82d Congress, 1st Session House Document No. 169

REPORT ON AUDIT OF THE FINANCIAL STATEMENTS AND ACCOUNTS OF THE HOME LOAN BANK BOARD AND THE ORGANIZATIONS UNDER ITS SUPERVISION

LETTER

FROM THE

COMPTROLLER GENERAL OF THE UNITED STATES

TRANSMITTING

THE REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS AND ACCOUNTS OF THE HOME LOAN BANK BOARD AND THE ORGANIZATIONS UNDER ITS SUPERVISION, CONSISTING OF THE ELEVEN FEDERAL HOME LOAN BANKS, FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION, AND HOME OWNERS' LOAN CORPORATION, FOR THE YEAR ENDED JUNE 30, 1950

JUNE 18, 1951.—Referred to the Committee on Expenditures in the Executive Departments, and ordered to be printed

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LETTER OF TRANSMITTAL

General Accounting Office,
Comptroller General of the United States,
Washington 25, June 15, 1951.

The honorable the Speaker of the House of Representatives.

Dear Mr. Speaker: There is presented herein report on the audit of the financial statements and accounts of the Home Loan Bank Board and the organizations under its supervision, consisting of the eleven Federal home loan banks, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation, for the year ended June 30, 1950. This audit was made by the Corporation Audits Division of the General Accounting Office pursuant to the requirements of the Government Corporation Control Act (31 U. S. C. 841), and the Budget and Accounting Act of 1921, as amended.

Respectfully submitted.

Lindsay C. Warren,
Comptroller General of the United States.

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REPORT ON AUDIT OF THE FINANCIAL STATEMENTS AND ACCOUNTS OF THE HOME LOAN BANK BOARD AND THE ORGANIZATIONS UNDER ITS SUPERVISION, FOR THE YEAR ENDED JUNE 30, 1950

General Accounting Office,
Corporation Audits Division,
Washington 25, D. C.

Hon. Lindsay C. Warren,
Comptroller General of the United States.

Dear Mr. Warren: We have examined the financial statements and accounts of the Home Loan Bank Board and the organizations under its supervision, consisting of the eleven Federal Home Loan Banks, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation, for the year ended June 30, 1950, pursuant to the requirements of the Government Corporation Control Act (31 U. S. C. 841). As required by section 301 (a) of the act, we utilized to the fullest extent practicable the reports of supervisory examinations made by the Home Loan Bank Board. The accounts of the HLBB were also audited under the Budget and Accounting Act of 1921, as amended. Previously we have rendered separate reports on the supervised organizations. A single report is presented this year inasmuch as the organizations are closely related and under joint supervision by the HLBB.

The Home Loan Bank Board is a constituent organization of the Housing and Home Finance Agency (having been so established by Reorganization Plan No. 3 of 1947, effective July 27, 1947, 5 U. S. C. 133y–16 note). It is under the general supervision and coordination of the Administrator of the Housing and Home Finance Agency.

Our report consists of two parts:

Part I------	Summary of Report, Other Comments, Recommendations, Scope of Audit and Opinion
Part II-----	Purpose and Financing, Organization and Management, Operations, and Financial Statements
	Section A—Home Loan Bank Board
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PART I

SUMMARY OF REPORT, OTHER COMMENTS, RECOMMENDATIONS, SCOPE OF AUDIT AND OPINION

PART I

Summary of Report

Home Loan Bank Board

The Federal Home Loan Bank Act of 1932 (12 U. S. C. 1423, 1437) created the functions now being carried on by the Home Loan Bank Board (a nonincorporated Government agency) for the purpose of establishing and supervising a Federal Home Loan Bank System to supply credit to building and loan associations, savings and loan associations, cooperative banks, homestead associations, insurance companies, and savings banks. This system was designed to provide a stabilizing and strengthening credit system for the savings and loan field. The Home Owners' Loan Act of 1933 (12 U. S. C. 1461) made the Home Loan Bank Board concurrently the board of directors of Home Owners' Loan Corporation and authorized the Board to grant Federal charters to savings and loan associations for the purpose of expanding facilities for thrift and home financing. The National Housing Act of 1934 (12 U. S. C. 1725 (a)) created Federal Savings and Loan Insurance Corporation and made the Home Loan Bank Board the board of trustees of that Corporation.

The HLBB directs the corporations through a supervisory and administrative organization. This organization performs both supervisory and common service functions. The expenses of the Board are paid from assessments on the supervised organizations and from fees derived from examinations of savings and loan associations made for the joint purposes of the supervised organizations. The working fund used by HLBB has been derived from excess assessments to the banks and is subject to being credited against subsequent assessments. During the 1950 fiscal year there were no significant changes in the functions or organization of the Board.

Federal home loan banks

There are 11 Federal home loan banks each serving a geographical area. Each of the banks is directly supervised by a board of 12 directors, four of whom are appointed by the HLBB and the remainder are elected by member institutions subject to approval by the Board. The actions of the boards of directors are subject to close control and approval by HLBB. The banks derive their funds from subscriptions to capital stock by member institutions and the United States Government, from issuance of their consolidated obligations, from deposits with them by members, and from earnings. Legislation [1] enacted June 27, 1950, authorized the Secretary of the Treasury to loan up to $1 billion to the banks. Their funds are used to make advances to members needing funds, for investments as required by law for their reserves and other purposes, and for their operating expenses. The banks are authorized to declare dividends out of earnings. Their net earnings ($5,532,430) for the 1950 fiscal year increased approxi-

[1] 64 Stat. 256.

mately 25 percent over 1949 principally as a result of reducing their cost for funds by utilizing increased members' deposits to reduce outstanding consolidated obligations. Interest costs on deposits are less than on consolidated obligations. Advances to members increased decidedly in the last two months of the fiscal year. Funds for the increase in advances were provided by a reduction of investment in Government securities. The relatively minor increase in net assets of the banks at June 30, 1950, compared with June 30, 1949, resulted from retained earnings.

Federal Savings and Loan Insurance Corporation

FS&LIC was created by the National Housing Act in 1934 for the purpose of insuring within prescribed limits the accounts of investors in savings and loan and similar institutions. It is under the immediate direction of a general manager. By legislation [1] approved June 27, 1950, the premium rate charged for insurance was reduced from ⅛ of 1 percent to $\frac{1}{12}$ of 1 percent retroactive to July 1, 1949. In addition, the legislation provided a basis for liquidating accrued dividends payable by the Corporation and required the annual payment of interest in lieu of dividends on the investment of the Government in the Corporation at a rate to be determined by the Secretary of the Treasury. Income is derived from insurance premiums, interest on investments, and admission fees charged newly insured institutions. Expenses consist of insurance losses and operating expense. Net earnings from operations ($11,991,658) decreased 17 percent in 1950 as a result of the reduction in premium rate, although insured investors' accounts increased. The new legislation also provided that 50 percent of the net earnings shall be applied to the reduction of the Government investment, authorized borrowing from the Secretary of Treasury up to $750 million, and revoked authority to borrow from any other source. During the year the Corporation exercised its authority to purchase the assets of an insured institution to prevent default. Retained net earnings constitute a reserve for insurance which at June 30, 1950, was .84 of 1 percent of insured investors' accounts and creditor obligations of insured institutions compared with .90 of 1 percent at June 30, 1949. The lower ratio was due principally to increased insurance liability.

Home Owners' Loan Corporation

Home Owners' Loan Corporation was created in 1933 for the purpose of providing emergency relief to financial institutions and home owners in refinancing home mortgages. Its entire capital stock of $200 million was held by the Government, and additional funds were obtained through issuance of bonds in payment for mortgages and to the public. The Corporation since 1936 has been servicing these mortgages and mortgages acquired in refinancing properties. A program of liquidation was undertaken in 1948 and considerably intensified in 1950. With funds derived from liquidating its investments, the Corporation has retired all indebtedness and reduced the investment of the Government to $74 million at June 30, 1950. Net earnings for the 1950 fiscal year amounted to $8,908,073. Liquidation prospects indicate that the Corporation will be fully liquidated by June 30, 1951, and that it will be able to return the entire remaining

[1] 64 Stat. 256.

investment of the Government with a sizable surplus. Cumulative earnings to June 30, 1950, amounted to over $12 million.

Other Comments

HLBB incurred expenses on behalf of FS&LIC amounting to $20,627 in excess of the amount actually assessed to FS&LIC. Had the assessment to FS&LIC been in the amount of the allocable expense, the authorized limitation on administrative expenses of FS&LIC would have been exceeded by $6,773.

Recommendations to the Congress

Since our last reports the Congress enacted legislation (Public Laws 576 and 797, approved June 27 and September 21, 1950, respectively) making certain basic changes in the organic acts of the Federal home loan banks and FS&LIC designed "to add further strength to the private savings and loan industry as a vehicle both for the financing of homes and the encouragement of savings." Many of the changes were the subject of principal recommendations to the Congress contained in our previous reports. They included provision for retirement of the Government's investment in the banks and the capital stock of the FS&LIC, authority for the United States Treasury to supply funds when needed to the Federal home loan banks and FS&LIC with payment of interest to the Treasury for use of the funds, and continuation of an audit and report to the Congress under the Government Corporation Control Act on the financial transactions of the banks and FS&LIC by the Comptroller General after retirement of the Government's investment.

In view of the recency of congressional consideration given to the organic laws, we are not making new recommendations to the Congress in this report. However, we believe that, as previously recommended by us, all readily determinable costs of the Government applicable to a revenue-producing activity should be borne by the activity. Some costs relating to revenue-producing activities are borne by other Government agencies under present law. These costs include the Government's share of the costs for retirement, disability, and compensation benefits for employees, use of space in Government-owned buildings, and services provided by the Department of Justice and Treasury Department.

Home Loan Bank Board

The Home Loan Bank Board supervises the activities of the banks, FS&LIC, Federal savings and loan associations and the examination of savings institutions on behalf of its various functions. The expenses of the Board are paid from assessments, reimbursements, and fees charged for examinations. The HLBB is not required by law to pay rent for office space occupied by its employees in a Government-owned building, the Government's share of the costs for retirement, disability, and compensation benefits to its employees, the cost of legal services provided by the Department of Justice, or the cost of disbursing facilities furnished by the Treasury Department. We recommend that the HLBB be required to pay these costs to the Government and in turn include them in the assessments, reimbursements, and fees paid by the revenue-producing organizations on behalf of whom they are incurred.

Federal Savings and Loan Insurance Corporation

FS&LIC is a wholly owned Government corporation. It is required by law to pay rent for office space occupied in Government buildings in the District of Columbia. It does not use the disbursing facilities of the Treasury Department. But FS&LIC is not required by law to pay the Government's share of the cost of retirement, disability, and compensation benefits to its employees or the cost of legal services provided by the Department of Justice. We recommend that FS&LIC be required to pay these latter costs so that the full cost of operating this activity will be borne by revenues produced by its operations and will be included in its financial statements.

General

In view of the liquidation of the HOLC, it is omitted from our recommendations. In previous reports we have recommended that title I of the Government Corporation Control Act be amended to include the Home Loan Bank Board. This recommendation is not renewed.

Scope of Audit and Opinion

We have examined the balance sheets of the Home Loan Bank Board, Federal home loan banks, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation as of June 30, 1950, and the related statements of income for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and transactions and such other auditing procedures as we considered necessary in the circumstances and appropriate in view of the effectiveness of the systems of internal control and the work performed by the auditing department of the Home Loan Bank Board.

As required by the Government Corporation Control Act, we utilized to the fullest extent practicable the reports of supervisory examinations, after a review of related working papers and field surveys of certain banks during which we observed the actual conduct of an examination. The examinations made by the auditing department conformed to generally accepted auditing standards and included all procedures we considered necessary in the circumstances.

During our audit we observed no program, expenditure, or other financial transaction or undertaking which, in our opinion, was carried on or made without authority of law.

In our opinion, the financial statements presented in part II of this report present fairly the financial position of the Home Loan Bank Board, Federal home loan banks, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation at June 30, 1950, and the results of their operations for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

Stephen B. Ives,
Director of Corporation Audits.

PART II

PURPOSE AND FINANCING, ORGANIZATION AND MANAGEMENT, OPERATIONS, AND FINANCIAL STATEMENTS

PART II

Section A—Home Loan Bank Board

Purpose and financing

The Home Loan Bank Board under the Federal Home Loan Bank Act of 1932 has the authority to establish, regulate, and supervise a Federal Home Loan Bank System for the purpose of creating a reservoir of credit throughout the country from which home-financing institutions might secure funds to meet reasonable withdrawal requests by investors and to meet home-financing needs of communities.

By subsequent legislation, the HLBB was authorized to charter and regulate Federal savings and loan associations to assist in developing sound financial practices in the savings and loan and home financing field, and it was made the board of trustees of the Federal Savings and Loan Insurance Corporation and the board of directors of the Home Owners' Loan Corporation. The purposes of the latter organizations are set forth in sections C and D of this report.

The Board's expenses are classified by law as administrative and nonadministrative. The administrative expenses are paid from assessments made on the various organizations under the direction of the Board. The nonadministrative expenses, consisting principally of the expense of making examinations of institutions, are paid from per diem fees charged for examinations and from reimbursements. The Board does not receive funds appropriated from the United States Treasury for any of its activities, but its administrative expenses are subject to an annual limitation set by the Congress. The nonadministrative expenses are not limited by the Congress, but they are apportioned by the Bureau of the Budget.

Following is a summary of the sources and application of funds during the 1950 fiscal year.

