

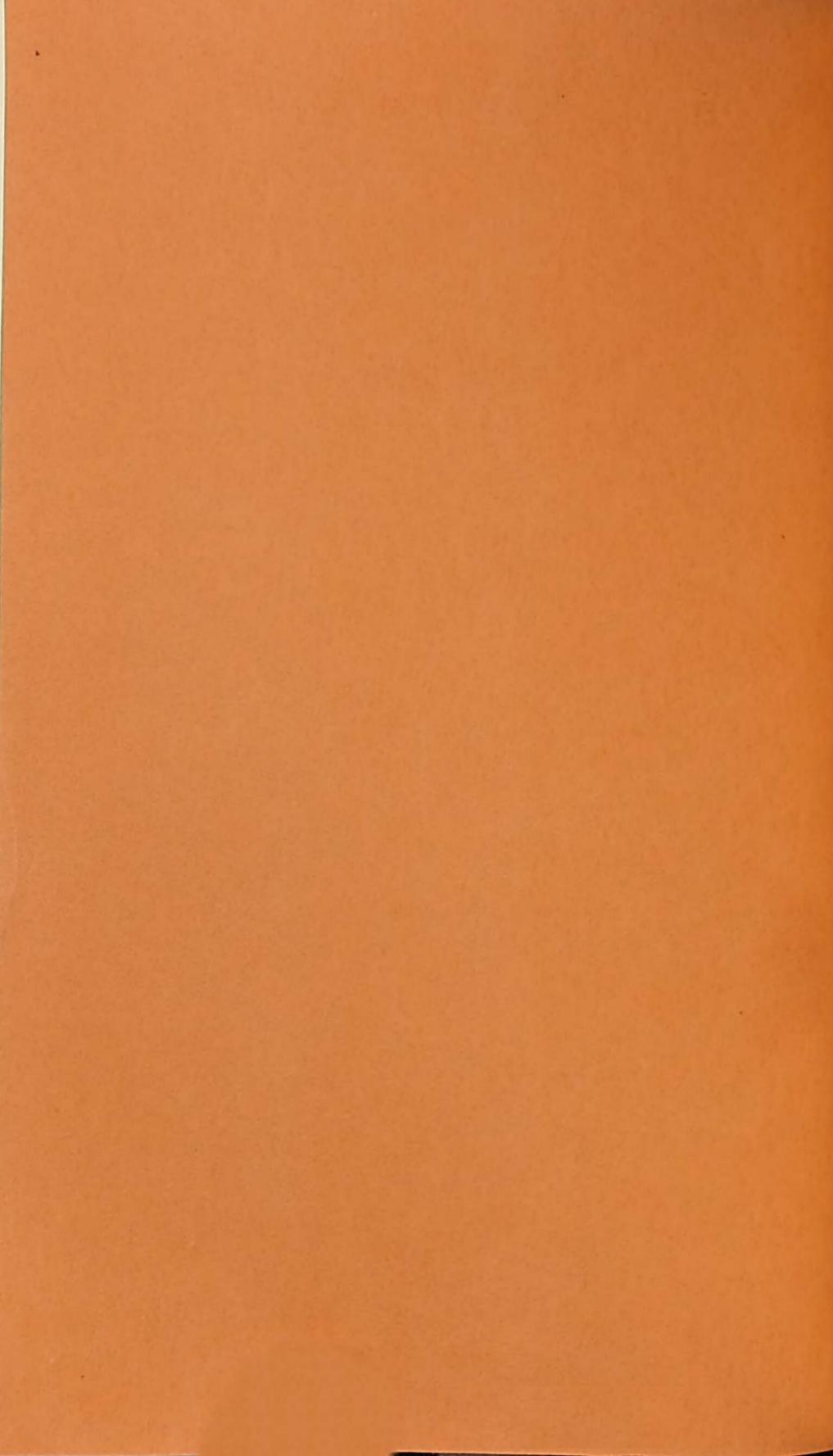
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**FEDERAL
HOME
LOAN
BANK
BOARD**



annual report—1961

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Report of the

**FEDERAL
HOME
LOAN
BANK
BOARD**

*for the year ending
December 31, 1961*



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

LETTER OF TRANSMITTAL

June 15, 1962

PRESIDENT, UNITED STATES SENATE,
Washington 25, D.C.

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES,
Washington 25, D.C.

SIRS: Pursuant to Section 17(b) of the Federal Home Loan Bank Act, we are pleased to submit the Annual Report of the Federal Home Loan Bank Board for the calendar year 1961.

The Report covers the operations of the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the Federal Savings and Loan System.

Respectfully,

JOSEPH P. McMURRAY, *Chairman*
JOSEPH J. WILLIAMS, Jr., *Member*
IRA A. DIXON, *Member*

CONTENTS

	Page
LETTER OF TRANSMITTAL.....	ii
Section 1. FEDERAL HOME LOAN BANK BOARD:	
Highlights.....	1
Functions of the Federal Home Loan Bank Board.....	2
Expenses and Personnel of the Board.....	3
Membership of the Board	4
Office of the Director of Audits.....	4
Division of Examination and Supervision	5
Bank Presidents' Conference	7
Federal Savings and Loan Advisory Council	7
Federal Home Loan Bank Board Task Force.....	9
Board Meetings with National Association of State Savings and Loan Super- visors	11
Continuity of Government in Event of National Emergency	11
Participation Loan Program	13
Conventional Loans Made to Finance Acquisition and Development of Land ..	14
Conventional Loans Made in Excess of 80 Percent of Property Appraisals ..	15
Conventional Loans Made on the Security of Developed Building Sites for Single-Family Homes	15
Loans to Facilitate the Exchange of Home or Combination Home and Busi- ness Properties	16
Loans to, and Investments in, Business Development Credit Corporations ..	16
Voluntary Home Mortgage Credit Program.....	16
Legislation	17
Section 2. FEDERAL HOME LOAN BANK SYSTEM:	
Origin of the System.....	23
Eligibility for Membership.....	23
Functions of the Banks	23
Lending Activities	24
Credit Restrictions on Advances to Member Institutions	26
Advances Subject to Litigation	27
Interest Rates on Advances	28
Source and Disposition of Funds	29
Investment Securities	29
Liquidity	30
Consolidated Obligations	31
Interbank Deposits.....	32
Deposits of Members	33
Capital Structure	33
Legal Reserve	34
Dividends of the Banks	34
Balance Sheet	35
Earnings.....	35
Membership	36
Liquidity of Member Institutions	38
Supervision of the Banks.....	38
Management of the Banks	38

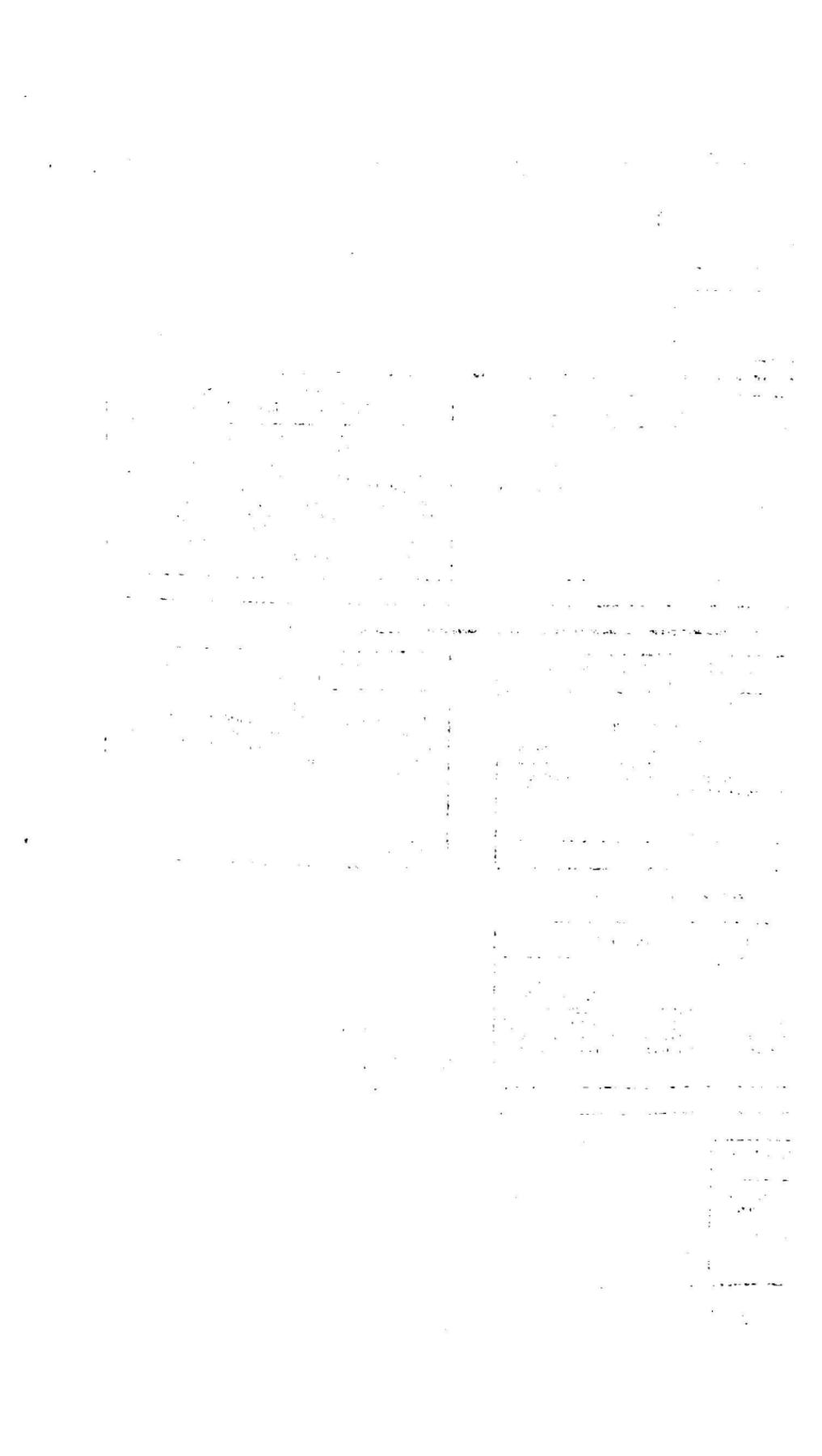
CONTENTS

<i>Section 3. FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION:</i>	
Introduction	45
Insurance Protection to Savers	46
Insurance Coverage	46
Assets and Liabilities of Insured Associations	47
Condition of the Corporation	50
Operations of the Corporation	50
Eligibility Requirements	51
Admissions and Cancellations	52
Insurance Settlements	53
<i>Section 4. FEDERAL SAVINGS AND LOAN SYSTEM:</i>	
Origin and Purpose	55
Savings and Lending Features	55
Granting of Charters and Branches	56
Number and Assets of Federal Associations	57
Savings Activity	58
Lending Activity	58
Liquidity and Reserves	60
<i>Exhibit</i>	
1. Historical Background of Federal Home Loan Bank Board	61
<i>Tables</i>	
1. Federal Home Loan Bank Board: Comparative Condensed Statement of Condition as of December 31, 1961, and December 31, 1960	64
2. Federal Home Loan Bank Board: Comparative Condensed Statement of Revenue, Expenses, and Retained Earnings for the Calendar Years 1961 and 1960	65
3. Federal Home Loan Banks: Summary of Lending Operations, by Years, through December 31, 1961	66
4. Federal Home Loan Banks: Comparative Consolidated Statement of Condition as of December 31, 1961, and December 31, 1960	67
5. Federal Home Loan Banks: Comparative Consolidated Statement of Income and Expense for the Calendar Years 1961 and 1960	69
6. Federal Savings and Loan Insurance Corporation: Number and Assets of Insured Savings and Loan Associations, by Type, December 31, 1961, and December 31, 1960	70
7. Federal Savings and Loan Insurance Corporation: Statement of Condition as of December 31, 1961, and December 31, 1960	72
8. Federal Savings and Loan Insurance Corporation: Statement of Operations for the Calendar Years 1961 and 1960	74
<i>Charts</i>	
1. Functional Chart of the Federal Home Loan Bank Board	(Faces page 1)
2. Federal Home Loan Bank Districts	22
3. Federal Home Loan Bank Advances Made and Repayments of Advances	24
4. Federal Home Loan Bank Advances as a Percent to Assets of Member Institutions	26
5. Federal Home Loan Banks: Trend in Advances Outstanding, Consolidated Obligations, and Members' Deposits	27

CONTENTS

Charts—Continued

	Page
6. Federal Home Loan Banks: Consolidated Obligations—Issues and Redemptions.....	32
7. Federal Home Loan Bank System: Number and Assets of Member Institutions.....	37
8. Functional Chart of the Federal Savings and Loan Insurance Corporation..	44
9. Assets of Insured and Uninsured Savings and Loan Associations.....	48
10. Number of Savers and Savings Capital of Insured Savings and Loan Associations.....	49
11. Source and Distribution of Cumulative Gross Income of the Federal Savings and Loan Insurance Corporation.....	51
12. Number and Assets of Federal Savings and Loan Associations.....	58
13. Mortgage Loans Made by Federal Savings and Loan Associations.....	59



Created pursuant to Reorganization Plan No. 3 of 1947 and made an independent agency under its present name by the Housing Amendments of 1955, approved August 11, 1955. The Board consists of three members, appointed by the President,

by and with the advice and consent of the Senate. It supervises the Federal Home Loan Bank System, the System of Federal Savings and Loan Associations, and Federal Savings and Loan Insurance Corporation.

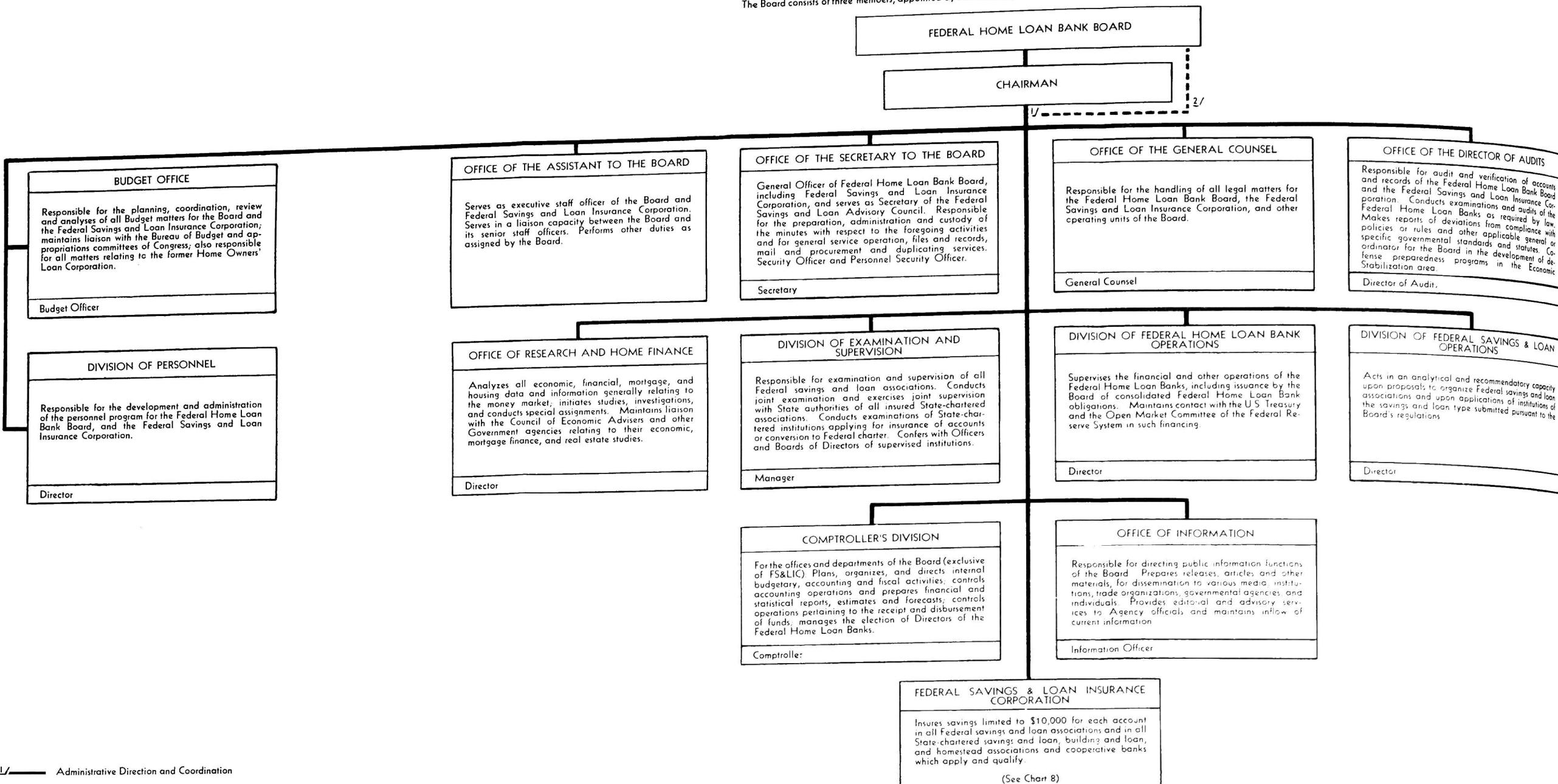


Chart 1.—Functional Chart of the Federal Home Loan Bank Board

FEDERAL HOME LOAN BANK BOARD

Highlights

1961 was another record-breaking year for thrift and home financing and for the Federal Home Loan Bank Board.

Savings capital of member savings and loan institutions of the Federal Home Loan Bank System reached an all-time high of \$69,200,000,000 at the close of 1961, a record savings growth of over \$8,700,000,000 during the year.

Mortgage lending activity of member institutions also continued during 1961 at a record rate. Loans made by member institutions during the year totaled \$17,117,000,000, an increase of \$3,053,000,000 over loans made in 1960. Of the total loans made, \$5,018,000,000 was used for construction of new homes, \$7,086,000,000 for the purchase of existing homes, and \$5,013,000,000 for repairs, remodeling, and other purposes.

The \$67,327,000,000 of mortgage debt in the portfolios of member institutions at the end of 1961 represents approximately 43 percent of home mortgages made by all types of lenders.

At the close of 1961, the savings and loan association members of the Federal Home Loan Bank System comprised over 75 percent of the number of all savings and loan associations in the country. These member associations held nearly 98 percent of the total assets of all savings and loan associations at the year end.

Over 39 million persons are using the facilities of the 4,815 member institutions of the 11 Federal Home Loan Banks to accomplish either debt-free home ownership or a greater degree of financial independence through savings. Combined assets of these member institutions increased by more than \$10,700,000,000 during the year to a record high of \$80,648,000,000.

The 11 Federal Home Loan Banks made loans of \$2,881,917,000 to their member institutions during 1961, a record high and an increase of \$938,753,000 over the previous year. Borrowing members set a new record of repayment of Bank advances, repaying \$2,200,475,000, compared with the previous high of \$2,096,711,000 repaid in 1960.

Advances outstanding to members of the Federal Home Loan Bank System on December 31, 1961, totaled \$2,662,000,000, compared with a balance outstanding at the previous year end of \$1,981,000,000. Since their

FEDERAL HOME LOAN BANK BOARD

establishment in 1932, the 11 Federal Home Loan Banks have advanced nearly \$18,000,000,000 to their member institutions.

Eight series of consolidated Federal Home Loan Bank obligations totaling \$1,642,000,000 were offered by the Federal Home Loan Bank Board during 1961. Consolidated obligations aggregating over \$14,200,000,000 have been marketed since the first issue in 1937.

The capital stock of each Federal Home Loan Bank is owned by its member institutions. An increase of \$118,000,000 during the year in the paid-in capital of all Banks brought total capital stock of the 11 Banks to a new high of \$1,107,000,000. An increase of \$11,000,000 in retained earnings during the same period brought the total paid-in capital and retained earnings of the Banks to a record \$1,202,000,000 at the close of 1961. Consolidated assets of the 11 Banks were \$3,988,000,000 on December 31, 1961, an increase of \$672,000,000 over the previous year end.

Assets of the Federal Savings and Loan Insurance Corporation reached a new high of \$467,465,000 at the close of 1961, an increase of \$63,416,000 over the previous year end. The statutory reserve and unallocated income of the Insurance Corporation, which represents accumulated net earnings from the beginning of operations in 1934, amounted to \$440,887,000 at the end of 1961.

The \$100,000,000 capital stock of the Federal Savings and Loan Insurance Corporation was retired in full with final payment to the United States Treasury in July 1958.

Membership in the Federal Savings and Loan Insurance Corporation increased by 123 institutions during the year to 4,221 on December 31, 1961. Federal savings and loan associations, for which insurance is required by statute, accounted for 1,906 of the total. The remaining 2,315 were State-chartered institutions which had applied and qualified for insurance of their savings accounts by the Corporation.

Total assets of these insured member institutions reached a new high at the close of 1961 of \$77,984,000,000, an increase of 16 percent during the year, and represent 95 percent of the resources of all savings and loan associations in the country.

Savings capital invested in insured institutions by some 29,800,000 investors aggregated \$67,312,000,000 at year end. This \$8,700,000,000 increase in savings during 1961 was the greatest net increase in savings ever reported by the Federal Savings and Loan Insurance Corporation in a single year.

Functions of the Federal Home Loan Bank Board

The historical background of the Federal Home Loan Bank Board and a brief statement of its basic functions are presented in Exhibit 1 on page 61.

