000	17,915,000	64,252,000
May	18,966,000	28,166,000	19,945,000	67,077,000
June	21,247,000	29,197,000	17,858,000	68,302,000
July	21,491,000	27,898,000	18,507,000	67,896,000
August	21,571,000	26,773,000	18,864,000	67,208,000
September	22,500,000	26,761,000	19,652,000	68,913,000
October	23,914,000	30,864,000	21,743,000	76,521,000
November	19,771,000	26,344,000	17,200,000	63,315,000
December	22,517,000	27,252,000	15,766,000	65,535,000
1937				
January	17,543,000	20,729,000	15,595,000	53,867,000
February	19,360,000	24,594,000	12,781,000	56,735,000
March	27,829,000	32,177,000	17,208,000	77,214,000
April	32,915,000	37,395,000	19,290,000	89,600,000
May	30,998,000	39,288,000	19,046,000	89,332,000
June	31,577,000	39,965,000	20,669,000	92,211,000
July	28,693,000	35,758,000	17,783,000	82,234,000
August	26,768,000	32,334,000	17,915,000	77,017,000
September	26,189,000	33,307,000	18,818,000	78,314,000
October	24,539,000	32,104,000	18,813,000	75,456,000
November	20,829,000	27,113,000	16,561,000	64,503,000
December	20,038,000	24,522,000	15,536,000	60,096,000
1938				
January	16,781,000	20,879,000	11,442,000	49,102,000
February	17,520,000	22,073,000	10,500,000	50,093,000
March	23,356,000	27,835,000	14,027,000	65,218,000
April	26,107,000	30,238,000	16,962,000	73,307,000
May	24,721,000	31,196,000	16,362,000	72,279,000
June	26,310,000	30,350,000	16,407,000	73,067,000
July	23,823,000	28,973,000	14,843,000	67,639,000
August	26,858,000	29,506,000	18,345,000	74,709,000
September	25,650,000	29,255,000	16,742,000	71,647,000
October	26,534,000	30,546,000	15,851,000	72,931,000
November	24,220,000	26,115,000	13,735,000	64,070,000
December	25,019,000	26,504,000	12,411,000	63,934,000
1939				
January	20,894,000	23,071,000	11,602,000	55,567,000
February	22,298,000	24,191,000	11,820,000	58,309,000
March	29,811,000	30,124,000	13,443,000	73,378,000
April	33,400,000	32,562,000	17,463,000	83,425,000
May	36,358,000	35,426,000	17,339,000	89,123,000
June	39,094,000	36,465,000	18,595,000	94,154,000
July	34,055,000	34,146,000	16,971,000	85,172,000
August	40,645,000	37,340,000	17,053,000	95,038,000
September	37,090,000	36,989,000	15,653,000	89,732,000
October	37,854,000	37,847,000	17,596,000	93,297,000
November	34,785,000	34,671,000	16,620,000	86,076,000
December	34,053,000	33,209,000	15,850,000	83,112,000
1940				
January	28,008,000	25,737,000	13,199,000	66,944,000
February	29,786,000	28,941,000	12,795,000	71,522,000
March	38,241,000	36,484,000	15,643,000	90,368,000
April	46,577,000	43,015,000	18,409,000	108,001,000
May	49,287,000	45,803,000	19,452,000	114,542,000
June	47,435,000	42,214,000	17,335,000	106,984,000

EXHIBIT 16

Estimated volume of new mortgage loans made by all savings and loan associations during the fiscal years 1939 and 1940, by Federal Home Loan Bank Districts

Bank District	1939	1940	Percent increase
United States	$868, 886, 000	$1, 090, 788, 000	25. 5
No. 1—Boston	77, 677, 000	101, 181, 000	30. 3
No. 2—New York	85, 470, 000	101, 154, 000	18. 4
No. 3—Pittsburgh	70, 425, 000	84, 852, 000	20. 5
No. 4—Winston-Salem	119, 865, 000	160, 306, 000	33. 7
No. 5—Cincinnati	135, 003, 000	176, 305, 000	30 6
No. 6—Indianapolis	40, 919, 000	55, 763, 000	36 3
No. 7—Chicago	85, 218, 000	111, 260, 000	30. 6
No. 8—Des Moines	53, 374, 000	69, 228, 000	29. 7
No. 9—Little Rock	53, 616, 000	57, 860, 000	7. 9
No. 10—Topeka	43, 384, 000	50, 133, 000	15. 6
No. 11—Portland	30, 295, 000	38, 963, 000	28. 6
No. 12—Los Angeles	73, 640, 000	83, 783, 000	13. 8

EXHIBIT 17

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 1938		Fiscal year 1939		Fiscal year 1940	
	Dollars	Percent	Dollars	Percent	Dollars	Percent
Construction	$177, 548, 000	28 2	$219, 726, 000	32 0	$298, 628, 000	33. 4
Home purchase	209, 272, 000	33. 2	216, 789, 000	31. 6	297, 243, 000	33 2
Refinancing	134, 558, 000	21. 4	136, 494, 000	19. 9	166, 191, 000	18. 6
Reconditioning	41, 981, 000	6 7	41, 842, 000	6. 1	46, 600, 000	5. 2
Other	66, 201, 000	10. 5	71, 846, 000	10. 4	85, 550, 000	9. 6
Total	629, 560, 000	100 0	686, 697, 000	100. 0	894, 212, 000	100. 0

EXHIBIT 18

Federal Home Loan Bank System—Investments by the U. S. Treasury and the Home Owners' Loan Corporation in member savings and loan associations, by fiscal-year periods

Fiscal year	Investments of the U. S. Treasury in Federal savings and loan associations			Investments by the Home Owners' Loan Corporation								
				Federal savings and loan associations			State-chartered insured associations			State-chartered uninsured associations		
	Gross investments (cumulative)	Repurchases	Net investments outstanding	Gross investments (cumulative)	Repurchases	Net investments outstanding	Gross investments (cumulative)	Repurchases	Net investments outstanding	Gross investments (cumulative)	Repurchases	Net investments outstanding
1934	$1,086,300		$1,086,300									
1935	30,606,700		30,606,700									
1936	49,300,000	$77,000	49,223,000	$52,817,100		$52,817,100	$9,636,600		$9,636,600	$689,000		$689,000
1937	49,300,000	1,116,300	48,183,700	150,368,400	$12,000	150,356,400	30,283,600		30,283,600	2,381,000		2,381,000
1938	49,300,000	1,497,300	47,802,700	170,995,300	231,000	170,764,300	39,876,310	$40,000	39,836,310	1,126,000		1,126,000
1939	49,300,000	5,308,300	43,991,700	174,523,800	1,490,000	173,033,800	44,118,010	1,201,000	42,917,010	508,000		508,000
1940	49,300,000	[1] 15,162,900	34,137,100	176,289,800	13,159,000	163,130,800	43,890,410	4,245,000	39,645,410	508,000	$260,000	248,000

[1] Of this amount, $671,800 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.

NOTE.—The decrease in investments in State-chartered insured and uninsured associations is due to transfers to either Federal savings and loan associations or to insured associations.

EXHIBIT 19

Combined balance-sheet items for all savings and loan member institutions of the Federal Home Loan Bank System, as of December 31, 1939, compared with December 31, 1938

[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	
	1938	1939	1938	1939	1938	1939	1938	1939
Number of institutions	3,895	3,868	1,362	1,400	735	795	1,798	1,673
ASSETS								
First mortgage loans (including interest and advances)	$2,792,720	$3,107,387	$1,046,141	$1,284,880	$596,377	$693,433	$1,150,202	$1,129,074
Junior mortgage liens (including interest and advances)	5,545	4,645	761	761	1,398	1,123	3,386	2,761
Other loans (including share loans)	29,763	28,642	5,286	6,467	4,284	4,925	20,193	17,250
Real estate sold on contract	141,916	155,220	45,013	54,468	39,242	45,288	57,661	55,464
Real estate owned	450,139	376,673	97,798	89,774	90,595	89,266	261,746	197,633
Federal Home Loan Bank stock	37,049	40,029	14,856	17,226	7,969	9,312	14,224	13,491
Other investments (including accrued interest)	79,378	69,706	16,461	13,025	19,370	18,219	43,547	38,462
Cash on hand and in banks	157,716	206,232	64,771	87,922	38,160	50,927	54,785	67,383
Office building (net)	43,656	44,606	15,785	17,384	10,806	12,214	17,065	15,008
Furniture, fixtures, and equipment (net)	3,846	4,222	1,795	2,125	968	1,127	1,083	970
Other assets	11,384	10,823	2,339	2,123	3,141	2,899	5,904	5,801
Total assets	3,753,112	4,048,185	1,311,006	1,576,155	812,310	928,733	1,629,796	1,543,297
LIABILITIES AND CAPITAL								
U. S. Government investment (shares and deposits)	258,877	250,252	217,362	208,140	40,674	41,764	841	348
Private repurchasable shares	2,444,312	2,729,739	863,669	1,116,089	447,517	539,823	1,133,126	1,073,827
Mortgage pledged shares	180,040	166,300	15,308	13,884	23,444	22,411	141,288	130,005
Deposits and investment certificates	273,035	290,730	1,150	341	147,771	162,029	124,114	128,360
Advances from Federal Home Loan Banks	198,149	181,603	106,578	105,933	43,566	39,299	48,005	36,371
Other borrowed money	18,334	17,900	3,196	4,962	4,127	3,946	11,011	8,992
Loans in process	30,073	45,298	17,993	27,998	7,284	11,079	4,796	6,221
Other liabilities	18,670	18,612	7,386	7,808	4,868	5,373	6,416	5,431
Capital, permanent reserve, or guaranty stock	26,580	25,559	0	0	20,401	20,399	6,179	5,160
Deferred credits to future operations	15,603	15,857	5,308	6,045	4,496	4,111	5,799	5,701
Other deferred credits	7,867	9,917	3,187	4,331	2,262	2,968	2,418	2,618
Specific reserves	13,198	11,303	4,768	4,155	3,275	3,076	5,155	4,072
General reserves	185,989	198,026	45,277	51,551	46,946	52,239	93,766	94,236
Bonus on shares	359	457	322	380	24	65	13	12
Undivided profits and surplus	82,026	86,632	19,502	24,538	15,655	20,151	46,869	41,943
Total liabilities and capital	3,753,112	4,048,185	1,311,006	1,576,155	812,310	928,733	1,629,796	1,543,297

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

EXHIBIT 20

Percentage distribution of balance-sheet items for all savings and loan member institutions of the Federal Home Loan Bank System

[Percentage ratio to total assets]

Item	All savings and loan members				Federal savings and loan associations				State-chartered insured savings and loan associations				State-chartered uninsured savings and loan associations			
	1936	1937	1938	1939	1936	1937	1938	1939	1936	1937	1938	1939	1936	1937	1938	1939
Number of institutions	3,746	3,890	3,895	3,868	1,199	1,319	1,362	1,400	365	560	735	795	2,182	2,011	1,798	1,673
ASSETS																
	Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
First mortgage loans (including interest and advances)	69 89	72.82	74.41	76 76	76 26	79.39	79.80	81.52	68 82	72 03	73 42	74 67	67.53	69 07	70 57	73 16
Junior mortgage liens (including interest and advances)	27	.17	.15	12	.15	.06	.06	.05	.15	16	17	.12	35	.24	.21	.18
Other loans (including share loans)	97	.88	79	.71	34	.42	40	.41	63	58	.53	.53	1 32	1 26	1.24	1 12
Real estate sold on contract	2 97	3.61	3 78	3 84	2 93	3 33	3 43	3 46	3 53	4 55	4 83	4 88	2 84	3.45	3 54	3.59
Real estate owned	16 49	13.77	11 99	9 30	10.82	8 41	7 46	5 70	15 01	12 61	11 15	9.61	19 23	17.48	16.06	12 81
Federal Home Loan Bank stock	.89	.96	.99	99	1 00	1.15	1 13	1.09	85	91	.98	1.00	.85	.87	.87	87
Other investments (including accrued interest)	2.73	2.61	2.12	1 72	1.72	1.68	1 26	.83	3 63	2 90	2.38	1 96	2.92	3.07	2.67	2.49
Cash on hand and in banks	3.74	3.54	4.20	5 09	4.77	4.05	4.94	5 58	4 35	4 21	4 70	5.48	3.16	2 99	3 36	4 37
Office building (net)	1 25	1.18	1 16	1.10	1.26	1 16	1 20	1.10	1 66	1 53	1 33	1 32	1 13	1.08	1.05	.97
Furniture, fixtures, and equipment (net)	.13	.10	10	.10	.18	.13	.14	.13	16	10	12	12	.11	07	.07	06
Other assets	67	.36	31	27	.57	22	.18	13	1 21	42	39	31	56	42	36	38
Total assets	100 00	100 00	100 00	100 00	100 00	100 00	100 00	100 00	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)	5 41	7.13	6 90	6 17	19 46	19 65	16 58	13.21	3.21	5 42	5 01	4 43	.15	07	05	02
Private repurchasable shares	64 72	63.59	65 13	67.43	61 54	61 27	65 88	70 81	54 69	53 91	55 09	58 12	68 67	68 56	69.53	69 58
Mortgage pledged shares	6 03	5.77	4 80	4 11	1 49	1 62	1.17	88	2.53	2 82	2 89	2 41	8 84	9 40	8 67	8 42
Deposits and investment certificates	8 51	7.44	7 27	7.20	44	18	09	.02	22 22	19 49	18 19	17 52	8 27	7.47	7 61	8 32
Advances from Federal Home Loan Banks	4 53	5 59	5 28	4 49	7 67	9.31	8 13	6 72	4 38	5 21	5 36	4 23	3 27	3 45	2 94	2 36
Other borrowed money	.53	.50	.49	44	28	.21	.24	.31	.51	41	51	.42	.64	69	.68	.58
Loans in process	90	.63	80	1 12	1.85	1.18	1.37	1 78	93	64	90	1 19	.50	.29	29	40
Other liabilities	.84	1.19	1.12	1 09	1.20	1.22	1.21	1.15	94	1 28	1 43	1 34	.67	1 15	.90	89
Capital, permanent reserve, or guaranty stock	.67	.71	.71	63	0	.01	0	0	2 25	2 58	2 51	2 20	53	48	.38	34
Specific reserves	83	.69	35	28	.92	48	36	26	78	72	.40	33	80	80	.32	.26
General reserves	5.24	4 87	4.95	4 89	3 80	3.47	3.45	3.27	5.90	5.69	5 78	5 63	5.66	5 43	5 75	6 11
Undivided profits	1.79	1.89	2.20	2 15	1 35	1 40	1 52	1.59	1 66	1 83	1 93	2 18	2 00	2 21	2 88	2 72
Total liabilities and capital	100 00	100 00	100 00	100 00	100 00	100 00	100 00	100 00	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 21

Operating ratios for reporting savings and loan member institutions of the Federal Home Loan Bank System, for the calendar years 1938 and 1939

Item	Percentage ratio to gross operating income							
	Savings and loan members		Federal savings and loan associations		Insured State-chartered member associations		Uninsured State-chartered member associations	
	1938	1939	1938	1939	1938	1939	1938	1939
Number of institutions reporting	3,094	3,110	1,355	1,384	588	642	1,151	1,084
GROSS OPERATING INCOME								
Interest:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
On mortgage loans—ordinary cash collections	84 24	85.23	85.99	86.23	82 49	82 28	83.40	85.98
On other loans	1.70	1 61	1.11	1.33	1 14	1 31	2 73	2 16
On real estate sold on contract	3 82	3.79	3.73	3.81	5 28	5 29	2 96	2.76
Net income or loss from real estate owned	3.44	3.00	2.39	1.99	3 82	4 41	4 38	3.29
All other income	6.80	6.37	6.78	6.64	7.27	6 71	6.53	5 81
Gross operating income	100.00	100.00	100.00	100.00	100.00	100 00	100 00	100 00
LESS OPERATING EXPENSE								
Compensation to directors, officers, employees, etc	12.71	12.61	13 27	13.29	13.92	13.84	11 27	10.97
Rent, light, heat, etc	1.54	1.51	1.84	1.77	1.42	1.52	1.26	1 18
Repairs, taxes, and maintenance of office building	1.03	.98	1.04	1 03	1.11	1.05	.96	.88
Advertising	2 06	2.12	3 13	3 01	1.92	2.11	.93	1.00
Federal insurance premium (if insured)	.54	1.30	1.92	1 98	1.93	1 96	0	0
Audit and examinations	.71	.72	.76	.67	.99	.89	.47	.67
All other operating expense	7.35	6.69	6.61	6.67	8.27	8.00	5 70	5.80
Total operating expense	25.94	25.93	28.57	28 42	29 56	29 37	20.59	20.50
Net operating income before interest and other charges	74.06	74 07	71 43	71.58	70 44	70.63	79.41	79.50
LESS INTEREST CHARGES								
On deposits, investment certificates, etc	5.70	5.07	.06	.04	13.39	12.11	7.06	6.61
On advances from Federal Home Loan Banks	3.18	2 42	4 69	3.42	2 78	2 31	1 73	1 24
On borrowed money	.31	26	.15	.11	.37	.30	.46	.43
Total interest	9 19	7.75	4.90	3 57	16.54	14.72	9.25	8.28
Net operating income	64.87	66.32	66 53	68 01	53 90	55 91	70 16	71.22
ADD NONOPERATING INCOME								
Total nonoperating income	2.91	2 59	2.61	2 40	3.25	3.65	3 03	2 13
Net income after interest and before charges	67.78	68.91	69.14	70 41	57.15	59 56	73.19	73.35
LESS NONOPERATING CHARGES								
Total nonoperating charges	3.47	2.46	2.44	2.28	2.31	2 61	5 39	2.59
Net income for the year	64 31	66 45	66.70	68.13	54.84	56 95	67 80	70.76

EXHIBIT 21—Continued

Operating ratios for reporting savings and loan member institutions of the Federal Home Loan Bank System, for the calendar years 1938 and 1939—Continued

Item	Percentage ratio to net income							
	Savings and loan members		Federal savings and loan associations		Insured State-chartered member associations		Uninsured State-chartered member associations	
	1938	1939	1938	1939	1938	1939	1938	1939
Disposition of net income:	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
For bonus on shares	0.12	0.11	0.26	0 23	0 05	0.07	0.01	0.00
Legal reserves	3.02	4.53	18	1.56	3.99	5.56	5.67	7 54
Federal insurance reserve	3.58	3.45	5 50	5.60	6.29	5 04	0	0
For contingencies	5.96	4.69	7.07	5 66	3 27	3 73	6 15	4.03
Real-estate reserve	1.42	1 39	1.12	1 14	1 03	1.62	1 96	1.56
Other reserves	.83	1.44	.29	.32	1.33	1.61	1.19	2 70
Dividends	78.70	75.54	77.88	76.17	74.83	72 67	81 67	76.35
Balance to undivided profits	6 37	8 85	7.70	9.32	9.21	9.70	3 35	7.82

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

EXHIBIT 22

Federal Home Loan Banks—Advances and repayments for the 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
1938	105, 432, 157 95	76, 264, 107. 15	196, 224, 937. 36
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	
1939—July	6, 823, 240 00	14, 197, 703 85	161, 587, 099 25
August	7, 767, 958 00	9, 885, 280. 86	159, 469, 776 39
September	10, 152, 378. 44	5, 934, 956 06	163, 687, 198. 77
October	9, 604, 571 96	4, 637, 720 74	168, 654, 049. 99
November	5, 827, 035. 52	5, 659, 170 45	168, 821, 915. 06
December	18, 723, 885 15	6, 232, 809. 57	181, 312, 990. 64
1940—January	4, 386, 398 89	28, 911, 443. 55	156, 787, 945. 98
February	2, 010, 995 54	14, 283, 556. 42	144, 515, 385. 10
March	4, 374, 870 00	11, 247, 974 04	137, 642, 281. 06
April	4, 973, 207 50	8, 804, 899 62	133, 810, 588. 94
May	9, 884, 072 50	6, 186, 099. 84	137, 508, 561. 60
June	23, 481, 287. 73	3, 592, 802 17	157, 397. 047. 16
Total, fiscal year 1940	108, 009, 901. 23	119, 574, 417. 17	
Grand total through June 30, 1940	631, 033, 291. 77	473, 636, 244 61	

EXHIBIT 23

Federal Home Loan Banks—Advances outstanding, by Bank Districts at the close of each fiscal year, 1934 to 1940

Federal Home Loan Bank District	1934	1935	1936	1937	1938	1939	1940
No. 1—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	$5,742,629 00
No. 2—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	17,834,544 93
No. 3—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	14,913,220.55
No. 4—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	17,010,237.00
No. 5—Cincinnati	16,876,551.82	15,373,686.20	20,576,290 96	26,337,086 50	28,388,514.11	19,728,295.42	14,644,948.53
No. 6—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	9,421,954 95
No. 7—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	25,056,486.23
No. 8—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	14,369,080.00
No. 9—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	6,692,327.62
No. 10—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	9,122,588.58
No. 11—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	6,785 386 61
No. 12—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	15,803,643 16
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	157,397,047 16

EXHIBIT 24

Federal Home Loan Banks—Interest rates charged member institutions on advances,[1] *as of July 1, 1940*

Federal Home Loan Bank	Rate in effect	Type of advances
	Percent	
Boston	1½	All short-term advances amortized within 1 year.
	2½	All long-term advances.
New York	1½	All short-term advances amortized within 1 year.
	2½	All long-term advances.
Pittsburgh	3	All advances.
Winston-Salem	3	Do.
Cincinnati	2½	Do.
Indianapolis	3	Do.
Chicago	3	Do.
Des Moines	3	Do.
Little Rock	3	Do.
Topeka	3	Do.
Portland	3	Do.
Los Angeles	3	Do.

