

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

L E T T E R

FROM

COMPTROLLER GENERAL OF THE
UNITED STATES

TRANSMITTING

A REPORT ON THE AUDIT OF THE FINANCIAL STATE-
MENTS AND ACCOUNTS OF THE HOME LOAN BANK
BOARD AND THE ORGANIZATIONS UNDER ITS SUPER-
VISION, CONSISTING OF THE ELEVEN FEDERAL HOME
LOAN BANKS, FEDERAL SAVINGS AND LOAN INSUR-
ANCE CORPORATION, AND HOME OWNERS' LOAN
CORPORATION, FOR THE YEAR ENDED JUNE 30, 1951,
PURSUANT TO THE GOVERNMENT CORPORATION
CONTROL ACT (31 U. S. C. 841), AND THE BUDGET AND
ACCOUNTING ACT OF 1921, AS AMENDED



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LETTER OF TRANSMITTAL

GENERAL ACCOUNTING OFFICE,
COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, December 29, 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, 1951, pursuant to 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, 1951

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, 1951, pursuant to 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 and settled under the Budget and Accounting Act of 1921, as amended.

The Home Loan Bank Board is a constituent organization of the Housing and Home Finance Agency (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.

GENERAL COMMENTS

Home Loan Bank Board

The Home Loan Bank Board, a nonincorporated organization, supervises the Federal Home Loan Bank System. It chartered the Federal home loan banks and supervises their activities pursuant to the Federal Home Loan Bank Act of 1932 (12 U. S. C. 1423, 1437). Concurrently, it is the board of trustees of Federal Savings and Loan Insurance Corporation (12 U. S. C. 1725 (a)) and the board of directors of Home Owners' Loan Corporation (12 U. S. C. 1461). In addition to these functions, it charters and supervises Federal savings and loan associations pursuant to the Home Owners' Loan Act of 1933.

The activities of the Home Loan Bank Board consist principally of establishing policies for and supervising the organizations which it heads, and supervising the activities of Federal savings and loan associations. The activities of the Board are carried out by an administrative organization immediately under its direction. Some of the activities of this organization are performed on behalf of the supervised organizations on a reimbursable basis. Also, this organization

makes periodic examinations of Federal- and state-chartered associations to ascertain their financial condition and compliance with prescribed regulations applicable to membership in the Federal home loan banks, to insurance by FS&LIC, and to holding Federal charters. These examinations are used also by the banks. In some cases special examinations are made of applicants for insurance, for membership in the banks, and for Federal charters. The per diem fee for examinations was increased from \$34 to \$37 during the year. Despite the increase in the examining fee, the fees were insufficient to cover the expenses of this activity. There were no major activity or organizational changes during the 1951 fiscal year.

The Board's expenses are classified by law as administrative and nonadministrative. Administrative expenses are paid from assessments made on the organizations under the direction of the Board. The nonadministrative expenses, consisting principally of the expense of making examinations, are paid from fees charged for the examinations and from reimbursements for services rendered others.

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 have not been limited by the Congress, but they have been apportioned by the Bureau of the Budget.¹ Expenses incurred during the 1951 fiscal year did not exceed the limitations set by the Congress (\$455,000) and the Bureau of the Budget.

Working capital of the Board (exhibit A-1, p. 15) has been derived from excess assessments made against the Federal home loan banks. Cumulative excess assessments at June 30, 1951, amounted to \$427,542. The excess assessments have been used to finance the cumulative deficit of the examining division (\$191,878 at June 30, 1951) and to bear the expense of chartering and supervising Federal savings and loan associations. The working capital at June 30, 1951, amounting to \$235,664, was \$10,291 less than at June 30, 1950, due to the deficit (\$36,354) of fees available for payment of the expenses of the examining division after excess assessments of \$26,063.

During the year Federal charters were granted to 21 savings and loan associations and one charter was canceled as a result of a merger of two associations, bringing the total of federally chartered associations at June 30, 1951, to 1,535. The Board charged no fees for considering applications for, granting, or supervising federally chartered institutions. The expense of this activity was borne out of assessments upon the Federal home loan banks. This policy of the Board is contrasted with the practice of most states of charging a fee for granting charters and the supervision they entail.

Following is a summary of the sources of funds available to the Board and their application during the year ended June 30, 1951.

¹ Nonadministrative expenses have been limited by the Congress for the 1952 fiscal year.

Sources of funds:

Assessments on:

Federal home loan banks-----	\$430, 000
Federal Savings and Loan Insurance Corporation-----	168, 198
Home Owners' Loan Corporation-----	73, 249
Fees for examination of insured institutions-----	1, 484, 993
Decrease in working capital-----	10, 291
	<hr/>
	\$2, 166, 731
	<hr/>

Application of funds:

Administrative and operating expenses, net-----	\$2, 166, 731
	<hr/>

Comparative statements of the financial position of the Board at June 30, 1951 and 1950, and of expenses for the fiscal years then ended are presented as exhibits A-1 and A-2 at pages 15 and 16.

Federal home loan banks

The Federal home loan banks (chartered by HLBB in 1932 pursuant to the Federal Home Loan Bank Act (12 U. S. C. 1423)) and their members constitute the Federal Home Loan Bank System, which provides a credit reservoir and 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.

Twelve district banks were organized in 1932, each serving a geographical area. Of the original 12 there were 11 district banks in operation at June 30, 1951 (the banks at Los Angeles and Portland were merged into a new bank at San Francisco in 1946). The San Francisco bank maintains branches in Los Angeles and Portland.

Each of the banks is managed by a board of twelve directors, four of whom are appointed by the Home Loan Bank Board and the remainder are elected by member institutions, in accordance with the act and regulations prescribed by the HLBB. Although the management of each bank is vested in its board of directors, the Board is subject, in all its acts, to the regulations prescribed by the HLBB. The HLBB is required by law to make an annual examination of each regional bank. There were 3,963 members of the banks at June 30, 1951, an increase of 65 from the total of the previous year.

The banks obtain funds for their credit reserve activities from subscriptions to capital stock, deposits made with them by member institutions, issuance of consolidated obligations, and from earnings. The income of the banks is derived principally from interest earned on advances made to members and from interest earned on investments in Government securities. Their primary expenses are interest cost on consolidated obligations issued and on time deposits made by members with the banks. Other expenses are of an operating and supervisory nature.

The banks' funds are used for making advances to members; for investments as required by law and regulations with respect to legal reserves, members' deposits, and liquidity reserves established by the HLBB; and for their operating expenses.

A statement showing sources and application of funds during the 1951 fiscal year appears as exhibit B-3 on page 19.

Collateral must be furnished by the borrowing institutions for advances made by the banks if maturity exceeds one year. Collateral may be required on advances maturing within one year. Collateral must consist of home mortgages, securities, time deposits, or obligations of or guaranteed by the United States, subject to such regulations as the HLBB may prescribe. The authorized borrowing capacity of each bank member at June 30, 1951, was the amount for which the member could 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 the HLBB. Because of the current national emergency, the boards of directors of the banks adopted resolutions in the 1951 fiscal year reducing the borrowing limit of each bank member (where such member intended to make new loan commitments or use the funds for loan expansion purposes) from 50 percent to 30 percent or less of its borrowing capacity. Nevertheless, advances of \$690,720,743 made during 1951 were \$288,006,609 greater than advances made in the prior peak year of 1948. The total advances outstanding at June 30, 1951, were \$816,156,292 compared with \$442,760,555 at June 30, 1950, an increase of \$373,395,737. During the year the banks made increased advances to their member associations, enabling the associations to meet loan commitments made prior to the new credit restrictions and also to have funds available at the time of heavy withdrawals by the associations' shareholders shortly after the Korean outbreak.

The combined net earnings of \$6,606,716 for the 1951 fiscal year were 19 percent greater than the \$5,532,430 earned during the prior year. The increase in earnings was due principally to an expansion in the volume of advances made to member institutions during 1951. Interest earned on advances (\$14,929,550) increased 103 percent from the \$7,339,818 earned in the preceding year. This gain resulted from an increase of \$346,097,997 in the average monthly outstanding advances and an increase in the average interest rate. The average interest rate earned on advances in 1951 was 2.11 percent; in 1950, 2.03 percent; and in 1949, 2.04 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. Income from investments declined \$1,696,293 during the 1951 fiscal year because the average monthly investment was lower by \$124,249,608 than that of the previous year. The yield, however, increased from 1.70 percent in 1950 to 1.90 percent in 1951.