FEDERAL HOME LOAN BANK BOARD

The administrative organization and functions of the units of the Board which assist in carrying out the responsibilities assigned by Congress to the Board are described in Charts 1 and 8. The charts reflect the transfer to the Chairman of the Board, the Board's functions with respect to the overall management, functioning and organization of the agency as provided in Reorganization Plan No. 6 of 1961 and which became effective August 12, 1961. The appointment, removal and direction of personnel, the distribution of business among and communication of Board policies to such personnel, the enforcement of policies, as well as other administrative and management functions were transferred to the Chairman. Nothing in the transfer impinges upon the ability of the Members of the Board to act independently with respect to substantive matters. In carrying out his managerial functions, the Chairman is to be governed by the policies of the Board, and the Board has the authority to approve the Chairman's appointments of the heads of major administrative units, and the other Members of the Board retain their control over the personnel in their immediate offices.

Expenses and Personnel of the Board

The Federal Home Loan Bank Board is self-supporting. Although it does not receive any appropriated funds from the United States Treasury, the Congress each year places limitations on the amount of certain expenses the Board and its units may incur.

Administrative expenses of the Board and staff offices, subject to an annual limitation set by the Congress, are paid from assessments made on the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and the Office of Examinations.

Administrative expenses of the Federal Savings and Loan Insurance Corporation, also subject to an annual limitation set by the Congress, are paid from corporate funds derived from insurance premiums, admission fees, and interest on its investments.

Expenses of the Board's Office of Examinations, also subject to annual limitation, consisting principally of the expenses of making examinations, in accordance with Section 2 of Public Law 895, approved July 3, 1948, are considered nonadministrative and are paid from fees charged for the examinations.

Public Law 87-141, approved August 17, 1961, provides that expenses of any functions of supervision (except of Federal Home Loan Banks) vested in or exercisable by the Board shall also be considered as nonadministrative expenses, which are paid by assessments on the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation.

Total expenses of the Federal Home Loan Bank Board were \$10,913,127

FEDERAL HOME LOAN BANK BOARD

for the calendar year 1961, compared with \$9,052,566 for the previous year. A comparative condensed statement of condition of the Board as of December 31, 1961, and December 31, 1960, is presented in Table 1. A comparative condensed statement of revenue, expenses, and retained earnings for the calendar years 1961 and 1960 is presented in Table 2.

In May 1961 the sum of \$10,000 was allocated to the Board from the President's Management Improvement Fund for the employment of two consultants to work in conjunction with a twelve-member advisory committee, the Federal Home Loan Bank Board Task Force, appointed by the Board in May 1961 pursuant to the authority contained in Section 17 of the Federal Home Loan Bank Act.

During the calendar year 1961, consideration was given by the Federal Home Loan Bank Board to a comprehensive survey to evaluate the organization and administration of the Board, including the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation, but not including the public policies administered by the Board. (Note: Such management survey was initiated in February 1962, the cost of the survey to be financed from the President's Management Improvement Fund.)

The average number of personnel of the Board and its operating units during 1961 was 1,109, including an average of 836 employees of the Office of Examinations. The comparable personnel averages for 1960 are 1,005 and 721, respectively.

Membership of the Board

The Federal Home Loan Bank Board is directed by a three-member board, not more than two of whom may be of the same political party. The three members are appointed by the President by and with the advice and consent of the Senate for full or unexpired portions of 4-year terms.

The following changes in the membership of the Board occurred during the calendar year 1961:

Chairman Albert J. Robertson (Republican) resigned on January 20, 1961. Mr. Joseph P. McMurray (Democrat) was sworn in and designated as Chairman on May 1, 1961, to fill an unexpired term ending June 30, 1961, and to serve a four-year term ending June 30, 1965.

The two remaining members of the Board are Mr. Joseph J. Williams, Jr. (Democrat) who was appointed September 19, 1960, to fill an unexpired term ending June 30, 1963; and Mr. Ira A. Dixon (Republican) who was reappointed in 1958 to a four-year term ending June 30, 1962.

Office of the Director of Audits

The Office of the Director of Audits has direct responsibility for the verification and audit of accounts and records and for the independent

FEDERAL HOME LOAN BANK BOARD

appraisal of the activities of the Federal Home Loan Bank Board and the organizations under its supervision. It is responsible also for the audit and examination of the 11 Federal Home Loan Banks, as required by law. It reports deviations from compliance with applicable laws, rules and regulations, general and specific Government standards and statutes, and policies of the Board. In all of its activities, the Office of the Director of Audits reports directly to the Federal Home Loan Bank Board.

In addition to the examinations and audits made by the Office of the Director of Audits, the Board and the organizations under its supervision are also subject to annual audit by representatives of the General Accounting Office under the provisions of the Government Corporation Control Act and Section 11(j) of the Federal Home Loan Bank Act, as amended, the Budget and Accounting Act of 1921, as amended, and the Accounting and Auditing Act of 1950. These audits are made in accordance with generally accepted auditing standards and include such tests of the accounting records and transactions and such other auditing procedures as the General Accounting Office considers necessary and appropriate in view of the effectiveness of the systems of internal control and the work performed by the Office of the Director of Audits of the Board.

The General Accounting Office, in making its audits, is required by the Government Corporation Control Act to utilize to the fullest extent practical the reports and working papers on the audits of the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation made by the Office of the Director of Audits. This arrangement affords a comprehensive audit and analysis of operations at a minimum of duplication and expense.

The Director of Audits serves as Coordinator for the Board in the development of defense preparedness programs in the area of economic stabilization.

Division of Examination and Supervision

The Division of Examination and Supervision is responsible for examination and supervision of all Federal savings and loan associations and for the joint examination and supervision with State authorities of all State-chartered institutions the savings of which are insured by the Federal Savings and Loan Insurance Corporation.

The *Office of Examinations*, under the general direction of the Manager of the Division, conducts regular periodic and special supervisory examinations of all Federal savings and loan associations and insured State-chartered institutions. Examinations of insured State-chartered institu-

FEDERAL HOME LOAN BANK BOARD

tions are generally made jointly by Federal and State examiners. The Office also conducts examinations of institutions which apply for membership in the Federal Home Loan Bank System, for insurance of accounts, or for conversion from a State to a Federal charter.

During the calendar year 1961 the examination program was maintained on approximately an annual basis in spite of a sustained increase in the size and number of the insured institutions subject to examination by the Office.

In 1961 the ratio of terminations to the average examining staff remained favorable and only normal recruiting efforts were required to maintain examinations on a current basis. The Office was able to shift the emphasis in its training program from the basic training of new employees to a program for the professional development of examiners of all grades.

Under the provisions of Section 2, Public Law 895, approved July 3, 1948, all expenses in connection with the making of these examinations are considered as nonadministrative. The funds to defray the expenses are collected as fees from the institutions examined.

The *Office of Supervision*, under the general direction of the Manager of the Division, is responsible for the supervision of all Federal savings and loan associations and State-chartered institutions the savings of which are insured by the Federal Savings and Loan Insurance Corporation.

The objective of such supervision is to assure compliance with applicable laws and regulations and to prevent the development or continuance of unsound or unsafe financial practices in these institutions. In discharging this responsibility, the Office of Supervision reviews and analyzes the examination reports prepared by the Office of Examinations.

Designated officers of each of the Federal Home Loan Banks act as supervisory agents of the Federal Home Loan Bank Board in their respective Districts in obtaining compliance with the corrective action determined by the Board.

Each supervised institution is governed by its own board of directors which selects the management and which is responsible for the sound operation of the institution's affairs. It is the policy of the Federal Home Loan Bank Board, insofar as possible, to avoid encroachments upon the responsibilities and prerogatives of management and to initiate supervisory action only in situations where there is evidence of need for corrective measures with respect to important aspects of policy and operation. These include compliance with laws and regulations, reserves and reserve building, lending and investment practices, collection policy, and basic accounting practices and procedures.

Under the provisions of Public Law 87-141, approved August 17, 1961, all expenses of any functions of supervision are considered as nonadministrative. The expenses of the Office of Supervision are paid from assess-

FEDERAL HOME LOAN BANK BOARD

ments against the 11 Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation.

Bank Presidents' Conference

To effect a closer working relationship between the Federal Home Loan Bank Board in Washington and the regional Federal Home Loan Banks, the Board established the Conference of Federal Home Loan Bank Presidents. Created by Board resolution, the Conference is composed of the executive heads of the 11 Banks. The Conference meets at least four times each year in Washington, D.C., to confer with the Board. Special meetings may be called by the Chairman of the Board.

The Conferences provide a valuable opportunity for periodic discussion of economic conditions affecting the savings and loan industry and of problems confronting the Federal Home Loan Banks, the Board, and the entire industry.

Federal Savings and Loan Advisory Council

The Federal Savings and Loan Advisory Council was created in 1935 by amendment to the Federal Home Loan Bank Act. An independent statutory advisory body, the Council is empowered to confer with the Federal Home Loan Bank Board on general business conditions and on special conditions affecting the Federal Home Loan Banks and their members and the Federal Savings and Loan Insurance Corporation. The Council is authorized also to request information and to make recommendations with respect to matters within the jurisdiction of the Board.

The Council meets at least twice a year in Washington, D.C., chooses its own officers, and appoints committees to make special studies and reports. Subjects for consideration at Council meetings may originate from members of the Council, from associations within their Districts, or from the Federal Home Loan Bank Board. The Council program occasionally includes conferences with officials of related government agencies.

Meetings of the Council with the Federal Home Loan Bank Board usually include a summary and discussion of business conditions and the trend of activities of associations as reported from the Federal Home Loan Bank Districts. The Board reports on matters of current interest to the Board and the savings and loan industry and presents its response to recommendations made by the Council at its previous meeting. At the conclusion of each Council meeting, the Council presents its formal recommendations to the Board.

The Council consists of 17 members—1 elected annually by the board of directors in each of the 11 Federal Home Loan Bank Districts and the

FEDERAL HOME LOAN BANK BOARD

remaining 6 members appointed annually by the Federal Home Loan Bank Board. Each elected member must be a resident of the District for which he is elected. The following members served during the calendar year 1961:

APPOINTED BY FEDERAL HOME LOAN BANK BOARD

W. O. DUVALL, *Immediate Past President*, United States Savings and Loan League, Atlanta, Georgia

GERRIT VANDER ENDE, *President*, National League of Insured Savings Associations, Tacoma, Washington

W. D. GRADISON, *Investment Broker*, Cincinnati, Ohio

VINCENT I. COMPAGNO, *Attorney at Law*, San Francisco, California

KINGSTON S. LISTER, *Executive Vice President*, Washington Savings and Loan League, Tacoma, Washington

ROMAN J. WINKOWSKI, *President*, National Association of State Savings and Loan Supervisors, Madison, Wisconsin

ELECTED BY FEDERAL HOME LOAN BANKS

BOSTON

RAY B. OWEN, *Executive Vice President*, Old Colony Co-operative Bank, Providence, Rhode Island

NEW YORK

PHILIP KLEIN, *President*, Mohawk Savings Association, Newark, New Jersey

PITTSBURGH

FRANCIS E. MCGILL, *President*, Roxborough-Manayunk Federal Savings and Loan Association, Philadelphia, Pennsylvania.

GREENSBORO

FRANK MULLER, Jr., *President*, Liberty Federal Savings and Loan Association, Baltimore, Maryland

Alternate: WILLIAM H. DYER, *Executive Vice President*, Perpetual Building Association, Washington, D.C.

CINCINNATI

ERNEST D. HEPPERT, *President*, The Great Northern Building and Loan Company, Barberton, Ohio

INDIANAPOLIS

WALTER GEHRKE, *Chairman of the Board of Directors*, First Federal Savings and Loan Association of Detroit, Detroit, Michigan

FEDERAL HOME LOAN BANK BOARD

CHICAGO

LOSSIE E. MORRIS, *President*, Union Savings and Loan Association, Collinsville, Illinois

DES MOINES

HARRY P. SIMPSON, *President*, Minot Federal Savings and Loan Association, Minot, North Dakota

Alternate: **JAMES M. CAMP**, *President*, United Federal Savings and Loan Association of Des Moines, Des Moines, Iowa

LITTLE ROCK

LLOYD S. BOWLES, *President*, Dallas Federal Savings and Loan Association, Dallas, Texas

TOPEKA

GEORGE P. SELVIDGE, Jr., *Vice President and Secretary*, Peoples Federal Savings and Loan Association of Ardmore, Ardmore, Oklahoma

Alternate: **H. H. HARRILL**, *President-Manager*, Local Federal Savings and Loan Association, Oklahoma City, Oklahoma

SAN FRANCISCO

GEORGE W. DAVIS, *Chairman*, Perpetual Savings and Loan Association, Beverly Hills, California

Federal Home Loan Bank Board Task Force

The Federal Home Loan Bank Board Task Force, a twelve-member advisory committee, was established May 26, 1961, by Board resolution, pursuant to the authority contained in Section 17 of the Federal Home Loan Bank Act. Authority for existence of the committee runs to June 30, 1962.

Major functions of the Task Force are to advise and consult with the Board on such policy and managerial matters relating to the organization, management, programs, and policies of the Board, the Federal Home Loan Bank System, and the Federal Savings and Loan Insurance Corporation as may be designated by the Board. Such matters would include proposals for changes in legislation and regulations.

Additional functions of the Task Force are to review the purpose for which the Federal Home Loan Bank Board was established and to determine how well the Board is fulfilling this purpose and what improvements in Board organization, operation, and relationships with the savings and loan industry would permit the Board and the industry to render better service to the savings and home-buying public.

The Task Force met in New York City in May and August; in Washington, D.C., in June and September; in Denver, Colorado, in July; in

FEDERAL HOME LOAN BANK BOARD

Minneapolis, Minnesota, in October; and in San Francisco, California, in November-December.

The following members were appointed by the Board to serve on the Task Force:

REX BAKER, Jr., *President*, Southwestern Savings and Loan Association, Houston, Texas

HENRY BUBB, *President*, Capitol Federal Savings and Loan Association, Topeka, Kansas

ROBERT G. CLARKSON, *President*, Carteret Savings and Loan Association, Newark, New Jersey

ARTHUR H. COURSHON, *Chairman of the Board*, Washington Federal Savings and Loan Association, Miami Beach, Florida

M. D. CRAWFORD, Jr., *President*, Bowery Savings Bank, New York, New York

JOHN DE LAITRE, *President*, Farmers & Mechanics Savings Bank, Minneapolis, Minnesota

RAYMOND P. HAROLD, *President*, Worcester Federal Savings and Loan Association, Worcester, Massachusetts

OSCAR R. KREUTZ, *Chairman of the Board and President*, First Federal Savings and Loan Association, St. Petersburg, Florida

SANTI J. PAUL, *President*, Warwick Federal Savings and Loan Association, Warwick, Rhode Island

A. D. THEOBALD, *President*, First Federal Savings and Loan Association, Peoria, Illinois

R. V. WALKER, *Executive Vice President*, First Federal Savings and Loan Association, Miami, Florida

CHARLES A. WELLMAN, *President*, Glendale Federal Savings and Loan Association, Glendale, California. (As of February 20, 1962, President of the First Charter Financial Corporation, Beverly Hills, California.)

The following were designated to serve as consultants to the Task Force:

HOBART C. CARR, *Chairman*, Department of Banking and Finance, School of Commerce, Accounts, and Finance, New York University, New York, New York

EDWARD EDWARDS, *Professor of Finance*, Indiana University, Bloomington, Indiana

HARRY S. SCHWARTZ, *Assistant Vice President*, Federal Reserve Bank of San Francisco, San Francisco, California. (As of December 1961, Director of the Office of Research and Home Finance, Federal Home Loan Bank Board.)

FEDERAL HOME LOAN BANK BOARD

Also invited to attend the meetings of the Task Force were:

BRYCE CURRY, *General Counsel*, National League of Insured Savings Associations, Washington, D.C.

T. BERT KING, *Washington Counsel*, United States Savings and Loan League, Washington, D.C.

GROVER W. ENSLEY, *Executive Vice President*, National Association of Mutual Savings Banks, New York, New York

EARL W. COOPER, Subcommittee on Independent Offices, Appropriations Committee, United States Senate, Washington, D.C.

REGINALD W. BARNES, Banking and Currency Committee, United States Senate, Washington, D.C.

ROBERT C. BAST, Bureau of the Budget, Washington, D.C.

Board Meetings With National Association of State Savings and Loan Supervisors

At the request of the Chairman of the Federal Home Loan Bank Board, representatives of the National Association of State Savings and Loan Supervisors met with the Board on September 7 and 8, 1961, to exchange views and discuss mutual problems in the savings and loan field.

The two-day conference was the first of a proposed series of regularly scheduled meetings of the Board with the State Supervisors as a part of the Board's program to consult with all segments of the savings and loan business.

The following State Supervisors were in attendance:

ROMAN J. WINKOWSKI, Wisconsin

CHRIS STOLFA, Illinois

ANDREW PUTKA, Ohio

R. J. BARDECK, Connecticut

PRESTON N. SILBAUGH, California

VINCENT J. NOLAN, New York

TILDEN HONEYCUTT, North Carolina

JEROME B. MCKENNA, New Jersey

In accordance with a recommendation made at the September meeting, the National Association, at its Annual Conference of State Savings and Loan Supervisors in November 1961, appointed Messrs. Winkowski, Stolfa, Putka, Silbaugh, McKenna, and Walter L. Brenneman (Pennsylvania) to serve as a liaison committee to represent the National Association in subsequent meetings with the Federal Home Loan Bank Board.

Continuity of Government in Event of National Emergency

Defense Mobilization Order I-22, dated March 28, 1956, placed responsibility on the Federal Home Loan Bank Board for the development of

FEDERAL HOME LOAN BANK BOARD

national security preparedness measures relating to savings and loan credit policies and programs. The Board works in cooperation with the Federal Reserve Board and the Treasury Department to insure general coordination of savings and loan credit policies with basic national policies under conditions of mobilization.

On July 20, 1961, by Executive Order, the President redefined and assigned major civil defense responsibilities to the Secretary of Defense through the establishment of the "Office of Civil Defense." The former Office of Civil and Defense Mobilization, a staff agency within the Executive Office of the President, was reconstituted as the "Office of Emergency Planning," with major responsibility for direction and coordination of all phases of national preparedness with particular concern for survival of government and resource management.

Primary responsibility for emergency policies concerning banking and financial institutions is vested in the Secretary of the Treasury. On January 10, 1961, the Secretary of the Treasury issued Emergency Banking Regulation No. 1 for the basic purpose of assuring the maintenance of operations and functions of all banking institutions, including savings and loan associations, and to facilitate restoration of such activities should they become temporarily disrupted because of such an emergency. On the same date, the Secretary of the Treasury delegated to the Federal Home Loan Bank Board the authority to exercise all powers vested in the Secretary with respect to the operation of the Board. A similar Delegation of Authority was made by the Secretary to the Federal Reserve Board with respect to banking institutions.

Continuing under its original authority and the "Treasury Delegation," it is the Board's responsibility to (1) develop preparedness plans to curb inflationary pressures during times of emergency mobilization, (2) plan for availability of savings and provision of credit to members of the Federal Home Loan Bank System under attack conditions, and (3) develop plans to encourage preparedness measures by Federal Home Loan Bank members.

The Federal Home Loan Banks serve as field representatives of the Board and participate actively in the civil defense program. The Banks have been designated to represent the Federal Home Loan Bank Board on the Regional Boards of the Office of Emergency Planning.

A series of Regional Conferences on Emergency Economic Stabilization were held during 1961. The Auditor of the Board, who serves as Coordinator for the Board in the development of its defense preparedness program, was designated to represent the Board at these Conferences. Along with officers of the Federal Home Loan Banks, the Coordinator for the Board participated in the 1961 Conferences in New York City in March; San Francisco, California, in May; Chicago, Illinois, in June; and Atlanta, Georgia, in December.

FEDERAL HOME LOAN BANK BOARD

Each Conference was widely attended by savings and loan, Treasury Department, and Federal Reserve Board representatives, as well as by representatives of banks, insurance companies, finance companies, State and local governments, and other Federal agencies. The discussion at these Conferences concentrated on the phases of emergency economic stabilization which concern money, credit, and banking.

The Federal Home Loan Bank Board in June 1959 issued to each member institution of the Federal Home Loan Bank System "Preparedness Guidelines for Emergency Savings and Loan Operations." The pamphlet was reprinted by the former Office of Civil and Defense Mobilization for distribution to its regional offices. The Guidelines contain sample by-laws for emergency operations and treat with preservation of records, personnel protection, alternate headquarters, and continuity of management.

Since December 1959 the Board's Office of Examinations has participated in a program to determine, through an examiner questionnaire-check-sheet, the status of emergency preparedness of insured member institutions. By the close of 1961, examiner reports, each certified by the managing officer of the institution, had been received from over 4,200 insured members. Of these, 70 percent reported they had no preparedness plan and the remaining 30 percent reported partial programs in effect. There has been a steady increase in the proportion of institution participation.

The Federal Home Loan Bank Board and the 11 Federal Home Loan Banks participated actively in the exercises conducted during 1961 through the former Office of Civil and Defense Mobilization. Also during the calendar year, the Chairman of the Board pledged to the Assistant Secretary of Defense the support and cooperation of the Board in the national program of blast shelters and nuclear fall-out shelters.