[1] Banks are required to charge one-half of 1 percent to 1 percent additional on advances to nonmembers.

EXHIBIT 25

Federal Home Loan Banks—Distribution of advances outstanding, by long-term and short-term advances, as of June 30, 1939, and June 30, 1940

Federal Home Loan Bank District	Long-term advances				Short-term advances				Advances outstanding	
	June 30, 1939		June 30, 1940		June 30, 1939		June 30, 1940		June 30, 1939	June 30, 1940
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Amount
No. 1—Boston	$4,480,069.99	70.3	$2,673,979.00	46.6	$1,888,606.00	29.7	$3,068,650.00	53.4	$6,368,675.99	$5,742,629.00
No. 2—New York	15,232,023.50	90.0	15,128,536.82	84.8	1,693,982.74	10.0	2,706,008.11	15.2	16,926,006.24	17,834,544.93
No. 3—Pittsburgh	12,276,146.78	74.0	9,369,894.15	62.8	4,308,351.29	26.0	5,543,326.40	37.2	16,584,498.07	14,913,220.55
No. 4—Winston-Salem	8,390,068.83	64.8	9,348,637.00	54.9	4,561,850.00	35.2	7,661,600.00	45.1	12,951,918.83	17,010,237.00
No. 5—Cincinnati	12,880,794.18	65.3	8,024,548.53	54.8	6,847,501.24	34.7	6,620,400.00	45.2	19,728,295.42	14,644,948.53
No. 6—Indianapolis	9,329,694.89	88.7	8,003,055.95	84.9	1,186,300.00	11.3	1,418,899.00	15.1	10,515,994.89	9,421,954.95
No. 7—Chicago	21,617,203.40	78.8	18,982,234.47	75.8	5,801,548.74	21.2	6,074,251.76	24.2	27,418,752.14	25,056,486.23
No. 8—Des Moines	11,701,437.08	75.6	11,313,080.00	78.7	3,773,144.83	24.4	3,056,000.00	21.3	15,474,581.91	14,369,080.00
No. 9—Little Rock	6,213,984.75	67.7	4,360,327.62	65.2	2,965,500.00	32.3	2,332,000.00	34.8	9,179,484.75	6,692,327.62
No. 10—Topeka	9,378,931.96	87.2	8,051,288.58	88.2	1,381,678.26	12.8	1,071,300.00	11.8	10,760,610.22	9,122,588.58
No. 11—Portland	4,988,556.89	89.1	4,860,224.11	71.6	610,450.00	10.9	1,925,162.50	28.4	5,599,006.89	6,785,386.61
No. 12—Los Angeles	17,430,737.75	99.9	14,617,143.16	92.5	23,000.00	.1	1,186,500.00	7.5	17,453,737.75	15,803,643.16
Total	133,919,650.00	79.3	114,732,949.39	72.9	35,041,913.10	20.7	42,664,097.77	27.1	168,961,563.10	157,397,047.16

EXHIBIT 26

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, though two Banks have a preferential rate for those advances amortized. Advances 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 27

Federal Home Loan Banks—Statement of condition as of June 30, 1940

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
ASSETS							
Cash:							
On hand	$5,484.32	$5,484.32	$500.00	$500 00	$1,200.00	$10.00	$510.00
On deposit with:							
U. S. Treasurer	35,265,505.86	35,265,505.86	2,980,197.73	5,185,047.64	273,922.67	2,393,055.34	5,230,011.41
Commercial banks	11,463,596.66	11,463,596.66	2,034,331.98	[1] 241,388.75	896,509.24	840,220.39	900,301.69
Commercial banks—Certificates of deposit	360,000.00	360,000.00	0	0	0	0	0
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	2,700,000.00	0	2,000,000.00	0	0	700,000.00
Total cash	47,109,586 84	49,809,586.84	5,016,279.71	[1] 7,428,186.39	[2] 1,172,881.91	3,234,535.73	6,832,073.10
Deposit with U. S. Treasurer for matured obligations	13,552 50	0	0	0	0	0	0
Investments							
U. S Government obligations and securities fully guaranteed by United States	54,856,103.91	54,856,103.91	9,207,287.55	2,207,081 93	5,505,923 54	1,519,182 90	13,452,312.01
Advances outstanding—Members	157,397,047.16	157,397,047.16	5,742,629 00	17,834,544.93	14,913,220 55	177,010,237 00	14,644,948.53
Accrued interest receivable:							
Deposits—other Federal Home Loan Banks	0	124.32	0	95 63	0	0	28.69
Investments	221,783.16	221,783.16	32,649.17	14,952 51	24,926.65	6,044 41	53,605.75
Advances to members	263,173.25	263,173.25	5,721.98	44,212.10	47,738.46	47,111.42	41,854.28
Other	570.27	570.27	0	0	0	0	0
Total accrued interest receivable	485,526.68	485,651.00	38,371.15	59,260.24	72,665.11	53,155.83	95,488 72
Deferred charges:							
Prepaid debenture expense	40,993.40	40,993.40	0	0	6,020.76	4,479.45	4,392.34
Prepaid assessment—Federal Home Loan Bank Board	150,000.00	150,000 00	9,501 21	13,408.82	14,530.80	12,762.38	17,085.25
Prepaid surety bond and insurance premiums	7,048.59	7,048.59	515.73	1,118.99	503.49	313.65	1,312.74
Other	7.82	7.82	0	0	0	7.82	0
Total deferred charges	198,049,81	198,049.81	10,016.94	14,527.81	21,055 05	17,563.30	22,790.33
Other assets:							
Accounts receivable	5,892.45	5,892 45	379.15	250.00	1,983.91	130.00	582.55
Miscellaneous	1,700.00	1,700.00	0	0	0	1,050 00	0
Total other assets	7,592 45	7,592 45	379.15	250.00	1,983.91	1,180 00	582 55
Total assets	260,067,459.35	262,754,031 17	20,014,963.50	27,543,851.30	21,687,730.07	21,835,854.76	35,048,195.24

LIABILITIES AND CAPITAL							
Liabilities:							
Deposits:							
Members—time	28,102,032.02	28,102,032.02	2,657,457.95	2,520,915.18	960,899.32	1,401,806.68	4,609,500.00
Members—demand	5,012,835.18	5,012,835.18	282,000.00	154,400.00	125,000.00	0	3,012,902.24
Applicants	56,953.61	56,953.61	675.00	4,475.00	18,678.61	4,975.00	14,100 00
Other Federal Home Loan Banks	0	2,700,000.00	0	0	0	0	0
Total deposits	33,171,820 81	35,871,820.81	2,940,132.95	2,679,790.18	1,104,577.93	1,406,781.68	7,636,502 24
Accrued interest payable:							
Deposits—members	28,681.83	28,681.83	6,041.55	122.04	2,552.26	5,562.71	116.00
Deposits—other Federal Home Loan Banks	0	124 32	0	0	0	0	0
Consolidated debentures	159,166 64	159,166.64	0	0	22,500.00	17,500.00	17,083.33
Total accrued interest payable	187,848.47	187,972.79	6,041.55	122.04	25,052 26	23,062.71	17,199.33
Dividends payable:							
U. S. Government	399,692.13	399,692.13	62,337 50	0	0	0	63,878.50
Members	142,508.49	142,508.49	20,096.16	0	0	0	38,410.27
Total dividends payable	542,200.62	542,200.62	82,433 66	0	0	0	102,288.77
Accounts payable	1,504.70	1,504.70	0	0	208.34	0	25.00
Premiums on consolidated debentures	13,020.86	13,020.86	0	0	781.25	1,562 50	1,432 24
Consolidated debentures[3]							
2% 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% 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	48,500,000.00	48,500,000.00	0	0	5,500,000.00	5,500,000 00	5,250,000.00
Matured obligations:							
Consolidated debentures	5,000.00	0	0	0	0	0	0
Interest on consolidated debentures	8,552 50	0	0	0	0	0	0
Total matured obligations	13,552.50	0	0	0	0	0	0
Total liabilities	82,429,947.96	85,116,519.78	3,028,608.16	2,679,912 22	6,630,619.78	6,931.406.89	13,007,447.58
Capital:							
Capital stock (par):							
Members (fully paid)	42,617,200.00	42,617,200.00	4,063,700.00	4,845,000 00	2,757,600.00	4,513,800 00	7,810,100.00
Members (partially paid)	30,700.00	30,700.00	0	0	3,900.00	3,000.00	11,100 00
Total	42,647,900.00	42,647,900.00	4,063,700.00	4,845,000.00	2,761,500.00	4,516,800.00	7,821,200.00
Less. Unpaid subscriptions	15,425.00	15,425.00	0	0	2,100.00	1,750 00	4,775.00
	42,632,475.00	42,632,475.00	4,063,700 00	4,845,000.00	2,759,400.00	4,515,050 00	7,816,425 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	167,373,475.00	167,373,475.00	16,531,200.00	23,808,200.00	13,905,700.00	13,723,250 00	20,592,125 00

See footnotes at end of table.

EXHIBIT 27—Continued

Federal Home Loan Banks—Statement of condition as of June 30, 1940—Continued

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
LIABILITIES AND CAPITAL—continued							
Capital—Continued.							
Surplus:							
Reserve as required under Section 16 of Act	$4,908,673 89	$4,908,673 89	$306,365.02	$629,260.84	$456,682.29	$420,045.21	$789,460.46
Reserve for contingencies	901,701.25	901,701.25	0	104,893.21	0	152,334.49	194,473.55
Total surplus	5,810,375.14	5,810,375.14	306,365.02	734,154.05	456,682.29	572,379.70	983,934 01
Undivided profits	4,453,661.25	4,453,661 25	148,790 32	321,585.03	694,728 00	608,818.17	464,688.65
Total surplus and undivided profits	10,264,036.39	10,264,036.39	455,155.34	1,055,739 08	1,151,410.29	1,181,197.87	1,448,622.66
Total capital	177,637,511.39	177,637,511 39	16,986,355.34	24,863,939 08	15,057,110.29	14,904,447 87	22,040,747.66
Total liabilities and capital	260,067,459.35	262,754,031 17	20,014,963 50	27,543,851.30	21,687,730.07	21,835,854 76	35,048,195 24

See footnotes at end of table.

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
ASSETS							
Cash:							
On hand	$2,154.31	$300.00	$25.01	$25.00	$25.00	0	$235.00
On deposit with:							
U. S. Treasurer	2,421,557.80	3,206,232.49	3,309,471.55	4,843,275 21	2,319,882.25	$737,445 74	2,365,406.03
Commercial banks	750,146.01	5,140,783.27	70,219.42	0	4,917 40	210,000.00	374,778.51
Commercial banks—Certificates of deposit	360,000.00	0	0	0	0	0	0
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
Total cash	3,535,108 12	8,348,565 76	3,380,965.98	4,844,550 21	2,326,074.65	948,695 74	2,741,669 54
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	8,448,878.48	4,440,000.00	1,367,000.00	2,200,000.00	1,938,750.00	1,355,000.00	3,214,687 50
Advances outstanding—Members	9,421,954.95	25,056,486.23	14,369,080.00	6,692,327.62	9,122,588.58	6,785,386.61	15,803,643.16
Accrued interest receivable:							
Deposits—other Federal Home Loan Banks	0	0	0	0	0	0	0
Investments	27,711.65	17,308 81	11,086.25	10,556 94	11,706.04	2,427.85	8,807.13
Advances to members	4,605.59	5,926.18	11,710.54	14,282 04	13,597.36	16,430.79	9,982.51
Other	570.27	0	0	0	0	0	0
Total accrued interest receivable	32,887.51	23,234 99	22,796.79	24,838.98	25,303.40	18,858.64	18,789.64
Deferred charges:							
Prepaid debenture expense	4,131.82	6,902.79	7,229.27	2,236.18	3,010 52	0	2,590.27
Prepaid assessment—Federal Home Loan Bank Board	11,922.06	19,368.82	12,650.98	9,884.14	9,745.97	6,261.69	12,877 88
Prepaid surety bond and insurance premiums	426.64	207.38	436.07	506.34	476.65	475.22	755 69
Other	0	0	0	0	0	0	0
Total deferred charges	16,480.52	26,478.99	20,316.32	12,626.66	13,233.14	6,736 91	16,223.84
Other assets:							
Accounts receivable	153.90	275.00	0	102 05	0	75.00	1,960.89
Miscellaneous	0	75 00	0	0	0	0	575 00
Total other assets	153 90	350.00	0	102.05	0	75.00	2,535.89
Total assets	21,455,463 48	37,895,115.97	19,160,159.09	13,774,445 52	13,425,949 77	9,114,752.90	21,797,549.57

See footnotes at end of table.

EXHIBIT 27—Continued

Federal Home Loan Banks—Statement of condition as of June 30, 1940—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
LIABILITIES AND CAPITAL							
Liabilities:							
Deposits:							
Members—time	$6,587,424.50	$6,481,178.81	$952,849.58	0	$914,000.00	0	$1,016,000.00
Members—demand	183,716.92	0	23,477.89	$73,254.83	56,320.95	$682,500.00	419,262.35
Applicants	0	4,150 00	4,925.00	0	0	175.00	4,800.00
Other Federal Home Loan Banks	0	0	0	0	0	700,000.00	2,000,000.00
Total deposits	6,771,141.42	6,485,328.81	981,252.47	73,254.83	970,320.95	1,382,675.00	3,440,062.35
Accrued interest payable:							
Deposits—members	11,235.80	2,876.82	54 47	0	120.18	0	0
Deposits—other Federal Home Loan Banks	0	0	0	0	0	28.69	95 63
Consolidated debentures	15,833.32	28,333 33	27,500.00	8,333.33	11,250.00	0	10,833.33
Total accrued interest payable	27,069.12	31,210 15	27,554.47	8,333 33	11,370 18	28 69	10,928.96
Dividends payable:							
U. S. Government	32,887.00	70,869 50	46,218.13	43,862.00	0	29,800 00	49,839.50
Members	14,576.61	23,113 38	15,242.93	10,377.31	0	5,887 76	14,804 07
Total dividends payable	47,463.61	93,982.88	61,461.06	54,239.31	0	35,687.76	64,643.57
Accounts payable	40.56	0	0	0	0	1,200.00	30.80
Premiums on consolidated debentures	1,041.77	4,166.67	1,562 50	260.52	390.47	0	1,822.94
Consolidated debentures:[3]							
2% 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% 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	4,500,000.00	11,000,000.00	7,500,000.00	2,000,000.00	2,750,000.00	0	4,500,000.00
Matured obligations:							
Consolidated debentures	0	0	0	0	0	0	0
Interest on consolidated debentures	0	0	0	0	0	0	0
Total matured obligations	0	0	0	0	0	0	0
Total liabilities	11,346,756.48	17,614,688.51	8,571,830.50	2,136,087.99	3,732,081.60	1,419,591 45	8,017,488 62

Capital:							
Capital stock (par):							
Members (fully paid)	2,961,600.00	4,810,400.00	2,532,600.00	2,125,600.00	1,779,200.00	1,274,000.00	3,143,600.00
Members (partially paid)	500.00	1,800.00	1,600.00	0	0	800.00	8,000.00
Total	2,962,100.00	4,812,200.00	2,534,200.00	2,125,600.00	1,779,200.00	1,274,800.00	3,151,600.00
Less: Unpaid subscriptions	375 00	1,025.00	1,200.00	0	0	200.00	4,000.00
	2,961,725.00	4,811,175.00	2,533,000.00	2,125,600.00	1,779,200.00	1,274,600.00	3,147,600.00
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	9,539,125.00	18,985,075.00	9,927,900.00	10,898,000.00	9,112,800.00	7,234,600.00	13,115,500.00
Surplus.							
Reserve as required under Section 16 of Act	304,908.25	672,802.48	321,571.38	311,975.28	218,713.21	193,286.25	283,603.22
Reserve for contingencies	0	0	150,000.00	0	0	200,000.00	100,000.00
Total surplus	304,908.25	672,802.48	471,571.38	311,975.28	218,713.21	393,286.25	383,603.22
Undivided profits	264,673.75	622,549 98	188,857.21	428,382.25	362,354.96	67,275.20	280,957.73
Total surplus and undivided profits	569,582.00	1,295,352.46	660,428.59	740,357.53	581,068 17	460,561.45	664,560.95
Total capital	10,108,707.00	20,280,427.46	10,588,328.59	11,638,357.53	9,693,868.17	7,695,161.45	13,780,060.95
Total liabilities and capital	21,455,463.48	37,895,115.97	19,160,159.09	13,774,445.52	13,425,949.77	9,114,752.90	21,797,549.57

[1] As of June 30, 1940, the New York Bank administered as agent for the 12 Banks an imprest fund of $15,000, from which debenture expenses, other than brokerage commissions and interest are paid. In addition the New York Bank held as agent $122.80 for the payment of premiums on employees' group life insurance in the several Banks.