The banks accept deposits by members either subject to demand or on a time basis. Interest paid on time deposits ranged from 1 to 1½ percent; no interest is paid on demand deposits. At June 30, 1951, deposits were \$239,847,364, a decrease of 25 percent from the \$321,519,106 at June 30, 1950. Eighty-six percent of the deposits at June 30, 1951, were time deposits. Legal 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.

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. The rates of interest paid on these deposits in 1951 ranged from 1.47 percent to 2.11 percent.

Consolidated obligations outstanding at June 30, 1951, were \$543,800,000 (excluding \$3,700,000 held by the banks) compared with \$172,000,000 at June 30, 1950. Consolidated obligations are authorized to be issued to the public by the HLBB on behalf of the banks, subject to the approval of the Secretary of the Treasury, to obtain financing needed for bank operations. In addition, the Secretary of the Treasury is authorized to purchase interest-bearing obligations of the banks, at his discretion, up to an amount outstanding at any one time of \$1 billion. This authorization is principally for use under distress conditions and never has been used. The consolidated obligations, currently being issued in the form of notes, are the joint and several obligations of the eleven banks and are not guaranteed by the United States Government as to principal or interest. HLBB regulations provide that consolidated bonds or notes 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 (12 U. S. C. 1436). Consolidated obligations outstanding at June 30, 1951, were well within this limitation. To meet the increased demand for loans, consolidated obligations of \$1,050,500,000 were issued during 1951 compared with \$333,000,000 issued during 1950. In order to assure payment of the obligations, the banks at all times are required to maintain assets of specified types, free from any lien or pledge, at least equal in amount to the consolidated obligations outstanding. At June 30, 1951, the assets so held were \$863,425,149 compared to outstanding obligations of \$543,800,000. Interest and other costs of borrowed money (concessions on obligations sold and expenses of the office of the fiscal agent) of \$8,090,578 was \$5,073,493 (168 percent) greater than in 1950 due to an increase of \$269,337,871 in the average amount of consolidated obligations outstanding at higher average interest rates. The average cost of borrowed money was 1.77 percent in 1951 compared with 1.55 percent in 1950.

Originally the Government subscribed and paid for \$124,741,000 of capital stock of the banks. During the 1951 fiscal year the Government investment in the banks was reduced by \$65,221,900, while members' stockholdings were increased \$107,266,050 in compliance with additional requirements for their stock ownership. Each member institution must own a minimum of capital stock in the regional bank equal to 2 percent of its home mortgage loans, with a minimum subscription of \$500. The Government's remaining investment in the banks at June 30, 1951 (\$5,000,000 each in the Little Rock and San Francisco banks), was retired in the following month, thus permitting the Government to earn a final semiannual dividend at June 30, 1951.

All banks paid dividends out of earnings during the year ranging from 1 to $2\frac{1}{4}$ percent, the weighted average being 1.66 percent. The dividends received by the Government in 1951 were at a lower rate than the average interest rate (1.981 percent) on marketable issues of the public debt. The estimated interest cost to the United States Treasury on the Government's investment in the banks in 1951 was approximately \$253,000 (1950, \$447,500) more than the dividends received on the investment.

The HLBB requires that all banks maintain an investment in specified assets, totaling \$100,000,000, to assure sufficient liquid assets. Each bank is required to participate in this "liquidity reserve" in the ratio of its total paid-in capital to the total paid-in capital of all banks.

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, they have followed a policy of transferring some of their earnings to a "contingency reserve." This reserve does not represent a known or prospective liability; consequently these earnings may be considered a part of the undistributed earnings.

A comparative consolidated balance sheet showing the financial position of the banks at June 30, 1951 and 1950, and a comparative consolidated statement of earnings showing the results of operations for the fiscal years then ended are presented as exhibits B-1 and B-2 at pages 17 and 18.

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 \$1,303,231 (at March 9, 1951) and United States Treasury bonds with par value of \$5,300,000 with the Court Registry pending outcome of the suit. In addition, the 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 \$148,000 from inception to June 30, 1951, of which approximately \$37,000 was recorded in fiscal year 1951 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.

Federal Savings and Loan Insurance Corporation

Federal Savings and Loan Insurance Corporation insures the accounts in savings and loan and similar institutions in the maximum amount of \$10,000 for each investor (48 Stat. 1256; 12 U. S. C. 1725). The maximum covered by insurance was increased from \$5,000 to \$10,000 by legislation enacted September 21, 1950.

FS&LIC is a wholly owned Government corporation. Capital stock of \$100,000,000 was acquired originally by Home Owners' Loan Corporation and later transferred by law to the Secretary of the Treasury. Subsequent legislation requires the Corporation to retire annually at par a portion of its capital stock equal to one-half of its

net income for each fiscal year (beginning with 1951) until the entire capital stock is retired. For the 1951 fiscal year provision was made to retire \$6,716,000 of the \$100,000,000 capital stock. The legislation also requires that in lieu of dividends on its capital stock the Corporation shall 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 such fiscal year at a rate determined by the Secretary of the Treasury. Pursuant to this legislation provision was made in the amount of \$1,875,000 (1½ percent of \$100,000,000 capital stock outstanding) for payment to the Secretary of the Treasury. The amount of capital stock determined to be retired was based on the net earnings of the Corporation before provision for the return on capital stock in lieu of dividends. Both provisions are shown as current liabilities in the balance sheet of the Corporation (exhibit C-1, p. 24) and were paid in July 1951.

The Corporation is authorized to borrow from the Treasury not exceeding in the aggregate \$750 million outstanding at any one time; it cannot borrow from any other source. Each loan is to bear interest at a rate to be determined by the Secretary of the Treasury. This borrowing power has not been used.

Operations during the year consisted of underwriting insurance, billing and collecting premiums, investing surplus funds, and placing in a condition for sale the assets of an insured institution purchased in the 1950 fiscal year to prevent default.

There were 2,944 insured savings-and-loan-type institutions at June 30, 1951, representing 49 percent of all such insurable institutions in the United States. The number of insured institutions increased 145 during the fiscal year 1951. Total assets of insured institutions represented 83 percent of the assets of all operating associations. Approximately 8,700,000 investors' accounts (one million increase over 1950) were insured, representing 79 percent of accounts in all operating associations. The insured shares of investors were estimated to be \$12,164,279,000, an increase of 22 percent over the previous year.

No insured institution has been placed in receivership since 1941, and no contributions to prevent default have been made since 1945. During the 1950 fiscal year the Corporation, under section 406 (f) of title IV of the National Housing Act, exercised its power to purchase the assets of an insured institution (state-chartered) to prevent default. The entire assets of the Koruna Savings and Loan Association, Chicago, Illinois, were purchased on April 10, 1950, for \$4,405,175—sufficient to pay all shareholders and creditors in full regardless of amount. The purchase was made for the stated purpose of realizing on the assets of the institution at the least possible expense. At June 30, 1951, the Corporation's net investment in these assets amounted to \$994,270. Since realization on the remaining assets is almost completed and no loss is anticipated, the 3 percent provision for loss (\$132,155) created out of 1950 fiscal year earnings was taken up in the 1951 earnings.

Insurance premiums earned during the 1951 fiscal year were \$9,244,653, an increase of \$1,391,292 over the previous year. This increase resulted from about \$2¼ billion additional insured share liability. Insurance premiums due from members at June 30, 1951, were \$2,696,336, an increase of \$2,556,955 over the June 30, 1950, balance of \$139,381. This increase is due to the rather small amount

due from members at June 30, 1950, the balance at June 30, 1950, having been reduced by credits due members because of a reduction in the premium rate retroactive to July 1, 1949. Unearned insurance premiums at June 30, 1951, were \$4,847,003, a net decrease of \$2,023,797 from \$6,870,800 at June 30, 1950. This decrease in part represents the unapplied credits at June 30, 1950, due insured institutions because of the reduced premium rate. These credits were applied during the 1951 fiscal year.

The total administrative and operating expenses were \$577,108 for the 1951 fiscal year, a net reduction of \$41,040 from the previous year. The administrative expenses did not exceed the \$635,000 limitation set by Congress (General Appropriation Act, 1951—64 Stat. 722). The decrease in administrative and operating expenses was due principally to the decrease (\$23,037) in cost of personal services and the net decrease (\$18,002) in the Home Loan Bank Board assessment to FS&LIC. The principal decrease in personal services resulted from a reduction in staff used in liquidating the assets purchased in 1950 to prevent default of an insured institution.