In support of the defense preparedness program, the Federal Home Loan Bank Board has established a relocation site, has provided for decentralization of the Washington Office, and has provided for officer succession. The Federal Home Loan Banks also have established relocation sites, have provided for duplication of records and separate storage facilities, and have designated successors.

Participation Loan Program

The participation loan program was initiated by Federal Home Loan Bank Board resolution, dated March 29, 1957.

The Insurance Regulations and the Regulations for Federal associations were amended to assist in providing mortgage money in areas where the demand exceeds the available funds by permitting insured savings and loan associations to acquire up to 50 percent participation in loans on homes located outside their regular lending area which are originated and

FEDERAL HOME LOAN BANK BOARD

held by any other institution insured by the Federal Savings and Loan Insurance Corporation. The originating association was required to retain at least a 50 percent interest in each loan.

By amendment to the Regulations, effective March 1, 1961, the Regulations were liberalized to permit the originating institution to retain a 25 percent interest in the loan. However, if two or more insured institutions participated in the making of the loan, the institution in whose regular lending area the property securing the loan is located would still be required to retain a participation of at least 50 percent.

Also by amendment effective March 1, 1961, the Regulation permits the sale of participating interests in any loans to purchasers who have the exemption from taxation provided by Subsection (a) of Section 501 of the Internal Revenue Code. The insured institution must retain at least 25 percent of the interest in the loan.

By amendment to the Regulations, effective April 5, 1961, the Board extended from a 50-mile radius to the regular lending area of an insured institution the limitation pertaining to the location of security for loans in which another such institution may participate.

During the 1961 calendar year, insured institutions sold nearly \$478,000,000 of participating interests, a 50 percent increase over the \$319,000,000 participation sales activity recorded in 1960.

From inception of the program to December 31, 1961, a total of 1,152 insured institutions had sold or purchased interests in mortgages under the participation loan program in transactions aggregating over \$1,181,000,000.

Conventional Loans Made to Finance Acquisition and Development of Land

Public Law 86-372, 86th Congress, approved September 23, 1959, authorized Federal savings and loan associations, within certain limitations, to make loans to finance the acquisition and development of land for primarily residential usage, subject to such rules and regulations as the Board might prescribe. By Resolution effective November 6, 1959, the Board prescribed regulations under this statutory provision.

An amendment to the Regulations, effective February 10, 1961, increased the permissible aggregate amount of such loans by Federal associations from 3 percent to 5 percent of withdrawable accounts. A further liberalization increased from 15 percent to 20 percent of such maximum the aggregate amount of such loans that can be made to any one borrower.

The Regulations were further amended, effective March 8, 1961, to eliminate the mandatory default requirement and hold-back provision of 15 percent previously required in the event that development had not commenced within 9 months.

FEDERAL HOME LOAN BANK BOARD

An additional amendment, effective April 13, 1961, redefined the term "development" as used in such regulation to mean installations and improvements necessary to produce building sites ready for the construction of buildings. The limitation in the previous definition that such installations and improvements produce "urban-type" building sites was deleted.

From inception of the program to the close of 1961, Federal savings and loan associations have made 1,025 conventional mortgages of this type, aggregating more than \$93,200,000.

Conventional Loans Made in Excess of 80 Percent of Property Appraisals

By amendment to the Regulations, effective October 23, 1958, Federal savings and loan associations were permitted to make conventional home loans in excess of 80 percent of appraised value of the property, within well-defined restrictions.

The Regulations were further liberalized by amendments effective February 10, March 8, and August 5, 1961, to extend such loans from 25 years to 30 years; to increase the limits for higher ratio loans from \$20,000 to \$26,500; to authorize such loans to home-owner borrowers for any purpose and to make loans to builders prior to start of construction; and to increase the percentage of assets that may be invested in loans in excess of 80 percent of value from 10 percent to 20 percent.

During the 1961 calendar year, Federal savings and loan associations made nearly \$248,000,000 of conventional home loans between 80 and 90 percent of property appraisal. This was more than double the 1960 total of \$95,000,000. In relation to all new loans made by these associations during the year, the higher-percentage mortgages accounted for 4 percent of the \$6,000,000,000 made for the construction and purchase of new and existing homes.

Cumulatively through December 31, 1961, Federal associations have written 31,459 conventional loans in excess of 80 percent of property appraisal for a total of almost \$450,000,000.

Conventional Loans Made on the Security of Developed Building Sites for Single-family Homes

By amendments to the Regulations, effective April 18 and July 18, 1961, the Board authorized Federal associations to make loans for amounts up to 70 percent of appraised value for a term of not more than 3 years, and subject to a 5-percent-of-assets limitation, on the security of fully developed building sites for single-family residences.

FEDERAL HOME LOAN BANK BOARD

Loans to Facilitate the Exchange of Home or Combination Home and Business Properties

By amendment to the Regulations, effective October 7, 1961, pursuant to authorization of Public Law 87-70, 87th Congress, Federal savings and loan associations were permitted to make loans without full amortization of principal for an amount up to 80 percent of value, for a term of not more than 18 months, and aggregating not more than 5 percent of an association's assets, for the purpose of facilitating the trade-in or exchange of home or combination home and business properties.

Loans to, and Investments in, Business Development Credit Corporations

By amendment to the Regulations, effective October 6, 1961, pursuant to authorization of Public Law 87-70, 87th Congress, Federal savings and loan associations that have general reserves, surplus and undivided profits aggregating 5 percent of withdrawable accounts were permitted to lend to, or invest in, any business development credit corporation incorporated in the State in which the head office of the lending or investing association is located, to the same extent as an association chartered under the statutes of that State may lend to, or invest in, such credit corporation, subject to the limitation that the aggregate amount of such investments, loans, and commitments of any association outstanding at any time shall not exceed one-half of 1 percent of the total outstanding loans made by such association, or \$250,000, whichever is the lesser.

Voluntary Home Mortgage Credit Program

The Voluntary Home Mortgage Credit Program was authorized by the Congress in the Housing Act of 1954 as a means of channeling private investment funds into home mortgages insured and guaranteed by the Federal Government in small communities and remote areas.

The activities of the Program are carried on under the direction of a National Committee consisting of the Administrator of the Housing and Home Finance Agency as Chairman, representatives of the various industry groups and trade organizations involved in housing and mortgage finance, and advisory members from other Government agencies. Regional Committees, made up of representatives of the same industry groups and trade organizations, supervise activities in their respective regions.

The assistance provided by the Program is available only in those areas declared eligible by the National Committee on the recommendation of the Regional Committees, except that members of minority groups in any area

FEDERAL HOME LOAN BANK BOARD

become eligible for assistance if they are unable to obtain home loans under the same terms and conditions as are generally available to others in the same locality.

Under the Program, all loans are made by private financial institutions in accordance with their own lending standards. Loans are negotiated directly by the lending institution with the borrower. The Voluntary Home Mortgage Credit Program, acting as a clearinghouse, serves to bring them together.

From inception of the Program, the Federal Home Loan Bank Board has participated in an advisory capacity in the meetings of the National Committee in Washington, D.C. In addition, the Presidents of the 11 Federal Home Loan Banks also serve in an advisory capacity on the Regional Committees of the Program.

Legislation

During the calendar year 1961, the following enactments directly affecting activities or institutions which are within the area of the Board's supervisory responsibilities became law:

Extension of Investment Authority of Federal Savings and Loan Associations:

Under the provisions of Section 901 of the Housing Act of 1961, Public Law 87-70, 87th Congress, approved June 30, 1961, Section 5(c) of the Home Owners' Loan Act, as amended, the section authorizing investments by Federal savings and loan associations, was amended to authorize the following additional investments by such associations:

Section 901(a). The second paragraph of Section 5(c) of the Home Owners' Loan Act, authorizing the making of loans insured under Title I of the National Housing Act, unsecured or guaranteed under the Servicemen's Readjustment Act of 1944, and other loans for property alteration, repair, or improvement, was amended to permit Federal associations to make the newly authorized home improvement loans insured under Title II of the National Housing Act. Home improvement loans under the provisions of Title II of the National Housing Act, as amended, in appropriate cases, may be made up to \$10,000 per dwelling unit for periods up to 20 years at an interest rate not to exceed 6 percent.

Section 901(b) adds a new paragraph to Section 5(c) of the Home Owners' Loan Act permitting Federal associations to invest not to exceed 5 percent of their assets in nonamortized loans secured by first liens on homes or combination of homes and business property, within the regular lending area of such associations. Loans under this new provision are

FEDERAL HOME LOAN BANK BOARD

limited to 80 percent of appraised value, not to exceed \$35,000, and would have to be repaid within 18 months with semiannual interest payments. The purpose of this new loan authorization is to facilitate trade-in financing.

Section 901(c) adds a new paragraph to Section 5(c) authorizing Federal associations to invest up to 5 percent of their assets in amortized loans, or in participating interests in such loans for housing for the aged, including rest homes or nursing homes. Such loans may be made up to 90 percent of the appraised value of the real estate and for periods up to 30 years. The real estate securing such loans must be located within a Federal association's regular lending area. The housing accommodations to be financed under this program would have to be designed to be suitable primarily for occupancy by persons over 55 years of age and limited principally to occupancy by such persons.

Section 901(d) further amends Section 5(c) by authorizing Federal associations, without regard to any other provision of Section 5(c), to invest not more than 5 percent of their assets in certificates of beneficial interest issued by any urban renewal investment trusts, and also, to become a party to such a trust. The statute defines an "urban renewal investment trust," sets out the limits of such trusts, and limits beneficial interests therein to savings and loan associations or banks, the savings or share accounts of which are insured by an agency of the Federal Government. The Board is authorized to prescribe such rules and regulations as it deems necessary for the proper establishment of such urban renewal investment trusts, for the effective operation thereof and for the participation in such operation of eligible institutions either as parties, as trustees, or as holders of certificates of beneficial interest.

Section 901(e) also amends Section 5(c) by authorizing Federal associations to invest in, or lend to, business development credit corporations to the same extent and in the same manner as the laws of the State permit State-chartered savings and loan associations to make such loans and investments. For a Federal association to participate in such program, it would have to have general reserves, surplus and undivided profits in excess of 5 percent of its withdrawable accounts. Loans would be limited to business development credit corporations incorporated in the State in which the head office of the Federal association is situated, and the aggregate amount of investments thereunder is limited to an amount not to exceed $\frac{1}{2}$ of 1 percent of the total outstanding loans made by any such association or \$250,000, whichever is the lesser.

FEDERAL HOME LOAN BANK BOARD

Annual Prepayments of Insurance Premiums

Public Law 87-210, 87th Congress, approved September 8, 1961, requires insured savings and loan associations to make annual prepayments of insurance premiums equal to 2 percent of the net increase in the accounts of the institution's insured members, after any requirement for the purchase of Federal Home Loan Bank stock has been deducted. The regular premium would remain at the present rate of $\frac{1}{12}$ of 1 percent of the accounts of the institution's insured members and its creditor obligations.

The prepayments would be credited to a secondary reserve, available for losses of the Corporation after other available accounts had been exhausted. There would also be credited to the secondary reserve an annual return on the outstanding balances thereof, at a rate equal to the average rate of return on the Corporation's investments in Government and Government-guaranteed obligations during the year ending on the next previous November 30. When the aggregate of the Corporation's secondary reserve and its primary reserve (its general reserve) reached 2 percent of the accounts of the insured members, and the creditor obligations, of all insured institutions at the end of a calendar year, without the reaching of that figure by the primary reserve alone, the prepayments would be suspended and each institution's pro rata share of the secondary reserve would be used toward the payment of its regular premiums. If this figure fell below $1\frac{3}{4}$ percent at the end of a year, the prepayments would be resumed and such use would cease.

Finally, if the primary reserve alone reached the 2 percent figure at the end of a calendar year, the prepayments would permanently cease and the balance then remaining of each insured institution's pro rata share of the secondary reserve would be paid to it in cash. Also, when this occurred, the regular premium would be suspended except as to an institution's first 20 premium years, but the regular premium would be resumed if the primary reserve thereafter fell below such 2 percent.

To prevent the prepayments from imposing any substantial additional burden in typical cases, the Federal Home Loan Bank stock-purchase requirement would itself be reduced from 2 percent of the unpaid principal of the member institution's home mortgage loans, home-purchase contracts, and similar obligations to 1 percent thereof, with a minimum of \$500. Existing Bank members could not, however, reduce their stock below that held at the close of the date of enactment, except that, subject to said minimum, (1) a member could reduce its stock to 2 percent of the base at such close, but not below 2 percent as of the beginning of the year of reduction, and (2) to the extent provided by the Board, but only to that extent, a member could reduce its stock below 2 percent as of such close, but not below 2 percent as of the beginning of the year of reduction.

FEDERAL HOME LOAN BANK BOARD

The Election and Appointment of Directors of the Federal Home Loan Banks

Public Law 87-211, 87th Congress, approved September 8, 1961, amended subsections (a) through (h) of Section 7 of the Federal Home Loan Bank Act, the subsections relating to the appointment and election of directors of the Federal Home Loan Banks. The amendments provide that the management of each Federal Home Loan Bank would be vested in a board of 12 directors, 8 of whom shall be elected by the members and 4 of whom would be appointed by the Board except that, in any District including 5 or more States, the Board may by regulation increase the elective directors to a number not exceeding 13 and the appointive directors to a number not exceeding one-half the number of elective directors. If at any time the number of elective directors in any District is not at least equal to the number of States in such District, the Board may increase the number of elected directors to a number equal to the number of States in such District.

Each elective directorship would be designated by the Board as representing members located in a particular State and would be filled by a person who is an officer or director of a member located in that State. These directorships would be allocated by the Board among the States of the District in approximate proportion to the required stockholding of the members from the respective States with a minimum of 1 and a maximum of 6 and an overriding "grandfather" clause preserving, as a minimum, each State's representation as it existed on December 31, 1960.

In the election for a directorship allocated to a particular State, each member from that State could cast votes equal to the number of shares of stock required to be held by that member as of the end of the year next before the election, but not in excess of the average required stock holdings of the members from that State. Election would be by plurality of the votes cast. A person who had been elected to and had served all or part of each of three consecutive full terms would be ineligible for election to an elective directorship for a term which begins earlier than 2 years after the expiration of the last of such three terms.

FEDERAL HOME LOAN BANK DISTRICTS

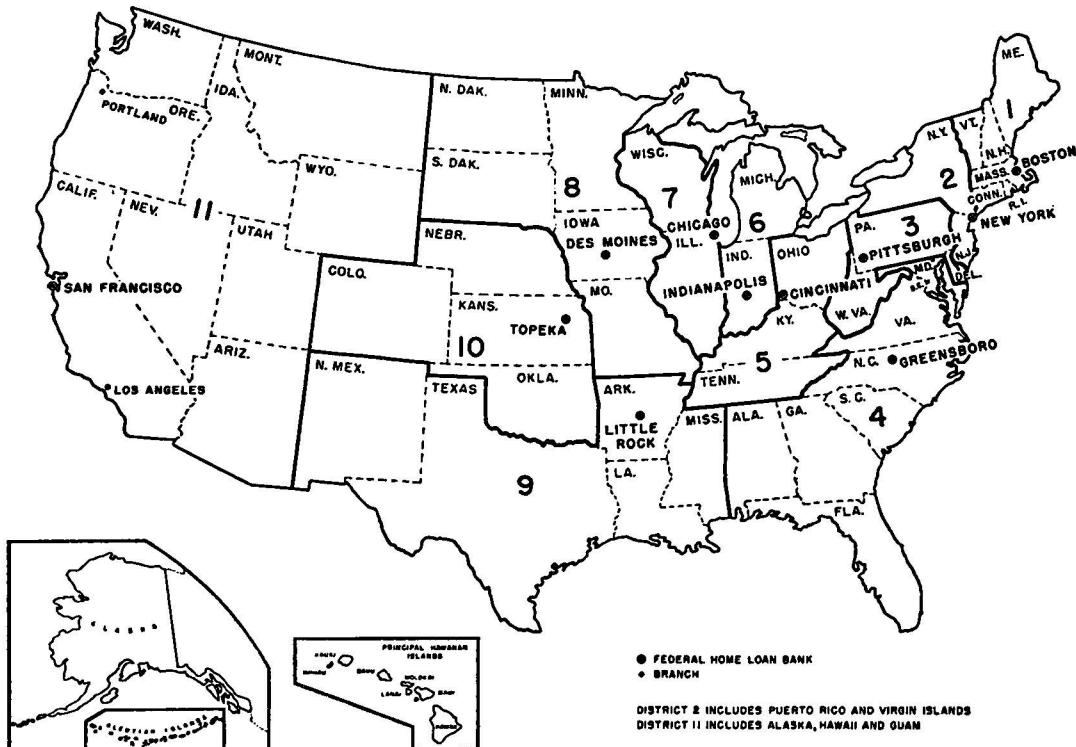


Chart 2.—Federal Home Loan Bank Districts.

Section 2

FEDERAL HOME LOAN BANK SYSTEM

Origin of the System

The Federal Home Loan Banks were established in 1932 to provide a permanent system of reserve credit banks for eligible thrift institutions of the savings and loan type, savings banks, and insurance companies, engaged in long-term home mortgage financing.

The Federal Home Loan Bank Act, approved July 22, 1932, required the Federal Home Loan Bank Board to establish regional Federal Home Loan Banks and the districts they would serve. Originally 12 districts and Banks were established, but the number was later reduced to 11 with geographical locations as shown in Chart 2.

Eligibility for Membership

To be eligible for Federal Home Loan Bank membership under the Act, an applicant must be duly organized under the laws of any State¹ or of the United States, be subject to examination and regulation by any State or by the United States, and make long-term home mortgage loans. Each applicant shall also be, in the judgment of the Board, in satisfactory financial condition and the character of its management and its home-financing policy shall be consistent with sound and economical home financing.

Functions of the Banks

Two principal functions of the Federal Home Loan Banks are to provide additional liquidity for member institutions by making advances to them when needed to meet unusual or heavy withdrawal demands and to meet the recurring needs of the members for funds for seasonal mortgage lending.

Also, since the savings held by savings and loan institutions have not always been sufficient to fulfill the demand for home-owner credit from these institutions, the Federal Home Loan Banks provide a means by which home mortgage lending institutions may have access to the capital markets for supplementary funds. This is accomplished through the issuance by

¹ The term "State," as used in the Act, includes the District of Columbia, Guam, Puerto Rico, and the Virgin Islands of the United States.

FEDERAL HOME LOAN BANK BOARD

the Board of consolidated Federal Home Loan Bank obligations, which are the joint and several obligations of all the Banks.

Each Bank is authorized to accept deposits from its members upon such terms and conditions as the Board may prescribe, and in this manner many of the members maintain a portion of their liquidity with their district Bank.

Lending Activities

The volume of lending by the Federal Home Loan Banks, shown in Table 3, has increased almost consistently since the beginning of operations, reaching a peak in 1961. Advances of \$2,882,000,000 made in 1961 exceeded totals for all previous years, while repayments of advances amounted to a record total of \$2,200,000,000. The balance of advances outstanding on December 31, 1961, of \$2,662,000,000 was \$528,000,000 higher than the previous record year-end balance outstanding of \$2,134,000,000 on December 31, 1959. The dollar volume of advances made and repayments of advances, by years, for the ten-year period 1952 through 1961, is illustrated in Chart 3.

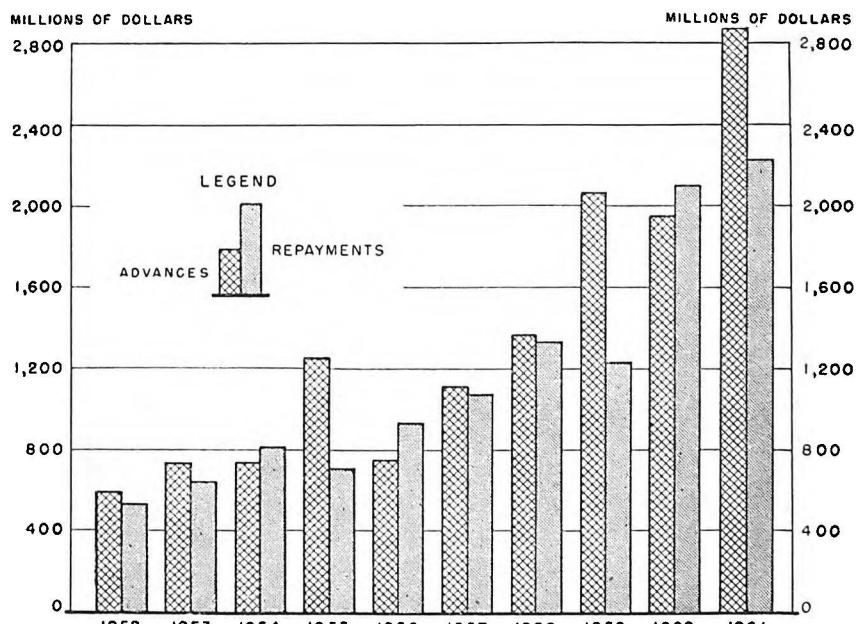


Chart 3.—Federal Home Loan Bank Advances Made and Repayments of Advances.

The following tabulation compares the Banks' lending activities during the years 1961, 1960, and 1959. The substantial increase in advances dur-

FEDERAL HOME LOAN BANK BOARD

ing 1961, at a time when repayments increased only slightly from the preceding year, resulted from the demand for home mortgage credit being greater than the net savings inflow of member institutions.