[2] In addition the Pittsburgh Bank on June 30, 1940, held in trust for certain associations in Altoona, Pa., the sum of $569,363.73 representing proceeds of RFC loans in connection with a plan of reorganization.

[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 28

Federal Home Loan Banks—Investment holdings at the close of the fiscal year 1940

	Interest rate	Face value
U. S. Treasury bonds:		
Aug. 1, 1941	3¼	$150,000
June 15, 1947–43	3⅜	300,000
Oct. 15, 1945–43	3¼	850,000
Apr. 15, 1946–44	3¼	1,450,000
Sept. 15, 1947–45	2¾	1,550,000
Dec. 15, 1945	2½	335,000
Mar. 15, 1956–46	3¾	200,000
June 15, 1948–46	3	1,750,000
June 15, 1949–46	3⅛	900,000
Dec. 15, 1947	2	650,000
Mar. 15, 1951–48	2¾	1,295,000
Sept. 15, 1948	2½	300,000
Dec. 15, 1950–48	2	1,280,000
Dec. 15, 1952–49	3⅛	300,000
Dec. 15, 1953–49	2½	4,600,000
Sept. 15, 1952–50	2½	3,150,000
June 15, 1954–51	2¾	3,267,000
Sept. 15, 1955–51	3	140,000
Dec. 15, 1953–51	2¼	600,000
Mar. 15, 1960–55	2⅞	5,186,000
Sept. 15, 1959–56	2¾	1,338,000
June 15, 1963–58	2¾	1,300,000
Dec. 15, 1965–60	2¾	3,475,000
Total		34,366,000
U. S. Treasury notes:		
Mar. 15, 1941	1½	150,000
Dec. 15, 1941	1¼	100,000
Mar. 15, 1942	1¾	200,000
Dec. 15, 1942	1¾	200,000
June 15, 1943	1⅛	1,845,000
Sept. 15, 1943	1	150,000
Dec. 15, 1943	1⅛	1,450,000
Mar. 15, 1944	1	700,000
June 15, 1944	¾	650,000
Mar. 15, 1945	¾	450,000
Total		5,895,000
Total Treasury issues		40,261,000
Miscellaneous securities:		
Home Owners' Loan Corporation bonds:		
May 15, 1941	⅝	$120,000
July 1, 1944–42	2¼	2,975,800
May 1, 1952–44	3	700,000
June 1, 1947–45	1½	3,674,000
Total		7,469,800
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:		
Aug. 1, 1941	⅝	510,000
Nov. 15, 1941	1	200,000
Total		710,000
Reconstruction Finance Corporation notes:		
July 20, 1941	⅞	480,000
Jan. 15, 1942	⅞	3,040,000
July 1, 1942	1	188,000
Total		3,708,000
U. S. Housing Authority notes:		
Feb. 1, 1944	1⅜	640,000
Total miscellaneous issues		13,427,800
Grand total		53,688,800

EXHIBIT 29

Federal Home Loan Banks—Interest rates paid members on time deposits, as of July 1, 1940

Federal Home Loan Bank	Remaining over 90 days	Limitation (greater of 2)
	Percent	
Boston	[1] ½	$50,000 or 1 percent of assets.[2]
New York	½	None.
Pittsburgh	½	Do.
	(3)	Do.
Winston-Salem	1	$100,000.
Cincinnati	½	$100,000 or 5 times minimum stock requirements
Indianapolis	½	None.
Chicago	½	Do.
Des Moines	½	Do.
Little Rock		No interest paid.
Topeka		Do.
Portland		Do.
Los Angeles	1	$50,000.
	¾	$50,000 to $100,000
	½	Excess of $100,000

[1] One-half of 1 percent paid on deposits remaining 30 to 90 days.
[2] Does not apply to deposits held on Feb 13, 1939.
[3] 1 percent after 1 year.

EXHIBIT 30

Federal Home Loan Banks—Statement of consolidated debentures outstanding, June 30, 1940

Federal Home Loan Bank	Total outstanding	Series C, 2 percent due Dec. 1, 1940	Series D, 2 percent due Apr. 1, 1943
Boston	0	0	0
New York	0	0	0
Pittsburgh	$5,500,000	$1,500,000	$4,000,000
Winston-Salem	5,500,000	3,000,000	2,500,000
Cincinnati	5,250,000	2,750,000	2,500,000
Indianapolis	4,500,000	2,000,000	2,500,000
Chicago	11,000,000	8,000,000	3,000,000
Des Moines	7,500,000	3,000,000	4,500,000
Little Rock	2,000,000	500,000	1,500,000
Topeka	2,750,000	750,000	2,000,000
Portland	0	0	0
Los Angeles	4,500,000	3,500,000	1,000,000
Total	48,500,000	25,000,000	23,500,000

EXHIBIT 31

Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1940

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Gross operating income:							
Interest earned on advances	$4,561,888.53	$4,561,888.53	$167,207.03	$452,036.26	$467,572.68	$440,794.25	$482,606.63
Interest earned on investments	956,533.44	956,533.44	151,409.69	34,197.09	100,776.59	32,551.38	200,955.05
Interest earned on deposits—other Federal Home Loan Banks	0	11,886.22	1,045.67	4,363.03	0	5,000.02	206.36
Interest earned on deposits—Commercial banks	570.27	570.27	0	0	0	0	0
Gross operating income	5,518,992.24	5,530,878.46	319,662.39	490,596.38	568,349.27	478,345.65	683,768.04
Less—Operating charges:							
Compensation, travel, etc. (detail below)	927,105.53	927,105.53	57,144.06	127,738.35	114,806.26	75,154.04	101,487.47
Interest on debentures	938,750.04	938,750.04	0	0	108,125.02	106,250.00	101,562.48
Debenture expense—Commissions	32,583.16	32,583.16	0	0	3,250.01	3,749.88	3,541.68
Debenture expense—Other	16,774.68	16,774.68	1,396.25	1,396.24	1,397.66	1,397.91	1,400.57
Interest on deposits—Members	247,393.06	247,393.06	13,167.55	27,817.66	10,263.19	10,138.29	20,705.29
Interest on deposits—other Federal Home Loan Banks	0	11,886.22	0	0	4,262.07	221.38	0
Assessment for expenses of Federal Home Loan Bank Board	300,000.00	300,000.00	16,755.54	28,311.53	27,319.80	27,132.07	38,076.73
Total operating charges	2,462,606 47	2,474,492.69	88,463.40	185,263.78	269,424.01	224,043.57	266,774.22
Net operating income	3,056,385.77	3,056,385.77	231,198.99	305,332.60	298,925.26	254,302.08	416,993.82
Add—Nonoperating income:							
Profit on sale of investments	196,520 08	196,520.08	0	76,541.40	0	2,006.25	0
Miscellaneous	446 53	446.53	0	0	0	0	50 00
Total nonoperating income	196,966.61	196,966.61	0	76,541.40	0	2,006.25	50.00
Less—Nonoperating charges:							
Premium charged off on investments	16,625.07	16,625.07	0	0	102.98	0	0
Net income	3,236,727.31	3,236,727.31	231,198.99	381,874.00	298,822.28	256,308.33	417,043.82

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

Compensation:							
Directors' fees	$39,267.50	$39,267.50	$2,380 00	$5,490.00	$3,025.00	$2,467.50	$4,675.00
Officers' salaries	270,145.28	270,145.28	26,000.00	24,750.00	20,700.00	19,400.00	31,800.00
Counsel's compensation	47,176.00	47,176.00	3,200.00	6,000.00	5,600.00	2,400.00	5,001.00
Other salaries	263,498.89	263,498.89	8,819 75	46,550.16	51,403.75	24,561.50	27,796.03
Total compensation	620,087.67	620,087.67	40,399.75	82,790.16	80,728.75	48,829.00	69,272.03
Travel expense:							
Directors	30,448.88	30,448.88	1,112.67	2,138.77	3,108.53	2,755.84	3,112.73
Officers	33,075.06	33,075.06	3,159.71	3,841.81	3,609.12	3,588.38	2,576.94
Other	17,171.27	17,171.27	41.05	4,185.31	1,779.75	4,199.02	933.43
Total travel expense	80,695 21	80,695.21	4,313.43	10,165.89	8,497.40	10,543.24	6,623.10
Other expenses:							
Telephone and telegraph	20,136.27	20,136.27	884.45	2,564.14	2,690.88	1,901.92	1,938 85
Postage and express	20,783.89	20,783 89	609 92	3,264.16	2,050.73	2,005.87	2,023.28
Light, power, etc	8,182.37	8,182.37	410.01	2,645.38	184.37	239.16	799 67
Stationery, printing, and supplies	25,189.06	25,189.06	1,355.22	4,688.84	2,314.37	2,095.95	3,493.80
Insurance and surety bond premiums	25,315.78	25,315.78	1,826.16	3,750.46	2,143.82	1,285.65	3,074.38
Furniture and fixtures purchased	7,625.71	7,625.71	331.01	2,052.40	868.52	207.50	1,033 59
Rent, less rental charged Examining Division—Federal Home Loan Bank Board	56,244.42	56,244.42	2,558.30	8,349.96	7,356.16	2,865 00	7,800.04
Services of Examining Division	28,306.95	28,306.95	1,255.71	4,653.56	5,157.00	2,581.83	2,112.00
Miscellaneous operating expense	34,538.20	34,538.20	3,200.10	2,813.40	2,814.26	2,598 92	3,316.73
Total other expenses	226,322.65	226,322.65	12,430.88	34,782.30	25,580.11	15,781.80	25,592.34
Total	927,105.53	927,105.53	57,144.06	127,738.35	114,806.26	75,154.04	101,487 47

EXHIBIT 31—Continued

Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1940—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Gross operating income:							
Interest earned on advances	$279, 167. 45	$729, 982. 35	$436, 245. 93	$238, 902 20	$292, 225. 04	$149, 876 70	$425, 272. 01
Interest earned on investments	131, 522. 13	62, 587. 06	38, 540. 13	61, 988 86	47, 225. 47	33, 560 22	61, 219 77
Interest earned on deposits—other Federal Home Loan Banks	0	1, 271. 14	0	0	0	0	0
Interest earned on deposits—Commercial banks	570. 27	0	0	0	0	0	0
Gross operating income	411, 259 85	793, 840. 55	474, 786. 06	300, 891 06	339, 450 51	183, 436. 92	486, 491 78
Less—Operating charges:							
Compensation, travel, etc. (detail below)	59, 948. 42	84, 144 22	59, 493. 60	72, 497 87	54, 893 16	45, 196 67	74, 601 41
Interest on debentures	87, 500. 06	210, 000 00	146, 250. 00	39, 375. 04	54, 062. 44	0	85, 625 00
Debenture expense—Commissions	2, 916 72	8, 166 66	4, 749. 96	1, 166. 64	1, 624. 96	0	3, 416. 65
Debenture expense—Other	1, 397 09	1, 400. 63	1, 397. 21	1, 397 21	1, 397. 19	1, 397 21	1, 399. 51
Interest on deposits—Members	47, 952 91	88, 236. 09	10, 353. 02	0	10, 905 46	0	7, 853. 60
Interest on deposits—other Federal Home Loan Banks	273. 37	0	847. 60	0	0	461. 56	5, 820. 24
Assessment for expenses of Federal Home Loan Bank Board	21, 383. 73	40, 499. 31	26, 879. 42	16, 836 24	17, 860. 40	16, 584 67	22, 360 56
Total operating charges	221, 372. 30	432, 446. 91	249, 970. 81	131, 273 00	140, 743 61	63, 640 11	201, 076. 97
Net operating income	189, 887. 55	361, 393. 64	224, 815. 25	169, 618 06	198, 706. 90	119, 796 81	285, 414. 81
Add—Nonoperating income:							
Profit on sale of investments	17, 400. 55	55, 606. 25	0	21, 840 63	0	23, 125 00	0
Miscellaneous	0	146. 81	0	249 72	0	0	0
Total nonoperating income	17, 400. 55	55, 753. 06	0	22, 090 35	0	23, 125 00	0
Less—Nonoperating charges:							
Premium charged off on investments	16, 522. 09	0	0	0	0	0	0
Net income	190, 766 01	417, 146. 70	224, 815. 25	191, 708 41	198, 706. 90	142, 921 81	285, 414. 81

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES—Continued

Compensation:							
Directors' fees	$2,525.00	$3,040.00	$3,325.00	$3,210.00	$3,210.00	$2,770 00	$3,150 00
Officers' salaries	17,440.28	23,475.00	23,200 00	27,950 00	17,000 00	15,030 00	23,400.00
Counsel's compensation	3,400.00	4,850.00	3,275.00	3,300 00	2,700 00	2,400 00	5,050 00
Other salaries	16,690.20	21,870.00	7,405.00	16,327.75	14,572 93	8,667.32	18,834.50
Total compensation	40,055.48	53,235.00	37,205.00	50,787.75	37,482 93	28,867.32	50,434.50
Travel expense:							
Directors	1,536.15	1,759.95	2,741.61	3,904.15	2,751.76	3,454 89	2,071.83
Officers	1,885.41	1,423.05	2,635.39	2,575.36	1,789 08	1,838 47	4,152 34
Other	2,053.09	1,160.02	169 48	501.15	334.21	1,573.31	241.45
Total travel expense	5,474 65	4,343.02	5,546 48	6,980 66	4,875 05	6,866 67	6,465 62
Other expenses							
Telephone and telegraph	1,536 07	1,539 81	1,089 02	2,046.83	987 59	801.69	2,155.02
Postage and express	1,247.45	2,756.90	1,290 56	1,454 08	985.00	828 00	2,267.94
Light, power, etc.	532 41	1,746.26	334.65	720 53	0	0	569 93
Stationery, printing, and supplies	1,092 64	2,013.50	1,426 35	1,677 28	1,105 12	605.62	3,320 37
Insurance and surety bond premiums	1,704 68	2,298.82	1,589 66	2,529.56	1,551 68	1,452 83	2,108 08
Furniture and fixtures purchased	426.90	152 98	240 11	433 49	335 70	543 57	999 94
Rent, less rental charged Examining Division—Federal Home Loan Bank Board	3,180.00	10,200 00	3,999.96	1,800.00	4,200 00	2,700 00	1,235.00
Services of Examining Division	2,125.44	4,109.23	1,356 77	584.65	1,201 05	1,058.82	2,110.89
Miscellaneous operating expense	2,572.70	1,748 70	5,415.04	3,483.04	2,169 04	1,472.15	2,934.12
Total other expenses	14,418 29	26,566 20	16,742 12	14,729 46	12,535 18	9,462 68	17,701.29
Total	59,948.42	84,144 22	59,493 60	72,497 87	54,893 16	45,196 67	74,601.41

EXHIBIT 32

Federal Home Loan Banks—Total dividends declared through June 30, 1940, and the annual rates paid semiannually for the fiscal years 1939 and 1940

Federal Home Loan Bank	Total dividends declared through June 30, 1940			Fiscal year 1939		Fiscal year 1940	
	Total	U. S. Government	Members	July 1, 1938, to Dec. 31, 1938	Jan. 1, 1939, to June 30, 1939	July 1, 1939, to Dec. 31, 1939	Jan. 1, 1940, to June 30, 1940
				Percent	*Percent*	*Percent*	*Percent*
Boston	$1,076,484.80	$845,467.11	$231,017.69	1½	1	1	1
New York	2,090,326.80	1,685,484 75	404,842.05	1	1	1	1
Pittsburgh	1,132,001.16	945,574.39	186,426.77	1	1	1	(1)
Winston-Salem	919,028.23	695,907.29	223,120.94	1	1	1	(1)
Cincinnati	2,497,776.86	1,723,203.04	774,573.82	2	2	1½	1
Indianapolis	954,910.85	706,534.59	248,376.26	1½	1½	1½	1
Chicago	2,068,659.95	1,661,687.45	406,972.50	2	2	1	1
Des Moines	947,127.72	772,967.70	174,160.02	2	1¼	1¼	1¼
Little Rock	819,458.73	682,890.62	136,568.11	1	1	1	1
Topeka	508,991 83	423,256 56	85,735 27	1	1	1	1
Portland	505,835.97	439,190 88	66,645.09	1¼	¾ of 1	1¼	1
Los Angeles	752,160 42	601,171 61	150,988 81	1½	1¼	1¼	1
Total	14,272,763.32	11,183,335.99	3,089,427.33				

[1] Dividends are usually declared on a calendar-year basis.

