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REPORT  
*of the*  
Home Loan Bank Board  
FOR THE YEAR ENDING  
DECEMBER 31, 1948

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

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

MARCH 7, 1949.

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, 1948.

Very truly yours,

WILLIAM K. DIVERS, *Chairman.*



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## ANNUAL REPORT OF THE HOME LOAN BANK BOARD FOR THE CALENDAR YEAR 1948

This is the first full calendar-year report of the Home Loan Bank Board under the Reorganization Plan No. 3 approved July 27, 1947. The Board, in presenting this calendar-year report for 1948, speaks for itself and of itself as one of three constituents of the Housing and Home Finance Agency. It speaks also for each of the four operating units for which it is responsible, namely, the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, the Federal Savings and Loan Associations, and the Home Owners' Loan Corporation.

### *Activities of the Board in 1948*

Throughout 1948, the Board members spent much of their time in the field familiarizing themselves with the problems, policies, and operating procedures of members of the Bank System and their 11 district banks. Frequent opportunities were accepted for meeting with State and regional groups in conventions and conferences. In addition, executives of savings and home financing institutions were encouraged to take up their problems with the Board as fully and freely as they desired. No barriers or restraints to frank, direct discussion were imposed. For the first time the Chairman of the Board of Directors of each of the Federal Home Loan Banks was invited to meet together and with the Board for a study and review of bank operations and allied subjects of mutual interest.

These meetings with officers and directors of district banks, with managers of local institutions, and with boards and committees of national and State trade associations enabled the Board to become more intimately acquainted with current work and plans of the savings and home financing organizations and related institutions than had formerly been possible.

### *Revision of rules and regulations*

One of the products of its observations and study of bank operations and the points of view of managers of member institutions of the Bank System has been a recasting of the rules and regulations governing lending by Federal savings and loan associations and by savings associations insured by the Federal Savings and Loan Insurance Corporation. While only relatively minor changes were made in the

substance, except to accomplish conformity with pertinent changes in Federal law, the related provisions were brought together in more clear and explicit language as a valuable and welcome working aid to association management, and to the Board's examining and supervisory staff as well. It is believed that the rules and regulations now present clear, simplified statements of the rights, powers, and duties of Federal associations and of such State-chartered institutions as are insured by the Federal Savings and Loan Insurance Corporation.

*Changes in staff organization and functions*

As a part of its internal activity, the Board made a critical examination of its staff organization with special reference to administrative needs and services. In this the Board was assisted by a committee of Presidents of the Federal Home Loan Banks. Toward the end of the year the Board abolished the offices of Governor, Deputy Governor, and Assistant Governor of the Federal Home Loan Bank System. Prior to this change and as a means of preparing for it, A. R. Gardner, President of the Federal Home Loan Bank of Chicago, served for several months as Acting Governor. The Board deeply appreciates his assistance and the cooperation of the Board of Directors of the Federal Home Loan Bank of Chicago in making his services available.

The department heads who formerly reported to the Governor now report directly to the Board. Of these there are four—the Comptroller (now Director of Operations of the Federal Home Loan Banks), the Chief Examiner, the Chief Supervisor, and the Director of Federal Savings and Loan Operations. In addition to these four, the Board has created the office of the Auditor. The Auditor is charged with the responsibility of making internal audits of the Board's administrative accounts and of the accounts of each of its operating units and the Federal Home Loan Banks. He reports directly to the Board.

*Influences affecting thrift and home financing*

As a definite part of its responsibility to the Federal Government and to its member institutions, the Board, through its staff, has undertaken to make a continuing study of the influences that directly affect private savings and the use of such savings in home finance. It has had the benefit of close cooperation with the Administrator's Office of the Housing and Home Finance Agency and the heads of other agencies of the Government represented on the National Housing Council. Likewise it has benefited by frequent conferences with executives of State governments and national trade associations and with smaller groups representing the interests of those who desire to

increase the volume of home ownership and the quality and utility of homes that are privately owned.

The Board has viewed with considerable satisfaction the maintenance of a high level of private savings and the increased margin between purchase price and the loan, as well as the almost universal use of the direct-reduction loan plan. These evidences of prudence and caution by saver, lender, and borrower, supported also by a high level of liquidity and reserves within most of our lending institutions, provide grounds for increasing confidence and satisfaction in the operations of our savings and home financing institutions.

*Need of additional private savings*

Increased activity by our institutions in the encouragement and solicitation of savings is occasioned by the current need of more money for home mortgage financing. Refinements in the art of encouragement have grown out of increasing appreciation of the influences that cause people to save and appreciation too of the conveniences and rewards that tend to sustain the practice of saving and keep the total volume of savings on a high level. National, regional, and local surveys made during the current year on behalf of various financial organizations disclose that savers are influenced by several specific considerations. These, stated in the order of their importance, are:

1. Knowledge of and confidence in the institution which is to receive and invest their money. In one word, the primary consideration of those who save is—safety.

2. Easy access to their money. This in common bank parlance is called liquidity. Savers, without exception, expect and tacitly require prompt availability of their funds. They want to know with reasonable certainty that they can obtain their money without prior notice when, as, and if wanted. Unless they have reasonable confidence in their ability to obtain their money without any embarrassment or delay, they are inclined to have some question not only of its liquidity, but of its safety.

3. A third consideration is convenience. Those who save prefer institutions which are conveniently located, whose business hours serve their convenience, and whose methods of receiving and handling savings accounts involve a minimum of formality and detail.

4. A fourth but not unimportant consideration is yield or financial return. Savers expect that interest or dividends earned on their savings will reward them for their thrift and their trust. Although the factor of return is less important than the other three, according to current evidence, it nevertheless has a great influence on the volume,

continuity, and persistence of savings effort. Attractiveness of return in the vast majority of cases, however, occupies a relatively lower position than the other three major considerations. When a comparatively high yield is added to safety, liquidity, and convenience, the institution offering it is in a favorable position. However, among executives of savings institutions, there is growing fear that the accounts of savers who look chiefly at return are more fickle and transient than are those of savers to whom yield is less important than safety, quick availability, and ease of handling their savings transactions.

### *Trends in savings*

Savings funds continued to flow into savings and loan associations at a favorable rate during 1948, and at the year end approximately \$11,000,000,000 was held in the share accounts of these institutions. This was approximately  $2\frac{1}{2}$  times the amount in the associations at the start of the war.

Both new savings and withdrawals were at peak levels, with \$3,878,000,000 being invested and \$2,731,000,000 being withdrawn during the year. The net accumulation of \$1,147,000,000 was slightly under the 1947 peak level, but otherwise was the largest annual addition to savings on record, and represents the fourth consecutive year in which net savings receipts of associations have exceeded \$1,000,000,000.

Since the close of the war, savings and loan associations have been accounting for larger proportions of the total long-term savings of individuals in principal types of institutions. Life insurance companies, commercial banks, mutual savings banks, and savings and loan associations together had \$112,000,000,000 invested in them at the close of 1948; this total plus United States Savings Bonds and Postal Savings, amounted to \$163,000,000,000. The \$11,000,000,000 invested in the associations was equal to 11 percent of the total for private institutions, as compared with 9 percent in 1945 and in 1941. The associations' holdings on December 31, 1948, were the equivalent of 6.7 percent of the total including United States Savings Bonds and Postal Savings, while at the close of 1945 they amounted to 5.4 percent.

### *Use of savings in home finance*

Practically all funds invested by members of the Bank System, except those held for liquidity, are used as loans to finance construction, purchase, or improvement of homes. Members of the Bank System continue to make more than one-third by number and volume of all loans on nonfarm homes valued at less than \$20,000. Policies and methods of finance have changed little among its members over the past 15 years since the Bank System became well established.

## HOME LOAN BANK BOARD

Use of the long-term, amortized loan, repaid in regular monthly installments, with interest charged only on the declining unpaid balance, which is a characteristic practice of savings and loan associations, during this 15-year period has been more widely adopted by all types of institutions engaged in home mortgage finance. Recently, among member institutions of the Bank System, there has been increasing provision for including tax payments and insurance payments in the amortization payments of principal and interest. An increasingly large number of members have inserted also acceleration clauses in their mortgage contracts and offsetting these have provided for moratoria and lapses of payment without delinquency when substantial portions of the debt are repaid ahead of schedule.

During the year, among members of the Bank System, there has been a tendency to make more conservative loans. This conservatism is represented in a slight decrease in the ratio of loan to purchase price as well as a tendency to be more selective in the taking of credit risks, either by way of making a larger number of loans on houses in the lower price brackets or by making a large number of loans insured by the Federal Housing Administration or guaranteed by the Veterans Administration.

### *Volume of home financing*

Mortgage lending by savings and loan associations, which reached an all-time record of \$3,811,000,000 in 1947, declined to \$3,607,000,000 for the year 1948—a drop of 5 percent. The reduction was due almost entirely to a 20-percent drop in loans for the purchase of homes, which resulted from a slower turn-over in sales of existing properties. Loans for the construction of new homes, while slowing down somewhat as 1948 drew to a close, were 17 percent higher for the year as a whole than in 1947. In 1948 construction loans were equal to 29 percent of all loans made by savings and loan associations, while 47 percent were for the purchase of homes. In contrast, construction loans in 1945 accounted for but 9 percent of new loans, while purchase loans were equal to 71 percent of the total.

Savings and loan associations continued as the principal lender in the home mortgage field, despite a slackening in loan volume in 1948. During that year, these institutions recorded nearly 31 percent of all nonfarm mortgages of \$20,000 or less, while in 1947 it was slightly over this proportion. Commercial banks, which are second among the major types of mortgage lenders, recorded less than 23 percent of the 1948 total as compared with 26 percent in the previous year. While mutual savings banks and insurance companies continued to finance relatively small proportions of the nonfarm mortgages of \$20,000 or less, they increased their proportions substantially during the year.

*Loans, collections, and liquidity*

Collection of money due on outstanding loans, maintenance of a safe margin of liquidity, and accumulation of adequate reserves for losses are perennial problems of lending institutions. In the lush days of full employment, high income, and larger than normal savings, members of the Bank System have lately enjoyed greater freedom from worry than are their wont. This period of relative ease of management has given them time to put their respective houses in order and prepare for the day when conditions may not be as favorable. That they have done so to the advantage of their customers is evident in low and virtual absence of delinquency, abnormally high level of liquidity, and the steady increase of reserves and other forms of surplus.

*Trends in foreclosures*

After declining persistently for well over a decade, nonfarm real estate foreclosures increased slightly for the second consecutive year. In 1948 there were 11,500 foreclosures on nonfarm properties, as compared with 10,600 in 1947, and 10,500 in 1946. While indicative of the end of the sharp downward trend in foreclosure activity, the level is lower than in any other year since records have been compiled (1926 to date). The volume of foreclosures is less than one-half that for 1943, one-tenth that for 1938, and less than one-twentieth of the peak volume of 252,000 nonfarm foreclosures recorded in the depression year of 1933.

*Statistical services*

As a continuing and regular service to its member institutions, the Board undertakes through its Operating Analysis Division to supply up-to-date statistics on the volume of private savings, mortgage recordings, and other phases of activity and balance-sheet information of member institutions and all public institutions engaged in home financing. These figures, together with records and analysis of operating procedures and accomplishments, are provided to keep the members informed on current activities and developments in the whole range of thrift and home finance.

*Advertising, publicity, and public relations*

It is the policy of the Board to leave to member institutions the handling of promotional advertising and general public relations, but from time to time it has been necessary, during the past year, to indicate the appropriate range and limitations which these forms of information and education should take. Some unfortunate advertising during the year gave rise to frictions which are injurious to

the operation of all sound institutions and tend to confuse the public and destroy their respect and their confidence in financial integrity and administration.

Except for such advertising and public relations as is represented in speeches made by Board Members, in reports made to Congress, and in such occasional news releases as are desirable to report the activities and accomplishments of the Federal Home Loan Banks and their member institutions, the Board, during the year, did not engage directly in advertising or publicity. Each of the Federal Home Loan Banks has handled its own publicity and advertising. In their case, most of their publications were limited to their financial and fiscal reports to stockholders. Educational pamphlets and such material as is commonly supplied by publicity and advertising was left largely to the member institutions. Their material, supplemented by the publicity of their State and national trade associations, has provided practically all of the information supplied the public in 1948 concerning savings, home financing, and the other activities which engage the attention of the Federal Home Loan Banks and their members.

#### *Responsibilities of the Examining Division of the Bank Board*

The Examining Division, organized in 1934, reports directly to the Home Loan Bank Board. It is responsible for the conduct of examinations of Federal savings and loan associations and other member institutions of the Bank System which are insured by the Federal Savings and Loan Insurance Corporation and such State-chartered member institutions of the Bank System as are not insured and are not subject to State examination and supervision. The Division also examines savings and loan associations which apply for membership in the Bank System, for insurance of accounts, or for conversion from State to Federal charter.

Insured savings and loan associations, both Federal and State-chartered, are required to have an annual audit as well as a supervisory examination. If an association is not audited by a qualified independent accountant in a manner satisfactory to the Board, the examination by the Examining Division must include an audit. Approximately 83 percent of all insured associations elect to have their audits included with their supervisory examinations.

#### *Organization of the Examining Division*

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 the staff of field examiners in his District territory.

Among the principal responsibilities of the Chief Examiner, therefore, is that of coordinating the work of the several districts in order that, with the desired decentralization, the broad objectives of the Board will be carried out uniformly; examining standards in the several districts will be substantially similar; leadership will provide and encourage a helpful training program, and will keep examiners in all districts well informed; and cooperative relationships will be maintained with the State examining departments.

*Responsibilities for examination broadened during the year*

While there was no basic change in the separation of examining and supervisory responsibilities, there became effective in 1948 a revision of the Examining Division's original function of fact-finding only, so that the examiner now disposes of certain exceptions during the course of the examination. The examiner now selects and reports those facts of basic importance which should receive the further deliberate consideration of the association's directors and the supervisory authorities. However, matters which are not controversial or which do not involve major policies are promptly handled by the examiner. This revision in procedure has been well received by the associations examined.

*Increased work load*

There was a tremendous growth in the work load during the war years, and the volume of examining work since 1945 has continued to increase. As of December 31, 1945, there were 2,475 insured associations with total assets of \$6,148,000,000, making the average size of each institution subject to examination \$2,484,000. At the close of 1948, there were 2,616 insured associations with assets aggregating \$9,734,000,000. The average size had thus increased to \$3,721,000. The volume of new loans to be reviewed by the examiners had increased even more markedly. Loans made by insured associations in 1945 totaled \$1,448,817,000. In 1948 the total was \$2,754,577,000, an increase of more than 90 percent.

*Examinations made in 1948*

For the protection of the investing public and the Federal Savings and Loan Insurance Corporation as well as for the guidance of associations' executives and directors, it is of the utmost importance that insured institutions be examined at least annually. In the year ended December 31, 1948, the Examining Division made 1,841 supervisory examinations, 133 examinations of applicant institutions for membership, insurance, or conversion, 15 examinations of uninsured members, and 5 examinations of liquidating corporations. This was not sufficient coverage to make any net reduction during the year in the past-due supervisory examinations.

*Status of overdue examinations*

At the beginning of this calendar year there were 561 overdue examinations. The number steadily increased until July 1, when it was possible to start rebuilding the staff. With additional but inexperienced examiners, with longer periods of review because of the overdue situation, and with a greater number of examinations for insurance of accounts, it was impossible to make much headway in reducing the overdue work until the latter part of the calendar year. Following is a brief schedule showing the number of associations not examined in the preceding 12 months and the growth in the size of the field staff:

Date	Number of overdue examinations	Percent of number of associations	Number of field exam- iners
Dec. 31, 1947.....	561	22.2	129
Mar. 31, 1948.....	724	28.5	127
June 30, 1948.....	746	29.2	151
Sept. 30, 1948.....	706	27.5	185
Dec. 31, 1948.....	586	22.4	207

*Shift from budget expense to "nonadministrative" expense*

During the past several years restriction on the amount expendable for personal services held the staff of examiners considerably below that necessary to keep the work reasonably current. The institutions bear the costs of examination. The fees charged are calculated to meet all operating expenses of the Examining Division. The Examining Division is entirely self-sustaining and receives no appropriations from the United States Treasury to defray its expenses. However, these expenses were subject to annual authorization of the Congress until the current fiscal year or the beginning of the last half of the calendar year ending December 31, 1948. Public Law 895, Eightieth Congress, approved July 3, 1948, provided that "all necessary expenses in connection with the making of supervisory or other examinations (except examinations of Federal Home Loan Banks), including the provision of services and facilities therefor shall be considered as nonadministrative expenses." This means that the Examining Division should now be able to maintain an adequate staff. As a unit of the Board, the Examining Division reimburses the Board for its proportionate share of the Board's administrative expenses.

*Rebuilding the staff*

At the beginning of each fiscal year each District Examiner files with the Chief Examiner a detailed analysis of the work load of supervisory examinations and of the number and grade of examiners proposed to be assigned to each examination. Despite the growth in volume of

examination work year after year, the staff of field examiners had declined in March 1948 to 127, the smallest number of examiners in the history of the Division following its first few months of existence. Six years earlier, in 1942, the average number of field examiners had been 193. The estimated need was in excess of 200.

Therefore, a large recruiting program was necessary. Only men with technical knowledge could be used. At the end of the year, with a staff of 207 field examiners, the program of recruiting was largely completed. Every effort will be made to maintain a well-trained and competent staff, and the large arrearage of overdue work should now be reduced very rapidly.

