NATIONAL HOUSING AGENCY

TENTH ANNUAL REPORT

FEDERAL HOME LOAN BANK ADMINISTRATION

for the period

July 1, 1941, through June 30, 1942

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covering operations of the

Federal Home Loan Bank System
Federal Savings and Loan Associations
Federal Savings and Loan Insurance Corporation
Home Owners' Loan Corporation
United States Housing Corporation

CONTENTS

Page

INTRODUCTION

Under the terms of Executive Order 9070, dated February 24, 1942, certain changes were made in the administrative organization of the Federal Home Loan Bank Board and its affiliated agencies. The Order provided for the administration of the functions, powers, and duties of the Board, the Home Owners' Loan Corporation, the Federal Savings and Loan Insurance Corporation, and the United States Housing Corporation, formerly a part of the Federal Works Agency, in the Federal Home Loan Bank Administration. The Chairman of the Federal Home Loan Bank Board was designated Commissioner of the new Administration. The offices of the other four Members of the Board were vacated.

The creation of the Federal Home Loan Bank Administration was undertaken as one part of the larger reorganization and consolidation of 16 different housing agencies into the National Housing Agency, which is now charged with the general responsibility of coordinating and directing the housing activities of the Federal Government. The National Housing Agency consists of three principal constituent units, of which the Federal Home Loan Bank Administration is one. The remaining two are the Federal Housing Administration and the Federal Public Housing Authority.

In this reorganization, the corporate entities of the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation remain intact and their functions and purposes continue without change. Likewise, all outstanding obligations and contracts, orders, rules, regulations, permits, and privileges continue in effect.

I

THE YEAR IN RETROSPECT

For the past several years, annual reports of this agency have been introduced with a general discussion of current developments in the fields of housing, thrift, and mortgage finance--the broad fields of activity in which the Administration and its agencies are primarily concerned. As a measure of war-time economy, the current report has been reduced substantially in size and carries, therefore, no comparable survey section. Instead, the following pages will give only a brief resume of major developments during the 1942 fiscal year.

Residential Construction

The fiscal year 1942 saw the first major break in the upward movement of the building cycle which had proceeded without serious interruption since the low point of 1933.

During the twelve months ending June 30, 1942, approximately 650,000 new dwelling units were provided by public and private capital in nonfarm areas, according to building permit data compiled by the Bureau of Labor Statistics. This compares with almost 700,000 units for the preceding fiscal year, and represents a decline of seven percent.

The growing scarcity of critical materials available for housing, the introduction of a housing priorities system in the fall of 1941, and finally the virtual cessation of all nonessential building after April 1942 when the War Production Board issued a "Stop-Construction" order, have been reflected in a declining volume of residential construction since October 1941. Because the demands of the war place a steadily increasing strain on available supplies of both labor and materials used in the building of homes, it is probable that the present downward trend will continue for the duration.

Number of New Dwelling Units Provided in Nonfarm Areas, by Quarters, Fiscal Years 1941 and 1942*

Quarter	Fiscal Year 1941	Fiscal Year 1942	Percent Change
July - September	171,600	211,400	+ 23.2
October - December	158,100	135,600	- 14.2
January - March	145,100	140,600	- 3.1
April - June	223,100	161,200	- 27.7

*Source: U. S. Department of Labor.

The Real Estate Market--Selected Trends

On the whole, the real estate market continued to show a satisfactory recovery during the 1942 reporting period. The volume of real estate sales and transfers, particularly from July through December 1941, reached a new post-depression high. The decline in the volume of new residential construction during the last half of the fiscal year, however, was reflected to some extent in a slowing down of real estate sales activity. Increased demands for existing properties tended to counter-balance this trend and at the close of the reporting period, general market conditions represented a distinct improvement over the close of the previous reporting period.

One of the strongest evidences of improving real estate market conditions was the continued steady decline in the volume of foreclosures during the reporting period. Each month saw foreclosures running from one-fifth to one-sixth below the corresponding month of the preceding year. During the entire year, nonfarm real estate foreclosures totaled only 49,514 as compared with 68,432 a year previous, a reduction of almost 28 percent.

Foreclosures during the current reporting period were well below total repossessions in 1926, the year generally considered the low point of the previous foreclosure cycle. Improvement in the general foreclosure picture was widespread throughout the country. Each of the Federal Home Loan Bank Districts and all of the States showed a lower number of foreclosures during the fiscal year 1942 than during the prior reporting period. The number of nonfarm real estate foreclosures during the last two fiscal years, by Federal Home Loan Bank Districts and by States, will be found in Exhibit 1.

Real Estate Overhang

The steady and uniform improvement in the volume of foreclosures accompanied by a rising volume of sales once more resulted in a very substantial reduction in the volume of real estate held by mortgage lending institutions. During the calendar year 1941, the latest twelve-month period for which figures are available, it is estimated that the book value of residential property owned by selected types of financial institutions, including savings and loan associations, mutual savings banks, commercial banks, life insurance companies, and the Home Owners' Loan Corporation, declined from $1,894,089,000* to $1,403,919,000, or almost 26 percent.

Although the current volume of repossessed properties held by financial institutions in a few areas is still large enough to represent a liquidation problem of some significance, the current rate of disposition, coupled with the increasing necessity for a more intensive use of existing housing facilities in war industry localities, indicates that the real estate overhang is no longer a national problem of major importance.

*Revision of the preliminary figure of $1,863,879,000 given on page 27 of the Ninth Annual Report of the Federal Home Loan Bank Board.

Savings and loan associations led other institutions in liquidating their repossessed property during 1941. The net reduction in holdings of these institutions was $162,171,000, or 33 percent. Real estate owned by mutual savings banks declined $100,000,000, or 25 percent. Life insurance companies show a drop of $108,330,000, or 22.9 percent. Residential real estate held by all commercial banks at the end of 1941 amounted to $134,000,000, representing a reduction of $56,000,000, or 29.5 percent, during the preceding twelve-month period. For the Home Owners' Loan Corporation, the corresponding drop was $63,669,000, or 18.8 percent. Exhibit 2 contains data on residential real estate owned by selected financial institutions at the close of 1940 and 1941.

Building Costs

The wholesale price index of building materials, as reported by the Bureau of Labor Statistics, was 122.9 in June 1942 as compared with 112.8 at the beginning of the reporting period. Most of the increase in this index took place during the first half of the reporting period. After January 1942, when the index stood at 122.0, there was only a fractional upward movement. In April and May, as a matter of fact, slight declines occurred as a result of the imposition of price ceilings on many building materials.

The rise of home construction costs, up to the time further increases were arrested by the Office of Price Administration, is also reflected in the Federal Home Loan Bank Administration's index of material and labor costs for constructing a standard six-room frame house in selected cities. During the six months from June to December 1941, the Administration's index rose from 112.4 to 119.9. After January, a very slow but steady upward movement brought the index to 123.5 in June 1942. Exhibit 3 shows the cost indices on a monthly basis for the last two fiscal years.

In past years, the index of labor costs in building the standard six-room frame house advanced more rapidly than did the cost of materials. During the current reporting period, this relationship was reversed. The material index rose from 109.2 to 121.3, while the index of labor costs increased from 118.6 to 127.8.

Home Mortgage Lending in 1941

During the calendar year 1941, it is estimated that the volume of new mortgage loans written on nonfarm one- to four-family homes aggregated $3,893,000,000 as compared with $3,354,000,000 during 1940. This increase of 16 percent resulted in a higher annual total than for any year since 1929.

The home mortgage lending activity of all private lenders showed substantial gains during 1941. Savings and loan associations ranked first by originating $1,379,000,000 in new loans, a gain of almost 15 percent over the previous year. Commercial banks and their trust departments loaned $798,000,000 a figure 15.8 percent higher than the comparable figure for 1940. Loans by life insurance companies increased 23 percent to $399,000,000. Mutual savings banks invested $171,000,000 in home mortgage loans as compared with $133,000,000 the previous year, while individuals and others accounted for $1,083,000,000, a rise of 25.2 percent. Exhibit 4 gives the estimated figures on mortgage lending activity for the years 1929 through 1941, by type of lender.

Since detailed information on home mortgage lending activity is available only on a calendar-year basis, it is impossible to project the foregoing statistics through the fiscal year 1942. However, information which is available indicates that the close of the calendar year 1941 may have marked a turning point in the home mortgage lending activity of all lending institution Up to that time, the record volume of new residential construction and the large number of sales of institutionally owned properties constituted a direct stimulus to the demand for home mortgage credit. Conversely, the sharp decline in new construction after the first of the year is reflected in a slowing down in the volume of home mortgage financing. This trend is indicated by monthly statistics on the volume of mortgage recordings of $20,000 or less.

Mortgage recording data have been collected for the last several years by the Administration's Division of Operating Statistics. By June 1942, actual reports which are the basis for estimated totals were received from approximately 675 counties containing 63 percent of the total nonfarm population. These data are received from every State and the District of Columbia. A word of explanation should be made in connection with any analysis of recording statistics. The data include figures both on new lending activity and on registrations which result from changes in mortgage contracts as well. Therefore, they cannot be taken as an accurate measure of the volume of new lending. However, the movement of recordings over a period of time does give an excellent picture of trends in lending and significant shifts in the activity of various classes of lending institutions.

During the fiscal year 1942, mortgage lenders throughout the country recorded 1,537,314 nonfarm mortgages of $20,000 or less in the total amount of $4,519,573,000. Institutional lenders accounted for 75 percent of the number and 83 percent of the dollar volume of these mortgages. The remainder in each case was accounted for by individual mortgagees. For the fiscal year as a whole, there was a slight decline in the number and an increase of 3.6 percent in the dollar volume of nonfarm mortgage recordings as compared with the previous fiscal year.

A slowing down in the rate of recordings during the second half of the reporting period, comprising the first six months of the calendar year 1942, was the most significant development in the recording series. For each month from the period July to December 1941, the volume was substantially higher than during the corresponding six-month period a year earlier. However, the falling off in residential construction and the general slowing down of mortgage financing activity attendant upon the war program resulted in an accelerating downward movement after January 1942. The table below summarizes nonfarm mortgage recordings over the last two fiscal years by semiannual periods.

Mortgage Recordings of $20,000 or Less on Nonfarm Property, Fiscal Years 1941 and 1942

	Number		Dollar Amount	
	Fiscal Year 1941	Fiscal Year 1942	Fiscal Year 1941	Fiscal Year 1942
July-December	766,527	849,676	$2,144,370,000	$2,514,095,000
January-June	778,731	687,638	2,217,865,000	2,005,478,000
Total	1,545,258	1,537,314	4,362,235,000	4,519,573,000

Mortgage recording studies have since their inception shown savings and loan associations to be the leading type of institutional lender on home mortgages, accounting for approximately one-third of the annual totals. The trend for the fiscal year 1942 confirms this general picture. Savings and loan associations were responsible for 32.4 percent of the number and 30.6 percent of the dollar volume of all nonfarm mortgages of $20,000 or less recorded during the reporting period.

Banks and trust companies as usual ranked second, accounting for 21.0 percent of total on the basis of number and 23.7 percent on the basis of dollar volume. Individuals and miscellaneous lenders, insurance companies, and mutual savings banks followed in that order. Mortgage recordings, by Federal Home Loan Bank Districts and by States, will be found in Exhibit 5.

Home Mortgage Debt

The calendar year 1941 was the fifth consecutive year in which the nonfarm home mortgage debt has shown an increase. The gain during the twelve-month period ending with December 1941 is estimated at $1,054,000,000, bringing the aggregate debt outstanding to $20,157,000,000. This is the largest annual increase since 1929 and the debt outstanding at the end of the year was within $1,100,000,000 of the peak figure reached in 1930.

Three types of institutions were responsible for practically all of the increase in home mortgage debt in 1941. Savings and loan associations report a rise of $405,000,000; commercial banks, $375,000,000; and life insurance companies, $343,000,000. Mutual savings banks and individuals and others show only relatively small gains which were more than offset by the drop in holdings of the Home Owners' Loan Corporation. The increase registered by mutual savings banks is estimated at $30,000,000 and by individuals and others at $80,000,000. Mortgage holdings of the HOLC declined by $179,000,000 during 1941, the net effect of increased principal repayments, on the one hand, and property sales against purchase money mortgages, on the other.

The prominent position of savings and loan associations in the home mortgage field is directly reflected in the relative volume of home mortgage debt held by these institutions. Total holdings at the end of 1941 are estimated at $4,489,000,000, or 22 percent of the aggregate home mortgage debt. Savings and loan associations are exceeded only by the miscellaneous group, individuals and others, which held approximately 33 percent of the debt on December 31, 1941. The following summary table shows the total debt outstanding on one- to four-family nonfarm homes at the end of the last two calendar years, by type of mortgagee. A complete survey of estimated home mortgage debt from 1929 to 1941 is presented in Exhibit 6.

Estimated Balance of Outstanding Mortgage Loans on Nonfarm One- to Four-Family Dwellings

(Millions of dollars)

Type of Mortgagee	December 31, 1940	December 31, 1941	Percent Change
Operating Savings and Loan Associations	$4,084	$4,489	+ 9.9
Mutual Savings Banks	2,700	2,730	+ 1.1
Commercial Banks	2,095	2,470	+ 17.9
Life Insurance Companies	1,758	2,101	+ 19.5
Home Owners' Loan Corporation	1,956	1,777	- 9.2
Individuals and Others	6,510	6,590	+ 1.2
Total	19,103	20,157	+ 5.5

Private Savings

The aggregate volume of individual long-term savings showed a substantial over-all gain during the calendar year 1941. The increase in savings represented by accounts in savings and loan associations, by life insurance policies, savings deposits in banks, postal savings, and savings bonds is estimated at $3,847,000,000. This figure is somewhat larger than the gain registered during 1940 and represents, except for 1925 and 1926, the largest annual increase during the last 21 years. Total long-term savings are estimated to have been $61,770,000,000 at the end of 1941, a figure well over three times the 1920 total. As shown by the table below, life insurance companies and U. S. savings bonds accounted for the bulk of the $3,847,000,000 gain in savings during 1941.

Volume of Long-Term Private Savings in Selected Savings Media*

(In millions of dollars)

	December 31, 1940	December 31, 1941	Change
Life Insurance Companies	$25,025	$26,877	+ $1,852
Mutual Savings Banks	10,618	10,490	- 128
Commercial Banks	13,062	13,261	+ 199
Savings and Loan Associations	4,594	4,915	+ 321
Postal Savings	1,342	1,392	+ 50
2-1/2% Postal Savings Bonds	87	85	- 2
U. S. Savings Bonds	3,195	4,750	+ 1,555
Total	57,923	61,770	+ 3,847

*For detailed information on the distribution of long-term savings from 1935 through 1941, and for an explanation of the source of these figures, see Exhibit 7.

On a percentage basis, the rise in outstanding U. S. savings bonds was again by far the largest, 48.7 percent. Undoubtedly, the drive to divert a portion of growing income payments into war bonds is responsible for the leading position of this type of savings. The next largest increase was scored by life insurance companies, which show an increase of 7.4 percent in private savings. Savings and loan associations followed closely with a gain of 7.0 percent, while postal savings and commercial banks show increases of 3.7 and 1.5 percent, respectively. Savings deposits in mutual savings banks declined 1.2 percent, and postal savings bonds outstanding dropped 2.3 percent.

While private capital invested in savings and loan associations throughout the country as a whole grew by $321,000,000, or 7.0 percent, an even more favorable picture is obtained if trends within the membership of the Federal Home Loan Bank System alone are considered. These institutions, which include a very large majority of all active operating savings and loan associations, enjoyed a net increase in private share capital of $357,777,000, or 10.1 percent during 1941. The fact that private savings held by operating nonmember associations declined by 3.5 percent is responsible for the relatively less favorable picture shown by the industry as a whole.

There is some indication that the trend of private savings showed a somewhat different pattern after the close of the calendar year 1941. In the first place, a much higher proportion of current private savings after "Pearl Harbor" was properly invested in war bonds and stamps. During the first six months of 1942, the current redemption value of Series E bonds increased by $2,537,000,000 to $3,671,000,000, a gain of almost 225 percent. In terms of dollar volume, sales of Series E war bonds from January to June 1942 far exceeded sales of both Baby Bonds and Series E war bonds during the entire year 1941.

On the other hand, partial information which is available shows a definite slackening in the rate at which private savings are going into private financial institutions. Savings deposits held by mutual savings banks declined from $10,490,000,000 on December 31, 1941, to $10,355,000,000 on June 30, 1942. Insured savings and loan associations, which constitute a representative group of all operating associations in the country, report a gain of only $138,733,000, or 5.3 percent, in private share capital during the first six months of 1942. During the same period of the preceding calendar year, these institutions enjoyed a net gain of $231,349,000, or 10.5 percent.

These data indicate that such developments as forward buying, the transfer of some accumulated savings to war bonds, increased taxation, and a rapid rise in the cost of living are causing at least a temporary lull in the steady upward trend in the volume of savings held by private institutions.

FEDERAL HOME LOAN BANK SYSTEM

At the close of the past fiscal year, the Federal Home Loan Bank System rounded out the first decade of its existence. It was on July 22, 1932, that the Federal Home Loan Bank Act--the first measure affecting American home finance to be adopted by the Federal Government--was enacted into law.

During these ten years, the Federal Home Loan Banks have made cumulative advances amounting to almost $1,000,000,000. They have issued debentures totaling $292,700,000 to tap the general money market for the benefit of local thrift and home financing institutions. They have functioned as depositories for members, holding between $25,000,000 and $35,000,000 of such deposits in the past three fiscal years. Through interbank deposits in the gross amount of over $114,000,000, they have transferred surplus funds within the Federal Home Loan Bank System to areas where they were most needed.

Combined assets of the member institutions of the Federal Home Loan Bank System at the close of the tenth fiscal year, exceeded $5,500,000,000; and the total (consolidated) resources of the twelve Banks themselves were more than $300,000,000.

A. Operations of Member Institutions

Changes in Membership

Although the membership of the Federal Home Loan Bank System declined slightly from 3,839 to 3,815 during the 1942 fiscal year, the combined assets of these institutions show a gain of $356,795,000, or 6.8 percent during the same period.

For the past five years, membership in the Federal Home Loan Bank System has remained fairly stable. During this same five-year period, however, the total resources of members have grown by more than $1,837,000,000. At the present time, therefore, it is apparent that the increasing importance of the Federal Home Loan Bank System in the Nation's home financing structure is attributable almost entirely to the growth and strengthening of member institutions. The slight contraction in the number of institutions has resulted principally from mergers and consolidations--a process which has been under way for a number of years and which is resulting in a group of institutions better equipped from the standpoint of size and financial strength to meet the public demand for savings outlets and home mortgage credit.

During the reporting period, 74 thrift and home financing institutions were admitted to membership as compared with 69 during the preceding fiscal year. Applications for membership which were still pending on June 30, 1942, totaled 56 as against 66 the year previous.

Terminations of membership during the 1942 fiscal year numbered 98 as compared with 144 during the preceding reporting period. In 28 cases, termination was occasioned by merger, consolidation, or sale of assets to other member institutions and, therefore, did not result in the complete withdrawal of the assets held by these associations. The following table summarizes, by types of institutions, the changes in membership during the fiscal year 1942. Exhibit 8 gives the number and assets of member institutions at the close of the last two fiscal years, by Federal Home Loan Bank Districts and by States.

Number and Assets of Member Institutions of the Federal Home Loan Bank System, June 30, 1941, and June 30, 1942

(Dollar amounts in millions)

Type of Member Institution	June 30, 1941 Number	June 30, 1941 Assets	June 30, 1942 Number	June 30, 1942 Assets	Net Change Number	Net Change Assets
Savings and loan associations	3,798	$4,627	3,772	$4,885	- 26	+ $258
Insured associations:						
Federally-chartered	1,452	2,028	1,464	2,206	+ 12	+ 178
State-chartered	857	1,126	906	1,249	+ 49	+ 123
Uninsured associations	1,489	1,473	1,402	1,430	- 87	- 43
Other members	41	660	43	759	+ 2	+ 99
Savings banks	12	252	17	341	+ 5	+ 89
Insurance companies	29	408	26	418	- 3	+ 10
Total	3,839	5,287	3,815	5,644	- 24	+ 357

Lending Activity of Member Institutions

As might be expected from the decline in residential building during recent months, new mortgage loans made by member savings and loan associations during the fiscal year 1942 were somewhat under the record level set in the previous reporting period. Loans by member associations amounted to $1,063,445,000 as compared with $1,084,866,000 during the 1941 fiscal year, a decline of two percent. Mortgage lending by nonmember savings and loan associations also dropped from $209,508,000 to $193,890,000. As a result, lending activity of all savings and loan associations declined from the peak figure of $1,294,374,000 during the 1941 reporting period to $1,257,335,000 during the fiscal year 1942. Exhibit 9 gives the volume of new mortgage loans made by savings and loan associations for the last six fiscal years.

