REPORT OF THE

FEDERAL HOME LOAN BANK BOARD

FOR THE YEAR ENDING DECEMBER 31, 1963

Covering operations of the
Federal Home Loan Bank System
Federal Savings and Loan Insurance Corporation
Federal Savings and Loan System

LETTER OF TRANSMITTAL

FEDERAL HOME LOAN BANK BOARD

WASHINGTON 25, D. C.

101 INDIANA AVENUE, N. W.

FEDERAL HOME LOAN BANK SYSTEM
FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION
FEDERAL SAVINGS AND LOAN SYSTEM

October 19, 1964

President, United States Senate,
Washington, D. C.

The Speaker of the House of Representatives,
Washington, 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 1963.

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

John E. Horne

John E. Horne, Member

John deLaittre

John deLaittre, Member

FOREWORD

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

The Chairman of the Board is Joseph P. McMurray (Democrat) who was sworn in May 1, 1961, to fill an unexpired term ending June 30, 1961, and to serve a 4-year term ending June 30, 1965. Mr. John deLaittre (Republican) was sworn in September 17, 1962, for a 4-year term ending June 30, 1966. Mr. John E. Horne (Democrat) was sworn in August 8, 1963, for a 4-year term ending June 30, 1967. He succeeded Mr. Joseph J. Williams, Jr., (Democrat) whose term expired June 30, 1963.

Congress has charged this Board with three major responsibilities:

(1) Under the Federal Home Loan Bank Act, to provide a credit reservoir for thrift and home-financing institutions through the Federal Home Loan Banks;

(2) Under the National Housing Act, to direct the Federal Savings and Loan Insurance Corporation which provides insurance protection up to $10,000 per investor in insured institutions; and

(3) Under the Home Owners' Loan Act, to charter and supervise the Federal savings and loan associations.

The Federal Home Loan Bank Board is self-supporting. It does not receive any appropriated funds from the U.S. Treasury. Its expenses are paid from assessments made on the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation, and from charges made to savings and loan associations examined. However, the Congress each year places limitations on the amount of administrative expenses which the Board may incur.

CONTENTS

THE YEAR 1963 IN RETROSPECT

The year 1963 was one of gratifying economic growth, and compared favorably to similar advances in earlier periods. Gross national product rose almost 5 percent and approached the $600 billion mark at yearend. More significantly, it was apparent at the end of 1963 that the strong increase in economic activity would continue in 1964, leading to the longest peacetime expansion on record.

The savings and loan industry showed a record increase in assets, mortgages, and savings. At the end of the year, member associations had assets of more than $105 billion. Savings at the institutions increased by about $11 billion during the year. So far as growth is concerned, the 1963 record of the savings and loan industry extended the gains recorded since the end of World War II. Moreover, the industry's share of home-mortgage financing continued to expand, rising during the year from less than 42 percent to over 43 percent of 1- to 4-family mortgages outstanding.

At the same time, 1963 was a year of transition for the industry in many respects. Unlike some earlier years, when mortgage debt expanded substantially during a period of economic advance, interest rates on home mortgages declined slightly in 1963. During the same period, interest rates on private and public bond issues were increasing. These contrasting trends reflected a large increase in savings and time deposits at commercial banks and thrift institutions.

While the financing of homes and other real estate became more economical during the year, the Board maintained continuing vigilance over the soundness of credit and the operations of associations. Two factors under the Board's scrutiny during 1963 were foreclosure rates and the reserve position of savings and loan associations. Foreclosure rates continued somewhat higher than seemed consistent with the period of prosperity; and the reserve position of savings and loan associations did not quite keep pace with the increased savings in associations.

To insure increased safety margins and better operating standards for associations, the Board took a number of separate actions. These included, among others, strengthening the requirements for allocations to reserves; deferment of certain fee income until earned; improved recordkeeping requirements; and limitations on loans that could be made to any one borrower.

Even though the Board found it advisable to take these restrictive actions, it also recognized changes in market conditions and broadened or improved the lending authority of associations for some types of lending. These changes are discussed in the section on regulations.

Actions taken during 1963, the Board believes, are important steps toward maintaining the desired level of safety and soundness of the industry, and will contribute to economical home finance as required by the Federal Home Loan Bank Act and the other statutes under which the Board and the Federal Savings and Loan Insurance Corporation operate. The Board also recognizes the need for continuing watchfulness in this period of prosperity, both for maintaining the safety of the institutions which it regulates, and for broadening or improving their lending and investing authority.

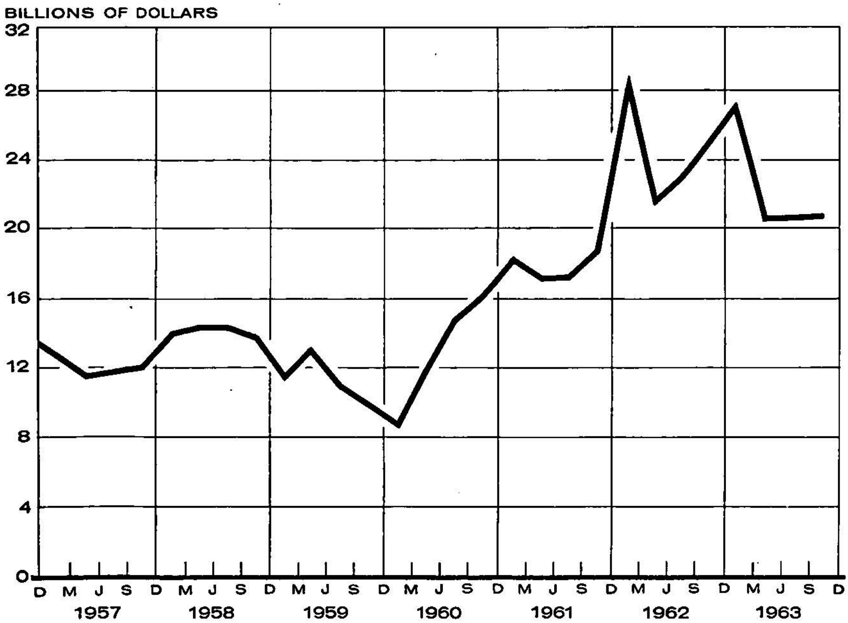
ECONOMIC BACKGROUND

As the preceding review of 1963 indicates, economic developments had a considerable impact on the Board's functions and actions. Two important elements in the economic environment at any time are the net increases in total savings and time accounts, and the total mortgage debt. New records were established by the increase in savings and time accounts, and by the rise in mortgages.

The net increase in all savings and time accounts at commercial banks, mutual savings banks, and savings and loan associations totaled $29.3 billion in 1963, establishing a new record. In comparison, the net increase in savings accounts of individuals of $22.3 billion was smaller than in 1962 when the increase amounted to $24.7 billion. This divergence in movements reflects a continued rise in the net additions to time accounts by corporations, while individuals reduced their additions to savings accounts.

The change in the accounts of individuals, as distinct from corporations, also reflects some further divergent movements of special interest relative to the savings and loan industry. In 1963, the increase in these savings accounts was $4.2 billion less at commercial banks than in 1962. This reduction was partly offset by an actual increase, on the other hand, of $1.8 billion in the net additions in savings accounts at thrift institutions, primarily savings and loan associations.

Chart 1.—Consumer Additions to Savings Accounts
[Quarterly data at seasonally adjusted annual rates]



It is also apparent from Chart 1 that additions to savings accounts of individuals were stronger in the first quarter of 1963 than during the remainder of the year. The lower volume of additions to such accounts for the year as a whole was a considerable departure from the developments in the preceding 3 years when net additions increased each year.

Chart 2 indicates the ratio of the additions to savings accounts of individuals in relation to their total savings by year. That ratio was unusually high in 1961 and 1962, and, even after the drop last year, the ratio remained above that of other years, excluding 1962. The volume of investment in these savings accounts has been unusually high in this expansion. In most periods of expansion, additions have declined.

However, additions to individual accounts as great as those still apparent in 1963 must be regarded as continuing above normal levels experienced in the past. Combined with the still-expanding additions of corporations to time accounts, the total of time and savings funds available to commercial banks and thrift institutions was exceedingly large.

The record increase in savings accounts affected developments in the mortgage market as a whole, as well as that of the savings and loan industry. Funds placed in savings accounts, particularly at thrift institu-

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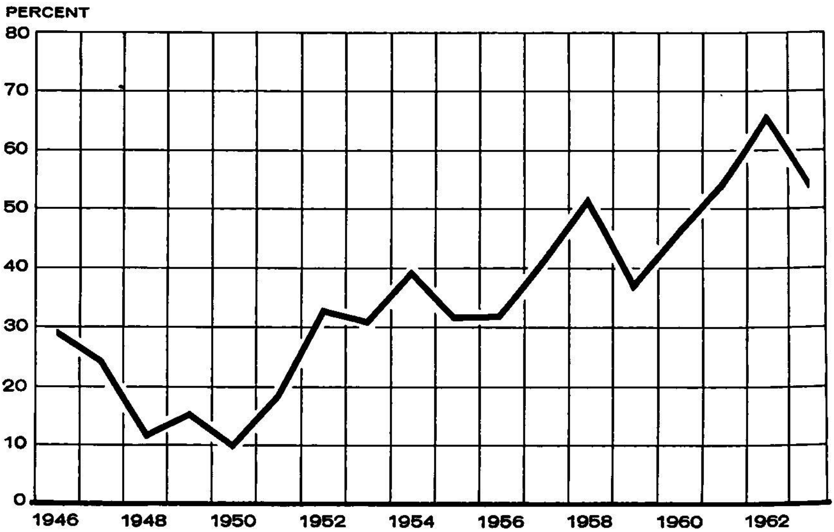
tions, tend to be invested in mortgages. While commercial banks have more lending flexibility than thrift institutions, they too continued to seek mortgage investments rather aggressively in 1963.

Chart 2.—Additions to Savings Accounts as a Percent of Total Consumer Net Savings

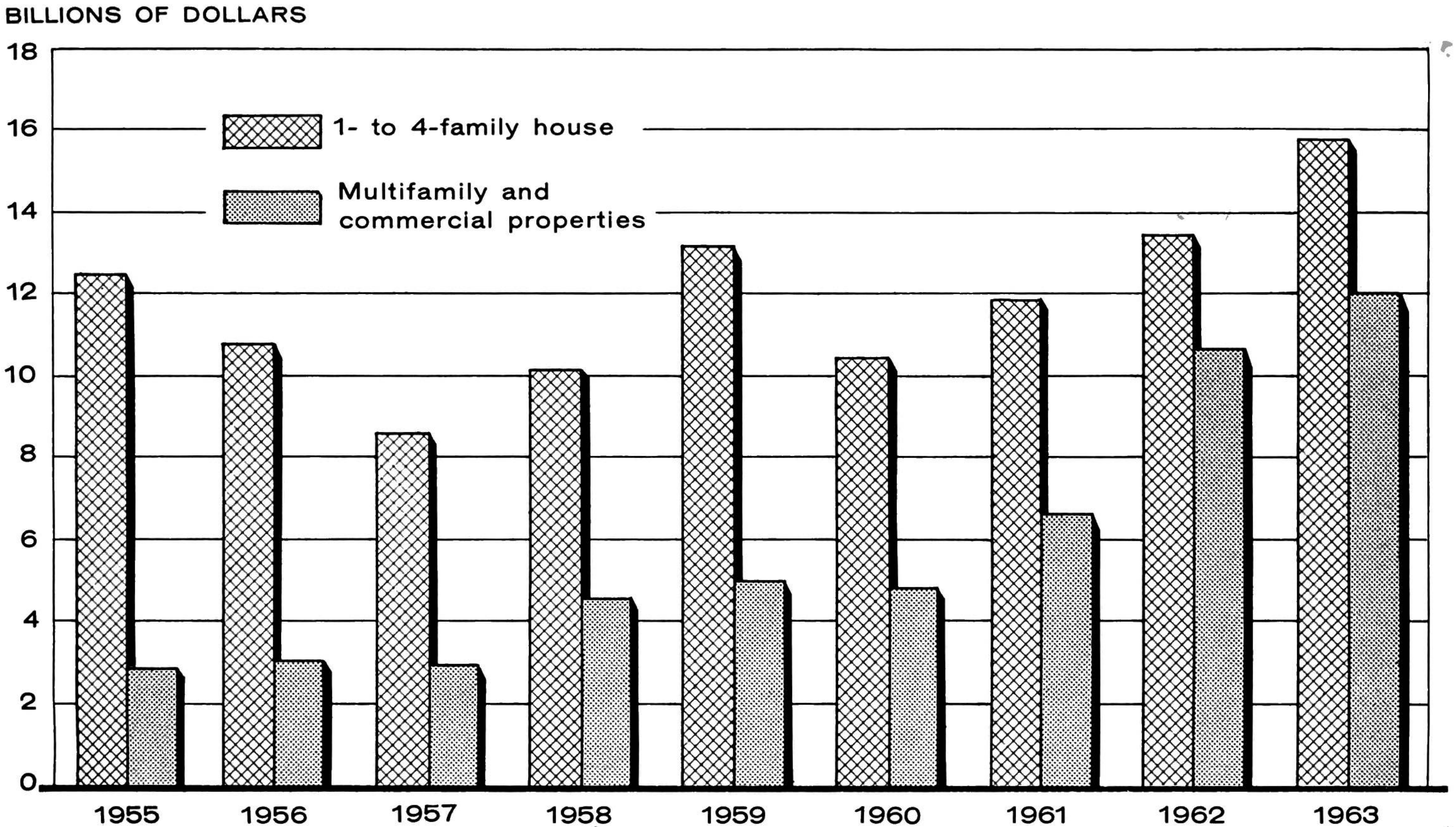


As a consequence of this large volume of available funds seeking investment in mortgages, coupled with a fairly high rate of housing starts, and increased activity in other parts of the real estate market, the increase in mortgage credit established a new record last year. The net change in mortgages outstanding totaled $29.3 billion in 1963 compared with $25.3 billion the preceding year. Chart 3 shows net increases in nonfarm mortgages outstanding, by years, from 1955 through 1963.

In periods of economic expansion, a sharp rise in the net amount of mortgages is frequently accompanied by higher interest rates and stiffening terms for mortgages. The opposite actually occurred in 1963, and this fact invites examination.

In December 1963, interest rates on conventional single-family mortgages at savings and loan associations were lower than in December 1962 by about one-tenth of 1 percent. Interest rates for other lenders showed a similar decline as did the rates on Government-insured or guaranteed mortgages. While a comprehensive measure of interest rates on mortgages for commercial and other properties is not available, it appears that these also were under a slight downward pressure. At the same time,

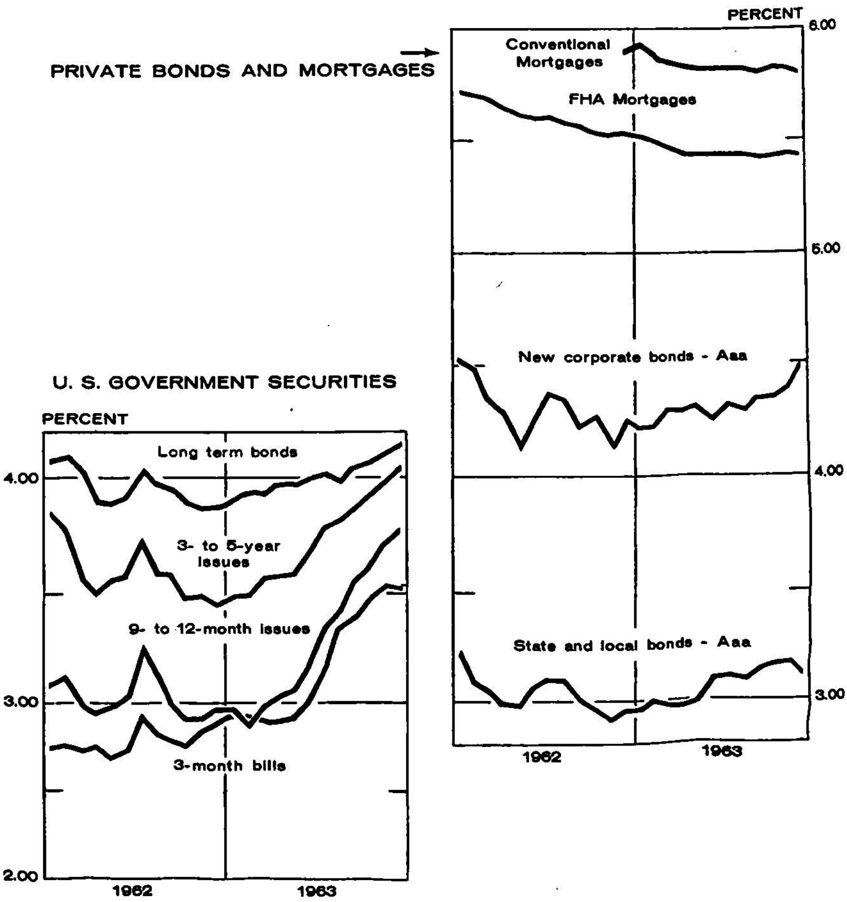
Chart 3.—Net Change in Nonfarm Mortgage Debt Outstanding



nonrate terms on conventional mortgages for single-family units became somewhat easier.

It is of some importance too that interest rates, except on mortgages, rose in 1963. As Chart 4 demonstrates, the increases were sharpest for short- and intermediate-term interest rates, which are characteristically more volatile than long-term rates. Short-term rates were up as much as three-quarters of 1 percent at the end of 1963 over the previous year. Most of the rise occurred after the middle of the year, when monetary and other policy actions were taken by the Government to reduce the balance-of-payments deficit. Long-term bond rates rose only about one-quarter of 1 percent, and during much of the year were below the comparable 1962 level.

Chart 4.—Security Yields



Given the framework of a general rise in interest rates on most money and capital market instruments but a decline in interest rates on mortgages, it appeared that lenders might be pressing hard to obtain mortgages. The easier downpayment and maturity requirements also led to the same conclusion. Under these conditions, credit quality became of increased importance.

Foreclosures by all types of lenders, while increasing less rapidly than in the 2 preceding years, did rise 14 percent. Furthermore, 4.5 out of every 1,000 home mortgages were estimated as having been foreclosed last year. While this rate provides no basis for alarm, it appears slightly high for a period of prosperity.

The foreclosure experience recorded by savings and loan associations was not significantly different than that for all lenders. In the case of savings and loan associations, the foreclosure rate in certain States was substantially higher than average. The States in question usually had larger-than-average savings growth. In some few instances, declines in economic activity appeared to contribute to the difficulty, but there was no apparent correlation between unemployment rates and foreclosure rates. The principal difficulty seemed to stem from the momentum of a continued high rate of construction in areas where the rate of economic growth had slowed down.

Thus, the economic developments of 1963 affecting the mortgage and housing markets, while favorable in a number of respects, posed questions that had to be taken into account in developing policy. The quality of lending, the adequacy of savings and loan association reserves, and the efficiency of operation of savings and loan associations needed review to a greater extent than heretofore. The continuing large flow of funds to savings and loan associations, especially in areas with high foreclosure rates, required more analysis in order to assure the maintenance of sound and economical home finance.

FEDERAL HOME LOAN BANK SYSTEM

The Federal Home Loan Bank System was established to provide a reservoir of credit for thrift and home-financing institutions to smooth their operations and to enhance their service to the public. 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. The Banks provide additional liquidity and funds for mortgage lending by making advances to member institutions as needed to meet unusual or heavy withdrawals and credit demands. Funds to perform these functions are provided through the sale in the capital markets by the Federal Home Loan Bank Board of Federal Home Loan Bank consolidated obligations, which are the joint and several obligations of all the Banks. These funds also are provided by deposits of member institutions maintained with the Banks for liquidity purposes, stock of the Banks purchased by members, and retained earnings.

Supervision by the Board

The Federal Home Loan Bank Board is required by law to supervise the operations of the Federal Home Loan Banks. It reviews and approves the Banks' annual operating budgets covering estimated controllable expenses. The election of Bank officers, their salaries, and the appointment of attorneys, are subject to the approval of the Board. This applies also to the bylaws, dividend declarations, leases of banking quarters, purchase and sale of certain investment securities, and the permissible range of interest rates on advances and members' deposits.