#### *Responsibilities of supervision*

The Board's responsibility for supervision originates primarily from two sources: Section 5 of the Home Owners' Loan Act of 1933, as amended, which provides for the chartering and supervision of Federal savings and loan associations; and Title IV of the National Housing Act, pertaining to insurance by the Federal Savings and Loan Insurance Corporation of the accounts of Federal associations and of State-chartered savings and loan associations. Tersely stated, the chief purpose of supervision by the Board in discharging its obligations under law is to prevent development or continuance in these institutions of unsafe and unsound financial practices.

#### *Essential elements of supervision*

The institutions supervised are privately owned and locally managed. Each is governed by a board of directors, of its own choosing, who are responsible for the conduct of its business and for the pursuance of policies and practices that are sound, and that are consistent with the dignity of financial institutions generally and with applicable laws and regulations. The law does not intend nor does the Board undertake to substitute supervision for those primary responsibilities of directors and management.

A fair and constructive administration of supervisory duty, entirely aside from any considerations of broad provisions of law or of ultimate power, must take these essential factors into account. It is therefore understandable that in its major accomplishments supervision relies upon an attitude of mutual respect and purpose between management and the supervisory authority. In undertaking to work out with the directors and management appropriate measures of correction in each instance where the facts disclose a reasonable need for supervisory action, the Board is concerned principally with questions of substance in respect to such fundamental matters as: Actual or threatened impairment of capital; strength of the reserve course being pursued;

soundness of lending, investment, and other financial practices; effectiveness of collection policies; adequacy of internal controls and of accounting practices and procedures; any improper use of position or wrongful act by any director, officer, or employee; conformance of competitive practices with standards of the savings and loan business in general; and compliance with laws and regulations.

The broad principles underlying sound financial practice may be said to apply independently of other considerations but, at the same time, practical and effective supervisory conclusions must be formulated in the individual case with due evaluation of local practices, conditions, and circumstances. Further, in instances involving State-chartered insured institutions, supervisory action must generally be determined upon and carried out in cooperation and under working arrangements with the respective State authorities who are not only charged with important supervisory responsibility but are also vested with the primary supervisory authority in respect to such institutions.

Those important factors have influenced the Board's administrative organization for carrying out its supervisory duties. This work is discharged by a Supervisory Division directed by the Chief Supervisor and is carried on through the Presidents of the Federal Home Loan Banks in their capacity as supervisory agents in their respective districts. A number of valuable advantages flow from such a decentralization. It facilitates and promotes favorable relationships between the Board's supervisory officials and the managements of individual associations, and with the several State authorities; and by gaining the benefits of personal contact and of first-hand acquaintance with local conditions and developments it contributes to the discharge of the supervisory responsibility in a practical manner.

#### *Current operating conditions*

Economic conditions affecting the business of savings and loan associations during 1948 were generally favorable, as is indicated by the continuance of the trends of the preceding year. The assets of Federal associations and other insured institutions increased from \$8,547,000,000 to \$9,734,000,000. Lending volume totaled approximately \$2,775,000,000, including \$848,000,000 of loans to finance new construction. Total loans outstanding increased \$1,190,000,000 and there was a net gain of \$1,075,000,000 in savings accounts. The number of supervised institutions increased from 2,536 to 2,616.

Even with this substantial growth and volume, however, other developments apparent in 1947 became more evident in 1948. While the rate of return on loan portfolios generally remained fairly constant, competitive factors and a loan demand in excess of the net inflow of savings led to a further firming of the competitive rate paid

for savings, with increases or a movement toward increases in the rate particularly in highly competitive metropolitan areas. Where this has taken or is taking place, the result is a compressing of operating margins which were already affected by increased present-day costs of doing business. A levelling-off in the real estate market also became increasingly apparent.

The major current problems of management have to do with the maintenance of liquidity and other financial policies adequate to meet and to adjust to these forces which, as they continue or develop, will also add correspondingly to the demands upon the facilities and resources of supervision.

#### *Receiverships and conservatorships*

No conservatorships or receiverships were established in 1948. The conservatorship of the Long Beach Federal Savings and Loan Association, which had been established May 20, 1946, was terminated January 24, 1948.

#### *Conferences with Bank Presidents*

As has been its custom, the Board during the year made liberal use of the experience and points of view of the Presidents of the Federal Home Loan Banks which serve the 11 districts into which the United States, Puerto Rico, Alaska, and Hawaii are divided. Three formal conferences, each covering 3 or 4 days, were held in 1948. The subjects discussed included technical problems and items of policy and administration such as trends in interest rates and dividends; liquidity and reserve requirements; examination procedure and reporting; insurance standards; clarification of rules and regulations; marketing of consolidated obligations; and legislation. These conferences are another method of keeping in close touch with the member institutions of the Federal Home Loan Bank System and keeping advised of their current problems and views.

#### *Federal Savings and Loan Advisory Council*

The Federal Savings and Loan Advisory Council is a statutory body created under section 8 (a) of the Federal Home Loan Bank Act. Under this section the Council is required to meet in Washington, D. C., at least twice a year and oftener if requested by the Board. It is empowered to confer with the Board on general business conditions, and on special conditions affecting the Federal Home Loan Banks and their members and the Federal Savings and Loan Insurance Corporation; and it is empowered also to request information, and make recommendations, with respect to matters within the jurisdiction of the Board.

## HOME LOAN BANK BOARD

Two meetings were held by the Advisory Council during the year, one in May, the other in November. At these meetings the Advisory Council, in a 3-day session on each occasion, dealt with numerous items of business, among them legislation, revision of rules and regulations for the Bank System, advertising, community surveys, and secondary markets for FHA and VA insured loans.

The following members of the Council served for the period May 28, 1948, through December 31, 1948:

### Advisory Council Members Appointed by Home Loan Bank Board

#### *Boston*

Judge Frederick J. Dillon, Probate Court for Suffolk County, Boston, Mass.

#### *New York*

Francis V. D. Lloyd, Attorney at Law, 210 Main Street, Hackensack, N. J.

#### *Winston-Salem*

Horace S. Haworth, Attorney at Law, Roberson, Haworth & Reese, High Point, N. C.

#### *Cincinnati*

Dr. Howard L. Bevis, President, Ohio State University, Columbus 10, Ohio.

#### *Indianapolis*

Charles T. Fischer, Jr., President National Bank of Detroit, Detroit 32, Mich.

#### *Little Rock*

Ben H. Wooten, Vice President, Republic National Bank of Dallas, Dallas, Tex.

### Advisory Council Members Elected by Federal Home Loan Banks

#### *Boston*

E. Harrison Merrill, Secretary-treasurer, Laconia Federal Savings and Loan Association, 653 Main Street, Laconia, N. H.

#### *New York*

Cadman H. Frederick, President, Suffolk County Federal Savings and Loan Association, 136 West Main Street, Babylon, N. Y.

#### *Pittsburgh*

James J. O'Malley, President, First Federal Savings and Loan Association of Wilkes-Barre, 23 West Market Street, Wilkes-Barre, Pa.

#### *Chicago*

A. H. Koepke, President, Welfare Building and Loan Association, 2200 North Third Street, Milwaukee 12, Wis.

#### *Des Moines*

G. V. Kenton, Vice president and secretary, Farm and Home Savings and

Loan Association of Missouri, 228 West Cherry Street, Nevada, Mo.

#### *Little Rock*

Louis D. Ross, President, St. Tammany Homestead Association, 210 New Hampshire Street, Covington, La.

#### *Winston-Salem*

Frank Muller, Jr., President, Liberty Federal Savings and Loan Association, 215 North Liberty Street, Baltimore 1, Md.

#### *Cincinnati*

W. Megrue Brock, President, The Gem City Building and Loan Association, 6 North Main Street, Dayton 2, Ohio.

#### *Indianapolis*

Fermor S. Cannon, President, Railroadmen's Federal Savings and Loan Association of Indianapolis, 21 Virginia Avenue, Indianapolis 4, Ind.

*Topeka*

L. S. Barnes, President, Ponca City Savings and Loan Association, Masonic Building, Ponca City, Okla.

*San Francisco*

Guy E. Jacques, President, Portland Federal Savings and Loan Association, 333 Southwest Fifth Avenue, Portland, Oreg.

*Interim and coordinating committees*

For purposes of special study and action upon important items requiring attention between its formal meetings, the Advisory Council has delegated a part of its responsibilities to two committees, one known as the Interim Committee, the other as the Coordinating Committee. The Interim Committee held three meetings in 1948—in April, October and December—and dealt with the Board on such problems of policy and administration as supervision, examinations, inflationary pressures affecting loans, interest rates, dividend rates, and advertising. The Coordinating Committee of the Advisory Council held two meetings during the year—in February and April. Most of its attention was given to legislative proposals submitted to it prior to submission to Congress and to legislative bills introduced in Congress and submitted to it for study. Out of its deliberations, the Coordinating Committee was instrumental in achieving harmony among proponents of various legislative proposals directly affecting operations of the Federal Home Loan Bank System and its members and in gaining greater unity of interest and purpose among the various elements of the savings and loan industry representing not only its member institutions but nonmembers and competitors.

*Internal organization of the Board*

Responsibility for directing and supervising the activities of the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation is exercised through a corps of officers and employees for each who are aided by a staff which serves and reports directly to the Board.

Combined organization and function charts of the Home Loan Bank Board and its staff and operating units are presented between pages 102 and 103. They show the relation of the parts to each other and to the whole, with particular emphasis on the fact that the Board, as the unifying and directing force, governs their diverse operations in the interests of economy, efficiency, and full-scale cooperation not only among themselves, but between them and other agencies—Federal, State, and local.

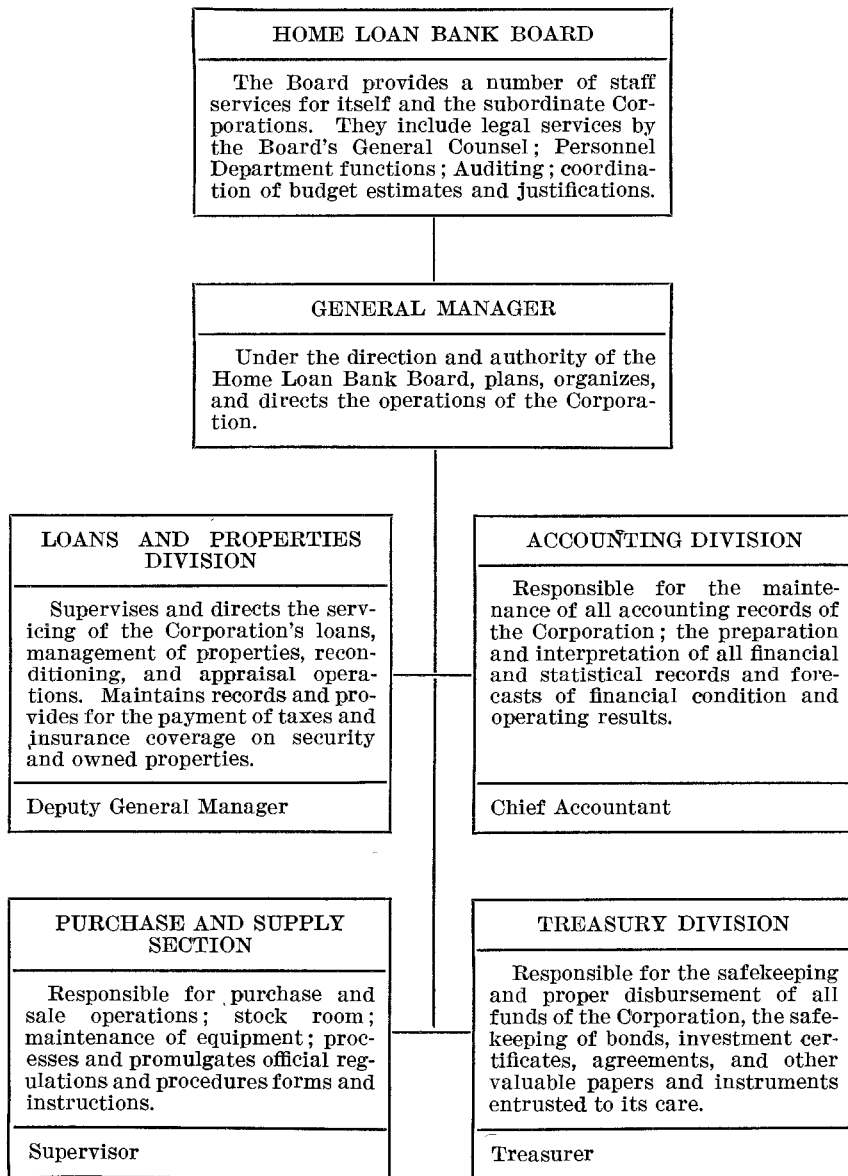
*Administrative functions*

Besides dealing with all matters of policy, program, and general administration of its own and its operating units, the Board deals

# HOME LOAN BANK BOARD

## ORGANIZATION AND FUNCTION CHART OF THE HOME OWNERS' LOAN CORPORATION

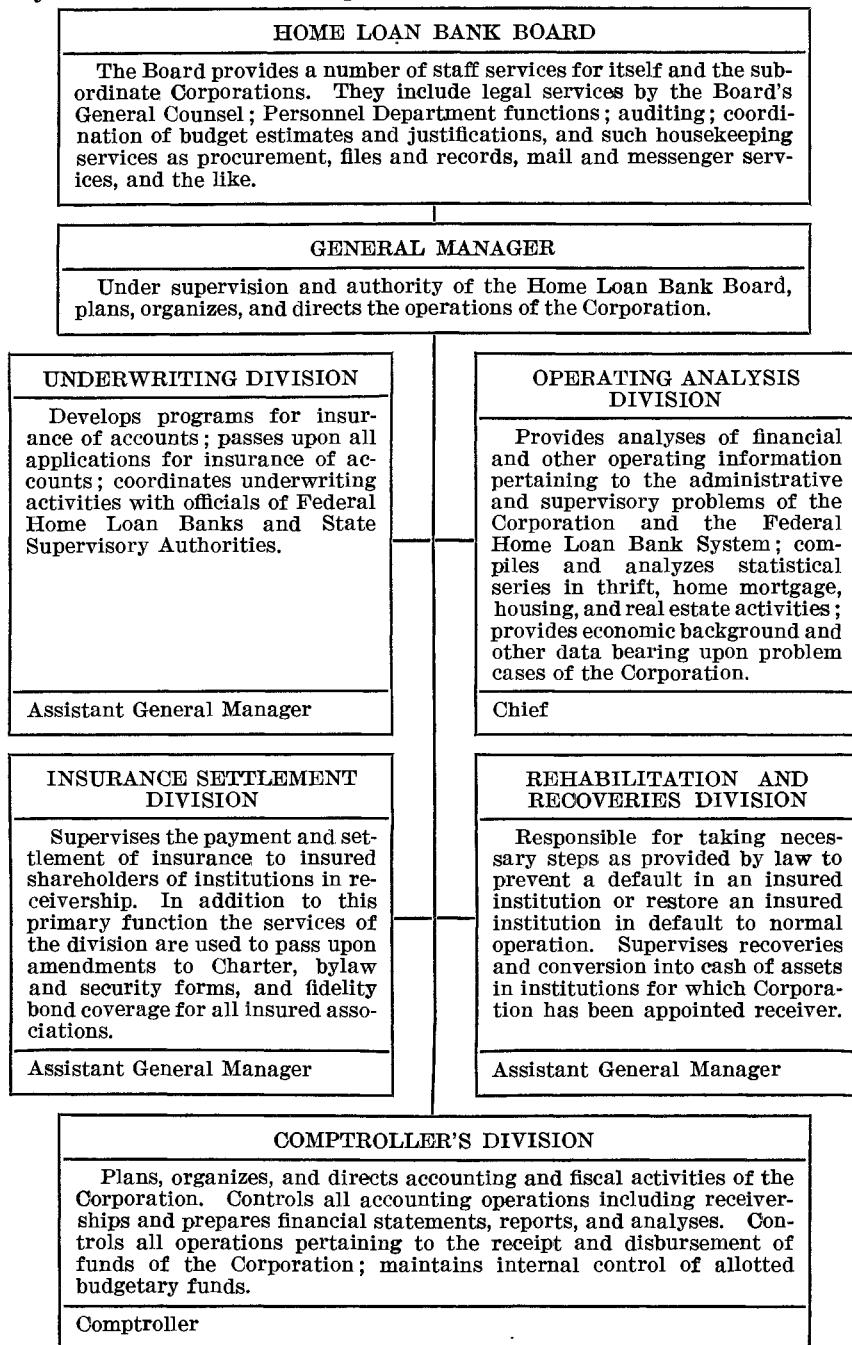
Created under the Act of June 13, 1933, for refinancing mortgages and extending relief to distressed home owners. Since June 12, 1936, it has been engaged in servicing its loans and liquidating its assets.



# HOME LOAN BANK BOARD

## ORGANIZATION AND FUNCTION CHART OF THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Created by Title IV of the National Housing Act, 1934, for the purpose of insuring savings in all Federal savings and loan associations and in all State-chartered savings and loan, building and loan, and homestead associations, and cooperative banks which apply and qualify. The insurance coverage for each account is limited to \$5,000.



## HOME LOAN BANK BOARD

specifically with applications for membership in the Federal Home Loan Bank System, applications for Federal Savings and Loan charters, and applications for insurance of savings accounts by the Federal Savings and Loan Insurance Corporation. Only the Board can approve membership in the Bank System, grant charters to Federal Savings and Loan Associations, and authorize insurance of savings accounts in Federal Savings and Loan Association and institutions of the savings and loan type. Their specific responsibility for these actions include also responsibility for the broad management of investments of the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the liquidation of the Home Owners' Loan Corporation.