More significant than the slight decline in total lending activity are shifts in the distribution of new loans by purpose. A close relationship exists between trends in home construction and in mortgage lending. The several years immediately preceding the reporting period showed steady and substantial increases in the annual volumes of nonfarm residential construction. It is not surprising, therefore, that during these same years an increasing proportion of the funds currently loaned by member savings and loan associations went to finance the construction of homes.

Conversely, when the first restrictions were imposed on new construction in the fall of 1941, there was an almost immediate decline in the volume of construction loans made by savings and loan associations. Beginning in October 1941, reports on current mortgage financing activity show a smaller monthly volume of construction lending then during the corresponding month of the previous year, with an insignificant exception in December 1941. During June 1942, member institutions advanced only $14,544,000 to finance the construction of new homes, a figure 63.6 percent under June 1941.

So substantial was the falling off in construction lending that loans for this purpose throughout the entire fiscal year 1942 totaled but $311,039,000, a decline of 20.2 percent when compared with the previous reporting period. As might be expected, construction lending suffered more seriously than did other loan categories. Consequently, construction loans of member institutions during the fiscal year 1942 represented only 29.3 percent of total loans made as compared with 35.9 percent the year previous.

During the first half of the fiscal year 1942, i.e., from July through December 1941, loans to finance the acquisition of existing homes reached a new peak. As a result of improving real estate markets in many communities, home purchase loans during this period were more than 45 percent above the last six months of 1940. However, the closing months of the reportin period were marked by a rapid slowing down even in this trend. By June 1942, current loans for the purchase of existing homes were slightly under the figure set in June 1941. This leveling off in purchase lending may be explained in part at least by the earlier decline in new building. Not infrequently the sale of new houses is followed by a series of sales of existing properties, the result of a "filtering up" process caused by the moving of families into new homes. In addition, the rapid liquidation of institutionally-held real estate has reduced materially the supply of properties available for sale.

Despite the declining volume of home purchase lending by member associations toward the end of the reporting period, loans for this purpose throughout the fiscal year 1942 totaled $477,193,000, a gain of 22.9 percent as compared with the previous year. This increase was more than sufficient to make up the loss suffered in construction lending and put home purchase loans in first place among the various loan categories. However, loans for refinancing, reconditioning, and other purposes, as shown by the table below, declined both in dollar volume and in relation to total during the 1942 fiscal year.

Distribution of New Mortgage Loans Made by All Savings and Loan Members of the Federal Home Loan Bank System, According to Purpose

	Fiscal Year 1940		Fiscal Year 1941		Fiscal Year 1942	
Purpose of Loan	Dollars	Percent	Dollars	Percent	Dollars	Percent
Construction	$298,628,000	33.4	$389,559,000	35.9	$311,039,000	29.3
Home purchase	297,243,000	33.2	388,376,000	35.8	477,193,000	44.9
Refinancing	166,191,000	18.6	168,201,000	15.5	152,561,000	14.3
Reconditioning	46,600,000	5.2	49,396,000	4.6	43,503,000	4.1
Other	85,550,000	9.6	89,334,000	8.2	79,149,000	7.4
Total	894,212,000	100.0	1,084,866,000	100.0	1,063,445,000	100.0

Member Institutions in the War Effort

Local thrift and home financing institutions constitute one of the many types of business enterprises which, although not in the front line in the primary task of production for victory, are nonetheless contributing to the war effort. The contributions of member savings and loan associations include two major activities--first, the financing of needed housing in war industry areas, and second, direct cooperation in the Treasury program of war financing through the sale of war bonds and stamps.

During the fiscal year 1942, member institutions advanced a total of $814,000,000 in areas of concentrated war activity. It is estimated that approximately $319,500,000 of this amount represented the first permanent financing of some 106,600 newly-constructed housing units.

The Administration has encouraged member institutions to engage in the financing of war housing to the limit of their abilities. To this end, policies of the Administration governing the lending operations of insured institutions have been revised to permit these associations, under certain conditions, to sell mortgage loans and use the proceeds to finance war housing.

A substantial majority of member savings and loan associations are actively engaged in the sale of war bonds and stamps. At the close of the current reporting period, 2,717 institutions had qualified as issuing agents. Although this group of institutions represented but 72 percent of the total membership in terms of number, they held over 90 percent of the assets of all member savings and loan associations.

Recognizing the vital importance of diverting surplus consumer purchasing power into war savings, the Federal Home Loan Bank Administration and the officers of the regional Federal Home Loan Banks have carried on a continuing program to encourage member institutions to devote their most intensive efforts to the War Bond campaign. Tangible results of this activity and the wholehearted cooperation of member savings and loan associations are reflected in the fact that sales reported for the month of July 1942 alone amounted to $35,9[illegible]2,001, an increase of 32 percent over the previous month.

Although the savings and loan industry has not been subject to the shocks of a war economy already suffered by many other peace-time businesses, neither has it been left entirely unscathed. The precipitate drop in new residential building, as already noted, has brought about a recession in one of the principal business activities of these institutions--namely, financing the construction of new homes. The growing demand for private savings to help finance the war may mean a slowing down in the flow of new money into savings and loan associations. However, these are small sacrifices indeed compared with the losses suffered by many industries unable by their very nature to readjust their operations to the all-important demands of the war. At the worst it would appear that thrift and home financing institutions may be entering a period of "marking time"--a period which may well offer these institutions an opportunity to fortify themselves for the day of post-war readjustments.

With this end in view, the Federal Home Loan Bank Administration in cooperation with other supervisory officials and industry leaders is actively encouraging managing officers and directors to take whatever steps may be necessary to place their institutions in the strongest possible financial position. Rapid strides in this direction have already been made by the large majority of local savings and loan associations. Nonetheless, as past experience only too often has proved, it is impossible to prepare too well for an uncertain future.

Specific recommendations of the Administration include first of all the strengthening of reserves. The accumulation of adequate reserves on a systematic basis is perhaps the best method of meeting future losses over which an individual association may have little or no control.

Institutions are also urged to dispose of their owned real estate in as short a time as sound business operations will permit. The sale of foreclosed real estate, particularly in war industry areas where housing accommodations are frequently in great demand, has the dual advantage of improving the balance sheet of individual associations and making available needed housing for war workers.

There is always the danger that lending institutions which are operating in a market where the demand for mortgage financing is falling, while loanable funds continue in ample quantity, may so lower their lending standards that marginal or unsound risks will be accepted. Careful attention to sound risk analysis and accurate appraisal techniques are more important than ever at such a time. An increasingly competitive market also necessitates the establishment of interest and dividend rates at levels which will enable institutions, on the one hand, to obtain and hold sound and safe mortgage security, and, on the other, to meet local competition for private savings funds.

Local thrift and home financing institutions in a number of cases are adopting mortgage prepayment plans that permit home purchasers to build up reserves that will protect them if they are temporarily unable to meet their monthly payments at some later date. Mortgage prepayment plans are not only of obvious value to borrowers--they also operate to protect the risks assumed by financial institutions, and, to the extent that overpayments are made from rising current incomes, they have an anti-inflationary influence.

The common aim of the Federal Home Loan Bank Administration and the industry is to emphasize the trustee responsibility inherent in the operation of local savings and loan associations. Because of the mutual character of these institutions, there is a dual obligation on the part of managing officers and directors to protect the hard-earned savings of small investors and to provide an equitable type of mortgage credit to prospective home owners.

Further Retirement of Government Investments

During the fiscal year 1942 a substantial reduction was again made in the volume of outstanding investments of the United States Treasury and the Home Owners' Loan Corporation in the shares of savings and loan associations. On June 30, 1942, these investments aggregated $186,512,410, a reduction of almost ten percent as compared with the close of the preceding fiscal year. The investment of Government funds in the share capital of savings and loan associations was first authorized in the Home Owners' Loan Act of 1933. As part of a broad program to strengthen the Nation's home financing resources, this statute and subsequent appropriations set aside $49,300,000 of Treasury funds for investment in the shares of Federal savings and loan associations. Later amendments to the Home Owners' Loan Act authorized that Corporation to make investments up to $300,000,000 in the shares of Federal savings and loan associations and State-chartered institutions which either belong to the Federal Home Loan Bank System or which are insured by the Federal Savings and Loan Insurance Corporation.

Under the terms of the statutes authorizing Government share investments in savings and loan associations, no request for retirement may be made by the Federal Home Loan Bank Administration for a period of five years from the date of investment. Thereafter, requests are made, in the discretion of the Federal

Home Loan Bank Administration, but in no event in an amount exceeding in any one year ten percent of the total amount invested in the shares of an association.

By the end of the reporting period, the volume of retirements requested by the Federal Home Loan Bank Administration, on the basis of a careful study of the current financial condition of institutions holding Government investments, totaled $11,671,850. Since cumulative retirements aggregate $86,544,300, it is evident that voluntary repurchases have been largely responsible for the decline in total investments.

Investment by the Treasury in the shares of Federal savings and loan associations was completed in 1936 when the $49,300,000 was exhausted. By June 30, 1942, total Treasury investments had been reduced, principally as a result of voluntary repurchases, to $19,442,600.

Most of the share capital investments of the Home Owners' Loan Corporation were made in 1936 and 1937. Since that time, investments have been granted principally in connection with rehabilitation programs or to institutions in war industry areas which are able to demonstrate a need for additional capital to finance needed war housing. By June 30, 1942, the Home Owners' Loan Corporation had made share investments totaling $223,756,710. Of this amount, $56,686,900 had been retired and the remaining $167,069,810 was still outstanding.

Investments by the U. S. Treasury and the Home Owners' Loan Corporation in Member Savings and Loan Associations, by Fiscal-Year Periods

Fiscal Year	Treasury Investments in Federal Savings and Loan Associations: Gross investments (cumulative)	Repurchases	Net investments outstanding (June 30)	HOLC Investments in Savings and Loan Associations: Gross investments (cumulative)	Repurchases	Net investments outstanding (June 30)
1934	$ 1,086,300	--	$ 1,086,300	--	--	--
1935	30,606,700	--	30,606,700	--	--	--
1936	49,300,000	$ 77,000	49,223,000	$ 63,142,700	--	$ 63,142,700
1937	49,300,000	1,116,300	48,183,700	183,033,000	$ 12,000	183,021,000
1938	49,300,000	1,497,300	47,802,700	211,997,610	271,000	211,726,610
1939	49,300,000	5,308,300	43,991,700	219,149,810	2,691,000	216,458,810
1940	49,300,000	15,162,900[1]	34,137,100	220,688,210	17,664,000	203,024,210
1941	49,300,000	25,629,100[2]	23,670,900	222,108,210	39,254,850[3]	182,853,360
1942	49,300,000	29,857,400[4]	19,442,600	223,756,710	56,686,900[5]	167,069,810

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

[2] Of this amount, $2,759,800 was retired in accordance with Section 5(j) of the Home Owners' Loan Act.

[3] Of this amount, $1,213,050 was retired in accordance with Section 5(j) of the Home Owners' Loan Act.

[4] Of this amount, $4,392,800 was retired in accordance with Section 5(j) of the Home Owners' Loan Act.

[5] Of this amount, $7,279,050 was retired in accordance with Section 5(j) of the Home Owners' Loan Act.

Share investments have proved profitable to the Treasury and the Home Owners' Loan Corporation. Cumulative dividends paid to these agencies through the end of the reporting period totaled $47,654,391. This sum is equivalent to a rate of 3.37 percent per annum on the average investments outstanding since 1934.

Analysis of Condition of Member Associations

Comparison of the consolidated balance sheet of member savings and loan associations at the close of the calendar years 1940 and 1941 shows a noteworthy improvement in the financial condition of member institutions. (Annual financial statements of member institutions are submitted on a calendar-year basis; hence, it is not possible to present the following analysis on a fiscal-year basis.) The asset side of the master balance sheet reveals a heavy reduction in real estate holdings, a stronger liquidity position, and a new peak in mortgage loan portfolios. On the liability side there was a substantial gain in private capital and a sizable reduction in Government share investments. Although general reserves and undivided profits declined fractionally in relation to gross liabilities, these accounts show a dollar gain of over $24,000,000.[1]

Assets: Total assets of member savings and loan associations show a gain of approximately $387,000,000 during 1941, reaching a new high of $4,800,000,000 on December 31, 1941. The greatest increase is noted in the case of Federal savings and loan associations, which show a gain of 15.9 percent. State-chartered insured institutions show a growth in total assets of 12.3 percent, while State-chartered uninsured associations suffered a decline of nearly $40,000,000, or 2.7 percent. The transfer of State associations to insured or Federal categories is, of course, largely responsible for this latter showing.

First Mortgage Loans: On December 31, 1941, first mortgage investments of member associations aggregated $3,919,000,000, an increase of 12 percent as compared with the combined balance sheet a year previous. The mortgage portfolio of member savings and loan associations thus represented over four-fifths (81.7 percent) of aggregate assets.

[1] To those interested in a detailed tabulation of over-all balance-sheet trends, reference is made to the July 1942 issue of the Federal Home Loan Bank Review.

Real Estate: Acquired property held by member savings and loan associations was reduced by over 37 percent during 1941. This item, which at the end of 1936 represented 16 percent of total assets, amounted to only $189,000,000, or less than 4 percent at the end of 1941.

The successful efforts of savings and loan management to dispose of foreclosed real estate is one of the most important evidences of the current strong financial position of most associations. Whereas only a few short years ago the volume of real estate institutionally held was a matter of considerable concern to all supervisory authorities, it is now safe to conclude that by and large the real estate overhang is a problem of the past.

Cash: A good indication of the fact that savings and loan associations are well aware of the advisability of maintaining a sound liquidity position is found in the growth of cash on hand and in banks from $242,000,000 to over $278,000,000 during 1941. There has been a steady increase in the volume of cash reserves maintained by member institutions since 1937 and at the end of 1941, cash represented 5.8 percent of total resources. In addition to fortifying their cash position, member savings and loan associations increased their Government bond holdings during 1941. This secondary liquidity account now amounts to over $75,000,000, a growth of 64 percent during the year.

Private Repurchasable Capital: During 1941, private investments in member savings and loan associations increased by 11 percent to $3,400,000,000. Although complete information is not available on the trend of share capital in all member savings and loan associations after the close of the calendar year 1941, data which are available on insured institutions indicate that the rate at which private investments are being received by savings and loan associations may have been slowing down temporarily at least. During the first six months of 1942, for example, private capital outstanding in insured savings and loan associations increased only $138,733,000 as compared with $231,349,000 during the corresponding period a year previous. The drive to divert new savings into war bonds no doubt accounts in part at least for this trend. A greater volume of repurchases occasioned by forward buying, a rise in the cost of living, and higher taxes may also have had some influence in the slowing up process.

Borrowed Money: This creditor liability on December 31, 1941, amounted to $239,226,000, an increase of 10.3 percent as compared with the close of 1940. Borrowings as a ratio of total liabilities were 4.99 percent on December 31, 1941, as compared with 4.92 percent a year previous.

Reserves: General reserves and undivided profits show a gain of over $24,000,000, or 8 percent, during 1941. However, this rate of growth was somewhat less than gains made in total resources, with the result that the ratio of reserves and undivided profits to total liabilities declined fractionally from 6.88 percent to 6.83 percent. Charges to reserves occasioned by a large volume of real estate sales are primarily responsible for this fact.

Statement of Operations

Consolidations of income and expense statements of member savings and loan associations are available only for those institutions which report on a calendar-year basis. This fact, plus the changes which occur from year to year in the number of member institutions, makes a comparison of operating ratios considerably more significant than the dollar changes which may occur. Nonetheless, it is interesting to note that gross operating income of the

3,536 institutions reporting for the calendar year 1941 totaled $235,569,200. The comparable figure for the 3,508 institutions reporting in 1940 was $212,591,000.

The growth in mortgage loans held by member savings and loan associations during 1941 is reflected in the fact that interest income on these investments represented 88.0 percent of gross operating income. During the previous year, the corresponding ratio was 86.7 percent. The decline of 37 percent in owned real estate during the twelve months ending December 31, 1941, was responsible for the fact that income from real estate represented only 1.6 percent of gross operating income as compared with 2.4 percent during the previous year.

The distribution of net income by reporting associations during 1941 is another evidence of the increasing importance which institutions are attaching to the accumulation of adequate reserves. Dividend payments absorbed 71.2 percent of net income as compared with 73.5 percent during the preceding year and 75.5 percent in 1939. Transfers to reserves and undivided profits show a favorable trend with 29 percent of net income going to these accounts during 1941, as against only 26 percent in 1940.[2]

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[2] For a more detailed discussion of income and expense trends of member savings and loan associations during 1941, reference is made to the September 1941 issue of the Federal Home Loan Bank Review.

B. Operations of the Federal Home Loan Banks

Lending Activity

Advances to member institutions during the fiscal year 1942 reached a new high of $155,025,047, an increase of 8.5 percent over the previous peak set during the 1941 reporting period. Repayments by borrowers were also higher than during the preceding fiscal year, amounting to $132,277,501, or 1.5 percent above the comparable figure for the previous year. The net result of these lending operations was a volume of advances outstanding on June 30, 1942, of $192,644,936. It is noteworthy that during the 1942 fiscal year, advances outstanding reached the highest point in the history of the Federal Home Loan Bank System. On December 31, 1941, midway through the reporting period, advances by the Banks amounted to $219,446,050, a figure 8.9 percent above the previous peak recorded on December 31, 1940.

Total advances made by the Federal Home Loan Banks from the beginning of operations through June 30, 1942, amounted to $928,933,902 and repayments of borrowers during the same period aggregated $736,288,966. Exhibit 10 summarizes, by fiscal years, advances, repayments, and balances outstanding since the beginning of operations.

Analysis of current lending operations of the twelve Federal Home Loan Banks shows little uniformity in trends during the 1942 fiscal-year period. Eight of the Banks show a higher volume of advances outstanding on June 30, 1942, as compared with June 30, 1941. Percentage gains varied from 1.2 percent in the case of the Federal Home Loan Bank of Chicago to 54.6 percent in the Federal Home Loan Bank of Boston. The remaining four Banks report declines ranging from 1.1 percent to 13.5 percent.

The maximum rate which may be charged on Federal Home Loan Bank advances has been set by the Federal Home Loan Bank Administration at 3 percent. During the reporting period, the only changes in interest rates actually charged by individual banks were in the Indianapolis and Portland Banks. The former reduced its rates on short-term advances to 2 percent and on long-term advances to 2-1/2 percent, while the latter Bank created a 2-1/2 percent rate for advances collateralized by negotiable U. S. Government obligations. As an additional incentive to their member associations, the Pittsburgh, Indianapolis, and Topeka Banks established a preferential rate of 2 percent on advances to members used to purchase United States War Bonds. On July 1, 1942, the Banks were charging from 2-1/2 to 3 percent on long-term advances and from 1-1/2 to 3 percent on short-term advances.[3]

Types of Advances

Once again, a review of the lending operations of Federal Home Loan Banks during the reporting period shows a gain in the proportion of funds advanced on a short-term basis. On June 30, 1942, loans which had been written for a term of one year or less amounted to $80,121,685, or 41.6 percent of total advances outstanding, as compared with 38.7 percent a year previous. It is probable that the lower interest charge made by several of the Federal Home Loan Banks on short-term advances, coupled with the difficulty in such times as these of estimating credit needs very far in the future, are the principal causes for the growing emphasis on short-term advances. The distribution of outstanding advances, by Federal Home Loan Bank Districts and by term of loan at the close of the last two fiscal years will be found in Exhibit 11.

[3] For detailed information on the rates charged by Federal Home Loan Banks, see Exhibit 15 of Ninth Annual Report of Federal Home Loan Bank Board.

The relationship between secured and unsecured advances shows little change from June 30, 1941, to June 30, 1942. On the latter date, advances which had been made on the security of mortgage collateral and obligations of the United States Government amounted to $140,143,951, or 72.7 percent of all outstanding advances. A year previous, the corresponding ratio was 71.8 percent. Collateral supporting secured advances at the close of the reporting period consisted of 126,605 home mortgages with unpaid balances of $323,075,351; and obligations of the United States Government, direct or fully guaranteed, in the amount of $1,112,900. In addition, the Banks hold a statutory lien on the stock holdings of borrowing members in the amount of $27,041,000, which stock can, if necessary, be used to protect advances, both secured and unsecured.

