

JOURNAL

Revitalizing America's Older Communities

Page 2



The FEDERAL HOME LOAN BANK BOARD JOURNAL is published monthly by the Federal Home Loan Bank Board in the interests of the Federal Home Loan Bank System, the Federal Savings and Loan System, the Federal Savings and Loan Insurance Corporation, and the Federal Home Loan Mortgage Corporation. A copy is sent to member institutions without charge.

The JOURNAL is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

The domestic subscription price is \$24.50 a year. Foreign subscriptions are \$30.65. Make checks payable to the Superintendent of Documents and send orders directly to him. For your convenience, a subscription form is printed on the back of this issue.

Single copies are not available for purchase. However, a copy will be sent without charge if you write the Board at the address given below.

Complaints about nondelivery of subscriber copies should be addressed to the Service Section, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20401. Telephone (202) 275-3050.

Complaints about nondelivery of copies sent on Board mailing lists or requests for single copies of the magazine should be addressed to the Editor, Federal Home Loan Bank Board Journal, 17th and G Streets, N.W., Washington, D.C. 20552. Telephone (202) 377-6680.

Contents may be reprinted without permission, but credit to the JOURNAL would be appreciated.

Please send the address label from the JOURNAL when requesting a change in your mailing address.

Federal Home Loan Bank Board

Chairman
Robert H. McKinney

Member
Anita Miller

Member
Vacant

Communications Office

Director
Frank Bolling

Deputy Director
Robert S. Marshall

Associate Director/MIC
Troy Kelley

Assistant Director/Publications
Watson Fenimore

Administrative Assistant
Brigid C. McMurrugh

FHLBB JOURNAL

Editor
Watson Fenimore

Art Director
Jane Harris

Associate Editor
Adriane L. Despot

Assistant Editor
Peggy Walch

The Mortgage Corporation
Don Hill

Editorial Assistants
Kim Baker
Melissa McFee
Elizabeth B. Vaughn

Graphics
Harry A. Gardner
Amy Lippman

Photography
Raymond C. Chick
Robert Lange
Nancy Legg

**INDIANA UNIVERSITY
LAW LIBRARY**

JOURNAL

February 1979 • Volume 12, No. 2

IU LAW LIBRARY

MAR 21 1979

DEPOSITORY

F.H.L.B. 27:12/2

In This Issue

- 2 **Revitalizing America's Older Communities**
More than 400 S&L's Using \$1.13 Billion in CIF Funds
Alvin Hirshen and Susan Evans
- 11 **McKinney Calls for White House Seminar on Rising Housing Costs**
Cites Regulation as Focus in War on Inflation
- 12 **Money Market Certificates**
New England Thrifts' Views and Experiences
Ann Eggleston
- 15 **S&L Audit Committees**
Membership and Agendas
Albert L. Noyes and Donald R. Caldwell
- 18 **Housing and Economic Developments**
A Quarterly Review
Marshall A. Kaplan
- 22 **Going Stock**
Escape from a Dilemma
J. R. Dixon, III
- 25 **News**
- 28 **Regulations, Rulings, and Opinions**
- 29 **Statistical Series**

Revitalizing America's Older Communities

More than
400 S&L's Using
\$1.13 Billion in
CIF Funds

President Carter, in conjunction with the Federal Home Loan Bank Board, announced the establishment of the 5-year, \$10-billion Community Investment Fund on June 8, 1978, as a vital part of the Bank Board's goal to fully utilize existing thrift industry leadership, capacities, and resources in meeting community investment and development challenges without asking the industry to make unsound loans.

In December 1978, the Office of the District Banks requested of each Bank a profile of associations using CIF and a programmatic breakdown of their activities. More than 400 associations, large and small in urban and rural communities throughout the Nation, are using the Fund. A summary of their efforts, which constitutes a six-month report on the CIF, is the subject of this article.

The Fund is intended to assist member institutions that make special, creative efforts to direct or stimulate lending designed to preserve or revitalize older urban and rural communities. In the first six months of operation, members receiving these specially priced advances have demonstrated an existing and continuing commitment to affirmative lending in older areas and have targeted their lending to low- and moderate-income residents.

Member institutions receiving
*by Alvin Hirshen, Director, Office
of Community Investment, and
Susan Evans, Financial Analyst,
Office of the District Banks*

these funds include savings and loan associations and mutual savings banks. Each Federal Home Loan Bank administers the program under broad guidelines established by the Bank Board. In order to be eligible, each member institution's lending and investment strategies are evaluated for the following characteristics: (1) a qualified urban or community lending specialist or team devoting a substantial amount of time to innovative programs; (2) an active loan marketing program targeted at mature communities with reasonable emphasis on low- to moderate-cost housing; (3) a financial counseling program for assisting low- to moderate-income homebuyers; and (4) a demonstrated commitment to participate in government or privately sponsored programs aimed at community preservation or revitalization. Consistent with the purposes of the Fund, special emphasis will be given to member institutions participating in local partnerships, as well as those undertaking efforts aimed at assisting existing residents in neighborhoods experiencing reinvestment.

In judging the eligibility of a member institution for a Community Investment Fund advance, other factors are taken into account such as management capability, financial soundness, and past record with respect to community lending and lending on a nondiscriminatory basis.

Although, as expected, the program has urban savings and loan participation, member institutions are using this program for both suburban and rural communities. In addition, 24 of the Bank System's 77 minority association members participate in CIF.

Day-to-day operations of the Fund occur at the District Bank level and overall policy administration rests with the Office of the District Banks. In light of her previous experience with urban development and revitalization, Board Member

INDIANA UNIVERSITY
LAW LIBRARY

Table 1.—Participating CIF Associations by Federal Home Loan Bank District

(In millions)

District bank	CIF allocation amount for first year ¹	CIF advances ²	CIF commitments ²	Number of associations with advances and/or commitments	Members partic. as a percent of members borrowing FHL Bank advances	Assn. partic. by asset size (Mil)				Minority assn. partic.	Number of min. mem.
						\$50	\$50-\$99	\$100-\$250	Over \$250		
Boston.....	\$83.6	\$41.0	\$0.0	22	13.3	2	4	9	7	0	2
New York.....	227.6	113.7	0.0	28	13.3	4	3	10	11	1	3
Pittsburgh.....	95.4	45.4	2.8	33	14.9	12	10	7	4	1	2
Atlanta.....	305.8	143.3	3.9	47	9.2	8	3	14	22	5	18
Cincinnati.....	168.2	166.5	1.3	48	13.0	9	8	18	13	4	4
Indianapolis.....	93.4	46.7	0.0	10	6.9	0	2	4	4	0	1
Chicago.....	193.0	96.1	0.0	24	6.5	5	4	7	8	0	4
Des Moines.....	124.8	71.5	28.1	39	17.6	8	10	11	10	0	1
Little Rock.....	142.4	63.8	7.8	41	9.5	21	3	8	9	7	18
Topeka.....	97.2	70.3	0.0	50	25.5	15	11	9	15	1	3
San Francisco.....	374.2	187.0	0.0	42	25.9	6	1	4	31	5	20
Seattle.....	94.4	42.7	4.3	16	11.3	2	2	3	9	0	1
Bank System.....	\$2,000.0	\$1,088.0	\$48.2	400	12.7	92	61	104	143	24	77

Source: Survey of District Banks by Office of District Banks, December 12, 1978.

Notes: 1. Year began June 8, 1978, and ends June 1979. 2. Data as of December 22, 1978.

Table 2.—CIF Programs of Participating Associations

District bank	FHA Title 1	Other FHA	HUD Sect. 8	UDAG	HUD NSA	CDBG	State agency	Counseling program	Task Force		Below mkt. pass thru	Rural program	Urban prog.			Conv. rehab. Prog.
									NHS	NPP			City	Suburb	Mkt.	
Boston.....	22	22	6	2	1	10	10	7	11	3	3	1	18	3	22	20
New York.....	8	17	5	3	1	9	13	5	6	0	2	5	13	10	4	5
Pittsburgh.....	5	5	5	0	1	9	1	10	10	0	1	7	23	6	8	13
Atlanta.....	2	10	12	2	2	23	9	43	23	0	3	8	37	2	38	18
Cincinnati.....	5	13	7	4	0	23	2	20	27	1	3	8	40	0	3	3
Indianapolis.....	4	1	0	0	0	9	0	6	4	0	0	2	7	3	5	10
Chicago.....	22	12	2	0	0	2	0	5	6	2	7	2	18	4	16	20
Des Moines.....	1	6	6	1	0	5	5	20	9	0	0	15	18	6	27	15
Little Rock.....	10	16	3	1	0	10	6	12	15	0	0	9	32	0	19	15
Topeka.....	6	8	6	3	0	7	12	16	10	0	1	38	17	0	48	8
San Francisco.....	0	4	1	0	1	7	12	31	24	0	13	12	48	0	36	25
Seattle.....	4	6	0	2	8	6	5	12	3	0	5	5	12	0	12	7
All Banks.....	89	120	53	18	14	120	75	187	148	6	38	112	283	34	238	159

Source: Survey of District Banks by Office of District Banks, December 12, 1978. Key (left to right): FHA Title 1—Federal Housing Administration—Rehabilitation Insurance. Other FHA—Refers to other FHA insurance programs. HUD Sect. 8—Housing and Urban Development rent subsidiary program. UDAG—Urban Development Action Grant, administered by HUD. HUD NSA—Neighborhood Strategy Area program. CDBG—Community Development Block Grant, administered by HUD. State Agency—State Housing Finance Agency Programs. Task Force, NHS, NPP—

Urban Reinvestment Task Force, Neighborhood Housing Services, Neighborhood Preservation Program. Below Mkt. Pass Thru—Interest reduction pass through programs. Rural Program/Urban Program—An association's program may include both rural and urban areas. Mkt.—Special marketing efforts geared to low and moderate income individuals. Conv. Rehab Prog.—Innovative conventionally financed rehabilitation programs.