Management of Banks

By law, the management of each Bank is vested in a board of not less than 12 directors, 8 elected by members, and 4 appointed by the Federal Home Loan Bank Board. In any district of 5 or more States, the Board has the authority to 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. Before the creation of the Spokane District in 1964, the Board had exercised this authority in the case of the San Francisco District. In the event that the number of elective directors does not at least equal the number of States in the district, the Board may authorize additional elective directors.

Under the procedures revised by the 1962 amendment to the Act, each elective directorship is designated by the Board to represent the members of a particular State and will be filled by a representative of a member of that State. These directorships, each being of 2 years duration, are allocated among the States of each district in approximate proportion to the required stockholding of the members of the States with a minimum of one and a maximum of six for each State, provided each State's representation is not reduced below that on December 31, 1960. Consecutive service of elective directors is limited to all or part of three consecutive full terms; therefore, a person would be ineligible for subsequent election until the lapse of 2 years from the expiration of the last of his three terms.

The public interest directors appointed by the Federal Home Loan Bank Board are selected from community leaders and represent a wide range of professional and academic interests. They are chosen with the thought in mind of providing the Banks with as broad coverage with respect to public views and needs as may be possible.

A list of the directors of each Federal Home Loan Bank as of December 31, 1963, is contained in Exhibit 1 on page 75. The name of the President of each Bank at the yearend is shown in the Directory of Banks appearing on the inside back cover.

Membership

To be eligible for Federal Home Loan Bank membership under the Act, an applicant must be duly organized under the laws of any State 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 also shall 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.

Three kinds of financial institutions are eligible for membership in the System: Savings and loan type institutions, savings banks, and insurance companies. The members of the Bank System are predominantly locally owned and managed mutual institutions, serving the thrift and home-financing needs of the communities in which they are located. The average size of the members, in terms of assets, was $22 million on December 31, 1963. During 1963, membership in the

Federal Home Loan Banks increased from 4,921 institutions to 5,001.

The following tabulation compares, by type of institution, the members and their assets as of the close of 1963 and 1962:

[Dollar amounts in millions]

	Dec. 31, 1963		Dec. 31, 1962		Net change	
	Number	*Assets*	*Number*	*Assets*	*Number*	*Assets*
All member institutions	5,001	$110,033	4,921	$93,617	+80	+$16,416
Savings and loan associations	4,960	105,625	4,888	91,880	+72	+13,745
Federally chartered	1,968	56,368	1,941	49,633	+27	+6,735
State-chartered:						
Insured by FSLIC	2,451	46,786	2,391	39,912	+60	+6,874
Mutual	1,792	25,852	1,768	23,486	+24	+2,366
Stock	659	20,934	623	16,426	+36	+4,508
Not insured by FSLIC	541	2,471	556	2,335	−15	+136
Savings banks	41	4,408	33	1,737	+8	+2,671
Insurance companies	0	0	0	0	0	0

One interesting phenomenon which occurred during the past year, continuing from 1962, was the number of mutual savings banks that became members of the System although no insurance of accounts was involved. For the calendar year 1963, 8 savings banks became members, as shown by the preceding tabulation, bringing the total as of December 31, 1963, to 41 members in this category. This development, in part, results from the reduced stock requirement of Federal Home Loan Banks, discussed in the next paragraph, and the realization on the part of the applicants that Federal Home Loan Banks offer a valuable source of credit and liquidity.

The capital stock of the Banks is owned by member institutions. Since 1962, a member institution is required to purchase stock of the Bank of which it is a member in an amount equal to 1 percent of the net balance of home-mortgage loans on its books, but not less than $500. Borrowing members must hold stock equal to one-twelfth of their indebtedness to a Federal Home Loan Bank. Before 1962, the subscription requirement was 2 percent. Of course, members now holding stock exceeding 1 percent of their home-mortgage balance need not acquire additional stock at present unless necessary to support their indebtedness to the Bank.

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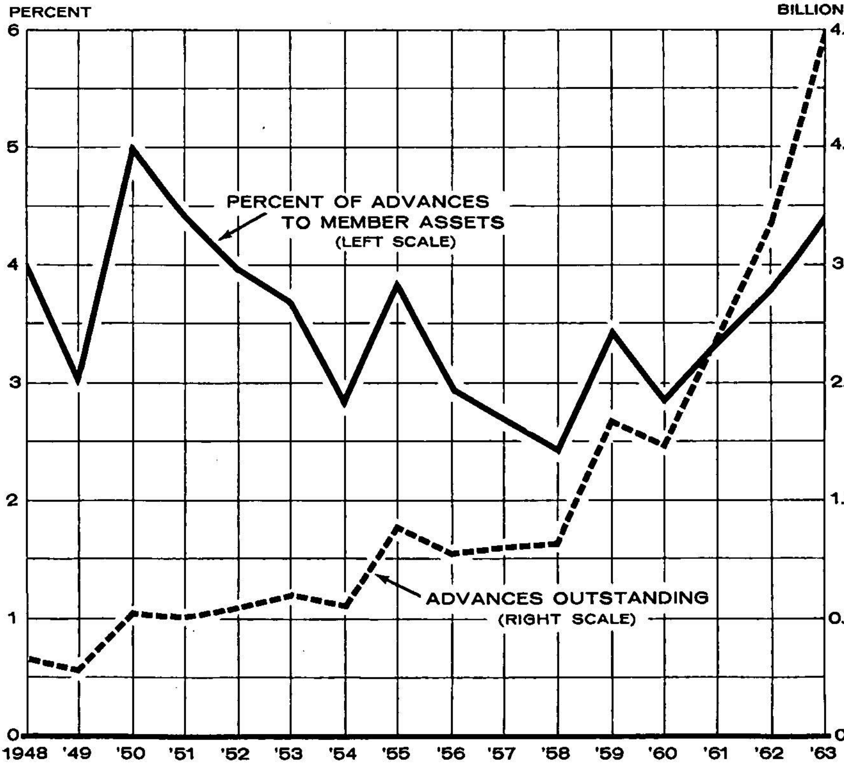
Advances

Advances to member institutions increased $1,305 million in 1963, or 37 percent, to a peak of $4,784 million on December 31. This rise, which was nearly three-fifths greater than in the preceding year, reflected a larger increase in the mortgage lending of members than in their savings inflow. It brought advances in relation to assets to over 4 percent for the first time since 1951, as shown in Chart 5.

Chart 5.—Federal Home Loan Bank Advances



Borrowing, however, remained well within the limits prescribed by System regulations. They provide that the amount of advances to 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. However, a further credit limitation imposed by the Federal Home Loan

Bank Board requires that advances to a member for purposes of mortgage expansion may not exceed 17½ percent of the member's withdrawable accounts and that outside borrowings of a member from whatever source shall be deducted from the maximum advances permitted under the 17½-percent limitation. During 1963, the number of members holding advances in excess of 17½ percent was negligible and the few instances of excess were occasioned by advances made for meeting withdrawals.

Total transactions in 1963 included $5,601 million in advances and repayments of $4,296 million, as shown in the following tabulation:

Advances and Repayments

[In thousands]

Quarter	1963 Advances	1963 Repayments	1962 Advances	1962 Repayments	1961 Advances	1961 Repayments
First	$677, 845	$1, 643, 243	$614, 430	$1, 125, 514	$325, 267	$829, 405
Second	1, 503, 072	746, 927	1, 179, 283	563, 284	766, 663	373, 861
Third	1, 693, 006	938, 555	1, 071, 378	792, 227	759, 933	505, 033
Fourth	1, 727, 309	967, 294	1, 245, 673	812, 933	1, 030, 054	492, 176
Total	5, 601, 232	4, 296, 019	4, 110, 764	3, 293, 958	2, 881, 917	2, 200, 475

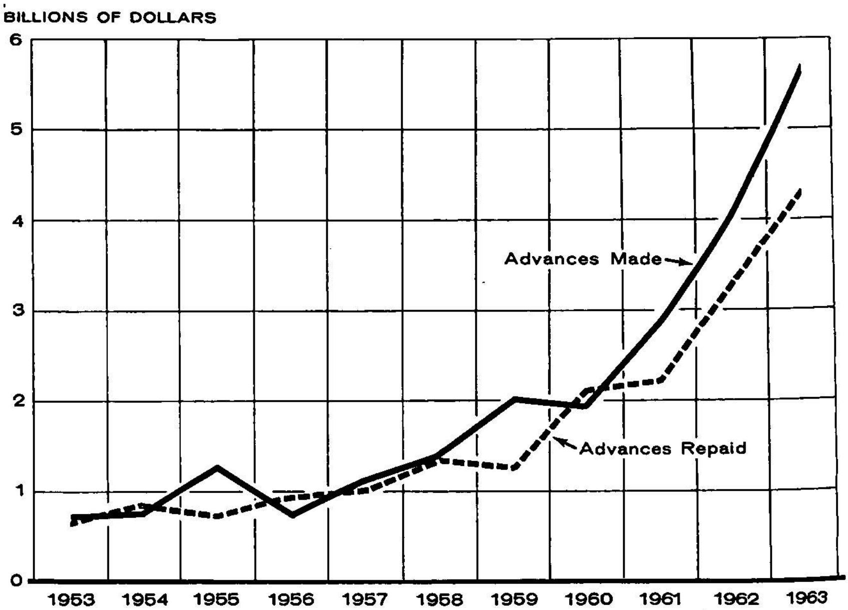
Each of the Federal Home Loan Banks recorded new highs in the total volume of lending during the year and the amount of advances outstanding at the end of the year. The number of advances made during the year (15,682) rose 18 percent from 1962, further reflecting increased activity.

The volume of advances made and repayments by years for the period 1953–63 is illustrated in Chart 6. Table 5 presents a summary of lending activities in dollars for the year 1963, by Banks, and yearly dollar activity since the inception of the System.

During the course of the year an average of 50 percent of the Banks' total membership borrowed funds. The following tabulation shows Federal Home Loan Bank advances outstanding on December 31, 1963, by type and number of borrowers:

Type of institution	*Borrowers* *Number*	*Borrowers* *Percent*	*Advances outstanding* *Amount (in thousands)*	*Advances outstanding* *Percent*
Savings and loan associations:				
Federally chartered	1, 230	43. 1	$2, 638, 494	55. 1
State-chartered:				
Insured by FSLIC	1, 433	50. 2	2, 111, 752	44. 1
Not insured by FSLIC	185	6. 4	21, 173	0. 5
Total savings and loan associations	2, 848	97. 7	4, 771, 419	97. 7
Savings banks	8	0. 3	12, 817	0. 3
Total institutions	2, 856	100. 0	4, 784, 236	100. 0

Chart 6.—Federal Home Loan Bank Advances Made and Repaid



Collateral

Of the total advances outstanding at yearend, 69 percent, or $3,288 million, were secured advances collateralized by 633,761 home mortgages with an aggregate unpaid balance of $6,790 million, U.S. Treasury obligations with face value of $228 million, and Federal agency securities and members' deposits of approximately $3 million. This collateral had been assigned a value for lending purposes of $4,765 million, or 145 percent of secured advances. The remaining balance of advances outstanding, $1,496 million, was unsecured; and such advances were for less than 1 year, and in conformity with other provisions of law and regulations. In addition, a statutory lien was held on stock owned by borrowing members in the amount of $813 million which, if necessary, could be used to protect both secured and unsecured advances.

Interest Rates

Rising interest costs on borrowed funds caused most Federal Home Loan Banks to raise the rates they charged on advances during 1963. Nine of the Banks increased rates—one, by one-eighth of 1 percent per annum; six, by one-fourth of 1 percent; one, by three-eighths of 1 percent; and one, by one-half of 1 percent. The increased cost was due in part to higher interest rates on securities issued in late 1962, and in part to a significant rise in market interest rates during 1963. As shown in the following tabulation, interest rates on short-term advances to members ranged from 3.75 to 4.125 percent per annum on December 31, 1963:

Federal Home Loan Bank of—	*Rate (percent)*
Boston	4.00
New York	4.00
Pittsburgh	3.75
Greensboro	4.00
Cincinnati	4.00
Indianapolis	4.00
Chicago	4.00
Des Moines	3.75
Little Rock	4.00
Topeka	3.875
San Francisco	4.125

Investments

Investments held by the Federal Home Loan Banks reflect liquidity reserves maintained by the Banks, those funds awaiting employment in the form of advances to members, and those accumulated to meet maturing issues.

The par value of Federal Home Loan Bank investments increased $376 million, or 24 percent, in 1963, reflecting a rise in liquidity needs. Over 75 percent of the $1,916 million total held at the end of 1963 had maturities of 13 months or less. The following tabulation compares the distribution of investments by type at the end of 1963 and 1962:

	Par value (in thousands)	
U.S. Treasury Obligations:	*Dec. 31, 1963*	*Dec. 31, 1962*
Bills	$942,430	$724,310
Certificates of Indebtedness	141,310	480,555
Special Series	324,500	51,000
Notes	305,850	86,510
Bonds	197,960	192,450
Savings bonds	3,600	4,300
Total	1,915,650	1,539,125

The weighted average yield on securities held December 31, 1963, based on cost, was 3.27 percent, compared with 3.04 percent on the preceding yearend. Security transactions during 1963 consisted of $6,903 million of purchases and $6,555 million of sales and maturities.

The major portion of investments are highly liquid short-term securities in accordance with the liquidity requirements of the Board. Early in the year, the Board revised these requirements to add greater flexibility to the investment portfolios and to enhance further the ability of the Banks to meet the members' demands. The revision provided that effective March 15, 1963, members' deposits must be backed fully by a reserve, of which 60 percent must be held as cash or U.S. Treasury obligations with 13-month or less maturities; the remaining 40 percent may be invested in Treasury obligations with maturities of 5 years or less, or in advances maturing within 1 year in an amount not to exceed 10 percent of deposits. It also provided that each Bank maintain a reserve for unanticipated advances equivalent to 12½ percent of the seasonally adjusted level of advances. These reserves include cash, U.S. Treasury obligations with maturities within 13 months, Treasury Special Series obligations, or securities acquired under resale agreements.

Sources of Funds

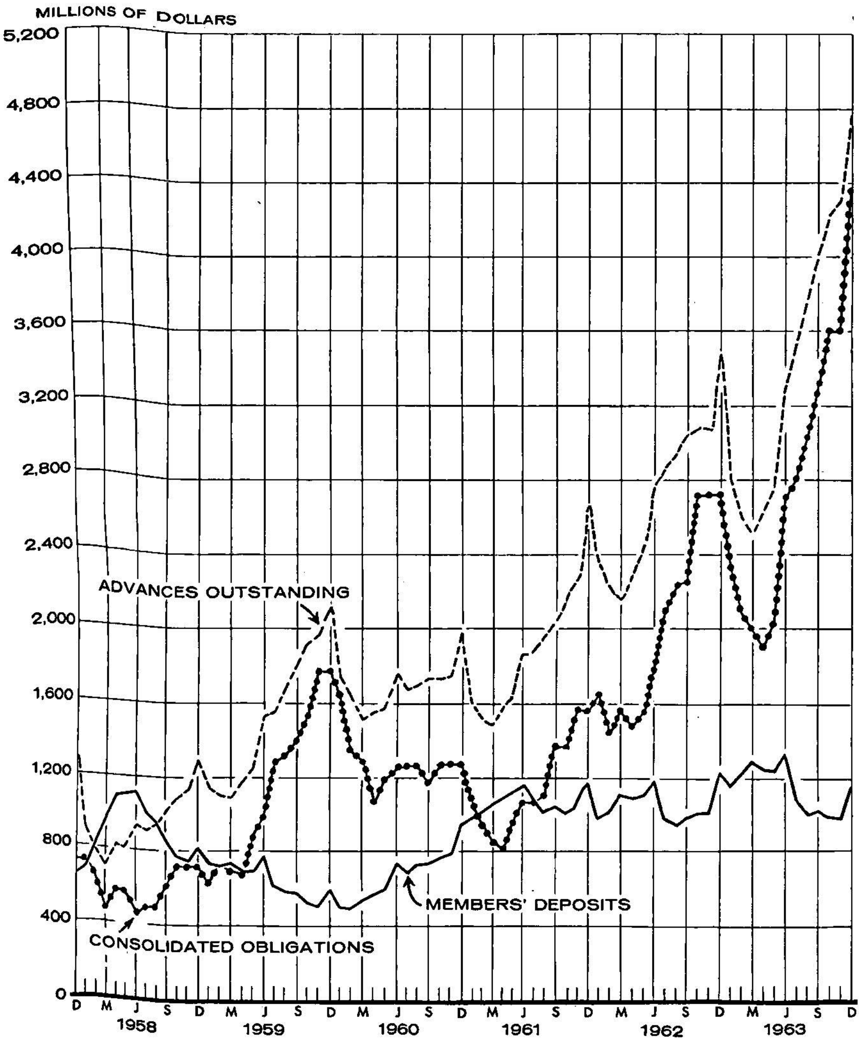
Borrowing in the money and capital market provided most of the additional funds needed by the Federal Home Loan Banks in 1963 to assist their member institutions. New subscriptions of capital stock by members and retained earnings also provided some funds, but a decline in member deposits at the Banks was a minor drain.

Consolidated Obligations

In order to provide funds for the sharp increase in Bank advances to member institutions, Federal Home Loan Bank consolidated obligations outstanding rose by $1,656 million during 1963 to a record $4,363 million. The timing of sales of consolidated obligations during the year reflected to a large extent the seasonal pattern of Bank lending to members, as indicated by Chart 7, which shows the monthly status of advances and consolidated obligations outstanding, as well as of member deposits. Obligations are sold only after full consideration of existing and potential financial and economic conditions and consultations to assure that the techniques selected are compatible with national fiscal and monetary policy.

In 1963, 12 issues of consolidated obligations were marketed through a nationwide selling group of Government securities dealers and commercial banks dealing in Government securities. The aggregate amount of these was $4.2 billion. The interest cost of issues sold rose gradually throughout the year, reflecting the general rise in market interest rates. The weighted interest cost during 1963 was 3.54 percent per annum compared with 3.31 percent in 1962. Despite the rise in costs, market conditions generally were favorable; on two occasions, obligations beyond the normal maturity pattern of 6 to 11 months were sold—in one instance, 16-month bonds and in the other, 32-month bonds. Such extension of the maturity of debt is desirable and is undertaken when cost considerations permit.

Chart 7.—Federal Home Loan Banks: Trends in Advances Outstanding, Consolidated Obligations, and Members' Deposits



At the end of 1963, Federal Home Loan Bank consolidated obligations outstanding were as follows:

Series	Interest rate (percent)	Dated	Maturity	Amount (in millions)
A–1964 notes	3.20	3–15–63	1–15–64	$320
B–1964 notes	3¼	4–15–63	2–17–64	265
G–1964 notes	3.85	9–16–63	2–17–64	300
D–1964 notes	3.40	6–17–63	3–16–64	275
C–1964 notes	3.30	5–15–63	4–15–64	435
F–1964 notes	3.70	8–15–63	5–15–64	330
E–1964 notes	3½	7–16–63	6–15–64	326
H–1964 notes	3.95	9–16–63	7–15–64	413
I–1964 notes	3.90	10–15–63	8–17–64	300
J–1964 notes	4.00	12– 9–63	9–15–64	564
A–1964 bonds	3½	6–17–63	10–15–64	460
A–1965 bonds	3¾	9–17–62	9–15–65	175
A–1966 bonds	4⅛	12– 9–63	8–15–66	200
Total	......	....	....	4,363

Ownership of these securities was widely distributed among investors. Policy in recent years has been designed to achieve such a distribution by tailoring offerings to meet a broad range of investor needs. The success of this policy, which has resulted in a decline in the spread between rates on consolidated obligations and comparable securities, is indicated by the following tabulation which compares the percentage distribution ownership at the end of 1952 and 1963:

	1963 (percent)	1952 (percent)
Commercial banks	30.8	56.9
Mutual savings banks	5.7	1.8
Insurance companies	2.9	4.0
All other investors	60.6	37.3
Total	100.0	100.0

The "all other investors" category reflects, to a large extent, the holdings of business corporations.

