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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, 1952

LETTER

FROM THE

COMPTROLLER GENERAL OF THE UNITED STATES

TRANSMITTING

A 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 THE HOME OWNERS' LOAN CORPORATION, FOR THE YEAR ENDED JUNE 30, 1952, PURSUANT TO THE GOVERNMENT CORPORATION CONTROL ACT (31 U. S. C. 841)

JANUARY 7, 1953.—Referred to the Committee on Government Operations and ordered to be printed

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LETTER OF TRANSMITTAL

GENERAL ACCOUNTING OFFICE,
COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, January 6, 1953.

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 the HOME OWNERS' LOAN CORPORATION, for the year ended June 30, 1952, pursuant to the Government Corporation Control Act (31 U. S. C. 841), and the Budget and Accounting Act of 1921, as amended.

Respectfully submitted.

FRANK L. YATES,
Acting 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, 1952

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

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

Dear Mr. Warren: We have made an audit 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, 1952, 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 under the Budget and Accounting Act, 1921, as amended.

The Home Loan Bank Board was established as a constituent organization of the Housing and Home Finance Agency 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 Housing and Home Finance Administrator.

General Comments

HOME LOAN BANK BOARD

The Home Loan Bank Board is an unincorporated supervisory and administrative organization, directed by a three-man board. The Board is concurrently the board of trustees of Federal Savings and Loan Insurance Corporation, the board of directors of Home Owners' Loan Corporation, and the supervisory head of the eleven Federal home loan banks. The activities of these corporations are set forth in other sections of this report.

The activities of the Home Loan Bank Board consist principally of establishing policies for and supervising the organizations which it heads, and chartering and supervising Federal savings and loan associations in accordance with the Home Owners' Loan Act of 1933 (12 U. S. C. 1464). These activities include periodic examinations of Federal- and state-chartered associations to ascertain their financial condition and their compliance with prescribed regulations applicable to membership in the Federal home loan banks, to insurance by FS&LIC, and to holding Federal charters. The function of supervising savings and loan associations operating in the District of Columbia was transferred to the Home Loan Bank Board from the Comptroller of the Currency by the act of September 15, 1951 (65 Stat. 323). There were no other major activity or organizational changes during the 1952 fiscal year.[1]

The number of HLBB employees increased during the fiscal year, because of an increase in the number of examiners due to increased workload. The following tabulation shows the number of employees at June 30, 1952 and 1951.

	1952	1951
Offices of Chairman and Board members	7	6
Budget Office	2	2
Office of the Secretary	36	37
Office of Information	1	2
Office of the Auditor	9	9
Legal Department	14	17
Personnel Department	4	4
Supervisory Division	20	18
Division of Federal Home Loan Bank Operations	24	24
Division of Federal Savings and Loan Operations	5	6
	122	125
Examining Division	258	229
HOLC Liquidation Unit	1	------
	381	354

FS&LIC had 68 employees at June 30, 1952, and the eleven Federal home loan banks had 156 employees at September 30, 1952.

During the 1952 fiscal year Federal charters were granted to 30 savings and loan associations, and one charter was canceled, bringing the total of federally chartered associations at June 30, 1952, to 1,564. These associations represented 26 percent of all savings and loan associations in the United States and had 51 percent of the total assets of all associations. The HLBB charged no fees for considering applications for charters, granting charters, or supervising federally chartered associations. This policy is contrasted with the practice of most states of charging a fee for granting charters and the supervision they entail.

The examining staff completed 2,203 examinations in the 1952 fiscal year of which 931 were made jointly with state examiners. The institutions examined pay the HLBB a per diem fee for examinations completed. During the year the per diem fee was increased from $37 to $40.

The net expenses of $2,399,805 incurred by the HLBB during the 1952 fiscal year exceeded those for the previous year by $233,074. The HLBB does not receive appropriations for any of its activities. However, for the 1952 fiscal year, the Congress established limitations on the HLBB's administrative expenses ($775,000) and its nonadministrative expense for the examination of Federal- and State-chartered institutions ($1,749,500); other nonadministrative expenses were not subject to limitation. The expenses for the year were within the prescribed limitations. Administrative expenses were paid from assessments made on the organizations under the supervision of the HLBB. Nonadministrative expenses were paid from fees charged

[1] The Home Loan Bank Board, the organizations under its supervision, and their functions with respect to the Long Beach Federal Savings and Loan Association were the subject of extensive hearings before a special Subcommittee of the Committee on Expenditures in the Executive Departments, House of Representatives, on various dates from October 27, 1950 to March 28, 1952. The hearings were printed for the use of the Committee, but it did not issue a report.

for the examinations. The assessments ($396,200) collected from the Federal home loan banks and the fees ($1,757,690) collected from institutions examined exceeded the banks' computed share of the expenses and the cost of examinations by $19,164 and $17,213, respectively. FS&LIC was assessed for its computed share of the expenses ($282,292).

During the 1952 fiscal year the method of distributing administrative expenses to the organizations under the direction of the HLBB was changed. Under the revised method, the expenses were distributed on the basis of the number of members of the Federal home loan banks and the number of institutions insured by FS&LIC. The expenses distributed to FS&LIC for the year were about $75,000 greater than they would have been had the method of distribution been the same as in the prior year. This change in the method of distributing expenses did not materially affect the net earnings of FS&LIC or the Federal home loan banks.

In addition to funds otherwise available, the transfer of $75,000 from HOLC to the HLBB was authorized by the Independent Offices Appropriation Act, 1952 (65 Stat. 288), for expenditure as nonadministrative expenses to carry out final liquidation of HOLC. Expenses incurred for this purpose to June 30, 1952, were $25,339.

Following is a summary of the sources of funds and their application for the year ended June 30, 1952.

Sources of funds:	
Assessments on:	
Federal home loan banks	$396,200
Federal Savings and Loan Insurance Corporation	282,292
Fees for examination of institutions	1,757,690
	$2,436,182
Application of funds:	
Expenses, net of reimbursements and miscellaneous income	$2,399,805
Increase in working capital	36,377
	$2,436,182

The HLBB's working capital of $272,041 at June 30, 1952, has been derived from cumulative excess assessments on the Federal home loan banks of $446,706 less the cumulative deficit of the examining division of $174,665.

Comparative statements showing the financial position of the HLBB at June 30, 1952 and 1951, and the expenses for the two fiscal years are presented as exhibits A-1 and A-2 on pages 17 and 18.

FEDERAL HOME LOAN BANKS

The eleven Federal home loan banks are corporations chartered under the Federal Home Loan Bank Act, approved July 22, 1932 (12 U. S. C. 1421). 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 elected by member institutions. Although the banks are managed by their own boards of directors, their actions are subject to the regulations prescribed by the HLBB. The HLBB is required by law to make an annual examination of each bank. There were no major activity or organizational changes during the 1952 fiscal year.

The Federal home loan banks perform substantially the same functions for their members that the Federal Reserve System performs for commercial banks and the Federal land banks perform in the field of farm finance. The banks each serve a geographic area and provide a credit reserve for their member savings and loan associations, savings banks, and insurance companies. The banks make loans to and accept deposits from member institutions. Other activities of the banks relating to maintenance of credit reserves include (1) borrowing funds through the issuance of consolidated obligations and (2) investing funds as required by law and HLBB regulations with respect to legal reserves, member deposits, and liquidity reserves.

All Federal-chartered savings and loan associations are required to be members of the bank in their district or in an adjoining district approved by the HLBB. Qualified state-chartered associations and other specified institutions making long-term home mortgage loans may become members upon request. Statistical data on the institutions served by the Federal home loan banks as well as by FS&LIC are shown in the following tabulation.

