
REPORT
of the
Home Loan Bank Board
FOR THE YEAR ENDING
DECEMBER 31, 1947

Covering operations of the
FEDERAL HOME LOAN BANK SYSTEM
FEDERAL SAVINGS AND LOAN ASSOCIATIONS
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
HOME OWNERS' LOAN CORPORATION

This report, which covers the activities of the Home Loan Bank Board, is identical with Part II of the First Annual Report of the Housing and Home Finance Agency, of which the Home Loan Bank Board is a constituent agency.

LETTER OF TRANSMITTAL

Hon. RAYMOND M. FOLEY,
Administrator, Housing and Home Finance Agency,
Washington, D. C.

DEAR MR. FOLEY: Submitted herewith is the calendar year report
of the Home Loan Bank Board for the year ending December 31, 1947.

Very truly yours,

WILLIAM K. DIVERS, *Chairman.*

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ANNUAL REPORT OF THE HOME LOAN BANK BOARD FOR THE CALENDAR YEAR 1947

The most significant event during the year 1947 in the organization and functions of the Home Loan Bank program was the shift of authority from the Federal Home Loan Bank Administration to the Home Loan Bank Board. This change was more than nominal; it was a shift from a one-man Commissioner to a three-man Board. It also represented a partial change of direction and emphasis in carrying out the assignments under the Federal Home Loan Bank Act of 1932, as amended; the Home Owners' Loan Act of 1933, as amended; and title IV of the National Housing Act, as amended.

In the recent transition, the Congress, by the provisions of Reorganization Plan No. 3 of 1947, which became effective July 27, 1947, substituted a bipartisan board of three men for the single Commissioner, and defined in new provisions the Board's responsibility and power for the determination of policies. Although the Board was placed in charge of all the units which had functioned as a part of the Federal Home Loan Bank Administration under a Commissioner from February 24, 1942, through July 26, 1947, it did not, by its new authority, assume the full responsibilities and power which had been exercised prior to February 1942 by a bipartisan board of five.

Responsibilities of the Home Loan Bank Board

Under provisions of the original Federal Home Loan Bank Act, 12 Regional Banks (now consolidated in 11) were created. They function as a credit reserve system for thrift and home financing institutions. Until June 1933, the Federal Home Loan Bank Board had no other responsibility than the development and supervision of the Regional Banks of the Federal Home Loan Bank System, the membership of which consisted of State-chartered savings and loan associations, mutual savings banks, cooperative banks, homestead associations, and life insurance companies which qualified for and were accepted into membership under the terms of the act.

With the passage of the Home Owners' Loan Act June 13, 1933, the Members of the Federal Home Loan Bank Board were given the additional duty of serving as the Board of Directors of the Home Owners' Loan Corporation. One of the little known and highly important provisions of the Home Owners' Loan Act was to give authority to the Board to create and supervise a wholly new type of federally sponsored, locally owned and managed institution known as Federal savings and loan associations. They were to be similar in

form and purpose to State-chartered savings and loan associations. A special justification for the chartering of Federal savings and loan associations was that they were to be organized in areas where the services of such State-chartered associations were inadequate or not available and where the need for such institutions was clearly demonstrated.

In 1934, approximately one year after authorization for the creation of Federal savings and loan associations, the Federal Savings and Loan Insurance Corporation was created and the members of the then Federal Home Loan Bank Board were designated as its trustees.

These four organizations—the Federal Home Loan Bank System, the Federal Savings and Loan System, the Home Owners' Loan Corporation, and the Federal Savings and Loan Insurance Corporation—are today under the management and supervision of the Home Loan Bank Board.

Functioning Under Federal Loan Agency and National Housing Agency

For several years the Board functioned as an independent establishment reporting directly to the Congress and the President. On April 25, 1939, by congressional approval of the President's Reorganization Plan No. 1, the Federal Home Loan Bank units were grouped under the Federal Loan Agency, along with the Reconstruction Finance Corporation, the Federal Housing Administration, and the Import and Export Bank of Washington, and were under the general supervision of the Federal Loan Administrator. The announced purposes of the Federal Loan Agency were "to consolidate agencies according to major purposes, to reduce the number of agencies by consolidating those having similar functions and by abolishing such as may not be necessary, to eliminate overlapping and duplication of effort, to increase efficiency and to reduce expenditures."

The Federal Home Loan Bank Board and its units continued under the Federal Loan Agency until February 24, 1942, when by Executive Order No. 9070, the Board was vacated and its Chairman was made Commissioner of the Federal Home Loan Bank Administration. All of the units formerly under the Federal Home Loan Bank Board were retained without change under the Commissioner and, in addition, the United States Housing Corporation was added by transfer. Its operating units, by the Executive Order, were placed under the National Housing Agency, along with the Federal Housing Administration and the Federal Public Housing Authority.

Functioning Under Housing and Home Finance Agency

Under the recently adopted Reorganization Plan No. 3 of 1947, the Home Loan Bank Board became a component part of the then formed

Housing and Home Finance Agency, which was established as a permanent organization of the Federal Government under an Administrator to coordinate and supervise the principal housing programs of the Federal Government.

As Plan No. 3 provides, the Home Loan Bank Board, through its Chairman, reports to the Housing and Home Finance Administrator, and by its Chairman is represented on the National Housing Council which serves as a medium for promoting, to the fullest extent possible within revenues, the most effective use of housing functions and activities administered with the Housing and Home Finance Agency, and for facilitating consistency between such housing functions and activities and the general economic and fiscal policies of the Government, and for avoiding duplication or overlapping of such functions and activities.

United States Housing Corporation

One organization—the United States Housing Corporation—in the list of those directed and supervised by the Home Loan Bank Board was delivered to it for final liquidation in February 1942 by Executive Order No. 9070. At that time its liquidation and dissolution were nearing completion.

The United States Housing Corporation came into existence in July 1918, during World War I. It was then created for the purpose of providing housing for workers in congested war production centers. To it was assigned the duty of constructing and operating various housing projects of the Federal Government. Between July 8, 1918, when the first contract was awarded, and November 11, 1918, 60 general contracts were awarded and 23 more were ready to be let. Following the signing of the armistice, it was decided that the Corporation should complete such projects as were in an advanced state and that others should be abandoned and the materials salvaged. The Corporation completed about 6,000 residential properties in some 26 States, as well as several large hotels in the District of Columbia, and Seattle, Wash. The total amount spent on all projects, whether completed, partially completed, or abandoned, was more than \$53,000,000.

Authority for the management of the affairs of the Corporation, which originally was delegated to the Secretary of Labor, was transferred to the Secretary of the Treasury in June 1937, to the Federal Works Administrator in June 1939, and finally to the National Housing Agency in February 1942, to be administered in the Federal Home Loan Bank Administration.

The liquidation of all the assets and the winding up of the affairs of the Housing Corporation were completed by June 30, 1945, with the exception of the final transfer of funds to the United States Treasury and the final disposition of minor litigation. As of January

15, 1947, when the final report to the Congress on the liquidation of the Corporation was submitted, all assets of the Corporation had been liquidated, the cash covered into the United States Treasury, with final dissolution being held up awaiting the disposition of one unimportant pending damage suit.

From the beginning of its operations through to its dissolution, the United States Housing Corporation had cumulative income of \$17,755,204. Operating expenses of \$11,145,848 reduced the net operating income to \$6,609,356. Losses from liquidation and sale of properties amounted to \$35,290,686 and in addition there were transfers to other governmental agencies of properties valued at \$5,229,723 for which the Corporation was not reimbursed. The final deficit of \$33,911,053, represented 44.5 percent of the cumulative investment of \$76,163,332. If reimbursement had been received for these transfers to other governmental agencies, the final deficit would have been reduced to \$28,681,330, or 37.7 percent of the cumulative investment.

Staff of Home Loan Bank Board

The Home Loan Bank Board began 1947 with a staff of 91 and ended the year with 73. This personnel included all engaged in staff functions as distinguished from operating functions and represented Board Members and their assistants, the Legal and Personnel Departments, and the Office of the Secretary. A chart of the organization of the Board and its three operating units appears on the opposite page.

Administrative Expenses (Home Loan Bank Board)

Funds required to defray the administrative expenses of the Home Loan Bank Board, as such, are derived from contributions by the three constituents of the Board, namely, the "Federal Home Loan Bank System," the Home Owners' Loan Corporation, and the Federal Savings and Loan Insurance Corporation.

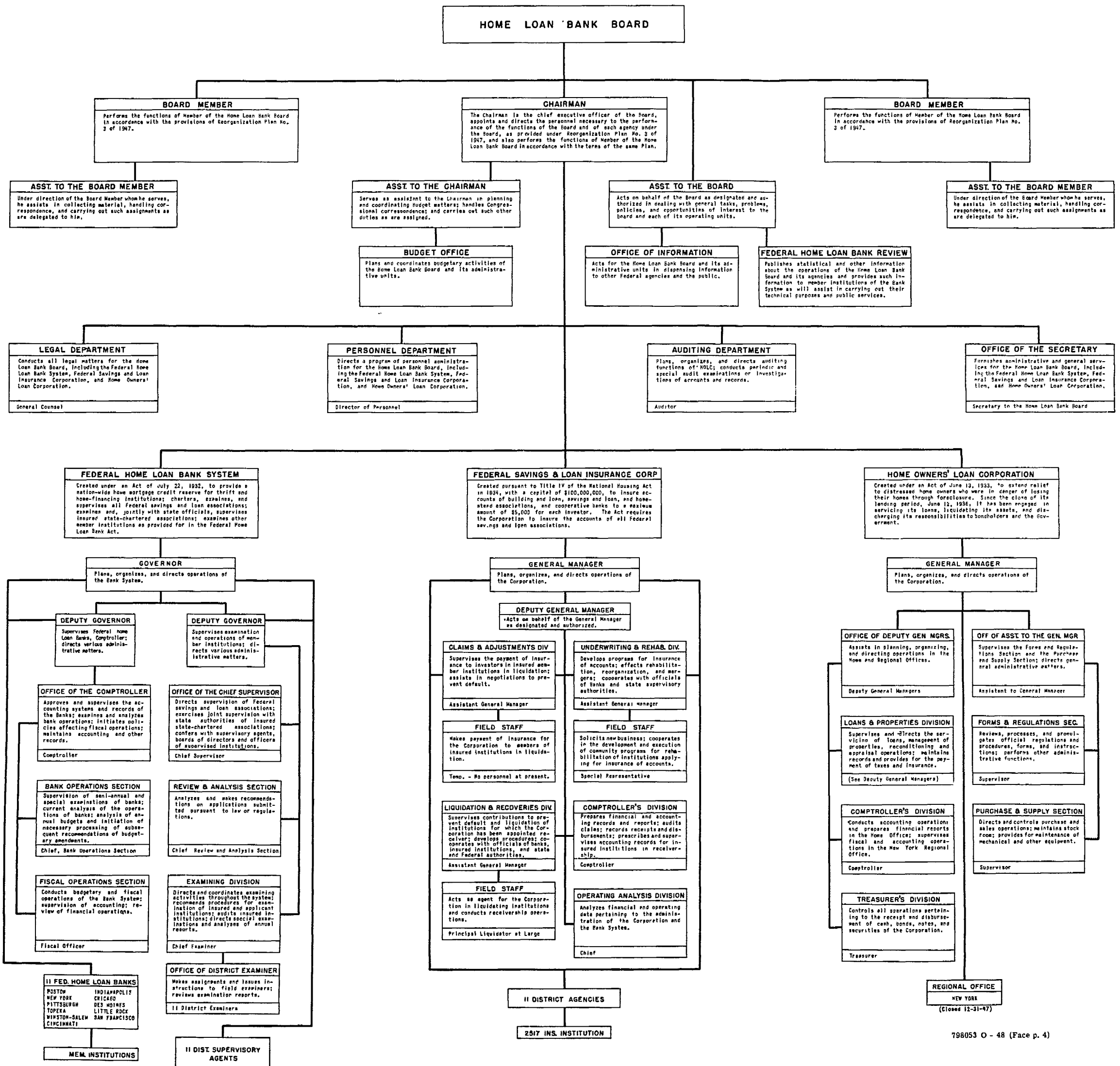
For the calendar year 1947, administrative expenses of the Board aggregated \$369,861.20. Contributions by the above named constituents, applicable to the calendar year in question, were as follows:

Federal Home Loan Bank System.....	\$161, 618. 91
Federal Savings and Loan Insurance Corporation.....	93, 398. 00
Home Owners' Loan Corporation.....	105, 928. 00
Total.....	360, 944. 91

The excess of expenses over income during such year is represented by amounts due the Board but not actually collected from the two Corporations as of December 31, 1947.

FUNCTION AND ORGANIZATION CHART OF THE HOME LOAN BANK BOARD

(as of December 31, 1947)



Personnel of the Bank Board

Prior to July 27, 1947, when Reorganization Plan No. 3 of 1947 became effective, all functions and activities of the Bank Board and its three operating units were under the Federal Home Loan Bank Administration with John H. Fahey as its Commissioner. Pending the initial appointment of the Members of the new Home Loan Bank Board provided by the Plan, existing officials were designated to perform temporarily the functions of the Board Members. On August 15, 1947, John H. Fahey, Nathaniel Dyke, Jr., and J. Alston Adams were given recess appointments as Members of the Home Loan Bank Board, Mr. Fahey being designated as Chairman. Upon the expiration of these appointments, on December 20, 1947, William K. Divers and J. Alston Adams were appointed Members of the Board. Mr. Divers was designated as Chairman. (On April 2, 1948, O. K. LaRoque became the third Member of the Home Loan Bank Board.)

Reports of the Bank System, Insurance Corporation, and H. O. L. C.

Reports of the three operating units of the Home Loan Bank Board—the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation—for the calendar year 1947 follow.

FEDERAL HOME LOAN BANK SYSTEM**Summary**

At the end of 1947 a total of 3,705 institutions with combined resources of approximately \$11,500,000,000 were members of the Federal Home Loan Bank System. In the past year, the resources of members of the System increased by some 13 percent; since 1941 they have more than doubled.

Savings of the public held by member institutions aggregated approximately \$9,600,000,000 as of December 31, 1947, a net increase of more than \$1,000,000,000 for the year. The 1947 gain in savings invested with members of the System was equivalent to nearly 10 percent of the estimated net personal savings of all individuals in the country and illustrates the influence which these member institutions can bring to bear in combating inflationary pressures through converting expendable income into long-term savings.

Outstanding home mortgage loans of members of the Federal Home Loan Bank System at the end of 1947 aggregated approximately \$8,300,000,000. During the year these member institutions made new home mortgage loans totaling \$3,600,000,000 of which nearly one-quarter was for financing the construction of new homes. It is estimated that members of the Bank System currently are accounting for approximately one-third of all home mortgage financing in the country. Over \$1,000,000,000 was loaned by member institutions in 1947 for the

purpose of enabling veterans to acquire homes under the "G. I. Bill".

As of December 31, 1947, the regional Federal Home Loan Banks had outstanding advances to their member institutions of \$435,572,185, as compared with \$293,454,767 of such advances outstanding at the beginning of the year.

Origin and Purpose of the System

The Federal Home Loan Bank System came into being in 1932 in response to widely recognized need for a national reserve credit system for savings institutions specializing in home mortgage finance. Two decades earlier, the commercial banking structure of the country had been immeasurably strengthened by the organization of the Federal Reserve System. But prior to the establishment of the Federal Home Loan Bank System, savings institutions of the country were left to shift for themselves as best they could in the face of widely fluctuating economic conditions and problems. They had no dependable source of reserve credit with which to meet local financing or withdrawal demands exceeding their own immediate resources.

There was in existence no mechanism for assuring an adequate national supply of home mortgage credit or for assuring the diffusion of such credit into all areas of the country where it was needed. When the depression struck, many savings institutions were forced to defer payment of withdrawal requests and to curtail sharply the volume of credit they were able to make available for the financing of homes in their communities. It was this weakness in the over-all financial structure that the Federal Home Loan Bank System was designed to correct.

The Bank System operates through a network of regional Federal Home Loan Banks located in key cities throughout the country. Membership in these Banks is open to savings and loan associations, cooperative banks, savings banks, and insurance companies making long-term home mortgage loans. Each Federal Home Loan Bank is authorized to accept deposits from and to make both secured and unsecured advances to its member institutions.

The capital of the Banks is derived in part from the stock subscriptions of member institutions and in part from initial stock subscribed for by the Treasury and now gradually being retired. Additional funds for use in the operations of the Bank System are obtained through the issuance of bonds, notes and debentures of the Federal Home Loan Banks. Through adjustments in the degree of participation of each Bank in such security issues, as well as through the medium of inter-bank deposits, regional variations in the credit requirements of member institutions can be dealt with effectively.

In the 15 years which have passed since it was established, the various credit mechanisms employed by the Bank System have been

thoroughly tested and widely utilized. Although other eligible institutions have participated in lesser degree, the System now includes in its membership institutions of the savings and loan type, the combined resources of which are equivalent to approximately 90 percent of the assets of all such institutions in the country. For these member savings institutions and their many millions of borrowers and savers the Federal Home Loan Bank System stands as a firmly established bulwark against recurrence of difficulties encountered in past periods of economic and financial strain.

None of the income required to defray operating expenses of the Federal Home Loan Bank System is derived from appropriations out of general funds of the United States Treasury. The annual earnings of the Federal Home Loan Banks, after dividend and reserve allocations, are sufficient to cover not only the operating expenses of the Banks but to absorb their portion of the annual administrative expenses of the Home Loan Bank Board in Washington.

Continuance of Inflationary Problems

Conditions prevailing in the real-estate market and throughout the economy since the war have posed serious problems for savings institutions operating in the field of home-mortgage finance and one of the major objectives of the Bank System in this period has been the full mobilization of its facilities to assist member institutions in their efforts to guard against operating hazards inherent in the existing inflationary situation.

Despite a substantial increase in housing production during 1947, no material abatement of the inflationary problems confronting members of the System occurred. The demand for housing of all types continued to be far in excess of supply and real-estate prices remained at peak levels. Although some indications of a tightening of home mortgage credit became discernible toward the end of the year, mortgage money remained plentiful in most sections of the country, particularly in the large urban centers.

The extraordinary postwar price rise in residential real estate has presented home financing institutions with an especially difficult problem. Local increases in current market prices have had to be weighed with the utmost caution to determine the extent to which they may or may not justify higher valuations for long-term financing purposes. Strict adherence to values prevailing prior to the inflation, for all practical purposes, would have the effect of taking an individual institution out of the mortgage market altogether. Disproportionate emphasis on current market prices, on the other hand, obviously would result in rapid deterioration in the quality of the institution's mortgage portfolio. In the case of each institution, the development of a valuation approach representing a sound middle ground between

these extremes demands the exercise of fully informed, long-range business judgment of the highest order.

Current operating problems of the System's members have not been confined entirely to the lending side of their business. Of equal importance have been the difficulties attendant upon the attraction and maintenance of an adequate volume of savings. One of the important effects of inflation has been the increasingly higher proportion of individual incomes absorbed by current living costs and the shrinking proportion of such incomes available for savings. The declining annual volume of savings by the people of the country has been accompanied by intensified competition for such savings which, in turn, has tended to accentuate the earnings problem of the individual institution.

The ability of any savings institution to maintain a fair rate of return on its savings accounts is limited by the gross income obtainable from its investments and by the dictates of sound reserve and liquidity policies. In recent years prevailing mortgage interest rates have dropped to the lowest levels on record. At the same time the hazards of present-day operations and the need for providing maximum protection against future contingencies, properly have impelled the majority of institutions to adopt more than usually conservative policies with respect to liquidity and reserves. The maintenance under present conditions of a competitive rate of return on savings without sacrifices in the soundness of basic operating policies has presented a challenge of no mean proportions to the directors and managers of these institutions and one calling for the utmost in ingenuity, resourcefulness, and balanced judgment on their part.

Protective Measures.—Throughout the year continued effort was made to assist members of the System in maintaining a sound perspective on present distortions in the economy and potential sources of future difficulty. Three fundamental protective measures were stressed. First, the utilization of all available resources contributing to the development of sound lending policies and practices. Secondly, the building of reserves against future contingencies over and above minimum statutory or regulatory requirements. Thirdly, the maintenance of sufficient liquidity to assure continued normal operations regardless of economic fluctuations in the period ahead. Emphasis of these objectives found expression not only in the supervisory relationships of Bank System officials with individual institutions but in conferences and group meetings with managing officers and in the preparation and general distribution of detailed studies and recommendations on many aspects of current operating problems.

Member Institutions

As of December 31, 1947, there were 3,705 member institutions of the Federal Home Loan Bank System. Their estimated aggregate resources at that date amounted to \$11,459,000,000, reflecting a growth in member assets during 1947 of \$1,326,000,000 or 13.1 percent. In contrast to the continued substantial increase in total resources of member institutions of the Bank System, the number of members has remained comparatively static for many years. During 1947 the number of member institutions increased from 3,698 to 3,705.