EXHIBIT 33

Federal Home Loan Banks—Analysis of surplus and undivided profits for the fiscal year ended June 30, 1940

	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Surplus—Reserve as required by Section 16 of Act.						
Balance June 30, 1939	$4, 261, 328 42	$260, 125. 22	$552, 886. 03	$396, 917. 83	$368, 783. 54	$706, 051. 70
Additions during fiscal year 1940	647, 345 47	46, 239. 80	76, 374. 81	59, 764. 46	51, 261. 67	83, 408. 76
Balance June 30, 1940	4, 908, 673 89	306, 365. 02	629, 260. 84	456, 682. 29	420, 045. 21	789, 460. 46
Surplus—Reserve for contingencies						
Balance June 30, 1939	482, 607. 86	0	43, 660. 09	0	44, 474 22	194, 473. 55
Additions during fiscal year 1940	419, 093. 39	0	61, 233. 12	0	107, 860. 27	0
Balance June 30, 1940	901, 701. 25	0	104, 893 21	0	152, 334 49	194, 473. 55
Undivided profits						
Balance June 30, 1939	4, 057, 504. 42	128, 135 51	313, 203 17	592, 644 00	642, 542 76	385, 447 81
Add						
Profit for fiscal year 1940	3, 236, 727. 31	231, 198 99	381, 874 00	298, 822 28	256, 308. 33	417, 043. 82
Dividend adjustment—members	67. 37	0	0	0	0	7. 37
Total additions	3, 236, 794. 68	231, 198. 99	381, 874 00	298, 822. 28	256, 308. 33	417, 051. 19
Deduct						
Dividends declared during fiscal year 1940						
U S. Government	1, 334, 189. 89	124, 675. 00	189, 632 00	111, 463 00	92, 082 00	159, 696 25
Members	440, 007. 26	39, 629 38	46, 252 21	25, 510. 82	38, 828 98	94, 703. 50
Dividend adjustment—members	1. 84	0	0	0	0	1. 84
Allocation to legal reserve	647, 345. 47	46, 239 80	76, 374 81	59, 764 46	51, 261. 67	83, 408. 76
Allocation to reserve for contingencies	419, 093 39	0	61, 233. 12	0	107, 860 27	0
Total deductions	2, 840, 637. 85	210, 544. 18	373, 492 14	196, 738 28	290, 032. 92	337, 810. 35
Balance June 30, 1940	4, 453, 661. 25	148, 790 32	321, 585 03	694, 728 00	608, 818. 17	464, 688 65

EXHIBIT 33—Continued

Federal Home Loan Banks—Analysis of surplus and undivided profits for the fiscal year ended June 30, 1940—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Surplus—Reserve as required by Section 16 of Act:							
Balance June 30, 1939	$266,755.05	$589,373 14	$276,608 33	$273,633 60	$178,971.83	$164,701.89	$226,520.26
Additions during fiscal year 1940	38,153.20	83,429 34	44,963 05	38,341.68	39,741.38	28,584.36	57,082 96
Balance June 30, 1940	304,908.25	672,802 48	321,571.38	311,975 28	218,713.21	193,286.25	283,603.22
Surplus—Reserve for contingencies:							
Balance June 30, 1939	0	0	0	0	0	100,000.00	100,000 00
Additions during fiscal year 1940	0	0	150,000.00	0	0	100,000 00	0
Balance June 30, 1940	0	0	150,000.00	0	0	200,000.00	100,000.00
Undivided profits:							
Balance June 30, 1939	229,936 23	476,726 75	281,078 13	383,581 02	294,051 95	132,954 60	197,202.49
Add:							
Profit for fiscal year 1940	190,766 01	417,146 70	224,815.25	191,708 41	198,706 90	142,921 81	285,414.81
Dividend adjustment—members	0	60.00	0	0	0	0	0
Total additions	190,766 01	417,206 70	224,815 25	191,708.41	198,706 90	142,921 81	285,414.81
Deduct:							
Dividends declared during fiscal year 1940							
U. S. Government	82,217 50	141,739 00	92,436 26	87,724 00	73,336 00	67,050 00	112,138.88
Members	35,657 79	46,215 13	29,636 86	20,841.50	17,326.51	12,966 85	32,437.73
Dividend adjustment—members	0	0	0	0	0	0	0
Allocation to legal reserve	38,153 20	83,429 34	44,963 05	38,341 68	39,741.38	28,584 36	57,082.96
Allocation to reserve for contingencies	0	0	150,000 00	0	0	100,000 00	0
Total deductions	156,028.49	271,383 47	317,036.17	146,907.18	130,403.89	208,601 21	201,659.57
Balance June 30, 1940	264,673 75	622,549 98	188,857 21	428,382 25	362,354.96	67,275 20	280,957.73

EXHIBIT 34

Federal Home Loan Bank Board—Statement of receipts and disbursements of the Board for the fiscal years 1939 and 1940

	July 1, 1938, to June 30, 1939	July 1, 1939, to June 30, 1940
Balance at beginning of fiscal year	$292,476.78	$238,425.11
Receipts:		
Assessments upon—		
Federal Home Loan Banks	225,000.00	[1] 450,000.00
Home Owners' Loan Corporation	125,615.00	133,716.41
Federal Savings and Loan Insurance Corporation	69,257.28	117,543.60
Examining receipts	643,939.19	675,167.24
Miscellaneous refunds	6,787.10	19,780.16
Receipts from sales of property	0	580.85
Total receipts	1,070,598.57	1,396,788.26
Total cash and receipts	1,363,075.35	1,635,213.37
Disbursements:		
Salaries	888,650.32	1,005,396.57
Supplies and materials	9,405.19	12,602.73
Newspapers and periodicals	101.67	96.18
Communications	16,011.95	23,202.51
Travel	144,884.78	171,793.08
Transportation of things	861.69	620.45
Printing and binding	15,365.17	16,261.20
Photographing and duplicating	13,822.36	14,910.89
Rents	23,502.14	23,667.02
Equipment, furniture and fixtures	12,044.97	11,091.74
Transferred to administrative expenses, Federal Loan Agency	0	2,900.00
Total disbursements	1,124,650.24	1,282,542.37
Balance at end of fiscal year	238,425.11	352,671.00

[1] Includes assessment made in advance of $150,000 for the period July 1 to Dec. 31, 1940.

EXHIBIT 35

Federal Home Loan Bank Board—Comparative statement reflecting, by offices, the number of Board employees as of the close of the fiscal years 1939 and 1940

	1939	1940		1939	1940
Offices of Board Members	13	11	Division of Research and Statistics	17	10
Office of the Governor.			Legal Department	11	11
Governor's immediate office	7	11	Review Committee	8	10
Office of the Comptroller	33	34			
Office of the Chief Supervisor	23	26	Examining Division:		
Federal Home Building Service Section	8	20	Washington office	9	8
			Field	191	233
Total Governor's office	71	91	Total Examining Division	200	241
Office of the Secretary	21	16	Grand total	347	396
Office of Public Relations	6	6			

EXHIBIT 36

Federal Home Loan Bank System—Members of the Federal Savings and Loan Advisory Council, as of June 30, 1940

Federal Home Loan Bank District	Name	Elected or appointed
Des Moines	John W. Ballard	Elected.
Cincinnati	H. F. Cellarius	Do.
Los Angeles	David G. Davis	Appointed.
Do	Paul Endicott	Elected.
Little Rock	I. Friedlander	Do.
Topeka	Paul F. Good	Appointed.
Boston	R. P. Harold	Elected.
Chicago	William E. Hodnett	Do
Little Rock	W. C. Jones, Jr	Appointed.
Topeka	G. E. McKinnis	Elected.
Portland	F. S. McWilliams	Do.
Pittsburgh	J. J. O'Malley	Do.
New York	L. W. Pellett	Do.
Boston	J. H. Soliday	Appointed.
Pittsburgh	E. T. Trigg	Do.
Indianapolis	Wm. C. Walz	Elected.
Do	H. B. Wells	Appointed.
Winston-Salem	G. W. West	Elected.

EXHIBIT 37

Federal savings and loan associations—Number and assets as of the end of each fiscal year, 1934 to 1940

Date	Number of associations			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
June 30, 1940	1,429	633	796	1,728,865	506,588	1,222,277

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

EXHIBIT 38

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, 1939, and June 30, 1940

	Number of associations			Mortgage loans outstanding			Assets		
	June 30, 1939	June 30, 1940	Increase	June 30, 1939	June 30, 1940	Increase	June 30, 1939	June 30, 1940	Increase
United States	1,386	1,429	43	$1,136,288,900	$1,404,952,500	$268,663,600	$1,442,069,000	$1,728,865,000	$286,796,000
No. 1—Boston	51	51	0	86,158,100	104,985,700	18,827,600	116,700,000	133,644,000	16,944,000
Connecticut	15	15	0	10,536,700	14,376,800	3,840,100	11,633,000	15,938,000	4,305,000
Maine	5	5	0	687,300	929,400	242,100	722,000	1,006,000	284,000
Massachusetts	26	26	0	66,492,600	79,362,300	12,869,700	94,490,000	105,044,000	10,554,000
New Hampshire	2	2	0	5,924,300	7,060,800	1,136,500	7,015,000	7,974,000	959,000
Rhode Island	1	1	0	687,100	1,026,200	339,100	758,000	1,156,000	398,000
Vermont	2	2	0	1,830,100	2,230,200	400,100	2,082,000	2,526,000	444,000
No. 2—New York	64	69	5	116,131,600	139,877,300	23,745,700	151,463,000	174,734,000	23,271,000
New Jersey	0	5	5		3,414,100	3,414,100		4,689,000	4,689,000
New York	64	64	0	116,131,600	136,463,200	20,331,600	151,463,000	170,045,000	18,582,000
No. 3—Pittsburgh	102	122	20	50,280,900	74,486,200	24,205,300	62,155,000	89,632,000	27,477,000
Delaware	1	1	0	222,400	273,400	51,000	231,000	279,000	48,000
Pennsylvania	80	99	19	37,959,800	59,982,300	22,022,500	47,251,000	72,394,000	25,143,000
West Virginia	21	22	1	12,098,700	14,230,500	2,131,800	14,673,000	16,959,000	2,286,000
No. 4—Winston-Salem	205	208	3	126,844,900	175,773,100	48,928,200	148,191,000	201,693,000	53,502,000
Alabama	14	15	1	5,218,500	7,356,900	2,138,400	6,612,000	9,245,000	2,633,000
District of Columbia	2	3	1	7,011,800	15,201,300	8,189,500	8,312,000	16,804,000	8,492,000
Florida	48	46	−2	36,557,500	50,769,000	14,211,500	43,155,000	59,318,000	16,163,000
Georgia	43	43	0	17,144,700	21,153,400	4,008,700	18,592,000	22,939,000	4,347,000
Maryland	32	32	0	18,977,800	26,370,100	7,392,300	25,244,000	32,401,000	7,157,000
North Carolina	16	20	4	11,206,700	16,059,200	4,852,500	12,170,000	17,807,000	5,637,000
South Carolina	30	30	0	14,359,600	17,512,100	3,152,500	15,875,000	19,278,000	3,403,000
Virginia	20	19	−1	16,368,300	21,351,100	4,982,800	18,231,000	23,901,000	5,670,000

EXHIBIT 38—Continued

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, 1939, and June 30, 1940—Continued

	Number of associations			Mortgage loans outstanding			Assets		
	June 30, 1939	June 30, 1940	Increase	June 30, 1939	June 30, 1940	Increase	June 30, 1939	June 30, 1940	Increase
No. 5—Cincinnati	206	211	5	$213,567,400	$245,297,400	$31,730,000	$278,405,000	$308,047,000	$29,642,000
Kentucky	51	55	4	44,407,200	49,517,400	5,110,200	59,702,000	63,962,000	4,260,000
Ohio	117	118	1	148,563,900	171,182,800	22,618,900	195,234,000	216,263,000	21,029,000
Tennessee	38	38	0	20,596,300	24,597,200	4,000,900	23,469,000	27,822,000	4,353,000
No. 6—Indianapolis	97	99	2	83,364,400	95,868,300	12,503,900	121,559,000	138,290,000	16,731,000
Indiana	68	69	1	59,671,800	66,911,800	7,240,000	83,854,000	93,534,000	9,680,000
Michigan	29	30	1	23,692,600	28,956,500	5,263,900	37,705,000	44,756,000	7,051,000
No. 7—Chicago	125	133	8	94,224,800	124,726,900	30,502,100	117,436,000	154,721,000	37,285,000
Illinois	98	98	0	82,940,400	105,423,100	22,482,700	105,151,000	130,072,000	24,921,000
Wisconsin	27	35	8	11,284,400	19,303,800	8,019,400	12,285,000	24,649,000	12,364,000
No. 8—Des Moines	109	109	0	77,229,200	97,730,100	20,500,900	94,682,000	115,262,000	20,580,000
Iowa	32	32	0	11,655,200	15,515,100	3,859,900	13,157,000	17,551,000	4,394,000
Minnesota	30	30	0	33,993,400	45,635,100	11,641,700	40,374,000	52,513,000	12,139,000
Missouri	37	37	0	28,477,500	32,950,500	4,473,000	37,350,000	40,809,000	3,459,000
North Dakota	6	6	0	1,655,400	2,027,900	372,500	2,108,000	2,543,000	435,000
South Dakota	4	4	0	1,447,700	1,601,500	153,800	1,693,000	1,846,000	153,000
No. 9—Little Rock	165	165	0	65,059,700	75,542,200	10,482,500	74,338,000	85,805,000	11,467,000
Arkansas	33	33	0	9,443,800	11,335,900	1,892,100	10,923,000	12,744,000	1,821,000
Louisiana	13	13	0	12,424,200	13,141,600	717,400	13,482,000	14,238,000	756,000
Mississippi	21	21	0	4,104,900	5,117,500	1,012,600	4,494,000	5,536,000	1,042,000
New Mexico	8	7	−1	1,712,500	2,012,000	299,500	1,812,000	2,168,000	356,000
Texas	90	91	1	37,374,300	43,935,200	6,560,900	43,627,000	51,119,000	7,492,000
No. 10—Topeka	98	100	2	67,402,000	80,759,600	13,357,600	91,938,000	105,810,000	13,872,000
Colorado	23	23	0	14,053,800	16,774,000	2,720,200	19,132,000	21,180,000	2,048,000
Kansas	27	29	2	13,091,200	18,276,300	5,185,100	21,017,000	28,901,000	7,884,000
Nebraska	15	15	0	5,799,200	6,784,000	984,800	6,807,000	7,888,000	1,081,000
Oklahoma	33	33	0	34,457,800	38,925,300	4,467,500	44,982,000	47,841,000	2,859,000

No. 11—Portland	84	84	0	59,342,300	70,264,100	10,921,800	72,701,000	85,842,000	13,141,000
Idaho	8	8	0	6,255,500	6,703,000	447,500	6,985,000	7,801,000	816,000
Montana	2	2	0	282,800	463,000	180,200	395,000	570,000	175,000
Oregon	22	22	0	11,434,300	13,995,600	2,561,300	13,826,000	16,145,000	2,319,000
Utah	6	6	0	5,149,200	5,922,100	772,900	7,034,000	7,708,000	674,000
Washington	36	36	0	33,548,800	39,743,400	6,194,600	41,541,000	49,757,000	8,216,000
Wyoming	9	9	0	2,477,200	3,178,200	701,000	2,760,000	3,589,000	829,000
Alaska	1	1	0	194,500	258,800	64,300	160,000	272,000	112,000
No. 12—Los Angeles	80	78	−2	96,683,600	119,641,600	22,958,000	112,501,000	135,385,000	22,884,000
Arizona	2	2	0	2,158,000	3,047,300	889,300	2,426,000	3,457,000	1,031,000
California	77	74	−3	92,743,400	113,880,500	21,137,100	108,198,000	128,984,000	20,786,000
Nevada	0	1	1		480,300	480,300		617,000	617,000
Hawaii	1	1	0	1,782,200	2,233,500	451,300	1,877,000	2,327,000	450,000

EXHIBIT 39

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, 1939, and June 30, 1940

Federal Home Loan Bank District and State	Number of private investors in repurchasable shares			Private repurchasable capital		
	June 30, 1939	June 30, 1940	Increase	June 30, 1939	June 30, 1940	Increase
United States	1,299,915	1,562,079	262,164	$990,871,600	$1,268,048,000	$277,176,400
No. 1—Boston	98,772	119,804	21,032	87,534,300	105,678,500	18,144,200
Connecticut	14,457	17,016	2,559	6,891,600	10,870,200	3,978,600
Maine	599	927	328	357,200	601,300	244,100
Massachusetts	75,330	90,582	15,252	72,756,300	84,263,600	11,507,300
New Hampshire	6,202	8,379	2,177	5,385,100	7,013,600	1,628,500
Rhode Island	706	1,142	436	286,600	581,300	294,700
Vermont	1,478	1,758	280	1,857,500	2,348,500	491,000
No. 2—New York	185,205	197,369	12,164	105,576,800	130,130,300	24,553,500
New Jersey		3,277	3,277		3,310,000	3,310,000
New York	185,205	194,092	8,887	105,576,800	126,820,300	21,243,500
No. 3—Pittsburgh	56,644	87,850	31,206	37,850,900	62,373,900	24,523,000
Delaware	78	97	19	151,000	220,500	69,500
Pennsylvania	47,532	77,521	29,989	29,901,000	51,778,000	21,877,000
West Virginia	9,034	10,232	1,198	7,798,900	10,375,400	2,576,500
No. 4—Winston-Salem	119,191	160,748	41,557	96,682,900	144,090,800	47,407,900
Alabama	6,852	9,306	2,454	4,476,100	7,024,900	2,548,800
District of Columbia	7,837	16,020	8,183	6,391,500	13,961,300	7,569,800
Florida	29,822	39,188	9,366	25,678,600	39,038,900	13,360,300
Georgia	16,942	21,454	4,512	11,828,800	16,528,600	4,699,800
Maryland	24,732	29,819	5,087	17,374,700	22,010,400	4,635,700
North Carolina	8,373	13,596	5,223	6,869,300	12,291,600	5,422,300
South Carolina	13,225	15,458	2,233	12,367,200	15,515,300	3,148,100
Virginia	11,408	15,907	4,499	11,696,700	17,719,800	6,023,100
No. 5—Cincinnati	255,100	281,337	26,237	212,056,900	242,902,000	30,845,100
Kentucky	47,419	51,052	3,633	47,061,400	52,354,700	5,293,300
Ohio	188,160	206,902	18,742	152,425,700	173,024,300	20,598,600
Tennessee	19,521	23,383	3,862	12,569,800	17,523,000	4,953,200
No. 6—Indianapolis	100,138	122,805	22,667	90,997,400	108,279,200	17,281,800
Indiana	70,291	84,762	14,471	61,297,600	71,798,900	10,501,300
Michigan	29,847	38,043	8,196	29,699,800	36,480,300	6,780,500
No. 7—Chicago	97,733	133,094	35,361	73,511,500	105,803,500	32,292,000
Illinois	86,724	114,460	27,736	66,166,500	89,497,200	23,330,700
Wisconsin	11,009	18,634	7,625	7,345,000	16,306,300	8,961,300
No. 8—Des Moines	81,785	102,030	20,245	56,299,200	76,661,100	20,361,900
Iowa	10,867	14,423	3,556	8,169,000	12,380,600	4,211,600
Minnesota	41,653	54,393	12,740	23,155,200	34,320,300	11,165,100
Missouri	25,809	29,029	3,220	22,536,400	26,953,700	4,417,300
North Dakota	2,163	2,828	665	1,429,600	1,855,300	425,700
South Dakota	1,293	1,357	64	1,009,000	1,151,200	142,200
No. 9—Little Rock	53,643	60,532	6,889	53,550,500	66,239,500	12,689,000
Arkansas	6,337	7,498	1,161	7,766,500	9,879,300	2,112,800
Louisiana	7,003	7,444	441	10,716,600	11,278,700	562,100
Mississippi	3,519	4,053	534	3,159,200	4,085,500	926,300
New Mexico	1,130	1,340	210	1,279,500	1,743,800	464,300
Texas	35,654	40,197	4,543	30,628,700	39,252,200	8,623,500

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, 1939, and June 30, 1940—Continued

Federal Home Loan Bank District and State	Number of private investors in repurchasable shares			Private repurchasable capital		
	June 30, 1939	June 30, 1940	Increase	June 30, 1939	June 30, 1940	Increase
No. 10—Topeka	68,103	81,413	13,310	$65,728,500	$80,324,300	$14,595,800
Colorado	15,127	17,397	2,270	13,414,000	15,510,700	2,096,700
Kansas	17,857	24,997	7,140	13,571,600	20,667,300	7,095,700
Nebraska	5,564	6,498	934	4,283 700	5,277,000	993,300
Oklahoma	29,555	32,521	2,966	34,459,200	38,869,300	4,410,100
No. 11—Portland	113,059	125,154	12,095	42,828,600	54,262,400	11,433,800
Idaho	8,487	8,234	−253	3,778,600	4,763,800	985,200
Montana	558	677	119	264,600	385,800	121,200
Oregon	13,725	16,192	2,467	7,298,000	9,514,800	2,216,800
Utah	8,631	9,950	1,319	3,863,500	4,550,200	686,700
Washington	79,762	87,353	7,591	26,264,600	32,705,300	6,440,700
Wyoming	1,717	2,491	774	1,280,200	2,165,200	885,000
Alaska	179	257	78	79,100	177,300	98,200
No. 12—Los Angeles	70,542	89,943	19,401	68,254,100	91,302,500	23,048,400
Arizona	1,781	2,526	745	1,259,100	1,907,900	648,800
California	67,657	85,529	17,872	65,508,800	87,005,800	21,497,000
Nevada		560	560		517,300	517,300
Hawaii	1,104	1,328	224	1,486,200	1,871,500	385,300

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

EXHIBIT 40

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, 1939, and June 30, 1940

Bank District and State	June 30, 1939	June 30, 1940	Decrease
United States	$217,025,500	$197,267,900	$19,757,600
No. 1—Boston	9,645,700	8,898,700	747,000
Connecticut	3,132,500	3,105,500	27,000
Maine	257,000	257,000	
Massachusetts	5,446,200	5,251,200	195,000
New Hampshire	475,000		475,000
Rhode Island	285,000	285,000	
Vermont	50,000		50,000
No. 2—New York	29,143,300	23,692,200	5,451,100
New Jersey		291,000	[1] 291,000
New York	29,143,300	23,401,200	5,742,100
No. 3—Pittsburgh	9,868,700	9,413,800	454,900
Delaware			
Pennsylvania	6,690,700	6,360,800	329,900
West Virginia	3,178,000	3,053,000	125,000

See footnote at end of table.