Anita Miller has taken an active interest and lead role in ensuring the Fund's success.

The Fund's potential as a resource and encouragement in community revitalization is stressed by the Office of Community Investment, which has the lead responsibility for assisting associations to institutionalize the community investment process.

This report presents data and examples of how the Fund is working after six months of operation.

\$1.13 Billion Allocated

As indicated by table 1, 400 associations have received a total of \$1.13 billion in advances and commitments resulting in an allocation of over half of the Fund's annual target from June 8 to December 22, 1978. Of the \$2 billion allocated for the first year of the program, \$1.088 billion has been advanced

and \$48.2 million has been committed. Nearly 13 percent of the members which normally use the advances window are using the CIF, with the largest participation—approximately 25 percent—in the San Francisco and Topeka Bank Districts.

Associations that use CIF vary in asset size as follows: 38 percent are below \$100 million; 26 percent are



These before (left) and after (right) photographs show a sample of the individual home rehabilitation projects participated in by Des Moines Savings, Des Moines, Iowa.



City Federal, of Elizabeth, N.J., is inaugurating a unique mobile home ownership counseling center which will regularly visit mortgage-deficient areas throughout the State beginning this month.



between \$100 and \$250 million, and 36 percent are above \$250 million. Associations which have received commitments and/or advances include those having assets ranging from \$5.1 million to \$10 billion. The commitments and/or advances range in amounts from \$150,000 to \$30 million.

Table 2 shows that associations participate in a widely diverse combination of State, Federal, and locally sponsored undertakings including FHA Title I, HUD Section 8, UDAG, counseling, and conventional rehabilitation programs.

Federal housing and community development programs are being used by half of the associations, while programs of State agencies are being used by 19 percent of the associations participating in the program. Special marketing efforts for low- and moderate-income neighborhoods are being sponsored by 57 percent of the associations and counseling programs are being undertaken by 47 percent. The Urban Reinvestment Task Force programs receive support from 39 percent of the associations. Ten percent of the participating associations have chosen to pass through their interest savings on the advances in the form of lower interest rates to customers in targeted low- and moderate-income areas as an added incentive to community revitalization.

Fundamental to the concept of revitalizing and developing our communities is the process of private financial institutions working together with local, State, and Federal government and community organizations. In today's environment, where tight money limits resources, the CIF is available to continue public/private partnership efforts to leverage public dollars. Acting as a catalyst, the Fund has served to institutionalize the role of private financial institutions

as an active partner in local community investment and revitalization efforts.

Association Examples

The District Banks have each identified associations in their Districts for illustrating exceptional CIF plans. Summaries of the extensive contributions of these associations follow.

Boston

Mechanics and Farmers Savings Bank, of Bridgeport, Conn., established a \$2-million urban home fund through CIF advances to make loans available for mortgages or home improvements at 1 percent below market. Mechanics and Farmers is also working jointly with Park City Housing and Development Corp. in a program to rehabilitate houses and sell them to low- and moderate-income families. Mechanics and Farmers will provide funds for rehabilitation and permanent mortgage financing.

Milford Federal Savings and Loan Association, Milford, Mass., is targeting loans at older neighborhoods. More than 60 percent of Milford Federal's lending is done in Milford, an area with a substantial amount of mature housing. Milford Federal plans to increase its lending activity in the rehabilitation of older homes. In 1979, it will target \$1.5 million toward underwriting such loans.

New York

City Federal Savings and Loan Association, Elizabeth, N.J., has established an innovative Mobile Home Ownership Counseling Center, which is housed in a large trailer. City Federal expects to deliver its outreach program directly into 10 designated mortgage-deficient communities throughout the State. City Federal took the lead in support of one of the earliest Neighborhood Housing Services programs in the country and the first in New Jersey—that in Plainfield—in 1971.

Central Federal Savings and Loan Association, Long Beach, N.Y., is taking the lead in the revitalization of this once-fashionable resort community. The association is bringing together the various public sectors needed to begin an ongoing, active economic development and housing rehabilitation effort for the beachfront area.

Pittsburgh

Century Federal Savings and Loan Association, Pittsburgh, Pa., plans to make \$14 million in mortgage loans in older areas during the fiscal year 1979. The association supports Neighborhood Housing Services, Inc., Housing Opportunities, Inc., and the Bidwell Cultural Training Center. The association is involved in local government housing programs such as the city of Pittsburgh's Block Grant Program through the city's Home Improvement Loan Program and various HUD and FHA programs, including the Langenheim Section 8 Project.

Provident Savings Association of Philadelphia, Philadelphia, Pa., has been actively involved with community groups such as Cedar Park Neighbors and Spruce Hill Neighbors and has supported the Philadelphia Neighborhood Housing Services program. Ninety percent of the association's lending has been in older areas and 20 to 25 percent of its lending involves property rehabilitation. Through participation in the city of Philadelphia's Phil Gap program, the association is able to grant loans on properties where rehabilitation costs far exceed market value. In an effort to encourage homeownership in older neighborhoods, Provident has set its interest rate 25 to 50 basis points below the average rate in the city.

Perpetual Federal, of Washington, D. C., works closely with tenants in converting older buildings to low- and moderate-income, non-profit cooperatives owned by the occupants. Urban loan specialist Jeff Morris visits the Beecher Low-Rise Cooperative (top photo) in the Northwest area of the city. Tell Court (lower photo) is a similar low-income cooperative project in the Southwest area of Washington and includes 10 buildings with a total of 53 living units. Perpetual Federal hopes to make mortgage financing available to residents as part of a loan marketing effort targeted toward older neighborhoods.



Milford Federal is targeting \$1.5 million toward underwriting loans in mature neighborhoods of its home city, Milford, Mass., in 1979. Extensive rehabilitation converted this once shabby dwelling into an attractive Colonial-type home that readily found a purchaser.



First Federal, of Little Rock, Ark., provided \$1,019,500 in financing for redevelopment of this historic residence into a structure housing professional offices. Sixty-four studio apartment units were constructed in five separate buildings surrounding this main building.

Atlanta

First Federal of Broward County, Ft. Lauderdale, Fla., established one of the first urban lending agency offices in the Southeast to provide loan marketing and counseling services in low- and moderate-income neighborhoods. The association has a full-time community development staff and is participating in the development of the Broward County Community Development Block Grant rehabilitation loan program.

Perpetual Federal Savings and Loan Association, Washington, D.C., has a full-time urban lending staff, as well as in-house training programs for prospective urban loan officers. This association is developing an extensive loan marketing effort targeted toward older neighborhoods and works actively with tenant organizations to assist in the conversion of multifamily projects to cooperatives. Perpetual Federal also actively participates in the local Neighborhood Housing Services program.

Cincinnati

State Savings Company, Columbus, Ohio, has organized a wholly owned subsidiary, The American Home Foundation, Inc., to rebuild selected neighborhoods in the city of Columbus. The foundation works in collaboration with established community groups and the city to identify and arrest the decay of one- to four-family residential structures via purchase, repair, and resale, or through providing mortgage loans for properties which may be characterized as blighted, abandoned, or severely neglected.

Leader Federal Savings and Loan Association, Memphis, Tenn., has established an urban lending department which lends in the inner city for residential, second mortgage, and home improvement loans. Leader Federal is part of an

Urban Lending Review Board which reviews, upon request, inner city loans that have difficulty gaining approval. Leader Federal is participating in a lending consortium that will offer below-market-rate home improvement loans within targeted areas. These loans will be guaranteed by the City of Memphis through a 5-percent risk-indemnity program.

Indianapolis

Mutual Home Federal Savings and Loan Association, Muncie, Ind., helps property owners to make repairs and remodel their homes and assists qualified borrowers in acquiring homes, without regard to location. For several years, Mutual Federal has provided a full range of counseling services.

Mutual works with the Office of Community and Economic Development of Muncie and is planning an outreach home counseling program in several census tracts suggested by the Community Development Office. The association also has designated a community investment officer to act as a liaison with the Community Development Office.

First Federal Savings and Loan Association of Detroit, Detroit, Mich., plans to continue and expand its credit offerings and related services to residents of urban areas with particular emphasis on low- to moderate-income families. Marketing programs include active participation with community groups that exhibit an interest in First Federal's programs. Current activities include: expanded investment in FHA lending programs, Neighborhood Housing Services programs, New Detroit, Inc., the Neighborhood Stabilization Committee, and the Detroit Mortgage Plan.

Chicago

South Milwaukee Savings and Loan Association, South Milwaukee, Wis., works with the city government to select target neigh-

borhoods where mortgages are offered at $\frac{1}{2}$ percent below the normal lending rate. The area chosen is low- to moderate-income and contains homes approaching 100 years of age and in need of rehabilitation.

First Federal Savings and Loan Association of Rockford, Rockford, Ill., has been involved in programs with community groups and the local government for some time, including participation in the city's homesteading program. The association also works closely with the local government in a Community Development Block Grant program in two neighborhoods of Rockford. First Federal added a community revitalization specialist to its staff to offer technical assistance to these rehabilitation programs.