Sources of funds:	
Assessments on:	
Federal home loan banks	$427,500
Federal Savings and Loan Insurance Corporation	186,200
Home Owners' Loan Corporation	88,440
Fees for examination of institutions	1,615,798
	$2,317,938
Application of funds:	
Operating expenses, net	$2,288,076
Increase in working capital	29,862
	$2,317,938

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Organization and management

The Board consists of three full-time members appointed by the President, on a bipartisan basis, by and with the advice and consent of the Senate. The Board has under its immediate direction organizations established for the purpose of supervising the operations of the Federal home loan banks, Federal Savings and Loan Insurance Corporation, Home Owners' Loan Corporation, and of chartering and supervising Federal savings and loan associations. Certain of the organizational units under the immediate direction of the Board provide common services for the activities it supervises, i. e., legal, auditing, financial reporting, and administrative services. A chart of the organization showing the principal divisions and their functions appears on page 65. There were no major organizational changes during the 1950 fiscal year. The Board is under the general supervision and coordination of the Administrator of the Housing and Home Finance Agency.

Operations

The principal activity of the Board consists of establishing policies for and supervising their execution by the respective organizations which it heads. No new activities were undertaken during 1950.

The HLBB grants charters to and regulates Federal savings and loan associations. Twenty associations were granted charters during 1950, increasing the number in existence at June 30, 1950, to 1,515. No fees are charged by the Board for considering applications for or granting Federal charters. The expense of carrying on this activity is borne out of assessments to the Federal home loan banks. This policy of the Board may be contrasted with the practice of most states of charging a fee for granting charters and the supervision they entail.

The Board has under its immediate direction an Examining Division that makes regular examinations of Federal- and state-chartered insured associations to ascertain their financial condition and compliance with prescribed regulations applicable to membership in the Federal home loan banks and to federally chartered associations. These examinations are also used by the banks in supervising their members. Special examinations are made of applicants for insurance, for membership in the banks, and for Federal charters. The expenses of the division are paid from per diem fees charged for examinations. The per diem fee was increased to $34 in 1950 from $30 charged during 1949. The Board revised its examination policy so that examinations previously required annually would be made periodically. At June 30, 1950, examinations were current.

Following is a comparison of the expenses of the Board, the assessments to the various organizations for expenses, and the fees and other receipts resulting from its activities for the fiscal years 1950 and 1949, together with changes during the year in working capital (excess assessments).

	Year ended June 30 1950	Year ended June 30 1949	Increase (− decrease)
Operating expenses:			
Salaries	$1,869,763	$1,785,176	$84,587
Travel	352,568	258,632	93,936
Other	112,662	108,707	3,955
Total operating expenses	2,334,993	2,152,515	182,478
Deduct miscellaneous income and reimbursements:			
Federal Savings and Loan Insurance Corporation	14,852	13,133	1,719
Home Owners' Loan Corporation	2,641	5,508	−2,867
Other Government agencies	27,228	25,587	1,641
Other	2,196	1,022	1,174
	46,917	45,250	1,667
Net expenses	2,288,076	2,107,265	180,811
Fees received for examinations	1,615,798	1,428,274	187,524
Assessments to:			
Federal home loan banks	427,500	433,679	−6,179
Federal Savings and Loan Insurance Corporation	186,200	162,039	24,161
Home Owners' Loan Corporation	88,440	104,910	−16,470
Total assessments and fees	2,317,938	2,128,902	189,036
Assessments and fees in excess of expenses	29,862	21,637	8,225
Working capital at beginning of year	216,093	273,135	−57,042
	245,955	294,772	−48,817
Assessment credits to Federal home loan banks, applicable to prior years		78,679	−78,679
Working capital at end of year	$245,955	$216,093	$29,862

An analysis of the expenses allocable to the various activities under supervision of HLBB and the related fees and assessments shows (schedule A–1, page 22):

	Allocated expense, net	Assessments and fees	Assessment and fees over (−under) expense
FHLB	$394,784	$427,500	$32,716
FS&LIC	206,827	186,200	−20,627
HOLC	88,440	88,440	
Examining Division	1,598,025	1,615,798	17,773
	$2,288,076	$2,317,938	$29,862

The Board assessed FS&LIC $186,200, or $20,627 less than the allocable expenses. If the full amount of the allocable expense had been assessed to FS&LIC, the authorized administrative expenses for FS&LIC would have been exceeded by $6,773. The effect of the underassessment to FS&LIC is to charge the Federal home loan banks with expense not properly allocable to their supervision.

Fees derived from examinations exceeded the expense by $17,773, reducing the deficit for this activity from inception to $155,524. The increase in fees during 1950 was due largely to the increased per diem rate charged for examinations.

Net expenses for 1950 exceeded those for 1949 by $180,811. The increase was due principally to increased salary and per diem travel rates established by law.

The limitation of $427,500 on expenses of the Board charged to the Federal home loan banks, established by the Independent Offices Appropriation Act, 1950 (63 Stat. 631), was not exceeded.

The Operating Analysis Division of FS&LIC prepares statistical reports that are used by HLBB and the banks in supervising member institutions of the banks. For this reason, 50 percent of the expenses of this division are allocated to HLBB (see our comment at page 44). For the 1950 fiscal year the amount so allocated was about $53,000. This amount is not specifically shown on schedule A-1, page 22, but it was considered by HLBB in allocating its expenses to the banks and FS&LIC.

Financial position

Following is a summary of the financial position of HLBB at June 30, 1950 and 1949, and the changes resulting from operations during the 1950 fiscal year.

	June 30		
Assets	*1950*	*1949*	*Increase*
Cash	$340,434	$115,204	$225,230
Accounts receivable:			
Insured institutions for examining fees	165,034	146,300	18,734
Government agencies	12,715	6,669	6,046
Long Beach Federal Savings and Loan Association	89,781	89,781	----------
Advances to employees for travel expenses	22,835	----------	22,835
Other	366	----------	366
Inventory of supplies and materials	9,627	----------	9,627
	$640,792	$357,954	$282,838
Liabilities			
Accounts payable and accrued liabilities	$167,337	$141,861	$25,476
Assessments collected in advance from Federal home loan banks for 1951 operations	227,500	----------	227,500
Working capital derived from excess assessments against Federal home loan banks, less Examining Division deficit of $155,524	245,955	216,093	29,862
	$640,792	$357,954	$282,838

The increase of $225,230 in the cash balance at June 30, 1950, was due to an advance payment by the banks of $227,500 representing a portion of their assessments applicable to 1951 operations.

The $89,781 due from the Long Beach Federal Savings and Loan Association represents the unreimbursed costs incurred in the conduct of the association's affairs while the association was under the control of a conservator appointed by the Commissioner of the Federal Home Loan Bank Administration on May 20, 1946. The total expenses incurred by the conservatorship were $158,342, of which $68,561 was reimbursed to HLBB by the conservator. On terminating the conservatorship the association refused to make reimbursement. Litigation is now pending in the United States District Court for the Southern District of California, Central Division, involving the Long Beach Federal Savings and Loan Association, in which the validity of the conservatorship, certain damages, and other matters are at issue. In the opinion of the general counsel of HLBB and of Department of Justice attorneys, the action and claim have no validity, and the suit is being defended.

Assessments against the banks are authorized by section 18 (b) of the Federal Home Loan Bank Act (12 U. S. C. 1438) to defray the expenses of the Home Loan Bank Board. Assessments to date have exceeded expenses of the Board. The funds derived from the excess assessments are used for working capital. Excess assessments against Federal home loan banks, less Examining Division deficit, increased by $29,862 to $245,955 during the 1950 fiscal year. The cumulative excess assessments and deficit from inception to June 30, 1950, is represented by:

Federal home loan banks:		
Assessments made	$5, 536, 228	
Expenses allocated	5, 134, 749	
Excess assessments		$401, 479
Examining Division:		
Expenses allocated	14, 084, 839	
Fees derived from examinations	13, 929, 315	
Deficit		155, 524
Excess assessments less deficit of Examining Division		$245, 955

In previous audit reports we recommended that the excess assessments be returned to the banks; in the 1949 fiscal year HLBB allowed credits totaling $78,679 against the assessments on the banks. No credits were allowed in the 1950 fiscal year, but we have been informed the HLBB plans to allow additional credits to the banks when it considers that conditions are appropriate.

In our 1949 audit report (H. Doc. 578, 81st Cong.) we suggested that the Examining Division deficit be charged against FS&LIC. The HLBB has decided that it will not make an assessment against FS&LIC for this deficit.

FINANCIAL STATEMENTS

EXHIBIT A-1

HOME LOAN BANK BOARD

BALANCE SHEET—JUNE 30, 1950

ASSETS

CASH		$340,434
ACCOUNTS RECEIVABLE:		
Insured institutions for examining fees	$165,034	
Government agencies	12,715	
Long Beach Federal Savings and Loan Association	89,781	
Advances to employees for travel expenses	22,835	
Other	366	290,731
INVENTORY OF SUPPLIES AND MATERIALS, at cost		9,627
FIXED ASSETS:		
Furniture, fixtures, and equipment at cost $190,949, fully depreciated		----------
		$640,792

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:	
Due Government agencies	$69,299
Accrued salaries	35,255
Other payables	62,783
DEFERRED CREDITS:	
Assessments collected in advance from Federal home loan banks	227,500
WORKING CAPITAL derived from excess assessments made against Federal home loan banks, less deficit of $155,524 incurred by the Examining Division (exhibit A-2)	245,955
	$640,792

The notes on page 21 are an integral part of this statement.

EXHIBIT A-2

HOME LOAN BANK BOARD

STATEMENT OF EXPENSES AND ASSESSMENTS

For the Year Ended June 30, 1950

Operating expenses:	
Salaries	$1,869,763
Travel	352,568
Transportation of things	2,384
Communications	17,267
Rents and utilities	36,453
Printing and binding	3,032
Other contractual services	6,433
Services of other Government agencies	2,756
Supplies and materials	21,644
Equipment	22,693
Total operating expenses (schedule A-1)	2,334,993
Less miscellaneous income and reimbursements:	
Federal Savings and Loan Insurance Corporation	14,852
Home Owners' Loan Corporation	2,641
Other Government agencies	27,228
Other	2,196
	46,917
Net expenses	2,288,076
Assessments and fees derived from examinations:	
Federal home loan banks	427,500
Federal Savings and Loan Insurance Corporation	186,200
Home Owners' Loan Corporation	88,440
Fees derived from examination of insured institutions	1,615,798
	2,317,938
Assessments in excess of expenses	29,862
Working capital at beginning of fiscal year	216,093
Working capital at end of fiscal year (exhibit A-1)	$245,955

The notes on page 21 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. A suit is pending in the United States District Court for the Southern District of California, Central Division, against the Federal Home Loan Bank of San Francisco, Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, and others, and a claim has been made on behalf of the Long Beach Federal Savings and Loan Association alleging substantial damages. In the opinion of general counsel of HLBB and of the Department of Justice attorneys, the action and claim have no validity, and the suit is being defended.

2. The estimated liability for employees' accumulated annual leave, which was not recorded in the accounts, was approximately $377,000 at June 30, 1950.

3. Certain costs, which the Board is not required by law to pay, are borne by other Government agencies. These costs are not shown in the financial statements. They include the Government's share of the cost of retirement, disability, and compensation benefits to employees; free office space; and services rendered by the Justice and Treasury Departments.

SCHEDULE A-1

HOME LOAN BANK BOARD

STATEMENT OF EXPENSES AND ASSESSMENTS AND THEIR ALLOCATION

For the Year Ended June 30, 1950

	Federal home loan banks	*Federal Savings and Loan Insurance Corporation*	*Home Owners' Loan Corporation*	*Examining Division*	*Other Government agencies*	*Total expenses*	*Salaries*	*Other expenses*
OFFICE:								
Office of HLBB Chairman	$8,557	$8,769	$8,770	$907		$27,003	$22,685	$4,318
Offices of HLBB members	14,923	16,200	16,199	1,688		49,010	42,187	6,823
Assistant to the Board	6,013	6,782	6,782		$2,119	21,696	18,876	2,820
Assistant to the Board Chairman	4,132	3,975	3,975			12,082	11,907	175
Budget Office	2,710	3,457	3,456	998		10,621	9,980	641
Office of the Secretary:								
Duplicating section	13,716	12,274	2,602	9,691	20,455	58,738	45,320	13,418
Docket section	9,169	4,493	295	1,892		15,849	15,636	213
Other	36,112	27,355	11,289	6,276		81,032	74,890	6,142
Office of Information	3,819	4,207	4,207			12,233	11,549	684
Auditing Department	52,835	15,114	9,163	2,009		79,121	57,426	21,695
Legal Department	57,212	50,638	14,273	219		122,342	109,349	12,993
Personnel Department	11,846	3,710	7,421	8,007	4,162	35,146	33,772	1,374
Supervisory Division	78,272	39,385		12,031		129,688	120,312	9,376
Division of Federal Home Loan Bank Operations:								
Comptroller's section	15,811	3,169	2,072	40,629	492	62,173	57,475	4,698
Other	67,692					67,692	62,481	5,211
Division of Federal Savings and Loan Operations	12,605	19,035				31,640	29,906	1,734
Examining Division		1,441		1,510,553		1,511,994	1,146,012	365,982
Total	395,424	220,004	90,504	1,594,900	27,228	2,328,060	1,869,763	458,297

Miscellaneous Expenses:								
Advisory Council travel expenses	3,743	...	...	...	...	3,743	...	3,743
Board room expenses	726	538	538	...	...	1,802	...	1,802
Nondepartmental expenses	343	149	39	1,025	...	1,556	...	1,556
Stockroom withdrawals	−3,088	988	...	2,100	...	...	...	...
Prior year expenses	−168	...	...	...	...	−168	...	−168
Total operating expenses	396,980	221,679	91,081	1,598,025	27,228	2,334,993	$1,869,763	$465,230
Less miscellaneous income and reimbursements:								
Federal Savings and Loan Insurance Corporation	...	14,852	...	...	...	14,852		
Home Owners' Loan Corporation	...	...	2,641	...	...	2,641		
Other Government agencies	...	...	...	...	27,228	27,228		
Other	2,196	...	...	...	...	2,196		
	2,196	14,852	2,641	...	27,228	46,917		
Net expense allocations	394,784	206,827	88,440	1,598,025	...	2,288,076		
Assessments and Fees Derived From Examinations:								
Federal home loan banks	427,500	...	...	...		427,500		
Federal Savings and Loan Insurance Corporation	...	186,200	...	...		186,200		
Home Owners' Loan Corporation	...	...	88,440	...		88,440		
Fees derived from examination of insured institutions	...	...	...	1,615,798		1,615,798		
Total	427,500	186,200	88,440	1,615,798		2,317,938		
Excess Assessments (−Under Assessment)	$32,716	−$20,627	...	$17,773		$29,862		

PART II

Section B—Federal Home Loan Banks

Purpose and financing

The Federal home loan banks were chartered in 1932, pursuant to the Federal Home Loan Bank Act (12 U. S. C. 1423), for the purpose of providing a credit reserve for building and loan associations, savings and loan associations, cooperative banks, homestead associations, insurance companies, and savings banks. The Federal home loan banks and their members constitute the Federal Home Loan Bank System, which performs substantially the same function for its members that the Federal Reserve System performs for commercial banks and the Federal land banks perform in the field of farm finance. The system was intended to exert a stabilizing and strengthening effect upon the members of the banks by providing a source of short- and long-term mortgage financing.