	Members of FHL banks	Nonmembers	Total at June 30	
			1952	1951
Number of associations:[1]				
Insured—Federal	1,564	------	1,564	1,535
—State	1,532	1	1,533	1,409
	3,096	1	3,097	2,944
Noninsured	886	1,997	2,883	3,036
	3,982	1,998	5,980	5,980
Total assets:				
Insured associations—Federal	$10,713,000,000	--------------	$10,713,000,000	$9,014,000,000
—State	7,118,000,000	$13,000,000	7,131,000,000	5,828,000,000
	17,831,000,000	13,000,000	17,844,000,000	14,872,000,000
Noninsured associations	1,702,000,000	1,304,000,000	3,006,000,000	3,128,000,000
	$19,533,000,000	$1,317,000,000	$20,850,000,000	$18,000,000,000
Savings capital:				
Insured associations:				
Insured savings			$14,862,000,000	$12,164,000,000
Noninsured savings			368,000,000	243,000,000
			15,230,000,000	12,407,000,000
Noninsured associations			2,495,000,000	2,563,000,000
			$17,725,000,000	$14,970,000,000
Number of investors' accounts:				
Insured associations			10,127,000	8,702,000
Noninsured associations			1,873,000	1,998,000
			12,000,000	10,700,000

[1] This tabulation does not include data for 22 savings banks and 5 insurance companies that were members of the Federal home loan banks at June 30, 1952.

During the 1952 fiscal year the banks' operations were more nearly normal after the abnormally high level of activity in the prior year. During 1951 the member associations made unusually heavy demands on the banks for advances (loans) to enable them to meet loan commitments made before credit restrictions were imposed and to meet heavy withdrawals by shareholders shortly after the Korean outbreak.

Advances to 1,900 borrowers totaling $652,711,456 were outstanding at June 30, 1952, a decrease of 358 borrowers and $163,444,836 in advances during the year. The banks made advances of $409,586,174 during the 1952 fiscal year, $281,134,569 less than during the peak year 1951. Advances with maturities in excess of one year must be collateralized by home mortgages, or obligations of the United States, or obligations fully guaranteed by the United States. Collateral may be required for advances maturing within one year; time deposits and other securities are also eligible as collateral for advances in this category. Limitations on advances to bank members are provided by HLBB regulations in terms of the members' borrowing capacity. The authorized borrowing capacity of members at June 30, 1952, was the amount for which they could legally obligate themselves or, if there was no legal limitation for certain state-chartered institutions, 50 percent of their net assets or 50 percent of their liability for shares and deposits, whichever was less. Each bank could establish a line of credit for each member institution not in excess of the member's borrowing capacity; the credit policy of each bank varied. Further limitations on advances, in effect in prior years in conformity with national credit policies, were removed by the HLBB during the 1952 fiscal year. During the fiscal year advances were made for periods up to 10 years at interest rates from 2 to 3 percent. The average interest rate earned on advances during 1952 was 2.39 percent compared to 2.11 percent during 1951.

At June 30, 1952, deposits by members were $407,214,428, an increase of $167,367,064 over the deposits at June 30, 1951. The banks accept deposits by members either subject to demand or on a time basis; 86 percent of the deposits at June 30, 1952, were time deposits. Interest on time deposits was paid at rates from 1 to 2 percent; no interest was paid on demand deposits. Funds in amounts equal to the deposits are invested in Government securities, deposited in other banks, or used for advances with maturities of not more than one year. During the 1952 fiscal year the Federal home loan banks made and repaid interbank deposits of $19,500,000 at rates of interest from 2.11 to 2.44 percent. Interbank deposits are made usually to meet a temporary need for funds by other banks.

Consolidated obligations of $258,250,000 outstanding at June 30, 1952, were $285,550,000 less than the obligations outstanding at June 30, 1951. This decrease occurred because of the availability of funds from other sources, mainly from repayments of advances and the increase in member deposits during the 1952 fiscal year. The HLBB issues consolidated obligations to the public on behalf of the banks, subject to the approval of the Secretary of the Treasury, to obtain financing needed for bank operations. The obligations, currently 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 obligations shall not be issued in excess of 12 times the total paid-in capital stock and reserves required under section 16 of the Federal Home Loan Bank Act. The obligations outstanding at June 30, 1952, were well within this limitation. Consolidated obligations of $554,050,000 were issued during the 1952 fiscal year, $496,450,000 less than during the prior year. The notes were issued for periods from five to nine months with interest rates from 2 to 2.20 percent. The average cost (interest, concessions on obligations sold, and expenses of the office of the fiscal agent) of borrowed money was 2.26 percent in 1952 compared with 1.77 percent in 1951. 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.

The combined net earnings of the banks for the 1952 fiscal year were $6,931,934, $325,218 more than for 1951. The increase resulted primarily from increases in interest income on advances and investments not fully offset by increases in interest expense on consolidated obligations and member deposits. This was partly due to the fact that during the 1952 fiscal year a smaller proportion of the funds used to finance the banks' activities was obtained from consolidated obligations on which interest costs are higher than the cost of funds obtained from member deposits and capital stock.

The banks have complied with the requirement that they transfer 20 percent of their net earnings to their "legal" reserve accounts semiannually until the reserves are equal to their paid-in capital. The combined legal reserve at June 30, 1952 ($16,473,949), was only 5 percent of the paid-in capital. In addition, the banks had contingency reserves of $5,628,353 at June 30, 1952. These reserves have been accumulated out of earnings and do not represent known or prospective liabilities; consequently the reserves may be considered a part of the undistributed earnings. The undistributed earnings (excluding contingency reserves) of all banks at June 30, 1952, was $11,112,448. The contingency reserves and other undistributed earnings were about 5 percent of the paid-in capital.

The legal reserve funds must be invested in Government securities and in such securities as are authorized for fiduciary and trust fund investments under the laws of the states in which the banks are located. The banks are required to maintain, as a "liquidity reserve," 25 percent of members' deposits in cash or United States Treasury obligations and to share in maintaining a total investment in specified United States Treasury issues of $100,000,000. They are authorized to invest any other assets not required for advances to members in obligations of the United States and in such securities as fiduciary and trust funds may be invested under the laws of the states in which the banks are located. The banks have complied with all investment requirements and had investments of $310,881,697 at June 30, 1952, $65,175,918 more than at June 30, 1951. The average yield increased from 1.90 percent in 1951 to 2.04 percent in 1952.

The capital stock of the banks is held entirely by their member institutions. The entire investment of the Government, amounting originally to $124,741,000, has been retired, the final payment of $10,000,000 having been made in July 1951. At June 30, 1952, the 4,009 members had paid in $299,684,350 for capital stock, an increase during the year of 46 members and of $37,368,375 in paid-in capital stock of members. The banks declared dividends out of earnings during the year at rates from 1 to 2½ percent.

The Secretary of the Treasury is authorized to purchase interest-bearing obligations of the banks, in his discretion, up to $1 billion outstanding at any one time. No purchases have been made under this authorization, as it is primarily for use in emergencies.

Following is a consolidated summary of the sources of funds and their application during the year ended June 30, 1952.

