37th Annual Report

Federal Home Loan Bank Board

1969

Report of the

Federal Home Loan Bank Board

For the year ending December 31, 1969

Federal Home Loan Bank System

Federal Savings and Loan Insurance Corporation

Federal Savings and Loan System

FEDERAL HOME LOAN BANK BOARD

WASHINGTON, D.C. 20552

101 INDIANA AVENUE, N. W.

PRESTON MARTIN
CHAIRMAN

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

August 7, 1970

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 1969.

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,

Preston Martin

Preston Martin, Chairman

Carl O. Kamp, Jr.

Carl O. Kamp, Jr., Member

Thomas Hal Clarke

Thomas Hal Clarke, Member

FOREWORD

NINETEEN hundred and sixty-nine was a year of scarce money for housing, and the Federal Home Loan Bank Board took steps to improve as much as possible the conditions for increasing funds available for home financing through member institutions of the Bank System. A broad range of savings instruments was authorized to attract savers to associations, and a new liberalized merger policy was adopted to better meet competition, to give savers a wider choice of services, and to offer benefits from economies of scale in the operation of associations. At the same time, liquidity requirements were modified to give associations more latitude in the use of their funds for lending; and District Banks were encouraged to make liberal advances for expansion and new home loan commitments.

To support this program, the Board increased its borrowing in the open market, both in net amount and in term of maturity.

Low-income housing continued as a primary concern of the Board. To support this program, the formation of branches in inner city areas was expedited; and District Banks were authorized to make special 10-year advances for financing of housing under the HUD-approved inner city housing program. Authority for mobile home financing was yet another aid to low-cost housing extended by the Board.

To expedite these and other operations under the Board's authority, a start was made toward decentralizing important functions and responsibilities, thus increasing the participation of District Banks and other field offices where information and intimate knowledge on these matters are more immediately available than in Washington.

The Federal Home Loan Bank Board was created by Congress in 1932 to meet the needs of the housing and mortgage markets. It functions in the following manner:

1. Under the Federal Home Loan Bank Act, to provide a credit reservoir for thrift and home-financing institutions through the 12 Federal Home Loan Banks;

2. Under the Home Owners' Loan Act, to charter and supervise Federal savings and loan associations; and

3. Under the National Housing Act, to direct the Federal Savings and Loan Insurance Corporation which provides insurance protection up to $20,000 for each savings account holder in insured institutions.

The Board is made up 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 Preston Martin (Republican). He was sworn in March 15, 1969, to fill the remainder of the term of Robert L. Rand (Republican) expiring June 30, 1970, and was designated by President Nixon to become Chairman. Chairman Martin was reappointed to membership for a 4-year term ending June 30, 1974, and was redesignated by President Nixon to continue as Chairman. He was sworn in for this term on July 1, 1970.

The other Republican member is Carl O. Kamp, Jr., who was sworn in May 20, 1969, to fill the remainder of the term of John E. Horne (Democrat), which expires June 30, 1971.

The Democratic member is Thomas Hal Clarke, who was sworn in July 30, 1969, for a term ending June 30, 1973.

Costs of the Board's operation come from the industry by means of assessments made on District Banks and the Insurance Corporation, and from charges made to institutions examined. Thus, although it restricts expenses to limitations set by Congress each year, the Board is self-supporting.

FEDERAL HOME LOAN BANK BOARD OFFICIALS*

Chairman	PRESTON MARTIN
Member	CARL O. KAMP, JR.
Member	THOMAS HAL CLARKE
Administrative Assistant to the Chairman	LARRY ULVESTAD
Administrative Assistant to Mr. Kamp	VACANT
Administrative Assistant to Mr. Clarke	RICHARD P. TROTTER
Secretary to the Board	JACK CARTER
General Counsel	ARTHUR W. LEIBOLD, JR.
Director, Office of Examinations and Supervision	ERIC L. STATTIN, JR.
Director, Office of Federal Savings and Loan Insurance Corporation	ROBERT B. O'BRIEN, JR.
Acting Director, Office of Industry Development	HENRY A. CARRINGTON
Acting Director, Office of System Finance and Bank Operations	WILLIAM M. GREGG
Director, Office of Economic Research	R. BRUCE RICKS
Director, Office of Communications	CHARLES C. KEELY, JR.
Director of Audits	WILLIAM B. MARTIN
Director, Office of Personnel Management	FRANK G. HEALEY
Director, Office of International Home Finance	EUGENE A. BRADY
Acting Executive Assistant to the Chairman and Director, Office of Administration	GEORGE S. ORAM
Acting Comptroller, Comptroller's Division	ELMER B. CALLAHAN
Director, Administrative Services Division	DONALD A. RICHITT
Director, Data Management Division	HOWARD M. NATHANSON
Director, Organization and Methods Division	RICHARD E. GRIEBENOW
Executive Secretary, Federal Savings and Loan Advisory Council	VACANT
Federal Home Loan Mortgage Corporation	THOMAS R. BOMAR

* Revised to October 1, 1970.

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CHAPTER I

ECONOMIC AND FINANCIAL BACKGROUND

IN 1969, monetary and fiscal policies were directed toward bringing inflation under control. A tight monetary policy, plus inflation itself, forced up interest rates from the already high levels of 1968. As a result, savings and loan associations (and depository institutions generally) suffered from disintermediation—loss of savings diverted to open market securities. This diversion of funds further frustrated the mounting demands for housing credit.

Federal financial authorities tried to soften as much as possible the impact of tight money on housing, which various studies have shown to be disproportionate. The Federal Home Loan Bank System extended a record volume of new credit to its members and proposed or initiated a wide range of innovations designed to meet housing needs. The Federal National Mortgage Association (Fannie Mae) provided massive support to the federally backed mortgage market. Both of these agencies tapped the securities markets for large volumes of funds.

These actions, combined with federally subsidized housing for low- and moderate-income families, kept the rate of starts from falling to the low point reached in 1966. Yet it was impossible to protect housing completely from the inroads of tight money and inflation. Consequently, starts declined; and toward the end of the year, it became apparent that national goals were not being met.

Monetary and financial markets

Rising interest rates resulted from conflicting forces during the year. Demand for credit remained strong, while supply was restricted by tight monetary policy by which the Federal Reserve tried "to slow the expansion of aggregate money demands in the economy and to dissipate deeply rooted expectations of continuing inflation"—to use the Federal Reserve's description of its own policy.

But while monetary policy contributed to higher interest rates, inflation itself was also a direct cause as interest rates adjusted upward to compensate for expected declines in the purchasing power of money. Thus, success in the battle against inflation was an essential ingredient in aiding the housing market.

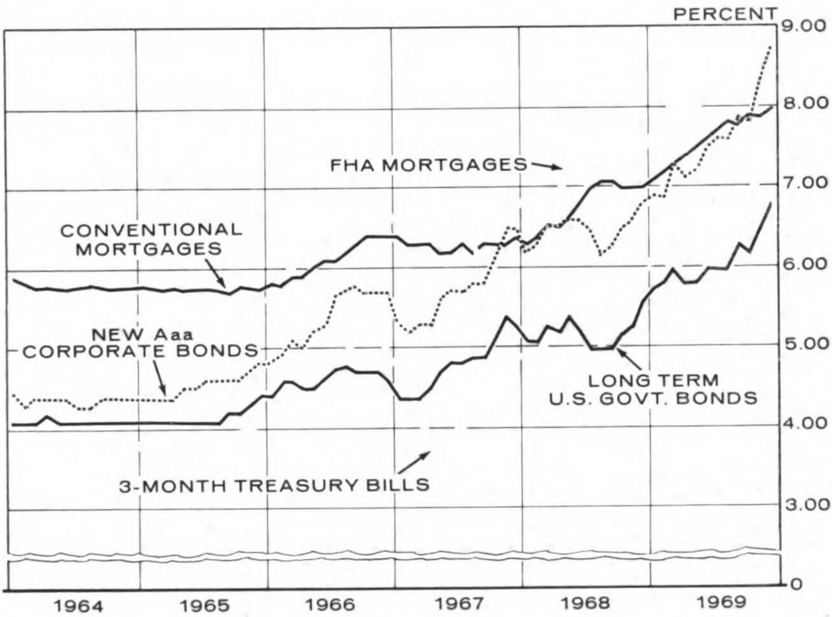
The Federal Reserve Board's monetary policy to restrain inflation included: a tightening in open market operations designed to curtail the growth in the amount of reserves that would be necessary for monetary expansion; an increase of one-half of 1 percent in reserve requirements against demand deposits, for both city and country banks, thus reducing the volume of money and credit that could be supported by these reserves; and a rise in the discount rate (in April) from 5½ to 6 percent.

As a result of this policy, commercial banks were forced to cut down monetary and credit expansion because of the slowdown on their reserve growth. They were unable to satisfy credit demands, although they gave priority to business customers and channeled a larger proportion of funds to businesses. Credit demand spilled over increasingly to other financial institutions, and a large volume of this demand had to be met by open market securities placed more and more with private individuals. The result was that open market interest rates rose steeply (see chart 1). By yearend, investors could earn around 8 percent on 3-month Treasury bills, while new high-quality corporate issues were yielding close to 9 percent. These yields were highly attractive to investors with money in savings accounts, and they set the stage for disintermediation—a slowdown in savings growth of financial intermediaries, and even some degree of actual outflow of savings into higher yielding open market securities.

Impact on savings flows

Savings institutions generally suffered a sharp deterioration in their savings flows in 1969, an intensification of a development that had begun in 1968. The net inflow of savings and loan associations and

Chart 1.—Mortgage and Security Yields, 1964-69



mutual savings banks was $6.5 billion, but this was more than accounted for by credits of interest and dividends, so that actually there was a net outflow of new money. As the year progressed, the outflow of new money increased.

There was a net outflow of savings in the case of savings and time accounts at commercial banks, primarily in large certificates of deposit. Life insurance companies also had some of their funds diverted by means of loans made to policyholders at low fixed-interest rates. Thus, precisely at the time that credit demands were intensifying, the ability of financial institutions to meet these demands was reduced.

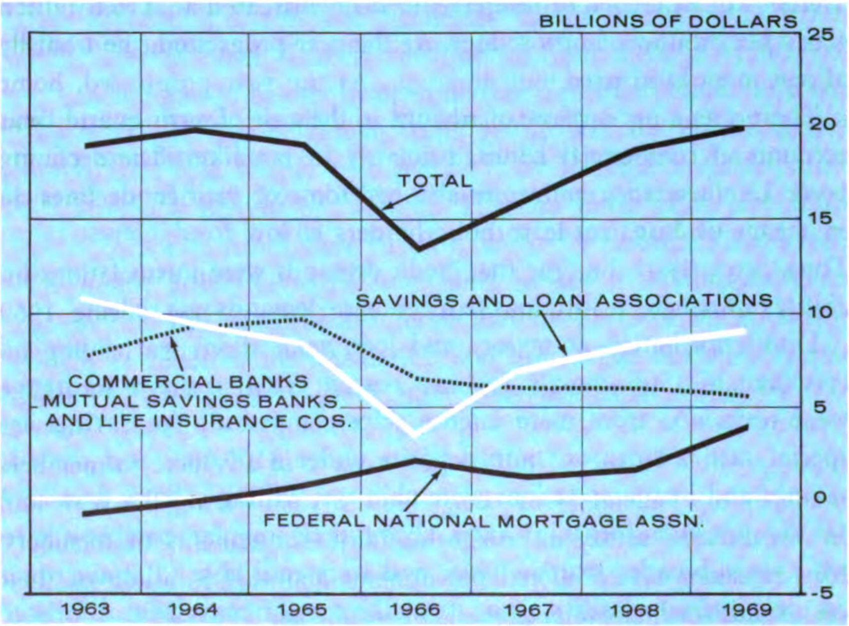
Disintermediation at savings and loan associations was somewhat less than in 1966, mainly for two reason: First, commercial banks were restrained from mere intense price competition for savings by special rate ceilings on time deposits under $100,000; and second, savings and loan associations were able and willing to offer a variety of savings instruments at rates above their regular passbook rate which was broader than in 1966, and were thus able to retain more of their interest-sensitive accounts at the cost of conversion to higher interest accounts. But this was more than offset by the larger mortgage demands made on savings and loan associations and other financial institutions.

Mortgage markets

Mortgage lending was hurt both through disintermediation in the case of savings institutions and commercial banks, and also through the preference for higher yielding nonmortgage investments in the case of diversified institutions with wider latitude of choice in portfolio. For while mortgage yields rose sharply throughout the year (see chart 2), they were still not as attractive generally as yields on new securities issues. Also, in some States, unrealistic usury ceilings made mortgages unattractive to lenders.

Multifamily mortgages were at less of a disadvantage than single-family mortgages because of higher interest rates and the fairly com-

Chart 2.—Funds Supplied for Residential Mortgages, 1963-69
[Annually]



mon use of equity participation demanded by lenders in multifamily lending.

The preference for nonmortgage securities was particularly conspicuous in the case of issues privately placed by large institutional investors, which carry unusually high yields. Life insurance companies, for example, concentrated their forward commitments on the many lucrative opportunities afforded by such issues.

The forward commitment process, used by diversified lenders, was in itself a threat to the mortgage market, and all types of mortgage lending tended to be adversely affected by the practice. It hurt mortgage lending disproportionately because, in times of unexpectedly large declines in cash flow, business customers with continuing lines of credit or with superior access to the commitment process were able to get "first in line" to the detriment of prospective mortgage borrowers who did not enjoy this advantage.

The adverse impact of these developments on the mortgage market was primarily registered in sharp declines in forward commitments of mortgages rather than in declines in net mortgage lending, which lag behind the commitment process. As a result, net residential lending rose somewhat to $20.4 billion in 1969 from $18.8 billion in 1968 (chart 2) while home mortgage lending increased to $15.6 billion from $15.3 billion in 1968. However, this rise was slight and hardly adequate to keep pace with inflation. As the year progressed, home mortgage lending declined markedly, and by the fourth quarter was at an annual seasonally adjusted rate of $13.5 billion. The declining level of forward commitments foreshadowed further declines in mortgage lending in at least the early part of 1970.

Among private mortgage lenders, savings and loan associations increased their net contribution to the mortgage market during 1969 over the previous year. Their volume of home mortgage lending increased about 10 percent, and their share of total home mortgage lending rose to 49 percent, up from 47 percent in 1968. This was made possible by the $4 billion net increase in advances to members made by the Federal Home Loan Bank System during the year, and by the Board's action to reduce liquidity requirements of members, thus releasing an additional potential of about $1.3 billion of their own funds for home financing.

In the final quarter of the year, Fannie Mae (and to a lesser extent Ginnie Mae, the Government National Mortgage Associaton) became a major force supporting the mortgage market through purchases of federally underwritten mortgages. Fannie Mae increased its mortgage portfolio by $3.8 billion and Ginnie Mae by $800 million during the year as a whole. Federal Home Loan Bank Board actions and mortgage purchases by Fannie Mae and Ginnie Mae contributed almost half of the $20.4 billion net residential lending during 1969.

Housing markets

In reaction to tight money, housing starts declined irregularly during the year from an annual rate of 1.6 million units in the first quarter to 1.4 million units in the fourth quarter (seasonally adjusted). For the year as a whole, private housing starts totaled 1.5 million units, about 3 percent below the level of 1968.

There was a marked difference in the behavior of single-family home construction as compared with multifamily construction. Single-family starts began declining sharply from the beginning of 1969, while multifamily starts rose further in the first quarter of 1969 and remained high during the entire first half of the year. The result was that single-family starts fell by almost 10 percent from 1968 to 1969, while multifamily starts rose by 8 percent and accounted for about 45 percent of total private starts in 1969, by far the largest share for multifamily starts in the post-World War II period.

Thus, it was only the strength in multifamily construction that kept total starts from showing even further decline. This strength stemmed from at least two sources. One was the large growth in young households (expected to persist for some years) which is a strong source of demand for this type of housing. Second was the widespread use of equity participation in apartment developments by some lenders that induced them to channel a large portion of available funds into these projects. However, as 1969 progressed and available funds became scarcer, multifamily starts began to decline fairly sharply, too, even though federally subsidized rental housing programs provided some degree of support.

National vacancy rates—reflecting unoccupied housing units for rent or sale—did not change materially in 1969 even though housing starts fell off during the year. The reason for this is that completions of units coming onto the market lag behind starts, and therefore completions remained relatively high to the end of the year. However, with demand for housing strong, the vacancy rate did decline from the levels of 1968. In the fourth quarter of 1969, the national rental vacancy rate was 4.7 percent—the lowest since the quarterly series on vacancies began in 1956. The homeowners vacancy rate was 1 percent.

Declines in vacancy rates from 1968 to 1969 were all pervasive, occurring both inside and outside of metropolitan areas. Within metropolitan areas, vacancy rates as a whole declined in both central city communities and in suburban areas. Rental vacancy rates, however, averaged lowest in suburban communities (that is, in Standard Metropolitan Statistical Areas outside of the central cities) because of the strong housing demand focused on these areas by new family formations, typically inclined toward this type of housing.

Events of 1969 have compounded the difficulties of meeting the housing objectives set forth in the Second Annual Report on National Housing Goals by the President. Even including mobile homes, housing production was falling short of these objectives in the closing months of 1969. Steps were being taken by the Administration and by the Federal Home Loan Bank Board during 1969 to better meet the housing needs of the country, and of low- and moderate-income groups in particular. Some of these steps were not to reach full fruition until after the close of the year.

Chapter II

THE SAVINGS AND LOAN INDUSTRY

SAVINGS and loan operations were severely hampered during 1969 by the scarcity of funds and the unfavorable economic conditions outlined in chapter I. The amount of savings withdrawn exceeded new savings deposited, largely because higher yields on marketable securities attracted funds away from associations. Nevertheless, associations were able to provide slightly more support for the mortgage market in 1969 than in 1968 by increasing borrowings and reducing liquid assets. The Board helped these efforts to compensate for adverse savings flow by making Federal Home Loan Bank advances readily available to members, and by reducing the required holdings of liquid assets from 6½ to 5½ percent of savings.

The flow of savings

All operating associations had a net gain in savings balances (including interest credited) of $4.0 billion during 1969. This was 46 percent less than the gain in 1968, and the smallest rise in savings balances since 1966, as shown in table 1. All of last year's net increase in savings balances came from interest credited to accounts. Withdrawals actually exceeded new savings received—the reverse of the 2 preceding years. The closest parallel was in 1966, when there was an excess of withdrawals over new savings received amounting to $0.6 billion. In 1969, the same figure was $1.0 billion; however, there was a slightly larger increase in account balances than in 1966 because of higher dividend rates and larger balances at associations.

The reduced growth of savings balances at associations in 1969 resulted primarily from disintermediation—a shift away from savings accounts toward high-yielding securities—although a modest drop in

Table 1.—All Operating Savings and Loan Associations: Sources and Uses of Funds

[Annually; in millions]

Item [1]	1965 [2]	1966 [2]	1967 [2]	1968 [3]	1969 [3]
Source of funds:					
Savings	$8,513	$3,615	$10,649	$7,478	$4,030
Loan repayments	15,907	13,544	13,875	14,309	14,152
Borrowing	843	1,020	−2,619	940	4,049
Reserves and surplus	806	603	478	788	922
Miscellaneous	121	78	328	406	441
Total sources or uses	26,190	18,860	22,711	23,921	23,594
Uses of funds:					
Mortgage loans acquired	24,934	18,261	20,406	23,475	23,694
U.S. Government securities	450	352	1,422	399	−985
Cash and deposits	−114	−532	80	−473	−520
Miscellaneous assets	920	779	803	520	1,405

[1] The table is composed of 2 gross flow accounts, loan repayments and mortgage loan acquisitions (the latter is net of loans sold and the change in loans in process), with the remainder of the accounts representing net changes in balance sheet items with appropriate adjustment for structural and definitional changes.

[2] Revised.

[3] Preliminary.

aggregate financial savings was also a contributing factor. Associations were actually better off than mutual savings banks and commercial banks. Indeed, their share of the total rise in time and savings balances[1] increased to 34 percent last year from 24 percent in 1968—the largest share for associations since 1964. This was in marked contrast to 1966, when associations' share of deposit growth dropped sharply to 18 percent. In that year, savers shifted not only toward marketable securities but also to time deposits at commercial banks.

[1] Negotiable time certificates of deposit in denominations of $100,000 or more at commercial banks have been excluded for purposes of this comparison because they are designed primarily to compete with marketable securities for the funds of large investors and were not directly competitive with association accounts during 1969.

The more favorable experience of associations in 1969 than in 1966 resulted from the rate ceilings adopted by Federal financial agencies under legislation passed in 1966. The purpose of the legislation was to reduce sudden shifts of funds among financial intermediaries such as occurred in that year. For commercial and savings banks, the ceiling remained unchanged last year, while ceilings for associations were adjusted upward to permit a 5-percent rate on 90-day notice accounts and (effective December 19) a 6-percent rate on 2- to 5-year certificates for depositors with accounts of $10,000 or more.[2] These ceilings generally authorized associations to pay the same rate as federally regulated mutual savings banks, and a higher rate than commercial banks. In their absence, commercial banks, whose earnings respond quickly to rising market rates, could undoubtedly have attracted substantial savings away from associations, whose earnings are much less responsive.

[2] Limited earnings precluded more extensive changes in ceilings for associations. The basic structure of rate ceilings for associations before the December 19 authorization of 6-percent certificates was:

(a) Associations with home offices in Alaska, California, Hawaii, and Nevada (and branches in these States of associations with home offices in other States) could offer 5 percent on regular accounts; 5.25 percent on bonus accounts requiring a 3-year holding period to obtain the bonus; and 5.50 percent on accounts representing funds that were in 3-year bonus accounts before the effective date of rate control.

(b) Associations with home offices in Standard Metropolitan Statistical Areas, or in counties outside an SMSA, where a mutual savings bank was offering more than 4.75 percent on regular accounts, could offer 5 percent on all types of accounts. (This also applied to associations with home offices in SMSA's or counties where there were branches of associations that were offering more than 4.75 percent on regular accounts because of mutual savings bank practice in their home area.)

(c) All associations with home offices in other areas (and, at their option, associations in areas cited above) could offer 4.75 percent on regular accounts, 5.00 percent on 90-day notice accounts beginning April 1, 1970 (before April the ceiling was 4.75 percent, except for associations in the areas cited above where it was 5.00 percent when an association was not offering more than 5.00 percent on certificates), and 5.25 percent on minimum term-minimum balance accounts requiring a 6-month holding period.

Mutual savings banks were permitted to pay 5.00 percent on all accounts throughout the year and the ceilings for commercial banks were 4.00 percent on passbook accounts and 5.00 percent for time deposits other than certificates in denominations of $100,000 or more.

The 6-percent certificates authorized in December were designed to reduce withdrawals of large accounts from associations. An estimated $3.3 billion of these were issued in late December 1969 and in early January 1970, thereby reducing withdrawals during this period.

Ceiling rates for both banks and associations were raised and restructured in mid-January 1970.

The net savings inflow at associations deteriorated during the course of 1969 as yields on marketable securities rose to new highs and the spread between these rates and those offered by associations widened. Therefore, by the fourth quarter of the year the net rise in savings balances (including interest credited) had dropped to an annual rate of less than $0.4 billion, compared with $7.5 billion during the first quarter (seasonally adjusted). This drop is shown in chart 3, which also shows the widening spread between yields on marketable securities and savings and loan rates associated with it.

Associations in all areas of the country had a noticeably poorer savings experienced in 1969 than in 1968. The extent of deterioration varied considerably among Bank Districts, as indicated by chart 4. Growth rates, including dividends credited, varied from an increase of more than 5 percent in the New York and Greensboro Districts to a negative 1.44 percent in San Francisco. Associations in the Boston, Seattle, and Chicago Districts would have shown a savings loss if inter-

Chart 3.—Relationship of Association Savings Gains and Yield Spreads, 1968-69

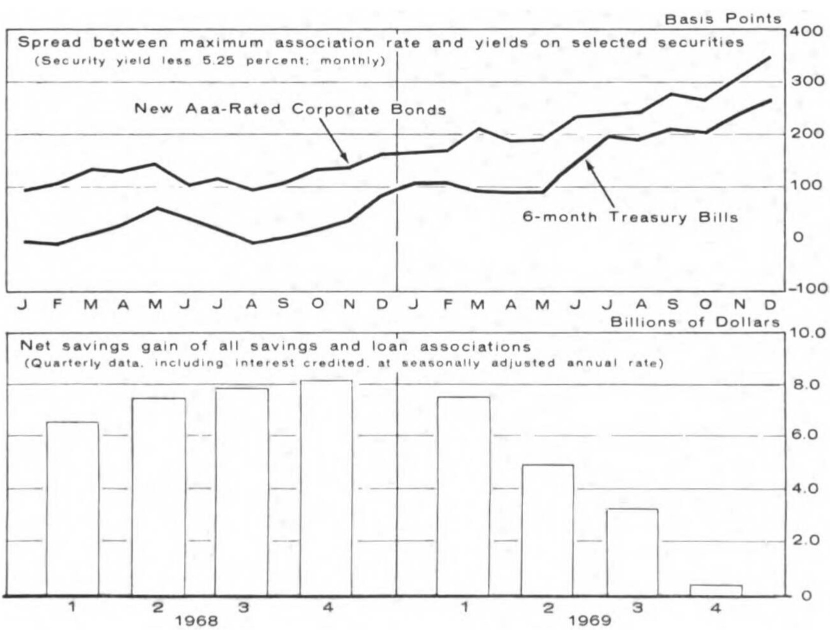
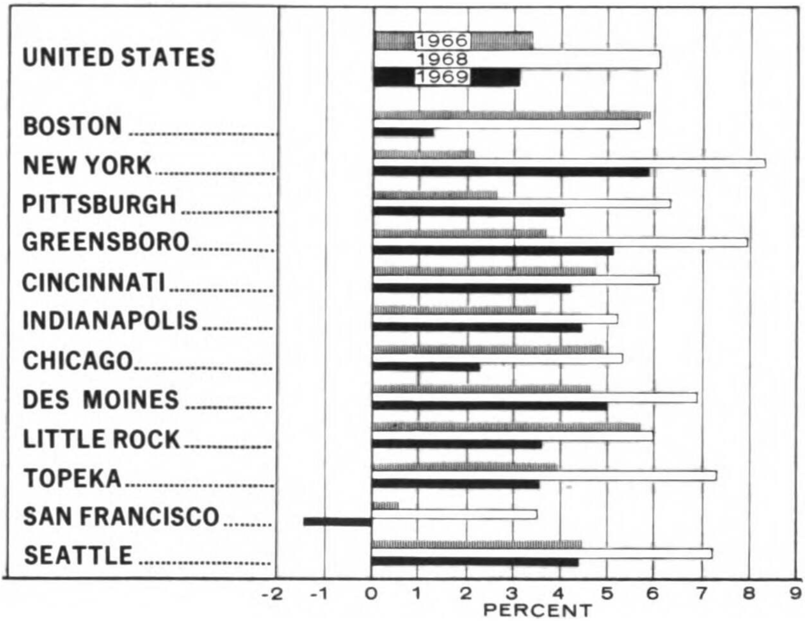


Chart 4.—Percentage Growth in Savings Capital, FSLIC-Insured Savings and Loan Associations, by Federal Home Loan Bank Districts, 1966-69
[Annually]



est credited had not been included. The largest year-over-year declines in growth rates between 1968 and 1969 were in the San Francisco, Boston, and Topeka Bank Districts. Compared with 1966[3] most Districts had a lower growth rate last year, but balances at associations in the New York, Pittsburgh, Greensboro, Indianapolis, and Des Moines Districts rose at a faster rate than in 1966.

The loss of savings in the San Francisco District last year resulted from the withdrawal rates on interest-sensitive, out-of-State funds that had been acquired earlier by west coast associations when they were paying higher rates than those in other parts of the country. The poor experience in the Boston District was caused primarily by compe-

[3] As indicated by chart 4, the national growth rate was less in 1969 than in 1966 (3.05 percent compared with 3.33 percent) even though the absolute dollar rise in savings balances was larger. This is because of the growth in balances held at associations between the end of 1965 and 1968.

tition from savings banks in Massachusetts that were not subject to Federal deposit rate ceilings (see ch. III).

To attract savings last year, associations made increasing use of minimum term-minimum balance certificates that offered savers a higher return than that paid on regular accounts. In addition, many associations that had not been offering the maximum rate permissible on regular accounts raised their regular rate to the ceiling. From the fourth quarter of 1968 to the fourth quarter of 1969 the percentage of associations offering the 4.75 percent ceiling on regular accounts rose from 39 to 52, and their share of total savings increased from 32 to 46 percent. Similarly, the percent of associations offering a 5-percent rate rose from 9 to 11 percent, and their share of total savings rose from 25 to 27 percent.[4]

Notwithstanding these increases in regular rates, all of the net growth in savings balances at insured associations last year was in accounts earning higher than the regular rate—in most cases certificates earning the 5.25 percent maximum. Over four-fifths of all insured associations offered such accounts last year. Balances in these high-rate accounts rose by $11.8 billion in 1969, while funds in accounts earning the regular rate or less declined by $7.9 billion because of transfers from regular to high-paying accounts as well as withdrawals. The result was that by yearend 31 percent of all savings at insured associations was in higher paying accounts, compared with only 23 percent of such savings at the end of 1968. The growing importance of higher paying accounts in recent years is shown by chart 5.