Twelve district banks were organized in 1932, each serving a geographical area. There were 11 district banks at June 30, 1950, the former Los Angeles and Portland banks having been merged into a new bank at San Francisco in March 1946. The San Francisco bank continues to operate Los Angeles and Portland branches. Membership in the banks at June 30, 1950, increased from the total of the previous year.

June 30	Total membership	Borrowing members	
		Number	Percent of total
1948	3,733	1,911	51
1949	3,813	1,665	44
1950	3,898	1,665	43

The banks obtain funds from subscriptions to capital stock, issuance of their own obligations, deposits of member institutions, and from earnings. Capital stock of the banks is held by the United States Government and member institutions. The banks are defined by the Government Corporation Control Act of 1945 (31 U. S. C. 857) as mixed-ownership corporations. Originally the Government subscribed and paid for capital stock of $124,741,000, of which $49,519,100 had been retired as of June 30, 1950, leaving a Government interest in the banks of $75,221,900. Beginning in the 1950 fiscal year the banks have followed an aggressive policy of retiring Government capital. At June 30, 1950, the Government capital in the Cincinnati, Indianapolis, and Des Moines banks had been fully retired. Formerly retirement of the Government capital in the banks removed them from audit by the General Accounting Office under the Government Corporation Control Act, but by legislation approved June 27, 1950 (64 Stat. 256), the banks will be audited under the Government Corporation Control Act irrespective of whether the Government owns capital stock of the banks. The new legislation also provides a plan for accelerated retirement of Government-owned stock in the banks.

Member institutions originally were required to subscribe to capital stock equal to at least 1 percent of the unpaid principal of their home mortgage loans with a minimum subscription of $500. New legislation approved June 27, 1950 (64 Stat. 256), requires members to increase their stockholding within one year to at least 2 percent of the unpaid principal of their home mortgages, home-purchase contracts, and similar obligations, with a minimum of $500.

Consolidated obligations of the banks issued to obtain funds are not guaranteed by the United States Government as to either principal or interest. These obligations are the joint and several obligations of the banks. Under the new legislation, approved June 27, 1950, the United States Treasury is authorized, in the discretion of the Secretary of the Treasury, to purchase obligations of the banks up to an aggregate amount outstanding at any one time of $1 billion. Each purchase is to be upon terms and conditions determined by the Secretary of the Treasury.

The banks are authorized to accept deposits of members and to make deposits with each other. These deposits are made under broad requirements established by the Home Loan Bank Board.

Funds needed for operating expenses are derived from interest income on advances, investments in securities, and deposits with other banks.

Following is a consolidated summary of the available funds and their application during the 1950 fiscal year.

Funds provided by:		
Income (excluding amortization of premiums and discount on securities, $12,241)		$5,520,186
Sale or redemption of securities (excluding profit from sale, $447,757, included in income)	$456,674,553	
Less purchase of Government securities	384,308,908	72,365,645
Increase in deposits by members and others		92,040,002
Reduction in cash		1,778,954
		$171,704,787
Funds applied to:		
Advances to borrowers (net of repayments)		$79,352,300
Redemption of consolidated notes (net of sales)		85,550,000
Retirement of capital stock owned by the Government	$27,270,800	
Less sales of stock to members (net of retirements, $516,500)	26,452,050	818,750
Net changes in other assets and liabilities		2,556,857
Dividends declared:		
Member-owned stock	2,174,409	
Government-owned stock	1,252,471	3,426,880
		$171,704,787

Organization and management

Each bank is managed by a board of directors whose actions are subject to the approval of the Home Loan Bank Board. The HLBB supervises the banks, prescribes regulations governing the nomination and election of directors, may suspend or remove any director, holds a veto power over the actions of the boards of directors, establishes credit limits, and requires that public borrowings and transactions in Government securities have the approval of HLBB and the Secretary of the Treasury, as required by law. The annual budget for operating expenses of each Federal home loan bank is subject to review and approval by HLBB. The administrative expenses of HLBB chargeable to the banks are subject to limitation by the Congress. The HLBB was required by law to make a semiannual examination of each bank, but this was changed at the end of fiscal year 1950 to require only annual examinations (64 Stat. 256).

Each board of directors consists of 12 members. Four of the directors are appointed by HLBB; 6 are elected by member institutions, with 2 being elected by each group of large, medium, and small size institutions; and 2 are elected by the membership of the bank as a whole without regard to size of member institutions. For these and other purposes the members of each bank are divided, on the basis of aggregate home mortgage loans held, into three groups representing the large, medium size, and small institutions. The HLBB designates the chairman and vice chairman of each board of directors.

During the 1950 fiscal year the Federal Home Loan Bank of Winston-Salem moved its offices to Greensboro, North Carolina, and became known as the Federal Home Loan Bank of Greensboro.

Operations

Following is a comparative consolidated summary of results of operations and changes in undivided profits of the eleven Federal home loan banks for the fiscal years 1950 and 1949.

	Year ended June 30		Increase (−decrease)
	1950	1949	
Operating income:			
Interest on advances	$7,339,818	$8,852,661	−$1,512,843
Interest on securities and other operating income	5,774,412	4,918,917	825,525
Total operating income	13,114,260	13,801,578	−687,318
Expenses:			
Operating:			
Compensation, travel, and other expenses	1,362,359	1,315,000	47,359
Assessment by HLBB (note)	427,500	355,000	72,500
	1,789,859	1,670,000	119,859
Financing:			
Interest and other costs of consolidated obligations	3,017,085	6,358,853	−3,341,768
Interest on deposits by members	3,222,864	1,517,415	1,705,449
	6,239,949	7,876,268	−1,636,319
Total expenses	8,029,808	9,546,268	−1,516,460
Net operating income	5,084,452	4,255,310	829,142
Profit on sale of securities (net) and other income	447,978	180,345	267,633
Net income	5,532,430	4,435,655	1,096,775
Deduct:			
Contributions to retirement fund—prior years	108,474	46,539	61,935
Dividends declared:			
Member-owned stock	2,174,409	1,704,683	469,726
Government-owned stock	1,252,471	1,442,855	−190,384
Transfers to reserves:			
For contingencies	776,326	491,082	285,244
Legal reserves	1,106,486	887,131	219,355
	5,418,166	4,572,290	845,876
	114,264	−136,635	250,899
Undivided profits at the beginning of the period	8,957,183	9,093,818	−136,635
Undivided profits at the end of the period	$9,071,447	$8,957,183	$114,264

NOTE: After credit of $78,679 in 1949 allowed for overassessments in prior years.

The consolidated financial position of the banks at June 30, 1950 and 1949, and the changes resulting from operations during the fiscal year 1950 were:

Assets	*June 30* 1950	*June 30* 1949	*Increase (—decrease)*
Cash	$22,832,905	$24,611,859	—$1,778,954
Advances to members and nonmembers	442,760,555	363,408,255	79,352,300
Government securities, at amortized cost	287,680,726	360,034,127	—72,353,401
Other assets	2,224,550	1,439,642	784,908
Total assets	755,498,736	749,493,883	6,004,853
Liabilities			
Deposits by members and others	321,519,106	229,479,104	92,040,002
Consolidated notes	172,000,000	257,550,000	—85,550,000
Other liabilities	3,314,670	4,978,145	—1,663,475
Total liabilities	496,833,776	492,007,249	4,826,527
Net assets	$258,664,960	$257,486,634	$1,178,326
Represented by:			
Capital stock:			
Held by members	$155,049,925	$128,597,875	$26,452,050
Held by U. S. Treasury	75,221,900	102,492,700	—27,270,800
	230,271,825	231,090,575	—818,750
Accumulated earnings allocated to:			
Legal reserve	13,766,219	12,659,733	1,106,486
Reserve for contingencies	5,555,469	4,779,143	776,326
Undivided profits	9,071,447	8,957,183	114,264
	28,393,135	26,396,059	1,997,076
	$258,664,960	$257,486,634	$1,178,326

The income of the banks is derived principally from interest earned on advances to members, on investments in Government securities, and on deposits with other banks. Their expenses arise from interest expense incurred on consolidated obligations issued to obtain funds and on deposits with them by members and other banks, and from operating and supervisory expense.

Each bank is authorized to make advances to its members upon the pledge of home mortgages, or obligations of the United States, or obligations fully guaranteed by the United States, subject to such regulations, restrictions, and limitations as HLBB may prescribe. The authorized borrowing capacity for each member at June 30, 1950, was the amount for which the member can legally obligate itself, 50 percent of its net assets or 50 percent of its liability for shares and deposits, whichever was less, unless otherwise directed by HLBB. In an effort to establish a national credit pattern and to provide a restriction on new loans to members for expansion purposes as suggested by the Home Loan Bank Board, the boards of directors of the banks in 1949 adopted resolutions establishing the borrowing limit of each member institution at an amount (including all borrowing from other sources) not to exceed 50 percent of its borrowing capacity or 25 percent of share capital.[1] Advances maturing within one year may be made without collateral. If their term exceeds one year, collateral must be furnished.

[1] In line with the President's request to reduce available credit for home financing, particularly construction financing, the Board requested the banks on July 19, 1950, to reduce the borrowing limit of each member (for use in making new loan commitments or for loan expansion purposes) from 50 percent to 30 percent of its borrowing capacity.

Secured advances at June 30, 1950, totaled $310,225,229 compared with $290,713,325 at June 30, 1949.

Advances to members and nonmembers ($400,000) outstanding at June 30, 1950, by banks and percentage change from the previous year's advances outstanding were:

Federal home loan bank	*Advances at June 30, 1950*	*Change from June 30, 1949, increase (−decrease)*	
		Amount	*Percent*
Boston	$20,415,334	$2,781,160	16
New York	37,289,288	12,910,375	53
Pittsburgh	35,192,275	1,976,428	6
Greensboro	62,002,864	3,657,136	6
Cincinnati	23,728,125	2,191,945	10
Indianapolis	27,879,922	−310,405	−1
Chicago	63,703,516	12,833,157	25
Des Moines	27,830,371	4,180,852	18
Little Rock	20,529,480	−412,496	−2
Topeka	21,097,939	2,900,394	16
San Francisco	103,091,441	36,643,754	55
	$442,760,555	$79,352,300	22

While the advances outstanding at June 30, 1950, show a decided increase over the amount outstanding at June 30, 1949, the average outstanding during the 1950 fiscal year was less than the average outstanding during 1949 fiscal year. The amount outstanding at June 30, 1950, resulted from an unusual increase in the advances made during the last two months of the fiscal year.

Interest rates charged on advances during the 1950 fiscal year showed no material change from rates charged during the 1949 fiscal year. Rates at the close of the year ranged from 1¾ percent on short-term advances to 2½ percent on long-term advances. Certain banks charge nonmember borrowers an additional ½ of 1 percent. The maximum interest rate permitted by HLBB is 4 percent.

Interest earned on advances decreased 17 percent from the preceding year because of a decrease of $71,961,931 in the average monthly outstanding advances. The average interest rate earned on advances in 1950 was 2.03 percent; in 1949, 2.04 percent; and in 1948, 1.96 percent.

The banks are authorized to invest their funds in Government securities or in securities authorized for fiduciary or trust investment by the states in which they are located. They have followed the policy of investing only in Government securities. These investments are required by law and regulations in respect to legal reserves, members deposits, and liquidity reserves established by HLBB. Although the amount so invested at June 30, 1950, showed a decided reduction from June 30, 1949, they were more than ample to meet all requirements. While comparison of these year-end amounts shows a reduction, the average investment and yield during 1950 fiscal year was higher than during 1949 fiscal year. This resulted in an increase in income derived from investments.

The banks are authorized to accept deposits by members. The deposits are accepted either subject to demand or on a time basis. No interest is paid on demand deposits; interest paid on time deposits ranged from 1 to 1½ percent. At June 30, 1950, members' deposits showed an increase of 40 percent over deposits at June 30, 1949, with 87 percent of the deposits at June 30, 1950, being time deposits.