Deposits of Members

Total deposits of member institutions held by the Federal Home Loan Banks declined $62 million in 1963. Time deposits dropped $104 million to $835 million, but this was partially offset by a $42 million increase in demand deposits to $316 million.

The Federal Home Loan Banks are authorized by Section 11(e) of the Federal Home Loan Bank Act to accept such deposits of members under terms and conditions prescribed by the Federal Home Loan Bank Board. Under the Board's regulation, interest is payable at a rate not to exceed 3½ percent per annum on time deposits remaining unwithdrawn for 30 days or more. Rates paid by each Federal Home Loan Bank as of December 31, 1963, were as follows:

Federal Home Loan Bank:	*On deposits remaining 30 days or more (percent)*	*Certificates of deposit (percent)*
Boston	3¼	3¼
New York	3	....
Pittsburgh	1½	[1] 1½
Greensboro	3¼	....
Cincinnati	3	....
Indianapolis	3	....
Chicago	3¼	....
Des Moines	3¼	....
Little Rock	[2] 2	....
Topeka	3¼	....
San Francisco	3	2½

[1] 2-percent bonus paid.
[2] 1-percent bonus paid.

Interbank Deposits

As a means of temporarily transferring resources from areas of surplus to areas of shortage, the Federal Home Loan Banks, from time to time, deposit cash or securities with other Federal Home Loan Banks on a short-term basis to provide for interim requirements between financing dates. During 1963, interbank deposits totaling $416 million were made. 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.

Capital Stock and Retained Earnings

Paid-in capital stock of all Federal Home Loan Banks increased $44 million in 1963 to a record $1,171 million. While growth was larger than in 1962, it was considerably smaller than in other years, despite the record increase in mortgage holdings of member institutions. This reflected the reduction in member subscription requirements which took effect in 1962.

Retained earnings, consisting of reserves required by the Federal Home Loan Bank Act and undivided profits, increased $14 million in 1963, about the same as a year earlier; this brought them equal to 10.4 percent of capital stock. The following tabulation presents a comparison of the capital accounts of the Banks on December 31, 1963, and December 31, 1962, and the changes during 1963:

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	Dec. 31, 1963	Dec. 31, 1962	Increase for 1963
Capital stock paid in	$1, 170, 669, 617	$1, 126, 485, 666	$44, 183, 951
Retained earnings:			
Legal reserve	77, 813, 548	68, 228, 976	9, 584, 572
Undivided profits	44, 069, 865	39, 191, 842	4, 878, 023
Total retained earnings	121, 883, 413	107, 420, 818	14, 462, 595
Total capital	1, 292, 553, 030	1, 233, 906, 484	58, 646, 546

Earnings and Their Distribution

The calendar year 1963 was a period of record earnings for the Federal Home Loan Banks with consolidated net income of $48 million, $2 million more than in 1962.

Interest on advances was $30 million greater than in 1962, and the Banks' investments earned an additional $9 million over the preceding year. The higher earnings on advances were due to (1) an increase of 26 percent in the average balance of advances outstanding, which rose to $3,400 million, and (2) an increase of 15 basis points in the effective interest rate to reach 3.65 percent. A greater average investment balance ($1,700 million) during the year, and an effective yield of 3.20 percent on securities held by the Banks, resulted in the additional $9 million of earnings on investments.

Total operating expenses were $36 million, or 38 percent higher than in 1962, due largely to the increased cost of consolidated obligations issued during 1963. Reflecting the accelerated lending activity of the Banks and the mortgage-financing business of the members, the Federal Home Loan Banks had an average balance of $2,778 million in consolidated obligations outstanding which was 40 percent greater than during 1962. As previously mentioned, the effective interest rate on these obligations during 1963 was 3.54 percent as compared with 3.31 percent in 1962. The effective rate of interest on members' deposits rose from 2.70 percent to 2.85 percent, resulting in an increase in interest expense to the Banks of almost $3 million above the previous year.

A comparative condensed statement of income and expense for the years 1963 and 1962 is presented in Table 3 on page 65. As individual condensed statement of income and expense for each of the Banks for the calendar year 1963 is presented in Table 4 on page 66.

The following tabulation presents the distribution of net income during 1963 and 1962.

	Calendar Year 1963		*Calendar Year 1962*	
	Amount	*Percent distribution*	*Amount*	*Percent distribution*
Dividends paid to member institutions	$33, 460, 269	69. 8	$32, 131, 523	70. 3
Legal reserve	9, 584, 573	20. 0	9, 139, 614	20. 0
Undivided profits	4, 878, 023	10. 2	4, 426, 935	9. 7
Total net income	47, 922, 865	100. 0	45, 698, 072	100. 0

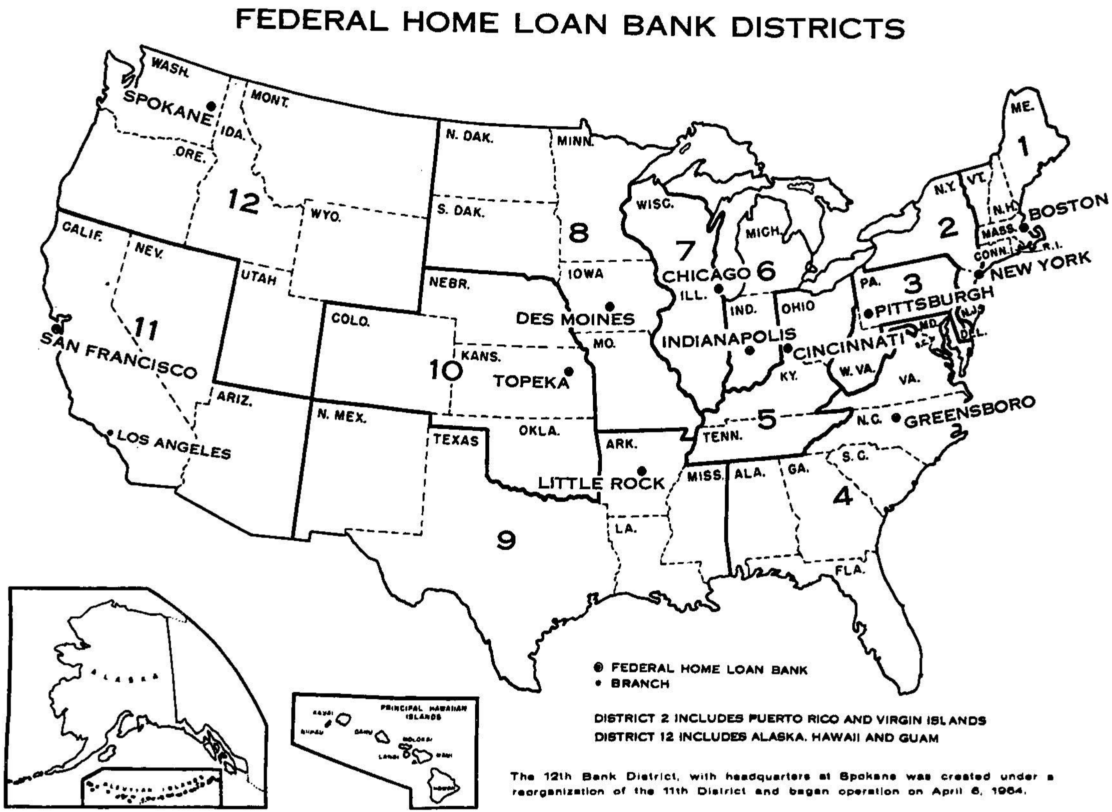
Net earnings of nearly $5 million were available for addition to undivided profits after transfers to legal reserve and the payment of dividends.

A comparative condensed consolidated statement of condition of the Banks as of December 31, 1963, and December 31, 1962, is presented in Table 1 on page 61. An individual condensed statement of condition for each of the Banks as of the same dates is shown in Table 2 on page 63.

District Banks and Areas Served

During 1963, there were 11 Federal Home Loan Banks. Their locations and the geographical areas served are shown in Chart 8. However, by an action on December 31, 1963, the Board established a 12th Bank to be located in Spokane, Wash., to serve the States of Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington, and Wyoming and the Territory of Guam. These States had been in the San Francisco District. Accordingly, the Portland, Oreg., branch office of the Federal Home Loan Bank of San Francisco was terminated on April 5, 1964, and the Federal Home Loan Bank of Spokane commenced operations on April 6, 1964.

Chart 8.—Federal Home Loan Bank Districts



FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

The Federal Savings and Loan Insurance Corporation was created by the Congress on June 27, 1934, under Title IV of the National Housing Act. It was the outgrowth of the depression of the early thirties and was established by the Government, in part, to instill public confidence in our financial institutions through the insurance protection of savings. The original law enacted in 1934 provided for insurance protection of $5,000. On September 21, 1950, the Congress amended the law to provide for coverage up to $10,000 for each insured saver.

All Federal savings and loan associations are required by statute to have their savings insured by the Federal Savings and Loan Insurance Corporation and to become members of the Federal Home Loan Bank System. State-chartered associations may apply for insurance of their accounts. Simultaneously with Federal chartering of new associations, conversions, or applications for insurance of accounts of State associations, applications for membership in the Federal Home Loan Bank System are also processed.

The Corporation's insurance program protects savers and investors in its member associations against financial loss up to the statutory limit of $10,000. This protection under law 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, every measure is taken to eliminate the necessity of placing a distressed association in liquidation. Such actions under statutory authority may take the form of a cash contribution, an outright purchase of all or a part of the institution's assets, or the granting of a loan.

In the event an insured institution is placed in liquidation, the Insurance Corporation must pay investors holding insured accounts either by cash or by placing a like amount of funds to their accounts in other insured institutions, that have been determined to be financially sound and in a position to meet withdrawal requests promptly should the investors desire funds.

Savers in insured institutions have four major lines of protection against loss: (1) The substantial loss reserves of the institutions themselves which were in excess of $6.8 billion, or 7.8 percent of savings, as of December 31, 1963; (2) the Insurance Corporation's own reserves of over $944 million at yearend, which are accumulating more rapidly than in the past under legislation passed by Congress in 1961; (3) the Corporation's authority (never yet used) to increase its income by special assessment of insurance premiums on member savings and loan associations, subject to limitation of one-eighth of 1 percent of insured accounts and creditor obligations per year to meet losses and expenses; and (4) the continuing authority (also never yet used) to borrow, not exceeding $750 million outstanding at any one time, from the U.S. Treasury for insurance purposes. This authority provides additional safeguards for meeting the unknown contingencies of the future.

Membership

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

Insured Member Institutions as of December 31, 1963

	Number	*Assets (in millions)*
Federal associations	1,968	$56,368
State-chartered associations:		
Mutual	1,792	25,852
Stock	659	20,934
Total State-chartered associations	2,451	46,786
Total insured associations	4,419	103,154

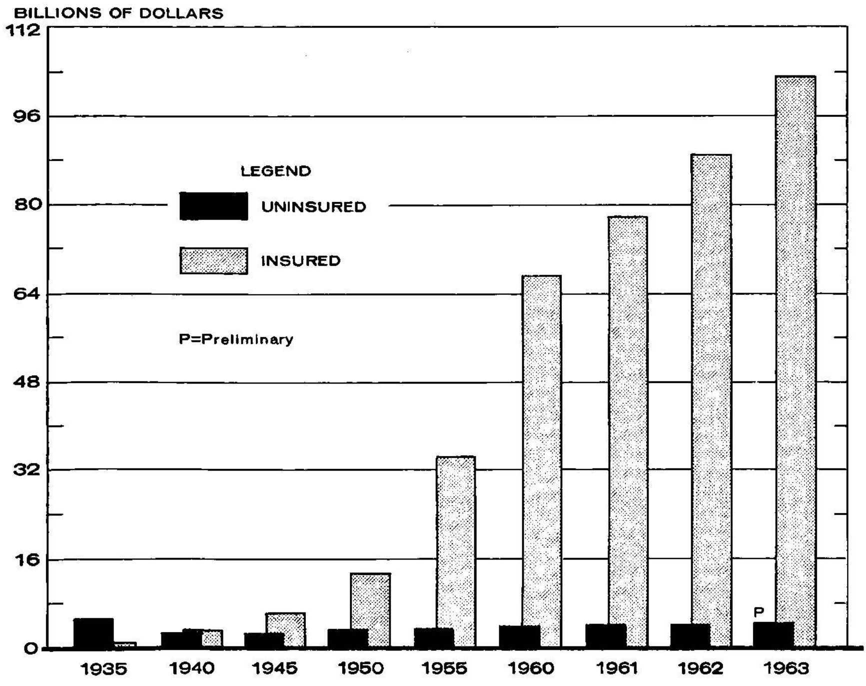
Insured institutions are located in every State of the United States, the District of Columbia, Guam, and Puerto Rico. Table 10 on page 71 gives a detailed breakdown, by Federal Home Loan Bank Districts and by States, of the number and assets of insured associations at the end of 1963. The growth in assets of insured and uninsured associations is shown in Chart 9, illustrating the favor with which insurance of accounts is regarded.

Insurance Admissions and Cancellations

During 1963, the Federal Savings and Loan Insurance Corporation granted insurance of accounts to 103 additional associations—22 were Federally chartered and 81 State-chartered. The total assets of these associations, as of the date of obtaining insurance, aggregated $98,902,-

000. Of the 103 associations insured, 61 were newly organized and 42 were existing institutions, many of which had been in operation as uninsured associations for a number of years. There were 16 cancellations of insurance certificates during the year, resulting in a net gain of 87 insured institutions. All cancellations of certificates were attributable to consolidations and mergers which also accounted for the great majority of cancellations in previous years.

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



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 that they observe other legal details. No institution resorted to voluntary termination during the year.

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, has continued unsound practices in operating its business, or has knowingly or negligently permitted any of its officers or agents to violate any provision of law or regulations to which it is subject. To date, any such difficulties have been resolved without resorting to actual termination of insurance.

Operations of Insured Member Institutions

Insured institutions continued to register phenomenal growth in all segments of their operations during 1963. Total assets of these 4,419 institutions which had crossed the $100 billion milestone in October 1963 soared to a record peak of $103.2 billion by December 31, 1963, reflecting a robust gain of $13.6 billion, or 15.2 percent, during the year. Only $98.9 million of this increase was attributable to newly insured members; the balance represented expansion by existing insured institutions. The growth record of these thrift institutions over the years is portrayed in Chart 9 and in the following tabulation:

Principal Balance Sheet Items of Insured Associations

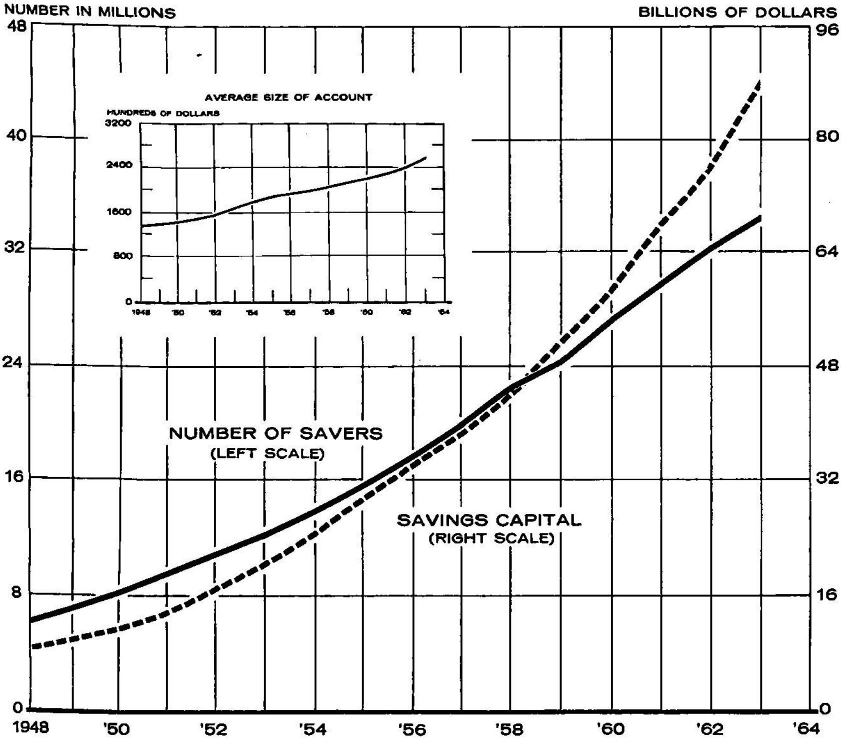
[Dollar amounts in millions]

	Total assets						*Ratio to savings capital*	
As of 12/31	*Amount*	*Percent of all S. and L.A.'s*	*Mortgage loans*	*Cash and Governments*	*Savings capital*	*Reserves and surplus*	*Cash and Governments (percent)*	*Reserves and surplus (percent)*
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	94.9	65,525	8,064	67,312	5,349	12.0	7.9
1962...	89,545	95.4	75,550	9,033	76,743	6,168	11.8	8.0
1963...	103,154	96.0	87,453	9,938	87,526	6,832	11.4	7.8

Notwithstanding the keen rivalry for savings from competitive financial institutions, and a resurgent stock market as well as the sustained high level of personal consumption expenditures during 1963, the net inflow of $10.8 billion of savings to insured associations eclipsed the 1962 record high of approximately $9.4 billion by 14 percent. At yearend 1963 aggregate savings in insured associations attained the imposing level of $87.5 billion held by 34.2 million savers. (See Chart 10.)

The impressive gain in savings was reflected in an accelerated volume of mortgage loans, the principal investment outlet for savings and loan associations. During 1963, insured associations made loans in the amount of nearly $24.2 billion, an increase of 19.6 percent over the previous year. At yearend 1963 total mortgage loans in the portfolios of insured institutions climbed to a new high of $87.5 billion (a gain of 15.8 percent over the previous year) representing 84.8 percent of

Chart 10.—Insured Savings and Loan Associations



total assets. The composition of this mortgage portfolio is detailed in the following tabulation:

Mortgage Portfolio of Insured Associations, December 31, 1963

	Mortgage loans held	*Percent distribution*
FHA insured	$4,568,000,000	5
VA guaranteed or insured	6,673,000,000	8
Subtotal	11,241,000,000	13
Conventional	76,212,000,000	87
Total	87,453,000,000	100

It is of interest to observe that of the total $183.4 billion of home mortgage debt as of December 31, 1963, $79.1 billion (or 43.4 percent) is held by all savings and loan associations, while the next highest amount of $27.3 billion (or 15 percent) is in the portfolios of life insurance companies.

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The vigorous expansion of the savings and loan industry during the past decade has been induced in large measure by rapidly advancing dividend rates paid to savers. The average annual dividend rate for insured institutions showed a marked increase from 2.95 percent in 1954 to 4.275 percent in 1963. There are, however, signs that the upward spiral in dividend rates has leveled off. For the 6-month period ended December 31, 1963, the average annual dividend rate was determined to be 4.27 percent as against 4.28 percent at midyear 1963 and 4.24 percent in the latter half of 1962.

Financial Condition of the Corporation

The Corporation's assets increased by more than $272.5 million to over $981 million during the year. Investments in U.S. Government securities, which constituted over 87 percent of total assets at yearend, amounted to $854.6 million in book value. These securities consisted of U.S. Treasury bonds, notes and bills having book values of $710 million, $100.1 million, and $44.5 million, respectively, including $51.1 million of special series notes redeemable at par upon demand. Book value of securities having maturities of 5 years or less amounted to $261.1 million, or 31 percent of the Corporation's portfolio.

Assets acquired from insured institutions amounted to $94,844,187 at yearend after giving effect to an allowance for losses of $8,000,000. The assets acquired from associations increased $53.6 million during the year, reflecting gross acquisitions of $67.9 million and adjustments in value or repayments of $14.3 million.

Reserves rose from $678.0 million on December 31, 1962, to more than $944.7 million on December 31, 1963, an increase of $266.7 million, or 39.3 percent. Of this increase, $193.8 million was the direct result of the premium prepayment program, including earnings credited to prepayments. The program is described below.