[In thousands of dollars]

	Calendar Year 1961		Calendar Year 1960		Calendar Year 1959	
	Advances	Repayments	Advances	Repayments	Advances	Repayments
First Quarter.....	\$325,267	\$829,405	\$282,047	\$896,094	\$230,406	\$441,332
Second Quarter.....	766,663	873,861	556,648	807,100	624,584	174,891
Third Quarter.....	759,933	505,033	502,148	535,846	606,100	348,326
Fourth Quarter.....	1,030,054	492,176	602,321	357,671	605,728	266,267
Total.....	2,881,917	2,200,475	1,943,164	2,096,711	2,066,818	1,230,818

A tabulation of the Federal Home Loan Bank advances outstanding on December 31, 1961, classified by type and number of borrowers, is presented below:

[In thousands of dollars]

Type of institution	Borrowers		Advances outstanding	
	Number	Percent	Amount	Percent
Savings and loan associations:				
Federally chartered.....	1,035	42.2	\$1,410,730	53.0
State-chartered:				
Insured by FSLIC.....	1,205	49.1	1,228,050	46.2
Not insured by FSLIC.....	214	8.7	21,037	0.8
Total savings and loan associations..	2,454	100.0	2,659,817	100.0
Savings banks.....	1	.....	2,400	.....
Total institutions.....	2,455	100.0	2,662,217	100.0

Of the total advances outstanding at year end, \$1,787,000,000, or 67 percent, represented secured advances collateralized by 419,000 home mortgages with an aggregate unpaid balance of \$3,795,000,000; United States Treasury obligations with a face value of \$204,000,000; and \$11,000,000 of other authorized collateral. This collateral had been assigned a collateral value of \$2,753,000,000, or 154 percent of secured advances, by the Banks. Also, the Banks held a statutory lien on \$712,000,000 par value of Federal Home Loan Bank stock owned by borrowing members.

The lending policies followed by the Federal Home Loan Banks, in responding to the expanding housing needs of the Nation, have always been developed on a sound business basis. Total advances outstanding have at no time exceeded 5 percent of the combined assets of the member institutions. Chart 4 shows advances outstanding as a percentage of the combined assets of members for the period 1947 through 1961.

Chart 5 presents, by months, the advances outstanding, consolidated Federal Home Loan Bank obligations outstanding, and deposits of member

FEDERAL HOME LOAN BANK BOARD

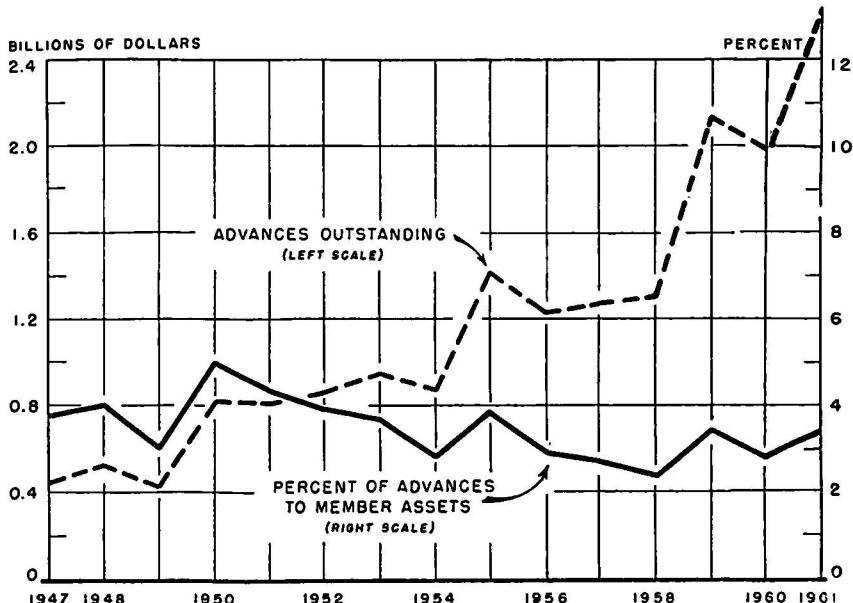


Chart 4.—Federal Home Loan Bank Advances as a Percent to Assets of Member Institutions.

institutions for the period 1957 through 1961. This chart reflects the seasonal fluctuations in the demands of member institutions for advances from the Federal Home Loan Banks, and also the relationship of changes in advances outstanding to consolidated Federal Home Loan Bank obligations outstanding and members' deposits.

Credit Restrictions on Advances to Member Institutions

Each Bank is required by the Regulations for the Federal Home Loan Bank System to establish limitations on advances and a line of credit for each member institution. The borrowing limit for any member shall not be in excess of the lowest of (1) the amount for which a member can legally obligate itself, (2) 50 percent of a member's net assets, or (3) 50 percent of a member's liability for shares and deposits. Within this borrowing capacity, the board of directors or executive committee of each Bank may establish a line of credit for each member.

Credit limitations imposed by the Federal Home Loan Bank Board in 1955 and modified in 1956 and 1958 required that advances to any member institution for purposes other than meeting net withdrawals could not exceed 12.5 percent of the member's withdrawable accounts. In the case of an emergency which could result in undue hardship, a Bank was allowed

FEDERAL HOME LOAN BANK BOARD

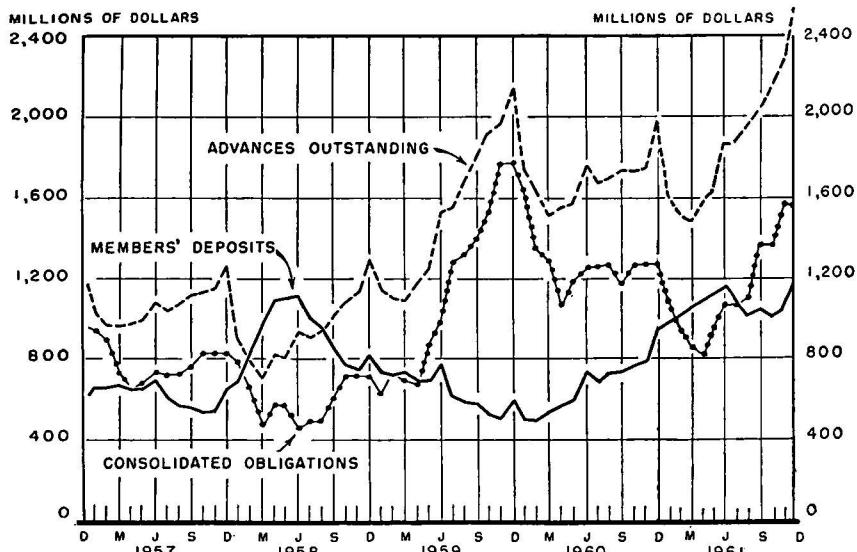


Chart 5.—Federal Home Loan Banks: Trend in Advances Outstanding, Consolidated Obligations, and Members' Deposits.

to provide additional credit of 2.5 percent of a member's withdrawable accounts. Additional advances up to 5 percent of a member's withdrawable accounts were also authorized on a 5-year nonamortized basis out of the proceeds of 5-year consolidated Federal Home Loan Bank bonds issued in 1958.

In 1961 the Federal Home Loan Bank Board effected a liberalization of the credit limitations, increasing the 12.5 percent to 17.5 percent in two steps and eliminating the provision for emergency advances. Under Board policy, therefore, total advances for other than withdrawal purposes cannot exceed 17.5 percent of a member's withdrawable accounts plus the amount of the special five-year advances made in 1958.

The success of the credit policies on advances to member institutions is evidenced by the fact that no loss has been incurred on advances during the 29-year history of the Federal Home Loan Banks.

Advances Subject to Litigation

Of the \$2,662,000,000 of advances outstanding on December 31, 1961, \$263,102 owed by one borrowing institution was more than 30 days past due.

The Federal Home Loan Bank of San Francisco, on December 31, 1961, held a note of the Long Beach Federal Savings and Loan Association, Long Beach, California, on which principal of \$263,102 and interest of \$2,451 were delinquent. The Bank, however, had a lien on the \$608,400 of its

FEDERAL HOME LOAN BANK BOARD

capital stock held by the association, and beginning with the semiannual dividend of December 31, 1949, dividends due the association have been withheld and applied to the debt.

At the close of 1961 there was pending in the Superior Court of the State of California in and for the County of Los Angeles a suit by the San Francisco Bank to recover the balance due on the note with interest and attorneys' fees.

(Note: Pursuant to an agreement dated February 14, 1962, all controversies among the former management of the Long Beach Federal Savings and Loan Association and the Shareholders Protective Committee and the Federal Home Loan Bank Board, the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Bank of San Francisco were terminated.

Effective April 2, 1962, upon restoration of the former management to the control of the Association, all litigation was dismissed and all obligations of the Association to the Federal Savings and Loan Insurance Corporation and the Federal Home Loan Bank of San Francisco were satisfied pursuant to the terms of the agreement.)

Interest Rates on Advances

The interest rate of each Federal Home Loan Bank on December 31, 1961, was from $\frac{1}{4}$ of 1 percent to 1 percent lower than the rate in effect on December 31, 1960.

Interest rates are established by the Boards of Directors of the Banks subject to a maximum of 6 percent per annum prescribed by the Federal Home Loan Bank Board.

The rates charged on December 31, 1961, for new advances are presented below:

Federal Home Loan Bank:	Rate (percent)
Boston	¹ 3.50
New York	² 3.75
Pittsburgh	³ 3.25
Greensboro	3.50
Cincinnati	3.50
Indianapolis	3.50
Chicago	3.25
Des Moines	3.25
Little Rock	3.50
Topeka	3.50
San Francisco	⁴ 3.50

¹ Charged 3.75 percent on unsecured advances.

² Charged 4.25 percent on advances over 1 year.

³ Charged 3.50 percent on unsecured advances.

⁴ Charged 4.00 percent on advances over $2\frac{1}{2}$ years.

FEDERAL HOME LOAN BANK BOARD

Source and Disposition of Funds

Funds provided to the Federal Home Loan Banks during 1961 totaled \$7,674,000,000. Of this total, \$7,281,000,000, or 94.9 percent, was obtained from (1) sale or redemption of investment securities, \$3,439,000,000; (2) repayments of advances, \$2,200,000,000; and (3) sale of consolidated Federal Home Loan Bank obligations, \$1,642,000,000.

The Banks applied \$7,567,000,000, or 98.6 percent of the total funds provided, to (1) the purchase of investment securities, \$3,347,000,000; (2) advances to members, \$2,882,000,000; and (3) the redemption of consolidated Federal Home Loan Bank obligations, \$1,338,000,000.

The sources and applications of funds during 1961 are given below:

Funds were provided from:

Net income for the year.....	\$41, 104, 137
Less investment premium and discount amortized (net).....	12, 202, 247
Balance	28, 901, 890
Repayment of advances.....	2, 200, 475, 034
Investment securities redeemed or sold (at amortized cost).....	3, 439, 422, 410
Sale of consolidated FHL Bank obligations.....	1, 642, 000, 000
Capital paid in by members.....	119, 766, 525
Increase in deposit liabilities.....	243, 179, 199
Total	<u>7, 673, 745, 058</u>

Funds were applied to:

Advances to members.....	2, 881, 917, 198
Purchase of investment securities.....	3, 347, 081, 518
Redemption of consolidated FHL Bank obligations.....	1, 337, 660, 000
Repurchase of capital stock.....	1, 642, 200
Dividends declared.....	29, 952, 842
Increase in cash.....	70, 250, 777
Decrease in interest liabilities.....	4, 451, 917
Net to miscellaneous uses.....	788, 606
Total	<u>7, 673, 745, 058</u>

Investment Securities

The funds of the Federal Home Loan Banks not immediately needed for operations are, with the exception of a reasonable amount of cash on deposit with the Treasurer of the United States and in commercial banks, invested in highly liquid short-term securities of the United States Treasury. Security purchases during 1961 amounted to \$3,347,000,000, while sales and maturities were \$3,439,000,000.

The face value of the Banks' investment securities on December 31, 1961, aggregated more than \$1,157,000,000, representing a decrease of

FEDERAL HOME LOAN BANK BOARD

\$80,000,000, or 6.5 percent below the holdings at the close of 1960. The weighted average yield of securities held on December 31, 1961, based on cost, was 2.85 percent as compared with 3.10 percent on the preceding year end.

The following tabulation presents a comparison of the distribution of investment securities on December 31, 1961, and December 31, 1960:

	<i>Maturity value</i>	
	<i>Dec. 31, 1961</i>	<i>Dec. 31, 1960</i>
U.S. Treasury obligations:		
Bills	\$306, 110, 000	\$377, 420, 000
Certificates of indebtedness.....	114, 120, 000	333, 790, 000
Special series obligations.....	50, 000, 000	50, 000, 000
Notes	387, 730, 000	133, 110, 000
Bonds.....	293, 910, 000	334, 520, 000
Savings bonds.....	5, 200, 000	6, 000, 000
 Total U.S. Treasury obligations.....	 1, 157, 070, 000	 1, 234, 840, 000
Securities of Government agencies:		
Held under resale agreements.....	0	3, 000, 000
 Total.....	 1, 157, 070, 000	 1, 237, 840, 000

Liquidity

Each Federal Home Loan Bank is required by Section 11(g) of the Federal Home Loan Bank Act to have at all times an amount at least equal to members' deposits invested in (1) obligations of the United States, (2) deposits in banks or trust companies, and (3) advances with maturities of 1 year or less. As of December 31, 1961, the amount of such assets exceeded total member deposits by approximately \$1,866,000,000.

The Federal Home Loan Bank Board has established, within the framework of this section of the Act, a liquidity policy which requires each Federal Home Loan Bank to have cash and United States Treasury obligations maturing in 13 months equivalent to 75 percent of members' deposits on each financing date. The remaining 25 percent of these deposits may be invested in advances with maturities of 1 year or less and in United States Treasury obligations with maturities not in excess of 5 years.

In addition, each Federal Home Loan Bank is required to maintain a liquidity reserve for the purpose of meeting unanticipated advances equivalent to 20 percent of its paid-in capital or 10 percent of the highest dollar amount of its advances outstanding during the preceding 12 calendar months, whichever is higher. This reserve consists of cash and Treasury obligations maturing within 13 months.

Further, with respect to liquidity, the policy of the Federal Home Loan Bank Board requires that a Bank's investment in United States Treasury

FEDERAL HOME LOAN BANK BOARD

securities having maturities in excess of 13 months be limited to 25 percent of its paid-in capital, of which not more than one-half may be invested in bonds having maturities in excess of 10 years. The amount of a Bank's undivided profits and reserves, however, may be invested, without limitation as to maturities, in Treasury obligations and certain authorized agency obligations. Also, the limitations with respect to maturities do not apply to the purchase of special series Treasury obligations, savings bonds, and securities held under resale agreements.

Consolidated Obligations

The principal source of operating funds for the Federal Home Loan Banks is the sale of their consolidated obligations in the open market. It is in this manner that home-financing institutions have access to the capital markets for funds.

During 1961, the Board issued 8 series of consolidated notes having maturities of less than 1 year, and the offerings aggregated \$1,642,000,000. During the same period, 7 series of notes, aggregating \$1,331,000,000, matured and were retired, and \$6,660,000 of 5-year bonds were retired prior to maturity and cancelled.

Since May 10, 1937, when the first consolidated obligations were issued, through December 31, 1961, bonds, debentures, and notes aggregating over \$14,200,000,000 have been issued. The balance of consolidated obligations on December 31, 1961, is as follows:

<i>Series</i>	<i>Dated</i>	<i>Rate</i>	<i>Maturity</i>	<i>Amount</i>
A-1962 notes.....	4-17-61.....	3.10.....	1-17-62.....	\$148,000,000
B-1962 notes.....	5-15-61.....	3.00.....	2-15-62.....	238,000,000
C-1962 notes.....	6-15-61.....	3.00.....	3-15-62.....	100,000,000
E-1962 notes	9-15-61.....	3.15.....	4-16-62.....	381,000,000
D-1962 notes.....	8-15-61.....	3.05.....	5-15-62.....	218,000,000
F-1962 notes.....	11-15-61.....	3.00.....	6-15-62.....	239,000,000
A-1963 bonds.....	4-15-58.....	3½.....	4-15-63.....	246,605,000
<hr/>				
Total.....				1,570,605,000

The weighted average cost of consolidated obligations during 1961 was 3.25 percent per annum as compared with 4.35 percent per annum during 1960.

Chart 5 presents the balance of consolidated Federal Home Loan Bank obligations in the hands of the public at the close of each month for the period 1957 through 1961.

The Secretary of the Treasury is authorized by law to purchase obligations of the Banks up to \$1 billion outstanding at any one time. No request to purchase obligations, however, has ever been made.

FEDERAL HOME LOAN BANK BOARD

The dollar volume of consolidated Federal Home Loan Bank obligations issued and redeemed, by years, for the 10-year period 1952-1961, is shown in Chart 6.

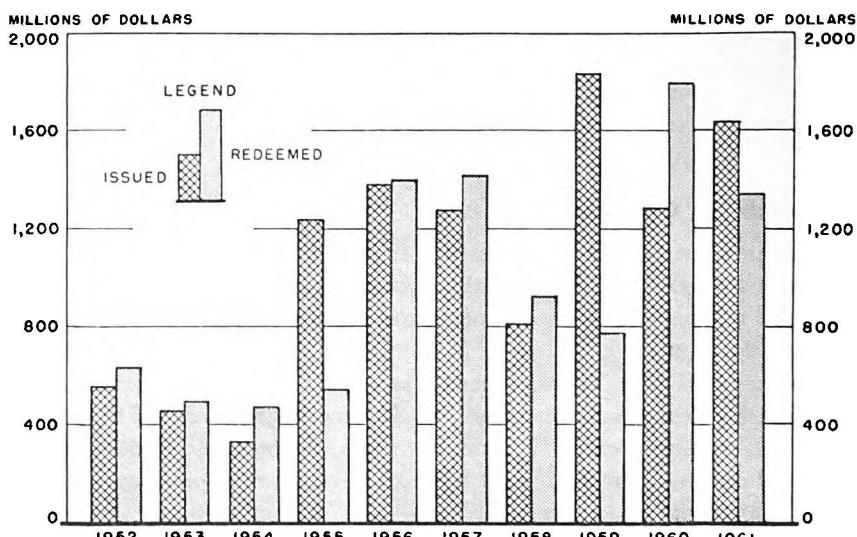


Chart 6.—Federal Home Loan Banks: Consolidated Obligations—Issues and Redemptions.

Interbank Deposits

The interbank deposit, the transfer of funds from one Federal Home Loan Bank to another, is a medium by which funds may be transferred from areas having a surplus to areas experiencing a shortage. These deposits are made on a short-term basis and provide for interim requirements of the Banks between financing dates.

The Federal Home Loan Bank Board is authorized to require a Federal Home Loan Bank to make deposits with other Federal Home Loan Banks. To date, however, all such deposits have been on a voluntary basis. During 1961, interbank deposits totaling \$257,000,000 were made, of which \$180,000,000 was repaid, and \$77,000,000 remained outstanding on December 31, 1961. The cumulative interbank deposits made through December 31, 1961, aggregated over \$1,700,000,000. The interest rates on interbank deposits are established by the Board generally upon the average cost of consolidated obligations outstanding or the cost of the most recent issue, whichever is higher.

FEDERAL HOME LOAN BANK BOARD

Deposits of Members

Each Federal Home Loan Bank is authorized by Section 11(e) of the Federal Home Loan Bank Act to accept deposits made by members upon such terms and conditions as the Federal Home Loan Bank Board may prescribe. A maximum interest rate of 3½ percent per annum on members' deposits has been authorized by the Board. Deposits may be withdrawn as needed by the member institution. The Banks may, within limitations prescribed by the Federal Home Loan Bank Board, make an interest adjustment when withdrawals are requested without reasonable advance notice.

The 11 Federal Home Loan Banks held members' deposits in the amount of \$1,180,000,000 on December 31, 1961, as compared with \$938,000,000 on December 31, 1960.

The following tabulation presents the effective rates of interest paid on deposits by each Federal Home Loan Bank on December 31, 1961:

<i>Federal Home Loan Bank</i>	<i>On deposits remaining 30 days or more</i>	<i>Certificates of deposit</i>
	<i>Percent</i>	<i>Percent</i>
Boston.....	2 3/4	3
New York.....	2 1/2	.....
Pittsburgh.....	1 1/2	1 1/2
Greensboro.....	2. 6	.....
Cincinnati.....	2 1/2	.....
Indianapolis.....	2 3/4	.....
Chicago.....	2 1/4	.....
Des Moines.....	2 1/2	.....
Little Rock.....	2 2	.....
Topeka.....	2 1/2	.....
San Francisco.....	3	2 1/2

¹ 1 ½ percent bonus paid.

² ¼ of 1 percent bonus paid.

Capital Structure

During 1961, the paid-in capital of all Banks increased \$118,000,000, or 11.9 percent, to a new high of \$1,107,000,000. Retained earnings, consisting of reserves required by the Act, voluntary reserves, and undivided profits, increased \$11,000,000, or 13.4 percent, to \$94,000,000.

The capital stock of each Bank on December 31, 1961, was owned entirely by its members. Final retirement of Government-owned stock was completed on July 2, 1951. The Federal Home Loan Bank Act was amended in 1961 to reduce the stock purchase requirement of member institutions, as previously explained on page 19. A borrowing member must hold stock in an amount equal to at least one-twelfth of the principal balance of advances owed its Federal Home Loan Bank.