Sources of funds:		
Net earnings for the year	$6,931,934	
Less amortization of net discount on securities	471,268	$6,460,666
Increase in deposits by members		167,367,064
Repayments of advances by borrowers	573,031,010	
Less advances made	409,586,174	163,444,836
Sale of capital stock to members (net of retirements, $1,184,200)	37,368,375	
Less retirement of capital stock owned by U. S. Government	10,000,000	27,368,375
		$364,640,941
Application of funds:		
Redemptions of consolidated obligations	$839,600,000	
Less sales	554,050,000	$285,550,000
Purchase of securities	644,950,459	
Less sales or redemptions	580,260,730	64,689,729
Dividends:		
Due but unpaid at June 30, 1951	1,492,859	
Declared during the year	4,876,432	
	6,369,291	
Less unpaid at June 30, 1952	1,682,991	4,686,300
Special contributions to retirement fund for employees		76,629
Increase in cash		9,120,024
Net change in other assets and liabilities		518,259
		$364,640,941

Comparative consolidated statements showing the financial position of the banks at June 30, 1952 and 1951, and the results of operations for the two fiscal years are presented as exhibits B-1 and B-2 on pages 19 and 20.

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Federal Savings and Loan Insurance Corporation is a wholly owned Government corporation created in 1934 by the National Housing Act (12 U. S. C. 1725a). It insures the accounts in savings and loan and similar institutions in the maximum amount of $10,000 for each investor. All Federal-chartered savings and loan associations are required to become insured, and qualified state-chartered savings and loan and similar institutions may become insured upon their request and approval by the Board.

The normal activities of the Corporation consist principally of underwriting insurance, billing and collecting premiums, and investing surplus funds. There were no major activity or organizational changes during the 1952 fiscal year. In prior years the Corporation had found it necessary to place some insured institutions in receivership and to make contributions to or purchase the assets of others to prevent default. No insured institution has been placed in receivership since 1941, and no contributions have been made since 1945. In 1950 the Corporation purchased the assets of the Koruna Savings and Loan Association, Chicago, Illinois, to prevent default, for an amount sufficient to pay all shareholders and creditors in full regardless of amount. During the 1952 fiscal year the Corporation completed realization on the assets purchased at a profit of $43,334. The cost of funds invested was not considered as an expense of the activity (estimated as $87,900).

During the year insurance coverage was granted to 159 institutions and insurance was canceled by six savings and loan associations. At June 30, 1952, there were 3,097 insured savings-and-loan-type institutions, representing 52 percent of all operating savings and loan associations in the United States. Total assets of the insured institutions represented 86 percent of the assets of all operating associations. Approximately 10,100,000 investors' accounts (1,400,000 increase over 1951) were insured, representing 84 percent of the accounts in all operating associations. The insured shares of investors were estimated to be $14,862,000,000, an increase of 22 percent over the previous year.

The net earnings (after providing for a return on capital stock) during the 1952 fiscal year were $13,182,521, an increase of $1,626,374 over the previous year. This increase resulted principally from an increase of $1,773,059 in insurance premiums earned. Insurance premiums earned including premiums on additional insured liability of about $2½ billion were $11,017,712. The annual premiums paid by insured institutions are computed at a rate of 1/12 of 1 percent of their withdrawable share liabilities and creditor obligations. The administrative expenses of the Corporation did not exceed the limitation set by the Congress.

Net earnings are applied to the insurance reserve fund established for the protection of investors in insured institutions. Annual insurance premiums are to be paid by insured institutions until the reserve fund equals 5 percent of the insured accounts and creditor obligations of all insured institutions. The insurance reserve fund at June 30, 1952 ($112,944,154), was .72 of 1 percent of the total insured liability compared with .76 of 1 percent at June 30, 1951. The reduced ratio was due to the large increase in the associations' insured liabilities.

The capital stock of the Corporation is held by the Secretary of the Treasury. FS&LIC is required to retire annually at par a portion of the stock equal to one-half of its net income for the fiscal year. During the 1952 fiscal year provision was made to retire capital stock of $7,529,000 (one-half of net earnings before dividends). Retirement was made in July 1952, leaving a balance of $85,755,000 outstanding. The Corporation is required to pay, in lieu of dividends, a return on the average amount of its capital stock outstanding during each fiscal year at a rate determined by the Secretary of the Treasury (2 percent for 1952). Payment in lieu of dividends of $1,874,488 for the 1952 fiscal year was made to the Secretary of the Treasury in July 1952.

The funds received for its capital stock and the accumulated net earnings of the Corporation are invested in Government securities bearing interest at rates from 2 percent to 2.75 percent; the average yield for the 1952 fiscal year was 2.31 percent. At June 30, 1952, the investment in Government securities was $209,136,171, an increase of $8,004,449 during the year.

The Corporation is authorized to borrow from the United States Treasury not to exceed $750 million outstanding at any one time; it cannot borrow from any other source. This borrowing power has not been used.

Following is a summary of the sources of funds and their application during the year ended June 30, 1952.

Sources of funds:	
Net earnings from operations (after deducting amortization of net discount on securities of $11,709)	$15,045,300
Sale of assets purchased from an insured institution to prevent default (cost of sale only—profit on sale included in income)	994,270
Increase in unearned premiums	868,091
Net change in other assets and liabilities	246,450
	$17,154,111
Application of funds:	
Purchase of securities (net of sales)	$7,992,740
Retirement of capital stock for 1951	6,716,000
Payment in lieu of dividends on capital stock for 1951	1,875,000
Increase in cash	570,371
	$17,154,111

Comparative statements showing the financial position of the Corporation at June 30, 1952 and 1951, and the results of operations for the two fiscal years are presented as exhibits C-1 and C-2 on pages 25 and 26.

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 Corporation for all practical purposes, has been liquidated but not legally terminated. We believe legislation is required to do so. (See recommendation, p. 12.)

During the 3-year statutory lending period from June 13, 1933, through June 12, 1936, the Corporation made 1,017,821 loans for $3,093,451,321. In servicing the mortgages from 1933 through 1951 HOLC acquired and disposed of 198,215 properties having a capitalized value of $1,025,921,422.

During the 1952 fiscal year the Corporation completed the collection and payment of the relatively minor amounts of accounts receivable and payable that were outstanding at the beginning of the year, and, pursuant to the Independent Offices Appropriation Act, 1952, transferred $75,000 to the Home Loan Bank Board for nonadministrative expenses in completing acts incident to the final liquidation of HOLC. These acts will include miscellaneous collections on receivables written off in prior years and occasional legal acts arising out of the sale of assets. Funds of $193,589 remaining were paid into the United States Treasury during the fiscal year. Net earnings paid into the United States Treasury by the Corporation from its inception to June 30, 1952, totaled $13,993,589. These earnings are not to be viewed as a profit on the operations of HOLC from the standpoint of the Government as a whole. The cost to the United States Treasury for supplying funds to the Corporation since 1933 has been about $91,900,000, so the net overall cost to the Government has been about $78,000,000.

The Home Loan Bank Board presented the final report of the Home Owners' Loan Corporation to the Congress on March 1, 1952. The final report contains cumulative statistical data and other information covering activities during the life of the Corporation.

The funds on hand at July 1, 1951, were disposed of during the 1952 fiscal year in the following ways.

Transfer to U. S. Treasury	$193,589
Transfer to HLBB	75,000
Payment of liabilities net of collections on receivables (after noncash adjustments of $3,147)	39,638
	$308,227

A comparative statement showing the financial position of the Corporation at June 30, 1952 and 1951, and a statement showing the results of operations for the year ended June 30, 1952, and cumulative earnings from inception are presented as exhibits D-1 and D-2 at pages 27 and 28.