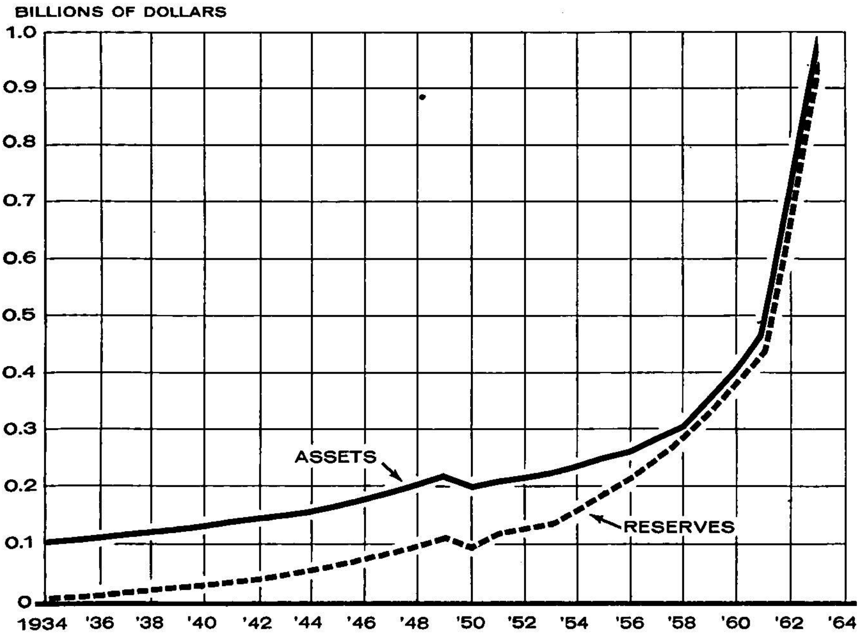
The condensed comparative statement of condition (which appears in Table 6 on page 68) and Chart 11 bring sharply into focus the rapid acceleration in the accumulation of assets and reserves of the Corporation. Based upon conservative assumptions with respect to annual growth in savings capital of insured member institutions, it is estimated that the Corporation's reserves will exceed $1.5 billion at the close of 1965.

Operations of the Corporation

Net income of $72.9 million for the year ended December 31, 1963, represented an increase of 10.5 percent over the preceding calendar year. Regular annual insurance premiums and interest on investments, which constitute the principal sources of income amounted to $65.9 million and

$27.5 million, respectively. Insurance premium prepayments, which amounted to more than $183.9 million during 1963, do not constitute a part of the Corporation's income.

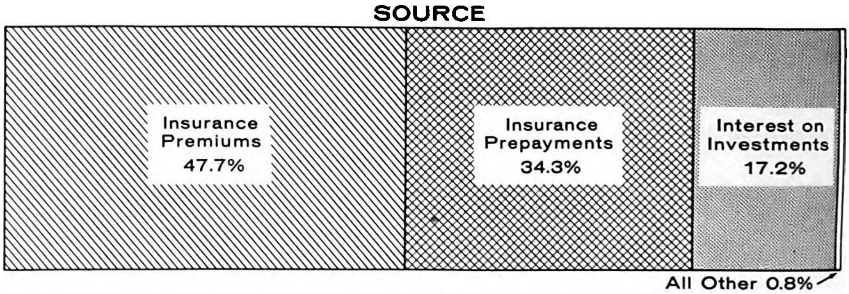
Chart 11.—Federal Savings and Loan Insurance Corporation—Assets and Reserves

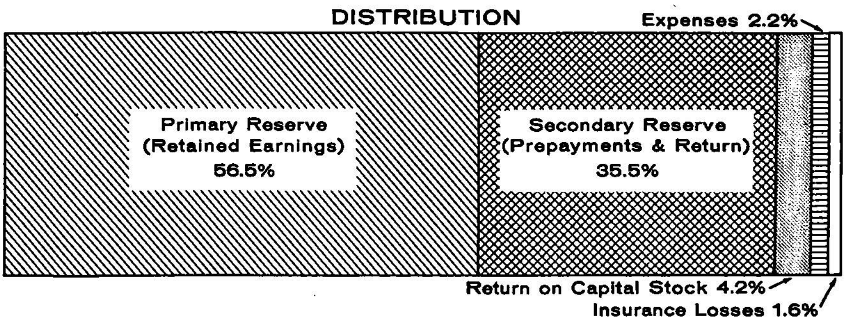


Administrative and other expenses of $2.4 million included $1.2 million for the cost of services rendered by the Federal Home Loan Bank Board. Net insurance losses, including provision for losses, amounted to $8.0 million; and over $9.8 million was credited to insured member institutions as a return on insurance premium prepayments, leaving more than $72.9 million for transfer to the primary reserve of the Corporation. Subsequent review indicates an adjustment to reserves and an additional provision for insurance losses of $11.3 million.

The statement of income and expenses which is presented as Table 7 on page 68 summarizes the results of the Corporation's operations for the calendar year 1963. Chart 12 illustrates the source and the application of the Corporation's cumulative gross income, and also lends emphasis to the fact that the insurance program, since its inception, has been self-sustaining.

Chart 12.—Source and Distribution of Gross Income and Insurance Premium Prepayments of FSLIC
[Cumulative through Dec. 31, 1963]





The Premium Prepayment Program

The premium prepayment program, which became effective January 1, 1962, drastically accelerated the accumulation of reserves of the Corporation and provided substantial additional liquidity to meet unknown future insurance requirements.

The statute which created this program requires payment to the Corporation by its insured member institutions of additional annual insurance premiums in the nature of prepayments with respect to future regular premiums. The additional premiums are credited directly to the Corporation's secondary reserve and are computed at a rate of 2 percent of the annual net increase in savings capital of each insured institution, less an amount equal to any requirement at the close of each calendar year for the purchase of stock of the Federal Home Loan Bank of which the institution is a member. The law also requires the Corporation to credit annually to the secondary reserve a return on the outstanding balances of the secondary reserve during each calendar year, as determined by the Corporation, at a rate equal to the average annual rate of return to the Corporation during the year on the investments held by the Corporation in U.S. Government obligations.

During the calendar year 1963 total premium prepayments of $183.9 million, and the aggregate return of $9.8 million, credited to each institution's prepayment account at the rate of 3.54 percent, brought the Corporation's secondary reserve to a balance of $365 million at the close of the year. This represented an increase of $193.8 million in the balance of the secondary reserve over the preceding calendar year's balance.

The Insurance Underwriting Program

Eligibility Standards

The statute under which the Federal Savings and Loan Insurance Corporation was established—Title IV of the National Housing Act of 1934—requires that the Corporation shall insure the withdrawable accounts of all Federal savings and loan associations and provides that it may insure the accounts of other building and loan, savings and loan, and homestead associations and cooperative banks chartered under the laws of the States. The result is that once an applicant for Federal charter has met the requirements established for issuance of such a charter, insurance is forthcoming without further qualification.

The eligibility standards for approval of an insurance application of a State-chartered institution are expressed in general terms in the insurance statute and are basically similar to those required for approval of an application for Federal charter. In the light of the standards established by the statute, the Board's staff, after field review by the officers of the Federal Home Loan Banks, analyzes the application and all supporting material. If the applicant is an existing financial institution, a thorough field eligibility examination is conducted by the Board's examiners. On many occasions, representatives of the Federal Home Loan Banks, on behalf of the Board, will visit the area where the institution is, or is proposed to be, located in order to obtain first-hand information regarding the application.

In determining the applicant's eligibility for insurance, consideration is given to a number of factors. Of prime importance, as the number of insured facilities and the degree of resultant competition increase, is the question of need for an additional insured institution in the area and the related question of the probability of its growth and success without undue injury to the existing insured institutions. Further, it is essential that the applicant show satisfactory evidence of sound financial condition, have competent and reputable management, adhere to safe lending and investment policies, possess a satisfactory earning capacity, and maintain the ability to meet normal savings withdrawal demands. If the application is filed by a group proposing to establish an association that is not yet open for business, evaluation of many of these features must, of course, be made on the basis of proposed financial and operating policies and proof of ability, within a reasonable time after becoming insured, to operate in a normal manner with respect to earnings, dividends, withdrawals, and the attraction of savings accounts.

During 1963, the Board established new or revised standards in two significant areas—initial capital requirements for all applicants qualifying for insurance and the escrow of nonwithdrawable permanent capital of applicants of the permanent stock type. These are discussed briefly below.

Initial Capital Requirements

The term "initial capital requirements" refers to the withdrawable capital (savings) of Federal- or State-chartered mutual associations; and, as to State-chartered associations of the permanent stock type, it also includes the nonwithdrawable capital (permanent stock) and paid-in surplus. The initial capital requirements have a twofold purpose—they offer an indication of community support for the organizing group or applicant institution, and they give assurance that the association will have an adequate base to support expenses, dividends, and reserve allocations. Further, in the case of a permanent stock institution, the nonwithdrawable capital and paid-in surplus represent an investment by the owners which should be in reasonable proportion to the anticipated asset volume.

For several years, the Board has given close study to the adequacy of the initial capital requirements of applicants approved for insurance or for Federal charter. It has been felt that the initial requirements are of particular importance, in view of the expanding national economy and the increased competitive conditions among financial institutions. It is recognized also that the Board's requirements are especially significant because of considerable variation in provisions governing initial requirements in the statutes of the various States.

Upon completion of its review, the Board, in late 1963, adopted a schedule of initial minimum capital requirements related to the population of the community to be served. These amounts, which are met by applicants for Federal charter or insurance, are considered as minimum with increases as the situation may warrant.

For a permanent stock applicant, the permanent nonwithdrawable stock and paid-in surplus ranges from a minimum of $150,000 provided by at least 30 individuals for an applicant located in the smallest communities to a combined permanent stock and surplus of $1,000,000 from at least 200 individuals for one located in the business or financial center of the largest metropolitan areas. These requirements are coupled with subscriptions to withdrawable capital (savings accounts) of at least $225,000 from no less than 225 individuals to $950,000 from 725 people.

Because of the nature of their "organizational structure," mutual applicants for insurance do not establish a permanent stock and paid-in surplus base but rely entirely on withdrawable capital. A mutual applicant located in the smallest communities must obtain at least $300,000 of savings from 250 people, which increases with the size of the community up to a minimum of $1,250,000 from 850 individuals for applicants located in the centers of the largest cities. To provide a cushion for operating deficits or losses, mutual applicants also are required to place in escrow for a 5-year period savings accounts equal to 10 percent or more of the total initial withdrawable capital.

Escrow of Permanent Stock

During recent years, it has come to the attention of the Board that the organizers of permanent stock institutions that qualify for insurance have, on occasion, sold their stock shortly after insurance to other groups of individuals; and, at times, the purchasing group has conducted the operations of the institutions in such a manner as to increase the risk to the Federal Savings and Loan Insurance Corporation. The Board believes that, after thorough analysis of the financial and operating policies and the management and control of an applicant for insurance, the Board is entitled to the assurance that the directing and controlling group found satisfactory will continue for a reasonable period in order to establish the institution on a sound basis.

Accordingly, the Board, in 1963, adopted a 5-year escrow of the stock as a standard condition for approval of insurance of withdrawable accounts of all permanent stock applicants. The requirement provides that the stock shall be placed in escrow with the Federal Home Loan Bank of the District in which the institution is located. During the 5-year period of escrow, no releases from escrow and no transfers of stock may be made without the prior written approval of the Federal Savings and Loan Insurance Corporation.

In recognition of the difficulties and possible misunderstanding that this requirement could entail for the smaller stockholders, the Board has granted waivers of this requirement for those individuals or single families whose total stockholdings constitute less than 2 percent of the outstanding stock. These waivers are conditioned on the rule that at least two-thirds of the outstanding stock must be held in escrow for the 5-year period.

The Board also has waived the requirements of the condition for those applicants located in States whose chartering and supervisory authorities require the escrow of stock in such amounts and under such terms as to meet generally the Board's requirement. In these instances, the Corporation makes arrangements so that releases or transfers of a substantial portion of the permanent stock will not occur without the prior approval of the Corporation.

Applications Processed in 1963

The various types of applications processed for action by the Federal Savings and Loan Insurance Corporation during the year are summarized as follows:

	Number of actions	
Admissions:		
Federal savings and loan associations	22	
State-chartered associations	81	103
Cancellations (due to consolidations and mergers)		16
Other actions by the Board:		
Applications by State associations:		
Conditional approval	63	
Deferred	3	
Hearing scheduled	5	
Rejected	7	78
Mergers and acquisitions:		
Applications approved		34
Approval of security forms and corporate documents		368
Miscellaneous (small loans, designation of statutory loss reserves, release of savings accounts pledged against losses, etc.)		104
Total FSLIC actions		703

Insurance Settlements

During the calendar year 1963, four member institutions with approximately 33,062 savers were protected against loss through the prompt and positive action taken by the Insurance Corporation. The action taken in these cases demonstrates the practical aspects of the insurance protection afforded to savers as well as the importance and effectiveness of measures taken to prevent default.

Case Number 1.—The Hillside Savings and Loan Association, Hillside, Illinois, a State-chartered insured institution having assets of approximately $17 million was converted into a Federal association and simultaneously merged with Oak Park Federal Savings and Loan Association, Oak Park, Illinois, whose assets approximated $147 million. In close cooperation with the State supervisory authorities, and acting under authority granted by Section 406(f) of the National Housing Act, as amended, the Corporation, in order to facilitate the merger, purchased

$13,178,000 in assets. Under the merger agreement, the accounts of all 6,849 shareholders were protected in full. A preliminary estimate of $3 million was established as an allowance for losses in this case, but since the end of 1963, this provision has been increased to $4.6 million.

Case Number 2.—The Future Federal Savings and Loan Association, Memphis, Tennessee, with net assets of $7.3 million was merged with the Leader Federal Savings and Loan Association of Memphis, Tennessee, having assets of approximately $198 million. Acting under the authority granted by Section 406(f) of the National Housing Act, as amended, the Corporation purchased $2,760,000 of Future Federal's assets to facilitate the merger. Here, also, the accounts of each of the 2,122 savers and investors were protected in full. No loss is contemplated by the Corporation in the assets purchased.

Case Number 3.—A custodian was appointed by the State authorities on August 8, 1963, for the Tinley Park Savings and Loan Association, Tinley Park, Illinois, a State-chartered association. Under a plan of voluntary liquidation, adopted by the shareholders on September 18, 1963, the Corporation, working closely with State authorities, purchased all of the assets for approximately $21,700,000. A liquidating committee was elected by the shareholders, and within a period of 10 days from the date of the shareholders' meeting it commenced making full payment to the 10,055 shareholders from the proceeds of this sale. A preliminary estimate of $2 million was established as an allowance for losses in this case, but since the end of 1963 this provision has been increased to $7.4 million.

Case Number 4.—The State authorities appointed a custodian for the Beverly Savings and Loan Association, Chicago, Illinois, on October 1, 1963, to conserve the assets of the association. Under a plan of voluntary liquidation, which was adopted by the shareholders on October 24, 1963, the Corporation, in cooperation with the State authorities, purchased all of its assets for approximately $30,300,000. As in the previous case, the Insurance Corporation, working closely with State authorities and with the Liquidating Committee elected by the shareholders, made possible, by its purchase, the prompt payment to all 14,036 savers commencing 10 days after the shareholders' meeting. A preliminary estimate of $3 million was established as an allowance for losses in this case; but since the end of 1963, this provision has been increased to $7.3 million.

Factors which led to difficulties in 3 of the foregoing cases were quite similar. The associations followed an aggressive policy in expanding savings. They employed money brokers to increase their savings in-

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flow, advertised dividend rates plus a bonus which raised their money costs above sustainable earning power, and gave gifts to attract savings. To employ the funds raised through these devices excessive loans were made based on inflated appraisal, loans were made in some instances without security, and funds were disbursed against property in excess of the improvements made or construction completed. There was evidence of wilful violation of law and regulations in some of these cases. As a result of these instances and alleged illegal acts in some cases not involving settlements, indictments were returned by Federal or State courts against 15 persons in 1963 and one has been convicted.

In another case, the principal difficulty stemmed from the payment of an unrealistic dividend rate in relation to earnings. The dividend rate had been widely advertised, and the association acquired a liability for dividends which it could not meet.

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

Authority for the chartering of Federal savings and loan associations was provided by Congress in the Home Owners' Loan Act of 1933. This statute provides that Federal associations may be established either by the granting of new charters to local organizing groups or by the conversion of existing institutions of the savings and loan type from State to Federal charter. The underlying purpose of this legislation was to meet a long-standing need in many communities for adequate thrift and home-financing facilities by providing for local institutions throughout the Nation that would operate on a uniform plan incorporating the best practices and operating procedures of mutual thrift and home-financing institutions.

The Federal Home Loan Bank Board was vested with the responsibility for the chartering and regulation of Federal savings and loan associations. These institutions 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. An association's membership in this System offers it a more ample supply of funds for home-finance purposes, and makes the System's credit facilities available for other needs that might arise. It is further required that the savings accounts of all Federal associations be insured by the Federal Savings and Loan Insurance Corporation. As a consequence, the funds of each investor in a Federal association are insured up to $10,000 by that Corporation.

Granting of Charters and Branches

An application for permission to organize a new Federal savings and loan association may be made by five or more responsible citizens of a community. Such application is submitted to the Federal Home Loan Bank Board through the Federal Home Loan Bank of the District where the proposed association would be located. The supporting material should contain community data and other information that will show: (1) the good character and responsibility of the applicants; (2) the necessity for such an institution in the community; (3) the reasonable probability of its usefulness and success; and (4) that it can be established without undue injury to properly conducted existing local thrift and home-financing institutions. These are the four tests provided in Section 5(e) of the Act for the granting of a new Federal charter. Before an application is approved, the applicants and any interested parties are afforded an opportunity to present their views and supporting evidence at a public hearing.

When the Board approves an application for permission to organize a new Federal savings and loan association, certain initial capital and reserve requirements are established. Currently, such capital requirements range from a minimum of $300,000, invested by not less than 250 persons, to a maximum of $1,250,000, from 850 persons. To provide an initial reserve protection against operating deficits or losses, applicants are also required to place in escrow, for a 5-year period, savings accounts equal to 10 percent of the total initial capital. When an uninsured State association makes application for conversion to a Federal charter, the Board applies the same eligibility standards as if such association were seeking insurance of accounts under State charter.

There are no statutory criteria for the establishment of branch offices by Federal associations. The courts have held in this regard that the establishment of branches is "committed to agency discretion." Therefore, when the Board considers applications for branch offices, it uses the same tests as those 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 providing for a public hearing before rendering a favorable decision. Notices of hearings on both types of applications are published in the community where the office is proposed to be established, and also are mailed to the appropriate State supervisory authority and regional savings and loan trade organization. Protesters may appear at such hearings or file their objections in writing.

Federal Charters Issued and Branches Authorized

Federal savings and loan associations are located in every State, the District of Columbia, and Puerto Rico.

In 1963 there was a net increase of 27 Federal charters as shown in the following tabulation:

Additions to total charters:	*Number*	
New associations	21	
Converted from State associations	16	
Gross additions		37
Subtractions:		
Mergers of Federal associations	9	
Conversions of Federal associations to State associations	1	
Total subtractions		10
Net increase in Federal charters		27

The 21 new Federal associations chartered during the year were located in the following States:

Alabama	3	Kentucky	1
California	2	Maryland	2
Connecticut	1	South Carolina	1
Florida	4	Tennessee	3
Georgia	4		

During the year, the Board conditionally approved 16 applications for permission to organize Federal associations and rejected 40 such applications.

At the close of the year, there were 1,968 Federal associations, of which 1,031 were converted from State associations, and 937 were initially organized as Federals.

There was a further expansion during 1963 in the number of branch offices operated by Federal associations, as well as in the number of Federal associations establishing branch offices. At the end of 1963, there were 564 Federal associations operating 1,246 branches compared with 531 Federal associations with 1,119 branch offices at the close of 1962. This reflects an increase of 6 percent in associations with branches, and 11 percent in branch offices.