Borrowing

Associations borrowed heavily in 1969 to make up for the poor savings gain. The $4,049 million increase was a record—nearly three times the previous high of 1963. Also for the first time, borrowing was a larger source of funds (by $19 million) than growth in savings balances, and in fact offset most of the $3.4 billion drop in net new funds obtained from savers. Borrowing rose almost continually last

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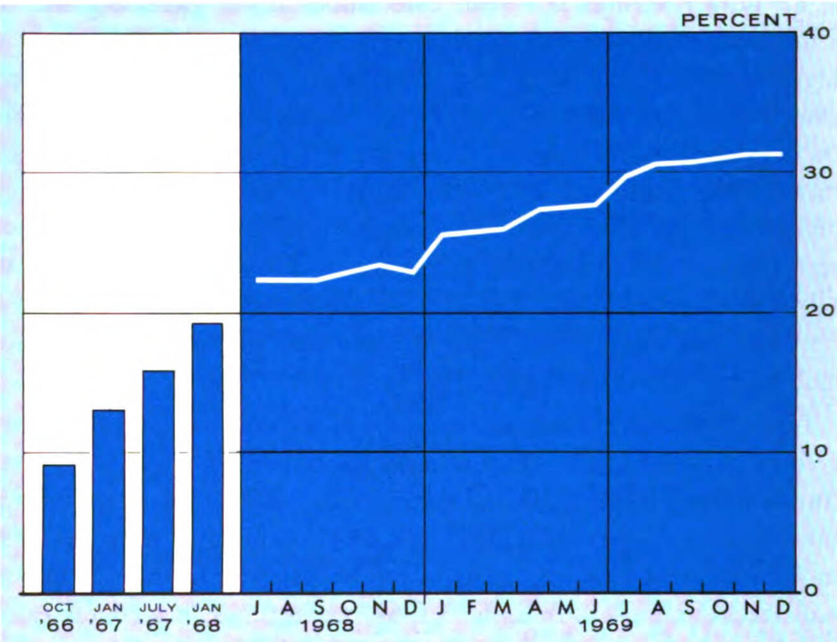
[4] Most of the increases to the 5-percent rate were by associations in certain areas which became newly eligible during the course of the year to offer this rate because mutual savings banks in these areas began offering 5 percent.

Chart 5.—Percent of Savings at Associations Earning More than Regular Interest Rate, 1966-69



year but increases were particularly large in April, July, and October —periods of substantial withdrawals of savings following crediting of interest to accounts.

Last year's rise in borrowing supported 42 percent of the net increase in association mortgage portfolios. Practically all the funds came from the Federal Home Loan Banks (see ch. IV). Borrowing from other souces—primarily commercial banks—rose only $91 million last year and accounted for only 6 percent of the total outstanding at yearend.

Retained earnings

Associations increased their reserve and surplus accounts from retained earning by a net of $922 million in 1969. This was $134 million more than the increase in 1968, and surpassed the record rise of 1965. However, the 1969 increase was only 0.69 percent of average savings held during the year, lower than in 1965 and earlier years.

The rise in retained earnings resulted primarily from higher rates obtained by associations on new mortgage loans in 1969—an increase in income that was only partly offset by higher interest and other expenses.

More than half of retained earnings were transferred to surplus last year, as in 1968. This was due to the Board's liberalized schedule of credits required to be made to loss reserves, temporarily adopted in 1966 and continued through 1969.[5] Consequently, by yearend the ratio of combined reserve and surplus accounts to total savings held had risen to 8.29 percent—up from 7.84 percent a year earlier and the highest since the early fifties. The increase last year was due not only to larger transfers to these accounts from retained earnings, but also to the fact that growth in total savings was slower than it had been in 1968.

Nonmortgage investments

Associations reduced their combined holdings of cash, U.S. Government securities, and other nonmortgage investments last year by a net of $100 million, thereby releasing these funds for mortgage lending. This was in contrast to 1968, when there was a net rise in such investments of $446 million.

The composition of nonmortgage investments, moreover, changed considerably last year. Holdings of U.S. Government securities were reduced by $985 million, in marked contrast to the increase of $399 million in 1968 (see table 1). Cash and deposit holdings were down by $520 million, a slightly larger reduction than the $473 million drop in 1968. Offsetting most of this reduction in cash and U.S. Government securities, however, was the rise in miscellaneous assets

[5] The Board temporarily reduced required reserve allocations in 1966 so as to enable associations to offer somewhat higher dividend rates to savers and thus meet the intensified competition for savings during a period when improvement in association earnings was restrained by slow turnover in long-term mortgage portfolios. It reduced from 10 to 5 percent of net income the minimum account most associations were required to credit to loss reserves during a semiannual period. Initially, this reduction applied only to the three semiannual periods beginning on or after July 1, 1966, but was subsequently extended through 1969. Last year the Board also suspended the requirement that certain associations with rapid growth in risk assets make a larger allocation to reserves based on such growth, pending a general study of the reserve regulations.

amounting to $1.4 billion. This was almost $900 million more than in 1968. It was due, for the most part, to larger net acquisitions of Federal agency securities last year than in 1968, following a change in Board policy (announced June 11) that made such securities of less than 5-year maturity eligible to satisfy liquidity requirements set by the Board. Previously, only cash and U.S. Governments had been eligible for this purpose.[6]

The decline in holdings of nonmortgage investments was made possible last year by reductions in the ratio of holdings of cash, Government, and agency securities to total savings required by the Board from 6.50 to 6 percent, effective June 12; and again to 5.50 percent, effective December 1. The purpose of these actions was to release funds for support of the mortgage market and they freed about $1.3 billion for this purpose (see ch. VI, p. 64).

Loan repayments

Net mortgage loan repayments—the largest and most stable source of association funds—totaled $14.2 billion last year, 1 percent less than a year earlier. Last year's slight drop was the first since 1966, when this source produced 15 percent less funds than a year earlier.

The drop in loan repayments reflected the reduced volume of housing activity in general, caused by the limited availability of mortgage credit. Contributing factors were a reduction in short-term construction lending (which generates a larger volume of repayments than do long-term mortgages); and more assumptions of existing mortgages by buyers of previously occupied homes, taking advantage of lower interest rates on the older mortgage loans.

Mortgage lending activity

Mortgage loans disbursed by all operating associations in 1969 totaled $23.7 billion. This was the largest volume since 1965, as shown in table 1, although only 1 percent more than in 1968. This

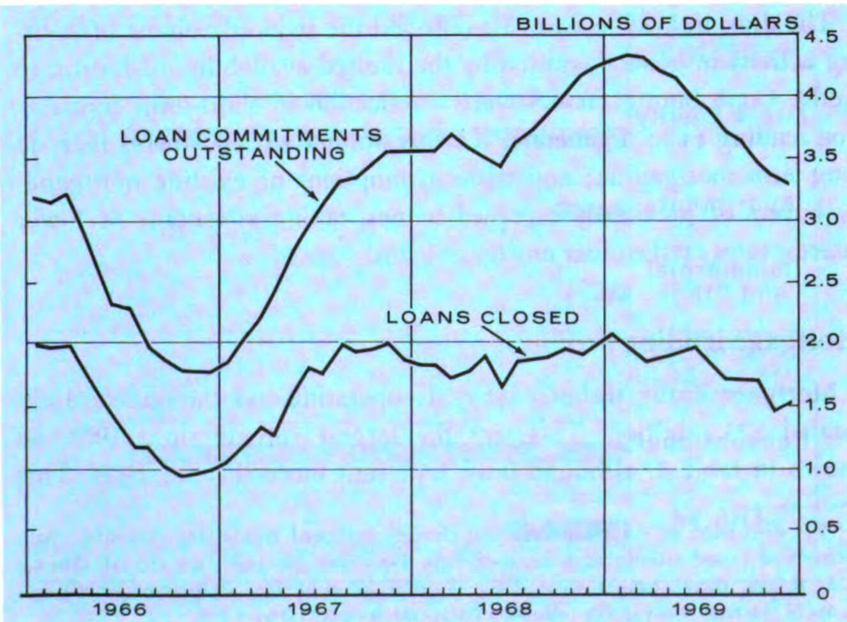
[6] For discussion of the more extensive changes in Board regulations governing management of liquid assets that became effective December 22, 1969, see ch. III. Among other things, these changes were designed to make reductions in percentage requirements of the type noted in the following paragraph more effective.

lending volume was made possible in the face of curtailed growth in savings balances by use of borrowed funds and by liquidation of non-mortgage investments.

In 1969, mortgage loans closed declined slightly from $22 billion to $21.8 billion. But this was more than offset by (1) a rise in net loans purchased from other lenders, and (2) a smaller increase in undisbursed loans in process (associated with the decline in loans closed that occurred in the fourth quarter of 1969—see below).

The volume of loans purchased from other lenders was as large last year as in 1968, in spite of the general shortage of loanable funds, although they too dropped off late in the year. Loans sold to other lenders declined; and as a consequence, net loans purchased by associations (including participations in loans) totaled $1.8 billion in 1969 compared with $1.6 billion in 1968. Much of this increase resulted from the tendency of associations in States with restrictive usury laws to buy Government-underwritten loans.

Chart 6.—Mortgage Lending Activity, All Operating Associations, 1966-69
[Seasonally adjusted monthly data]



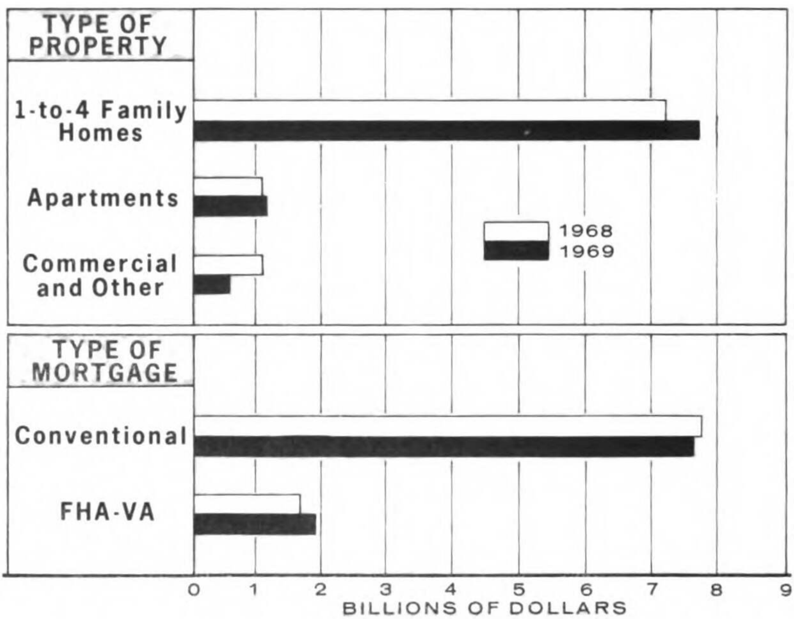
The volume of loans closed, when adjusted for usual seasonal variation, was about as large during the first two quarters of 1969 as in late 1968 (see chart 6). Thereafter closings fell off, due to the progressive deterioration in savings flows, noted earlier. By the fourth quarter of 1969, closings were about one-fifth smaller in volume than in the first half of the year. Even so, the decline was not as severe as in 1966, since Bank advances were more extensively used as a source of funds for mortgage financing than in the earlier period.

The decline in commitments for future mortgage lending (seasonally adjusted) was also milder in 1969 than in 1966, as the chart shows. But commitments declined more steeply than loans closed.

Conventional loans on one- to four-family homes continued to comprise the great bulk of association lending in 1969. Net lending (i.e., loan acquisitions less loan repayments) on one- to four-family homes reached $7.7 billion last year—up from $7.2 billion in 1968.

Chart 7.—Net Increase in Mortgage Portfolios of Associations, by Type of Property and Security, 1968-69

[Annually]

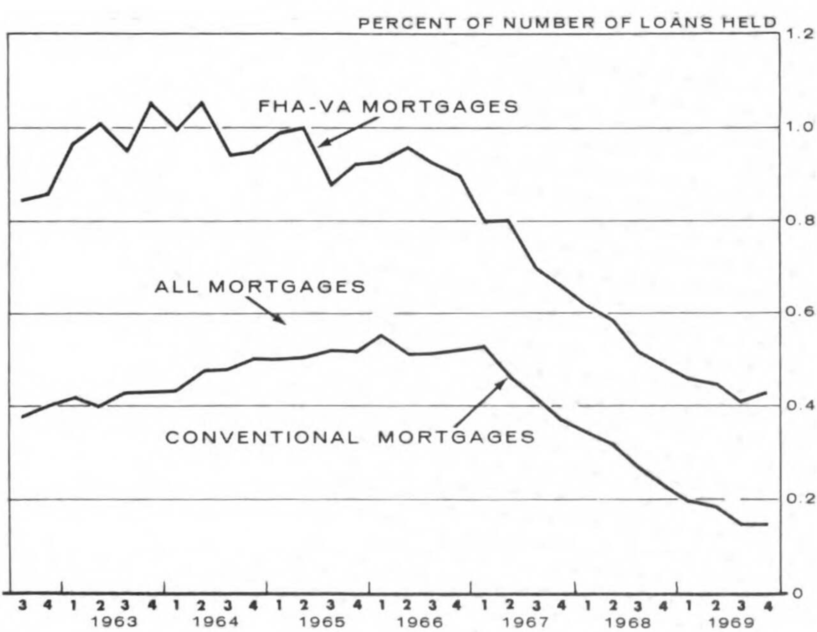


Net lending on apartments rose moderately, while lending on nonresidential property declined (see chart 7).

The net of conventional mortgage lending as a whole was slightly smaller last year than in 1968, but the net of Government-underwritten loans rose to $1.9 billion—up from $1.6 billion in 1968. As noted above, this rise seems to be associated with purchases of loans by associations in States with restrictive usury laws.

The quality of association mortgage portfolios continued to improve in 1969. Foreclosures on loans held by FSLIC-insured associations dropped to an annual rate of 0.19 percent in the final quarter of the year (chart 8). This was the lowest rate since these data began in 1962—down from 0.26 percent in the fourth quarter of 1968. The peak rate of 0.60 occurred in the first quarter of 1966. Foreclosed real estate owned by associations, and substandard loans and contracts to dispose of such real estate, also continued to decline last

Chart 8.—Rate of Mortgage Foreclosure by FSLIC-Insured Associations, 1963-69
[Quarterly data at annual rate]



year. At yearend, these substandard assets represented only 1.1 percent of the total assets of FSLIC-insured associations, compared with 1.3 percent a year earlier.

CHAPTER III

LEGISLATION AND REGULATIONS

MOST of the legislative and regulatory changes made during the year were aimed at increasing the supply of mortgage credit available at associations. Some of these changes are referred to in other chapters in related contexts but they are briefly described here for the sake of completeness and convenience.

New legislation was enacted to extend dividend rate control, raise the amount of insurance coverage of savings accounts, change the limitations on interest charged by Bank members, and reduce the basis for calculating premium payments by associations to FSLIC. The Board adopted regulations under these statutory changes, and in addition made modifications in existing regulations to change the entire structure of liquidity requirements, and to encourage the inflow of savings through the use of special accounts paying higher-than-regular dividends. Procedures for inner city branching were liberalized for the benefit of low-income housing in those communities; and (for Federal associations) rules were adopted authorizing mobile home financing and establishing standards for the indemnification of directors, officers, and employees.

Legislation

The principal statutory changes were as follows:

Rate control

The continuity of dividend rate control over most financial institutions during 1969 was assured by the extension of laws enacted in

1966. Also, on December 23, 1969, rate control was further extended to March 1971 by Public Law 91–151.[1]

Rate control as originally enacted gave the Board authority only over members of the Federal Home Loan Bank System. Comparable authority was exercised over commercial banks and savings banks insured by other financial regulatory agencies of the Federal Government. There remained a number of financial institutions that were not subject to rate control either Federal or local. Ordinarily, this would be of small consequence since, in most areas, financial institutions not insured by the FDIC or the FSLIC are not usually a serious source of competition to members of the FHLB System. However, where a large number of unregulated institutions are concentrated in a limited area, rate control serves to put controlled institutions at a disadvantage.

For this reason, FSLIC-insured institutions in Massachusetts encountered serious difficulties in 1969. In that State there are many substantial savings institutions not regulated as to rates by Federal or other agencies. They thus had a distinct advantage over controlled institutions as to advertising and paying higher dividends. To relieve this inequity in some degree, the legislation that continued rate control (Public Law 91–151) authorized the Board and the FDIC to extend this control on a limited basis to institutions in those States where, among other things, the amount of savings held by such institutions exceeds 20 percent of total savings held by all financial institutions in the State, and where no rate control exists. The immediate effect of this measure was to provide the Board with a conditional rate control authority over nonmember associations in the State of Massachusetts.

FSLIC insurance of accounts

During the year, the Board recommended to Congress that insurance of accounts be raised to attract more savings for mortgage lending. On December 23 the limitation on insurance of savings accounts in insured institutions was raised from $15,000 to $20,000 with respect to each investor (Public Law 91–151).

[1] For a review of earlier legislation, see annual reports for 1966 through 1968.

Sale of FHLB obligations to the Treasury

Public Law 91–151 increased the amount of FHL Bank obligations that could be purchased by the Secretary of the Treasury from $1 billion to $4 billion. A significant addition to the statute provided that the Secretary should use his authority to purchase these obligations in difficult times, thus supporting the mortgage market by helping FHL Banks supply their members with funds for mortgage lending.

FSLIC premiums and reserves

New legislation affecting insurance premiums and the Secondary Reserve of the FSLIC had the effect of freeing certain funds for mortgage lending that would otherwise have been channeled to the Insurance Corporation.

Since 1962, insured institutions have been required to pay "additional" premiums in the nature of prepayments that were credited to the Secondary Reserve. The Corporation also could assess additional premiums to meet its losses and expenses. Congress reduced the basis on which all premiums were calculated by removing "creditor obligations" therefrom. These consist largely of borrowings from the Federal Home Loan Banks. Their elimination from the insurance base brought the computation of premiums into line with that of the FDIC, and had the further effect of making more money available for home financing by lowering insurance premium payments. Other statutory changes concerning the application of pro rata shares of the Secondary Reserve and the computation of premiums loosened some restrictions, corrected some inequities, and further reinforced the effect of freeing funds for lending.

Restriction on mortgage interest rates

Since 1932, the interest rate that member institutions could charge on home mortgage loans has been limited by statute to a ceiling of 8 percent, unless another rate was otherwise provided for by State law. New legislation removed this 8-percent ceiling and gave the Board authority to prescribe such rates, where a lawful contract rate was not prescribed by applicable State law. This was done by Public Law

91–152, which amended section 5 of the Federal Home Loan Bank Act. The sanction for noncompliance with the appropriate ceilings is removal from Bank membership.

Investment in low-income housing

To encourage support of low- and moderate-income housing, Congress enacted legislation (Public Law 91–152) that empowered Federal savings and loan associations to invest in the National Housing Partnership Corporation created under Title IX of the Housing and Urban Development Act of 1968, and in other partnerships and joint ventures formed pursuant to that Act.

Regulations

The principal changes in regulations were as follows:

Liquidity requirements for member associations

On December 22, 1969, the Board implemented section 5A of the Federal Home Loan Bank Act (12 U.S.C. 1425a), as amended by section 4 of Public Law 90-505, by adopting new liquidity regulations for members of the Federal Home Loan Bank System. The amended section 5A gave the Board broader powers than it had under the earlier statute, and it permitted the Board to authorize a wider choice of investments qualifying for liquidity than the Board could previously authorize. The new regulations effect the following purpose stated in the amended statute: "To provide a means for creating meaningful and flexible liquidity in savings and loan associations and other members which can be increased when mortgage money is plentiful, maintained in easily liquidated instruments, and reduced to add to the flow of funds to the mortgage market in periods of credit stringency."

In putting the statutory change into effect, the Board followed a policy of broader diversification and shorter maturities of investments held for liquidity purposes. Regulation 523.10(g) defines the investments held that qualify to be counted as liquid assets to include (subject to certain additional conditions and including certain obligations held subject to repurchase agreement): (1) cash and demand deposits in insured commercial banks and Federal Home Loan Banks; (2) time deposits at Federal Home Loan Banks and certain time deposits at insured commercial banks with a remaining period to maturity of not more than one year; (3) obligations of the United States (all maturities until January 1, 1972); (4) obligations of certain Federal agencies with a remaining period to maturity of not more than 5 years; (5) certain bankers' acceptances with a remaining period to maturity of not more than 6 months; and (6) certain obligations of State and local governments with a remaining period to maturity of not more than 2 years. Regulation 523.10(h) defines the investments qualifying for inclusion as short-term liquid assets in general as certain obligations of the same type but with generally shorter period to maturity. Regulation 523.11 prescribes the liquidity requirements. It is noted that there is no liquidity requirement regarding short-term liquid assets until January 1972. This is to allow savings and loan association members a 2-year period for adjusting their assets to the policy of maintaining a substantial portion of their liquid assets in very short-term securities.

Another innovation in the new regulation is the concept of requiring an "average daily balance." Previously, the liquidity requirement was a set formula which a member was required to meet at all times. Under the new regulations, a member satisfies the requirements if the average daily balance for the month meets the standard. This method encourages a more aggressive attitude toward investments by not penalizing occasional short-falls below the prescribed standard. Often, under the old system many members felt compelled to meet a higher standard than that required by the regulations. Special provisions were also made for two types of special situations: first, regulation 523.11(b) permits a small member (under $25,000,000 in total assets) to use the liquidity base as of the last day of the month in determining its liquidity requirement, rather than the "average daily balance" method; and second, regulation 523.12(a)(2) provides a method for reducing deficiencies in those months when a member's cash withdrawals exceed its cash savings received.

Finally, the new regulations assess a monetary penalty for failure to comply with the liquidity requirements, subject to remission, compromise, or mitigation under appropriate circumstances. Previously, the statutory sanction prohibited a member from making new mortgage loans during any period in which such member failed to comply with the liquidity requirements.

Forms of accounts and rate control

During the year the Board made numerous changes in regulations dealing with dividend rates and forms for special accounts paying a higher-than-regular rate. All of these had the common purpose of enabling member institutions to compete more effectively for savings in the current tight money market.

Deposit associations

The Housing and Urban Development Act of 1968 (Public Law 90–448) contained provisions that enabled any Federal savings and loan association to accept deposits. Early in 1969, the Board adopted a regulation permitting such an association to amend its charter to become a "deposit association."

The various regulations concerning savings deposits became effective on June 1. They provided in part, that deposit associations could raise capital in the form of savings deposits and not accept new savings accounts other than such savings deposits unless authorized by the Board. Savings accounts in existence at the time an association became a deposit association, however, could remain in that status unless and until exchanged for savings deposits. It was also provided (in sec. 545.1–2) that in the event of liquidation or any other situation in which the priority of savings deposits should be in controversy, such deposits should be debts of the association, having the same priority as the claims of general creditors, and also should have the same right to share in the remaining assets of the association that they would have if they were savings accounts.[1] Deposit associations were also authorized to accept savings deposits for fixed periods of time, bearing fixed rates of interest (sec. 545.1–4).

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[1] These priorities are shared by savings accounts in deposit associations, but not by savings accounts in associations not authorized to issue savings deposits.

Because in certain States share accounts enjoyed a privileged status, the Board adopted a regulation (sec. 545.1–4(b)(5)) enabling deposit associations to issue share accounts. Associations could not accept savings deposits, however, while issuing share accounts.

Forms and rates in general

The Board's authorization of fixed-term, fixed-rate deposits for Federal deposit associations was paralleled by an Insurance Regulation concerning fixed-term, fixed-rate accounts (sec. 563.3-1). This regulation was, of course, dependent upon the validity of such accounts under applicable State law.

The nature of this change is clarified by a review of the types of accounts at Federal associations before the new regulations.

Under the earlier regulations, the two forms of Federal association accounts most comparable to the fixed-term, fixed-rate account were the fixed-balance bonus account and the variable-rate certificate account. The fixed-balance bonus account provided for a higher rate of dividends on accounts maintained for a certain minimum period of time; however, the minimum qualifying period could not exceed three years and the rate was not set: the account merely provided for a bonus in addition to whatever the regular rate was. The variable-rate certificate did provide for an anticipated rate but its term was limited to one year.

Thus, the five-year fixed-rate account, with renewable features, was a significant change in the types of accounts that could be issued by a Federal association. Other changes included new provisions respecting long-term certificate accounts and new authority for split rates of return (i.e., the payment of a higher rate of return on that portion of an account above a specified minimum balance).[2]

Advertising

In August 1969, the Board and other Federal financial agencies responsible for rate control adopted a regulation limiting the adver-

[2] Subsequent changes in this area have made many of the regulatory provisions adopted in 1969 only of historical interest.

tising of rates of return. This was pursuant to Public Law 90–505 (September 21, 1968), which provided that the Board could "prescribe rules governing the payment and advertising of interest or dividends on deposits, shares, or withdrawable accounts. . . ."

Under this regulation, rates must be stated in terms of annual rates of simple interest or dividends; advertisements must not include any indication of a total percentage yield based on a period in excess of a year or an average annual percentage yield achieved by compounding during a period in excess of a year; time and amount requirements for an advertised rate must be stated clearly and conspicuously; and the word "profit" may not be used in referring to interest or dividends.

Rules for investigative and formal examination proceedings

In March, the Board announced rules for investigative proceedings and formal examination proceedings under sections 407(m)(2) and 408(h)(2) of the National Housing Act. These rules do not apply to adjudicative proceedings where hearings are required by statute. These are covered by part 509 of the General Regulations.

Proceedings of both types are private, and the records are confidential unless ordered otherwise by the Board. In private proceedings, a witness or person submitting documentary evidence may request a transcript of his testimony or a copy of his evidence, which request the Board may deny for good cause; but in any event, the witness or his counsel may examine the transcript of his own testimony. Any witness at either kind of proceeding may be accompanied by counsel, but all witnesses shall be sequestered and (unless permitted by the designated representative) no witness or counsel may be present during the taking of the testimony of any other witness called in such proceeding. In any public investigative proceeding, a person implicated in wrongdoing according to the record of the proceeding shall have the right to appear on the record, unless otherwise ordered by the Board. Provision is made for the issuance of subpenas.

Mergers

The Board issued a new statment of policy on mergers in order to encourage those mergers that would enable savings and loan associations to be more effective competitors in today's economic environment, but which would not be anticompetitive or in violation of the antitrust laws.

Mobile home financing

The Housing and Urban Development Act of 1968 amended section 5(c) of the Home Owners' Loan Act to enable Federal savings and loan associations to make loans for the purpose of financing mobile homes.

In November, the Board adopted regulations under the statute, authorizing Federal associations with Charter K(rev.) or Charter N to lend for this purpose (sec. 545.7–1). Permissible loans include inventory acquisitions by dealers and retail purchases. The regulation sets forth limitations concerning such matters as loan-to-value requirements, time limitations, and evidence of the obligation.

Protection against crimes

The Board's regulations implementing the Bank Protection Act of 1968 became effective on February 15, 1969, as Part 563a of the Rules and Regulations for Insurance of Accounts. Part 563a sets forth general requirements for security devices, security procedures, and reports to the Board. Special appendices provide detailed minimum standards for security devices and standards for employee conduct during and after a robbery. The security device standards emphasize precise physical details with respect to surveillance systems, robbery and burglary alarm systems, vaults, safes, and depositories. The regulations also set time limits for compliance with the new standards.

Indemnification for Federal association directors against suits

In recent years there has been much concern over the expenses incurred by corporate directors and officers in defending lawsuits brought against them by reason of their serving in an official capacity. Section 545.25 of the Federal Regulations (Indemnification of Association Personnel) was issued to meet this problem. It concerns not only indemnification, but also the obtaining of insurance to protect the association or its directors, officers, and employees against losses arising from claims.

Under the new regulation, indemnification of a person against whom an action is brought or threatened by reason of the fact that he or she is or was a director, officer, or employee of a Federal association shall be for: the reasonable costs and expenses paid or incurred in connection with the proceedings; the amount for which such person becomes liable by reason of a judgment in such action; and the reasonable costs and expenses paid or incurred "in any action, to enforce his rights under this section, which results in a final judgment in favor of such person." The regulation describes in detail the circumstances under which indemnification may be provided.

Insurance may be obtained as protection not only from losses for which persons may be indemnified, but also from losses arising from claims made by reason of wrongful acts, or alleged wrongful acts, for which indemnification may not be made. Insurance may not be obtained however, as protection from losses incurred as a result of willful or criminal misconduct.

If a majority of an association's directors conclude that a person may become entitled to indemnification, they may authorize the payment of reasonable costs and expenses in connection with the defense of the action. The association must first secure a repayment agreement from the person concerned, however, in case he ultimately proves not to be entitled to indemnification.

Inner city branching

The Board adopted a proviso to section 545.14(b) and a new provision in its statement of policy on branching (sec. 556.5) permitting it to waive two of the eligibility requirements for branch applications where such branches would serve low-income, inner city areas inadequately served by existing savings and loan facilities. The new policy was adopted to aid the granting of loans in such areas, and to stimulate thrift, provide financial guidance, and to improve employment opportunities for the residents of such areas.

Disaster areas

In furtherance of the Federal Government's policy of providing relief to persons affected by major disasters, the Board adopted a regulation that would waive or relax certain limitations on the operations of regulated institutions in disaster areas (sec. 508.10–1).