Other Comments

LITIGATION—LONG BEACH FEDERAL SAVINGS AND LOAN ASSOCIATION

In 1946 the Long Beach Federal Savings and Loan Association, Long Beach, California, initiated a series of suits against the Federal Home Loan Bank of San Francisco, the Home Loan Bank Board, Federal Savings and Loan Insurance Corporation, and others in the United States District Court for the Southern District of California, Central Division. Among other things, 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. In the opinion of the bank's counsel and the general counsel of the Home Loan Bank Board (and FS&LIC), and of the Department of Justice attorneys, the action and claim have no validity, and the suit is being defended.[1]

The Association is indebted to the Federal Home Loan Bank of San Francisco for $6,300,000 for notes matured in previous years plus interest at the rate of 2 percent from December 31, 1947 ($566,656). The Association has deposited cash of $1,353,031 (at February 15, 1952) and United States Treasury bonds with par value of $5,300,000 (interest coupons of $503,800 attached) with the Court Registry pending outcome of the suit. The bank has a lien on paid-in capital stock of the bank held by the Association amounting to $608,400, and 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. Recorded costs of the litigation charged to operations by the San Francisco Bank from inception to June 30, 1952, were about $173,000 of which approximately $25,000 was recorded in 1952 fiscal year operations. These amounts do not include expenses relating to the litigation incurred by the HLBB and Department of Justice.

The Home Loan Bank Board has a receivable of $89,781 representing uncollected costs of the conservatorship, and FS&LIC has

[1] On April 2, 1952, the United States Court of Appeals for the Ninth Circuit held that the District Court was without jurisdiction of the action brought by the Long Beach Association involving the validity of the appointment of a conservator for that Association, and on November 13, 1952, denied a petition for rehearing filed by the Association. On November 6, 1952, in a related appeal involving the question of the validity of the consolidation of the Los Angeles and Portland Banks into the San Francisco Bank, the Court of Appeals held that the consolidation was valid and that the District Court had no jurisdiction of a suit brought to test its validity.

an estimated receivable of $119,614 representing uncollected insurance premiums due from the Association.

Under the circumstances periodic supervisory examinations ordinarily made of insured institutions have not been made for the Long Beach Federal Savings and Loan Association.

UNITED STATES HOUSING CORPORATION

The functions with respect to the dissolution of United States Housing Corporation were transferred to the Federal Home Loan Bank Administration (now the HLBB) in February 1942 by Executive Order 9070. The Government Corporations Appropriation Act, 1949 (62 Stat. 1189) authorized Home Owners' Loan Corporation to expend up to $5,000 of its own funds until June 30, 1952, for expenses in winding up the affairs and effecting the dissolution of United States Housing Corporation. HOLC spent $2,000 on this activity to June 30, 1952; of this amount $348 was expended during the 1952 fiscal year.

The corporate existence of United States Housing Corporation of New York was terminated on September 8, 1952, all laws of the State of New York with respect to the dissolution and termination having been complied with. The corporate existence of its subsidiary, United States Housing Corporation of Pennsylvania, had been terminated on February 28, 1951.

Our report for the 1945 fiscal year (H. Doc. 178, 80th Cong.) contains a history of the United States Housing Corporation and its activities.

RECOMMENDATIONS TO THE CONGRESS

The following recommendations, which have been made in previous reports, are submitted for further consideration.

HOME LOAN BANK BOARD

Services and benefits furnished by the Government without cost

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, or to pay the Government's share of the costs for retirement, disability, and compensation benefits to its employees. We recommend that the HLBB be required to pay these costs to the Government and 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

Presentation and settlement of insurance claims

Final settlement of insurance claims is delayed and FS&LIC is handicapped in determining the amount of its liability to investors in institutions in default at any date because no time limit is provided under the National Housing Act for filing claims. We recommend that a limitation be placed upon the time within which claims may be filed. (Federal Deposit Insurance Corporation has a statutory limitation of 18 months.)

Admission fees

The admission fee charged by FS&LIC against newly insured associations is required by law to be based on the reserve fund of FS&LIC and to be, in its judgment, an equitable contribution. Since 1937, the Corporation has charged associations an admission fee of 4 cents per $100 of risk (.04 of 1 percent) at the time of admission for insurance coverage. The admission fee rate has no relation to the ratio of the reserve fund to the total insurance risk (.72 of 1 percent at June 30, 1952), and therefore it seems doubtful that it is based upon the reserve fund or is an equitable contribution as required by law.

We believe that a newly insured association's contribution to an insurance reserve fund should be confined to payments for services and benefits actually received, i. e., insurance premiums for protection to be received by its investors. Further, a fee based on the ratio of the reserve fund to the total insurance risk (which would satisfy the legal requirement for an equitable contribution) might be so large as to discourage applicants for insurance membership. To our knowledge similar risk enterprises do not have comparable charges, for example Federal Deposit Insurance Corporation.

We recommend that the National Housing Act be amended to eliminate the existing requirement for the payment of an admission fee based on the reserve fund of FS&LIC and to authorize the imposition of a fee on newly insured institutions commensurate with the direct and indirect cost of granting insurance coverage.

Services and benefits furnished by the Government without cost

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, but is not required by law to pay the Government's share of the cost of retirement, disability, and compensation benefits to its employees. We recommend that FS&LIC be required to pay this cost so that the full cost of operating the Corporation will be borne by revenue produced by its operations and will be included in its financial statements.

HOME OWNERS' LOAN CORPORATION

All the assets and liabilities of HOLC have been liquidated and funds to cover further expenses which may be incurred have been transferred from HOLC to the Home Loan Bank Board. However, occasional legal acts arising out of the sale of assets will be required. We recommend that the Congress enact legislation authorizing the Home Loan Bank Board to perform any acts necessary to perfect legal acts of HOLC and extinguishing the corporate entity.

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, 1952, 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 and B-2), 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, 1952, 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,
Associate Director of Audits.

HOUSING AND HOME FINANCE AGENCY

HOME LOAN BANK BOARD

101 Indiana Avenue NW., Washington 25, D. C.

Hon. LINDSAY C. WARREN,
Comptroller General of the 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, 1952, 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, 1952 and 1951
  - Comparative statement of expenses, for the years ended June 30, 1952 and 1951
- Federal home loan banks
  - Comparative consolidated balance sheet—June 30, 1952 and 1951
  - Comparative consolidated statement of earnings, for the years ended June 30, 1952 and 1951
  - Consolidating balance sheet—June 30, 1952
  - Consolidating statement of earnings, for the year ended June 30, 1952
  - Comparative consolidated statement of compensation, travel, and other expenses, for the years ended June 30, 1952 and 1951
- Federal Savings and Loan Insurance Corporation
  - Comparative balance sheet—June 30, 1952 and 1951
  - Comparative statement of earnings and insurance reserve fund, for the years ended June 30, 1952 and 1951
- Home Owners' Loan Corporation
  - Comparative balance sheet—June 30, 1952 and 1951
  - Statement of earnings for the year ended June 30, 1952, and from inception.

In my opinion, the accompanying financial statements present fairly the financial position of the Home Loan Bank Board, Federal home loan banks, the Federal Savings and Loan Insurance Corporation, and Home Owners' Loan Corporation at June 30, 1952, 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 and with applicable Federal laws.

Respectfully submitted.