Of the 1,246 branches, 1,122 were newly established offices, 89 were acquired through merger, and 35 were in existence before conversion from State to Federal charter.

The distribution of the 1,246 branch offices among the 564 Federal associations was as follows:

Number of branches operated by associations	*Number of Federal associations with indicated number of branches*	*Total number of branches*
1	284	284
2	123	246
3	72	216
4	30	120
5	19	95
6	17	102
7	8	56
8	3	24
9	1	9
10	1	10
11	1	11
12	1	12
13	2	26
17	1	17
18	1	18
Totals	564	1,246

Balance Sheet Changes of Federal Associations

Consistent with the growth pattern established in the post World War II period, Federal associations in 1963 exhibited further advances in all major areas of their operations. Historical peaks were reached in total assets, mortgage loans, cash and Government securities, and reserves and undivided profits as noted in the following tabulation:

Principal Balance Sheet Items of Federal Savings and Loan Associations

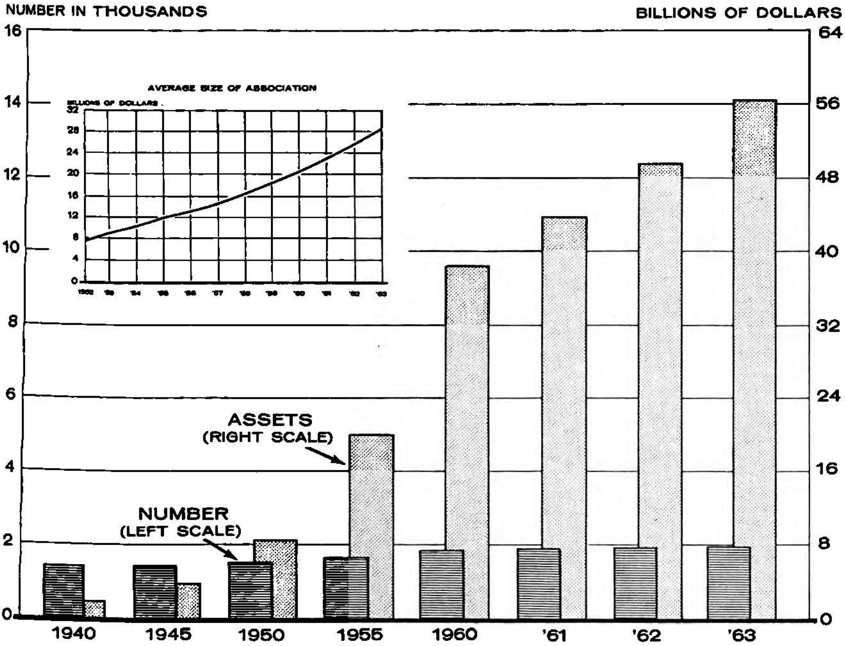
[Dollar amounts in millions]

						Ratio to savings capital	
As of 12/31	*Total assets*	*Mortgage loans*	*Cash & U.S. Governments*	*Savings capital*	*Reserves & surplus*	*Cash & U.S. Governments (percent)*	*Reserves & surplus (percent)*
1950	$8,452	$6,897	$1,244	$7,023	$566	17.7	8.1
1955	20,035	16,724	2,406	17,159	1,302	14.0	7.6
1960	38,511	32,266	4,047	33,595	2,662	12.0	7.9
1961	43,805	36,676	4,675	38,065	3,020	12.3	7.9
1962	49,633	41,801	5,139	42,806	3,433	12.0	8.0
1963	56,368	47,875	5,442	48,094	3,777	11.3	7.9

The total assets of the 1,968 Federal associations which represent 52 percent of the assets of all operating savings and loan associations in the country increased 14 percent during 1963, reaching $56,368 million, as shown in Chart 13.

Total savings increased 12 percent over the previous year, while the number of shareholders advanced to a record 18,834,000.

Chart 13.—Federal Savings and Loan Associations



Liquid assets represented by cash and Government obligations expanded 6 percent and general reserves and surplus registered a 10-percent gain.

The mortgage portfolio of Federal associations, composed mainly of loans secured by first liens on single-family residences, recorded an increase of 15 percent over the previous year. Of these loans, 84 percent were conventional; 9 percent, VA; and 7 percent, FHA. During the year, the aggregate of mortgage loans granted by Federal associations reached a record high of $11.5 billion, an increase of 15 percent over 1962. The major purposes of such loans are shown in the following tabulation:

Mortgage Loans Made by Federal Savings and Loan Associations

	Amount (billions of dollars)	*Percent distribution*
Purchase of existing homes	$4.7	41
Home construction	3.2	28
Other purposes	3.6	31
Total	11.5	100

FEDERAL HOME LOAN BANK BOARD—ADMINISTRATION

As mentioned previously, the Federal Home Loan Bank Board does not receive appropriated funds from the U.S. Treasury. Its expenses, subject to annual limitations set by the Congress, are paid from assessments made on the Federal Home Loan Banks, the Federal Savings and Loan Insurance Corporation, and from charges made to associations examined. Expenses of the Federal Savings and Loan Insurance Corporation, also subject to an annual limitation set by the Congress, are paid from funds derived from insurance premiums and income on its investments.

Total expenses of the Federal Home Loan Bank Board, exclusive of the Federal Savings and Loan Insurance Corporation, were $13,546,741 for calendar year 1963, compared with $12,359,913 for the previous year. A comparative statement of condition of the Board as of December 31, 1963 and December 31, 1962, is presented in Table 8 on page 69. A comparative statement of revenue and expenses for calendar year 1963 and 1962 is presented in Table 9 on page 70.

Changes in Regulations

As the year 1963 progressed, the Board's attention focused on needed implementation of statutes and changing conditions in the savings and mortgage markets. In the process of developing policy, the Board held meetings with the Federal Savings and Loan Advisory Council and the Conference of Bank Presidents, and relied on the work of several System-wide committees.

For many years following World War II, the mortgage market was characterized by a strong demand for funds and rather favorable lending results. Foreclosure rates remained low, the quality of credit seemed superior to that in previous periods of prosperity, and the main problem centered on assuring an adequate flow of mortgage money to the mortgage market. Board policy in those years reflected this conjunction of conditions. Similarly, the financial condition of member institutions reflected the strong demand for funds and housing. Retained earnings to net income remained at favorable levels; net worth to assets and savings tended to be reasonably well maintained; and weak assets, reflecting unfavorable lending results, were rather inconspicuous. More recently, the proportion of income placed into reserves, surplus, and undivided profits has fallen. In 1956, for example, insured institutions transferred more than 20 percent of gross income to reserves and surplus, but in 1962 the transfer was 16.9 percent. For 1963, the same figure was only 12.2 percent. The ratio of net worth to savings also has been declining in recent years. At the same time, the general upswing in foreclosures has affected some savings and loan associations considerably more than others. Slow assets, such as delinquent loans, foreclosed real estate, and foreclosed real estate sold on special terms, have risen in some areas and at some associations.

The decline in the proportion of income transferred to reserves was the direct result of a steady rise in dividend rates at member associations. One of the disturbing elements in this development was that associations paying higher dividend rates tended to grow more rapidly than those with more moderate dividend levels and demonstrated a tendency to dilute their net worth position. Foreclosures showed a clear tendency to be higher and more pervasive among rapidly growing, high dividend rate associations than among associations with more moderate growth or more moderate dividend rates.

Reserve Regulations

Because of these developments and the decline in net worth ratios in recent years, the Board had under consideration amendments to its reserve regulations during most of 1963. The plans for dealing with these issues were in a formative stage in midsummer. About that time, a number of institutions announced increases in dividend rates to 5 percent for the fourth quarter of the year. In the Board's view, this action, given the knowledge at hand concerning growth rates, dividend rates, and the need for mortgage funds, was one that could lead to serious dilution of net worth ratios and to a possible adverse impact on the quality of credit.

The Board, therefore, announced its intention to introduce a more appropriate type of requirement for reserve allocations. It also determined to require all insured institutions to defer fees on loans. As a result, most of the dividend increases to 5 percent made toward the end of the year were reversed.

On November 6, 1963, the Board proposed an amendment to Section 563.13 of the *Rules and Regulations for Insurance of Accounts* which would require insured savings and loan associations to make allocations to loss reserves in line with the growth of their savings accounts. Under the Board's original proposal, an amount equal to at least 10 percent of net income would have to be credited semiannually to loss reserves regardless of the length of time that insurance of the institution's accounts had been in effect. Benchmarks applicable to institutions insured for less than 20 years were retained; however, the more rapidly growing institutions would be required to make additional credits to their Federal insurance reserves based upon their growth in savings accounts.

Following notice and public procedure, the Board amended Section 563.13 on December 30, 1963. As a result of comments received during the notice period, substantial revisions were made in the proposal. Thus, growth in specified assets (primarily total assets less cash and Government securities) rather than growth in savings accounts became the criteria for requiring additional allocations to reserves. The regulation of December 30, 1963, retains benchmarks for reserve levels up to 20 years following the date of insurance of the association's savings accounts; but it adds a requirement that, in future years, the buildup of net worth would be such as to keep pace and furnish protection, in some measure, against any increase in the weak assets of an association—the so-called "scheduled items."

In addition to meeting benchmark requirements, the new regulation requires institutions (with minor exceptions) to make semiannual credits to reserves based upon their growth in specified assets, unless the institution's adjusted net worth, as defined in the regulation, was at least 12 percent of its specified assets at the close of a given semiannual period. Institutions with an adjusted net worth of at least 8 percent of specified assets would be required to credit to their Federal insurance reserves an amount equal to at least 10 percent of net income. The requirement for institutions with an adjusted net worth of less than 8 percent of specified assets depends upon their size, the length of time insured, and their growth in specified assets in any semiannual period. Depending on these three factors, an insured institution may have a requirement as high as the greater of an amount equal to 10 percent of net income or 6 percent of its growth in specified assets.

Deferral of Fee Income

The Board also recognized that a large number of high dividend associations were paying dividend rates based on loan fees and discounts which had not yet been earned. This practice did not conform to sound accounting procedures and tended to overstate income. A fee on a loan, above some basic amount reflecting the cost of origination, is an adjustment of interest reflecting increased risk. The Board felt that such fees should be amortized over the average life of a loan. Consequently, following notice and public procedure, on November 23, 1963, the Board added a new provision to the *Rules and Regulations for*

Insurance of Accounts governing premiums, charges, and credits with respect to mortgage loans, sale of real estate owned, and related items.

The new regulation, effective January 1, 1964, required insured institutions to spread the income derived from fees charged in connection with the making or acquisition of mortgage loans by requiring that a substantial portion of such fees and charges either be deferred and taken into income over a period of 7 years or be credited to a specific reserve for losses. Under the regulation, one-seventh of the credits made to the reserve set up under the regulation becomes available in each fiscal year for credit to the institution's Federal insurance reserve account.

While the effects of more precise accounting for income and the strengthened reserve requirements were expected to reduce undesirable practices, the Board also recognized that some associations, with lending results that were open to question, were maximizing every channel of funds available to them.

Participation Loans

One of these channels was the participation loan program. This program, which had its inception in March 1957, permits insured associations to sell participating interests in certain loans. The original regulation required a seller to retain 50 percent of a loan. In March 1961, the retention was reduced to 25 percent. The effect of this change was to provide substantially increased leverage in the rate of return on the retained portion of the loan. Some institutions pursued participation sales more for the sake of boosting income than to meet any apparent shortage of funds in their area. In these cases, the funds were then used to obtain greater penetration of a market by taking increased risks, a fact reflected in higher-than-average slow asset positions for the institutions.

Some buyers of participations evidenced concern that a seller who retained only 25 percent of a loan might not exercise due diligence in determining the borrower's creditworthiness. Thus, the program involved two problems. First, some sellers appeared to rely too heavily on the program for funds even though the quality of their lending raised questions about the merits of permitting them greater access to additional lending power. Second, some buyers, fearful of potential problems, might withdraw from the participation program entirely cutting off flows of funds which might be fully justified.

The Board outlined two steps, therefore, in a proposed amendment to the participation loan program, dated December 27, 1963. It proposed raising the retainage on participations to 50 percent and eliminating sales by institutions with scheduled items (weak assets) ratios above 3.5 percent. These two steps were designed to remove the concern about a seller's diligence in screening loans and to limit the availability of funds to associations with less than satisfactory lending performances.

Loans in Any Metropolitan Area

To assure that the changes in the participation program would not unduly restrict flows of funds where market conditions merited such flows, the Board also proposed that insured associations be permitted to make loans in any metropolitan area. This authority is subject to certain restrictions. First, the amount so invested cannot exceed 5 percent of an institution's assets; second, the metropolitan areas in which an institution may lend are those defined in "Standard Metropolitan Statistical Areas," published by the Bureau of the Budget; third, no institution may make such loans if it has a scheduled items ratio of more than 2 percent; fourth, the loans must be made and serviced by the accredited types of lenders specified in the regulation.

Limit on Loans to One Borrower

On February 14, 1963, the Board amended the *Rules and Regulations for Insurance of Accounts* to limit the dollar value of mortgage loans made to one borrower by a member of the Federal Savings and Loan Insurance Corporation. The limitations do not take effect until the total amount owed by one borrower to an insured institution exceeds $100,000. Once this minimum amount has been reached, it is necessary for the insured institution to limit its loans to any one borrower, as that term is defined in the regulations, to the lesser of 10 percent of the insured institution's withdawable accounts or the sum of the institution's nonwithdrawable accounts (such as permanent, reserve, or guarantee stock), surplus, undivided profits, and reserves for losses.

Recordkeeping

On April 3, 1963, the Board adopted amendments relating to management, financial policies, examinations, audits, appraisals, and records of insured institutions. The regulation requires each insured institution to establish and maintain records sufficiently detailed to provide an accurate and complete record of all business transacted by the insured institution, and to enable the Federal Savings and Loan Insurance Corporation more easily to examine and audit the insured institution pursuant to the provisions of the regulation.

Restrictions on Brokerage of Accounts

In order to foster fair competition within the savings and loan industry by eliminating certain practices developed under existing gift sales commission regulations, the Board, on June 14, 1963, amended the *Rules and Regulations for Insurance of Accounts* to prevent persons other than the associations from engaging in certain activities directly affecting the association's operation by prohibiting insured institutions from accepting savings solicited through the use of such practices. Under the amended regulations, insured institutions may continue to use gifts that do not have a monetary value in excess of $2.50 and may continue, subject to the regulation, to employ and pay savings brokers so long as accounts opened or increased as a result of the services of brokers do not exceed 5 percent of the institution's accounts; however, the institutions no longer may accept savings accounts if a gift is made, or if a brokerage commission is paid (in connection with the solicitation of the account) by a person other than the insured institution.

In addition to the regulations discussed previously, the Board, during 1963, proposed significant new regulations on which final action was not taken before the close of the year. Two of these relate to investment by Federal savings and loan associations in urban renewal investment trusts and distribution of earnings at variable rates by Federal associations.

During the course of 1963, the Board issued regulations to give effect to various types of lending and investing authority provided in legislation.

The regulations included authority for Federal savings and loan associations to invest in loans with special terms for financing housing for the aging. A regulation also was issued authorizing Federal associations to make loans on multi-unit residential property to a greater extent than had been previously permitted, and regulations under related statutes also were modified to make the effects of the authority subject to consistent treatment.

The Board also revised the authority of Federal associations to engage in certain special loan participations. In order to assist joint financing of especially meritorious community projects, the Board, on July 19, 1963, adopted an amendment to the Federal Regulations governing participation loans on the security of real estate located within each Federal association's regular lending area to permit all Federal associations to participate, with any other lender, subject to the specific approval of the Board. Before the amendment, Federal associations could only participate in loans on such security with instrumentalities of the United States Government or institutions insured by either the Federal Savings and Loan Insurance Corporation or the Federal Deposit Insurance Corporation.

Examinations and Supervision

The magnitude and scope of the activities involved in the examination and supervision of this broad industry may be surmised from the facts and statistics in the preceding part of this report. These activities are highlighted as follows.

During 1963, the Division of Examinations stepped up its pace of activities and completed 4,379 supervisory examinations of institutions with total assets of $94.6 billion compared with 4,157 supervisory examinations of institutions with $81.6 billion of assets in 1962. Contributing to this favorable showing is the fact that an audit was required in only 2,485 of these institutions. With assets of $36.1 billion, they represented 56.8 percent of the total number, and 38.2 percent of total assets. Comparable 1962 statistics concerning examinations that included an audit are 2,549 institutions with assets of $35.4 billion accounting for 61.3 percent of the total number and 43.4 percent of total assets.

As noted in our 1962 Annual Report, the Division of Examinations, with the approval of the Board, instituted in that year a modified examining program whereby certain examination procedures were dispensed with or modified, for associations that complied with certain standards relating to the maintenance of sound internal controls, and that were audited in a manner satisfactory to the Division by independent accountants or internal auditors. Substantial progress was achieved in 1963 in effectuating this program. Procedures were modified with respect to the examination of 260 institutions with $23 billion of assets. The use of the modified examination procedures produced a saving of 26.4 percent in examiner man-days although the institutions examined had experienced a growth of 13.4 percent in assets since their last examinations.

Efforts to effect further improvement in examination procedures and to accomplish greater productivity continued to command the attention of the Division of Examinations during the year. On December 31, 1963, all but one Federal association and seven insured-State institutions had been examined at intervals of from 9 to 13 months following the preceding examination. During 1963, the examination periods for Federal and State institutions were averaging 11.4 and 11.9 months, respectively. In addition to its normal workload of regular examinations, the Division originated 49 examinations to determine eligibility for a Federal charter or for insurance of accounts, and conducted 93 special examinations and other investigations.

The expanded workload of the Division of Examinations which necessarily has been entailed by the spectacular growth of the industry has been performed with only a minimal enlargement of its examining staff.

The Division commenced the year with 738 field examiners, added 69 by new appointments, and lost 68 by terminations, producing a net gain of one examiner and a total staff of 739 field examiners at yearend 1963. This record attests to the effectiveness of the Division's endeavors to shape its examination procedures and programs to meet the challenges of its constantly growing responsibilities.

During the year, the Division actively pursued programs, inaugurated in previous years of cooperation, with industry and professional groups for the discussion and development of procedures and policies designed to strengthen the internal operations of savings and loan associations.

In the area of independent audits, representatives of the Division met in January 1963 with the American Institute of Certified Public Accountants Committee on Relations with the Federal Home Loan Bank Board. This meeting was the culmination of a series of regional meetings for a comprehensive discussion and review of audit problems, the Board's audit requirements, and the Institute's audit guide. A meeting was held in October 1963 with members of the same Committee to discuss a draft of the proposed revisions of the Board's audit requirements.

A conference dealing with internal audits was held in March 1963 with a committee from the Accepted Internal Audit Section of the Society of Savings and Loan Controllers. The topics discussed at that meeting ranged from problems relating to deficiencies found in internal audits to the establishment of qualifications and standards for internal auditors. In May 1963, a representative of the Division addressed the annual meeting of the Internal Audit Section and participated in a panel discussion on audits at the Controllers' Convention.

The beneficial results achieved from previous studies encouraged the committees of Chief Examiners to carry on their research efforts in 1963 to develop new techniques and policies for examining and auditing, training and development, and improving District operations.

The program formalized in 1962 for the training of examiners which gives recognition to the desirability for continued career development was effectuated in 1963 by affording personnel of all grades the opportunity to attend seminars and specialized meetings held in Washington and in various Districts throughout the country.

A prime objective of the Board has been to reduce to a minimum the time interval spanning the start of an examination, its completion, the supervisory review, and the issuance of the supervisory letter transmitting the report of examination to the association. Progress in attaining that objective is indicated by the following comparison: At the beginning of 1963, the time required for completion of field and office work and transmittal of the examination report to supervisory authorities averaged 43.3 calendar days for Federals and 53.3 calendar days for State associations. By yearend, this average time had been reduced to 39.7 and 48.7 calendar days, respectively.