Savings institutions of the savings and loan type presently account for the great bulk of both the number and total assets of members of the Bank System, the combined resources of member savings and loan associations being equivalent to approximately 90 percent of the assets of all such institutions in the country. Changes in the composition of the System's membership during 1947 are summarized in the following table:

Number and Assets of Member Institutions

[Dollar amounts in millions]

	Dec. 31, 1947		Dec. 31, 1946		Net change	
	Number	Assets	Number	Assets	Number	Assets
All member institutions.....	3,705	\$11,459	3,698	\$10,133	+7	+\$1,326
Savings and loan associations.....	3,670	10,439	3,661	9,017	+9	+1,422
Federal.....	1,478	5,460	1,471	4,671	+7	+789
Insured State.....	1,064	3,079	1,021	2,615	+33	+464
Uninsured State.....	1,138	1,900	1,169	1,731	-31	+169
Savings banks.....	25	700	25	645	0	+55
Insurance companies.....	10	320	12	471	-2	-151

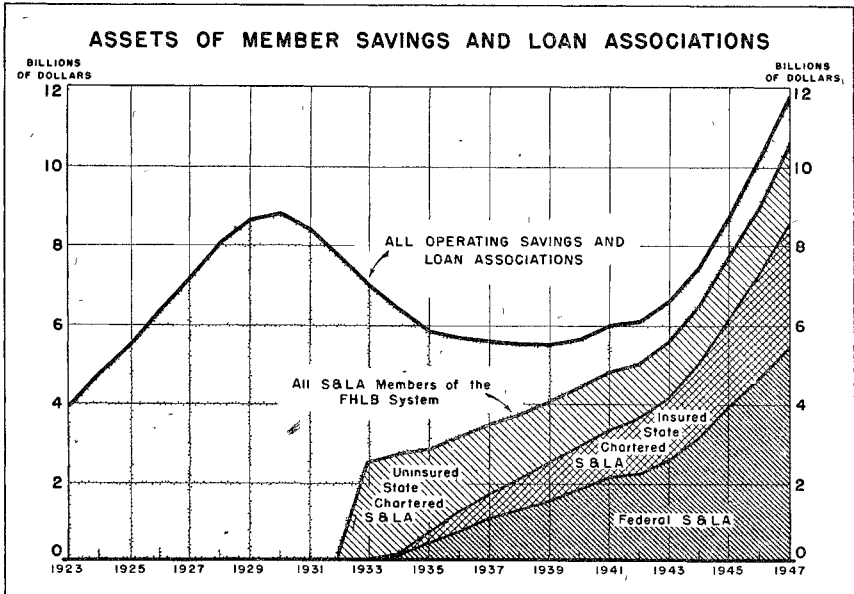
NOTE: Assets as of December 31, 1947, based on preliminary estimates.

In connection with the figures shown in the foregoing table, it should be observed that during 1947 seven associations with resources aggregating approximately \$7,300,000 converted from State to Federal charter, while four new Federal associations with assets at December 31, 1947, of approximately \$788,000 were organized during the year. Three Federal associations with assets of \$607,000 consolidated with other Federals and one Federal savings and loan association with assets of \$93,000 completed voluntary liquidation.

Average Size of Members.—At the close of 1947 the average size of all member institutions of the Bank System was \$3,093,000, an increase of 12.9 percent during the year. The average size of member savings banks and insurance companies was \$28,000,000 and \$32,000,000, respectively. The average size of Federal savings and loan associations was \$3,694,000, of insured State-chartered savings and loan associations \$2,922,000, and uninsured State-chartered savings and

loan associations \$1,670,000. Among members of the System, Federal savings and loan associations recorded the largest increase in average size during the year, 16.3 percent. Insured and uninsured State-chartered associations followed with increases of 14.1 and 12.8 percent, respectively.

Mortgage Loans.—Preliminary estimates indicate that at the close of 1947 member institutions of the Federal Home Loan Bank System held outstanding first mortgage loans aggregating \$8,300,000,000 of



which approximately \$2,000,000,000 or nearly 25 percent consisted of home mortgage loans to veterans under the G. I. bill. Member savings and loan associations held loans of approximately \$8,100,000,000, reflecting a net increase in their combined portfolios of \$1,613,000,000 during the year.

In 1947 new home mortgage loans of \$3,600,000,000 were made by all members of the System, including approximately \$1,000,000,000 loaned to veterans under the G. I. bill. Loans made by member savings and loan associations during 1947 aggregated \$3,465,776,000, an increase of 4.3 percent over the \$3,321,881,000 loaned in the preceding calendar year. Of this total, Federal savings and loan associations made \$1,818,510,000, insured State-chartered member associations made \$1,046,336,000, and uninsured State-chartered member associations made \$600,930,000. It is estimated that loans by savings and loan associations which were not members of the Bank System aggregated approximately \$345,000,000.

HOME LOAN BANK BOARD

Loans for the financing of new construction accounted for 24.4 percent of the dollar volume of all loans made by member savings and loan associations in 1947. This was an increase of 42.1 percent over the amount loaned for this purpose in 1946. The following table summarizes new mortgage loans made in 1947 by member associations, by the purpose for which made, and affords comparison of these figures with the corresponding data for 1946:

New mortgage loans by all member savings and loan associations

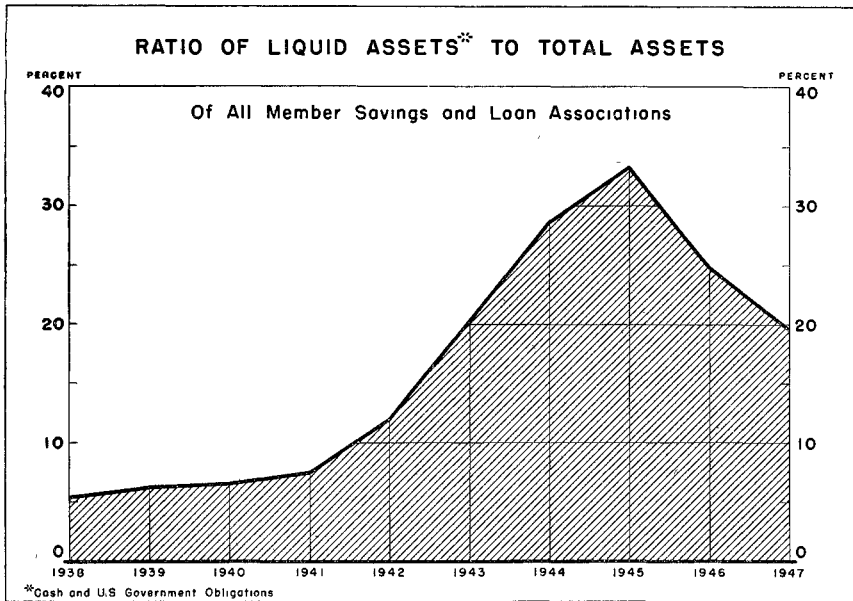
[Dollar amounts in thousands]

Purpose	1947		1946		Percent change in 1947
	Amount	Percent of total	Amount	Percent of total	
Construction.....	\$844,732	24.4	\$594,320	17.9	+42.1
Home purchase.....	1,899,348	54.8	2,155,565	64.9	-11.9
Refinancing.....	291,106	8.4	255,508	7.7	+13.9
Reconditioning.....	113,110	3.3	72,563	2.2	+55.9
Other.....	317,480	9.1	243,925	7.3	+30.2
Total.....	3,465,776	100.0	3,321,881	100.0	+4.3

Liquid Assets.—The combined holdings of cash and United States Government obligations by member savings and loan associations of the Bank System at the end of 1947 aggregated approximately \$2,050,000,000. During the year, the ratio of liquid assets to total assets continued to decline, although at a somewhat less rapid rate, from the peak levels reached toward the end of the war. The ratio of liquid assets to total assets was 33.4 at the end of 1945, 24.9 at the end of 1946 and 19.6 at the end of 1947. Despite the recent downward trend, the liquidity ratio of member savings and loan associations still is far in excess of levels prevailing in the prewar period.

Savings.—The dollar volume of savings of the public held by all member institutions of the Bank System rose by more than \$1,000,000,000 in 1947, increasing the estimated year-end total of such savings to \$9,600,000,000. Savings accounts in member savings and loan associations increased by \$1,081,752,000 during the year, bringing the total amount of such accounts outstanding as of December 31, 1947, to approximately \$8,700,000,000; the net gain in savings during 1947 closely approximated the increase of \$1,109,219,000 recorded in 1946.

Of the growth in savings registered by all member savings and loan associations of the Bank System in 1947, approximately \$632,956,000 was accounted for by Federal savings and loan associations. The increase for insured State-chartered savings and loan members was \$364,581,000 and for uninsured State-chartered member savings and loan associations \$84,215,000.



A summary of the 1947 trend in savings for the various types of member savings and loan associations, as contrasted with their experience in 1946, is shown in the following table:

Trend in savings

[Dollar amounts in thousands]

	1947 ¹			1946		
	December 31	Increase	Percent gain	December 31	Increase	Percent gain
Federal associations.....	\$4,608,769	\$632,956	15.9	\$3,975,813	\$623,581	18.6
Insured State associations.....	2,566,742	364,581	16.6	2,202,161	348,874	18.8
Uninsured State associations.....	1,524,489	84,215	5.8	1,440,274	136,764	10.5
All member associations.....	8,700,000	1,081,752	14.2	7,618,248	1,109,219	17.0

¹ Preliminary.

Federal Home Loan Bank Advances.—Advances to member savings and loan associations by the Federal Home Loan Banks outstanding at the close of 1947 aggregated \$431,222,185. This figure compares with a balance of \$291,367,247 in Bank advances outstanding to such institutions at the end of 1946. As of December 31, 1947, the bulk of advances to member associations was secured by long-term amortized home mortgage loans and obligations of the U. S. Government. At that date \$272,777,735 of advances were outstanding to Federal savings and loan associations, \$118,927,171 to insured State-chartered associations and \$39,517,279 to uninsured State-chartered associations.

Reserves.—As of December 31, 1947, the combined general reserve and undivided profits accounts of member savings and loan associations stood at approximately \$716,000,000 and were equivalent to 6.9 percent of their estimated total assets. At that date reserves of Federal associations aggregated approximately \$330,000,000 or 6 percent of assets, of insured State-chartered members \$212,000,000 or 6.9 percent of assets, and of uninsured State-chartered members \$174,000,000 or 9.1 percent of assets. Although the combined total of reserve accounts of all member associations increased by over \$93,000,000 in 1947, the ratio of such accounts to total assets at the end of the year reflected virtually no change from the ratio at the end of 1946 due to concurrent growth in their total resources.

Federal Home Loan Bank Operations

Bank System Financing.—Consolidated Federal Home Loan Bank obligations outstanding at the beginning of the calendar year 1947 totaled \$169,000,000. These consisted of \$140,000,000 in consolidated bonds maturing April 15, 1948 and \$29,000,000 in consolidated notes maturing February 17, 1947. The \$29,000,000 in notes due February 17, 1947 was retired at maturity. During the latter part of the year the credit demands of members upon the Federal Home Loan Banks necessitated the issuance of two series of consolidated notes aggregating \$121,700,000 with the result that as of the end of the year the following consolidated Bank obligations were outstanding:

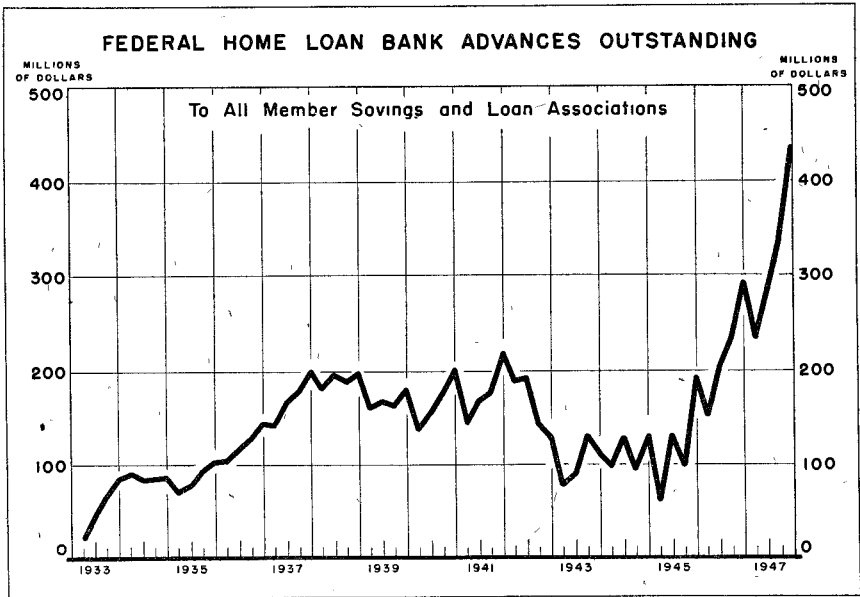
1¼% Series A-1948 bonds dated 10-15-46, due April 4, 1948.....	\$140, 000, 000
1¼% Series A-1948 notes dated 9-15-47, due September 15, 1948..	85, 000, 000
1¼% Series B-1948 notes dated 12-1-47, due February 16, 1948..	36, 700, 000
	<hr/>
	261, 700, 000

As has been true since consolidated Federal Home Loan Bank obligations were first issued in 1937, the public offering of \$85,000,000 of consolidated notes in 1947 was heavily oversubscribed shortly after the offering was announced. Marketing of the \$36,700,000 of consolidated notes, due February 16, 1948, was accomplished by private sale.

For a considerable number of years, borrowings by one Federal Home Loan Bank from another in order to facilitate the regional distribution of credit have been accomplished through the medium of deposits. At the beginning of 1947, \$6,500,000 in interbank deposits were outstanding. During the year demands for advances from members in certain Bank Districts were so great that an unprecedented volume of interbank transactions took place. Interbank deposits of \$66,000,000 were made in 1947 and \$61,000,000 repaid, resulting in \$11,500,000 remaining outstanding as of December 31, 1947. The annual rate of interest on interbank deposits is based on the average

cost of all consolidated Federal Home Loan Bank obligations outstanding plus one-fourth of 1 percent. During the year, such rates ranged from 1.62 percent to 1.67 percent.

Advances to Members.—At the beginning of the calendar year 1947 the eleven Federal Home Loan Banks had total outstanding advances to their members of \$293,454,766. New advances made during the year aggregated \$351,079,351, the largest volume of advances ever



made in any one calendar year. Repayments totaled \$208,961,932. The \$435,572,186 in advances outstanding at the end of the year represented the highest such total since the Bank System was established. The average balance of advances outstanding during 1947 was \$299,900,000, which was considerably in excess of the 1946 average of \$206,000,000.

As of December 31, 1946, advances for periods of one year or less aggregating \$184,330,000 were outstanding to 1,273 members. During 1947, \$228,630,000 of such advances were made and \$194,614,000 repaid or transferred to a long-term basis, resulting in a balance of \$218,346,000 outstanding on December 31, 1947 to 1,429 members. As of the end of 1946 advances for more than one year aggregating \$109,125,000 were outstanding to 482 members. During the year \$122,449,000 of such advances were made, \$47,635,000 transferred from a short-term basis, and \$61,983,000 repaid, resulting in total long-term advances of \$217,226,000 outstanding as of December 31, 1947 to 741 members.

HOME LOAN BANK BOARD

Outstanding secured advances to members increased from \$230,443,000 as of December 31, 1946 to 1,006 borrowers to \$344,006,000 to 1,294 borrowers as of December 31, 1947. As of the end of 1946, 576 member borrowers were indebted on an unsecured basis to their Federal Home Loan Banks in the aggregate amount of \$63,012,000, as compared to 720 borrowers with an indebtedness of \$91,566,000 as of the end of 1947.

At the beginning of 1947, 1,420 members were borrowers from their Federal Home Loan Banks, representing 38.4 percent of the total membership, as contrasted with 1,804 members at the end of the year, representing 48.7 percent of the membership. During the year the percent and number of Federal savings and loan associations borrowing from their Federal Home Loan Banks increased from 46.2 percent and 680 respectively, to 57.4 percent and 849, respectively. The percent of insured State-chartered members borrowing from their Banks increased from 43.8 to 52.1 percent and the number of such borrowers from 447 to 549. As of December 31, 1946, 293 noninsured State-chartered members, representing 24.3 percent of that type of institution, were Bank borrowers as compared to 34.6 percent and 406 borrowers as of the end of the year.

Throughout the year, no borrowers were reported more than 30 days delinquent on their indebtedness to the Federal Home Loan Banks.

In conformity with the firming of the general money markets during the year, interest rates of 1.5 percent on 1-year advances were discontinued. A 2 percent rate on all advances was maintained by five Banks, while four Banks charged 2 percent on 1-year advances and 2.5 percent on all others. The Indianapolis and Chicago Banks established a 2 percent rate on advances up to 2 years and a 2.5 percent rate on those in excess of 2 years.

Member Deposits.—During the year there was little change in the amount of members' demand deposits with their Federal Home Loan Banks, such deposits having decreased from \$21,881,845 at the beginning of the year to \$21,877,598 as of December 31, 1947. However, members' time deposits with their Banks increased from \$48,365,700 to \$65,957,473.

As of December 31, 1947, members' time deposits bore interest at 1 percent per annum in seven Banks, 0.75 percent in two Banks, and 0.5 percent in two Banks. One Bank, in addition to paying 0.5 percent on deposits remaining over 90 days, had a special 1 percent rate for deposits of 6 months or more.

Financial Condition and Operations.—A comparative consolidated statement of condition of the eleven Federal Home Loan Banks as of December 31, 1947, is set forth in exhibit 1. Total resources of the

Banks rose from approximately \$473,000,000 at the end of 1946 to more than \$612,000,000 at the end of 1947. This increase of more than \$139,000,000 resulted mainly from increases of \$142,000,000 in advances to member institutions and \$3,000,000 in cash and a decrease of approximately \$6,000,000 in investments in Government obligations. On the liability side, the \$139,000,000 increase consisted of \$93,000,000 in consolidated obligations outstanding, \$28,000,000 in deposits, and \$18,000,000 in capital.

Under the provisions of the Federal Home Loan Bank Act, whenever the capital stock of a Federal Home Loan Bank held by its member institutions equals the amount of the Government's investment in that Bank's capital stock, the Bank must apply annually to the retirement of Government-held capital 50 percent of all further payments on capital stock by member institutions. As of December 31, 1946, Government-held stock in the Federal Home Loan Banks aggregated \$123,651,200. Pursuant to the above provisions of the law, Government capital in the amount of \$979,000 was retired during 1947, reducing the amount of such capital in the Banks outstanding at the close of the year to \$122,672,200. Prior to the beginning of the year, the amount of capital stock held by members of the Federal Home Loan Banks of Cincinnati and Indianapolis had increased to the point where it equaled the amount of stock held by the Government and these two Banks accounted for the reduction in Government-held capital which occurred in 1947.

During the year, member capital in the Federal Home Loan Banks of Winston-Salem and Des Moines also rose above the amount of their stock held by the Government. Accordingly, on the basis of December 31, 1947, closing figures, these four Banks on January 2, 1948, together effected the further retirement of Government capital aggregating \$2,881,000. This action reduced outstanding Government-held capital in the Banks to \$119,791,200 as against \$103,077,575 paid in on capital stock subscriptions by members. While the amount of Government capital in the Banks is now declining steadily, the amount of capital subscribed by member institutions has increased substantially each year since the System was established. During 1947 the increase in member capital was \$17,249,475 and if this increase is approximated in 1948 member capital will exceed that held by the Government before the close of the year.

Effective as of July 1, 1947, pursuant to an amendment to the Reconstruction Finance Corporation Act, approved June 30, 1947, the Government's investment in the capital stock of the Federal Home Loan Banks; previously held by RFC, was transferred to the Secretary of the Treasury.

HOME LOAN BANK BOARD

A consolidated statement of the income and expense of the 11 Federal Home Loan Banks for the year 1947 is set forth in exhibit 2 of this report. It will be observed that the 1947 net income of the Banks approximated \$4,600,000. This represented an increase of nearly \$600,000, or 14.4 percent over 1946. Such gain was due primarily to an increased income from advances. Interest from securities, while \$304,632 greater than for 1946, represented only 32.7 percent of operating income as compared to 41.2 percent for 1946. Profits from security sales declined \$235,755 from the 1946 total of \$598,030.

Although the Banks' dividend declarations for the first half of 1947 with one exception were at the same rates as those declared on December 31, 1946, declarations were higher in the case of five Banks for the second half of the year. The rates for the year ranged from 1 to 2 percent and resulted in aggregate dividend payments of \$1,328,367 to members and \$1,612,890 to the Government. This latter amount represented a return of 1.31 percent on the Government's investment in the Banks, which had been reduced by \$979,000 since last year. Irrespective of this reduction, the 1947 dividend declarations on Government stock subscriptions were \$115,113 greater than the amounts declared in 1946. During 1947 the Banks increased their reserves by \$975,959 and their undivided profits by \$651,902 to totals of \$15,598,709 and \$8,524,750, respectively, as of December 31, 1947.

Bank Examinations and Audits.—Under the provisions of the Federal Home Loan Bank Act, as amended, each Federal Home Loan Bank must be examined at least twice annually. Accordingly, 22 examinations, including detailed audits, were conducted as of effective dates in the calendar year 1947 and appropriate reports thereon submitted to the Board and the Banks concerned. No loss of principal or interest on advances made by the Banks was reported.

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

The establishment of Federal savings and loan associations was authorized under section 5 of the Home Owners' Loan Act of 1933. At that time many communities in the country were without adequate local facilities for the investment of savings and were without adequate local sources of home mortgage credit. Accordingly, provision was made for the organization of new Federal savings and loan associations in communities where there was a clear need for their services and where they could be established without injury to existing local institutions of a similar type. Provision also was made for the conversion of existing savings and loan associations from State to Federal charter.

The enabling legislation vested in the Home Loan Bank Board responsibility for the organization, chartering and regulation of Federal

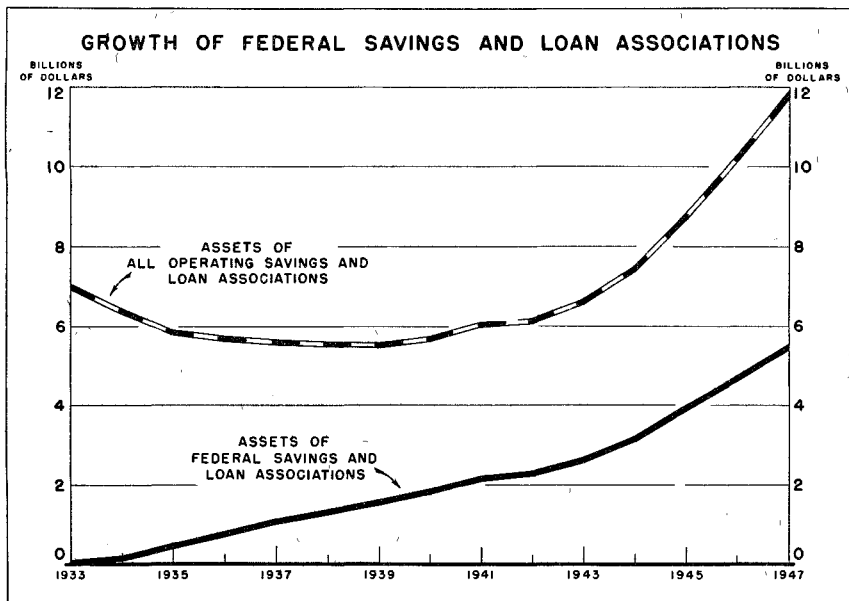
savings and loan associations. Although subject to Board supervision, Federal savings and loan associations are privately owned and operated mutual institutions. Under the law, every Federal association must be a member of the Federal Home Loan Bank System and have its accounts insured by the Federal Savings and Loan Insurance Corporation.