Restrictions are placed by law on the use of members' deposits by the banks. These restrictions require that an amount equal to the total of the members' deposits be invested in Government securities, deposited in banks, or used for advances with maturities of not more than one year. In addition, the Board requires the investment by all banks of at least $100,000,000 in specified assets to assure sufficient funds in liquid assets. These assets are termed a "liquidity reserve" and each bank's participation in this "reserve" is a minimum of 35 percent in cash and Treasury bills and Treasury certificates of indebtedness (or notes traded on the same basis as certificates of indebtedness) maturing in approximately one year, and 65 percent in special series Treasury notes. Each bank's participation in the reserve is based on the ratio of its paid-in capital stock to total paid-in capital stock of all banks.

Demand deposits of member institutions are subject to withdrawal by drafts drawn by the depositing members. Generally drafts have been used for the transfer of funds to the members' commercial depositories. In three of the banks (New York, Pittsburgh, and Greensboro) this draft service has been extended to permit drafts drawn to any third party to be used to pay any item normally paid by check. The New York bank also operates a money order system, which permits member institutions to issue money orders drawn on the bank against the members' demand deposit account. This bank at June 30, 1950, held approximately one-half of the total demand deposits.

Deposits of members continued to increase in 1950 as shown by the following table.

Balance, June 30	Time	Demand	Total	Increase from preceding year
	(in thousands)			
1948	$73,033	$25,775	$98,808	$13,256
1949	200,163	29,139	229,302	130,494
1950	280,808	40,333	321,141	91,839

An important attribute of a credit reservoir such as the Federal home loan banks is the ability to supply temporarily the needs of any bank from the reserve funds of other banks in the system. For this purpose the law authorizes the use of interbank deposits. The banks make these deposits from funds in excess of their current needs and from the proceeds, not immediately needed, of consolidated obligations. The rates of interest paid on these deposits in 1950 ranged from 1.39 percent to 1.79 percent; 1.47 percent was the rate throughout most of the year.

Consolidated obligations are authorized to be issued by the HLBB on behalf of the banks to obtain financing needed for the bank members. The consolidated obligations are the joint and several obligations of the eleven banks; they are not guaranteed by the United States Government as to either principal or interest. Pursuant to the requirements of the Government Corporation Control Act, all bonds, notes, debentures, and similar obligations issued by Government corporations after December 6, 1945, are subject to approval by the Secretary of the Treasury. The obligations are issued, redeemed, etc., under immediate direction of the HLBB.

The maximum amount of consolidated debentures which may be outstanding at any one time is fixed by section 11 (b) of the Federal Home Loan Bank Act at five times the total paid-in capital of all the banks at the time of issuance. Consolidated bonds are required to be secured and may be issued upon such terms and conditions as HLBB may prescribe when there are no debentures outstanding. There is no statutory limitation on the amount of bonds that may be outstanding at any one time. HLBB regulations provide, however, that consolidated bonds shall not be issued in an amount in excess of 12 times the total paid-in capital stock and reserves required under section 16 of the act. Consolidated obligations of $172,000,000 outstanding at June 30, 1950, were well within the limitation established by HLBB. In order to assure payment of the obligations, HLBB regulations require that the banks shall at all times maintain assets of specified types, free from any lien or pledge, in a total amount at least equal to the consolidated obligations outstanding. At June 30, 1950, the total of the assets so held was $618,182,873.

During the 1950 fiscal year $333,000,000 of consolidated obligations were issued while $418,550,000 were redeemed or refunded, effecting a reduction of $85,550,000 during the year in the amount of obligations outstanding. This reduction was made possible by the increased deposits of members and reduction of investment in Government securities.

Interest and other costs (concession on obligations sold and expenses of the office of the fiscal agent) of consolidated obligations for the 1950 fiscal year decreased 53 percent from the prior year because of a reduction in the average outstanding obligations during the year, a decrease in the average interest cost from the previous year (1.55 percent in 1950 and 1.78 percent in 1949), and a reduction of amortization costs of premiums paid on consolidated obligations purchased prior to maturity.

The Government's investment in the capital stock of the banks was transferred from Reconstruction Finance Corporation to the Secretary of the Treasury on July 1, 1947 (15 U. S. C. 606 note). At June 30, 1950, the Government owned no stock in three banks, was a minority stockholder in six banks, and was a majority stockholder in two banks. New legislation enacted in 1950 (64 Stat. 256) to become effective within one year will accelerate retirement of Government-held stock as bank membership requirements for stock ownership are increased. This legislation also provides that no Government capital shall be retired if the retirement would reduce the aggregate capital stock, reserves, surplus, and undivided profits of the banks to less than $200,000,000. The Government's investment in stock of the banks amounted to $75,221,900, a reduction of $27,270,800 from June 30, 1949. Statutory retirements under section 6 (g) of the act amounted to $3,723,300, and $23,547,500 represented voluntary retirements. During the same period members' stockholdings increased $26,452,050.

Each bank is required to transfer to its "legal" reserve account, semiannually, 20 percent of its net earnings until the reserve is equal to its paid-in capital, as required by section 16 of the act which also prescribes that this reserve be invested in Government securities and in such securities as fiduciary and trust funds may be invested under the laws of the state in which the bank is located. The banks have complied with this requirement.

In addition to the legal reserve, each of the banks has followed a policy of transferring some of its earnings to a "contingency reserve." This reserve does not represent a known or prospective liability; consequently these earnings may be considered as a part of the undistributed earnings.

All banks declared semiannual dividends in 1950 except the Pittsburgh and Greensboro banks which declared annual dividends. The highest annual dividend rate of the banks was that of the Cincinnati bank, 2¼ percent; the lowest was that of the San Francisco bank, 1 percent. Dividends declared were all earned by the banks during the year. The dividends received by the Government in 1950 were at a rate lower than the average interest rate (1.958 percent) on marketable issues of the public debt. To the extent that the Government's interest cost on funds invested in the banks exceeds the return on its investment, the banks are receiving a benefit in the nature of a subsidy. The average interest cost to the Treasury on the Government's investment in the banks in 1950 was approximately $447,500 (1949, $795,000) more than the dividends received on the investment.

A retirement fund was established on December 1, 1943, to furnish a means whereby the Federal home loan banks and their member institutions may cooperate in providing for the retirement of their employees. Employees of the banks do not participate in the United States civil service retirement system. Undivided profits of several banks were charged $108,474 in 1950 for costs of their share of benefits purchased by employees for prior years' services. This amount was in addition to the current annual contribution ($77,061) made by the banks.

The assessment to the banks of $427,500 for 1950 equals the amount fixed by the Congress as a limitation on the expenses of HLBB. The expenses of HLBB allocated to the banks amounted to $394,784.

In a prior year the Long Beach Federal Savings and Loan Association, a member of the San Francisco bank, brought suit against the Federal Home Loan Bank of San Francisco and others in the United States District Court for the Southern District of California, Central Division. The association alleges substantial damages arising out of the consolidation of the Los Angeles and Portland banks into the Federal Home Loan Bank of San Francisco and the appointment of a conservator for the Long Beach Federal Savings and Loan Association. There has been no change in the case during the year. The association is indebted to the bank for $6,300,000 for notes matured in previous years plus interest at the rate of 2 percent from December 31, 1947. The association has deposited cash of $1,389,216 (at April 30, 1950) and United States Treasury bonds with par value of $5,300,000 with the Court Registry pending outcome of the suit. In addition, the Federal home loan bank has a lien on the paid-in capital stock of the association amounting to $608,400. Recorded costs of this litigation charged to operations by the San Francisco bank totaled about $110,000 from inception to June 30, 1950, of which approximately $37,000 was recorded in fiscal year 1950 operations. Beginning with the bank's semiannual dividend of December 31, 1949, dividends due the association have been withheld to be applied on interest due from it.

HOUSING AND HOME FINANCE AGENCY

HOME LOAN BANK BOARD

101 Indiana Avenue N. W., Washington 25, D. C.

Hon. LINDSAY C. WARREN,
Comptroller General, United States,
Washington 25, D. C.

DEAR MR. WARREN: Herewith are financial statements of the Federal Home Loan Banks showing their financial condition at June 30, 1950, and the results of operations for the fiscal year then ended. These statements have been prepared from information and reports furnished by those Banks during the year and the data disclosed by examinations made under my supervision.

The statements consist of the following:

Consolidated Balance Sheet, June 30, 1950.

Consolidated Statement of Income, For the Year ended June 30, 1950.

Consolidated Statement of Surplus, For the Year ended June 30, 1950.

Consolidated Statement of Compensation, Travel and Other Expenses, For the Year ended June 30, 1950.

In my opinion, the accompanying consolidated balance sheet and related statements of income and surplus present fairly the financial position of the Federal home loan banks at June 30, 1950, and the results of their operations for the fiscal year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Respectfully submitted.

E. S. FRAZIER,
Auditor, Home Loan Bank Board.

FINANCIAL STATEMENTS

FEDERAL HOME LOAN BANKS

CONSOLIDATED BALANCE SHEET, BY BANKS

JUNE 30, 1950

ASSETS	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
CASH:													
On hand and on deposit with U.S. Treasurer and commercial banks	$ 22,832,905	$ -	$ 1,650,593	$ 2,497,664	$ 3,464,501	$ 2,874,514	$ 2,950,803	$ 935,159	$ 659,606	$ 1,190,763	$ 708,994	$ 2,280,598	$ 3,619,710
On deposit with other Federal home loan banks	-	-58,000,000	-	22,000,000	-	4,000,000	13,000,000	8,000,000	4,000,000	-	6,000,000	1,000,000	-
	22,832,905	-58,000,000	1,650,593	24,497,664	3,464,501	6,874,514	15,950,803	8,935,159	4,659,606	1,190,763	6,708,994	3,280,598	3,619,710
SECURITIES:													
Government securities at amortized cost (note 1)	287,680,726	-	34,537,145	46,041,616	22,502,412	16,624,252	37,870,075	31,406,459	20,566,174	17,992,893	16,061,580	17,347,051	26,731,069
ADVANCES TO MEMBERS AND NONMEMBERS ($400,000):													
With pledge of collateral (note 2)	310,225,299	-	3,924,112	20,894,455	31,332,775	30,250,364	14,433,925	16,113,391	39,178,246	13,950,171	20,529,480	18,027,939	101,590,441
Unsecured	132,535,256	-	16,491,222	16,394,833	3,859,500	31,752,500	9,294,200	11,766,531	24,525,270	13,880,200	-	3,070,000	1,501,000
	442,760,555	-	20,415,334	37,289,288	35,192,275	62,002,864	23,728,125	27,879,922	63,703,516	27,830,371	20,529,480	21,097,939	103,091,441
OTHER ASSETS:													
Accrued interest	1,851,430	-48,250	168,965	326,790	142,911	183,224	166,250	151,830	66,133	74,070	102,448	78,027	439,032
Miscellaneous receivables, deferred charges, and other assets (note 3)	373,120	-	21,265	32,497	24,551	31,754	83,882	28,418	41,408	21,189	23,099	21,151	43,906
	2,224,550	-48,250	190,230	359,287	167,462	214,978	250,132	180,248	107,541	95,259	125,547	99,178	482,938
	$755,498,736	-$58,048,250	$56,793,302	$108,187,855	$61,326,650	$85,716,608	$77,799,135	$68,401,788	$89,036,837	$47,109,286	$43,425,601	$41,824,766	$133,925,158

Notes:

	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
1. Face value of securities	$285,135,500		$34,280,000	$ 45,522,500	$22,350,000	$16,560,000	$37,514,000	$30,988,000	$20,450,000	$17,845,000	$15,940,000	$17,215,000	$ 26,471,000
Market value of securities	288,215,719		34,563,421	46,149,580	22,422,906	16,638,287	37,975,604	31,562,139	20,553,125	18,035,030	16,130,081	17,404,682	26,780,864
2. Collateral pledged for advances:													
Unpaid balance of home mortgages	575,143,742		5,565,056	42,865,920	61,272,966	61,410,954	22,040,969	29,026,180	62,027,581	25,327,393	36,891,410	29,736,560	198,978,753
Face amount of Government securities	69,154,300		2,290,000	13,821,000	3,617,000	1,085,000	4,895,000	7,569,200	13,907,500	1,535,000	2,894,000	714,500	16,826,100
Other collateral permitted by rules and regulations	9,712,755		-	-	2,625,000	-	-	-	1,500,000	-	450,000	200,000	4,937,755
3. Original cost of furniture and equipment (included above at a valuation of $1.00 for each bank)	189,120		13,185	27,851	9,949	24,301	12,991	13,050	12,507	10,141	17,678	10,936	36,531

FEDERAL HOME LOAN BANKS

CONSOLIDATED BALANCE SHEET, BY BANKS (continued)