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

FINANCIAL STATEMENTS

HOME LOAN BANK BOARD

COMPARATIVE BALANCE SHEET--JUNE 30, 1952 AND 1951

ASSETS	June 30 1952	June 30 1951	Increase (-decrease)
CASH	$187,715	$118,127	$ 69,588
ACCOUNTS RECEIVABLE:			
Insured institutions for examining fees	200,575	136,782	63,793
Government agencies	14,034	13,111	923
Long Beach Federal Savings and Loan Association (note 1)	89,781	89,781	-
Advances to employees for travel expenses	23,792	19,124	4,668
Other	121	918	-797
INVENTORY OF SUPPLIES AND MATERIALS, at cost	9,072	12,874	-3,802
FURNITURE, FIXTURES, AND EQUIPMENT at cost (1952, $181,869; 1951, $178,457), fully amortized	-	-	-
	$525,090	$390,717	$134,373
LIABILITIES			
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (note 2):			
Government agencies	$ 94,219	$ 76,712	$ 17,507
Accrued salaries	46,009	33,359	12,650
Other	63,160	44,982	18,178
DEFERRED CREDITS:			
Advance from Home Owners' Loan Corporation for liquidation expenses	49,661	-	49,661
WORKING CAPITAL derived from excess assessments made against Federal home loan banks, less deficit of $174,664 at June 30, 1952, and $191,878 at June 30, 1951, incurred by the Examining Division (exhibit A-2)	272,041	235,664	36,377
	$525,090	$390,717	$134,373

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, the 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, Long Beach, California, seeking 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 $393,975 at June 30, 1952.

3. Certain costs, which the HLBB 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 HLBB employees, and free office space.

HOME LOAN BANK BOARD

COMPARATIVE STATEMENT OF EXPENSES

FOR THE YEARS ENDED JUNE 30, 1952 AND 1951

	Year ended June 30 1952	1951	Increase (-decrease)
EXPENSES:			
Salaries	$1,990,009	$1,797,301	$192,708
Travel	364,874	323,195	41,679
Transportation of things	2,690	1,735	955
Communication services	15,930	17,293	-1,363
Rents and utility services	41,266	39,572	1,694
Printing and reproduction	2,431	2,870	-439
Other contractual services	6,732	2,798	3,934
Services performed by other agencies	6,863	3,199	3,664
Supplies and materials	46,758	33,666	13,092
Equipment	12,845	5,329	7,516
Taxes and assessments	3,429	780	2,649
	2,493,827	2,227,738	266,089
LESS REIMBURSEMENTS AND MISCELLANEOUS INCOME:			
Federal Savings and Loan Insurance Corporation	10,960	11,169	-209
Home Owners' Loan Corporation	25,339	908	24,431
Other Government agencies	48,234	43,083	5,151
Other	9,489	5,847	3,642
	94,022	61,007	33,015
NET EXPENSES (note 3)	2,399,805	2,166,731	233,074
LESS ASSESSMENTS AND FEES DERIVED FROM EXAMINATIONS:			
Federal home loan banks	396,200	430,000	-33,800
Federal Savings and Loan Insurance Corporation	282,292	168,198	114,094
Home Owners' Loan Corporation	-	73,249	-73,249
Fees derived from examination of insured institutions	1,757,690	1,484,993	272,697
	2,436,182	2,156,440	279,742
ASSESSMENTS AND FEES IN EXCESS OF (-LESS THAN) EXPENSES	36,377	-10,291	46,668
WORKING CAPITAL AT BEGINNING OF FISCAL YEAR	235,664	245,955	-10,291
WORKING CAPITAL AT END OF FISCAL YEAR (exhibit A-1)	$ 272,041	$ 235,664	$ 36,377

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

FEDERAL HOME LOAN BANKS

COMPARATIVE CONSOLIDATED BALANCE SHEET--JUNE 30, 1952 AND 1951

ASSETS	June 30 1952 (schedule B-1)	June 30 1951	Increase (-decrease)
CASH	$ 36,495,236	$ 27,375,212	$ 9,120,024
INVESTMENTS:			
Government securities at amortized cost (note 1)	310,846,697	245,580,779	65,265,918
Shares in savings and loan associations	35,000	125,000	-90,000
	310,881,697	245,705,779	65,175,918
ADVANCES RECEIVABLE:			
Secured (notes 2 and 4)	492,057,992	592,402,225	-100,344,233
Unsecured	160,653,464	223,754,067	-63,100,603
	652,711,456	816,156,292	-163,444,836
OTHER ASSETS:			
Accrued interest receivable (note 4)	2,629,567	2,621,528	8,039
Miscellaneous receivables, deferred charges and other assets (note 3)	309,057	259,395	49,662
	2,938,624	2,880,923	57,701
	$1,003,027,013	$1,092,118,206	$-89,091,193

LIABILITIES	June 30 1952 (schedule B-1)	June 30 1951	Increase (-decrease)
DEPOSITS:			
Members--time	$ 350,476,214	$ 205,525,781	$144,950,433
Members--demand (including applicants)	56,738,214	34,321,583	22,416,631
	407,214,428	239,847,364	167,367,064
CONSOLIDATED OBLIGATIONS (note 5)	258,250,000	543,800,000	-285,550,000
OTHER LIABILITIES:			
Dividends payable:			
U.S. Treasury	-	62,500	-62,500
Member institutions	1,682,991	1,430,359	252,632
	1,682,991	1,492,859	190,132
Accrued interest payable	2,815,347	3,418,066	-602,719
Accounts payable and deferred credits	165,147	8,065	157,082
	4,663,485	4,918,990	-255,505
CAPITAL STOCK--$100 PAR VALUE:			
Member institutions (note 6)	299,684,350	262,315,975	37,368,375
U.S. Treasury	-	10,000,000	-10,000,000
	299,684,350	272,315,975	27,368,375
RETAINED EARNINGS:			
Legal reserve	16,473,949	15,087,562	1,386,387
Reserve for contingencies (note 7)	5,628,353	5,619,424	8,929
Undistributed earnings (exhibit B-2)	11,112,448	10,528,891	583,557
	33,214,750	31,235,877	1,978,873
	$1,003,027,013	$1,092,118,206	$-89,091,193

Notes:

	1952	1951	Increase (-decrease)
1. Face value of Government securities	$ 310,397,500	$ 243,727,500	$ 66,670,000
Market value of Government securities	309,929,290	242,901,148	67,028,142
2. Collateral pledged for advances:			
Unpaid balance of home mortgages	958,153,088	1,019,410,984	-61,257,896
Face amount of Government securities	114,819,000	114,751,100	67,900
Other collateral	2,150,000	3,060,000	-910,000
Paid-in value of Federal home loan bank stock	167,683,800	167,804,125	-120,325
3. Original cost of furniture and equipment (included above at a valuation of $1.00 for each bank)	233,774	215,022	18,752

4. The Long Beach Federal Savings and Loan Association, Long Beach, California, is indebted to the Federal Home Loan Bank of San Francisco for $6,300,000 for notes matured in prior years plus interest of $546,883. 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, the 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 bank's counsel and 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.

5. 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. The notes representing these obligations mature in less than one year.

6. Includes $669,350 (1952) and $53,075 (1951) representing the paid portion of subscriptions to capital stock; unpaid subscriptions were $333,050 at June 30, 1952.

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

8. At June 30, 1952, the banks had on deposit with the United States Treasury $187,915 to redeem matured consolidated Federal Home Loan Bank obligations (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.