Pursuant to the congressional mandate, the Board has endeavored to incorporate into the charter for Federal savings and loan associations the soundest and most advanced operating principles and practices known for savings institutions specializing in the financing of home properties. The charter requires that the bulk of loans made by a Federal association be secured by first mortgages on home properties not exceeding \$20,000 in amount. For the most part, these loans must be made on a monthly, direct-reduction basis and, in addition, the charter sets forth a number of further limitations and safeguards with respect to the lending operations of Federal associations. An amendment to section 5 (c) of the Home Owners' Loan Act approved August 6, 1947, authorizes Federal savings and loan associations also to make unsecured loans for the alteration, repair, or improvement of home properties. The savings plans offered to the public by these Federal associations are designed both to afford the fullest possible measure of protection and to stimulate regular systematic saving.

Number and Assets of Federal Savings and Loan Associations.—As of December 31, 1947, a total of 1,478 Federal savings and loan associations were in operation. Of these, 638 represented associations originally organized under Federal charter, the remaining 840 associations having converted from State to Federal charter. The combined resources of Federal savings and loan associations at the end of 1947 amounted to approximately \$5,459,640,000, reflecting an increase in total assets of 16.9 percent during the year. The resources of Federal savings and loan associations now account for nearly one-half of the total assets of all institutions of the savings and loan type in the country. During the past year the average size of Federal savings and loan associations increased from \$3,175,000 to \$3,694,000 or by 16.3 percent.

During 1947 four new Federal savings and loan associations were organized and seven State-chartered savings and loan associations converted to Federal charter. In this period, three Federal associations consolidated with other institutions and one Federal association completed voluntary liquidation. The effect of these changes was a net increase of seven in the number of Federal savings and loan associations during 1947. Two Federal associations received authorization from the Board in 1947 to establish new branch offices. As of

HOME LOAN BANK BOARD



December 31, 1947, 43 Federal associations were operating a total of 53 branch offices.

Mortgage Loans.—At the close of 1947 Federal savings and loan associations held first mortgage loans aggregating \$4,225,963,000. This figure reflects an increase of 25.8 percent in their combined mortgage portfolios during 1947. Federal associations made new mortgage loans in 1947 aggregating \$1,818,510,000 which was just slightly higher than the total amount of their loans in 1946. Of the amount loaned by Federal savings and loan associations in 1947, \$488,502,000 or 26.9 percent was for the financing of new construction. This was an increase of 33.4 percent over the amount loaned for such purposes in 1946. A summary of new mortgage loans made by all Federal savings and loan associations during 1947 is shown in the following table:

New mortgage loans by all Federal savings and loan associations

[Dollar amounts in thousands]

Purpose	1947		1946		Percent change in 1947
	Amount	Percent of total	Amount	Percent of total	
Construction.....	\$488,502	26.9	\$366,294	20.2	+33.4
Purchase.....	966,932	53.2	1,154,776	63.8	-16.3
Refinancing.....	153,779	8.4	138,608	7.7	+10.9
Reconditioning.....	49,349	2.7	32,544	1.8	+51.6
Other.....	159,948	8.8	118,092	6.5	+35.4
Total.....	1,818,510	100.0	1,810,374	100.0	+0.4

Cash and Government Obligations.—The combined total of cash and United States Government obligations held by all Federal savings and loan associations at the end of 1947 amounted to \$1,073,248,000, or 19.7 percent of their total assets. During the year liquid assets of this character declined by \$105,509,000, or 9 percent.

Savings.—During 1947 savings of the public invested in Federal savings and loan associations increased by \$632,956,000, or 15.9 percent. This increase brought total private savings in these associations to \$4,608,769,000 as of December 31, 1947. It is estimated that at the end of the year some 3,280,500 individuals held savings accounts in Federal savings and loan associations.

Federal Home Loan Bank Advances.—Outstanding advances by the Federal Home Loan Banks to Federal savings and loan associations increased during 1947 by \$82,199,000 to the year-end figure of \$272,778,000. This was an increase of 43.1 percent in the volume of such advances outstanding. As of December 31, 1947, Federal associations had borrowings from sources other than the Federal Home Loan Banks of \$35,457,000, a decline of 32.6 percent in such borrowings having taken place during the year.

Reserves.—Combined reserves and undivided profits of Federal savings and loan associations at the end of 1947 aggregated \$329,783,000, reflecting an increase of \$53,469,000, or 19.4 percent, during the year. At the close of 1947, such reserve accounts were equivalent to approximately 6 percent of total assets as against 5.9 percent at the end of 1946.

Treasury and HOLC Investments.—In order to assist in the establishment of Federal savings and loan associations and to make additional funds available for the financing of homes in the early recovery period following the last depression, the United States Treasury was authorized to invest up to \$100,000,000 in the shares of Federal savings and loan associations. Of this sum, however, only \$50,000,000 was actually appropriated. A total of \$49,300,000 was so invested by the Treasury, of which all but \$555,400 had been retired by December 31, 1947.

The HOLC was authorized to invest a total of \$300,000,000 in Federal savings and loan associations, institutions insured by the Federal Savings and Loan Insurance Corporation, and other members of the Federal Home Loan Bank System. The cumulative amount invested by the HOLC in Federal savings and loan associations was \$178,400,700, of which only \$5,162,550 remained outstanding as of December 31, 1947.

Examination

All Federal savings and loan associations and State-chartered institutions insured by the Federal Savings and Loan Insurance Corpora-

tion are subject to annual supervisory examination by the Board. Such examinations are conducted by the Examining Division, which also makes eligibility examinations of associations applying for membership in the Bank System, insurance of accounts, or conversion from State to Federal charter. Under certain conditions, the Division examines uninsured members of the Federal Home Loan Bank System and, in addition, it analyzes the annual reports of member institutions, reports of audits of insured institutions made by independent auditors and data submitted by associations in support of various types of applications.

For the protection of the investing public and the Federal Savings and Loan Insurance Corporation, as well as for the guidance of association executives for whom periodic examinations have proved to be a valuable management tool, it is of the utmost importance that insured institutions, both Federal and State-chartered, be examined at least annually by well-trained and thoroughly competent examiners.

The Examining Division is entirely self-sustaining and neither requires nor receives appropriations from the United States Treasury to defray its expenses. All costs incident to the operations of the Division are paid by the associations examined.

The work of the Examining Division is directed by the Chief Examiner, who has a small staff in Washington to perform necessary administrative functions. Under the Chief Examiner there is in each Federal Home Loan Bank District a District Examiner who supervises a staff of field examiners assigned to that District.

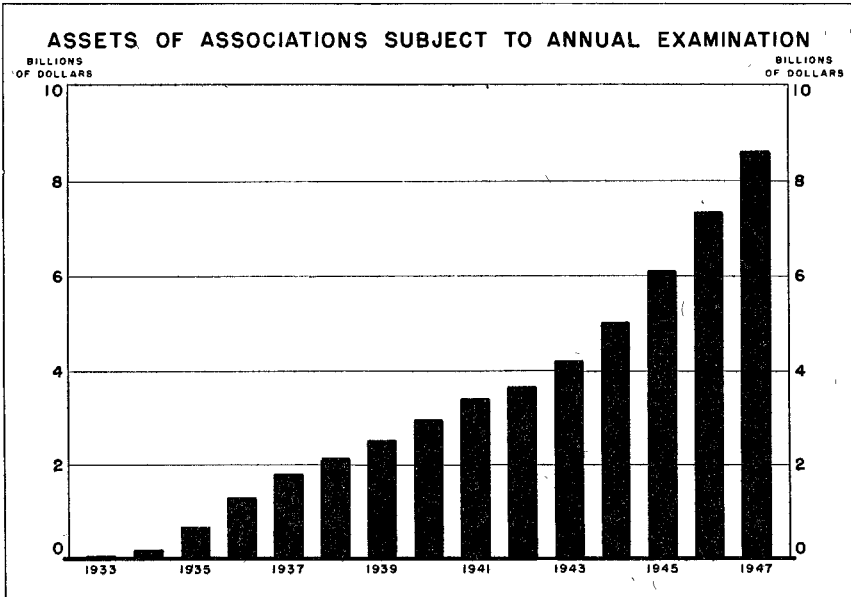
Types of Examination.—Supervisory examinations are for the purpose of determining whether an institution is being operated soundly and is complying with the statutes and regulations. Such determinations are of direct concern not only to the responsible supervisory authorities but to management as well, and the examination report is designed with this in mind. The schedules and accompanying comments are so presented as to point up any major weakness from a supervisory standpoint but at the same time to facilitate constructive analysis and study of all aspects of the association's operations by its directors and officers. In addition to its supervisory examination, every insured institution is required to have either an annual independent audit or an audit combined with the examination made by the Board's Examining Division. The purpose of an audit is to test the accuracy and integrity of the accounts.

Eligibility examinations have somewhat broader objectives, including determination of whether the institution has reasonable prospects for future success. These examinations are made in connection with applications of savings and loan associations for membership in the Federal Home Loan Bank System, applications for insurance by the

Federal Savings and Loan Insurance Corporation of the association's share accounts or deposits, and applications for conversion from State to Federal charter.

Increased Work Load of Division.—In the calendar year 1947 the Examining Division made 1,932 supervisory examinations, 83 percent of which included audits. In addition, there were 43 eligibility examinations, 13 examinations and audits of uninsured member institutions, and 12 examinations of liquidating corporations.

There has been a tremendous growth in the work load of the Examining Division year after year. As of June 30, 1941, there were



2,313 insured institutions with total assets of \$3,159,000,000 subject to annual examination. By December 31, 1947, the number of such insured associations had increased to 2,536 and their aggregate assets to \$8,547,000,000. During this period of 6½ years, the average assets per association increased from \$1,366,000 to \$3,370,000.

The work load, however, cannot be measured by the growth in total assets alone, or by the size of the associations to be examined. One of the most important considerations is the extent of an association's lending activity, since upon this depends the volume of loans to be reviewed by the examiners. Growth in lending activity in recent years has been even more pronounced than growth in the size of institutions. New mortgage lending by insured associations in the calendar year 1941 totaled \$883,000,000. In 1947 it was \$2,865,000,000. Thus the volume of new loans in 1947 was well over three times that in 1941.

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Status of Examinations.—In the face of this growth in work load, there has been a marked reduction in the size of the examining staff resulting from budgetary limitations. The number of overdue examinations consequently has been increasing despite every effort to streamline procedures. The increase during 1947 in the number of associations not examined in the preceding twelve months is shown below:

Date	Number of overdue examinations	Percent of number of insured associations	Number of field examiners
Dec. 31, 1946.....	395	15.8	170
June 30, 1947.....	478	18.9	151
Dec. 31, 1947.....	561	22.2	129

It is of unquestionable importance that the work be kept more nearly current. At the end of the year, 3 associations had not been examined in 24 months; 7 had not been examined in 23 months; and 19 in 22 months. Generally, those examinations which are the furthest past due are next in order; but here again the budget situation has interfered with sound operations. Because of cuts in travel allotments, examiners for periods of 2 or 3 months at a time have been unable to make examinations which require considerable travel.

Need for Corrective Legislation.—Legislation to provide that the expenses of making examinations shall be considered as being of a nonadministrative character would remedy these operating difficulties and correct the serious situation now existing because of the large number of examinations long past due. Proposed legislation to this end has been introduced and is now pending before the Congress.

Simplification of Procedures.—Since its establishment in 1934, the Examining Division constantly has striven to simplify its procedures and hold examination costs to the lowest levels consistent with the maintenance of reasonable standards. Changing conditions from time to time have necessitated the inclusion of additional information in examination reports but at the same time required schedules and procedures have been revised at frequent intervals to delete such information as could safely be eliminated and to facilitate short cuts whenever possible. Several reductions in examining procedures and in methods of preparing examination reports were made in 1947.

There is much that associations themselves can do and are doing to facilitate the work of the examiners, and in recent years decided headway has been made in this respect. The attitude of management toward examinations for the most part has been highly cooperative and much progress has been made in standardizing accounting systems, strengthening internal controls, and in improving operating methods generally.

The Board consistently has favored the dual system of banking, and every effort has been made by the Examining Division to reduce and eliminate duplication of examining procedures in the case of State-chartered associations which are examined also by State supervisory authorities. The Board has agreed that examination by State examiners will be accepted in lieu of examinations by the Board's examiners when the State supervisory department agrees to meet the standards required and when a State association does not present special problems as determined by an analysis of the previous examination report. It has been found, however, that usually the most satisfactory program is to make joint examinations in which the Federal examiner accepts the work of the State examiner and the State examiner accepts that done by the Federal examiner, thus avoiding duplication. When the basis of charges for examinations is on a per diem or approximate cost plan, the joint examination does not mean additional cost to the association examined, for it is then immaterial whether an examination is made by one Federal examiner and one State department examiner or whether the examination is made by two examiners from either department.

Supervision

The supervisory responsibilities of the Home Loan Bank Board arise chiefly from section 5 of the Home Owners' Loan Act of 1933, as amended, which provides for the chartering and regulation of Federal savings and loan associations, and from title IV of the National Housing Act, which provides for insurance of accounts of Federal associations and of State-chartered savings and loan institutions by the Federal Savings and Loan Insurance Corporation. These statutes vest in the Board an underlying obligation to protect the public interest through assuring the maintenance by such institutions of facilities for the safe investment of savings and the sound and economical financing of homes.

Essential Elements of the Supervisory Problem.—Savings and loan associations, while affected with the public interest, are at the same time privately owned institutions, operating under the direction and management of local directors and officers chosen by them. Within the framework of applicable statutes and regulations, primary responsibility for the adoption and maintenance of sound policies and practices by these institutions rests with their directors. Taking these factors into account, and in order to assure maximum fairness and objectivity, the Board has adhered to the following principles: (1) That supervision must rely for its major achievements upon a high order of mutual respect and collaboration between management and the supervising authority; (2) that supervision should be decentralized into the climate of local practices, conditions and circum-

stances, which, with rare exception, are material factors in the formulation of sound supervisory conclusions; and (3) that the conduct of supervision should be separated as completely as practicable from the myriad details and influences of examination or routine fact finding.

These principles have been reflected in the administrative organization of the Board. All activities relating to examination are the responsibility of the Chief Examiner. The Board's supervisory functions, on the other hand, are discharged through a separate official, the Chief Supervisor, who, in turn, deals through the Presidents of the Federal Home Loan Banks in their capacity as supervisory agents in their respective Districts.

The decentralization of supervision greatly facilitates and strengthens working relationships between the Board's supervisory authorities and the managements of individual institutions. As supervisory agents of the Board, the Federal Home Loan Bank presidents are in close touch both with the managers of institutions in their Districts and with State supervisory authorities. The advantages of these close personal contacts are apparent not only in the detailed daily conduct of supervision. They are of equal benefit to the Board and its supervisory officers in promoting a practical, coordinated, and consistent Nationwide discharge of supervisory responsibilities under the law.

Current Operating Conditions.—Since the termination of hostilities and the release of materials and labor, savings and loan associations have provided funds for home construction and financing in unprecedented volume. During the year 1947 the assets of Federal and other insured-associations increased from \$7,319,000,000 to \$8,547,000,000; in this period they made real estate loans of \$2,865,000,000, resulting in a net increase of \$1,348,000,000 in their loan portfolios. In making this volume of loans, management has had to contend with the increased risks of construction financing under prevailing conditions and with the heavier overhead costs entailed in processing such loans, at a time when average rates of return on loan portfolios have declined to the lowest levels on record. The inflow of savings, although continuing at a high rate, has not kept pace with the increase in loans and there has been a noticeable firming of the competitive rate paid for savings.

The immediacy of the effects of these competitive and economic forces varies from one institution to another, of course, just as individual institutions vary in their means to deal with and adjust to them. They nonetheless constitute a very real and developing challenge to all management, and they place upon supervision corre-

spondingly heavier responsibilities with respect to the facilities and vigilance which it maintains.

Receiverships and Conservatorships.—No associations were found to require financial assistance by the Federal Savings and Loan Insurance Corporation, and no conservatorships were established during 1947. The conservatorship of the Long Beach Federal Savings and Loan Association, Long Beach, Calif., established May 20, 1946, was terminated January 24, 1948.

Supreme Court Decision.—The constitutionality of section 5 (d) of the Home Owners' Loan Act of 1933, as amended, pertaining to the Board's supervisory authority with respect to Federal savings and loan associations, was upheld in an opinion rendered by the United States Supreme Court on June 23, 1947.

Amendments to Regulations.—Within the last year, the rules and regulations and authorized bylaws for Federal savings and loan associations have been amended or expanded: (1) To simplify the making of loans insured by the Federal Housing Administration by reducing from two to one the number of appraisals required, in addition to that made by the Federal Housing Administration; (2) to implement the Home Owners' Loan Act of 1933, as amended by Public Law 372, 80th Congress, pertaining to the making by Federal associations of uninsured and unsecured loans up to \$1,500 for property alteration, repair, or improvement; (3) to provide for short-term savings accounts, without the necessity under certain conditions of dividend credits, in order to meet a practical need for a means of encouraging systematic accumulation of savings within a period of 12 months for specific purposes; and (4) to establish in the regulations the principle that commissions should not be paid to officers and directors for the sale of association shares.

Legislation

In the first session of the 80th Congress, some 37 individual bills were introduced directly affecting the Home Loan Bank Board and the agencies operating under its direction. A considerable number of these bills related to the Federal Home Loan Bank System and Federal savings and loan associations but only two were enacted into law, one authorizing the Banks to accept 25-year mortgage collateral and the other authorizing Federal associations to invest in unsecured property improvement loans.

Twenty-five Year Mortgage Collateral.—Public Law 311, approved August 1, 1947, amended subsection (b) of section 10 of the Federal Home Loan Bank Act so as to permit the Federal Home Loan Banks to accept as collateral for advances thereunder home mortgages having up to 25 years to run to maturity. Prior to this legislation the maximum permissible unexpired period for such mortgages had been

20 years, a limitation which, among other things, precluded acceptance by the Banks of new 25-year mortgages made under the G. I. Bill.

Unsecured Loans by Federals.—Public Law 372, approved August 6, 1947, made it possible for Federal savings and loan associations to invest their funds in unsecured loans up to \$1,500 for property alteration, repair or improvement. Such loans may be made under title I of the National Housing Act or under the provisions of the Servicemen's Readjustment Act. The total amount of such unsecured loans made by any Federal association is limited to 15 percent of its assets.

Legislative Coordinating Committee.—Under the sponsorship of the Federal Savings and Loan Advisory Council, there was established in the latter part of 1947 a legislative coordinating committee for the purpose of considering and agreeing upon desirable legislation to be presented to the Congress. The committee is composed of two representatives each from the Federal Savings and Loan Advisory Council, the Federal Home Loan Bank Presidents, the United States Savings and Loan League and the National Savings and Loan League. An initial meeting of the committee was held on December 29–30, 1947, and a second meeting on February 4–5, 1948. These meetings culminated in substantial agreement on a number of important pending matters and it is believed that the committee's work will do much to reconcile divergent views within the savings and loan industry and will prove helpful to the Congress in its consideration of specific legislative proposals.

Bank Presidents' Conferences

To afford opportunity for the discussion of problems of mutual concern, it has been customary to hold semiannual conferences of the Presidents of the several Federal Home Loan Banks. These meetings have proved of value not only as a means of facilitating the exchange of views between the Presidents on developments of common interest within each Bank District but as a means of fostering agreement between the Presidents and the Board on fundamental objectives and prompting maximum consistency and coordination in the Nation-wide administration of the Federal Home Loan Bank System. Two such conferences were held in 1947, one in New York City on May 12–13 and one in Washington on October 9–10.

Federal Savings and Loan Advisory Council

The Federal Savings and Loan Advisory Council was established by the Federal Home Loan Bank Act of 1932 which provided that the Council should convene in Washington at least twice each year and should consist of one member elected annually by the directors of each Federal Home Loan Bank and six members appointed annually by the Board. The act authorizes the Council to confer with the

Board on general business conditions as well as on specific matters relating to the operations of the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation and to make recommendations to the Board with respect to such matters.

During 1947 two meetings of the Federal Savings and Loan Advisory Council were held, the first on May 15-16 and the second on November 13-14. A list of the members of the Council as of December 31, 1947, will be found in exhibit 3.

Bank System Personnel and Administrative Expense

Federal Home Loan Bank Personnel.—The management of each Federal Home Loan Bank is vested in a board of 12 directors, 4 of such directors being appointed by the Home Loan Bank Board to represent the public interest, each for terms of 4 years. Eight directors are elected by the members of the respective Banks for terms of 2 years, two of such directors being elected by the membership-at-large and two each by members of class groups, representing the large, medium and small sized members.

The 1947 election of directors for the Federal Home Loan Banks resulted in the reelection of 25 directors whose terms expired December 31, 1947 and the election of 18 new directors. The directors of each Federal Home Loan Bank as of December 31, 1947, together with their affiliations, are shown in exhibit 4.

Changes in staff of the Federal Home Loan Banks during the calendar year 1947 were comparatively few. As of December 31, the Banks' officers totaled 44, a net decrease of 1 from the beginning of the year. Employees of the Banks, excluding officers, increased from 107 on January 1 to 114 on December 31. On January 16, 1947 Mr. Gerrit Vander Ende became president of the Federal Home Loan Bank of San Francisco, succeeding Mr. Frank H. Johnson, retired. A list of the officers of each Federal Home Loan Bank as of the close of the year is shown in exhibit 5.