Net earnings are used to create an insurance reserve fund for the protection of investors in insured institutions, as required by section 404 of the National Housing Act. Annual insurance premiums are to be paid by insured institutions until the reserve fund equals 5 percent of all insured accounts and creditors' obligations of all insured institutions. At June 30, 1951, \$11,556,147 of net earnings were transferred to the reserve fund. This was an increase of \$1,564,489 over the 1950 earnings. The insurance reserve fund at June 30, 1951, was .76 of 1 percent of the total insured liability compared with .84 of 1 percent at June 30, 1950. The reduced ratio is due to the fact that the increase in insurance coverage exceeded the increase in insurance reserve.

Following is a summary of the sources of funds and their application during the year ended June 30, 1951.

Sources of funds:

Income (before net noncash credit of \$128,955).....	\$11, 427, 192
Realization on assets purchased from an insured institution to prevent default.....	3, 240, 312
Net increase in accounts payable (\$8,585,130) less net increase in current assets (\$3,705,094).....	4, 880, 036
	<u>\$19, 547, 540</u>

Application of funds:

Reduction in unearned and prepaid premiums, net..	\$2, 023, 797
Retirement of capital stock.....	6, 716, 000
Purchase of Government securities.....	10, 804, 180
Purchase of assets.....	3, 563
	<u>\$19, 547, 540</u>

Comparative statements showing financial position at June 30, 1951 and 1950, and the results of operations for the fiscal years then ended are presented as exhibits C-1 and C-2 at pages 24 and 25.

Home Owners' Loan Corporation

Home Owners' Loan Corporation is a wholly owned Government corporation, created by the Home Owners' Loan Act of 1933 (12 U. S. C. 1461) 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.

Since 1933 the Corporation has been servicing the acquired mortgages and properties. During the past two years it has been aggressively liquidating these assets. For all practical purposes, the Corporation had been liquidated at the close of the 1951 fiscal year, thus having attained the objective of the management as to a target date for liquidation. This accomplishment resulted from aggressive policies and administration established by the Home Loan Bank Board and the management of the Corporation.

The Corporation has not been legally extinguished. We believe legislation is required to do so. (See recommendation at page 10.)

During the 1951 fiscal year the remaining capital stock (\$74,000,000) was retired and accumulated earnings in excess of current needs for liquidation (\$13,800,000) were paid into the United States Treasury. The ability of the Corporation to liquidate and return the entire original capital investment to the Treasury, without loss, arose out of having had cumulative income of about \$1,304 million; and after cumulative expenses and losses of about \$1,290 million, the Corporation had cumulative net earnings of over \$14 million. This record is remarkable when it is recalled that HOLC acquired mortgages which were in default and could not otherwise be refinanced. While net earnings of about 14 million dollars will be paid into the United States Treasury, these earnings are not to be viewed as a profit on the operation of HOLC from the standpoint of the Government as a whole, inasmuch as the cost to the Treasury for supplying funds to the Corporation since 1933 was about \$91,900,000, or a net cost to the Government of about \$78,000,000.

The Corporation ended its final year of liquidation with net earnings for the year of \$855,806 resulting principally from income from interest on loans and premiums on sales of loan accounts.

After the close of the fiscal year \$75,000 of the Corporation's funds were transferred to the Home Loan Bank Board for nonadministrative expenses to carry out final liquidation of HOLC, as authorized by the Independent Offices Appropriation Act, 1952 (Public Law 137, 82d Cong.).

We have not presented cumulative statistical data covering the life of the Corporation, as this material will be presented by the Corporation in its final report. A comparative statement of the financial position at June 30, 1951 and 1950, and a statement showing results of operations for the year ended June 30, 1951, and cumulative

earnings from inception are presented as exhibits D-1 and D-2, pages 26 and 27. Following is a summary of the sources of funds and their application during the year ended June 30, 1951:

Sources of funds:

Net income for the year (before noncash charges of \$4,434)-----	\$860, 240
Collections on and sale of loans and advances-----	84, 337, 976
Collections on and sale of investments in savings and loan associations-----	680, 400
Sale of investments in Government securities-----	2, 000, 000
Net decrease in other assets-----	3, 582, 507
	<hr/>
	\$91, 461, 123

Application of funds:

Retirement of capital stock-----	\$74, 000, 000
Transfer of surplus funds to U. S. Treasury-----	13, 800, 000
Payment and assignment of borrowers' deposits for taxes and insurance-----	3, 527, 073
Advances to borrowers for taxes, repairs, etc-----	134, 050
	<hr/>
	\$91, 461, 123

RECOMMENDATIONS TO THE CONGRESS

Home Loan Bank Board

The Home Loan Bank Board supervises the activities of the Federal home loan 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 revenue produced by its operations and will be included in its financial statements.

Home Owners' Loan Corporation

All the assets of HOLC have been liquidated, and only minor liabilities remain to be liquidated. Occasional legal acts arising out of the sale of assets will be required. We recommend that the Con-

gress enact legislation extinguishing the corporate entity, authorizing the Home Loan Bank Board to perform any acts necessary to perfect legal acts of HOLC, and authorizing sufficient funds to be transferred to HLBB from available funds of HOLC to cover the expense on behalf of HOLC.

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, 1951, and the related statements of operations 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 made by the auditor of the Home Loan Bank Board, after a review of related working papers, field surveys, and observation of the actual conduct of an examination. The supervisory examinations were made under acceptable auditing standards and included all audit steps and procedures we considered necessary.

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 of the Home Loan Bank Board (exhibits A-1 and A-2), Federal home loan banks (exhibits B-1, B-2, and B-3), Federal Savings and Loan Insurance Corporation (exhibits C-1 and C-2), and Home Owners' Loan Corporation (exhibits D-1 and D-2) present fairly their financial positions at June 30, 1951, 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.

HOUSING AND HOME FINANCE AGENCY
HOME LOAN BANK BOARD
101 Indiana Avenue NW., 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 Home Loan Bank Board, Federal home loan banks, Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation showing their financial condition at June 30, 1951, and the results of operations for the fiscal year then ended. These financial statements have been prepared from information and reports furnished by those organizations during the year and the data disclosed by examinations made under my supervision.

The statements consist of the following:

Home Loan Bank Board

Comparative balance sheet—June 30, 1951 and 1950

Comparative statement of expenses, for the years ended June 30, 1951 and 1950

Federal home loan banks

Comparative consolidated balance sheet—June 30, 1951 and 1950

Comparative consolidated statement of earnings, for the years ended June 30, 1951 and 1950

Consolidated statement of sources and application of funds, for the year ended June 30, 1951

Consolidating balance sheet—June 30, 1951

Consolidating statement of earnings, for the year ended June 30, 1951

Comparative consolidated statement of compensation, travel, and other expenses, for the years ended June 30, 1951 and 1950

Federal Savings and Loan Corporation

Comparative balance sheet—June 30, 1951 and 1950

Comparative statement of income and insurance reserve fund, for the years ended June 30, 1951 and 1950

Home Owners' Loan Corporation

Comparative balance sheet—June 30, 1951 and 1950

Statement of income and cumulative earnings, for the year ended June 30, 1951

In my opinion, the accompanying financial statements present fairly the financial position of the Home Loan Bank Board, the Federal home loan banks, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation at June 30, 1951, 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

HOME LOAN BANK BOARDCOMPARATIVE BALANCE SHEET--JUNE 30, 1951 AND 1950

	<u>June 30</u>		<u>Increase</u>
	<u>1951</u>	<u>1950</u>	<u>(-decrease)</u>
<u>ASSETS</u>			
<u>CASH</u>	\$118,127	\$340,434	-\$222,307
<u>ACCOUNTS RECEIVABLE:</u>			
Insured institutions for examining fees	136,782	165,034	-28,252
Government agencies	13,111	12,715	396
Long Beach Federal Savings and Loan Association (note 1)	89,781	89,781	
Advances to employees for travel expenses	19,124	22,835	-3,711
Other	918	366	552
<u>INVENTORY OF SUPPLIES AND MATERIALS, at cost</u>	12,874	9,627	3,247
<u>FIXED ASSETS:</u>			
Furniture, fixtures, and equipment, at cost (\$178,457 at June 30, 1951, and \$190,949 at June 30, 1950), fully depreciated	-	-	-
	<u>\$390,717</u>	<u>\$640,792</u>	<u>-\$250,075</u>
<u>LIABILITIES</u>			
<u>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</u>			
(note 2):			
Government agencies	\$ 76,712	\$ 69,299	\$ 7,413
Accrued salaries	33,359	35,255	-1,896
Other	44,982	62,783	-17,801
<u>DEFERRED CREDITS:</u>			
Assessments collected in advance from Federal home loan banks		227,500	-227,500
<u>WORKING CAPITAL</u> derived from excess assessments made against Federal home loan banks, less deficit of \$191,878 at June 30, 1951, and \$155,524 at June 30, 1950, incurred by the Examining Division (exhibit A-2)	<u>235,664</u>	<u>245,955</u>	<u>-10,291</u>
	<u>\$390,717</u>	<u>\$640,792</u>	<u>-\$250,075</u>

Notes:

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 the general counsel of the 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 \$358,000 at June 30, 1951.
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.