Des Moines

Des Moines Savings and Loan Association, Des Moines, Iowa, is providing advisory service to an alliance of church groups and community organizations involved in the rehabilitation of 10 houses and is contributing funds to purchase material for the project. Association officers serve on the Chamber of Commerce's Urban Affairs Committee, Neighborhood Housing Services program, and the Des Moines Housing Council. The Council's action subcommittee receives CDBG funds from the city for disbursement to neighborhood organizations.

Midwest Federal Savings and Loan Association of Minneapolis, Minneapolis, Minn., is planning a home rehabilitation program with the city of St. Paul. Under this program, the association and the city cooperate to advertise the program, take loan applications, assist homeowners to obtain rehabilitation bids, and arrange for interim



State Savings Co., of Columbus, Ohio, is rebuilding neglected, but basically sound homes in selected neighborhoods through a wholly owned subsidiary. Above is an abandoned home the company plans to rehabilitate in one of the city's older residential neighborhoods.



Provident Savings of Philadelphia is active in property restoration as shown above in these before and after photos of a townhouse restoration project.



First Federal of Detroit provided construction loans for homes now nearing completion on this 110 acres of urban renewal land just east of the city's downtown section. The tract stood empty and desolate for 30 years.

financing at low rates of interest for a substantial rehabilitation.

Little Rock

Dallas Federal Savings and Loan Association, Dallas, Texas, has an active loan marketing program for older communities, with a reasonable emphasis on low- and moderate-cost housing. The association also plans to use mobile units to expand its counseling efforts. Management is extensively involved in urban lending and community development activities, including the local Neighborhood Housing Services program, the CDBG citywide loan program, and the Dallas Mortgage Review Board, and has contributed \$250,000 to the East Dallas Rehabilitation Loan Guarantee Fund. The association, together with the city, the Dallas Urban League, and other private institutions, helped finance an urban market study for the revitalization of three commercial strips. Increasing its already extensive involvement, the association plans to institute a remodeling program involving purchase, rehabilitation and resale of housing in low- and moderate-income neighborhoods and an infill construction program where vacant lots will be purchased and where new housing will be constructed and sold to persons of low and moderate income.

First Federal Savings and Loan Association, Little Rock, Ark., is active in making loans in a local historic district and in a local Neighborhood Housing Services program. First Federal participates in the city of Little Rock's Community Development Block Grant rehabilitation loan program. First Federal also participates in the State of Arkansas Housing Finance Agency loan program for low- and moderate-income families and was instrumental in developing the city of Little Rock's bond program to

provide below-market interest rate mortgages for city residents.

Topeka

Midland Federal Savings and Loan Association, Denver, Colo., has established an 8-member urban lending department with several objectives: (1) to establish a rehabilitation construction revolving loan program using \$250,000 of UDAG funds to lower construction equity requirements and provide 95-percent conventional permanent loans once rehabilitation has been completed; (2) to develop 800 units of rental housing under HUD's Section 221(d)(4) program and FNMA's Tandem Plan in a location being converted from industrial to residential use with UDAG funds; and (3) to provide construction loans for almost \$6 million to support HUD Section 8 units. Since the interest on the construction loans is tax-exempt under Section 11(b) of the National Housing Act, the interest rate to the city can be lowered.

First Federal Savings and Loan Association of Coffeyville, Coffeyville, Kan., has made more than \$900,000 in mortgage loans to finance the purchase of existing homes, finance the construction of new homes, and refinance existing properties for rehabilitation in the community development area of Coffeyville. In addition, about \$200,000 in home improvement loans have been made to persons who do not qualify for the city's Community Development grant program. In this rural area, there are two additional projects under review by the Farmers Home Administration that involve construction loans for apartments for low-income and elderly residents in the Community Development area.

San Francisco

California Federal Savings and Loan Association, Los Angeles, Calif., granted mortgage loans in excess of \$47 million in Los Angeles County during 1977 to buyers in

areas identified by the State as mortgage-deficient. Such lending is not new to California Federal, which opened a branch office in 1970 in the Watts area of Los Angeles, where approximately \$14 million of mortgage loans were originated, compared with savings deposits of less than \$5 million. California Federal passes through savings of ½ percent to recipients of loans made through CIF advances and has committed more than \$13 million in CIF funds to low- and moderate-income families.

Great Western Savings and Loan Association, Beverly Hills, Calif., supports the Neighborhood Housing Services program by: (a) contributing \$42,000 to the California NHS Foundation; (b) participating in the Inglewood and Pasadena NHS programs and in the formation of six NHS organizations in California; (c) having an officer serve on the NHS Board of Trustees; and (d) being a charter member of the California NHS Foundation. The association is also a charter member of the Savings Association Mortgage Company, Inc. As of June 30, 1978, Great Western had more than 14,000 outstanding loans in areas identified by the State as mortgage deficient. The loans represented a balance of \$657 million.

San Diego Federal Savings and Loan Association, San Diego, Calif., established an urban affairs department in 1974 to coordinate its urban lending efforts through its four inner city offices. To further demonstrate its commitment to community lending, an affirmative loan marketing film was produced in June 1977. The association also lends support and assistance to minority charter associations

through an active loan purchase program.

Seattle

Benj. Franklin Savings and Loan Association of Portland, Ore., is involved in programs that may be able to resolve some of the financial problems of Portland's lower income homeowners. These include the Public Interest Lenders program, which provides 6½-percent loans to owner-occupants of residential property, and the Investor Rehabilitation Loan program, designed to provide major rehabilitation funds for investor-owned commercial and residential properties. Benj. Franklin is a founding member of the Lenders' Review Board, provides services through Home Buyers' Clinics, and has formed an urban lending committee.

Pacific First Federal Savings and Loan Association, Tacoma, Wash., is a member of Washington Housing Resources Corporation, a consortium of lenders organized to revitalize Seattle's neighborhoods through a variety of lending programs. Pacific First Federal also provides loan officers to do financial counseling in inner city community service centers. The association is a member of the Portland Development Commission, which administers Community Development Block Grant and HUD 312 loan programs. Pacific First Federal also participates in PDC's Public Interest Lender program and in the Investor Rehabilitation Loan program. The association supports the Tacoma Neighborhood Housing Services program and participates in both Portland's and Seattle's Loan Review Committees.

As indicated by these examples, the Fund encourages associations to

expand existing community investment programs and provides an incentive for associations new to such efforts. There is ample evidence that the Fund is working nationwide to renew our communities.

Terms of CIF Advances

Line of Credit. Initially each eligible member institution was permitted to have a special line of credit of up to 5 percent of total savings for Community Investment Fund advances during the 5-year program period. In recognition of the special needs of smaller institutions, an administrative change was made in August 1978 permitting the Federal Home Loan Banks to allow all associations with less than \$40 million in savings deposits to borrow up to 5 percent of savings, as needed, within the first year, so that smaller associations with a substantial percentage of assets already invested in mature communities could be brought up to the 5-percent limitation more rapidly.

Administered Basis. Advances are granted on an administered basis. Where demand exceeds supply, District Banks may rank applications or approve a smaller volume of advances.

Commitment Fee. Each Bank has the option to charge a commitment fee. Currently, nine Banks have fees, while three Banks have none. Of the nine, six refund the fee when the advance is funded.

Interest Rate. All Community Investment Fund advances are priced at ½ of one percent under the estimated cost of newly issued consolidated obligations of comparable maturities at the time of commitment.

Range of Maturities. Maturities of advances under the Community Investment Fund range from one to five years. The dollar weighted maturity of Community Investment Fund advances made by each Bank averages three years.

Annual Renewable Preferential Rate. The preferential rate for

each Community Investment Fund advance is guaranteed for one year at a time. On each anniversary from the date of disbursement of funds under a Community Investment Fund advance, the Bank determines whether the results of the advance merit the continuation of the preferential rate.

Prepayment Penalty. The prepayment penalty on Community Investment Fund advances is optional with the Banks. Nine Banks employ a prepayment penalty, while three Banks do not.

Fund a Success

The Community Investment Fund—well-received by the industry—is meeting the expectations of its early designers who wanted the fund to encourage associations new to community investment activities and to assist and deepen the existing association efforts.

The Federal Savings and Loan Advisory Council supports the Community Investment Fund. In its November 14, 1978, meeting, the Council passed a resolution encouraging the Federal Home Loan Banks to continue active efforts to inform member associations about the Fund and motivate them to participate. In addition, the Executive Committee of the U.S. Conference of Mayors passed a resolution September 9, 1978, actively supporting the Community Investment Fund. The Fund provides the savings and loan industry an opportunity to contribute toward fulfilling its social responsibility to housing in this Nation's communities.

With \$2 billion a year available to associations, the full amount is expected to be advanced before the Fund's anniversary month—June 1979. ■

McKinney Calls for White House Seminar on Rising Housing Costs

Cites Regulation as Focus in War on Inflation

In the keynote address to the 35th Annual Convention of the National Association of Home Builders, Bank Board Chairman Robert H. McKinney last month declared that housing prices and costs are on the front line of the battle in the Administration's war on inflation.

"Today's runaway housing costs must be contained and this effort will require national attention and immediate action," he told convention delegates meeting in Las Vegas, Nev., January 20.