On June 30, 1942, except for five borrowers in liquidation, not a single institution was delinquent over thirty days in its contractual obligations to the Federal Home Loan Banks. Four of the liquidating borrowing members were indebted to the Bank in the amount of $256,349 which was collateralized by $517,358 in home mortgages, and $53,700 in paid-in Bank stock. In no case was the collateral less than 210 percent of an individual indebtedness. The one unsecured advance to a liquidating member amounted to $163,700 and was protected not only by a lien on Bank stock in the amount of $13,700, but also by $339,143 in land contracts. No loss is anticipated by the Banks concerned on the indebtedness of any liquidating borrower.

Statement of Condition

A statement of condition of the twelve Federal Home Loan Banks as a whole and of each of the individual Banks will be found in Exhibit 12. There follows a brief summary of the more significant balance-sheet trends.

Cash holdings of $47,320,115 on June 30, 1942, represent a decrease of 17.3 percent as compared with the close of the previous fiscal year. However, secondary liquidity in the form of U. S. Government obligations increased from $63,407,070 to $69,367,915 during the reporting period. Combined cash and Government investments, therefore, totaled $116,688,030 and were equivalent to 37.6 percent of consolidated assets. Cash available for advances[4] and securities in excess of legal requirements[5] totaled $96,699,367 on June 30, 1942.

Advances outstanding to member institutions, as already mentioned, aggregated $192,644,936 and represented 62.1 percent of the consolidated assets of the Banks.

At the beginning of the current reporting period, two series of consolidated debentures were outstanding in the amount of $75,500,000. Series "G", a $52,000,000 issue, was retired at maturity on April 15, 1942. To provide adequate funds for the peak lending period at the close of 1941, Series "H", amounting to $15,000,000, was sold privately to four commercial banks on December 24, 1941, and carried an interest rate of 1/2 of 1 percent. This series matured two months later and was retired in full on February 24, 1942. Three additional series were issued during the reporting period. Series "I" was issued on March 5, 1942, in the amount of $26,000,000. This series bears an interest rate of 3/4 of 1 percent and a maturity date of September 1, 1942. Series "J" and "K" were each issued on April 15, 1942. The first, amounting to $18,000,000, matures December 1, 1942, and bears an interest rate of 3/4 of 1 percent. Series "K", totaling $24,000,000, will mature February 1, 1943, and carries an interest rate of 7/8 of 1 percent.

[4]Represents total cash less reserve requirements of 75 percent of members' demand deposits, 25 percent of members' time deposits, total applicants' deposits on Bank stock, inter-bank deposits, and imprest funds.

[5]Represents the face value or principal amount of investments owned above the necessary legal reserves.

As a result of the foregoing transactions, $91,500,000 in consolidated debentures was outstanding on June 30, 1942.

The total volume of members' deposits on June 30, 1942, amounted to $27,696,777. Of this amount, $21,353,605 represented time deposits on which interest at the rate of 1/2 of 1 percent was paid and the remaining $6,343,172 constituted demand deposits on which no interest is paid. Deposits of members on June 30, 1942, show a decline of $3,610,093, or 11.5 percent, as compared with the close of the preceding reporting period. From the beginning of operations, the Federal Home Loan Banks have relied on inter-bank deposits as one means of maintaining a regional flow of funds from areas of plenty to areas having a temporary scarcity of funds. During the fiscal year 1942, inter-bank deposits aggregated $17,000,000, of which $1,750,000 was outstanding on June 30, 1942.

Outstanding paid-in capital stock of the Federal Home Loan Banks totaled $175,532,650 on June 30, 1942, as compared with $171,283,200 a year previous. This increase of 2.5 percent in the capital stock of the Banks was attributable entirely to gains in the stock holdings of member institutions. The amount of stock held by the Federal Government, $124,741,000, has not changed since November 1937.

Reserves and undivided profits of the Federal Home Loan Banks show a gain of 17.2 percent during the reporting period and totaled $14,105,921 on June 30, 1942. The Federal Home Loan Banks, in the interest of sound and conservative operations, have consistently maintained higher reserves and undistributed earnings than required by statute. The reserve and undivided profit accounts of the Banks which have been built up from the beginning of operations through June 30, 1942, are more than twice the amount of the reserves required by law.

Income and Expenses of the Federal Home Loan Banks

A detailed statement of profit and loss for the reporting period will be found in Exhibit 13. The following summary highlights the financial operations of the Banks during the reporting period.

Gross income for the fiscal year 1942 totaled $6,559,202 as compared with $6,031,305 during the 1941 fiscal year. The increase was accounted for primarily by larger interest income from a higher average volume of advances outstanding and by earnings on additional investment holdings.

Operating expenses during the fiscal year 1942 aggregated $2,212,090 as compared with $2,248,133 the year previous. Savings in the cost of debenture funds and members' deposits were mainly responsible for this decline. Net earnings of the Federal Home Loan Banks during the 1942 fiscal year totaled $4,285,630 as compared with $3,696,183 for the previous reporting period.

During the 1942 fiscal-year period, dividends declared by the Banks ranged from 1 to 2 percent, with an average rate of 1.24 percent as compared with 1.14 percent during the preceding year. Dividends actually distributed during the reporting period aggregated $2,213,701, of which $630,602 was paid to member stockholders, and the remaining $1,583,099 to the Reconstruction Finance Corporation which now holds the Government-owned stock.

C. Examination and Supervision

Each of the twelve Federal Home Loan Banks is examined semiannually by the Federal Home Loan Bank Administration. These examinations and regular and special reports on current operations and condition provide the basic data for the establishment of rules and regulations and general supervision of the Banks.

In addition, the Federal Home Loan Bank Administration examines and supervises all Federal savings and loan associations. In the case of State-chartered insured associations, supervision, and, in more than three-fourths of the cases, examination are shared with the respective State Supervisory Departments. In addition, in a few instances State-chartered uninsured members of the Federal Home Loan Bank System which are not subject to regular State examination submit to examination by the Federal Home Loan Bank Administration. On June 30, 1942, there were 2,374 insured institutions under supervision of the Administration.

The Federal Home Loan Bank Administration has for several years maintained a separation of its examining and supervisory activities. Actual experience to date has demonstrated the desirability of this type of organization. It has the dual advantage of insuring both a maximum degree of independence to fact-finding examiners and a detached consideration and analysis of examination reports by trained supervisory officials.

The examining and supervisory activities of the Federal Home Loan Bank Administration are increasing in volume and importance. In the first place, the number of insured institutions has grown steadily in recent years. During the last two fiscal years alone, the number of institutions supervised by the Administration has increased by six percent to 2,374. An even better measure of the task of examining and supervising insured institutions is the volume of assets held by these associations. From June 30, 1940, to the close of the reporting period, assets of insured associations grew by 27.8 percent to $3,461,228,000.

Supervision can be defined, in general terms, as an activity which is undertaken to assure the proper protection of the public interest in the operation of financial institutions. Supervision does not extend to actual participation by Governmental authorities in institutional management. On the contrary, the business activities of insured savings and loan associations are properly the concern of local management and trustee directorates. The function of the Administration is rather to establish the basic standards or rules which judgment and experience indicate will guide institutions to the goal of sound public service.

Supervisory activities, no matter how well formulated or carried out, cannot provide the all-inclusive answer to successful financial management and operation. In the final analysis, well-trained, efficient, and capable management is equally if not more important. The Administration has, therefore, devoted considerable time and attention to the development, through informal educational processes, of high standards of association management and operation. Such continuous supervisory activities are difficult to evaluate in specific measure, but past experience would indicate that constant effort to prevent the initial development of weaknesses is perhaps the most effective type of supervisory guidance.

The Federal Home Loan Bank Administration is assisted in the discharge of its supervisory responsibilities through conferences with the Federal Savings and Loan Advisory Council. This organization was created by statute for the specific purpose of conferring with the Administration "on general business conditions and on special conditions affecting the Federal Home Loan Banks and their members."

The Council, which is composed 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 Administration, held two meetings during the 1942 fiscal year. Discussions by the Council at these meetings covered a number of subjects of primary importance to the continued successful operation of the Bank System, among which were the following: Lending policies in a war economy, sale of War Bonds, financing of war housing, liquidity, and dividend and mortgage interest rates.

Recommendations of the Council were of substantial help to the Administration in the formulation and development of policies. A list of the Council members as of June 30, 1942, will be found in Exhibit 14.

D. Income and Expenses of the Federal Home Loan Bank Administration

The operating funds of the Federal Home Loan Bank Administration are obtained 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 Administration, and from fees received for the examination of home financing institutions. All expenses of the Administration's Examining Division, which represent the largest portion of the Administration's annual budget, are reimbursed by the examined institutions. During the fiscal year 1942, receipts of the Administration aggregated $1,608,790 and disbursements totaled $1,495,375. Including a cash balance of $239,959 carried over from the preceding year, a balance of $353,374 was outstanding on June 30, 1942. Exhibit 15 shows the administrative receipts and disbursements of the Administration during the last two fiscal years.

The personnel of the Federal Home Loan Bank Administration totaled 431 on June 30, 1942, including 33 employees on military leave. Of this total, 307 employees, or 71 percent of total, constituted the staff of the Administration's Examining Division. Exhibit 16 gives a summary of personnel, by departments, as of the close of the last two fiscal years.

III

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

Number and Assets

The number of savings and loan associations operating under Federal charter shows little change during the current reporting period. On June 30, 1942, Federal savings and loan associations numbered 1,464 as compared with 1,452[1] a year previous. This net change of 12 was the result of 25 additions and 13 terminations. Only four of the additions during the reporting period represented newly-organized associations. The remaining 21 involved converting associations which had previously operated under State charter.

The 13 terminations were the result of nine mergers and two voluntary and two involuntary liquidations. Cancellations resulting from merger and consolidation of existing institutions do not, of course, represent a withdrawal of assets from the Federal Savings and Loan System.

In providing for the establishment of Federal savings and loan associations, Congress contemplated that these institutions would serve two purposes: First, to provide adequate thrift and home financing facilities in localities which lacked them, and second, to develop under Federal charter a group of home financing institutions operating under the highest standards and practices.

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1 Revision necessitated by certain changes in reporting procedure adopted during the 1942 fiscal year.

The number of Federal savings and loan associations newly chartered under the terms of the Home Owners' Loan Act of 1933 has remained virtually constant for the last six years, and it is not contemplated that any substantial number of new charters will be issued in the future. There were 640 new Federal associations on June 30, 1942, as compared with 824 institutions which had converted from State to Federal charter.

The total assets of Federal savings and loan associations on June 30, 1942, amounted to $2,205,921,000, an increase of 8.8 percent as compared with the same figure a year previous. Although this represents a new high point in the resources held by Federal savings and loan associations, the gain during the reporting period failed to equal that of the preceding year, either on a percentage basis or in dollar amount. This is not unexpected in view of the general decline in the rate of growth of all savings and loan associations as a result of war conditions. (See p. 19.)

In comparison with the entire savings and loan industry, Federal savings and loan associations now represent approximately 21 percent of all institutions by number. On the other hand, as a result of rapid growth and proved ability to meet local competitive conditions, Federal associations now hold approximately 36 percent of the assets of all operating associations in the country.

The number of Federal associations and their assets, by Federal Home Loan Bank Districts and by States, as of the close of the last two fiscal years, will be found in Exhibit 19.

Current Trends in Share Capital

The close of the reporting period marked a new peak in the number of investors in Federal savings and loan associations as well as in the gross volume of savings entrusted to these institutions. On June 30, 1942, there were 1,939,200 individual investors whose total investments amounted to $1,735,932,000 as compared with 1,805,500 and $1,553,712,000, respectively, a year previous. Again, it must be noted, however, that in line with other major trends, the increase in private savings held by Federal associations took place at a much slower rate than during preceding fiscal-year periods.

The following index figures, based on a comparable group of Federal savings and loan associations operating for the past eight fiscal years, indicate the rapid strides made by these institutions in attracting investments from the public. It will be noted that the index shows an increase of only 11 percent during the 1942 fiscal year as compared with a gain of 21 percent during the previous reporting period.

Index of Private Repurchasable Capital in Comparable Federal Savings and Loan Associations*

(Average month 1935-1939 = 100)

Date	Private Repurchasable Capital	Percent Increase Over Preceding Year
June 30, 1935	75	--
June 30, 1936	82	9
June 30, 1937	94	15
June 30, 1938	110	17
June 30, 1939	136	24
June 30, 1940	169	24
June 30, 1941	204	21
June 30, 1942	227	11

*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 resulting from consolidation, merger, or purchase of assets from other institutions is not reflected in the index.

Federal savings and loan associations report a substantial reduction in the volume of Government share investments during the current reporting period. On June 30, 1942, total outstanding investments of the Home Owners' Loan Corporation and the U. S. Treasury amounted to $151,299,700 as compared with $169,246,650 a year previous--a drop of 10.6 percent. As a net result of declining Government investments, on the one hand, and increasing private investments, on the other, the ratio of Government share capital to total declined from 10 percent on June 30, 1941, to 8 percent on June 30, 1942.

Mortgage Lending Activity

Mortgage lending activity of Federal savings and loan associations during the 1942 fiscal year followed the same general trends shown by all member institutions,[2] although the falling off in lending volume during the closing months of the reporting period was even sharper than in the case of State member institutions. From July through December 1941, Federal savings and loan associations wrote mortgage loans in the total amount of $304,451,000, an increase of 12.6 percent as compared with the same six-month period a year earlier. During the six months from January through June 1942, however, lending by Federal associations showed a drop of 31.0 percent as compared with the January-June 1941 total and amounted to only $210,115,000. This decline was severe enough to overbalance the gains made during the previous six months, with the result that the fiscal year as a whole shows a decline of $35,402,000, or 6.4 percent, when compared with the 1941 fiscal year.

An analysis of the current mortgage lending activity of Federal savings and loan associations, on the basis of the purpose for which loans

[2] See pp. 15-17.

are granted, shows marked changes during the 1942 fiscal year. Whereas loans to finance the construction of new homes during the 1941 reporting period amounted to $227,811,000, or 41.4 percent of total loans made, the current reporting period shows loans for this purpose in the dollar amount of only $174,035,000, or 33.8 percent of total. Loans to finance the purchase of existing homes, on the other hand, increased over one-fifth during the twelve months ending June 30, 1942. Home purchase loans aggregated $217,137,000, or 42.2 percent of total loans written, as compared with $180,834,000, or 32.9 percent of total during the 1941 fiscal year--a change accounted for, no doubt, by the more intensive demand for existing structures in many communities.

As the table below indicates, loans for refinancing, reconditioning, and miscellaneous purposes show declines both in dollar volume and in relation to total activity during the reporting period.

Distribution of Loans Originated by Federal Savings and Loan Associations, by Purpose of Loan, by Fiscal-Year Periods

Purpose of Loan	Amounts in Thousands of Dollars					Percent Distribution				
	1938	1939	1940	1941	1942	1938	1939	1940	1941	1942
Construction	$95,046	$123,870	$179,141	$227,811	$174,035	33.7	37.0	39.1	41.4	33.8
Home purchase	84,519	95,161	138,548	180,834	217,137	30.0	28.5	30.3	32.9	42.2
Refinancing	61,083	67,444	85,320	84,303	74,475	21.7	20.2	18.6	15.3	14.5
Reconditioning	17,588	18,542	20,669	22,388	19,002	6.2	5.6	4.5	4.1	3.7
Other	23,615	28,942	34,138	34,722	30,007	8.4	8.7	7.5	6.3	5.8
Total	281,851	333,959	457,816	550,058	514,656	100.0	100.0	100.0	100.0	100.0

Financial Operations

The activities of Federal savings and loan associations just outlined are reflected in the consolidated balance sheet for all associations at the end of the calendar years 1940 and 1941.[3] Total resources increased almost 16 percent

[3] For detailed information on trends shown by consolidated balance sheets for Federal associations at the end of 1940 and 1941, see the July 1942 issue of the Federal Home Loan Bank Review.

during this period. Most of this gain is accounted for by a rise in first mortgage holdings of 17.7 percent and a growth in cash of 22.4 percent. Real estate owned was reduced by one-third to $51,819,000 and now represents only 2.4 percent of total assets. The other side of the balance sheet shows a gain of 20 percent in private capital, a decline of almost 12 percent in Government share investments, and an increase of over 22 percent in general reserves and undivided profits.

A consolidated statement of operations for all Federal savings and loan associations for the calendar year 1941 is given in Exhibit 17. Gross operating income of the 1,456 reporting associations totaled $107,282,600 as compared with $92,292,000 for the 1,428 associations reporting for the previous calendar year.

Operating expenses amounted to $30,175,200, or 28.1 percent of gross operating income in 1941. Net income after interest and nonoperating items totaled $74,288,600 as compared with $63,493,000 during 1940. Reserves and undivided profits received 29.8 percent of total net income; the remaining 70.2 percent was disbursed in the form of dividends. In 1940 the corresponding ratios were 27.3 and 72.7 percent, indicating that associations are using an increasing proportion of current income to strengthen their reserves.

The rates at which dividends were paid by Federal savings and loan associations during 1940 followed the general downward trend of the previous several years. The average annual dividend rate in 1941, weighted by the amount of invested capital, was 3.13 percent as compared with 3.25 percent in 1940 and 3.39 percent in 1939. Each of the Federal Home Loan Bank Districts and practically all of the 48 States show a lower average rate in 1941 than in 1940, indicating that the downward revision in rates is general throughout the country. Exhibit 18 shows the average annual rates paid by Federal associations, by Federal Home Loan Bank Districts and by States, for the calendar years 1940 and 1941.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Operations of Insured Institutions

During the fiscal year 1942, the number of savings and loan associations insured by the Federal Savings and Loan Insurance Corporation increased from 2,313[1] to 2,374. This increase of 61 was the net result of 73 additions and 12 terminations. Terminations in 6 cases were the result of the merger of existing insured institutions, 5 were the result of liquidation, and one institution voluntarily cancelled its insurance. On June 30, 1942, insurance applications were pending for 378 associations. The insured savings and loan group includes all 1,464 Federal savings and loan associations and 910 State associations. Investors in each of these institutions are protected by the Corporation against the loss of their savings, up to a maximum of $5,000.

By the end of the reporting period, institutions enjoying the protection of the Insurance Corporation represented approximately 63 percent of the member savings and loan associations of the Federal Home Loan Bank System. Their assets were equivalent to more than 70 percent of the consolidated resources of all member institutions. Detailed information on the number and assets of insured associations will be found in Exhibit 19.

[1] Revision necessitated by certain changes in reporting procedure adopted during the 1942 fiscal year.

Although the consolidated balance-sheet and operating trends which reflect the current condition and progress of insured savings and loan associations did not indicate the rapid advances experienced during the last few fiscal years, they nonetheless show continuing improvement for the 1942 reporting period. Thus, total assets of insured institutions increased by $301,405,000 to $3,461,228,000 from June 30, 1941, to June 30, 1942. On this latter date, the number of insured investors had reached a new high of 3,217,500.

The combined mortgage portfolio of all insured associations grew from $2,555,393,000 on June 30, 1941, to $2,827,956,000 at the close of the reporting period, a gain of 10.7 percent. New mortgage lending by insured institutions during the 1942 fiscal year aggregated $797,828,000. Although this figure failed to equal the peak record of the preceding year, it represents over 75 percent of the total lending volume of all member institutions of the Federal Home Loan Bank System.

For the fiscal year as a whole, private savings entrusted to insured savings and loan associations increased by $302,353,000 to $2,736,258,000. A reduction in the volume of new investments, coupled with higher repurchases during the first few months of 1942, explains the fact that this net increase was somewhat smaller than the gain of $413,782,000 reported for the 1941 fiscal year.

Insurance Settlements

The basic purpose for which the Congress established the Federal Savings and Loan Insurance Corporation was to bring about a greater degree of stability in savings and loan operations by spreading the risk of inevitable losses according to well-accepted insurance principles. It was to be expected that a certain number of problem cases would develop, for in any insuring operation losses are as much a part of normal operations as premium income.

In its eight years of operation, 35 insured associations have experienced difficulties requiring action by the Insurance Corporation. In two of these cases, the Corporation determined after exhaustive study that no financial assistance was necessary and these associations have continued normal operations. In 23 of the remaining 33 cases the Corporation made net cash disbursements aggregating $4,251,939.51 in order to prevent default. Recoveries received through June 30, 1942, in the amount of $30,995.34 have been deducted from gross disbursements to arrive at the foregoing figure. Additional contingent commitments to five of these associations, in the amount of $246,374.11, were still outstanding on June 30, 1942. Three of the savings and loan associations so far assisted by the Corporation have merged with other insured institutions, three have liquidated voluntarily, paying all investors in cash, and 17 have continued operations as separate units.

A total of seven institutions have been declared in default and placed in liquidation, and at the close of the fiscal year 1942, the Insurance Corporation was studying three cases to determine whether some form of corrective action should be taken. The Corporation has made a commitment of $86,000 in one of these cases contingent upon compliance with certain conditions.