FEDERAL HOME LOAN BANK BOARD

The following tabulation presents a comparison of the capital accounts of the Banks as of December 31, 1961, and December 31, 1960, and the changes during 1961:

Capital stock:	Dec. 31, 1961	Dec. 31, 1960	Increase for 1961
Total subscriptions.....	\$1, 108, 321, 400	\$989, 498, 600	\$118, 822, 800
Less: Unpaid subscriptions.....	882, 000	183, 525	698, 475
 Total paid-in capital.....	 1, 107, 439, 400	 989, 315, 075	 118, 124, 325
 Retained earnings:			
Legal reserve.....	59, 074, 361	50, 853, 534	8, 220, 827
Reserve for contingencies.....	2, 507, 692	1, 468, 207	1, 039, 485
Undivided profits.....	32, 538, 470	30, 647, 487	1, 890, 983
 Total retained earnings.....	 94, 120, 523	 82, 969, 228	 11, 151, 295
 Total capital.....	 1, 201, 559, 923	 1, 072, 284, 303	 129, 275, 620

Legal Reserve

Each Federal Home Loan Bank is required by Section 16 of the Federal Home Loan Bank Act, as amended, to transfer semiannually 20 percent of its net earnings to a reserve account until such account is equal to 100 percent of the Bank's paid-in capital. Thereafter, 5 percent of the net earnings must be transferred semiannually.

During the calendar year 1961, the Banks transferred \$8,220,000 to their respective reserve accounts. On December 31, 1961, the combined reserve, which amounted to \$59,074,000, equaled 5.3 percent of the total paid-in capital of all Banks. The reserve on December 31, 1960, was 5.1 percent of paid-in capital, thus indicating that the increase in 1961 was only slightly more than sufficient to keep pace with the increase in paid-in capital. The rapid increase in paid-in capital during recent years has resulted from the significant growth in the mortgage loan accounts of member institutions.

The Act requires that the reserves of each Federal Home Loan Bank shall be invested, subject to such regulations, restrictions, and limitations as may be prescribed by the Board, in direct obligations of the United States, in obligations of the Federal National Mortgage Association, and in such securities as may be invested in by fiduciary and trust funds under the laws of the State in which the Bank is located. As of December 31, 1961, each Bank was in compliance with this statutory provision.

Dividends of the Banks

Dividend declarations by the Board of Directors of each Bank are subject to the approval of the Federal Home Loan Bank Board. Ten of the 11

FEDERAL HOME LOAN BANK BOARD

Federal Home Loan Banks declare semiannual dividends to stockholders of record as of June 30 and December 31, while one Bank declares annual dividends as of December 31.

During 1961 the range of average annual dividend rates was from 2½ percent to 3.06 percent. The weighted average annual dividend rate in 1961 was 2.78 percent as compared with 2.70 percent in 1960.

Dividends declared during 1961 amounted to \$29,950,000 and represented 73 percent of net earnings for the year as compared with \$25,700,000 and 69 percent for 1960. Dividends declared from the beginning of operations in 1932 through December 31, 1961, have aggregated over \$199,000,000, and equaled 68 percent of cumulative net income.

Balance Sheet

A comparative condensed consolidated statement of condition of the Banks as of December 31, 1961, and December 31, 1960, is presented in Table 4. The Banks' consolidated resources on December 31, 1961, aggregated \$3,988,000,000, representing an increase of \$672,000,000 from the consolidated resources of \$3,316,000,000 on December 31, 1960. The increase in consolidated resources is mainly related to the material addition to (1) members' deposits liability, \$242,000,000; (2) consolidated Federal Home Loan Bank obligations outstanding, \$304,000,000; and (3) paid-in capital and retained earnings, \$129,000,000.

Earnings

The consolidated net income of the Federal Home Loan Banks of approximately \$41,000,000 for the calendar year 1961 is the highest on record, exceeding the 1960 total by \$4,000,000.

Gross operating income of \$105,000,000 represented a decrease of \$8,000,000, or 7 percent below 1960, resulting from a \$7,000,000 decrease in interest on advances and a \$1,000,000 decrease in interest on securities. The lower earnings on advances were due to the effective interest rate decreasing from 4.18 percent in 1960 to 3.42 percent in 1961, more than compensating for the increase of the average balance of advances outstanding from \$1,730,000,000 in 1960 to \$1,900,000,000 in 1961.

The lower earnings on securities resulted from the effective yield on securities held decreasing from 3.31 percent in 1960 to 2.86 percent in 1961, more than compensating for the increase of the average investment balance from \$1,242,000,000 in 1960 to \$1,395,000,000 in 1961.

FEDERAL HOME LOAN BANK BOARD

Operating expenses totaling approximately \$65,000,000 were \$12,000,000, or 16 percent, lower than for 1960, due entirely to the lower costs of consolidated obligations. A decrease of more than \$19,900,000 in the cost of consolidated obligations was caused by a 13 percent decrease in the average balance of obligations outstanding from \$1,304,000,000 in 1960 to \$1,129,000,000 in 1961, and a decrease in the effective interest rate from 4.35 percent in 1960 to 3.25 percent in 1961. Interest costs on members' deposits rose almost \$7,000,000 in 1961 compared with 1960 due to the average balance of members' deposits increasing from \$559,000,000 in 1960 to \$905,000,000 in 1961, although the effective rate of interest fell from 2.91 percent in 1960 to 2.57 percent in 1961.

A comparative consolidated statement of income and expense for the years 1961 and 1960 is presented in Table 5.

The following tabulation presents the disposition of net income and increments to retained earnings accounts during 1961 and cumulative figures through December 31, 1961:

Dividends:	Calendar year 1961		Oct. 1932 to Dec. 31, 1961	
	Amount	Percent	Amount	Percent
U.S. Government.....	\$0	.....	1 \$26,176,170	8.9
Member institutions.....	29,952,842	72.9	172,865,580	58.7
 Total dividends.....	 29,952,842	 72.9	 199,041,750	 67.6
Retirement fund.....	0	.....	1,577,973	0.5
Legal reserve.....	8,220,827	20.0	59,074,361	20.0
Reserve for contingencies.....	1,039,485	2.5	2,507,692	0.9
Undivided profits.....	1,890,983	4.6	32,538,470	11.0
 Total net income.....	 41,104,137	 100.0	 294,740,246	 100.0

¹ Final stock retirement July 2, 1951.

Membership

A net increase of 99 members during the year brought the membership of the Federal Home Loan Banks to a new all-time high of 4,815 as of December 31, 1961. The increase was the result of 133 admissions to membership and 34 cancellations, of which 11 represented withdrawals and 23 were occasioned by sales of assets to and mergers or consolidations with other members.

As indicated in Chart 7, the 4,815 members on December 31, 1961, had aggregate resources of \$80,648,000,000, representing an increase of \$10,703,000,000, or 15 percent during the year.

FEDERAL HOME LOAN BANK BOARD

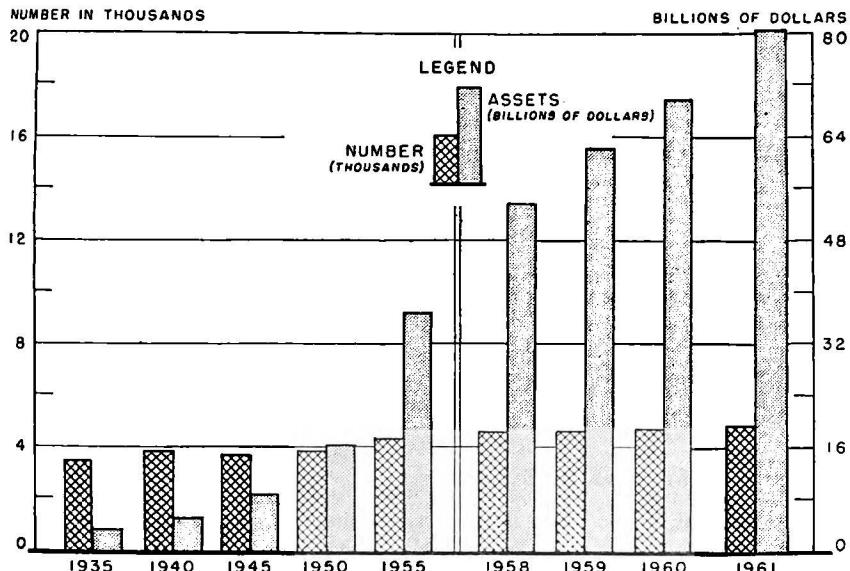


Chart 7.—Federal Home Loan Bank System: Number and Assets of Member Institutions.

The following tabulation presents, by type of institution, the membership and their assets as of the close of 1961 and 1960 and the changes during 1961:

	[Dollar amounts in millions]					
	<i>Dec. 31, 1961</i>		<i>Dec. 31, 1960</i>		<i>Net Change</i>	
	<i>Number</i>	<i>Assets</i>	<i>Number</i>	<i>Assets</i>	<i>Number</i>	<i>Assets</i>
All member institutions..	4,815	\$80,648	4,716	\$69,901	+99	+\$10,747
Savings and loan associations.....	4,795	80,153	4,694	69,492	+101	+10,661
Federally chartered..	1,906	43,805	1,873	38,511	+33	+5,294
State-chartered:						
Insured by						
FSLIC.....	2,315	34,179	2,225	28,919	+90	+5,260
Not insured by						
FSLIC.....	574	2,169	596	2,062	-22	+107
Savings banks.....	20	495	22	409	-2	+86

The members of the Bank System are predominantly mutual institutions, locally owned and managed, serving the thrift and home-financing needs of the communities in which they are located. These institutions range in size from those having assets of less than \$100,000 to one having assets in

FEDERAL HOME LOAN BANK BOARD

excess of \$1,000,000,000. The average size of member institutions was \$16,749,000 on December 31, 1961, and represented an increase of \$1,927,000, or 13.0 percent over the \$14,822,000 average on December 31, 1960.

The following tabulation presents, by type of institution, the average assets held by members on December 31, 1961, and the percent of increase over the 1960 average:

	<i>Average assets</i>	<i>Percent of increase</i>
All member institutions.....	\$16,749,000	13.0
Federal savings and loan associations.....	22,983,000	11.8
State-chartered associations:		
Insured by FSLIC.....	14,764,000	13.6
Not insured by FSLIC.....	3,779,000	9.2
Savings banks.....	24,750,000	33.1

Liquidity of Member Institutions

The Federal Home Loan Bank Act, as amended, provides that no member of a Federal Home Loan Bank shall make or purchase any loan at any time when its cash and obligations of the United States are not equal to an amount which the Federal Home Loan Bank Board shall by regulations prescribe, provided that the amount prescribed shall not be less than 4 percent or more than 8 percent of the member's withdrawable accounts. The Board has by regulation established a minimum percentage of 7 percent.

On December 31, 1961, the ratio of cash and obligations of the United States to withdrawable accounts of member savings and loan institutions was 12 percent, the same as at the close of 1960 and 1959.

Supervision of the Banks

Each Bank submits to the Federal Home Loan Bank Board for approval an annual budget covering the estimated controllable expenses to be incurred during the next calendar year. All dividend declarations by the Boards of Directors of the Banks are subject to the approval of the Federal Home Loan Bank Board, as are the appointments and salaries of all officers and attorneys of the Banks, bylaw amendments, leases for banking quarters, purchases and sales of certain investment securities, and the range of interest rates on advances, members' deposits, and interbank deposits.

Management of the Banks

Management of each Federal Home Loan Bank is vested in a Board of Directors, 19 in the San Francisco Bank and 12 in each of the other Banks, all of whom are required to be citizens of the United States and bona fide

FEDERAL HOME LOAN BANK BOARD

residents of the district in which the Bank is located. Six of the directors of the San Francisco Bank and four of the directors of each other Bank are appointed by the Federal Home Loan Bank Board to serve as "public interest" directors for terms of 4 years, while the remaining directors are elected by the Bank's members for terms of 2 years.

The terms of the appointive directors in each Bank are so arranged as to permit the expiration of but one term each year except in the San Francisco Bank where one term and two terms expire in alternate years. The terms of one-half of the elective directors expire each year except in the San Francisco Bank where six terms and seven terms expire in alternate years.

The elective directors are made up of two categories: (1) the "directors-at-large" who were elected by the members, without regard to classes, and (2) those directors who were elected on the basis of the size of member institutions, classified as (A) large, (B) medium, or (C) small as determined from the aggregate unpaid principal of the member's home mortgage loans.

Annual elections of directors are conducted by the Federal Home Loan Bank Board in accordance with the Federal Home Loan Bank Act and the Board's regulations. A 1961 amendment to the Act establishing a new election procedure to become effective in 1962 was previously explained on page 20.

A list of directors and officers of each Bank, as of December 31, 1961, follows:

FEDERAL HOME LOAN BANKS

DIRECTORS AND OFFICERS AS OF DECEMBER 31, 1961

BOSTON

Directors

Henri A. Benoit (appointed)
Charles B. Rugg ¹ (appointed)
Dr. Albert C. Jacobs (appointed)
Dennis J. Roberts (appointed)
Ray B. Owen (at large)
Harry R. Andrews (at large)
Raymond L. Miller (class A)
Frederick E. Haigis (class A)
William J. D. Ratcliff ² (class B)
Francis E. Ingalls (class B)
Fergus Upham (class C)
A. Hadley Shumway (class C)

Officers

Herbert N. Faulkner, president
Paul H. Heywood, vice president and
secretary
Howard C. Whitcomb, Jr. treasurer
Beatrice E. Holland, assistant secre-
tary

NEW YORK

Directors

(Vacancy) (appointed)
Arthur E. Baylis (appointed)
Francis V. D. Lloyd (appointed)
Eustace Seligman (appointed)
Robert J. Keenan (at large)
Philip Klein (at large)

¹ Chairman.

² Vice Chairman.

FEDERAL HOME LOAN BANK BOARD

Philip M. Burkard (class A)
Eugene M. Mortlock (class A)
Deweese W. DeWitt ² (class B)
Howard F. V. Cole (class B)
R. Newton Sneden (class C)
Lewis G. Brooks (class C)

Officers

M. K. M. Murphy, president
Michael Zarrilli, vice president
Louis J. Rub, vice president
Joseph F. X. O'Sullivan, secretary
James F. Bonnell, assistant vice president
George J. Barrett, treasurer
Richard A. Pettit, assistant treasurer
Philip J. Bailey, assistant treasurer

PITTSBURGH

Directors

Robert C. Downie ¹ (appointed)
Dr. Charles S. Tippetts (appointed)
Bernard G. Sampson (appointed)
Walter B. Gibbons (appointed)
Fred A. Werner (at large)
J. Duval Shultz (at large)
Edwin S. Rockett (class A)
Verne T. Sampson (class A)
(Vacancy) (class B)
William A. Welsh (class B)
Francis E. McGill (class C)
James W. Turtle (class C)

Officers

G. R. Parker, president
Raymond J. Strecker, vice president
E. L. Hubble, Jr., assistant vice president
Warren A. Sutton, secretary-treasurer
Anne W. Cleary, assistant treasurer
David M. Scully, manager of Philadelphia office

¹ Chairman.

² Vice Chairman.

GREENSBORO

Directors

John W. Thompson, Jr. (appointed)
Horace S. Haworth ¹ (appointed)
Raymond D. Knight (appointed)
J. Grayson Luttrell (appointed)
Marion M. Hewell (at large)
W. A. Biggs (at large)
William H. Dyer (class A)
E. Thomas Wilburn (class A)
Frank E. Schlegel (class B)
Frank Muller, Jr. ² (class B)
E. W. Dickey, Jr. (class C)
John Bell Towill (class C)

Officers

John A. Fogarty, president
James T. Spence, vice president-treasurer
Philip J. Mank, vice president-assistant secretary
John E. Snow, Jr., vice president-assistant treasurer
Frederick L. Carr, secretary-assistant vice president

CINCINNATI

Directors

Frank K. Vaughn (appointed)
W. D. Gradison (appointed)
Dr. Howard L. Bevis ¹ (appointed)
Carl A. Saunders (appointed)
Lester H. Higgins (at large)
Louis R. Linx (at large)
Ernest D. Heppert ² (class A)
William C. Walkup (class A)
William Grimm (class B)
Dr. E. B. O'Leary (class B)
George H. Moseley (class C)
John C. Grant (class C)

Officers

Walter E. Julius, president
J. W. Whittaker, vice president

FEDERAL HOME LOAN BANK BOARD

Albert C. Crew, vice president and treasurer	Bernard R. Doyle (class A) W. H. Spicer (class A)
E. T. Berry, vice president and secretary	Joseph F. Schissler (class B) Ray C. Frautschy (class B)
Richard N. Curry, assistant vice president	Leo H. Schmalz (class C) Lossie E. Morris (class C)
Donald H. Taylor, assistant vice president	<i>Officers</i> John E. Stipp, president Allan Anderson, senior vice president Ralph Menard, vice president Thomas J. Garvey, vice president Richard H. Sherer, treasurer Edward A. Eckert, secretary
INDIANAPOLIS	DES MOINES
<i>Directors</i>	<i>Directors</i>
Dwight L. Stocker (appointed)	Arthur O. Lampland (appointed)
Dr. Herman B. Wells ¹ (appointed)	William A. Borders (appointed)
Murray D. Van Wagoner (appointed)	Henry H. Edmiston (appointed)
(Vacancy) (appointed)	John D. Adams ¹ (appointed)
Byron L. Jones (at large)	J. P. Farry (at large)
Hans Gehrke, Jr. ² (at large)	Edward Christenson (at large)
Harold O. Swanson (class A)	Philip K. Rausch (class A)
Robert J. Hutton (class A)	L. W. Simmons ² (class A)
E. L. Plane (class B)	Murray J. Mowers (class B)
William D. Fitzpatrick (class B)	Carl O. Kamp, Jr. (class B)
Ernest H. Collins (class C)	John Emmett Olson (class C)
Griffith W. Dean (class C)	Charles H. Peterson (class C)
<i>Officers</i>	<i>Officers</i>
Goehler E. Ohmart, president and secretary	Robert H. Bush, president
Ashby T. Gibbons, vice president and treasurer	J. M. Martin, vice president
Fred J. Ludtke, vice president	A. E. Mueller, treasurer
Marian-Lee Clark, assistant secretary	Dean R. Prichett, secretary
CHICAGO	Warren W. Harding, assistant vice president
<i>Directors</i>	LITTLE ROCK
Cola G. Parker ¹ (appointed)	<i>Directors</i>
Edwin A. Locke, Jr. (appointed)	Gail Whitcomb ¹ (appointed)
Cornelius T. Young (appointed)	Claude H. Roberts (appointed)
Poynelle Downing (appointed)	Ed Gossett (appointed)
C. S. Breese ² (at large)	Gordon H. Campbell (appointed)
Frank T. Sedlacek (at large)	

¹ Chairman.

² Vice Chairman.

FEDERAL HOME LOAN BANK BOARD

W. P. Gulley ² (at large)
Hoyt Payne (at large)
Thomas Debaillon (class A)
Lloyd S. Bowles (class A)
C. E. Whitmore (class B)
E. B. Mobley (class B)
Harold G. Smith (class C)
John S. Matthews (class C)

Officers

Ennis M. Oakes, president and
secretary
Hugh B. Proctor, vice president
Jack M. Ferguson, vice president
W. J. McDuffee, vice president
Clark Eastham, treasurer
Lucile W. Newby, assistant secretary

TOPEKA

Directors

James R. Murray (appointed)
Blair Burwell (appointed)
Dr. George L. Cross ¹ (appointed)
Dr. Floyd E. Walsh (appointed)
James M. Casey (at large)
Joseph E. Clarkin (at large)
William F. Fitzgerald ² (class A)
W. D. Beard (class A)
Donald W. Nienhuser (class B)
Walter V. Martin, Jr. (class B)
Robert G. Lake (class C)
A. W. Bremyer (class C)

Officers

James W. McBride, president and
secretary
Charles A. Darche, vice president and
treasurer
Ben A. Bahner, assistant treasurer
R. M. Barrows, assistant secretary

SAN FRANCISCO

Directors

G. E. Karlen ¹ (appointed)
Dilworth S. Woolley (appointed)
Morris B. Pendleton (appointed)
Vincent I. Compagno (appointed)
Fletcher Rockwood (appointed)
C. W. Leaphart (appointed)
John H. Andrews (at large)
H. K. Hamilton, Jr. (at large)
Arthur B. Bates (at large)
Roderick A. Lindsay (class A)
George W. Davis (class A)
Robert R. Sprague ² (class A)
K. E. Potter (class A)
R. M. Gibson (class B)
Charles V. Carter (class B)
Elwood L. Hansen (class B)
Stanley O. Snyder (class C)
O. R. Baum (class C)
Harold J. Clare, Sr. (class C)

Officers

J. Alston Adams, president
A. C. Newell, vice president and man-
ager of Los Angeles office
L. E. Woodford, vice president-
secretary
John M. Kleeb, vice president and
manager of Portland office
William N. Purmort, assistant vice
president
Kingsley E. Thomas, assistant vice
president
Gerald G. Whistler, treasurer
Richard G. Kellenbach, assistant
treasurer
Sherman W. Toft, assistant secretary

NOTE.—On December 31, 1961, the
designation of "Chairman of the Board
of Directors" was open in the New York
Bank and the designation of "Vice Chair-
man" was open in the Pittsburgh Bank.

¹ Chairman.