### *Personnel*

Employed personnel of the Bank Board and its operating units varies from month to month. Taking only the average of personnel employed in each of the offices during the calendar year 1948 and combining them for the full year of service, the Board and its staff units had combined personnel of 75; the Bank System, combined personnel of 68; the Insurance Corporation, combined personnel of 77; and the Home Owners' Loan Corporation, combined personnel of 469, making a total personnel for all units of 689. These figures do not include the 256 employees of the Examining Division, salaries of which, as mentioned earlier in this report, are carried as nonadministrative expenses of the Board for the reason that all of their expenses are borne by the institutions examined and are recovered on a reimbursable basis.

Two of the units in the staff of the Bank Board are responsible for 55 of its total of 75 employees. These units—the Office of the Secretary and of the General Counsel—have employed personnel of 33 and 22, respectively. The Secretary's Office is responsible for the house-keeping functions of the Board, while the staff of the General Counsel is responsible for all legal work performed on behalf of the Board, including that of legislation, litigation, and general legal advice.

### *Legislation*

During 1948 there were several legislative enactments which affected the operations under the Home Loan Bank Board.

Public Law 895, Eightieth Congress, approved July 3, 1948, amended section 5 of the Home Owners' Loan Act of 1933 to authorize Federal savings and loan associations under certain conditions to convert into State-chartered institutions. A principal condition of any such conversion specified by the new statute is that the law of the State where the Federal association is located permits the conversion of any

State-chartered savings and loan type of institution into a Federal savings and loan association.

Public Law 895, Eightieth Congress, also amended section 19 of the Federal Home Loan Bank Act to provide that examination expense, except expense for examination of Federal Home Loan Banks, shall be considered as nonadministrative expense. The expenses for examination of Federal savings and loan associations and certain State-chartered institutions, including State-chartered insured institutions, are charged against the institutions examined and thus such expenses are not borne by the Government. This change in the law facilitates the making of such examinations on a current basis.

The Government Corporations Appropriation Act, 1949, Public Law 860, Eightieth Congress, approved June 30, 1948, transferred the capital stock of the Federal Savings and Loan Insurance Corporation in the amount of \$100,000,000 from the Home Owners' Loan Corporation to the Secretary of the Treasury. In connection with such transfer, the act directed the Secretary of the Treasury to cancel HOLC bonds in an amount equal to the par value of the transferred stock plus accrued dividends thereon which the statute prescribed were to be computed at a rate approximating the average interest cost incurred by the Home Owners' Loan Corporation on its total borrowings during each respective fiscal year.

Because most of the member institutions of the Bank System and a majority of State-chartered institutions which are insured by the Federal Savings and Loan Insurance Corporation are engaged in making loans to veterans insured or guaranteed by the Veterans Administration, and many of them also are engaged in making loans insured by the Federal Housing Administration, legislation during the year affecting these organizations was of interest to the Home Loan Bank Board. Of particular interest was the provision which extended the authority of the Federal National Mortgage Association to serve as a secondary market for FHA insured and VA guaranteed mortgages by the purchase of such mortgages under certain conditions from member institutions of the Bank System.

Of interest also was an act for the revision, codification, and enactment into positive law of title 18 of the United States Code, entitled "Claims and Criminal Procedure," approved June 25, 1948. This law repealed nearly all of the former penal provisions affecting the operating units of the Bank Board, including provisions of the Federal Home Loan Bank Act, the Home Owners' Loan Act, and title IV of the National Housing Act. There is now set up under title 18 a simplified code covering claims and criminal procedure which applies to all Federal agencies.

## FEDERAL HOME LOAN BANK SYSTEM

The Federal Home Loan Banks were created by act of Congress approved July 22, 1932, to serve as a permanent reservoir of credit for thrift and home financing institutions. The Banks assist both borrowers and investors in such institutions through the supply of money to maintain liquidity or to provide for mortgage lending when local funds are insufficient. With the establishment of the Federal Home Loan Banks, a basic weakness of the American home financing structure—the lack of any credit reserve facilities—has been eliminated. The principal function of the Federal Home Loan Banks is to supply, primarily on first mortgage collateral, funds required by member institutions in order to enable them to meet the home financing needs in their communities as well as the withdrawal demands of savers and investors. Through the Federal Home Loan Bank System, thrift and home mortgage finance have been better protected against local and Nation-wide economic fluctuations, home ownership has been placed on a more secure basis, and the construction of new homes as well as the improvement of housing conditions has been encouraged. The establishment of the Federal Home Loan Bank System has afforded member home financing institutions not only a larger volume of potential credit, but cheaper money and a type of credit adapted to their special needs.

### *Membership of the Bank System*

Membership in the System is open to building and loan associations, savings and loan associations, cooperative banks, homestead associations, insurance companies, and savings banks. On December 31, 1948, the membership of the Federal Home Loan Bank System comprised 3,769, consisting of 3,733 savings and loan associations, 26 savings banks, and 10 insurance companies. This total membership represented a net increase of 64 members during the year, resulting from the admission of 74 State-chartered savings and loan associations, 7 new Federal savings and loan associations, 4 cooperative banks, and 2 savings banks, and the cancellation of 23 memberships through withdrawals. Eight of the withdrawals represented voluntary liquidations, 1 reincorporation, and 9 consolidations; 4 were due to members' requests, and 1 resulted from removal by action of the Home Loan Bank Board. As of December 31, 1948, 51 applications for membership were pending.

*Advances to members*

From October 15, 1932, when the 12 Federal Home Loan Banks (now 11 Federal Home Loan Banks) first opened for business, to December 31, 1948, advances to home financing institutions totaled \$2,687,049,-028.65, of which \$2,172,032,939.46 has been repaid, resulting in a balance of \$515,016,089.19 outstanding on the latter date. This indicates the extent to which the Federal Home Loan Bank System has been called upon to serve as a national credit reservoir.

Advances made by the Federal Home Loan Banks during the year ended December 31, 1948, totaled \$359,612,776.74. Repayments of advances aggregated \$280,168,873.35, and the balance outstanding at the close of 1948, as stated above, aggregated \$515,016,089.19. Exhibit 1 contains a summary of the lending operations of the Banks, by years, through December 31, 1948.

*Number of borrowing members*

On December 31, 1948, there were 1,993 member borrowers from the Banks, representing 52.9 percent of the total membership, as compared with 1,804 member borrowers and 48.7 percent of the membership on December 31, 1947. During the year 1948 the average number of borrowers was 1,863, which represented an increase of 24.5 percent over the average of 1,496 borrowers during the preceding calendar year. There have been no nonmember borrowers from the Federal Home Loan Banks since August 1939.

The 1,993 borrowing members as of December 31, 1948, consisted of 868 Federal savings and loan associations, the outstanding advances to which aggregated \$308,100,000, which represented 5.9 percent of the share accounts in this type of association; 632 insured State-chartered members, the indebtedness of which to the Banks totaled \$145,500,000, or 4.9 percent of the savings held by this type of institutional member; and 491 noninsured State-chartered associations with advances of \$55,800,000, which amount approximated 3.3 percent of the total savings held by all members of this type. One insurance company and one savings bank member held advances outstanding to the Federal Home Loan Banks aggregating \$5,400,000 and \$300,000, respectively.

The following tabulation presents comparative figures on the number and percent of borrowing members as of December 31, 1948, and December 31, 1947:

## HOME LOAN BANK BOARD

	Dec. 31, 1948			Dec. 31, 1947		
	Number	Percent of—		Number	Percent of—	
		Type	Total		Type	Total
Borrowing members:						
Federals.....	868	58.5	43.6	849	57.4	47.1
Insured State.....	632	56.1	31.7	549	52.1	30.4
Noninsured State.....	493	42.6	24.7	406	34.6	22.5
Total borrowers.....	1,993	<sup>1</sup> 52.9	100.0	1,804	<sup>1</sup> 48.7	100.0
Nonborrowing members.....	1,776	<sup>1</sup> 47.1	-----	1,901	<sup>1</sup> 51.3	-----
Total.....	3,769	100.0	-----	3,705	100.0	-----

<sup>1</sup> Percentage of total membership.

### *Secured and unsecured advances*

The growth in the volume of secured advances outstanding to a peak of \$400,800,000 on December 31, 1948, represented the borrowings of 1,461 members. More than one-half of such advances were for terms in excess of 1 year. A total of 146,237 home mortgages having unpaid balances aggregating \$684,300,000 together with \$93,600,000 face amount of United States Treasury obligations and 16 insured home mortgages having a principal amount of \$3,100,000, collateralized these advances. The face value of all collateral, exclusive of Federal Home Loan Bank stock, was \$780,900,000, or 194.8 percent of the secured advances, while the collateral value assigned by the Banks was \$556,500,000. A continued increase in the average unpaid balance of individual home mortgages is noted from the amounts of \$4,680 on December 31, 1948, \$4,426 on June 30, 1948, and \$4,207 on December 31, 1947. The prewar average approximated \$2,300.

Unsecured advances of \$114,200,000 represented 22.2 percent of total advances outstanding to 770 members. The Federal Home Loan Banks held a statutory lien on \$68,500,000 paid-in stock as further security to both types of advances outstanding on December 31, 1948.

### *Interest on advances*

The changes in interest rates charged members on advances by the Federal Home Loan Banks followed the general firmness of the money markets during the year. One Federal Home Loan Bank increased its rate on all types of advances to members from 2 percent to 2.25 percent, while two Banks discontinued their 2 percent rates on short-term advances and placed all advances on a 2.5 percent basis. Exhibit 2 reflects the interest rates charged on advances which were in effect on December 31, 1948. Since the organization of the Federal Home Loan Banks, interest rates charged on their advances to members have been substantially reduced. In 1932, at the inception of the Federal

Home Loan Bank System, when money was still scarce and costly, interest rates on Federal Home Loan Bank advances ranged from 4 percent to 5 percent. On December 31, 1948, however, as here reported, such rates ranged from 2 percent to 2.5 percent.

### *Source of funds*

The Federal Home Loan Banks obtain their funds from their capital stock, the proceeds from the sale of consolidated Federal Home Loan Bank obligations to the public, and deposits received from member institutions. From these sources the Federal Home Loan Banks are able to advance funds to their member institutions on long terms, up to 10 years, in line with the essential long-term character of the mortgage loans made by these institutions.

The capital stock of the Federal Home Loan Banks is made up by subscription of member institutions and of the United States Government. In order to assist in the organization of the Federal Home Loan Bank System, the Congress authorized the Secretary of the Treasury, in behalf of the United States Government, to invest up to \$125,000,000 in the capital stock of the Federal Home Loan Banks. The amount originally invested by the Government aggregated \$124,741,000. Initial investments of members were small. Each is required to invest an amount equal to 1 percent of the aggregate of the unpaid principal of its home mortgage loans, but in no event less than \$500. With the growth in number and assets of member institutions, the proportion of Federal Home Loan Bank stock owned by the United States Government to the total capital stock of the Banks has decreased during 1948 to a point where, for the first time, the members owned a majority of the stock.

### *Retirement of Government stock*

Pursuant to the provisions of the Federal Home Loan Bank Act, whereby the Government-owned capital stock in the Federal Home Loan Banks must be retired to the extent of 50 percent of all payments on capital stock made by members subsequent to such time as the amount of member-owned stock equals that owned by the Government, four of the Federal Home Loan Banks made further statutory retirements of Government-owned stock during the year to the extent of \$2,881,000.

Within the 12 months ended December 31, 1948, the paid-in capital stock of the Banks held by members increased \$18,159,900, to a total paid in by members of \$121,237,475, which amount is 50.3 percent of the total stock subscriptions on that date. During the same period, the United States Government-owned stock was reduced to \$119,791-200, resulting in a net increase in paid-in capital stock of \$15,278,900.

# HOME LOAN BANK BOARD

On December 31, 1948, the total outstanding capital stock of the Banks was \$241,028,675, of which \$119,791,200 was owned by the Government and \$121,237,475 was owned by the members. At that time the Government owned 49.7 percent of the outstanding total, whereas the members owned 50.3 percent. The following table reflects the capital structure of the Federal Home Loan Banks as of December 31, 1948, and December 31, 1947:

	Dec. 31, 1948	Dec. 31, 1947
Capital Stock:		
U. S. Government.....	\$119,791,200	\$122,672,200
Members:		
Stock subscribed.....	121,249,300	103,083,400
Less unpaid subscriptions.....	11,825	5,825
Total member.....	121,237,475	103,077,575
Total paid-in capital.....	241,028,675	225,749,775
Surplus:		
Legal reserve.....	12,232,449	11,307,097
Reserve for contingencies.....	4,283,027	4,291,612
Undivided profits.....	9,001,282	8,524,750
Total surplus.....	25,516,758	24,123,459
Total capital.....	266,545,433	249,873,234

## *Sale of consolidated obligations*

Consolidated obligations as a supplementary source of funds of the Federal Home Loan Banks have been marketed for the past 12 years. The first public sale of \$24,700,000 was made May 10, 1937. Up to January 1, 1948, total obligations of \$1,152,200,000 had been issued, of which \$890,500,000 had been retired, leaving \$261,700,000 outstanding at the beginning of the year. During 1948, four public offerings were made aggregating \$416,500,000 and one private sale of \$40,000,000 was made. This financing represented \$247,000,000 of new funds, \$209,500,000 of refunding, and the paying off of \$92,200,000, resulting in a balance of \$416,500,000 of consolidated Federal Home Loan Bank obligations outstanding on December 31, 1948. These mature on the dates and in the amounts indicated below:

Due	Amount
Jan. 20, 1949.....	\$97,000,000
Apr. 15, 1949.....	34,500,000
July 22, 1949.....	115,000,000
Sept. 15, 1949.....	120,000,000
Total.....	416,500,000

## *Interbank deposits*

Interbank deposits, i. e., deposits made by a Federal Home Loan Bank in another Federal Home Loan Bank, continued to play an

important part in the operations of the Banks during the year. At the beginning of the year, \$11,500,000 of interbank deposits were outstanding. Such deposits were made to the extent of \$62,250,000 during the year; repayments aggregated \$67,500,000, resulting in a balance outstanding on December 31, 1948, of \$6,250,000, of which \$2,000,000 were payable on demand and \$4,250,000 on a time basis.

#### *Members' deposits*

As previously indicated, deposits of member institutions represent one of the sources of funds of the Federal Home Loan Banks. During the year 1948 there was a substantial increase in such deposits, the total amount of which as of December 31, 1948, aggregated \$133,-355,226, consisting of \$24,554,177 on a demand and \$108,801,049 on a time basis. While no interest is paid on the demand deposits of members, interest at the rate of from 1 percent to 1½ percent per annum is paid on members' time deposits remaining for 30 days or more.

As already indicated, the Federal Home Loan Banks obtain their funds (exclusive of interbank deposit transactions) from three sources, i. e., subscriptions to their capital stock, the sale of their consolidated obligations, and deposits of member institutions. During the year ending December 31, 1948, the net accretions to the funds of the Banks from these sources were as follows:

Paid in on capital stock.....	\$15,278,900
Sale of consolidated obligations.....	154,800,000
Members' deposits.....	45,520,100
	<hr/>
	215,599,000

#### *Liquidity and reserves*

Section 16 of the Federal Home Loan Bank Act, as amended, provides that each Federal Home Loan Bank shall carry to a reserve account semiannually 20 percent of its net earnings until such reserve account shall show a credit balance equal to 100 percent of the paid-in capital of the Bank, after which time 5 percent of the Bank's net earnings shall be added thereto semiannually. As already indicated, this reserve aggregated \$12,232,449.37 as of December 31, 1948, in addition to which there was a reserve for contingencies amounting to \$4,283,027.01, making total surplus reserves of \$16,515,476.38. As of the same date, undivided profits of the Banks totaled \$9,001,281.70, resulting in a total earned surplus of \$25,516,758.08.

In order to enhance potential ability of the Banks to meet the demands of their member institutions, a liquidity reserve of \$100,-000,000 over and above the statutory reserve referred to in the preceding paragraph was established during the year 1948, to consist of 50 percent in 2 percent special series United States Treasury notes,

## HOME LOAN BANK BOARD

15 percent in 1½ percent special series United States Treasury notes, and 35 percent in cash, United States Treasury bills, United States certificates of indebtedness and/or United States Treasury notes commonly traded in on the market on the same basis as United States certificates of indebtedness.

### *Status of liquidity reserve*

On December 31, 1948, the special liquidity reserve of \$100,000,000 consisted of—

In cash, U. S. Treasury bills, certificates of indebtedness and/or notes.....	\$35, 000, 000
2 percent special series U. S. Treasury notes.....	50, 000, 000
1½ percent U. S. Treasury notes.....	15, 000, 000
Total.....	100, 000, 000

In addition to the \$100,000,000 liquidity reserve, the Banks held the following highly liquid resources:

U. S. Treasury bills and notes.....	\$43, 150, 000
1½ percent special series U. S. Treasury notes.....	21, 200, 000
Cash.....	34, 911, 490
Total.....	99, 261, 490

As of December 31, 1948, the Banks also held \$92,702,523 par value of other United States Government obligations in excess of the statutory requirements.

### *Government securities and consolidated balance sheet*

During the year, United States Government obligations were purchased by the Federal Home Loan Banks to the extent of \$546,084,000 face amount. Government securities having a face amount of \$410,794,000 were matured or sold, and \$271,893,000 face amount of such securities were held by the Banks on December 31, 1948.