On December 28, 1962, the Board issued a formal statement of its program, to become effective February 15, 1963, for conducting test appraisals of real estate security for mortgage loans by insured institutions. One of the major objectives of the program is to delineate as far as practicable the areas of unsafe and unsound practice by identifying criteria which influence the Board in its evaluation of an institution's mortgage lending policies and practices. By yearend 1963, 32 test appraisal assignments were completed and 12 were in progress.

The remarkable growth record of the savings and loan industry has not been achieved entirely free of supervisory problems. The industry, in general, is strong, financially sound, capably managed, and is discharging in a highly commendable manner its responsibility in promoting thrift and providing economical home financing. It was inevitable, however, that in a few cases there would be irregular practices. These have been handled quickly and effectively.

A concomitant of the recent unprecedented growth of the savings and loan industry has been the upward trend of the loan-to-purchase-price ratio. It is of course predictable that in an expanding economy the average price of real estate would exhibit a steady ascent; however, as indicated in the accompanying table, in recent years the average amounts of loans made have consistently outpaced the climb in the average purchase price.

Percent of Loan-to-Purchase Price

Year	*Average amount of loan*	*Average purchase price*	*Percent of loan-to-purchase price*
1952	$6, 535	$11, 300	57. 8
1954	7, 458	12, 183	61. 2
1956	8, 603	13, 679	62. 9
1958	9, 461	14, 724	64. 3
1960	10, 900	16, 042	67. 9
1961	11, 573	16, 639	69. 6
1962	12, 334	16, 994	72. 6
1963	12, 825	17, 277	74. 2

The dollar volume of loans over 75 percent of purchase price rose to 67 percent of total loans made in 1963 compared with 58 percent in 1962 and 49 percent in 1961.

The first report of a new series of quarterly studies by the Board on the recent foreclosure experience of FSLIC-insured associations was released in November 1963.

As shown in the accompanying tabulation, there has been a steady rise in the number and rate of foreclosures, including deeds in lieu of foreclosure, in each quarter since the third quarter of 1962.

	Number of foreclosures	*Rate per 1,000 loans held*
1962:		
3d quarter	8,960	1.11
4th quarter	9,594	1.17
1963:		
1st quarter	10,257	1.24
2d quarter	10,472	1.24
3d quarter	10,897	1.27
4th quarter	11,327	1.30
4 quarters ending Dec. 31, 1963	42,953	5.05

Experience has demonstrated, however, that all foreclosures do not necessarily produce ultimate loss in value or income; in many instances, a full recovery is accomplished in disposing of foreclosed properties, and in the process, sales have yielded sound loans.

Illustrative of the difficulty, however, in reaching a judgment as to the effects of changes in lending practices on asset quality, is the disclosure in examination reports that the percentage of loan delinquencies leveled off in 1963. Delinquent loans averaged 1.7 percent of total loans in insured institutions, the same rate as in 1962, and only slightly higher than the 1.6-percent rate in 1961. This ratio was 1.3 percent as far back as 1958.

Advisory, Liaison, and Committee Units

The Federal Home Loan Bank Board devotes a substantial part of its effort to the formulation of policy and the decisions relevant thereto. In support of this effort, it has available certain groups, both statutory and of its own making, from which it receives advice and recommendations. Among these are the following:

Federal Savings and Loan Advisory Council

This body was created by law to confer with the Federal Home Loan Bank Board on general business conditions, and on special situations pertinent to the operations of the System and the industry. The Council is authorized to request information and to make studies and recommendations to the Board on all matters within the jurisdiction of the Board.

Membership comprises one representative from each District, elected annually by the Federal Home Loan Bank of that District, and six additional members appointed by the Board. A list of those who served during the calendar year 1963 is appended as Exhibit 2.

The group chooses its own officers and appoints committees to make special studies and reports. The Executive Secretary provides service functions and continuity of operations, as well as liaison for the Council and the Board between regular meetings. Council programs include conferences with officials of related government agencies, Congressional Committees, Bureau of the Budget, and officials from industry groups such as the National League of Insured Savings Associations, the United States Savings and Loan League, and the National Association of Mutual Savings Banks.

As required by law, meetings are held at least twice a year, or more often as requested by the Board. The Council met May 23–24, and September 5–6, 1963. The Executive Committee met on April 5, October 16, and December 14, 1963.

Subjects for consideration at meetings may be suggested by the Board or by the Council members. Principal topics discussed in 1963 were: Reserve regulations; deferral of fee income; reserve credits; acquisition of collateral loans by Federal associations; increase of the percentage permitted on commercial loans; a bill recommending Federal mutual savings banks; variable dividend rates; and many other matters germane to the work of the Board and the industry.

In addition, meetings include a discussion of business conditions, and a brief report of the economic trends and association activity in each District. At the close of each session, formal recommendations are forwarded to the Board, which in turn presents its response to the Council at its next meeting.

Bank Presidents' Conference

The Conference of Federal Home Loan Bank Presidents was established to effect a close working relationship between the Federal Home Loan Bank Board and the regional Federal Home Loan Banks. It is composed of the executive heads of all Banks, and meets quarterly with the Board.

This group provides an organized medium for review of matters concerning the Banks, their membership and activities, and assures policy coordination. Agenda for meetings include such subjects as proposed legislation, rules, or regulations; matters of examination and supervision; interest and dividend policies of the Banks; developments in the capital market which bear on the issuance of consolidated obligations of the Banks; advance policy; and similar items.

Board Meetings with National Association of State Savings and Loan Supervisors

During the year 1963, the Board continued its policy of consulting with State officials to review broad questions affecting the dual system of Federal and State savings and loan associations. The National Association of State Savings and Loan Supervisors appointed a Liaison Committee to meet with the Board and discuss mutual problems in the savings and loan field.

Three meetings were held during the year. Principal subjects under discussion were: the new reserve regulations; increase in amount of insurance coverage; joint examination reports; increase in amount of fidelity bond required; the deferral of fee income; mobile branching facilities; and other subjects of mutual interest to Federal and State authorities.

The following State Supervisors were in attendance at some or all of the meetings:

F. E. BALDERSTON, California
GEORGE L. BARNER, Washington
PAUL V. BOMAR, South Carolina
W. L. BRENNEMAN, Pennsylvania
GORDON E. CHURCH, Missouri
C. DIEL, Wisconsin
VINCENT NOLAN, New York
GUY L. REED, Colorado
GARETH SADLER, California
PRESTON N. SILBAUGH, California
ROMAN J. WINKOWSKI, Wisconsin
HARRY B. WOLF, JR., Maryland

Committees of the Bank System and Board Staff

In addition to the Advisory Council and liaison groups already described, the Board makes use of four committees to investigate broad subjects or specific problems.

Three of these groups—the Committees on Liquidity and Credit Policy, Examinations and Supervision, and Legislation and Regulation—were established in 1962 on a Systemwide basis. They include in their membership a number of the Bank Presidents and the senior staff of the Board.

The Committee on Liquidity and Credit Policy made recommendations relative to advances and liquidity requirements which were adopted by the Federal Home Loan Banks in March 1963. The other two Committees made studies on a number of special subjects and submitted recommendations for the consideration of the Board.

A fourth unit—the Committee on Applications for Branches and Permission to Organize Federal Savings and Loan Associations—was established as a staff group to assist and expedite in the processing of applications. During the year it submitted recommendations which it believed would:

1. Expedite the processing of applications for branches;
2. Lessen the workload of the Board;
3. Avoid expensive research costs by certain Federal savings and loan associations;
4. Place greater responsibility locally on the supervisory agent in the District Bank and centrally in the responsible divisions in Washington; and
5. Provide uniform applications and outline of minimum data requirements for future use and guidance of the associations when preparing applications.

These Committees are authorized to obtain information from a wide variety of sources, but each restricts its study to the special area and subject for which it was formed.

Continuity of Government in Event of National Emergency

The Federal Home Loan Bank Board, pursuant to Executive Order 11094 dated February 26, 1963, and under the delegation from the Secretary of the Treasury of January 10, 1961, is responsible for the development of national security preparedness measures relating to savings and loan credit policies and programs. The Executive Order requires the Board to "develop emergency plans, programs, and regulations, in consonance with national emergency financial and stabilization plans and policies, to cope with potential economic effects of mobilization or an attack." 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.

The Federal Home Loan Banks serve as regional representatives of the Board and participate actively in the emergency preparedness program. The Banks have been designated to represent the Federal Home Loan Bank Board on the regional committees of the Office of Emergency Planning.

In support of the emergency preparedness program, the Federal Home Loan Bank Board and the Federal Home Loan Banks have established relocation sites, have provided for duplication of records and separate storage facilities, and have provided for officer succession.

There has been a steady increase in the participation of insured member institutions in the emergency preparedness program. At the close of 1963, nearly 60 percent of such institutions had initiated a preparedness plan.

Reorganization of the Board

In August 1961, the Chairman of the Federal Home Loan Bank Board was given the responsibility and authority for the management, functioning, and organization of the Board and its operations. The new assignment was effected by Reorganization Plan No. 6 of 1961, as approved by the President and the Congress.

Pursuant to this authority, a comprehensive survey was initiated in February 1962, financed from the President's Management Improvement Fund, to evaluate the organization and administration of the Board, the Federal Home Loan Banks, and the Federal Savings and Loan Insurance Corporation. This evaluation did not include the public policies administered by the Board. In addition, at the request of the Chairman, a study and evaluation of the Board's personnel and manpower utilization programs was made by the U.S. Civil Service Commission.

The results of the surveys and their recommendations were carefully reviewed and considered by the Board before the following reorganization, reflected in Organizational Charts (14 and 15) on pages 59 and 60, was announced in December 1963, to be effective January 1, 1964.

The reorganization thus effected was designed to improve and promote the efficiency and effectiveness of the Board's administration and the operations under its jurisdiction.

Units of the Board and of the Insurance Corporation which had basically parallel or like functions were merged into single units. Since the Comptroller's Division of the Federal Savings and Loan Insurance Corporation and the Comptroller's Division of the Board were performing substantially similar functions, they were merged into a single Division under the supervision of the newly established Office of Administration. The nature of the work performed in the Underwriting Division of the Federal Savings and Loan Insurance Corporation and in the Board's Division of Federal Savings and Loan Operations, was concerned almost entirely with the processing of applications, either for charters and branches, or for insurance of accounts. The functions of these Divisions were merged into the newly created Office of Applications, under one Director in charge of all applications processing. This again served to combine parallel functions in a single unit.

Similar improvements to promote efficiency were made throughout the Agency. For example, a variety of services and functions which had come within the purview of the Secretary's Office, but which were not directly related to the primary purposes of that Office, were transferred to a newly created Division of Administrative Services. The new Division, under a single Director, has the responsibility for providing and utilizing space, purchasing supplies and equipment, providing messenger and mail services, managing the Duplicating Section, and handling the Emergency Planning functions of the Board. This Division is also under the supervision of the new Office of Administration.

The Operating Analysis Division, a unit in the Insurance Corporation that had been rendering services directly to the Board and several of its divisions as well as the Insurance Corporation, was transferred from the Corporation and made a staff division of the Board under the new Office of Administration. However, in order to meet the growing demands placed upon this unit at the highest possible professional level, special provision was made in the Reorganization Order that the Director, Office of Research and Home Finance, provide general program guidance to the Division.

The Division of Examinations and the Division of Supervision, which had operated independently of each other but whose purposes were so closely related, were merged into a single Office of Examinations and Supervision. By meshing the activities of these divisions, the objective of assuring the safe and sound operation of insured savings and loan associations will be more effectively achieved.

A new Office of Director, Federal Savings and Loan Insurance Corporation, was established. The previous organizational structure had a General Manager and divisions under him performing functions similar to those performed by other Board units, or serving the Board staff. The new Office concerns itself solely with advising the Board regarding applications for insurance or other proposed actions affecting the interests of the Insurance Corporation, and with the payment and settlement of insurance claims. Under the reorganized office, the Director can devote full time to advising the Board on serious matters of policy affecting the Insurance Corporation without being concerned with complex administrative functions.

One of the major recommendations adopted by the Board was the establishment of a Division of Regulations. With a small but highly experienced staff, it has direct responsibility to the Board for reviewing and recodifying existing regulations, for evaluating suggestions to amend existing regulations, and for preparing new regulations. The effect of this new Division is to centralize in one unit the overall responsibility for the orderly and effective presentation to the Board of proposed rules and regulations.

To improve efficiency and relieve the Chairman of certain administrative duties, the Office of Administration, headed by the Executive Assistant to the Chairman, was established with direct supervisory responsibility over the divisions performing or rendering services for the various staff units. Included in this Office are the newly merged Comptroller's Office, the Operating Analysis Division (Data Processing) for administrative supervision, and the two newly established offices—the Division of Administrative Services and the Division of Organization and Methods. The latter Division would review activities of all operating staff units to develop an adequate performance standards program and a management reporting system, with a view to insuring fullest utilization of available manpower in the Board.

The Office of the General Counsel also was reorganized, in the interest of administrative efficiency, into four separate sections: Litigation, Legislative, Opinions and Regulations, and General (Dockets). Under this reorganization, the head of each respective section is responsible for the flow of work assigned to it, and reports directly to the General Counsel on the activities of the section.

And, finally, to relieve the Board Members from the necessity of spending their efforts on minute details, and to allow them full use of their time to consider important policy matters, provision was made in the Reorganization for the appointment of a personal assistant to each Board Member.

Thus, the year 1963 was one of substantial accomplishments toward improvement of the internal organization and its preparedness to do the job that is ahead. The changes made were basic, thorough, and designed with a view to their permanent value.

Chart 14.—Federal Home Loan Bank Board Organization Chart

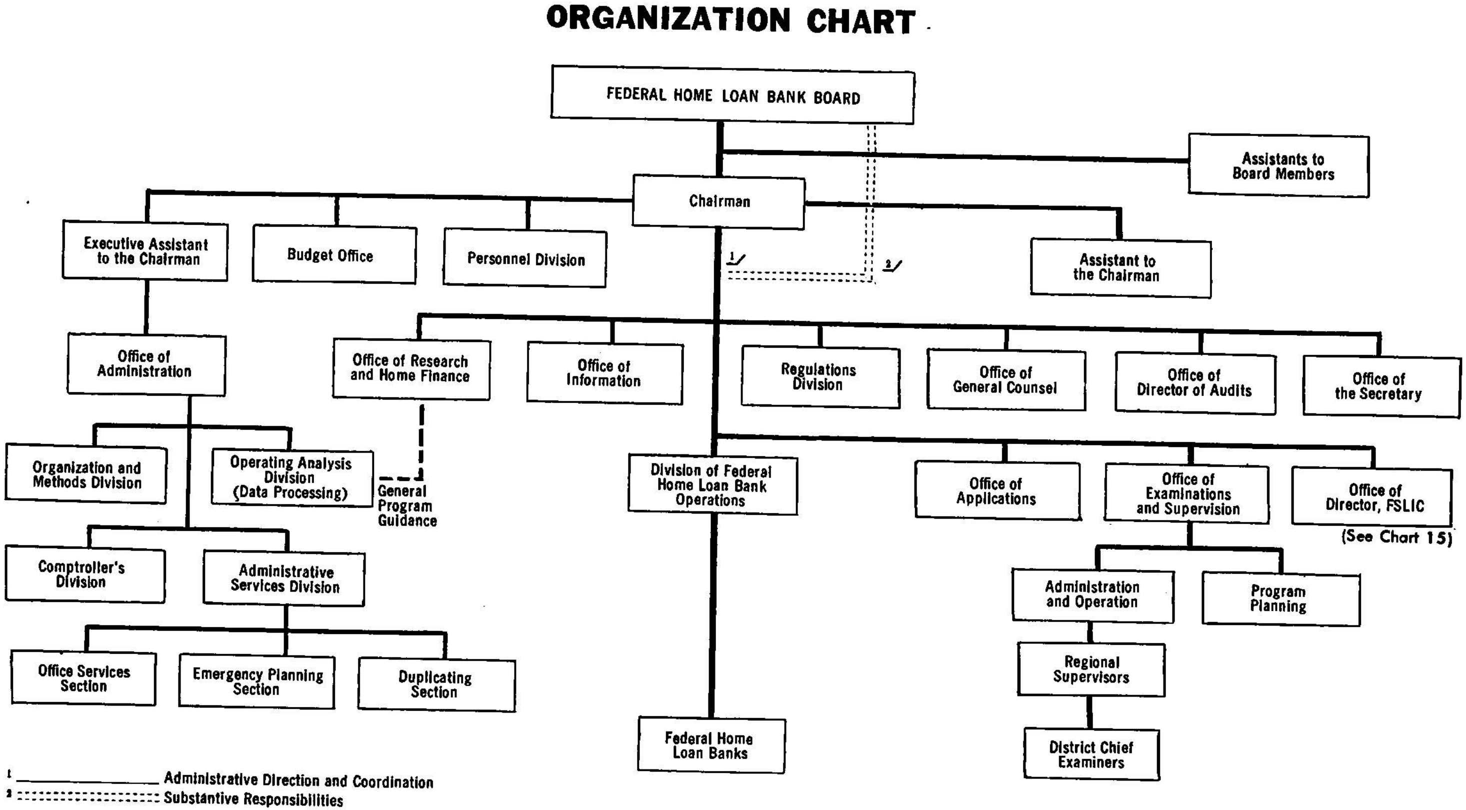


Chart 15.—Federal Savings and Loan Insurance Corporation Organization Chart

FEDERAL HOME LOAN BANK BOARD

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

Created by Title IV of the National Housing Act, 1934, for the purpose of insuring savings in all Federal savings and loan associations and in all State-chartered savings and loan, building and loan, and homestead associations and cooperative banks which apply and qualify. The insurance coverage for each account is limited to $10,000.

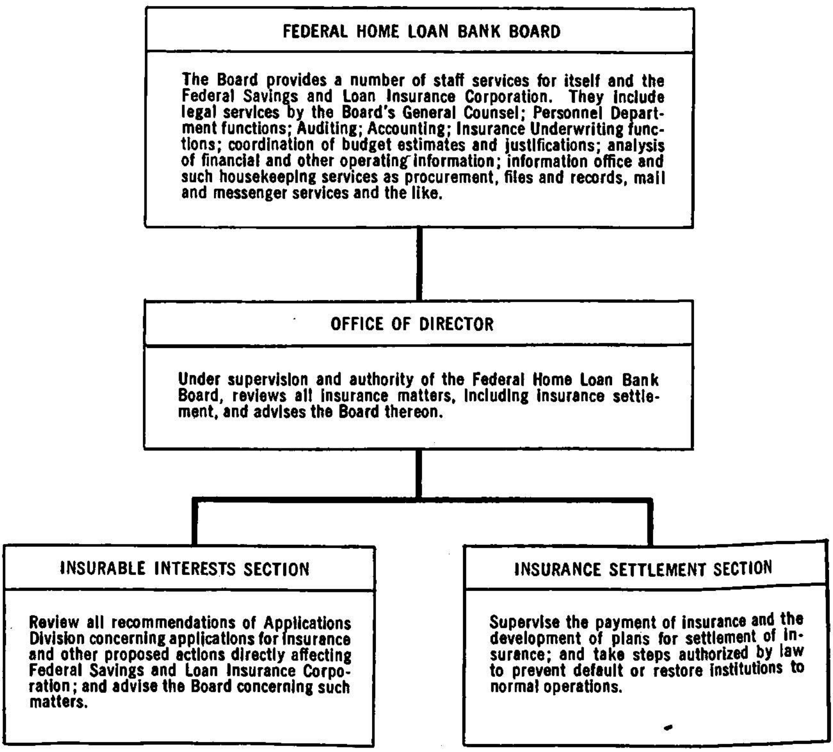


Table 1.—Federal Home Loan Banks—Comparative condensed consolidated statement of condition as of dates indicated

	Dec. 31, 1963	*Dec. 31, 1962*
ASSETS		
Cash:		
On hand and in banks	$101,853,148	$143,271,008
Treasurer of the United States	57,083,940	29,671,445
Total cash	158,937,088	172,942,453
Investments: U.S. Treasury obligations	1,905,600,864	1,531,242,493
Advances outstanding:		
Secured	3,288,171,072	2,250,330,405
Unsecured	1,496,065,246	1,228,693,112
Total advances outstanding	4,784,236,318	3,479,023,517
Accrued interest receivable	22,091,904	19,261,482
Deferred charges	3,720,439	1,445,097
Other assets	21,670	19,937
Total assets	6,874,608,283	5,203,934,979
LIABILITIES		
Deposits:		
Members:		
Time	834,913,778	938,844,711
Demand	315,617,865	274,541,776
Applicants for membership	187,088	387,254
Total deposits	1,150,718,731	1,213,773,741
Accrued interest payable	57,778,629	38,537,118
Accounts payable	266,456	311,032
Dividends payable	9,468,365	9,992,079
Unamortized bond premium	124,797	379,525
Other deferred credits	698,275	0
Consolidated obligations [1]	4,363,000,000	2,707,035,000
Total liabilities	5,582,055,253	3,970,028,495
CAPITAL		
Capital stock: Total paid in on subscriptions	1,170,669,617	1,126,485,666
Retained earnings:		
Legal reserve	77,813,548	68,228,976
Undivided profits	44,069,865	39,191,842
Total retained earnings	121,883,413	107,420,818
Total capital	1,292,553,030	1,233,906,484
Total liabilities and capital	6,874,608,283	5,203,934,979

[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.