Participation loans

The Board exempted insured and guaranteed loans from the requirements of subparagraphs (1) and (2) of paragraph (b) of Insurance Regulation section 563.9–1 (specific restrictions concerning the location of security property and the scheduled items position of the selling association).

Federal Insurance Reserve

The Board suspended requirements for certain semiannual credits to the Federal Insurance Reserve account during specified periods of time (sec. 563.13).

Loans under the leased housing program

In July, the Board approved a regulation permitting Federal associations to invest in installment loans secured by first liens on single-family dwellings that are subject to the leased housing program authorized by section 23 of the United States Housing Act of 1937, as amended (sec. 545.6–23). The dwellings must be within an association's regular lending area; and the amount of the loan must not exceed 90 percent of the dwelling's value, nor $20,000 for each such dwelling.

Educational loans

The regulation governing educational loans was amended during the year to permit such loans to be made for the payment of expenses of vocational education as well as for college or university education (sec. 545.8–1).

Apartment building loans

In order to help meet the need for multiple-dwelling housing, the Board in March changed the limitation on loans for this type of housing from 10 to 15 percent of a member's assets. This modification enabled Federal associations to expand their apartment loans proportionately (sec. 545.6–1(b)(4)(iii)).

Publication of FHLBB Manual of Statutes and Regulations

The Board's new "Annotated Manual of Statutes and Regulations" was printed in December 1969, the result of several years of planning and writing. The Manual is a loose-leaf collection of the Board's governing statutes, regulations, annotations derived largely from opinions of the General Counsel, and related material. It has been distributed free of charge to staff, the Federal Home Loan Banks, each member of the Bank System, and other offices. Copies may be purchased from the Superintendent of Documents, U.S. Government Printing Office, P.O. Box 1533, Washington, D.C., 20013.

The Manual has two basic purposes: It is a useful working tool for the staff of the Board and members of the industry; and it makes available to the industry and to the public much of the "unknown law" relevant to the operations of the industry—that is, the unpublished opinions and other relevant interpretations which are basic to the day-to-day operations of the Board, the Insurance Corporation, and the Bank System.

CHAPTER IV

THE FEDERAL HOME LOAN BANK SYSTEM

THE 12 Federal Home Loan Banks provided member institutions with an unprecedented volume of credit to offset the sharply curtailed supply of funds available from other sources in 1969. This helped members to meet periodic withdrawals of savings and to provide greater support for housing markets depressed by the general economic environment than would have otherwise been possible. In addition, the System carried a substantial volume of liquidity in the form of short-term U.S. Government securities to guard against the possibility of even more adverse financial conditions. Funds for these purposes were raised by the System through a record volume of securities sold in financial markets.

Advances to members

Federal Home Loan Bank advances to members increased by a record $4.0 billion, or 77 percent, in 1969. Total advances outstanding to members at yearend reached $9.3 billion, the largest in the history of the System. This brought the December 31 ratio of Bank borrowings by member savings and loan associations to 6.94 percent of savings held, up from 4.05 percent at the end of 1968, as shown in chart 9, and surpassing the previous record of 6.29 percent established in 1950.

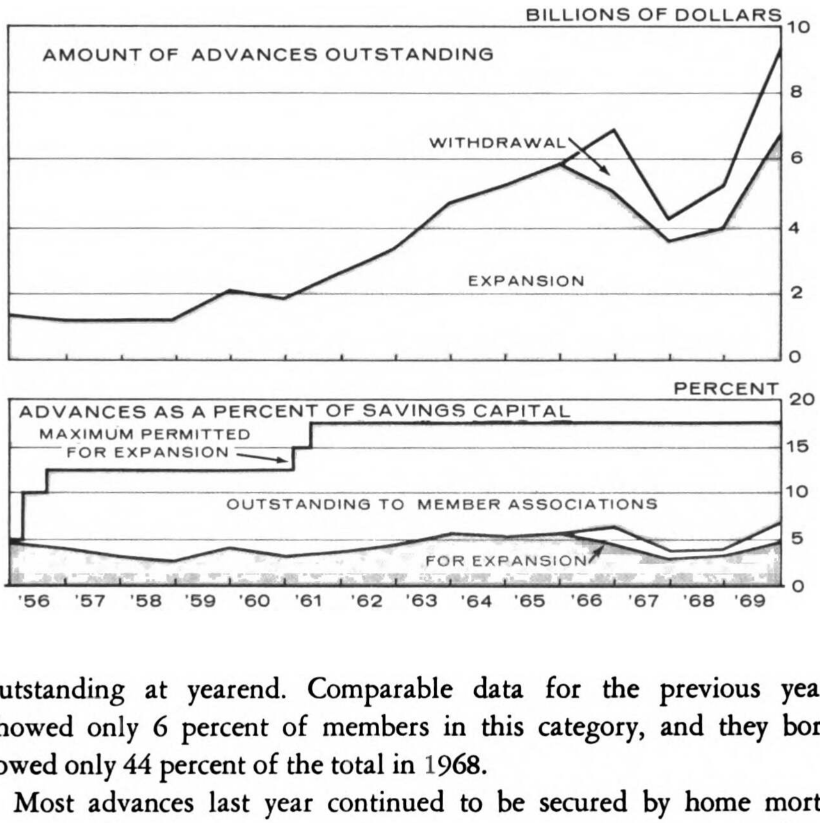
About one-third of the rise in funds borrowed by members was to meet withdrawals of savings, and the remainder was for mortgage lending. Thus by yearend, withdrawal advances accounted for 28 percent of total Bank advances outstanding, compared with only 23 percent at the end of 1968 and 26 percent at the end of 1966. But exact identification of loan purpose is largely technical; for whether to meet withdrawals or to expand mortgage portfolios, the net effect of growth in Bank borrowings by members is to increase their ability to furnish funds for home financing. In the absence of withdrawal advances, members would have to meet withdrawals out of funds that otherwise could be applied to mortgage lending. The fact is that net growth in Bank advances outstanding to members last year provided funds equal to about two-fifths of the net rise in their mortgage portfolios.

The increase in Bank advances outstanding was almost continuous during 1969, with advances rising in every month except February. This increase was relatively modest early in the year, when savings flows to associations were still fairly favorable and the influence of seasonal factors negative. After March, however, net borrowing was substantial in each month. The largest increases in advances outstanding tended to occur in the first month of each calendar quarter, when savings withdrawals were heavy following the crediting of earnings to savings accounts.

The rise in Bank advances last year resulted from increases in both the number of members borrowing and in the volume of advances already outstanding. The number of members with borrowings outstanding at yearend rose from 2,193 in 1968 to 2,782 in 1969, or 58 percent of total System membership—the highest percentage in System history.

Borrowing by all types of member institutions—Federal- and State-chartered associations and mutual savings banks—increased significantly last year, as shown in table 1. There was also a sharp increase in the number of member institutions for which Federal Home Loan Bank advances represented a substantial portion of resources. For example, the number of FSLIC-insured members with advances amounting to over 17.5 percent of savings totaled 93 at yearend, compared with 39 at the end of 1968. For the most part, these were institutions that had experienced substantial savings losses for a considerable period. The number and borrowings of insured institutions with advances-to-savings ratios of 15.1–17.5 percent and 10.1–15.1 percent also rose sharply last year (table 2). In fact, 12 percent of member institutions borrowed in excess of 10 percent of their savings, and these advances accounted for 63 percent of total advances

Chart 9.—Federal Home Loan Bank Advances and Relation to Savings Capital, 1956-69
[End of year]



outstanding at yearend. Comparable data for the previous year showed only 6 percent of members in this category, and they borrowed only 44 percent of the total in 1968.

Most advances last year continued to be secured by home mortgages or U.S. Treasury securities, in accordance with System policy. Some 94 percent of the dollar volume of all advances outstanding at yearend were so secured—about the same as a year earlier. The face value of this collateral totaled $16.9 billion at the end of the year, nearly twice the amount borrowed. In addition, the Banks had a statutory lien on $1.2 billion of their stock owned by borrowing members.

The vast bulk of advances made last year had an original maturity of 1 year or less, as in the 2 preceding years. However, the percentage of advances in this category declined during the year. By December 31, they represented 91 percent of the total outstanding compared with 93 percent at the end of 1968. This reflected the System policy of

Table 2.—Federal Home Loan Bank Advances Outstanding and Number of Borrowers
[End of period]

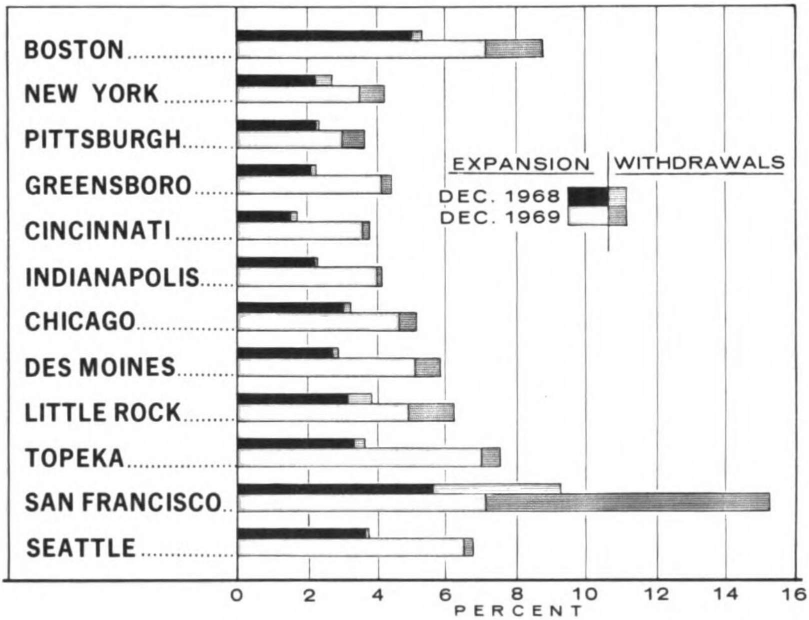
Type and ratio of advances to savings	Number of borrowers		Advances outstanding (millions)	
	December 1968	December 1969	December 1968	December 1969
All institutions	2,193	2,782	$5,259	$9,289
Type of institution:				
Savings and loan associations	2,187	2,767	5,250	9,215
Federally chartered	974	1,279	2,196	4,256
State-chartered:				
Insured by FSLIC	1,134	1,419	3,041	4,941
Not insured by FSLIC	79	69	13	18
Mutual savings banks	6	15	9	74
Distribution of borrowing, FSLIC-insured associations, by ratios of advances to savings (percent):				
Over 17.5	39	93	774	2,206
15.1–17.5	22	68	231	527
10.1–15.0	216	395	1,283	3,100
5.0–10.0	658	845	1,875	2,380
Less than 5.0	1,173	1,297	1,074	984

making longer term advances, discussed in the following section on credit policy.

Advances outstanding rose sharply at all Federal Home Loan Banks in 1969, with increases ranging from 62 percent at the San Francisco Bank to more than 100 percent at the Greensboro, Cincinnati, Des Moines, and Topeka Banks. Although San Francisco had the smallest percentage increase during the year, the actual dollar increase in amount borrowed ($1.5 billion) was the largest of any District.

The ratio of borrowings to savings held by members continued to vary widely from District to District (chart 10). At yearend, this

Chart 10.—Advances as a Percent of Savings Capital: FSLIC-Insured Savings and Loan Associations, by Federal Home Loan Bank District, Dec. 1968 and Dec. 1969



ratio ranged from less than 4 percent in Pittsburgh and Cincinnati Districts to over 15 percent in the San Francisco District.

Credit policy

The primary goal of Federal Home Loan Bank System credit policy last year, in keeping with its statutory responsibility, was to provide members with the maximum funds economically feasible to meet savings withdrawals and mortgage demands. This goal reflected the stringent financial conditions that prevailed throughout the year and the general shortage of housing credit.

Banks continued to make advances to meet withdrawals on 90-day renewable notes in amounts up to 50 percent of member's savings, although members were requested to meet a reasonable amount of withdrawals following dividend payment dates from their own resources before requesting System funds.[1] Withdrawal advances

[1] "Reasonable amount" was defined as one-half of 1 percent of savings in January, April, and October, and 1 percent of savings in July.

were expected to be liquidated as soon as feasible from any net savings inflow, but the borrower—if otherwise eligible—could convert withdrawal advances into mortgage expansion advances.

Advances to expand mortgage lending were generally made on the basis of 1-year renewable notes. Banks continued to consider the soundness of the borrowing institution and the need for mortgage credit in the area; but, because of the general shortage of mortgage funds, such advances were granted last year in almost every instance where total borrowing of the member did not exceed 17.5 percent of savings held—a limit established by Board policy.[2] Indeed, soundly operated member institutions were encouraged to borrow from their Banks.

In 1969, System credit policy was reviewed to make it more responsive to the needs of members and the mortgage markets they serve. The Board recognized that there would be a shortage of funds from traditional sources to meet national housing goals in the foreseeable future. In these circumstances, it felt that greater use of System credit by members would be appropriate. To this end, the Board made the following policy changes during the year, and had under consideration at yearend more far-reaching changes, including a major restructuring of maturities and other terms on which member institutions could borrow from the Banks:

(1) In August, the Banks began periodically offering members fixed-term (5-year), fixed-rate, nonamortized advances. These were funded by special 5-year issues of Federal Home Loan Bank obligations, the first of this type since 1958. Such advances are repayable before maturity only by tender of funding obligations in the same amount, in contrast to regular advances which are repayable at any time at the option of the borrower. Moreover, the rate charged for these special 5-year advances is based on the cost to the Banks of the obligations sold to fund them and is fixed for the full term of the

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[2] This limit was applicable to members with scheduled items—i.e., substandard assets—less than 2 percent of total assets. The limit was lower for members with higher scheduled items ratio—12 percent if the ratio of scheduled items to total assets was 2.00–2.99 percent; 9.5 percent if the scheduled-item ratio was 3.00–3.99 percent; 6 percent if the scheduled-item ratio was 4.00–4.99 percent; and 2.5 percent if the scheduled-item ratio was 5 percent or more. These limits, of course, did not apply to withdrawal advances.

advance, whereas the rate on regular advances is adjusted to the average cost of System borrowing. The special 5-year advances require commitments from members in order that necessary funding can be planned by the System. By the end of the year, $414 million of special 5-year advances were outstanding, financed by the sale of $201 million of 7.65-percent bonds sold by the Banks in August, and $250 million of 8.00-percent bonds issued in November. Through this program, members could obtain intermediate-term, fixed-rate advances that would better enable them to plan their operations.

(2) In September, the Board approved a program authorizing the Banks to provide member institutions with special advances for financing loans made by them on inner city housing projects approved under the subsidy programs of the Department of Housing and Urban Development in order to stimulate association participation in these socially desirable projects. Under the program, the Banks were authorized to make commitments to provide funds in the future—a procedure not followed for regular advances. Loans could be made for terms as long as 10 years, with monthly or quarterly amortization, and at a fixed rate based on the lending Bank's long-term advance rate at the time the commitment was made. Such advances to any one member are limited to not more than 5 percent of the borrower's savings, but not included in the 17.5-percent (or lower) limit on borrowing for expansion purpose, noted on page 38.[3]

(3) Effective May 6, the Board removed[4] restrictions on advances to member institutions for purchase of loan participations or whole loans secured by real estate outside their normal lending area. The purpose of this change was to remove a barrier to the flow of funds from one geographic area to another, thereby enabling institutions in slower growing areas to assist growth in other areas.

Rates on advances

Rates charged on most Federal Home Loan Bank advances during 1969 continued to be based primarily on the average cost to the

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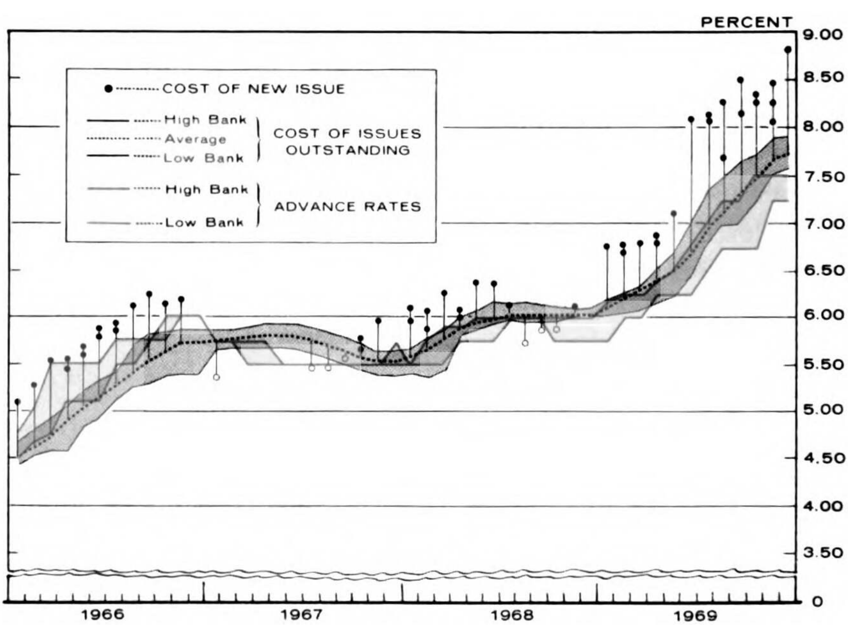
[3] By early 1970, the Banks had made commitments under this program totaling $214 million.

[4] By rescinding sec. 531.2 of the Rules and Regulations of the Federal Home Loan Bank System.

Banks of funds borrowed in financial markets. The rise in market interest rates described earlier, however, carried average costs much higher last year as maturing low-rate Bank obligations were refunded and new funds were obtained at higher interest costs. The system-wide average cost of funds rose from 6.02 percent in December 1968 to 7.72 percent in December 1969. As a consequence, rates on short-term advances—which vary somewhat from Bank to Bank because of differences in costs and other factors—increased from a range of 5.75–6.00 percent at the end of 1968 to a range of 7.25–7.50 percent at the end of 1969. The rise in both System borrowing costs and rates on advances is shown in chart 11.

It continued to be System policy in 1969 to keep advance rates as low as possible (given the cost of funds) so as to facilitate use of advances by member institutions in support of the mortgage market during a period of scarce mortgage funds. This was particularly the case late in the year when rates on advances were kept significantly lower than the average cost of funds borrowed by the Banks, as shown

Chart 11.—Advance Rates Charged by Federal Home Loan Banks, and Costs of Borrowed Funds, 1966-69



in the chart. This policy was made possible through use of earnings on capital funds.

System liquidity

Security holdings of the Federal Home Loan Banks—which represent the liquidity reserves and operating funds of the System—were reduced by $512 million in 1969, diminishing by this amount the new financing needs of the System. Half of the reduction, however, represented a decline in securities held as a reserve against member deposits, permitted by the drop (discussed below) in such deposits held by the Banks last year.[5] The remainder of the reduction was in liquidity held to assure the availability of funds for members (a) during periods between sales of consolidated obligations, (b) against the contingency that market or other conditions might make it difficult to obtain enough money to meet the need for advances,[6] and (c) anticipated new programs such as secondary mortgage purchases by the System.

Only briefly, however, was the level of securities held to provide funds for advances (the sum of reserves for advances and unobligated operating funds, as indicated in footnote 5) permitted to drop below $1.0 billion, as shown in chart 12. This amount of liquidity was generally considered adequate in view of the $1.0 billion emergency line of credit with the U.S. Treasury, which was raised to $4.0 billion in December. These funds are available under terms of the December legislation ". . . when alternative means cannot effectively be employed, to permit members of the Federal Home Loan Bank System to continue to supply reasonable amounts of funds to the mortgage market whenever the ability to supply such funds is sub-

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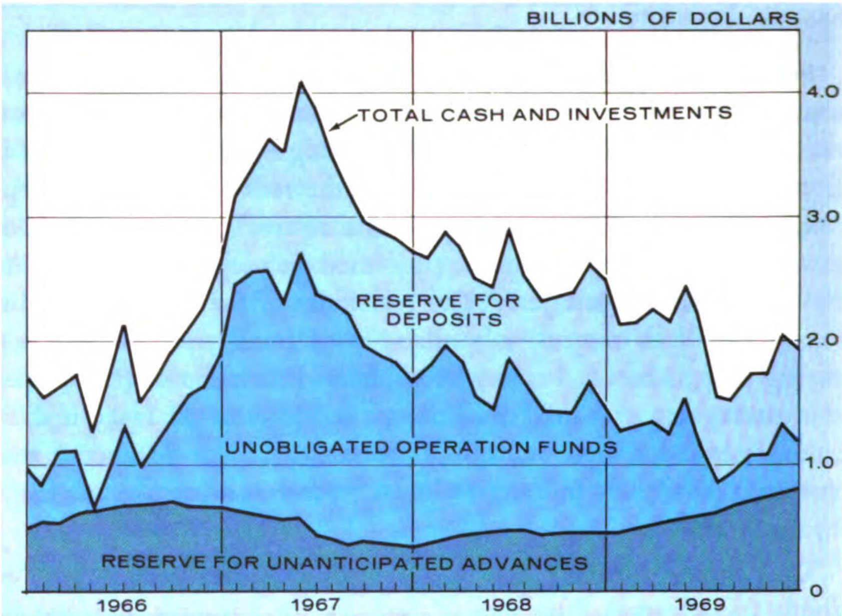
[5] The Federal Home Loan Bank Act requires a 100-percent reserve against deposit liabilities consisting of cash, obligations of the United States, and short-term advances. Board policy permits 25 percent of this reserve to be in the form of short-term advances.

[6] Technically, such funds consist of a reserve for unanticipated advances which the Board requires each Bank to maintain at a level equal to 10 percent of seasonally adjusted outstanding advances (reserve for unanticipated advances) and unobligated funds. In practice, however, any liquid assets held in excess of those required as a reserve against deposits are available to provide funds for advances.

Chart 12.—Federal Home Loan Bank Cash and Investments, by Purpose, 1966-69
[End of month]



stantially impaired during periods of monetary stringency and rapidly rising interest rates. . . ."[7]

All securities held by the Federal Home Loan Banks last year were U.S. Government securities, except for a minor amount representing repurchase agreements secured by obligations of the Treasury or of Federal agencies. Practically all were of short maturity that would provide the liquidity required by their basic purpose. Indeed, 92 percent of security holdings had a maturity of 13 months or less at year-end, up from 88 percent at the end of 1968.

Sales of bank obligations

Net sales of consolidated Federal Home Loan Bank obligations last year provided the bulk of the funds to support the sharp rise in member borrowing. Only a minor amount of funds were provided by the reduction in Bank holdings of securities (noted earlier), pur-

[7] 12 USC 1431 (i).

chases of capital stock by members, and retention of earnings by the Banks as indicated in table 3. Net securities sold on the market last year equaled 92 percent of the growth in advances outstanding, and the $3.7 billion of net funds raised by such sales was the largest in System history. By yearend, Federal Home Loan Bank notes and debentures outstanding totaled a record $8.4 billion, made up of 23 separate issues.

In addition to the $3.7 billion of new funds raised through sale of consolidated Bank obligations last year, it was necessary to raise funds to refinance $4.5 billion of securities sold earlier that matured during the year. As a result, total sales of obligations last year amounted to $8.2 billion, compared with sales of $4.8 billion a year earlier to raise only $0.6 billion of new funds and to retire $4.2 billion of maturing securities.

Table 3.—Net Sources and Uses of Funds by Federal Home Loan Banks

[Annually; in millions]

Item [1]	1965	1966	1967	1968	1969
Sources of funds:					
Member deposits	−$156	−$7	$395	−$50	−$342
Consolidated obligations	852	1,638	−2,799	641	3,721
Capital stock paid in	50	92	26	8	75
Retained earnings	20	29	12	20	21
Miscellaneous	20	92	−97	3	89
Total sources or uses	786	1,843	−2,463	622	3,565
Uses of funds:					
Cash	−12	−16	14	−1	−2
U.S. Government securities	117	883	75	−223	−512
Advances to member institutions	672	938	−2,549	873	4,030
Miscellaneous	10	38	−3	−27	49

[1] Data represent changes in balance sheet items during period. Discrepancies due to rounding.

Consolidated obligations were sold in every month of 1969, the amount sold in a given month being determined by the volume of maturing obligations and the borrowing needs of members. Funds were obtained to retire maturing securities in every month of the year except December, as shown in table 4, and new money was raised in each month except January, February, and June. The $1.1 billion of

Table 4.—Federal Home Loan Bank Obligations Issued and Redeemed in 1969

Month	Securities redeemed (millions)	Securities issued: Maturity Date	Securities issued: Coupon rate (percent)	Securities issued: Amount (millions)	Net change in amount outstanding (millions)
Total	$4,476			$8,197	$3,721
January	300	August 1969	6 5/8	300	0
February	700	October 1969	6 5/8	400	−100
		February 1971	6.60	200	
March	300	March 1970	6.85	346	46
April	326	January 1970	6.75	500	374
		August 1970	6.70	200	
May	300	February 1970	7.00	450	500
		May 1971	7.00	350	
June	550	June 1970	8.00	550	0
July	400	May 1970	8.00	500	500
		February 1971	8.00	400	
August	300	August 1970	8.20	650	551
		August 1974	7.65	201	
September	400	July 1970	8.40	650	500
		April 1971	8 3/8	250	
October	400	October 1970	8.25	650	500
		November 1971	8.20	250	
November	500	September 1970	8 3/8	650	600
		February 1972	8.20	200	
		November 1974	8.00	250	
December	0	November 1970	8.70	250	250

securities sold in November (in three separate maturities) was the largest single monthly sale in System history.

Seventy-two percent of the dollar volume of Bank obligations sold last year had a maturity of 1 year or less; 23 percent, a maturity between 1 and 3 years; and 6 percent, a 5-year maturity—the latter representing $451 million of securities sold to fund the special 5-year advances discussed earlier. This represented a further lengthening in the maturity of obligations sold by the Banks. A year earlier, about 28 percent of obligations sold had a maturity of over a year but the longest of these was for only 25 months, while in 1967 no securities sold had a maturity of over 1 year. The lengthening in the maturity of the Bank obligations sold last year reflected System policy to reduce the need for future refunding of maturing issues (thereby permitting greater flexibility in obtaining new funds) and to convert a portion of outstanding obligations into longer term debt.

The System continued to coordinate its market financing with other governmental agencies through the U.S. Treasury Department last year, as required by statute. No securities, however, were sold to Government investment accounts, as had been the case in 1966 because of stringent market conditions that year and in 1968, to facilitate the debt management operations of the Treasury.

Securities issued by the Banks continued to be bought by a wide variety of investors. One noticeable development last year was a rise in the holdings of Bank System obligations by savings and loan associations. This resulted from the regulatory change noted earlier, making Federal Home Loan Bank obligations, as well as those of other Federal agencies, with a maturity of less than 5 years eligible to satisfy the requirements of the Board as to holdings of liquid assets.

Member deposits

Deposits of member institutions at the Federal Home Loan Banks declined by $342 million last year, substantially more than the $50 million drop in 1968. This reduced such deposits to $1.0 billion at the end of the year, the lowest yearend level since 1966. All of the drop was in time deposits, reducing these to 68 percent of total deposits compared with 78 percent a year earlier.

The decline in member deposits at the Banks last year reflected both the general reduction in liquid asset holdings required by Board regulation[8] and the generally more favorable return available on short-term securities. Rates paid by the Banks on time deposits were raised last year—to a range of 6.00–6.50 percent at yearend, up from 5.00–5.25 percent 12 months earlier—as earnings rose on securities held as a reserve against these deposits. The increase in deposit rates, however, was less than the rise in yields on short-term market securities because earnings were held down by the lower rate of return on investments acquired earlier by the Banks.

The drop in member deposits at the Banks last year had little effect on the ability of the Banks to make advances to members, since most of these deposits must be invested in U.S. Government securities in any case, as noted on page 41, footnote 5.

Capital accounts and earnings

System resources gained little from growth in capital accounts at Federal Home Loan Banks in 1969, as has generally been the case in recent years. Net purchases of Bank stock by members were larger than in the previous year, but contributed only $75 million to capital accounts (table 5). Net additions to Bank retained earnings were $21 million—about the same as in 1968.

The rise in stock subscriptions last year reflected the nature of the stockowner requirements for member institutions. First, members must purchase enough Bank stock each year to bring holdings equal to 1 percent of their residential mortgage portfolio at the end of the preceding year. Second, they also are required to maintain a 1-to-12 ratio between stock owned and System borrowings. The rise in stock purchases last year reflected both those requirements. Residential mortgage portfolios rose more in 1968 than in 1967, and there was a substantial increase in large users of System funds last year, as noted earlier.

Transfers of earnings to legal reserves were moderately larger in 1969 than in 1968, because of higher Bank earnings and the require-

[8] Noted in ch. II. Indeed, the reduction of Federal Home Loan Bank deposits accounted for about two-thirds of the reduction in all cash deposit holdings of member savings and loan associations.

Table 5.—Capital Accounts of Federal Home Loan Banks

[In millions]

Item	Dec. 31, 1966	Dec. 31, 1967	Dec. 31, 1968	Dec. 31, 1969
Total capital accounts	[1] $1,557	[1] $1,594	$1,622	$1,718
Capital stock	1,369	1,395	1,403	1,478
Retained earnings	187	199	219	240
Legal reserves	118	131	147	166
Undivided profits	69	69	72	75
Memo: Retained earnings as a percent of capital stock	13.7	14.3	15.6	16.2

[1] Discrepancy due to rounding.

ment of the Federal Home Loan Bank Act that 20 percent of net income be transferrred to legal reserves each year. The increase in undivided profits was about the same in both years.