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, 1939, and June 30, 1940—Continued

Bank District and State	June 30, 1939	June 30, 1940	Decrease
No. 4—Winston-Salem	30,029,300	27,210,300	2,819,000
Alabama	1,310,500	1,265,500	45,000
District of Columbia	50,000		50,000
Florida	11,856,400	10,487,200	1,369,200
Georgia	4,396,900	3,925,800	471,100
Maryland	3,857,500	3,832,500	25,000
North Carolina	3,093,500	2,832,500	261,000
South Carolina	1,922,500	1,804,300	118,200
Virginia	3,542,000	3,062,500	479,500
No. 5—Cincinnati	26,708,100	22,783,300	3,924,800
Kentucky	3,631,500	3,117,700	513,800
Ohio	16,202,000	13,534,800	2,667,200
Tennessee	6,874,600	6,130,800	743,800
No. 6—Indianapolis	12,036,800	10,637,300	1,399,500
Indiana	8,932,500	7,774,800	1,157,700
Michigan	3,104,300	2,862,500	241,800
No. 7—Chicago	23,372,500	21,750,200	1,622,300
Illinois	20,250,500	18,023,100	2,227,400
Wisconsin	3,122,000	3,727,100	[1] 605,100
No. 8—Des Moines	18,793,300	18,516,900	276,400
Iowa	2,482,000	2,364,900	117,100
Minnesota	8,536,300	8,466,000	70,300
Missouri	7,107,000	7,033,000	74,000
North Dakota	315,000	300,500	14,500
South Dakota	353,000	352,500	500
No. 9—Little Rock	8,881,600	7,901,300	980,300
Arkansas	1,650,000	1,332,300	317,700
Louisiana	370,000	267,500	102,500
Mississippi	754,500	702,700	51,800
New Mexico	292,000	232,500	59,500
Texas	5,815,100	5,366,300	448,800
No. 10—Topeka	9,435,500	8,734,200	701,300
Colorado	2,594,500	2,461,400	133,100
Kansas	3,255,000	3,236,800	18,200
Nebraska	1,336,000	1,153,000	183,000
Oklahoma	2,250,000	1,883,000	367,000
No. 11—Portland	18,337,500	17,645,900	691,600
Idaho	2,325,600	2,265,500	60,100
Montana	30,000	30,000	
Oregon	4,597,500	4,468,200	129,300
Utah	1,700,000	1,700,000	
Washington	8,643,000	8,223,300	419,700
Wyoming	1,008,100	925,600	82,500
Alaska	33,300	33,300	
No. 12—Los Angeles	20,773,200	20,083,800	689,400
Arizona	605,000	655,000	[1] 50,000
California	20,168,200	19,428,800	739,400
Nevada			
Hawaii			

[1] Increase.

EXHIBIT 41

Federal savings and loan associations—Summary of new mortgage loans made by reporting associations during the year ended June 30, 1940

Federal Home Loan Bank District and State	Construction	Home purchase	Refinancing	Repairs and reconditioning	Other purposes	Total
United States	$178,611,800	$138,703,900	$85,128,300	$20,757,200	$34,253,600	$457,454,800
District No. 1	11,668,800	11,217,500	6,576,600	1,870,400	2,099,200	33,432,500
Connecticut	2,230,400	1,460,400	1,386,500	168,500	109,700	5,355,500
Maine	93,400	118,200	92,900	43,900	5,600	354,000
Massachusetts	8,508,400	8,711,300	4,558,500	1,457,300	1,535,200	24,770,700
New Hampshire	406,800	430,700	313,700	145,500	418,100	1,714,800
Rhode Island	199,300	143,100	116,400	1,600		460,400
Vermont	230,500	353,800	108,600	53,600	30,600	777,100
District No. 2	15,870,700	13,257,700	4,556,400	635,500	1,253,700	35,574,000
New Jersey	177,800	198,400	89,400	51,200	13,500	530,300
New York	15,692,900	13,059,300	4,467,000	584,300	1,240,200	35,043,700
District No. 3	8,827,300	12,869,400	5,333,400	1,157,900	1,324,800	29,512,800
Delaware	38,700	48,300	18,500	5,000		110,500
Pennsylvania	7,342,000	11,779,200	4,263,900	753,600	969,200	25,107,900
West Virginia	1,446,600	1,041,900	1,051,000	399,300	355,600	4,294,400
District No. 4	32,541,000	19,076,000	11,466,600	2,829,500	5,683,000	71,596,100
Alabama	734,000	640,400	793,500	208,300	194,600	2,570,800
District of Columbia	3,698,300	1,215,400	1,626,600	203,600	408,300	7,152,200
Florida	12,427,500	3,204,200	2,812,800	634,200	2,921,200	21,999,900
Georgia	2,892,900	1,773,100	1,804,100	556,400	460,400	7,486,900
Maryland	3,430,500	7,939,700	1,085,700	91,200	240,500	12,787,600
North Carolina	2,652,300	1,157,900	1,162,900	393,400	450,000	5,816,500
South Carolina	3,208,900	998,100	982,500	486,500	525,000	6,201,000
Virginia	3,496,600	2,147,200	1,198,500	255,900	483,000	7,581,200
District No. 5	22,117,300	24,401,000	12,626,500	3,603,100	5,241,200	67,989,100
Kentucky	2,759,800	4,158,400	1,979,800	757,800	1,088,200	10,744,000
Ohio	16,411,000	19,044,500	8,579,100	2,415,100	3,646,200	50,095,900
Tennessee	2,946,500	1,198,100	2,067,600	430,200	506,800	7,149,200
District No. 6	9,257,000	7,421,100	5,503,000	1,888,800	2,253,000	26,322,900
Indiana	4,422,500	5,809,800	3,228,400	1,451,100	1,344,500	16,256,300
Michigan	4,834,500	1,611,300	2,274,600	437,700	908,500	10,066,600
District No. 7	10,834,600	14,453,700	11,233,500	2,763,200	3,255,600	42,540,600
Illinois	8,841,300	12,941,900	10,405,200	2,593,400	2,724,900	37,506,700
Wisconsin	1,993,300	1,511,800	828,300	169,800	530,700	5,033,900
District No. 8	12,929,600	9,367,400	7,189,200	1,544,700	2,119,900	33,150,800
Iowa	2,210,300	2,064,100	1,319,900	391,500	346,600	6,332,400
Minnesota	7,799,200	3,946,700	3,656,500	755,400	1,384,400	17,542,200
Missouri	2,535,600	3,096,300	2,008,200	305,600	292,900	8,238,600
North Dakota	289,000	142,900	109,100	40,900	45,400	627,300
South Dakota	95,500	117,400	95,500	51,300	50,600	410,300
District No. 9	10,296,600	5,076,000	3,694,600	1,552,500	2,312,500	22,932,200
Arkansas	1,152,300	1,125,900	790,900	310,100	621,700	4,000,900
Louisiana	1,548,300	565,600	268,800	262,300	405,000	3,050,000
Mississippi	715,800	278,500	458,600	141,200	219,900	1,814,000
New Mexico	254,700	97,800	199,900	66,500	27,700	646,600
Texas	6,625,500	3,008,200	1,976,400	772,400	1,038,200	13,420,700
District No. 10	7,653,600	8,298,700	4,927,900	1,192,000	3,451,700	25,523,900
Colorado	1,935,600	2,009,600	1,407,300	257,500	487,800	6,097,800
Kansas	1,286,400	1,888,100	675,100	282,800	643,400	4,775,800
Nebraska	1,025,100	560,500	446,100	70,000	203,500	2,305,200
Oklahoma	3,406,500	3,840,500	2,399,400	581,700	2,117,000	12,345,100

EXHIBIT 41—Continued

Federal savings and loan associations—Summary of new mortgage loans made by reporting associations during the year ended June 30, 1940—Continued

Federal Home Loan Bank District and State	Construction	Home purchase	Refinancing	Repairs and reconditioning	Other purposes	Total
District No. 11	$8,725,000	$5,938,200	$5,009,800	$1,192,600	$2,605,100	$23,470,700
Idaho	577,500	449,400	353,200	142,900	260,700	1,783,700
Montana	157,500	68,100	14,700	7,400	14,800	262,500
Oregon	2,207,500	991,200	916,500	232,500	429,900	4,777,600
Utah	750,100	448,000	245,800	53,300	199,900	1,697,100
Washington	4,513,700	3,658,400	3,173,300	634,500	1,547,800	13,527,700
Wyoming	350,800	306,500	284,000	87,200	152,000	1,180,500
Alaska	167,900	16,600	22,300	34,800	0	241,600
District No. 12	27,890,300	7,327,200	7,010,800	527,000	2,653,900	45,409,200
Arizona	803,100	342,000	127,200	50,500	128,600	1,451,400
California	26,623,800	6,664,600	6,721,100	423,400	2,438,100	42,871,000
Nevada	45,000	19,500	19,500	9,600	23,700	117,300
Hawaii	418,400	301,100	143,000	43,500	63,500	969,500

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

EXHIBIT 42

Federal savings and loan associations—First mortgage loans outstanding (net), June 1935 through June 1940

June 1935	$186,003,000
June 1936	474,560,000
June 1937	742,354,000
June 1938	943,780,000
June 1939	1,136,289,000
June 1940	1,404,953,000

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

EXHIBIT 43

Federal savings and loan associations—Selected balance-sheet items for 1,344 identical new and converted associations, as of June 30, 1939, and June 30, 1940

[Dollar amounts in thousands]

	618 new associations			726 converted associations			All 1,344 associations		
	June 30, 1939	June 30, 1940	Percent change	June 30, 1939	June 30, 1940	Percent change	June 30, 1939	June 30, 1940	Percent change
Total assets	$369,524	$472,631	+28	$1,010,199	$1,134,132	+12	$1,379,723	$1,606,763	+16
First mortgage loans held	329,080	424,876	+29	759,185	886,663	+17	1,088,265	1,311,539	+21
Real estate owned	2,894	2,603	−10	89,228	73,400	−18	92,122	76,003	−18
Cash and Government obligations	24,631	29,257	+19	64,321	75,594	+18	88,952	104,851	+18
Private capital	218,406	315,152	+44	731,979	864,481	+18	950,385	1,179,633	+24
Government investment	92,793	86,403	−7	113,008	99,640	−12	205,801	186,043	−10
Reserves and undivided profits [1]	9,553	13,696	+43	56,545	61,381	+9	66,098	75,077	+14

[1] Reserves and undivided profits were taken from the July monthly reports in order to reflect the condition of the institutions after the closing of the books and accumulations from net earnings during the preceding 6 months.

EXHIBIT 44

Federal savings and loan associations—Consolidated statement of operations for 1,384 reporting Federal savings and loan associations, for the year ended December 1939

[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	$67,478	86.23	
On mortgage loans—all other	805	1.03	
On loans on shares, passbooks, and certificates	238	.30	
On real estate sold on contract	2,984	3.81	
On investments and bank deposits	514	.66	
Other	85	.11	
Premium or commission on loans (current only)	1,147	1.47	
Appraisal fees, legal fees, and initial service charges	1,703	2.18	
Other fees and fines	322	.41	
Gross income from real estate owned	(7,907)	(10.11)	
Less—cost of repairs, taxes, and maintenance	(6,352)	(8.12)	
Net income from real estate owned	1,555	1.99	
Gross income from office building	882	1.13	
Dividends on stock in Federal Home Loan Banks	207	.26	
Other dividends	27	.03	
Miscellaneous operating income	308	.39	
Gross operating income	78,255	100.00	146.77
LESS OPERATING EXPENSE			
Compensation to directors, officers, employees	10,405	13.29	
Collection expense (agents, etc.)	175	.22	
Legal services—retainer, travel, and special	427	.55	
Expense account of directors, officers, and employees	267	.34	
Rent, light, heat, etc	1,383	1.77	
Repairs, taxes, and maintenance of office building	804	1.03	
Depreciation of office building	342	.44	
Furniture, fixtures, and equipment, including depreciation	499	.64	
Advertising	2,358	3.01	
Stationery, printing, and office supplies	669	.85	
Telegraph, telephone, postage, and express	501	.64	
Insurance and bond premiums	440	.56	
Federal insurance premium	1,546	1.98	
Audit	175	.22	
Supervising examinations and assessments	349	.45	
Organization dues	224	.29	
Other operating expense	1,678	2.14	
Total operating expense	22,242	28.42	41.71
Net operating income before interest and other charges	56,013	71.58	105.06
LESS INTEREST CHARGES			
On deposits, investment certificates, etc	34	.04	
On advances from Federal Home Loan Banks	2,671	3.42	
On borrowed money	87	.11	
Total interest	2,792	3.57	5.24
Net operating income	53,221	68.01	99.82
ADD NONOPERATING INCOME			
Dividends retained on repurchases and withdrawals	18		.03
Profit on sale of real estate	1,327		2.49
Profit on sale of investments	318		.60
Other nonoperating income	219		.41
Total nonoperating income	1,882	2.40	3.53
Net income after interest and before charges	55,103	70.41	103.35

EXHIBIT 44—Continued

Federal savings and loan associations—Consolidated statement of operations for 1,384 reporting Federal savings and loan associations, for the year ended December 1939—Continued

[Dollar amounts in thousands]

Item	Amount	Ratio to gross operating income	Ratio to net income
LESS NONOPERATING CHARGES			
		Percent	*Percent*
Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves)	$86		.16
Loss on sale of real estate	1,143		2.15
Loss on sale of investments	61		.11
Other nonoperating charges	494		.93
Total nonoperating charges	1,784	2.28	3 35
Net income for the year	53,319	68.13	100.00
LESS TRANSFERS FOR RESERVES AND DIVIDENDS			
For bonus on shares	122		.23
Legal reserves	834		1.56
Federal insurance reserve	2,986		5.60
For contingencies	3,020		5.66
Real estate reserve	609		1.14
Other	171		.32
Dividends	40,608		76.17
Balance to undivided profits	4,969		9.32

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

EXHIBIT 45

Federal savings and loan associations—Operating ratios of 1,398 Federal savings and loan associations grouped as to size of association

[Based on annual reports for 1939]

Asset groups	Number of associations	Gross 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	90	6.33	1 61	25.38	13.00	2.27
$75,000 to $149,999	187	6.41	1.72	26.92	15.01	1.91
$150,000 to $299,999	275	6.15	1.75	28.48	15.11	2.00
$300,000 to $499,999	199	5.97	1.72	28.75	15.24	2.48
$500,000 to $749,999	155	5.87	1.77	30.18	15.54	2.63
$750,000 to $999,999	116	5.86	1.62	27.70	14.09	2.49
$1,000,000 to $1,499,999	145	5.83	1 68	28.73	13.95	2.99
$1,500,000 to $2,499,999	110	5.57	1.59	28.62	13.38	3.49
$2,500,000 to $3,999,999	57	5.49	1 45	26.50	12.21	3.00
$4,000,000 to $5,999,999	29	5.31	1 52	28.64	13.13	3.69
Over $6,000,000	35	4.92	1.33	27.00	11.94	3.26
Total associations	1,398	5 51	1.54	28.03	13.39	3.03

EXHIBIT 46

Federal savings and loan associations—Average annual dividend rates declared for the calendar years 1938 and 1939 [1]

Federal Home Loan Bank District and State	1938	1939
United States	3.49	3.39
No. 1—Boston	3.29	3.11
Connecticut	3.42	3.41
Maine	3.19	3.13
Massachusetts	3.27	3.04
New Hampshire	3.50	3.50
Rhode Island	3.00	3.00
Vermont	3.33	3.03
No. 2—New York	2.68	[2] 2.58
New Jersey		3.00
New York	2.68	2.58
No. 3—Pittsburgh	3.84	3.72
Delaware	3.50	3.50
Pennsylvania	3.78	3.67
West Virginia	3.99	3.91
No. 4—Winston-Salem	3.92	3.80
Alabama	3.94	3.77
District of Columbia	3.98	3.69
Florida	3.98	3.84
Georgia	3.93	3.87
Maryland	3.60	3.44
North Carolina	4.15	4.08
South Carolina	4.00	3.82
Virginia	3.98	3.98
No. 5—Cincinnati	3.56	3.40
Kentucky	3.93	3.70
Ohio	3.39	3.24
Tennessee	4.03	4.01
No. 6—Indianapolis	3.11	3.09
Indiana	3.12	3.12
Michigan	3.09	3.05
No. 7—Chicago	3.73	3.53
Illinois	3.70	3.52
Wisconsin	3.96	3.59
No. 8—Des Moines	3.38	3.34
Iowa	3.76	3.70
Minnesota	3.04	3.04
Missouri	3.56	3.53
North Dakota	3.23	3.34
South Dakota	3.93	3.78
No. 9—Little Rock	4.15	3.87
Arkansas	4.06	4.02
Louisiana	4.02	3.84
Mississippi	4.05	3.85
New Mexico	4.09	3.99
Texas	4.24	3.84
No. 10—Topeka	3.71	3.63
Colorado	3.33	3.20
Kansas	3.47	3.35
Nebraska	3.22	3.20
Oklahoma	4.05	4.05
No. 11—Portland	3.37	3.25
Alaska	4.00	4.00
Idaho	3.51	3.46
Montana	3.50	3.50
Oregon	3.38	3.31
Utah	3.34	3.04
Washington	3.32	3.18
Wyoming	3.91	3.86
No. 12—Los Angeles	3.89	3.82
Arizona	4.00	4.00
California	3.90	3.82
Nevada		4.00
Hawaii	3.50	3.50

[1] Average weighted by amount of invested capital.
[2] The average for District No. 2 is the same as the average for New York because the number of institutions in New Jersey was so small as to have no effect on the District average.