HOME LOAN BANK BOARDCOMPARATIVE STATEMENT OF EXPENSESFOR THE YEARS ENDED JUNE 30, 1951 AND 1950

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>1951</u>	<u>1950</u>	<u>(-decrease)</u>
<u>EXPENSES:</u>			
Salaries	\$1,797,301	\$1,869,763	\$-72,462
Travel	323,195	352,568	-29,373
Transportation of things	1,735	2,384	-649
Communications	17,293	17,267	26
Rents and utilities	39,572	36,453	3,119
Printing and reproduction	2,870	3,032	-162
Other contractual services	2,798	6,433	-3,635
Services of other Government agencies	3,199	2,756	443
Supplies and materials	33,666	21,644	12,022
Equipment	5,329	22,693	-17,364
Taxes and assessments	780	-	780
Total expenses	<u>2,227,738</u>	<u>2,334,993</u>	<u>-107,255</u>
<u>LESS REIMBURSEMENTS AND</u>			
<u>MISCELLANEOUS INCOME:</u>			
Federal Savings and Loan Insurance Corporation	11,169	14,852	-3,683
Home Owners' Loan Corporation	908	2,641	-1,733
Other Government agencies	43,083	27,228	15,855
Other	<u>5,847</u>	<u>2,196</u>	<u>3,651</u>
	<u>61,007</u>	<u>46,917</u>	<u>14,090</u>
<u>NET EXPENSES</u>	<u>2,166,731</u>	<u>2,288,076</u>	<u>-121,345</u>
<u>LESS ASSESSMENTS AND FEES DERIVED</u>			
<u>FROM EXAMINATIONS:</u>			
Federal home loan banks	430,000	427,500	2,500
Federal Savings and Loan Insurance Corporation	168,198	186,200	-18,002
Home Owners' Loan Corporation	73,249	88,440	-15,191
Fees derived from examination of insured institutions	<u>1,484,993</u>	<u>1,615,798</u>	<u>-130,805</u>
	<u>2,156,440</u>	<u>2,317,938</u>	<u>-161,498</u>
<u>ASSESSMENTS AND FEES IN EXCESS OF</u>			
<u>(-LESS THAN) EXPENSES</u>	<u>-10,291</u>	<u>29,862</u>	<u>-40,153</u>
Working capital at beginning of fiscal year	<u>245,955</u>	<u>216,093</u>	<u>29,862</u>
<u>WORKING CAPITAL AT END OF FISCAL</u>			
<u>YEAR (exhibit A-1)</u>	<u>\$ 235,664</u>	<u>\$ 245,955</u>	<u>\$-10,291</u>

The notes to exhibit A-1, page 15, are an integral part of this statement.

FEDERAL HOME LOAN BANKS

COMPARATIVE CONSOLIDATED BALANCE SHEET--JUNE 30, 1951 AND 1950

A S S E T S

	June 30		Increase
	1951 (schedule B-1)	1950	(-decrease)
CASH:			
On hand and on deposit with U.S. Treasurer and commercial banks	\$ 27,375,212	\$ 22,832,905	\$ 4,542,307
INVESTMENTS:			
Government securities at amortized cost (note 1)	245,580,779	287,680,726	-42,099,947
Shares in savings and loan associations	125,000	-	125,000
	245,705,779	287,680,726	-41,974,947
ADVANCES OUTSTANDING:			
Secured (note 2)	592,402,225	310,225,299	282,176,926
Unsecured	223,754,067	132,535,256	91,218,811
	816,156,292	442,760,555	373,395,737
OTHER ASSETS:			
Accrued interest receivable	2,621,528	1,851,430	770,098
Miscellaneous receivables, deferred charges, and other assets (note 3)	259,395	373,120	-113,725
	2,880,923	2,224,550	656,373
	<u>\$1,092,118,206</u>	<u>\$755,498,736</u>	<u>\$336,619,470</u>

Notes:

1. Face value of Government securities \$ 243,727,500 \$285,135,500 \$-41,408,000
Market value of Government securities 242,901,148 288,215,719 -45,314,571
2. Collateral pledged for advances:
Unpaid balance of home mortgages 1,019,410,984 575,143,742 444,267,242
Face amount of Government securities 114,751,100 69,154,300 45,596,800
Other collateral 3,060,000 9,712,755 -6,652,755
Stock of banks owned by borrowers 167,804,125 70,936,300 96,867,825
3. Original cost of furniture and equipment (included above at a valuation of \$1.00 for each bank) 215,022 189,120 25,902
4. Consolidated obligations 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. Includes \$53,075 (1951) and \$4,725 (1950) which is the paid portion of subscriptions to stock.

L I A B I L I T I E S

	June 30		Increase
	1951 (schedule B-1)	1950	(-decrease)
DEPOSITS:			
Members--time	\$ 205,525,781	\$280,808,133	\$-75,282,352
Members--demand (including applicants)	34,321,583	40,440,973	-6,119,390
Receivership funds, Federal Savings and Loan Insurance Corporation	-	270,000	-270,000
	239,847,364	321,519,106	-81,671,742
CONSOLIDATED OBLIGATIONS (note 4)	<u>543,800,000</u>	<u>172,000,000</u>	<u>371,800,000</u>
OTHER LIABILITIES:			
Dividends payable:			
Member institutions	1,430,359	856,742	573,617
U.S. Treasury	62,500	385,776	-323,276
	1,492,859	1,242,518	250,341
Accrued interest payable	3,418,066	2,066,010	1,352,056
Accounts payable	8,065	6,142	1,923
Total liabilities	<u>788,566,354</u>	<u>496,833,776</u>	<u>291,732,578</u>
CAPITAL STOCK--\$100 PAR VALUE:			
Member institutions (note 5)	262,315,975	155,049,925	107,266,050
U.S. Treasury (note 6)	10,000,000	75,221,900	-65,221,900
	<u>272,315,975</u>	<u>230,271,825</u>	<u>42,044,150</u>
RETAINED EARNINGS:			
Legal reserve	15,087,562	13,766,219	1,321,343
Reserve for contingencies (note 7)	5,619,424	5,555,469	63,955
Undistributed earnings (exhibit B-2)	10,528,891	9,071,447	1,457,444
	31,235,877	28,393,135	2,842,742
	<u>\$1,092,118,206</u>	<u>\$755,498,736</u>	<u>\$336,619,470</u>

6. Government-owned stock amounting to \$10,000,000 was retired by the Little Rock and San Francisco banks during July 1951 in the amount of \$5,000,000 each.
7. The reserve for contingencies does not represent a known or prospective liability.
8. 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, and of the Department of Justice attorneys, the action and claim have no validity, and the suit is being defended.
9. At June 30, 1951, the banks had deposited with the United States Treasury \$90,928,84 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.