JUNE 30, 1950

LIABILITIES, CAPITAL, AND SURPLUS	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
DEPOSITS:													
Members--time	$280,808,133	$ -	$17,878,553	$ 48,768,235	$23,399,702	$39,513,251	$38,263,063	$30,708,562	$27,400,418	$11,924,518	$ 6,727,800	$ 8,286,900	$ 27,937,131
Members--demand (including applicants)	40,440,973	-	601,700	20,570,553	3,001,978	4,216,456	6,828,742	3,148,693	6,925	1,475	-	1,246,347	818,104
Receivership funds, Federal Savings and Loan Insurance Corporation	270,000	-	-	-	-	-	-	-	270,000	-	-	-	-
Other Federal home loan banks	-	-58,000,000	-	-	1,000,000	-	-	-	-	6,000,000	-	-	51,000,000
	321,519,106	-58,000,000	18,480,253	69,338,788	27,401,680	43,729,707	45,091,805	33,857,255	27,677,343	17,925,993	6,727,800	9,533,247	79,755,235
CONSOLIDATED NOTES (note 4)	172,000,000	-	11,000,000	-	13,500,000	16,300,000	9,500,000	19,000,000	32,100,000	16,800,000	20,000,000	17,500,000	16,300,000
OTHER LIABILITIES:													
Dividends payable:													
Members	856,742	-	100,820	-	-	-	217,784	131,176	149,151	71,170	56,842	44,811	84,988
U.S. Treasury	385,776	-	69,000	-	-	-	-	-	100,000	-	87,724	50,733	78,319
	1,242,518	-	169,820	-	-	-	217,784	131,176	249,151	71,170	144,566	95,544	163,307
Accrued interest on deposits and consolidated notes	2,066,010	-48,250	133,878	-	118,833	364,222	197,264	208,332	349,023	176,761	129,784	180,724	255,439
Accounts payable	6,142	-	32	2,961	-	211	975	540	-	-	572	539	312
Total liabilities	496,833,776	-58,048,250	29,783,983	69,341,749	41,020,513	60,394,140	55,007,828	53,197,303	60,375,517	34,973,924	27,002,722	27,310,054	96,474,293
CAPITAL STOCK:													
Capital stock owned by members	155,049,925	-	15,751,225	20,886,600	12,987,200	16,337,100	19,599,000	13,355,900	15,777,200	10,264,500	5,955,900	6,128,700	18,006,600
Capital stock owned by the Government, held by U.S. Treasury (note 5)	75,221,900	-	9,200,000	14,000,000	5,000,000	5,821,300	-	-	10,000,000	-	8,772,400	6,764,400	15,663,800
	23[illegible]71,825	-	24,951,225	34,886,600	17,987,200	22,158,400	19,599,000	13,355,900	25,777,200	10,264,500	14,728,300	12,893,100	33,670,400
SURPLUS AND SURPLUS RESERVES:													
Legal reserve	1[illegible]66,219	-	1,032,289	1,766,173	1,262,997	1,245,841	1,849,330	990,403	1,687,710	933,420	794,105	676,615	1,527,336
Reserve for contingencies (note 8)	5,555,469	-	500,000	704,384	-	400,000	500,000	-	629,500	800,000	121,585	500,000	1,400,000
Undivided profits	[illegible],071,447	-	525,805	1,488,949	1,055,940	1,518,227	842,977	858,182	566,910	137,442	778,889	444,997	853,129
	28,393,135	-	2,058,094	3,959,506	2,318,937	3,164,068	3,192,307	1,848,585	2,884,120	1,870,862	1,694,579	1,621,612	3,780,465
	$755,498,736	-$58,048,250	$56,793,302	$108,187,855	$61,326,650	$85,716,608	$77,799,135	$68,401,788	$89,036,837	$47,109,286	$43,425,601	$41,824,766	$133,925,158

Notes:

4. Consolidated notes issued by the Home Loan Bank Board are the joint and several obligations of all Federal home loan banks and are not guaranteed by the United States.

5. Government-owned stock was retired in the Boston and New York banks during July 1950 in the amount of $5,200,000 and $14,000,000, respectively.

6. A suit is pending in the United States District Court for the Southern District of California, Central Division, against the Federal Home Loan Bank of San Francisco and others, and a claim has been made on behalf of the Long Beach Federal Savings and Loan Association seeking substantial damages arising out of the consolidation of the Los Angeles and Portland banks into the Federal Home Loan Bank of San Francisco and the appointment of a conservator for the Long Beach Federal Savings and Loan Association. In the opinion of the bank's counsel and the general counsel of the Home Loan Bank Board, the action and claim have no validity, and the suit is being defended.

7. At June 30, 1950, the banks had deposited with the United States Treasury $132,128.78 to redeem matured Consolidated Federal Home Loan notes (held by the public) plus the accrued interest. These funds and liabilities are not recorded in the accounts of the banks, since payment is considered the responsibility of the United States Treasury.

8. The reserve for contingencies does not represent a known or prospective liability.

FEDERAL HOME LOAN BANKS

CONSOLIDATED STATEMENT OF INCOME, BY BANKS

FOR THE YEAR ENDED JUNE 30, 1950

	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
OPERATING INCOME:													
Interest on advances	$ 7,339,818	$ -	$413,351	$ 498,084	$ 664,203	$1,045,269	$ 494,195	$ 595,621	$1,011,946	$432,938	$364,047	$416,161	$1,404,003
Interest on securities	5,771,356	-43,388	519,859	957,304	348,508	469,637	769,211	562,591	507,166	378,264	335,970	341,173	625,061
Interest on deposits with other Federal home loan banks	-	-296,221	12,644	213,246	-	31,517	13,572	3,502	4,833	-	14,531	2,376	-
Miscellaneous	3,086	-	-	380	-	1,025	105	-	1,501	-	75	-	-
Total operating income	13,114,260	-339,609	945,854	1,669,014	1,012,711	1,547,448	1,277,083	1,161,714	1,525,446	811,202	714,623	759,710	2,029,064
EXPENSES:													
Operating:													
Compensation, travel, and other expenses (schedule B-1)	1,338,689	-	98,928	172,215	141,990	105,650	139,495	77,267	134,707	84,240	88,669	83,238	212,290
Assessment by Home Loan Bank Board	427,500	-	29,027	49,826	32,624	56,638	37,968	38,033	48,300	26,012	23,574	23,795	61,703
Furniture and equipment purchased	23,670	-	2,517	2,296	148	13,953	1,456	789	769	472	312	-	958
Total operating expense	1,789,859	-	130,472	224,337	174,762	176,241	178,919	116,089	183,776	110,724	112,555	107,033	274,951
Financing:													
Interest on consolidated obligations	2,763,642	-54,223	205,555	57,094	174,061	411,809	101,285	248,598	434,051	234,560	272,597	215,274	462,981
Consolidated obligations expense--concessions (discount)	206,525	10,835	14,125	3,511	12,352	28,520	7,145	18,411	30,982	16,491	18,016	15,106	31,031
Consolidated obligations expense--office of fiscal agent	46,918	-	4,211	4,162	4,239	4,378	4,334	4,313	4,016	4,242	4,287	4,165	4,571
Interest on members' deposits	3,222,864	-	179,568	680,704	272,888	436,816	385,459	394,754	273,905	122,037	40,606	133,339	302,788
Interest on other Federal home loan banks' deposits	-	-296,221	5,429	-	1,812	-	4,690	12,644	7,912	13,741	-	-	249,993
Total financing expense	6,239,949	-339,609	408,888	745,471	465,352	881,523	502,913	678,720	750,866	391,071	335,506	367,884	1,051,364
Total expenses	8,029,808	-339,609	539,360	969,808	640,114	1,057,764	681,832	794,809	934,642	501,795	448,061	474,917	1,326,315
Net operating income	5,084,452	-	406,494	699,206	372,597	489,684	595,251	366,905	590,804	309,407	266,562	284,793	702,749
OTHER INCOME:													
Profit on sale of securities (net)	447,757	-	116,120	104,412	19,761	1,631	34,645	12,256	2,390	-430	86,744	58,387	11,841
Miscellaneous	221	-	-	-	-	-	4	-	-	-	157	-	60
Total other income	447,978	-	116,120	104,412	19,761	1,631	34,649	12,256	2,390	-430	86,901	58,387	11,901
NET INCOME TRANSFERRED TO UNDIVIDED PROFITS (exhibit B-3)	$ 5,532,430	$ -	$522,614	$ 803,618	$ 392,358	$ 491,315	$ 629,900	$ 379,161	$ 593,194	$308,977	$353,463	$343,180	$ 714,650

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FEDERAL HOME LOAN BANKS

CONSOLIDATED STATEMENT OF SURPLUS, BY BANKS

FOR THE YEAR ENDED JUNE 30, 1950

	Consolidated	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
UNDIVIDED PROFITS:												
Balance, June 30, 1949	$ 8,957,183	$ 380,783	$1,299,091	$1,078,317	$1,447,328	$ 843,213	$ 818,306	$1,189,034	$106,119	$ 785,106	$408,062	$ 601,824
Add net income for the year (exhibit B-2)	5,532,430	522,614	803,618	392,358	491,315	629,900	379,161	593,194	308,977	353,463	343,180	714,650
	14,489,613	903,397	2,102,709	1,470,675	1,938,643	1,473,113	1,197,467	1,782,228	415,096	1,138,569	751,242	1,316,474
Deduct:												
Dividends declared:												
Member-owned stock	2,174,409	153,697	184,377	151,883	222,122	429,875	257,082	254,153	173,371	83,228	102,164	162,457
Government-owned stock	1,252,471	119,000	184,816	167,194	99,270	56,250	-	190,000	24,740	131,586	121,656	157,959
	3,426,880	272,697	369,193	319,077	321,392	486,125	257,082	444,153	198,111	214,814	223,820	320,416
Retirement fund--prior service contributions	108,474	372	410	17,187	761	18,031	6,370	23,026	17,748	10,780	13,789	-
Transfer to reserve for contingencies	776,326	-	83,433	-	-	-	-	629,500	-	63,393	-	-
Transfer to legal reserve	1,106,486	104,523	160,724	78,471	98,263	125,980	75,833	118,639	61,795	70,693	68,636	142,929
	5,418,166	377,592	613,760	414,735	420,416	630,136	339,285	1,215,318	277,654	359,680	306,245	463,345
Balance, June 30, 1950 (exhibit B-1)	$ 9,071,447	$ 525,805	$1,488,949	$1,055,940	$1,518,227	$ 842,977	$ 858,182	$ 566,910	$137,442	$ 778,889	$444,997	$ 853,129
LEGAL RESERVE:												
Balance, June 30, 1949	$12,659,733	$ 927,766	$1,605,449	$1,184,526	$1,147,578	$1,723,350	$ 914,570	$1,569,071	$871,625	$ 723,412	$607,979	$1,384,407
Transfer from undivided profits	1,106,486	104,523	160,724	78,471	98,263	125,980	75,833	118,639	61,795	70,693	68,636	142,929
Balance, June 30, 1950 (exhibit B-1)	$13,766,219	$1,032,289	$1,766,173	$1,262,997	$1,245,841	$1,849,330	$ 990,403	$1,687,710	$933,420	$ 794,105	$676,615	$1,527,336
RESERVE FOR CONTINGENCIES:												
Balance, June 30, 1949	$ 4,779,143	$ 500,000	$ 620,951	$ -	$ 400,000	$ 500,000	$ -	$ -	$800,000	$ 58,192	$500,000	$1,400,000
Transfer from undivided profits	776,326	-	83,433	-	-	-	-	629,500	-	63,393	-	-
Balance, June 30, 1950 (exhibit B-1)	$ 5,555,469	$ 500,000	$ 704,384	$ -	$ 400,000	$ 500,000	$ -	$ 629,500	$800,000	$ 121,585	$500,000	$1,400,000

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FEDERAL HOME LOAN BANKS

CONSOLIDATED STATEMENT OF COMPENSATION, TRAVEL, AND OTHER EXPENSES, BY BANKS

FOR THE YEAR ENDED JUNE 30, 1950

	Consolidated	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
COMPENSATION:												
Officers' salaries	$ 452,211	$41,230	$ 51,875	$ 44,450	$ 35,250	$ 49,450	$34,500	$ 42,600	$40,393	$40,500	$29,500	$ 42,463
Other salaries	295,000	13,312	52,449	41,290	26,129	33,319	10,803	34,750	9,750	14,736	19,697	38,765
Directors' fees	60,430	7,100	6,450	6,370	3,960	8,700	3,675	6,985	2,475	2,670	3,785	8,260
Counsel's compensation	69,137	4,450	5,500	6,750	3,000	4,000	3,000	5,000	1,500	-	3,500	32,437
	876,778	66,092	116,274	98,860	68,339	95,469	51,978	89,335	54,118	57,906	56,482	121,925
TRAVEL EXPENSE:												
Directors	55,559	2,448	4,166	5,131	4,013	5,611	2,613	2,841	3,138	5,508	6,386	13,704
Officers	32,886	2,476	3,426	3,445	2,541	2,125	1,460	2,147	2,359	1,723	1,436	9,748
Counsel and others	7,442	24	1,086	397	375	7	49	661	158	-	54	4,631
Maintenance and operating cost of automobiles	3,810	727	-	-	-	766	-	-	-	877	-	1,440
	99,697	5,675	8,678	8,973	6,929	8,509	4,122	5,649	5,655	8,108	7,876	29,523
OTHER EXPENSES:												
Rent of banking quarters, less amount charged Home Loan Bank Board for district examiners	92,677	3,160	7,200	12,090	6,000	10,004	5,760	11,700	5,382	5,076	5,071	21,234
Retirement fund contributions	77,061	5,885	10,177	8,277	6,250	8,336	4,620	8,245	5,965	5,362	5,964	7,980
Stationery, printing, and other office supplies	32,486	1,890	8,876	1,831	5,416	1,648	1,267	3,409	1,191	1,438	903	4,617
Telephone and telegraph	27,773	1,650	1,882	2,244	2,371	2,475	1,319	2,520	991	1,849	1,137	9,335
Postage and expressage	20,140	700	2,614	1,804	2,443	1,525	1,038	3,247	1,202	909	967	3,691
Insurance and surety bond premiums	16,899	1,503	2,682	1,802	941	1,504	1,085	1,567	1,260	1,423	978	2,154
Audit expense	13,168	907	1,509	1,039	1,775	984	1,167	1,511	838	755	749	1,934
Stockholders' annual meeting	21,863	4,362	4,981	1,243	2,289	1,621	1,006	1,203	3,477	80	1,336	265
Maintenance of banking quarters and equipment	15,793	923	2,904	695	1,064	2,873	1,936	2,137	550	814	579	1,318
Public relations	11,252	1,741	976	1,693	314	1,504	587	1,594	1,113	936	237	557
Dues and subscriptions	16,616	1,707	1,083	1,025	1,222	1,323	1,035	910	952	3,606	323	3,430
Reports and other publications	5,210	554	685	333	95	515	256	680	931	375	555	231
Services of Home Loan Bank Board Examining Division	4,198	1,837	958	-	46	21	-	-	-	-	-	1,336
Safekeeping and protection services	2,722	25	-	-	-	7	10	-	467	16	60	2,137
Miscellaneous	4,356	317	736	81	156	1,177	81	1,000	148	16	21	623
	362,214	27,161	47,263	34,157	30,382	35,517	21,167	39,723	24,467	22,655	18,880	60,842
Total (exhibit B-2)	$1,338,689	$98,928	$172,215	$141,990	$105,650	$139,495	$77,267	$134,707	$84,240	$88,669	$83,238	$212,290

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PART II

Section C—Federal Savings and Loan Insurance Corporation

Purpose and financing

Federal Savings and Loan Insurance Corporation is a wholly owned Government corporation created in 1934 by section 402 (a) of the National Housing Act (48 Stat. 1256; 12 U. S. C. 1725 (a)) to insure the accounts of investors in savings and loan and similar institutions, in the maximum amount of $5,000 [1] for each investor.