Washington Personnel.—During 1947 total personnel of the Federal Home Loan Bank System in Washington declined from 81 to 73. Of the 73 employees at the close of the year, 25 were on duty in the Office of Chief Supervisor and 6 were on duty in the Examining Division; these 31 employees were engaged in activities relating principally to Federal savings and loan associations and other institutions insured by the Federal Savings and Loan Insurance Corporation rather than in activities directly related to the operation of the Bank System proper.

In addition to its 6 employees in Washington, the Examining Division as of December 31, 1947, had a total of 170 employees in the field, reflecting a reduction of 48 in the number of such employees during the year. The serious consequences of this decline in examining

personnel are discussed in some detail in the section of this report dealing with examinations.

Administrative Expense.—None of the income of the Federal Home Loan Bank System is derived from appropriations out of the general funds of the United States Treasury. Although limited by annual congressional "authorizations," the System's administrative expenditures are defrayed entirely from semiannual assessments upon the Federal Home Loan Banks, charges for reimbursable services performed in behalf of the Federal Savings and Loan Insurance Corporation and the Home Owners' Loan Corporation and per diem charges collected from institutions examined.

Administrative expenses of the Federal Home Loan Bank System, applicable to the calendar year 1947, aggregated \$1,556,771.47. Examining fees in the sum of \$1,075,328.06 were collected from institutions in whose behalf examination expenses were incurred. In addition, \$492,000 was collected from the 11 Federal Home Loan Banks, \$59,414.21 from the Federal Savings and Loan Insurance Corporation and the H. O. L. C., and \$220.43 from other sources.

Publications

Federal Home Loan Bank Review.—Authorized expenditures for the fiscal year 1948 were insufficient to provide for continued publication of the Federal Home Loan Bank Review and, in consequence, its publication was suspended in June 1947. Continuously for nearly 13 years, beginning in October 1934, the Review had been issued each month as the official medium of the Bank Board and its operating units. Its contents, in addition to various important statistical series, included advice of Board rulings, changes in regulations, and a wide range of information on current facts, problems and prospective developments in lending, savings, bank administration, and residential construction. Suspension of publication has deprived member institutions of the Bank System and others interested in savings and home finance of a valuable source of facts assembled for their special benefit. It also has deprived the Board of a convenient and comparatively inexpensive channel of technical and administrative service to bank executives and supervisory authorities.

Urgent appeals for resumption of publication of the Review began when notices of suspension were first issued, and have continued ever since. Requests for its publication have been made from time to time during the year by the Federal Savings and Loan Advisory Council, by numerous local, State, and national trade organizations, and by many individuals and groups representing members of the Bank System. In response to these requests the Board, in preparing its figures for submission to the Appropriations Committees of the House and Senate for fiscal 1949, included specific estimates of

costs for restoring the Review and providing for its publication for 1 year beginning July 1, 1948.

Other Publications.—Supplementing the statistical material contained in its annual reports to Congress, the Board also has published each year consolidated annual financial reports on the condition and operations of Federal savings and loan associations and of all members of the Federal Home Loan Bank System. These reports not only have been useful in enabling individual institutions to compare their own condition and operations with those of similar institutions, locally and nationally, but have proved especially valuable to both Federal and State supervisory authorities.

In addition to the current issues of these reports released by the Board in 1947, a number of regular and special operating studies also were prepared during the year and distributed to members of the Bank System and others. Included in such studies were regular monthly summaries of savings and mortgage lending activity as well as special analyses of the outstanding home mortgage debt, foreclosures, reserves, and liquidity. For the benefit of member institutions in their respective Districts, the Federal Home Loan Banks in 1947 continued the practice of preparing and distributing periodic surveys of local operating experience, such as the volume of new loans made, savings investments and withdrawals, prevailing mortgage interest rates and current trends in liquidity, earnings, dividends, and reserve allocations.

The Period Ahead

Operations of the Federal Home Loan Bank System in 1947 confirm its usefulness and value in times of a high level of business activity. In fact, throughout its 15-year history the Bank System had developed and grown strong under conditions of general business expansion and it has yet to face a major test under conditions of widespread economic contraction. This consideration finds recognition in much of the current thinking and advance planning of those responsible for the System's guidance.

Unquestionably, a great deal has been done since 1932 to fortify the country's savings institutions against the dangers inherent in an economic recession. The improvements made are both internal and external in nature. There is ample evidence that the directors and managers of these institutions have profited well by their experiences in the last depression, that they are alive to the risks involved in operating in the present inflated economy, and that they are determined to protect their institutions in every way possible against contingencies of the future.

In the past 15 years, home mortgage lending practices throughout the country have been standardized on sound and progressive lines. Regular amortization of principal has come to be accepted as an essential element in home mortgage finance. The second mortgage evil, although not wholly eliminated, has been greatly minimized by virtue of the higher ratio loans made possible through application of the amortization principle. Appraisal techniques have been made less haphazard. More attention is being given to the borrower's credit standing and his prospective ability to carry a loan safely. Servicing methods have been vastly improved.

Paralleling improvements in lending practices, equally important progress has been made in the relationships between savings institutions and their savings investors. Whereas before the depression savings plans offered to the public by many institutions were cumbersome, obscure and occasionally even misleading, numerous measures have since been adopted in the interest of greater simplicity, clarity, and forthrightness in this important aspect of operations. As against a former inclination to keep savings account holders at arm's length and furnish them a minimum of information concerning the affairs of the institution, the prevailing tendency of management now is to keep savings customers fully informed on current conditions and problems and thereby create a solid foundation of public understanding, confidence, and good will.

Not only has there been a material strengthening in the first-line defenses of savings institutions by way of improved financial policies and operating practices, but important secondary supports have been provided through such agencies as the Federal Home Loan Bank System and the Federal Savings and Loan Insurance Corporation which operate to maintain public confidence, assure an adequate supply of funds for home financing and other requirements and minimize the likelihood of a recurrence of the panic conditions which characterized former periods of economic and financial strain. Taken as a whole, the savings and home-financing structure of the Nation today is marked by a degree of coordination and integration never before approached.

These factors, although in no sense warranting complacency, certainly augur well for the ability of the Federal Home Loan Bank System and its member institutions to weather such difficulties as may be encountered in the period ahead. At the same time, in the very progress made thus far there lies a continuing challenge to preserve and further that progress through the achievement of such additional improvements and adjustments as changing conditions may make possible or require.

Exhibit 1

FEDERAL HOME LOAN BANKS

Consolidated statement of condition as of Dec. 31, 1947

	Dec. 31, 1947	Increase or decrease () since—	
		Dec. 31, 1946	June 30, 1947
ASSETS			
Cash:			
On hand including imprest funds.....	\$68, 523. 34	\$15, 937. 64	\$39, 229. 42
On deposit with:			
U. S. Treasurer.....	14, 513, 434. 80	(3, 325, 355. 49)	6, 237, 673. 25
Commercial banks.....	22, 122, 221. 94	6, 799, 197. 30	9, 738, 627. 73
In transit.....	269. 59	269. 59	269. 59
Total cash.....	36, 704, 449. 67	3, 490, 049. 04	16, 015, 799. 99
Investments:			
U. S. Treasury bills.....	8, 285, 621. 87	6, 536, 441. 98	(2, 307, 598. 20)
Other U. S. Treasury obligations.....	130, 841, 869. 86	(12, 500, 545. 08)	(16, 411, 012. 29)
Total investments.....	139, 127, 491. 73	(5, 964, 103. 10)	(18, 718, 610. 49)
Advances outstanding to members:			
Short term—1 year or less.....	218, 345, 789. 03	34, 015, 971. 33	74, 358, 378. 72
Others—1 to 10 years.....	217, 226, 396. 77	108, 101, 447. 73	72, 124, 908. 55
Total.....	435, 572, 185. 80	142, 117, 419. 06	146, 483, 287. 27
Accrued interest receivable:			
Investments.....	626, 446. 16	(8, 396. 50)	(28, 388. 82)
Advances to members.....	445, 812. 85	184, 497. 21	148, 228. 17
Total accrued interest receivable.....	1, 072, 259. 01	176, 100. 71	119, 839. 35
Deferred charges:			
Discount on consolidated obligations.....	34, 027. 77	(116, 666. 64)	(58, 333. 32)
Prepaid consolidated obligation expense.....	94, 236. 12	(56, 458. 29)	1, 875. 03
Prepaid surety bond premiums.....	5, 138. 17	(2, 712. 71)	(89. 99)
Other prepaid expenses.....	1, 762. 17	1, 471. 48	336. 49
Total deferred charges.....	135, 164. 23	(174, 366. 16)	(56, 211. 79)
Other assets:			
United States savings bonds redeemed.....	62, 415. 31	(14, 232. 48)	(10, 030. 19)
Accounts receivable.....	15, 364. 57	(4, 422. 19)	(118. 57)
Furniture and equipment.....	11. 00	0	0
Total other assets.....	77, 790. 88	(18, 654. 67)	(10, 148. 76)
Total assets.....	612, 689, 341. 32	139, 626, 444. 88	143, 833, 955. 57
LIABILITIES AND CAPITAL			
Liabilities:			
Deposits:			
Members—Time.....	65, 957, 472. 94	17, 591, 772. 53	(52, 667. 76)
Members—Demand.....	21, 877, 598. 63	(4, 247. 16)	2, 335, 264. 62
Treasurer of United States—Section 14 of FHLB Act.....	10, 500, 000. 00	10, 500, 000. 00	10, 500, 000. 00
Government instrumentalities—Demand.....	163, 192. 22	163, 192. 22	(4, 169. 83)
Applicants.....	128, 575. 00	77, 200. 00	(37, 125. 00)
Total deposits.....	98, 626, 838. 79	28, 327, 917. 59	12, 741, 312. 03
Accrued interest payable:			
Deposits of members—Time.....	43, 540. 71	14, 513. 75	(5, 096. 49)
Consolidated obligations.....	716, 531. 27	337, 189. 55	351, 947. 91
Total accrued interest payable.....	760, 071. 98	351, 703. 30	346, 851. 42
Dividends payable:			
Government-owned stock.....	909, 353. 00	106, 897. 75	395, 447. 75
Member-owned stock.....	807, 024. 37	245, 909. 85	377, 302. 37
Total dividends payable.....	1, 716, 377. 37	352, 807. 60	772, 750. 12
Accounts payable.....	12, 819. 51	(4, 320. 10)	(802. 39)
Consolidated obligations: ¹			
1½ percent Series A—1948 bonds due Apr. 15, 1948.....	140, 000, 000. 00	0	0
1½ percent Series A—1948 notes due Sept. 15, 1948.....	85, 000, 000. 00	85, 000, 000. 00	85, 000, 000. 00
1½ percent Series B—1948 notes due Feb. 16, 1948.....	36, 700, 000. 00	36, 700, 000. 00	36, 700, 000. 00
1.10 percent Series A—1947 notes due Feb. 17, 1947.....	0	(29, 000, 000. 00)	0
Total consolidated obligations.....	261, 700, 000. 00	92, 700, 000. 00	121, 700, 000. 00
Total liabilities.....	362, 816, 107. 65	121, 728, 108. 39	135, 560, 111. 18

¹ Consolidated Federal Home Loan Bank obligations issued by the Home Loan Bank Board and now outstanding are the joint and several obligations of all Federal Home Loan Banks.

HOME LOAN BANK BOARD

Consolidated statement of condition as of Dec. 31, 1947—Continued

	Dec. 31, 1947	Increase or decrease () since—	
		Dec. 31, 1946	June 30, 1947
LIABILITIES AND CAPITAL—continued			
Capital:			
Capital stock (par):			
Members (fully paid).....	\$103,072,300 00	\$17,260,800 00	\$7,472,500 00
Members (partially paid).....	11,100 00	(22,000 00)	11,100 00
Total.....	103,083,400 00	17,238,800 00	7,483,600 00
Less: Unpaid subscriptions.....	5,825 00	(10,675 00)	5,825 00
Total paid in by members.....	103,077,575 00	17,249,475 00	4,477,775 00
United States Government subscriptions (fully paid).....	122,672,200 00	(979,000 00)	0
Total paid in on capital stock.....	225,749,775 00	16,270,475 00	7,477,775 00
Surplus—Earned:			
Legal reserve.....	11,307,096 58	938,808 88	555,866 80
Reserve for contingencies.....	4,291,612 33	37,150 56	41,938 61
Total surplus reserves.....	15,598,708 91	975,959 44	597,805 41
Undivided profits.....	8,524,749 76	651,902 05	198,263 98
Total earned surplus.....	24,123,458 67	1,627,861 49	796,069 39
Total capital.....	249,873,233 67	17,898,336 49	8,273,844 39
Total liabilities and capital.....	612,689,341 32	139,626,444 88	143,833,955 57

Exhibit 2**FEDERAL HOME LOAN BANK***Consolidated statement of profit and loss for year ended Dec. 31, 1947*

	Dec. 31, 1947	Increase or decrease () compared with year ended Dec. 31, 1946
Earned operating income:		
Interest on advances.....	\$5,794,042.84	\$2,150,202.37
Interest on securities.....	2,876,335.46	304,632.12
Miscellaneous operating.....	3,108.96	1,862.17
Total earned operating income.....	8,673,487.26	2,456,786.66
Operating expenses:		
Compensation, travel, and other expenses (detail below).....	1,028,128.22	78,316.72
Interest on consolidated obligations.....	2,256,877.64	1,268,865.38
Consolidated obligation expense—concessions.....	141,458.29	63,673.54
Office of fiscal agent.....	32,882.72	5,391.20
Interest on members' deposits.....	489,096.87	206,321.62
Interest on deposits—Treasurer of United States.....	152.85	152.85
Assessment for expenses of HLB Board.....	503,600.00	28,000.00
Total operating charges.....	4,451,596.59	1,650,721.31
Net operating income.....	4,221,890.67	806,065.35
Nonoperating income:		
Profit—Sales of securities.....	362,275.27	(235,755.46)
HLB Board assessment refund.....	11,000.00	11,000.00
Miscellaneous.....	2,811.37	235.61
Total nonoperating income.....	376,086.64	(224,519.85)
Nonoperating charges:		
Loss—Sales of securities.....	16,871.04	8,407.29
Furniture and equipment purchased.....	12,061.77	(1,542.46)
Total nonoperating charges.....	28,932.81	6,864.83
Net income.....	4,569,044.50	574,680.67

HOME LOAN BANK BOARD

Consolidated statement of profit and loss for year ended Dec. 31, 1947—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

	Dec. 31, 1947	Increase or decrease () compared with year ended Dec. 31, 1946
Compensation:		
Directors' fees.....	\$41,007.50	(\$462.50)
Officers' salaries.....	346,670.00	21,692.17
Counsel's compensation.....	36,400.00	(975.00)
Other salaries.....	264,436.27	30,981.48
Total compensation.....	688,513.77	51,236.15
Travel expense:		
Directors.....	41,914.01	6,730.25
Officers.....	23,724.38	3,446.59
Counsel and others.....	7,879.99	3,722.59
Maintenance and operation costs of automobile.....	3,665.32	910.84
Total travel expense.....	77,183.70	14,810.27
Other expenses:		
Retirement fund contribution.....	41,885.77	5,127.22
Telephone and telegraph.....	21,886.69	9.04
Postage and expressage.....	18,768.49	1,090.90
Stationery, printing, and other office supplies.....	19,809.51	(2,701.27)
Rent of banking quarters—Net.....	70,550.73	4,668.88
Maintenance of banking quarters and equipment.....	13,401.01	(1,956.40)
Services of HLB Board's Examining Division.....	5,822.95	(1,675.79)
Safekeeping and protection services.....	2,662.96	(911.69)
Insurance and surety bond premiums.....	14,411.04	1,353.39
Reports and other publications.....	7,019.23	(348.54)
Stockholders' annual meeting expense.....	13,008.16	4,601.13
Dues and subscriptions.....	9,818.02	1,013.83
Public relations expense.....	11,092.27	1,844.73
Miscellaneous operating expenses.....	3,293.92	154.87
Total other expenses.....	262,430.75	12,270.30
Total compensation, travel, and other expenses.....	1,028,128.22	78,316.72

Exhibit 3

FEDERAL SAVINGS AND LOAN ADVISORY COUNCIL

DECEMBER 31, 1947

MEMBERS

Appointed by the Board:

James Bruce, New York, N. Y.

Ernest T. Trigg, Philadelphia, Pa.

Henry G. Zander, Jr., Henry G. Zander & Co., Chicago, Ill.

Robert E. Lee Hill, secretary, Missouri Bankers Association, Columbia, Mo.

Harrington Wimberly, Altus, Oklahoma

Ben A. Perham, president, Perham Fruit Co., Yakima, Wash.

Elected by the Banks:

District No. 1—Milton A. Barrett, treasurer, Fidelity Co-operative Bank, Fitchburg, Mass.

District No. 2—Henry N. Stam, president, Totowa Savings & Loan Association, Paterson, N. J.

District No. 3—James J. O'Malley, president, First Federal Savings & Loan Association of Wilkes-Barre, Wilkes-Barre, Pa.

District No. 4—Frank Muller, Jr., executive vice president, Liberty Federal Savings & Loan Association, Baltimore, Md.

District No. 5—W. Megrue Brock, president, The Gem City Building & Loan Association, Dayton, Ohio.

HOME LOAN BANK BOARD

District No. 6—Fermor S. Cannon, president, Railroadmen's Federal Savings & Loan Association of Indianapolis, Indianapolis, Ind.

District No. 7—A. H. Koepke, president, Welfare Building & Loan Association, Milwaukee, Wis.

District No. 8—G. V. Kenton, vice president and secretary, Farm & Home Savings & Loan Association of Missouri, Nevada, Mo.

District No. 9—Louis D. Ross, president, St. Tammany Homestead Association, Covington, La.

District No. 10—Ray H. Babbitt, president, Home Building & Loan Association of Lawton, Lawton, Okla.

District No. 11—Guy E. Jaques, president, Portland Federal Savings & Loan Association, Portland, Oreg.

OFFICERS

James J. O'Malley, Chairman.

Frank Muller, Jr., Secretary.

Henry G. Zander, Jr., Vice Chairman.

Harry Caulsen, Assistant Secretary.

Exhibit 4

DIRECTORS OF THE FEDERAL HOME LOAN BANKS

DECEMBER 31, 1947

DISTRICT NO. 1—BOSTON

*Term expires
Dec. 31*

Public interest

William J. Pape, editor and publisher, Waterbury Republican and American, Waterbury, Conn.....	1947
J. Bertram Watson, executive vice president, First Federal Savings & Loan Association, Providence, R. I.....	1949
Frederick J. Dillon, ¹ judge, Probate Court for Suffolk County, Boston, Mass.....	1950

At-large

Frederick T. Backstrom, executive vice president, First Federal Savings & Loan Association, New Haven, Conn.....	1947
George J. Holden, executive vice president, Burlington Federal Savings & Loan Association, Burlington, Vt.....	1948

Class A

Edward H. Weeks, ² president, Old Colony Co-operative Bank, Providence, R. I.....	1947
Raymond P. Harold, president, Worcester Federal Savings & Loan Association, Worcester, Mass.....	1948

Class B

William J. D. Ratcliff, treasurer, Peabody Co-operative Bank, Peabody, Mass.....	1947
Milton A. Barrett, treasurer, Fidelity Co-operative Bank, Fitchburg, Mass.....	1948

Class C

Sumner W. Johnson, director, Homestead Savings & Loan Association, Portland, Maine.....	1947
E. Harrison Merrill, secretary-treasurer, Laconia Federal Savings & Loan Association, Laconia, N. H.....	1948

¹ Chairman.

² Vice Chairman.

HOME LOAN BANK BOARD

DISTRICT NO. 2—NEW YORK

*Term ex-
pires
Dec. 31**Public interest*

Francis V. D. Lloyd, ² member of firm, Morrison, Lloyd & Griggs, Hackensack, N. J.....	1947
Eustace Seligman, member of firm, law firm of Sullivan & Cromwell, New York, N. Y.....	1948
George MacDonald, ¹ director, Cities Service Oil Co., New York, N. Y.....	1949
James Bruce, vice president, National Dairy Products Corp., New York, N. Y.....	1950

At-large

E. H. Schoonmaker, executive secretary, Tenaflly Mutual Savings & Loan Association, Tenaflly, N. J.....	1947
Walter J. Babcock, executive vice president, Triumph Federal Savings & Loan Association, East Orange, N. J.....	1948

Class A

Willis J. Almekinder, president, First Federal Savings & Loan Asso- ciation of Rochester, Rochester, N. Y.....	1947
Cadman H. Frederick, president, Suffolk County Federal Savings & Loan Association, Babylon, N. Y.....	1948

Class B

Joseph Holzka, executive vice president, Northfield Savings & Loan Association, Staten Island, N. Y.....	1947
John W. Cadman, president, Homestead Savings & Loan Association, Buffalo, N. Y.....	1948

Class C

Henry N. Stam, president, Totowa Savings & Loan Association, Paterson, N. J.....	1947
Joseph A. O'Brien, director, Medford Lakes Savings & Loan Associa- tion, Medford Lakes, N. J.....	1948

DISTRICT NO. 3—PITTSBURGH

Public interest

Arthur B. Koontz, attorney, Charleston, W. Va.....	1947
Walter B. Gibbons, attorney, Philadelphia, Pa.....	1948
Ernest T. Trigg, ¹ Philadelphia, Pa.....	1949
Dr. Charles S. Tippetts, ² headmaster, The Mercersburg Academy, Mercersburg, Pa.....	1950

At-Large

James J. O'Malley, president, First Federal Savings & Loan Associa- tion of Wilkes-Barre, Wilkes-Barre, Pa.....	1947
Alexander Salvatori, executive vice president, Peoples Federal Savings & Loan Association, Wheeling, W. Va.....	1948

Class A

Norman E. Clark, executive vice president, First Federal Savings & Loan Association, New Castle, Pa.....	1947
C. Elwood Knapp, executive vice president, Friendship Federal Savings & Loan Association of Pittsburgh, Pittsburgh, Pa.....	1948

Class B

N. F. Braun, secretary-manager, Eureka Federal Savings & Loan Asso- ciation, Pittsburgh, Pa.....	1947
William Reinhardt, conveyancer and director, The Provident Building & Loan Association of Philadelphia, Philadelphia, Pa.....	1948

¹Chairman.²Vice Chairman.