² Vice Chairman.

FEDERAL HOME LOAN BANK BOARD

lished the "Federal Home Loan Bank Board" as an independent agency.

Reorganization Plan No. 6 of 1961, effective August 12, 1961, transferred to the Chairman of the Board, the Board's functions with respect to the overall management, functioning and organization of the agency. The appointment, removal and direction of personnel, the distribution of business among and communication of Board policies to such personnel, the enforcement of policies, as well as other administrative and management functions were transferred to the Chairman. Nothing in the transfer impinges upon the ability of the Members of the Board to act independently with respect to substantive matters. In carrying out his managerial functions, the Chairman is to be governed by the policies of the Board, and the Board has the authority to approve the Chairman's appointments of the heads of major administrative units, and the other Members of the Board retain their control over the personnel in their immediate offices.

Basic Functions of the Board

The Federal Home Loan Bank Board is a Board of three members, not more than two of whom may be of the same political party. The three members are appointed by the President by and with the advice and consent of the Senate for four-year terms. The Chairman is designated by the President.

The basic functions of the Federal Home Loan Bank Board are to establish policies, issue regulations, and supervise the operations of the Federal Home Loan Bank System, to charter and supervise Federal Savings and Loan Associations, and to direct the operations of the Federal Savings and Loan Insurance Corporation.

Included among the activities and responsibilities of the Board are the periodic examinations of the 11 Federal Home Loan Banks and the annual reporting to the Congress on their operations. The Board appoints the "public interest" members to the Board of Directors of each of the Banks and conducts the election by the members of the Banks of the remaining Directors. In addition, it approves the purchase and sale by the Banks of certain investment securities, and issues consolidated obligations which are the joint and several obligations of the Banks. The Board also approves all dividend declarations of the Banks, election of officers and counsel, the operating budget of each Bank, and other matters concerning the operations of the Banks.

HISTORICAL BACKGROUND OF THE FEDERAL HOME LOAN BANK BOARD

The Federal Home Loan Bank Board was established by the Federal Home Loan Bank Act, approved July 22, 1932, to provide a permanent credit reservoir for thrift and home-financing institutions through the creation of regional Federal Home Loan Banks. The Home Owners' Loan Act, approved June 13, 1933, in one of its most important provisions, gave authority to the Board to charter and supervise local mutual institutions known as Federal savings and loan associations. These associations were to serve as a means of encouraging local thrift and home financing.

On June 27, 1934, Title IV of the National Housing Act provided for the creation of the Federal Savings and Loan Insurance Corporation and placed it under the direction and management of the Federal Home Loan Bank Board. The Federal Savings and Loan Insurance Corporation insures the safety of savings against loss up to \$10,000 for each saver or investor in all Federally chartered associations and in State-chartered associations which apply and qualify for such insurance.

From the date of its creation in 1932 until April 25, 1939, the Federal Home Loan Bank Board functioned as an independent establishment reporting directly to the Congress and the President. On April 25, 1939, by congressional approval of the President's Reorganization Plan No. 1, the Board and the organizational units under its jurisdiction were grouped under the Federal Loan Agency along with other related Government corporations and organizations.

The Board continued under the Federal Loan Agency until February 24, 1942, when by Executive Order No. 9070 the five-man Board was vacated and its Chairman was made Commissioner of the "Federal Home Loan Bank Administration," the units formerly under the Board being retained. The Executive Order placed the Board under the National Housing Agency, together with the Federal Housing Administration and the Federal Public Housing Authority.

Under Reorganization Plan No. 3 of 1947, which became effective July 27, 1947, a bipartisan Board of three members was substituted for the single Commissioner and the "Home Loan Bank Board" became a component part of the Housing and Home Finance Agency.

The Board continued in this relationship until the enactment of "Housing Amendments of 1955," approved August 11, 1955, which reestab-

FEDERAL HOME LOAN BANK BOARD

Liquidity and Reserves

Liquid assets of Federal savings and loan associations, in the form of cash and Government obligations, amounted to \$4,675,583,000 as of December 31, 1961, a substantial increase of \$628,262,000, or 16 percent, during the year. Such assets represented 12 percent of savings accounts and 11 percent of total assets.

During 1961 general reserves and surplus accounts of all Federal associations increased from \$2,662,197,000 to \$3,020,213,000, which amount represents 7.93 percent of all savings accounts and 6.89 percent of total assets, as compared with 7.92 percent and 6.91 percent, respectively, a year earlier.

FEDERAL HOME LOAN BANK BOARD

During 1961, mortgage loans made by Federal associations aggregated a record \$8,567,332,000, or 17 percent more than in 1960. As indicated in Chart 13, loans for the purchase of existing homes amounted to \$3,547,412,000, or 41 percent of total volume, while loans for home construction aggregated \$2,485,417,000, or 29 percent, and the remaining \$2,534,503,000, or 30 percent, was for refinancing, reconditioning, and other purposes.

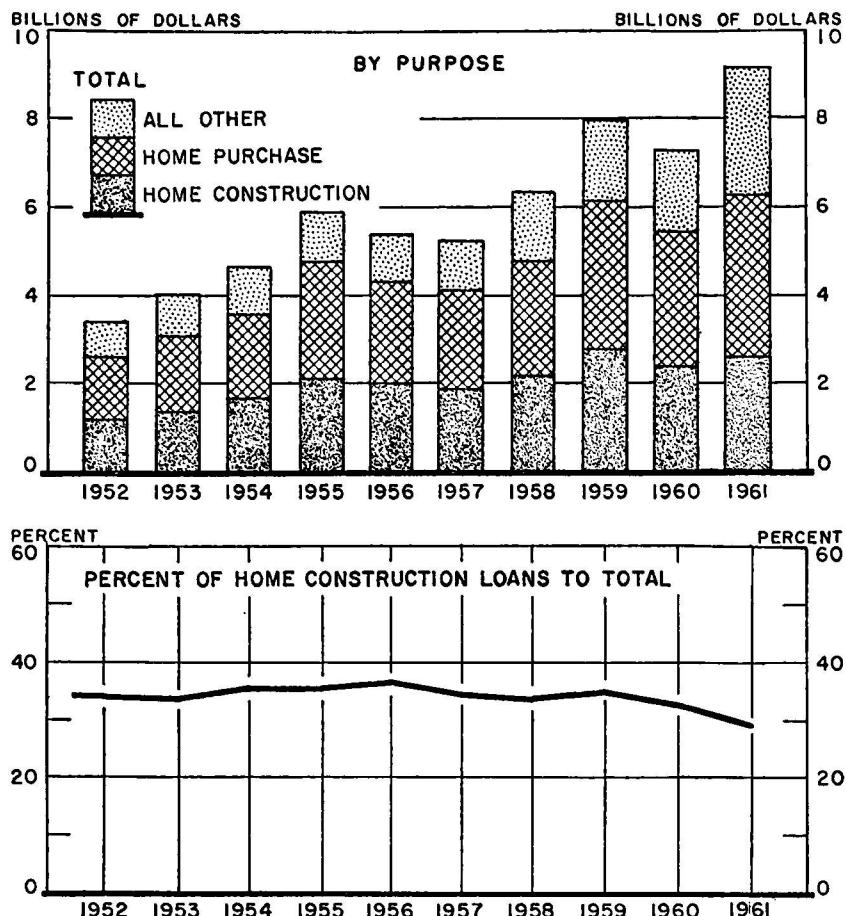


Chart 13.—Mortgage Loans Made by Federal Savings and Loan Associations.

FEDERAL HOME LOAN BANK BOARD

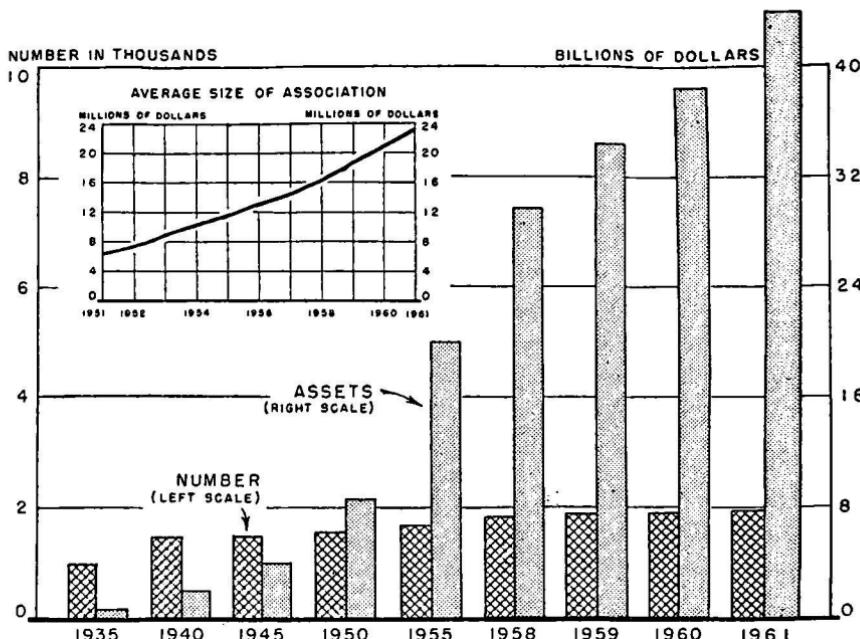


Chart 12.—Number and Assets of Federal Savings and Loan Associations.

Savings Activity

During 1961, new savings flowed into Federal savings and loan associations at a record pace, amounting to \$14,810,586,000, or 10 percent more than the inflow for 1960. Withdrawals totaled \$10,398,318,000 during the same year resulting in a withdrawal ratio of 70 percent, or about the same ratio as in 1960.

Total savings held by Federal associations on December 31, 1961, were \$38,065,436,000, representing an increase of 13 percent during the year. The number of shareholders in Federal associations increased 9 percent during 1961 to a record 16,687,353.

Lending Activity

Mortgage loans of Federal associations, secured primarily by first liens on single-family residences, totaled \$36,675,905,000 at December 31, 1961, an increase of \$4,410,163,000, or 14 percent, during the year. Such loans represented 84 percent of total assets.

Conventional loans of \$29,827,077,000 represented 81 percent of the total portfolio; VA loans were \$4,086,833,000, or 11 percent; and FHA loans were \$2,761,995,000, or 8 percent, of the total.

FEDERAL HOME LOAN BANK BOARD

applications for branch offices by Federal associations in light of the same tests prescribed for new Federal charters. Approvals are granted only when there is satisfactory evidence that there is a necessity for such an office in the community to be served and that it can be operated successfully and without undue injury to properly conducted existing local thrift and home-financing institutions. As in the case of applications for new Federal charters, the Board follows the practice of affording opportunity for a public hearing before rendering a final decision. Notices of public hearings are published in the community where the office is proposed to be established and also mailed to the State supervisory authority and to the appropriate regional savings and loan trade organization. At such hearings protestants may either appear in person or submit their objections in writing.

As of the close of 1961, there were 959 branch offices operated by 481 associations. This compared with 827 branches operated by 433 associations as of December 31, 1960, and represents an increase of 132 branch offices during the year. Of the 959 total branches, 853 represent newly established offices, 72 were acquired through merger and 34 were in existence before conversion to Federal charter. Of the 481 associations, 1 each has fifteen, thirteen, and eight branches, 2 have eleven each, 7 have seven each, 9 have six each, 11 have five each, 28 have four each, 51 have three each, 108 have two each, and 262 have one each.

Number and Assets of Federal Associations

Federal savings and loan associations are located in each of the 50 States, the District of Columbia, and Puerto Rico. At the close of 1961 there were 1,906 such institutions, representing a net increase of 33 during the year. Of the total number, 893 were newly organized, and 1,013 had converted from State charter.

At the end of 1961, combined assets of all Federal associations were \$43,804,688,000, representing an increase of \$5,293,912,000, or 14 percent, during the year. The assets of Federal associations account for over 53 percent of the total assets of all associations in the country.

As shown by Chart 12, the Federal Savings and Loan System has had a steady development during the 26 years of its existence. Although the number of Federal associations has not grown rapidly in recent years, the substantial increase in assets is quite significant. During the past five years, assets have more than doubled and the average size of Federal associations has increased from \$1,482,000 in 1941 to \$6,321,000 in 1951, and to \$22,983,000 in 1961.

FEDERAL HOME LOAN BANK BOARD

bonus for systematic savings or fixed-balance accounts over a specified time period. Withdrawal of accounts, partial or full, may be made by the shareholder in accordance with charter and regulatory provisions.

The funds invested in Federal savings and loan associations are loaned primarily in first mortgages on homes located within fifty miles of the association's home office. These loans are generally repayable on a long-term, monthly amortization basis.

Federal associations are limited by charter and regulatory provisions as to the percentage of property value that may be loaned, depending on the type of property and terms of repayment. Subject to certain limitations, they may make loans to finance the acquisition and development of land for primarily residential usage and also may make unsecured loans for property alteration, repair or improvement. In addition, they may obtain participation interests in first mortgage loans held by insured institutions in other areas within prescribed limitations (see page 13).

Federal associations may also invest their funds in obligations of the United States and of the Federal National Mortgage Association, as well as in stock and obligations of the Federal Home Loan Banks.

Granting of Charters and Branches

The Board considers applications for permission to organize new Federal associations in accordance with the criteria provided in Section 5(e) of the Home Owners' Loan Act, particularly as to character and responsibility of the applicants, the necessity for such an institution in the community to be served, the prospects for its usefulness and success, and whether it can be established without undue injury to properly conducted existing local thrift and home-financing institutions. The applicants and any interested parties are afforded an opportunity for a public hearing to present their views and supporting evidence before applications are approved.

When considering applications for conversion to Federal charter by an uninsured State-chartered institution, the Board applies the same eligibility standards as if such institution were requesting insurance of accounts under State charter.

During the 1961 calendar year, 44 Federal charters were issued, of which 28 were for new associations and 16 were for converted State associations. Since 9 Federal associations were absorbed by merger with other Federals and two converted to State associations, there was a net increase of 33 Federal charters during 1961.

There is no statutory criteria for the establishment of branch offices. The Courts have held in this respect that the establishment of branches is "committed to agency discretion." Accordingly, the Board considers

FEDERAL SAVINGS AND LOAN SYSTEM

Origin and Purpose

The Federal Savings and Loan System had its inception in the Home Owners' Loan Act of 1933. The underlying purpose of this legislation was to meet a long-existing need in many communities throughout the Nation for local institutions that would supply adequate thrift and home-financing facilities, operating on a uniform plan embodying the soundest and most advanced principles and practices for mutual thrift and home-financing institutions.

The responsibility for the chartering and regulation of Federal savings and loan associations is vested in the Federal Home Loan Bank Board. Federal associations may be established either by the granting of new charters to local organizing groups or by the conversion of State institutions of the savings and loan type. Federal savings and loan associations are supervised and examined regularly by the Federal Home Loan Bank Board and are subject to its rules and regulations.

All Federal savings and loan associations are required by statute to be members of the Federal Home Loan Bank System, which serves as a readily available reservoir of credit. It is further required that the savings accounts of all Federal associations be insured by the Federal Savings and Loan Insurance Corporation.

As of December 31, 1961, there were 1,906 of these privately owned and operated associations with assets totaling \$43,804,688,000.

Savings and Lending Features

Federal savings and loan associations are mutual institutions. Their entire capital is in the form of savings accounts owned by their members. Such accounts participate equally in the association's earnings and are non-assessable. The members of a Federal association elect its directors at annual meetings. Directors are elected for three-year terms, with approximately one-third elected each year. Dividends are distributed semi-annually at a rate determined by the directors on the basis of net earnings, although in certain States they may be apportioned quarterly if the directors so decide. Provision may be made to pay an extra return in the form of a

FEDERAL HOME LOAN BANK BOARD

Since 1955, the Corporation has taken appropriate action to prevent default by four insured associations. Of these, two have been formally settled, and the other two are nearing final settlement. In all four instances, there has been complete protection of all savers.

FEDERAL HOME LOAN BANK BOARD

With the exception of Federal associations, insured institutions may voluntarily terminate their insurance and continue to operate as uninsured associations, provided they meet prescribed requirements of notice to their savers and observe other legal details. The Federal Home Loan Bank Board has authority, after conducting a hearing, to terminate insurance of accounts of an insured institution where the institution has violated its duty as such or has continued unsound practices in conducting the business of the institution, or has knowingly or negligently permitted any of its officers or agents to violate any provision of law or regulation to which it is subject. Any such difficulties to date have been corrected without resorting to termination of insurance. In the event of termination of insurance, whether voluntary or involuntary, insurance continues in effect for two years for insured accounts as of date of termination.

Insurance Settlements

The favorable record established by insured associations is reflected in the fact that from the beginning of operations in 1934 to the close of 1961, the Corporation has had only 39 cases in which it was necessary to give financial assistance. In 29 of these cases, difficulties were resolved by the authorization of direct contributions to the insured associations in financial distress, while 3 were settled by the purchase of all or part of the associations' assets. In only 7 cases have defaulting insured associations been placed in receivership with reimbursements to savers by the Insurance Corporation. Net losses through December 31, 1961, of \$5,144,000 represented but 1.0 percent of cumulative gross income.

A summary of insurance settlement cases to December 31, 1961, follows:

Method of Settlement:

Contribution.....	29
Receivership.....	7
Purchase of assets.....	3
Total	39

Number of Investors:

Contribution	55,037
Receivership	7,705
Purchase of assets.....	15,469
Total	78,211

Insurance Losses and Provisions for Losses:

Contribution	\$4,878,061
Receivership	309,557
Purchase of assets.....	—43,334
Total	5,144,284

FEDERAL HOME LOAN BANK BOARD

acter of the institution and its management and directors, the Corporation determines whether the institution is insurable in its present condition, whether the institution could qualify for insurance by meeting certain conditions, or whether the application should be rejected. If such conditions are stipulated by the Corporation, the institution becomes insured upon compliance.

Insured associations are subject to periodic examination to assure continued soundness of operation and compliance with requirements.

The Corporation may reject the application of an institution if it finds that the character of the management or the home-financing policy of the applicant is inconsistent with economical home financing or with the purposes of Title IV of the National Housing Act.

Admissions and Cancellations

During 1961, insurance of accounts was extended by the Federal Savings and Loan Insurance Corporation to 137 additional associations. Of these, 102 were State-chartered institutions while 35 were Federally chartered associations. The entering assets of all institutions acquiring insurance in 1961 amounted to around \$258,000,000. Sixty-seven of the 137 associations acquiring insurance were newly organized and 70 were existing institutions, many of which had been in operation as uninsured associations for a number of years. All institutions insured by the Corporation are members of the Federal Home Loan Bank System. There were 14 cancellations of insurance certificates during the current year, resulting in a net gain of 123 insured institutions. All cancellations of certificates during 1961 were because of consolidations and mergers, which also constitute the reasons for the great majority of cancellations in earlier years.

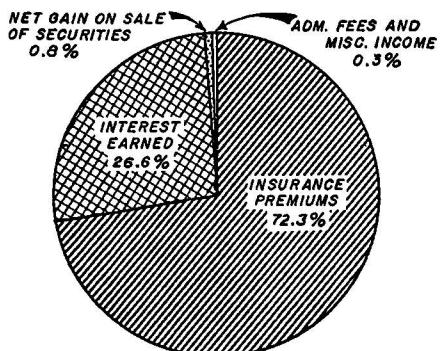
The following table presents the number of insurance admissions and cancellations for the past 10 years:

Number of Insurance Admissions and Cancellations, 1952-1961

Year	Admis- sions	Cancella- tions	Year-end total
1952.....	157	5	3, 172
1953.....	143	11	3, 304
1954.....	141	12	3, 433
1955.....	123	12	3, 544
1956.....	143	21	3, 666
1957.....	121	15	3, 772
1958.....	128	19	3, 881
1959.....	113	15	3, 979
1960.....	136	17	4, 098
1961.....	137	14	4, 221

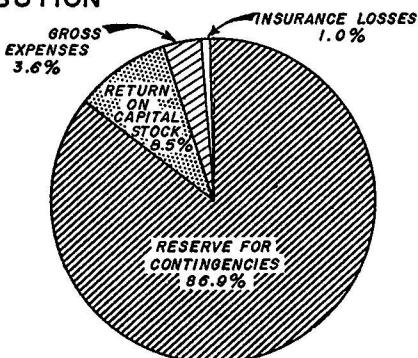
FEDERAL HOME LOAN BANK BOARD

SOURCE



Insurance premiums and interest earned comprise the major sources of income of the Corporation. During the past 27 years funds derived from these sources amounted to 72.3% and 26.6%, respectively, of the Corporation's total cumulative income of \$507,184,513.

DISTRIBUTION



Cumulative expenses have amounted to but 3.6% of the Corporation's income to date. Insurance losses have absorbed 1.0% and return on capital stock 8.5%. Thus, of the income received since the inception of the Corporation, 86.9% has been credited to reserves.

Chart 11.—Source and Distribution of Cumulative Gross Income of the Federal Savings and Loan Insurance Corporation.

Eligibility Requirements

The Federal Savings and Loan Insurance Corporation is required by Title IV of the National Housing Act to insure the accounts of all Federal savings and loan associations. It may also insure the accounts of other building and loan, savings and loan, and homestead associations, and cooperative banks, which apply and meet certain standards of qualifications.

In determining an applicant's eligibility for insurance of accounts, consideration is given to the need for an additional insured facility and a thorough examination is made of the applicant's assets, liabilities and operating procedures. The financial policies of its management must be safe and sound and it must be determined that the capital of the institution is not impaired.