Originally the entire capital stock of $100,000,000 of FS&LIC was acquired by Home Owners' Loan Corporation in exchange for bonds of equal face value. Title II of the Government Corporations Appropriation Act, 1949 (62 Stat. 1189), transferred to the Secretary of the Treasury all right, title, and interest of HOLC in the capital stock and accrued dividends and revised the method of computing the accrued dividends to June 30, 1948. Under subsequent legislation [2] amending the National Housing Act, the Corporation has been authorized and directed to pay off and retire annually at par an amount of its capital stock equal to 50 percent of its net income for each fiscal year (beginning with 1951) until the entire capital stock is retired. The legislation also provides that in lieu of dividends on its capital stock, the Corporation will pay to the Secretary of the Treasury after the end of each fiscal year, beginning with 1951, a return on the average amount, at par, of its capital stock outstanding during each fiscal year at an interest rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States. Pursuant to the same legislation the Corporation paid to the Secretary of the Treasury an amount equal to 2 percent simple interest per annum on its capital stock of $100,000,000 from June 27, 1934, to June 30, 1950, less amounts previously paid by the Corporation as dividends.

The Corporation is authorized [2] to borrow from the Treasury, not exceeding in the aggregate $750,000,000 outstanding at any one time, such funds as in the judgment of the Home Loan Bank Board are required for insurance purposes, and the authority to borrow from any other source has been repealed. Each loan is to bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average rate on outstanding marketable obligations of the United States on the last day of the month preceding the making of the loan.

Although the Corporation had been authorized to borrow money and to issue notes, bonds, debentures, or similar obligations, it had used this authority only to issue non-interest-bearing debentures in payment of claims of a few investors who chose this method of settlement under the option granted by law. The authority to issue debentures in settlement of claims was discontinued by legislation, approved September 21, 1950 (Public Law 797).

[1] Increased to $10,000 under Public Law 797, approved September 21, 1950.
[2] Public Law 576, approved June 27, 1950 (64 Stat. 256).

Operating funds of FS&LIC have been derived principally from insurance premiums and interest on investments in Government securities.

Following is a summary of the funds provided and applied during 1950 fiscal year.

Funds provided by:	
Income (excluding noncash charges of $136,619)	$12,128,277
Reduction of investment in Government securities	16,350,000
Collection of unearned premiums, net	4,236,863
Reduction in cash on hand	492,547
Other (net)	8,007
	$33,215,694
Funds applied to:	
Payment of interest on capital stock	$28,981,112
Purchase of assets of insured institution	4,234,582
	$33,215,694

Organization and management

Federal Savings and Loan Insurance Corporation is under the direction of the Home Loan Bank Board. The Board also directs the activities of HOLC and the Federal home loan banks. The HLBB, in turn, is under the general supervision and coordination of the Administrator of the Housing and Home Finance Agency.

Under the direction of a general manager, the activities of the Corporation are performed by the Underwriting Division, Operating Analysis Division, Insurance Settlement Division, Rehabilitation and Recoveries Division, and Comptroller's Division. Certain service activities (see p. 12) are performed on a reimbursable basis by the administrative organization of the HLBB. A chart of organization is presented at page 66 showing a brief description of the functions of each division. There were no major changes in the basic functions of the operating divisions during the year.

Operations

Operations during the year consisted of underwriting insurance, billing and collecting premiums, and liquidating an insured institution the assets of which had been purchased during the year.

There were 2,799 insured savings-and-loan-type institutions at June 30, 1950, compared with 2,691 at June 30, 1949. Total assets of insured institutions represented 79 percent of the assets of all insurable institutions. Approximately 7,660,000 investors' accounts were insured, which was 77 percent of the total number of accounts in all insurable institutions. The insured shares of investors were estimated to be $9,930,214,000, an increase of 17 percent over the previous year and an increase of 102 percent since June 30, 1945.

No insured institution has been placed in receivership since 1941. From inception seven insured associations have been closed. FS&LIC was appointed receiver for four Federal associations and co-receiver for one of the three state associations. All receiverships had been completed prior to June 30, 1950. From inception FS&LIC has paid $6,696,697 on claims of insured investors and has received $6,387,263 in liquidating dividends. During the 1950 fiscal year the Corporation collected a final liquidating dividend of $20,542 from receivership operations and gave effect to a contingent loss of $710 on unsettled shares. The cumulative loss at June 30, 1950, aggregated $309,434 or 4.6 percent of claims paid.

The Corporation is authorized[1] to prevent default in an insured institution or to restore an insured institution in default to normal

[1] Sec. 406 of the National Housing Act (12 U. S. C. 1729).

operation by making loans or contributions to it or by purchasing its assets. The management of the Corporation in all cases in prior years where a receivership was not found necessary had used the contribution method. Net contributions made to 28 institutions aggregated $4,898,329. The last contribution was made in the 1945 fiscal year.

During the 1950 fiscal year the Corporation exercised its power to purchase the assets of an insured institution (state-chartered) to prevent default. On April 10, 1950, FS&LIC entered into an agreement to purchase all the assets of the Koruna Savings and Loan Association, Chicago, Illinois, for $4,405,175. This amount was sufficient to pay all creditor and shareholder liabilities regardless of amount. The purchase was made for the stated purpose of liquidating the entire assets of the institution at the least possible expense. Final liquidating dividends, pursuant to voluntary liquidation voted upon by the association's shareholders, have been distributed, and the insured status of the institution and all rights of its insured members to insurance of accounts were terminated effective as of April 24, 1950. The Corporation's special field representative and other employees are engaged in liquidating the assets. The investment by FS&LIC in these assets at June 30, 1950, amounted to $4,102,427, after a 3 percent provision for losses ($132,155) based on the original purchase price. Under the purchase agreement FS&LIC acquired at a cost of $4,405,175 assets having a value on the books of the association of $4,521,466. In addition, cash of the association in the amount of $362,445 was set aside for the payment by FS&LIC of loans in process of the association in a like amount. Assets acquired included first mortgage loans (and accrued interest) of $3,341,478, sales contracts of $93,718, investments of $1,076,467, and other assets totaling $9,803. Based on an estimate made by the management as to the realizable value of the assets unliquidated at November 13, 1950, and the accrued liquidating expenses to that date, the provision for losses appears to be adequate.

The results of operations and changes in the insurance reserve fund during the 1950 and 1949 fiscal years are summarized:

	Year ended June 30		*Increase (—decrease)*
	1950	*1949*	
Income:			
Insurance premiums earned	$7,853,361	$10,185,389	—$2,332,028
Interest on securities	4,813,998	4,532,852	281,146
Miscellaneous	74,602	260,723	—186,121
Total income	12,741,961	14,978,964	—2,237,003
Administrative and operating expenses (schedule C-1)	618,148	581,206	36,942
Provision for losses on assets purchased	132,155		132,155
	750,303	581,206	169,097
Net earnings from operations	11,991,658	14,397,758	—2,406,100
Interest on capital stock (in lieu of dividends):			
Current year	2,000,000		2,000,000
Adjustment of provision for prior years	1,799,362		1,799,362
Other prior year adjustments	159,471	—4,654	164,125
	3,958,833	—4,654	3,963,487
Net earnings transferred to insurance reserve fund	8,032,825	14,402,412	—6,369,587
Insurance reserve fund at beginning of year	80,172,661	65,770,249	14,402,412
Insurance reserve fund at end of year	$88,205,486	$80,172,661	$8,032,825

Premium income decreased in 1950 due to the reduction of the premium rate from 1/8 to 1/12 of 1 percent by legislation enacted June 27, 1950 (64 Stat. 256). The reduction was made retroactive to July 1, 1949. Premiums at the old rate for the amount of insurance in effect during the year would have produced an income of about $11,765,000 or an increase of approximately $1,580,000 over that of the preceding year. During the year 108 additional institutions were insured and insurance risk increased by about $1,450,000,000.

The Corporation is authorized [1] to assess additional premiums to cover losses and expenses. The additional premiums may not exceed 1/8 of 1 percent in any one year. An additional premium has never been assessed.

Interest income increased as a result of a higher average investment over the year. Although the investment at the year end was less than that at the beginning of the year, the reduction was made on June 27, 1950, in order to pay interest on the capital as provided by law.

The decrease in miscellaneous income was due principally to the larger profit on sales of securities in 1949 compared to that in 1950 fiscal year.

Total administrative and operating expenses amounted to $618,148 for the 1950 fiscal year (schedule C–1, page 52). The administrative expenses for the 1950 fiscal year were less than the congressional limitation of $617,500 for these expenses. The total increase of $36,942 in administrative and operating expenses was due principally to increased cost of personal services ($12,781) and an increase ($24,161) in the Home Loan Bank Board assessment to FS&LIC. The increase in expense for personal services was due largely to increased salary rates authorized by Congress, and the increase in the expenses of the HLBB was due principally to a revised basis of allocating expenses and to increased salaries authorized by Congress. It will be noted from our comments and tabulation appearing on page 14 that the HLBB expenses allocable to FS&LIC amounted to $206,827 which was $20,627 in excess of the amount of the assessment to FS&LIC ($186,200). Had FS&LIC been charged the full amount of expenses allocable to it, the limitation on administrative expenses would have been exceeded by $6,773.

We have previously recommended that a study be made to determine the proper allocation of the expense of the Operating Analysis Division. At the time of the preparation of this report the results of the study had not been finally evaluated. Following is a comparison by years of the amount of the expense of this division allocated to the Home Loan Bank Board and to FS&LIC.

Year	Amount	Allocated to HLBB	Allocated to FS&LIC
1947	$31,731	80%	20%
1948	75,270	----	100%
1949	95,143	50%	50%
1950	105,865	50%	50%

The Operating Analysis Division prepares statistics that are utilized by the Home Loan Bank Board, the Federal home loan banks, and Federal Savings and Loan Insurance Corporation.

[1] 12 U. S. C. 1727.

Examinations of insured institutions are made by the Examining Division of the HLBB. The examinations made by the Examining Division are considered to be for the joint benefit of the Federal home loan banks, Federal Savings and Loan Insurance Corporation, and, where Federal associations are involved, for supervisory responsibilities of the HLBB. The expenses of making these examinations are paid from fees charged the examined institutions. (See p. 12.)

Financial position

The financial position of FS&LIC at June 30, 1950 and 1949, and the changes resulting from operations during fiscal year 1950 are summarized:

Assets	*June 30* 1950	*June 30* 1949	*Increase (−decrease)*
Cash on deposit and in hands of liquidators	$422,462	$915,009	−$492,547
Government securities and accrued interest	190,454,728	206,805,664	−16,350,936
Assets purchased from insured institution to prevent default (net of provision for losses, $132,155)	4,102,427		4,102,427
Accounts receivable, claims receivable, and other assets	156,770	2,891,537	−2,734,767
Total assets	195,136,387	210,612,210	−15,475,823
Liabilities			
Accounts payable and accrued liabilities	60,101	63,404	−3,303
Unearned insurance premiums	6,870,800	5,194,395	1,676,405
Total liabilities	6,930,901	5,257,799	1,673,102
Net assets	$188,205,486	$205,354,411	−$17,148,925
Represented by:			
Investment of U. S. Government:			
Capital stock	$100,000,000	$100,000,000	
Accrued cumulative dividends		25,181,750	−$25,181,750
Insurance reserve fund representing earnings available for future losses and related expenses	88,205,486	80,172,661	8,032,825
	$188,205,486	$205,354,411	−$17,148,925

As authorized by section 402 (d) of the National Housing Act (12 U. S. C. 1725 (d)), FS&LIC invests funds not required for current operations in Government securities. During the year under review FS&LIC decreased its investment by $16,350,000. All purchases ($15,650,000) and sales ($32,000,000) involved 2 percent special nonmarketable United States Treasury notes. Of those sold, $29,000,000 were redeemed just before June 30, 1950, to provide funds for the payment of interest in lieu of dividends on the capital stock of the Corporation.

The creation of an insurance reserve fund for the protection of investors of insured institutions is required by section 404 of the National Housing Act.[1] Annual insurance premiums are to be paid by insured institutions until the reserve fund equals 5 percent of all insured accounts and creditor obligations of all insured institutions. At June 30, 1950, the insurance reserve fund was .84 of 1 percent.

[1] 12 U. S. C. 1727.