EXHIBIT 47

Federal Savings and Loan Insurance Corporation—Number and assets of all insured associations and number of private repurchasable shareholders, by Federal Home Loan Bank Districts and by States, June 30, 1940

[Average assets are actual, other assets are in thousands of dollars]

Bank District and State	All insured associations			New Federals			Converted Federals			State-chartered associations			Average assets in all insured associations
	Number of associations	Private repurchasable shareholders	Assets	Number of associations	Private repurchasable shareholders	Assets	Number of associations	Private repurchasable shareholders	Assets	Number of associations	Private repurchasable shareholders	Assets	
United States	2,235	2,591,626	$2,708,529	633	432,899	$506,588	788	1,128,040	$1,220,749	814	1,030,687	$981,192	$1,211,870
No. 1—Boston	58	126,157	139,954	18	14,962	14,538	33	104,842	119,106	7	6,353	6,310	2,413,000
Connecticut	22	23,369	22,248	10	10,663	9,196	5	6,353	6,742	7	6,353	6,310	1,011,273
Maine	5	927	1,006	5	927	1,006	0			0			201,200
Massachusetts	26	90,582	105,044	0			26	90,582	105,044	0			4,040,154
New Hampshire	2	8,379	7,974	1	624	851	1	7,755	7,123	0			3,987,000
Rhode Island	1	1,142	1,156	1	1,142	1,156	0			0			1,156,000
Vermont	2	1,758	2,526	1	1,606	2,329	1	152	197	0			1,263,000
No. 2—New York	169	318,570	282,714	14	46,344	39,241	55	151,025	135,493	100	121,201	107,980	1,672,864
New Jersey	73	61,904	66,283	0			5	3,277	4,689	68	58,627	61,594	907,986
New York	96	256,666	216,431	14	46,344	39,241	50	147,748	130,804	32	62,574	46,386	2,254,490
No. 3—Pittsburgh	178	112,140	122,083	37	25,902	27,939	78	60,808	60,392	63	25,430	33,752	685,860
Delaware	1	97	279	1	97	279	0			0			279,000
Pennsylvania	151	100,617	102,390	24	20,998	19,643	68	55,383	51,450	59	24,236	31,297	678,079
West Virginia	26	11,426	19,414	12	4,807	8,017	10	5,425	8,942	4	1,194	2,455	746,692
No. 4—Winston-Salem	255	208,535	253,715	123	81,691	109,555	85	79,057	92,138	47	47,787	52,022	994,961
Alabama	17	11,563	10,101	11	6,209	5,825	4	3,097	3,420	2	2,257	856	594,176
District of Columbia	11	26,760	30,694	1	8,346	7,616	2	7,674	9,188	8	10,740	13,890	2,790,364
Florida	47	40,509	60,369	43	38,740	58,550	3	448	768	1	1,321	1,051	1,284,447
Georgia	47	25,370	28,263	26	8,911	9,164	17	12,543	13,775	4	3,916	5,324	601,340
Maryland	42	35,606	38,199	0			32	29,819	32,401	10	5,787	5,798	909,500
North Carolina	33	26,795	30,395	11	5,770	7,615	9	7,826	10,192	13	13,199	12,588	921,061
South Carolina	35	21,473	24,610	17	4,663	7,424	13	10,795	11,854	5	6,015	5,332	703,143
Virginia	23	20,459	31,084	14	9,052	13,361	5	6,855	10,540	4	4,552	7,183	1,351,478
No. 5—Cincinnati	327	592,369	561,961	62	42,161	53,225	149	239,176	254,822	116	311,032	253,914	1,718,535
Kentucky	57	51,534	64,435	18	3,001	4,804	37	48,051	59,158	2	482	473	1,130,439
Ohio	232	517,452	469,704	16	26,569	32,479	102	180,333	183,784	114	310,550	253,441	2,024,586
Tennessee	38	23,383	27,822	28	12,591	15,942	10	10,792	11,880	0			732,158

No. 6—Indianapolis	172	189,038	205,331	44	40,340	38,705	55	82,465	99,585	73	66,233	67,041	1,193,785
Indiana	128	120,039	130,658	27	25,226	23,439	42	59,536	70,095	59	35,277	37,124	1,020,766
Michigan	44	68,999	74,673	17	15,114	15,266	13	22,929	29,490	14	30,956	29,917	1,697,114
No. 7—Chicago	264	229,422	268,425	42	33,993	36,239	91	99,101	118,482	131	96,328	113,704	1,016,761
Illinois	185	175,737	194,754	15	20,831	20,937	83	93,629	109,135	87	61,277	64,682	1,052,724
Wisconsin	79	53,685	73,671	27	13,162	15,302	8	5,472	9,347	44	35,051	49,022	932,544
No. 8—Des Moines	156	151,391	157,194	57	22,264	28,226	52	79,766	87,036	47	49,361	41,932	1,007,654
Iowa	41	18,637	20,944	23	9,203	11,482	9	5,220	6,069	9	4,214	3,393	510,829
Minnesota	34	55,314	53,358	14	5,475	6,482	16	48,918	46,031	4	921	845	1,569,353
Missouri	66	69,962	74,979	15	6,656	9,117	22	22,373	31,692	29	40,933	34,170	1,136,045
North Dakota	8	5,484	5,377	3	432	604	3	2,396	1,939	2	2,656	2,834	672,125
South Dakota	7	1,994	2,536	2	498	541	2	859	1,305	3	637	690	362,286
No. 9—Little Rock	262	180,018	217,914	129	30,174	40,747	36	30,358	45,058	97	119,486	132,109	831,733
Arkansas	37	9,244	14,901	28	5,250	8,183	5	2,248	4,561	4	1,746	2,157	402,730
Louisiana	68	78,919	94,855	9	1,064	1,789	4	6,380	12,449	55	71,475	80,617	1,394,926
Mississippi	23	4,841	6,376	19	3,846	5,294	2	207	242	2	788	840	277,217
New Mexico	13	3,906	5,322	7	1,340	2,168	0	----------	----------	6	2,566	3,154	409,385
Texas	121	83,108	96,460	66	18,674	23,313	25	21,523	27,806	30	42,911	45,341	797,190
No. 10—Topeka	154	111,411	136,668	34	14,744	16,868	65	66,669	88,715	55	29,998	31,085	887,455
Colorado	31	23,338	28,140	14	4,059	4,484	9	13,338	16,696	8	5,941	6,960	907,742
Kansas	63	43,028	45,318	9	6,638	6,864	20	18,359	22,037	34	18,031	16,417	719,333
Nebraska	19	8,486	9,697	8	3,385	4,695	7	3,113	3,193	4	1,988	1,809	510,368
Oklahoma	41	36,559	53,513	3	662	825	29	31,859	46,789	9	4,038	5,899	1,305,195
No. 11—Portland	109	205,169	119,408	36	34,308	26,554	48	90,846	59,288	25	80,015	33,566	1,095,486
Idaho	8	8,234	7,801	0	----------	----------	8	8,234	7,801	0	----------	----------	975,125
Montana	8	11,133	9,172	0	----------	----------	2	677	570	6	10,456	8,602	1,146,500
Oregon	22	16,192	16,145	18	13,798	13,497	4	2,394	2,648	0	----------	----------	733,864
Utah	9	24,581	15,329	1	81	222	5	9,869	7,486	3	14,631	7,621	1,170,322
Washington	52	142,281	67,100	8	18,267	9,782	28	69,086	39,975	16	54,928	17,343	1,290,385
Wyoming	9	2,491	3,589	8	1,905	2,781	1	586	808	0	----------	----------	398,778
Alaska	1	257	272	1	257	272	0	----------	----------	0	----------	----------	272,000
No. 12—Los Angeles	131	167,406	243,162	37	46,016	74,751	41	43,927	60,634	53	77,463	107,777	1,856,198
Arizona	3	3,778	4,230	2	2,526	3,457	0	----------	----------	1	1,252	773	1,410,000
California	124	160,482	235,399	35	43,490	71,294	39	42,039	57,690	50	74,953	106,415	1,898,379
Nevada	1	560	617	0	----------	----------	1	560	617	0	----------	----------	617,000
Hawaii	3	2,586	2,916	0	----------	----------	1	1,328	2,327	2	1,258	589	972,000

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

EXHIBIT 48

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, 1940

[Assets in thousands of dollars]

Bank District and State	All savings and loan members		All insured associations [1]		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	3,865	$4,232,681	2,235	$2,708,529	57.83	63.99
No. 1—Boston	211	487,634	58	139,954	27.49	28.70
Connecticut	45	39,919	22	22,248	48.89	55.73
Maine	22	18,951	5	1,006	22.73	5.31
Massachusetts	123	378,924	26	105,044	21.14	27.72
New Hampshire	12	14,773	2	7,974	16.67	53.98
Rhode Island	4	30,326	1	1,156	25.00	3.81
Vermont	5	4,741	2	2,526	40.00	53.28
No. 2—New York	413	457,506	169	282,714	40.92	61.79
New Jersey	289	179,257	73	66,283	25.26	36.98
New York	124	278,249	96	216,431	77.42	77.78
No. 3—Pittsburgh	540	254,174	178	122,083	32.96	48.03
Delaware	7	2,647	1	279	14.29	10.54
Pennsylvania	502	230,089	151	102,390	30.08	44.50
West Virginia	31	21,438	26	19,414	83.87	90.56
No. 4—Winston-Salem	398	447,303	255	253,715	64.07	56.72
Alabama	19	10,984	17	10,101	89.47	91.96
District of Columbia	20	135,791	11	30,694	55.00	22.60
Florida	49	61,783	47	60,369	95.92	97.71
Georgia	54	29,827	47	28,263	87.04	94.76
Maryland	69	63,336	42	38,199	60.87	60.31
North Carolina	111	79,463	33	30,395	29.73	38.25
South Carolina	42	25,691	35	24,610	83.33	95.79
Virginia	34	40,428	23	31,084	67.65	76.89
No. 5—Cincinnati	586	845,194	327	561,961	55.80	66.49
Kentucky	95	95,569	57	64,435	60.00	67.42
Ohio	452	721,676	232	469,704	51.33	65.09
Tennessee	39	27,949	38	27,822	97.44	99.55
No. 6—Indianapolis	214	272,756	172	205,331	80.37	75.28
Indiana	158	163,827	128	130,658	81.01	79.75
Michigan	56	108,929	44	74,673	78.57	68.55
No. 7—Chicago	461	422,580	264	268,425	57.27	63.52
Illinois	345	292,621	185	194,754	53.62	66.56
Wisconsin	116	129,959	79	73,671	68.10	56.69
No. 8—Des Moines	238	216,539	156	157,194	65.55	72.59
Iowa	69	47,539	41	20,944	59.42	44.06
Minnesota	39	57,270	34	53,358	87.18	93.17
Missouri	106	96,940	66	74,979	62.26	77.35
North Dakota	13	10,515	8	5,377	61.54	51.14
South Dakota	11	4,275	7	2,536	63.64	59.32

See footnote at end of table.

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, 1940—Continued

[Assets in thousands of dollars]

Bank District and State	All savings and loan members		All insured associations[1]		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	274	$221,295	262	$217,914	95.62	98 47
Arkansas	39	15,320	37	14,901	94.87	97.27
Louisiana	67	94,806	68	94,855	101.49	100.05
Mississippi	25	7,190	23	6,376	92.00	88.68
New Mexico	14	5,941	13	5,322	92.86	89.58
Texas	129	98,038	121	96,460	93.80	98.39
No. 10—Topeka	227	169,876	154	136,668	67.84	80 45
Colorado	39	31,556	31	28,140	79.47	89.17
Kansas	103	59,583	63	45,318	61.17	76.06
Nebraska	31	17,881	19	9,697	61.29	54.23
Oklahoma	54	60,856	41	53,513	75.93	87.93
No. 11—Portland	132	145,703	109	119,408	82.58	81.95
Idaho	8	7,801	8	7,801	100.00	100.00
Montana	13	10,646	8	9,172	61.54	86.15
Oregon	30	32,658	22	16,145	73.33	49.44
Utah	10	15,520	9	15,329	90.00	98.77
Washington	60	73,503	52	67,100	86.67	91.29
Wyoming	10	5,303	9	3,589	90.00	67.68
Alaska	1	272	1	272	100.00	100 00
No 12—Los Angeles	171	292,121	131	243.162	76.61	83.24
Arizona	3	4,230	3	4,230	100.00	100.00
California	161	283,406	124	235,399	77.02	83.06
Nevada	3	794	1	617	33.33	77.71
Hawaii	4	3,691	3	2,916	75.00	79 00

[1] Includes 4 insured nonmembers, 1 in the District of Columbia with assets of $3,446,000, 2 in Louisiana with assets of $835,000, and 1 in California with assets of $468,000.

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

EXHIBIT 49

Milwaukee Properties Bureau, Inc.

When the community program for Milwaukee was being developed by the Wisconsin State Banking Commission in the early part of 1939, it was realized that the success of the undertaking would to a large degree depend upon the effectiveness of measures taken to cope with the tremendous overhang of owned real estate—the total volume of foreclosed residential real estate in the hands of lending institutions at that time amounting to approximately $55,000,000, of which some 85 percent was held by the savings and loan associations of Milwaukee County.

In answer to this problem, the State Banking Commission established the Milwaukee Properties Bureau, Inc., a nonstock, nonprofit corporation. The Bureau was intended to provide an effective method for the disposition of institutionally owned real estate and to encourage institutions to sell properties at realistic prices without dumping them on the market.

EXHIBIT 49—Continued

Milwaukee Properties Bureau, Inc.—Continued

The Properties Bureau serves as a central clearing house for the sale of all real estate held by each participating savings and loan association. It lists this real estate for sale at fair market prices with virtually all licensed brokers in the city. With one minor exception referred to below, neither the Bureau, the association which owns the real estate, nor any person other than an approved broker may make the actual sale. In every instance a uniform commission of 5 percent must be paid to the broker handling the transaction.

The operation of the Milwaukee Bureau to date is noteworthy principally because it shows the very real results which can be obtained by a cooperative endeavor to dispose of real-estate holdings. As an indication of the results which may be achieved under such a plan, the following summary of operations through June 30, 1940, is illuminating:

Operation of Milwaukee Properties Bureau, Inc., Sept. 30, 1939, to June 30, 1940

[Insured institutions only]

Date	Number of insured institutions participating	Listings filed		Properties sold	
		Number	Sales price	Number	Amount
September 30, 1939	32	1,559	$10,265,411	175	$914,193
December 31, 1939	32	1,912	12,403,470	296	1,616,986
March 31, 1940	32	1,957	12,699,220	409	2,285,886
June 30, 1940	32	1,987	12,795,670	532	2,949,406

The corporate structure of the Milwaukee Properties Bureau provides for six members, of whom two shall be appointed by the Governor of Wisconsin, two elected by the participating savings and loan associations, and two named by the Federal Savings and Loan Insurance Corporation, which is constituted a third party beneficiary in all listing agreements entered into between the Bureau and insured savings and loan associations. Three of these individuals serve as a Board of Directors. They are elected by the members, one from each of the three groups of designees.

All of the insured savings and loan associations in Milwaukee having 20 percent or more of their assets in real estate voluntarily joined the Bureau at the time of its organization. Associations insured subsequent to the date of the Bureau's incorporation were required to join if their real-estate holdings exceeded that ratio. In addition, the State Banking Department has followed the policy of requiring associations in liquidation to list their properties through the Bureau and in most instances strongly urges the participation of those associations operating under restrictions imposed by the Department.

Each participating association enters into a listing agreement or contract with the Bureau, which remains in force until June 30, 1945, unless sooner terminated by action of the Bureau or not less than three-fourths of the participating associations with the consent of the Federal Savings and Loan Insurance Corporation. Provision is also made for voluntary withdrawal at the option of any individual association whenever the amount of its owned real estate falls below 20 percent of total assets.

The listing agreement executed by all associations calls for payment of an initial entrance fee equivalent to 1/10 of 1 percent of the value of each association's real estate as shown on its books at the close of the last calendar year. In addition, each association contracts to pay during the life of the agreement an annual sustaining fee of 1/10 of 1 percent of the book value of its real estate as of the close of the previous year. The annual sustaining fee is payable in monthly installments. The Bureau is purely mutual in character and provision is made for return to the participating associations on a pro-rata basis of any property or funds remaining in its possession at the conclusion of operations.

Any differences of opinion between the association and the Bureau regarding the price at which a particular piece of real estate should be offered for sale are ironed out in conference between the manager of the Bureau and the management of the association. The listing agreement provides that in the event of failure to agree on a fair list price, the matter shall be referred for arbitration and final determination to the board of directors of the Bureau. Full control over tenants, rentals, reconditioning and all other phases of the management of properties listed with the Bureau remains in the association, which does, however, agree to maintain its properties in good salable condition.

As soon as satisfactory offering prices have been agreed upon, the Bureau proceeds to make complete listings available to all cooperating real-estate brokers. There are no "exclusive" listings. In addition, full information on each property is transferred to a Kardex file and kept up to date at the office of the Bureau, where it is available for inspection both by brokers and the general public. Individual prospective purchasers desiring to enter negotiations for a particular property are referred to an approved broker of their choice. Except in the case of resale by the association to a former owner, every sale must be negotiated through an approved broker.

The Bureau will entertain no offer on residential real estate at a figure below list price. However, in the case of certain types of commercial or "one purpose" properties, where current market value cannot be estimated closely, the Bureau will consider any reasonable offer. Such properties are appropriately identified in the listings furnished by the Bureau. If it is found that the real estate listed for a particular association is not moving as well as it should, the Bureau may reanalyze the properties involved and by agreement with the association make such modifications in list prices as appear warranted under the circumstances. Likewise, after 20 percent of any association's real estate has been disposed of, it is the Bureau's policy to review with the association the prices established on the remaining properties in order to ascertain that prices are properly in line with current market conditions.

Minimum down payment on properties sold through the Milwaukee Properties Bureau is 10 percent in the case of residential real estate and 20 percent in the case of apartment or commercial property. The unpaid balance of the purchase-money mortgage or contract bears interest at 5 percent computed semiannually. Required monthly payments of $8.00 per thousand, plus one-twelfth of estimated current taxes, are calculated to retire the debt in approximately 14½ years.

NEW ORLEANS CENTRAL APPRAISAL BUREAU

Established in the summer of 1935 by the Louisiana State Banking Department, the Central Appraisal Bureau of New Orleans may well be said to represent an important milestone in the development of the savings and loan industry in this country.

EXHIBIT 49—Continued

New Orleans Central Appraisal Bureau—Continued

Designed as a means of ensuring adherence by all savings and loan associations in the city to sound real-estate valuations in connection with their mortgage-lending operations, the Central Appraisal Bureau was organized by the Department immediately following and as a collateral part of the New Orleans community rehabilitation program in the execution of which the Federal Savings and Loan Insurance Corporation participated actively. Analyzing the conditions which had occasioned the need for a program of reorganization and rehabilitation in New Orleans, the State Department recognized that a major weakness lay in the high degree of mortgage loan competition among the building and loan associations of the city. Extraordinarily keen competition for loans, in combination with inadequate appraisal techniques and personnel, had resulted in widespread overlending in the predepression era. The inevitable consequences had been delinquencies, foreclosures, and excessive losses in the disposition of acquired properties. It was to prevent a recurrence of such a situation that the Central Appraisal Bureau was organized.