HOME LOAN BANK BOARD

Term ex-
pires
Dec. 31*Class C*

Francis E. McGill, director, Manayunk Savings & Loan Association, Philadelphia, Pa.....	1947
Charles Warner, director, First Federal Savings & Loan Association of New Castle County, Wilmington, Del.....	1948

DISTRICT NO. 4—WINSTON-SALEM

Public interest

Raymond D. Knight, attorney, Knight & Knight, Jacksonville, Fla....	1947
James Grayson Luttrell, vice president, McCormick & Co., Baltimore, Md.....	1948
W. Waverly Taylor, president, Waverly Taylor, Inc., Washington, D. C.....	1949
Horace S. Haworth, ¹ attorney, Roberson, Haworth & Reese, High Point, N. C.....	1950

At-large

Marion M. Hewell, president, Fidelity Federal Savings & Loan Association, Greenville, S. C.....	1947
Frank Muller, Jr., executive vice president, Liberty Federal Savings & Loan Association, Baltimore, Md.....	1948

Class A

Wallace O. DuVall, vice president-secretary, Atlanta Federal Savings & Loan Association, Atlanta, Ga.....	1947
Edward C. Baltz, ² president, Perpetual Building Association of the District of Columbia, Washington, D. C.....	1948

Class B

Peyton R. Keller, vice president-secretary, First Federal Savings & Loan Association of Roanoke, Roanoke, Va.....	1947
D. R. Fonville, president-treasurer, First Federal Savings & Loan Association of Burlington, Burlington, N. C.....	1948

Class C

George E. Rutledge, president, First Federal Savings & Loan Association of Bessemer, Bessemer, Ala.....	1947
H. L. Sudduth, secretary, First Federal Savings & Loan Association of Panama City, Panama City, Fla.....	1948

DISTRICT NO. 5—CINCINNATI

Public Interest

Howard L. Bevis, ¹ president, Ohio State University, Columbus, Ohio..	1947
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At-Large

W. Megrue Brock, ² president, The Gem City Building & Loan Association, Dayton, Ohio.....	1947
W. B. Furgerson, president, Portland Federal Savings & Loan Association, Louisville, Ky.....	1948

Class A

A. E. Albright, president, Akron Savings & Loan Co., Akron, Ohio..	1947
Allen C. Knowles, president, South Side Federal Savings & Loan Association, Cleveland, Ohio.....	1948

¹ Chairman.² Vice chairman.

HOME LOAN BANK BOARD

	<i>Term expires Dec. 31</i>
<i>Class B</i>	
John C. Mindermann, secretary, General Building Association, Covington, Ky.....	1947
Charles J. Haase, president, Home Federal Savings & Loan Association of Memphis, Memphis, Tenn.....	1948
<i>Class C</i>	
Herman F. Cellarius, president, The San Marco Building & Loan Association, Cincinnati, Ohio.....	1947
R. A. Stevens, president, Dyer County Federal Savings & Loan Association of Dyersburg, Dyersburg, Tenn.....	1948

DISTRICT NO. 6—INDIANAPOLIS

Public interest

Charles T. Fisher, Jr., president, National Bank of Detroit, Detroit, Mich.....	1947
Carleton B. McCulloch, vice president, The State Life Insurance Co., Indianapolis, Ind.....	1948
S. Rudolph Light, chairman of the board, American National Bank, Kalamazoo, Mich.....	1949
Dr. Herman B. Wells, ¹ president, Indiana University, Bloomington, Ind.....	1950

At large

Myron H. Gray, president, Muncie Federal Savings & Loan Association, Muncie, Ind.....	1947
Fermor S. Cannon, ² president, Railroadmen's Federal Savings & Loan Association of Indianapolis, Indianapolis, Ind.....	1948

Class A

Thomas C. Mason, president-manager, Grand Rapids Mutual Federal Savings & Loan Association, Grand Rapids, Mich.....	1947
Joseph G. Standart, president, Surety Savings & Loan Association, Detroit, Mich.....	1948

Class B

Edward W. Springer, secretary, Atkins Savings & Loan Association, Indianapolis, Ind.....	1947
Grant H. Longenecker, first vice president, Peoples Federal Savings & Loan Association, Detroit, Mich.....	1948

Class C

Earl C. Bucher, president, People's Savings & Loan Association, Huntington, Ind.....	1947
Amos N. Adams, secretary-treasurer, Auburn Federal Savings & Loan Association, Auburn, Ind.....	1948

DISTRICT NO. 7—CHICAGO

Public interest

Charles E. Broughton, ¹ editor, The Sheboygan Press, Sheboygan, Wis.....	1947
Henry G. Zander, Jr., ² partner, Henry G. Zander & Co., Chicago, Ill.....	1948
Clarence W. Reuling, general agent, Massachusetts Mutual Life Insurance Co., Peoria, Ill.....	1949
Philip Kinzer, vice president, Carnation Co., Milwaukee, Wis.....	1950

¹ Chairman.² Vice chairman.

HOME LOAN BANK BOARD

	<i>Term expires Dec. 31</i>
<i>At-large</i>	
Arthur G. Erdmann, president, Bell Savings & Loan Association, Chicago, Ill.....	1947
Edward J. Czekala, president, National Savings & Loan Association, Chicago, Ill.....	1948
<i>Class A</i>	
A. H. Koepke, president-general manager, Welfare Building & Loan Association, Milwaukee, Wis.....	1947
Robert N. Brown, secretary, Commercial Travelers' Loan & Home- stead Association, Peoria, Ill.....	1948
<i>Class B</i>	
Ray W. Schmitt, secretary-manager, Sherman Savings & Loan Asso- ciation, Milwaukee, Wis.....	1947
Rilen McConachie, president, First Federal Savings & Loan Associa- tion of Sparta, Sparta, Ill.....	1948
<i>Class C</i>	
Robert L. Hirschinger, secretary, Baraboo Federal Savings & Loan Association, Baraboo, Wis.....	1947
Earl S. Larson, president, First Federal Savings & Loan Association of Moline, Moline, Ill.....	1948

DISTRICT NO. 8—DES MOINES

<i>Public interest</i>	
Robert E. Lee Hill, ¹ secretary, Missouri Bankers Association, Colum- bia, Mo.....	1947
John D. Adams, general secretary, Des Moines Chamber of Com- merce, Des Moines, Iowa.....	1948
James C. Otis, attorney, Otis, Faricy & Burger, St. Paul, Minn.....	1950
<i>At-large</i>	
J. W. Davis, secretary, Home Savings Association, Sioux Falls, S. Dak.....	1947
J. B. Bridston, executive secretary, First Federal Savings & Loan As- sociation of Grand Forks, Grand Forks, N. Dak.....	1948
<i>Class A</i>	
Elmer E. Miller, president-secretary, Des Moines Building-Loan & Savings Association, Des Moines, Iowa.....	1947
Sylvester A. Koster, secretary, Lafayette Federal Savings & Loan Association of St. Louis, St. Louis, Mo.....	1948
<i>Class B</i>	
J. C. McKercher, president, Peoples Federal Savings & Loan Associa- tion, Minneapolis, Minn.....	1947
E. Raymond Hughes, attorney-director, Mankato Savings & Building Association, Mankato, Minn.....	1948
<i>Class C</i>	
Lloyd Rime, vice president-secretary, Ottumwa Federal Savings & Loan Association, Ottumwa, Iowa.....	1947
N. D. Jackson, executive vice president, Independence Savings & Loan Association, Independence, Mo.....	1948

¹ Chairman.

HOME LOAN BANK BOARD

DISTRICT NO. 9--LITTLE ROCK

Term ex-
pires
Dec 31*Public interest*

T. J. Butler, president and general manager, Elgin-Butler Brick Co., Austin, Tex.....	1947
Gordon H. Campbell, general agent, Aetna Life Insurance Co., Little Rock, Ark.....	1948
B. H. Wooten, ¹ vice president, Republic National Bank of Dallas, Dallas, Tex.....	1949

At-large

Wilbur P. Gulley, ² president, Pulaski Federal Savings & Loan Asso- ciation, Little Rock, Ark.....	1947
O. W. Boswell, president, First Federal Savings & Loan Association of Paris, Paris, Tex.....	1948

Class A

M. George de Lucas, president, Jackson Homestead Association, New Orleans, La.....	1947
J. J. Miranne, secretary-treasurer, Security Building & Loan Associa- tion, New Orleans, La.....	1948

Class B

C. W. Gill, ³ president, Abilene Savings & Loan Association, Abilene, Tex.....	1947
R. H. McCune, vice president, Roswell Building & Loan Association, Roswell, N. Mex.....	1948

Class C

Louis D. Ross, president, St. Tamany Homestead Association, Covington, La.....	1947
Robert T. Love, secretary-treasurer, Delta Federal Savings & Loan Association, Greenville, Miss.....	1948

DISTRICT No. 10--TOPEKA

Public interest

Harrington Wimberly, publisher, Altus-Times Democrat, Altus, Okla.....	1947
Paul F. Good, attorney-at-law, Monsky, Grodinsky, Good & Cohen, Omaha, Nebr.....	1948
William M. Jardine, ¹ president, Municipal University of Wichita, Wichita, Kans.....	1949

At-large

Henry A. Bubb, ² president, Capitol Federal Savings & Loan Association, Topeka, Kans.....	1947
E. L. Hevelone, president, The State Savings & Loan Association, Beatrice, Nebr.....	1948

Class A

L. S. Barnes, president, Ponca City Savings & Loan Association, Ponca City, Okla.....	1947
S. W. Humphreys, president, The Homes Savings & Loan Association, Ottawa, Kans.....	1948

¹ Chairman.² Vice Chairman.³ Appointed by the FHLBA on January 13, 1947, to serve unexpired portion of term expiring on December 1, 1947.

HOME LOAN BANK BOARD

	<i>Term expires Dec. 31</i>
<i>Class B</i>	
Gordon Harper, president, Victor Building & Loan Association, Muskogee, Okla.....	1947
Arthur W. Hiner, Jr., secretary-treasurer, Capitol Federal Savings & Loan Association, Denver, Colo.....	1948
<i>Class C</i>	
H. A. Hart, secretary-treasurer, First Federal Savings & Loan Association of Dodge City, Dodge City, Kans.....	1947
A. G. Hartronft, secretary-treasurer, The Lyons Savings & Loan Association, Lyons, Kans.....	1948
DISTRICT NO. 11—SAN FRANCISCO	
<i>Public Interest</i>	
L. H. Hoffman, president, Hoffman Construction Co., Portland, Oreg.....	1947
C. W. Leaphart, dean of law school, Montana State University, Missoula, Mont.....	1948
Ben A. Perham, ¹ president and general manager, Perham Fruit Co., Yakima, Wash.....	1949
Wm. A. Davis, ² president, First Federal Savings & Loan Association, Oakland, Calif.....	1950
<i>At Large</i>	
R. J. Fremou, secretary-manager, Western Montana Building & Loan Association, Missoula, Mont.....	1947
Guy E. Jaques, president, Portland Federal Savings & Loan Association, Portland, Oreg.....	1948
<i>Class A</i>	
Fred J. Bradshaw, president, American Savings & Loan Association, Salt Lake City, Utah.....	1947
Roy E. Hegg, president, San Diego Federal Savings & Loan Association, San Diego, Calif.....	1948
<i>Class B</i>	
L. C. Wetzel, secretary-manager, First Federal Savings & Loan Association, Walla Walla, Wash.....	1947
Douglas H. Driggs, president, Western Savings & Loan Association, Phoenix, Ariz.....	1948
<i>Class C</i>	
I. W. Dinsmore, executive vice president, Rawlins Federal Savings & Loan Association, Rawlins, Wyo.....	1947
M. L. Carrier, president, Centralia Federal Savings & Loan Association, Centralia, Wash.....	1948

¹ Chairman.

² Vice Chairman.

Exhibit 5

OFFICERS OF THE FEDERAL HOME LOAN BANKS

DECEMBER 31, 1947

DISTRICT NO. 1—BOSTON

W. H. Neaves.....	President
H. N. Faulkner.....	Vice President and Assistant Treasurer
L. E. Donovan.....	Secretary-Treasurer
Beatrice E. Holland.....	Assistant Secretary

DISTRICT NO. 2—NEW YORK

Nugent Fallon.....	President
R. G. Clarkson.....	Senior Vice President
Denton C. Lyon.....	Vice President and Secretary
H. B. Diffenderfer.....	Vice President and Treasurer
Joseph F. X. O'Sullivan.....	Assistant Secretary and Office Attorney

DISTRICT NO. 3—PITTSBURGH

Ralph H. Richards.....	President
G. R. Parker.....	Vice President and Secretary
Dale Park.....	Treasurer

DISTRICT NO. 4—WINSTON-SALEM

O. K. LaRoque.....	President and Secretary
J. W. Holt.....	Vice President and Treasurer

DISTRICT NO. 5—CINCINNATI

W. D. Shultz.....	President
W. E. Julius.....	Vice President and Treasurer
Joseph W. Whittaker.....	Vice President
E. T. Berry.....	Secretary

DISTRICT NO. 6—INDIANAPOLIS

Fred T. Greene.....	President and Secretary
Fermor S. Cannon.....	Vice President
G. E. Ohmart.....	Vice President and Treasurer
Sylvia F. Brown.....	Assistant Secretary
Caroline F. White.....	Assistant Treasurer

DISTRICT NO. 7—CHICAGO

A. R. Gardner.....	President
John P. Domeier.....	Vice President and Treasurer
Constance M. Wright.....	Secretary
Lauretta Quam.....	Assistant Treasurer

DISTRICT NO. 8—DES MOINES

R. J. Richardson.....	President and Secretary
W. H. Lohman.....	Vice President and Treasurer
J. M. Martin.....	Assistant Secretary
A. E. Mueller.....	Assistant Treasurer

DISTRICT NO. 9—LITTLE ROCK

H. D. Wallace.....	President and Secretary
J. Curran Conway.....	Vice President
W. F. Tarvin.....	Treasurer

HOME LOAN BANK BOARD

DISTRICT NO. 10—TOPEKA

C. A. Sterling-----	President and Secretary
R. H. Burton-----	Vice President and Treasurer

DISTRICT NO. 11—SAN FRANCISCO

Gerrit Vander Ende-----	President and Secretary
Irving Bogardus-----	Vice President and Treasurer
Guy E. Jaques-----	Vice President
George H. Melander-----	Assistant Treasurer
Kathleen McCliment-----	Assistant Secretary
Luella F. Nolan-----	Assistant Treasurer
Ethel E. Pearson-----	Assistant Secretary
Mrs. E. M. Jenness-----	Assistant Secretary

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Summary

Over 5,400,000 savers and investors were receiving the advantages of insurance through the Federal Savings and Loan Insurance Corporation on December 31, 1947. These individuals held total savings of \$7,200,000,000 in the 2,536 Federal and State-chartered savings and loan associations which had qualified for insurance; each account holder was insured against loss on his savings up to \$5,000. Total assets of the institutions aggregated \$8,500,000,000.

Since the Corporation was organized, 62,600 savers in 35 associations have benefited directly from insurance. In seven liquidation cases the Corporation has disbursed a total of \$6,696,000, of which all but \$313,000 has been recovered. By means of a cash grant known in the insurance law as a "contribution," the Corporation has restored 28 impaired associations with assets of \$56,977,000 to normal operation; ultimate loss in these cases is not expected to exceed \$4,898,000.

Purpose and Legislative Background

The Federal Savings and Loan Insurance Corporation was born out of the chaotic days of the early 1930's, when the financial structure of the Nation was near collapse. Banks were more immediately affected by the troubled economic conditions than savings and loan associations and bank failures soon became widespread, whereas associations, because of the nature of their operation, did not face serious difficulties until a later period.

Drastic measures were called for and courageous steps were taken. As one of the means of restoring the banking structure to a sound basis, the Congress established the Federal Deposit Insurance Corporation in early 1933 for the purpose of insuring bank deposits. The salutary effect was almost immediately apparent, and it was soon obvious that confidence had been restored in the banking field. The success of deposit insurance led savings and loan leaders and other public-

spirited citizens to request similar legislation for the savings and loan business. Congress responded by creating the Federal Savings and Loan Insurance Corporation in 1934, under title IV of the National Housing Act, approved by the President on June 27, 1934.

One of the purposes of the Corporation, as expressed in congressional committee hearings preceding consideration of the bill by Congress, was to increase the flow of savings into savings and loan associations so that more funds might become readily available for the financing of home ownership.

The other major purpose of the Corporation was to restore and assist in maintaining the confidence of the public in savings and loan associations by removing the threat of financial loss on savings.

A year's operation of the Corporation indicated that some changes in the basic law would make for greater efficiency and more equitable treatment of insured member institutions. Several amendments were therefore incorporated in an act to provide additional home mortgage relief, which was approved by the President on May 28, 1935. Briefly, these amendments reduced the annual premium payments by insured institutions from one-fourth to one-eighth of one percent of share and creditor liability, extended the term for the accumulation of a 5 percent insurance reserve by insured associations from 10 to 20 years, authorized the Corporation to extend financial assistance to insured institutions in default or threatened with default, and effected several other minor improvements in the basic law.

The act was further amended by the National Housing Act Amendments of 1938, approved on February 3, 1938. These changes brought about several improvements in the criminal and penalty provisions pertaining to operations of the Corporation.

Progress Toward Realization of Purposes.—Appraisal of the Insurance Corporation's record indicates substantial progress toward realization of the objectives expressed by Congress.

In the basic law, the Congress required that all federally chartered savings and loan associations be insured, but placed insurance of State-chartered institutions on a voluntary basis, with application for insurance at the option of the institution. To date, approximately 42 percent of operating associations in the United States have become insured by the Corporation; this relatively small percentage is not indicative of the size of the insurance program, however, for the insured members hold about 72 percent of the assets of all operating associations in the United States. In the majority of cases, the uninsured associations are found in areas which have a large number of associations not operating on a full-time basis. It is estimated that approximately two-thirds of the uninsured institutions have assets of less than \$500,000 each.

To show the part which insured members are playing in the national economy and to give some idea of their contribution to the areas which they serve, it is significant to note that during the last 5 years insured associations have made new loans on homes in the amount of \$9,000,000,000. To bring the broad picture into focus, it may be noted that they currently hold about 22 percent of the total home mortgages of the country.

This large volume of home financing has been made possible by the increased inflow of savings, providing the funds necessary to meet the needs of borrowers. During the past 5 years insured associations have attracted gross savings of \$9,900,000,000, while the net gain has amounted to \$4,100,000,000. Such a record can only reflect the confidence of the public in insured associations, and it is not surprising that these institutions have experienced a much greater growth than similar-type institutions whose accounts are not insured.

Only 35 loss cases have developed since the creation of the Insurance Corporation, but their prompt settlement has strengthened public knowledge that insurance is in reality a safeguard preventing the loss of funds. There are no means of measuring the extent to which trouble might have spread without the protection of insurance, but memories of the 1920's suggest that the insurance program has already saved the financial economy from considerable difficulty. In brief, because the accounts are insured, the public is certain that its funds are safe and no panic attitude develops.

Organization of the Corporation

Relationship With Other Agencies.—As provided in Reorganization Plan No. 3 of 1947, effective July 27, 1947, the Corporation is under the direction of the Home Loan Bank Board, which is a constituent part of the Housing and Home Finance Agency.

The budget of the Corporation is presented to the Congress through the Bureau of the Budget, and annual audits of Corporation affairs are conducted by the General Accounting Office.

Internal Organization.—The Corporation's pattern of operation may be seen by a quick analysis of its basic functions, which are as follows:

1. Administration.
2. Supervision and examination.
3. Extension of insurance.
4. Handling of loss cases.
5. Accounting.

Administration.—Functioning under the Home Loan Bank Board is a General Manager who has the broad duty of supervising the operations of the Corporation. In addition to his immediate staff, there is

a closely related Operating Analysis Division which provides operating and statistical data pertaining to Corporation activities. In addition, the Division analyzes financial and operating data of insured associations and members of the Federal Home Loan Bank System.

Supervision and Examination.—Under the present plan of organization, the supervision and examination of all insured members are under the direction of the Governor of the Federal Home Loan Bank System.

Extension of Insurance.—This function is the responsibility of the Underwriting and Rehabilitation Division, which develops programs for insurance of accounts, processes applications for insurance, and effects rehabilitation, reorganization and mergers of insured associations. In addition, it is concerned with various problems having a bearing on the insurance risk, such as the release of pledges obtained as additional protection at the time of granting insurance, approval of changes in required insurance reserve accounts, and various other miscellaneous, related activities.

Handling of Loss Cases.—There are two separate divisions which are used for the handling of insurance losses. This is brought about because the Corporation is required to serve in a dual role as receiver and insurer. To discharge the functions of the former, there is a Liquidations and Recoveries Division, which conducts the liquidation of insured associations for which the Corporation has been appointed receiver. To discharge the second function and to assure the proper identity of the two activities, the Claims and Adjustments Division supervises the payment of insurance to investors in member institutions in liquidation.

The Underwriting and Rehabilitation Division and the Liquidation and Recoveries Division jointly assist in the prevention of default of insured associations and the restoration of impaired institutions to solvency.

Accounting.—To keep the necessary financial and accounting records, to collect insurance premiums and other amounts due, and to make all disbursements, there exists the usual Comptroller's Division, which is found in practically all corporations. This Division also prescribes and supervises the accounting records of insured associations in receivership and processes the payment of insurance claims.

To give a summary picture, the Corporation as a whole had 68 employees on its pay roll on December 31, 1947, at a total annual salary of \$310,632. Sixty-six of these employees were assigned to the home office in Washington, D. C., and two were field employees. The number of employees was decreased by 15 during the year due to limitations on funds available for administrative expenditure.

Regulations.—To implement the basic insurance act, clarifying its provisions and recognizing the standards which it contains, the Rules and Regulations for Insurance of Accounts have been promulgated by the Corporation. However, the regulations have been held to a minimum and in general pertain to the approval of forms and certificates, the accumulation of reserves, the approval of lending areas, the procedures followed in applying for or terminating insurance and payment of insurance by the Corporation, and other pertinent phases of the operation of insured institutions.