FINANCIAL STATEMENTS

EXHIBIT C-1

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

BALANCE SHEET—JUNE 30, 1950

ASSETS

CASH		$422,462
UNITED STATES GOVERNMENT SECURITIES at cost less amortization of premiums (market value $192,594,344)	$190,328,100	
Accrued interest	126,628	190,454,728
ASSETS PURCHASED FROM INSURED INSTITUTION to prevent default (at cost) (note 1)	4,234,582	
Less provision for losses	132,155	4,102,427
ACCOUNTS RECEIVABLE:		
Insurance premiums due from members (note 2)	139,381	
Other receivables	7,489	146,870
CLAIMS RECEIVABLE:		
Shareholders' net balances in associations in receivership to be subrogated when paid—see related liability	10,146	
Less provision for losses	710	9,436
FIXED ASSETS:		
Furniture, fixtures, and equipment at cost $53,577, fully depreciated		------------
DEFERRED CHARGE		464
		$195,136,387

LIABILITIES

ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (notes 2 and 3):		
Due Government agencies	$19,747	
Due others	18,188	
Due on insured shares in associations in receivership—pending or unclaimed—see related asset	10,146	
Due shareholders of closed institutions for amounts collected from receivers	12,020	$60,101
UNEARNED INSURANCE PREMIUMS (note 2)		6,870,800
INVESTMENT OF UNITED STATES GOVERNMENT:		
Capital stock held by U. S. Treasury		100,000,000
INSURANCE RESERVE FUND, representing net earnings available for future losses and related expenses (exhibit C-2)		88,205,486
		$195,136,387

The notes on page 51 are an integral part of this statement.

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EXHIBIT C-2

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

STATEMENT OF INCOME AND INSURANCE RESERVE FUND

For the Year Ended June 30, 1950

Income:		
Insurance premiums earned (note 2)		$7,853,361
Interest on securities		4,813,998
Admission fees		70,134
Miscellaneous		4,468
Total income		12,741,961
Administrative and operating expenses (schedule C-1)	$618,148	
Provision for losses on assets purchased	132,155	750,303
Net earnings from operations (note 4)		11,991,658
Interest on capital stock, paid to U. S. Treasury in lieu of dividends		2,000,000
Net earnings transferred to insurance reserve fund		9,991,658
Insurance reserve fund at June 30, 1949		80,172,661
Total before prior years' adjustments		90,164,319
Less adjustments to insurance reserve fund:		
Interest on capital stock, paid to U. S. Treasury in lieu of dividends—prior years	26,981,112	
Less dividends accrued—prior years	25,181,750	
	1,799,362	
Premium rate adjustments applicable to 1949 earnings	159,755	
Net reduction of receivership losses	284*	
Net adjustment		1,958,833
Insurance reserve fund at June 30, 1950 (exhibit C-1)		$88,205,486

*Deduction.

The notes on page 51 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. Assets acquired through purchase from an insured institution included construction loan notes on which $304,391 had not been disbursed at June 30, 1950. The funds supplied by the insured institution to make these disbursements are in the custody of the Corporation but have been omitted from the financial statements.

2. Legislation enacted June 27, 1950 (64 Stat. 256), reduced the insurance premium rate from 1/8 to 1/12 of 1 percent retroactive to July 1, 1949, and provided for the issuance of a credit to each insured institution for premiums billed at the previous rate. These credits have been applied to reduce premiums receivable where applicable, and the unapplied premium credits have been shown as unearned premiums. This resulted in an abnormal decrease in premiums receivable and an increase in unearned premiums at June 30, 1950.

Insurance premiums due from members include $58,014 due from Long Beach Federal Savings and Loan Association, Long Beach, California. A suit is pending in the United States District Court for the Southern District of California, Central Division, against the Federal Home Loan Bank of San Francisco, Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, and others, and a claim has been made on behalf of the Long Beach Federal Savings and Loan Association seeking substantial damages. In the opinion of general counsel, HLBB and FS&LIC, and of Department of Justice attorneys, the action and claim have no validity, and the suit is being defended.

3. Liability for accrued annual leave of employees, amounting to approximately $73,000 at June 30, 1950, is not shown in the financial statements.

4. Certain costs, which FS&LIC is not required by law to pay, are borne by other Government agencies. These costs are not shown in the financial statements. They include the Government's share of the cost of retirement, disability, and compensation benefits to employees and services rendered by the Justice Department.

SCHEDULE C–1

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

COMPARATIVE STATEMENT OF ADMINISTRATIVE AND OPERATING EXPENSES

For the Years Ended June 30, 1950 and 1949

	Year ended June 30		Increase (–decrease)
	1950	1949	
Salaries:			
Office of the General Manager	$41,802	$39,014	$2,788
Underwriting Division	79,960	76,010	3,950
Insurance Settlement Division	23,007	23,540	–533
Rehabilitation and Recoveries Division	30,546	31,294	–748
Operating Analysis Division	105,865	95,143	10,722
Comptroller's Division	75,445	78,843	–3,398
	356,625	343,844	12,781
Other expenses:			
Travel	4,021	5,603	–1,582
Transportation of things	16	31	–15
Communication services	5,283	5,370	–87
Rents and utility services	31,590	29,262	2,328
Printing and binding (see note)	12,213	1,870	10,343
Other contractual services (see note)	9,361	26,275	–16,914
Supplies and materials	3,406	2,700	706
Depreciation of furniture, fixtures, and equipment	3,528	4,212	–684
Services rendered by Home Loan Bank Board—assessment	186,200	162,039	24,161
Nonadministrative expenses allocated to investment in assets purchased to prevent default	5,905	....	5,905
Total administrative and operating expenses (exhibit C–2)	$618,148	$581,206	$36,942

NOTE: Expense previously included with "other contractual services" is reclassified and included in the 1950 fiscal year with "printing and binding" expenses in compliance with Bulletin #49-13 issued by the Bureau of the Budget.

PART II

Section D—Home Owners' Loan Corporation

Purpose and financing

Home Owners' Loan Corporation is a wholly owned Government corporation, created by the Home Owners' Loan Act of 1933 [1] for the purpose of providing emergency relief with respect to home mortgage indebtedness, of refinancing home mortgages, and of extending relief to owners who occupied their own homes and were unable to refinance their debt elsewhere.

The greater part of the capital required to finance the investment in loans, properties, and other activities, exclusive of the original capital stock of $200,000,000, was obtained by the issuance of bonds. The total bonds initially issued amounted to approximately $3,500,000,000, and, in the main, were exchanged for mortgages. The United States Government originally guaranteed only the payment of the interest on the bonds but by subsequent legislation guaranteed the principal and interest of new bonds and authorized, during a limited period, the exchange of the fully guaranteed bonds for bonds bearing the limited guarantee. At June 30, 1950, HOLC's unused borrowing power was limited to the issuance of bonds in the maximum amount of $1,260,546,450. In view of the present plans to liquidate the activities of the Corporation, there should be no need for further financing from this source. All bonds and part of the capital stock have been retired with funds derived principally from the sale of mortgages, investments, and real estate. The capital stock held by the Treasury was reduced during the fiscal year by $126,000,000. No dividends were paid on this investment.

Following is a summary of the funds provided and applied during the 1950 fiscal year.

Funds provided by:		
Net income for the fiscal year (before noncash charges of $8,136)		$8,916,209
Collections on and sale of loans and advances		236,930,493
Reduction of investments in savings and loan associations		3,413,750
Reduction of investment in Government securities		8,200,000
Prepayments on sales contracts		2,175,321
Net decrease in other assets (less increase in liabilities)		1,535,235
		$261,171,008
Funds applied to:		
Capital stock retirement		$126,000,000
Bond retirement		125,000,000
Payment of borrowers' taxes and insurance	$17,586,982	
Less deposits by borrowers	9,167,503	8,419,479
Advances to borrowers for taxes, repairs, etc		1,751,529
		$261,171,008

[1] 48 Stat. 128; 12 U. S. C. 1461.

Organization and management

The activities of Home Owners' Loan Corporation are directed by the Home Loan Bank Board, which also directs the activities of Federal Savings and Loan Insurance Corporation and the Federal home loan banks. The Home Loan Bank Board operates under the general supervision and coordination of the Administrator of the Housing and Home Finance Agency.

HOLC is administered by a general manager who is responsible for the execution of policies established by the HLBB. There were no major changes in the organizational structure of the Corporation during the 1950 fiscal year except for the creation of a subdivision to handle the sale of loan accounts. An organization chart of HOLC at June 30, 1950, is presented at page 67.

All activities of HOLC are now concentrated in New York [1] where 392 persons were employed at June 30, 1950—a reduction of 43 since the beginning of the fiscal year.

Operations

The Corporation services mortgage loans and other obligations and liens secured by real estate, including acquisition and disposition of collateral where necessary. The loans made, as authorized by the Home Owners' Loan Act of 1933, during a 3-year period beginning in June 1933 have been substantially liquidated and the management expects to complete this work before June 30, 1951.

The Corporation's program of liquidating its loans is in keeping with the provisions of the Home Owners' Loan Act of 1933, as amended, section 4 (k) (12 U. S. C. 1463), which reads in pertinent part:

> The board shall proceed to liquidate the corporation when its purposes have been accomplished, and shall pay any surplus or accumulated funds into the Treasury of the United States.

A special program to accelerate liquidation of the Corporation's mortgages was initiated in March 1948. The first phase was to persuade borrowers to pay their mortgage loans in full or refinance them with local institutions. A greatly accelerated rate of liquidation was begun during the 1950 fiscal year by offering loan portfolios to financial institutions on a state-wide basis through newspaper advertisements, contact by representatives, and correspondence with interested parties. Contracts were awarded in all cases to those offering highest bids.

At June 30, 1950, loan accounts had been completely terminated in 20 states and the District of Columbia. The portfolio of loans in the remaining 28 states and Puerto Rico had been or were in the process of being liquidated at the time of submission of this report.

The first state-wide loan portfolio contracted for sale covered properties located in New York State and consisted of approximately 40,000 loans involving unpaid balances of about $102,000,000. The average cost per account of transferring all accounts sold during the year amounted to $4.885. The average premium per account received on sale of accounts on a state-wide contract basis amounted to

[1] At the time of preparing this report liquidation had nearly been completed and the New York office was in process of being closed.

$19.52; the average premium for New York sales alone amounted to $8.07 compared to average premium per account of $29.99 for all other states.

All contracts for sale of loan accounts were made above par value (except those pertaining to Louisiana which was sold at par) with premiums ranging from ¼ of 1 percent and ⅓ of 1 percent on New York loans to 2½ percent on all others. Premiums received on sales of loan accounts to June 30, 1950, totaled $1,454,446.

A summary of the results of operations for the 1950 and 1949 fiscal years follows.

	Year ended June 30		Increase (— decrease)
	1950	1949	
Income:			
Interest on loans receivable and related advances	$9,826,803	$16,621,288	—$6,794,485
Premium on sale of loan accounts	1,454,446	....	1,454,446
Dividends and interest on investments in savings and loan associations	31,291	147,001	—115,710
Net income from property operations	—1,339	9,352	—10,691
Interest on Government securities	89,648	142,474	—52,826
Miscellaneous	187,056	161,804	25,252
Total income	11,587,905	17,081,919	—5,494,014
Expense:			
Interest on bonded indebtedness	555,684	2,275,979	—1,720,295
Administrative and operating expenses	2,085,204	2,275,143	—189,939
Allowance for losses	38,944	28,382	10,562
Total expense	2,679,832	4,579,504	—1,899,672
Net income for the period	8,908,073	12,502,415	—$3,594,342
Adjustments applicable to prior years:			
Reduction of estimated future losses	2,510,450	....	
Other	337	....	
	11,418,860	12,502,415	
Cumulative earnings (— deficit) at the beginning of the period	1,468,118	—11,034,297	
Cumulative earnings at the end of the period	$12,886,978	$1,468,118	

The principal source of income to the Corporation has been the interest earned on loans receivable and related advances. The reduction in this income resulted from the liquidation during the year of approximately $233,000,000 of mortgage loans and related advances.

Administrative and operating expenses (schedule D–1, p. 62) for the 1950 fiscal year decreased, principally because of a reduction of staff (43 persons). The limitations on these expenses authorized by Congress in the Independent Offices Appropriation Act, 1950 (63 Stat. 631), and the Deficiency Appropriation Act, 1950 (64 Stat. 275), were not exceeded.

Certain costs, which HOLC is not required by law to pay, are not shown in the financial statements. These costs are borne by other Government agencies. They include the Government's share of the cost of retirement, disability, and compensation benefits to employees and the use of Government funds without reimbursing the Treasury for its interest cost of approximately $91,600,000. In view of the liquidation of the Corporation, we do not recommend action in this respect.

Financial position

Following is a summary of the financial position of HOLC at June 30, 1950 and 1949, and the changes resulting from operations during fiscal year 1950.

	June 30		Increase (−decrease)
	1950	1949	
Assets:			
Cash	$6,063,372	$7,003,248	−$939,876
Loans and accounts receivable, accrued interest and properties, less estimated losses	84,411,411	317,615,479	−233,204,068
Investments (plus accrued interest)	2,696,754	14,439,877	−11,743,123
	93,171,537	339,058,604	−245,887,067
Liabilities:			
Special deposits and other liabilities	6,034,559	12,340,486	−6,305,927
Net assets	$87,136,978	$326,718,118	−$239,581,140
Represented by investment of U. S. Government:			
Bonds		$125,000,000	−$125,000,000
Capital stock	$74,000,000	200,000,000	−126,000,000
Reserve for fidelity and casualty losses	250,000	250,000	
Cumulative earnings	12,886,978	1,468,118	11,418,860
	$87,136,978	$326,718,118	−$239,581,140

The assets remaining at June 30, 1950, are being rapidly liquidated. It is expected that the objective of completing liquidation by June 30, 1951, will be attained.