"I am therefore calling upon the President, with the assistance of Alfred Kahn, his chief inflation fighter, to convene a White House seminar to work in conjunction with the Housing Task Force now studying the inflationary impact on housing. With the leadership of the President, with all significant sectors present, both Government and private, we can make real progress on the housing cost issue, joined together in the cause for creativity.

"We have had enough studies. We all know our business. What we need to do is share our ideas and develop a coordinated attack on the housing problems. We commend the work of the Task Force on Housing Costs under the leadership of the Department of Housing and Urban Development for its comprehensive report. And I'm sure that Task Force shares with me the desire now for action, not further study."

Mr. McKinney told the homebuilders that in just 10 years "the median sales price of a new Ameri-

can home has risen from \$25,000 to \$58,000." Included in the many cost factors contributing to high home prices was one he called "the hidden ogre of the homebuilder's plight—regulation. It is clear," he added, "that regulation is a powerful force adding to the cost of new homes in America today.

"Home prices," Mr. McKinney continued, "have far outstripped the overall national rate of inflation. Last year median home sales prices increased by nearly 15 percent compared with the overall national rate of slightly over 7½ percent. Extending this rate to 1988 would mean a median cost of \$125,000 for a new home! The prospects for the potential homebuyer are ominous."

Reducing Regulation

"A recent study," he said, "concludes that 25 percent of the cost of a new house is the effect, not of regulation, but of over-regulation."

"We all want," Mr. McKinney added, "safe, energy-efficient homes, built under safe working conditions, in attractive communities with clean air and water. Regulation helps us to achieve these goals. These benefits do not, however, come free. To achieve them increases the cost of construction of homes and, naturally, the price."

Mr. McKinney pledged that, at the Federal level, the Bank Board would join in a governmentwide effort to reduce restrictive regulatory controls on the housing industry. He said that a significant proportion of housing costs can be attributed to existing, local regulation. At the Federal level, he added, the Bank Board is currently in the process of reducing its regulatory impact on the savings and loan industry.

"Under the leadership of the President, departments and other agencies are examining the economic impact of their regulations," he said. "What we at the Bank Board want to do is regulate 'just enough' to meet our statutory obligations. In this way, we hope to foster increased competition and a more efficient home mortgage lending industry. It is hard for Government to deregulate. Yet, we stand willing to share our experience with government at both the State and local levels.

"I am convinced that we can meet important policy objectives with far less regulatory control and more efficient operations of Government itself. I see it working at the Bank Board and I believe this experience can be translated to other sectors of Government. Reduced Government regulation can mean reduced new home prices.

Joint Effort Needed

Mr. McKinney challenged the homebuilders to join with the Bank Board to make a national effort on slowing down home construction costs.

"We Americans," he asserted, "have a fantastic capacity to solve our own problems. It is time for a private sector regulator, such as the Bank Board, to take a more active role. The Bank Board doesn't intend to sit back on the housing price issue any longer. This means working with you, as homebuilders, the Administration, and others to plan out our common future instead of having it dropped into our laps. This is our challenge." ■

Money Market Certificates

New England Thrifts' Views and Experiences

On November 22, 1978, the Federal Home Loan Bank of Boston sent questionnaires to all 551 thrift institutions in New England to learn their views on and experiences with 6-month money market certificates. We wanted to know more about this experiment than routine reports could tell us. The certificates would soon begin maturing and no one knew whether thrifts would seek to roll them over (94 percent said they would) or allow them to run off and seek to fund the difference from advances. Mortgage interest rates were high and rising, but were not keeping pace with the climb in the certificate ceiling rate. A good many thrift institutions seemed dissatisfied with the money market certificate and were voicing worries and concerns of all kinds. We needed more information.

Nearly 80 percent of the thrifts surveyed responded within 2 weeks and the answers from these 440 institutions are presented here. To our knowledge, this is the only region-wide survey on MMC's to be publicly reported so far.

More New England thrift institutions are offering the certificates than not. A total of 287 institutions, or 65 percent of the respondents, told us they were currently offering money market certificates. These thrifts reported MMC dollar balances of \$2.5 billion, or about 5½ percent of their current savings capital. Making allowances for MMC balances at thrifts not re-

*by Ann Eggleston
Assistant Director, Economic
Research, Federal Home Loan
Bank of Boston*

sponding to the survey, we estimate that the total amount of MMC's outstanding at *all* New England thrift institutions in late November was \$2.7 billion, about 5.3 percent of their combined savings capital of \$50.5 billion.

Nearly half (47 percent) of the respondents offering the certificates reported that their MMC balances in late November amounted to 2 to 6 percent of their total savings capital. A fairly large group (29 percent) reported MMC balances equalling 6 to 10 percent of total savings. The largest percentage reported by any thrift was 22 percent while, at the other end of the scale, 10 percent reported MMC balances under 2 percent of savings.

Size Matters

We asked respondents to tell us the approximate asset size of their institutions. Based on our knowledge of the asset structure of the industry, we can say that most thrifts not responding to the survey were smaller institutions, although two of the very largest savings banks in New England did not respond. We can also say that a New England thrift institution of \$500 million or more in total assets is twice as likely to be offering MMC's as an institution in the under-\$25 million category. In other words, institutions offering MMC's tend to be larger than those not offering the certificate.

MMC's are least popular in Massachusetts, where only 53 percent of respondents reported offering them. We would guess that most thrifts not responding to the survey are not offering MMC's; this means

it is likely that well over half of all thrift institutions in Massachusetts are not offering the certificates. The same cannot be said for other New England States. In Rhode Island, which ranks next to last in terms of popularity of MMC's, at least one half the thrifts are offering the certificates. Six of the 12 thrifts in the State told us they were offering MMC's, while 2 did not respond, and 4 said they were not offering them.

In both Massachusetts and Rhode Island, the structure of the thrift industry is somewhat unusual, and this may have something to do with these States' low acceptance of MMC's. In Rhode Island, most thrift institutions own their own commercial banks, and it may be that the associated commercial bank is offering MMC's where the thrift is not. The Massachusetts thrift industry is made up of 30 Federal S&L's, 134 cooperative banks, and 163 mutual savings banks. The cooperative banks and mutual savings banks, except for 22 savings banks, are not federally insured. Many of the cooperative banks and a fair number of the savings banks are quite small. Average asset size for the cooperative banks is \$30 million, and most savings banks are under \$100 million in total assets.

Sources and Uses of Funds

What use are thrifts making of MMC deposits? There has been discussion that most MMC funds are being placed in short-term, matched-maturity investments: commercial bank CD's and Federal Home Loan Bank deposits. About one fourth of survey respondents told us that this is, in fact, what they are doing. However, a slightly larger percentage of respondents (27 percent) reported that they are putting the funds into mortgages—

both in mortgage originations and in the secondary market. The largest group of respondents (45 percent) told us they are making both types of investments.

For most thrifts, the bulk of MMC deposits have come from internal transfers from other types of accounts. Nearly 80 percent reported that more than half of their MMC deposits had come from customers' other accounts at their institutions. About 12 percent said the percentage was more than 80 percent. One third said the amount was between 65 and 79 percent. Another third said it was between 50 and 64 percent.

We asked respondents to try to estimate what percentage of their MMC funds had come from commercial banks and other nonthrift sources. We did not expect a full response to this question, but most respondents offering the certificates (240 of 287) tried to give us an estimate.

Some 26 percent said that less than 10 percent of their MMC money had come from commercial banks and other nonthrift sources; 20 percent estimated the amount to be between 10 and 19 percent; 26 percent said it was 20 to 29 percent; and 13 percent put the ratio at 30 to 39 percent.

Seven percent of reporting institutions thought 40 to 49 percent of their MMC funds originated in commercial banks and other nonthrift firms; 5 percent went as high as 50 to 59 percent; 2 percent

guessed the amounts would be between 60 and 69 percent; and one percent of the institutions went as high as 70 to 79 percent.

Rates Paid

We asked respondents what rate they were currently paying on money market certificates and what rate they were planning to pay on rollovers. Over half of respondents answered that they were currently paying the maximum, and nearly as many said they were planning to roll over certificates at the maximum rate possible at the time of the rollover.¹ A small group of respondents (14 percent at the time of the survey) were still uncertain about what rate they would pay on rollovers.

Among respondents saying they were currently paying less than the maximum on MMC's or were planning to roll over their MMC's at less than the maximum, 9 percent was the most popular answer given as the rate they were paying, or were planning to pay, instead. The next most popular answer, rather than a rate cap, in both instances was some rate based on the average 6-month Treasury bill rate, but with no basis points added on or with fewer than 25 basis points tacked on.

Money market certificates have climbed to 5 percent of total savings capital in New England with little help from advertising. Half of respondents said they have done no real advertising—they just had tellers mention the certificates to customers and offered the certificates to others asking about them.

Slightly over one fourth of respondents (28 percent) said they advertised the certificates by placing posters in their offices. Just

under one third (31 percent) said they used other methods of advertising—newspaper, TV, radio, and mailings to customers. Some respondents (about 11 percent) told us they used posters as well as other types of advertising, and we have included them in both categories.

As of late November, little advertising was being done. Fewer than 20 percent of respondents offering the certificate said they were advertising at the time of the survey.

Opinions and Preferences

The final 6 questions of the survey dealt with opinions and preferences relating to the MMC experiment. Among New England thrift institutions, there is not widespread support for, and acceptance of, the money market certificate—particularly in its present form. Over half (57 percent) of those answering the survey called the certificate a mixed blessing or necessary evil. Eight percent were willing to say it was a moderate success while, to 21 percent of respondents, the new certificate is a failure. As might be expected, there was greater support for the certificate among thrifts offering it than among thrifts not doing so. Calling it a success were 12 percent of respondents offering MMC's, while 17 percent of this group called it a failure.