A comparative consolidated statement of condition of the 11 Federal Home Loan Banks as of December 31, 1948, is contained in exhibit 3 of this report, from which it will be noted that the total resources of the Banks increased from \$612,689,341 at the close of 1947 to \$820,-684,758 at the end of 1948.

### *Income and expense*

A comparative consolidated statement of income and expense of the 11 Federal Home Loan Banks for the calendar years 1947 and 1948 is contained in exhibit 4 of this report. It will be noted from this exhibit that the total gross operating income of the Banks for the calendar year 1948 was \$12,684,042.72, as compared with \$8,673,-487.26 for the preceding calendar year. This represents an increase

in gross operating income of 46.4 percent over that for 1947, which resulted primarily from increased interest on advances and interest on investments which reflected gains of 53.3 percent and 32 percent, respectively. It will also be observed that the total operating expenses for the calendar year 1948 amounted to \$8,104,323.98, as compared with \$4,221,890.67 for the preceding year. Nonoperating income for the calendar year 1948 aggregated \$99,970.61, as compared with a total of \$376,086.64 for the preceding year. Nonoperating charges for 1948 amounted to \$52,925.43, while such charges for the preceding calendar year aggregated \$28,932.81. Net income of the Banks for the calendar year 1948 aggregated \$4,626,763.92, as compared with \$4,569,044.50 for the calendar year 1947. The increase in the cost of borrowed money and members' deposits, together with other operating expense increases, was sufficient to hold the net income of the Banks for the calendar year 1948 to the figure indicated, which is only 1.3 percent greater than that for the preceding calendar year.

While there was an increase of 46.9 percent in the average balance of Federal Home Loan Bank advances outstanding in 1948 over 1947, the Banks' return was 2.02 percent or only 0.09 percent in excess of the 1.93 percent for the calendar year 1947. However, a yield of 1.67 percent on an average investment balance of \$228,000,000 was slightly lower than the yield of 1.73 percent on the average investment balance in the calendar year 1947. The average weekly balance of members' deposits during 1948 aggregated \$91,000,000 and represented an annual cost of 0.79 percent. Funds derived by the Federal Home Loan Banks from consolidated Federal Home Loan Bank obligations issued and outstanding during 1948 averaged \$347,200,000, the annual cost of which was 1.67 percent as compared with the 1947 average of \$171,500,000, and an annual cost of 1.42 percent.

The total net income of the Banks for the calendar year 1948, which, as indicated above, amounted to \$4,626,763.92, was distributed (in round figures) as follows:

		<i>Percent</i>
Dividends paid.....	\$3,157,820	68.3
U. S. Government.....	1,567,989	33.9
Members.....	1,589,831	34.4
Retirement fund prior service.....	75,645	1.6
Legal reserve.....	925,352	20.0
Contingent reserve.....	(8,585)	(.2)
Undivided profits.....	476,532	10.3
Total.....	4,626,764	100.0

The net income of the Banks from the beginning of their operations through December 31, 1948, aggregated \$60,530,687.75 and was distributed (in round figures) as follows:

## HOME LOAN BANK BOARD

		<i>Percent</i>
Dividends paid.....	\$34,511,144	57.0
U. S. Government.....	23,897,392	39.5
Members .....	10,613,752	17.5
Retirement fund prior service.....	502,786	.8
Legal reserve.....	12,232,449	20.2
Contingent reserve.....	4,283,027	7.1
Undivided profits.....	9,001,282	14.9
Total .....	60,530,688	100.0

*Dividend payments*

Dividend declarations by the Banks resulted in the distribution of \$3,157,819 for the year 1948, which amount was \$216,562 greater than that applicable to the preceding year. Of the amount of dividends distributed for the year 1948, the United States Government received \$1,567,989 and member institutions received \$1,589,830. The total amount of dividends received by the United States Government and member institutions on their stock investment in the Federal Home Loan Banks from October 15, 1932, through December 31, 1948, aggregates \$23,897,392 and \$10,613,752, respectively.

The following tabulation reflects the total dividend distribution, by Banks, from the beginning of operations through December 31, 1948:

*Dividend distribution Oct. 15, 1932, to Dec. 31, 1948*

	Members	United States Government	Total
Federal Home Loan Bank			
Boston.....	\$775,704.74	\$1,905,204.61	\$2,680,909.35
New York.....	1,008,053.91	3,297,356.75	4,305,410.66
Pittsburgh.....	747,706.30	2,227,398.89	2,975,105.19
Winston-Salem.....	1,030,479.57	1,641,355.79	2,671,835.36
Cincinnati.....	2,141,926.39	3,128,548.08	5,270,474.47
Indianapolis.....	1,178,281.57	1,523,465.34	2,701,746.91
Chicago.....	1,357,395.74	3,468,859.70	4,826,255.44
Des Moines.....	752,911.73	1,649,669.09	2,402,580.82
Little Rock.....	414,185.32	1,538,199.62	1,952,384.94
Topeka.....	344,712.88	1,083,280.56	1,427,993.44
San Francisco.....	862,393.94	2,434,053.74	3,296,447.68
Total.....	10,613,752.09	23,897,392.17	34,511,144.26

*Supervision of the Federal Home Loan Banks*

In supervising the operations of the Federal Home Loan Banks pursuant to the provisions of the Federal Home Loan Bank Act, as amended, the Home Loan Bank Board requires each Federal Home Loan Bank to submit to it for approval an annual budget covering the expenses to be incurred by it. The semiannual and/or annual (the latter in the case of two of the Federal Home Loan Banks) dividend declarations authorized by the local boards of directors of the

Federal Home Loan Banks are likewise subject to the approval of the Home Loan Bank Board, as are also any changes in the rates of interest on advances, members' deposits, and interbank deposits which are not within the rate ceilings prescribed by the Board.

With the exception of the purchase and/or sale of United States Treasury bills, United States certificates of indebtedness, and United States Treasury notes commonly traded in on the market in the same manner as United States Treasury certificates of indebtedness, all transactions of the Banks in United States Government obligations are subject to the approval of the Home Loan Bank Board.

All officers and counsel appointed by the local Boards of Directors of the Federal Home Loan Banks and their salaries are subject to the approval of the Home Loan Bank Board. The management of each Federal Home Loan Bank is vested in a local Board of 12 directors, 4 of whom are appointed by the Home Loan Bank Board and 8 of whom are elected by the members. Annual elections are held under the auspices of the Home Loan Bank Board pursuant to its rules and regulations on the subject. A list of the directors and officers of each Federal Home Loan Bank as of December 31, 1948, is included in exhibit 5.

#### *Examinations and reports*

The Federal Home Loan Banks are subject to a semiannual examination by examiners attached to the staff of the auditor of the Home Loan Bank Board. In addition to such examination, the Banks as well as the internal fiscal operations of the Home Loan Bank Board are now audited annually by representatives of the Division of Corporation Audits of the General Accounting Office pursuant to the provisions of the Government Corporation Control Act of December 6, 1945. As provided in the same act, all Government security transactions of the Federal Home Loan Banks in excess of \$100,000, as well as all issues by the Home Loan Bank Board of consolidated Federal Home Loan Bank obligations (which are the joint and several obligations of all the Federal Home Loan Banks) are cleared with the United States Treasury Department. Moreover, the Treasury is supplied not only with a copy of the Board's annual report to the Congress, but also with monthly reports reflecting all security transactions of the Federal Home Loan Banks and with special quarterly and annual reports required by Budget-Treasury Regulation No. 3.

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

### *Summary*

Since June 27, 1934, the Federal Savings and Loan Insurance Corporation has been providing savings insurance for member State-chartered and Federal savings and loan associations. The costs of the insurance operation as well as reserves for future losses are obtained from the premiums paid by insured members and earnings on Corporation investments.

The year 1948 witnessed the largest annual net increase in the number of insured associations since the early years of the Corporation's history when the insurance program was in the organizational stage. The 2,616 institutions which were members of the Corporation on December 31, 1948, held assets of \$9,734,000,000, reflecting a growth of 14 percent during the year. Significantly, their reserves which are available for losses increased 19 percent during the year and were equivalent to 6.6 percent of assets at year end.

It was natural that the Federal Government's program to strengthen the financial structure of the country during the 1930's should include application of the long-tested principles of insurance. To eliminate the causes of past loss as well as to establish a basis for building for the future, a Nationwide savings insurance plan was adopted as one of the constituent parts of the Federal program. In order to apply insurance principles to the particular characteristics of savings in mutual savings and loan associations, the Congress established the Federal Savings and Loan Insurance Corporation in mid-1934. It was recognized at the time that a system of insurance on a country-wide scale would strengthen the confidence of the public in savings and home-financing institutions, resulting in an increased flow of funds, which in turn would enlarge the capacity of the institutions to meet the home-financing needs of their communities.

### *Extent of insurance coverage*

During the 14½ years since the creation of the Corporation, associations holding over 74 percent of the assets of the savings and loan business have qualified for insurance. On December 31, 1948, a total of 2,616 mutual institutions were insured, and their assets aggregated \$9,734,000,000. Of these, 1,485 were Federal savings and loan associations, required by law to qualify for insurance, and 1,131 were institutions of the savings and loan type chartered by the governments

of the States in which they are located. State-chartered institutions are not required to become insured, but may do so after applying and meeting the eligibility standards of the Corporation. Assets of the Federal group amounted to \$6,162,000,000 and of the State-chartered membership to \$3,572,000,000.

Over 6,100,000 savers and investors hold insured accounts in savings and loan associations. Their aggregate savings amount to \$8,266,000,000, of which over 93 percent, or \$7,714,000,000, is covered by insurance.

#### *Admissions and terminations*

The past year has seen a substantial increase in the number of institutions applying for admission to the insurance program. During 1948, 87 associations with estimated assets of \$115,000,000 qualified for insurance, the largest number of admissions during any 1 year since 1940, when a total of 92 associations was admitted. It is evident that the current high rate of applications results from more widespread understanding of the value of an insurance program and an increasing demand from the public for the added protection which insurance provides.

Consistent with the freedom of a private enterprise economy, the insurance law provides that institutions may voluntarily terminate their insurance contract, provided adequate notice is given to all insured accountholders. No institution cancelled its insurance during 1948 and continued operations. There were, however, seven withdrawals from the insured membership during the year, two because of merger with other insured associations, four following voluntary dissolution, and one reincorporating as a State-chartered insured association.

Although the Corporation has the authority to terminate the insured status of an institution for a violation of the law or the rules and regulations, no insurance has been cancelled by the Corporation, except at the request of the institution.

#### *The insurance contract*

The inherent safety of savings in a financial institution of course derives first from the strength of the institution itself, which in large part is the result of capable, honest management and tested operating policies. Insurance provides an additional safeguard by guaranteeing that funds invested in a member association will be protected against all forms of loss within the insured maximum of \$5,000. Included in the coverage is protection against those unexpected and emergency situations which even the most farsighted management cannot always anticipate.

Although all withdrawable savings accounts in an institution which is approved for insurance automatically become covered up to \$5,000, the insurance contract actually runs to the insured saver, not to the institution. To achieve its purpose of protecting the saver against loss, the Corporation has authority to act in two specific areas—rehabilitation of impaired institutions and payment of insurance to accountholders of institutions placed in liquidation.

If the facts warrant, the Corporation may restore an impaired association to normal operation under capable management, in this manner protecting the savings entrusted to the institution not only from loss but also from any disturbance. To effect rehabilitation of an institution in trouble a cash contribution may be made to the association, or the Corporation may make a loan or may purchase assets with cash.

In those cases where rehabilitation does not appear feasible and the decision is made to liquidate the institution, the Corporation immediately effects payment of insurance, in the form of two methods of settlement which are optional with the saver. First, the individual may choose an insured account in another operating institution equal to his insured savings in the liquidating association. If he selects this method, his new account will share in earnings and be entitled to the same rights and privileges as other accounts of that association. To make this type of settlement, the Corporation contracts with other insured institutions to issue the required number of accounts, reimbursing those associations in cash. It is also possible to create a new Federal savings and loan association solely for this purpose.

If the investor prefers, he may choose to receive 10 percent of his insured account in cash and the balance in negotiable noninterest-bearing debentures of the Corporation, half of which are payable within 1 year and the remainder within three years from the date of default.

### *Loss experience*

For over 4 years the Corporation has experienced no losses and for over 7 years no insured institution has been placed in liquidation. This record is obviously due in large part to the favorable economic conditions existing during the period, as well as to preventive efforts of the Corporation and Federal and State supervisory authorities aimed at minimizing the development of losses through encouraging adherence to sound operating policies by the insured membership.

Since the Corporation was established, it has removed the impairment of 28 institutions, with assets of \$57,000,000, by making a cash contribution to cover known and expected losses. When reasonable

doubt as to the exact extent of the loss existed, an agreement was executed with the rehabilitated institution providing for the return to the Corporation of that part of the cash grant not actually needed.

Accompanying rehabilitation, six of these institutions merged with other insured associations, three voluntarily dissolved, and the remaining 19 continued operations as separate entities. As an illustration of the success of the rehabilitated institutions, their condition on December 31, 1948, is compared with their status immediately prior to rehabilitation in exhibit 6. A total of \$5,374,125 was disbursed to the 28 institutions in order to make rehabilitation possible. Since a contribution is primarily intended to cover existing loss, it is obvious that any recovery can be only a small percentage of the original disbursement. Indicative of this is the experience to date, which shows that a total of \$475,796 of the cash grants has been recovered, resulting in an estimated final loss of \$4,898,329 to the Corporation. No situation has arisen in which either a purchase of institutional assets or a loan by the Corporation has been deemed to be the most desirable method of removing impairment.

Thorough examination of the circumstances existing in seven cases proved that rehabilitation was not advisable, and the institutions were placed in liquidation by the supervisory authorities. Four were Federal savings and loan associations and three were State-chartered institutions.

Following the decision to liquidate and as soon as arrangements were made with other institutions for the issuance of new accounts, the Corporation made the two optional methods of settlement available to the insured savers. It is significant that nearly all of the 7,705 insured account holders chose new accounts in settlement of their insurance claims. Only six preferred to accept cash and Corporation debentures.

Insured savings accounts in the institutions placed in liquidation aggregated \$6,706,841. Savers holding \$6,683,494 of this amount were issued new insured accounts, the cash and debenture outlay amounted to \$13,200, and accounts totaling \$10,147 are still unsettled, because of the failure of the accountholders to file claims.

Following disbursement of funds by the Insurance Corporation to effect settlement of the insured accounts, liquidation of the assets of the seven associations proceeded. In two cases, a State authority acted as receiver; in one case a State authority and the Insurance Corporation served jointly; and for four associations, the Insurance Corporation was appointed sole receiver. Through orderly liquidation of the assets of the receiverships, the Insurance Corporation has recouped all but \$312,000 of its original disbursement, and account-

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holders having accounts in excess of \$5,000 have also participated in the distribution of liquidating dividends. In those cases where returns in excess of 100 percent were realized, the accountholders received the excess amount.

Total assets of the four associations for which the Insurance Corporation acted as sole receiver amounted to \$8,668,778. Two of these receiverships were concluded basically during 1946 but final closure occurred during 1948. In exhibit 7 are shown condition and operating data of the receiverships conducted by the Corporation.

### *Condition of the Corporation*

Not only must the Corporation be prepared at all times to absorb possible losses, but also it is equally important that it be ready to make payment upon the insured savings of member institutions affected. For this reason the Corporation maintains over 98 percent of its assets in the form of cash and securities of the United States Government; of the total assets of \$202,800,000 on December 31, 1948, about \$793,000 consisted of cash and \$199,200,000 of Government securities. The major portion of the remaining assets consisted of insurance premiums due but not yet payable, in the amount of \$2,650,000.

At the end of June 1948, ownership of the \$100,000,000 capital stock of the Corporation, which had been held by the Home Owners' Loan Corporation, was transferred to the United States Treasury, as provided by a statute enacted June 30. In keeping with this legislation, dividends accumulated on the capital stock from July 1, 1935, through June 30, 1948, were computed at the figure of \$25,182,000. Cumulative dividends subsequent to that date are being computed by the Corporation at the rate of 3 percent annually.

One feature which particularly reflects the condition of the Corporation is its reserve account. The reserve on December 31, 1948, amounted to \$97,834,000, all of which is available to meet losses. However, it should be noted, as referred to above, that estimated cumulative dividends amounted to \$26,681,750 at the end of 1948. Consistent with sound dividend policy, the declaration of dividends is dependent upon evaluation of business conditions and the status of the insured members. The dividend question will be referred to the Congress for final disposition.

A complete picture of the financial condition and the growth of the Corporation during the past year may be obtained from the comparative statements of condition appearing in exhibit 8.

### *Operations of the Corporation*

The Corporation obtains its income mainly from three sources—premiums, interest on Government securities, and admission fees paid by

new members. It is significant that in the early years of the Corporation's history, investment income was the most important of these, but, with the growth of the insured membership, premiums have steadily increased until today they are more than double the interest received on investments.

Premiums, paid by institutions at the rate of one-eighth of 1 percent of their share accounts and creditor obligations, amounted to \$9,456,079 during 1948. Investment income reached \$4,388,170, while admission fees, computed at four one-hundredths of 1 percent of the premium base, amounted to only \$40,296.

As the workload of the Corporation has increased over the years, expenses of operation have necessarily risen, but have not grown proportionately to either income or the insured risk. Total administrative expenses amounted to 3.75 percent of operating income during 1948. For chart of organization and functions of the Corporation, see page 103. Of gross expenses of \$557,500, salaries of Corporation employees accounted for \$308,900. The sum of \$156,000 was paid during the year for services of the Home Loan Bank Board and \$370 to the Housing and Home Finance Agency. Miscellaneous operating items such as rent, supplies, communications, and audit expense, totaled \$55,700. Expenses arising from liquidation activities and past insurance losses amounted to \$19,500, and depreciation of equipment reached \$17,000. A complete income and expense statement of the Corporation for 1947 and 1948 appears in exhibit 9.