It is estimated that the final losses which will be sustained in all cases in which the Corporation has made or authorized contributions or permitted associations to be placed in liquidation will amount to $5,342,000.

Analysis of the reasons for the difficulties encountered by the 33 associations with which the Corporation has had to deal indicates that adverse economic conditions, coupled with weak management, are by far the most important causes of institutional difficulties. These two factors were responsible for 21 of the 33 cases. Outright dishonesty on the part of association employees or breach of trust on the part of management accounted for the difficulties experienced by the remaining 12 institutions.

The Corporation is authorized by statute to adopt several courses of action when an insurance case is certified to it. After careful study and exhaustive analysis of the condition of the association, the Corporation determines whether it should prevent a declaration of default or whether it should permit the institution to be liquidated. A declaration of default can be prevented by the Insurance Corporation either by purchasing doubtful assets from the association, by making a loan, or by means of a contribution to the institution in difficulty. Through the close of the fiscal year 1942, the Corporation had made no loans to prevent default nor had it purchased assets, although both of these means of settlement may be employed at some future date.

In each case in which an insured association has been declared in default and placed in liquidation, the Corporation has offered all insured shareholders the two optional methods of settlement set forth in the statutes: (1) a new insured account in an insured association not in default, or (2) ten percent of the insured account in cash and the remaining 90 percent in negotiable non-interest-bearing Corporation debentures, 50 percent coming due within one year and 50 percent within three years.

Practically all of the investors in each of the seven insured associations which have been placed in liquidation have elected the first method of settlement, i.e., a new account in an open insured association. To date, less than one-tenth of one percent of the claims settled have provided for payment on the cash and debenture basis. Public confidence in the insurance program is directly reflected in the fact that of the total amount made available to insured shareholders in other operating institutions, approximately 80 percent has been left with these institutions in the form of savings share accounts.

During the fiscal year 1942, the Corporation extended financial aid in the form of contributions totaling $2,754,065.56 to eight associations which were threatened with default. In addition the Corporation paid out $45,000 to two institutions as payments on contingent commitments previously authorized.

Operation of Insured Institutions in Default

Two Federal savings and loan associations with assets of $7,200,000 and two insured State-chartered associations with assets of $514,000 were placed in liquidation during the 1942 fiscal year, bringing the number of insured associations in default and liquidation to seven, with assets aggregating $7,680,000, as of June 30, 1942. The Insurance Corporation is acting as receiver for each of the four Federal associations in liquidation and as co-receiver with a State Building and Loan Department in the case of one insured State-chartered association. The Corporation, through its subrogation of insured claims, has a major claim in the proceeds of the liquidation of two State-chartered associations and takes an active interest in the liquidation of these institutions which is being carried on by a State authority.

Comparative statements of condition and operations of these institutions as of the date of receivership through June 30, 1942, are shown in Exhibit 20. The liquidations are progressing favorably. Initial liquidating dividends of 20, 50, and 70 percent were declared in three of the receiverships during the fiscal year 1942.

Operations of the Insurance Corporation

The balance sheet of the Federal Savings and Loan Insurance Corporation during the fiscal year 1942 continued to show steady improvement. Total assets on June 30, 1942, amounted to $134,371,152 as compared with $130,920,146 a year previous. Reserves and surplus on June 30, 1942, amounted to $32,665,905 as compared with $29,388,884 on June 30, 1941. The Corporation has since its inception followed the practice of building up its surplus and reserves as rapidly as possible, recognizing that any insuring operation requires an adequate cushion against future losses.

The potential insured liability of the Insurance Corporation, representing the total amount of all insured accounts up to $5,000 each and all creditor obligations of insured associations totaled $2,772,012,000 on June 30, 1942, as compared with $2,464,167,000 at the close of the 1941 fiscal year. In terms of the relationship of liability to resources of the Corporation, there was on June 30, 1942, for each dollar of capital, reserves, and surplus of the Corporation, a potential liability of $20.63. The current statement of condition of the Insurance Corporation will be found in Exhibit 21.

Income of the Federal Savings and Loan Insurance Corporation is derived from annual premiums paid by insured institutions, admission fees received from associations newly entering the system, and from interest on investments. All income over and above expenses is allocated to reserves, and disbursements of the Corporation in connection with insurance settlement cases are charged to these reserve accounts.

Premium income received during the fiscal year 1942 totaled $3,534,952 as compared with $3,063,115 for the preceding reporting period. Premiums paid by insured institutions equal 1/8 of 1 percent of total share and creditor obligations or an amount which equals approximately 11 cents for each $100 of assets. Admission fees, charged on the basis of 4 cents for each $100 of insurable accounts and creditor obligations, totaled $27,502 during the 1942 fiscal year as compared with $24,371 in the 1941 reporting period.

The Corporation's income from investments, including $131,775 resulting from profits in the sale of securities, amounted to $3,612,479. Including miscellaneous items, the aggregate income of the Corporation thus totaled $7,175,000 during the reporting period, an increase of $592,807 over the preceding year.

The Corporation's administrative expenses amounted to $324,931 during the period under review and nonadministrative expenses, which arise principally from costs incurred in connection with settlement cases, totaled $32,867. After deduction of these administrative and nonadministrative expenses from gross income, the net income of the Corporation during the 1942 fiscal year amounted to $6,817,203 as against $6,317,177 the year previous. A detailed statement of income and expense for the fiscal year 1942 will be found in Exhibit 22.

Total personnel actively employed by the Corporation on June 30, 1942, numbered 70. The Corporation is able to operate efficiently with this small staff because under a cooperative arrangement it is able to utilize the various service divisions of the Federal Home Loan Bank Administration on a reimbursable basis and does not have to maintain such departments of its own. At the present time, the Corporation is able to maintain its administrative expenses at a figure lower than the interest income from its invested reserves.

HOME OWNERS' LOAN CORPORATION

Progress in Liquidation

Since the close of its emergency lending operations in June 1936, the major responsibility of the Home Owners' Loan Corporation has been the orderly and economical liquidation of its affairs. During its three-year lending period, the Corporation refinanced the mortgage obligations of 1,017,823 individuals virtually all of whom were in danger of losing their homes through foreclosure. It is the assets it holds as a result of these lending operations plus certain additional amounts it invested in the share capital of savings and loan associations which the Home Owners' Loan Corporation is now engaged in liquidating.

Emergency refinancing loans made by the HOLC amounted to $3,093,451,321. As part of its normal servicing activities, the Corporation has found it necessary from time to time to advance supplemental amounts to its borrowers primarily for the payment of delinquent taxes. In addition it has been necessary, of course, for the Corporation to foreclose certain of the loans originally granted and in these cases its investment has been increased through the capitalization into property account of such items as delinquent interest and taxes, foreclosure and acquisition costs, and reconditioning expenditures. Through June 30, 1942, the amounts advanced to borrowers and capitalized into property totaled $382,642,477. Cumulative gross investments in what might be termed the Corporation's "operating assets," i.e., the mortgage loan, vendee, and property accounts, resulting from its lending program, thus aggregated $3,476,093,798 through the close of the reporting period.

As shown by the table below, the operating assets at the end of the fiscal year 1942 aggregated $1,938,195,197, a reduction of $1,537,898,601, or 44.2 percent. Over three-fourths of this net reduction has resulted from principal repayments on original loans. Another ten percent represents receipts from property sales and repayments by vendees. The remaining 15 percent of the total net reduction in operating assets is attributable to charge-offs and losses. As will be explained in more detail later, the Corporation has been able to make up a large proportion of these losses and charge-offs from its operating income.

Reduction in Operating Assets Through June 30, 1942

Original amount loaned		$3,093,451,321
Subsequent advances to borrowers, net additions included in capitalized value of properties, etc.		382,642,477
Original loans plus advances, capitalized additions, etc.		3,476,093,798
Present balance, original loans	$1,311,850,737	
Present balance, vendee accounts and unposted advances	364,037,184	
Present balance, property accounts	262,307,276	
Total		1,938,195,197
Net reduction in operating assets		1,537,898,601

During the 1942 fiscal year, liquidation progressed somewhat more rapidly than during any previous reporting period, primarily as the result of a higher rate of collections on debtor accounts. The total balance of mortgage loan, vendee, and property accounts was reduced from $2,189,038,942 at the beginning of the fiscal year to $1,938,195,197 on June 30, 1942, a decline of $250,843,745, or 11.5 percent.

The Corporation's investments in the share capital of savings and loan associations have also been substantially reduced. These investments were authorized by Congress in 1935 as a means of stimulating private home mortgage lending activity. Up to June 30, 1942, the Corporation had invested a total of $223,756,710 in this manner. The amount still outstanding on that date aggregated $167,069,810, a decline of over 25 percent. The major proportion of the reduction in this asset item has been brought about as the result of voluntary retirements over and above amounts requested by the Federal Home Loan Bank Administration.[1]

The liquidation of the Corporation's debtor and property accounts and the retirement of investments in savings and loan associations has been accompanied by a decline in bonded indebtedness. Total bonds outstanding on June 30, 1942, amounted to $2,119,317,750 as compared with a peak of $3,047,046,575 on May 31, 1936. In accordance with the Home Owners' Loan Act of 1933, the Corporation segregates all principal repayments by borrowers for use only in the retirement of bonds. Certain other receipts of the Corporation, including cash proceeds from property sales and funds received in connection with the repurchase of savings and loan investments, are similarly applied. Cumulatively through the close of the reporting period, all sums applicable to the retirement of bonds aggregated $1,403,470,605. As shown in the table below, funds in this amount had been deposited in a special Bond Retirement Fund, in the United States Treasury, and have been used either to retire bonds or are available for future retirements.

[1]See pp. 21-22.

Disposition of Funds Allocated to Bond Retirement Fund

Applied to retirement of bonds	$1,370,022,855
Deposited with U. S. Treasury for retirement of matured bonds on which interest has ceased	25,835,525
Available for future bond retirement	322,742
	1,396,131,122
Balance due Bond Retirement Fund for June 1942 deposited in July 1942	7,289,483
	1,403,470,605

During the month of June 1942, the Corporation substantially reduced its bonded debt. Series "G" bonds, bearing an interest rate of 2-1/4 percent, which were outstanding in the amount of $875,438,625, became eligible for redemption and were called for payment on July 1, 1942. Of this issue, bonds amounting to $315,438,625 were retired outright from cash available in the Corporation's Bond Retirement Fund. The remaining $560,000,000 was refunded through the issuance to the Treasury of Series "Q", 1 percent, bonds due July 1, 1943. As a result of this retirement and refunding operation, substantial savings in interest charges will be realized. The average interest rate on bonds outstanding was reduced from 2.257 percent on June 30, 1941, to 1.928 percent at the close of the 1942 reporting period. A detailed statement of the bond transactions of the Corporation will be found in Exhibit 23.

The liquidating program of the Home Owners' Loan Corporation has made possible a steady reduction in personnel and other administrative expenses during the last several years. Thus, during the 1942 fiscal year alone, the Corporation was able to reduce its personnel from 7,764 to 5,228 and thereby effect an annual salary saving of $3,921,550.

During the 1942 fiscal year the Corporation was able substantially to contract its field organization. Two regional offices, nine State offices, and one division office were closed. There was also a net reduction of eight in the number of field stations. The latter are small offices which are used as operating centers for field men engaged in loan servicing and property management. They are under the direction of the regional offices of the regions in which they are located. As a result of these actions, the total number of offices of the Corporation on June 30, 1942, was 8 regional offices, one State office, and 39 field stations.

Status of Accounts

A substantial rise was recorded during the fiscal year 1942 in the number of home owners whose loan payments to the Corporation are being met on schedule. Loan foreclosures have dropped, and a steady upward trend in principal payments by HOLC borrowers in excess of their contractual obligations has been noted.

The collection record during 1942 was maintained at a higher level than for any previous fiscal year, totaling $313,852,862, as compared with $293,456,574 for the fiscal year 1941, and $276,138,266 for the fiscal year 1940. Nevertheless, the continued need for constant, careful servicing of HOLC accounts is evidenced by an analysis of the slow progress of some borrowers in reducing their indebtedness to the Corporation. The constant problem of the Corporation is to build up equity balances of borrowers so that the Corporation's loans may become increasingly safe.

Loan Service

From the beginning of operations, the Home Owners' Loan Corporation has serviced its loans on an individual case basis. This handling of delinquent accounts has enabled the Corporation to discover causes of trouble and in many thousands of cases has led to the working out of programs to prevent foreclosure. Trained representatives of the Corporation make personal calls in more serious cases; when the delinquency is small, direct correspondence is frequently sufficient. In all cases, however, every effort is made to help the individual borrower to solve his difficulties.

Where it has obviously been necessary and justified, the Corporation under current war conditions, has extended special leniency in cases where a wage earner has been inducted into military service. In the majority of cases such borrowers, in recognition of their military status and reduced income, are given the privilege of making reduced payments usually in an amount sufficient to cover at least interest and taxes.

A major servicing measure of the Corporation which has proved advantageous both to the Corporation and to its borrowers is the special procedure which has been set up for the systematic collection of taxes and insurance on mortgagor properties. In the normal course of events, charges for taxes and insurance are levied on an annual basis and in many cases their payment in a lump sum represents a severe hardship. To safeguard the home owner against the accrual of insurance charges and penalties due to tax delinquency, arrangements are made for the payment of taxes and insurance on a systematic monthly installment basis. When taxes and insurance come due, they are paid automatically by the Corporation from the funds paid in by the borrower in this manner. At the end of the fiscal year 1942, a total of 431,213 such accounts had been established.

This procedure, in addition to assisting the Corporation's borrowers, has brought about substantial economies in the Corporation's administrative expenses by eliminating the necessity for searching public tax records to obtain information on tax delinquencies.

The Corporation's servicing activities were considerably broadened in August 1939 with the passage of the Mead-Barry Act. Under the terms of this amendment to the Home Owners' Loan Act, the Corporation was authorized, under certain conditions, to extend the repayment period of borrowers' accounts to a maximum of 25 years. For the most part, the bulk of extension applications submitted to the Corporation had been processed prior to the current reporting period. The books of the Corporation show that 251,170 accounts had been extended through June 30, 1942.

The program inaugurated by the Corporation, encouraging certain of its borrowers to pay their accounts ahead of schedule, made notable progress during 1942. Through this servicing activity, representatives of the Corporation in personal interviews have urged individual borrowers to use the increased incomes they now enjoy either to build up a "prepayment" reserve to take care of future installments during unforeseen periods of difficulty, or, if possible, to apply excess sums as a direct reduction of principal indebtedness.

One measure of the success of the Corporation's overpayment program is found in the fact that 87,221 borrowers already were paying in excess of their regular monthly installments on June 30, 1942.

Acceleration in the reduction of mortgage indebtedness has, of course, a dual advantage to the Corporation and its borrowers. To the borrower, any reduction in the indebtedness on his home means a corresponding increase in his equity and places him in a better position to meet unforeseen contingencies which may arise before debt-free home ownership is attained. From the Corporation's standpoint, its security position is strengthened as borrowers are able to reduce the principal amount of their mortgage obligations. In addition, a third aspect to the program has special significance under present-day conditions. Acceleration in debt repayment is anti-inflationary in character and to the extent that the Corporation and its borrowers are jointly successful in this new program, the problem faced by the country in combatting a threatening inflationary spiral is materially relieved.

Foreclosures

Foreclosures authorized by the Corporation on borrowers' accounts after deduction of withdrawals numbered only 3,429 during 1942 as compared with 13,091 during 1941, a reduction of 73.8 percent. The current low rate of foreclosure is another reflection of the stronger financial position of many of the Corporation's borrowers.

Foreclosure Operations During the Fiscal Year 1942, by Months

Month	Authorizations	Withdrawals[1]	Net Authorizations
1941			
July	880	601	279
August	968	518	450
September	856	522	334
October	919	584	335
November	744	483	261
December	698	428	270
1942			
January	643	438	205
February	577	361	216
March	616	340	276
April	599	354	245
May	633	306	327
June	641	410	231
Total	8,774	5,345	3,429

[1]Includes 155 redemptions.

From the beginning of operations, the Corporation has authorized a total of 238,851 foreclosures on debtors' loans, of which 39,474 have been withdrawn, leaving a net figure of 199,377.

Property Management

The volume of foreclosed properties owned by the Home Owners' Loan Corporation again underwent a substantial reduction during the 1942 fiscal year. The number of properties owned and in process of acquiring title was 37,998 on June 30, 1942, as compared with 49,419 a year previous, a decline of 23.1 percent. On a cumulative basis, the Corporation has acquired 190,191 properties, of which nearly 82 percent had been sold through the close of the reporting period. The combined capital value of properties owned and in process of acquiring title amounted to $262,307,276 on June 30, 1942, as compared with $318,734,001 a year previous, a drop of 17.7 percent.

Sales of Corporation-owned properties through June 30, 1942, resulted in a total loss of $226,561,520, or an average of $1,447 per property. These loss figures represent the difference between capitalized value as shown on the books of the Corporation, together with brokerage and sales burden, and the actual price received at time of sale. Capitalized value, following standard practice, includes, in addition to the unpaid principal balance of the foreclosed loan, delinquent interest and taxes, foreclosure, acquisition, and rehabilitation costs.

The Corporation endeavors to dispose of its acquired properties as rapidly as possible. Pending sale, most properties owned are rented. Of the 50,122 units in Corporation properties at the close of the 1942 fiscal year, 5,675 were unavailable for rental, being in process of repair, held vacant for sale, or adversely occupied. Of the 44,447 units then available for rental, 41,538, or 93.5 percent, were rented.

During the 1942 fiscal-year period, the Corporation's gross operating income from the rental of its properties amounted to $19,528,528. Gross expenses for properties both rented and vacant, exclusive of interest and administrative overhead, amounted to $14,586,897. During the reporting period, therefore, the Corporation received a net operating income of $4,941,631. From the beginning of operations through the close of the reporting period, the net operating income from properties owned by the Corporation totaled $19,356,601.

Reconditioning

During the fiscal year 1942, reconditioning operations of the Corporation show a decline from the previous reporting period due to fewer property acquisitions and a reduced real estate account. Reconditioning contracts completed during the twelve months ending June 30, 1942, numbered 21,687 in the amount of $9,174,051, as compared with 35,982, involving an expenditure of $11,653,483 during the preceding reporting period.

With the growing need for a more intensive use of existing structures as a result of material scarcities and crowded conditions in war industry centers, the unusual experience of the Corporation's Reconditioning Section has been enlisted in an advisory capacity by agencies directly engaged in war housing problems. It has cooperated with the Homes Registration Offices in a program to encourage the repair, modernization, and conversion of private homes to provide additional housing accommodations for war workers.

After the adoption of the priorities system for defense housing in the fall of 1941, the Compliance Branch of the War Production Board requested the aid of the Corporation's trained field investigators to conduct industrial surveys in the construction field. During March and April 1942, the Reconditioning Section made a special investigation of priority compliance in 284 publicly financed defense housing projects. All of these projects were in the process of construction at the time of investigation. The survey served the dual purpose of checking up on actual compliance with regulations of the War Production Board and emphasizing to contractors and others engaged in building operations the necessity of conserving scarce materials for more direct war needs.

A second survey was started in May 1942 for the War Production Board to check general compliance of the construction industry with the provisions of Conservation Order L-41, the "stop-construction" order issued on April 9, 1942. The survey continued for a period of sixty days, ending on July 17, 1942. During this period, the Corporation's investigators made over 23,000 contacts in 5,503 cities.

All of the services performed for the War Production Board in the aforementioned two surveys were provided on a reimbursable basis, including salary, per diem, travel, and other expenses.

Appraisals

During the current reporting period, the Corporation completed a total of 37,125 appraisals as compared with 60,264 during the preceding fiscal year. The current work load figure includes 9,953 new appraisals and 27,172 reappraisals or supplemental reviews. The rapid changes in property valuations during recent months have necessitated frequent reviews of Corporation appraisals in order to keep this vital and necessary information as up to date as possible.

As in the case of the Corporation's reconditioning personnel, a number of war agencies have availed themselves of the services of the trained appraisal staff of the Corporation. During the 1942 fiscal year, the War and Navy Departments requested appraisals of properties valued at many millions of dollars. For the Navy Department, 360 appraisals had been completed or were in process on June 30, 1942. An additional 110 projects had been undertaken for the War Department, and 63 for other Government agencies, including the Department of Justice, the Federal Works Agency, and the Procurement Division of the United States Treasury. All cooperative appraisal work performed by the Corporation for other Government agencies is done on a reimbursable basis.

Financial Operations

The progressing liquidation of the Home Owners' Loan Corporation is reflected in a comparison of the Corporation's balance sheet on June 30, 1942 (Exhibit 23) with the balance sheet a year previous. The asset side of the balance sheet shows a decrease of 12.6 percent, with the principal declines occurring in the mortgage loan and property accounts. The liability side of the balance sheet shows a decrease in both bonded indebtedness and the Corporation's net capital.