We received several thoughtful answers to this question. Many respondents told us they felt the certificate has been inflationary and has caused interest rates overall to rise more than they otherwise would have.

Some said the certificate was a failure if its intent was to keep mortgage money flowing and an expensive "mixed blessing" if its intent was to prevent disintermediation.

Many emphasized how costly the certificate has been for them to offer; a few suggested that perhaps a lower maximum rate on the certificate would have worked as well, or nearly as well, in stemming savings outflows.

Among survey respondents, it is almost a toss-up as to whether authority to offer the certificates should be continued. With 7 percent of respondents not answering or undecided, 48 percent favor continuing MMC's, while 46 percent would like to see them discontinued. As a group, respondents offering the certificates are more in favor of continuing than discontinuing them: 61 percent want to continue to have the option of offering MMC's, while 35 percent would like to see authority to offer MMC's discontinued.

The maximum rate payable on MMC's has been rising along with the 6-month T-bill rate and other short-term interest rates, and many thrifts are not happy about how costly the certificates have become.

Over half (51 percent) would like to have a ceiling rate fixed by financial regulators. This drops slightly, to 49 percent, when only respondents offering the certificate are considered as a group. The most commonly suggested ceiling rate was 9 percent. This was the answer given by about one third of respondents who suggested a ceiling rate. The second most popular ceiling rate was 8 percent, suggested by about one fourth of the respondents.

An overwhelming majority (78 percent) of those answering the survey want to keep unchanged the minimum amount a customer needs to purchase a money market certificate. Of 18 percent favoring changing the minimum, most suggested a higher amount than the current \$10,000. Usually, they suggested \$15,000, \$20,000, or \$25,000, although a few gave answers as high as \$100,000. ■

S&L Audit Committees

Membership and Agendas

As the first article in our series has suggested, the responsibilities of the audit committee of a savings and loan association's board of directors are both critical and time-consuming. There is no sure-fire formula for choosing audit committee members which will ensure the successful carrying out of these responsibilities. There are, however, some sensible criteria for committee membership that can be employed and the first of these is independence.

While the association's chief executive officer can bring much to the deliberations of the audit committee, the authors do not believe that any association officer or employee should be a member of it. For such a person to be an officer would imply a lack of independence and objectivity upon the committee's part—even if this were not, in fact, the case.

The second criterion is the will-

EDITOR'S NOTE: *Mr. Noyes, a Certified Public Accountant, is the managing partner of the Portland, Me., office of Arthur Young & Co., and has more than 20 years of experience in the delivery of accounting, auditing, and tax services to the financial industry. Mr. Caldwell, of Arthur Young's national office in New York, serves as his firm's coordinator of thrift industry consulting. The first in this series of two articles appeared in last month's issue of the Journal.*

ingness of the individual to serve and his availability for committee meetings. Being a valuable member of the committee requires considerable time and dedication. Next, at least some of the committee members should have a real interest in and understanding of financial matters, in general, and financial statements, in particular. Other requirements are typical of those for any company director: a track record of effective counsel, strength of character, and a respected reputation both in the community and on the board itself. Additionally, the committee, like the board, can benefit from having members of diverse business and professional backgrounds.

Another factor that can be especially important to the effectiveness of the audit committee, as with most committees, is the leadership potential and ability of its chairman. For example, a strong chairman will know when, and when not, to bring in the chief executive officer of the association and other financial personnel for advice or consultation—obviously a sensitive consideration and one central to the independent functioning of the group.

The accounting and related issues that face the committee can have a major impact on the operations of the association. Handling these issues may not test the character of the chairman often, but when they do, he or she had better be equal to the occasion.

The size and length of tenure of the committee should be suited to

*by Albert L. Noyes and
Donald R. Caldwell
Arthur Young & Co.
New York, N.Y.*

the particular needs of the association. Typically, the audit committee numbers three to five members, with the writers favoring the lower end of this range. The length of a member's term can vary, but it is advantageous, because of the complexity of the issues which will be faced, to emphasize continuity. A three- to five-year term, with staggered rotation, permits the periodic addition of fresh perspectives to the committee, yet minimizes the education process involved in breaking in new members.

The Committee's Agenda

Once the committee's objectives have been defined, preferably in writing, and its members have been appointed, the question is how best to exercise the committee's responsibilities. The exact number of meetings, the length of each session, and the extent of committee discussion will depend upon the nature and degree of the issues and problems facing the committee. Usually, a committee calendar of up to four meetings is sufficient to fulfill its responsibilities. A rough agenda for these meetings is outlined below. The schedule of meetings assumes a December 31 fiscal year; if yours is otherwise, the specific mix of activities would have to be altered accordingly.

First Meeting

Approximately three months into the new year, meet with the internal



and external auditors and management.

With all parties present, review the management letters, and management's response to them; review actions taken as a result of the letters; determine the external auditors' involvement in interim financial statements; and resolve any issues that must be settled in connection with completion of the association's tax return.

With only the external auditors present, review their evaluation of the internal audit and financial management staffs; request their general comments concerning overall association operations.

With only the internal auditors present, stress their independence and discuss any comments concerning the work of the external auditors and how it could be synchronized better with that of the rest of the association, in general, and the internal audit staff, in particular; review the internal auditors' evaluations of financial management, their effectiveness, and suggestions for improvement.

With only management present, review the work of the outside auditor and how it could be integrated better with association operations and the work of the internal auditor; review management's evaluation of the work and effectiveness of the internal auditor and suggestions for improvement.

Second Meeting

Approximately six months into the year, meet with auditors, senior management, members of financial management, and associated staffs.

With senior management and both sets of auditors present, review and approve the audit plan for the year, including the role of the internal auditors. This meeting should include a discussion of any suggestions of the internal auditor and of management for improving the audit process and minimizing its effect upon the operations of the associa-

tion. Where feasible, it also should include discussions on incorporating these suggestions into the audit plan. Lastly, the meeting should include a review of the personnel to be assigned to the work and the roles they will assume, and a discussion and approval of the external auditor's budget.

With senior and financial management and their staffs present, review the operations of their departments and their plans and concerns for the future, especially as they relate to the association's internal control system. One area of financial management that should receive significant attention is the data processing department. Management should be queried concerning the level and quality of the external and internal auditors' ability to evaluate the internal control system over EDP existing at the association and/or the association's service bureau. This activity is often omitted from lists of committee responsibilities. The writers, however, believe this firsthand exposure to the people responsible for the financial records and well-being of the association is essential if the committee is to evaluate properly management's and the auditors' comments concerning their performance.

After the first year, this session may also be the best time for the committee—first with the auditors and management and then by itself—to evaluate its own effectiveness by answering these basic questions: What are we doing? Why are we doing it? How could it be done more efficiently and effectively? What impact are we having? What impact should we be having?

Third Meeting

Before the end of the year, the committee should meet with both

auditors and management.

With all parties present, all anticipated accounting problems should be reviewed and decisions made wherever possible. In addition, any possible problems concerning disclosure, financial results, tax filings, SEC requirements, and/or operations should be discussed. Deadlines for both the association and the external auditor should be established and agreed upon.

Fourth Meeting

After the close of the year and completion of the audit, but before the final results are issued, the committee should meet with both auditors and management.

With all parties present, the financial statements and all accompanying footnotes should be reviewed and approved. Major questions concerning accounting principles, the handling of transactions, and disclosure should be fully explored. Not only should the decisions be discussed, but the alternatives also should be reviewed and discussed.

If the opinion expressed by the external auditor was qualified, or if no opinion was expressed, the reasons for this action should be discussed in detail and a plan of action established to put into effect whatever changes are necessary to obtain a "clean," unqualified opinion.

This group should also review and approve a press release announcing the results.

With only the external auditors present, review with them what, if any, limitations were placed upon the scope of their audit, the reasons for the limitations, and the effect this had upon their work and opinion. Management's cooperation should also be discussed at this meeting. Other issues that may need exploration include: the effectiveness of the internal auditor's department; the auditor's opinion of the company's accounting policies; the travel and entertainment

accounts of all inside directors; and the auditors' candid opinion of results and operations for the year.

With only management and the internal auditor present, the committee should review the work, quality, fees, and cooperation of the external auditor. A decision on reappointment of the firm or a decision to look at other firms for the coming year should be made at this point. If a change is to be considered, a schedule should be established for it and responsibilities for carrying out the decision should be assigned.

Not included in this rough agenda is a review of the supervisory examiners' report. Naturally, this should be scheduled as soon as possible after the examination. If there is time, a special meeting might be called to consider it.

Conclusion

The agenda sketched out above is a full one. It merits careful consideration by the committee members and by the association's board as a whole. In fact, we believe the number of items included in the agenda is the best argument for the creation of an audit committee.

There is a reasonable limit on the time any director should be expected to devote to the affairs of the association, of course, and if all the members of the board pursued these issues in this depth, they would have little time to fulfill all the other responsibilities with which they are vested. Thus, we believe the selection of three or four well-qualified directors to be members of the audit committee and to examine the kinds of issues discussed above will go a long way toward fulfilling the board's increasingly important role as the shareholders' fiscal watchdogs. ■

Housing & Economic Developments

A Quarterly Review

Despite further escalation in interest rates, housing activity picked up strength in the fourth quarter, with private housing starts averaging a seasonally adjusted annual rate of 2.13 million units. In addition, existing home sales reached a new record. The current housing boom has centered on single-family homes, with starts averaging 1.52 million in the fourth quarter.