The earnings rate (after transfer to legal reserves) on capital of the Banks rose from 4.68 percent in 1968 to 5.08 percent last year, reflecting both the larger volume of assets held during the year and an increase in the earning rate on these assets not fully offset by the higher cost of funds. The average dividend rate paid by the Banks on stock, as a consequence, was increased to 4.89 percent in 1969 from 4.44 percent a year earlier.

The effective yield on investment securities held by the Banks rose to 5.80 percent last year from 5.24 percent in 1968, in step with the general rise in interest rates, while the effective rate on advances increased 84 basis points to 6.60 percent. The latter increase, however, was less than the 101 basis point rise—to 6.89 percent—in the average cost of borrowed funds last year, owing to the policy noted earlier of limiting the rise in advance rates.

Foreign assistance loans

During 1969 the System made initial use of the authority contained in the Housing and Urban Development Act of 1968 permitting the

Table 6.—Number and Assets of Federal Home Loan Bank Members

Type of member institution	Number		Assets (in billions)	
	Dec. 31, 1968	Dec. 31, 1969	Dec. 31, 1968	Dec. 31, 1969
All types	4,901	4,792	$161.6	$167.3
Savings and loan associations:				
Federally chartered	2,063	2,071	81.1	87.3
State-chartered:				
Insured by FSLIC	2,407	2,367	66.7	69.5
Mutal	1,731	1,706	34.9	36.1
Stock	676	661	31.8	33.4
Not insured by FSLIC	379	309	2.8	2.1
Savings banks	51	44	11.0	8.4
Insurance companies	1	1	([1])	([1])

[1] Less than $50 million.

Banks to purchase, hold, and sell to member institutions participations and loans guaranteed under the Foreign Assistance Act as a means of facilitating investment by associations in such loans.[9] The Federal Home Loan Banks of New York and Boston—the two Banks designated by the Board to coordinate this program—executed an agreement to purchase $6.6 million of such loans last year, with a substantial additional increase in early 1970. The loans, which carry a Federal guarantee through the Agency for International Development, fund housing projects and national and multinational housing banks in several Latin American countries.

Bank membership

Membership in the Federal Home Loan Bank System declined by 109 during 1969, to total 4,792 institutions at yearend, as shown in table 6. This was the fourth drop in as many years, and moreover was substantially larger than the 68-member drop in the year before.

[9] See pp. 90–91 of the 1968 annual report of the Board for additional detail.

The net decline resulted from 128 withdrawals (41 more than in 1968) and 19 new members admitted (the same as in 1968). Most of the rise in withdrawals can be accounted for by an increase (from 37 to 68) in the number of State-chartered institutions not insured by the FSLIC that dropped their membership voluntarily to avoid the Board's authority to establish ceilings on deposit rates. Most other withdrawals last year resulted from mergers. These increased only moderately over 1968.

Chapter V

THE FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION

THE year 1969 was marked by a number of significant events relating to insurance of accounts in savings and loan associations. The basic insured amount for each saver in each insured institution was raised from $15,000 to $20,000. Reserves of the Corporation reached 2 percent of total savings, at which level the cash payment of premiums by members are suspended by law, not to be resumed unless and until the Corporation's reserves drop to 1.75 percent of the total savings of members. Net income increased substantially over the preceding year. Although the Corporation provided financial assistance to five insured institutions during the year, there were no failures which necessitated the payment of insurance. The number of associations insured declined slightly as a result of mergers.

Financial condition and operations

At December 31, 1969, assets of the FSLIC totaled $2.8 billion. Primary and secondary reserves aggregated $2.8 billion, an increase of $392 million since yearend 1968. In the same period, liquid assets increased $300 million to $2.4 billion (see table 7).

The Insurance Corporation is authorized by law to supplement these funds by borrowing from the U.S. Treasury, or by increasing payments from members, but it has never been necessary to use these additional sources of funds.

Net income for the year ended December 31, 1969, amounted to $206 million. Gross income was $287 million, the principal sources of which were: (1) premium payments, $162 million; (2) interest on

Table 7.—Federal Savings and Loan Insurance Corporation: Comparative Statement of Condition, Dec. 31, 1969 and Dec. 31, 1968

Assets, liabilities, and reserves	Dec. 31, 1969	Dec. 31, 1968	Net change
ASSETS			
Cash with U.S. Treasury	$5,977,073	$4,527,004	$1,450,069
Cash advances—assets to be purchased	0	554,803	−554,803
Accounts receivable (principally insurance premiums payable after Dec. 31)	5,463,114	3,596,467	1,866,647
Investments (U.S. and Federal agency securities)	2,387,898,260	2,058,510,471	329,387,789
Accrued interest on investments	27,913,255	21,436,178	6,477,077
Assets acquired from insured institutions (book value of assets acquired to prevent default after allowance for losses)	101,312,515	103,589,049	−2,276,534
Loans (loans to insured institutions and accrued interest)	96,433,530	96,822,170	−388,640
Subrogated accounts in insured institutions in liquidation (after allowance for losses)	203,523,377	202,576,295	947,082
Insured accounts in insured institutions in liquidation (pending and unclaimed accounts)	459,273	1,422,295	−963,022
Deferred charges and other assets	32,945	29,765	3,180
Total assets	2,829,013,342	2,493,064,497	335,948,845
LIABILITIES AND RESERVES			
Miscellaneous accrued liabilities and accounts payable	7,473,033	6,949,835	523,198
Pending and unclaimed accounts in insured institutions	459,273	1,422,295	−963,022
Allowance for estimated losses—contribution agreements	10,101,648	14,074,169	−3,972,521
Deferred credits (principally unearned insurance premiums)	9,651,439	61,177,807	[1] −51,526,368
Secondary reserve (additional premiums in the nature of prepayments with respect to future premiums)	1,558,220,672	1,372,383,320	185,837,352
Primary reserve (cumulative net income)	1,243,107,277	1,037,057,071	206,050,206
Total liabilities and reserves	2,829,013,342	2,493,064,497	335,948,845

[1] During the year 1969 the practice of deferring regular annual insurance premiums was discontinued. At the time of this change in accounting procedure $52,197,287.61, representing deferred insurance premiums, was taken into income.

Table 8.—Federal Savings and Loan Insurance Corporation: Comparative Statement of Income and Expense, Calendar Years 1969 and 1968

Income and expenses	1969	1968	Net change
Income:			
Insurance premiums and admission fees	$161,771,457	$102,643,418	[1] $59,128,039
Interest on U.S. and Federal agency securities	114,330,342	89,955,534	24,374,808
Interest on loans to insured institutions	2,831,803	1,877,462	954,341
Income on assets acquired from insured institutions	7,793,314	6,214,582	1,578,732
Miscellaneous	56,293	260,647	−204,354
Total	286,783,209	200,951,643	85,831,566
Expenses:			
Administrative:			
Personnel compensation	244,628	211,844	32,784
Personnel benefits	18,084	15,417	2,667
Travel and transportation of persons	2,996	3,041	−45
Transportation of things	288	24	264
Rent, communications, and utilities	26,970	25,638	1,332
Printing and reproduction	8,198	12,187	−3,989
Other services	15,746	14,855	891
Supplies and materials	5,846	9,125	−3,279
Equipment (noncapitalized)	239	30	209
Subtotal	322,995	292,161	30,834
Services rendered by Federal Home Loan Bank Board	7,425,712	5,878,758	1,546,954
Liquidation and other miscellaneous expenses	5,580,642	5,945,397	−364,755
Subtotal	13,329,349	12,116,316	1,213,033
Return on premium prepayments	71,916,270	55,711,688	16,204,582
Net insurance losses and provision for losses	−4,512,616	17,735,963	−22,248,579
Total	80,733,003	85,563,967	−4,830,964
Net income	206,050,206	115,387,676	90,662,530

[1] During the year 1969 the practice of deferring regular annual insurance premiums was discontinued. At the time of this change in accounting procedure $52,197,287.61, representing deferred insurance premiums, was taken into Income.

investments in U.S. Government or Federal agency securities, $114 million; and (3) income on assets acquired as a result of actions taken to prevent default, $7.8 million (see table 8).

Corporation expenses were: (1) liquidation expense, $5.6 million; (2) services rendered by the Federal Home Loan Bank Board, $7.4 million; (3) investment return on premium prepayments credited to member accounts, $71.9 million—a rate of 5 percent, up from 4.51 percent in 1968; and (4) administrative expenses, $0.3 million. Income derived from acquired assets exceeded the expenses incurred in the management, rehabilitation, and liquidation of these assets by $2.2 million.

The rapid increase in the Corporation's primary and secondary loss reserves, which now total $2.8 billion, results primarily from premium prepayments credited to the secondary reserve. These payments began in 1962, and were to continue until combined reserves equaled 2 percent of total savings of all insured associations. By yearend 1969, reserves had reached that level, partly due to legislation enacted in December 1969 that eliminated creditor obligations from the base used in the computation of the percentage level. At the point when reserves reached the 2-percent level, premium prepayments terminated. Payment of regular premiums in 1970 and subsequent years will be made by bookkeeping charges to the insured institutions' share of the secondary reserve, rather than in cash. Cash payments of regular premiums and premium prepayments will resume if and when the ratio of reserves to total savings falls below 1.75 percent.

Membership

At December 31, 1969, there were 4,438 member institutions insured by the Corporation. They were located in each of the 50 States of the Union, the District of Columbia, the Commonwealth of Puerto Rico, and the Territory of Guam. Of the total, 2,071 were federally chartered and 2,367 were State-chartered. There was a net decrease of 32 members during 1969, due primarily to mergers.

Assets of all members by types of institution are shown in table 9.

Table 9.—Insured Member Institutions as of Dec. 31, 1969

Associations	Number	Assets (in billions)
Total insured associations	4,438	$156
Federal associations	2,071	87
State-chartered associations	2,367	69
Mutual	1,706	36
Stock	661	33

At yearend, FSLIC-insured savings and loan associations held 96.7 percent of the resources of all operating associations. A comparison in the growth in assets of insured versus uninsured associations is presented in chart 13. Chart 14 illustrates the growth of savings capital in FSLIC-insured associations.

Chart 13.—Growth in Assets of Insured Savings and Loan Associations Compared with Uninsured, 1930-69

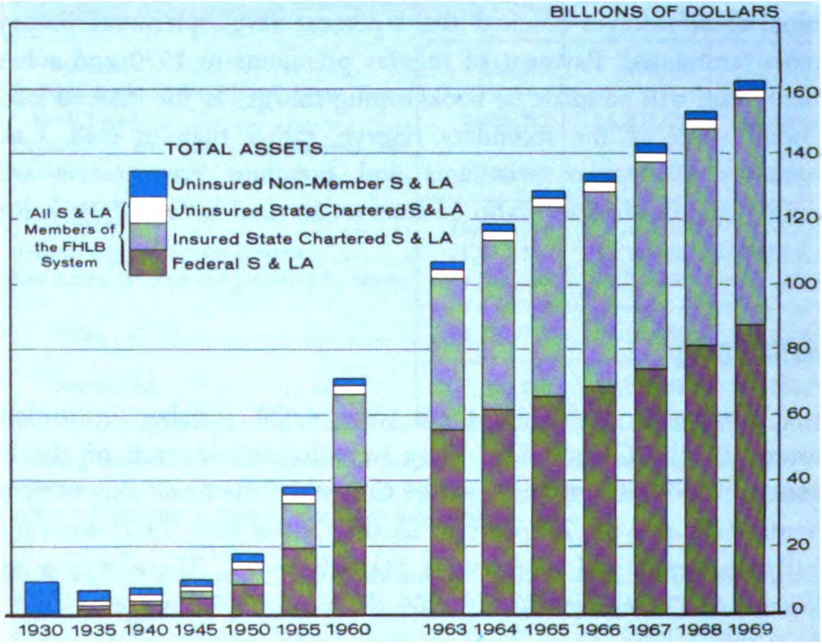
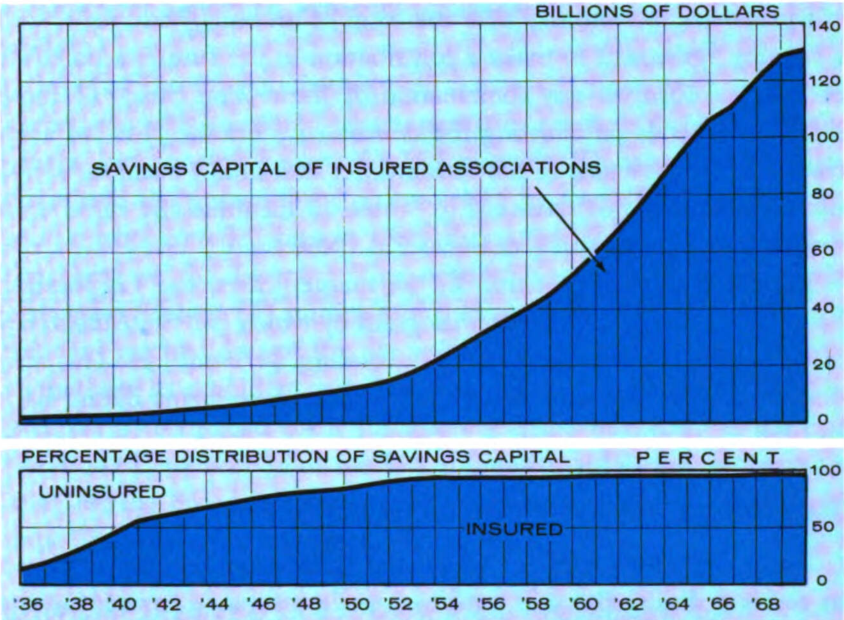


Chart 14.—Total Savings at FSLIC-Insured Associations, and Percentage Distribution of Savings of All Associations Between Insured and Uninsured, 1936-69
[End of year]



Actions taken on applications for the underwriting of insurance and membership in the Corporation are described in chapter VII.

Default prevention actions [1]

In 1969, the Insurance Corporation granted financial aid in three new cases to facilitate mergers with healthy institutions. If corrective action by State or Federal regulatory authorities cannot restore a problem association to sound operation, and it appears that FSLIC's assistance may be required to prevent default, the Corporation works closely with the Board's Office of Examinations and Supervision and others to determine the appropriate method of assistance. Every effort

[1] FSLIC's governing statue requires that it make prompt payment of insurance when an insured institution is in "default," a term defined, in substance, as the appointment of a receiver for the purpose of liquidation. The Corporation also has discretionary authority to prevent "default" by granting financial aid to a problem institution insured by FSLIC.

is made to avoid liquidation by a receiver. By this method a vital service to the community is continued; the Corporation's liquidity is preserved; Corporation losses resulting from the liquidation of assets are reduced; and staffing requirements are minimized.

Default prevention may take the form of an outright contribution, a standby agreement to make a contribution in the future, a purchase of assets, a loan, or any combination of these. The choice of these methods depends on effecting the desired cure for the problem association at the least cost to the Corporation and, in any event, at a cost not to exceed that of receivership. Table 10 identifies the three cases involving mergers to prevent default in 1969.

Besides assistance rendered in the merger cases, the Corporation had a continuing rehabilitation program by which two State-chartered associations received loans in 1969 totaling $4.5 million. This was done under the terms of financial assistance agreements dating back to 1966.

Status of existing insurance settlement (default) cases

There were five cases for which the Corporation continued to act as receiver during the year, and had made insurance payments—one

Table 10.—Default Prevention Actions (Mergers) Taken by the Federal Savings and Loan Insurance Corporation During 1969

Name of disappearing association [1]	Total savings (millions)	Number of savers	Total assets (millions)
Industrial FS&LA, Cincinnati, Ohio (Major-Industrial FS&LA, Cincinnati, Ohio)	$1.8	3,125	$1.9
Franklin FS&LA, Washington, D.C. (Eastern S&LA, Washington, D.C.)	7.7	3,125	9.2
Capital S&LA, Philadelphia Pennsylvania (Home Unity S&LA, Philadelphia, Pennsylvania)	2.0	1,125	2.6

[1] Successor institution in parentheses.

in 1965, two in 1966, and two in 1968. The status of these cases and the actions taken during the year were as follows:

Marshall Savings & Loan Association, Riverside, Illinois

(Receiver appointed 1965; insurance paid to Dec. 31, 1969: $84.1 million)

In 1969 the Corporation entered into a court-approved settlement agreement with uninsured savers, permanent reserve stockholders and others, the principal terms of which provide: Dismissal of litigation contesting the appointment of a receiver in April 1965 and the custodian who preceded him in December 1964; titling of all assets in the name of the Insurance Corporation; payment to savers of the uninsured portion ($3 million) of their savings accounts; payment to minority stockholders of the par value ($1) of their shares; payment to majority stockholders and attorneys of an aggregate $670,000. The prospect of continued costly litigation delaying the return to the Corporation of any portion of the $84 million it paid to insured savers in 1965 led the Board to negotiate a settlement with the principal claimants. The agreement was consummated in early 1970.

Gibraltar Savings & Loan Association, Phoenix, Arizona

(Receiver appointed 1966; insurance paid to Dec. 31, 1969: $27.0 million)

Pro rata liquidating distributions (the first) totaling 20 percent were paid to uninsured savers and to the Corporation during 1969.

Old Reliable Savings & Loan Association, Berwyn, Illinois

(Receiver appointed 1966; insurance paid to Dec. 31, 1969: $7.1 million)

A pro rata liquidating distribution (the first) of 25 percent was paid to uninsured savers and to the Corporation during 1969. The office building occupied by the association was placed on the market for sale during the year.

Lawn Savings & Loan Association, Evergreen Park, Illinois

(Receiver appointed 1968; insurance paid to Dec. 31, 1969: $65.9 million)

Lawn's office building was sold during 1969. Payment of certain liabilities, principally advances from the Federal Home Loan Bank of Chicago, will precede any liquidating distributions to uninsured savers and to the Corporation.

Table 11.—Acquisition and Disposal of Problem Case Assets During 1969

[Based on book values]

Balance of assets acquired December 31, 1968		[1] $135,711,431
Acquisitions:		
Assets purchased during 1969	$12,130,955	
Assets acquired through exchange	503,005	
Capitalized expenditures during 1969	3,323,249	
Total acquisitions		15,957,209
Subtotal		151,668,640
Liquidations:		
Loans and real estate sold for cash	3,873,314	
Cash downpayments	611,902	
Loans and contracts paid off	2,663,619	
Amortization of mortgages and contracts	6,923,508	
Cash realization on miscellaneous assets	3,121	
Total cash liquidations	14,075,464	
Assets liquidated through exchange	543,905	
Total liquidations		14,619,369
Subtotal		137,049,271
Excess of losses over gains on sale of:		
Real estate	4,212,779	
Loans and other assets	730,725	
Total		4,943,504
Balance of assets acquired December 31, 1969		132,105,767

[1] The difference between the Dec. 31, 1968, amount ($138,931,060) in the preceding report and the current amount represents participating interests previously sold of $3,219,629 which were carried as a liability account and not netted against assets. Activity in participating interests sold was not reflected in the asset analysis before this report.

Apollo Savings Association, Chicago, Illinois

(Receiver appointed 1968; insurance paid to Dec. 31, 1969: $54.2 million)

Apollo's office building was sold during 1969. Payment of certain liabilities, principally advances from the Federal Home Loan Bank of Chicago, will precede any liquidating distributions to the uninsured savers and to the Corporation.

Insurance settlement

Payment of insurance on savings accounts is made only when a member institution is declared to be in default. There were no new cases involving the payment of insurance in 1969.

Disposition of assets

At December 31, 1969, the Insurance Corporation was liquidating assets it had acquired in 22 default prevention cases, the earliest of which dated back to April 1962. Of asset acquisitions totaling $241.9 million, 45.4 percent had been liquidated, leaving a balance at year-end of $132.1 million (see table 11). During the year, net reduction of such assets amounted to $3.6 million.

The Corporation may make an outright purchase from a problem association, acquire assets as a result of the voluntary liquidation of an insured association, or purchase assets under "right of first refusal" provision of the various agreements. In any case, the management and liquidation of assets owned by the FSLIC is governed by the principle of earliest and most advantageous disposition consistent with sound business practice.

CHAPTER VI

EXAMINATIONS AND SUPERVISION

THE principal emphasis in the examining and supervisory process during 1969 was to seek ways of improving the information available for timely and effective supervision. Efforts have been directed toward drawing clearer distinctions between those associations causing supervisory concern and those that are relatively problem-free, thus establishing criteria for determining the frequency and intensity of examinations and related supervisory processes. These efforts were coordinated under a program to develop management information systems and an early warning system in the interest of greater efficiency in the performance of the Board's supervisory responsibility.

Except for extension of rate control, there was no new legislation that directly affected the supervisory process. However, in some areas the Board adopted new regulations or amendments in 1969. In the main, these were: (1) to implement the Bank Protection Act of 1968; (2) to permit Federal associations to finance mobile homes; and (3) to revise liquidity requirements permitting member institutions to achieve a more truly liquid portfolio. The Board also took steps to assure compliance with Regulation Z (truth in lending) by members of the Federal Home Loan Bank System and to strengthen further the procedures under the Supervisory Act of 1966. These and other actions are discussed in this chapter.

Supervisory procedures and practices

The Board established further procedures for the necessary exercise of its powers under the Supervisory Act of 1966. These procedures provide, among other things, that the examiner in charge, the Chief Examiner, and the Supervisory Agent in the District may recommend the use of any provision of that act which in their opinion may be appropriate to a given supervisory situation.

As a result of recommendations thus made under these procedures, during 1969 the staff considered cease-and-desist actions in connection with 38 reports of examination. In one of these cases, the recommended cease-and-desist orders were issued; in another case, the Board expressed its intent to issue the order; in seven cases, determination was made that the facts did not support issuance of orders, or that such action would not effect the desired correction; and in 17 cases, correction was effected by other means. Twelve cases remained under study at yearend.

On similar recommendations, subpenas were authorized in five cases, together with authority for the power to administer oaths so that witnesses could be compelled to testify concerning the affairs of the association.

In other instances, four director-officers were suspended because of indictment for dishonesty or breach of trust; and the attorney for two associations was prohibited from participating in the affairs of the associations because of indictment for misappropriation of funds. In two cases, the Board denied applications for continuance of employment of personnel whom it had prohibited from participating; and in two other cases, suspension by the association, or resignations of personnel, eliminated the need for further Board action on five employees.

During 1969, the Board examined 137 affiliates of insured associations. This is done to assure that transactions with affiliates—such as construction projects, or land development—are not inconsistent with law or regulation, in conflict of interest, or otherwise harmful to the insured institution.

There were three proceedings to terminate insurance of accounts in progress at the beginning of 1969. Two of these were withdrawn because of the members' own corrective actions. At yearend, there were still two cases of termination in progress, including one that had been started during the year.

Under the reporting requirements of the Supervisory Act of 1966, the Board received various types of information affecting the operations or control of institutions insured by the Federal Savings and Loan Insurance Corporation. First, the Board was informed of changes in the outstanding voting stock, in the case of 62 institutions, sufficient to affect control of the member. Of these, 26 involved changes in directorates and 14 in chief executive officers. Second, the Board received reports from commercial banks insured by the Federal Deposit Insurance Corporation that these banks had made 14 loans, each of which was secured by 25 percent or more of the voting stock of a savings and loan association insured by the FSLIC. Third, the Board received reports from approximately 800 insured associations reporting solicitation for proxies by persons in control of these associations.

Events of the year thus revealed further evidence that the Supervisory Act of 1966 adds essential support to the Board's authority and responsibility for supervision of the savings and loan industry.

Management information system

During the year, the Board initiated a management information system (MIS). This will be a computer-based system designed to fill a vacuum of certain operational information that existed at the Board, the FHL Banks, and the savings and loan industry. When completed it will provide quantitative and comparative analyses of financial data to those vitally concerned with the well-being of the savings and loan industry.

Various reporting requirements are being redesigned to simplify preparation and at the same time to broaden the data base for the MIS. The basic input document will be completed by the industry quarterly. Well-run institutions will be required to provide the Board with about one-half as many input items as problem cases must provide. One of the improvements in the reporting formats is that a number of computations formerly made by associations will not be necessary under the new system. The report is also designed in a trial balance format, following the chart of accounts recommended by the U.S. Savings and Loan League, and should be easier for associations to use.

Early warning system

In 1969, the Board continued testing a sophisticated computer-based system designed to provide early warning signals that could portend the development of potentially serious supervisory problems in individual associations. The system is being tested with data from the monthly report only, but will process data items from both the monthly report and the new quarterly report in the completed stage. Essentially, it applies statistical discriminant analysis to certain predetermined critical ratios and expresses the relative strength or weakness of each association in a composite score. This system should prove to be a highly valuable tool for expediting the supervisory processes.

Dividend control and reserve requirements

During the year, the industry continued the trend of recent years, with member associations showing further improvement in their ability to make credits to reserves as required by Insurance Regulation 563.13 (see table 12). Perhaps favorable to this trend, the reduction in the required credit to reserves (from 10 to 5 percent of net income) originally approved by the Board in 1966 was continued through the semiannual period ending December 31, 1970. In addition, the Board suspended (for the four semiannual periods commencing on or after Dec. 1, 1968) the requirements for the semiannual credit to reserves based on growth in specified assets.

Of the 4,460 institutions insured at June 3, 1969, only 117 (2.6

Table 12.—Compliance with Insurance Regulation 563.13, 1965–69

Semiannual period	Total insured institutions	Institutions that failed requirements	Percent to total insured institutions
December 1965	4,508	179	4.0
June 1966	4,514	187	4.1
December 1966	4,510	151	3.3
June 1967	4,488	195	4.3
December 1967	4,487	199	4.4
June 1968	4,474	169	3.8
December 1968	4,470	131	2.9
June 1969	4,460	117	2.6
December 1969	4,438	66	1.5

percent) failed to meet the requirements of Insurance Regulation 563.13. Of these, 73 (or 62.4 percent) had also failed these requirements at December 31, 1968.

The two basic criteria in these insurance requirements for credits to reserve are that the association meet the prescribed minimum level of reserves and also make the prescribed semiannual credit to the reserve account. Among the 117 associations that failed at midyear, 55 (47.0 percent) were below the minimum level; 44 (37.6 percent) did not make the semiannual credit; and 18 (15.4 percent) failed both the minimum level and the semiannual criteria.

The operations and conditions of all associations that failed the reserve requirements were reviewed. As a result, 42 were permitted to continue their dividend rates subject to certain conditions; 72 continued dividend payments without restriction; and the Board deferred action in the three remaining cases.

New liquidity concept

In December, the Board took final action to ease and make more flexible the liquidity requirements for members of the System. Its purpose was to increase the funds available for new loans to finance housing. This was done by amending part 523 of the Rules and Regulations for the Federal Home Loan Bank System as authorized by section 4 of Public Law 90–505 (which had amended section 5A of the FHL Bank Act). In essence, the Board reduced the ratio of liquidity that had been required and also broadened the types of securities that could be counted as liquidity.

The new regulations require members to maintain liquid assets equal to only 5½ percent of their savings accounts. After November 1, 1970, the liquidity base will consist of savings plus short-term borrowed money. Also, members are permitted to include as "liquid assets" an expanded list of assets. The regulation provides that as of January 1, 1972, long-term U.S. Government obligations (i.e., those with more than 7 years maturity) shall be counted as liquid assets to the extent that the amount thereof does not exceed one-half of 1 percent of the then liquidity base.

To permit further orderly portfolio adjustments, the Board prescribed January 1, 1972 as the date by which each member's liquid assets must include "short-term liquid assets" equal to 2 percent of the then liquidity base, and liberalized its accounting rules to permit (for a 2-year period and in specific circumstances) the deferral and amortization of gains and losses resulting from portfolio "rollovers" made necessary by the new liquidity regulations.

The new policy permits the Board to vary the percentage required so that it can encourage or discourage the accumulation of liquid assets by associations in contrast to their mortgages held, depending on housing and mortgage market conditions, and savings flows. With this new flexibility, associations are able more readily to adjust liquidity to the needs of the savings and loan industry and of the home-buying public.

Audit requirements

In the latter part of the year, the Board took steps to relax audit requirements for certain smaller institutions. Previously, it had been the policy that auditors and audits should be satisfactory to the Federal Savings and Loan Insurance Corporation. Under this rule, a policy requirement had been established that each insured institution should be audited at least once a year by a qualified public accountant or internal auditor.

To liberalize this policy, the Board initiated a plan that reduces the relatively high cost of audits of smaller institutions in certain cases. Generally, established audit requirements will be modified or waived in specific cases involving smaller institutions, if such institution (1) is located in an area where audit services are not readily available or are excessively costly; (2) has a history of adequate internal control; and (3) has management of sufficient competence to maintain adequate controls and proper accounting records.

Criteria for waiver or modification will be applied by the Board's Chief Examiner in each District.

Security programs of insured associations

On February 15, 1969, the Board's security regulations under the Bank Protection Act of 1968 became effective. A schedule for compliance was set forth that would enable insured institutions to study the need for certain security devices and to establish orderly programs to deter crimes.