Changes in Important Balance-Sheet Items From June 30, 1941, to June 30, 1942

	June 30, 1941	June 30, 1942	Change
Assets			
Original mortgage loans and advances thereon	$1,521,046,216	$1,311,850,737	- $209,195,479
Vendee accounts and advances thereon	349,246,315	363,994,551	+ 14,748,236
Unposted advances	12,410	42,633	+ 30,223
Total loan inventory	1,870,304,941	1,675,887,921	- 194,417,020
Property owned and in process of acquiring title	318,734,001	262,307,276	- 56,426,725
Bond Retirement Fund	46,111,498	26,158,267	- 19,953,231
Investments	282,853,360	267,069,810	- 15,783,550
Liabilities and Capital			
Bonded indebtedness	2,419,608,800	2,119,317,750	- 300,291,050
Reserve for losses	26,885,039	39,759,246	+ 12,874,207
Capital stock:			
Authorized, issued, and outstanding	200,000,000	200,000,000	-
Losses in excess of net earnings	65,477,653	69,703,680	+ 4,226,027
Reserves for future losses.	26,885,039	39,759,246	+ 12,874,207
Total	92,362,692	109,462,926	+ 17,100,234
Net capital after losses and provision for future losses ...	107,637,308	90,537,074	- 17,100,234

Operations during the current reporting period brought a continued reduction in both the income and expenses of the Home Owners' Loan Corporation. Operating and other income for the twelve months ending June 30, 1942, amounted to $106,359,213 as compared with $116,484,728 a year previous. Total expenses, on the other hand, including interest on bonded indebtedness, aggregated $83,875,427 as compared with $92,867,479 during the 1941 reporting period. In percentage terms, this indicates a reduction of 8.7 percent in income and 9.7 percent in expenses.

An income and expense statement for the fiscal year 1942 will be found in Exhibit 24, and Exhibit 25 gives an operating statement covering the entire period from the organization of the Corporation in 1933 through June 30, 1942.

VI

UNITED STATES HOUSING CORPORATION

Prior to the organization of the National Housing Agency, the United States Housing Corporation was a part of the Federal Works Agency. The Corporation was created in 1918 during World War I for the purpose of housing workers in congested war industry areas. After the Armistice, it was decided that the Corporation should complete projects which were in an advanced stage of construction and that others should be abandoned and the materials salvaged.

In accordance with this program, the Corporation completed approxminately 6,000 residential properties located in 26 States and several large hotels in Seattle, Washington, and the District of Columbia. Most of these properties have been sold or otherwise disposed of. At the end of February 1942, when the United States Housing Corporation was transferred from the Federal Works Agency into the Federal Home Loan Bank Administration, the books of the Corporation showed that it held an interest in 445 houses and 54 vacant lots. Some 415 of these houses are located in Philadelphia, Pennsylvania.

Immediately after the issuance of Executive Order 9070, the necessary steps were taken to protect the Corporation's interest in these holdings and the Congress was requested to authorize the Federal Home Loan Bank Administration to use $173,000 of the Corporation's own funds to wind up its affairs. This request was granted on July 2, 1942, just after the close of the current reporting period. A program to bring about the speedy liquidation of the United States Housing Corporation was immediately thereafter put into effect.

LIST OF EXHIBITS

EXHIBIT 1

Nonfarm Real Estate Foreclosures, by Federal Home Loan Bank Districts and by States

Bank District and State	Number, Year Ending June 30, 1941	Number, Year Ending June 30, 1942
UNITED STATES	68,432	49,514
No. 1--Boston	7,356	5,427
Connecticut	1,120	803
Maine	663	593
Massachusetts	4,759	3,508
New Hampshire	266	192
Rhode Island	481	269
Vermont	67	62
No. 2--New York	15,620	11,192
New Jersey	3,412	2,328
New York	12,208	8,864
No. 3--Pittsburgh	10,285	8,195
Delaware	184	187
Pennsylvania	9,398	7,509
West Virginia	703	499
No. 4--Winston-Salem	7,417	5,663
Alabama	916	520
District of Columbia	271	141
Florida	1,317	1,267
Georgia	675	603
Maryland	1,367	981
North Carolina	1,241	777
South Carolina	305	308
Virginia	1,325	1,066
No. 5--Cincinnati	7,172	4,739
Kentucky	1,176	715
Ohio	4,017	2,651
Tennessee	1,979	1,373
No. 6--Indianapolis	2,788	1,494
Indiana	1,122	649
Michigan	1,666	845

Bank District and State	Number, Year Ending June 30, 1941	Number, Year Ending June 30, 1942
No. 7--Chicago	4,273	3,049
Illinois	2,362	1,913
Wisconsin	1,911	1,136
No. 8--Des Moines	4,063	3,039
Iowa	517	364
Minnesota	646	510
Missouri	2,564	1,836
North Dakota	146	177
South Dakota	190	152
No. 9--Little Rock	2,565	1,885
Arkansas	305	210
Louisiana	485	422
Mississippi	231	327
New Mexico	77	71
Texas	1,467	855
No. 10--Topeka	2,843	1,871
Colorado	341	242
Kansas	1,098	572
Nebraska	715	577
Oklahoma	689	480
No. 11--Portland	964	644
Idaho	53	52
Montana	81	88
Oregon	369	161
Utah	71	67
Washington	332	239
Wyoming	58	37
No. 12--Los Angeles	3,086	2,316
Arizona	111	96
California	2,964	2,218
Nevada	11	2

Source: Division of Operating Statistics, Federal Home Loan Bank Administration.

EXHIBIT 2

Selected Figures on Residential Real Estate Owned by
Financial Institutions, December 31, 1940, and December 31, 1941

(Amounts in thousands of dollars)

Type of Institution	December 31, 1940	December 31, 1941	Decrease During 1941 Amount	Decrease During 1941 Percent
Savings and Loan Associations[1]	$ 492,171[5]	$ 330,000[6]	$162,171	33.0
Mutual Savings Banks[2]	400,000	300,000	100,000	25.0
Commercial Banks[2]	190,000	134,000	56,000	29.5
Life Insurance Companies[3]	473,641[5]	365,311	108,330	22.9
Total Private	1,555,812	1,129,311	426,501	27.4
HOLC[4]	338,277	274,608	63,669	18.8
Grand Total	1,894,089	1,403,919	490,170	25.9

[1] Estimate based on reports of operating associations received by the Federal Home Loan Bank Administration.

[2] Estimates based on the reports of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The estimate for commercial banks excludes trust departments, but includes an allowance for investments and other assets indirectly representing bank premises or other real estate.

[3] Estimate of the Federal Home Loan Bank Administration based on a questionnaire survey of the largest life insurance companies. Excludes company-built housing projects.

[4] Capital value.

[5] Revised.

[6] Preliminary.

EXHIBIT 3

Indices of Total Building Cost, and of Cost of Materials and Labor Used in Construction of Standard Six-Room Frame House

(Average Month 1935-1939 = 100)

Period	Materials	Labor	Total
Fiscal Year 1941:			
1940			
July	101.2	103.4	102.0
August	101.4	103.6	102.1
September	101.9	104.8	102.9
October	103.4	106.9	104.6
November	104.6	109.8	106.4
December	105.9	112.5	108.1
1941			
January	106.6	114.5	109.3
February	107.8	115.1	110.2
March	108.0	115.3	110.4
April	108.7	116.1	111.2
May	108.8	117.0	111.6
June	109.2	118.6	112.4
Fiscal Year 1942:			
1941			
July	110.7	119.3	113.6
August	112.6	120.0	115.1
September	114.4	120.7	116.5
October	116.0	123.3	118.5
November	116.9	123.9	119.2
December	117.7	124.2	119.9
1942			
January	118.6	124.5	120.6
February	119.3	125.0	121.2
March	120.0	126.0	122.0
April	120.5	125.9	122.3
May	121.0	126.4	122.8
June	121.3	127.8	123.5

Source: Division of Operating Statistics, Federal Home Loan Bank Administration

EXHIBIT 4

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	1940	1941
Savings and Loan Associations	$1,791	$1,262	$ 892	$ 543	$414	$ 451	$ 564	$ 755	$ 897	$ 798	$ 986	$1,200	$1,379
Insurance Companies	525	400	169	54	10	16	77	140	232	242	274	324	399
Mutual Savings Banks	612	484	350	150	99	80	80	100	120	105	112	133	171
Commercial Banks and Their Trust Departments	1,040	670	364	170	110	110	264	430	500	560	610	689	798
Home Owners' Loan Corporation	-	-	-	-	132	2,263	583	128	27	81	151	143	63
Individuals and Others[1]	1,120	720	400	175	100	150	443	605	723	669	740	865	1,083
Total	5,088	3,536	2,175	1,092	865	3,070	2,011	2,158	2,499	2,455	2,873	3,354	3,893

[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 Operating Statistics, Federal Home Loan Bank Administration

EXHIBIT 5

Estimated Recordings of Nonfarm Mortgages of $20,000 and Less,[1] by Type of Mortgagee, Fiscal Year 1942

(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
UNITED STATES	498,396	$1,381,809	83,284	$407,383	323,144	$1,072,871	52,192	$206,136	381,841	$776,256	198,457	$675,118	1,537,314	$4,519,573
No. 1--Boston	42,351	144,035	2,978	16,935	11,378	43,563	27,814	102,405	30,322	70,321	7,500	26,545	122,343	403,804
Connecticut	4,194	16,698	2,000	11,631	4,497	20,004	6,150	25,472	7,673	19,228	4,277	16,327	28,791	109,360
Maine	2,496	6,304	250	1,167	1,277	3,439	2,079	5,073	2,018	3,285	519	1,257	8,639	20,525
Massachusetts	30,358	104,032	524	3,137	3,834	14,408	14,829	56,039	16,870	40,030	1,792	6,009	68,207	223,655
New Hampshire	1,671	4,416	50	232	520	1,542	2,116	6,937	1,160	2,429	162	445	5,679	16,001
Rhode Island	2,489	9,549	93	491	874	3,120	1,373	4,736	1,805	3,759	610	2,134	7,244	23,789
Vermont	1,143	3,036	61	277	376	1,050	1,267	4,148	796	1,590	140	375	3,783	10,474
No. 2--New York	31,125	108,140	5,372	28,544	27,591	113,529	16,457	74,207	44,297	110,033	20,424	78,235	145,266	512,688
New Jersey	12,817	42,783	2,944	14,622	15,677	66,576	1,460	6,566	17,152	44,042	10,395	37,927	60,445	212,516
New York	18,308	65,357	2,428	13,922	11,914	46,953	14,997	67,641	27,145	65,991	10,029	40,308	84,821	300,172
No. 3--Pittsburgh	36,804	95,242	5,379	25,621	32,534	106,191	3,080	11,876	25,488	60,900	14,032	55,847	117,317	353,677
Delaware	483	1,547	325	1,887	736	2,925	260	1,079	905	2,201	280	855	2,989	10,494
Pennsylvania	31,932	84,906	4,175	19,377	24,763	86,998	2,717	10,733	20,207	50,958	12,220	49,864	96,014	302,836
West Virginia	4,389	8,789	879	4,357	7,035	16,268	103	64	4,376	7,741	1,532	3,128	18,314	40,347
No. 4--Winston-Salem	68,506	186,241	12,527	56,809	29,050	83,562	694	2,777	54,310	101,517	26,989	75,136	192,076	506,042
Alabama	2,663	4,760	1,767	7,309	2,913	6,538	-	-	6,343	9,180	2,966	7,268	16,652	35,055
District of Columbia	5,555	30,703	975	6,538	953	6,449	-	-	4,514	13,624	2,018	10,565	14,015	67,879
Florida	6,113	19,045	3,820	15,522	3,533	10,736	-	-	8,748	19,423	4,214	12,748	26,428	77,474
Georgia	9,460	18,960	1,571	8,271	6,686	12,821	-	-	8,482	11,742	4,835	10,115	31,034	61,909
Maryland	15,629	43,833	569	3,068	3,056	10,548	694	2,777	5,685	13,389	2,819	8,760	28,452	82,375
North Carolina	14,553	35,174	1,384	5,952	3,688	12,383	-	-	10,107	11,407	3,499	8,034	33,231	72,950
South Carolina	3,118	7,033	532	2,728	2,509	5,834	-	-	2,278	4,879	1,467	4,449	9,904	24,923
Virginia	11,415	26,733	1,909	7,421	5,712	18,253	-	-	8,153	17,873	5,171	13,197	32,360	83,477
No. 5--Cincinnati	85,037	256,540	8,843	44,981	38,523	122,327	1,721	7,068	28,329	51,784	19,475	57,234	181,928	539,934
Kentucky	11,064	27,102	1,519	6,582	6,120	15,421	-	-	2,794	3,339	994	2,814	22,491	55,258
Ohio	70,584	221,901	4,907	28,457	25,822	88,413	1,721	7,068	21,668	42,919	8,769	30,848	133,471	419,606
Tennessee	3,389	7,537	2,417	9,942	6,581	18,493	-	-	3,867	5,526	9,712	23,572	25,966	65,070
No. 6--Indianapolis	37,398	80,734	9,809	44,629	38,483	109,858	198	403	16,539	34,470	13,224	50,402	115,651	320,496
Indiana	25,859	50,803	3,819	17,019	13,616	39,405	198	403	5,564	10,209	3,455	10,186	52,511	128,025
Michigan	11,539	29,931	5,990	27,610	24,867	70,453	-	-	10,975	24,261	9,769	40,216	63,140	192,471
No. 7--Chicago	46,382	136,128	5,083	26,647	21,941	82,224	134	302	26,900	62,941	21,446	93,655	121,886	401,897
Illinois	35,055	103,782	3,776	20,820	13,660	56,772	-	-	14,802	36,278	18,675	84,279	85,968	301,931
Wisconsin	11,327	32,346	1,307	5,827	8,281	25,452	134	302	12,098	26,663	2,771	9,376	35,918	99,966
No. 8--Des Moines	36,527	83,717	7,561	36,335	26,650	69,633	376	1,435	28,877	46,445	19,283	57,157	119,274	294,722
Iowa	9,465	19,717	1,166	5,218	6,907	17,204	-	-	4,824	7,850	2,642	7,770	25,004	57,759
Minnesota	11,981	29,706	3,358	14,972	6,139	13,799	376	1,435	8,418	15,740	2,505	8,509	32,777	84,161
Missouri	13,092	29,705	2,495	14,027	11,812	35,491	-	-	13,832	20,042	13,655	40,088	54,886	139,353
North Dakota	1,300	3,253	242	931	673	1,132	-	-	780	1,296	256	439	3,251	7,051
South Dakota	689	1,336	300	1,187	1,119	2,007	-	-	1,023	1,517	225	351	3,356	6,398
No. 9--Little Rock	35,585	89,967	12,051	53,995	10,343	30,593	-	-	27,844	50,148	20,479	62,955	106,302	287,658
Arkansas	2,976	6,099	710	2,787	1,835	3,909	-	-	2,953	4,065	1,222	2,698	9,696	19,558
Louisiana	9,350	30,941	2,211	10,238	922	2,448	-	-	4,704	9,780	4,328	12,183	21,515	65,590
Mississippi	1,794	3,452	788	3,208	1,509	3,319	-	-	2,958	4,222	1,333	3,170	8,382	17,371
New Mexico	887	2,034	63	329	1,374	5,013	-	-	1,251	2,218	229	367	3,804	9,961
Texas	20,578	47,441	8,279	37,433	4,703	15,904	-	-	15,978	29,863	13,367	44,537	62,905	175,178
No. 10--Topeka	29,000	63,470	3,579	15,679	10,473	26,373	-	-	18,621	28,400	10,143	31,291	71,816	165,213
Colorado	3,804	9,962	377	1,723	1,442	3,693	-	-	7,191	13,554	3,258	10,472	16,072	39,404
Kansas	8,671	17,121	624	2,650	4,179	10,035	-	-	3,029	3,710	2,185	6,691	18,688	40,207
Nebraska	6,904	14,232	1,562	6,447	978	3,211	-	-	2,366	3,431	1,106	2,790	12,916	30,111
Oklahoma	9,621	22,155	1,016	4,859	3,874	9,434	-	-	6,035	7,705	3,594	11,538	24,140	55,491
No. 11--Portland	18,622	45,562	3,425	13,423	14,310	36,877	1,718	5,663	15,381	23,243	10,482	55,792	63,938	160,560
Idaho	929	1,992	163	698	550	1,892	-	-	1,752	2,494	1,001	2,507	4,395	9,583
Montana	1,359	3,241	193	849	698	2,160	-	-	1,493	2,717	256	730	3,999	9,697
Oregon	4,021	10,281	1,266	5,185	1,912	4,447	152	516	5,951	8,252	2,511	8,307	15,793	36,988
Utah	2,252	6,905	417	1,519	3,422	10,364	-	-	1,234	1,964	588	1,561	7,913	22,313
Washington	9,331	21,050	1,367	5,088	7,336	16,874	1,566	5,147	4,190	6,478	5,803	21,594	29,593	76,231
Wyoming	730	2,093	19	84	392	1,140	-	-	781	1,338	323	1,093	2,245	5,748
No. 12--Los Angeles	31,059	92,033	6,677	43,785	61,868	248,141	-	-	64,933	136,054	14,980	52,869	179,517	572,882
Arizona	1,208	3,549	79	334	1,532	5,543	-	-	2,967	6,183	357	877	6,143	16,486
California	29,573	87,674	6,580	43,375	60,012	241,422	-	-	61,291	128,460	14,542	51,789	171,998	552,720
Nevada	278	810	18	76	324	1,176	-	-	675	1,411	81	203	1,376	3,676

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

Source: Division of Operating Statistics,
Federal Home Loan Bank Administration

EXHIBIT 6

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	1940	1941
Savings and Loan Associations	$6,507	$6,402	$5,890	$5,148	$4,437	$3,710	$3,293	$3,237	$3,420	$3,555	$3,758	$4,084	$4,489
Insurance Companies	1,626	1,732	1,775	1,724	1,599	1,379	1,281	1,245	1,246	1,320	1,490	1,758	2,101
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	2,700	2,730
Commercial Banks	2,500	2,425	2,145	1,995	1,810	1,189	1,189	1,230	1,400	1,600	1,810	2,095	2,470
Home Owners' Loan Corporation	-	-	-	-	132	2,379	2,897	2,763	2,398	2,169	2,038	1,956	1,777
Individuals and Others	7,200	7,400	7,500	7,000	6,700	6,200	6,000	6,000	6,180	6,332	6,440	6,510	6,590
Total	21,058	21,259	20,685	19,242	17,878	17,857	17,510	17,225	17,344	17,646	18,216	19,103	20,157

[1] For detailed explanation of preparation of these estimates, see footnotes to Exhibit 10 of Ninth Annual Report of Federal Home Loan Bank Board.

Source: Division of Operating Statistics, Federal Home Loan Bank Administration

EXHIBIT 7

Changes in Selected Types of Individual Long-Term Savings December 31, 1935, to December 31, 1941

(In millions of dollars)

	1935	1936	1937	1938	1939	1940	1941	Percent Change 1940-1941
Total	$44,191	$46,951	$49,531	$51,501	$54,510	$57,923	$61,770	+ 6.6
Life Insurance Companies[2]	17,542	19,133	20,510	21,858	23,381	25,025	26,877	+ 7.4
Mutual Savings Banks[3]	9,829	10,013	10,126	10,235	10,481	10,618	10,490	- 1.2
Insured Commercial Banks[4]	10,575	11,491	12,100	12,196	12,622	13,062	13,261	+ 1.5
Savings and Loan Associations[5]	4,759	4,449	4,433	4,392	4,412	4,594	4,915[1]	+ 7.0
Postal Savings[6]	1,229	1,291	1,303	1,286	1,315	1,342	1,392	+ 3.7
2-1/2% Postal Savings Bonds[7]	104	99	95	92	90	87	85	- 2.3
United States Savings Bonds[8]	153	475	964	1,442	2,209	3,195	4,750	+ 48.7

[1] Preliminary.

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

[3] Deposits. Source: The Month's Work, published by the National Association of Mutual Savings Banks. For years prior to 1928 interpolations for year-end based on savings deposits in mutual savings banks as reported by the Comptroller of the Currency.

[4] Deposits evidenced by savings passbooks: for 1933 and prior years interpolations for year-end based on Comptroller of the Currency figures for national banks, state commercial banks, loan and trust companies, stock banks and private banks. For 1934 and subsequent years, figures represent savings deposits in insured commercial banks. Source: Assets and Liabilities of Insured Commercial Banks, report of FDIC.