For 1978 as a whole, private housing is now estimated to have reached 2.02 million starts, compared with 1.99 million in the previous year. While single-family starts were down slightly, completions were up significantly. In 1977-78, single-family construction far exceeded that of the early 1970's. It was only the early 1970's apartment construction boom that permitted total starts to be higher than in 1978.

Housing markets appear to be operating at or close to capacity in many areas of the country. The demand for construction materials, land, and skilled labor in 1978 was undoubtedly greater than in the early 1970's. This reflects the much larger number of single-family homes under construction and the fact that these houses are significantly larger and contain more amenities, on the average, than those constructed earlier in this decade.

The exceptionally strong demand

*by Marshall A. Kaplan, Director
Special Studies Division
Office of Economic Research*

for single-family homes is explained below. The ability of the economy to finance this high rate of housing activity has been enhanced by the thrift institutions' capacity to raise money through the 6-month money market certificate, even though the effectiveness of this high-rate certificate in attracting funds into housing is being questioned. Savings flows have weakened in recent months, but they still are relatively high, and forward mortgage loan commitments by associations are still substantial. The effectiveness of the MMC in holding up housing will diminish if and as interest rates rise higher, or persist at high levels, but this will likely occur gradually.

In the absence of an extremely pessimistic financial outlook, we can say that housing activity is likely to remain at least moderately good this year, although high rates will be taking their toll. I expect that we can look forward to total starts of close to 1.8 million units in 1978 after 2 years at the 2-million level.

Single-Family Housing Demand

Housing sales continue to reflect strong underlying demand. The rapid rate of household formation has been due not only to the bulge in the family-forming age groups, but also to the greater desire of single people to live in their own quarters, often in single-family homes.

In addition, the financial appreciation aspects of homeownership continue to support an investment mentality that has made prospective home purchasers more willing to accept high interest rates.

These factors were still at work last November, the latest month for which we have sales data. New home sales then were at a seasonally adjusted annual rate of 811,000 units, still around the upper ranges of earlier months. Existing home sales were even stronger, reaching a seasonally adjusted annual rate of 4.35 million dwellings, the highest rate yet recorded.

The inventory of unsold houses has changed little in recent months and totaled 418,000 in November. Because of the good sales rate, this figure represents only 6.6 months of new home purchases nationally. This indicates that we do not presently have a significant problem with respect to an overhang of unsold units, due largely to the cautiousness of builders in keeping starts in a reasonable relationship with sales. The overhang situation thus continues to be appreciably

ranged some months previously when rates were below the current level. In November, the effective commitment rate nationally was 10.2 percent and rising rapidly. The continued strength in existing home sales is favorable for the new home market, since a large proportion of new homebuyers are selling existing homes.

Multifamily Market

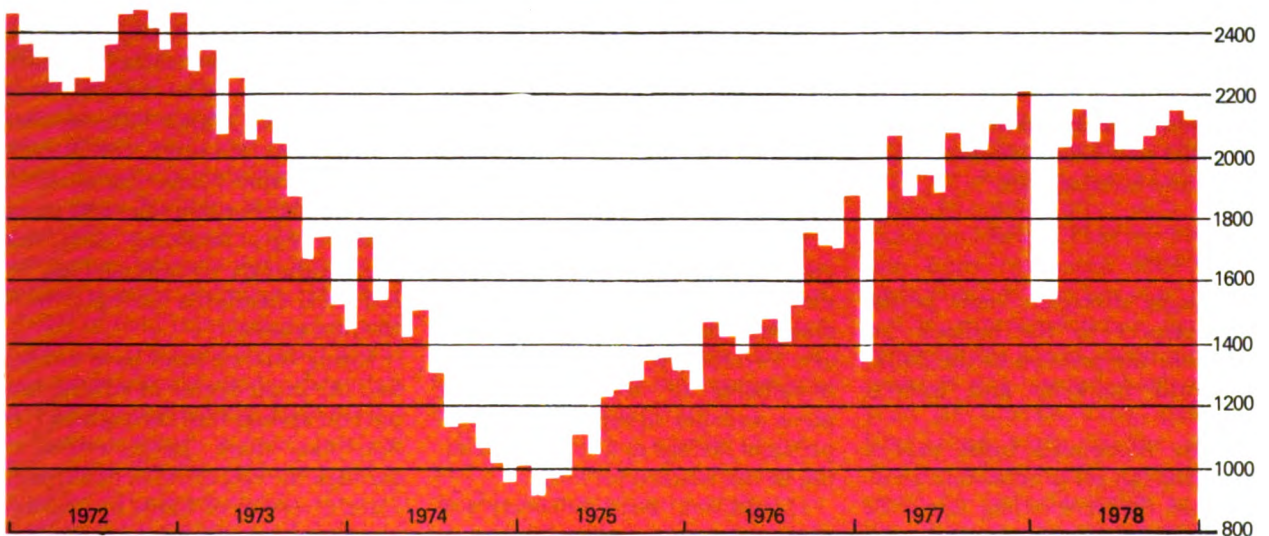
The multifamily housing market continues tight nationally, with the

factor behind the sharp decline in 1974 starts.

There appears to be a dilemma in the fact that, despite rental market tightness, rent increases have not been large enough to stimulate rental construction. This dilemma may be more apparent than real, however, since the low vacancy rate could reflect a shift in preference from renting to owning one's home that would reduce the number of new apartment units needed to accommodate tenant

Private Housing Starts 1972-1978

In thousands of units; monthly at seasonally adjusted rates



better than at the same stage of the housing cycle in 1973 and 1974. Only 96,000 completed houses were unsold in November.

As noted in my last quarterly report, the strength of existing home sales is even more impressive than that of new home purchases. This is because the interest charged buyers of older houses represents current loan commitment rates, unlike the case in the new home market, where a fairly significant number of houses carry financing terms ar-

rental vacancy rate at 5 percent in the fourth quarter of 1978. Also, the sales rate of condominium and cooperative apartments completed in the quarter was quite high, with 75 percent of completed units being sold within 3 months. The absorption rate of rental apartments completed in the second quarter was about as high as that of a number of recent quarters; i.e., of apartments completed in the second quarter, 79 percent found tenants within 3 months.

Thus, we still lack the overhang of apartment projects without a foreseeable market that existed in the early 1970's and was a major

turnover. Most likely, many tenants whose incomes make newly constructed apartments affordable are close to the point at which significant rent increases would push them into homeownership.

The fact that rents have not risen enough to restore a "normal" vacancy rate may reflect a fear of rent control, which has already spread from the East to some parts of Cali-

fornia. Large rent increases seem to provoke strong negative political reactions that often cause owners of apartments to raise rents more moderately than they otherwise might have done.

A substantial part of multifamily rental starts should continue to be under the Section 8 housing assistance program this year. They should again run at about 165,000 units a year, with most of the financing coming from State housing agencies and GNMA tandem money.

Unlike the low volume of unsubsidized rental unit construction, there has been considerable strength in the unsubsidized condominium market. The same investment mentality at work in the single-family market is at work in the condominium market, making potential purchasers less sensitive to prices and interest rates.

Economic and Financial Framework

Strongly divergent views persist with respect to the outlook for inflation, the position of the dollar in world markets, and interest rates.

Many economists insist that a projected fall-off in economic activity from the very strong late-1978 levels will bring with it a decline in interest rates, perhaps in the near future.

On the other hand, some believe that the economy will be strong enough to at least remain at or close to capacity limits in many key markets. This latter school of thought is pessimistic with respect to inflation and the potential for further escalation of interest rates through much or all of this year.

Differing views on the outlook for the dollar also are producing divergent opinions about interest rates.

Federal Reserve policy is an important factor in assessing the future. In recent months, the growth in monetary aggregates has slowed considerably, and there has been an actual decline in M1 (demand deposits and currency). This follows a lengthy growth period in M1 above the upper target range set by the Federal Reserve System. The recent behavior in monetary aggregates has raised hopes for a peaking in interest rates, although one must be cautious in putting too much emphasis on trends in M1 over a few months, especially in light of problems with respect to the seasonal adjustment of M1.

The exceptional fourth-quarter strength of the economy last year has evoked mixed reactions to the likely trend for this year. Many have taken the position that this strength will spill over into 1979 and delay either a substantial slowdown or a recession.

On the other hand, it can be argued that some of the strength in the economy—just as in the housing market—has reflected an inflationary psychology that has caused households to accelerate buying plans and has brought down total personal savings to a level that cannot be maintained for long.

In addition, both monetary and fiscal policy now reflect, to an increasing degree, a preoccupation with reducing inflation. Such a policy must inevitably have some deflationary impact on the economy.

Housing Outlook

My housing outlook is based on an interest rate scenario that projects some continued rise in rates early this year, but a peaking by the early part of the second quarter, at the latest. I then assume a decline in rates, although not a sharp one, because of the likelihood that the degree of inflation and resulting inflationary psychology will remain high. I also expect the economy to slow down considerably from the

fourth quarter of 1978, with a likely growth recession; i.e. a period of only nominal real GNP growth for a couple of quarters and possibly even a real recession.

At this point, however, we can probably expect any recession not to be as serious as that in 1974-75, because of the low overall inventory sales ratio and the lack of speculative inventory buildup that we had in 1973-74. Business plant and equipment spending should also hold up better than would normally occur as the economy heads into a period of either little growth or actual recession.