F E D E R A L H O M E L O A N B A N K SCOMPARATIVE CONSOLIDATED STATEMENT OF EARNINGSFOR THE YEARS ENDED JUNE 30, 1951 AND 1950

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>1951</u>	<u>1950</u>	<u>(-decrease)</u>
	<u>(schedule B-2)</u>		
<u>OPERATING INCOME:</u>			
Interest on advances	\$14,929,550	\$ 7,339,818	\$7,589,732
Interest on investments	4,075,063	5,771,356	-1,696,293
Miscellaneous	5,278	3,086	2,192
Total operating income	<u>19,009,891</u>	<u>13,114,260</u>	<u>5,895,631</u>
<u>EXPENSES:</u>			
Operating:			
Compensation, travel, and other expenses (schedule B-3)	1,494,112	1,338,689	155,423
Assessment by Home Loan Bank Board	430,000	427,500	2,500
Furniture and equipment purchased	36,500	23,670	12,830
Total operating expense	<u>1,960,612</u>	<u>1,789,859</u>	<u>170,753</u>
Financing:			
Interest on consoli- dated obligations	7,598,921	2,763,642	4,835,279
Consolidated obliga- tions expense--con- cessions (discount)	431,381	206,525	224,856
Consolidated obliga- tions expense--Office of Fiscal Agent	60,276	46,918	13,358
Interest on members' deposits	2,628,489	3,222,864	-594,375
Total financing expense	<u>10,719,067</u>	<u>6,239,949</u>	<u>4,479,118</u>
Total expenses	<u>12,679,679</u>	<u>8,029,808</u>	<u>4,649,871</u>
<u>NET OPERATING INCOME</u>	<u>6,330,212</u>	<u>5,084,452</u>	<u>1,245,760</u>
Other income:			
Profit on sale of invest- ments (net)	275,536	447,757	-172,221
Miscellaneous	968	221	747
Total other income	<u>276,504</u>	<u>447,978</u>	<u>-171,474</u>
<u>NET EARNINGS FOR THE FISCAL YEAR</u>	<u>6,606,716</u>	<u>5,532,430</u>	<u>1,074,286</u>
Undistributed earnings at be- ginning of year	<u>9,071,447</u>	<u>8,957,183</u>	<u>114,264</u>
	<u>15,678,163</u>	<u>14,489,613</u>	<u>1,188,550</u>
Deduct:			
Dividends declared	3,763,974	3,426,880	337,094
Transfers to legal reserve	1,321,343	1,106,486	214,857
Transfers to reserve for contingencies, net	63,955	776,326	-712,371
Retirement fund--prior serv- ice contributions	-	108,474	-108,474
	<u>5,149,272</u>	<u>5,418,166</u>	<u>-268,894</u>
<u>UNDISTRIBUTED EARNINGS AT END OF YEAR (exhibit B-1)</u>	<u>\$10,528,891</u>	<u>\$ 9,071,447</u>	<u>\$1,457,444</u>

The notes to exhibit B-1, page 17, are an integral part of this statement.

F E D E R A L H O M E L O A N B A N K SCONSOLIDATED STATEMENT OF SOURCES AND APPLICATION OF FUNDSFOR THE YEAR ENDED JUNE 30, 1951SOURCES OF FUNDS:

Net income for the year (exhibit B-2) \$	6,606,716	
Less amortization of premium and discount on securities	<u>93,452</u>	\$ 6,513,264
Sale of consolidated obligations	1,050,500,000	
Less redemptions	<u>678,700,000</u>	371,800,000
Sale or redemption of securities (excluding profit from sale, \$275,536, included in income)	577,739,937	
Less purchase of Government securities	<u>535,671,538</u>	42,068,399
Sales of stock to members (net of retirements, \$690,800)	107,266,050	
Less retirement of capital stock owned by the U.S. Gov- ernment	<u>65,221,900</u>	42,044,150
Net changes in assets (other than cash) and liabilities		<u>697,606</u>
		<u>\$463,123,419</u>

APPLICATION OF FUNDS:

Advances to borrowers	\$ 690,720,743	
Less repayments	<u>317,325,006</u>	\$373,395,737
Decrease in deposits by members		81,671,742
Dividends:		
Due but unpaid at June 30, 1950	1,242,518	
Dividends declared during the year	<u>3,763,974</u>	
	5,006,492	
Less unpaid at June 30, 1951	<u>1,492,859</u>	3,513,633
Increase in cash		<u>4,542,307</u>
		<u>\$463,123,419</u>

The notes to exhibit B-1, page 17, are an integral part of this statement.

FEDERAL HOME LOAN BANKS

CONSOLIDATING BALANCE SHEET

JUNE 30, 1951

	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
ASSETS													
CASH:													
On hand and on deposit with U.S. Treasurer and commercial banks	\$ 27,375,212	\$ -	\$ 1,003,952	\$ 3,719,130	\$ 3,017,461	\$ 2,244,563	\$ 2,641,964	\$ 1,693,278	\$ 2,685,225	\$ 1,461,311	\$ 3,617,132	\$ 1,509,693	\$ 3,781,503
INVESTMENTS:													
Government securities at amortized cost (note 1)	245,580,779	-	25,097,173	35,524,767	16,567,953	13,581,575	31,638,956	21,897,664	22,122,081	15,258,684	18,148,155	17,711,974	28,031,797
Consolidated Federal home loan bank obligations	-	-3,700,093	1,700,021	-	-	-	-	-	-	-	-	-	2,000,072
Shares in savings and loan associa- tion (insured)	125,000	-	-	-	-	-	-	-	-	-	-	-	125,000
	<u>245,705,779</u>	<u>-3,700,093</u>	<u>26,797,194</u>	<u>35,524,767</u>	<u>16,567,953</u>	<u>13,581,575</u>	<u>31,638,956</u>	<u>21,897,664</u>	<u>22,122,081</u>	<u>15,258,684</u>	<u>18,148,155</u>	<u>17,711,974</u>	<u>30,156,869</u>
ADVANCES OUTSTANDING:													
Secured (note 2)	592,402,225	-	18,284,618	62,449,634	56,468,665	35,267,994	24,001,675	19,415,708	115,922,416	40,778,119	46,959,547	34,131,380	138,722,469
Unsecured	223,754,067	-	30,507,451	35,951,875	6,183,000	54,185,500	20,888,800	34,125,537	23,854,304	11,582,600	-	5,105,000	1,370,000
	<u>816,156,292</u>	<u>-</u>	<u>48,792,069</u>	<u>98,401,509</u>	<u>62,651,665</u>	<u>89,453,494</u>	<u>44,890,475</u>	<u>53,541,245</u>	<u>139,776,720</u>	<u>52,360,719</u>	<u>46,959,547</u>	<u>39,236,380</u>	<u>140,092,469</u>
OTHER ASSETS:													
Accrued interest receivable	2,621,528	-49,796	281,532	395,655	181,197	276,838	164,201	154,978	149,305	81,855	169,128	97,052	719,583
Miscellaneous receivables, deferred charges, and other assets (note 3)	259,395	93	13,384	24,575	16,347	12,757	54,201	11,672	38,453	16,282	18,458	15,541	37,632
	<u>2,880,923</u>	<u>-49,703</u>	<u>294,916</u>	<u>420,230</u>	<u>197,544</u>	<u>289,595</u>	<u>218,402</u>	<u>166,650</u>	<u>187,758</u>	<u>98,137</u>	<u>187,586</u>	<u>112,593</u>	<u>757,215</u>
	<u>\$1,092,118,206</u>	<u>-\$3,749,796</u>	<u>\$76,888,131</u>	<u>\$138,065,636</u>	<u>\$82,434,623</u>	<u>\$105,569,227</u>	<u>\$79,389,797</u>	<u>\$77,298,837</u>	<u>\$164,771,784</u>	<u>\$69,178,851</u>	<u>\$68,912,420</u>	<u>\$58,570,640</u>	<u>\$174,788,056</u>
Notes:													
1. Face value of Government securities	\$ 243,727,500		\$24,880,000	\$ 35,122,500	\$16,450,000	\$ 13,550,000	\$31,314,000	\$21,645,000	\$ 22,050,000	\$15,160,000	\$18,040,000	\$17,615,000	\$ 27,901,000
Market value of Government securities	242,901,148		24,849,473	35,000,257	16,271,030	13,557,418	31,178,650	21,572,790	21,973,230	15,095,893	18,057,725	17,627,203	27,717,479
2. Collateral pledged for advances:													
Unpaid balance of home mortgages	1,019,410,984		8,291,907	110,922,161	103,268,835	65,569,102	37,840,551	25,577,794	185,099,592	58,777,300	89,561,090	53,577,755	280,924,897
Face amount of Government securi- ties	114,751,100		14,432,000	27,131,000	3,139,000	400,000	2,898,000	8,929,000	15,452,500	9,295,000	1,804,000	535,000	30,735,600
Other collateral permitted by rules and regulations	3,060,000		660,000		1,400,000				1,000,000				
Bank stock owned by borrowers	167,804,125		11,210,900	21,944,400	13,845,000	20,522,400	12,608,800	10,863,500	23,861,300	10,361,325	10,799,300	7,046,600	24,740,600
3. Original cost of furniture and equip- ment (included above at a valuation of \$1.00 for each bank)	215,022		22,773	36,664	10,883	26,305	12,834	17,123	13,457	10,141	18,055	13,138	33,649

The notes to exhibit B-1, page 17, are an integral part of this schedule.