Only two changes were made in the Rules and Regulations during 1947. One provision prohibited the payment by an institution of a commission to any of its officers or directors for the sale of a withdrawable share, investment certificate or deposit account issued by the institution. The second eliminated the provision requiring that proposed rules, regulations, or amendments be filed and printed in the Federal Home Loan Bank Review, since that publication was discontinued during the year.

Condition and Operations of the Corporation

Condition.—Provided in 1934 with a capital of \$100,000,000, which was subscribed for by the Home Owners' Loan Corporation and paid for in bonds of that Corporation, the Insurance Corporation, on December 31, 1947, had accumulated total assets of \$188,881,000, an increase of \$12,493,000 during the year. The major portion of these consist of United States Government securities, which had a book value of \$184,480,000 on December 31. Cash in the United States Treasury totaled \$1,762,000, insurance premiums due but not yet payable amounted to \$2,298,000, and the balance of \$341,000 consisted of miscellaneous assets.

In addition to its capital, the Corporation has accumulated reserves amounting to \$84,499,000, which are available for meeting losses incurred in the insurance operation. Included in the reserve fund is a contingency allowance of \$37,500,000, which is equivalent to total cumulative dividends since June 30, 1935, on the capital stock of the Corporation. A comparative statement of condition as of December 31, 1946, and 1947 appears in exhibit 6.

Title IV of the National Housing Act provides that premium payments by insured associations shall cease when the Corporation has accumulated a reserve fund equivalent to 5 percent of total insured accounts and creditor obligations of insured institutions. On December 31, 1947, total reserves of the Corporation including the contingency allowance were equal to 1.17 percent of insured share and creditor liability; excluding the contingent reserve, the loss reserve

amounted to 0.65 percent of liability. Trends in these ratios since the creation of the Corporation are shown in the following table:

Ratios of Corporation Reserves to Potential Liability

Year	Including contingent reserve	Excluding contingent reserve	Year	Including contingent reserve	Excluding contingent reserve
	<i>Percent</i>	<i>Percent</i>		<i>Percent</i>	<i>Percent</i>
1935.....	0.54	0.03	1942.....	1.19	0.44
1936.....	.60	.13	1943.....	1.25	.54
1937.....	.85	.25	1944.....	1.22	.57
1938.....	1.01	.34	1945.....	1.17	.58
1939.....	1.10	.38	1946.....	1.17	.61
1940.....	1.16	.44	1947.....	1.17	.65
1941.....	1.17	.44			

Operations.—Income of the Corporation is derived from three major sources: Annual premiums paid by insured associations, interest on Government securities, and admission fees paid by newly insured institutions upon approval for membership.

During 1947, premium income amounted to \$8,100,000, as compared with \$6,744,000 during the preceding year. Interest earned on Government securities owned by the Corporation totaled \$4,130,000, an increase of \$246,600 over 1946. During 1947, admission fees of \$14,900 were paid to the Corporation by new members.

Expenses of the Corporation during 1947 amounted to \$562,320. This figure included nonadministrative expenses, incurred in connection with the liquidation or prevention of default of insured institutions, in the amount of \$14,500, and depreciation of furniture, fixtures, and equipment of \$5,900. The balance of \$541,900 was expense for administrative purposes, \$10,900 less than the administrative expenses during 1946. About 4.4 percent of gross operating income during 1947, therefore, was spent for administrative purposes.

Detailed income and expense data for 1947 and 1946 are presented in exhibit 7.

Insured Liability.—The total liability of the Corporation for insured accounts increased during 1947 from \$5,811,000,000 to \$6,726,000,000. In considering this total liability, allowance should also be made for the creditor obligations of insured associations, since, in the event of liquidation, the assets of an insured association must be used to pay creditor obligations before those assets can be applied upon share account liability. In other words, before the Corporation may realize any return on the amount of money it has paid out in insurance settlements, the creditor obligations of the insured institutions in liquidation must first be paid. If, for this reason, creditor obligations are added to the insured account liability of the Corporation, the total potential liability on December 31, 1947, was \$7,228,500,000, or \$1,019,500,000 more than the potential liability of \$6,209,000,000

existing on December 31, 1946. At the end of the reporting period the Corporation had a potential liability of \$39.18 for each dollar of capital and reserves.

While the natural inquiry is frequently made as to what would happen if the potential liability of the Corporation ever became an actual obligation at one time, it will be appreciated that such a contingency would likely never occur in practice. Indeed, irrespective of the type of financial institution, it is generally recognized that 100 percent liquidity for the system as a whole is impossible. However, it is believed that the combined strength of the Insurance Corporation and its insured members is such as to prevent the development of mass withdrawals. Also, over and above the primary liquidity of insured associations, there is the additional secondary line of credit available through the Federal Home Loan Bank System. Furthermore, it is significant that institutional reserves are such that insured associations could foreclose on 20 percent of their mortgage loan portfolio and absorb a loss of 30 percent on the take-over without affecting the reserves of the Insurance Corporation.

Insurance Protection

Nature of Service.—The peculiar strength of the Insurance Corporation is found in the fact that it is a form of protection over and above the primary strength of its insured members. By safeguarding the weakest links when and where the weakness develops, insurance protection strengthens the entire chain of insured institutions and prevents in great degree the spread of trouble to the stronger associations.

The insurance contract becomes operative when an insured institution is declared to be in default or when such declaration appears imminent. Default is defined as a determination by a court or other public authority pursuant to which a conservator, receiver, or other legal custodian is appointed for an insured institution for the purpose of liquidation. Declaration of default is a function of the responsible supervisory authority—the Home Loan Bank Board in the case of a Federally chartered savings and loan association and the supervisory department and courts of the State in the case of a State-chartered institution.

Even more significant than the handling of default is its prevention. This is accomplished through conferences with supervisors and directors, reorganizations and program development. In this manner, the Corporation either directly or through its supervisory agents is able to correct difficulties in insured associations which might, uncorrected, have led to default and financial loss.

If such remedial measures are unsuccessful and an insured institution is either placed in default or such default appears imminent,

the case is certified to the Corporation to determine whether, under existing law, rehabilitation of the case is warranted or whether no action should be taken by the Corporation to prevent liquidation. A thorough study is made of each such case and upon the basis of a comprehensive analysis in close cooperation with the supervisory authorities, determination is made as to the most reasonable course of action.

If warranted, the Corporation may assist an insured association in financial difficulties by means of a loan, purchase of assets or contribution. Accompanying financial rehabilitation is a reorganization of the institution, which may result in merger with another insured institution or continuance of operations as an independent institution on a reorganized basis. Projections of operations are developed and the association receives close supervisory attention to prevent a recurrence of the original difficulties.

Because of the inherent advantages, the Corporation has favored the rehabilitation method whenever justified. Through this course of action, individual investors are undisturbed and the services of the institution to the public continue without interruption. Most effective of the available methods of rehabilitation has been the contribution method.

To date, the Corporation has not found it advantageous to use its authority to purchase assets or to make a loan to an insured institution. It has been felt that in a small-scale operation a purchase of assets would result in excessive expense in the liquidation of the purchased assets. A loan would be useful only when an insured institution, though solvent, might be in need of more funds than would be available through the usual channels.

The Corporation is required by law to be appointed as receiver of a Federal savings and loan association which is declared to be in default. The Corporation is authorized to serve as receiver or coreceiver of an insured State-chartered institution placed in receivership by State authorities. Exhibit 8 presents a summary of provisions appearing in State laws which affect the appointment of the Corporation as receiver or coreceiver of insured State-chartered institutions.

When an insured institution is placed in liquidation, the Corporation immediately ascertains the insured members of the association and the amount of their insured investments and makes available to them the optional methods of settlement provided by title IV of the National Housing Act and Corporation regulations. Under these provisions, the insured investor is offered a choice of two methods of settlement.

If he wishes, he may accept an insured account in another insured institution equal to his insured investment in the association in

liquidation. The Corporation makes arrangements for the issuance of accounts with other normally operating insured institutions, paying the associations in cash for the amount of accounts which they issue. An account so issued shares in the earnings of the association, and the service to the investor continues almost uninterrupted. If the investor prefers, he may withdraw his account from the issuing institution, in accordance with the withdrawal provisions extended to other members of that institution.

The second option available to the insured investor in an association in liquidation is the acceptance of 10 percent of his insured investment in cash, 45 percent in negotiable, noninterest-bearing debentures of the Corporation due within 1 year from the default and 45 percent in similar debentures due within 3 years from the date of default.

Costs to Insured Institutions.—The cost of insurance protection is borne by the insured institutions, which pay an annual premium equal to one-eighth of 1 percent of their total share and creditor liability at the beginning of their insurance year.

The Corporation has the authority to assess additional premiums against insured institutions until the amount of such premiums equals the amount of all losses and expenses of the Corporation. The maximum additional annual premium which can be assessed is one-eighth of 1 percent of total share and creditor liability. It has not been necessary for the Corporation to use this authority to date.

Those institutions applying for membership after the first year of operation of the Corporation are required by law to pay upon admission a nonrecurring fee based on the accumulated reserve fund of the Corporation, which in the judgment of the Corporation is an equitable contribution. Currently, the admission fee established by the Corporation is \$400 for each \$1,000,000 of total share and creditor liability of the applicant association.

Insured institutions are required to be examined and audited at least annually. Federal associations are examined by the Examining Division of the Home Loan Bank Board and, with minor exceptions, insured State-chartered institutions by the Federal examiners or by Federal and State examiners jointly. In the interest of making examination services available to insured institutions at the lowest possible cost, programs of joint examinations have been developed with most of the States.

Summary of Loss Cases.—Not since 1944 has an insured institution encountered difficulties necessitating financial aid from the Corporation.

During the entire period of operations of the Corporation, 40 insured associations have been placed in default or threatened with default. The problems of four of those associations were solved

without financial aid from the Corporation and the associations continued operations; a fifth case, pending at the end of 1947, was expected to be closed without loss to the Corporation or to the members of the institution. Of the 35 cases in which financial action by the Corporation was necessary, seven institutions were liquidated and 28 received contributions from the Corporation to remove impairment.

The following table shows the distribution of these cases according to date of certification of case to the Corporation:

Problem cases of FS&LIC

Year	Total number	Method of settlement			Pending Dec 31, 1947
		Rehabilitation	Liquidation	No aid required	
1935	1	1			
1936					
1937					
1938	4	4			
1939	8	7		1	
1940	8	3	4	1	
1941	12	8	3	1	
1942	3	3			
1943	1	1			
1944	1	1			
1945					
1946	1			1	
1947	1				1
Total	40	28	7	4	1

Total disbursements by the Corporation in the liquidation cases totaled \$6,695,947. The great bulk of this disbursement has already been recovered by the Corporation from the proceeds from liquidation of the assets of the institutions; net final loss to the Corporation is estimated at \$313,406. In the rehabilitation cases, a total of \$5,374,125 has been disbursed. To date, the Corporation has recovered a total of \$475,796, reducing the estimated final loss to \$4,898,329.

Analysis of Receivership Cases.—Seven insured institutions have been placed in default and liquidation during the Corporation's 13½ years of operation. The Corporation was appointed receiver in four of these cases, all of them Federal savings and loan associations, and served jointly with a State supervisor as coreceiver in another case. In the remaining two cases, the liquidation was conducted by the State supervisor.

Total payment of insurance to savers and investors in the seven liquidation cases has amounted to \$6,695,947. Of this amount, \$6,682,747 was paid to other insured institutions which contracted to issue shares to members of the associations in liquidation. The balance of \$13,200 was paid to those choosing the cash and debenture

method of settlement; this figure represents the total cash outlay for both cash and debentures, inasmuch as all outstanding debentures of the Corporation have been called and paid off in cash. Since accounts of only \$10,895 were unsettled at the end of the year, 99.8 percent of the total insured share liability in the seven liquidation cases has been paid by the Corporation.

In payment of the insured shareholders, the Corporation becomes subrogated with respect to the amount of each insured account so paid, and therefore shares in liquidating dividends along with the holders of uninsured interests in the associations. Through December 31, 1947, cumulative liquidating dividends in all liquidations had amounted to 94.1 percent of total share liabilities. In two cases, dividends of 100 percent have been declared, and in three others dividends in excess of 90 percent. Net final loss to the Corporation in all liquidations is estimated at \$313,406, or 4.7 percent of the total original disbursement.

Two liquidations have been closed, and five were in a pending status at the end of 1947. In the pending cases, the bulk of the assets has actually been disposed of, although the cases could not be closed because of minor asset or liability items still existing.

A summary of liquidating dividends declared in the four cases for which the Corporation has acted as receiver is presented in the following table:

Cumulative percentage of liquidating dividends through 1947

Association:	Percentage
Security Federal Savings & Loan Association of Guymon, Guymon, Okla.....	100
Community Federal Savings & Loan Association of Independence, Independence, Mo.....	100
Aetna Federal Savings & Loan Association, Topeka, Kans.....	95
First Federal Savings & Loan Association of Oklahoma, Oklahoma City, Okla.....	85

A detailed comparison of the condition and operations of the above receiverships at the time of default and for the year 1947 is shown in exhibit 9.

Analysis of Rehabilitation Cases.—In 28 cases the Corporation has made a cash contribution to prevent default, enabling the associations to continue operations on a normal basis. Six of the twenty-eight associations were merged with other insured institutions, nineteen continued operations as separate institutions, and three voluntarily liquidated.

Total disbursements in these cases amounted to \$5,374,125. In determining the amount of contribution required to restore an association to solvency, every effort is made to arrive at a minimum figure.

Assets are carefully appraised, prospective losses are predicted as accurately as possible, and available reserves of the association are applied against the estimated losses. Usually an association which receives a contribution executes a recovery agreement under the terms of which it agrees to return to the Corporation any portion of the contribution not required to meet actual losses. Because the amount of contribution is a minimum figure, recoveries under these agreements are relatively small. To date, the Corporation has recovered a total of \$475,796, reducing the estimated final loss in the 28 contribution cases to \$4,898,329.

In the following composite table, the progress of 19 insured associations which have received contributions from the Corporation is illustrated by the comparison of selected asset and liability items prior to the receipt of the contribution and on December 31, 1947:

Progress of 19 insured associations following rehabilitation by FSLIC

Item	Date immediately prior to rehabilitation	Dec. 31, 1947	Increase or decrease	Percentage change
Assets:				
Total assets.....	\$52,259,000	\$117,879,000	\$65,620,000	125.57
Mortgage loans.....	32,750,000	94,343,000	61,593,000	188.07
Owned real estate.....	11,371,000	43,000	-11,328,000	-99.62
Cash and United States Government securities.....	1,990,000	19,869,000	17,879,000	898.27
Liabilities:				
Total savings.....	43,810,000	100,930,000	57,120,000	130.38
Borrowed money.....	5,212,000	7,441,000	2,229,000	42.75
General reserves and undivided profits.....	-3,833,000	5,324,000	8,957,000	
Ratios to total assets:	<i>Percent</i>	<i>Percent</i>		
Owned real estate.....	21.76	0.04		
Cash and United States Government securities.....	3.81	16.86		
General reserves and undivided profits.....	-6.95	4.52		

Admissions and Terminations

Admission Standards.—The Corporation is authorized to insure the accounts of Federal savings and loan associations, which are required by law to obtain insurance, and State-chartered savings and loan associations, building and loan associations, homestead associations, and cooperative banks, for which insurance is optional.

In order to qualify for insurance, an institution must have unimpaired capital and must operate under safe financial policies and management, or the Corporation is required to reject the application for insurance. The Corporation may reject an application if it finds that the character of the management of the applicant or its home-financing policy is inconsistent with economical home financing or with the purposes of insurance of accounts. A finding that an applicant will be unable, within a reasonable time after becoming insured, to operate in a normal manner with respect to earnings, dividends,

HOME LOAN BANK BOARD

withdrawals or repurchases, and the attraction of new insurable accounts is also ground for rejection.

Each application for insurance is considered by the Corporation on a case basis. All available facts bearing on the situation are analyzed and determination is made as to whether the association is insurable in its present condition, whether the association could be insured if certain conditions were met or whether the institution's application should be rejected. When conditions are stipulated, the association is insured following compliance.

Admissions.—During the 1947 calendar year, 49 associations were admitted to membership. Of this number, 38 were State-chartered associations and 11 were Federal savings and loan associations.

The number of Federal and State institutions qualifying for insurance each year since 1939 is shown in the following table:

Insurance admissions

Year	Total number	State-chartered associations	Federal associations	Year	Total number	State-chartered associations	Federal associations
1940.....	92	74	18	1944.....	35	28	8
1941.....	83	61	22	1945.....	25	22	4
1942.....	75	58	17	1946.....	33	24	9
1943.....	74	59	15	1947.....	49	38	11

Termination Procedure.—Insurance may be terminated by a member institution upon a majority vote of its shareholders or its directors, provided that ample notice and opportunity to make known their wishes are given to all insured members of the institution. The obligation of the institution to pay annual premiums continues for 3 years following termination.

The Corporation may terminate the insured status of any insured institution for a violation of the insurance act or of any rules, regulations, or agreements made under the act. In event of termination by the Corporation, the accounts of the institution existing at the time of termination will continue insured for a period of 5 years afterwards, during which time the association is required to pay premiums on those accounts.

In event of merger or liquidation of an insured institution or other act by which the corporate entity of the institution ceases, insurance is automatically terminated.

Terminations.—Partially offsetting the addition of 49 associations during 1947, was the withdrawal of 9 associations from membership, 5 due to consolidation with other insured institutions, 2 because of voluntary dissolution and 2 because of voluntary termination of insurance.

Terminations, with cause, during the past 8 years, are shown in the following table:

Insurance terminations

Year	Total number	Cause of termination				
		Consolidation	Voluntary dissolution	Default and liquidation	Voluntary termination	Reincorporation
1940.....	14	8	4	2		
1941.....	17	16		1		
1942.....	20	14	1	4	1	
1943.....	25	22	3			
1944.....	17	10	7			
1945.....	17	8	4		3	2
1946.....	12	1	8			1
1947.....	9	5	2		2	

Analysis of Assets and Liabilities of Insured Associations

Assets.—The function of savings and loan associations is twofold: To encourage thrift by accepting the long-term savings of individuals at a reasonable rate of return, and to encourage home ownership by using these savings to grant loans on the security of first home-mortgages. During the war period these purposes had to be adjusted to meet the unusual conditions of the times; although most insured associations continued to accept savings, the lending program was of necessity substantially curtailed, and large proportions of association assets were invested in United States Government securities. As a result, the ratio of liquid assets to total assets of insured associations rose to unprecedented heights during the war, while the ratio of mortgage loans to assets correspondingly declined.

Following the close of the war, associations have been cooperating in meeting the tremendous demand for home-purchase and home-construction loans by partially liquidating their government bond holdings and reinvesting the funds in home mortgages. These trends in assets of all insured associations are shown in the following table:

Trends in assets of all insured associations

[Dollar amounts in millions]

End of year	Number of associations	Total assets	Net mortgage loans	Cash and Government securities	Ratios	
					Mortgage loans to total assets	Cash and Government securities to total assets
					<i>Percent</i>	<i>Percent</i>
1940.....	2,277	\$2,932	\$2,343	\$194	79.9	6.6
1941.....	2,343	3,363	2,752	250	81.8	7.4
1942.....	2,398	3,652	2,872	450	78.6	12.3
1943.....	2,447	4,183	3,009	884	71.9	21.1
1944.....	2,466	5,013	3,260	1,497	65.0	29.9
1945.....	2,475	6,148	3,763	2,147	61.2	34.9
1946.....	2,496	7,319	5,238	1,836	74.6	25.1
1947.....	2,536	8,547	6,585	1,696	77.0	19.8

HOME LOAN BANK BOARD

The accelerated flow of association funds into the home mortgage credit field has been accompanied by increasing participation by savings and loan associations in the Veterans' Administration and the Federal Housing Administration loan-insurance programs. On December 31, 1947, insured associations held more than \$2,000,000,000 in insured loans, which were equivalent to 24 percent of association assets.

At the close of December 1947, more than 296,000 loans, or 16 out of every 100 mortgages on the books of insured associations, were insured or guaranteed by the Veterans' Administration. However, due to their greater average size, they represented \$25 per \$100 of the institutions' total mortgage portfolio. An additional \$6 per \$100 was invested in Federal Housing Administration insured loans, while the remaining \$69 represented uninsured mortgages.

Mortgage loans held by insured savings and loan associations Dec. 31, 1947

Type	Number	Percentage distribution	Amount (000 omitted)	Percentage distribution
F. H. A.-insured.....	82,392	4.6	\$376,872	5.7
V. A.-insured or guaranteed.....	296,039	16.3	1,648,091	25.0
Subtotal.....	378,431	20.9	\$2,024,963	30.7
Uninsured mortgage loans.....	1,433,844	79.1	4,567,245	69.3
Total.....	1,812,275	100.0	\$6,592,208	100.0

GI first mortgages on the books of insured institutions averaged nearly \$5,567 in unpaid principal, while FHA loans averaged \$4,574 and conventional, uninsured loans only \$3,185.

Historically, the primary source of losses experienced by savings and loan associations has been the owned real estate account. Currently, real-estate holdings of insured associations are negligible, consisting in most cases of the office building housing association offices. In the event of a general economic depression, however, it is likely that a portion of borrowers would default on their loans, necessitating foreclosure on their homes. Current high prices of real estate add to the danger of eventual deflation, foreclosure and future loss to mortgagees. Sound practice, therefore, demands that this unknown loss potential be minimized through conservative appraisal policies and through exploration of the needs of the prospective borrower and his ability to repay, with emphasis placed on his protection as well as that of the lending institution.