[5] Estimated private investments in savings and loan associations, including deposits, investment securities, and shares pledged against mortgage loans. Source: Federal Home Loan Bank Administration.

[6] Due depositors: outstanding principal and accrued interest on certificates of deposits, outstanding savings stamps, and unclaimed deposits. Source: Post Office Department.

[7] Excludes such bonds held by the Postal Savings System. Source: Treasury Daily Statements and Post Office Department.

[8] Current redemption value. From May 1, 1941: War Savings Bonds, Series E.

EXHIBIT 8

Federal Home Loan Bank System
Number and Estimated Assets of Member Institutions,
June 30, 1941, and June 30, 1942

Bank District and State	Number of Members 1941	Number of Members 1942	Assets of Members (In thousands of dollars) 1941	Assets of Members (In thousands of dollars) 1942
UNITED STATES	3,839	3,815	$5,287,175	$5,643,970
No. 1--Boston	223	232	774,547	902,904
Connecticut	48	50	105,122	144,370
Maine	23	22	19,671	20,234
Massachusetts	124	130	532,011	613,538
New Hampshire	19	21	73,159	77,522
Rhode Island	5	5	39,383	41,641
Vermont	4	4	5,201	5,599
No. 2--New York	391	375	481,294	493,060
New Jersey	267	245	176,359	162,618
New York	124	130	304,935	330,442
No. 3--Pittsburgh	503	488	276,792	297,528
Delaware	7	7	2,893	3,269
Pennsylvania	467	454	250,769	269,902
West Virginia	29	27	23,130	24,357
No. 4--Winston-Salem	409	415	672,048	738,819
Alabama	23	28	18,621	23,142
District of Columbia	21	21	152,349	161,881
Florida	50	50	86,755	95,232
Georgia	56	56	44,853	47,068
Maryland	65	63	74,702	84,664
North Carolina	115	114	207,895	227,280
South Carolina	43	44	38,527	41,876
Virginia	36	39	48,346	57,676
No. 5--Cincinnati	584	579	906,936	946,952
Kentucky	94	87	101,026	101,232
Ohio	450	453	768,530	804,110
Tennessee	40	39	37,380	41,610
No. 6--Indianapolis	217	218	298,116	315,550
Indiana	159	160	177,388	189,063
Michigan	58	58	120,728	126,487

Bank District and State	Number of Members 1941	Number of Members 1942	Assets of Members (In thousands of dollars) 1941	Assets of Members (In thousands of dollars) 1942
No. 7--Chicago	455	454	464,412	480,620
Illinois	341	341	333,995	354,535
Wisconsin	114	113	130,417	126,085
No. 8--Des Moines	244	246	249,686	266,326
Iowa	70	73	53,441	56,755
Minnesota	42	42	70,382	75,474
Missouri	107	106	103,528	110,501
North Dakota	13	13	11,768	12,583
South Dakota	12	12	10,567	11,013
No. 9--Little Rock	281	281	365,193	392,124
Arkansas	41	41	20,790	22,227
Louisiana	67	67	100,007	101,260
Mississippi	26	26	24,635	27,313
New Mexico	14	14	6,653	7,098
Texas	133	133	213,108	234,226
No. 10--Topeka	226	223	220,973	196,665
Colorado	39	39	34,997	36,946
Kansas	101	99	63,125	60,429
Nebraska	33	32	54,492	28,226
Oklahoma	53	53	68,359	71,064
No. 11--Portland	133	130	168,502	180,407
Idaho	8	8	8,435	8,863
Montana	13	14	11,688	12,469
Oregon	29	27	37,056	37,846
Utah	10	10	18,152	20,037
Washington	62	60	86,787	94,385
Wyoming	10	10	5,938	6,352
Alaska	1	1	446	455
No. 12--Los Angeles	173	174	408,676	433,015
Arizona	3	3	5,578	6,870
California	164	164	397,533	419,458
Nevada	2	2	885	926
Hawaii	4	5	4,680	5,761

Source: Division of Operating Statistics,
Federal Home Loan Bank Administration

EXHIBIT 9

Estimated Volume of New Mortgage Loans Made by Savings and Loan Associations, by Type of Association, Fiscal Years 1937-1942

Fiscal Year Ending	Federal Associations	State Member Associations	Nonmember Associations	Total
June 30, 1937	$291,986,000	$360,040,000	$216,321,000	$868,347,000
June 30, 1938	281,851,000	347,709,000	191,126,000	820,686,000
June 30, 1939	333,959,000	352,738,000	182,189,000	868,886,000
June 30, 1940	457,816,000	436,396,000	196,576,000	1,090,788,000
June 30, 1941	550,058,000	534,808,000	209,508,000	1,294,374,000
June 30, 1942	514,656,000	548,789,000	193,890,000	1,257,335,000

Source: Division of Operating Statistics,
Federal Home Loan Bank Administration

EXHIBIT 10

Federal Home Loan Banks
Advances and Repayments for the Periods Indicated, and the Balance of Advances Outstanding at the Close of Such Periods

Period	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
1939	76,659,074.62	103,922,448.88	168,961,563.10
1940	108,009,901.23	119,574,417.17	157,397,047.16
1941	142,875,563.45	130,375,220.91	169,897,389.70
1941			
July	12,867,105.78	14,619,345.10	168,145,150.38
August	10,872,480.00	6,389,761.80	172,627,868.58
September	12,850,016.21	7,287,068.03	178,190,816.76
October	13,139,442.04	7,019,227.63	184,311,031.17
November	9,929,685.17	7,156,781.34	187,083,935.00
December	40,167,461.97	7,805,347.13	219,446,049.84
1942			
January	9,016,755.52	22,395,016.86	206,067,788.50
February	4,856,556.03	13,492,025.11	197,432,319.42
March	7,886,609.13	13,814,031.38	191,504,897.17
April	5,410,766.37	11,617.932.20	185,297,731.34
May	6,884,395.16	11,017,321.26	181,164,805.24
June	21,143,773.45	9,663,642.81	192,644,935.88
Total, Fiscal Year 1942	155,025,046.83	132,277,500.65	
Grand Total Through June 30, 1942	928,933,902.05	736,288,966.17	

EXHIBIT 11

Federal Home Loan Banks
Distribution of Advances Outstanding, by Long-term and Short-term Advances,
as of June 30, 1941, and June 30, 1942

	Long-term Advances		Short-term Advances		Total Advances Outstanding	
Federal Home Loan Bank	June 30, 1941	June 30, 1942	June 30, 1941	June 30, 1942	June 30, 1941	June 30, 1942
Boston	$ 3,206,114.50	$ 5,040,014.00	$ 4,325,875.62	$ 6,606,625.00	$ 7,531,990.12	$ 11,646,639.00
New York	14,238,255.70	17,838,402.72	3,169,300.89	8,877,654.05	17,407,556.59	26,716,056.77
Pittsburgh	7,959,259.89	5,884,864.35	7,273,284.30	9,637,914.81	15,232,544.19	15,522,779.16
Winston-Salem	10,837,428.00	15,099,074.74	9,238,200.00	10,730,500.00	20,075,628.00	25,829,574.74
Cincinnati	7,492,396.38	6,536,070.66	8,399,937.50	8,338,320.00	15,892,333.88	14,874,390.66
Indianapolis	4,863,844.19	4,946,092.62	6,151,782.49	7,722,415.12	11,015,626.68	12,668,507.74
Chicago	14,776,204.75	14,429,321.35	14,074,894.66	14,758,567.50	28,851,099.41	29,187,888.85
Des Moines	10,072,325.04	11,487,205.25	4,162,150.00	2,586,419.00	14,234,475.04	14,073,624.25
Little Rock	3,195,261.50	5,477,845.73	4,739,200.00	4,173,876.00	7,934,461.50	9,651,721.73
Topeka	6,929,135.14	5,470,847.24	961,500.00	1,357,618.31	7,890,635.14	6,828,465.55
Portland	6,016,124.92	6,166,545.71	1,831,000.00	1,140,000.00	7,847,124.92	7,306,545.71
Los Angeles	14,503,414.23	14,146,966.72	1,480,500.00	4,191,775.00	15,983,914.23	18,338,741.72
Total	104,089,764.24	112,523,251.09	65,807,625.46	80,121,684.79	169,897,389.70	192,644,935.88

EXHIBIT 12

Federal Home Loan Banks
Statement of Condition as of June 30, 1942

ASSETS	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Cash:														
On hand, in transit, and on deposit with commercial banks	$14,596,053.97	$14,594,471.77	$3,454,880.15	$ 759,207.94	$1,792,872.57	$ 983,131.71	$1,238,796.81	$ 810,374.04	$4,064,270.49	$ 113,137.12	$ 1,775.00	$ 4,474.60	$ 367,266.39	$1,004,284.95
On deposit with U. S. Treasurer, Checking accounts	32,724,060.75	32,724,060.75	2,218,705.82	1,169,120.65	1,683,439.33	6,150,129.10	2,223,605.66	514,524.85	4,253,490.85	4,932,422.83	1,645,613.69	1,414,090.50	2,567,001.88	3,951,915.59
On deposit with other F. H. L. Banks	-0-	1,750,000.00	-0-	-0-	-0-	-0-	500,000.00	-0-	-0-	-0-	-0-	1,250,000.00	-0-	-0-
Total	47,320,114.72	49,068,532.52	5,673,585.97	1,928,328.59[a]	3,476,311.90	7,133,260.81	3,962,402.47	1,324,898.89	8,317,761.34[b]	5,045,559.95	1,647,388.69	2,668,565.10	2,934,268.27	4,956,200.54
Deposit with U. S. Treasurer for matured obligations	6,093.13	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Investments:														
Obligations of United States, direct or fully guaranteed	69,367,915.03	69,367,915.03	7,720,472.25	8,487,932.05	6,201,300.96	2,325,000.00	13,041,643.38	9,810,040.68	5,562,500.00	4,050,110.84	3,875,000.00	3,619,587.50	1,929,639.87	2,744,687.50
Advances Outstanding to Member Institutions	192,644,935.88	192,644,935.88	11,646,639.00	26,716,056.77	15,522,779.16	25,829,574.74	14,874,390.66	12,668,507.74	29,187,888.85	14,073,624.25	9,651,721.73	6,828,465.55	7,306,545.71	18,338,741.72
Accrued Interest Receivable	596,101.83	597,684.02	40,376.17	108,271.90	71,585.63	99,206.49	72,187.50	33,580.77	32,349.74	33,843.22	42,121.82	28,261.35	22,003.62	14,095.81
Deferred Charges and Prepaid Expenses	38,329.75	38,329.75	941.06	1,920.81	4,376.58	7,699.31	1,455.87	3,896.21	7,844.73	4,288.08	875.25	1,026.46	940.55	3,064.84
Other Assets, Accounts Receivable and Miscellaneous	8,225.08	8,225.09	150.00	468.75	735.58	875.10	718.00	161.30	475.00	119.60	133.40	-0-	576.00	3,812.36
Total Assets	309,981,715.42	311,725,622.29	25,082,164.45	37,242,978.87	25,277,089.81	35,395,616.45	31,952,797.88	23,840,885.59	43,108,819.66	23,207,545.94	15,217,240.89	13,145,905.96	12,193,974.02	26,060,602.77
LIABILITIES AND CAPITAL														
Liabilities:														
Deposits of Member Institutions	27,696,776.96	27,696,776.96	2,373,645.73	2,775,693.75	361,000.00	1,521,600.00	6,148,033.22	3,671,641.42	5,379,420.02	1,712,164.04	754.83	1,084,340.76	983,035.99	1,685,447.20
Deposits of Applicants For Membership	82,675.00	82,675.00	-0-	15,575.00	43,975.00	-0-	5,400.00	4,700.00	12,000.00	625.00	-0-	-0-	400.00	-0-
Deposits of Other F. H. L. Banks	-0-	1,750,000.00	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	500,000.00	-0-	-0-	1,250,000.00
Accrued Interest Payable	260,860.06	260,860.06	14,007.03	20,435.12	28,902.27	38,475.25	12,691.17	26,649.71	39,254.70	33,230.31	9,895.83	10,000.00	6,901.03	20,417.64
Dividends Payable	766,419.24	766,419.24	88,166.86	-0-	-0-	149,678.61	106,003.92	75,759.72	148,040.31	78,001.55	83,644.75	-0-	37,123.52	-0-
Accounts Payable	929.64	929.64	-0-	-0-	-0-	-0-	18.75	62.25	-0-	-0-	-0-	-0-	-0-	848.64
*Consolidated Debentures Outstanding	91,500,000.00	91,500,000.00	4,000,000.00	8,500,000.00	9,000,000.00	16,750,000.00	2,500,000.00	9,000,000.00	16,000,000.00	10,000,000.00	2,500,000.00	2,000,000.00	3,000,000.00	8,250,000.00
Premiums on Consolidated Debentures--Unamortized	29,390.13	29,390.13	675.63	1,435.71	3,020.38	7,411.59	-0-	2,994.06	7,604.55	2,700.72	168.91	-0-	786.40	2,592.18
Matured Obligations Not Presented for Payment	6,093.13	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total Liabilities	120,343,144.16	122,087,051.03	6,476,495.25	11,313,139.58	9,436,897.65	18,467,165.45	8,772,147.06	12,781,807.16	21,586,319.58	11,826,721.62	3,094,464.32	3,094,340.76	4,028,246.94	11,209,305.66
Capital:														
Capital Stock:														
Reconstruction Finance Corporation (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	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
Member institutions (subscribed)	50,829,200.00	50,829,200.00	5,427,800.00	5,576,800.00	3,226,400.00	5,941,700.00	8,567,600.00	3,608,900.00	5,659,400.00	3,063,600.00	2,447,800.00	1,979,600.00	1,555,500.00	3,774,100.00
Total subscribed	175,570,200.00	175,570,200.00	17,895,300.00	24,540,000.00	14,372,700.00	15,149,900.00	21,343,300.00	10,186,300.00	19,833,300.00	10,458,500.00	11,220,200.00	9,313,200.00	7,515,500.00	13,742,000.00
Deduct unpaid subscriptions of members	37,550.00	37,550.00	17,250.00	-0-	1,625.00	11,775.00	4,900.00	-0-	-0-	500.00	-0-	-0-	1,500.00	-0-
Total paid in on capital stock	175,532,650.00	175,532,650.00	17,878,050.00	24,540,000.00	14,371,075.00	15,138,125.00	21,338,400.00	10,186,300.00	19,833,300.00	10,458,000.00	11,220,200.00	9,313,200.00	7,514,000.00	13,742,000.00
Surplus:														
Reserve required by Section 16 of Act	6,505,036.53	6,505,036.53	429,482.14	792,223.42	590,243.92	628,137.87	962,091.25	424,797.90	877,051.06	432,940.12	394,121.26	286,951.65	260,731.80	426,264.14
Reserve for Contingencies	1,792,157.47	1,792,157.47	75,000.00	155,184.60	-0-	268,000.00	278,972.87	-0-	-0-	250,000.00	-0-	-0-	365,000.00	400,000.00
Unappropriated Profits	5,808,727.26	5,808,727.26	223,137.06	442,431.27	878,873.24	894,188.13	601,186.70	447,980.53	812,149.02	239,884.20	508,455.31	451,413.55	25,995.28	283,032.97
Total Surplus	14,105,921.26	14,105,921.26	727,619.20	1,389,839.29	1,469,117.16	1,790,326.00	1,842,250.82	872,778.43	1,689,200.08	922,824.32	902,576.57	738,365.20	651,727.08	1,109,297.11
Total Capital	189,638,571.26	189,638,571.26	18,605,669.20	25,929,839.29	15,840,192.16	16,928,451.00	23,180,650.82	11,059,078.43	21,522,500.08	11,380,824.32	12,122,776.57	10,051,565.20	8,165,727.08	14,851,297.11
Total Liabilities and Capital	309,981,715.42	311,725,622.29	25,082,164.45	37,242,978.87	25,277,089.81	35,395,616.45	31,952,797.88	23,840,885.59	43,108,819.66	23,207,545.94	15,217,240.89	13,145,905.96	12,193,974.02	26,060,602.77

[a] As of June 30, 1942, the New York Bank administered as Agent for the twelve Banks an imprest fund of $15,000, from which debenture expense, other than brokerage commissions and interest are paid. The New York Bank also acted as Agent for the payment of premiums on employees' group life insurance in the several Banks.

[b] In addition, on June 30, 1942, the Chicago Bank held in escrow for certain associations in its District, the sum of $5,986.34.

*Consolidated Federal Home Loan Bank debentures issued by the Federal Home Loan Bank Administration and now outstanding are the joint and several obligations of all Federal Home Loan Banks.

EXHIBIT 13

Federal Home Loan Banks
Statement of Profit and Loss for the Fiscal Year Ended June 30, 1942

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Gross Operating Income														
Interest earned on advances	$5,013,024.51	$5,013,024.51	$227,149.28	$505,876.42	$471,940.39	$702,410.79	$374,021.90	$310,824.02	$743,879.44	$453,231.73	$281,386.44	$218,155.62	$207,365.16	$516,783.32
Interest earned on investments	1,232,205.16	1,232,205.16	157,283.25	121,270.75	110,512.66	37,040.76	219,926.87	170,887.80	103,790.78	65,656.93	86,521.98	73,506.52	23,621.34	62,185.52
Interest earned on deposits - Other F. H. L. Banks	-0-	23,823.32	-0-	-0-	732.88	4,260.29	4,275.34	-0-	8,047.94	671.24	-0-	5,500.01	335.62	-0-
Gross operating income	6,245,229.67	6,269,052.99	384,432.53	627,147.17	583,185.93	743,711.84	598,224.11	481,711.82	855,718.16	519,559.90	367,908.42	297,162.15	231,322.12	578,968.84
Less - Operating Charges														
Compensation, travel, etc.	933,792.12	933,792.11	54,945.22	125,825.61	114,139.76	71,893.65	99,730.19	53,134.56	92,517.06	63,659.74	73,621.04	57,585.36	52,274.19	74,465.73
Interest on debentures	784,210.54	784,210.54	9,142.94	19,741.25	101,572.51	115,163.11	50,833.33	79,410.95	143,383.70	124,899.76	33,327.40	44,465.69	13,001.04	49,268.86
Debenture expense - Commissions	71,323.19	71,323.19	1,306.82	2,776.99	5,890.73	14,253.24	1,250.04	6,707.47	18,860.63	9,271.51	1,076.70	2,017.55	2,141.97	5,769.54
Debenture expense - Other	19,309.82	19,536.05	1,678.87	1,947.45	1,539.37	1,727.58	1,458.98	1,642.68	1,617.15	1,594.45	1,521.02	1,444.85	1,617.16	1,746.49
Interest on deposits - Members	103,454.60	103,454.60	10,103.53	10,041.60	2,024.92	2,619.85	27,399.30	18,439.14	24,439.11	3,979.02	-0-	-0-	-0-	4,408.13
Interest on deposits - Other F. H. L. Banks	-0-	23,823.33	4,609.59	5,356.18	-0-	-0-	-0-	1,438.36	-0-	-0-	2,816.45	-0-	2,212.32	7,390.43
Assessment for expenses of Federal Home Loan Bank Administration	300,000.00	300,000.00	19,700.45	27,781.41	27,269.05	32,359.64	30,815.73	25,132.00	36,590.38	24,315.58	18,996.77	17,202.07	15,435.17	24,401.70
Total operating charges	2,212,090.27	2,236,139.[illegible]	101,487.42	193,470.49	252,436.34	238,017.07	211,487.62	185,905.16	317,408.03	227,720.06	131,359.38	122,715.52	86,681.85	167,450.88
Net Operating Income	4,033,139.40	4,032,913.17	282,945.11	433,676.68	330,749.59	505,694.77	386,736.49	295,806.66	538,310.13	291,839.84	236,549.04	174,446.63	144,640.27	411,517.96
Add - Nonoperating Income														
Profit on sale of investments	312,524.67	312,524.67	61,835.98	6,928.23	35,425.32	-0-	91,051.93	36,709.76	7,312.50	-0-	-0-	-0-	54,468.75	18,792.20
Miscellaneous	1,447.38	1,673.61	43.72	401.97	96.70	35.75	124.33	113.24	150.55	87.39	102.01	54.43	24.79	438.73
Total nonoperating income	313,972.05	314,198.28	61,879.70	7,330.20	35,522.02	35.75	91,176.26	36,823.00	7,463.05	87.39	102.01	54.43	54,493.54	19,230.93
Less - Nonoperating charges														
Premiums charged off on investments	50,626.13	50,626.13	-0-	-0-	376.13	-0-	50,250.00	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Loss on sale of investments	10,855.24	10,855.24	-0-	8,994.63	-0-	-0-	1,860.61	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total nonoperating charges	61,481.37	61,481.37	-0-	8,994.63	376.13	-0-	52,110.61	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Net Income	4,285,630.08	4,285,630.08	344,824.81	432,012.25	365,895.48	505,730.52	425,802.14	332,629.66	545,773.18	291,927.23	236,651.05	174,501.06	199,133.81	430,748.89