FEDERAL HOME LOAN BANKS

COMPARATIVE CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEARS ENDED JUNE 30, 1952 AND 1951

	Year ended June 30 1952 (schedule B-2)	1951	Increase (-decrease)
OPERATING INCOME:			
Interest on advances	$16,737,434	$14,929,550	$1,807,884
Interest on investments	6,130,750	4,075,063	2,055,687
Miscellaneous	5,586	5,278	308
	22,873,770	19,009,891	3,863,879
OPERATING EXPENSES:			
Interest on consolidated obligations	9,339,133	7,598,921	1,740,212
Consolidated obligations expense--concessions (discount)	479,861	431,381	48,480
Consolidated obligations expense--Office of Fiscal Agent	69,010	60,276	8,734
Interest on members' deposits	4,172,836	2,628,489	1,544,347
Compensation, travel and other expenses (schedule B-3)	1,601,933	1,494,112	107,821
Assessment by the Home Loan Bank Board	396,200	430,000	-33,800
Furniture and equipment purchased	22,485	36,500	-14,015
	16,081,458	12,679,679	3,401,779
NET OPERATING INCOME	6,792,312	6,330,212	462,100
OTHER INCOME:			
Profit on sale of investments (net)	138,311	275,536	-137,225
Miscellaneous	1,311	968	343
	139,622	276,504	-136,882
NET EARNINGS FOR THE FISCAL YEAR	6,931,934	6,606,716	325,218
UNDISTRIBUTED EARNINGS AT BEGINNING OF YEAR	10,528,891	9,071,447	1,457,444
	17,460,825	15,678,163	1,782,662
Deduct:			
Dividends declared	4,876,432	3,763,974	1,112,458
Transfers to legal reserve	1,386,387	1,321,343	65,044
Transfers to reserve for contingencies, net	8,929	63,955	-55,026
Retirement fund--prior service contributions	76,629	-	76,629
	6,348,377	5,149,272	1,199,105
UNDISTRIBUTED EARNINGS AT END OF YEAR (exhibit B-1)	$11,112,448	$10,528,891	$ 583,557

The notes to exhibit B-1, page 19, are an integral part of this statement.

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FEDERAL HOME LOAN BANKS

CONSOLIDATING BALANCE SHEET

JUNE 30, 1952

ASSETS	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
CASH	$ 36,495,236		$ 3,173,239	$ 8,113,253	$ 2,146,598	$ 2,059,905	$ 3,890,229	$ 2,656,292	$ 4,111,012	$ 1,699,811	$ 1,291,032	$ 2,417,287	$ 4,936,578
INVESTMENTS:													
Government securities at amortized cost (note 1)	310,846,697		31,012,950	51,776,760	18,056,027	36,707,276	44,037,191	35,338,601	24,812,246	17,478,398	12,708,190	17,041,471	21,877,587
Consolidated Federal home loan bank obligations	-	-$4,301,509	-	-	-	2,151,080	2,150,429	-	-	-	-	-	-
Shares in savings and loan associations	35,000		-	-	-	-	-	-	-	-	-	-	35,000
	310,881,697	-4,301,509	31,012,950	51,776,760	18,056,027	38,858,356	46,187,620	35,338,601	24,812,246	17,478,398	12,708,190	17,041,471	21,912,587
ADVANCES RECEIVABLE:													
Secured (notes 2 and 4)	492,057,992		17,426,376	56,560,702	50,686,665	27,929,801	22,145,250	16,280,220	107,277,036	38,951,235	30,543,376	22,379,968	101,877,363
Unsecured	160,653,464		25,290,257	7,399,500	6,693,100	46,279,500	18,066,300	29,656,787	14,563,445	9,729,575	-	1,325,000	1,650,000
	652,711,456		42,716,633	63,960,202	57,379,765	74,209,301	40,211,550	45,937,007	121,840,481	48,680,810	30,543,376	23,704,968	103,527,363
OTHER ASSETS:													
Accrued interest receivable (note 4)	2,629,567	-59,125	200,830	433,742	187,874	352,586	270,794	217,056	141,871	52,362	115,672	63,835	652,070
Miscellaneous receivables, deferred charges, and other assets (note 3)	309,057	1,509	10,941	110,359	9,471	2,242	83,388	8,240	31,860	13,116	6,863	6,405	24,663
	2,938,624	-57,616	211,771	544,101	197,345	354,828	354,182	225,296	173,731	65,478	122,535	70,240	676,733
	$1,003,027,013	-$4,359,125	$77,114,593	$124,394,316	$77,779,735	$115,482,390	$90,643,581	$84,157,196	$150,937,470	$67,924,497	$44,665,133	$43,233,966	$131,053,261
Notes:													
1. Face value of Government securities	$ 310,397,500		$31,030,000	$ 51,632,500	$17,950,000	$ 36,850,000	$43,924,000	$35,395,000	$ 24,750,000	$17,410,000	$12,640,000	$17,015,000	$ 21,801,000
Market value of Government securities	309,929,290		30,961,826	51,489,884	17,881,549	36,776,360	43,866,592	35,326,317	24,756,079	17,414,519	12,655,565	17,039,798	21,760,801
2. Collateral pledged for advances:													
Unpaid balance of home mortgages	958,153,088		13,190,532	123,375,652	99,274,943	57,862,965	41,606,008	23,321,068	191,780,424	59,045,307	70,976,635	39,627,838	238,091,716
Face amount of Government securities	114,819,000		9,547,000	28,296,000	5,856,500	1,100,000	4,336,000	9,427,000	13,480,000	8,645,000	954,000	475,000	32,702,500
Other collateral	2,150,000		1,000,000	-	950,000	-	200,000	-	-	-	-	-	-
Paid-in value of Federal home loan bank stock	167,683,800		19,153,900	20,893,300	13,864,500	18,904,200	12,413,400	11,157,100	23,059,100	10,791,900	9,086,100	5,196,200	23,164,100
3. Original cost of furniture and equipment (included above at a valuation of $1.00 for each bank)	233,774		23,049	42,120	11,491	27,268	14,091	23,490	15,337	10,435	18,334	13,857	34,302

The notes to exhibit B-1, page 19, are an integral part of this statement.

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FEDERAL HOME LOAN BANKS

CONSOLIDATING BALANCE SHEET (continued)

JUNE 30, 1952

LIABILITIES	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
DEPOSITS:													
Members--time	$ 350,476,214		$21,467,109	$ 49,257,532	$29,015,600	$ 61,100,250	$39,787,938	$39,482,173	$ 36,512,382	$25,777,402	$ 6,691,200	$ 7,149,000	$ 34,235,628
Members--demand (including applicants)	56,738,214		1,677,319	21,879,945	3,012,746	7,538,839	7,464,879	3,763,636	446,450	135,800	2,000	747,835	10,068,765
	407,214,428		23,144,428	71,137,477	32,028,346	68,639,089	47,252,817	43,245,809	36,958,832	25,913,202	6,693,200	7,896,835	44,304,393
CONSOLIDATED OBLIGATIONS (note 5)	258,250,000	-$4,300,000	26,300,000	10,000,000	22,800,000	5,000,000	-	18,400,000	75,200,000	21,700,000	21,000,000	21,150,000	41,000,000
OTHER LIABILITIES:													
Dividends payable--member institutions	1,682,991		180,323	-	147,039	-	403,313	-	332,827	170,253	89,828	73,336	286,072
Accrued interest payable	2,815,347	-59,125	263,708	137,500	225,898	350,790	185,775	228,793	735,065	98,900	201,329	250,682	196,032
Accounts payable and deferred credits	165,147		-	4,493	-	109	1,786	1,040	-	-	2,209	867	154,643
	4,663,485	-59,125	444,031	141,993	372,937	350,899	590,874	229,833	1,067,892	269,153	293,366	324,885	636,747
CAPITAL STOCK--$100 PAR VALUE:													
Member institutions (note 6)	299,684,350		24,909,225	38,241,900	20,180,200	37,697,050	39,169,800	20,063,500	34,483,800	17,938,275	14,754,300	12,063,500	40,182,800
RETAINED EARNINGS:													
Legal reserve	16,473,949		1,212,831	2,166,736	1,413,274	1,542,911	2,198,302	1,198,824	1,998,256	1,092,298	900,395	783,879	1,966,243
Reserve for contingencies (note 7)	5,628,353		500,000	838,166	-	400,000	500,000	-	690,187	800,000	-	500,000	1,400,000
Undistributed earnings	11,112,448		604,078	1,868,044	984,978	1,852,441	931,788	1,019,230	538,503	211,569	1,023,872	514,867	1,563,078
	33,214,750		2,316,909	4,872,946	2,398,252	3,795,352	3,630,090	2,218,054	3,226,946	2,103,867	1,924,267	1,798,746	4,929,321
	$1,003,027,013	-$4,359,125	$77,114,593	$124,394,316	$77,779,735	$115,482,390	$90,643,581	$84,157,196	$150,937,470	$67,924,497	$44,665,133	$ 43,233,966	$131,053,261

The notes to exhibit B-1, page 19, are an integral part of this statement.