F E D E R A L H O M E L O A N B A N K S

CONSOLIDATING BALANCE SHEET (continued)

JUNE 30, 1951

	<u>Consolidated</u>	<u>Interbank eliminations</u>	<u>Boston</u>	<u>New York</u>	<u>Pittsburgh</u>	<u>Greensboro</u>	<u>Cincinnati</u>	<u>Indianapolis</u>	<u>Chicago</u>	<u>Des Moines</u>	<u>Little Rock</u>	<u>Topeka</u>	<u>San Francisco</u>
<u>LIABILITIES</u>													
<u>DEPOSITS:</u>													
Members--time	\$ 205,525,781	\$ -	\$13,764,570	\$ 31,615,189	\$23,476,445	\$ 26,964,330	\$24,611,264	\$26,142,286	\$ 24,384,777	\$ 9,216,506	\$ 2,356,200	\$ 4,111,548	\$ 18,882,666
Members--demand (including appli- cants)	<u>34,321,583</u>	<u>-</u>	<u>71,526</u>	<u>18,390,019</u>	<u>1,936,105</u>	<u>3,986,044</u>	<u>5,522,867</u>	<u>3,279,199</u>	<u>7,250</u>	<u>2,450</u>	<u>2,000</u>	<u>178,079</u>	<u>946,044</u>
	<u>239,847,364</u>	<u>-</u>	<u>13,836,096</u>	<u>50,005,208</u>	<u>25,412,550</u>	<u>30,950,374</u>	<u>30,134,131</u>	<u>29,421,485</u>	<u>24,392,027</u>	<u>9,218,956</u>	<u>2,358,200</u>	<u>4,289,627</u>	<u>19,828,710</u>
<u>CONSOLIDATED OBLIGATIONS</u> (note 4)	<u>543,800,000</u>	<u>-3,700,000</u>	<u>37,400,000</u>	<u>50,540,000</u>	<u>36,800,000</u>	<u>38,920,000</u>	<u>10,560,000</u>	<u>28,040,000</u>	<u>105,940,000</u>	<u>42,380,000</u>	<u>45,780,000</u>	<u>41,220,000</u>	<u>109,920,000</u>
<u>OTHER LIABILITIES:</u>													
Dividends payable:													
U.S. Treasury	62,500	-	-	-	-	-	-	-	-	-	25,000	-	37,500
Member institutions	<u>1,430,359</u>	<u>-</u>	<u>136,924</u>	<u>-</u>	<u>115,570</u>	<u>-</u>	<u>309,272</u>	<u>159,419</u>	<u>267,316</u>	<u>130,063</u>	<u>43,163</u>	<u>73,763</u>	<u>194,869</u>
	<u>1,492,859</u>	<u>-</u>	<u>136,924</u>	<u>-</u>	<u>115,570</u>	<u>-</u>	<u>309,272</u>	<u>159,419</u>	<u>267,316</u>	<u>130,063</u>	<u>68,163</u>	<u>73,763</u>	<u>232,369</u>
Accrued interest payable	3,418,066	-49,796	265,059	242,309	179,645	385,983	161,894	193,679	674,797	223,232	220,281	249,738	671,245
Accounts payable	<u>8,065</u>	<u>-</u>	<u>-</u>	<u>3,882</u>	<u>-</u>	<u>76</u>	<u>1,244</u>	<u>790</u>	<u>-</u>	<u>1</u>	<u>851</u>	<u>737</u>	<u>484</u>
	<u>4,918,990</u>	<u>-49,796</u>	<u>401,983</u>	<u>246,191</u>	<u>295,215</u>	<u>386,059</u>	<u>472,410</u>	<u>353,888</u>	<u>942,113</u>	<u>353,296</u>	<u>289,295</u>	<u>324,238</u>	<u>904,098</u>
Total liabilities	<u>788,566,354</u>	<u>-3,749,796</u>	<u>51,638,079</u>	<u>100,791,399</u>	<u>62,507,765</u>	<u>70,256,433</u>	<u>41,166,541</u>	<u>57,815,373</u>	<u>131,274,140</u>	<u>51,952,252</u>	<u>48,427,495</u>	<u>45,833,865</u>	<u>130,652,808</u>
<u>CAPITAL STOCK--\$100 PAR VALUE:</u>													
Member institutions (note 5)	262,315,975	-	23,095,700	32,907,000	17,599,000	31,787,400	34,829,050	17,395,400	30,380,000	15,118,425	13,656,600	10,956,600	34,590,800
U.S. Treasury (note 6)	<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>	<u>5,000,000</u>
	<u>272,315,975</u>	<u>-</u>	<u>23,095,700</u>	<u>32,907,000</u>	<u>17,599,000</u>	<u>31,787,400</u>	<u>34,829,050</u>	<u>17,395,400</u>	<u>30,380,000</u>	<u>15,118,425</u>	<u>18,656,600</u>	<u>10,956,600</u>	<u>39,590,800</u>
<u>RETAINED EARNINGS:</u>													
Legal reserve	15,087,562	-	1,109,252	1,925,820	1,342,486	1,387,859	1,996,072	1,099,187	1,843,147	1,028,561	849,559	743,575	1,762,044
Reserve for contingencies (note 7)	<u>5,619,424</u>	<u>-</u>	<u>500,000</u>	<u>721,082</u>	<u>-</u>	<u>400,000</u>	<u>500,000</u>	<u>-</u>	<u>690,188</u>	<u>800,000</u>	<u>108,154</u>	<u>500,000</u>	<u>1,400,000</u>
Undivided profits	<u>10,528,891</u>	<u>-</u>	<u>545,100</u>	<u>1,720,335</u>	<u>985,372</u>	<u>1,737,535</u>	<u>898,134</u>	<u>988,877</u>	<u>584,309</u>	<u>279,613</u>	<u>870,612</u>	<u>536,600</u>	<u>1,382,404</u>
	<u>31,235,877</u>	<u>-</u>	<u>2,154,352</u>	<u>4,367,237</u>	<u>2,327,858</u>	<u>3,525,394</u>	<u>3,394,206</u>	<u>2,088,064</u>	<u>3,117,644</u>	<u>2,108,174</u>	<u>1,828,325</u>	<u>1,780,175</u>	<u>4,544,448</u>
	<u>\$1,092,118,206</u>	<u>-\$3,749,796</u>	<u>\$76,888,131</u>	<u>\$138,065,636</u>	<u>\$82,434,623</u>	<u>\$105,569,227</u>	<u>\$79,389,797</u>	<u>\$77,298,837</u>	<u>\$164,771,784</u>	<u>\$69,178,851</u>	<u>\$68,912,420</u>	<u>\$58,570,640</u>	<u>\$174,788,056</u>

The notes to Exhibit B-1, page 17, are an integral part of this schedule.