Analysis of Surplus and Undivided Profits for the Fiscal Year Ended June 30, 1942

	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Surplus - Reserve as required by Section 16 of Act													
Balance June 30, 1941	$5,647,910.51	$360,517.17	$705,820.96	$517,064.83	$526,991.77	$876,930.82	$358,271.97	$767,896.42	$374,554.68	$346,791.05	$252,051.44	$220,905.04	$340,114.36
Additions during fiscal year 1942	857,126.02	68,964.97	86,402.46	73,179.09	101,146.10	85,160.43	66,525.93	109,154.64	58,385.44	47,330.21	34,900.21	39,826.76	86,149.78
Balance June 30, 1942	6,505,036.53	429,482.14	792,223.42	590,243.92	628,137.87	962,091.25	424,797.90	877,051.06	432,940.12	394,121.26	286,951.65	260,731.80	426,264.14
Surplus - Reserve for contingencies													
Balance June 30, 1941	1,501,456.47	75,000.00	158,636.65	-0-	220,000.00	247,819.82	-0-	-0-	250,000.00	-0-	-0-	250,000.00	300,000.00
Additions during fiscal year 1942 (net)	290,701.00	-0-	(3,452.05)*	-0-	48,000.00	31,153.05	-0-	-0-	-0-	-0-	-0-	115,000.00	100,000.00
Balance June 30, 1942	1,792,157.47	75,000.00	155,184.60	-0-	268,000.00	278,972.87	-0-	-0-	250,000.00	-0-	-0-	365,000.00	400,000.00
Undivided profits													
Balance June 30, 1941	4,884,625.33	121,939.50	335,584.56	797,418.43	832,407.64	528,675.86	332,344.12	669,165.41	174,667.22	453,087.57	404,324.97	55,501.73	174,508.32
Add: Profit for fiscal year 1942	4,285,630.08	344,824.81	432,012.25	365,895.48	505,730.52	425,802.14	332,629.66	545,773.18	291,927.23	236,651.05	174,501.06	199,133.81	430,748.89
Deduct:													
Dividends declared during fiscal year 1942													
Reconstruction Finance Corporation	1,583,098.75	124,675.00	189,632.00	167,194.50	184,164.00	143,726.63	98,661.00	212,608.50	120,167.12	109,655.00	73,336.00	59,600.00	99,679.00
Members	630,602.38	49,987.28	52,583.13	44,067.08	110,639.93	93,251.19	51,806.32	81,026.43	48,157.69	29,298.10	19,176.27	14,213.50	36,395.46
Allocation to legal reserve	857,126.02	68,964.97	86,402.46	73,179.09	101,146.10	85,160.43	66,525.93	109,154.64	58,385.44	47,330.21	34,900.21	39,826.76	86,149.78
Allocation to reserve for contingencies (net)	290,701.00	-0-	(3,452.05)*	-0-	48,000.00	31,153.05	-0-	-0-	-0-	-0-	-0-	115,000.00	100,000.00
Total deductions (net)	3,361,528.15	243,627.25	325,165.54	284,440.67	443,950.03	353,291.30	216,993.25	402,789.57	226,710.25	186,283.31	127,412.48	228,640.26	322,224.24
Balance June 30, 1942	5,808,727.26	223,137.06	442,451.27	878,873.24	894,188.13	601,186.70	447,980.55	812,149.02	239,884.20	508,455.31	451,413.55	25,995.28	283,032.97

*Red figures shown in brackets.

EXHIBIT 14

Federal Home Loan Bank System
Members of the Federal Savings and Loan Advisory Council,
as of June 30, 1942

Federal Home Loan Bank District	Name	Elected or Appointed
Boston	Sumner W. Johnson	Elected
Boston	Joseph H. Soliday	Appointed
New York	Francis V. D. Lloyd	Elected
Pittsburgh	James J. O'Malley	Elected
Pittsburgh	Walter B. Gibbons	Appointed
Winston-Salem	W. H. Walker	Elected
Cincinnati	W. Megrue Brock	Elected
Indianapolis	W. J. L. Ray	Elected
Indianapolis	C. T. Fisher, Jr.	Appointed
Chicago	Arthur G. Erdmann	Elected
Des Moines	George S. Metcalfe	Elected
Little Rock	G. J. Casselberry	Elected
Little Rock	Will C. Jones, Jr.	Appointed
Topeka	George E. McKinnis	Elected
Topeka	Paul F. Good	Appointed
Portland	T. M. Donahoe	Elected
Los Angeles	Horace S. Wilson	Elected
Los Angeles	David G. Davis	Appointed

EXHIBIT 15

Federal Home Loan Bank Administration
Statement of Receipts and Disbursements of the Administration
During the Fiscal Years 1941 and 1942

	July 1, 1940, to June 30, 1941	July 1, 1941, to June 30, 1942
Balance at beginning of fiscal year	$ 352,671.00	$ 239,959.02
Receipts:		
Assessments upon:		
Federal Home Loan Banks	150,000.00	300,000.00
Home Owners' Loan Corporation	129,442.40	18,438.92
Federal Savings and Loan Insurance Corporation	92,841.38	197,209.17
Examining receipts	841,879.13	1,072,269.54
Miscellaneous refunds	1,526.19	17,627.41
Reimbursement for conservators expense	-0-	2,359.76
Sale of property	-0-	163.10
Sale of material	-0-	9.01
Refund from Treasury Department	-0-	712.69
Total receipts	1,215,689.10	1,608,789.60
Total cash and receipts	1,568,360.10	1,848,748.62
Disbursements:		
Salaries	1,034,851.67	1,146,029.60
Supplies and materials	9,380.46	12,823.96
Newspapers and periodicals	78.68	95.73
Communications	24,037.43	20,673.34
Travel	183,763.71	225,551.10
Transportation of things	546.98	1,033.50
Printing and binding	17,344.95	16,380.42
Photographing and duplicating	19,127.72	25,901.68
Rents	24,675.93	28,894.67
Equipment, furniture, and fixtures ...	6,393.55	7,960.56
Transferred to administrative expenses:		
Federal Loan Agency	5,800.00	6,600.00
Treasury Department	2,400.00	3,430.00
Total disbursements	1,328,401.08	1,495,374.56
Balance at end of fiscal year	239,959.02	353,374.06

EXHIBIT 16

Federal Home Loan Bank Administration
Comparative Statement Reflecting, by Offices, the Number of Administration Employees as of the Close of the Fiscal Years 1941 and 1942

	1941	1942
Offices of the Board Members	11	--
Office of the Commissioner	--	4
Office of the Governor:		
Governor's Immediate Office	12	10
Office of the Comptroller	37	35
Office of the Chief Supervisor	27	29
Federal Home Building Service Section	5	--
Total, Governor's Office	81	74
Office of the Secretary	15	14
Office of Public Relations	10	4
Division of Operating Statistics	13	8
Legal Department	14	11
Review Committee	12	9
Examining Division		
Washington Office	9	8
Field	295	299
Total, Examining Division	304	307
Grand Total	460	431

EXHIBIT 17

Federal Savings and Loan Associations
Consolidated Statement of Operations for 1,456 Reporting Federal Savings and Loan Associations, for the Year Ended December 1941

Item	Amount	Ratio to Gross Operating Income	Ratio to Net Income
Gross Operating Income			
Interest:			
On mortgage loans - ordinary cash collections	$96,125,800	89.60%	
On mortgage loans - all other	197,700	0.18	
On loans on shares, passbooks, and certificates	269,300	0.25	
On real estate sold on contract	3,528,400	3.29	
On investments and bank deposits	430,500	0.40	
Other	169,500	0.16	
Premium or commission on loans (current only)	1,301,300	1.21	
Appraisal fees, legal fees, and initial service charges	2,323,500	2.17	
Other fees and fines	429,100	0.40	
Gross income from real estate owned	5,265,300	4.91	
Less - cost of repairs, taxes, and maintenance	4,459,700	4.16	
Net income from real estate owned	805,600	0.75	
Gross income from office building	1,048,400	0.98	
Dividends on stock in Federal Home Loan Banks	234,600	0.22	
Other dividends	36,400	0.03	
Miscellaneous operating income	382,500	0.36	
Gross operating income	107,282,600	100.00	144.38
Less Operating Expense			
Compensation to directors, officers, employees	14,065,100	13.11	
Collection expense (agents, etc.)	173,600	0.16	
Legal services - retainer, travel, and special	529,700	0.49	
Expense account of directors, officers, and employees	449,100	0.42	
Rent, light, heat, etc.	1,537,300	1.43	
Repairs, taxes, and maintenance of office building	1,142,200	1.07	
Depreciation of office building	501,900	0.47	
Furniture, fixtures, and equipment, including depreciation	695,300	0.65	
Advertising	2,985,900	2.78	
Stationery, printing, and office supplies	890,300	0.83	
Telegraph, telephone, postage, and express	664,200	0.62	
Insurance and bond premiums	548,300	0.51	
Federal insurance premium	2,119,600	1.98	
Audit	234,300	0.22	
Supervising examinations and assessments	505,900	0.47	
Organization dues	350,400	0.33	
Other operating expense	2,782,100	2.59	
Total operating expense	30,175,200	28.13	40.61
Net operating income before interest and other charges	77,107,400	71.87	103.77
Less Interest Charges			
On advances from Federal Home Loan Banks	2,776,300	2.59	
Other borrowed money	106,000	0.10	
Total interest	2,882,300	2.69	3.88
Net operating income	74,225,100	69.18	99.89
Add Nonoperating Income			
Dividends retained on repurchases and withdrawals	6,200	0.01	0.01
Profit on sale of real estate	1,531,100	1.43	2.06
Profit on sale of investments	306,800	0.28	0.41
Other nonoperating income	384,600	0.36	0.52
Total nonoperating income	2,228,700	2.08	3.00
Net income after interest and before charges	76,453,800	71.26	102.89
Less Nonoperating Charges			
Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves)	95,200	0.09	0.13
Loss on sale of real estate	1,423,100	1.33	1.92
Loss on sale of investments	25,100	0.02	0.03
Other nonoperating charges	605,400	0.56	0.81
Total nonoperating charges	2,148,800	2.00	2.89
Net income for the year	74,305,000	69.26	100.00
Less Transfers for Reserves and Dividends			
For bonus on shares	126,100	--	0.17
Legal reserves	32,300	--	0.04
Federal insurance reserve	4,341,400	--	5.84
For contingencies	6,569,300	--	8.84
Real estate reserve	654,200	--	0.88
Other	340,300	--	0.46
Dividends (Including interest on deposits and investment certificates)	52,129,400	--	70.16
Balance to undivided profits	10,112,000	--	13.61

Source: Division of Operating Statistics, Federal Home Loan Bank Administration

EXHIBIT 18

Federal Savings and Loan Associations
Average Annual Dividend Rates Declared for the Calendar Years 1940 and 1941*

Federal Home Loan Bank District and State	1940	1941
UNITED STATES	3.25	3.13
No. 1--Boston	3.00	2.84
Connecticut	3.25	3.14
Maine	3.04	2.98
Massachusetts	2.95	2.77
New Hampshire	3.00	3.00
Rhode Island	3.00	2.75
Vermont	3.16	3.02
No. 2--New York	2.43	2.27
New Jersey	2.86	2.55
New York	2.42	2.26
No. 3--Pittsburgh	3.56	3.38
Delaware	3.50	3.50
Pennsylvania	3.50	3.30
West Virginia	3.83	3.74
No. 4--Winston-Salem	3.58	3.41
Alabama	3.95	3.70
District of Columbia	3.39	3.20
Florida	3.51	3.35
Georgia	3.71	3.57
Maryland	3.33	3.23
North Carolina	3.87	3.60
South Carolina	3.65	3.58
Virginia	3.66	3.36
No. 5--Cincinnati	3.22	3.15
Kentucky	3.44	3.30
Ohio	3.10	3.05
Tennessee	3.71	3.61
No. 6--Indianapolis	2.98	2.93
Indiana	2.99	2.92
Michigan	2.96	2.93
No. 7--Chicago	3.40	3.27
Illinois	3.44	3.31
Wisconsin	3.20	3.10
No. 8--Des Moines	3.22	3.14
Iowa	3.54	3.44
Minnesota	2.95	2.88
Missouri	3.42	3.34
North Dakota	3.23	3.21
South Dakota	3.48	3.45
No. 9--Little Rock	3.65	3.44
Arkansas	3.83	3.51
Louisiana	3.34	3.34
Mississippi	3.84	3.77
New Mexico	4.03	3.71
Texas	3.64	3.40
No. 10--Topeka	3.46	3.36
Colorado	3.22	3.20
Kansas	3.09	3.17
Nebraska	3.10	2.72
Oklahoma	3.84	3.64
No. 11--Portland	3.15	3.11
Idaho	3.40	3.36
Montana	3.68	3.67
Oregon	3.17	3.14
Utah	3.04	3.05
Washington	3.07	3.01
Wyoming	3.70	3.69
Alaska	4.00	4.00
No. 12--Los Angeles	3.78	3.51
Arizona	3.50	3.50
California	3.79	3.51
Nevada	4.00	3.50
Hawaii	3.50	3.50

*Average weighted by amount of invested capital.

EXHIBIT 19

Federal Savings and Loan Insurance Corporation
Number and Assets of all Insured Associations, by
Federal Home Loan Bank Districts and by States, June 30, 1942

Federal Home Loan Bank District and State	ALL INSURED Number of Associations June 30, 1941	ALL INSURED Number of Associations June 30, 1942	ALL INSURED Assets June 30, 1941	ALL INSURED Assets June 30, 1942	FEDERAL Number of Associations June 30, 1941	FEDERAL Number of Associations June 30, 1942	FEDERAL Assets June 30, 1941	FEDERAL Assets June 30, 1942	INSURED STATE Number of Associations June 30, 1941	INSURED STATE Number of Associations June 30, 1942	INSURED STATE Assets June 30, 1941	INSURED STATE Assets June 30, 1942
UNITED STATES	2,313	2,374	$3,159,763,000	$3,461,278,000	1,452	1,464	$2,028,138,000	$2,205,921,000	861	910	$1,131,625,000	$1,255,307,000
No. 1--Boston	60	60	167,286,000	183,596,000	51	52	159,320,000	176,071,000	9	8	7,960,000	7,525,000
Connecticut	22	22	30,039,000	37,226,000	15	16	22,911,000	30,609,000	7	6	7,128,000	6,617,000
Maine	5	5	1,314,000	1,483,000	5	5	1,314,000	1,483,000	0	0	-0-	-0-
Massachusetts	26	26	120,075,000	127,202,000	26	26	120,075,000	127,202,000	0	0	-0-	-0-
New Hampshire	4	4	9,782,000	10,981,000	2	2	8,944,000	10,073,000	2	2	838,000	908,000
Rhode Island	1	1	1,675,000	1,942,000	1	1	1,675,000	1,942,000	0	0	-0-	-0-
Vermont	2	2	4,401,000	4,762,000	2	2	4,401,000	4,762,000	0	0	-0-	-0-
No. 2--New York	180	197	320,380,000	387,661,000	73	74	199,380,000	217,128,000	107	123	121,000,000	170,533,000
New Jersey	84	92	79,754,000	96,705,000	9	9	8,839,000	10,092,000	75	83	70,915,000	86,613,000
New York	96	105	240,626,000	290,956,000	64	65	190,541,000	207,036,000	32	40	50,085,000	83,920,000
No. 3--Pittsburgh	192	205	154,864,000	186,809,000	122	126	113,751,000	135,030,000	70	79	41,113,000	51,779,000
Delaware	1	1	332,000	342,000	1	1	332,000	342,000	0	0	-0-	-0-
Pennsylvania	165	178	132,929,000	162,848,000	99	103	94,648,000	114,317,000	66	75	38,281,000	48,531,000
West Virginia	26	26	21,603,000	23,619,000	22	22	18,771,000	20,371,000	4	4	2,832,000	3,248,000
No. 4--Winston-Salem	266	281	325,596,000	371,874,000	212	218	254,011,000	289,324,000	54	63	71,585,000	82,550,000
Alabama	21	26	13,573,000	16,758,000	17	18	12,159,000	14,241,000	4	8	1,414,000	2,517,000
District of Columbia	11	11	40,190,000	43,726,000	3	3	22,311,000	24,378,000	8	8	17,879,000	19,348,000
Florida	47	47	75,553,000	81,464,000	46	46	74,289,000	79,986,000	1	1	1,264,000	1,478,000
Georgia	47	49	35,736,000	42,440,000	43	45	29,717,000	35,407,000	4	4	6,019,000	7,033,000
Maryland	40	42	49,523,000	59,185,000	31	33	41,349,000	49,252,000	9	9	8,174,000	9,933,000
North Carolina	38	43	41,602,000	51,076,000	22	23	22,736,000	29,969,000	16	20	18,866,000	21,107,000
South Carolina	37	37	29,975,000	32,263,000	30	30	23,415,000	25,293,000	7	7	6,560,000	6,970,000
Virginia	25	26	39,444,000	44,962,000	20	20	28,035,000	30,798,000	5	6	11,409,000	14,164,000
No. 5--Cincinnati	334	337	627,322,000	660,519,000	213	213	340,118,000	362,019,000	121	124	287,204,000	298,500,000
Kentucky	56	56	68,091,000	71,386,000	54	54	67,617,000	70,939,000	2	2	474,000	447,000
Ohio	240	243	526,032,000	551,977,000	121	121	239,302,000	253,924,000	119	122	286,730,000	298,053,000
Tennessee	38	38	33,199,000	37,156,000	38	38	33,199,000	37,156,000	0	0	-0-	-0-
No. 6--Indianapolis	173	177	226,113,000	241,882,000	99	100	152,681,000	163,131,000	74	77	73,432,000	78,751,000
Indiana	129	132	142,712,000	153,323,000	69	69	101,127,000	107,697,000	60	63	41,585,000	45,626,000
Michigan	44	45	83,401,000	88,559,000	30	31	51,554,000	55,434,000	14	14	31,847,000	33,125,000
No. 7--Chicago	282	289	337,229,000	367,278,000	139	139	185,736,000	199,654,000	143	150	151,493,000	167,624,000
Illinois	197	201	245,837,000	271,411,000	100	100	155,951,000	168,220,000	97	101	89,886,000	103,191,000
Wisconsin	85	88	91,392,000	95,867,000	39	39	29,785,000	31,434,000	46	49	61,607,000	64,433,000
No. 8--Des Moines	161	159	185,394,000	201,258,000	111	112	136,181,000	149,474,000	50	47	49,213,000	51,784,000
Iowa	42	43	26,953,000	30,893,000	32	33	21,338,000	24,536,000	10	10	5,615,000	6,357,000
Minnesota	34	34	64,508,000	69,456,000	30	30	63,475,000	68,314,000	4	4	1,033,000	1,142,000
Missouri	70	68	84,870,000	90,940,000	39	39	46,379,000	51,119,000	31	29	38,491,000	39,821,000
North Dakota	8	8	6,311,000	7,064,000	6	6	3,046,000	3,508,000	2	2	3,265,000	3,556,000
South Dakota	7	6	2,752,000	2,905,000	4	4	1,943,000	1,997,000	3	2	809,000	908,000
No. 9--Little Rock	260	263	237,586,000	249,719,000	166	166	103,902,000	110,317,000	94	97	133,684,000	139,402,000
Arkansas	37	37	16,860,000	18,032,000	33	33	14,495,000	15,455,000	4	4	2,365,000	2,577,000
Louisiana	68	68	100,123,000	101,334,000	13	13	14,820,000	14,962,000	55	55	85,303,000	86,372,000
Mississippi	23	24	7,814,000	9,440,000	21	21	6,981,000	8,175,000	2	3	833,000	1,265,000
New Mexico	13	13	6,042,000	6,398,000	7	7	2,680,000	2,968,000	6	6	3,362,000	3,430,000
Texas	119	121	106,747,000	114,515,000	92	92	64,926,000	68,757,000	27	29	41,821,000	45,758,000
No. 10--Topeka	156	154	151,974,000	154,490,000	100	99	115,491,000	115,661,000	56	55	36,483,000	38,829,000
Colorado	31	31	31,586,000	33,532,000	23	23	23,873,000	25,491,000	8	8	7,713,000	8,041,000
Kansas	64	62	48,463,000	45,761,000	30	29	31,432,000	27,634,000	34	33	17,031,000	18,127,000
Nebraska	19	19	10,631,000	11,264,000	15	15	8,692,000	9,139,000	4	4	1,939,000	2,125,000
Oklahoma	42	42	61,294,000	63,953,000	32	32	51,494,000	53,397,000	10	10	9,800,000	10,556,000
No. 11--Portland	112	113	139,642,000	154,052,000	86	85	101,574,000	111,305,000	26	28	38,068,000	42,747,000
Idaho	8	8	8,435,000	8,863,000	8	8	8,435,000	8,863,000	0	0	-0-	-0-
Montana	8	10	10,113,000	11,788,000	3	3	1,054,000	1,211,000	5	7	9,059,000	10,577,000
Oregon	23	22	19,366,000	20,500,000	23	22	19,366,000	20,500,000	0	0	-0-	-0-
Utah	9	9	17,961,000	19,850,000	6	6	9,270,000	10,415,000	3	3	8,691,000	9,435,000
Washington	54	54	79,086,000	87,934,000	36	36	58,768,000	65,199,000	18	18	20,318,000	22,735,000
Wyoming	9	9	4,235,000	4,662,000	9	9	4,235,000	4,662,000	0	0	-0-	-0-
Alaska	1	1	446,000	455,000	1	1	446,000	455,000	0	0	-0-	-0-
No. 12--Los Angeles	137	139	286,377,000	302,090,000	80	80	165,993,000	176,807,000	57	59	120,384,000	125,283,000
Arizona	3	3	5,578,000	6,870,000	2	2	4,553,000	5,701,000	1	1	1,025,000	1,169,000
California	130	131	276,642,000	290,205,000	76	76	158,085,000	167,434,000	54	55	118,557,000	122,771,000
Nevada	1	1	758,000	802,000	1	1	758,000	802,000	0	0	-0-	-0-
Hawaii	3	4	3,399,000	4,213,000	1	1	2,597,000	2,670,000	2	3	802,000	1,543,000