All savings and loan associations in the city are required to be members of the Bureau which provides them with a centralized appraisal service. All mortgage loans made by member associations must be based on valuations arrived at by the Bureau and no loan may be granted for a term in excess of twenty years or for an amount in excess of 80 percent of the appraised valuation. In the event of dissatisfaction on the part of an association with any appraisal furnished by the Bureau, provision is made for further review and arbitration. In the case of a construction loan, the Bureau serves the association by estimating the cost of construction, appraising the site, and analyzing plans from the standpoint of proper design, sound structure, and suitability to site. In addition, the association is furnished with a final valuation of the property after the building has been erected.

The Bureau operates under a manager appointed by a governing committee of three, elected on a rotating basis. Expenses are covered out of a membership fee plus a monthly sustaining fee ranging from $5 to $10 depending upon the size of the association. In addition, each association pays a small charge for each parcel of real estate appraised. The Central Appraisal Bureau also furnishes a construction supervision service under the Federal Home Building Service Plan at a cost equal to twice the standard appraisal fee plus 1 percent of the contract price. Although the facilities of the Bureau are not, as a rule, available to the general public, this special service may be obtained through the Bureau regardless of whether the construction is being financed by a building and loan association, the theory being that supervision of new construction under the Federal Home Building Service Plan will operate in the long run to ensure sounder collateral for loans which building and loan associations may wish to make at some future time.

The appraisal methods of the Bureau are based on the principles developed by the Home Owners' Loan Corporation. Appraisers employed by the Bureau are required to have had specialized technical experience and are subject to strict examination at the time of employment. They pass through a thorough course of training by the Bureau, including statistical analysis within the office, field service under a number of senior appraisers, and continuing study with the American Institute of Real Estate Appraisers. The Bureau now has in its files complete appraisals of some 24,000 individual pieces of real estate in and around the city of New Orleans. A large sectional map of the city shows the location of all proper-

ties in the city figuring in current transfers or leases as well as those on which appraisal information already is on file in the Bureau. Other maps and statistical data showing neighborhood characteristics, transportation facilities, location of schools and churches, trends in real-estate values and similar information are currently revised and analyzed in their relation to sound property valuations.

EXHIBIT 50

Federal Savings and Loan Insurance Corporation—Receiver for Security Federal Savings & Loan Association of Guymon, Guymon, Okla.—Condensed comparative statement of condition (cash basis)

	Feb 12, 1940	June 30, 1940
ASSETS		
Mortgage loans	$94, 658. 29	$92, 507. 30
Real estate sold on contract	1, 107. 80	0
Real estate owned	118, 457. 27	104, 424 03
Cash and investments	8, 697 00	11, 842. 81
Other assets	480. 00	24 00
Total	223, 400. 36	208, 798 14
LIABILITIES AND CAPITAL		
Advances from Federal Home Loan Bank of Topeka	14, 236. 01	0
Other liabilities	2, 048. 68	651. 88
Shares purchased by Federal Savings and Loan Insurance Corporation	0	163, 965. 04
Other share account claims	165, 940. 31	1, 975. 27
Reserve for losses	41, 175. 36	42, 205. 95
Total	223, 400 36	208, 798 14

EXHIBIT 51

Federal Savings and Loan Insurance Corporation—Receiver for Security Federal Savings & Loan Association of Guymon, Guymon, Okla.—Condensed statement of operations (cash basis) for the period from Feb. 12, 1940, through June 30, 1940

Gross operating income	$3, 114. 57
Less operating expense	1, 077. 97
Net operating income before interest charges	2, 036. 60
Less interest charges	93. 04
Net operating income	1, 943. 56
Add nonoperating income	1, 010. 80
Net income after interest and before charges	2, 954. 36
Less nonoperating charges	2, 681. 25
Net income for period	273. 11
Add realization on assets specifically reserved at date of receivership	1, 108. 23
Net credit to reserve for losses	1, 381. 34

EXHIBIT 52

Federal Savings and Loan Insurance Corporation—Receiver for Community Federal Savings & Loan Association of Independence, Independence, Mo.—Condensed statement of condition, June 26, 1940

ASSETS		LIABILITIES AND CAPITAL	
Mortgage loans	$892, 380. 31	Advances from Federal Home Loan Bank of Des Moines	$274, 730. 50
Share loans	12, 427. 73	Other liabilities	2, 276. 69
Other loans	3, 840. 81	Loans in process	2, 015. 00
Real estate sold on contract	64, 909. 46	Share account claims	877, 369. 95
Real estate owned	188, 618. 35	Specific reserves	7, 244. 71
Office building	24, 989. 59	Reserve for losses	81, 912. 91
Cash and investments	52, 429. 44		
Other assets	5, 954. 07		
Total	1, 245, 549. 76	Total	1, 245, 549. 76

EXHIBIT 53

Statement of condition—Federal Savings and Loan Insurance Corporation, Washington, D. C., June 30, 1940

ASSETS

Cash in United States Treasury:			
Special deposit account		$606, 991. 58	
Disbursing account for administrative expenses, 1940		7, 369. 36	
			$614, 360. 94
Accounts receivable:			
Insurance premiums—payments due	$24, 160. 34		
Insurance premiums—payments deferred	704, 363. 27		
		728, 523. 61	
Other		[1] 945. 61	
			729, 469. 22
Investments:			
U. S. Government obligations and securities fully guaranteed by the United States (face value)		122, 411, 500. 00	
Net unamortized premium and discount on investments		365, 921. 52	
			122, 777, 421. 52
Accrued interest on investments			603, 588. 95
Subrogated accounts in insured associations			[2] 192, 260. 73
Total assets			124, 917, 101. 36

[1] Does not include accounts receivable due from insured institutions in receivership, inasmuch as such amounts have not as yet been definitely established.

[2] Estimated recoverable value, $179,187.00.

Statement of condition—Federal Savings and Loan Insurance Corporation, Washington, D. C., June 30, 1940—Continued

LIABILITES AND CAPITAL

Accounts payable			$6, 925. 05
Unearned insurance premiums			1, 289, 365. 50
Capital:			
Capital stock outstanding		$100, 000, 000. 00	
Reserve fund as provided by law	$6, 289, 698. 81		
Less: Contributions to insured institutions—current fiscal year	537, 471. 73		
		5, 752, 227. 08	
Special reserve for contingencies		15, 000, 000. 00	
Surplus		2, 868, 583. 73	
			123, 620, 810. 81
Total liabilities and capital			124, 917, 101. 36

A contingent liability of $323,756.46 exists due to commitments in connection with the prevention of default in insured associations. The Corporation is also contingently liable to the Federal Home Loan Bank Board in the amount of $6,870.64. These liabilities are not reflected in the above statement.

EXHIBIT 54

Income and expense statement—Federal Savings and Loan Insurance Corporation, Washington, D. C., for the period July 1, 1939, to June 30, 1940

Income:			
Insurance premiums earned		$2, 631, 241. 15	
Admission fees earned		19, 022. 11	
Interest earned on U. S. Government obligations and securities fully guaranteed by the United States		3, 387, 717. 14	
Miscellaneous		130. 30	
			$6, 038, 110. 70
Administrative expenses:			
Personal services	$107, 742. 76		
Travel expense	8, 194. 03		
Printing and binding	3, 799. 74		
Supplies and materials	427. 56		
Telephone and telegraph	1, 413. 93		
Advertising	8. 00		
Furniture and fixtures	829. 17		
Miscellaneous	285. 95		
Audit by Home Owners' Loan Corporation	500. 00		
Services rendered by Federal Home Loan Bank Board	116, 582. 25		

EXHIBIT 54—Continued

Income and expense statement—Federal Savings and Loan Insurance Corporation, Washington, D. C., for the period July 1, 1939, to June 30, 1940—Continued

Administrative expenses—Continued.			
Administrator's office—Federal Loan Agency	$600.00		
Total administrative expenses		$240,383.39	
Nonadministrative expenses:			
Personal services	$4,677.11		
Travel expense	4,379.32		
Printing and binding	220.04		
Supplies and materials	9.29		
Telephone and telegraph	165.28		
Examining expense	2,224.61		
Attorney's fees and expenses	2,250.00		
Miscellaneous	1,500.00		
Total nonadministrative expenses		15,425.65	
			$255,809.04
Net income from operations			5,782,301.66
Other income:			
Profit on sale of securities			86,548.97
Net income for period			5,868,850.63
Deduct: Adjustments of net income for prior years			266.90
Net income			5,868,583.73
Distribution of net income:			
To special reserve for contingencies			3,000,000.00
To surplus			2,868,583.73
Total			5,868,583.73

EXHIBIT 55

Federal Savings and Loan Insurance Corporation—Expenses for the period July 1, 1939, to June 30, 1940

Administrative expenses:	
Personal services	$107,742.76
Travel expenses	8,194.03
Printing and binding	3,799.74
Supplies and materials	427.56
Telephone and telegraph	1,413.93
Advertising	8.00
Furniture and fixtures	829.17
Miscellaneous	285.95
Audit by Home Owners' Loan Corporation	500.00
Services rendered by Federal Home Loan Bank Board	116,582.25

Federal Savings and Loan Insurance Corporation—Expenses for the period July 1, 1939, to June 30, 1940—Continued

Administrative expenses—Continued.	
Administrator's office—Federal Loan Agency	$600. 00
Total administrative expenses	240, 383. 39
Nonadministrative expenses:	
Personal services	4, 677. 11
Travel expenses	4, 379. 32
Printing and binding	220. 04
Supplies and materials	9. 29
Telephone and telegraph	165. 28
Examining expense	2, 224. 61
Attorneys' fees and expenses	2, 250. 00
Miscellaneous	1, 500. 00
Total nonadministrative expenses	15, 425. 65
Grand total	255, 809. 04

EXHIBIT 56

Home Owners' Loan Corporation—Number and percent of accounts extended or revised after Oct. 1, 1939, by HOLC Regions and by States, June 30, 1940

	Total accounts	Extended and revised accounts	Percent of total accounts
United States	862, 339	192, 667	22. 3
Region 1—New York	122, 286	42, 105	34. 4
Connecticut	8, 115	1, 779	21. 9
Maine	2, 551	529	20. 1
Massachusetts	18, 028	7, 256	40. 2
New Hampshire	1, 364	278	20 4
New Jersey	27, 306	8, 393	30 7
New York	58, 699	21, 848	37 2
Rhode Island	5, 064	1, 657	32. 7
Vermont	1, 159	365	31. 5
Region 2A—Baltimore	77, 452	15, 426	19. 9
Delaware	1, 451	280	19. 3
District of Columbia	1, 747	379	21. 7
Maryland	12, 731	2, 182	17. 1
Pennsylvania	51, 358	10, 748	20. 9
Virginia	10, 165	1, 837	18. 1
Region 2B—Cincinnati	91, 984	23, 954	26. 0
Ohio	84, 165	22, 451	26. 7
West Virginia	7, 819	1, 503	19. 2
Region 3A—Atlanta	56, 579	14, 987	26. 5
Alabama	14, 874	3, 823	25 7
Florida	12, 040	2, 738	22. 7
Georgia	13, 396	4, 028	30. 1
North Carolina	10, 833	2, 857	26. 4
South Carolina	4, 879	1, 351	27. 7
Puerto Rico	557	190	34. 1
Region 3B—Memphis	68, 464	13, 983	20. 4
Arkansas	8, 856	1, 223	13. 8
Kentucky	7, 361	1, 820	24. 7
Louisiana	12, 160	1, 650	13. 6
Mississippi	7, 268	1, 346	18. 5
Missouri	20, 757	4, 923	23 7
Region 3B—Con.			
Tennessee	12, 062	3, 021	25. 0
Region 4A—Chicago	90, 508	24, 854	27. 5
Illinois	63, 357	16, 014	25. 3
Wisconsin	27, 151	8, 840	32. 6
Region 4B—Detroit	115, 055	26, 763	23. 3
Indiana	41, 837	7, 900	18. 9
Michigan	73, 218	18, 863	25. 8
Region 5A—Omaha	80, 582	17, 317	21. 5
Colorado	10, 156	1, 667	16 4
Iowa	16, 980	2, 636	15. 5
Kansas	15, 124	3, 921	25. 9
Minnesota	18, 281	3, 473	19. 0
Nebraska	11, 397	3, 259	28. 6
North Dakota	3, 752	1, 289	34. 4
South Dakota	4, 892	1, 072	21. 9
Region 5B—Dallas	62, 369	5, 271	8. 5
New Mexico	2, 197	193	8. 8
Oklahoma	20, 230	1, 232	6. 1
Texas	39, 942	3, 846	9. 6
Region 6—San Francisco	97, 060	8, 007	8. 2
Arizona	5, 798	701	12. 1
California	44, 918	3, 793	8. 4
Idaho	4, 109	485	11. 8
Montana	3, 229	336	10. 4
Nevada	964	63	6. 5
Oregon	8, 231	797	9. 7
Utah	9, 717	638	6. 6
Washington	17, 684	1, 069	6. 0
Wyoming	1, 984	125	6. 3
Hawaii	426		

EXHIBIT 57

Home Owners' Loan Corporation—Net foreclosure authorizations on original loans and vendee accounts, cumulatively to June 30, 1940, by Regions and by States

Region and State	Original loans, net authorized		Vendee loans, net authorized cumulative
	Cumulative	Percent of total loans closed	
United States	182,114	17.9	1,289
Region 1—New York	56,528	34.4	139
Connecticut	2,341	22.8	5
Maine	585	17.2	3
Massachusetts	9,021	36.8	35
New Hampshire	366	19.6	4
New Jersey	12,696	34.9	34
New York	29,782	37.2	53
Rhode Island	1,410	23.0	4
Vermont	327	20.7	1
Region 2A—Baltimore	15,449	17.1	101
Delaware	233	14.2	4
District of Columbia	257	12.3	5
Maryland	3,347	21.0	13
Pennsylvania	9,553	16.2	39
Virginia	2,059	17.1	40
Region 2B—Cincinnati	13,454	12.5	72
Ohio	12,685	12.9	63
West Virginia	769	8.5	9
Region 3A—Atlanta	8,052	12.7	112
Alabama	2,936	17.7	34
Florida	1,250	9.2	26
Georgia	1,705	11.5	17
North Carolina	1,538	12.5	24
South Carolina	611	10.7	11
Puerto Rico	12	2.0	----------
Region 3B—Memphis	14,702	18.1	144
Arkansas	1,588	15.4	19
Kentucky	1,448	15.7	6
Louisiana	2,232	15.5	19
Mississippi	1,238	14.1	17
Missouri	6,164	25.1	52
Tennessee	2,032	14.8	31
Region 4A—Chicago	15,883	15.4	64
Illinois	8,817	12.6	52
Wisconsin	7,066	21.4	12
Region 4B—Detroit	13,837	10.6	102
Indiana	6,416	13.1	48
Michigan	7,421	9.1	54
Region 5A—Omaha	18,057	19.0	143
Colorado	1,122	9.7	16
Iowa	2,740	13.9	17
Kansas	5,227	28.2	23
Minnesota	2,711	12.9	28
Nebraska	3,629	26.7	47
North Dakota	1,025	23.2	4
South Dakota	1,603	26.2	8
Region 5B—Dallas	13,945	19.7	294
New Mexico	198	8.0	6
Oklahoma	6,012	25.1	53
Texas	7,735	17.4	235
Region 6—San Francisco	12,207	10.9	118
Arizona	865	13.3	13
California:			
Northern	1,241	9.2	9
Southern	4,118	10.4	37
Idaho	376	8.0	3
Montana	298	8.1	----------
Nevada	58	4.8	----------
Oregon	899	9.5	15
Utah	1,571	14.6	11
Washington	2,654	12.3	27
Wyoming	127	5.2	3

EXHIBIT 58

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	5,442	1,598,793	40,787	56,684,231	46,229	−55,085,438
1940 [1]	2,040	569,318	22,155	36,030,912	24,195	−35,461,594

[1] January to June, inclusive.

EXHIBIT 59

Home Owners' Loan Corporation—Analysis of the various elements entering into the capital value of properties owned and in process of acquiring title, June 30, 1940

Original capitalized value:		
Unpaid balance of loans and advances		$343, 023, 865. 70
Unpaid balance of accrued interest		22, 970, 053. 58
Total		365, 993, 919. 28
Subsequent capital charges:		
Taxes and assessments	$15, 948, 533. 30	
Insurance	211, 490. 95	
Reconditioning and capital repairs	34, 888, 577. 34	
Foreclosure and other acquisition costs	9, 763, 579. 12	
Miscellaneous	758, 201. 61	
Total		61, 570, 382. 32
		427, 564, 301. 60
Subsequent capital credits:		
Rents (prior to acquisition of title)	$948, 751. 31	
Partial sales (no profit or loss recognized)	1, 128, 225. 48	
Collection of deficiencies	460, 564. 32	
Miscellaneous	841, 549. 03	
Total		3, 379, 090. 14
Total capitalized value at June 30, 1940		424, 185, 211. 46

EXHIBIT 60

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	Year and month	Vacancies	Collections	Average rent per unit
1936	*Percent*	*Percent*		*1938*	*Percent*	*Percent*	
July	18. 6	93. 7	$20. 59	July	12 0	98. 4	$27. 93
August	18. 7	92 4	20. 75	August	11. 0	99. 2	27. 99
September	15. 9	94. 7	20 04	September	10 3	98. 4	28 00
October	17. 1	88 5	21. 24	October	9 9	99. 6	28 25
November	18. 4	88. 8	21. 26	November	10 4	96 8	28 69
December	17. 5	89. 4	20 92	December	10. 5	100. 3	28 82
1937				*1939*			
January	18. 7	96. 2	22. 61	January	10. 9	98. 7	29. 01
February	18. 3	95. 3	22 90	February	10. 4	99. 4	28. 95
March	17. 8	92. 8	23. 90	March	9. 3	99 8	29. 14
April	15. 0	99. 5	23. 85	April	7. 8	99. 9	29. 45
May	13. 3	94 7	24. 60	May	7. 7	100. 0	29. 33
June	12. 5	96. 3	24. 99	June	7. 4	99. 1	29 43
July	11. 2	95. 5	25 27	July	7 2	99. 9	29. 78
August	10. 4	97. 7	25 48	August	7. 5	99 5	30 02
September	10. 4	97. 3	25 77	September	7. 6	99 1	29 99
October	10. 4	97. 7	26 10	October	7. 9	99. 5	30 11
November	11 2	97. 9	26. 90	November	8. 5	98. 4	30. 30
December	12 4	96. 7	26. 75	December	8. 6	99 3	31. 53
1938				*1940*			
January	13 1	93. 3	26. 48	January	9 2	97 8	31 55
February	13. 5	96 0	27. 19	February	9. 2	99. 1	31. 50
March	14. 3	99. 7	26. 91	March	9 4	98. 8	31. 79
April	12. 6	97. 2	26 96	April	8. 5	98. 8	31 94
May	11. 6	99. 2	27. 40	May	8. 2	100 0	32 41
June	11. 5	98 8	27. 66	June	8. 3	100. 2	32 90

EXHIBIT 61

Home Owners' Loan Corporation—Balance sheet as of June 30, 1940

ASSETS

Mortgage loans, advances, and sales instruments—at present face value:			
Original loans and advances thereon		$1, 734, 883, 082. 05	
Vendee accounts (purchase money mortgages, sales contracts, or instruments used in lieu thereof)		277, 239, 129. 17	
Unposted advances on mortgage loans and vendee accounts		638, 222. 99	
			$2, 012, 760, 434. 21
Interest receivable			7, 493, 650. 73
Property:[1]			
Owned		$390, 373, 337. 64	
In process of acquiring title		33, 811, 873. 82	
			424, 185, 211. 46
			2, 444, 439, 296. 40
Less reserve for losses[2]			47, 098, 067. 85
			2, 397, 341, 228. 55
Investments—at cost:			
Federal Savings and Loan Insurance Corporation (entire capital)		$100, 000, 000. 00	
Savings and loan associations:			
Federally chartered	$163, 130, 800. 00		
State-chartered	39, 893, 410. 00		
		203, 024, 210. 00	
			303, 024, 210. 00

[1] Property owned and property in process of acquiring title are stated at values represented by unpaid balances of loans and advances, unpaid interest to date of foreclosure sale or judgment, foreclosure costs, net charges prior to date of acquisition, and permanent additions, initial repairs, and reconditioning subsequent to acquisition. Unpaid interest included in these values amounts to $22,970,053.58.