#### *Condition of insured associations*

*Size.*—The average size of insured associations is continuing the upward trend evident for some years. At the end of 1948, the average association had assets of \$3,721,000, over 10 percent above the average of \$3,370,000 a year earlier. As the average size of institutions has risen, the number of insured associations in the larger size groups has proportionately increased. A 3-year comparison of the frequency distribution of insured associations among the various asset size groups may be referred to in exhibit 10.

*Assets.*—The same trends in asset accounts of insured institutions which have been apparent since the end of the war continued during 1948, although at a decelerating rate. Mortgage loan holdings, for example, increased from 77 percent of assets to 79.9 percent during the year, while cash and Government securities dropped from a ratio of 19.8 percent to 16.6 percent of assets.

Total assets grew 14 percent during 1948 to a total of \$9,734,000,000. Mortgage loans, which had increased 18 percent during the year, amounted to \$7,777,000,000 at year end, and liquid holdings decreased

nearly 5 percent to \$1,615,000,000 on December 31. Exhibit 11 offers a comparison of the number and assets of insured associations at the end of 1948 and 1947, by States.

Included in the mortgage loan portfolio of insured associations were \$1,886,222,000 of loans insured or guaranteed by the Veterans Administration and an additional \$445,115,000 of loans insured by the Federal Housing Administration. About 30 percent of the mortgage loan portfolio, therefore, consisted of insured or guaranteed loans, while the balance were loans of the conventional uninsured type. The composition of the loan portfolio of insured institutions as of December 31, 1948, may be seen in exhibit 12.

*Savings.*—The period since the close of the war has witnessed increasing activity in the savings field. The flow of new savings into insured associations during 1948 was 15 percent greater than the inflow during 1947. On the other hand, withdrawals were 23.4 percent greater during 1948, so that the net inflow was only a fraction of one percent larger than the net increase of 1947.

In dollar amounts, new savings of \$3,217,000,000 were received by insured institutions during 1948. After deduction of total withdrawals of \$2,242,000,000, the net increase in savings during the year amounted to \$975,000,000.

*Reserves.*—One of the best criteria for measuring a financial institution's stability and its capacity to withstand financial shock is its reserve account. The reserves and undivided profits of insured associations, which are available for the absorption of losses arising in the course of business, increased 19 percent during 1948. Insured institutions now hold aggregate reserves and undivided profits of \$646,000,000, equivalent to 6.6 percent of assets, while a year earlier the reserve accounts amounted to \$543,000,000 or 6.4 percent of assets.

## FEDERAL SAVINGS AND LOAN ASSOCIATIONS

Creation of Federal savings and loan associations was authorized by section 5 of the Home Owners' Loan Act of 1933. This section specified that in issuing charters, the Home Loan Bank Board (to which Congress assigned the responsibility for creation, examination, and supervision) must in each instance give "primary consideration to the best practices of local mutual thrift and home-financing institutions in the United States." Federal savings and loan associations are required to raise their own capital in the form of shares or share accounts, which represent private individual savings. No Federal association is permitted to accept deposits and no certificates of indebtedness may be issued except for such borrowed money as may be authorized by regulations of the Board.

The law provides that Federal savings and loan associations may be established either by issuing charters to newly formed groups or to existing State-chartered institutions which qualify by conversion. As of December 31, 1948, a total of 1,485 Federal savings and loan associations were in operation. Of these, 642 represented associations originally organized under Federal charter, the remaining 843 associations having converted from State to Federal charter. At the year end, Federal charters were outstanding in each of the 48 States as well as in the District of Columbia, Alaska, Hawaii, and Puerto Rico. The combined resources of all Federal associations at the end of 1948 amounted to approximately \$6,162,000,000, reflecting an increase in total assets of 12.9 percent during the year. The resources of the Federals now account for nearly one-half (47 percent) 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 \$3,694,000 to \$4,150,000, or by 12.3 percent.

### *New Federal associations*

During 1948 seven new Federal savings and loan associations were organized and five State-chartered savings and loan associations converted to Federal charter. Among the new Federal associations chartered in 1948 was the First Federal Savings and Loan Association of Puerto Rico, with headquarters in San Juan. Chartering of the Federal in Puerto Rico was the culmination of a prolonged effort of a group of citizens of the islands to provide for their people this form of cooperative organization for the promotion of thrift and home

financing. Of the other Federal associations formed in 1948, one was created by the consolidation of two Federal associations. During the year, three Federal associations ceased to exist by reason of voluntary dissolution, one merged with another insured association, and one reincorporated as a State-chartered insured association. The effect of these changes was a net increase of seven in the number of Federal savings and loan associations during 1948. In addition, five Federal associations received authorization from the Board in 1948 to establish branch offices. As of December 31, 1948, 45 of the 1,485 Federal associations were operating a total of 58 branch offices.

The development and use of branch offices by savings institutions in the United States has never been as aggressive as has been their development and use by commercial banks. As of December 31, 1947, the latest year end for which figures are available, commercial banks, numbering 14,181—State and National—had 4,161 branches, including a few designated statistically as “additional offices.” Of these commercial banks, the national banks alone, totaling 5,005, had 1,870 branches.

Savings institutions, on the other hand, had a far smaller number of branches. Figures are not available for State-chartered institutions of the savings and loan type, but mutual savings banks, totaling 533, had 171 branches, and Federal savings and loan associations, totaling at the same time 1,478, had 53 branches, including in their number branches which converted Federal associations operated prior to conversion under the authority of their State charters.

The foregoing figures make clear that on December 31, 1947, all types of commercial banks had approximately 40 branches for every 140 institutions, whereas Federal savings and loan associations had only 5 branches for every 140 associations. In other words, the commercial banks of the country, operating under State and national charters, have roughly 8 times as many branches proportionately as Federal savings and loan associations.

#### *Board policy on branches*

The problem of creating branches of Federal associations has been a live one in many quarters throughout 1948. The public recognizes that as a general policy the Board is reluctant to authorize the establishment of a branch by a Federal unless there is clear, substantial evidence of need and large prospective value—a need and value comparable to that required as evidence for the establishment of a new association. Several applications for authority to create branches, which were filed with the Board during the year, have not been acted upon, but are still under consideration.

Without formal expression of policy, the members of the Board have made clear in speeches and conferences their recognition of the point of view of State supervisory authorities whose influence for the most part, in the matter of creating additional branches, has been on the side of extreme caution and restraint. The atmosphere of co-operation and mutual respect which has characterized the relationships between the Board and State supervisory authorities on this subject and other kindred subjects of policy and administration has led to a liberal exchange of information which in itself has been a favorable factor in permitting full, free, and objective examination of varied points of view and prospective reactions. The Board is gratified that it has been able to work in close cooperation with State authorities. It desires both to continue and to improve this relationship. It does not, however, accept the thesis that its judgments or authority are bound by State laws or by the policies of State supervisory authorities with respect to the creation and approval of branch organizations. In its interpretation of Federal statutes, the Board has formed the opinion that to the extent that Congress empowered it to charter Federal associations, it likewise, under the law and for the same reasons and with the same general limitations, gave the Board authority to sanction and approve the creation of branches.

#### *Flow of savings*

In contrast to the postwar decline in the amount the American people have been able to save out of current income, the flow of individual savings into Federal savings and loan associations continued in record volume during 1948. During the year, savings of the public invested in Federals increased by \$642,052,000, or 13.9 percent. This increase which, dollarwise, was the largest annual gain in the 15 year history of Federals, brought total private savings in these institutions to \$5,250,821,000, as of December 31, 1948. The number of individuals holding savings accounts in Federals increased from 3,281,000 to 3,669,000 during the year.

#### *Liquidity and reserves*

Liquidity and reserves have been important subjects of policy and administration during 1948. Year-end reports reveal that cash and U. S. Government obligations held by all Federal associations amounted to \$1,010,229,000, which is equivalent to 16.4 percent of their total assets. During the year liquid assets of this character declined \$63,019,000, to a total 5.9 percent below the comparable figure for the preceding year end. General reserves and undivided profits accounts of Federal associations increased from \$329,784,000 to \$393,114,000. At the close of 1948, such reserve accounts were equivalent to approx-

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imately 6.4 percent of total assets, as compared with 6 percent at the end of 1947.

*Mortgage loans*

First mortgage loans, primarily on one- to four-family homes, normally represent from 75 percent to 85 percent of the total assets of Federal savings and loan associations. At the end of 1948, first mortgages constituted 80 percent of the total assets. Dollarwise, mortgage holdings of Federals increased from \$4,225,963,000 to \$4,937,758,000 during the year. This increase, which amounted to \$711,795,000, or 16.8 percent, was somewhat less than the \$868,381,000, or 25.9 percent, gain in mortgage portfolios registered in 1947. The smaller net increase in 1948 stemmed primarily from a decline in the volume of new mortgage loans made. During 1948, Federals made \$1,719,537,000 of first mortgage loans, a volume 5.5 percent less than the 1947 record. Although the total volume of mortgage loans made by Federal associations declined during the reporting year, the volume of loans made to finance the construction of new homes continued to rise. The \$551,354,000 of construction loans made during 1948 represented one-third of all loans made by Federals and was 12.9 percent greater than the aggregate amount of such loans made during 1947. A brief summary of new mortgage loans made by these institutions during 1947 and 1948, classified as to purpose of loan, is shown in the following table:

*New mortgage loans made by all Federal savings and loan associations*

Purpose	1948		1947		Percent change in 1948
	Amount	Percent of total	Amount	Percent of total	
Construction.....	\$551,354	32.1	\$488,502	26.9	+12.9
Purchase.....	768,040	44.7	966,932	53.2	-20.6
Refinancing.....	161,853	9.4	153,779	8.4	+5.3
Reconditioning.....	61,076	3.5	49,349	2.7	+23.8
Other.....	177,214	10.3	159,948	8.8	+10.8
Total.....	1,719,537	100.0	1,818,510	100.0	-5.5

## HOME OWNERS' LOAN CORPORATION

### *12 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 12-year period of liquidation have been extremely favorable. Of the total lending of approximately \$3,500,000,000, over 89 percent has been liquidated. Less than \$400,000,000 of the cumulative investment was outstanding at the end of the calendar year 1948.

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 2 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 12 years of liquidation, it now appears that, when liquidation of the remaining loans is completed, the Corporation will have repaid the \$3,500,000,000 of bonds guaranteed by the Government and will be able to return, without impairment, after paying interest on its bonds and all of its administrative and operating expenses, the \$200,000,000 of capital originally subscribed by the Government.

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. 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 among its services was the fact that the Corporation gave impetus to long-term direct-reduction loans which has had a beneficial influence on the entire structure and procedure of home financing. Its 15-year monthly payment loans with interest of not more than 5 percent on the declining unpaid balance gave substantial evidence throughout the United States of the fairness and value of this type of loan in contrast to the expensive, short-term loan with its renewal fees and its recurring threats of loss. Moreover, the lenient collection policy of the Corporation, together with the servicing methods which it developed to help home owners, also contributed to security. The successful outcome of this lending operation stands as a demonstration of the respect of borrowers for their financial obligations to their Federal Government and the sound-

ness of a program gauged to the resources and capacity of the borrower.

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 instalment 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 72.1 percent of outstanding loan accounts at the beginning of the 1948 calendar year to 77.9 percent at the end of the year. A brief historical summary of HOLC operations, arranged in chronological order, is given in exhibit 13.

#### *Administrative*

The personnel and administrative expense of the Corporation has been reduced rapidly in recent years. The number of employees on December 31, 1948, was 473 as compared with 662 one year before, and 21,000 at the peak of its operations. The present organization and function chart of the Home Owners' Loan Corporation is presented on page 103 of this report. The administrative expenses of the Corporation during calendar year 1948 were \$2,395,209 as compared with \$3,422,839 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, 1948, these supplemental capitalizations totaled \$402,437,585, and brought the Corporation's gross cumulative investment to \$3,495,888,906.

*Liquidation*

Liquidation of this investment has proceeded rapidly. At the end of the 1948 calendar year, the balance of original loans, vendee accounts, and property accounts was \$368,936,083, a decrease of 24 percent from the balance of \$486,090,711 at the beginning of the year. Of the \$3,495,888,906 gross cumulative investment, \$3,126,952,823, or 89.4 percent had been liquidated by the end of the calendar year 1948. 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.....	402, 437, 584. 79
Original loans plus advances, capitalized additions, etc....	3, 495, 888, 905. 80
Outstanding on December 31, 1948:	
Original loans and advances.....	\$234, 144, 621. 20
Vendee accounts and advances.....	134, 763, 440. 22
Property acquired and in process of acquisition.....	28, 021. 31
Total outstanding.....	368, 936, 082. 73
Net reduction in mortgage and property assets.....	3, 126, 952, 823. 07

*Accelerated liquidation*

During the current calendar year, a special program for accelerating liquidation was initiated for application in those States in which the aggregate loan balances were \$1,000,000 or less, starting with Nevada in March and adding another State to the program each month thereafter. An additional program was also initiated for liquidating accounts with small loan balances in the other States, which has resulted in a substantial decrease in the number of these outstanding accounts. The following table shows the result of the State liquidation program:

*Number of loans outstanding*

	Start	Dec. 31, 1948	Percent of liqui- dation		Start	Dec. 31, 1948	Percent of liqui- dation
Nevada.....	163	1	99.4	New Hampshire....	350	121	65.4
Wyoming.....	384	37	90.4	Delaware.....	473	393	18.9
Montana.....	552	162	70.7	Maine.....	724	598	17.4
Idaho.....	655	250	61.8				
New Mexico.....	368	152	58.7	Total.....	4, 027	1, 831	54.5
Vermont.....	358	117	67.3				

*Investments in savings and loan associations*

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

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cumulative investment in savings and loan shares made by the Corporation totaled \$223,856,710 by December 31, 1948. Of this investment, only \$5,882,650 remained outstanding at the end of the 1948 calendar year, as compared with \$8,063,350 at the beginning of the year. Dividends aggregating \$44,660,863 have been received by the Corporation from these investments.

### *Bond retirements*

The Home Owners' Loan Act of 1933 requires that all payments upon principal of the Corporation's loans must be used to retire outstanding 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 1948, the total applied to bond retirement was \$3,176,628,822. 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 Dec. 31, 1948) to bond retirement fund*

Applied to retirement of bonds.....	\$3, 176, 628, 821. 55
Deposited for matured or called bonds on which interest has ceased .....	2, 557, 675. 00
Available for future retirement of unmatured bonds.....	99, 704. 30
<hr/>	
Gross amount deposited in bond retirement fund.....	3, 179, 286, 200. 85
Balance due retirement fund for Dec. 1948 to be deposited in January 1949.....	943, 849. 23
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Total applicable to bond retirement.....	3, 180, 230, 050. 08

As a result of bond retirements, the outstanding unmatured bonds of the Corporation on December 31, 1948, all of which are held by the United States Treasury, totaled \$182,000,000, or 5.2 percent of the total amount of \$3,489,453,550 of bonds 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, 778,514 or over two-thirds have been terminated, leaving 241,172 accounts outstanding as of December 31, 1948.

Included in the 778,514 terminated accounts were 652,307 original loans and 110,593 vendee accounts paid in full; 15,370 acquired properties sold for cash; and the remaining balances on 244 accounts charged off.

Of the 241,172 accounts outstanding as of December 31, 1948, there were 171,281 original loans, 69,871 vendee accounts and 20 properties. Of the outstanding debtor accounts, 115,643 original loans had been extended under the Mead-Barry Act. Of the 20 properties on hand, one was owned and 19 still subject to redemption.

Over 95 percent of the Corporation's outstanding accounts were paid on schedule or less than 3 months in arrears 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, 1948, there were 109,743, or 94.9 percent of the outstanding extended original loans, which were paid on schedule or less than 3 months in arrears. By reducing the required monthly payments, these extensions have averted many thousands of foreclosures which would have resulted in losses to the Corporation.

#### *Properties*

As a result of foreclosures, voluntary deeds, abandonments, etc., the Corporation had acquired up to December 31, 1948, a total of 198,217 properties including 19 still subject to redemption. Of this total, 4,000 were reacquisitions of properties sold and 74 other properties acquired, leaving 194,143 properties acquired from original borrowers. Subtracting these latter acquisitions from the 1,017,821 total original borrowers, leaves 823,678 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 those subject to redemption*

	Number	Capital value
Dec. 31, 1942.....	31, 621	\$226, 925, 127
Dec. 31, 1943.....	15, 578	96, 455, 077
Dec. 31, 1944.....	1, 935	11, 407, 422
Dec. 31, 1945.....	368	1, 632, 490
Dec. 31, 1946.....	106	418, 326
Dec. 31, 1947.....	63	181, 551
Dec. 31, 1948.....	20	28, 021

#### *Financial operations*

In exhibit 14 the balance sheet of the Corporation as of December 31, 1948, is presented. Because of the rapid progress of the Corporation's liquidation during calendar 1948, the total assets decreased 35.4 percent during the year. Exhibit 15 presents a cumulative statement of

## HOME LOAN BANK BOARD

income and expense from the beginning of operations through December 31, 1948, and exhibit 16 a statement of income and expense for calendar year 1948.

Up to December 31, 1948, the Corporation had a cumulative net income of \$336,376,696 before actual losses and provisions for future losses.