Analysis of retained earnings accounts for the calendar year 1963

Balance, Dec. 31, 1962		$107,420,818
Additions: Net income for 1963		47,922,865
Subtotal		155,343,683
Deductions:		
Dividends declared to stockholders	$33,460,249	
Adjustments of prior year dividends	21	
Total deductions		33,460,270
Balance, Dec. 31, 1963		121,883,413

Table 2.—Statement of condition of each Federal Home Loan Bank at end of 1962 and 1963

[In thousands of dollars]

	Boston		*New York*		*Pittsburgh*		*Greensboro*		*Cincinnati*	
ASSETS	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*
Cash	$5,197	$4,495	$13,163	$21,533	$7,192	$10,249	$38,558	$31,011	$22,537	$15,295
Investments	73,396	80,217	151,145	165,997	87,671	100,579	242,683	228,663	124,116	153,563
Advances outstanding	228,810	124,417	305,942	152,883	298,134	253,864	503,377	386,914	240,102	169,996
Secured	217,688	114,198	84,085	73,127	290,914	247,914	188,905	35,955	69,983	38,219
Unsecured	11,122	10,219	221,857	79,756	7,220	5,950	314,472	350,959	170,119	131,777
Accrued interest receivable	1,462	1,043	1,498	1,332	2,056	1,702	2,499	2,350	914	1,072
Other	123	40	166	44	158	94	331	152	188	137
Total assets	308,988	210,212	471,914	341,789	395,211	366,488	787,448	649,090	387,857	340,063
LIABILITIES AND CAPITAL										
Deposits	34,160	38,622	159,224	156,220	68,470	67,419	235,460	258,164	100,769	106,796
Accrued interest payable	3,132	1,670	1,562	590	4,241	3,235	6,092	3,717	1,592	1,270
Consolidated obligations	199,000	102,070	166,000	49,000	248,000	222,155	374,000	218,755	152,000	100,000
Other	5	914	262	259	1,016	1,025	19	41	1,803	1,855
Total liabilities	236,297	143,276	327,048	206,069	321,727	293,834	615,571	480,677	256,164	209,921
Capital stock paid in	66,010	60,941	129,443	122,247	67,184	66,883	156,724	154,960	119,672	119,275
Retained earnings	6,681	5,995	15,423	13,473	6,300	5,771	15,153	13,453	12,021	10,867
Total capital	72,691	66,936	144,866	135,720	73,484	72,654	171,877	168,413	131,693	130,142
Total liabilities and capital	308,988	210,212	471,914	341,789	395,211	366,488	787,448	649,090	387,857	340,063

Table 2.—Statement of condition of each Federal Home Loan Bank at end of 1962 and 1963—Continued

	Indianapolis		*Chicago*		*Des Moines*		*Little Rock*		*Topeka*		*San Francisco*	
ASSETS	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*	*1963*	*1962*
Cash	$11,265	$7,769	$15,320	$18,234	$16,939	$11,618	$7,017	$11,276	$6,226	$4,138	$38,522	$52,324
Investments	97,216	119,709	267,491	213,653	136,306	92,168	72,975	45,277	59,487	73,587	593,115	257,831
Advances outstanding	147,074	100,250	602,654	497,273	257,438	190,869	307,993	228,883	210,315	165,774	1,682,397	1,207,900
Secured	8,762	19,577	391,762	292,181	79,143	58,531	223,865	123,745	149,013	116,325	1,584,052	1,130,558
Unsecured	138,312	80,673	210,892	205,092	178,295	132,338	84,128	105,138	61,302	49,449	98,345	77,342
Accrued interest receivable	796	695	862	1,485	613	440	1,714	1,186	644	1,098	9,037	6,861
Other	95	43	413	168	202	105	224	119	118	74	1,726	489
Total assets	256,446	228,466	886,740	730,813	411,498	295,200	389,923	286,741	276,790	244,671	2,324,797	1,525,405
LIABILITIES AND CAPITAL												
Deposits	87,661	107,530	146,597	152,658	140,506	109,322	33,258	52,891	45,632	38,470	121,984	140,682
Accrued interest payable	1,344	793	9,503	6,542	2,268	1,383	3,477	2,021	2,898	2,212	21,672	15,108
Consolidated obligations	96,000	49,360	578,000	423,125	191,000	108,125	278,000	159,425	178,000	155,220	1,903,000	1,119,800
Other	9	17	2,390	2,383	16	31	1,079	1,020	12	22	3,947	3,115
Total liabilities	185,014	157,700	736,490	584,708	333,790	218,861	315,814	215,357	226,542	195,924	2,050,603	1,278,705
Capital stock paid in	64,967	64,891	136,593	134,208	71,473	70,768	68,637	66,519	45,821	44,690	244,145	221,103
Retained earnings	6,465	5,875	13,657	11,897	6,235	5,571	5,472	4,865	4,427	4,057	30,049	25,597
Total capital	71,432	70,766	150,250	146,105	77,708	76,339	74,109	71,384	50,248	48,747	274,194	246,700
Total liabilities and capital	$256,446	228,466	886,740	730,813	411,498	295,200	389,923	286,741	276,790	244,671	2,324,797	1,525,405

Table 3.—Federal Home Loan Banks—Comparative consolidated statement of income and expense for the calendar years 1963 and 1962

	Calendar Year 1963		*Calendar Year 1962*	
	Amount	*Percent*	*Amount*	*Percent*
Earned operating income:				
Interest on advances	$125, 340, 537	70. 0	$95, 190, 396	68. 0
Interest on securities	54, 341, 158	30. 0	45, 264, 675	32. 0
Miscellaneous	13, 613	......	12,882	....
Total operating income	179, 695, 308	100. 0	140, 467, 953	100. 0
		Percent of operating income		*Percent of operating income*
Operating expenses:				
Compensation	2, 578, 386	1. 4	2, 293, 825	1. 6
Travel	274, 808	0. 2	217, 920	0. 2
Other administrative expenses	1, 556, 087	0. 9	1, 385, 401	1. 0
Interest on consolidated obligations	95, 177, 570	53. 0	63, 261, 205	45. 0
Concessions on consolidated obligations	2, 904, 748	1. 6	1, 984, 473	1. 4
Paid through office of Fiscal Agent	181, 376	0. 1	175, 154	0. 1
Interest on members' deposits	27, 000, 779	15. 0	24, 263, 882	17. 3
GAO audit expense	4, 100	......	4, 600	....
Assessment for expenses of FHLB Board	1, 466, 149	0. 8	1, 386, 932	1. 0
Total operating expenses	131, 144, 003	73. 0	94, 973, 392	67. 6
Net operating income	48, 551, 305	27. 0	45, 494, 561	32. 4
		Percent of total income		*Percent of total income*
Nonoperating income:				
Profit-sales of securities	187, 332	0. 1	435, 236	0. 3
Furniture and equipment sales	6, 730	......	10, 928	....
Miscellaneous	1, 049	......	524	....
Total nonoperating income	195, 111	0. 1	446, 688	0. 3
Nonoperating charges:				
Loss-sales of securities	686, 933	0. 4	56, 348	....
Furniture and equipment purchases	129, 372	0. 1	177, 705	0. 2
Miscellaneous	7, 246	......	9, 124	....
Total nonoperating charges	823, 551	0. 5	243, 177	0. 2
Net income	47, 922, 865	26. 6	45, 698, 072	32. 4

Table 4.—Statement of income and expense of each Federal Home Loan Bank for the calendar year 1963

[In thousands of dollars]

	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco
Earned operating income:											
Interest:											
Advances	$5,816	$6,728	$8,567	$13,257	$5,942	$3,994	$17,901	$6,238	$8,073	$5,678	$43,146
Securities	2,553	5,089	2,879	9,066	4,575	3,639	6,956	3,876	2,016	2,001	11,693
Other	0	147	9	110	330	51	142	11	5	87	154
Total	8,369	11,964	11,455	22,433	10,847	7,684	24,999	10,125	10,094	7,766	54,993
Operating expenses:											
Compensation	133	392	238	280	228	147	282	177	152	126	424
Interest on consolidated obligations	4,066	2,371	6,683	8,229	3,122	1,984	14,242	4,058	6,051	4,711	39,661
Concessions on consolidated obligations	127	68	209	245	91	56	454	113	179	144	1,219
Interest on members' deposits	1,166	2,883	1,651	6,746	2,333	2,776	3,634	2,450	763	750	1,848
Other	292	574	284	413	313	243	566	313	300	158	1,059
Total	5,784	6,288	9,065	15,913	6,087	5,206	19,178	7,111	7,445	5,889	44,211
Net operating income	2,585	5,676	2,390	6,520	4,760	2,478	5,821	3,014	2,649	1,877	10,782
Nonoperating income	10	33	7	83	15	3	27	5	9	5	17
Nonoperating charges	8	21	26	229	34	24	27	224	27	161	62
Net income	2,587	5,688	2,371	6,374	4,741	2,457	5,821	2,795	2,631	1,721	10,737

Table 5.—Federal Home Loan Banks—Summary of lending operations, 1963

	Advances	*Repayments*	*Balance outstanding, end of year*	*Number of borrowers, end of year*
Boston	$226, 056, 250	$121, 662, 350	$228, 810, 500	142
New York	401, 836, 250	248, 776, 679	305, 942, 358	208
Pittsburgh	202, 028, 300	157, 758, 500	298, 134, 100	367
Greensboro	437, 796, 700	321, 333, 700	503, 377, 500	434
Cincinnati	252, 960, 461	182, 853, 925	240, 102, 111	243
Indianapolis	128, 816, 500	81, 992, 493	147, 073, 616	132
Chicago	444, 928, 458	339, 548, 104	602, 653, 600	384
Des Moines	222, 164, 730	155, 596, 200	257, 437, 704	166
Little Rock	290, 397, 744	211, 288, 244	307, 993, 000	302
Topeka	238, 019, 315	193, 477, 936	210, 315, 145	148
San Francisco	2, 756, 226, 775	2, 281, 730, 551	1, 682, 396, 684	330
Total by year:				
1963	5, 601, 231, 483	4, 296, 018, 682	4, 784, 236, 318	2, 856
1962	4, 110, 764, 486	3, 293, 958, 348	3, 479, 023, 517	2, 722
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, 640	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, 219	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, 394	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 Totals	27, 168, 383, 233	22, 384, 146, 915	...	...

[1] Not available.

Table 6.—Federal Savings and Loan Insurance Corporation—Comparative Statement of Condition, December 31, 1962 and 1963

ASSETS	*Dec. 31, 1963*	*Dec. 31, 1962*
Cash with U.S. Treasury	$4,170,912	$4,615,620
Accounts Receivable (Principally insurance premiums payable after December 31)	19,313,287	17,930,079
Investments (U.S. Government Obligations)	854,594,557	638,346,792
Accrued Interest on Investments	7,878,787	5,750,916
Assets Acquired from Insured Institutions (Net)	94,844,187	41,218,107
Deferred Charges and Other Assets	251,318	675,361
Total	981,053,048	708,536,875
LIABILITIES AND RESERVES		
Miscellaneous Accrued and Other Liabilities	1,322,117	161,493
Deferred Credits (Unearned Insurance Premiums)	34,923,307	30,294,819
Accrued Annual Leave of Employees	98,007	100,832
Primary Reserve and Unallocated Income	579,740,080	506,857,677
Secondary Reserve (Premium Prepayments)	364,969,537	171,122,054
Total	981,053,048	708,536,875

Table 7.—Federal Savings and Loan Insurance Corporation—Statement of Income and Expense, Calendar Year 1963

Income:	
Insurance Premiums	$65,882,198
Interest on Investments	27,521,561
Net Gain on Sale of Securities	−263,262
Admission Fees and Other Miscellaneous Income	41,731
Total	93,182,228
Expenses:	
Administrative	1,136,665
Services Rendered by Federal Home Loan Bank Board	1,234,674
Liquidation and Other Miscellaneous Expenses	79,317
	2,450,656
Return on Premium Prepayments	9,859,412
Net Insurance Losses and Provision for Losses	7,989,758
Total	20,299,826
Net Income	72,882,402

Table 8.—Federal Home Loan Bank Board—Statement of financial condition as of December 31, 1963 and December 31, 1962

ASSETS	*Dec. 31, 1963*	*Dec. 31, 1962*	*Increase or decrease (—)*
Cash with the U.S. Treasury	$1,099,920	$896,529	$203,391
Accounts receivable:			
Examination fees from savings and loan institutions	1,325,331	1,386,670	−61,339
Assessments against Federal Home Loan Banks	6,208	10,864	−4,656
Assessments against the Federal Savings and Loan Insurance Corporation	637,705	10,832	626,873
Conservatorship and supervisory representative expenditures	2,303	0	2,303
Advances to employees	229,719	226,109	3,610
Other	10,354	30,815	−20,461
Total accounts receivable	2,211,620	1,665,290	546,330
Inventory:			
Supplies	13,509	12,821	688
Postage	3,054	1,689	1,365
Total inventory	16,563	14,510	2,053
Furniture, fixtures, and equipment, at cost	579,131	495,838	83,293
Less allowance for depreciation	579,131	495,838	83,293
Total furniture, fixtures and equipment	0	0	0
Total assets	3,328,103	2,576,329	751,774
LIABILITIES AND CAPITAL			
Accounts payable and accrued liabilities	1,133,085	964,991	168,094
Liability for employees' accrued annual leave	992,080	888,094	103,986
Advances from Bureau of the Budget	735	735	0
Prepaid assessment by Federal Home Loan Banks	744,525	0	744,525
Prepaid assessment by Federal Savings and Loan Insurance Corporation	0	657,624	−657,624
Total liabilities	2,870,425	2,511,444	358,981
Capital:			
Retained earnings	457,678	64,885	392,793
Total liabilities and capital	3,328,103	2,576,329	751,774

Table 9.—Federal Home Loan Bank Board—Statement of revenue, expenses, and retained earnings, calendar years 1963 and 1962

	1963	1962	Increase or decrease (−)
Revenue:			
Examination fees:			
Examinations of savings and loan institutions	$11,139,533	$9,685,587	$1,453,946
Special examinations	164,189	159,355	4,834
Assessments against:			
Federal Home Loan Banks	1,442,872	1,329,010	113,862
Federal Savings and Loan Insurance Corporation	1,183,244	984,805	198,439
Miscellaneous	9,696	62,734	−53,038
Total revenue	13,939,534	12,221,491	1,718,043
Expenses:			
Examination and supervision of savings and loan institutions	11,519,945	10,579,355	940,590
Special examinations	118,230	123,960	−5,730
Administrative	1,908,566	1,656,598	251,968
Total expenses	13,546,741	12,359,913	1,186,828
Revenue in excess of expenses	392,793	−138,422	531,215
Retained earnings at beginning of year	64,885	704,325	−639,440
Adjustment of retained earnings to fund annual leave liability	0	−501,018	501,018
Retained earnings at end of year	457,678	64,885	392,793

Table 10.—Number and assets of insured savings and loan associations, by type, Dec. 31, 1963

[Dollar amounts in thousands]

	All Insured		Federal		Insured State	
	Number	Assets	Number	Assets	Number	Assets
United States	4, 419	$103, 154, 094	1, 968	$56, 367, 931	2, 451	$46, 786, 163
District No. 1—Boston	134	3, 043, 710	69	2, 275, 028	65	768, 682
Connecticut	38	970, 765	19	724, 887	19	245, 878
Maine	26	142, 393	6	43, 310	20	99, 083
Massachusetts	35	1, 310, 405	34	1, 288, 119	1	22, 286
New Hampshire	21	217, 152	6	128, 704	15	88, 448
Rhode Island	8	347, 943	2	43, 852	6	304, 091
Vermont	6	55, 052	2	46, 156	4	8, 896
District No. 2—New York	441	10, 613, 730	117	5, 098, 927	324	5, 514, 803
New Jersey	224	3, 845, 800	26	520, 938	198	3, 324, 862
New York	210	6, 625, 822	84	4, 435, 881	126	2, 189, 941
Puerto Rico	7	142, 108	7	142, 108	....	....
District No. 3—Pittsburgh	355	5, 089, 896	163	3, 319, 438	192	1, 770, 458
Delaware	6	46, 864	3	25, 552	3	21, 312
Pennsylvania	321	4, 747, 440	137	3, 031, 103	184	1, 716, 337
West Virginia	28	295, 592	23	262, 783	5	32, 809
District No. 4—Greensboro	693	14, 686, 128	446	11, 042, 970	247	3, 643, 158
Alabama	50	727, 386	42	628, 230	8	99, 156
District of Columbia	24	1, 775, 890	9	499, 359	15	1, 276, 531
Florida	127	4, 855, 022	122	4, 788, 971	5	66, 051
Georgia	101	1, 623, 031	97	1, 594, 976	4	28, 055
Maryland	91	1, 768, 779	65	1, 360, 567	26	408, 212
North Carolina	169	1, 957, 413	35	722, 124	134	1, 253, 289
South Carolina	69	930, 416	46	686, 321	23	244, 095
Virginia	62	1, 048, 191	30	762, 422	32	285, 769

Table 10.—Number and assets of insured savings and loan associations, by type, Dec. 31, 1963—Continued

[Dollar amounts in thousands]

	All Insured		Federal		Insured State	
	Number	Assets	Number	Assets	Number	Assets
District No. 5—Cincinnati	509	$9,830,763	274	$5,670,220	235	$4,160,543
Kentucky	89	1,049,270	75	966,158	14	83,112
Ohio	358	7,702,457	137	3,625,026	221	4,077,431
Tennessee	62	1,079,036	62	1,079,036	...	...
District No. 6—Indianapolis	236	5,123,410	121	3,558,039	115	1,565,371
Indiana	170	2,485,391	83	1,668,834	87	816,557
Michigan	66	2,638,019	38	1,889,205	28	748,814
District No. 7—Chicago	618	11,977,053	178	5,659,703	440	6,317,350
Illinois	478	9,610,822	136	4,881,390	342	4,729,432
Wisconsin	140	2,366,231	42	778,313	98	1,587,918
District No. 8—Des Moines	285	6,112,759	149	4,131,848	136	1,980,911
Iowa	76	1,139,491	43	716,120	33	423,371
Minnesota	62	2,074,462	46	1,967,301	16	107,161
Missouri	125	2,479,932	44	1,187,206	81	1,292,726
North Dakota	12	294,529	8	153,510	4	141,019
South Dakota	10	124,345	8	107,711	2	16,634
District No. 9—Little Rock	469	6,726,261	191	2,865,763	278	3,860,498
Arkansas	56	504,763	40	432,619	16	72,144
Louisiana	92	1,320,957	27	303,929	65	1,017,028
Mississippi	36	409,243	29	326,508	7	82,735
New Mexico	30	299,730	10	167,496	20	132,234
Texas	255	4,191,568	85	1,635,211	170	2,556,357