Source: Division of Operating Statistics,
Federal Home Loan Bank Administration

Prepared in the Office
of the Comptroller
September 3, 1943

EXHIBIT 20

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

STATEMENTS OF CONDITION AND OPERATION FOR INSURED INSTITUTIONS IN RECEIVERSHIP
(Federal Associations)
June 30, 1942

	Security FS&LA of Guymon, Guymon, Oklahoma		Community FS&LA of Independence, Independence, Missouri		Aetna FS&LA, Topeka, Kansas		First FS&LA of Oklahoma, Oklahoma City, Oklahoma		Grand Totals
CONDENSED COMPARATIVE STATEMENTS OF CONDITION	Date of Receivership February 12,1940	As of June 30, 1942	Date of Receivership June 26,1940	As of June 30, 1942	Date of Receivership August 27,1941	As of June 30,1942	Date of Receivership August 30,1941	As of June 30, 1942	As of June 30,1942
Assets									
Mortgage loans	$ 96,496.34	$ 90,151.40	$ 892,380.31	$596,876.80	$3,334,238.07	$2,480,554.35	$ 838,573.90	$ 711,282.78	$3,878,865.33
Share loans	—	—	12,427.73	8,181.89	14,110.99	2,968.00	4,056.87	—	11,149.89
Real estate sold on contract	1,147.14	—	64,909.46	21,704.96	798,133.72	606,675.17	32,973.99	12,520.51	640,900.64
Real estate owned, includes office building	118,457.27	33,788.04	213,607.94	91,979.77	1,334,352.47	1,204,589.08	374,286.24	371,254.41	1,701,611.30
Loans in foreclosure and in judgment	—	6,356.69	—	29,871.76	35,252.06	135,578.66	—	2,411.84	174,218.95
Real estate contracts in process of repossession	—	—	—	—	—	90,888.67	—	—	90,888.67
Cash and investments	8,697.00	21,836.55	52,429.44	176,433.84	309,115.93	632,726.23	99,664.33	91,087.45	922,084.07
Furniture, fixtures and equipment	455.00	—	—	1,450.04	10,597.23	10,403.21	2,198.55	2,198.55	14,051.80
Other assets	28.00	27.00	9,794.88	7,739.81	8,012.03	3,056.52	2,381.35	1,910.47	12,733.80
Total	$225,280.75	$152,159.68	$1,245,549.76	$934,238.87	$5,843,812.50	$5,167,439.89	$1,354,135.23	$1,192,666.01	$7,446,504.45
Liabilities and Capital									
Secured claims of creditors	$ 14,236.01	$ —	$ 274,730.50	$ —	$ 527,459.59	$ —	$ 336,380.44	$ 162,793.35	$ 162,793.35
Unsecured claims of creditors	364.48	—	2,276.69	646.27	13,740.80	3,753.33	9,278.50	4,297.00	8,696.60
Loans in process	—	—	2,015.00	—	101,886.79	1,061.19	706.09	249.14	1,310.33
Advance payments by borrowers	—	2,067.70	—	2,501.48	34,593.25	—	2,017.84	852.07	5,421.25
Other liabilities	1,684.20	533.59	—	7,552.99	48,880.42	18,821.12	15,425.91	11,183.75	38,091.45
Reserve for uncollected interest	1,880.39	53.96	7,244.71	5,135.05	10,622.67	9,068.73	873.18	996.94	15,254.68
Allowance for losses	48,916.59	8,662.32	101,472.59	36,366.65	522,286.28	555,723.95	66,858.58	119,559.37	720,312.29
Surplus	7,741.23 *	8,035.03	19,559.68 *	10,418.22	387,830.69 *	395,299.22 *	141,035.30 *	170,739.86 *	547,585.83 *
Shares purchased by FS&LIC	—	131,249.32	—	316,909.89	—	4,791,749.63	—	779,713.12	6,019,621.96
Other share account claims	165,940.31	1,557.76	877,369.95	554,708.32	4,972,173.39	182,561.16	1,063,629.99	283,761.13	1,022,588.37
Total	$225,280.75	$152,159.68	$1,245,549.76	$934,238.87	$5,843,812.50	$5,167,439.89	$1,354,135.23	$1,192,666.01	$7,446,504.45

CONDENSED STATEMENTS OF OPERATION	Fiscal Year Ended June 30, 1942	Cumulative 2-12-40 through 6-30-42	Fiscal Year Ended June 30, 1942	Cumulative 6-26-40 through 6-30-42	Fiscal Year Ended June 30, 1942	Cumulative 8-27-41 through 6-30-42	Fiscal Year Ended June 30, 1942	Cumulative 8-30-41 through 6-30-42	Grand Totals Cumulative through 6-30-42
Gross income	$9,065.18	$26,898.68	$46,412.86	$105,431.49	$264,424.63	$264,424.63	$62,795.35	$62,795.35	$459,550.15
Less: Gross expense	6,563.16	22,186.25	14,744.32	37,565.16	140,228.85	140,228.85	32,301.98	32,301.98	232,282.24
Net income	$2,502.02	$ 4,712.43	$31,668.54	$ 67,866.33	$124,195.78	$124,195.78	$30,493.37	$30,493.37	$227,267.91
Capital gains	$ 508.72	$ 2,995.89	$ 3,733.08	$ 5,517.96	$ 5,811.95	$ 5,811.95	$ 3,327.48	$ 3,327.48	$ 17,653.28
Less: Capital losses	5,346.96	14,181.80	12,255.62	38,296.83	107,595.33	107,595.33	7,588.09	7,588.09	167,662.05
Net capital loss	$4,838.24	$11,185.91	$ 8,522.54	$ 32,778.87	$101,783.38	$101,783.38	$ 4,260.61	$ 4,260.61	$150,008.77

Note: *Indicates red figures and denotes net impairment.

EXHIBIT 20 (Continued)

Federal Savings and Loan Insurance Corporation
Statements of Condition and Operation for State-Chartered
Insured Institutions in Receivership
June 30, 1942

CONDENSED COMPARATIVE STATEMENTS OF CONDITION	Wapakoneta B&S Co., Wapakoneta, Ohio — Date of Receivership September 15, 1941	Wapakoneta B&S Co. — As of June 30, 1942	Trenton B&LA, Trenton, Ohio — Date of Receivership April 15, 1940	Trenton B&LA — As of June 30, 1942	Dickinson Co. B&LA, Abilene, Kansas — Date of Receivership June 30, 1941	Dickinson Co. B&LA — As of June 30, 1942
Assets						
Mortgage loans	$303,492.68	$ 82,594.02	$21,843.16	$4,079.23	--	$ 1,226.99
Share loans	700.00	--	--	--	--	--
Real estate sold on contract	66,639.36	60,466.47	--	--	$ 1,388.36	--
Real estate owned	51,712.85	9,764.36	1,028.85	778.85	31,307.36	--
Cash and investments	44,402.98	54,234.04	3,164.33	1,973.34	13,737.82	20,101.78
Furniture, fixtures, and equipment	549.13	549.13	251.33	--	795.00	--
Other assets	--	--	--	--	24.05	--
Totals	467,497.00	207,608.02	26,287.67	6,831.42	47,252.59	21,328.77
Liabilities and Capital						
Secured claims of creditors	56,498.96	--	2,517.72	--	--	--
Unsecured claims of creditors	1,926.22	--	--	--	--	--
Loans in process	3,000.00	--	--	--	--	--
Other liabilities	353.53	4.68	967.23	--	16.20	6.34
Surplus	(30,026.22)	(15,186.39)	(5,425.78)	(1,705.21)	(15,032.55)	(40,946.51)
Reserve fund - liquidating dividend	--	4,917.48	--	--	--	--
Shares purchased by FS&LIC	--	206,567.92	--	8,536.63	--	44,213.27
Other share account claims	435,744.51	11,304.33	28,228.50	--	44,268.94	55.67
Permanent stock	--	--	--	--	18,000.00	18,000.00
Totals	467,497.00	207,608.02	26,287.67	6,831.42	47,252.59	21,328.77

CONDENSED STATEMENTS OF OPERATION	Wapakoneta — Fiscal Year Ended June 30, 1942	Wapakoneta — Cumulative 9-15-41 through 6-30-42	Trenton — Fiscal Year Ended June 30, 1942	Trenton — Cumulative 4-15-40 through 6-30-42	Dickinson — Fiscal Year Ended June 30, 1942	Dickinson — Cumulative 6-30-41 through 6-30-42
Gross income	$14,784.90	$14,784.90	$460.13	$1,552.07	$ 685.57	$ 685.57
Less: Gross expense	5,500.43	5,500.43	505.40	1,284.28	2,207.22	2,207.22
Net income	9,284.47	9,284.47	(45.27)	267.79	(1,521.65)	(1,521.65)

(Red figures shown in brackets)

Note: The Ohio State Building and Loan Department is the receiver for the Wapakoneta Building and Savings Company and Trenton Building and Loan Association, while the Kansas State Building and Loan Department and the Federal Savings and Loan Insurance Corporation are co-receivers for the Dickinson County Building/and Loan Association.

Federal Savings and Loan Insurance Corporation
Statement of Condition as of June 30, 1942

ASSETS

Cash in United States Treasury			
Special deposit account		$ 4,361,276.72	
Available for administrative expenses - 1941		2,574.17	
Available for administrative expenses - 1942		5,466.64	$ 4,369,317.53
Accounts Receivable			
Insurance premiums - Payments due	$ 35,818.11		
Insurance premiums - Payments deferred	925,543.88	961,361.99	
Due from receiver for institutions in liquidation		1,796.22	
Miscellaneous		133.32	963,291.53
Investments			
U. S. Government obligations and securities fully guaranteed by the U. S. (par value)		122,481,500.00	
Net unamortized premium and discount on investments		235,146.92	122,716,646.92
Accrued Interest on Investments			565,907.86
Subrogated Accounts in Insured Institutions in Liquidation		6,492,509.73	
Less allowance for losses		736,521.40	5,755,988.33
Total Assets			$134,371,152.17

LIABILITIES AND CAPITAL

Accounts Payable			$ 117.69
Estimated Expenses Incurred and Not Billed at Close of Fiscal Year Ended June 30, 1942			5,897.28
Deferred Income			
Unearned insurance premiums		$ 1,699,212.68	
Prepaid insurance premiums		20.02	1,699,232.70
Capital			
Capital stock		100,000,000.00	
Reserve fund as provided by law		11,665,904.50	
Special reserve for contingencies		21,000,000.00	132,665,904.50
Total Liabilities and Capital			$134,371,152.17

Note: The Corporation has approved commitments aggregating $332,374.11 in order to prevent default of certain insured associations and there are estimated losses of $196,462.38 in connection with other pending cases.

EXHIBIT 22

Federal Savings and Loan Insurance Corporation
Income and Expense Statement for the Period
July 1, 1941, through June 30, 1942

Income			
Insurance premiums earned		$3,534,952.40	
Admission fees earned		27,501.72	
Interest earned on U. S. Government obligations and securities fully guaranteed by the U. S.		3,480,703.32	
Miscellaneous		67.37	$7,043,224.81
Administrative Expenses			
Personal services	$157,823.06		
Supplies and materials	1,192.19		
Telephone and telegraph	907.65		
Travel expense	4,329.26		
Printing and binding	3,393.81		
Miscellaneous	1,834.52		
Furniture and fixtures	3,110.99		
Services rendered by Federal Home Loan Bank Administration	150,676.52		
Administrator's Office - Federal Loan Agency	960.00		
Audit by Home Owners' Loan Corporation	702.69		
Total Administrative Expenses		324,930.69	
Nonadministrative Expenses			
Personal services	20,649.98		
Supplies and materials	293.88		
Telephone and telegraph	1,499.45		
Travel expense	6,196.84		
Printing and binding	733.22		
Miscellaneous	171.70		
Attorney fees and expense	997.85		
Examination expense	2,323.86		
Total Nonadministrative Expenses		32,866.78	357,797.47
Net Income From Operations			6,685,427.34
Other Income			
Profit on sale of securities			131,775.37
Net Income For Period			6,817,202.71
Adjustments of net income for prior years			15,388.42
Net Income			$6,801,814.29

DISTRIBUTION OF NET INCOME

To special reserve for contingencies	$3,000,000.00
To reserve fund as provided by law	3,801,814.29
Total	$6,801,814.29

EXHIBIT 23

Home Owners' Loan Corporation
Balance Sheet as of June 30, 1942

ASSETS

Mortgage loans, vendee accounts and advances--at present face value		$1,675,887,920.88
Interest receivable		4,772,207.39
Property:[1]		
Owned	$253,234,075.65	
In process of acquiring title	9,073,199.95	262,307,275.60
		1,942,967,403.87
Less reserve for losses		39,117,344.88
		1,903,850,058.99
Investments--at cost:		
Federal Savings and Loan Insurance Corporation (entire capital)	100,000,000.00	
Savings and loan associations	167,069,810.00	267,069,810.00
Bond Retirement Fund:		
Cash (including $5,478,300.00 deposited with U. S. Treasury for retirement of matured bonds and $20,357,225.00 for retirement of 2-1/4% bonds called for payment July 1, 1942)		26,158,266.50
Cash:		
Operating funds (includes $7,289,483.47 payable to Bond Retirement Fund in July 1942; and $22,474,316.82 deposited by borrowers--(see contra))	40,686,351.77	
Special funds held by U. S. Treasury for payment of interest coupons (see contra)	2,046,176.73	42,732,528.50
Fixed assets:		
Home Office land and building--at cost	2,987,819.93	
Furniture, fixtures and equipment--at cost	2,121,116.88	
Total fixed assets	5,108,936.81	
Less reserve for depreciation	2,439,275.66	2,669,661.15
Other assets:		
Accounts receivable	514,785.04	
Treasury bonds accepted as repayments (to be retired in July 1942)	50.00	514,835.04
Deferred and unapplied charges		50,847.47
Total assets		2,243,046,007.65

LIABILITIES AND CAPITAL

Bonded indebtedness (guaranteed as to principal and interest by the United States, except $185,925.00 of unpaid matured 4% bonds guaranteed as to interest only):		
Bonds outstanding--not matured[2]	2,084,482,225.00	
Bonds called for payment as of July 1, 1942	29,357,225.00	
Bonds matured--on which interest has ceased	5,478,300.00	2,119,317,750.00

Accounts payable:		
Interest due July 1, 1942, and prior thereto (see contra)	$ 2,047,350.58	
Special deposits by borrowers	22,474,316.82	
Miscellaneous	411,186.58	$ 24,932,853.98
Accrued liabilities:		
Accrued interest on bonded indebtedness	4,836,520.78	
Other accrued liabilities	253,379.02	5,089,899.80
Deferred and unapplied credits:		
Unamortized premium on bonds sold	1,002,962.70	
Miscellaneous	1,523,566.00	2,526,528.70
Reserves:		
Fidelity and casualties	250,000.00	
Fire and other hazards	391,901.45	641,901.45
Capital stock less deficit:		
Capital stock:		
Authorized, issued and outstanding	200,000,000.00	
Losses in excess of net earnings[3]	69,703,679.95	
Reserves for future losses[4]	39,759,246.33	
	109,462,926.28	90,537,073.72
Total liabilities and capital		2,243,046,007.65

[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 $12,697,271.58.

[2]Total bonded indebtedness shown includes unmatured bonds, which are guaranteed as to principal and interest by the United States, as follows:

3% bonds due May 1, 1952	$778,578,200
1-1/2% bonds due June 1, 1947	754,904,025
1% bonds due July 1, 1943	551,000,000

[3]The figure shown above reflects the Corporation's actual losses sustained in the sale of its acquired properties, on mortgage loans and other losses, on fire and other hazards, and on fidelity and casualties in excess of its cumulative net earnings.

[4]The reserve for losses is being accumulated at an annual rate which, on the basis of careful estimates, will approximate the total losses which may be sustained in the liquidation of mortgage loans, interest and property. The figure shown above reflects the reserves which have been provided to date for such future losses.

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 24

Home Owners' Loan Corporation
Statement of Income and Expense for the Fiscal Year 1942

Operating and other income:		
Interest:		
Mortgage loans and advances		$ 63,974,356.83
Vendee accounts and advances		16,206,972.82
Total		80,181,329.65
Property income		19,528,528.69
Dividends received from savings and loan associations		5,588,940.83
Miscellaneous		1,060,414.06
Total income		106,359,213.23
Operating and other expense:		
Interest on bonded indebtedness		53,406,588.92
Less amortization of premium on bonds sold		203,831.81
		53,202,757.11
Administrative and general expenses:		
Administrative expenses--current fiscal year		15,498,908.14
Administrative expenses--first preceding fiscal year		4,187.44
Administrative expenses--all other fiscal years		222.58[1]
General expenses		582,899.66
Property expense		14,586,897.29
Total expenses		83,875,427.06
Net income before provision for losses which may be sustained in the liquidation of assets		22,483,786.17
Provision for losses:		
On mortgage loans, interest and property		40,000,000.00
For fidelity and casualties		94,332.98
For fire and other hazards		240,319.00
		40,334,651.98
Loss for fiscal year		17,850,865.81
Deficit at July 1, 1941		92,362,691.87
Total		110,213,557.68
Surplus adjustments:		
Reduction of reserve against fire and other hazards	$750,000.00	
Other	631.40	750,631.40
Deficit at June 30, 1942		109,462,926.28

[1]Net credit.

EXHIBIT 25

Home Owners' Loan Corporation
Statement of Income and Expense From the Beginning of Operations, June 13, 1933, to June 30, 1942

Operating and other income:		
Interest:		
Mortgage loans and advances	$849,006,803.50	
Vendee accounts and advances	46,761,358.35	
	895,768,161.85	
Special investments	202,061.81	
Total		$895,970,223.66
Property income		113,242,679.29
Dividends received--Federal Savings and Loan Insurance Corporation		3,035,326.09
Dividends received from savings and loan associations		35,334,761.53
Miscellaneous		3,562,450.94
Total		1,051,145,441.51
Operating and other epxense:		
Interest on bonded indebtedness	547,080,254.67	
Less amortization of premium on bonds sold	615,904.73	
	546,464,349.94	
Amortization of discount on refunded bonds	7,158,329.31	
Administrative and general expense	245,907,910.41	
Property expense	93,886,078.61	
		893,416,668.27
Net income before provision for losses which may be sustained in the liquidation of assets		157,728,773.24
Provision for losses:		
On mortgage loans, interest and property (computed in accordance with Board Resolution of November 15, 1938)	266,137,153.25	
For fidelity and casualties	1,204,726.52	
For fire and other hazards	593,065.50	
		267,934,945.27
Loss for period June 13, 1933, to June 30, 1942		110,206,172.03
Add unlocated payments	33,780.04	
Less: Unidentified payments.. $12,828.75; Repayments unallocated--unidentified difference 14,197.04	27,025.79	
		6,754.25
		110,212,926.28
Deduct reduction of the reserve against fire and other hazards		750,000.00
Deficit at June 30, 1942		109,462,926.28