The total cumulative loss on the sale of properties amounted to \$336,531,405. 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 \$336,531,405 loss on property sales, there were other losses amounting to \$1,375,338 from principal, interest, and properties charged off, fire and other hazards, and fidelity and casualty losses. This makes the cumulative total of all losses \$337,906,743 as of December 31, 1948.

Deducting the \$336,376,696 cumulative net income from the \$337,906,743 losses, leaves \$1,530,047 net loss as of December 31, 1948. Balances in reserves and provisions for future losses amounted to \$2,877,069 and brought the total deficit to \$4,407,116 as of December 31, 1948.

During the calendar year 1948 the total income of the Corporation amounted to \$45,381,815. Expenses, including interest on bonds and administrative expenses, amounted to \$5,751,970, leaving a net income, before provision for losses, of \$39,629,845. The provision for losses amounted to \$24,496, leaving a net income of \$39,605,349. This latter figure included cumulative Federal Savings and Loan Insurance Corporation dividends for the period from July 1, 1935, to June 30, 1948, received in connection with transfer of the Corporation's investment to the United States Treasury.

## Exhibit 1

FEDERAL HOME LOAN BANKS  
*Summary of lending operations*

	Year 1948		Balance outstanding end of year
	Advances	Repayments	
Boston.....	\$17,645,798.00	\$12,385,020.00	\$27,227,988.00
New York.....	30,763,703.32	33,562,855.14	36,973,142.29
Pittsburgh.....	22,282,000.00	19,300,449.00	43,042,127.50
Winston-Salem.....	59,158,175.00	40,472,606.85	93,219,570.25
Cincinnati.....	20,050,250.00	20,236,398.20	30,913,994.22
Indianapolis.....	20,827,925.00	14,024,775.05	37,123,144.41
Chicago.....	43,321,896.00	32,670,098.81	70,156,087.70
Des Moines.....	24,628,237.00	20,468,636.82	32,874,904.68
Little Rock.....	21,442,360.00	13,832,238.00	30,190,954.00
Topeka.....	11,794,590.00	9,714,855.00	23,125,648.50
San Francisco.....	87,697,842.42	63,500,940.48	90,168,527.64
Total, year 1948.....	359,612,776.74	280,168,873.35	515,016,089.19
1947.....	351,079,350.99	208,961,931.93	435,572,185.80
1946.....	329,231,890.68	230,649,366.93	293,454,766.74
1945.....	277,748,276.84	213,438,982.95	194,872,242.99
1944.....	239,254,221.89	218,759,089.74	130,562,949.10
1943.....	156,925,588.93	176,070,303.60	110,067,816.95
1942.....	99,461,876.19	189,695,394.41	129,212,531.62
1941.....	157,600,420.85	139,646,335.38	219,446,049.84
1940.....	134,212,165.93	114,033,192.20	201,491,964.37
1939.....	94,780,586.64	112,310,034.15	181,312,900.64
1938.....	81,958,343.39	83,153,601.22	198,842,438.15
1937.....	123,251,172.91	68,440,498.13	200,037,695.98
1936.....	93,257,037.50	50,715,704.66	145,227,021.20
1935.....	59,130,068.56	43,048,971.39	102,685,668.36
1934.....	38,680,566.12	37,503,249.30	86,692,571.19
1933.....	90,027,164.49	5,437,410.12	86,427,254.37
1932.....	837,500.00		837,500.00
Grand total.....	2,687,049,028.65	2,172,032,939.46	

## Exhibit 2

## FEDERAL HOME LOAN BANKS

*Schedule of interest rates on new advances and interest rates paid on members' time deposits Jan. 1, 1949*

Advances to members	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent	Per-cent
Only 1 rate in effect.....				2.0	2.25	2.5					
Secured advances:											
Not exceeding 1 year.....	2.0	2.0	2.0				2.0				
1 year to 5 years.....			2.5								
1 year to 10 years.....	2.5	2.5					2.5				
Unsecured advances: 1 year or less.....	2.0	2.0	2.5				2.0				
Rates paid on time deposits remaining:											
Over 30 days.....	1.0	1.5	1.0	1.0	1.0	1.5	1.0	1.0	.5	1.0	1.0
Over 90 days.....									1.0		
Over 6 months.....				1.25							
Certificates of deposit (1 year).....	1.5		1.5	1.5	1.5		1.5			1.5	

<sup>1</sup> New rate effective since Oct. 1, 1948.

## HOME LOAN BANK BOARD

## Exhibit 3

## FEDERAL HOME LOAN BANKS

## Consolidated statement of condition as of Dec. 31, 1948

	Dec. 31, 1948	Increase or (decrease) since—	
		Dec. 31, 1947	June 30, 1948
ASSETS			
Cash:			
On hand—Including imprest funds .....	\$30,810.02	\$(37,713.32)	\$(15,242.83)
On deposit with:			
Treasurer of the United States .....	9,685,084.62	(4,828,350.18)	3,052,976.00
Commercial banks .....	20,620,594.51	(1,501,627.43)	1,614,226.36
In transit .....		(289.59)	(5,049.19)
Total cash .....	30,336,489.15	(6,367,960.52)	4,646,910.34
Investments:			
Bills, certificate of indebtedness, and notes .....	159,185,717.61	146,249,345.71	106,816,017.42
Bonds .....	114,670,830.47	(11,520,289.36)	2,759,318.61
Total investments .....	273,856,548.08	134,729,056.35	109,575,336.03
Advances outstanding to members:			
1 year or less .....	257,178,514.93	38,832,725.90	27,452,343.87
Amortized—1 to 10 years .....	257,837,574.26	40,611,177.49	12,316,089.77
Total advances outstanding to members .....	515,016,089.19	79,443,903.39	39,768,433.64
Accrued interest receivable:			
Investments .....	580,503.18	(45,942.98)	(195,766.59)
Advances to members .....	696,111.04	250,298.19	137,525.62
Total accrued interest receivable .....	1,276,614.22	204,355.21	(58,240.97)
Deferred charges:			
Discount on consolidated obligations .....		(34,027.77)	
Prepaid consolidated obligations expense .....	179,689.49	85,453.37	43,418.70
Prepaid surety bond premiums .....	11,154.57	6,016.40	4,525.32
Other prepaid expenses .....	811.10	(951.07)	519.81
Total deferred charges .....	191,655.16	56,490.93	48,463.83
Other assets:			
U. S. savings bonds redeemed .....		(62,415.31)	(38,736.21)
Accounts receivable .....	7,351.65	(8,012.92)	(6,845.86)
Furniture and equipment .....	11.00		
Total other assets .....	7,362.65	(70,428.23)	(45,582.07)
Total assets .....	820,684,758.45	207,995,417.13	153,935,320.80
LIABILITIES AND CAPITAL			
Liabilities:			
Deposits:			
Members—Time .....	108,801,049.43	42,843,576.49	35,767,922.20
Members—Demand .....	24,554,177.12	2,676,578.49	(1,220,724.26)
Treasurer of United States—Sec. 14 of act .....		(10,500,000.00)	
Government instrumentalities—Demand .....	98,419.70	(64,772.52)	(62,894.12)
Applicants .....	177,400.00	48,825.00	86,450.00
Total deposits .....	133,631,046.25	35,004,207.46	34,570,753.82
Accrued interest payable:			
Deposits of members—Time .....	93,507.93	49,967.22	23,625.08
Consolidated obligations .....	3,993,950.04	3,277,418.77	2,080,069.51
Total accrued interest payable .....	4,087,457.97	3,327,385.99	2,103,694.59
Dividends payable:			
U. S. Treasury .....	849,464.88	(59,888.12)	320,573.00
Member institutions .....	934,842.66	127,818.19	389,174.98
Total dividends payable .....	1,784,307.44	67,930.07	709,747.98
Accounts payable .....	6,513.71	(6,305.80)	(5,227.90)

## HOME LOAN BANK BOARD

*Consolidated statement of condition as of Dec. 31, 1948—Continued*

	Dec. 31, 1948	Increase or (decrease) since—	
		Dec. 31, 1947	June 30, 1948
LIABILITIES AND CAPITAL—continued			
Liabilities—Continued			
Consolidated obligations: <sup>1</sup>			
1.45 percent series C—1948 notes due 7-22-48.....	-----		\$ (40,000,000.00)
1 1/4 percent series A—1948 notes due 9-15-48.....	-----	\$ (85,000,000.00)	(85,000,000.00)
1 1/4 percent series A—1948 bonds due 4-15-48.....	-----	(140,000,000.00)	
1 1/4 percent series B—1948 notes due 2-16-48.....	-----	(36,700,000.00)	
1 1/4 percent series A—1949 notes due 1-20-49.....	\$97,000,000.00	97,000,000.00	
1 1/4 percent series B—1949 notes due 4-15-49.....	84,500,000.00	84,500,000.00	
1.65 percent series C—1949 notes due 7-22-49.....	115,000,000.00	115,000,000.00	115,000,000.00
1 1/4 percent series D—1949 notes due 9-15-49.....	120,000,000.00	120,000,000.00	120,000,000.00
Total consolidated obligations.....	416,500,000.00	154,800,000.00	110,000,000.00
Less: Series A—1949 notes purchased and held.....	(1,870,000.00)	(1,870,000.00)	(1,870,000.00)
Net consolidated obligations outstanding.....	414,630,000.00	152,930,000.00	108,130,000.00
Total liabilities.....	554,139,325.37	191,323,217.72	145,508,968.49
Capital:			
Capital stock outstanding (par):			
Members (fully paid).....	121,224,000.00	18,151,700.00	8,061,000.00
Members (partially paid).....	25,300.00	14,200.00	13,300.00
Total member subscriptions.....	121,249,300.00	18,165,900.00	8,074,300.00
Less: Unpaid subscriptions.....	11,825.00	(6,000.00)	(10,225.00)
Total paid in by members.....	121,237,475.00	18,159,900.00	8,064,075.00
U. S. Government subscriptions (fully paid).....	119,791,200.00	(2,881,000.00)	
Total paid in on capital stock.....	241,028,675.00	15,278,900.00	8,064,075.00
Surplus—Earned:			
Legal reserve.....	12,232,449.37	925,352.79	459,847.38
Reserve for contingencies.....	4,283,027.01	(8,585.32)	(5,034.11)
Total surplus reserves.....	16,515,476.38	916,767.47	454,813.27
Undivided profits.....	9,001,281.70	476,531.94	(92,535.96)
Total earned surplus.....	25,516,758.08	1,393,299.41	362,277.31
Total capital.....	266,545,433.08	16,672,199.41	8,426,352.31
Total liabilities and capital.....	820,684,758.45	207,995,417.13	153,935,320.80

<sup>1</sup> 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

## Exhibit 4

## FEDERAL HOME LOAN BANKS

*Consolidated comparative statement of operations for the calendar years  
1948 and 1947*

	1948	1947
<b>Earned operating income:</b>		
Interest on advances.....	\$8,884,812.97	\$5,794,042.84
Interest on securities.....	3,796,212.15	2,876,335.46
Miscellaneous operating income.....	3,017.60	3,108.96
Total earned operating income.....	12,684,042.72	8,673,487.26
<b>Operating expenses:</b>		
Compensation, travel, and other expenses (detail below).....	1,213,445.79	1,028,128.22
Interest on consolidated obligations.....	5,412,449.92	2,256,877.64
Consolidated obligations—Concessions.....	329,325.54	141,458.29
Office of fiscal agent.....	54,348.70	32,882.72
Interest on members' deposits.....	722,284.94	489,096.87
Interest on deposits—U. S. Treasurer.....	7,469.09	152.85
Assessment for expenses of HLBB.....	365,000.00	503,000.00
Total operating expenses.....	8,104,323.98	4,451,596.59
Net operating income.....	4,579,718.74	4,221,890.67
<b>Nonoperating income:</b>		
Profit—Sales of securities.....	99,377.28	362,275.27
HLB Board assessment refund.....		11,000.00
Miscellaneous nonoperating.....	593.33	2,811.37
Total nonoperating income.....	99,970.61	376,086.64
<b>Nonoperating charges:</b>		
Loss—Sales of securities.....	14,369.16	16,871.04
Furniture and equipment purchased.....	10,521.16	12,061.77
GAO audit expense (prior years).....	28,035.11	
Total nonoperating charges.....	52,925.43	28,932.81
Net income.....	4,626,763.92	4,569,044.50
<b>DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES</b>		
<b>Compensation:</b>		
Directors' fees.....	\$46,490.22	\$41,007.50
Officers' salaries.....	387,946.38	346,670.00
Counsel's compensation.....	76,519.63	36,400.00
Other salaries.....	285,942.36	264,436.27
Total compensation.....	796,898.59	688,513.77
<b>Travel expense:</b>		
Directors.....	47,054.14	41,914.01
Officers.....	28,517.91	23,724.38
Counsel and others.....	10,426.65	7,879.99
Maintenance and operation costs of automobile.....	4,032.71	3,665.32
Total travel expense.....	90,031.41	77,183.70
<b>Other expenses:</b>		
Retirement fund contributions.....	51,639.76	41,885.77
Telephone and telegraph.....	27,519.63	21,886.69
Postage and expressage.....	19,716.18	18,768.49
Stationery, printing, and office supplies.....	29,070.78	19,809.51
Rent of banking quarters (net).....	85,440.89	79,550.73
Maintenance of quarters and equipment.....	20,427.77	13,401.01
Services of HLBB's examining division.....	5,880.11	5,822.95
Safekeeping and protection services.....	2,571.46	2,662.96
Insurance and surety bond premiums.....	15,628.67	14,411.04
Reports and other publications.....	7,885.33	7,019.23
Stockholders' annual meeting expense.....	14,463.11	13,008.16
Dues and subscriptions.....	14,579.84	9,818.02
Public relations expense.....	12,173.44	11,092.27
Miscellaneous operating expenses.....	19,518.82	3,293.92
Total other expenses.....	326,515.79	262,430.75
Total compensation, travel, and other expenses (carried above).....	1,213,445.79	1,028,128.22

## Exhibit 5

## FEDERAL HOME LOAN BANKS

*Schedule of directors and officers, Dec. 31, 1948*

## BOSTON

## DIRECTORS

Rockwell C. Tenney (public interest).  
 J. Bertram Watson (public interest).  
 F. J. Dillon<sup>1</sup> (public interest).  
 William J. Pape (public interest).  
 George J. Holden (at large).  
 H. Dudley Mills (at large).  
 Raymond P. Harold (class A).  
 Edward H. Weeks<sup>2</sup> (class A).  
 Milton A. Barrett (class B).  
 William J. D. Ratcliff (class B).  
 E. Harrison Merrill (class C).  
 Leo G. Shesong (class C).

## OFFICERS

Herbert N. Faulkner, President.  
 Lawrence E. Donovan, Vice President  
 and Treasurer.  
 Paul H. Heywood, Vice President and  
 Secretary.  
 Beatrice E. Holland, Assistant Secre-  
 tary.

## NEW YORK

## DIRECTORS

Eustace Seligman (public interest).  
 George MacDonald<sup>1</sup> (public interest).  
 James Bruce (public interest).  
 F. V. D. Lloyd<sup>2</sup> (public interest).  
 Walter J. Babcock (at large).  
 E. H. Schoonmaker (at large).  
 Cadman H. Frederick (class A).  
 W. J. Almekinder (class A).  
 John W. Cadman (class B).  
 Joseph Holzka (class B).  
 Joseph A. O'Brien (class C).  
 Arthur C. Blackwell (class C).

## OFFICERS

Nugent Fallon, President.  
 Denton C. Lyon, Vice President and  
 Secretary.  
 H. B. Diffenderfer, Vice President and  
 Treasurer.  
 Joseph F. X. O'Sullivan, Assistant Sec-  
 retary.

<sup>1</sup> Chairman.<sup>2</sup> Vice chairman.

## PITTSBURGH

## DIRECTORS

Walter B. Gibbons (public interest).  
 Ernest T. Trigg<sup>1</sup> (public interest).  
 Charles S. Tippetts<sup>2</sup> (public interest).  
 Arthur B. Koontz (public interest).  
 Alexander. Salvatori (at large).  
 James J. O'Malley (at large).  
 C. Elwood Knapp (class A).  
 Norman E. Clark (class A).  
 William Reinhardt (class B).  
 N. F. Braun (class B).  
 Charles Warner (class C).  
 Francis E. McGill (class C).

## OFFICERS

G. R. Parker, President.  
 H. L. Tweedy, Vice President.  
 William M. Stout, Vice President.  
 Dale Park, Treasurer.  
 Warren A. Sutton, Secretary.

## WINSTON-SALEM

## DIRECTORS

James G. Luttrell, (public interest).  
 W. Waverly Taylor (public interest).  
 Horace S. Haworth<sup>1</sup> (public interest).  
 Raymond D. Knight (public interest).  
 Frank Muller, Jr. (at large).  
 Marion M. Hewell (at large).  
 Edward C. Baltz<sup>2</sup> (class A).  
 Wallace O. DuVall (class A).  
 D. R. Fonville (class B).  
 Peyton R. Keller (class B).  
 H. L. Sudduth (class C).  
 George E. Rutledge (class C).

## OFFICERS

Joseph W. Holt, Executive Vice-Presi-  
 dent-Treasurer.  
 J. Moyer Sink, Vice President.  
 C. Edwin Kline, Assistant Secretary.  
 James T. Spence, Assistant Treasurer.