I noted in last quarter's report that there are conflicting considerations regarding the housing market, some positive and some negative. This continues to be the case, even though much higher interest rates now prevail. However, the interest rate projection I have just outlined implies that housing sales and starts should begin declining early this year, although remaining high by historical standards during at least the first quarter.

Rising interest rates have not yet had the usual degree of adverse impact on savings flow through S&L's, nor has there been evidence, through the end of 1978, of a significant diversion of funds by associations from mortgages to liquid assets. As noted above, homebuyers have been less sensitive to high rates, both because of their investment psychology and because long-term rates, adjusted for inflation, have not been particularly high.

However, higher rates do affect the number of other households that qualify for mortgages, since income has not kept pace with housing costs. The willingness of consumers, as well as of lenders in their underwriting standards, to tolerate

an increasing proportion of household incomes going into housing is not unlimited, despite the obvious benefits of homeownership. Admittedly, though, it is greater than assumed by many who have been concerned, in recent years, about the ability of the average American to own his or her home.

Declining home sales and starts this year could well be less a result of high rates than of usury laws, which make it impossible for borrowers to pay a going rate and make it difficult for financial institutions to supply mortgage credit profitably. There is an indication, however, that usury ceilings will be relaxed in some States.

Builders themselves are being increasingly affected by rising construction loan rates, reflecting the upward movement in the prime rate. This is adding to construction costs, especially considering that it now takes builders more time to complete new homes. This should discourage construction activity to some extent, although builders' ability to hold inventories of unsold homes to a reasonable level so far has undoubtedly made them less sensitive to construction loan rates.

Most housing market internal factors remain favorable to housing activity. As noted above, through late last year, we had good sales and a lack of any significant overbuilding in either the single-family or multifamily markets.

To the extent that investment mentality has been a factor, it is a mixed blessing. The high rate of housing production may be unsustainable in terms of capacity limitations and cost pressures in the housing industry. There is also a point at which too much investment psychology has an increasingly adverse effect on future housing demand. This is because it causes borrowing

of sales from the future and gives misleading signals about future demand. While investment psychology will probably continue to hold up sales and starts, it could have negative implications, particularly if interest rates remain high over a prolonged period.

Role of Money Market Certificates

As noted in the last quarterly review, an important factor in assessing the housing outlook is the degree to which a further rise—or persistence—in currently high short-term interest rates may induce depository institutions to stop marketing 6-month money market certificates aggressively or to begin offering them at rates well below the maximum. So far, however, there is little evidence of a slowdown in MMC sales, although promotional efforts by many S&L's seem to have been reduced.

In recent months, there has been disintermediation in longer term certificates and passbook accounts at S&L's. Yet, this has been more than offset by the large flow of funds attracted by the competitive money market certificates.

From a longer run point of view, S&L's may find it advantageous to be able to make mortgage loans at peak rates, even with high-cost money, since these mortgages are likely to remain on the books for years, while the interest rate on money market certificates and other types of deposits could well begin declining this year.

However, to the extent that associations are uncertain about the outlook for short-term rates, some undoubtedly may hedge by putting an increasing proportion of funds into short-term liquid assets that lock in a profit for thrift institutions, rather than into mortgage credit.

But this concern has now been voiced for some months and has not yet shown up in data on liquidity ratios of savings and loan associa-

tions, which averaged 8½ percent nationally at the end of 1978.

Nonetheless, the housing outlook is inevitably less hopeful now than it would be if there were lower interest rates. As I noted in last quarter's report, the mere creation of a new type of money instrument—the money market certificate—cannot, by itself, prevent tighter credit from having an adverse affect on housing. It can delay and mute this impact and should deflect more of the effect to other sectors of the economy. However, housing is a highly postponable purchase and, if and as interest rates rise further, or merely remain high, housing is bound to be adversely affected.

Given the outlook sketched above, housing starts will almost certainly be lower this year than last. Under a middle-of-the-road interest rate scenario, the decline in housing starts will still only be moderate, with starts likely to average close to 1.8 million units compared with somewhat over 2 million last year.

The more uncertain question concerns the trend in housing activity in the second half of this year. If interest rates peak no later than early in the second quarter, financial conditions could be more favorable to housing later in the year and there could be a strong recovery in starts to the 1.9- to 2-million unit range in the final quarter.

If a peaking or decline in interest rates is delayed—whether because of a stronger economy, a continuing high rate of inflation, or weakness in the U.S. dollar—housing starts could decline more sharply toward the end of 1979 and early next year. The drop in starts would then be more typical of a tight credit period. ■

First Federal Savings and Loan Association of Suffolk, Va., was chartered in June of 1955 with total assets of \$150,000. It began its operations in the city of Suffolk, which then had a population of approximately 10,000 people.

Growth for the first 10 years was relatively slow and the association's assets did not show a significant increase until after the first branch office was opened 18 miles away in Franklin, Va., a farming community of about 6,000 people. First Federal then grew by about \$15 million from 1965 to 1973, to a total of about \$15.2 million in assets. Two additional branch operations were begun in 1973 and 1974, giving us a total of three branches and a home office. The potential for these new offices was considerable, because they were ideally located in very rapidly growing areas. Unfortunately, neither the new offices nor the rest of the association fared very well during the economic crunch of 1974, when disintermediation created quite a drain on the surplus which had built up in previous years.

Following the crunch, however, our association grew to approximately \$45 million by 1977. During this period, our earnings were very good and we always were able to meet our Federal Insurance Reserve requirements. But we could not meet our net worth requirements, because of a rapid growth in loans.

To solve the net worth problem, we took two steps. First, we sold approximately \$11.3 million in loans through the Federal Home Loan Mortgage Corporation and private secondary market outlets. Our total loan portfolio grew by only about \$4 million in 1976.

The secondary market proved very valuable for disposing of most new loans, thereby turning funds

back into the lending market. Both the sales and the making of new loans increased our profitability. At the same time, however, they increased our income taxes. If some relief from Federal taxes had been forthcoming, both our reserve and our net worth requirements would have been easily reached.

Our second step was to discontinue offering 7.5-percent and 7.75-percent certificates, which had a considerable effect on savings growth. From 1976 to 1977, our savings increased by only \$2.5 million. Also at that time, we were not using the continuous compounding method to compute interest, although most of our competition was offering a full range of savings certificates and continuous compounding.

So, we had a dilemma: Our competitors' services made it difficult

for us to retain present customers and attract new savings while, simultaneously, we had had to reduce services because of net worth troubles. Overall, it was becoming most difficult both to be aggressive in the bid for savings and home loans and to control the growth of the institution.

A Way Out

Meanwhile, the management of First Federal had been studying all the ways of curing our capital inadequacies and had contemplated, with particular interest, the feasibility of converting from a Federal mutual to a capital stock institution. The conclusion of the study, conducted by management during the course of approximately one year, was that new capital available from the sale of stock would bolster our reserve position, solve our net

Going Stock

Escape from a Dilemma

by *J. R. Dixon, III*
President

First Savings and Loan Association of Suffolk
Suffolk, Va.



FIRST SAVINGS

FHLBB JOURNAL FEBRUARY 1979

Digitized by Google

worth problem by raising the capital/loans and savings ratio, and thus permit us to compete by again offering a full range of savings plans and home financing. The additional capital would also help us expand by branching into more new communities.

In May 1977, a conversion plan was presented to our board of directors for its consideration. The board approved the program and employed the law firm of Silver, Freedman, Houseley & Taff of Washington, D.C., to do the legal work, and Legg Mason Wood Walker, Inc., of Washington, D.C., to prepare the appraisal of the association. Our local accounting firm of Peak and Drescher, along with our staff, worked with the Washington firms in compiling our application to convert to a State capital stock association.

Our application was approved by the Federal Home Loan Bank Board on May 24, 1978. The stock sale began on July 5, 1978, and was completed with an oversubscription on July 31, 1978. The total assets of First Federal on July 31, 1978, thus were \$57.3 million. We were very pleased with the acceptance of our stock by the depositors. Moreover, when the stock offering was completed, we had compiled a substantial list of potential stock purchasers. The total offering was 225,000 shares at \$9.28 per share, which was approximately 58 percent of book value.

The officers, directors, and employees of First Federal own approximately 21.5 percent of the total issue and the balance of 78.5 percent is owned by the depositors. The sale of the entire stock offering was handled by the association but, upon completion of the sale, we immediately contacted several stockbrokers. We felt we needed an out-

side, professional "market maker" to handle all future trading in our stock. This would relieve us of any potential problems of conflict of interest in pricing the stock. We now have three brokers working with us to create a market for our shares. There have been a few traded to date at \$15.00, but there has not been enough trading to establish a firm market price.

Sixth S&L to Convert

First Federal was the sixth federally chartered association in the Nation to convert to a State capital stock association. Our master plan was to change over to a Federal Charter S capital stock association. That would have simplified the internal problems of the conversion, because we already were federally chartered. However, we had prepared ourselves to convert either to Charter S or to State capital stock. Since there were some slowdowns at the Federal Home Loan Bank Board in Federal conversions to Charter S, we elected to request a State stock charter.

The objective was to convert to capital stock as expeditiously as possible, because the conversion process, if drawn out, becomes quite expensive through having to update the appraisal, financial, and general information on the application. These costs must be paid for with stock sale proceeds, and the lower the cost, the more capital we would retain from the sale to add to our reserves.