The Bank Protection Act of 1968 (P.L. 90–389) was enacted to discourage crimes against financial institutions and to assist in the apprehension of perpetrators of such crimes. The regulation issued by the Board under the authority of that act: (1) provides for minimum standards for security devices and procedures both to discourage robberies, burglaries and larcenies and to facilitate the identification and apprehension of persons who commit such crimes; (2) establishes time limits for compliance and procedures for reporting on compliance, as required by statute; and (3) assures flexibility in the application of such standards, to accommodate differing circumstances of individual savings institution offices (such as size of assets at stake and degree of risk at particular offices).

The main objective of the new act and implementing regulation is to identify minimum protection standards for deterring such crimes and to provide appropriate methods for assuring compliance. The regulation requires each FSLIC-insured institution to develop a security program to fit its special needs and to provide for its administration in specified stages.

With widely diverse crime conditions existing from one part of the country to another, the Congress recognized the difficulty of prescribing rigid programs of security, including devices, for uniform adoption by all institutions. Therefore, in the Board's deliberations, flexibility became an important factor in writing the regulation, and it therefore emphasized management's role in deciding the needs of the particular institution.

In brief, each insured institution is required to appoint a security officer responsible for its particular program, and each Chief Examiner appoints an officer for his District. All Chief Examiners in Districts are apprised of interpretations by the other three Federal supervisory agencies charged with enforcement (the Federal Reserve, the Federal Deposit Insurance Corporation, and the Comptroller of the Currency). This coordination permits comparable treatment of all types of institutions, wherever they may be located, in the administration of the law.

The 1969 timetable required the preparation of a security program to incorporate the nine minimum procedural requirements listed in the regulation. Accordingly, the security officer for each institution was required to file a copy of his program with the Chief Examiner for his District on or before July 15, 1969. He also was required to determine by January 1, 1970, the special security devices needed by his institution in addition to those required as standard for all institutions, and to place an order for the installation, maintenance, and operation of such devices.

Congress authorized fines for failure to comply with any rule under the act, and the Board included these penalties in its regulation.

A survey was made of the robberies and burglaries reported to the Board during 1968. It disclosed that robberies (352) and burglaries (113) continued to rise in number and total amount of loss, with burglaries leading robberies in the rate of increase. Lone males continued to commit more than half the robberies, and branch offices continue to be the most vulnerable. Total losses from these crimes in 1968 were $2.1 million, compared with $1.3 million in 1967. The continuous upward trend indicates that the problem of crimes against financial institutions is a growing one.

Truth in lending act—regulation Z

The purpose of the Consumer Credit Protection Act (truth in lending) is to enable borrowers to get meaningful information on the cost of credit so that they may readily compare various credit terms available, and thereby avoid the uninformed use of credit. To accomplish this purpose, it requires financial institutions and others engaged in extending consumer credit to make full disclosure of the terms of such credit.

The Board of Governors of the Federal Reserve System is charged with prescribing rules under the act. These rules were published February 11, 1969, as regulation Z.

The act spreads responsibility for enforcing this regulation among nine different Federal agencies. The Federal Home Loan Bank Board is responsible for supervising all members of its Bank System, except for 44 member savings banks insured by the FDIC. Enforcement of Regulation Z for the Board is carried out through the Office of Examinations and Supervision, and is supervised in the same manner as all other regulations—that is, as part of a normally scheduled examination.

Neither the act nor the regulation fixes maximum or minimum charges for credit. Rather, they require disclosure of certain credit terms and prescribe the manner in which such disclosure shall be made.

Supervisory mergers

The large majority of mergers, as indicated in chapter VII, are initiated by the associations themselves for sound business reasons based on mutual benefits. These are called "regular" mergers. Another type of merger may occur, however, as the result of supervisory problems where the Board recommends that a weak or failing association be joined with a stronger one for the benefit of all concerned. These are called "supervisory" mergers. In 1969, the Board initiated seven of these mergers for supervisory reasons—such as inadequacy of management resulting in unsound conditions and operations—that threatened the association with failure. Such mergers with sound institutions served to (1) protect the depositors, (2) continue the institution's services to the community, and (3) protect the interests of the Federal Savings and Loan Insurance Corporation (FSLIC).

Thus, in some supervisory mergers, the action taken by Board authorities is successful in saving the troubled association without the injection of financial assistance. In other cases, default can be prevented only by some type of participation by the FSLIC. Four of the seven supervisory mergers (with aggregate assets of $61.1 million) did involve participation by the FSLIC, while the remaining three were accomplished without such help. Two of the three were Federals (with $9.9 million aggregate assets) and the third was a State stock association (with $36 million in assets).

The three supervisory mergers concluded without FSLIC participation were as follows:

Case No. 1.—Because of unsafe and unsound lending practices, virtually since its incorporation in 1958, about 25 percent of the assets of this association were substandard. Operating losses, losses on disposition of substandard assets, and provisions for losses on assets not yet disposed of had reduced its net worth to a negative balance. It became obvious that the association could not survive on its own. Accordingly, a merger was arranged by supervisory authorities to prevent substantially greater involvement of the Insurance Corporation at a later date.

Case No. 2.—This 11-year-old Federal association had engaged in operations causing grave supervisory concern. These included forced savings growth, pursued in 1965, based on dividend rates above those prevailing in the area. Savings accumulated beyond the capacity of the association to invest soundly. Substandard assets therefore rose sharply, causing operating losses and a decline in income such that management could not pay the increasingly higher dividend rates necessary to meet competition. Merger into a sound association was accomplished to prevent probable failure and payout by the FSLIC.

Case No. 3.—This was a small association, unable to compete effectively in its market since its inception in March 1968. Sound operating policies were not developed and followed because of a divided directorate and the lack of full-time management. Under these conditions, the association could not actually get under way, and a supervisory merger was accepted as the best solution to its difficulties.

Regulation of savings and loan holding companies

Nineteen hundred and sixty-nine marked the second year of the administration of the Savings and Loan Holding Company Amendments of 1967. This act became effective on February 14, 1968,[1] and amended section 408 of the National Housing Act. Developments during the year showed a decided improvement in the Board's regulation of this sector of the industry, and illustrated the need—felt for some years—for this basic legislative authority.

Operational activities

During the year, there were 18 new registrations of savings and loan companies. Twenty-two were deregistered, so that at yearend there was a total of 128 registered holding companies controlling 144 insured associations with $18.8 billion in assets.

[1] See FHLBB *Annual Report* for 1968, p. 63.

One striking feature of the 1969 activity was the heavy volume of applications to acquire insured institutions. Forty-nine such applications were filed before yearend. The staff processed 27 of these to the Board. Of these, 25 were approved and two were disapproved. Two additional applications were withdrawn. Of the total of 29 applications processed to completion, 19 were filed by holding companies that were in existence before the beginning of the year. The remaining 10 were filed by holding companies that had been registered during the year.

The Board approved 14 debt applications (i.e., for holding companies to borrow funds), while two additional debt applications were approved by the Director, Office of Examinations and Supervision, under delegated authority. Under similar authority, supervisory agents approved 29 applications for transactions with affiliates of the type that required prior approval under section 584.3 of the regulations.

Section 408 (h) of the act authorizes the Board to make such investigations as it deems appropriate to determine whether or not the provisions of the act and of the regulations and orders thereunder are being complied with. During the year, the Board made its first investigation. It uncovered a serious violation of an order by the Board that denied an applicant's request for the Board to approve acquisition of control of an insured association. As a result of its findings, the Board was able to take further supervisory action in the case to correct the situation.

The program for examination of holding companies and their subsidiaries, initiated on a small scale in 1968, was considerably expanded in the year following. Altogether, 53 examinations were undertaken. To expedite this work, the Board made certain procedural improvements.

Improved procedures

The Board adopted new procedures to improve on those initially formulated in 1968 for the administration of the holding company act. It promulgated a new registration statement (H–(b) 10) effective April 4, 1969. This form consolidated registration statements H–(b) 1 and 2, and the initial registration report H–(b) 10 previously used as a stop-gap for early filings. Upon approval by the Bureau of the Budget, the Board also adopted an annual report form entitled H-(b)11, and also a periodic report form entitled H-(b)12 designed to apprise the Board on a monthly basis of the occurrence of certain significant events.

In the latter part of the year, the Board made an important innovation when it transferred the responsibility for processing all applications filed by holding company-controlled associations from the Washington Office to the Supervisory Agent at the Federal Home Loan Bank in the District where the applicant is located. To assist them in this work, Supervisory Agents will have the staffs of their counterpart Chief Examiners at the Banks, while the Washington staff will act in an advisory and review capacity, making final presentation to the Board.

A further move toward decentralization was made when the Board delegated authority to the Director, and Deputy Director, Office of Examinations and Supervision to pass on debt applications involving amounts of not more than $500,000. These Officers also may pass on applications for deregistration. Supervisory Agents were authorized to grant extensions of time for filing registration statements and periodic reports.

Mobile home financing

To evaluate the need for regulations authorizing Federal associations to finance mobile homes, the Board directed the office of Examinations and Supervision to make a comprehensive study of the mobile home industry. This study included thorough research of the relevant literature, trade publications, surveys, and proposals by manufacturers and independent research organizations. Exploratory conferences were held with representatives of the savings and loan industry and the mobile home industry; with mobile home dealers, manufacturers, and lenders; and with developers of mobile home parks. Inquiry also was made of the three Federal banking agencies to determine the extent of regulations governing commercial banks engaged in mobile home lending.

The study showed that mobile homes constitute one of the major elements of low- and moderate-income housing throughout the Nation. In view of its importance in this regard, the Board determined that financing of mobile homes by Federal associations would make a substantial contribution to the housing needs of the Nation and would therefore be in the public interest. Accordingly, it adopted regulations providing for:

1. Inventory financing of (a) new units and optional equipment, limited to 100 percent of the manufacturer's invoice excluding freight; and (b) used units, limited to 90 percent of the wholesale value.

2. Retail financing of (a) new units and optional equipment, limited to 100 percent of the manufacturer's invoice plus 10 percent or $500, whichever is the less, plus sales tax; and (b) used units, limited to 100 percent of wholesale value plus sales tax.

3. Maximum term of retail loans for (a) new units, 12 years; and (b) used units, 8 years.

4. Five-percent-of-assets limitation on amount invested in mobile home loans.

5. Investment in inventory and retail financing restricted to the association's regular lending area.

Adoption of these regulations gives the Board and the savings and loan industry an added opportunity to promote the low- to moderate-income housing program that has become so critical in the list of national priorities.

Training and development program

During the year, a new training plan was initiated to provide for the comprehensive instruction of the entire staff of the Office of Examinations and Supervision. Increased training was made necessary by the new role of the examiner in his supervisory capacity and by basic modifications of the examining process. The plan allows each member of the staff to develop his talents to the highest potential. Emphasis is placed on increasing the examiner's ability to use the latest techniques and on giving him a keener awareness of the Board's policies, objectives, and goals. The program will also train field specialists in each District, improving their competence in such work as underwriting, appraisals, automatic data processing, construction lending, cease-and-desist investigations, and other requirements of effective and timely examination and supervision.

CHAPTER VII
OFFICE OF INDUSTRY DEVELOPMENT

DURING the year, the Board made changes in the office that processes applications to make it more responsive to the needs of housing for the low- to moderate-income population, particularly in the inner city, and also to accelerate the processing of applications of all types—charters, branches, mergers, and other actions requested by industry.

In keeping with the new emphasis on industry's role, the name of the Office of Applications was changed to the Office of Industry Development. Structurally, the new Office comprises two main functions—first, the processing of applications; and second, housing and housing development, including urban affairs.

Low- to moderate-income housing and urban affairs

To further encourage promotion of low- to moderate-income housing, and particularly for minority groups, the Board appointed the Director, Office of Industry Development, to be the Board's Coordinator for Housing and Urban Affairs. Housing Coordinators also were appointed in the 12 District Banks to support the inner city and industry participation programs.

Urban Affairs Group

A new activity called the Urban Affairs Group was established in the Office of Industry Development to give effect to the Board's policy. This Group is a permanent Board entity, authorized to promote inner city housing for needy families by: (1) reviewing applications for facilities that relate to inner city programs; (2) stimulating urban development in support of the program; (3) working directly with the savings and loan industry on staffing and management aspects of the program; (4) generating financial assistance for associations serving inner city needs; and (5) coordinating with Federal and local agencies in the effort.

During the fall, the Board appointed two specialists in the inner city housing and development field to assist the Coordinator for Housing and Urban Affairs. The Coordinator also is supported in this activity by other members of his staff in the Office of Industry Development.

In December, members of the Urban Affairs Group attended the first regional conference of the American Savings and Loan League, a new trade association in the industry composed of minority-controlled associations. The conference was held in New Orleans, in cooperation with the Economic Development Administration. Thus, the Board has commenced a program of assistance to minority associations in support of inner city housing.

Financing for low- to moderate-income housing projects

With a view to generating funds for the low- to moderate-income housing programs, particularly urban, the Board adopted a policy resolution to authorize long-term advances by Federal Home Loan Banks to member associations entering into the financing of such housing projects approved under the subsidy programs of the Department of Housing and Urban Development. The resolution provides for credit to be extended at subsidized interest rates for terms up to 10 years. These advances by District Banks constitute totally "new money," above and beyond the member's normally approved borrowing authority for expansion purposes. In the last 2 months of 1969, District Banks issued commitments for inner city housing amounting to $151 million.

To reach the ultimate consumer, the Board adopted a regulation to encourage Federal savings and loan associations to increase their lending for housing for low- to moderate-income families. Associations were authorized to make mortgage loans up to 90 percent of the value of security property, with a $20,000 maximum loan limit, on each single-family dwelling, subject to the leased-housing program under section 23 of the United States Housing Act of 1937.[1]

In this new financing program, the Office of Industry Development was active in the development of projects for inner city construction, and in providing liaison among personnel in the Districts, other governmental agencies, and the Board.

Service corporations and the inner city program

The Board continued this year to emphasize the policy that the service corporation concept (which provides for a subsidiary organization in support of federally insured associations) should be broadened in its definition and functions so that it can be used more effectively as a vehicle to assist in the low income and inner city housing program. This policy has been widely communicated to the industry and is being steadily developed by the Office of Industry Development.

Several service corporations were initiated during the year. In one instance, as many as 33 associations are participating in one corporation.

Some of the activities approved by the Board as appropriate functions for inner city improvement programs include: (1) production of housing (i.e., acquisition, construction, rehabilitation, and resale) primarily for low- and moderate-income families, and the financing of necessary operations, including loans on the security of such property; (2) development of projects to improve environmental conditions for low-income families and those in deteriorating or substandard neighborhoods; (3) maintenance of such properties and other related services, including real estate and property management, accounting, and data processing; (4) counseling, training, and other educational services to improve the environment by providing employment opportunities and greater social participation and enjoyment for residents of

[1] Sec. 23 of that act provides a supplementary form of low-rent housing by authorizing public housing agencies to lease from private owners any housing accommodations suitable for occupancy by low-income families. Subsec. (g) of that sec. also authorizes the purchase by a public housing agency of a structure containing one or more dwelling units, leased to the authority for low-rent housing, for the purpose of reselling the structure to the tenant. In the latter part of 1969, the Board considered further liberalizing the Federal regulations in support of this program, which regulations were subsequently adopted in 1970.

such projects—primarily for low- and moderate-income families; and (5) cooperation with sponsors and corporations, or other groups or entities: to improve the living environment, primarily of low- and moderate-income families; or to arrest the spread of urban blight, particularly as provided by the Housing and Urban Development Act of 1968. However, the service corporation and its subsidiaries may not enter into joint ventures except with nonprofit sponsors or other service corporations wholly owned by one or more insured institutions.

Bylaw and security forms

The National Housing Act prohibits insured institutions from issuing any securities the form of which has not been approved by the Federal Savings and Loan Insurance Corporation. In this regard, Insurance Regulations specify that the provisions of an association's articles of incorporation, charter, constitution, or bylaws affecting securities must also be approved by the Insurance Corporation—a function which has been delegated to the Office of Industry Development (OID) by the Board. In this category, 3,053 applications were analyzed during the year by the OID. Of these, 1,529 received formal approval; 1,225 did not require formal approval either because they were in a form already approved by the Board, or they did not affect securities; 225 required corrective action by the association before approval; and 74 were disapproved.

Merging and branching

In August, the Board issued a revised statement of merger policy to strengthen the ability of insured associations to obtain funds for mortgage lending, where this could be done by mergers that would not have significant anticompetitive impact. As a result, the Board received 122 merger applications during the year—an increase of 72 percent over those received in 1968.

The revision resulted from a recognition by the Board of basic shifts in industry economics. It has been shown by extensive studies (for example, the Friend Study—see ch. VIII, p.) that there are real "economies of scale" in the savings and loan industry; and that an increase in the size of an institution is generally accompanied by a corresponding potential for lower operating costs, up to a point. Therefore, considering the intense competition for savings by the thrift industry and the related competition from commercial banking institutions, it is not surprising that merger applications should have increased markedly after the enunciation of the new policy. From the point of view of industry development, the objectives of the new policy are wider consumer choice and effective competition. Small, well-managed associations are protected against undue injury. There are many instances, however, where the entry of a medium-sized institution into a submarket can promote effective and not undue competition, and raise the level of public service. In any case, of course, associations applying for mergers under the new policy are subject to the legal aspects of Federal anti-trust laws, as well as the holding company sections of the National Housing Act. Moreover, they are required to (1) prove that the emergent association has the financial and managerial resources to serve the community properly; (2) make full disclosure; and (3) provide for equitable treatment for all concerned. Arm's length bargaining must be shown, as well as proper consideration for the interests of borrowers, savers, and equity accounts where they exist (such as in stock companies).

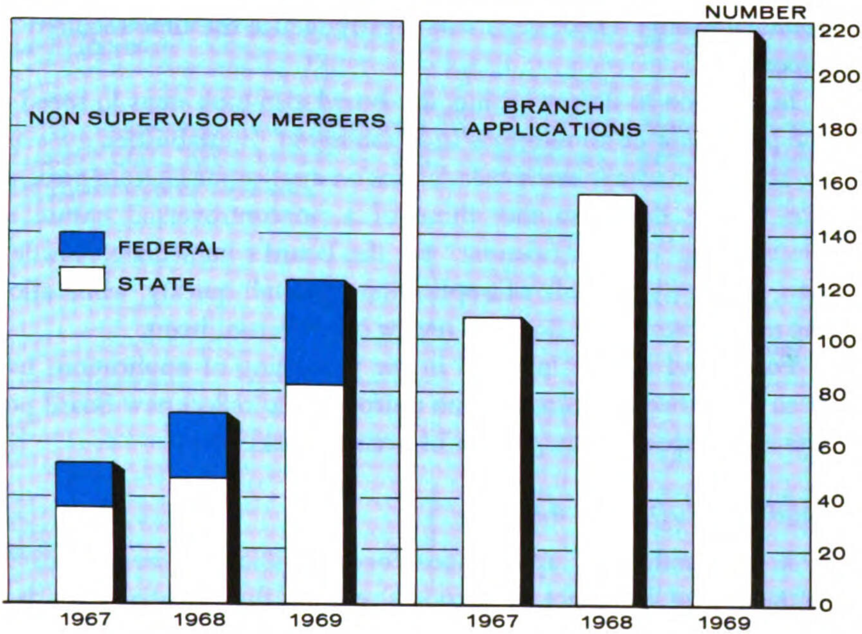
In line with the August amendment, the Board later approved temporary increase in the number of directors of a surviving savings and loan association in connection with a merger, thus strengthening the policy as spelled out in the August amendments.

A further reflection of this competition for savings is the fact that the industry continues to view branching as a method of expansion. During 1969, 218 applications for Federal branches were received, compared with 155 in 1968 and 109 in 1967. Thus the rate of increase of branching has remained relatively constant. By contrast, the rate of increase of merger applications has accelerated in the past year, with a 72-percent increase for 1969 over 1968, and only a 37-percent increase for 1968 over 1967. The contrast between rate of increase of branching versus merging is illustrated in chart 15.

Improved procedures for processing applications

In October, the Board proposed amendments to regulations that would revise procedures for processing applications to establish Fed-

Chart 15.—Comparison of Rate of Increase of Branching versus Merging, 1967-69



eral associations, branch offices, and mobile facilities, and branches for District of Columbia associations. Comparable procedures were proposed for applications for insurance of accounts. The purpose of the new plan is to decentralize the work of processing in the interest of greater efficiency.

The effect of these amendments will be to transfer to the 12 District Banks the responsibility for collecting and assembling all information necessary for the processing of applications from associations within their Districts. This method is designed to reduce the time and expense necessary to reach a final decision. The District Banks, with their more intimate knowledge of the facts, working with the appropriate personnel at the Board level in Washington, will be able to develop the information necessary to permit the greatest degree of fairness and efficiency.

The proposed regulations will provide for "oral argument" in the District Banks instead of formal hearings in Washington. For those having already filed under the old procedure, they offer an option to the applicant (subject to agreement by all parties who filed written protests to the application) of selecting either oral argument or a formal hearing. These steps will greatly reduce the time required for processing.

In addition to decentralizing, the Board also took steps to speed up the processing of applications in Washington. It established a Review Conference to make recommendations on applications before presentation to the Board so that those of a noncontroversial nature are placed on a "consent calendar" for the Board's immediate consideration. This gets the bulk of applications through quickly, while allowing more time for the Board to review controversial items.

Forms and reports involved in the processing of applications have been simplified and brought into uniformity to reflect new Board policies and to speed up the process of decision making.

Office performance data

In the analysis of applications for permission to organize or for branching or insurance of accounts, one of the essential steps is to review the performance and savings inflow of existing facilities in the particular market area involved. This information shows whether or not certain facilities are dominating the area, or attracting sufficient savings to justify further competition. Accordingly, the Office of Industry Development has established a new program with the Board's Data Management Division by which all member associations are asked to report quarterly on the dollar volume of savings at each of their offices or mobile facilities. These data are handled on a confidential basis, and are made available only to the Board and its staff and to Supervisory Agents. Computerization of this program provides those who are processing applications with better information for analyzing the savings and operational trends of all facilities in an SMSA, county, city, or given community down to postal "zip code" dimensions, and for accelerating the decision-making process appreciably.

Board actions on applications

Board approvals of applications followed the trend of recent years: those for new Federal charters and for insurance of accounts by

State-chartered institutions continue to be comparatively low in volume (see table 13), while applications for approval of State and Federal mergers and for branch offices of Federal associations continue to increase.

Table 13.—Number of Newly Organized Federal and State Associations and Existing State Associations, by Year of Beginning Operations Under FSLIC Insurance, 1959–69

Year	Federal	State	
		New	Existing
1959	21	33	51
1960	27	58	51
1961	28	37	60
1962	27	43	60
1963	20	39	42
1964	15	21	32
1965	27	20	21
1966	19	9	11
1967	8	7	19
1968	7	5	12
1969	8	5	6

Approvals of mergers, including increases of insurable accounts as a result of mergers, are well above the level of past years. In a merger, one of the existing institutions is eliminated but often continues as a branch office of the surviving institution.

The Board's approvals of mergers, including bulk purchases of assets in exchange for savings accounts, are shown in table 14. All types of mergers are included in the table, whether (1) regular (processed by the Office of Industry Development), including mergers resulting from acquisitions by savings and loan holding companies; or (2) supervisory (processed through the Office of Examinations and Supervision with or without assistance from the Federal Savings and Loan Insurance Corporation). In 1969, the Board approved 96 mergers and disapproved six. Of those approved, 89 were regular mergers, three were supervisory, and four involved FSLIC participation. Supervisory mergers are described in chapter VI.

Actions by the Office of Industry Development

Most applications received by the Board are processed by the Office of Industry Development. For reporting purposes, they fall into broad categories: those involving federally chartered associations, and those involving State-chartered associations. A summary of the actions taken by this Office during 1969 is presented under these two headings as tables 15 and 16, respectively.

Table 14.—Mergers Approved by the Board, 1969

Month	Total	Regular	Supervisory	FSLIC participation
Total	[1] 96	[1] 89	3	4
January	9	9		
February	8	8		
March	5	5		
April	9	9		
May	6	4	1	1
June	5	5		
July	6	6		
August	8	8		
September	9	7	1	1
October	7	7		
November	4	4		
December	20	17	1	2

[1] Includes six mergers involving uninsured associations only, in which Board action is not required for approval of merger but only for termination of Federal Home Loan Bank membership of the disappearing institution. These six mergers and those involving FSLIC participation or processed for supervisory reasons are not included in Board actions summarized in tables 15 and 16.

Table 15.—Applications Involving Federal Associations

Type		Number of actions
Total		764
Organization of new Federal associations:		
Disapprovals	32	
Hearings	21	
Conditional approvals	3	
Petitions for charter	6	
Membership—FHLB System	6	
Membership—FSLIC	6	
		74
Establishment of branch offices:		
Disapprovals	101	
Hearings	93	
Approvals	154	
		348
Applications for conversion of State associations to Federal associations:		
Conditional approvals	21	
Final approvals	21	
		42
Applications for approval of mergers or increases in accounts of an insurable type:		
Approvals (involving mergers)	21	
Approvals (involving purchase of assets)	4	
Disapprovals (involving mergers)	2	
		27
Miscellaneous (amendment of charter and bylaws, investment in office building, change of location, mobile facility, service corporation, short-term leasehold, transfer of Bank stock, rescission of approval, extension of time limit, cancellation of membership and insurance, and exact location of branch office)		273

Table 16.—Applications Involving State Associations

Type		Number of actions
Total		1,809
Applications for insurance:		
Final approvals	11	
Conditional approvals	14	
Hearings scheduled	6	
Withdrawals	2	
Disapprovals	5	
		38
Terminations		33
Applications for membership in Banks:		
Admitted to membership, FHLB System	11	
Withdrawals and cancellations	77	
		88
Applications for approval of an increase in accounts of an insurable type:		
Approvals (involving mergers)	47	
Approvals (involving purchase of assets)	11	
Disapprovals (involving mergers)	4	
		62
Other actions:		
Approvals of security forms and corporate documents	1,529	
Approvals of reserve designations	6	
Miscellaneous (conversions to State, releases of stock from and transfers of stock within escrow, etc.)	53	
		1,588

The 154 branch applications of Federal associations approved by the Board were located as follows:

State	*Number*	*State*	*Number*
Alabama	5	Mississippi	3
Alaska	1	Missouri	4
Arizona	1	New Jersey	3
Arkansas	3	New York	4
California	20	Nebraska	3
Colorado	1	North Carolina	4
Connecticut	3	Ohio	14
Delaware	1	Oklahoma	2
Florida	11	Oregon	2
Georgia	9	Pennsylvania	10
Indiana	3	Puerto Rico	2
Iowa	2	Rhode Island	1
Kentucky	1	South Carolina	4
Louisiana	1	Tennessee	4
Maine	1	Texas	2
Maryland	2	Vermont	1
Massachusetts	2	Virginia	6
Michigan	6	Washington	5
Minnesota	3	Wisconsin	4

The 25 merger applications of Federal associations approved by the Board (see table 15) were located as follows:

State	*Number*	*State*	*Number*
California	6	Maryland	1
Connecticut	1	New York	1
Illinois	1	Ohio	2
Indiana	2	Pennsylvania	9
Maine	1	Vermont	1

The 58 applications of State-chartered associations for increase in accounts of an insurable type resulting from mergers or purchases of assets approved by the Board (see table 16) were located as follows:

State	*Number*	*State*	*Number*
California	18	North Carolina	1
District of Columbia	1	Ohio	7
Hawaii	1	Pennsylvania	14
Indiana	1	Utah	2
Maryland	1	Virginia	2
New Jersey	5	Washington	1
New York	2	Wisconsin	2

CHAPTER VIII
ADMINISTRATIVE AND OTHER ACTIVITIES

THERE were various Board activities not described under the headings or within Offices indicated in the foregoing chapters. During 1969 some of these were as follows:

Studies in support of operations

The comprehensive *Study of the Savings and Loan Industry,* begun in 1966 under the direction of Professor Irwin Friend of the University of Pennsylvania (Wharton School of Finance and Commerce), was completed and delivered to the Board in manuscript during the month of September 1969. A "Summary" of the study by the Director, Dr. Friend, constituting the first of its 20 monographs, was delivered to the Board in advance and was made available to the public by notice of availability and by distribution of copies at a press conference with Dr. Friend in September. The entire study of 1,825 pages in 4 volumes will be published by the Government Printing Office in August, 1970. To insure fairness in distribution, advance copies are not available.

The study of automatic data processing (ADP), completed in 1968 by the McDonnell Automation Company, provided a basis for improving the interpretation of information necessary for making critical judgments and decisions. After careful evaluation of the study and report, some of the recommendations it contained were adopted and scheduled to be put into effect as soon as feasible. Among the goals achieved under this plan in 1969 were the following:

(1) Use of a standard programming language.

(2) Standard documentation of systems and procedures throughout the agency.

(3) Formalized communication betwen ADP personnel at District Banks through the Data Processing Management Committee, composed of at least one representative from each Bank.

(4) Compatibility of equipment.

(5) Review of the statistical data base.

(6) Expanded use of analytical computer techniques.

(7) Realinement of the Data Management Division.

The records management study moved forward in 1969. The Board's Organization and Methods Division proceeded with the task of putting into effect certain recommendations of the National Archives and Records Service, contained in their report of a survey made in 1968. Many of these recommendations cover tasks of a continuing nature, and others have been selected for completion on an orderly schedule extending into 1972.