FINANCIAL STATEMENTS

EXHIBIT D-1

HOME OWNERS' LOAN CORPORATION

BALANCE SHEET—JUNE 30, 1950

ASSETS

CASH (note 1) including uninvested portion of deposits by borrowers for payment of taxes and insurance ($1,527,073)		$6,063,372
LOANS RECEIVABLE, ACCRUED INTEREST, AND PROPERTIES:		
Loans receivable and related advances having installment maturities, largely monthly, and bearing interest at 4½ percent a year:		
Mortgage loans	$59,264,469	
Vendee accounts	24,934,280	
	84,198,749	
Accrued interest receivable	236,552	
Properties subject to redemption	19,389	
Properties owned	5,989	
	84,460,679	
Less estimated future losses	100,000	84,360,679
OTHER RECEIVABLES AND ADVANCES		50,732
INVESTMENTS:		
Shares and deposits in savings and loan associations, at cost (plus dividends receivable, $6,154)	686,554	
Government securities, at cost (market value $2,000,200) representing invested portion of deposits made by borrowers for payment of taxes and insurance	2,000,000	
Accrued interest receivable	10,200	2,696,754
FIXED ASSETS:		
Furniture, fixtures, and equipment, costing $177,085, fully depreciated		------------
		$93,171,537

LIABILITIES

LIABILITY FOR SPECIAL DEPOSITS:		
Borrowers' deposits for payment of taxes and insurance (see cash and investments)	$3,527,073	
Borrowers' installments paid before maturity	22,779	
Employees' payroll deductions for Federal income taxes, U. S. savings bonds, and civil service retirement contributions	51,865	$3,601,717
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (note 2)		146,156
UNAPPLIED CREDITS:		
Prepayments on sales contracts—loan accounts	2,175,321	
Other	111,365	2,286,686
INVESTMENT OF UNITED STATES GOVERNMENT:		
Capital stock held by U. S. Treasury	74,000,000	
Reserve for fidelity and casualty losses	250,000	
Cumulative earnings (note 3) (exhibit D-2)	12,886,978	87,136,978
		$93,171,537

The notes on page 61 are an integral part of this statement.

EXHIBIT D-2

HOME OWNERS' LOAN CORPORATION

STATEMENT OF INCOME AND CUMULATIVE EARNINGS

For the Year Ended June 30, 1950

INCOME:		
Interest on loans receivable and related advances:		
Mortgage loans		$6,269,025
Vendee accounts		3,557,778
		9,826,803
Premium on sale of loan accounts		1,454,446
Dividends and interest on investments in savings and loan associations		31,291
Interest on Government securities		89,618
Fees under insurance contract with Stock Company Association		128,225
Net income from property operations		−1,339
Profit from sale or transfer of fixed assets:		
To other Government agencies		395
To others		49,058
Miscellaneous		9,378
Total income		11,587,905
EXPENSES (note 3):		
Administrative and operating expenses (schedule D-1)	$2,085,204	
Loss on investment in savings and loan association	30,459	
Interest on bonded indebtedness	555,684	
Allowance for uncollectible accounts	8,485	2,679,832
NET INCOME FOR THE YEAR		8,908,073
CUMULATIVE EARNINGS AT JUNE 30, 1949		1,468,118
Total		10,376,191
ADJUSTMENTS APPLICABLE TO PRIOR YEARS:		
Unidentified items net	337	
Reduction of estimated future losses	2,510,450	2,510,787
CUMULATIVE EARNINGS AT JUNE 30, 1950 (note 3)		$12,886,978

The notes on page 61 are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

1. At June 30, 1950, bonds in the amount of $1,669,225, called for redemption, had not yet been presented to the Treasury for payment. Funds have been transferred to the United States Treasury for its use in redeeming these bonds. The funds and corresponding liability are not shown in the financial statements.

2. Liability for accumulated annual leave due employees, approximating $305,271, is not included in the financial statements.

3. Certain costs, which HOLC is not required by law to pay, are borne by other Government agencies. These costs are not shown in the financial statements. They include interest on the Government's investment and the Government's share of the cost of retirement, disability, and compensation benefits to employees.

SCHEDULE D-1

HOME OWNERS' LOAN CORPORATION

COMPARATIVE STATEMENT OF ADMINISTRATIVE AND OPERATING EXPENSES

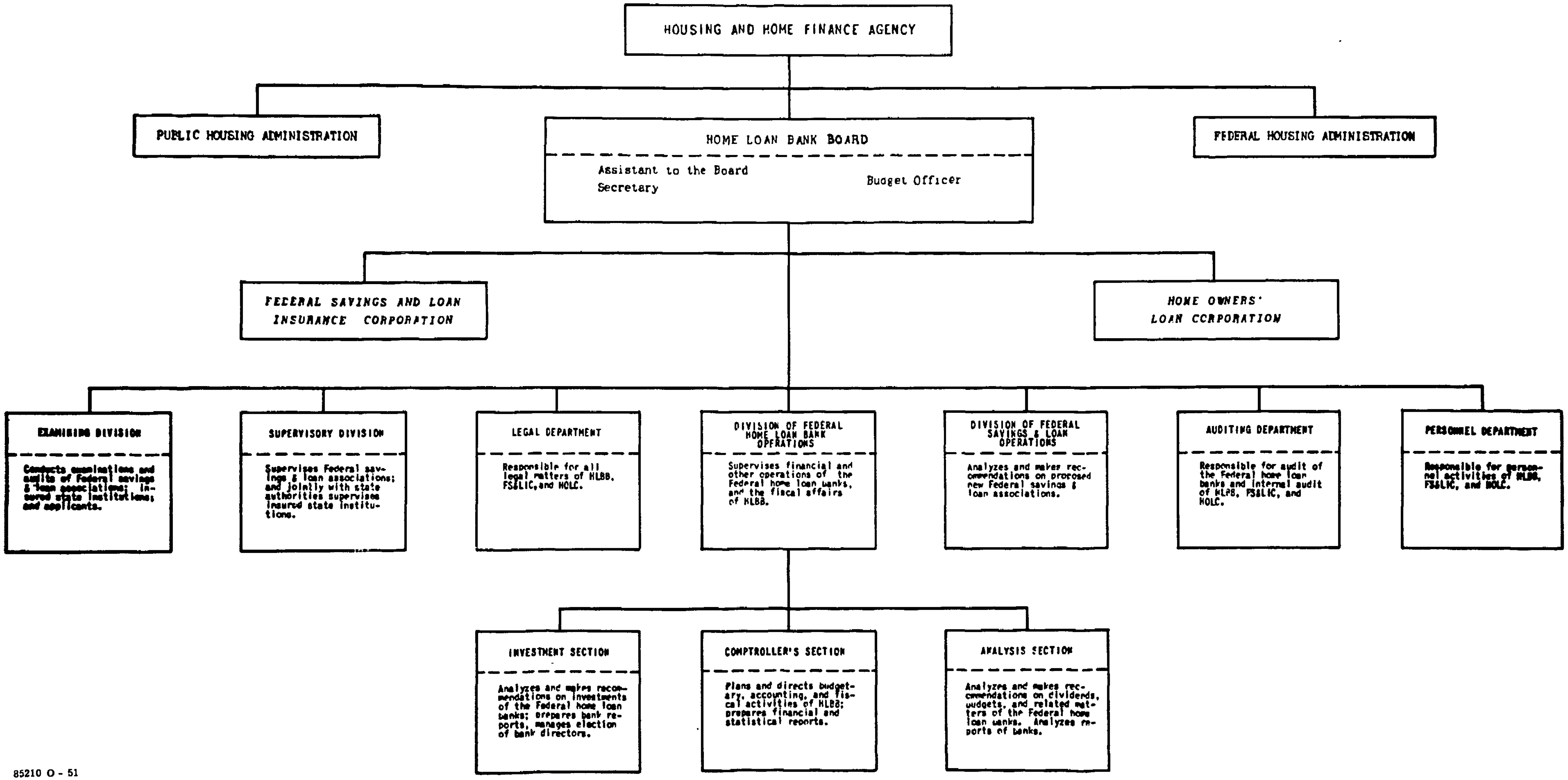
For the Years Ended June 30, 1950 and 1949

	Year ended June 30				
	Sales or assignments	*Regular*	*Total 1950*	*Total 1949*	*Increase (−decrease)*
Personal services:					
Office of comptroller-treasurer	$288,945	$624,283	$913,228	$852,538	$60,690
Loans and properties division	56,736	296,920	353,656	497,712	−144,056
Legal department	18,713	72,147	90,860	87,301	3,559
Administrative	346	62,619	62,965	73,804	−10,839
Auditing	8,732	49,379	58,111	67,136	−9,025
Personnel department	....	20,280	20,280	27,083	−6,803
	373,472	1,125,628	1,499,100	1,605,574	−106,474
Services rendered by other Government agencies:					
Home Loan Bank Board	....	88,440	88,440	107,426	−18,986
U. S. Treasury and Federal Reserve banks	....	14,935	14,935	26,293	−11,358
General Accounting Office (audit)	....	10,822	10,822	11,876	−1,054
	....	114,197	114,197	145,595	−31,398
Rental of office space, equipment, and storage facilities (less subrentals, $16,496 in fiscal year 1950 and $79,825 in fiscal year 1949)	....	344,976	344,976	388,555	−43,579
Communication	529	10,794	11,323	10,820	503
Travel	8,293	744	9,037	15,325	−6,288
Depreciation of furniture, fixtures, and equipment	....	1,430	1,430	785	645
Stationery and office supplies (less sales of duplicating section supplies of $5,430 in fiscal year 1949)	4,835	34,945	39,780	73,292	−33,512
Legal, appraisal, and other fees	....	45,698	45,698	15,807	29,891
Repairs, alterations, heat, light, water, and power applicable to rented space	....	13,402	13,402	16,023	−2,621
Expenses of United States Housing Corporation liquidation	....	9	9	1,568	−1,559
Other	1,349	4,903	6,252	1,799	4,453
Total administrative and operating expenses (exhibit D-2)	$388,478	$1,606,726	$2,085,204	$2,275,143	−$189,939

APPENDIX

ORGANIZATION CHARTS

HOME LOAN BANK BOARD
Organization Chart
June 30, 1950



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FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

ORGANIZATION CHART

JUNE 30, 1950

BOARD OF DIRECTORS
Composed of the three members of the Home Loan Bank Board.

GENERAL MANAGER

UNDERWRITING DIVISION
Develops programs for insurance of accounts; passes on insurance applications; cooperates with officials of FHL banks and State supervisory authorities.

OPERATING ANALYSIS DIVISION
Analyzes financial and operating data pertaining to administration of FS&LIC and FHLB system; compiles and analyzes statistics.

COMPTROLLER'S DIVISION
Conducts accounting and reporting operation, including those for receiverships.

INSURANCE SETTLEMENT DIVISION
Supervises the payment of insurance to investors in defaulted institutions; passes on amendments in charter, by-laws, securities, and fidelity bonds for insured institutions.

REHABILITATION & RECOVERIES DIV.
Supervises prevention of default and restoring normal operations of insured institutions; liquidates assets of institutions for which FS&LIC is receiver.

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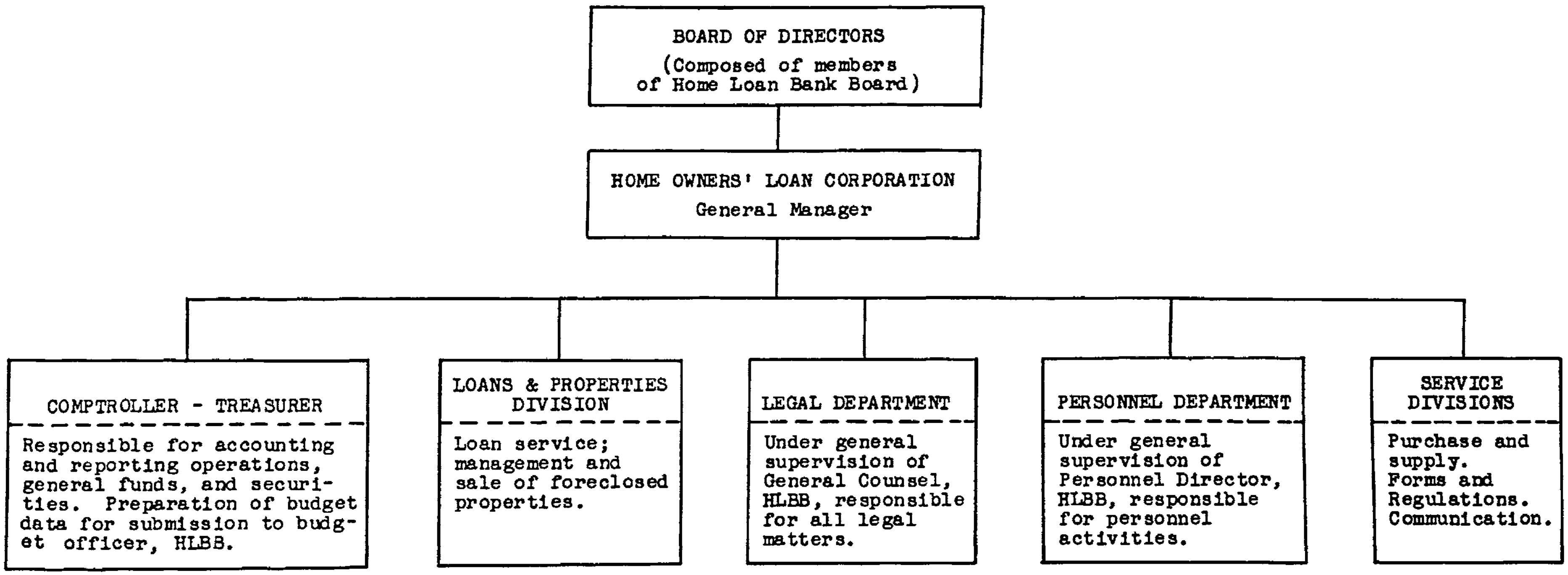
HOME OWNERS' LOAN CORPORATION

ORGANIZATION CHART
JUNE 30, 1950



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