FEDERAL HOME LOAN BANKS

CONSOLIDATING STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30, 1952

	Consolidated	Interbank eliminations	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
OPERATING INCOME:													
Interest on advances	$16,737,434	$ -	$1,021,891	$2,057,239	$1,397,528	$1,812,047	$1,070,937	$1,220,117	$3,115,395	$1,079,124	$ 889,372	$ 732,653	$2,341,131
Interest on investments	6,130,750	-167,060	559,361	934,216	384,341	579,260	768,817	562,800	499,303	372,283	393,052	378,940	865,437
Interest on deposits with other Federal home loan banks	-	-26,317	-	-	-	20,082	2,869	497	-	-	-	2,869	-
Miscellaneous	5,586	-	-	281	-	1,583	1,531	-	2,191	-	-	-	-
	22,873,770	-193,377	1,581,252	2,991,736	1,781,869	2,412,972	1,844,154	1,783,414	3,616,889	1,451,407	1,282,424	1,114,462	3,206,568
OPERATING EXPENSES:													
Interest on consolidated obligations	9,339,133	-202,740	689,402	977,800	762,815	670,065	157,767	584,666	2,028,699	729,757	822,819	674,153	1,443,930
Consolidated obligations expense--concessions (discount)	479,861	35,680	32,361	44,634	35,128	31,072	7,259	27,111	95,121	33,699	38,255	31,756	67,785
Consolidated obligations expense--Office of Fiscal Agent	69,010	-	6,233	6,022	6,089	6,575	6,258	6,257	6,177	6,126	6,149	6,513	6,611
Interest on members' deposits	4,172,836	-	186,456	632,942	436,859	723,111	475,218	517,825	476,422	228,630	43,556	80,080	371,737
Interest on other Federal home loan banks' deposits	-	-26,317	-	-	-	-	-	-	17,786	8,033	-	-	498
Compensation, travel, and other expenses (schedule B-3)	1,601,933	-	119,817	216,787	157,767	165,692	162,247	88,487	155,911	98,715	101,189	95,030	240,291
Assessment by the Home Loan Bank Board	396,200	-	26,552	50,201	29,106	38,352	30,972	28,266	59,767	26,302	22,751	21,330	62,601
Furniture and equipment purchased	22,485	-	266	5,474	932	974	1,460	7,153	2,071	353	597	1,379	1,826
	16,081,458	-193,377	1,061,087	1,933,860	1,428,696	1,635,841	841,181	1,259,765	2,841,954	1,131,615	1,035,316	910,241	2,195,279
NET OPERATING INCOME	6,792,312	-	520,165	1,057,876	353,173	777,131	1,002,973	523,649	774,935	319,792	247,108	204,221	1,011,289
OTHER INCOME:													
Profit on sale of investments (net)	138,311	-	-2,374	146,559	577	-2,053	8,055	-25,536	526	-1,176	6,936	-2,792	9,589
Miscellaneous	1,311	-	105	146	191	182	120	70	80	69	138	89	121
	139,622	-	-2,269	146,705	768	-1,871	8,175	-25,466	606	-1,107	7,074	-2,703	9,710
NET EARNINGS FOR THE FISCAL YEAR	6,931,934	-	517,896	1,204,581	353,941	775,260	1,011,148	498,183	775,541	318,685	254,182	201,518	1,020,999
UNDISTRIBUTED EARNINGS AT BEGINNING 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
	17,460,825	-	1,062,996	2,924,916	1,339,313	2,512,795	1,909,282	1,487,060	1,359,850	598,298	1,124,794	738,118	2,403,403
Deduct:													
Dividends declared	4,876,432	-	355,340	698,872	283,547	453,672	775,264	368,193	641,238	322,992	158,241	182,947	636,126
Transfers to legal reserve	1,386,387	-	103,579	240,916	70,788	155,052	202,230	99,637	155,108	63,737	50,836	40,304	204,200
Transfers to reserve for contingencies, net	8,929	-	-	117,084	-	-	-	-	-	-	-108,155	-	-
Retirement fund--prior service contributions	76,629	-	-	-	-	51,629	-	-	25,000	-	-	-	-
	6,348,377	-	458,919	1,056,872	354,335	660,353	977,494	467,830	821,346	386,729	100,922	223,251	840,326
UNDISTRIBUTED EARNINGS AT END OF YEAR	$11,112,448	$ -	$ 604,077	$1,868,044	$ 984,978	$1,852,442	$ 931,788	$1,019,230	$ 538,504	$ 211,569	$1,023,872	$ 514,867	$1,563,077

The notes to exhibit B-1, page 19, are an integral part of this statement.

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FEDERAL HOME LOAN BANKS

COMPARATIVE CONSOLIDATED STATEMENT OF COMPENSATION, TRAVEL, AND OTHER EXPENSES FOR THE YEARS ENDED JUNE 30, 1952 AND 1951

	Year ended June 30 1952	Year ended June 30 1951	Increase (-decrease)
COMPENSATION:			
Officers' salaries	$ 591,656	$ 525,589	$ 66,067
Other salaries	368,133	335,363	32,770
Directors' fees	64,670	62,395	2,275
Counsels' compensation	61,939	68,750	-6,811
	1,086,398	992,097	94,301
TRAVEL EXPENSE:			
Directors	55,960	55,193	767
Officers	36,839	34,206	2,633
Counsel and others	10,678	6,650	4,028
Maintenance and operating cost of automobiles	3,207	3,607	-400
	106,684	99,656	7,028
OTHER EXPENSES:			
Rental of banking quarters, less amount charged the Home Loan Bank Board for district examiners	108,041	99,887	8,154
Retirement fund contributions	84,195	81,632	2,563
Stationery, printing, and other office supplies	41,130	39,402	1,728
Telephone and telegraph	26,903	28,150	-1,247
Postage and expressage	20,542	20,910	-368
Insurance and surety bond premiums	19,233	19,211	22
Audit expense, GAO	6,257	8,002	-1,745
Stockholders' annual meeting	27,557	25,606	1,951
Maintenance of banking quarters and equipment	17,918	27,983	-10,065
Public relations	21,030	13,992	7,038
Dues and subscriptions	12,967	15,834	-2,867
Reports and other publications	12,119	9,623	2,496
Services of the Home Loan Bank Board Examining Division	3,236	4,193	-957
Safekeeping and protection services	3,140	2,838	302
Miscellaneous	4,583	5,096	-513
	408,851	402,359	6,492
	$1,601,933	$1,494,112	$107,821

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FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