FEDERAL HOME LOAN BANKS

CONSOLIDATING STATEMENT OF EARNINGS
FOR THE YEAR ENDED JUNE 30, 1951

	Consolidated	Interbank elimina- tions	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
OPERATING INCOME:													
Interest on advances	\$14,929,550	\$ -	\$ 836,037	\$1,593,351	\$1,097,609	\$1,617,390	\$ 942,177	\$ 985,244	\$2,383,016	\$1,055,498	\$ 715,301	\$ 817,736	\$2,886,191
Interest on investments	4,075,063	-166,305	449,245	673,700	274,765	257,925	645,049	381,443	317,423	270,198	327,994	250,500	393,126
Interest on deposits with other Federal home loan banks	-	-211,177	18,539	74,438	1,521	8,539	21,730	31,106	805	719	32,320	3,174	18,286
Miscellaneous	5,278	-	-	377	-	1,701	761	-	2,437	-	2	-	-
Total operating income	19,009,891	-377,482	1,303,821	2,341,866	1,373,895	1,885,555	1,609,717	1,397,793	2,703,681	1,326,415	1,075,617	1,071,410	3,297,603
EXPENSES:													
Operating:													
Compensation, travel, and other ex- penses (schedule B-3)	1,494,112	-	112,052	196,432	149,251	128,163	149,113	83,834	154,019	93,471	95,041	89,756	242,980
Assessment by Home Loan Bank Board	430,000	-	29,414	51,498	31,666	45,906	39,669	35,340	51,644	27,288	23,197	23,978	70,400
Furniture and equipment purchased	36,500	-	10,577	9,526	972	2,667	160	4,179	950	-	1,325	2,293	3,851
Total operating expense	1,960,612	-	152,043	257,456	181,889	176,736	188,942	123,353	206,613	120,759	119,563	116,027	317,231
Financing:													
Interest on consolidated obligations	7,598,921	-162,700	558,382	775,538	453,871	603,200	355,359	438,407	1,384,162	654,208	605,018	508,644	1,424,832
Consolidated obligations expense-- concessions (discount)	431,381	-3,605	31,428	42,081	26,864	34,609	19,694	25,166	76,959	37,849	35,283	29,649	75,404
Consolidated obligations expense-- Office of Fiscal Agent	60,276	-	5,485	5,461	5,463	5,517	5,654	5,608	5,471	4,979	5,620	5,462	5,556
Interest on members' deposits	2,628,489	-	159,281	483,432	295,770	358,434	306,350	343,828	235,810	87,990	34,577	78,677	244,340
Interest on other Federal home loan banks' deposits	-	-211,177	10,578	1,085	10,844	1,849	-	12,777	19,342	24,190	-	-	130,512
Total financing expense	10,719,067	-377,482	765,154	1,307,597	792,812	1,003,609	687,057	825,786	1,721,744	809,216	680,498	622,432	1,880,644
Total expenses	12,679,679	-377,482	917,197	1,565,053	974,701	1,180,345	875,999	949,139	1,928,357	929,975	800,061	738,459	2,197,875
NET OPERATING INCOME	6,330,212	-	386,624	776,813	399,194	705,210	733,718	448,654	775,324	396,440	275,556	332,951	1,099,728
Other income:													
Profit on sale of investments (net)	275,536	-	-1,886	21,358	-1,914	4,773	-108	95,211	1,797	79,202	1,631	1,782	73,690
Miscellaneous	968	-	77	65	163	109	102	58	65	61	82	67	119
Total other income	276,504	-	-1,809	21,423	-1,751	4,882	-6	95,269	1,862	79,263	1,713	1,849	73,809
NET EARNINGS FOR THE FISCAL YEAR	6,606,716	-	384,815	798,236	397,443	710,092	733,712	543,923	777,186	475,703	277,269	334,800	1,173,537
Undistributed earnings at beginning of year	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
	15,678,163	-	910,620	2,287,185	1,453,383	2,228,319	1,576,689	1,402,105	1,344,096	613,145	1,056,158	779,797	2,026,666
Deduct:													
Dividends declared	3,763,974	-	288,557	390,505	388,522	348,766	531,813	304,444	543,663	238,391	143,522	176,237	409,554
Transfers to legal reserve	1,321,343	-	76,963	159,647	79,489	142,018	146,742	108,784	155,437	99,141	55,454	66,960	234,708
Transfers to reserve for contingencies	63,955	-	-	16,698	-	-	-	-	60,687	-	-13,430	-	-
	5,149,272	-	365,520	566,850	468,011	490,784	678,555	413,228	759,787	333,532	185,546	243,197	644,262
UNDISTRIBUTED EARNINGS AT END OF YEAR	\$10,528,891	\$ -	\$ 545,100	\$1,720,335	\$ 985,372	\$1,737,535	\$ 898,134	\$ 988,877	\$ 584,309	\$ 279,613	\$ 870,612	\$ 536,600	\$1,382,404

The notes to exhibit B-1, page 17, are an integral part of this schedule.

F E D E R A L H O M E L O A N B A N K SCOMPARATIVE CONSOLIDATED STATEMENT OF COMPENSATION,TRAVEL, AND OTHER EXPENSESFOR THE YEARS ENDED JUNE 30, 1951 AND 1950

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>1951</u>	<u>1950</u>	<u>(-decrease)</u>
<u>COMPENSATION:</u>			
Officers' salaries	\$ 525,589	\$ 452,211	\$ 73,378
Other salaries	335,363	295,000	40,363
Directors' fees	62,395	60,430	1,965
Counsel's compensation	68,750	69,137	-387
	<u>992,097</u>	<u>876,778</u>	<u>115,319</u>
<u>TRAVEL EXPENSE:</u>			
Directors	55,193	55,559	-366
Officers	34,206	32,886	1,320
Counsel and others	6,650	7,442	-792
Maintenance and operating cost of automobiles	<u>3,607</u>	<u>3,810</u>	<u>-203</u>
	<u>99,656</u>	<u>99,697</u>	<u>-41</u>
<u>OTHER EXPENSES:</u>			
Rental of banking quarters, less amount charged Home Loan Bank Board for district examiners	99,887	92,677	7,210
Retirement fund contributions	81,632	77,061	4,571
Stationery, printing, and other office supplies	39,402	32,486	6,916
Telephone and telegraph	28,150	27,773	377
Postage and expressage	20,910	20,140	770
Insurance and surety bond premiums	19,211	16,899	2,312
Audit expense, GAO	8,002	13,168	-5,166
Stockholders' annual meeting	25,606	21,863	3,743
Maintenance of banking quarters and equipment	27,983	15,793	12,190
Public relations	13,992	11,252	2,740
Dues and subscriptions	15,834	16,616	-782
Reports and other publications	9,623	5,210	4,413
Services of Home Loan Bank Board Examining Division	4,193	4,198	-5
Safekeeping and protection services	2,838	2,722	116
Miscellaneous	<u>5,096</u>	<u>4,356</u>	<u>740</u>
	<u>402,359</u>	<u>362,214</u>	<u>40,145</u>
Total (exhibit B-2)	<u>\$1,494,112</u>	<u>\$1,338,689</u>	<u>\$155,423</u>

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

COMPARATIVE BALANCE SHEET--JUNE 30, 1951 AND 1950

ASSETS

	June 30		Increase (-decrease)
	1951	1950	
CASH	\$ 698,463	\$ 422,462	\$ 276,001
INVESTMENTS:			
Government securities at amortized cost and accrued interest (market value: 1951, \$197,866,688; 1950, \$192,594,344)	202,135,421	190,454,728	11,680,693
ASSETS PURCHASED FROM INSURED INSTITUTION to prevent default, at cost (less provision for losses: 1951, none; 1950, \$132,155) (note 1)	994,270	4,102,427	-3,108,157
ACCOUNTS RECEIVABLE:			
Insurance premiums due from members (note 2)	2,696,336	139,381	2,556,955
Other receivables	5,037	7,489	-2,452
CLAIMS RECEIVABLE:			
Shareholders' net balances in closed receiverships to be subrogated when paid--see related liability (less provision for losses: 1951, \$598; 1950, \$710)	6,449	9,436	-2,987
FIXED ASSETS:			
Furniture, fixtures, and equipment, at cost (1951, \$53,785; 1950, \$53,577), fully depreciated	-	-	-
DEFERRED CHARGES	1,891	464	1,427
	<u>\$206,537,867</u>	<u>\$195,136,387</u>	<u>\$11,401,480</u>

LIABILITIES

	June 30		Increase (-decrease)
	1951	1950	
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (notes 2 and 3):			
Due Government agencies	\$ 19,781	\$ 19,747	\$ 34
Due others	12,227	18,188	-5,961
Due on insured shares in associations in receivership--pending or unclaimed--see related asset	7,046	10,146	-3,100
Due shareholders of closed institutions for amounts collected from receivers	8,132	12,020	-3,888
Unapplied collections--new members	7,045	-	7,045
Due U.S. Treasury for retirement of capital stock (note 4)	6,716,000	-	6,716,000
Accrued payments to U.S. Treasury in lieu of dividends on capital stock (note 4)	<u>1,875,000</u>	<u>-</u>	<u>1,875,000</u>
	8,645,231	60,101	8,585,130
DEFERRED CREDITS:			
Unearned insurance premiums	4,847,003	6,870,800	-2,023,797
INVESTMENT OF UNITED STATES GOVERNMENT:			
Capital stock held by U.S. Treasury	93,284,000	100,000,000	-6,716,000
INSURANCE RESERVE FUND, representing net earnings available for future losses and related expenses (exhibit C-2)	99,761,633	88,205,486	11,556,147
	<u>\$206,537,867</u>	<u>\$195,136,387</u>	<u>\$11,401,480</u>