Headquarters building for the Board

Complying with President Nixon's directive of September 4, 1969 cutting back Government construction, the Board deferred plans for construction of its new headquarters building until an appropriate future date. The plan calls for financing by a 25-year loan from the District Banks. Thus far, the Board has spent $6 million for site acquisition and design by General Services Administration.

National mobilization and disaster programs

President Nixon on October 28, 1969, signed Executive Order 11490 assigning emergency preparedness functions to Federal departments and agencies, including the Federal Home Loan Bank Board. This single order consolidated the assignment of such functions, heretofore contained in some 21 Executive Orders and 2 Defense Mobilization Orders. Therefore, Executive Order 11094, dated February 26, 1963, is revoked and superseded by Executive Order 11490.

The emergency planning responsibilities of the Board include primarily the development of national security preparedness measures relative to the savings and loan industry. In this mission, the Board cooperates with the Federal Reserve Board and the Treasury Department to insure coordination of savings and loan credit policies with other finanacial agencies under conditions of mobilization.

The 12 Federal Home Loan Banks participate in the program, serving as field representatives of the Board. Acting through the Banks, the Board encourages participation by member institutions. Currently, the majority of members have established emergency preparedness plans for mobilization based on guidelines published by the Board.

The Board's emergency preparedness planning also includes measures against the effects of natural disasters. Industry leaders cooperate effectively in the effort to recover from such catastrophes as earthquakes, floods, and hurricanes. The experience of member institutions in areas stricken by disaster during the past several years proves the value of planning for the security of financial institutions, the protection of personnel and the public, and the safekeeping of records in times of disaster emergency.

During 1969, there were seven such emergencies in different areas of the country, for which the President found it necessary to declare disaster status.

Upon declaration by the President of a major disaster area, the Board approves measures to provide liberalized credit for member institutions in the District affected. The Bank in that District is then authorized to modify existing limitations on credit to member institutions in the area so as to provide funds for the repair, rehabilitation, or reconstruction of properties damaged or destroyed by the disaster. Also, the Board recommends that such institutions extend leniency and forbearance to borrowers whose ability to meet contractual commitments suffered from the disaster.

Advisory groups

Certain supporting groups are available to assist the Board in making decisions and formulating policy.

The Federal Savings and Loan Advisory Council is authorized by law to consult with the Board on general business conditions and on special situations affecting the Federal Home Loan Banks, their members, and the Federal Savings and Loan Insurance Corporation. There are 18 members on the Council—one from each of the 12 Federal Home Loan Banks and six appointed by the Board. Names of members for 1969 appear in the appendix as Exhibit III.

During 1969, the Board held three meetings with the Council.

Principal topics discussed were: branching in inner city, mergers, subsidizing advances, quality examinations of association by rating, savings premium limit, mobile home financing, restructuring of the Board and its staff, raising savings account insurance by FSLIC to $20,000, participation certificates in association mortgage investments, branches, apartment lending, and insurance premium costs and assessments.

The Conference of Federal Home Loan Bank Presidents is an advisory group that consults with the Board. It is composed of the executive heads of the Federal Home Loan Banks. Meetings with the Board are held at least quarterly, providing a means for reviewing matters of mutual concern to the Banks and the Board.

The dual savings and loan system requires coordination with State officials, and to this end the Board consults with the Liaison Committee of the National Association of State Savings and Loan Supervisors and with their entire membership. Topics discussed during the year were: Bank Protection Act; FSLIC premiums; conflict of interest; examination procedures; advances to associations; the Bank System—availability of funds; liquidity of associations; savings deposits and other instruments; increased lending and investment authority; valuation reserves; statewide branching; and mergers and conversions.

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

W. L. Brenneman, Pennsylvania
W. S. Brimhall, Utah
Grant O. Brumlow, New Mexico
Thomas F. Constantini, Maryland
R. P. Day, Ohio
D. J. Fair, Colorado
W. Sales Lewis, Texas
Preston Martin, California
Tom D. McEldowney, Idaho
Leo Mortensen, Wisconsin
Vincent J. Nolan, New York
Donald D. Swope, Illinois
W. Conrad York, North Carolina
William E. Young, Washington

Organizational changes

Several changes in organization were made during 1969, some of which are described in chapters covering the activities of the Office's involved. Some of these changes were nominal, and for the purpose of more accurately identifying existing functions. Others were substantive, and were made to realine duties and responsibilities. These changes are here enumerated briefly in the interest of completeness and convenience of reference, as follows:

(1) The Office of Federal Home Loan Bank Operations has been redesignated the Office of System Finance and Bank Operations.

(2) The Office of Research and Home Finance has been redesignated the Office of Economic Research.

(3) The Office of Applications has been redesignated the Office of Industry Development. It comprises two divisions—the Division of Industry Organization and the Division of Housing. In addition to his designated responsibilities, the Director of the Office has been appointed Coordinator for Housing and Urban Affairs. The Office now has additional duties as follows:

(a) To initiate and coordinate programs of inner city and low-income housing development.

(b) To encourage industry participation on a broad scale through new facilities to be formed or organized to serve major central city areas, utilizing not only the support of the regulations but developing new techniques, scopes, and purposes.

(c) To assist in project management for the development and disposition of certain FSLIC-owned properties to be designated by the Chairman.

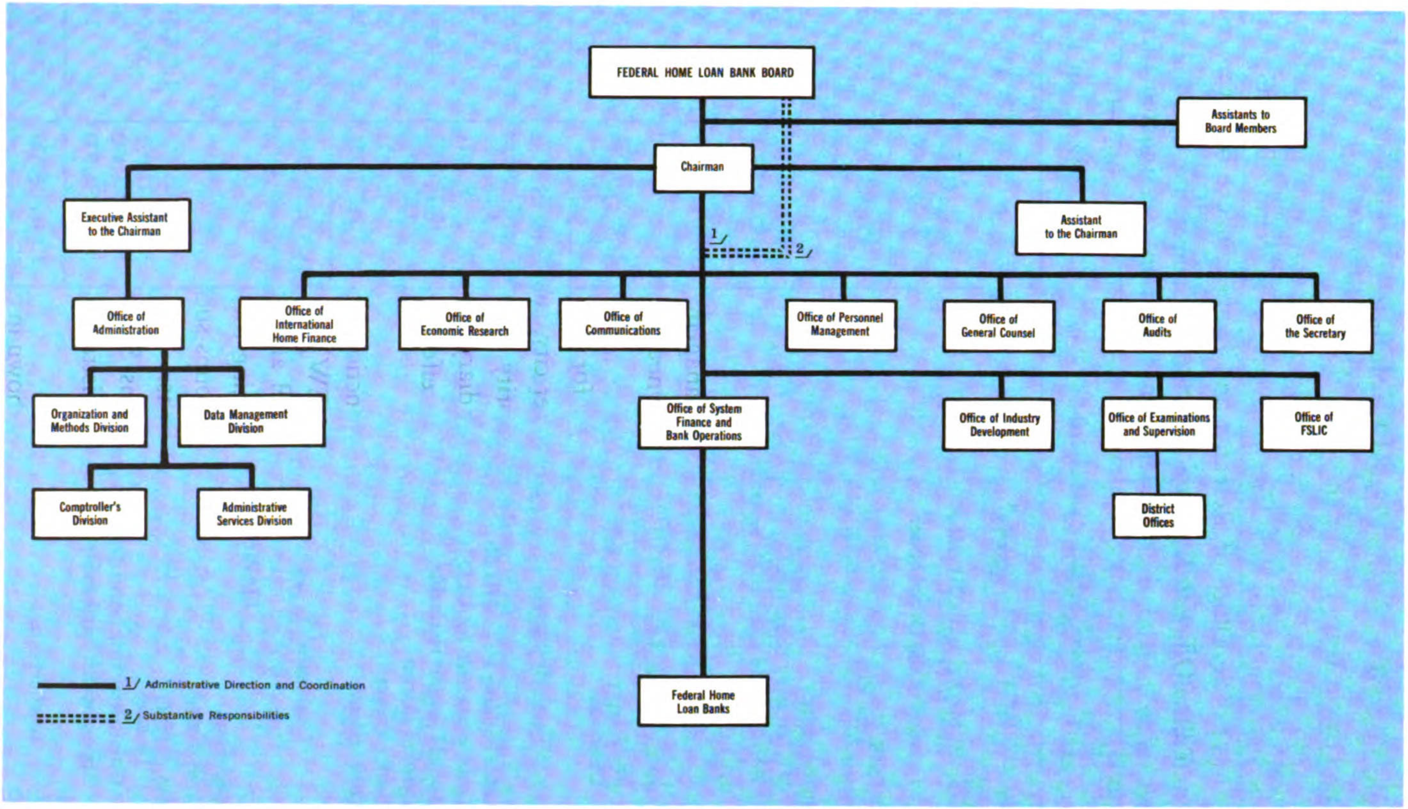
(d) To develop programs for the utilization of various services of the industry to assist the inner city, such as for improving management services rendered by minority savings associations, for strengthening and broadening the subsidiary corporations, for credit rehabilitation, and for providing more effective property management services.

(e) To coordinate the functions to be performed and develop interagency (e.g., HUD and HEW) cooperation in promoting housing progams at the Federal level and projects at the municipal level in major cities nationwide, utilizing the coordinated efforts of the 12 Regional Banks and industry groups such as housing, real estate, and mortgage financing organizations.

(4) The Statistical Operations Section of the Data Management Division of the Office of Administration was transferred to the Office of Economic Research.

The Board's organization is shown in chart 16.

Chart 16.—Federal Home Loan Bank Board: Organization



APPENDIX

Table A-1.—Federal Home Loan Banks: Comparative Consolidated Statement of Condition

Assets, liabilities, and capital	Dec. 31, 1969	Dec. 31, 1968
ASSETS		
Cash:		
On hand and in banks	$81,406,309	$88,594,733
Treasurer of the United States	42,095,870	37,314,916
Total cash	123,502,179	125,909,649
Investments:		
U.S. Treasury obligations	1,669,342,977	2,362,779,820
Securities held under resale agreements	193,079,721	11,788,596
Total investments	1,862,422,698	2,374,568,416
Advances to members:		
Secured	8,681,607,571	4,946,395,041
Unsecured	607,359,521	312,615,410
Total advances	9,288,967,092	5,259,010,451
Office building loan—FHLBB	5,662,061	5,259,000
Loans guaranteed by A.I.D.	61,944	0
Accrued interest receivable	82,716,093	38,613,521
Deferred charges	7,189,010	3,534,387
Bank premises	324,553	329,909
Other assets	1,777,134	562,669
Total assets	11,372,622,764	7,807,788,002
LIABILITIES		
Deposits:		
Members:		
Time	710,325,137	1,078,317,840
Demand	330,327,093	304,048,300
Government instrumentalities—demand	494,490	760,870
Applicants for membership	292,800	176,475
Total deposits	1,041,439,520	1,383,303,485

Table A-1.—Federal Home Loan Banks: Comparative Consolidated Statement of Condition—Continued

Assets, liabilities, and capital	Dec. 31, 1969	Dec. 31, 1968
LIABILITIES—Continued		
Accrued interest payable	173,719,110	85,491,477
Accounts payable	331,074	19,493
Dividends payable	16,341,098	14,905,601
Unamortized bond premium	74,666	380,181
Other deferred credits	440,389	877,222
Consolidated obligations [1]	8,422,000,000	4,701,000,000
Total liabilities	9,654,345,857	6,185,977,459
CAPITAL		
Capital stock: Total paid in on subscriptions	1,478,226,925	1,402,770,750
Retained earnings:		
Legal reserve	165,526,977	147,219,958
Unreserved earnings	74,523,005	71,819,835
Total retained earnings [2]	240,049,982	219,039,793
Total capital	1,718,276,907	1,621,810,543
Total liabilities and capital	11,372,622,764	7,807,788,002

[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.

[2] Analysis of retained earnings accounts for the calendar year 1969:

Balance, Dec. 31, 1968		$219,039,793
Additions: Net income for 1969		91,535,093
Subtotal		310,574,886
Deductions:		
Dividends declared to stockholders	$70,517,228	
Retirement fund contributions	7,676	
Total deductions		70,524,904
Balance, Dec. 31, 1969		240,049,982

Table A-2.—Federal Home Loan Banks: Consolidated Statement of Condition, 1949–69

[In millions]

End of period	Assets				Total assets, total liabilities, and capital accounts	Liabilities			Capital accounts		
	Cash and deposits	U.S. Government securities [1]	Advances	Other		Deposits	Consolidated obligations	Other	Paid in on capital stock		Retained earnings
									U.S. Government	Members	
1949	$23	$275	$433	$3	$734	$267	$204	$4	$96	$136	$27
1950	40	199	816	3	1,058	224	560	6	56	182	30
1951	36	249	806	4	1,095	262	525	6	0	270	32
1952	43	311	864	4	1,222	420	445	7	0	316	34
1953	45	387	952	4	1,388	559	414	9	0	369	37
1954	47	641	868	5	1,561	803	272	7	0	438	41
1955	62	765	1,417	5	2,249	699	975	13	0	516	46
1956	62	1,026	1,228	9	2,325	683	962	21	0	607	52
1957	63	908	1,265	9	2,245	653	825	24	0	685	58
1958	75	999	1,298	11	2,383	819	714	17	0	769	64
1959	103	1,093	2,135	12	3,343	590	1,774	42	0	866	71
1960	90	1,234	1,981	11	3,316	939	1,266	39	0	989	83
1961	159	1,153	2,662	14	3,988	1,181	1,571	35	0	1,107	94
1962	173	1,531	3,479	21	5,204	1,214	2,707	49	0	1,127	107
1963	159	1,906	4,784	26	6,875	1,151	4,363	68	0	1,171	122
1964	141	1,523	5,325	30	7,019	1,199	4,369	86	0	1,227	138

1965	129	1,640	5,997	40	7,806	1,045	5,221	105	0	1,277	158
1966	113	2,523	6,935	78	9,649	1,037	6,859	197	0	1,369	187
1967											
January	92	3,101	6,340	72	9,605	1,089	6,802	142	0	1,377	195
February	92	3,305	5,800	41	9,238	1,241	6,285	131	0	1,384	197
March	95	3,564	5,175	47	8,881	1,491	5,709	92	0	1,386	203
April	77	3,451	4,782	58	8,368	1,648	5,066	59	0	1,388	207
May	93	4,004	4,421	33	8,551	1,831	5,050	66	0	1,392	212
June	95	3,738	4,302	39	8,174	1,927	4,577	85	0	1,392	193
July	81	3,420	4,221	53	7,775	1,522	4,585	78	0	1,392	198
August	73	3,160	4,153	30	7,416	1,344	4,395	82	0	1,392	203
September	63	2,898	4,122	78	7,161	1,318	4,160	81	0	1,394	208
October	81	2,787	4,114	51	7,033	1,323	4,060	42	0	1,394	214
November	77	2,770	4,188	31	7,066	1,347	4,060	45	0	1,394	220
December	127	2,598	4,386	75	7,186	1,432	4,060	100	0	1,395	199
1968											
January	88	2,604	4,442	54	7,188	1,199	4,310	72	0	1,401	206
February	95	2,775	4,348	37	7,255	1,182	4,373	77	0	1,412	211
March	75	2,720	4,269	85	7,149	1,302	4,125	87	0	1,417	218
April	91	2,416	4,545	60	7,112	1,271	4,125	70	0	1,422	224
May	97	2,337	4,719	43	7,196	1,319	4,151	69	0	1,425	232
June	103	2,832	4,889	74	7,898	1,400	4,701	162	0	1,427	208
July	86	2,463	4,988	67	7,604	1,189	4,700	92	0	1,406	217
August	68	2,264	4,998	83	7,413	1,177	4,501	110	0	1,401	224
September	93	2,283	5,026	51	7,453	1,253	4,501	67	0	1,401	231
October	97	2,300	5,035	65	7,497	1,287	4,501	70	0	1,401	238
November	81	2,581	5,040	71	7,773	1,322	4,701	104	0	1,402	244
December	126	2,375	5,259	48	7,808	1,383	4,701	102	0	1,403	219
1969											
January	82	2,049	5,357	64	7,552	1,111	4,701	106	0	1,408	226
February	82	2,069	5,298	45	7,494	1,131	4,601	97	0	1,434	231

See footnote at end of table.

Table A-2.—Federal Home Loan Banks: Consolidated Statement of Condition, 1949–69—Continued

[In millions]

End of period	Assets				Total assets, total liabilities, and capital accounts	Liabilities			Capital accounts		
									Paid in on capital stock		
	Cash and deposits	U.S. Government securities [1]	Advances	Other		Deposits	Consolidated obligations	Other	U.S. Government	Members	Retained earnings
March	97	2,181	5,331	55	7,664	1,244	4,647	90	0	1,443	240
April	100	2,051	5,764	70	7,985	1,179	5,021	91	0	1,447	247
May	73	2,394	5,971	89	8,527	1,202	5,521	99	0	1,449	256
June	141	1,964	6,413	61	8,579	1,278	5,521	100	0	1,451	229
July	88	1,496	7,053	85	8,722	928	6,021	101	0	1,435	237
August	56	1,543	7,544	75	9,218	848	6,572	115	0	1,438	245
September	97	1,657	7,940	81	9,775	891	7,072	115	0	1,444	253
October	90	1,654	8,439	107	10,290	865	7,572	135	0	1,457	261
November	110	1,968	8,802	128	11,008	939	8,172	161	0	1,467	269
December	124	1,862	9,289	97	11,372	1,041	8,422	191	0	1,478	240

[1] Includes securities of Federal agencies.

Table A-5.—Statement of Condition of Each Federal Home Loan Bank at End of 1969 and 1968

[In thousands]

Assets, liabilities, and capital	Boston		New York		Pittsburgh		Greensboro		Cincinnati		Indianapolis	
	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968
ASSETS												
Cash	$3,127	$875	$20,821	$23,223	$4,449	$7,979	$19,247	$12,488	$14,842	$18,428	$14,174	$16,976
Investments	68,500	56,910	180,356	237,252	131,492	149,667	180,871	338,683	147,868	171,523	112,380	141,845
U.S. Treasury obligations	52,469	56,910	166,356	237,252	120,514	145,667	170,888	338,683	133,821	163,735	103,356	141,845
Securities held under resale agreements	16,031	0	14,000	0	10,978	4,000	9,983	0	14,047	7,788	9,024	0
Advances to members	343,138	201,417	624,007	375,297	267,240	148,260	875,030	426,297	477,953	221,082	276,841	149,066
Secured	337,233	195,758	473,620	291,970	250,566	139,799	868,035	425,297	417,998	166,747	226,763	124,897
Unsecured	5,905	5,659	150,387	83,327	16,674	8,461	6,995	1,000	59,955	54,335	50,078	24,169
Office building loan—FHLBB	181	168	517	468	242	218	620	585	272	251	217	202
Loans guaranteed by A.I.D.	0	0	62	0	0	0	0	0	0	0	0	0
Accrued interest receivable	4,137	1,941	4,491	2,439	2,208	1,296	8,366	3,386	4,948	1,953	1,899	1,016
Bank premises	0	0	0	0	0	0	0	0	0	0	0	0
Other	259	132	718	383	189	110	2,265	748	534	65	191	71
Total assets	419,342	261,443	830,972	639,062	405,815	307,530	1,086,309	782,187	646,417	413,302	405,702	309,176
LIABILITIES AND CAPITAL												
Deposits	18,033	24,780	132,985	170,174	93,050	116,552	172,928	246,633	123,594	162,943	106,034	141,438
Accrued interest payable	6,085	2,965	9,562	2,902	5,156	2,423	14,131	5,457	8,192	1,975	4,538	1,908
Consolidated obligations	318,835	151,000	503,510	270.000	211,290	95,000	684,385	329,000	359,955	99,000	212,735	87,000
Other	8	20	35	23	3	12	7	15	3,580	3,122	207	16
Total liabilities	342,961	178,765	646,092	443,099	309,499	213,987	871,451	581,105	495,321	267,040	323,514	230,362
Capital stock paid in	64,935	72,089	155,019	168,857	83,459	81,915	184,317	173,301	127,550	124,773	69,781	67,899
Retained earnings	11,446	10,589	29,861	27,106	12,857	11,628	30,631	27,781	23,546	21,489	12,407	10,915
Legal reserve	8,723	7,922	20,362	17,856	9,943	8,784	21,813	19,366	17,334	15,593	8,999	8,010
Unreserved earnings	2,723	2,667	9,499	9,250	2,914	2,844	8,818	8,415	6,212	5,896	3,408	2,905
Total capital	76,381	82,678	184,880	195,963	96,316	93,543	214,948	201,082	151,096	146,262	82,188	78,814
Total liabilities and capital	419,342	261,443	830,972	639,062	405,815	307,530	1,086,399	782,187	646,417	413,302	405,702	309,176

Table A-3.—Statement of Condition of Each Federal Home Loan Bank at End of 1969 and 1968—Continued

[In millions]

Assets, liabilities, and capital	Chicago		Des Moines		Little Rock		Topeka		San Francisco		Seattle	
	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968	1969	1968
ASSETS												
Cash	5,001	7,028	15,082	12,172	8,033	7,828	10,112	10,511	6,688	6,562	1,876	1,820
Investments	222,345	254,362	162,534	221,726	116,484	134,223	58,471	78,206	419,655	506,852	61,519	83,318
U.S. Treasury obligations	210,290	254,362	145,534	221,726	96,500	134,223	46,475	78,206	369,623	506,852	53,519	83,318
Securities held under resale agreements	12,055	0	17,000	0	19,984	0	11,996	0	50,032	0	8,000	0
Advances to members	756,012	422,970	483,953	222,499	597,082	352,888	414,017	193,345	3,832,708	2,367,251	340,987	178,639
Secured	526,162	330,492	446,254	208,183	571,177	333,553	406,292	187,984	3,829,247	2,367,101	329,262	174,616
Unsecured	229,850	92,478	37,699	14,316	25,905	19,335	7,725	5,361	3,461	150	11,725	4,023
Office building loan—FHLBB	475	442	345	324	318	293	194	180	2,079	1,959	201	189
Loans guaranteed by A.I.D.	0	0	0	0	0	0	0	0	0	0	0	0
Accrued interest receivable	5,311	2,843	4,074	1,882	3,629	1,773	3,291	1,204	37,870	17,674	2,496	1,208
Bank premises	0	0	0	0	0	0	325	330	0	0	0	0
Other	550	197	458	176	431	214	299	116	2,800	1,764	270	120
Total assets	989,694	687,842	666,446	458,779	725,977	497,219	486,709	283,892	4,301,800	2,902,062	407,349	265,294
LIABILITIES AND CAPITAL												
Deposits	112,946	160,510	134,404	160,955	57,158	80,412	42,296	56,324	14,642	26,981	33,369	35,601
Accrued interest payable	15,327	7,692	8,605	4,619	11,249	5,518	7,829	2,958	77,151	44,149	5,894	2,926
Consolidated obligations	679,945	346,000	428,565	203,000	552,425	315,000	371,190	166,000	3,792,760	2,470,000	306,405	170,000
Other	3,751	3,649	8	31	2,355	2,068	6	15	7,218	7,189	11	21
Total liabilities	811,969	517,851	571,582	368,605	623,187	402,998	421,321	225,297	3,891,771	2,548,319	345,679	208,548
Capital stock paid in	151,068	145,537	81,707	78,291	91,372	84,057	57,002	50,926	360,009	307,066	52,006	48,061
Retained earnings	26,657	24,454	13,157	11,883	11,418	10,164	8,386	7,669	50,020	46,677	9,664	8,685
Legal reserve	19,107	17,251	9,851	8,716	8,855	7,734	6,176	5,505	28,973	25,766	5,389	4,716
Unreserved earnings	7,550	7,203	3,306	3,167	2,563	2,430	2,210	2,164	21,047	20,911	4,275	3,969
Total capital	177,725	169,991	94,864	90,174	102,790	94,221	65,388	58,595	410,029	353,743	61,670	56,746
Total liabilities and capital	989,694	687,842	666,446	458,779	725,977	497,219	486,709	283,892	4,301,800	2,902,062	407,349	265,294

Table A-4.—Federal Home Loan Banks: Comparative Consolidated Statement of Income and Expense

Income and expense	Calendar year 1969		Calendar year 1968	
	Amount	Percent of operating income	Amount	Percent of operating income
Earned operating income:				
Interest on advances	$449,234,132	80.0	$274,641,773	67.6
Interest on office building loan—FHLBB	252,274	0.1	236,363	.1
Interest on A.I.D. loans	1,366	....	0	....
Interest on investments	111,918,748	19.9	131,285,485	32.3
Miscellaneous	20,474	....	19,947	....
Total operating income	561,426,994	100.0	406,183,568	100.0
Operating expenses:				
Compensation	4,987,145	0.9	4,520,715	1.1
Travel	423,809	0.1	389,197	.1
Other administrative expenses	3,267,756	0.6	2,970,664	.7
Interest on consolidated obligations	400,335,607	71.3	253,390,086	62.4
Concessions for marketing consolidated obligations	5,924,750	1.0	4,438,762	1.1
Paid through office of Fiscal Agent	453,006	0.1	431,000	.1
Interest on members' deposits	49,345,846	8.8	54,838,627	13.5
Assessment for expenses of FHLB Board	3,253,656	0.6	2,580,454	.7
Total operating expenses	467,991,575	83.4	323,559,505	79.7
Net operating income	93,435,419	16.6	82,624,063	20.3
Nonoperating income:				
Profit-sales of securities	$258,965	....	$607,497	....
Furniture and equipment sales	16,469	....	279,050	....
Miscellaneous	3,438	....	15,432	....
Total nonoperating income	278,872	....	901,979	....
Nonoperating charges:				
Loss-sales of securities	1,849,388	....	724,309	....
Furniture and equipment purchases	225,873	....	406,719	....
Miscellaneous	103,937	....	49,307	....
Total nonoperating charges	2,179,198	....	1,180,335	....
Net income	91,535,093	....	82,345,707	....

Table A-5.—Statement of Income and Expense of Each Federal Home Loan Bank for the Calendar Year 1969

[In thousands]

Income and expense	Boston	New York	Pittsburgh	Greensboro	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
Earned operating income:												
Interest:												
Advances	$16,862	$30,247	$12,183	$38,026	$20,855	$12,752	$36,598	$20,438	$30,193	$18,856	$195,376	$16,849
Office building loan—FHLBB	8	22	10	28	12	10	21	16	14	8	93	9
Securities	2,945	10,935	8,021	15,268	7,641	6,238	11,786	8,769	6,283	3,502	26,927	3,604
Other	0	23	37	77	8	0	60	49	3	13	25	4
Total	19,815	41,227	20,251	53,399	28,516	19,000	48,465	29,272	36,493	22,379	222,421	20,466
Operating expenses:												
Compensation	164	785	372	423	512	254	544	319	232	200	988	194
Interest on consolidated obligations	13,509	21,973	8,611	29,390	12,884	8,120	31,112	17,601	26,813	16,678	199,096	14,549
Concessions on consolidated obligations	204	317	127	418	175	112	446	259	401	241	3,012	212
Interest on members' deposits	1,224	4,545	4,826	10,144	5,303	4,945	6,305	4,663	2,918	1,628	1,074	1,770
Other	404	949	492	662	544	414	689	615	403	260	1,909	336
Total	15,505	28,569	14,428	41,037	19,418	13,845	39,096	23,457	30,767	19,007	206,079	17,061
Net operating income	4,310	12,658	5,823	12,362	9,098	5,155	9,369	5,815	5,726	3,372	16,342	3,405
Nonoperating income	8	10	11	37	8	5	95	29	7	15	50	4
Nonoperating charges	314	138	39	161	403	212	186	167	129	33	353	44
Net income	4,004	12,530	5,795	12,238	8,703	4,948	9,278	5,677	5,604	3,354	16,039	3,365

Table A-6.—Federal Home Loan Banks: Summary of Lending Operations, by Districts for 1969, and Totals by Year, 1932–69

[Amounts in thousands]

Districts	Advances	Repayments	Balance outstanding, end of year	Number of borrowers, end of year
Boston	$206,265	$64,545	$343,138	137
New York	427,506	178,795	624,008	209
Pittsburgh	176,725	57,745	267,240	217
Greensboro	573,324	124,591	875,030	445
Cincinnati	324,772	67,901	477,953	247
Indianapolis	171,089	43,314	276,841	115
Chicago	450,441	117,399	756,012	380
Des Moines	337,799	76,345	483,953	188
Little Rock	313,504	69,310	597,082	339
Topeka	267,870	47,198	414,017	150
San Francisco	2,072,382	606,925	3,832,708	229
Seattle	209,567	47,219	340,987	126
1969	5,531,244	1,501,287	[1] 9,288,967	2,782
1968	2,734,468	1,861,107	5,259,010	2,193
1967	1,526,692	4,075,720	4,385,650	1,956
1966	3,803,545	2,865,719	6,934,678	2,580
1965	5,007,113	4,334,788	5,996,852	2,857
1964	5,563,456	5,023,164	5,324,528	2,795
1963	5,601,231	4,296,019	4,784,236	2,856
1962	4,110,764	3,293,958	3,479,024	2,722
1961	2,881,917	2,200,475	2,662,217	2,455
1960	1,943,164	2,096,711	1,980,775	2,371
1959	2,066,819	1,230,816	2,134,322	2,443
1958	1,363,699	1,330,574	1,298,320	2,040
1957	1,116,148	1,079,109	1,265,195	2,018
1956	744,936	933,539	1,228,156	2,241
1955	1,251,680	702,400	1,416,759	2,408
1954	734,249	818,326	867,478	1,923
1953	727,517	640,150	951,555	2,147
1952	585,813	527,562	864,189	2,057
1951	422,977	432,997	805,937	2,221
1950	674,757	292,229	815,957	2,279
1949	255,663	337,250	433,429	1,800
1948	359,613	280,169	515,016	1,993
1947	351,079	208,962	435,572	1,804
1946	329,232	230,649	293,455	1,420
1945	277,748	213,439	194,872	916

Table A-6.—Federal Home Loan Banks: Summary of Lending Operations, by Districts for 1969, and Totals by Year, 1932-69—Continued

[Amounts in thousands]

Districts	Advances	Repayments	Balance outstanding, end of year	Number of borrowers, end of year
1944	239,254	218,759	130,563	821
1943	156,926	176,070	110,068	919
1942	99,462	189,695	129,213	1,388
1941	157,600	139,646	219,446	2,057
1940	134,212	114,033	201,492	2,262
1939	94,781	112,310	181,313	2,339
1938	81,958	83,154	198,842	2,607
1937	123,251	68,440	200,038	2,707
1936	93,257	50,716	145,227	2,483
1935	59,130	43,047	102,686	2,192
1934	38,676	37,515	86,603	1,769
1933	90,032	5,427	85,442	(1)
1932	838	0	838	(1)
Total	51,334,901	[2] 42,045,933		

[1] Not available.