[2] The reserve for losses is being accumulated at an annual rate which, it is intended, will approximate eventually the total losses which may be sustained in the liquidation of mortgage loans, interest, and property. During the period of accumulation, therefore, the carrying value of these assets, less the reserve, will not necessarily represent their probable realizable value.

Home Owners' Loan Corporation—Balance sheet as of June 30, 1940—Continued

ASSETS—continued

Bond Retirement Fund:		
Cash (including $31,449,200.00 deposited with U. S. Treasury for retirement of matured bonds)	$31, 466, 997. 63	
U. S. Treasury bonds—at face value	3, 600, 000. 00	
		$35, 066, 997. 63
Cash:		
Operating funds (includes $16,-762,113.38 payable to Bond Retirement Fund in July 1940 and $11,157,026.02 deposited by borrowers—see contra)	39, 702, 548. 74	
Special funds held by U. S. Treasury for payment of interest coupons (see contra)	11, 339, 080. 36	
		51, 041, 629. 10
Fixed assets:		
Home office land and building—at cost	2, 987, 819. 93	
Furniture, fixtures, and equipment—at cost	2, 757, 309. 90	
Total fixed assets	5, 745, 129. 83	
Less reserve for depreciation	2, 543, 958. 79	
		3, 201, 171. 04
Other assets:		
Accounts receivable	129, 609. 90	
Treasury bonds accepted as repayments (to be retired in July 1940)	75. 00	
		129, 684. 90
Deferred and unapplied charges:		
Unapplied property costs and expenses	16, 066. 96	
Miscellaneous	181, 464. 88	
		197, 531. 84
Total assets		2, 790, 002, 453. 06

EXHIBIT 61—Continued

Home Owners' Loan Corporation—Balance sheet as of June 30, 1940—Continued.

LIABILITIES AND CAPITAL

Bonded indebtedness (guaranteed as to principal and interest by the United States, except $288,600.00 of unpaid matured 4-percent bonds guaranteed as to interest only):		
Bonds outstanding—not matured (bonds maturing within 1 year—$190,837,900.00)	$2, 603, 359, 700. 00	
Bonds matured—on which interest has ceased	31, 449, 200. 00	
		$2, 634, 808, 900. 00
Accounts payable:		
Interest due July 1, 1940, and prior thereto (see contra)	11, 339, 080. 36	
Vouchers payable	21, 606. 89	
Insurance premiums	156, 759. 98	
Commissions to sales brokers	325, 689. 58	
Special deposits by borrowers	11, 157, 026. 02	
Miscellaneous	23, 913. 47	
		23, 024, 076. 30
Accrued liabilities:		
Accrued interest on bonded indebtedness	4, 985, 617. 89	
Other accrued liabilities	280, 881. 24	
		5, 266, 499. 13
Deferred and unapplied credits:		
Unamortized premium on bonds sold	1, 410, 626. 33	
Miscellaneous	914, 715. 47	
		2, 325, 341. 80
Reserve for fidelity and casualties		248, 255. 64
Reserve against fire and other hazards		782, 385. 62
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 2 on page 238	76, 453, 005. 43	
		123, 546, 994. 57
Total liabilities and capital		2, 790, 002, 453. 06

NOTE.—Except for property transactions which are recorded on a cash basis, major items of income and expense are recorded on an accrual basis. Therefore, no asset value has been recognized with respect to uncollected rentals or prepaid taxes nor liability for accrued taxes.

EXHIBIT 62

Home Owners' Loan Corporation—Investments in savings and loan associations, by States, as of June 30, 1940

	Federal savings and loan associations		State-chartered savings and loan associations	
	Number	Amount	Number	Amount
Alabama	13	$905,500		
Arizona	2	655,000	1	$150,000
Arkansas	23	1,069,000	1	65,000
California	53	17,258,700	10	1,618,000
Colorado	12	2,276,000	5	743,000
Connecticut	15	2,748,500	2	61,000
Delaware	0		0	
Florida	40	8,503,500	0	
Georgia	36	3,140,000	2	360,000
Idaho	6	1,906,500	0	
Illinois	71	13,520,000	18	916,000
Indiana	49	7,014,000	13	732,000
Iowa	20	1,696,500	4	96,000
Kansas	20	2,762,000	14	2,197,000
Kentucky	27	2,996,500	0	
Louisiana	6	202,000	26	6,077,600
Maine	5	257,000	0	
Maryland	19	3,807,500	2	145,210
Massachusetts	10	4,812,000	0	
Michigan	21	2,319,300	6	1,102,500
Minnesota	26	7,382,600	0	
Mississippi	15	460,000	1	20,000
Missouri	29	5,124,000	7	905,800
Montana	1	30,000	1	275,000
Nebraska	8	732,000	1	5,000
Nevada	0		0	
New Hampshire	0		0	
New Jersey	4	291,000	41	3,238,000
New Mexico	6	137,500	0	
New York	52	17,361,800	11	1,291,300
North Carolina	15	2,067,500	4	137,500
North Dakota	4	244,000	1	600,000
Ohio	51	11,053,500	27	8,555,000
Oklahoma	15	1,730,000	1	100,000
Oregon	19	3,478,500	0	
Pennsylvania	47	5,597,900	12	395,000
Rhode Island	1	285,000	0	
South Carolina	18	1,174,000	1	75,000
South Dakota	4	288,000	3	23,500
Tennessee	34	5,464,000	0	
Texas	61	4,254,100	7	2,100,000
Utah	6	1,640,000	3	1,450,000
Vermont	0		0	
Virginia	16	2,692,500	0	
Washington	23	7,198,000	10	1,149,000
West Virginia	17	2,318,000	3	255,000
Wisconsin	30	3,455,000	33	5,055,000
Wyoming	9	789,100	0	
District of Columbia	0		0	
Hawaii	0		0	
Alaska	1	33,300	0	
Total	960	163,130,800	271	39,893,410

Summary of investments in savings and loan associations, fiscal year 1940

	Federal savings and loan associations	State-chartered savings and loan associations	Total
Investments—June 30, 1939 (net)	$173,033,800	$43,425,010	$216,458,810
Investments—July 1, 1939, to June 30, 1940	295,000	1,243,400	1,538,400
Conversions from State to Federal charter—July 1, 1939, to June 30, 1940	1,471,000	−1,471,000	
Total	174,799,800	43,197,410	217,997,210
Repurchases—July 1, 1939, to June 30, 1940	11,669,000	3,304,000	14,973,000
Investments—June 30, 1940 (net)	163,130,800	39,893,410	203,024,210

EXHIBIT 63

Home Owners' Loan Corporation—Bonds issued, refunded, and retired to June 30, 1940, and outstanding as of June 30, 1940

Coupon dates	Coupon rate percent	Callable date	Maturity date	Amount issued (including issues for refunding)	Refunding and retirements			Amount outstanding at June 30, 1940
					Amount refunded	Amount retired	Total	
Jan. 1 and July 1	4	(1)	July 1, 1951	$635,410,325	$594,694,225	$40,427,500	$635,121,725	$288,600
Nov. 1 and May 1	3	May 1, 1944	May 1, 1952	1,116,178,275	335,885,000	1,714,125	337,599,125	778,579,150
Feb. 1 and Aug. 1	2¾	Aug. 1, 1939	Aug. 1, 1949	1,339,795,875	1,163,616,800	152,098,875	1,315,715,675	24,080,200
Jan. 1 and July 1	2¼	July 1, 1942	July 1, 1944	879,282,450		243,825	243,825	879,038,625
Feb. 15 and Aug. 15	2		Aug. 15, 1938	49,532,100		49,456,100	49,456,100	76,000
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		49,736,000	49,736,000	
Dec. 1 and June 1	1½		June 1, 1939	325,254,750	319,669,300	5,412,050	325,081,350	173,400
Dec. 1 and June 1	1½	June 1, 1945	June 1, 1947	763,616,800		8,712,775	8,712,775	754,904,025
Nov. 15 and May 15	⅝		May 15, 1941	191,801,900		964,000	964,000	190,837,900
Nov. 15 and May 15	⅜		May 15, 1940	127,867,400		121,036,400	121,036,400	6,831,000
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	94,000,000		94,000,000	94,000,000	
Apr. 15 and Oct. 15	¼	(2)	Oct 15, 1940	69,000,000		69,000,000	69,000,000	
Total				5,883,318,875	2,413,865,325	834,644,650	3,248,509,975	2,634,808,900

[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 64

Home Owners' Loan Corporation—Cash receipts and expenditures, fiscal years 1939 and 1940

	Fiscal year 1939	Fiscal year 1940
Receipts:		
Collection of interest	$106,221,106	$90,204,200
Dividends on investments	7,487,126	7,292,109
Property income	26,302,911	26,243,551
Repayment of principal and miscellaneous property credits	200,379,617	222,614,633
Repurchase of savings and loan shares	2,420,000	14,973,000
Miscellaneous unapplied and unposted items and borrowers' special deposits for taxes and insurance	3,985,601	21,178,525
Total receipts	346,796,361	382,506,018
Expenditures:		
Administrative expense, Federal Loan Agency and Federal Home Loan Bank Board	25,294,763	23,653,581
Interest on bonds	80,892,556	59,219,430
Property expense	23,574,785	22,491,659
Other nonadministrative expense	11,921,863	13,177,019
Advances to borrowers	49,006,868	72,689,613
Advances for acquisition of, or due to ownership of property	32,187,530	19,761,240
Purchase of shares of savings and loan associations	7,152,200	1,538,400
Miscellaneous unposted items and disbursements from borrowers' special deposits for taxes and insurance	3,529,913	10,090,800
Total expenditures	233,560,478	222,621,742
New receipts	113,235,883	159,884,276
Means of financing:		
Cash balance at beginning of year	26,575,820	79,329,628
New receipts (above)	113,235,883	159,884,276
Bond sales	138,957,879	117,171,577
Net funds available	278,769,582	356,385,481
Funds allocated for retirement of bonds	199,439,954	[1] 316,682,932
Cash balance at end of year	79,329,628	39,702,549

[1] Includes $76,350,000 proceeds from sale of bonds credited directly to Bond Retirement Fund by the United States Treasury

EXHIBIT 65

Home Owners' Loan Corporation—Statement of income and expense for the fiscal year 1940

Operating and other income:	
Interest:	
Mortgage loans and advances	$84, 735, 260. 70
Vendee accounts and advances	9, 969, 264. 31
Total	94, 704, 525. 01
Special investments	41, 407. 14
Total	94, 745, 932. 15
Property income	26, 267, 858. 06
Dividends received from savings and loan associations	7, 253, 959. 38
Miscellaneous	260, 062. 23
Total income	128, 527, 811. 82
Operating and other expenses:	
Interest on bonded indebtedness	56, 593, 609. 87
Less amortization of premium on bonds sold	200, 242. 14
Total	56, 393, 367. 73
Amortization of discount on refunded bonds	1, 466, 777. 34
Administrative and general expenses	25, 627, 932. 50
Property expense	22, 008, 718. 72
Total expenses	105, 496, 796. 29
Provision for losses:	
On mortgage loans, interest, and property	40, 000, 000. 00
For fidelity and casualties	35, 026. 60
For fire and other hazards	32, 663. 00
Total	40, 067, 689. 60
Loss for fiscal year	17, 036, 674. 07

EXHIBIT 66

Home Owners' Loan Corporation—Statement of income and expense from the beginning of operations, June 13, 1933, to June 30, 1940

Operating and other income:		
Interest:		
Mortgage loans and advances	$711, 082, 953. 93	
Vendee accounts and advances	16, 123, 195. 67	
	727, 206, 149. 60	
Special investments	182, 423. 10	
		$727, 388, 572. 70
Property income		72, 939, 967. 66
Dividends received—Federal Savings and Loan Insurance Corporation		3, 035, 326. 09
Dividends received from savings and loan associations		23, 272, 759. 46
Miscellaneous		1, 674, 160. 28
Total		828, 310, 786. 19
Operating and other expense:		
Interest on bonded indebtedness	$438, 227, 530. 53	
Less amortization of premium on bonds sold	208, 241. 10	
	438, 019, 289. 43	
Amortization of discount on refunded bonds	7, 998, 329. 31	
Administrative and general expense	208, 836, 265. 96	
Property expense	62, 619, 049. 05	
		717, 472, 933. 75
Net income before losses in the liquidation of assets and provision for losses		110, 837, 852. 44
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		110, 793, 957. 06
Provision for losses:		
On mortgage loans, interest, and property	$186, 137, 153. 25	
For fidelity and casualties	1, 077, 146. 24	
Fire and other hazards	32, 663. 00	
		187, 246, 962. 49
Loss for period June 13, 1933, to June 30, 1940		76, 453, 005. 43

EXHIBIT 67

Home Owners' Loan Corporation—Analysis of changes in deficit for the fiscal year ended June 30, 1940

Deficit at July 1, 1939		$59, 562, 028. 95
Add: Loss for the period July 1, 1939, to June 30, 1940		17, 036, 674. 07
		76, 598, 703. 02
Deduct:		
Adjustment of property expense—unallocated	$145, 368. 41	
Miscellaneous credits	329. 18	
		145, 697. 59
Deficit at June 30, 1940		76, 453, 005. 43

EXHIBIT 68

Home Owners' Loan Corporation—Average outstanding original loan per borrower and average loan balance outstanding, June 30, 1940, by HOLC Regions and by States

	Average original amount	Average loan balance	Percent reduction
United States	$2, 930	$2, 268	22. 6
Region 1—New York	4, 712	3, 864	18. 0
Connecticut	4, 070	3, 313	18. 6
Maine	2, 135	1, 647	22. 9
Massachusetts	4, 111	3, 655	11. 1
New Hampshire	2, 210	1, 855	16. 1
New Jersey	4, 406	3, 739	15. 1
New York	5, 328	4, 316	19. 0
Rhode Island	5, 005	3, 166	36. 3
Vermont	2, 435	2, 004	17. 7
Region 2A—Baltimore	2, 842	2, 252	20. 8
Delaware	3, 047	2, 376	22. 0
District of Columbia	5, 737	4, 403	23. 7
Maryland	2, 757	2, 282	17. 2
Pennsylvania	2, 719	2, 154	20. 8
Virginia	3, 036	2, 321	23. 6
Region 2B—Cincinnati	3, 017	2, 313	23. 3
Ohio	3, 066	2, 357	23. 1
West Virginia	2, 512	1, 859	26. 0
Region 3A—Atlanta	2, 236	1, 738	22. 3
Alabama	2, 065	1, 611	22. 0
Florida	2, 198	1, 665	24. 2
Georgia	2, 222	1, 733	22. 0
North Carolina	2, 458	1, 951	20. 6
South Carolina	2, 284	1, 747	23. 5
Puerto Rico	2, 896	2, 390	17. 5

Home Owners' Loan Corporation—Average outstanding original loan per borrower and average loan balance outstanding, June 30, 1940, by HOLC Regions and by States—Continued

	Average original amount	Average loan balance	Percent reduction
Region 3B—Memphis	$2,420	$1,843	23.8
Arkansas	1,776	1,298	26.9
Kentucky	2,625	2,011	23.4
Louisiana	2,683	2,014	24.9
Mississippi	1,862	1,415	24.0
Missouri	2,842	2,195	22.8
Tennessee	2,159	1,661	23.1
Region 4A—Chicago	3,731	2,919	21.8
Illinois	3,897	3,006	22.9
Wisconsin	3,334	2,711	18.7
Region 4B—Detroit	2,684	2,022	24.7
Indiana	2,275	1,691	25.7
Michigan	2,911	2,206	24.2
Region 5A—Omaha	1,941	1,483	23.6
Colorado	1,939	1,446	25.4
Iowa	1,888	1,395	26.1
Kansas	1,674	1,337	20.1
Minnesota	2,202	1,648	25.2
Nebraska	2,003	1,559	22.2
North Dakota	1,969	1,653	16.0
South Dakota	1,741	1,371	21.3
Region 5B—Dallas	2,246	1,630	27.4
New Mexico	2,033	1,478	27.3
Oklahoma	2,195	1,547	29.5
Texas	2,283	1,678	26.5
Region 6—San Francisco	2,267	1,610	29.0
Arizona	2,335	1,695	27.4
California	2,561	1,806	29.5
Idaho	1,744	1,272	27.1
Montana	1,959	1,425	27.3
Nevada	2,794	1,977	29.2
Oregon	1,952	1,388	28.9
Utah	2,234	1,619	27.5
Washington	1,795	1,263	29.6
Wyoming	2,290	1,625	29.0
Hawaii	2,714	1,865	31.3

270198—40——17

EXHIBIT 69

Home Owners' Loan Corporation—Number of employees by departments, divisions, and sections, as of July 1, 1940

Board Members and assistants	44	
Secretary's Office	128	
Research and Statistics	70	
Public Relations	16	
Financial adviser	5	
Total, Board		[1] 263
General Manager, staff	727	
Property Management	2, 301	
Loan Service	2, 147	
Appraisal and Reconditioning	1, 179	
Comptroller and Accounting	1, 192	
Treasurer	503	
Budget	11	
Auditor	377	
Insurance	254	
Purchase and Supply	62	
Total, Management		8, 753
Legal Department		640
Personnel Department		187
Total, HOLC		[2] 9, 843

[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.

INDEX

HOME OWNERS' LOAN CORPORATION—Continued.

O