# HOME LOAN BANK BOARD

*Schedule of directors and officers, Dec. 31, 1948—Continued*

## CINCINNATI

### DIRECTORS

Frazer D. LeBus (public interest).  
 Frank K. Vaughn (public interest).  
 W. D. Gradison (public interest).  
 Howard L. Bevis<sup>1</sup> (public interest).  
 W. B. Furgerson (at large).  
 W. Megrue Brock<sup>2</sup> (at large).  
 Allen C. Knowles (class A).  
 A. E. Albright (class A).  
 Charles J. Haase (class B).  
 John C. Minderman (class B).  
 R. A. Stevens (class C).  
 H. F. Cellarius (class C).

### OFFICERS

W. D. Shultz, President.  
 W. E. Julius, Vice President-Treasurer.  
 J. W. Whittaker, Vice President.  
 E. T. Berry, Secretary.

## INDIANAPOLIS

### DIRECTORS

Carleton B. McCulloch (public interest).  
 S. Rudolph Light (public interest).  
 Herman B. Wells<sup>1</sup> (public interest).  
 Charles T. Fisher, Jr. (public interest).  
 Fermor S. Cannon<sup>2</sup> (at large).  
 Arthur H. Deitsch (at large).  
 Joseph G. Standart (class A).  
 W. B. Burdick (class A).  
 Grant H. Longenecker (class B).  
 Donald L. Adair (class B).  
 Amos N. Adams (class C).  
 D. L. Cooley (class C).

### OFFICERS

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

## CHICAGO

### DIRECTORS

Henry G. Zander, Jr.<sup>2</sup> (public interest).  
 George F. Rowe (public interest).  
 Ralph M. Monk (public interest).  
 Charles E. Broughton<sup>1</sup> (public interest).  
 Edward J. Czekala (at large).  
 Arthur G. Erdmann (at large).  
 Robert M. Brown (class A).  
 A. H. Koepke (class A).  
 Rilen McConachie (class B).  
 Allen R. Calhoun (class B).  
 Earl S. Larson (class C).  
 Robert L. Hirschinger (class C).

### OFFICERS

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

## DES MOINES

### DIRECTORS

Robert E. Lee Hill<sup>1</sup> (public interest).  
 John D. Adams (public interest).  
 J. B. Bridston (at large).  
 J. W. Davis (at large).  
 Sylvester A. Koster (class A).  
 C. B. Fletcher (class A).  
 E. Raymond Hughes<sup>2</sup> (class B).  
 W. L. Sloan (class B).  
 W. W. Pinson (class C).  
 Edward A. Murphy (class C).

### OFFICERS

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

<sup>1</sup> Chairman.

<sup>2</sup> Vice chairman.

*Schedule of directors and officers, Dec. 31, 1948—Continued*

## LITTLE ROCK

## DIRECTORS

Gordon H. Campbell (public interest).  
 B. H. Wooten<sup>1</sup> (public interest).  
 T. J. Butler (public interest).  
 O. W. Boswell (at large).  
 W. P. Gulley<sup>2</sup> (at large).  
 J. J. Miranne (class A).  
 Irvin H. Schonberg (class A).  
 R. H. McCune (class B).  
 A. J. Bush (class B).  
 Robert T. Love (class C).  
 Louis D. Ross (class C).

## OFFICERS

H. D. Wallace, President-Secretary.  
 J. C. Conway, Vice President.  
 W. F. Tarvin, Treasurer.

## TOPEKA

## DIRECTORS

Paul F. Good (public interest).  
 William M. Jardine<sup>1</sup> (public interest).  
 A. O. Johnson (public interest).  
 Harrington Wimberly (public interest).  
 Henry A. Bubb<sup>2</sup> (at large).  
 S. W. Humphreys (class A).  
 D. A. Willbern (class A).  
 Arthur W. Hiner, Jr. (class B).  
 Leo Smith (class B).  
 A. G. Hartronft (class C).  
 Cecil Calvert (class C).

## OFFICERS

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

## SAN FRANCISCO

## DIRECTORS

C. W. Leaphart (public interest).  
 Ben A. Perham<sup>1</sup> (public interest).  
 William A. Davis<sup>2</sup> (public interest).  
 L. H. Hoffman (public interest).  
 Guy E. Jaques (at large).  
 R. Floyd Hewitt (at large).  
 Roy E. Hegg (class A).  
 J. H. Andrews (class A).  
 D. H. Driggs (class B).  
 C. N. Bloomfield (class B).  
 M. L. Carrier (class C).  
 P. C. Bulen (class C).

## OFFICERS

Irving Bogardus, Acting President.  
 Guy E. Jaques, Vice President.  
 L. F. Nolan, Assistant Treasurer.  
 Helen C. Eck, Assistant Treasurer.  
 Kathleen McCliment, Assistant Secretary.  
 E. M. Jenness, Assistant Secretary.  
 E. E. Pearson, Assistant Secretary.

## Exhibit 6

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

*Progress of 19 insured associations following rehabilitation by Federal Savings and Loan Insurance Corporation*

Item	Date immediately prior to rehabilitation	Dec. 31, 1948	Increase or decrease	Percentage change
<b>Assets:</b>				
Total assets.....	\$52,259,000	\$132,835,600	\$80,576,600	154.19
Mortgage loans.....	32,750,000	110,675,900	77,925,900	237.94
Owned real estate.....	11,371,000	89,400	-11,281,600	-99.21
Cash and U. S. Government securities.....	1,990,000	18,032,500	16,042,500	806.16
<b>Liabilities:</b>				
Total savings.....	43,810,000	115,743,800	71,933,800	164.19
Borrowed money.....	5,212,000	6,339,400	1,127,400	21.63
General reserves and undivided profits.....	-3,633,000	6,670,700	10,303,700	-----
<b>Ratios to total assets:</b>	<i>Percent</i>	<i>Percent</i>		
Owned real estate.....	21.76	0.07	-----	-----
Cash and U. S. Government securities.....	3.81	13.58	-----	-----
General reserves and undivided profits.....	-6.95	5.02	-----	-----

<sup>1</sup> Chairman.<sup>2</sup> Vice chairman.

## Exhibit 7

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

## Statements of condition and operation for Federal institutions placed in receivership

## CONDENSED COMPARATIVE STATEMENTS OF CONDITION

	In process of liquidation			Receiverships terminated		
	Aetna F. S. & L. A. Topeka, Kans.		First F. S. & L. A. of Oklahoma, Oklahoma City, Okla.	Security F. S. & L. A. of Guymon, Guymon, Okla.		Community F. S. & L. A. of Independence, Independence, Mo.
	Date of receivership, Aug. 27, 1941	As of Dec. 31, 1948	Date of receivership, Aug. 30, 1941	Date of receivership, Feb. 12, 1940	As of Dec. 31, 1948	Date of receivership, June 26, 1940
<b>ASSETS</b>						
Mortgage loans.....	\$3,369,490.13		\$838,873.90	\$96,496.34		\$892,380.31
Share loans.....	14,110.99		4,056.87			12,427.73
Real estate sold on contract.....	785,133.72		32,873.99	1,147.14		64,909.46
Real estate owned—includes office building.....	1,334,333.47		374,236.24	118,637.27		213,607.94
Cash and investments.....	306,115.66	\$73,198.57	99,064.83	8,697.00		52,428.44
Furniture, fixtures and equipment.....	10,597.23		2,138.59	458.00		2,251.99
Other assets.....	8,012.03		2,381.35	28.00		7,642.89
Total.....	5,843,812.50	73,198.57	1,354,135.23	225,280.75		1,245,549.76
<b>LIABILITIES AND CAPITAL</b>						
Secured claims of creditors.....	527,459.59		336,380.44			274,730.50
Unsecured claims of creditors.....	13,740.80		9,278.50	14,236.01		2,276.69
Loans in process.....	101,886.79		2,707.00	304.48		2,016.00
Advance payments by borrowers.....	34,593.25		2,017.34			
Other liabilities.....	48,880.42		15,425.01			
Reserve for uncollected interest.....	10,622.67	32.47	478.42	1,684.20		7,244.71
Allowance for losses.....	522,286.28		66,558.58	1,880.20		1,880.20
Surplus or deficit.....	1,387,830.69	1180,627.29	114,038.30	48,916.59		101,472.59
Shares purchased by the F. S. & L. C.....	4,972,173.39	245,844.99	120,000.79	17,741.23		119,566.68
Other share account claims.....		7,948.40	42,830.66	165,940.31		877,369.95
Total.....	5,843,812.50	73,198.57	1,354,135.23	225,280.75		1,245,549.76

<sup>1</sup> Indicates loss.

Statements of condition and operation for Federal institutions placed in receivership—Continued  
CONDENSED STATEMENT OF OPERATION

	Cumulative Aug. 27, 1941 to Dec. 31, 1948	Year ended Dec. 31, 1948	Cumulative Aug. 30, 1941 to Dec. 31, 1948	Year ended Dec. 31, 1948	Cumulative Feb. 12, 1940 to Dec. 31, 1948	Year ended Dec. 31, 1948	Cumulative June 26, 1940 to Dec. 31, 1948
Gross operating income.....	\$776,477.48		\$181,449.53		\$32,063.04		\$176,721.54
Less: Gross operating expense.....	440,885.08	\$769.95	105,921.86	\$80.16	27,799.34	\$75.35	80,835.56
Net income or expense.....	335,642.40	1 769.95	75,527.67	1 80.16	4,263.70	1 75.35	95,885.98
Gross capital gains.....	72,079.77	37.46	39,889.30	50.00	6,409.40	57.77	25,294.42
Less: Gross capital losses.....	722,805.05	2,326.72	176,144.65		50,046.02		137,800.72
Net gain or loss.....	1 650,725.28	1 2,289.26	1 136,255.35	50.00	1 43,636.62	57.77	1 112,506.30
Net profit or loss—All operations.....	1 315,082.88	1 3,059.21	1 60,727.68	1 30.16	1 39,372.92	117.58	1 16,620.32
Percent of liquidating dividends declared.....	85.0		85.0		101.1		107.7

1 Indicates loss.

## HOME LOAN BANK BOARD

## Exhibit 8

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

## Statement of condition

	Dec 31, 1948	Dec. 31, 1947
<b>ASSETS</b>		
Cash .....	\$792,925.15	\$1,761,910.40
Accounts receivable:		
Insurance premiums—payments due .....	96,808.25	69,389.62
Insurance premiums—payments deferred .....	2,647,449.48	2,297,910.41
Admission fees receivable .....	3.20	
Due from receiver for institutions in liquidation .....		1,843.03
Due from Governmental agencies .....	886.46	3,741.70
	2,745,147.39	2,372,884.76
Investments:		
U. S. Government securities (par value) .....	198,962,000.00	184,462,000.00
Unamortized premium on investments .....	17,503.91	18,439.67
	198,979,503.91	184,480,439.67
Accrued interest on investments .....	171,576.69	170,587.68
Subrogated accounts in insured institutions in liquidation .....	365,845.78	372,077.06
Less: Allowance for losses .....	280,025.28	287,555.38
	85,820.50	84,521.68
Insured accounts in institutions in liquidation—Pending and un-		
claimed .....	10,146.38	10,895.12
Less: Allowance for losses .....	718.61	810.63
	9,427.77	10,084.49
Furniture, fixtures, and equipment .....	52,629.74	35,651.54
Less: Reserve for depreciation .....	52,629.74	35,651.54
Deferred charges:		
Home Loan Bank Board .....	44,621.51	
Fidelity bond and other insurance premiums .....	927.28	
Unallocated preliminary expense on problem cases .....		126.06
	45,548.79	126.06
Total assets .....	202,829,950.20	188,880,554.74
<b>LIABILITIES AND CAPITAL</b>		
Liabilities:		
Accounts payable .....	69.51	8,947.29
Accrued liabilities .....	21,540.23	79,547.91
Deductions from employees' salaries .....	13,304.12	14,160.33
Pending and unclaimed accounts in insured institutions in		
liquidation .....	10,146.38	10,895.12
Custodial funds—receiverships .....	2,655.97	26.52
	47,716.21	113,577.17
Deferred credits:		
Unearned insurance premiums .....	4,948,599.94	4,268,081.37
Prepaid insurance premiums .....	26.01	72.98
	4,948,625.95	4,268,154.35
Capital:		
Capital stock .....	100,000,000.00	100,000,000.00
Reserve fund as provided by law .....	<sup>1</sup> 92,206,266.04	42,457,624.50
Special reserve for contingencies .....		37,500,000.00
Unallocated income .....	5,627,342.00	4,541,198.72
	97,833,608.04	84,498,823.22
Total liabilities and capital .....	202,829,950.20	188,880,554.74

<sup>1</sup> Pursuant to Public Law 860, 80th Cong., cumulative dividends as of June 30, 1948, were determined to be \$25,181,749.98. Cumulative dividends thereafter are being computed by the Corporation at the rate of \$250,000 monthly.

## Exhibit 9

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

*Income and expense statement*

	Jan. 1, 1948 through Dec. 31, 1948	Jan. 1, 1947 through Dec. 31, 1947
<b>Operating income and recoveries:</b>		
Insurance premiums earned.....	\$9,456,079.50	\$8,099,643.22
Admission fees earned.....	40,295.52	14,884.48
Interest earned on U. S. Government securities.....	4,388,169.53	4,130,005.16
Miscellaneous.....	103.74	.30
Recoveries on contributions to insured institutions.....		145,241.56
Total operating income and recoveries.....	13,884,648.29	12,389,774.72
<b>Operating expenses and losses:</b>		
Administrative expenses.....	515,806.52	541,924.04
Liquidation and other expenses.....	13,140.64	14,517.39
Depreciation of furniture, fixtures, and equipment.....	16,940.80	5,878.63
Losses on subrogated accounts.....	6,343.59	
Total operating expenses and losses.....	552,231.55	562,320.06
Net income from operations.....	13,332,416.74	11,827,454.66
<b>Nonoperating income:</b>		
Profit on sale of furniture, fixtures, and equipment.....		474.50
Miscellaneous.....	18.51	12.25
Total nonoperating income.....	18.51	486.75
<b>Nonoperating charges:</b>		
Commission on securities.....	156.26	
Net income before adjustment of valuation reserves.....	13,332,278.99	11,827,941.41
<b>Adjustment of valuation reserves:</b>		
Provision for losses on subrogated accounts in insured institutions in liquidation.....	7,530.10	-2,289.69
Provision for losses on insured accounts in institutions in liquidation-pending and unclaimed.....	92.02	39.45
Cancellation of approved contributions.....		54,148.10
Net adjustments of valuation reserves.....	7,622.12	51,897.86
Net income for period.....	13,339,901.11	11,879,839.27
Adjustment of net income for prior years.....	-5,116.29	-2,154.94
Net income.....	13,334,784.82	11,877,684.33

## Exhibit 10

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

*Frequency distribution of insured associations by asset size groups, Dec. 31, 1946, 1947, and 1948*

Asset size group	Number of insured associations		
	1948 <sup>1</sup>	1947	1946
United States total .....	2, 616	2, 536	2, 496
Under \$250,000 .....	93	132	193
\$250,000-\$500,000 .....	242	259	290
\$500,000-\$1,000,000 .....	408	419	435
\$1,000,000-\$2,500,000 .....	764	749	752
\$2,500,000-\$5,000,000 .....	588	526	465
\$5,000,000-\$10,000,000 .....	312	281	230
\$10,000,000-\$25,000,000 .....	176	143	112
\$25,000,000 and over .....	33	27	19

<sup>1</sup> Preliminary.