[2] Discrepancies due to rounding.

Table A-7.—Federal Home Loan Banks: Rates on Short-Term Advances, 1965–69

[Percent]

Effective date	Boston[1]	New York	Pitts-burgh	Greens-boro	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
In effect, Dec. 31, 1965	4¾	4⅝	4¾	4½	4⅝	4½	4¾	4⅝	4⅝	4⅝	4⅝	4⅝
1966												
January 1						4⅝						
January 17										4¾		
February 1		5		4¾	4¾				4¾	5		4⅞
February 15											4¾	
March 1			5		5	4⅞		4¾				
March 3									5			
March 14	5			5							5	
March 21										5½		
March 22							5⅜					
March 28											5¼	
March 29		5¼										
March 30				5½								
April 1			5⅛		5¼	5⅛		5⅛				
April 4									5⅜			5½
April 14	5¼											
May 1			5½				5½					
May 9								5¼				
May 17											5⅜	
June 1					5½							

Table A-7.—Federal Home Loan Banks: Rates on Short-Term Advances,[1] 1965–69—Continued

[Percent]

Effective date	Boston	New York	Pitts-burgh	Greens-boro	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1966—Continued												
June 16		5½										
July 1	5½					5½		5½	5½		5½	
July 18										5¾		
August 1			5¾		5¾							
September 1	5¾	5¾		5¾		5¾	5¾	5¾	5¾		5¾	5¾
October 1					6							
November 1	6	6	6	6		6	6	6	6	6	6	6
1967												
January 15	5¾	5¾	5¾	5¾	5¾	5¾	5¾	5¾	5¾	5¾	5¾	5¾
April 1			5½		5½		5½			5½		5½
April 15				5½								
April 17	5½										5½	
April 19								5½				
May 1		5½				5½			5½			
December 1							5¾					
1968												
February 1						5⅝						
February 15				5¾								

March 1					5¾					5⅝		
March 4								5⅝				
March 11	5¾											
March 15		5¾				5¾						
March 21												5¾
March 25									5⅞			
April 1			5¾							5¾		
April 15								5¾			5¾	
May 1										5⅞		
May 9	6											
May 21							6					
June 1		6	6	6	6			6				
June 5												6
July 1						6				6	6	
July 15									6			
October 1			5¾	5¾	5¾		5¾				5¾	
October 10	5¾	5¾										
October 25										5¾		
November 1						5¾						
1969												
January 1		6		6	6		6			5⅞		
January 9	6⅛											
January 11											6	
January 20										6⅛		
February 1			6		6¼	6						6⅛
February 10												6¼
February 15											6¼	
February 17									6¼			
February 18							6⅛					

Table A-7.—Federal Home Loan Banks: Rates on Short-Term Advances,[1] 1965–69—Continued

[Percent]

Effective date	Boston	New York	Pitts-burgh	Greens-boro	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1968—Continued												
March 1				6¼								
March 12										6¼		
March 15						6¼						
March 21							6¼					
April 1		6¼	6¼									
April 10	6⅜											
April 14										6⅜		
April 15				6½				6¼				
May 1												6⅜
May 12										6½		
May 15									6½			
June 1			6⅜		6½							
June 10							6½	6½				
June 12	6½											
June 15						6½						
June 16										6¾		
June 20						6¾						
July 1		6⅝	6½		6¾						6½	
July 10	6¾											
July 15				6¾			6¾					6¾
July 22										7		

July 25						7						
August 1		6⅞	6¾						6¾			
August 4								7				
August 14	7											
August 15											6¾	7
August 25						7¼						
September 1		7⅛		7								
September 2									7			
September 15							7⅛				7	
September 16										7⅛		
October 1					7¼							
October 6	7¼											
October 9	7½											
October 14										7¼		
October 15		7¼									7¼	7¼
November 1			7¼	7¼								
November 3								7¼				
November 14									7¼			
November 17										7½		
November 18							7¼					
December 15				7½								7½
December 19						7½						
In effect, Dec. 31, 1969	7½	7¼	7¼	7½	7¼	7½	7¼	7¼	7¼	7½	7¼	7½

[1] Prior to August 14, 1969, the rate shown for Boston was for short-term secured advances. Unsecured advances were made at ⅛ of 1 percent higher. At present, one rate is in effect for all short-term advances.

Table A-8.—Federal Home Loan Bank Board: Comparative Statement of Condition, Dec. 31, 1969, and Dec. 31, 1968

Assets, liabilities, and capital	Dec. 31, 1969	Dec. 31, 1968	Net change
ASSETS			
Cash with the U.S. Treasury	$1,112,915	$1,150,936	$-38,021
Accounts receivable:			
Examination fees from savings and loan institutions	929,214	966,779	-37,565
Assessments against Federal Home Loan Banks	313,134	348,508	-35,374
Assessments against the Federal Savings and Loan Insurance Corporation	1,445,404	902,291	543,113
Advances to employees	258,399	275,863	-17,464
Other	12,082	13,565	-1,482
Total accounts receivable	2,958,233	2,507,006	451,228
Inventory, supplies	17,722	19,667	-1,945
Fixed assets:			
Land and Building	[1] 5,965,964	5,481,722	484,242
Furniture, fixtures and equipment, net	630,894	653,728	-22,834
Total fixed assets	6,596,858	6,135,450	461,408
Total assets	10,685,728	9,813,059	872,670
LIABILITIES AND CAPITAL			
Accounts payable and accrued liabilities	1,866,509	1,932,232	-65,723
Liability for employees' accrued annual leave	1,265,523	1,199,183	66,340
Loans payable to Federal Home Loan Banks	5,633,680	5,259,000	374,680
Total liabilities	8,765,712	8,390,415	375,297
Capital, retained earnings	1,920,016	1,422,644	497,373
Total liabilities and capital	10,685,728	9,813,059	872,670

[1] Represents advance of $5,548,066 for deposit with the U.S. District Court for the District of Columbia for acquisition of land for new Federal Home Loan Bank Board Building and $417,898 to cover site studies, appraisals, and architectural design cost. Title to this land was acquired in the name of the United States on January 17, 1968, by institution of condemnation proceeding by the Attorney General.

Table A-9.—Federal Home Loan Bank Board: Comparative Statement of Income, Expense, and Retained Earnings, Calendar Years 1969 and 1968

Income, expenses, and retained earnings	1969	1968	Net change
Income:			
Examination fees, examinations of savings and loan institutions	$9,060,285	$9,821,792	$−761,507
Assessments against:			
Federal Home Loan Banks	3,145,829	2,818,323	327,506
Federal Savings and Loan Insurance Corporation	7,353,038	5,870,779	1,482,259
Reimbursements for services performed for other agencies	144,663	223,945	−79,282
Leases—Federal Home Loan Bank Board property	183,944	106,931	77,013
Conservatorship	0	36,013	−36,013
Miscellaneous	6,303	3,902	2,400
Total income	19,894,062	18,881,685	1,012,376
Expenses:			
Personnel compensation	14,167,889	13,227,845	940,044
Personnel Benefits	1,076,465	1,030,099	46,366
Travel and transportation of persons	2,237,727	2,403,911	−166,184
Transportation of things	10,155	10,304	−149
Rent, communications, and utilities	970,907	918,216	52,691
Printing and reproduction	178,913	71,881	107,032
Other services	175,688	374,492	−198,804
Services of other agencies	57,788	43,606	14,182
Supplies and materials	156,320	136,971	19,349
Equipment	112,578	121,606	−9,028
Interest on Federal Home Loan Bank loans	252,260	236,377	15,883
Total expenses	19,396,690	18,575,308	821,382
Income in excess of expenses	497,372	306,377	190,994
Retained earnings at beginning of year	1,422,644	1,116,267	306,378
Retained earnings at end of year	1,920,016	1,422,644	497,372

Table A-10.—FSLIC-Insured Savings and Loan Associations: Number and Assets by Type, December 31, 1969

[Amounts in Thousands]

District and State	All		Federal		State	
	Number	Assets	Number	Assets	Number	Assets
UNITED STATES [1]	4,438	$156,787,743	2,071	$87,301,961	2,367	$69,485,782
District No. 1—Boston	132	4,266,094	73	3,302,434	59	963,660
Connecticut	36	1,447,942	18	1,075,007	18	372,936
Maine	25	209,481	9	106,545	16	102,936
Massachusetts	36	1,762,443	35	1,760,142	1	2,301
New Hampshire	20	335,552	7	239,773	13	95,778
Rhode Island	8	426,780	2	50,691	6	376,089
Vermont	7	83,896	2	70,276	5	13,620
District No. 2—New York	423	16,622,575	121	8,395,496	302	8,227,079
New Jersey	218	6,147,051	27	961,989	191	5,185,062
New York	196	10,134,550	85	7,092,533	111	3,042,017
Puerto Rico	9	340,974	9	340,974	...	...
District No. 3—Pittsburgh	351	7,621,464	157	4,861,899	194	2,759,565
Delaware	5	76,150	3	49,845	2	26,305
Pennsylvania	316	7,130,575	131	4,446,551	185	2,684,024
West Virginia	30	414,739	23	365,503	7	49,236
District No. 4—Greensboro	707	23,275,304	469	17,869,067	238	5,406,237
Alabama	59	1,177,455	51	1,016,773	8	160,683
District of Columbia	21	2,339,446	7	631,097	14	1,708,349
Florida	134	8,250,677	129	8,113,139	5	137,538

Georgia	104	2,678,882	100	2,665,064	4	13,817
Maryland	86	2,643,400	64	2,082,786	22	560,614
North Carolina	169	2,951,528	39	1,090,129	130	1,861,399
South Carolina	70	1,567,338	47	1,148,814	23	418,523
Virginia	64	1,666,578	32	1,121,265	32	545,314
District No. 5—Cincinnati	521	14,581,197	299	8,635,549	222	5,945,648
Kentucky	104	1,711,454	90	1,594,024	14	117,430
Ohio	347	11,062,067	139	5,233,849	208	5,828,218
Tennessee	70	1,807,676	70	1,807,676	....	....
District No. 6—Indianapolis	239	7,686,628	142	5,721,275	97	1,965,353
Indiana	174	3,568,092	104	2,762,312	70	805,780
Michigan	65	4,118,537	38	2,958,963	27	1,159,573
District No. 7—Chicago	607	17,109,193	187	9,486,385	420	7,622,808
Illinois	472	13,505,755	144	8,075,644	328	5,430,111
Wisconsin	135	3,603,438	43	1,410,740	92	2,192,697
District No. 8—Des Moines	294	9,426,059	158	6,243,905	136	3,182,155
Iowa	80	1,791,797	44	1,125,165	36	666,632
Minnesota	64	3,063,923	53	2,939,232	11	124,691
Missouri	124	3,896,767	45	1,780,126	79	2,116,641
North Dakota	11	449,024	7	212,704	4	236,320
South Dakota	15	224,548	9	186,677	6	37,871
District No. 9—Little Rock	506	11,208,705	198	4,307,148	308	6,901,557
Arkansas	63	918,086	40	731,800	23	186,287
Louisiana	104	2,129,522	36	534,229	68	1,595,294
Mississippi	40	647,238	31	537,085	9	110,152
New Mexico	30	460,633	10	237,624	20	223,009
Texas	269	7,053,225	81	2,266,410	188	4,786,815

See footnote at end of table.

Table A-10.—FSLIC-Insured Savings and Loan Associations: Number and Assets by Type, December 31, 1969—Continued

[Amounts in Thousands]

District and State	All		Federal		State	
	Number	Assets	Number	Assets	Number	Assets
District No. 10—Topeka	237	6,601,132	100	3,750,519	137	2,850,613
Colorado	55	2,129,145	20	1,065,034	35	1,064,110
Kansas	89	1,948,295	29	1,138,333	60	809,962
Nebraska	41	1,092,069	21	505,109	20	586,960
Oklahoma	52	1,431,623	30	1,042,043	22	389,581
District No. 11—San Francisco	264	32,401,708	76	10,555,085	188	21,846,623
Arizona	13	971,102	3	430,060	10	541,042
California	245	30,812,153	72	10,030,867	173	20,781,286
Nevada	6	618,453	1	94,158	5	524,294
District No. 12—Seattle	157	5,987,683	91	4,173,198	66	1,814,485
Alaska	3	65,778	3	65,778	....	....
Hawaii	10	513,729	2	121,753	8	391,977
Idaho	11	291,117	8	257,968	3	33,149
Montana	12	250,355	10	220,583	2	29,772
Oregon	30	1,383,360	18	930,332	12	453,028
Utah	14	792,352	6	354,890	8	437,463
Washington	64	2,514,351	35	2,077,089	29	437,262
Wyoming	12	171,616	9	144,805	3	26,811
Guam	1	5,023	....	....	1	5,023

[1] Discrepancies due to rounding.

Table A-11.—All Operating Savings and Loan Associations: Assets, Liabilities, and Reserves, 1945–69

[In millions]

End of period	Assets				Total assets, total liabilities, reserves and surplus	Liabilities				
	Cash	U.S. Government securities	Mortgage loans	Other assets		Savings capital	FHLB advances, other borrowed money	Loans in process	Other liabilities	Reserves and surplus
1945	$450	$2,420	$5,521	$356	$8,747	$7,365	$336	$112	$290	$644
1946	536	2,009	7,276	381	10,202	8,548	402	210	291	751
1947	560	1,740	8,971	416	11,687	9,753	542	268	269	855
1948	663	1,455	10,409	501	13,028	10,964	590	228	277	969
1949	880	1,462	11,714	566	14,622	12,471	499	268	278	1,106
1950	924	1,487	13,749	733	16,893	13,992	900	403	318	1,280
1951	1,066	1,603	15,654	899	19,222	16,107	894	411	357	1,453
1952	1,289	1,787	18,476	1,108	22,660	19,195	944	495	368	1,658
1953	1,479	1,920	22,037	1,297	26,733	22,846	1,027	554	405	1,901
1954	1,971	2,013	26,180	1,469	31,633	27,252	950	789	455	2,187
1955	2,063	2,338	31,466	1,789	37,656	32,142	1,546	912	499	2,557
1956	2,119	2,782	35,775	2,199	42,875	37,148	1,347	887	543	2,950
1957	2,146	3,173	40,049	2,770	48,138	41,912	1,379	856	628	3,363
1958	2,585	3,819	45,627	3,108	55,139	47,976	1,444	1,161	713	3,845
1959	2,183	4,477	53,141	3,729	63,530	54,583	2,387	1,293	874	4,393
1960	2,680	4,595	60,070	4,131	71,476	62,142	2,197	1,186	968	4,983
1961	3,315	5,211	68,834	4,775	82,135	70,885	2,856	1,550	1,136	5,708
1962	3,926	5,563	78,770	5,346	93,605	80,236	3,629	1,999	1,221	6,520

See footnotes at end of table.

Table A-11.—All Operating Savings and Loan Associations: Assets, Liabilities, and Reserves, 1945–69 Continued

[In millions]

End of period	Assets				Total assets, total liabilities, reserves and surplus	Liabilities				
	Cash	U.S. Government securities	Mortgage loans	Other assets		Savings capital	FHLB advances, other borrowed money	Loans in process	Other liabilities	Reserves and surplus
1963	3,979	6,445	90,944	6,191	107,559	91,308	5,015	2,528	1,499	7,209
1964 [1]	4,015	6,966	101,333	7,041	119,355	101,887	5,601	2,239	1,729	7,899
1965 [2]	3,900	7,414	110,306	7,960	129,580	110,385	6,444	2,198	1,849	8,704
1966 [3]	3,366	7,762	114,427	8,378	133,933	113,969	7,462	1,270	2,136	9,096
1967 [4]	3,442	9,180	121,805	9,107	143,534	124,493 [r]	4,775 [r]	2,257	2,463	9,546
1968 [r]										
January [5]	2,861	9,442	122,007	9,168	143,478	124,065	4,773	2,180	2,900	9,560
February	2,898	9,715	122,549	9,341	144,503	124,653	4,634	2,181	3,479	9,556
March	2,943	9,914	123,338	9,408	145,603	125,932	4,550	2,302	3,273	9,546
April	2,803	9,772	124,218	9,410	146,203	125,637	4,846	2,440	3,739	9,541
May	2,760	10,117	125,176	9,742	147,795	126,399	4,995	2,565	4,300	9,536
June [6]	3,006	9,844	125,906	9,594	148,350	127,892	5,234	2,595	2,775	9,854
July [7]	2,449	9,722	126,626	9,542	148,339	127,290	5,315	2,539	3,350	9,845
August	2,409	9,627	127,503	9,653	149,192	127,680	5,312	2,443	3,921	9,836
September	2,528	9,556	128,315	9,643	150,042	128,812	5,363	2,427	3,604	9,836
October	2,568	9,629	129,164	9,701	151,062	129,316	5,373	2,422	4,118	9,833
November	2,693	9,696	129,899	9,942	152,230	129,972	5,371	2,398	4,651	9,838
December	2,962	9,555	130,802	9,571	152,890	131,618	5,705	2,449	2,803	10,315

1969 p										
January	2,370	9,944	131,424	9,550	153,288	131,527	5,702	2,408	3,329	10,322
February	2,517	10,143	132,095	9,735	154,490	132,132	5,624	2,475	3,952	10,307
March	2,548	10,160	133,012	10,042	155,762	133,502	5,651	2,649	3,662	10,298
April	2,378	9,892	134,038	10,050	156,358	132,986	6,095	2,805	4,176	10,296
May [8]	2,421	9,892	135,026	10,487	157,826	133,480	6,283	2,916	4,862	10,285
June	2,529	9,467	136,242	10,389	158,627	134,839	6,768	3,007	3,339	10,674
July	1,957	9,199	137,107	10,371	158,634	133,729	7,392	2,978	3,864	10,671
August	1,902	9,142	137,951	10,635	159,630	133,721	7,895	2,874	4,471	10,669
September	1,931	9,007	138,618	10,723	160,279	134,600	8,295	2,749	3,972	10,663
October	1,910	8,906	139,226	10,798	160,840	134,194	8,783	2,648	4,553	10,662
November [9]	2,114	9,011	139,676	11,055	161,856	134,420	9,123	2,539	5,119	10,655
December	2,441	8,553	140,209	10,959	162,162	135,489	9,754	2,454	3,239	11,226

r Revised.

p Preliminary.

[1] Data reflect exclusion of a savings and loan association with $11 million in savings and $9 million in mortgages that converted to a mutual savings bank.

[2] Data reflect exclusion of a savings and loan association with $15 million in savings and $13 million in mortgages that converted to a mutual savings bank.

[3] Beginning in 1966, mortgage loans include real estate sold on contract included in other assets in prior years; paid-in surplus of stock associations and specific reserves of all associations that had been included in reserves and surplus in prior years are included in other liabilities. The effect of these definitional changes was to increase mortgages and reduce other assets by $360 million, and to reduce reserves and surplus and increase other liabilities by $210 million. Data also reflect exclusion of a savings and loan association with $31 million in savings and $29 million in mortgages that converted to a commercial bank.

[4] Data reflect exclusion of 4 associations in process of liquidation or dissolution that held $125 million in savings and $142 million in mortgages.

[5] Data reflect exclusion of a savings and loan association holding $179 million in both savings and mortgages that converted to a mutual savings bank.

[6] Data reflect exclusion of 3 associations in process of liquidation that held $157 million in savings and $174 million in mortgages.

[7] Data reflect exclusion of a savings and loan association holding $17 million in both savings and mortgages that converted to a mutual savings bank.

[8] Data reflect exclusion of a savings and loan association holding $148 million in savings and $131 million in mortgages that converted to a commercial bank.

[9] Data reflect exclusion of one association holding $8 million in both savings and mortgages which converted to a savings bank, and one association holding $3 million in both savings and mortgages in process of liquidation.

EXHIBIT I

LEGISLATIVE AND REGULATORY ACTIONS

I. FEDERAL LEGISLATION

A. Public Law 91-71 (September 22, 1969) amended sec. 7 of the Act of September 21, 1966 (Public Law 89-579) to extend rate control to December 22, 1969.

B. Public Law 91-151 (December 23, 1969): amended sec. 5B of the Federal Home Loan Bank Act to authorize rate control over members and certain nonmember institutions, but also provided for the repeal of sec. 5B, effective March 22, 1971; amended sec. 11(i) of the Federal Home Loan Bank Act to increase the amount of Federal Home Loan Bank obligations which may be purchased by the Secretary of the Treasury, to provide a new formula for determining the rate of interest on such purchases, and to provide that the purchasing authority shall be used for supplying funds to the mortgage market at certain times; amended sec. 404 of the National Housing Act to alter the computation of insurance premiums and Secondary Reserve requirements; authorized the Corporation to provide for the order and extent of the application of pro rata shares of the Secondary Reserve in certain cases and to take action to implement legislation amending or supplementing sec. 404; and amended secs. 401(b) and 405(a) of the National Housing Act to increase Federal Savings and Loan Insurance Corporation insurance to $20,000.

C. Housing and Urban Development Act of 1969 Public Law 91-152 (December 24, 1969) amended sec. 5 of the Federal Home Loan Bank Act to alter the limitations upon the maximum interest rate that may be charged by members or nonmember borrowers; amended sec. 5(c) of the Home Owners' Loan Act to permit investment in shares of a corporation organized under Title IX of the Housing and Urban Development Act of 1968 and in partnerships, limited partnerships, or joint ventures formed pursuant to sec. 907(a) or 907(c) of that Act; and amended sec. 404(d)(2)(B) of the National Housing Act and sec. 6(b) of the Act of September 21, 1968 (Public Law 90-505) to alter the computation of additional premiums to be credited to the Secondary Reserve.

II. BOARD REGULATIONS

A. General Regulations of the Federal Home Loan Bank Board

1. Revision of sec. 509.1—Scope of regulations; hearings with respect to sec. 408 (a)(2)(D) of the National Housing Act; amendment of sec. 509.7—Attendance of witnesses; amendment of secs. 509.8(a) and (b)—Depositions [34 F.R. 318-319], effective January 9, 1969.
2. Addition of Part 512—Rules for investigative proceedings and formal examination proceedings [34 F.R. 5569], effective March 25, 1969.
3. Addition of sec. 508.10-1—Waiver or relaxation of regulatory provisions with respect to disaster areas [34 F.R. 6575], effective April 17, 1969.

B. Federal Home Loan Bank System

1. Amendment of sec. 526.4(b)—Institutions paying more than 4.75 percent on regular accounts; amendment of sec. 526.5—Maximum rate of return payable on notice accounts; revocation of sec. 526.6—Average rate limitation [34 F.R. 5151], effective April 1, 1969.
2. Rescission of sec. 531.2—Statement of policy on advances for purchase of loans and participation interests in loans [34 F.R. 7651], effective May 6, 1969.
3. Amendment of sec. 523.12—Holdings of cash and obligations of the United States by members [34 F.R. 9326], effective June 12, 1969.
4. Addition of sec. 526.6—Limitations on advertising of interest or dividends on savings accounts [34 F.R. 9704], effective August 1, 1969.
5. Amendment of sec. 531.7—Interest rates on advances [34 F.R. 13362], effective August 19, 1969.
6. Amendment of sec. 526.4(c) by adding subparagraph (3)—Maximum rates of return payable on certificate accounts in Massachusetts; renumbering former subparagraph (3) as subparagraph (4) [34 F.R. 18849], effective November 26, 1969.
7. Amendment of sec. 523.12—Holdings of cash and obligations of the United States by members [34 F.R. 18850], effective December 1, 1969.
8. Amendment of sec. 526.4(c)—Maximum rate of return payable on certificate accounts, geographic exceptions [34 F.R. 19186], effective December 4, 1969.

9. Amendment of sec. 526.2(b)(2)—Maximum rate of return, exceptions; addition of sec. 526.4-1—Maximum rate of return payable on certain fixed-rate fixed-term certificates [34 F.R. 20264], effective December 19, 1969.
10. Revocation of sec. 523.12—Holdings of cash and obligations of the United States by members; addition of sec. 523.10—Liquidity, definitions; addition of sec. 523.11—Liquidity requirements; addition of new sec. 523.12—Deficiencies and penalties; addition of sec. 523.13—Reports, records as to liquidity; amendment and retitling of sec. 531.6—Continued inclusion of certain obligations of the United States as liquid assets [34 F.R. 20413-20416], effective December 22, 1969.

C. Federal Savings and Loan System

1. Addition of sec. 545.1-2—Savings Deposits, effective June 1, 1969; addition of sec. 545.1-3—Charter provisions, effective January 9, 1969; addition of undesignated paragraph to sec. 547.1—Grounds for appointment of conservator or receiver, effective January 9, 1969; addition of sec. 549.5-1—Deposit associations, effective June 1, 1969 [34 F.R. 547].
2. Amendment of secs. 545.14(b) and (c)—Branch offices; amendment to sec. 545.14-4—Mobile facilities [34 F.R. 2019], effective March 14, 1969.
3. Amendment of sec. 545.8-1—Educational loans [34 F.R. 4884], effective March 7, 1969.
4. Amendment of sec. 545.6-1(b)(4)—Other dwelling units; combinations of dwelling units, including homes and business property involving only minor or incidental business use—Loans not subject to the limitations of sec. 545.6-7 [34 F.R. 5375], effective March 19, 1969.
5. Amendment of sec. 545.1-2(b)(2)—Savings deposits—Term of savings deposits; membership and voting rights, effective June 1, 1969; amendment of sec. 545.3-1(b)—Distribution of earnings at variable rates—Eligibility requirements, effective April 1, 1969 [34 F.R. 5715].
6. Amendment of sec. 555.4(a)—Real estate loans, security for; shares pledged for excess over 90% loaned, under sec. 545.6-1(a)(4) [34 F.R. 7651], effective May 14, 1969.
7. Amendment of secs. 545.3(b)(1) and (3)—Bonus on fixed-balance accounts [34 F.R. 8021], effective May 22, 1969.
8. Amednment of sec. 545.1—Savings accounts, membership fee [34 F.R. 8903], effective June 1, 1969.

9. Amendment of sec. 545.1-1(b)—Distribution of earnings on bases, terms, and conditions other than those provided by charter, Quarterly [34 F.R. 8903-8904], effective June 1, 1969.
10. Amendment of sec. 545.1-2(b)—By revising subparagraph (1) and adding subparagraph (4)—Savings deposits, General, Payment of interest; addition of sec. 545.1-4—Other savings deposits; amendment of secs. 545.3-1(a) and (b)—Distribution of earnings at variable rates, General; Eligibility requirements; addition of sec. 545.3-1(b)(4)—Split rates [34 F.R. 8904-8905], effective June 1, 1969.
11. Amendment of sec. 545.8-2—Holdings of cash and obligations of the United States [34 F.R. 9330], effective June 12, 1969.
12. Addition of sec. 545.1-2(b)(5)—Acceptance of share accounts by deposit associations [34 F.R. 9851], effective June 26, 1969.
13. Addition of sec. 545.9-1(f)—Service corporations, Corporate name [34 F.R. 11465], effective August 10, 1969.
14. Addition of sec. 545.6-23—Loans on single-family dwelling subject to sec. 23 of the United States Housing Act of 1937, as amended [34 F.R. 11464-11465], effective July 11, 1969.
15. Amendment of sec. 545.6-12(b)—Loan payments and prepayments [34 F.R. 12025], effective July 17, 1969.
16. Amendment of sec. 545.14(b) by addition of a new proviso—Branch office eligibility; addition of sec. 556.5(d)—Establishment of branch offices and mobile facilities [34 F.R. 12661], effective July 31, 1969.
17. Amendment of sec. 556.2—Statement of Policy on Mergers [34 F.R. 13587], effective August 23, 1969.
18. Addition of sec. 545.25—Indemnification of association personnel [34 F.R. 13864], effective October 1, 1969.
19. Amendment of sec. 556.2(e)(2)—Mergers—Considerations as to directors, officers, attorneys, consultants, and employees, advisory boards or committees [34 F.R. 16609], effective October 17, 1969.
20. Addition of sec. 545.7-1—Mobile home financing [34 F.R. 18418], effective November 19, 1969.
21. Amendment of sec. 545.8-2—Holdings of cash and obligations of the United States [34 F.R. 18850], effective December 1, 1969.
22. Amendment of sec. 545.1-1(f)—Computation of earnings for distribution; amendment of sec. 545.3-1(d)(2)—Time and manner of distributing earnings [34 F.R. 19187], effective December 1, 1969.
23. Amendment of sec. 545.1-4(f)—Other savings deposits—Withdrawal prior to expiration of term; addition of sec. 545.3-1(h)—Distribution of earnings at variable rates, provision applicable to certain accounts [34 F.R. 20264-20266], effective December 4, 1969.
24. Amendment of sec. 545.6-20—Loans and investments guaranteed under the Foreign Assistance Act of 1961; amendment of sec. 545.6-21—

Loans on securities; deletion of sec. 545.8-2—Holdings of cash and obligations of the United States; amendment of sec. 545.8-3—Insured loans for title purchase; amendment of sec. 545.9—Securities and other investments; revocation of sec. 545.9-3—Investments in time deposits; rescission of sec. 556.1—Inclusion of time deposits as cash [34 F.R. 20415], effective December 19, 1969.