Savings.—The postwar period has highlighted increasing activity in the savings field. Savings invested in insured associations have continued to increase each year since the Corporation was created, but withdrawals recently have also occurred at an increasing rate, indicating that the life of savings is becoming shorter. In the following

table, which shows new investments received by insured associations, withdrawals from savings accounts and the ratio of withdrawals to new savings, this increasing turnover of savings is apparent:

Flow of savings—All insured institutions

[Dollar amounts in millions]

Year	New investments	Withdrawals	Net inflow	Ratio of withdrawals to new investments
				<i>Percent</i>
1940.....	\$709	\$407	\$302	57.4
1941.....	873	544	329	62.3
1942.....	872	578	293	66.3
1943.....	1,151	624	527	54.2
1944.....	1,484	755	730	50.9
1945.....	1,877	1,006	871	53.6
1946.....	2,569	1,613	956	62.8
1947.....	2,787	1,816	971	65.2

Reserves.—Title IV of the National Housing Act requires that each insured association accumulate a Federal insurance reserve available for losses in an amount equivalent to 5 percent of its insured accounts and creditor obligations, such goal to be met within 20 years following the date of insurance of the institution. Regulations of the Corporation have interpolated an additional requirement—that a reserve of 2½ percent be accumulated within 13 years following the date of insurance.

In addition to Federal insurance reserve accounts, other general reserves and undivided profits are available for losses which might be incurred by associations in their normal operations. Indicative of the ability of insured associations to absorb losses which might arise is the ratio of all general reserves and undivided profits accounts to assets of the institutions. The trend since 1939 is set forth in the following table:

General Reserves and Undivided Profits of All Insured Institutions

End of year	Amount	Ratio to assets	End of year	Amount	Ratio to assets
		<i>Percent</i>			<i>Percent</i>
1940.....	\$168,000,000	5.7	1944.....	\$328,000,000	6.5
1941.....	200,000,000	5.9	1945.....	386,000,000	6.3
1942.....	244,000,000	6.7	1946.....	463,000,000	6.3
1943.....	283,000,000	6.8	1947.....	543,000,000	6.4

Extent of Insurance Coverage

Associations.—At the end of 1947 there were 2,536 insured associations of which 1,478 were Federally chartered associations and 1,058 were chartered under State law. The number of insured institutions increased by 40 during 1947.

Federal associations held assets of \$5,459,640,000 while assets of the State-chartered group aggregated \$3,087,657,000. The average Federal association, therefore, was \$3,694,000 in size and the average State-chartered institution, \$2,918,000.

[A State break-down of the number of insured associations and their assets at the end of 1947 is compared with the situation on December 31, 1946, in Exhibit 10.]

During the past few years the average size of insured associations has been steadily increasing, as has the number of associations in the larger size groups. A summary of the number of insured institutions by size groups is presented in the following table:

Frequency Distribution of Insured Associations, by Asset Size Groups—December 31, 1945, 1946, 1947

Asset size group	Number of insured associations		
	1947	1946	1945
United States total:	2, 536	2, 496	2, 475
Less than \$100,000.....	14	24	41
\$100,000—\$250,000.....	117	169	238
\$250,000—\$500,000.....	253	290	335
\$500,000—\$1,000,000.....	421	435	453
\$1,000,000—\$2,500,000.....	742	752	731
\$2,500,000—\$5,000,000.....	536	465	386
\$5,000,000—\$10,000,000.....	283	230	193
\$10,000,000—\$25,000,000.....	143	112	79
\$25,000,000 and over.....	27	19	19

It is estimated that there are 3,514 uninsured institutions operating in the United States with gross assets of \$3,253,000,000. However, it should be noted that, although the average size of these uninsured associations is \$925,700, it is estimated that approximately two-thirds have assets of less than \$500,000 each.

Because insurance of savings and loan associations has been established on an optional basis, these uninsured institutions may, if they so desire, apply for insurance of accounts and be accepted into membership, provided that they can qualify under the requirements established by the Congress and the Corporation. Budgetary limitations have prevented the Corporation from developing an adequate field staff which would personally contact uninsured associations with the purpose of interesting them in applying for insurance and of assisting them in qualifying. On December 31, 1947, only two field representatives of the Corporation were stationed in the field for this purpose.

Investors.—Investors in insured associations consist for the most part of middle-income savers who are accumulating long-term savings toward a definite goal. However, an increasing proportion of higher-income individuals, as well as civic, religious, fraternal, and similar

organizations, are placing funds with insured institutions for investment purposes.

Savers and investors in insured associations increased by 555,000 during 1947, numbering 5,415,000 on December 31 of that year. Total private savings rose \$987,000,000 during the year to \$7,189,047,000 on December 31. The average account was \$1,328.

The increase during the past few years in the number of savers and in the average account are shown in the following table:

Number of Private Savers and Average Savings Account in All Insured Institutions

End of year	Number of savers	Average account	End of year	Number of savers	Average account
1940.....	2,773,100	\$804	1944.....	4,022,900	\$1,081
1941.....	3,110,800	843	1945.....	4,383,800	1,194
1942.....	3,340,000	901	1946.....	4,860,400	1,276
1943.....	3,645,600	986	1947.....	5,415,000	1,328

Of the total savings in insured institutions \$6,725,651,000 or 94 percent was insured. Approximately 95 percent of the accounts were of less than \$5,000 each and therefore were totally insured.

Ratios of insured savings to total savings during recent years are shown below:

Total and Insured Private Savings in all Insured Institutions

[Dollar Amounts in Millions]

End of year	Total savings	Insured savings	Ratio of insured to total savings	End of year	Total savings	Insured savings	Ratio of insured to total savings
			<i>Percent</i>				<i>Percent</i>
1940.....	\$2,230	\$2,074	93.0	1944.....	\$4,351	\$4,135	95.0
1941.....	2,621	2,438	93.0	1945.....	5,233	4,941	94.4
1942.....	3,009	2,850	94.7	1946.....	6,202	5,856	94.4
1943.....	3,595	3,414	95.0	1947.....	7,189	6,726	93.6

HOME LOAN BANK BOARD

Exhibit 6

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Statement of condition

	Dec. 31, 1947	Dec. 31, 1946
ASSETS		
Cash in United States Treasury	\$1,761,910.40	\$1,586,253.02
Accounts receivable:		
Insurance premiums—payments due	69,389.62	31,334.58
Insurance premiums—payments deferred	2,297,910.41	1,934,283.43
Due from receiver for institutions in liquidation	1,843.03	991.97
Due from governmental agencies	3,741.70	17,412.84
Miscellaneous		23.67
Total	2,372,884.76	1,984,046.49
Investments:		
U. S. Government securities (par value)	184,462,000.00	171,962,000.00
Net unamortized premium on investments	18,439.67	19,375.43
Total	184,480,439.67	171,981,375.43
Accrued interest on investments	170,587.68	693,142.46
Subrogated accounts in insured institutions in liquidation	372,077.06	372,042.11
Less: Allowance for losses	287,555.38	285,265.69
Total	84,521.68	86,776.42
Insured accounts in institutions in liquidation: Pending and un-		
claimed	10,895.12	11,129.46
Less: Allowance for losses	810.63	850.08
Total	10,084.49	10,279.38
Furniture, fixtures and equipment	35,651.54	30,149.72
Less: Reserve for depreciation	35,651.54	30,149.72
Total		
Deferred charges:		
Administrative Department		42,588.00
Administrator's Office, N. H. A.		2,653.50
Unallocated preliminary expense on problem cases	126.06	
Total	126.06	45,241.50
Total assets	188,880,554.74	176,387,115.60
LIABILITIES AND CAPITAL		
Liabilities:		
Accounts payable	8,947.29	
Accrued liabilities	79,547.91	49,086.31
Deductions from employees' salaries	14,160.33	10,933.41
Undisbursed commitments for contributions to insured institu-		
tions		54,148.10
Pending and unclaimed accounts in insured institutions in		
liquidation	10,895.12	11,129.46
Total	113,550.65	125,297.28
Deferred credits:		
Unearned insurance premiums	4,268,081.37	3,640,551.44
Prepaid insurance premiums	72.98	101.47
Liquidating dividends on insured accounts in institutions in		
liquidation—pending and unclaimed	26.52	26.52
Total	4,268,180.87	3,640,679.43
Capital:		
Capital stock	100,000,000.00	100,000,000.00
Reserve fund as provided by law	42,457,624.50	34,350,193.80
Special reserve for contingencies	37,500,000.00	34,500,000.00
Unallocated income	4,541,198.72	3,770,945.09
Total	84,498,823.22	72,621,138.89
Total liabilities and capital	188,880,554.74	176,387,115.60

Exhibit 7

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Income and expense statement

	Jan. 1, 1947, through Dec. 31, 1947	Jan. 1, 1946, through Dec. 31, 1946
Operating income and recoveries:		
Insurance premiums earned.....	\$8,099,643.22	\$6,743,835.30
Admission fees earned.....	14,884.48	5,405.31
Interest earned on U. S. Government securities.....	4,130,005.16	3,883,412.76
Miscellaneous.....	.30	.33
Recoveries on contributions to insured institutions.....	145,241.56	21,623.63
Total operating income and recoveries.....	12,389,774.72	10,654,277.33
Operating expenses:		
Administrative expenses.....	541,924.04	552,853.07
Liquidation and other expenses.....	14,517.39	2,272.58
Depreciation of furniture, fixtures, and equipment.....	5,878.63	0
Total operating expenses.....	562,320.06	555,125.65
Net income from operations.....	11,827,454.66	10,099,151.68
Nonoperating income:		
Profit on sale of securities.....	0	23,396.59
Profit on sale of furniture, fixtures, and equipment.....	474.50	0
Miscellaneous.....	12.25	0
Total nonoperating income.....	486.75	23,396.59
Net income before adjustment of valuation reserves.....	11,827,941.41	10,122,548.27
Adjustment of valuation reserves:		
Provision for losses on subrogated accounts in insured institutions in liquidation.....	-2,289.69	330,767.38
Provision for losses on insured accounts in institutions in liquidation—Pending and unclaimed.....	39.45	-820.93
Cancellation of approved contributions.....	54,148.10	0
Net adjustments of valuation reserves.....	51,897.86	329,946.45
Net income for period.....	11,879,839.27	10,452,494.72
Adjustment of net income for prior years.....	-2,154.94	-72.30
Net income.....	11,877,684.33	10,452,422.42

Exhibit 8

*Summary of provisions in State laws affecting appointment of F. S. and L. I. C.
as receiver or coreceiver of insured State-chartered institutions*

State	Appointment of Corporation authorized			Appointment of Corporation not specified	
	Mandatory as sole receiver	Permissive as sole receiver	Mandatory as coreceiver	Receiver appointed by court	State supervisor specified as receiver
Alabama.....	X				
Arizona.....		X			
Arkansas.....	X				
California.....		X			
Colorado.....					X
Connecticut.....					X
Delaware.....				X	
District of Columbia.....					X
Florida.....	X				
Georgia.....				X	
Idaho.....				X	
Illinois.....					X
Indiana.....					X
Iowa.....				X	
Kansas.....			X		
Kentucky.....	X				
Louisiana.....	X				
Maine.....				X	
Maryland.....				X	
Massachusetts.....				X	
Michigan.....					X
Minnesota.....					X
Mississippi.....					X
Missouri.....				X	
Montana.....				X	
Nebraska.....					X
Nevada.....				X	
New Hampshire.....					X
New Jersey.....			X		
New Mexico.....	X				
New York.....				X	
North Carolina.....					
North Dakota.....	X				
Ohio.....					X
Oklahoma.....					X
Oregon.....					X
Pennsylvania.....					X
Rhode Island.....					X
South Carolina.....	X				
South Dakota.....		X			
Tennessee.....					X
Texas.....	X				
Utah.....					X
Vermont.....				X	
Virginia.....				X	
Washington.....					X
West Virginia.....	X				
Wisconsin.....	X				
Wyoming.....					X
Total.....	11	3	2	13	20

Exhibit 9

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Statements of condition and operation for insured institutions in receivership (Federal associations), Dec. 31, 1947

Condensed comparative statements of condition	Security FS&LA of Guy- mon, Guymon, Okla.		Community FS&LA of In- dependence, Independ- ence, Mo.		Aetna FS&LA, Topeka, Kans.		First FS&LA of Oklahoma City, Okla.		Grand totals
	Date of re- ceivership, Feb. 12, 1940	As of Dec. 31, 1947	Date of re- ceivership, June 26, 1940	As of Dec. 31, 1947	Date of re- ceivership, Aug. 27, 1941	As of Dec. 31, 1947	Date of re- ceivership, Aug. 30, 1941	As of Dec. 31, 1947	
ASSETS									
Mortgage loans.....	\$96,496.34		\$892,380.31		\$3,369,490.13		\$838,573.90		
Share loans.....			12,427.73		14,110.99		4,056.87		
Real estate sold on contract.....	118,457.27		64,909.46		798,133.72		32,973.99		
Real estate owned—includes office building.....	8,697.00	\$2,026.31	213,607.94		1,334,352.47	\$1.00	374,286.24	\$5.00	\$6.00
Cash and investments.....	455.00		52,429.44	\$65,989.73	309,115.93	73,425.56	99,664.33	31,988.97	173,430.57
Furniture, fixtures and equipment.....	28.00		2,251.99		10,597.23	2,835.72	2,198.55		2,835.72
Other assets.....			7,542.89		8,012.03	23.00	2,381.35		23.00
Total.....	225,280.75	2,026.31	1,245,549.76	65,989.73	5,843,812.50	76,285.28	1,354,135.23	31,993.97	176,295.29
LIABILITIES AND CAPITAL									
Secured claims of creditors.....	14,236.01		274,730.50		527,459.59		336,380.44		1,956.19
Unsecured claims of creditors.....	364.48		2,276.69		13,740.80	236.14	9,278.50	1,720.05	
Loans in process.....			2,015.00		101,886.79		706.09		
Advance payments by borrowers.....					34,593.25		2,017.84		
Other liabilities.....	1,684.20		7,244.71		48,880.42	286.61	15,425.91	478.42	765.03
Reserve for uncollected interest.....	1,880.39		104,472.39		10,622.67		873.18		4,836.54
Allowance for losses.....	48,916.59		1,19,559.68		522,286.28	4,836.54	66,838.58		1,249,373.27
Surplus.....	17,741.23	1,832.60	1,19,559.68	65,342.94	1,387,830.69	1,182,867.40	1,141,035.30	1,133,681.41	365,733.47
Shares purchased by the FS&LIC.....						245,844.99		119,888.48	52,377.33
Other share account claims.....	165,940.31	193.71	877,369.95	646.79	4,972,173.39	7,948.40	1,063,629.99	43,588.43	
Total.....	225,280.75	2,026.31	1,245,549.76	65,989.73	5,843,812.50	76,285.28	1,354,135.23	31,993.97	176,295.29

HOME LOAN BANK BOARD

Condensed statement of operation	Year ended, Dec. 31, 1947	Cumulative, Feb. 12, 1940 to Dec. 31, 1947	Year ended, Dec. 31, 1947	Cumulative, June 26, 1940 to Dec. 31, 1947	Year ended, Dec. 31, 1947	Cumulative, Aug. 27, 1941 to Dec. 31, 1947	Year ended, Dec. 31, 1947	Cumulative, Aug. 30, 1941 to Dec. 31, 1947	Cumulative, through Dec. 31, 1947
Gross operating income.....	\$5.00	\$32,063.04	-----	\$176,721.64	\$5.00	\$776,477.48	-----	\$181,449.53	\$1,166,711.59
Less: Gross operating expense.....	5.00	27,719.18	\$25.00	80,785.21	5,034.75	440,064.13	\$1,449.99	104,698.87	653,267.39
Net operating income or expense.....	-----	4,343.86	1 25.00	95,936.33	1 5,020.75	336,413.35	1 1,449.99	76,750.66	513,444.20
Gross capital gains.....	-----	6,350.40	137.60	25,294.42	670.37	71,555.53	5,207.03	39,880.30	143,098.65
Less: Gross capital losses.....	-----	50,046.02	-----	137,800.72	453.96	720,455.33	413.82	176,144.65	1,084,446.72
Net capital gain or loss.....	-----	1 43,686.62	137.60	1 112,506.30	216.41	1 648,899.80	4,793.21	1 136,255.35	1 941,348.07
Net profit or loss—all operations.....	-----	1 39,342.76	112.60	1 16,569.97	1 4,813.34	1 312,486.45	3,343.22	1 59,504.69	1 427,903.87

1 Indicates loss.

Exhibit 10

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Number and assets of all insured savings and loan associations, by type, Dec. 31, 1946 and 1947

	All insured				Federal				Insured State			
	1947		1946		1947		1946		1947		1946	
	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets
United States.....	2, 536	\$8, 547, 297, 000	2, 496	\$7, 318, 604, 000	1, 478	\$5, 459, 640, 000	1, 471	\$4, 671, 533, 000	1, 058	\$3, 087, 657, 000	1, 025	\$2, 647, 101, 000
District No. 1—Boston.....	66	405, 744, 000	66	357, 650, 000	53	374, 766, 000	53	330, 962, 000	13	30, 978, 000	13	26, 688, 000
Connecticut.....	28	131, 259, 000	28	109, 653, 000	17	101, 551, 000	17	84, 061, 000	11	29, 708, 000	11	25, 592, 000
Maine.....	5	5, 511, 000	5	4, 364, 000	5	5, 511, 000	5	4, 364, 000	4	4, 364, 000	4	4, 364, 000
Massachusetts.....	26	232, 356, 000	26	212, 159, 000	26	232, 356, 000	26	212, 159, 000	26	212, 159, 000	26	212, 159, 000
New Hampshire.....	4	18, 785, 000	4	16, 481, 000	2	17, 515, 000	2	15, 385, 000	2	1, 270, 000	2	1, 096, 000
Rhode Island.....	1	7, 723, 000	1	6, 137, 000	1	7, 723, 000	1	6, 137, 000	1	6, 137, 000	1	6, 137, 000
Vermont.....	2	10, 110, 000	2	8, 856, 000	2	10, 110, 000	2	8, 856, 000	2	8, 856, 000	2	8, 856, 000
District No. 2—New York.....	252	1, 082, 692, 000	245	927, 350, 000	82	545, 485, 000	81	457, 808, 000	170	537, 207, 000	164	469, 542, 000
New Jersey.....	132	356, 556, 000	127	294, 844, 000	16	37, 633, 000	16	32, 528, 000	116	318, 923, 000	111	262, 317, 000
New York.....	120	726, 136, 000	118	632, 506, 000	66	507, 852, 000	65	425, 280, 000	54	218, 284, 000	53	207, 225, 000
District No. 3—Pittsburgh.....	247	565, 757, 000	243	486, 831, 000	136	378, 391, 000	136	336, 518, 000	111	187, 366, 000	107	156, 313, 000
Delaware.....	1	949, 000	1	679, 000	1	949, 000	1	679, 000	1	679, 000	1	679, 000
Pennsylvania.....	220	523, 803, 000	216	451, 667, 000	113	341, 996, 000	113	299, 471, 000	107	181, 807, 000	103	152, 196, 000
West Virginia.....	26	41, 005, 000	26	34, 485, 000	22	35, 445, 000	22	30, 368, 000	4	5, 559, 000	4	4, 117, 000
District No. 4—Winston-Salem.....	302	1, 003, 109, 000	291	816, 903, 000	226	792, 638, 000	222	650, 093, 000	76	210, 471, 000	69	166, 810, 000
Alabama.....	26	41, 451, 000	26	33, 816, 000	18	34, 215, 000	18	28, 364, 000	8	7, 236, 000	8	5, 452, 000
District of Columbia.....	11	106, 436, 000	10	85, 089, 000	5	63, 449, 000	4	50, 632, 000	6	42, 987, 000	6	34, 454, 000
Florida.....	49	229, 808, 000	49	190, 811, 000	48	227, 178, 000	48	188, 355, 000	1	2, 680, 000	1	2, 456, 000
Georgia.....	51	147, 448, 000	49	117, 642, 000	46	126, 077, 000	45	98, 898, 000	5	37, 371, 000	4	17, 683, 000
Maryland.....	42	171, 134, 000	42	146, 673, 000	32	133, 818, 000	32	112, 811, 000	10	27, 318, 000	10	33, 862, 000
North Carolina.....	56	135, 941, 000	49	102, 478, 000	27	78, 865, 000	26	65, 197, 000	29	57, 676, 000	23	37, 281, 000
South Carolina.....	40	76, 165, 000	40	60, 200, 000	30	60, 374, 000	30	47, 283, 000	10	15, 791, 000	10	12, 917, 000
Virginia.....	27	94, 676, 000	26	80, 194, 000	20	68, 662, 000	19	57, 489, 000	7	26, 014, 000	7	22, 705, 000