COMPARATIVE BALANCE SHEET

JUNE 30, 1952 AND 1951

ASSETS	June 30 1952	June 30 1951	Increase (-decrease)
CASH	$ 1,268,835	$ 698,463	$ 570,372
INVESTMENTS:			
Government securities at amortized cost (market value: 1952, $207,274,656; 1951, $197,866,688)	209,136,171	201,131,722	8,004,449
Accrued interest receivable	257,213	1,003,699	-746,486
ASSETS PURCHASED FROM INSURED INSTITUTION to prevent default, at cost	-	994,270	-994,270
ACCOUNTS RECEIVABLE:			
Insurance premiums due from members (note 1)	3,199,195	2,696,336	502,859
Other	4,809	5,037	-228
CLAIMS RECEIVABLE:			
Shareholders' net balances in closed receiverships to be subrogated when paid--see related liability (less provision for losses: 1952, $596; 1951, $598)	6,450	6,449	1
FURNITURE, FIXTURES, AND EQUIPMENT at cost (1952, $56,360; 1951, $53,785), fully amortized	-	-	-
DEFERRED CHARGES	1,289	1,891	-602
	$213,873,962	$206,537,867	$7,336,095

LIABILITIES	June 30 1952	June 30 1951	Increase (-decrease)
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES (note 2):			
Due Government agencies	$ 27,240	$ 19,781	$ 7,459
Due others	13,414	12,227	1,187
Due on insured shares in associations in receivership--pending or unclaimed--see related asset	7,046	7,046	-
Due shareholders of closed institutions for amounts collected from receivers	8,132	8,132	-
Unapplied collections	394	7,045	-6,651
Due U.S. Treasury for retirement of capital stock (note 3)	7,529,000	6,716,000	813,000
Accrued payments to U.S. Treasury in lieu of dividends on capital stock (note 3)	1,874,488	1,875,000	-512
	9,459,714	8,645,231	814,483
UNEARNED INSURANCE PREMIUMS	5,715,094	4,847,003	868,091
INVESTMENT OF UNITED STATES GOVERNMENT:			
Capital stock held by U.S. Treasury:	93,284,000	100,000,000	-6,716,000
Less provision for retirement (note 3)	7,529,000	6,716,000	813,000
	85,755,000	93,284,000	-7,529,000
INSURANCE RESERVE FUND, representing net earnings available for future losses and related expenses (exhibit C-2)	112,944,154	99,761,633	13,182,521
	$213,873,962	$206,537,867	$ 7,336,095

Notes:

1. Insurance premiums due from members include $119,614 estimated as 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, the 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.

2. The estimated liability for employees' accumulated annual leave, which was not recorded in the accounts, was approximately $77,830 at June 30, 1952.

3. Capital stock of $7,529,000, equal to 50 percent of net earnings for 1952, was retired on July 30, 1952. On the same date, $1,874,488 was paid to the Secretary of the Treasury as a return on capital stock in lieu of dividends.

4. Interest cost (estimated at $87,900) of funds used to purchase assets from an insured institution was not included as an element of cost in determining the recorded gain on the sale of the assets.

5. 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 FS&LIC employees.

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FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

COMPARATIVE STATEMENT OF EARNINGS AND INSURANCE RESERVE FUND
FOR THE YEARS ENDED JUNE 30, 1952 AND 1951

	Year ended June 30 1952	Year ended June 30 1951	Increase (–decrease)
INCOME:			
Insurance premiums earned (note 1)	$ 11,017,712	$ 9,244,653	$ 1,773,059
Interest on investments	4,628,938	4,437,180	191,758
Admission fees	126,399	192,324	–65,925
Gain on sale of assets purchased (note 4)	43,334	-	43,334
Miscellaneous	2,703	1,943	760
	15,819,086	13,876,100	1,942,986
EXPENSES:			
Salaries	378,056	333,588	44,468
Travel	3,755	4,210	–455
Transportation of things	5	5	-
Communication services	5,859	5,684	175
Rents and utility services	27,485	28,197	–712
Printing and reproduction	734	632	102
Other contractual services	9,126	20,529	–11,403
Services rendered by the Home Loan Bank Board	292,815	179,012	113,803
Supplies and materials	2,972	2,496	476
Equipment	7,059	2,755	4,304
Losses and commissions on securities	34,213	-	34,213
	762,079	577,108	184,971
Provision for losses on assets purchased (–reduction)	–2	–132,155	132,153
	762,077	444,953	317,124
NET EARNINGS FROM OPERATIONS (note 5)	15,057,009	13,431,147	1,625,862
PROVISION FOR RETURN ON CAPITAL STOCK IN LIEU OF DIVIDENDS, PAYABLE TO SECRETARY OF TREASURY	1,874,488	1,875,000	–512
NET EARNINGS TRANSFERRED TO INSURANCE RESERVE FUND	13,182,521	11,556,147	1,626,374
INSURANCE RESERVE FUND AT BEGINNING OF FISCAL YEAR	99,761,633	88,205,486	11,556,147
INSURANCE RESERVE FUND AT END OF FISCAL YEAR (exhibit C-1)	$112,944,154	$99,761,633	$13,182,521

The notes to exhibit C-1, on page 25, are an integral part of this statement.

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HOME OWNERS' LOAN CORPORATION

COMPARATIVE BALANCE SHEET--JUNE 30, 1952 AND 1951

ASSETS	June 30 1952	June 30 1951
CASH	$ -	$308,227
ACCOUNTS RECEIVABLE	-	3,035
	$ -	$311,262
LIABILITIES		
LIABILITY FOR SPECIAL DEPOSITS	$ -	$ 12,366
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	-	33,454
RETAINED NET EARNINGS (exhibit D-2)	-	265,442
	$ -	$311,262

Notes:

1. At June 30, 1952, bonds of $1,008,975, called for redemption, had not been presented to the United States Treasury for payment. Funds were transferred to the Treasury for its use in redeeming these bonds and paying accrued interest. The funds and corresponding liability are not shown in the financial statements.

2. 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.

3. Pursuant to the Independent Offices Appropriation Act, 1952, HOLC transferred $75,000 to the Home Loan Bank Board for liquidation expenses. Of this amount $25,339 had been expended at June 30, 1952.

HOME OWNERS' LOAN CORPORATION

STATEMENT OF EARNINGS

FOR THE YEAR ENDED JUNE 30, 1952, AND FROM INCEPTION

	Year ended June 30, 1952	From June 13, 1933, to June 30, 1952
INCOME:		
Interest on loans and related advances	$ -	$1,192,016,623
Dividends and interest on investments in savings and loan associations	-	44,745,479
Dividends on investment in FS&LIC	-	28,217,076
Net income from property operations	-	25,818,935
Interest on investments in Government securities	-	1,417,727
Premiums on sale of loan accounts	-	2,241,649
Miscellaneous	-	9,483,082
	-	1,303,940,571
EXPENSES:		
Interest and other financing expense	-	660,738,136
Administrative and operating expenses	-	291,130,000
Losses:		
Loans and related transactions	-	337,154,236
Fidelity and casualty	-	372,053
Fire and other hazards	-	367,536
Other	-	113,168
	-	1,289,875,129
NET EARNINGS (note 2)	-	14,065,442
Retained net earnings at beginning of fiscal year	265,442	-
Adjustments	3,147	3,147
	268,589	14,068,589
Transferred to the Home Loan Bank Board for liquidation expenses (note 3)	75,000	75,000
	193,589	13,993,589
Paid into U.S. Treasury	193,589	13,993,589
RETAINED NET EARNINGS	$ -	$ -

The notes to exhibit D-1, page 27, are an integral part of this statement.