District No. 10—Topeka	234	4, 194, 881	98	2, 426, 561	136	1, 768, 320
Colorado	55	1, 354, 613	20	680, 271	35	674, 342
Kansas	91	1, 240, 585	29	723, 847	62	516, 738
Nebraska	37	603, 811	19	278, 564	18	325, 247
Oklahoma	51	995, 872	30	743, 879	21	251, 993
District No. 11—San Francisco	445	25, 755, 503	162	10, 319, 434	283	15, 436, 069
Alaska	3	32, 400	3	32, 400	....	....
Arizona	12	655, 571	2	297, 080	10	358, 491
California	269	20, 675, 325	71	7, 286, 376	198	13, 388, 949
Guam	1	2, 395	....	....	1	2, 395
Hawaii	11	260, 904	2	55, 549	9	205, 355
Idaho	11	234, 416	8	211, 835	3	22, 581
Montana	12	178, 209	6	84, 728	6	93, 481
Nevada	6	467, 043	1	56, 148	5	410, 895
Oregon	28	754, 773	19	530, 451	9	224, 322
Utah	15	508, 660	6	241, 145	9	267, 515
Washington	66	1, 867, 182	35	1, 414, 760	31	452, 422
Wyoming	11	118, 625	9	108, 962	2	9, 663

FEDERAL HOME LOAN BANKS

DISTRICT 1—BOSTON

BOARD OF DIRECTORS

Chairman, FRANCIS X. MORRISSEY

Vice Chairman, RAY B. OWEN

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
ALBERT C. JACOBS	President, Trinity College, Hartford, Conn.	1963
DENNIS J. ROBERTS	Attorney, Roberts & Coffey, Providence, R.I.	1964
HENRI A. BENOIT	President, A. H. Benoit & Co., Portland, Maine.	1965
FRANCIS X. MORRISSEY	Judge, Boston Municipal Court, Boston, Mass.	1966

Elected by members

MARY L. DAILEY	Secretary-treasurer, Augusta S&LA, Augusta, Maine.	1963
RAYMOND L. MILLER	President, East Hartford FS&LA, East Hartford, Conn.	1963
RAY B. OWEN	President, Old Colony Co-op Bank, Providence, R.I.	1963
WILLIAM J. D. RATCLIFF	President, The Peabody Co-op Bank, Peabody, Mass.	1963
HENRY M. BALDWIN	Vice president, Burlington FS&LA, Burlington, Vt.	1964
JOSEPH T. BENEDICT	Senior vice president, Worcester FS&LA, Worcester, Mass.	1964
FREDERICK E. HAIGIS	Executive vice president, Manchester FS&LA, Manchester, N.H.	1964
FRANCIS E. INGALLS	President, Lincoln Co-op Bank, Lynn, Mass.	1964

DISTRICT 2—NEW YORK

BOARD OF DIRECTORS

Chairman, JOSEPH P. DUNN

Vice Chairman, EUGENE M. MORTLOCK

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
FRANCIS V. D. LLOYD	Attorney, Morrison, Lloyd & Griggs, Hackensack, N.J.	1963
Vacant	....	1964
HOBART C. CARR	Chairman, Department of Banking and Finance, New York University, New York, N.Y.	1965
JOSEPH P. DUNN	Attorney, Newark, N.J.	1966

Elected by members

RICHARD A. GREER	President, Empire State FS&LA, White Plains, N.Y.	1963
EDWARD W. KOZLIK	President, Huntington FS&LA, Huntington, N.Y.	1963
ARTHUR C. MOORE	President, Keystone S&LA, Asbury Park, N.J.	1963
R. NEWTON SNEDEN	President, Valley S&LA, Bergenfield, N.J..	1963
Vacant	....	1963
HOWARD F. V. COLE	President, Corning S&LA, Corning, N.Y .	1964
ROBERT M. CLARK	President, Englewood Mutual S&LA, Englewood N.J.	1964
LOREN F. GARDINER	President, Crestmont S&LA, Maplewood, N.J.	1964
EUGENE M. MORTLOCK	President, First FS&LA of New York, New York, N.Y.	1964
ROBERT G. SAWYER	Executive vice president, S&LA of Auburn, Auburn, N.Y.	1964

DISTRICT 3—PITTSBURGH

BOARD OF DIRECTORS

Chairman, WALTER B. GIBBONS

Vice Chairman—Vacant

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
BERNARD G. SAMPSON	President, the B. G. Sampson Engineering Co., Fairmont, W. Va.	1963
WALTER B. GIBBONS	Attorney, Philadelphia, Pa...............	1964
ALBERT B. MARTIN	Dean, School of Liberal Arts, University of Pittsburgh, Pittsburgh, Pa.	1965
THOMAS R. BALABAN	Attorney, Reese, Shaffer, Calkins & Cusick, Harrisburg, Pa.	1966

Elected by members

		Term expires Dec. 31,
John S. Madore	President, State College FS&LA, State College, Pa.	1963
Francis E. McGill	President, Manayunk S&LA, Philadelphia, Pa.	1963
Edwin S. Rockett	President, Conshohocken FS&LA, Conshohocken, Pa.	1963
Fred A. Werner	President, Lansdowne FS&LA, Lansdowne, Pa.	1963
Jacob Isacoff	Executive vice president, Charleston FS&LA, Charleston, W. Va.	1964
Frank J. Malone	President, Pittsburgh Home S&LA, Pittsburgh, Pa.	1964
William J. McKeever	President, Public FS&LA, Philadelphia, Pa.	1964
William A. Welsh	President, First FS&LA of New Castle County, Wilmington, Del.	1964

DISTRICT 4—GREENSBORO

Board of Directors

Chairman, John W. Thompson, Jr.

Vice Chairman, Walter A. Biggs

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
Clyde Perry	Investment broker, Tampa, Fla.	1963
. Grayson Luttrell	Vice chairman of the board, McCormick & Co., Inc., Baltimore, Md.	1964
John W. Thompson, Jr.	Associate editor, The Evening Star, Washington, D.C.	1965
Charles H. Hamilton	Managing editor, The Richmond News Leader, Richmond, Va.	1966

Elected by members

William H. Dyer	Executive vice president, Perpetual BA, Washington, D.C.	1963
E. M. Jones, Jr.	Executive vice president, First FS&LA of Lee County, Opelika, Ala.	1963
Harry Marley	President, Southwest Virginia S&LA, Roanoke, Va.	1963
William F. Smith, Jr.	President, Standard B&LA, Columbia, S.C.	1963
Walter A. Biggs	President, Home S&LA, Durham, N.C.	1964
Joseph M. Croson	President, First FS&LA of Orlando, Orlando, Fla.	1964
C. Edwin Kline	President, Citizens B&LA of Montgomery County, Silver Spring, Md.	1964
J. D. McLamb	President, First FS&LA, Savannah, Ga.	1964

DISTRICT 5—CINCINNATI

BOARD OF DIRECTORS

Chairman, HOWARD L. BEVIS

Vice Chairman, LOUIS R. LINX

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
HOWARD L. BEVIS	President emeritus, Ohio State University, Columbus, Ohio.	1963
OTWELL C. RANKIN	Certified public accountant, Covington, Ky.	1964
ATHENS CLAY PULLIAS	President, David Lipscomb College, Nashville, Tenn.	1965
MICHAEL V. DISALLE	Attorney, Columbus, Ohio	1966

Elected by members

ROBERT H. DETERS	President and executive secretary, United SA, Cincinnati, Ohio	1963
WILLIAM GRIMM	Executive vice president, Second FS&LA of Covington, Covington, Ky.	1963
WILLIAM E. TAYLOR	President, Security FS&LA of Cleveland, Cleveland, Ohio	1963
CHARLES C. WILL	President, Portland FS&LA, Louisville, Ky.	1963
DAVID B. ALBRIGHT	President, Akron S&L Co., Akron, Ohio	1964
OVID CORSATEA	Vice president and secretary, Cleveland FS&LA of Cuyahoga Co., Cleveland, Ohio	1964
GEORGE W. GARTHE	President, Citizens Home and SA Co. of Lorain, Lorain, Ohio	1964
WILLIAM S. GUTHRIE	President, Buckeye FS&LA, Columbus, Ohio	1964
LOUIS R. LINX	Executive vice president, First FS&LA of Nashville, Nashville, Tenn.	1964
WILLIAM C. WALKUP	President, Home FS&LA of Knoxville, Knoxville, Tenn.	1964

DISTRICT 6—INDIANAPOLIS

BOARD OF DIRECTORS

Chairman, HERMAN B WELLS

Vice Chairman, HANS GEHRKE, JR.

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
MURRAY D. VAN WAGONER	Civil Engineer, Detroit, Mich.	1963
KENNETH VALENTINE	President, Pitman-Moore Co., Indianapolis, Ind.	1964
*DWIGHT L. STOCKER	President, The KVP Sutherland Paper Co., Kalamazoo, Mich.	1965
HERMAN B WELLS	Chancellor, Indiana University, Bloomington, Ind.	1966

*Resigned December 31, 1963.

Elected by members

		Term expires Dec. 31,
:RNEST H. COLLINS	President, Greencastle S&LA, Greencastle, Ind.	1963
ӀYRON L. JONES	Chairman of the board, Union FS&LA, Lebanon, Ind.	1963
:. L. PLANE	President, Mid-West FS&LA, Evansville, Ind.	1963
). W. SEATON	President, Detroit and Northern S&LA, Hancock, Mich.	1963
. L. DINGWALL, JR.	Executive vice president, Owosso FS&LA, Owosso, Mich.	1964
ӀANS GEHRKE, JR.	President, First FS&LA of Detroit, Detroit, Mich.	1964
ROBERT J. HUTTON	President, Standard FS&LA, Detroit, Mich.	1964
VILLARD T. JORDAN	President, Henry County S&LA, New Castle, Ind.	1964
'AUL W. PRYOR	President, Co-op B&LA, Seymour, Ind.	1964

DISTRICT 7—CHICAGO

BOARD OF DIRECTORS

Chairman, ROBINSON MILLER UPTON

Vice Chairman, BERNARD R. DOYLE

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
CORNELIUS T. YOUNG	Vice president and attorney, Wisconsin Electric Power Co., Milwaukee, Wis.	1963
'OYNTELLE DOWNING	Attorney, Decatur, Ill.	1964
ROBINSON MILLER UPTON	President, Beloit College, Beloit, Wis.	1965
BRUCE SAGAN	Publisher, Economist Newspapers, Chicago, Ill.	1966

Elected by members

EARL DANIELSON	Secretary-treasurer, Swedish Home S&LA, Chicago, Ill.	1963
BERNARD R. DOYLE	President, Milwaukee FS&LA, Milwaukee, Wis.	1963
HAROLD LAST	President, East Side FS&LA, Milwaukee, Wis.	1963
LAWRENCE STERNBERG	Secretary, Franklin S&LA, Wausau, Wis.	1963
EDWARD C. DEHAAN	President, Chesterfield FS&LA of Chicago, Chicago, Ill.	1964
HAROLD P. HALLEEN	President, Bell S&LA, Chicago, Ill.	1964
FRANK P. KOSMACH	President, St. Paul FS&LA of Chicago, Chicago, Ill.	1964
ROBERT C. PITTELKOW	President, Equitable S&LA, Milwaukee, Wis.	1964
FRANK T. SEDLACK	President, Olympic S&LA, Berwyn, Ill.	1964
GUY WOOD, JR.	Vice president, King City FS&LA, Mt. Vernon, Ill.	1964

DISTRICT 8—DES MOINES

BOARD OF DIRECTORS

Chairman, RUSSELL L. DEARMONT

Vice Chairman, PHILIP K. RAUSCH

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
HENRY H. EDMISTON	Vice President, Kansas City Life Insurance Co., Kansas City, Mo.	1963
JOHN D. ADAMS	Executive—retired.	1964
JOHN H. FARLEY	Director, Management Center, College of St. Thomas, St. Paul, Minn.	1965
RUSSELL L. DEARMONT	Executive consultant, Missouri Pacific Railroad Co., St. Louis, Mo.	1966

Elected by members

J. P. FARRY	President, Albert Lea FS&LA, Albert Lea, Minn.	1963
MURRAY J. MOWERS	Executive vice president and secretary, Home FS&LA, Algona, Iowa.	1963
JOHN EMMETT OLSON	President, First FS&LA of Sioux Falls, Sioux Falls, S. Dak.	1963
PHILIP K. RAUSCH	President, Home S&LA, Waterloo, Iowa	1963
FREDERICK BJORKLUND	President, Minnesota FS&LA, St. Paul, Minn.	1964
EDWARD CHRISTENSON	Secretary, Grand Forks FS&LA, Grand Forks, N. Dak.	1964
C. A. DUNCAN, JR.	President, Farm and Home SA, Nevada, Mo.	1964
CARL O. KAMP, JR.	President, Conservative FS&LA, St. Louis, Mo.	1964
JOHN P. WEBB	Executive vice president, Metropolitan SA, Kansas City, Mo.	1964

DISTRICT 9—LITTLE ROCK

BOARD OF DIRECTORS

Chairman, GAIL WHITCOMB

Vice Chairman, HOYT PAYNE

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
ED GOSSETT	General Attorney for Texas, Southwestern Bell Telephone Co., Dallas, Tex.	1963
GORDON H. CAMPBELL	General agent, Aetna Life Insurance Co., Little Rock, Ark.	1964
GAIL WHITCOMB	Attorney, Houston, Tex.	1965
CLAUDE H. ROBERTS	President, Nabors Trailers, Inc., Mansfield La.	1966

Elected by members

		Term expires Dec. 31,
IOMAS DEBAILLON	Executive vice president, Lafayette BA, Lafayette, La.	1963
VIN L. DUSSOM	President, Columbia Homestead Association, New Orleans, La.	1963
. P. GULLEY, SR.	Chairman of the board, Pulaski FS&LA, Little Rock, Ark.	1963
AY VIRGIN	President, Richardson S&LA, Richardson Tex.	1963
EX G. BAKER, JR.	President, Southwestern Savings Association, Houston, Tex.	1964
OYD S. BOWLES	President, Dallas FS&LA, Dallas, Tex.	1964
UGH J. GRAHAM	President, Albuquerque FS&LA, Albuquerque, N. Mex.	1964
HARRY JEANES	President, First FS&LA of Waco, Waco, Tex.	1964
OYT PAYNE	President, Community FS&LA of Tupelo, Tupelo, Miss.	1964

ISTRICT 10—TOPEKA

BOARD OF DIRECTORS

Chairman, GEORGE L. CROSS

Vice Chairman, WILLIAM F. FITZGERALD

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
IORGE L. CROSS	President, University of Oklahoma, Norman, Okla.	1963
OYD E. WALSH	Dean Emeritus and professor of accounting, College of Business Administration, Creighton University, Omaha, Nebr.	1964
MES R. MURRAY	Executive vice president, Sealright Co., Inc., Kansas City, Kans.	1965
HARLES F. BRANNAN	General counsel, National Farmers Union, Denver, Colo.	1966

Elected by members

AY A. BUSHEY	President, Great West S&LA, Boulder, Colo.	1963
MES M. CASEY	President, First FS&LA of Hutchinson, Hutchinson, Kans.	1963
M. F. FITZGERALD	President, Commercial S&LA, Omaha, Nebr.	1963
OBERT G. LAKE	President, The Western Savings Association, Pratt, Kans.	1963
. F. JONES	Executive vice president, Local FS&LA of Oklahoma City, Oklahoma City, Okla.	1964
AR W. LARSON	Secretary-treasurer, Gibraltar S&LA, Kansas City, Kans.	1964

Elected by members—Continued

		Term expires Dec. 31,
Arlie O. Moore	President-manager, Security S&LA, Colorado Springs, Colo.	1964
Earl J. Morgan	Vice president-secretary, Empire Savings, Building and Loan Association, Denver, Colo.	1964
Wayne H. Woodman	Executive vice president, First FS&LA of Elk City, Elk City, Okla.	1964

DISTRICT 11—SAN FRANCISCO

Board of Directors

Chairman, Thomas F. Meagher

Vice Chairman, Elwood L. Hansen

Appointed by the Federal Home Loan Bank Board

		Term expires Dec. 31,
Benjamin H. Swig	Chairman of the board, Fairmont Hotel, San Francisco, Calif.	1963
Carl C. Donaugh	Attorney, Portland, Oreg	1963
C. W. Leaphart	Dean emeritus, Montana State University, Missoula, Mont.	1964
Thomas F. Meagher	President, Lumbermen's Supply Corp., Spokane, Wash.	1965
Dilworth S. Woolley	President, Redman Van and Storage Co., Salt Lake City, Utah.	1965
Frank C. Newman	Dean, School of Law, University of California, Berkeley, Calif.	1966

Elected by members

L. Eugene Clissold	Executive vice president, State S&LA, Salt Lake City, Utah	1963
George W. Davis	Chairman of the board, Perpetual S&LA, Beverly Hills, Calif.	1963
R. M. Gibson	President, First FS&LA of Hawaii, Honolulu, Hawaii	1963
John W. Hewitt	President, Provident FS&LA, Boise, Idaho	1963
Roderick A. Lindsay	Chairman of the board, Lincoln First FS&LA, Spokane, Wash.	1963
Walter Sczudlo	President, First FS&LA of Fairbanks, Fairbanks, Alaska	1963
Raymond L. Wirth	President, Great Falls FS&LA, Great Falls, Mont.	1963
Elwood L. Hansen	President, Bay View FS&LA, San Francisco, Calif.	1964

Elected by members—Continued

		Term expires Dec. 31,
DWARD L. JOHNSON	Vice president, Atlantic S&LA, Los Angeles, Calif.	1964
EORGE W. MCINTYRE	President, First FS&LA of Klamath Falls, Klamath Falls, Oreg.	1964
. G. NEUMEYER	President, First Western S&LA, Las Vegas, Nev.	1964
K. E. POTTER	Vice chairman of the board, First FS&LA of Phoenix, Phoenix, Ariz.	1964
'ARREN H. WOODWORTH	President, Tri-County FS&LA, Torrington, Wyo.	1964

*Deceased February 1964.

Exhibit 2

MEMBERS OF THE FEDERAL SAVINGS AND LOAN ADVISORY COUNCIL SERVING IN 1963

APPOINTED BY FEDERAL HOME LOAN BANK BOARD

M. L. DYE, *Immediate Past President,* United States Savings and Loan League, Salt Lake City, Utah

HAROLD P. HALLEEN, *President,* National League of Insured Savings Associations, Chicago, Ill.

GORDON E. CHURCH, *Supervisor,* Division of Savings and Loan Supervision, Jefferson City, Mo.

RICHARD BOOTH, *President,* Springfield Institution for Savings, Springfield, Mass.

CARTER K. RUGGLES, *Executive Vice President,* Federal Savings League of New England, Inc., Boston, Mass.

E. J. BURKE, JR., *Past President,* National Association of Home Builders, San Antonio, Tex.

ELECTED BY FEDERAL HOME LOAN BANKS

Boston

RAY B. OWEN, *President,* Old Colony Co-operative Bank, Providence, R.I.

New York

ARTHUR C. MOORE, *President,* Keystone Savings and Loan Association, Asbury Park, N.J.

Pittsburgh

FRANCIS E. McGILL, *President,* Roxborough-Manayunk Federal Savings and Loan Association, Philadelphia, Pa.

Greensboro

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

Cincinnati

WILLIAM C. WALKUP, *President,* Home Federal Savings and Loan Association, Knoxville, Tenn.

Indianapolis

WALTER GEHRKE, *Chairman of the Board,* First Federal Savings and Loan Association of Detroit, Detroit, Mich.

Chicago

FRANK T. SEDLACEK, *President,* Olympic Savings and Loan Association, Berwyn, Ill.

Des Moines

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, Tex.

Topeka

JAMES M. CASEY, *President,* First Federal Savings and Loan Association of Hutchinson, Hutchinson, Kans.

San Francisco

GEORGE W. DAVIS, *Chairman of the Board,* Perpetual Savings and Loan Association, Beverly Hills, Calif.