25. Addition of proviso to sec. 545.3(b) after subparagraph (9)—Bonus on monthly-payment and fixed-balance accounts [35 F.R. 178], effective December 30, 1969.

D. Insurance of Accounts

1. Amendment of sec. 561.5a—Definition of political subdivision [34 F.R. 247], effective January 8, 1969.
2. Addition of sec. 563.7-1—Savings deposits or shares of Federal savings and loan associations [34 F.R. 550], effective January 9, 1969.
3. Addition of Part 563a—Minimum Security Devices and Procedures [34 F.R. 621-623], effective February 15, 1969.
4. Amendment of sec. 569.4(b)—Institutions paying more than 4.75 percent on regular accounts; sec. 569.5—Maximum rate of return payable on notice accounts; revocation of sec. 569.6—Average rate limitation [34 F.R. 5151], effective April 1, 1969.
5. Addition of sec. 563.32—Payment of trustee fees on pension trust accounts [34 F.R. 5376], effective March 19, 1969.
6. Amendment of sec. 563.18—Reports to the corporation; amendment of sec. 563.19—Bonds for directors, officers, employees, and agents; form and amount of bonds [34 F.R. 6279], effective May 9, 1969.
7. Addition of sec. 563.13(b)(6)—Required amounts and maintenance of Federal insurance reserve, Semiannual credits [34 F.R. 8021], effective May 22, 1969.
8. Amendment of sec. 563.1—Forms of certificates and passbooks; amendment of sec. 563.2—Simple form of certificate; passbooks; addition of sec. 563.3-1—Fixed-rate, fixed-term accounts; amendment of sec. 563.7-1—Savings deposits or shares of Federal savings and loan associations [34 F.R. 8905-8906], effective June 1, 1969.
9. Addition of sec. 569.6—Limitations on advertising of interest or dividends on savings accounts [34 F.R. 9704-9705], effective August 1, 1969.
10. Amendment of sec. 571.5—Statement of Policy on mergers [34 F.R. 13588], effective August 23, 1969.
11. Amendment of secs. 563.13(b)(5) and (6)—Required amounts and maintenance of Federal insurance reserve [34 F.R. 18419], effective November 19, 1969.

12. Amendments of secs. 563.9-1(b)(1) and (2), 563.9-1(d), addition of sec. 563.9-1(f)(3)—Participation loans [34 F.R. 18419], effective November 19, 1969.
13. Amendment of sec. 569.4(c) by adding subparagraph (3)—Maximum rate of return payable on certificate accounts in Massachusetts; renumbering former subparagraph (3) as subparagraph (4) [34 F.R. 18850], effective November 26, 1969.
14. Amendment of sec. 569.4(c)—Maximum rate of return payable on certificate accounts, geographic exceptions [34 F.R. 19188], effective December 4, 1969.
15. Amendment of sec. 563.3-1(d)—Fixed-rate, fixed-term accounts—Withdrawal prior to expiration of term [34 F.R. 20266], effective December 19, 1969.
16. Amendment of sec. 569.2(b)(2)—Maximum rate of return, exceptions; addition of sec. 569.4-1—Maximum rate of return payable on certain fixed-rate, fixed-term certificates [34 F.R. 20265], effective December 19, 1969.
17. Amendment of sec. 561.17—Definition of specified assets; revocation of secs. 561.18 and 561.19—Definitions of cash and government obligations; recission of sec. 571.2—Statement of Policy on inclusion of time deposits as cash [34 F.R. 20416], effective December 22, 1969.
18. Addition of sec. 563.23-2—Accounting for gains and losses with respect to transactions in securities [34 F.R. 20416], effective December 22, 1969.

E. Savings and Loan Holding Companies

1. Amendment of sec. 584.1(a)—Filing of registration statements and annual reports; amendment of sec. 584.10(a)—Statements, reports, notices to be filed [34 F.R. 3796], effective April 4, 1969.
2. Amendment of sec. 584.6(b) by addition of subparagraph (5)—Interim approval by the Corporation—Holding company indebtedness [34 F.R. 7068], effective May 1, 1969.
3. Amendment of sec. 584.1(a)(2)—Filing of annual reports; addition of sec. 584.1(a)(3)—Filing of H-(b)12; designation of closing paragraph as sec. 584.1(a)(4); amendment of secs. 584.10(a)(1)(i), (iv) and 584.10(a)(2); addition of sec. 584.10(a)(3)—Registration statements and annual reports for savings and loan holding companies under sec. 584.1 [34 F.R. 9208], effective June 30, 1969.

F. Miscellaneous Resolutions

1. Resolution No. 22,506—Rules for authorizing state associations to accept savings deposits if permitted by state law, effective June 1, 1969.

2. Resolution No. 22,862—Statement of Policy on inclusion of obligations of certain agencies or instrumentalities of the United States to meet liquidity requirements; authority of Federal associations to invest in such obligations [34 F.R. 9232], effective June 11, 1969.
3. Resolution No. 22,863—Statement of Policy on inclusion of obligations of certain agencies or instrumentalities of the United States as "Government Obligations" [34 F.R. 9232], effective June 11, 1969.
4. Resolution 23,631—Rescission of Statements of Policy relating to liquidity and obligations of certain agencies of the United States, Resolution Nos. 22,862 and 22,863 [34 F.R. 20449], effective December 22, 1969.
5. Resolution No. 23,674—Approval of an account form [35 F.R. 191], effective December 30, 1969.

EXHIBIT II

BOARD OF DIRECTORS, EACH FEDERAL HOME LOAN BANK

DISTRICT 1
BOSTON

Chairman, FRANCIS X. MORRISSEY
Vice Chairman, ALBERT E. GRANT

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
HENRI A. BENOIT	Chairman of the board, A. H. Benoit & Co., Portland, Maine.	1969
FRANCIS X. MORRISSEY	Judge, Boston Municipal Court, Boston, Mass.	1970
ALBERT C. JACOBS	President emeritus, Trinity College, Hartford, Conn.	1971
DENNIS J. ROBERTS	Attorney, Roberts & McMahon, Providence, R. I.	1972
Elected by members		
CHARLES J. ANDERSON	President, First FS&LA of New Haven, New Haven, Conn.	1969
ALBERT E. GRANT	Senior vice president and treasurer, Sun FC&LA of Portland, Portland, Maine	1969
CHARLES C. HORTON	Executive vice president, Old Colony Co-operative Bank, Providence, R. I.	1969
VACANT	....	1969
WALTER E. BORIGHT	President and treasurer, Waverley Co-operative Bank, Belmont, Mass.	1970
RICHARD E. HALE	President and chairman of the board, First FC&LA of Boston, Boston, Mass.	1970
WILLIAM J. HAMILTON	President, Amoskeag Savings Bank, Manchester, N. H.	1970
A. HADLEY SHUMWAY	Secretary-treasurer, Brattleboro Co-operative S&LA, Brattleboro, Vermont.	1970

DISTRICT 2
NEW YORK

Chairman, EDWARD B. CROSLAND
Vice Chairman, HORACE E. DAVILA

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
EDWARD B. CROSLAND	Vice president, American Telephone & Telegraph Co., New York, N. Y.	1969
GORDON W. MCKINLEY	Vice president-Economics, McGraw-Hill, Inc., New York, N. Y.	1970
RICHARD G. DUNCAN	President of the Business Information Division, Dun & Bradstreet, Inc., New York, N. Y.	1971
FREDERIC N. MELIUS, JR.	President, United States Freight Co., New York, N. Y.	1972
Elected by members		
HORACE E. DAVILA	President, First FS&LA of Puerto Rico, Santurce, Puerto Rico	1969
CHARLES F. KENNY	President, Island FS&LA, Hempstead, New York	1969
PHILIP M. LIEBSCHUTZ	President and director, Columbia Banking, S&LA, Rochester, N. Y.	1969
FRANK B. PARKER, JR.	Executive vice president and secretary, The United S&LA of Trenton, New Jersey, Trenton, N.J.	1969
ROBERT E. SMALL	President, First FS&LA of Hammonton, Hammonton, N.J.	1969
WILTON T. BARNEY	President, Oritani S&LA, Hackensack, New Jersey	1970
ROBERT J. GROGAN	President, Lakeland S&LA, Dover, New Jersey	1970
GEORGE A. MOONEY	President and chief executive officer, Washington Heights FS&LA, New York, N.Y.	1970
JOHN E. ROBERTS	President, Homestead S&LA, Buffalo, New York	1970
DAVID P. SEAMAN	Chairman of the board, Suffolk County FS&LA, Babylon, N. Y.	1970
MICHAEL ZARRILLI	President, West Side FS&LA of New York City, New York, N.Y.	1970

DISTRICT 3
PITTSBURGH

Chairman, Albert B. Martin
Vice Chairman, E. L. Breinig

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
ALBERT B. MARTIN	Professor, Political Science Dept., University of Pittsburgh, Pittsburgh, Pa.	1969
THOMAS R. BALABAN	Attorney, Shaffer, Calkins and Balaban, Harrisburg, Pa.	1970
BERNARD G. SAMPSON	President, The B. G. Sampson Engineering Co., Fairmont, West Virginia	1971
JAMES T. DOOLEY	Senior financial vice president, John Wanamaker, Philadelphia, Pennsylvania	1972
Elected by members		
E. L. BREINIG	President, Troy Hill FS&LA, Pittsburgh, Pa.	1969
ARDIE J. DILLEN	Executive vice president and secretary, Reliance S&LA, Altoona, Pa.	1969
JOEL R. KEEN	Executive vice president, S&LA of South Philadelphia, Philadelphia, Pa.	1969
JOHN S. MADORE	President, State College FS&LA, State College, Pa.	1969
JACOB ISACOFF	Executive vice president, Charleston FS&LA, Charleston, W. Va.	1970
ALBERT L. JEFFERIS	President, Delaware S&LA, Wilmington, Delaware	1970
FRANCIS E. MCGILL	President, Roxborough-Manayunk FS&LA, Philadelphia, Pa.	1970
JOHN M. O'BRIEN	President, West Ward S&LA, Shamokin, Pa.	1970

DISTRICT 4
GREENSBORO

Chairman, JOHN W. THOMPSON, JR.
Vice Chairman, HOLLIS E. MORRIS

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
JOHN W. THOMPSON, JR.	Vice president, The Evening Star, Washington, D. C.	1969
CHARLES H. HAMILTON	Assistant to the president, Richmond Newspapers, Inc., Richmond, Va.	1970
CLYDE PERRY	Investment broker, Tampa, Fla.	1971
J. GRAYSON LUTTRELL	Vice chairman of the board, emeritus, McCormick and Co., Inc., Baltimore, Md.	1972

Elected by members

RICHMOND H. GIBSON	President, Northwestern FS&LA, Washington, D. C.	1969
JOHN A. HARDIN	President, First FS&LA, Rock Hill, South Carolina	1969
JOHN H. RANDOLPH, JR.	President, First FS&LA of Richmond, Richmond, Va.	1969
A. R. SIMMONS	President, First FS&LA, Jasper, Alabama	1969
SAM WHEATLEY BORDEN	Chairman of the board and chief executive officer, Loyola FS&LA, Baltimore, Md.	1970
ARCHIE B. CARTER	President, Workmen's FS&LA, Mount Airy, North Carolina	1970
HOLLIS E. MORRIS	President, Fulton FS&LA of Atlanta, Atlanta, Georgia	1970
GEORGE B. PRESTON	President, Fidelity FS&LA of West Palm Beach, West Palm Beach, Fla.	1970

DISTRICT 5
CINCINNATI

Chairman, Athens Clay Pullias
Vice Chairman, Charles W. Reusing

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
ATHENS CLAY PULLIAS	President, David Lipscomb College, Nashville, Tennessee	1969
RICHARD E. GUGGENHEIM	Vice president and secretary, The United States Shoe Corp., Cincinnati, Ohio	1970
ROBERT C. SNYDER	Executive vice president and general manager, Dayton Newspapers, Incorporated, Dayton, Ohio	1971
VACANT	....	1972

Elected by members

CLARENCE P. BRYAN	President, The Cuyahoga SA, Cleveland, Ohio	1969
WILLIAM M. LAUFENBURG	President, Greater Louisville First FS&LA, Louisville, Ky.	1969
ROGER J. MCGURK	President, First FS&LA of Lexington, Lexington, Ky.	1969
CHARLES W. REUSING	President, Cincinnati FS&LA, Cincinnati, Ohio	1969
DAVID B. ALBRIGHT	President, The Akron S&L Co., Akron, Ohio	1970
JAMES EDWARDS	President, Kingsport FS&LA, Kingsport, Tennessee	1970
J. PARKER EVANS	President, Home FS&LA of Hamilton, Hamilton, Ohio	1970
GEORGE MAY	Secretary-treasurer, Tipton County FS&LA of Covington, Covington, Tennessee	1970
JOHN C. PORTER	Executive vice president and secretary, Fidelity FS&LA, Cincinnati, Ohio	1970
ARLO M. SMITH	President, The Second FS&LA of Cleveland, Cleveland, Ohio	1970

DISTRICT 6
INDIANAPOLIS

Chairman, HERMAN B WELLS
Vice Chairman, FRED C. REYNOLDS

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
REID BRAZELL	President, Leonard Refineries, Inc., Alma, Michigan	1969
HERMAN B. WELLS	Chancellor, Indiana University, Bloomington, Indiana	1970
MURRAY D. VAN WAGONER	Consulting engineer, Penobscot Building, Detroit, Michigan	1971
RICHARD O. RISTINE	Vice president, L. S. Ayres and Co., Indianapolis, Indiana	1972
Elected by members		
WALTER C. BURT	Executive vice president and manager, Mutual Home FS&LA of Muncie, Muncie, Indiana	1969
EARL T. HOOVER	Executive vice president and secretary, Anderson FS&LA, Anderson, Indiana	1969
MILTON S. MARTIN	President, Union FS&LA, Indianapolis, Indiana	1969
FRED C. REYNOLDS	President, Kalamazoo S&LA, Kalamazoo, Michigan	1969
ERNEST H. COLLINS	President, Greencastle FS&LA, Greencastle, Indiana	1970
WILLIAM R. FISCHER	President, Dearborn FS&LA, Dearborn, Michigan	1970
WILLARD T. JORDAN	President and chairman of the board, Henry County S&LA, New Castle, Indiana	1970
HARRY S. PALMER	Executive vice president and secretary, First SA of Dowagiac, Dowagiac, Michigan	1970
RICHARD J. PORTER	President, First FS&LA of Battle Creek, Battle Creek, Michigan	1970

DISTRICT 7
CHIGACO

Chairman, CORNELIUS T. YOUNG
Vice Chairman, STEPHEN L. RUFF

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
EDWARD J. O'DONNELL	Chancellor, Marquette University, Milwaukee, Wisconsin	1969
BRUCE SAGAN	Publisher, Economist Newspapers, Chicago, Illinois	1970
CORNELIUS T. YOUNG	Vice president, Wisconsin Electric Power Co., Milwaukee, Wisconsin	1971
VACANT	....	1972
Elected by members		
JUDSON J. RIKKERS	President, First FS&LA of Fond du Lac, Fond du Lac, Wisconsin	1969
STEPHEN L. RUFF	President and managing officer, West Highland S&LA, Chicago, Ill.	1969
ARTHUR W. WELLMAN	President, Provident S&LA, Madison, Wisconsin	1969
SYLVESTER WOOD	President, Badger FS&LA, Milwaukee, Wisconsin	1969
HARVEY P. CLEVEN	President, Community S&LA, Chicago, Ill.	1970
DONALD T. CORR	President, Kenosha S&LA, Kenosha, Wisconsin	1970
ERVEN F. JURS	President, First FS&LA of Elgin, Elgin, Illinois	1970
E. CLIFFORD MARQUARDT	President, North America Savings, Forest Park, Ill.	1970
JAMES G. SCHNEIDER	President and manager, Kankakee FS&LA, Kankakee, Ill.	1970
REX A. WEBER	President and managing officer, Security FS&LA, Springfield, Ill.	1970

DISTRICT 8
DES MOINES

Chairman, HENRY H. EDMISTON
Vice Chairman, RUSSELL M. JOHNSON

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
JOHN H. FARLEY	Director, Management Center, College of St. Thomas, St. Paul, Minnesota	1969
LESTER L. COX	President, Springfield Television, Inc. KYTV, Ozark Tractor & Implement Co., Springfield, Mo.	1970
HENRY H. EDMISTON	Vice president, Kansas City Life Insurance Co., Kansas City, Mo.	1971
JOHN D. ADAMS	Executive, retired, Des Moines, Iowa.	1972
Elected by members		
DEAN D. ARMSTRONG	Executive vice president and secretary, First FS&LA of Grand Rapids, Grand Rapids, Minnesota	1969
BURTON R. HYNDEN	President, Perpetual S&LA, Cedar Rapids, Iowa	1969
PROUTY LINN	President, First FS&LA of Sioux City, Sioux City, Iowa.	1969
J. H. RUDDY	Executive vice president and secretary, First FS&LA of Huron, Huron, South Dakota	1969
JOHN H. ARMBRUSTER	President, Community FS&LA, St. Louis, Missouri.	1970
ROBERT F. HOEFER	President, North American SA, Kansas City, Mo.	1970
RUSSELL M. JOHNSON	President, Twin City FS&LA, Minneapolis, Minnesota	1970
NORMAN M. JONES	President, Metropolitan S&LA, Fargo, North Dakota	1970
R. G. WYATT	President, The United S&LA, Lebanon, Missouri	1970

DISTRICT 9
LITTLE ROCK

Chairman, William J. Smith
Vice Chairman, Aubrey L. Steele

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
GEORGE T. BARROW	Attorney, Barrow, Bland & Rehmet, Houston, Texas.	1969
CLAUDE H. ROBERTS	Executive, retired, Mansfield, Louisiana.	1970
RALPH S. TRIGG	President, Western American Life Insurance Co., Albuquerque, New Mexico.	1971
WILLIAM J. SMITH	Attorney, Smith, Williams, Friday & Bowen, Little Rock, Arkansas.	1972

Elected by members

W. PATRICK AERTKER, JR.	Executive vice president, First FS&LA, Alexandria, Louisiana	1969
FRANK L. COFFMAN, JR.	President, Harrison FS&LA, Harrison, Arkansas	1969
CURTIS M. HENNESY	President, Dryades S&LA, New Orleans, Louisiana	1969
SAM K. SEYMOUR, JR.	President, Colorado County FS&LA, Columbus, Texas	1969
LEO CHESLEY	President, East Texas S&LA of Tyler, Texas, Tyler, Texas	1970
LYNN L. MARTIN	Executive vice president, First FS&LA, Clovis, New Mexico	1970
WALTER W. MCALLISTER, JR.	President, San Antonio SA, San Antonio, Texas	1970
VIRGIL L. MCBRIDE	Executive vice president and secretary, Laurel FS&LA, Laurel, Miss.	1970
AUBREY L. STEELE	President, Security FS&LA, Pampa, Texas.	1970

DISTRICT 10
TOPEKA

Chairman, CHARLES F. BRANNAN
Vice Chairman, MARVIN G. WELSTEAD

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
FREDERICK B. CONRAD	Plant manager, Goodyear Tire and Rubber Co., Topeka, Kansas	1969
CHARLES F. BRANNAN	General counsel, National Farmers Union, Denver, Colorado	1970
VACANT	....	1971
FRANK B. MORRISON	Attorney, Eisenstatt, Morrison, Higgins, Miller, Kinnamon and Morrison, Omaha, Nebraska.	1972

Elected by members

EDWIN G. ALEXANDER	President, Majestic S&LA, Denver, Colorado.	1969
JOHN F. KING	President, First FS&LA of Winfield, Winfield, Kansas.	1969
BILL D. STRANGE	Executive vice president and secretary, Peoples S&LA, Marysville, Kansas.	1969
MARVIN G. WELSTEAD	President, Equitable S&LA of Fremont, Nebraska, Fremont, Nebr.	1969
WILLIAM D. JOHNSON	President, Colorado FS&LA, Denver, Colorado.	1970
GEORGE E. MCKINNIS, JR.	President, First FS&LA of Shawnee, Shawnee, Oklahoma.	1970
RAY MITCHELL	President and chairman of the board, State FS&LA of Tulsa, Tulsa, Oklahoma.	1970
R. C. WYATT	President and secretary, The Peoples S&LA, Sterling, Kansas.	1970

DISTRICT 11
SAN FRANCISCO

Chairman, BENJAMIN H. SWIG
Vice Chairman, F. MARION DONAHOE

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
TIMOTHY L. MCDONNELL	Assistant to the president, University of San Francisco, San Francisco, California.	1969
FRANK C. NEWMAN	Professor, Boalt Hall Faculty, University of California, Berkeley, California.	1970
BENJAMIN H. SWIG	Chairman of the board, Fairmont Hotel, San Francisco, Calif.	1971
ERNEST W. MCFARLAND	Justice, supreme court—State of Arizona, Phoenix, Arizona	1972
Elected by members		
F. MARION DONAHOE	President, Citizens FS&LA, San Francisco, Calif.	1969
LEWIS S. EATON	President, Fresno Guarantee S&LA, Fresno, Calif.	1969
ROBERT T. SOUTER	President, World S&LA, Lynwood, California.	1969
HERBERT J. YOUNG	President and chairman of the board, Gibraltar S&LA, Beverly Hills, California.	1969
CHARLES LEE HORSEY, JR.	President, Home S&LA, Reno, Nev.	1970
GEORGE E. LEONARD	President and chairman of the board, First FS&LA of Phoenix, Phoenix, Arizona.	1970
FRED C. STALDER	President, Central FS&LA of San Diego, San Diego, Calif.	1970
J. RALPH STONE	President and chairman of the board, Santa Rosa S&LA, Santa Rosa, Calif.	1970

DISTRICT 12
SEATTLE

Chairman, THOMAS F. MEAGHER
Vice Chairman, BEN H. BOND, JR.

Appointed by the Federal Home Loan Bank Board		*Term expires Dec. 31—*
DILWORTH S. WOOLLEY	President, Redman Warehousing Corp., Salt Lake City, Utah.	1969
THOMAS F. MEAGHER	President, Lumbermen's Supply Corp., Spokane, Washington.	1970
ROBERT D. HOLMES	Public affairs consultant, Portland, Oregon.	1971
C. W. LEAPHART	Missoula, Montana.	1972
Elected by members		
BEN H. BOND, JR.	President, Territorial S&LA, Honolulu, Hawaii.	1969
ROBERT E. DOIDGE	President, Pioneer S&LA, Salt Lake City, Utah.	1969
J. ALEX MAXWELL	President, Yakima FS&LA, Yakima, Washington.	1969
WALTER SCZUDLO	President and general counsel, First FS&LA of Fairbanks, Fairbanks, Alaska.	1969
JAMES O. HAMM	Executive vice president, First FS&LA of Lewiston, Lewiston, Idaho	1970
MAURICE S. PARMENTER	President, First FS&LA of McMinnville, McMinnville, Oregon.	1970
MARTIN PETERSEN	President, Cheyenne FS&LA, Cheyenne, Wyoming.	1970
JOSEPH E. SWINDLEHURST	Executive vice president, Empire S&LA, Livingston, Montana.	1970

Exhibit III

MEMBERS OF THE FEDERAL SAVINGS AND LOAN ADVISORY COUNCIL SERVING IN 1969

Appointed by the Federal Home Loan Bank Board

Hans Gehrke, Jr., chairman of the board, First Federal Savings and Loan Association, Detroit, Michigan (immediate past president, United States Savings and Loan League).

Arthur H. Courshon, chairman of the board, Washington Federal Savings and Loan Association of Miami Beach, Miami Beach, Florida (president, National League of Insured Savings Association).

William E. Young, State Supervisor, Division of Savings and Loan Associations, Olympia, Washington (president, National Association of State Savings and Loan Supervisors).

Robert J. Hill, president, New Hampshire Savings Bank, Concord, New Hampshire (president, National Association of Mutual Savings Banks).

Bruce Bryan, executive vice president, Metropolitan Washington Savings and Loan League, Washington, D. C.

Eugene A. Gulledge, president, National Association of Home Builders, Greensboro, North Carolina

Elected by Federal Home Loan Banks

BOSTON

Charles C. Horton, executive vice president, Old Colony Co-Operative Bank, Providence, R. I.

NEW YORK

Charles F. Kenny, president, Island Federal Savings and Loan Association, Hempstead, L. I., New York

PITTSBURGH

John S. Madore, president, State College Federal Savings and Loan Association, State College, Pennsylvania

GREENSBORO

George B. Preston, president, Fidelity Federal Savings and Loan Association, West Palm Beach, Florida

CINCINNATI

Clarence P. Bryan, president, Cuyahoga Savings Association, Cleveland, Ohio

INDIANAPOLIS

A. G. Shireman, president, Tower Federal Savings and Loan Association, South Bend, Indiana

CHICAGO

Charles C. Donovan, president, Chicago Heights Federal Savings and Loan Association, Chicago Heights, Illinois

DES MOINES

Philip K. Rausch, president, Home Savings and Loan Association, Waterloo, Iowa

LITTLE ROCK

R. L. Cauthen, president, First Savings and Loan Association, Midland, Texas

TOPEKA

Junius F. Baxter, president, Western Federal Savings and Loan Association, Denver, Colorado

SAN FRANCISCO

Robert T. Souter, president, World Savings and Loan Association, Lynwood, California

SEATTLE

M. L. Dye, president, First Federal Savings and Loan Association, Salt Lake City, Utah

FEDERAL HOME LOAN BANKS

Location and Area Served

FEDERAL HOME LOAN BANK OF BOSTON
Joseph T. Benedict,[1] President—One Union Street, Boston, Mass. 02108
District 1: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont

FEDERAL HOME LOAN BANK OF NEW YORK
Bryce Curry, President—60 Broad Street, New York, N.Y. 10004
District 2: New Jersey, New York, Puerto Rico, and Virgin Islands

FEDERAL HOME LOAN BANK OF PITTSBURGH
Raymond J. Strecker, President—11 Stanwix Street, 4th Floor, Gateway Center, Pittsburgh, Pa. 15222
District 3: Delaware, Pennsylvania, and West Virginia

FEDERAL HOME LOAN BANK OF GREENSBORO
John A. Fogarty, President—444 Elm Street, Greensboro, N.C. 27401
District 4: Alabama, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, and Virginia

FEDERAL HOME LOAN BANK OF CINCINNATI
Albert C. Crew, President—2500 DuBois Tower, Cincinnati, Ohio 45202
District 5: Kentucky, Ohio, and Tennessee

FEDERAL HOME LOAN BANK OF INDIANAPOLIS
Joseph R. Ewers, President—111 Monument Circle, Indianapolis, Ind. 46204
District 6: Indiana and Michigan

FEDERAL HOME LOAN BANK OF CHICAGO
John E. Stripp, President—110 East Wacker Drive, Chicago, Ill. 60601
District 7: Illinois and Wisconsin

FEDERAL HOME LOAN BANK OF DES MOINES
Dean R. Prichett, President—Second at Center, Des Moines, Iowa 50309
District 8: Iowa, Minnesota, Missouri, North Dakota, and South Dakota

FEDERAL HOME LOAN BANK OF LITTLE ROCK
Ennis M. Oakes, President—1400 Tower Building, Little Rock, Ark. 72201
District 9: Arkansas, Louisiana, Mississippi, New Mexico, and Texas

FEDERAL HOME LOAN BANK OF TOPEKA
James W. McBride, President—Seventh and Harrison Streets, Topeka, Kans. 66601
District 10: Colorado, Kansas, Nebraska, and Oklahoma

FEDERAL HOME LOAN BANK OF SAN FRANCISCO
L. E. Woodford, President—1 Bush Street, San Francisco, Calif. 94104
District 11: Arizona, California, and Nevada

FEDERAL HOME LOAN BANK OF SEATTLE
John M. Kleeb, President—600 Stewart Street, Seattle, Washington 98101
District 12: Alaska, Hawaii and Guam, Idaho, Montana, Oregon, Utah, Washington, and Wyoming

Alan C. Knowles, Fiscal Agent, 25 Broadway, New York, New York 10004

[1] As of July 15, 1970, Dr. Kenneth H. Myers became President.

☆ U.S. GOVERNMENT PRINTING OFFICE: 1970 O—397-823