After a thorough analysis of all pertinent facts bearing upon the char-

FEDERAL HOME LOAN BANK BOARD

Condition of the Corporation

At the end of 1961, assets of the Federal Savings and Loan Insurance Corporation totaled \$467,465,000, an increase of \$63,416,000, or 16 percent over the previous year. Over 85 percent of these resources were held in United States Government securities and cash. Loans made to an insured association in 1960 aggregated \$47,000,000, of which \$45,000,000 was outstanding at the close of 1961. (Note: As indicated on page 28, an agreement was entered into early in 1962 which resolved the issues involved in this case.)

On December 31, 1961, the Corporation's reserve for contingencies and unallocated income totaled \$440,887,000, equal to nearly 0.7 percent of all insured share accounts and creditor obligations of insured associations at the close of the year.

The statutory reserve and unallocated income represents accumulated net earnings from the inception of the Corporation in 1934. Since the beginning of operations, the Corporation has made available for reserves 86.9 percent of its \$507,185,000 of cumulative total income. These reserves will be supplemented and fortified when provision for annual prepayments of insurance premiums equal to 2 percent of the increase in savings takes effect, as a result of the enactment of Public Law 87-210, effective January 1, 1962. The \$100 million original capital stock of the Corporation was retired in full with a final payment to the United States Treasury in July 1958.

A comparative statement of condition of the Corporation as of December 31, 1960, and December 31, 1961, is presented in Table 7.

Operations of the Corporation

The Corporation's gross income of \$61,812,000 for calendar year 1961 represented an increase of 14 percent over the \$54,140,000 for 1960. Premiums paid by insured associations and interest on investments in United States Government obligations, the two main sources of income, comprised nearly 98 percent of gross earnings in 1961.

As in the past, operating expenses incurred by the Corporation were paid out of current income and amounted to \$1,876,000 in 1961, or only 3 percent of total income. The Corporation is self-supporting—receiving no appropriated funds from the United States Treasury. In 1961, such expenses consisted almost entirely of administrative expenses of the Corporation and the cost of services rendered by the Federal Home Loan Bank Board. A comparative statement of income and expenses of 1960 and 1961 is presented in Table 8.

Chart 11 shows the source and distribution of cumulative gross income of the Corporation since the beginning of operations.

FEDERAL HOME LOAN BANK BOARD

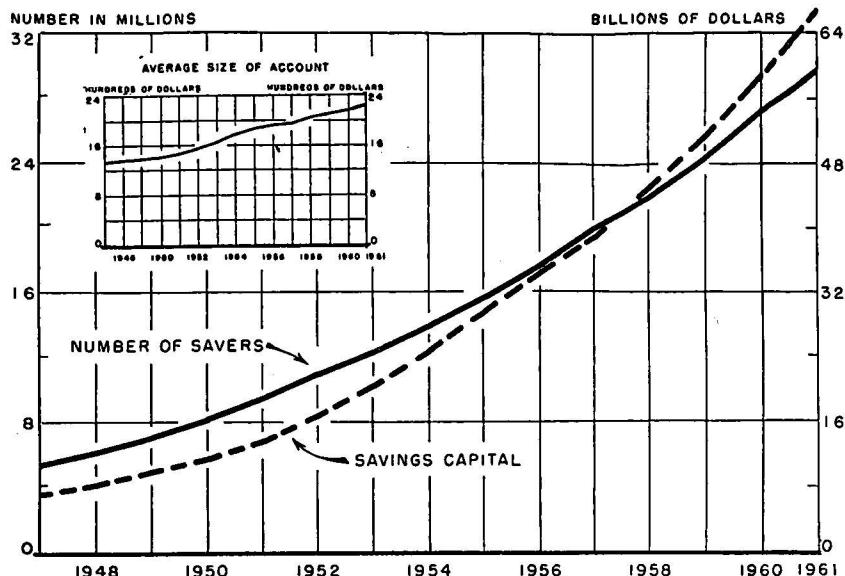


Chart 10.—Number of Savers and Savings Capital of Insured Savings and Loan Associations.

Of the overall mortgages held by insured associations, 84 percent were of the conventional or uninsured type, 10 percent were guaranteed by the Veterans Administration, and the remaining 6 percent were insured by the Federal Housing Administration. The following table shows the classification of mortgage loans by type at December 31, 1961:

Mortgage Portfolios of All Insured Associations, Dec. 31, 1961

	Mortgage loans held	Percent distribution
FHA insured.....	\$4,033,000,000	6
VA guaranteed or insured.....	6,808,000,000	10
Subtotal.....	10,841,000,000	16
Conventional mortgage loans.....	54,684,000,000	84
Total.....	65,525,000,000	100

Liquid assets comprised of cash and U.S. Government obligations amounted to \$8,064,000,000 at the close of the year and were equal to 12 percent of savings capital. Effective March 1, 1961, regulations for the Federal Home Loan Bank System increased minimum liquidity requirements from 6 to 7 percent for insured and other member institutions.

FEDERAL HOME LOAN BANK BOARD

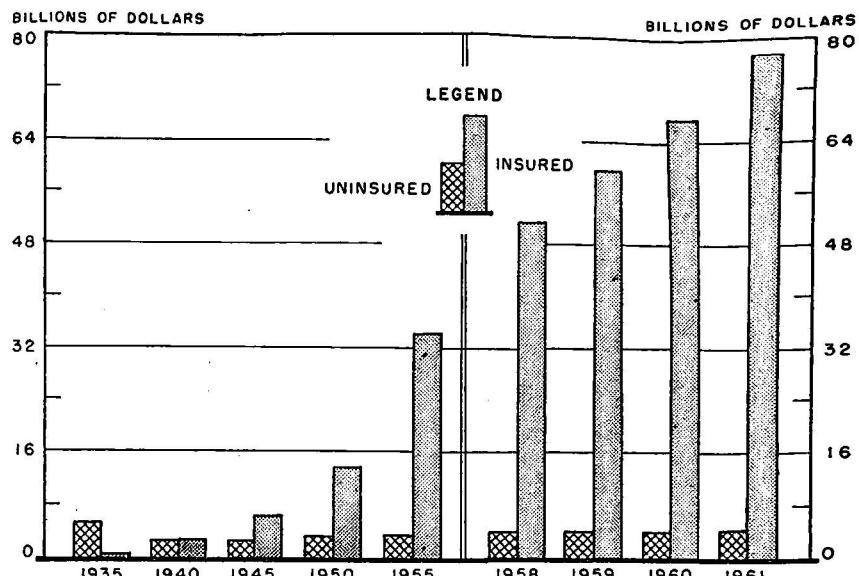


Chart 9.—Assets of Insured and Uninsured Savings and Loan Associations.

Under the influx of new savings capital totaling more than \$26,782,000,000 and withdrawals of about \$18,347,000,000, the net inflow of savings to insured associations in 1961 reached an all-time high of over \$8,435,000,000 or as much as \$1,053,000,000 above the previous peak of \$7,383,000,000 attained in 1960. This record growth brought total savings capital held by these thrift institutions to more than \$67,312,000,000 at the close of the year, an increase of 15 percent over the previous year. The steady rise in savings accounts over the years is shown in Chart 10.

Spurred by a substantial build-up in new savings capital, the lending operations of insured savings and loan associations also rose to an unprecedented high in 1961. Specializing in mortgages on one-to-four-family nonfarm homes, these institutions provided about 42 percent of all home-mortgage financing in 1961—more than any other type of lender in the country. Total mortgages made by insured associations in 1961 aggregated \$16,835,000,000, or 22 percent over 1960 and 15 percent above the previous peak lending year of 1959. The 1961 loan volume registered by these institutions played an important part in checking the recession downturn in home building over the Nation.

At the close of 1961, insured institutions had in their mortgage portfolios almost 7,700,000 loans representing a total investment in excess of \$65,525,000,000, or 84 percent of their assets. This is the first time in savings and loan history that a growth approximating \$9,000,000,000 has taken place in a single year.

FEDERAL HOME LOAN BANK BOARD

Federal Home Loan Bank System, which provides an important source of reserve funds for emergency and seasonal needs. A summary of the number and assets of insured member associations, grouped by type of institution, follows:

Insured Membership, Dec. 31, 1961

	Number	Assets
Federal associations.....	1,906	\$43,805,000,000
State-chartered associations:		
Mutual.....	1,748	21,472,000,000
Stock.....	567	12,707,000,000
Total State-chartered associations.....	2,315	34,179,000,000
Total insured institutions.....	4,221	77,984,000,000

These insured institutions, located in every State of the United States, the District of Columbia, Guam, and Puerto Rico, hold 95 percent of the assets, mortgages, and savings capital of all operating associations in the country. Table 6 gives a detailed breakdown, by Federal Home Loan Bank Districts and by States, of the number and assets of insured associations at the end of 1960 and 1961.

Assets and Liabilities of Insured Associations

Insured savings and loan associations observed their greatest growth in history during 1961. With a gain in assets of almost \$10,554,000,000, or 16 percent during the year, total assets on December 31, 1961, reached a high of nearly \$77,984,000,000. Nearly \$258,000,000 of this increase was due to admissions of new members, while the remainder represented the growth of associations previously insured. Expansion of the insured membership over the years is shown in Chart 9 and in the following table:

Principal Balance Sheet Items of Insured Associations

[Dollar amounts in millions]

As of 12/31	Total Assets			Cash and United States Govern- ments				Reserves and Undivided Profits		Percent to Savings Capital	
	Amount	Percent of all S. and L.A.'s		Mortgage Loans	Govern- ments	Savings Capital	Undivided Profits	Cash and United States Govern- ments	Reserves and Undivided Profits	Percent to Savings Capital	
		1950	1955	1960	1961	1950	1955	1960	1961		
1950.....	\$13,691	81.0	\$11,181	\$1,973	\$11,374	\$955	17.3	8.4			
1955.....	34,198	90.8	28,686	4,005	29,241	2,246	13.7	7.7			
1960.....	67,430	94.3	56,812	6,838	58,662	4,631	11.7	7.9			
1961.....	77,984	95.0	65,525	8,064	67,312	5,349	12.0	7.9			

FEDERAL HOME LOAN BANK BOARD

reserves are available to meet any future insurance losses which may occur among insured associations threatened with or declared in default. In addition, the Corporation has the authority to borrow from the United States Treasury up to \$750,000,000 outstanding at any one time. This borrowing authority, however, has never been used.

Insurance Protection to Savers

The Corporation's insurance program is set up to protect savings in its member associations against loss up to a statutory limit of \$10,000 for each saver. This protection may take one of two courses—the prevention of default or the payment of insurance to savings account holders in the event of liquidation. Wherever possible, preventive measures are taken to eliminate the necessity of placing a distressed association in liquidation. Such measures may take the course of a direct cash contribution to the institution in distress, an outright purchase of all or part of the association's assets, or the granting of a loan.

If an association in financial difficulty should be placed in liquidation, the Corporation must either pay the insured investors in cash or make new accounts in the same amounts in other insured associations available to the investors of the institution in liquidation. If the savings accounts are paid in shares of other insured institutions, the Corporation, before making such payments, determines that these institutions are in a position to pay withdrawals promptly should the savers desire their funds.

In the case of a Federally chartered institution, the Corporation is required by law to act as receiver. If the institution in default is State-chartered, the laws in a number of States permit the appointment of the Corporation as sole receiver or co-receiver with the State authorities.

Insurance Coverage

Insurance is compulsory for all Federal savings and loan associations, whereas eligible State-chartered institutions may obtain insurance upon application and approval by the Corporation. Although a number of States provide for the stock company type of organization, a great majority of State-chartered and all Federal associations operate on a mutual basis.

Membership in the Federal Savings and Loan Insurance Corporation now covers a larger portion of the savings and loan industry than at any previous time. Of the total of 4,221 institutions insured by the Corporation at the close of the year, 1,906 were Federally chartered and 2,315 were State-chartered. All insured associations are currently members of the

Section 3

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Introduction

The Federal Savings and Loan Insurance Corporation was created in 1934 by Title IV of the National Housing Act. Established during a period of great economic stress, the Corporation provides the safety of insurance of savings invested by the public in its member savings and loan institutions. Through this form of protection, the Corporation has played a major role in contributing to greater stabilization of the financial structure of the country. Insurance of savings has been a significant factor in strengthening the capacity of member institutions to serve the American public as savings media and home-mortgage lenders in their own communities.

The continuous strong influx of savings into insured associations over the years attests the confidence of the public in this form of insurance protection for their savings. On December 31, 1961, these institutions held in trust total savings capital of \$67,312,000,000 for over 29,800,000 investors—about one out of every six persons in the United States. The net addition to savings during 1961 alone amounted to nearly \$8,700,000,000, the greatest net increase in savings ever reported.

With respect to the provision of funds for home-financing needs, insured savings and loan associations accounted for over two-fifths of the Nation's home-financing needs and, at the close of 1961, had over \$65,525,000,000 in mortgage loans outstanding.

Reserves and undivided profits of insured associations at the end of the year totaled more than \$5,349,000,000, or 7.9 percent of savings capital. These accumulations serve as a cushion to meet losses in the event of financial stress. In addition, the full resources of the Insurance Corporation provide a secondary defense to the savers of these associations.

As shown in Chart 11, the Insurance Corporation derives its income mainly from two major sources (1) the annual insurance premiums paid by its members, currently at an annual rate of one-twelfth of 1 percent of their total share accounts and creditor liabilities and (2) interest earned on its investments. As of December 31, 1961, the Corporation had \$440,887,000 available for contingency reserves, an increase of 15.7 percent above the \$380,936,000 at the close of the prior calendar year. Since the beginning of operations, the Corporation has made available for reserves 86.9 percent of its \$507,185,000 of cumulative income. These accumulated

FEDERAL HOME LOAN BANK BOARD

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

Created by Title IV of the National Housing Act, 1934, for the purpose of insuring savings in all Federal savings and loan associations and in all State-chartered savings and loan, building

and loan, and homestead associations and cooperative banks which apply and qualify. The insurance coverage is limited to \$10,000 as provided by law.

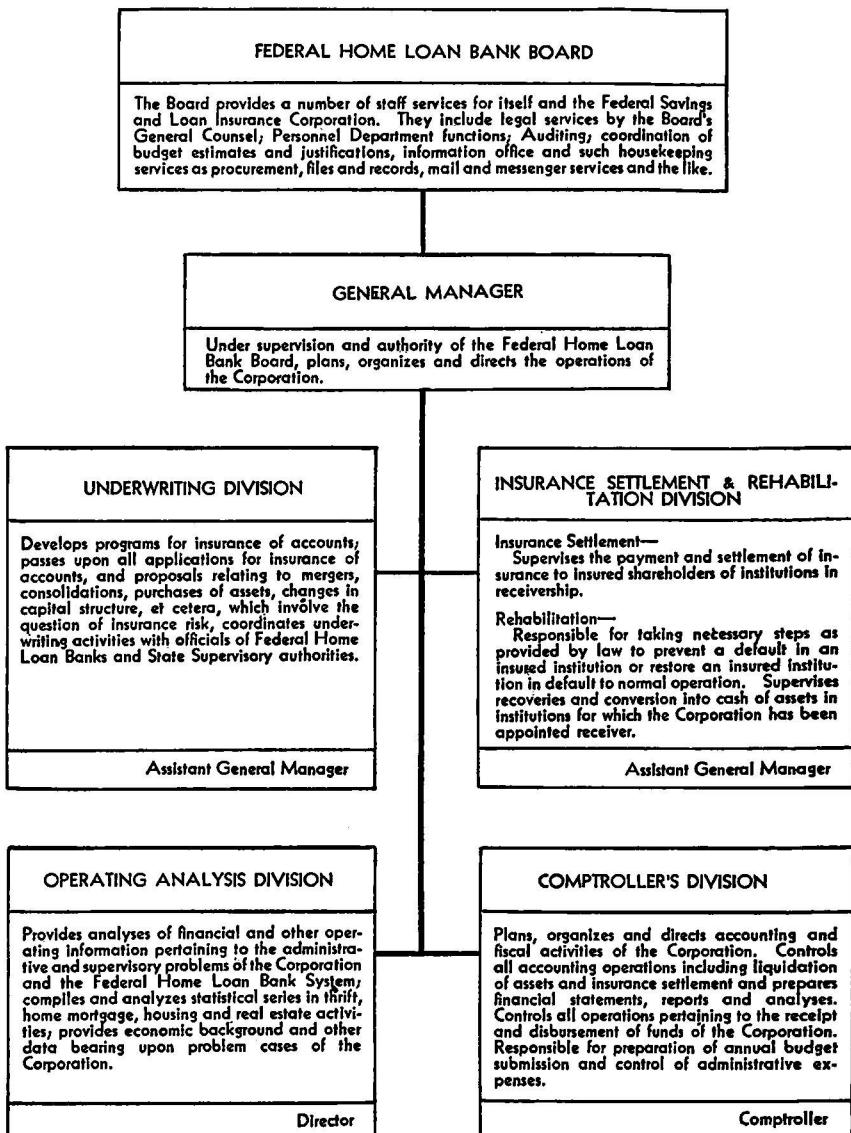


Chart 8.—Functional Chart of the Federal Savings and Loan Insurance Corporation.



FEDERAL HOME LOAN BANK BOARD

The Board acts on applications for membership in the Federal Home Loan Bank System and for insurance of accounts. It issues charters for Federal savings and loan associations and approves their branches. It also acts on applications for conversion from State to Federal charter.

The Board is responsible for the examination and supervision of all Federal savings and loan associations and prescribes regulations relating to the lending and other activities of these associations. In addition, it examines, or jointly examines with State authorities, all State-chartered associations insured by the Federal Savings and Loan Insurance Corporation. The Board also prescribes regulations applicable to insurance of accounts for all institutions insured by the Federal Savings and Loan Insurance Corporation.

FEDERAL HOME LOAN BANK BOARD

Table 1.—Federal Home Loan Bank Board—Condensed comparative consolidated statement of condition as of December 31, 1961, and December 31, 1960

ASSETS	Dec. 31, 1961	Dec. 31, 1960
Cash with the United States Treasury.....	\$261, 523	\$373, 403
Accounts receivable:		
Examination fees from savings and loan institutions.....	1, 111, 664	940, 755
Assessments against Federal Home Loan Banks.....	21, 437	39, 530
Conservatorship and supervisory representative expenditures.....	134, 015	184, 189
Employees' travel advances.....	218, 350	182, 164
Other.....	25, 049	31, 632
Total accounts receivable.....	1, 510, 515	1, 378, 270
Inventory:		
Supplies.....	13, 366	11, 233
Postage.....	1, 277	3, 768
Total inventory.....	14, 643	15, 001
Furniture, fixtures, and equipment, at cost.....	422, 827	383, 613
Less allowance for depreciation.....	422, 827	383, 613
Total furniture, fixtures, and equipment...	0	0
Total assets.....	1, 786, 681	1, 766, 674
LIABILITIES AND CAPITAL		
Accounts payable and accrued liabilities.....	805, 194	888, 533
Employees' accrued annual leave	806, 018	727, 758
Advance from Bureau of the Budget.....	2, 095	0
Prepaid assessment by Federal Savings and Loan Insurance Corporation.....	81, 318	413, 947
Total liabilities.....	1, 694, 625	2, 030, 238
Capital:		
Retained earnings.....	704, 325	394, 579
Less unfunded liability for employees' accrued annual leave.....	612, 269	658, 143
Total capital	92, 056	-263, 564
Total liabilities and capital	1, 786, 681	1, 766, 674

FEDERAL HOME LOAN BANK BOARD

Table 2.—Federal Home Loan Bank Board—Statement of revenue, expenses, and retained earnings for the calendar years 1961 and 1960

Revenue:

	<i>1961</i>	<i>1960</i>
Examination fees:		
Examinations of savings and loan institutions.....	\$9,164,218	\$7,180,726
Special examinations.....	87,894	70,310
Assessments against:		
Federal Home Loan Banks.....	1,083,948	882,820
Federal Savings and Loan Insurance Corporation.....	871,494	763,578
Miscellaneous.....	15,319	6,628
Total revenue.....	11,222,873	8,904,062

Expenses:

Examination of savings and loan institutions.....	9,199,980	7,340,490
Special examinations.....	64,398	56,885
Administrative.....	1,648,749	1,655,131
Total expenses.....	10,913,127	9,052,506
Revenue in excess of expenses.....	309,746	-148,444
Retained earnings at beginning of year.....	394,579	543,023
Retained earnings at end of year.....	704,325	394,579

FEDERAL HOME LOAN BANK BOARD

Table 3.—Federal Home Loan Banks—Summary of Lending Operations

	<i>Advances</i>	<i>Repayments</i>	<i>Balance Outstanding, End of Year</i>	<i>Number of Borrowers, End of Year</i>
Boston.....	\$108,036,250	\$67,478,257	\$115,112,410	125
New York.....	172,229,650	136,743,749	156,017,633	186
Pittsburgh.....	150,910,100	91,368,700	212,618,800	362
Greensboro.....	233,667,000	197,456,500	276,215,500	359
Cincinnati.....	123,103,500	103,122,000	143,272,750	209
Indianapolis.....	65,956,439	45,021,762	96,287,117	123
Chicago.....	297,839,409	248,633,830	366,480,747	353
Des Moines.....	99,295,840	89,725,659	126,705,810	158
Little Rock.....	121,735,239	90,071,239	107,362,800	200
Topeka.....	131,819,296	87,096,369	110,502,221	119
San Francisco.....	1,377,324,475	1,043,756,969	951,641,592	261
 Total year 1961....	 2,881,917,198	 2,200,475,034	 2,662,217,380	 2,455
1960.....	1,943,163,912	2,096,710,936	1,980,775,216	2,371
1959.....	2,066,818,641	1,230,816,218	2,134,322,240	2,443
1958.....	1,363,698,891	1,330,573,817	1,298,319,817	2,040
1957.....	1,116,148,133	1,079,109,218	1,265,194,743	2,018
1956.....	744,935,826	933,538,953	1,228,155,829	2,241
1955.....	1,251,680,438	702,399,587	1,416,758,956	2,408
1954.....	734,248,942	818,325,856	867,478,105	1,923
1953.....	727,516,618	640,150,131	951,555,018	2,147
1952.....	585,813,272	527,561,508	864,188,531	2,057
1951.....	422,977,074	432,997,025	805,936,767	2,221
1950.....	674,756,650	292,229,082	815,956,718	2,279
1949.....	255,662,641	337,249,581	433,429,150	1,800
1948.....	359,612,777	280,168,873	515,016,089	1,993
1947.....	351,079,351	208,961,932	435,572,186	1,804
1946.....	329,231,891	230,649,367	293,454,767	1,420
1945.....	277,748,277	213,438,983	194,872,243	916
1944.....	239,254,222	218,759,090	130,562,949	821
1943.....	156,925,589	176,070,304	110,067,817	919
1942.....	99,461,876	189,695,395	129,212,532	1,388
1941.....	157,600,421	139,646,335	219,446,050	2,057
1940.....	134,212,166	114,033,192	201,491,964	2,262
1939.....	94,780,587	112,310,034	181,312,991	2,339
1938.....	81,958,343	83,153,601	198,842,438	2,607
1937.....	123,251,173	68,440,498	200,037,696	2,707
1936.....	93,257,057	50,715,705	145,227,021	2,483
1935.....	59,130,069	43,046,971	102,685,668	2,192
1934.....	38,675,566	37,515,249	86,602,571	1,769
1933.....	90,032,164	5,427,410	85,442,254	(1)
1932.....	837,500	0	837,500	(1)
 Grand total..	 17,456,387,265	 14,794,169,885	.....	.....