Notes:

- Assets acquired through purchase from an insured institution are estimated by FS&LIC to have a realizable value of \$1,020,512. Loss of income on funds used for purchase of the assets has not been recognized to date as a liquidation expense in the accounts.
- Insurance premiums due from members include \$87,114 estimated as due from Long Beach Savings and Loan Association, Long Beach, California. A suit is pending in the United States District Court for the Southern District of California, 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 the general counsel of the HLBB and FS&LIC, and of the Department of Justice attorneys, the action and claim have no validity, and the suit is being defended.
- Liability for accrued annual leave of employees, amounting to \$70,304 as of June 30, 1951, is not shown on the financial statements.
- Capital stock amounting to \$6,716,000, equal to 50 percent of net earnings for 1951, was retired on July 24, 1951, pursuant to law. Also, on the same date, \$1,875,000 was paid to the Secretary of the Treasury as required by law as a return on capital stock in lieu of dividends.
- 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.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
COMPARATIVE STATEMENT OF INCOME AND INSURANCE RESERVE FUND
FOR THE YEARS ENDED JUNE 30, 1951 and 1950

	<u>Year ended June 30</u>		<u>Increase</u>
	<u>1951</u>	<u>1950</u>	<u>(-decrease)</u>
<u>INCOME:</u>			
Insurance premiums earned (note 2)	\$ 9,244,653	\$ 7,853,361	\$ 1,391,292
Interest on investments	4,437,180	4,813,998	-376,818
Admission fees	192,324	70,134	122,190
Miscellaneous nonoperating income	<u>1,943</u>	<u>4,468</u>	<u>-2,525</u>
Total income	<u>13,876,100</u>	<u>12,741,961</u>	<u>1,134,139</u>
<u>ADMINISTRATIVE AND OPERATING EXPENSES:</u>			
Salaries	333,588	356,625	-23,037
Travel	4,210	4,021	189
Transportation of things	5	16	-11
Communication services	5,684	5,283	401
Rents and utility services	28,197	31,590	-3,393
Printing and reproduction	11,446	12,213	-767
Other contractual services	20,529	9,361	11,168
Services rendered by Home Loan Bank Board--assessment	168,198	186,200	-18,002
Supplies and materials	2,496	3,406	-910
Furniture, fixtures, and equipment	2,755	3,528	-773
Nonadministrative expenses allocated to investment in assets purchased to prevent default	<u>-</u>	<u>5,905</u>	<u>-5,905</u>
	577,108	618,148	-41,040
Provision for losses on assets purchased (-reduction)	<u>-132,155</u>	<u>132,155</u>	<u>-264,310</u>
Total expenses and losses	<u>444,953</u>	<u>750,303</u>	<u>-305,350</u>
<u>NET EARNINGS FROM OPERATIONS (note 5)</u>			
	13,431,147	11,991,658	1,439,489
Provision for return on capital stock payable to Secretary of Treasury in lieu of dividends	<u>1,875,000</u>	<u>2,000,000</u>	<u>-125,000</u>
<u>NET EARNINGS TRANSFERRED TO INSURANCE RESERVE FUND</u>			
	11,556,147	9,991,658	1,564,489
Insurance reserve fund at beginning of fiscal year	<u>88,205,486</u>	<u>80,172,661</u>	<u>8,032,825</u>
Total	<u>99,761,633</u>	<u>90,164,319</u>	<u>9,597,314</u>
Less net adjustments to insurance reserve fund for prior years	<u>-</u>	<u>1,958,833</u>	<u>-1,958,833</u>
<u>INSURANCE RESERVE FUND AT END OF FISCAL YEAR (exhibit C-1)</u>			
	<u>\$99,761,633</u>	<u>\$88,205,486</u>	<u>\$11,556,147</u>

The notes on page 24 are an integral part of this statement.

HOME OWNERS' LOAN CORPORATIONCOMPARATIVE BALANCE SHEET--JUNE 30, 1951 AND 1950A S S E T S

	<u>June 30</u>		<u>Increase</u>
	<u>1951</u>	<u>1950</u>	<u>(decrease)</u>
<u>CASH</u>	\$308,227	\$ 6,063,372	\$-5,755,145
<u>LOANS RECEIVABLE, ACCRUED INTEREST, AND PROPERTIES</u> , less estimated future losses of \$100,000 at June 30, 1950	-	84,360,679	-84,360,679
<u>OTHER RECEIVABLES AND ADVANCES</u>	3,035	50,732	-47,697
<u>INVESTMENTS AND ACCRUED INTEREST</u>	-	2,696,754	-2,696,754
<u>FIXED ASSETS:</u> Furniture, fixtures, and equipment costing \$177,085 at June 30, 1950, fully depreciated (no fixed assets on hand at June 30, 1951)	-	-	-
	<u>\$311,262</u>	<u>\$93,171,537</u>	<u>-\$92,860,275</u>

L I A B I L I T I E SLIABILITY FOR SPECIAL DEPOSITS:

Borrowers' deposits for taxes and insurance, and prepaid installments	\$ -	\$ 3,549,852	\$-3,549,852
Employees' payroll deductions for Federal income taxes, U.S. savings bonds, and civil service retirement contributions	12,366	51,865	-39,499
<u>ACCOUNTS PAYABLE AND ACCRUED LIABILITIES</u>	33,454	146,156	-112,702
<u>UNAPPLIED CREDITS</u>	-	2,286,686	-2,286,686

INVESTMENT OF UNITED STATES GOVERNMENT:

Capital stock held by U.S. Treasury	-	74,000,000	-74,000,000
Reserve for fidelity and casualty losses	-	250,000	-250,000
Retained net earnings (exhibit D-2)	<u>265,442</u>	<u>12,886,978</u>	<u>-12,621,536</u>
	<u>\$311,262</u>	<u>\$93,171,537</u>	<u>-\$92,860,275</u>

Notes:

- At June 30, 1951, bonds in the amount of \$1,296,725, called for redemption, had not been presented to the Treasury for payment. Funds were 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.
- Certain costs, which HOLC is not required by law to pay, have been 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.

HOME OWNERS' LOAN CORPORATIONSTATEMENT OF INCOME AND CUMULATIVE EARNINGSFOR THE YEAR ENDED JUNE 30, 1951

	Year ended June 30, 1951	From June 13, 1935, to June 30, 1951
<u>INCOME:</u>		
Interest on loans and related advances	\$ 1,063,035	\$1,192,016,623
Dividends and interest on investment in savings and loan associations	5,321	44,745,479
Dividends on investment in FS&LIC	-	28,217,076
Net income (-loss) from property operations	-145	25,818,935
Interest on investments in Government securities	8,550	1,417,727
Premiums on sale of loan accounts	784,580	2,241,649
Miscellaneous	149,139	9,483,082
	<u>2,010,480</u>	<u>1,303,940,571</u>
<u>EXPENSES:</u>		
Interest and other financing expense	-	660,738,136
Administrative and operating expenses	1,146,434	291,130,000
Losses:		
Loans and related transactions	-	337,154,236
Fidelity and casualty	275	372,053
Fire and other hazards	-	367,536
Other	7,965	113,168
	<u>1,154,674</u>	<u>1,289,875,129</u>
<u>NET INCOME FOR THE PERIOD</u>	855,806	14,065,442
Reduction of estimated future losses	322,658	-
Retained net earnings at beginning of fiscal year	<u>12,886,978</u>	-
	14,065,442	14,065,442
Funds in excess of current needs paid into U.S. Treasury	<u>13,800,000</u>	<u>13,800,000</u>
<u>RETAINED NET EARNINGS AT END OF FISCAL YEAR (exhibit D-1)</u>	<u>\$ 265,442</u>	<u>\$ 265,442</u>

The notes to exhibit D-1, page 26, are an integral part of this statement.

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