## Exhibit 11

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

*Number and assets of all insured savings and loan associations, by type, Dec. 31, 1917 and 1948*

	All insured			Federal			Insured State					
	1948			1947			1948			1947		
	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets	Num- ber	Assets
United States.....	2, 616	\$9, 733, 723, 000	2, 536	\$8, 547, 297, 000	1, 485	\$6, 162, 094, 000	1, 478	\$5, 489, 640, 000	1, 131	\$3, 571, 629, 000	1, 058	\$3, 087, 657, 000
District No. 1—Boston.....	67	464, 652, 000	66	405, 744, 000	53	416, 457, 000	53	374, 766, 000	14	48, 195, 000	13	30, 978, 000
Connecticut.....	28	150, 935, 000	28	131, 260, 000	17	117, 103, 000	17	101, 531, 000	11	33, 852, 000	11	29, 708, 000
Maine.....	5	6, 298, 000	5	5, 511, 000	5	6, 298, 000	5	5, 511, 000				
Massachusetts.....	26	254, 797, 000	26	232, 356, 000	26	254, 797, 000	26	232, 356, 000				
New Hampshire.....	4	19, 761, 000	4	18, 785, 000	2	18, 368, 000	2	17, 525, 000	2	1, 393, 000	2	1, 270, 000
Rhode Island.....	2	22, 011, 000	1	7, 732, 000	1	9, 041, 000	1	7, 723, 000	1	12, 970, 000		
Vermont.....	2	10, 850, 000	2	10, 110, 000	2	10, 850, 000	2	10, 110, 000				
District No. 2—New York.....	267	1, 298, 874, 000	262	1, 082, 692, 000	82	652, 883, 000	82	545, 485, 000	185	645, 986, 000	170	537, 207, 000
New Jersey.....	135	396, 521, 000	132	356, 556, 000	17	42, 108, 000	16	37, 633, 000	118	354, 413, 000	116	318, 923, 000
New York.....	132	902, 353, 000	120	726, 136, 000	65	610, 780, 000	66	507, 832, 000	67	291, 573, 000	54	218, 284, 000
District No. 3—Pittsburgh.....	250	628, 728, 000	247	565, 949, 000	135	413, 924, 000	136	378, 391, 000	115	214, 804, 000	111	187, 366, 000
Delaware.....	1	1, 250, 000	1	565, 949, 000	1	1, 250, 000	1	949, 000				
Pennsylvania.....	224	582, 015, 000	220	523, 803, 000	113	373, 935, 000	113	341, 996, 000	111	208, 080, 000	107	181, 807, 000
West Virginia.....	25	45, 463, 000	26	41, 005, 000	21	38, 739, 000	22	35, 424, 000	4	6, 724, 000	4	5, 599, 000
District No. 4—Winston-Salem.....	320	1, 147, 838, 000	302	1, 003, 109, 000	232	903, 583, 000	226	792, 638, 000	88	244, 255, 000	76	210, 471, 000
Alabama.....	26	49, 377, 000	26	41, 451, 000	18	40, 820, 000	18	34, 215, 000	8	8, 557, 000	8	7, 236, 000
District of Columbia.....	14	115, 540, 000	11	106, 436, 000	4	72, 960, 000	5	63, 449, 000	7	42, 580, 000	6	42, 987, 000
Florida.....	50	287, 048, 000	49	226, 858, 000	49	234, 319, 000	48	227, 178, 000	1	2, 729, 000	2	2, 680, 000
Georgia.....	53	170, 582, 000	51	147, 448, 000	47	145, 557, 000	46	126, 077, 000	6	25, 025, 000	5	21, 371, 000
Maryland.....	42	185, 551, 000	42	171, 134, 000	32	142, 660, 000	32	133, 815, 000	10	42, 901, 000	10	37, 316, 000
North Carolina.....	65	161, 909, 000	56	135, 941, 000	27	88, 922, 000	27	78, 865, 000	38	72, 987, 000	29	57, 076, 000
South Carolina.....	28	108, 298, 000	27	94, 676, 000	32	70, 745, 000	30	68, 374, 000	10	18, 815, 000	10	15, 791, 000
District No. 5—Cincinnati.....	349	1, 536, 764, 000	343	1, 409, 787, 000	218	886, 375, 000	216	794, 147, 000	131	651, 389, 000	127	26, 014, 000
Kentucky.....	56	156, 186, 000	56	140, 849, 000	54	152, 145, 000	54	137, 138, 000	8	30, 661, 000	7	615, 640, 000
Ohio.....	238	1, 266, 922, 000	232	1, 171, 626, 000	129	619, 574, 000	127	559, 697, 000	2	4, 041, 000	2	3, 711, 000
Tennessee.....	35	113, 656, 000	35	97, 312, 000	35	113, 656, 000	35	97, 312, 000	129	647, 348, 000	125	611, 923, 000
District No. 6—Indianapolis.....	183	619, 072, 000	183	557, 915, 000	102	431, 438, 000	101	387, 601, 000	81	187, 634, 000	82	170, 314, 000
Indiana.....	137	375, 912, 000	137	338, 904, 000	69	256, 555, 000	69	233, 500, 000	68	119, 357, 000	68	105, 404, 000
Michigan.....	46	243, 160, 000	46	219, 011, 000	33	174, 883, 000	32	154, 101, 000	13	68, 277, 000	14	64, 910, 000

## HOME LOAN BANK BOARD

District No. 7—Chicago.	326	1,121,566,000	971,375,000	140	592,751,000	139	529,269,000	186	528,815,000	169	442,306,000
Illinois.....	234	897,713,000	779,138,000	100	512,138,000	99	459,461,000	134	385,585,000	119	319,677,000
Wisconsin.....	92	223,853,000	192,437,000	40	80,623,000	40	69,808,000	52	143,230,000	50	122,629,000
District No. 8—Des Moines.	160	544,730,000	487,645,000	106	410,573,000	106	373,382,000	54	134,157,000	60	114,263,000
Iowa.....	43	85,815,000	78,667,000	32	67,951,000	32	63,423,000	11	17,864,000	10	15,244,000
Minnesota.....	35	210,412,000	190,567,000	30	205,881,000	30	187,073,000	5	4,531,000	5	3,494,000
Missouri.....	69	219,287,000	192,694,000	34	120,507,000	34	108,461,000	35	98,780,000	32	84,233,000
North Dakota.....	7	21,411,000	18,858,000	6	11,065,000	6	9,819,000	1	10,346,000	1	9,039,000
District No. 9—Little Rock.	269	7,805,000	6,859,000	4	5,169,000	4	4,606,000	2	2,636,000	2	2,253,000
South Dakota.....	6	556,073,000	474,950,000	159	252,748,000	160	212,829,000	110	303,325,000	103	262,621,000
Arkansas.....	38	47,297,000	38,793,000	34	40,106,000	34	33,087,000	4	7,191,000	4	5,706,000
Louisiana.....	71	188,470,000	164,116,000	13	29,741,000	13	24,150,000	58	158,728,000	56	139,966,000
Mississippi.....	24	29,019,000	22,928,000	20	25,885,000	20	21,076,000	4	3,134,000	3	1,852,000
New Mexico.....	13	20,964,000	16,827,000	7	13,320,000	7	10,462,000	6	7,644,000	6	6,365,000
Texas.....	123	270,323,000	232,296,000	86	143,696,000	86	123,554,000	38	126,627,000	34	108,732,000
District No. 10—Topeka.	157	388,836,000	341,711,000	97	287,302,000	97	258,052,000	60	101,534,000	56	83,659,000
Colorado.....	36	99,344,000	82,792,000	23	72,418,000	23	63,406,000	13	26,926,000	12	19,386,000
Kansas.....	69	113,933,000	102,514,000	28	72,461,000	28	65,824,000	31	41,472,000	30	36,690,000
Nebraska.....	19	24,380,000	19,220,000	16	19,447,000	15	18,001,000	4	4,933,000	4	4,079,000
Oklahoma.....	43	151,179,000	124,080,000	31	122,976,000	31	110,821,000	12	28,203,000	10	23,504,000
District No. 11—San Francisco.	268	1,426,590,000	1,246,412,000	161	915,055,000	162	813,580,000	107	511,535,000	101	432,832,000
Arizona.....	3	26,839,000	23,150,000	2	19,652,000	2	19,416,000	1	7,187,000	1	5,734,000
California.....	148	971,947,000	826,287,000	73	585,571,000	74	508,842,000	75	386,376,000	69	317,445,000
Idaho.....	8	29,739,060	27,147,000	8	29,759,000	8	27,147,000	7	19,256,000	7	17,101,000
Montana.....	10	22,792,000	20,238,000	3	3,536,000	3	3,379,000	—	—	—	—
Nevada.....	1	4,063,000	3,379,000	1	4,063,000	1	3,379,000	—	—	—	—
Oregon.....	21	59,169,000	53,468,000	21	53,169,000	21	53,463,000	3	27,739,000	3	25,244,000
Utah.....	9	80,035,000	46,019,000	6	22,269,000	6	20,775,000	18	66,565,000	18	63,081,000
District No. 12—Washington.	54	237,407,000	223,663,000	36	170,742,000	36	159,384,000	—	—	—	—
Washington.....	9	13,680,000	11,938,000	9	13,680,000	9	11,938,000	—	—	—	—
Wyoming.....	1	1,302,000	1,336,000	1	1,302,000	1	1,336,000	—	—	—	—
Alaska.....	1	1,302,000	1,336,000	1	1,302,000	1	1,336,000	—	—	—	—
Hawaii.....	4	9,584,000	8,792,000	1	5,272,000	1	4,565,000	3	4,312,000	3	4,227,000

Source: Monthly reports of insured associations.

## Exhibit 12

## FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

*Mortgage portfolio of all insured savings and loan associations, by type of loan,  
Dec. 31, 1947 and 1948*

[In thousands of dollars]

	Dec 31, 1948	Dec. 31, 1947	Per- cent in- crease	Average size	
				1948	1947
Amount of mortgage loans:					
FHA insured.....	\$445, 115	\$376, 872	18 1	\$4, 933	\$4, 574
VA insured or guaranteed.....	1, 886, 222	1, 648, 091	14 4	5, 562	5, 567
Conventional.....	5, 451, 451	4, 567, 245	19 4	3, 340	3, 185
Total.....	7, 782, 788	6, 592, 208	18 1	3, 775	3, 638
Percent to total mortgage loans:					
FHA insured.....	5. 7	5. 7	-----	-----	-----
VA insured or guaranteed.....	24. 2	25. 0	-----	-----	-----
Conventional.....	70. 1	69. 3	-----	-----	-----
Total.....	100. 0	100. 0	-----	-----	-----

## Exhibit 13

## HOME OWNERS' LOAN CORPORATION

*Historical facts*

Date of origin and authority for creation: June 13, 1933, by Home Owners' Loan Act. Capital stock authorized, issued, and outstanding December 31, 1948: \$200,000,000 subscribed by the United States Treasury.

Bond authority: \$4,750,000,000 fully guaranteed by the Government as to interest and principal.

Bonds issued: \$3,489,589,700.

Bonds outstanding December 31, 1948: \$184,693,825.

Authorized lending period: Three years beginning June 13, 1933, ending June 12, 1936.

Number of applications received: 1,886,491. (This figure does not include applications presented but not accepted because ineligible.)

Number of loans closed: 1,017,821.

Dollar amount of loans closed: \$3,093,451,321.

Average size of loans made: \$3,039.

Number of cities and towns in which loans were made: Approximately 19,000.

Period for which loans were made: 15 years; subsequently extended where the facts justified, to 25 years.

Interest charged on loans: 5 percent; subsequently accepted 4½ percent after October 16, 1939, without rewriting of the mortgage contract.

Total disbursement to mortgagees in refinancing operations: \$2,750,000,000.

To banks and trust companies: \$935,000,000.

To savings and loan associations and similar institutions: \$770,000,000.

To finance and mortgage companies: \$195,000,000.

To insurance companies: \$165,000,000.

To estates: \$110,000,000.

To individuals: \$575,000,000.

# HOME LOAN BANK BOARD

Cumulative disbursements for taxes, insurance, reconditioning, and repairs :  
\$711,000,000.

Personnel at peak : 20,811 as of November 1934.

Personnel on December 31, 1948 : 473.

Number of offices at peak : 458, including State and regional offices.

Number of offices as of December 31, 1948 : 1.

Investments in savings and loan associations :

Shares purchased-----	\$223, 856, 710
Repurchases -----	217, 974, 060

On hand December 31, 1948-----	5, 882, 650
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Percent of liquidation as of December 31, 1948 : 89.4 percent.

## Exhibit 14

### HOME OWNERS' LOAN CORPORATION

*Balance sheet at Dec. 31, 1948*

#### ASSETS

Mortgage loans, vendee accounts, and advances—at present face value-----	\$368, 908, 061. 42
Interest receivable-----	1, 184, 649. 59
Property :	
Owned -----	\$3, 687. 61
In process of acquiring title-----	24, 333. 70
	<u>1 28, 021. 31</u>
	370, 120, 732. 32
Less: Reserve for losses-----	2, 629, 943. 96
	<u>367, 490, 788. 36</u>

Investments—at cost :

Savings and loan associations :

Federal chartered---- \$3, 667, 150. 00

State chartered----- 2, 215, 500. 00

5, 882, 650. 00

Public debt obligations of the United

States (borrowers' special deposits)—at

face value----- 12, 400, 000. 00

18, 282, 650. 00

Bond retirement fund: Cash (including \$2,-

557,675.00 deposited with U. S. Treasury for

retirement of matured bonds)----- 2, 657, 379. 30

<sup>1</sup> Property owned and property in process of acquiring title are stated at values represented by unpaid balances of loans and advances, unpaid interest to date of foreclosure sale or judgment, foreclosure costs, net charges prior to date of acquisition, and permanent additions, initial repairs and reconditioning subsequent to acquisition. Unpaid interest included in these values amounts to \$1,224.95.

*Balance sheet at Dec. 31, 1948—Continued*

## ASSETS—continued

## Cash :

Operating funds (includes \$943,849.23 payable to bond retirement fund in January 1949; and \$1,276,861.34 deposited by borrowers and employees—see contra)-----	\$5,995,624.47	
Special funds held by U. S. Treasury for payment of interest coupons (see contra)-----	278,649.10	
Special funds—Federal tax withheld (see contra)-----	40,711.80	
Special funds—held by U. S. Treasury for refunding of 1½ percent series M bonds called as of June 1, 1945-----	136,150.00	
		<hr/> \$6,451,135.37

## Fixed assets:

Furniture, fixtures, and equipment—at cost-----	310,044.22
Less: Reserve for depreciation-----	310,044.22

## Other assets:

Accounts receivable-----	77,082.44
Less: Reserve for uncollectible accounts receivable-----	70,781.46
	<hr/> 6,300.98
Dividends receivable-----	67,519.00

Deferred and unapplied charges-----	<hr/> 73,819.98
	29,728.36
	<hr/> 394,985,501.37

## LIABILITIES AND CAPITAL

## Bonded indebtedness:

(Guaranteed as to principal and interest by United States, except \$103,400 of unpaid matured 4 percent bonds guaranteed as to interest only):

Bonds outstanding—not matured---	\$182,000,000.00	
Bonds matured—on which interest has ceased-----	2,693,825.00	
	<hr/>	\$184,693,825.00

## HOME LOAN BANK BOARD

*Balance sheet at Dec. 31, 1948—Continued*

## LIABILITIES AND CAPITAL—continued

## Accounts payable:

Interest due (see contra)-----	\$278,649.10	
Accrued payroll-----	30,450.59	
Insurance premiums-----	103,240.01	
Special deposits:—		
By borrowers-----	13,664,121.61	
By employees (savings bonds)-----	4,135.15	
Civil service retirement deductions—	8,604.58	
Federal tax withheld (see contra)	40,711.80	
Miscellaneous-----	19,306.87	
		\$14,149,219.71
Accrued liabilities-----		46,912.72
Deferred and unapplied credits-----		255,535.58
Reserve for fidelity and casualties-----		247,125.00
Capital stock less deficit:		
Capital stock: Authorized, issued, and outstanding-----	200,000,000.00	
Deficit:		
Losses in excess of net earnings----- <sup>2</sup>	\$1,530,047.68	
Reserves for future losses -----	2,877,068.96	4,407,116.64
		195,592,883.36
		394,985,501.37

<sup>2</sup> 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.

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.

## Exhibit 15

## HOME OWNERS' LOAN CORPORATION

*Statement of income and expense from the beginning of operations—June 13, 1933 to December 31, 1948*

## Operating and other income:

## Interest:

Mortgage loans and advances\_\_\_\_ \$1, 043, 903, 366. 82  
 Vendee accounts and advances\_\_\_\_ 129, 491, 806. 46

1, 173, 395, 173. 28

Special investments----- 1, 250, 144. 88

\$1, 174, 645, 318. 16

Property income----- 138, 645, 358. 38

Dividends received—F. S. & L. I. C.----- 28, 217, 076. 07

Dividends on investments in savings and loan associ-  
 ations----- 44, 660, 863. 36

Miscellaneous----- 9, 425, 620. 04

1, 395, 594, 236. 01

## Operating and other expenses:

Interest on bonded  
 indebtedness ---- \$653, 706, 094. 94

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

\$652, 087, 228. 51

Discount on refunded bonds----- 7, 147, 710. 28

659, 234, 938. 79

Administrative expenses----- 268, 508, 909. 38

General expenses----- 18, 647, 210. 52

Property expense----- 112, 826, 481. 56

1, 059, 217, 540. 25

Net income before provision for losses which may be sus-  
 tained in the liquidation of assets-----

336, 376, 695. 76

## Provision for losses:

On mortgage loans, interest, and  
 property----- \$349, 737, 153. 25

For fidelity and casualties----- 1, 355, 270. 86

For fire and other hazards----- 881, 252. 50

For uncollectible accounts receiv-  
 able----- 63, 421. 26

352, 037, 097. 87

Loss for period June 13, 1933 to Dec. 31, 1948-----

15, 660, 402. 11

Deduct: Surplus adjustments—reserve against fire and other  
 hazards, reserve for losses on mortgage loans, interest and  
 property and unlocated payments (net)-----

11, 253, 285. 47

Deficit at Dec. 31, 1948-----

4, 407, 116. 64

## HOME LOAN BANK BOARD

## Exhibit 16

## HOME OWNERS' LOAN CORPORATION

*Statement of income and expense for the calendar year 1948*

## Operating and other income:

## Interest:

Mortgage loans and advances-----	\$12,200,039.36
Vendee accounts and advances-----	6,893,087.50

19,093,126.86

Special investments-----	141,763.10
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Total-----	19,234,889.96
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Property income-----	2,663.71
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Dividends received from savings and loans associations-----	178,235.80
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Dividends received from F. S. & L. I. C-----	25,181,749.98
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Miscellaneous-----	784,275.89
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Total income-----	45,381,815.34
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## Operating and other expenses:

Interest on bonded indebtedness-----	3,337,890.13
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## Administrative and general expenses:

Administrative expenses-----	2,395,209.25
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General expenses-----	25,524.70
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Property expense-----	<sup>1</sup> 6,654.20
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Total expense-----	5,751,969.88
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## Net income before provision for losses which may be sustained in the liquidation of assets-----

39,629,845.46

## Provision for losses:

On mortgage loans, interest and property-----	—
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For fidelity and casualties-----	17,123.00
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For fire and other hazards-----	—
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For uncollectible accounts receivable-----	7,373.57
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24,496.57

Net income for calendar year after provision for losses---	39,605,348.89
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Deficit at Dec. 31, 1947-----	\$54,012,370.57
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Deduct: Surplus adjustments—net-----	9,999,905.04
	44,012,465.53

Deficit at Dec. 31, 1948-----	4,407,116.64
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<sup>1</sup> Net credit.

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