¹ Not available.

FEDERAL HOME LOAN BANK BOARD

Table 4.—Federal Home Loan Banks—Comparative condensed consolidated statement of condition as of dates indicated

ASSETS	<i>Dec. 31, 1961</i>	<i>Dec. 31, 1960</i>
Cash:		
On hand and in banks.....	\$135, 919, 338	\$78, 048, 240
Treasurer of the United States.....	23, 437, 023	12, 179, 313
 Total cash.....	 159, 356, 361	 90, 227, 553
 Investments:		
U.S. Treasury obligations.....	1, 153, 316, 055	1, 230, 454, 701
Securities held under resale agreements.....	0	3, 000, 000
 Total investments.....	 1, 153, 316, 055	 1, 233, 454, 701
 Advances outstanding:		
Secured.....	1, 787, 206, 894	1, 306, 402, 514
Unsecured.....	875, 010, 486	674, 372, 702
 Total advances outstanding.....	 2, 662, 217, 380	 1, 980, 775, 216
 Accrued interest receivable.....	12, 858, 026	10, 693, 605
Deferred charges.....	649, 481	528, 022
Other assets.....	16, 550	21, 091
 Total assets.....	 3, 988, 413, 853	 3, 315, 700, 188
LIABILITIES		
Deposits:		
Members-time.....	968, 537, 555	773, 388, 034
Members-demand.....	211, 227, 030	164, 800, 699
Applicants for membership.....	1, 302, 604	821, 225
 Total deposits.....	 1, 181, 067, 189	 939, 009, 958
Accrued interest payable.....	19, 950, 116	24, 416, 369
Accounts payable.....	242, 085	92, 471
Dividends payable.....	14, 511, 742	12, 761, 488
Unamortized bond premium.....	477, 798	870, 599
Consolidated obligations ¹	1, 570, 605, 000	1, 266, 265, 000
 Total liabilities.....	 2, 786, 853, 930	 2, 243, 415, 885

See footnote at end of table.

FEDERAL HOME LOAN BANK BOARD

Table 4.—Federal Home Loan Banks—Comparative condensed consolidated statement of condition as of dates indicated—Continued

CAPITAL	Dec. 31, 1961	Dec. 31, 1960
Capital stock: Total paid in on subscriptions....	\$1,107,439,400	989,315,075
Retained earnings:		
Legal reserve.....	59,074,361	50,853,534
Reserve for contingencies.....	2,507,692	1,468,207
Undivided profits.....	32,538,470	30,647,487
Total retained earnings.....	94,120,523	82,969,228
Total capital.....	1,201,559,923	1,072,284,303
Total liabilities and capital.....	3,988,413,853	3,315,700,188

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

FEDERAL HOME LOAN BANK BOARD

Table 5.—Federal Home Loan Banks—Comparative consolidated statement of income and expense for the calendar years 1961 and 1960

	<i>Calendar Year 1961</i>		<i>Calendar Year 1960</i>	
	<i>Amount</i>	<i>Percent</i>	<i>Amount</i>	<i>Percent</i>
Earned operating income:				
Interest on advances.....	\$65,094,640	62.0	\$72,225,744	63.7
Interest on securities.....	39,950,814	38.0	41,161,388	36.3
Miscellaneous.....	18,110	.....	18,409	.....
Total operating income.....	105,063,564	100.0	113,405,541	100.0
 Operating expenses:				
Compensation.....	2,096,678	2.0	1,969,038	1.8
Travel.....	212,739	0.2	181,653	0.2
Other administrative expenses.....	1,155,319	1.1	1,003,668	0.9
Interest on consolidated obligations.....	35,546,302	33.8	55,312,125	48.8
Concessions on consolidated obligations.....	1,034,494	1.0	1,186,062	1.0
Paid through office of Fiscal Agent.....	165,188	0.2	149,893	0.1
Interest on members' deposits..	23,208,899	22.1	16,250,223	14.3
GAO audit expense.....	4,700	.....	4,800	.....
Assessment for expenses of FHLB Board.....	1,135,034	1.1	896,801	0.8
Total operating expenses....	64,559,353	61.5	76,954,263	67.9
Net operating income.....	40,504,211	38.5	36,451,278	32.1
 Nonoperating income:				
Profit-sales of securities.....	742,882	0.7	875,208	0.8
Furniture and equipment sales.....	17,047	.....	9,901	.....
Miscellaneous.....	7,331	.....	25,612	.....
Total nonoperating income..	767,260	0.7	910,721	0.8
 Nonoperating charges:				
Loss-sales of securities.....	18,439	.....	45,239	.....
Furniture and equipment purchased.....	148,788	0.2	165,235	0.2
Miscellaneous.....	107	.....	50	.....
Total nonoperating charges..	167,334	0.2	210,524	0.2
Net income.....	41,104,137	38.8	37,151,475	32.5

Table 6.—Federal Savings and Loan Insurance Corporation

Number and Assets of Insured Savings and Loan Associations, by Type, December 31, 1961 and 1960

[Dollar amounts shown in thousands]

	All insured				Federal				Insured State			
	1961		1960		1961		1960		1961		1960	
	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets
United States.....	4,221	\$77,983,808	4,098	\$67,429,934	1,906	\$43,804,658	1,873	\$38,510,776	2,315	\$34,179,120	2,225	\$28,919,158
District No. 1—Boston.....	127	2,415,673	127	2,182,711	67	1,787,029	67	1,610,906	60	528,644	60	571,805
Connecticut.....	36	767,563	37	696,939	18	570,743	18	516,954	18	196,820	19	176,985
Maine.....	22	115,665	21	98,379	5	29,050	5	25,602	17	86,615	16	72,777
Massachusetts.....	35	1,026,461	35	921,151	34	1,007,027	34	902,097	1	10,434	1	19,054
New Hampshire.....	20	177,444	20	159,861	6	104,996	6	95,215	14	72,448	14	64,616
Rhode Island.....	9	283,336	9	264,751	2	35,661	2	34,597	7	247,675	7	230,154
Vermont.....	5	45,204	5	41,630	2	39,552	2	36,441	3	5,652	3	5,189
District No. 2—New York.....	430	8,501,577	418	7,500,469	116	4,116,742	115	3,639,520	314	4,384,835	303	3,860,949
New Jersey.....	212	3,055,409	203	2,670,376	25	412,708	24	367,720	187	2,642,701	179	2,302,666
New York.....	211	5,347,402	208	4,747,971	84	3,605,268	84	3,189,678	127	1,742,134	124	1,558,293
Puerto Rico.....	7	98,766	7	82,122	7	98,766	7	82,122	.....	.....	.....	.....
District No. 3—Pittsburgh.....	341	4,108,927	331	3,579,903	164	2,752,096	166	2,421,177	177	1,356,831	165	1,158,726
Delaware.....	5	24,299	5	22,332	3	14,944	3	13,510	2	9,355	2	8,822
Pennsylvania.....	309	3,842,559	299	3,341,665	139	2,526,249	141	2,219,884	170	1,317,310	158	1,121,781
West Virginia.....	27	242,060	27	215,906	22	211,903	22	187,783	5	30,168	5	28,123
District No. 4—Greensboro.....	644	11,414,464	624	10,000,368	415	8,518,708	402	7,472,548	229	2,805,756	222	2,527,820
Alabama.....	45	545,253	41	465,454	37	472,476	34	404,268	8	72,777	7	61,186
District of Columbia.....	24	1,437,266	24	1,271,830	9	386,976	9	344,910	15	1,050,290	15	926,920
Florida.....	114	3,703,768	110	3,224,045	110	3,659,000	107	3,185,665	4	44,768	3	38,350
Georgia.....	95	1,223,195	92	1,074,408	92	1,202,429	88	1,054,098	3	20,768	4	20,310
Maryland.....	85	1,423,909	80	1,299,331	60	1,074,637	57	978,893	25	349,272	23	320,438
North Carolina.....	160	1,552,933	167	1,341,313	35	584,640	35	515,352	125	958,293	122	825,961
South Carolina.....	67	723,664	67	636,739	43	533,737	43	472,167	24	189,927	24	164,572
Virginia.....	54	804,476	53	687,248	29	594,813	29	517,195	25	209,663	24	170,053
District No. 5—Cincinnati.....	502	8,030,384	484	7,195,288	264	4,629,361	253	4,112,248	238	3,451,023	231	3,083,038
Kentucky.....	86	860,134	79	750,694	72	701,646	68	697,557	14	68,488	13	59,137
Ohio.....	360	6,366,322	352	5,695,465	138	2,983,787	135	2,672,636	224	3,382,585	217	3,022,829
Tennessee.....	66	883,928	53	743,127	56	853,928	52	742,055	.....	.....	1	1,072
District No. 6—Indianapolis.....	232	4,003,099	229	3,592,266	118	2,710,256	117	2,428,016	114	1,202,843	112	1,164,250
Indiana.....	166	2,010,746	164	1,793,963	80	1,312,390	79	1,164,585	86	698,356	85	629,378
Michigan.....	66	1,992,353	65	1,795,303	38	1,397,386	38	1,283,431	28	594,487	27	534,872
District No. 7—Chicago.....	586	9,628,269	569	8,488,685	175	4,571,699	174	4,109,650	411	5,056,570	395	4,380,035
Illinois.....	446	7,696,867	429	6,744,311	135	3,972,244	134	3,568,468	311	3,724,623	295	3,180,843
Wisconsin.....	140	1,031,402	140	1,744,374	40	899,455	40	545,182	100	1,331,947	100	1,169,192

District No. 8—Des Moines...	230	4,884,186	274	4,270,373	145	2,002,807	143	2,610,485	135	1,891,289	131	1,050,888
Iowa.....	74	895,605	73	767,584	42	556,544	41	475,464	32	339,121	32	202,120
Minnesota.....	63	1,683,322	59	1,481,506	48	1,822,792	45	1,182,740	17	360,530	14	318,706
Missouri.....	121	1,975,600	120	1,743,571	42	934,972	42	828,004	79	1,040,528	78	915,567
North Dakota.....	12	232,133	12	198,746	8	119,570	8	103,649	4	112,633	4	93,097
South Dakota.....	10	97,586	10	80,066	7	59,019	7	49,628	8	38,547	3	31,338
District No. 9—Little Rock.....	436	4,938,087	421	4,217,602	186	2,213,087	182	1,921,883	250	2,725,600	239	2,295,719
Arkansas.....	51	367,168	49	311,900	40	328,307	40	281,469	11	38,771	9	30,431
Louisiana.....	88	1,058,259	86	942,249	24	242,102	23	210,766	64	816,187	63	731,493
Mississippi.....	35	321,299	34	282,258	28	255,823	27	225,423	7	65,476	7	56,835
New Mexico.....	24	202,322	21	172,990	10	130,377	9	115,032	14	71,945	12	57,388
Texas.....	238	2,989,609	231	2,508,205	84	1,256,388	83	1,088,603	154	1,733,221	148	1,419,602
District No. 10—Topeka.....	227	3,198,371	226	2,750,858	97	1,872,672	96	1,608,095	130	1,325,699	130	1,142,763
Colorado.....	52	980,806	52	833,735	20	536,142	20	468,395	32	453,664	32	370,340
Kansas.....	91	939,118	90	816,335	29	552,854	29	486,521	62	386,282	61	329,564
Nebraska.....	35	456,958	35	378,494	19	205,876	18	136,581	16	251,082	17	241,913
Oklahoma.....	49	812,491	49	717,244	29	577,800	29	516,298	20	234,691	20	200,946
District No. 11—San Francisco.....	416	16,810,171	395	13,651,413	159	7,640,141	158	6,568,248	257	9,170,030	237	7,083,165
Alaska.....	3	21,091	3	14,423	3	21,091	3	14,423	-----	-----	7	108,087
Arizona.....	10	369,623	9	282,353	2	206,592	2	174,266	8	163,031	1	1,658
California.....	255	13,292,279	240	10,728,183	69	5,308,138	69	4,558,425	186	7,984,141	171	6,160,758
Guam.....	1	2,008	1	1,658	-----	-----	1	32,335	1	2,008	1	1,658
Hawaii.....	7	158,642	7	136,084	1	37,153	1	32,335	6	121,489	6	102,720
Idaho.....	9	182,932	9	160,196	8	164,602	8	146,823	1	18,330	1	14,873
Montana.....	12	143,011	12	125,579	6	67,809	6	58,530	6	75,202	6	66,049
Nevada.....	6	128,558	4	53,669	1	39,870	1	33,377	5	86,688	3	20,292
Oregon.....	25	508,400	25	464,514	19	405,919	19	348,442	6	162,481	6	116,072
Utah.....	14	382,733	14	333,506	6	183,769	6	159,977	8	198,964	8	173,529
Washington.....	63	1,470,017	61	1,274,250	35	1,115,941	34	984,874	28	354,076	27	309,376
Wyoming.....	11	92,877	10	77,018	9	89,257	9	76,276	2	3,620	1	742

FEDERAL HOME LOAN BANK BOARD

Table 7.—Federal Savings and Loan Insurance Corporation—Statement of condition as of dates indicated

ASSETS	<i>Dec. 31, 1961</i>	<i>Dec. 31, 1960</i>
Cash.....	\$3,431,085.89	\$3,529,377.72
Accounts receivable:		
Insurance premiums—payments due.....	1,429,813.65	1,392,542.80
Insurance premiums—payments deferred....	14,046,824.09	12,210,853.47
Admission fees receivable.....	0	300.00
	<u>15,476,637.74</u>	<u>13,603,696.27</u>
Investments:		
U.S. Government securities (par value).....	396,500,000.00	332,500,000.00
Unamortized premium and discount on investments (net).....	2,346,922.18	1,103,260.47
	<u>(Market value—\$380,372,252)</u>	<u>394,153,077.82</u>
Accrued interest on investments.....	2,766,572.63	2,567,636.48
Loans to insured institutions.....	45,000,000.00	45,000,000.00
Accrued interest on loans to insured institutions..	523,906.00	891,001.61
Assets purchased from insured institutions.....	6,031,899.19	6,638,957.80
Less: Allowance for losses.....	0	15,000.00
	<u>6,031,899.19</u>	<u>6,623,957.80</u>
Furniture, fixtures and equipment.....	125,730.17	120,703.46
Less: Allowance for depreciation.....	125,730.17	120,703.46
	<u>0</u>	<u>0</u>
Deferred charges:		
Prepaid assessment to Federal Home Loan Bank Board.....	75,815.40	413,988.93
Fidelity bond and other insurance premiums.	445.83	891.67
Preliminary expenses on problem cases.....	640.98	0
Other prepaid expenses.....	4,277.50	20,786.00
	<u>81,179.71</u>	<u>435,666.60</u>
Other assets.....	566.40	880.00
Total assets.....	467,464,925.38	404,048,956.01

FEDERAL HOME LOAN BANK BOARD

Table 7.—Federal Savings and Loan Insurance Corporation—Statement of condition as of dates indicated—Continued

LIABILITIES		<i>Dec. 31, 1961</i>	<i>Dec. 31, 1960</i>
Liabilities:			
Accounts payable.....	\$1,089.58	26.01	
Accrued liabilities.....	53,914.04	41,475.59	
Deductions from employees' salaries.....	19,880.47	21,853.11	
Funds held in escrow and earnest money deposits.....	0	700.00	
	<hr/> 74,884.09	<hr/> 64,054.71	
Deferred credits:			
Unearned insurance premiums.....	26,413,703.47	22,963,051.12	
Prepaid insurance premiums.....	0	408.30	
Unapplied collections.....	0	112.00	
	<hr/> 26,413,703.47	<hr/> 22,963,571.42	
Accrued annual leave of employees.....	<hr/> 89,726.82	<hr/> 85,766.18	
Reserve fund as provided by law.....	409,960,187.26	353,589,551.84	
Unallocated income.....	30,926,423.74	27,346,011.86	
	<hr/> 440,886,611.00	<hr/> 380,935,563.70	
Total liabilities and reserve fund.....	<hr/> 467,464,925.38	<hr/> 404,048,956.01	

FEDERAL HOME LOAN BANK BOARD

Table 8.—Federal Savings and Loan Insurance Corporation—Statement of operations for the calendar years 1961 and 1960

	<i>Jan. 1, 1961 through Dec. 31, 1961</i>	<i>Jan. 1, 1960 through Dec. 31, 1960</i>
Operating income:		
Insurance premiums and admission fees earned.....	\$49,992,228.53	\$43,817,388.87
Interest earned on U.S. Government securities.....	10,546,699.69	9,431,001.03
Interest earned on loans.....	1,272,500.70	891,001.61
Total operating income.....	61,811,428.92	54,139,391.51
Operating expenses and losses:		
Administrative expenses.....	868,645.98	783,084.18
Services rendered by Federal Home Loan Bank Board.....	908,537.42	795,325.65
Other.....	98,848.73	31,167.02
Losses on subrogated accounts.....	9.53	0
Total operating expenses.....	1,876,041.66	1,609,576.85
Net income from operations.....	59,935,387.26	52,529,814.66
Nonoperating income: Miscellaneous income...	726.98	724.13
Net income before provision for losses.....	59,936,114.24	52,530,538.79
Provision for insurance losses.....	(-)15,000.00	(-)65,000.00
Net income.....	59,951,114.24	52,595,538.79

FEDERAL HOME LOAN BANKS

Location and Area Served

FEDERAL HOME LOAN BANK OF BOSTON

10 Post Office Square, Boston 9, Massachusetts

District 1: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont

FEDERAL HOME LOAN BANK OF NEW YORK

165 Broadway, New York 6, New York

District 2: New Jersey, New York, Puerto Rico, and Virgin Islands

FEDERAL HOME LOAN BANK OF PITTSBURGH

Gateway Park Penthouse, Pittsburgh 22, Pennsylvania

District 3: Delaware, Pennsylvania, and West Virginia

FEDERAL HOME LOAN BANK OF GREENSBORO

617 West Market Street, Greensboro, North Carolina

District 4: Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, and Virginia

FEDERAL HOME LOAN BANK OF CINCINNATI

309 Vine Street, Cincinnati 2, Ohio

District 5: Kentucky, Ohio, and Tennessee

FEDERAL HOME LOAN BANK OF INDIANAPOLIS

111 Monument Circle, Indianapolis 4, Indiana

District 6: Indiana and Michigan

FEDERAL HOME LOAN BANK OF CHICAGO

104 South Michigan Avenue, Chicago 3, Illinois

District 7: Illinois and Wisconsin

FEDERAL HOME LOAN BANK OF DES MOINES

1400 Des Moines Building, Des Moines 9, Iowa

District 8: Iowa, Minnesota, Missouri, North Dakota, and South Dakota

FEDERAL HOME LOAN BANK OF LITTLE ROCK

1400 Tower Building, Little Rock, Arkansas

District 9: Arkansas, Louisiana, Mississippi, New Mexico, and Texas

FEDERAL HOME LOAN BANK OF TOPEKA

Seventh and Harrison Streets, Topeka, Kansas

District 10: Colorado, Kansas, Nebraska, and Oklahoma

FEDERAL HOME LOAN BANK OF SAN FRANCISCO

One Bush Street, San Francisco 4, California

District 11: Alaska, Arizona, California, Guam, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, and Wyoming