HOME LOAN BANK BOARD

District No. 5—Cincinnati.....	343	1,409,737,000	339	1,262,813,000	216	794,147,000	214	703,934,000	127	615,640,000	125	558,879,000
Kentucky.....	56	140,849,000	54	120,019,000	54	137,138,000	52	116,734,000	2	3,711,000	2	3,285,000
Ohio.....	252	1,171,626,000	250	1,064,428,000	127	559,897,000	127	508,894,000	125	611,929,000	123	555,594,000
Tennessee.....	35	97,312,000	35	78,366,000	35	97,312,000	35	78,366,000				
District No. 6—Indianapolis.....	183	557,915,000	178	486,501,000	101	387,801,000	100	338,357,000	82	170,314,000	78	147,144,000
Indiana.....	137	338,904,000	134	295,617,000	69	235,800,000	69	206,043,000	68	105,404,000	65	89,574,000
Michigan.....	46	219,011,000	44	189,884,000	32	154,101,000	31	132,314,000	14	64,910,000	13	57,570,000
District No. 7—Chicago.....	308	971,575,000	306	816,711,000	139	523,269,000	139	448,382,000	169	442,306,000	167	368,329,000
Illinois.....	218	779,138,000	216	650,667,000	99	459,461,000	99	388,862,000	119	319,677,000	117	261,805,000
Wisconsin.....	90	192,437,000	90	166,044,000	40	69,808,000	40	59,520,000	50	122,629,000	50	106,524,000
District No. 8—Des Moines.....	156	487,645,000	154	422,464,000	106	373,382,000	108	330,303,000	50	114,263,000	46	92,161,000
Iowa.....	42	78,667,000	42	69,359,000	32	63,423,000	32	56,248,000	10	15,244,000	10	13,111,000
Minnesota.....	35	190,567,000	34	169,802,000	30	187,073,000	30	167,913,000	5	3,494,000	4	3,893,000
Missouri.....	66	192,694,000	64	161,354,000	34	108,461,000	36	94,818,000	32	84,233,000	28	66,536,000
North Dakota.....	7	18,858,000	6	16,889,000	6	9,819,000	6	8,168,000	1	9,039,000	2	8,721,000
South Dakota.....	6	6,859,000	5	5,060,000	4	4,606,000	4	3,156,000	2	2,233,000	2	1,904,000
District No. 9—Little Rock.....	263	474,950,000	261	396,499,000	160	212,329,000	159	173,309,000	103	262,621,000	102	223,190,000
Arkansas.....	38	38,793,000	37	30,669,000	34	33,087,000	33	26,251,000	4	5,703,000	4	4,418,000
Louisiana.....	69	164,116,000	69	139,568,000	13	24,150,000	13	19,672,000	56	139,966,000	56	119,898,000
Mississippi.....	23	22,928,000	23	18,209,000	20	21,076,000	20	16,572,000	3	1,852,000	3	1,697,000
New Mexico.....	13	16,827,000	13	12,410,000	7	10,462,000	7	7,290,000	6	6,365,000	6	5,160,000
Texas.....	120	232,286,000	119	195,643,000	86	123,554,000	86	103,594,000	34	108,732,000	33	92,079,000
District No. 10—Topeka.....	153	341,711,000	152	289,593,000	97	268,052,000	97	219,300,000	56	83,659,000	55	70,293,000
Colorado.....	35	82,792,000	33	66,857,000	23	63,404,000	23	51,818,000	12	19,386,000	10	15,089,000
Kansas.....	58	102,514,000	59	87,628,000	28	63,524,000	28	55,549,000	30	36,690,000	31	32,079,000
Nebraska.....	19	22,980,000	19	19,166,000	15	18,001,000	15	15,522,000	4	4,079,000	4	3,644,000
Oklahoma.....	41	134,325,000	41	115,942,000	31	110,821,000	31	96,411,000	10	23,504,000	10	19,531,000
District No. 11—San Francisco.....	263	1,246,412,000	261	1,056,289,000	162	813,880,000	162	688,587,000	101	432,832,000	99	367,752,000
Arizona.....	3	25,150,000	3	22,618,000	2	19,416,000	2	18,288,000	1	5,734,000	1	4,390,000
California.....	143	826,287,000	140	677,470,000	74	508,842,000	73	414,424,000	69	317,445,000	67	263,046,000
Idaho.....	8	27,147,000	8	23,126,000	8	27,147,000	8	23,126,000	7	17,101,000	7	15,750,000
Montana.....	10	20,238,000	10	18,039,000	3	3,137,000	3	2,369,000				
Nevada.....	1	3,379,000	1	2,393,000	1	3,379,000	1	2,393,000				
Oregon.....	21	53,463,000	22	45,513,000	21	63,468,000	22	45,513,000	3	25,244,000	3	24,376,000
Utah.....	9	46,019,000	6	45,702,000	6	20,776,000	6	19,376,000	18	63,081,000	18	56,562,000
Washington.....	54	222,665,000	54	204,868,000	36	193,884,000	36	186,256,000				
Wyoming.....	9	11,938,000	9	10,184,000	9	11,938,000	9	10,184,000				
Alaska.....	1	1,336,000	1	1,190,000	1	1,336,000	1	1,190,000				
Hawaii.....	4	8,792,000	4	7,206,000	1	4,565,000	1	3,515,000	3	4,227,000	3	3,688,000

Source: Monthly reports of insured associations.

HOME OWNERS' LOAN CORPORATION

11 Years of Liquidation

On June 12, 1936, the 3-year lending period of the 'Home Owners' Loan Corporation terminated. Since that time, the major activity of the Corporation has been the liquidation of its great volume of loans. The results attained during this 11-year period of liquidation have been extremely favorable. Of the total lending of approximately $3\frac{1}{2}$ billion dollars, over four-fifths has been liquidated. Less than half a billion dollars of the cumulative investment was outstanding at the end of calendar year 1947.

The loans of the Corporation were originally made to refinance the mortgages of more than a million American home owners who were victims of the depression. Most of these home owners were in arrears nearly two years on principal and interest and 3 years on taxes. At the time, it was felt that this rescue operation might result in a loss to the Government of one-half billion to a billion dollars. Instead, at the end of 11 years of liquidation, it now appears that, when liquidation of the remaining loans is completed, the Corporation will have repaid the $3\frac{1}{2}$ billion dollars of bonds guaranteed by the Government and will be able to return, without impairment, the 200 million dollars of capital originally subscribed by the Government. In making its provisions for assistance to home owners, Congress provided that loans could be made up to a total of \$14,000 on properties which were the homes or homesteads of the owners if these properties housed not more than four families and had a valuation of not more than \$20,000. Interest rates on the Corporation's loans were not to exceed 5 percent, and the principal was to be amortized by regular monthly payments so as to enable the owner to complete his payments within a period of 15 years.

In the course of its operations, the Corporation extended a helping hand to thousands of financial institutions by taking over almost \$2,000,000,000 of their mortgage loans at a time when no other refinancing was available. In effect, private institutional owners of delinquent home mortgages substituted them for cash by the simple medium of exchanging these mortgages for the bonds of the Federal Government, which were fully guaranteed both as to principal and interest. Thus banks, savings and loan associations, insurance companies, and other lending institutions were able to convert their frozen assets into cash. As a result of this direct aid, most of the lending institutions of the country were able to meet the demands of their anxious customers for cash, and were able also with their new liquid resources to resume business.

The Corporation also helped thousands of local Government units by advancing \$485,000,000 to pay taxes, many of which were seriously delinquent. Not least, the Corporation developed on a national basis

HOME LOAN BANK BOARD

a loan plan which has had a beneficial influence on the entire structure and procedure of home financing. This was the 15-year monthly payment, direct-reduction type of loan which proved to be the safest and most economical type of home mortgage ever available in this country. The lenient collection policy of the Corporation, together with the servicing methods which it developed to help homeowners, also contributed greatly. The successful outcome of this lending operation stands as a demonstration of the respect of borrowers for their financial obligations to their Federal Government which extended a helping hand to them in a time of crisis.

The Home Owners' Loan Corporation has devoted much effort to individual servicing of its loan accounts. This servicing has enabled the Corporation to locate causes of trouble and to take prompt action to avoid foreclosure. As part of this servicing program, the Corporation collects funds from borrowers on a monthly installment basis for the payment of taxes and insurance. This procedure assists borrowers to avoid tax difficulties and reduces the Corporation's expenses by eliminating the necessity for searching tax records to determine whether delinquencies exist. The proportion of such accounts increased from 69.5 percent of outstanding loan accounts at the beginning of the 1947 calendar year to 72.1 percent at the end of the year.

Approximately 77 percent of the Corporation's outstanding accounts were paid on schedule at the end of the reporting period. For the loans extended from the original 15 years to not more than 25 years under authorization of the Mead-Barry Act, the results have been especially noteworthy. All of these borrowers were behind in their payments when the extensions were granted. By December 31, 1947, only 5,654 out of 132,625 or 4.2 percent of the outstanding extended original loans, were in default. By reducing the required monthly payments, these extensions have averted many thousands of foreclosures which would have resulted in losses to the Corporation.

At the beginning of calendar year 1947, the Corporation was operating three regional offices. During the year, all of these were consolidated into the New York headquarters.

The personnel and administrative expenses of the Corporation have been reduced rapidly in recent years. The number of employees on December 31, 1947, was 662, as compared with 935 one year before, and 21,000 at the peak of its operations. Its administrative expenses during calendar year 1947 were \$3,422,839, as compared with \$4,983,227 during the preceding year, and \$37,427,000 during its peak year.

General Operations

From June 13, 1933, through June 12, 1936, the Corporation loaned \$3,093,451,321. These loans were made to finance the home mortgages

of 1,017,821 individuals who were unable to finance their loans elsewhere and were, therefore, dependent on the credit of the Government. The financial conditions prevailing then and later were so adverse that some of these home owners, despite the efforts of the Corporation, were unable to work out of their financial difficulties. However, the Corporation has enabled more than 800,000 families to avoid foreclosure on their homes.

The Corporation's original investment has been increased by supplementary advances made for the payment of taxes, insurance, maintenance and reconditioning, the capitalization of delinquent interest, and acquisition costs. From the beginning of operations to December 31, 1947, these supplemental capitalizations totaled \$400,418,216, and brought the Corporation's gross cumulative investment to \$3,493,869,537.

Liquidation of this investment has proceeded rapidly. At the end of the 1947 calendar year, the balance of original loans, vendee accounts, and property accounts was \$486,090,711, a decrease of 24 percent from the balance of \$636,881,351 at the beginning of the year. Of the \$3,493,869,537 gross cumulative investment, \$3,007,778,826 or 86.1 percent had been liquidated by the end of calendar year 1947. The reduction in these assets is summarized in the following table:

Original amount loaned.....	\$3, 093, 451, 321. 01
Subsequent advances to borrowers, net additions included in capitalized value of properties, etc.....	400, 418, 216. 00
Original loans plus advances, capitalized additions, etc.....	3, 493, 869, 537. 01
Outstanding on December 31, 1947:	
Original loans and advances.....	\$312, 712, 103. 34
Vendee accounts and advances.....	173, 197, 057. 25
Property acquired and in process of acquisition.....	181, 550. 82
Total outstanding.....	486, 090, 711. 41
Net reduction in mortgage and property assets... ..	3, 007, 778, 825. 60

Congress in 1935 authorized the Home Owners' Loan Corporation to purchase shares of savings and loan associations in order to make funds available to stimulate the local financing of home loans. The cumulative investment in savings and loan shares made by the Corporation totaled \$223,856,710 by December 31, 1947. Of this investment, only \$8,063,350 remained outstanding at the end of the 1947 calendar year, as compared with \$15,191,850 at the beginning of the year. Dividends aggregating \$44,482,628 have been received by the Corporation from these investments.

The Home Owners' Loan Act of 1933 requires that all payments upon principal of the Corporation's loans must be used to retire out-

HOME LOAN BANK BOARD

standing bonds. In order to retire bonds, the Corporation also uses certain other receipts such as amounts received as a result of the repurchase of shares in savings and loan associations. By the end of calendar 1947, the total applied to bond retirement was \$3,042,-059,680. The amounts deposited with the Treasurer of the United States and used or available to retire bonds are shown in the following table:

Disposition of Funds Allocated (through December 31, 1947) to Bond Retirement Fund

Applied to retirement of bonds.....	\$3, 042, 059, 680. 46
Deposited for matured or called bonds on which interest has ceased.....	3, 280, 925. 00
Available for future retirement of unmatured bonds.....	48, 930. 58

Gross amount deposited in Bond Retirement Fund..	3, 045, 389, 536. 04
Balance due retirement fund for December 1947 to be de- posited in January 1948.....	465, 042. 84

Total applicable to bond retirement..... 3, 045, 854, 578. 88

As a result of bond retirements, the outstanding unmatured bonds of the Corporation on December 31, 1947, totaled \$440,000,000 or 87.4 percent less than the total amount of \$3,489,453,550 of bonds which had been issued.

Status of Accounts

As previously stated, the Corporation made loans to 1,017,821 individuals during its 3 years of lending operations. Adding to this original number 1,968 subsequent divisions and acquisitions of property, and subtracting 103 subsequent consolidations, made a net total of 1,019,686 accounts. Of this net number, 701,950 or over two-thirds have been terminated, leaving 317,736 accounts outstanding as of December 31, 1947.

Included in the 701,950 terminated accounts were 588,650 original loans and 97,721 vendee accounts paid in full, 15,339 acquired properties sold for cash, and the remaining balances on 240 accounts charged off.

Of the 317,736 accounts outstanding as of December 31, 1947, there were 234,940 original loans, 82,733 vendee accounts, and 63 properties. Of the outstanding debtor accounts 132-625 original loans and 2,841 vendee accounts had been extended under the Mead-Barry Act. Of the 63 properties on hand, 24 were owned and 39 still subject to redemption.

Properties

As a result of foreclosures, voluntary deeds, abandonments, etc., the Corporation had acquired up to December 31, 1947, a total of 198,218 properties including 39 still subject to redemption. Of this total, 4,000 were reacquisitions of properties sold and 74 other proper-

ties acquired, leaving 194,144 properties acquired from original borrowers. Subtracting these latter acquisitions from the 1,017,821 total original borrowers, leaves 823,677 or 80.9 percent of original borrowers whose homes have been saved from impending foreclosure which they faced when the loans were made.

The rapid decrease in the number and capital value of properties which the Corporation had on hand is shown in the following table:

Properties on hand including subject to redemption

	Number	Capital value
December 31, 1942.....	31, 621	\$226, 925, 127
December 31, 1943.....	15, 578	96, 455, 077
December 31, 1944.....	1, 935	11, 407, 422
December 31, 1945.....	368	1, 632, 490
December 31, 1946.....	106	418, 326
December 31, 1947.....	63	181, 551

Financial Operations

In exhibit 11 the balance sheet of the Corporation as of December 31, 1947, is presented. Because of the rapid progress of the Corporation's liquidation during calendar 1947, the total assets decreased 21 percent during the year. Exhibit 12 presents a cumulative statement of income and expense from the beginning of operations through December 31, 1947, and exhibit 13 a statement of income and expense for calendar year 1947.

Up to December 31, 1947, the Corporation had a cumulative net income of \$296,746,850 before actual losses and provisions for future losses. This does not take into consideration cumulative dividends from June 30, 1935 on the \$100,000,000 investment in the capital stock of the Federal Savings and Loan Insurance Corporation.

The total cumulative loss on the sale of properties amounted to \$336,497,548. This loss includes brokers' commissions, selling costs, and the difference between the sale price and capital value of the property. The capital value includes unpaid principal, delinquent interest and subsequent capital charges for taxes, reconditioning, acquisition, etc.

In addition to the \$336,497,548 loss on property sales, there were other losses amounting to \$1,342,790 from principal, interest, and properties charged off, fire and other hazards, and fidelity and casualty losses. This makes the cumulative total of all losses \$337,840,338 as of December 31, 1947.

Deducting the \$296,746,850 cumulative net income from the \$337,840,338 losses, leaves \$41,093,488 net loss as of December 31, 1947. Balances in reserves and provisions for future losses amounted to \$12,918,883 and brought the total deficit to \$54,012,371 as of December 31, 1947.

HOME LOAN BANK BOARD

During calendar year 1947 the total income of the Corporation amounted to \$26,080,584. Expenses, including interest on bonds and administrative expense, amounted to \$8,737,759, leaving a net income of \$17,342,825.

Under normal liquidation of the Corporation's remaining assets, it is believed that its operations can be completed without any loss to the Government.

Exhibit 11

HOME OWNERS' LOAN CORPORATION

Balance sheet at December 31, 1947

ASSETS

Mortgage loans, vendee accounts and advances—at present face value		\$485, 909, 160. 59
Interest receivable		1, 635, 815. 94
Property:		
Owned	\$94, 755. 21	
In process of acquiring title	86, 795. 61	1 181, 550. 82
		487, 726, 527. 35
Less: Reserve for losses		12, 668, 882. 77
Investments—at cost:		475, 057, 644. 58
Federal Savings and Loan Insurance Corporation (entire capital)	100, 000, 000. 00	
Savings and loan associations:		
Federal chartered	\$5, 162, 550. 00	
State chartered	2, 900, 800. 00	
	8, 063, 350. 00	
Public debt obligations of the United States (borrowers' special deposits) at face value	12, 400, 000. 00	120, 463, 350. 00
Bond Retirement Fund:		
Cash (including \$3,280,925 deposited with U. S. Treasury for retirement of matured bonds)		3, 329, 855. 58
Cash:		
Operating funds (includes \$465,042.84 payable to Bond Retirement Fund in January 1948; and \$3,409,099.45 deposited by borrowers and employees) (see contra)	\$9, 208, 503. 70	
Special funds held by U. S. Treasury for payment of interest coupons (see contra)	324, 122. 84	
Special funds—Federal tax withheld (see contra)	51, 259. 40	
Special funds—held by U. S. Treasury for refunding of 1½% Series M bonds called as of June 1, 1945	180, 025. 00	9, 763, 910. 94
Fixed Assets:		
Home Office land and building—at cost	* 2, 972, 358. 93	
Furniture, fixtures and equipment—at cost	420, 903. 89	
	3, 393, 262. 82	
Less: Reserve for depreciation	1, 011, 791. 91	2, 381, 470. 91

See footnotes at end of exhibit.

HOME LOAN BANK BOARD

Balance sheet at December 31, 1947—Continued

ASSETS—Continued		
Other Assets:		
Accounts receivable.....	\$231, 957. 69	
Less: Reserve for uncollectible accounts receivable.....	63, 902. 89	
	<hr/>	
	168, 054. 80	
Dividends receivable—savings and loan associations.....	84, 976. 25	
	<hr/>	
		\$253, 031. 05
Deferred and unapplied charges.....		156, 481. 73
		<hr/>
		611, 405, 744. 79
LIABILITIES AND CAPITAL		
Bonded Indebtedness (Guaranteed as to principal and interest by United States, except \$107,200.00 of unpaid matured 4 percent bonds guaranteed as to interest only):		
Bonds outstanding—not matured.....	\$444, 000, 000. 00	
Bonds matured—on which interest has ceased.....	3, 460, 950. 00	
	<hr/>	
		447, 460, 950. 00
Accounts Payable:		
Interest due (see contra).....	324, 122. 84	
Vouchers payable.....	27. 08	
Accrued pay roll.....	94, 120. 04	
Insurance premiums.....	68, 899. 44	
Commissions to sales brokers.....	160. 00	
Special deposits:		
By borrowers.....	15, 799, 977. 56	
By employees (savings bonds).....	2, 444. 94	
Civil Service retirement deductions.....	6, 676. 95	
Federal tax withheld (see contra).....	51, 259. 40	
Miscellaneous.....	38, 694. 95	
	<hr/>	
		16, 386, 383. 20
Accrued Liabilities.....		172, 031. 29
Deferred and Unapplied Credits.....		1, 148, 750. 87
Reserve for Fidelity and Casualties.....		250, 000. 00
Capital Stock less Deficit:		
Capital Stock:		
Authorized, issued and outstanding.....	200, 000, 000. 00	
Deficit:		
Losses in excess of net earnings..... ²	\$41, 093, 487. 80	
Reserves for future losses.....	12, 918, 882. 77	
	<hr/>	
		54, 012, 370. 57
		<hr/>
		145, 987, 629. 43
		<hr/>
		611, 405, 744. 79

¹ Property owned and property in process of acquiring title are stated at value 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 \$8,688.49.

² 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.

³ As of July 30, 1947, title to the Home Office land and buildings was transferred to the United States pursuant to Sec. 306 of "The Government Corporation Control Act, 1948." This asset will be eliminated from the balance sheet on agreement as to the consideration for transfer.

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 has been recognized with respect to uncollectible rental or prepaid taxes nor liability for accrued taxes.

HOME LOAN BANK BOARD

Exhibit 12

HOME OWNERS' LOAN CORPORATION

*Statement of Income and Expense from the Beginning of Operations, June 13, 1933,
to December 31, 1947*

Operating and Other Income:

Interest:

Mortgage loans and advances \$1, 031, 703, 327. 46
Vendee accounts and ad-
vances 122, 598, 718. 96

1, 154, 302, 046. 42

Special investments 1, 108, 381. 78

\$1, 155, 410, 428. 20

138, 642, 694. 67

Property income

Dividends received—Federal Savings and Loan Insur-
ance Corporation

3, 035, 326. 09

Dividends on investments in savings and loan associa-
tions

44, 482, 627. 56

Miscellaneous

8, 641, 344. 15

1, 350, 212, 420. 67

Operating and Other Expenses:

Interest on
bonded in-
debtedness \$650, 368, 204. 81

Less: Pre-
mium on
bonds sold 1, 618, 866. 43

\$648, 749, 338. 38

Discount on refunded bonds 7, 147, 710. 28

655, 897, 048. 66

Administrative expenses 266, 113, 700. 13

General expenses 18, 621, 685. 82

Property expense 112, 833, 135. 76

1, 053, 465, 570. 37

Net Income before Provision for Losses which may be Sus-
tained in the Liquidation of Assets

296, 746, 850. 30

Provision for Losses:

On mortgage loans, interest and
property

349, 737, 153. 25

For fidelity and casualties

1, 338, 147. 86

For fire and other hazards

881, 252. 50

For uncollectible accounts receiv-
able

56, 047. 69

352, 012, 601. 30

Loss for Period June 13, 1933, to December 31, 1947

55, 265, 751. 00

Deduct: Surplus adjustments—reserve against fire and
other hazards and unlocated payments (net)

1, 253, 380. 43

Deficit at December 31, 1947

54, 012, 370. 57

Exhibit 13

HOME OWNERS' LOAN CORPORATION

Statement of Income and Expense for the Calendar Year 1947

Operating and other income:

Interest:

Mortgage loans and advances.....	\$16,269,657.80
Vendee accounts and advances.....	8,816,439.06

	25,086,096.86
Special investments.....	128,799.87

Total.....	25,214,896.73
Property income.....	14,131.18
Dividends received from savings and loan associations.....	226,797.91
Miscellaneous.....	624,757.81

Total income.....	26,080,583.63
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Operating and other expenses:

Interest on bonded indebtedness.....	5,296,780.87
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Administrative and general expenses:

Administrative expenses.....	3,422,838.69
General expenses.....	50,345.48

Property expense.....	¹ 32,206.39
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Total expense.....	8,737,758.65
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Net income before provision for losses which may be sustained in the liquidation of assets.....	17,342,824.98
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Provision for losses:

On mortgage loans, interest and property.....	—
For fidelity and casualties.....	7,393.90
For fire and other hazards.....	—
For uncollectible accounts receivable.....	8,809.35

16,203.25

Net income for calendar year after provision for losses.....	17,326,621.73
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Deficit at December 31, 1947.....	\$71,333,719.48
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Add: Surplus adjustments—net.....	5,272.82
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71,338,992.30

Deficit at December 31, 1947.....	54,012,370.57
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¹ Net credit.