The total proceeds of the stock sale were \$2.088 million. The expenses totaled \$190,877.54, which left \$1,897,122.46 for our capital account. Expenses were 9.14 percent of the total stock sale. Our conversion costs were below most of those of recent stock conversions.

The association officially became a capital stock company on September 1, 1978. Simultaneously, we changed its corporate name. We had given the name change much study and concluded that our new

name should be First Savings and Loan Association of Suffolk. It became a very valuable marketing tool for us in promoting our new capital stock association. We used a slogan which was literally true: "We Have Shortened Our Name to Broaden Our Services."

Quick Recovery

Our officers and directors are convinced that capital stock conversion was the only solution to our capital inadequacies. And, indeed, we have seen quick results. Between September 1, when we converted and the new capital brought our assets to \$57.5 million, and December 31, 1978, we grew by \$3.7 million.

We are very pleased to have had the opportunity to breathe new life into our organization through conversion. Our employees are happy to be able to serve our customers with a full range of savings programs and home financing. Through continuous compounding and the offering of the highest interest rates permitted by regulation, we are progressively recovering from the savings slump created by our adaptations to net worth requirements.

Now, we are very active in mortgage lending and are in a position to retain our loans, rather than sell them at a subsidized rate in the present unattractive market. We are also building up our key people in the branch offices, an area that has gone wanting for several years. These new employees will increase the efficiency of our operation and greatly benefit our customer services. And we are looking at some sites for future expansion.

It is clear that conversion has cured our capital problems. We can once again be competitive in the market place. ■

NEWS

Bank Board Proposes Amendments Under Management Interlocks Act

In a joint statement issued last month, Federal Home Loan Bank Board Chairman Robert H. McKinney and Board Member Anita Miller announced that the Bank Board was proposing regulatory amendments under the Depository Institution Management Interlocks Act, which was enacted as Title II of the Financial Institutions Regulatory and Interest Rate Control Act of 1978.

These proposed amendments are being closely coordinated with those of the five other concerned agencies to provide uniform exceptions considered to be in the public interest.

The new act prohibits management interlocks between unaffiliated depository institutions or depository holding companies which compete because of their size or their geographical proximity. It will be administered by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the National Credit Union Administration for the institutions regulated by each.

The act also provides that the administering agencies may, by regulation, arrange for exceptions to its prohibitions.

The Bank Board has proposed to permit exceptions when the interlocking of managements will, among other things, aid the establishment and development of depository institutions in low-income areas and facilitate entry by women and members of minority groups into the management of financial institutions. With approval of the appropriate agencies, the proposed exceptions also would permit interlocks, where necessary, to provide management assistance to such institutions.

An exception would also be provided for an interlock between a credit union and another depository institution or holding company which sponsors the credit union to serve its employees.

The proposal requests public comments on the exceptions and other issues involved in implementation of this new act. It was anticipated that substantially identical regulatory proposals were to have been acted on by the other agencies within a few days of the Bank Board's action.

Myers Named Director Of Office of Finance

Robert H. McKinney, Chairman of the Federal Home Loan Bank Board, announced last month that Charles G. Myers has been designated Director of the Office of Finance. He had been serving as its Deputy Director since May 1978 and was its Acting Director from January 1978 until April 1978. He came to the Bank Board in January 1974 as mana-

ger of the Financial Planning Division in the Office of Finance.

Mr. Myers is a 1969 graduate of Rice University, Houston, Texas, with a B.A. degree in chemistry. He received an M.B.A. degree from Harvard University in 1971. He was employed by Portfolio Management Systems, Inc., in Cambridge, Mass., and, for 2 years prior to coming to the Bank Board, he was a free lance management consultant in Cambridge in finance, capital market analysis, statistics, and computer applications.

Milan Miskovsky Is Named General Counsel-Designate

Milan C. Miskovsky has been appointed General Counsel-Designate to succeed Anne P. Jones, who has been nominated by President Carter as a Commissioner of the Federal Communications Commission, Robert H. McKinney, Bank Board Chairman, announced last month.

Mr. Miskovsky most recently was senior partner with Debevoise & Liberman, a law firm in Washington. He received his law degree in 1956 from George Washington University. His accomplishments include serving as director of the Lawyers' Committee for Civil Rights under Law, assistant general counsel for International Affairs in the U.S. Treasury Department, and advisor to U.S. delegations to annual meetings of the World Bank, Inter-American Development Bank, and Asian Development Bank.

Miss Jones came to the Bank Board in January 1977 from the Securities and Exchange Commission, which she joined in 1968 and where she became director of the division of investment management. From 1961 until 1968, she was with Ropes & Gray, a law firm in Boston, Mass. Active in the Federal Bar Association, she has been a member of the Securities Law Committee and the Savings Institutions Law Committee. She is a graduate of Boston College where she



Mr. Myers



Mr. Miskovsky

received an L.L.B. degree in 1961 and a B.S. degree in social sciences in 1958.

Kenneth Plant Leaves Post With Mortgage Corporation

Kenneth M. Plant, Vice President-Research of the Federal Home Loan Mortgage Corporation, resigned last month to take the position of president of Capital City Federal Savings and Loan Association in Washington, D.C. Joining the Mortgage Corporation in mid-1971, he was Director of Research until mid-1973, when he became Vice President-Research.



Mr. Plant was responsible for analysis and forecasting of financial and economic data, as well as short- and long-term interest rates, and was a member of The Mortgage Corporation's pricing and investment strategy committee. He also was instrumental in the implementation of AMMINET, for which he served on both the Board of Directors and the Executive Committee.

Little Rock Promotions

Joseph W. Keene, Jr., and Donald R. Rowan have been elected Vice Presidents by the Board of Directors of the Federal Home Loan Bank of Little Rock. David L. Cypert has been elected an Assistant Vice President.

Mr. Keene joined the Little Rock Bank in 1970 as a research analyst and was successively promoted to Associate Director, Supervisory Agent and, in 1973, Assistant Vice President—all in the Division of Industry Development. He holds a B.A. degree from the University of Arkansas and is a distinguished military graduate of the Air Force ROTC.

Mr. Rowan joined the Bank in 1961 as Assistant to the Treasurer. He was named Controller of the Bank in 1963 and, in 1974, was promoted to Assistant Vice President. Before joining the Bank, Mr. Rowan was employed by the Little Rock Branch of the Federal Reserve Bank of St. Louis. He holds a graduate certificate from the American



Mr. Keene



Mr. Rowan



Mr. Cypert



Dr. Widmer

Savings and Loan Institute and is a graduate of the University of Arkansas at Little Rock.

Mr. Cypert came to the Bank in 1974 as internal auditor, his present position. Before joining the Bank, he was internal auditor for Sterling Stores Company, Inc., from 1971 to 1974. Mr. Cypert holds a B.S. degree in accounting from Arkansas Technical University, Russellville, Ark., and in 1974 was licensed as a Certified Public Accountant.

In another action, Dr. Raymond F. Widmer, presently serving as Acting Chief Administrative Officer of the Little Rock Bank, was promoted to Senior Vice President, Treasurer and Secretary.

Chairmen, Public Interest Directors Are Named for All 12 District Banks

Federal Home Loan Bank Board Chairman Robert H. McKinney last month announced the appointments of Chairmen, Vice Chairmen, and Public Interest Directors to the Boards of Directors of the 12 District Banks of the Federal Home Loan Bank System.

The Bank Board designated Chairmen and Vice Chairmen for the calendar year 1979 and appointed Public Interest Directors for four-year terms ending December 31, 1982. The appointments for each District Bank follow. Asterisks indicate reappointments.

Federal Home Loan Bank of Boston

Dr. Eli Shapiro, Chairman, Cambridge, Mass.; Edward F. Wilson, Vice Chairman, Brunswick, Me.; Haim S. Eliachar, Wellesley, Mass.; Mrs. Rosalyne Bernstein,* Portland, Me.; Warner Traynham,* Hanover, N.H.; G. Russell Moir, Bronxville, N.Y.; George J. Minish,* West Orange, N.J.

Federal Home Loan Bank of New York

Edward B. Crosland, Chairman, New York, N.Y.; Laurence W. McCabe, Vice Chairman, Englewood, N.J.; Mrs. Letitia Baldrige, New York, N.Y.; G. Russell Moir, Bronxville, N.Y.; George J. Minish,* West Orange, N.J.

Federal Home Loan Bank of Pittsburgh

Mrs. Caryl Kline, Chairman, Harrisburg, Pa., also reappointed as a Public Interest Director; Peter J. Farmer, Vice Chairman, Southhampton, Pa.; James F. Lally, Pittsburgh, Pa.; Nancy Adams Neuman, Lewisburg, Pa.

Federal Home Loan Bank of Atlanta

Joseph W. Barr, Chairman, Hume, Va.; William R. Merritt, Vice Chairman, Greenville, S.C.; Alvin B. Cates, Jr.,* Atlanta, Ga.; Tazewell Shepard, Jr.,* Washington, D.C.

(See NEWS, page 28)

REGULATIONS, RULINGS, & OPINIONS

AMENDMENTS ADOPTED

Mortgage Insurance

The Bank Board has adopted an amendment which, among other things, prohibits insured institutions from insuring their loans with mortgage insurance companies in which they or their insiders (officers, directors, or controlling persons) have ownership interests exceeding specified limits. This resolution amended a paragraph of the regulation which, before this amendment, excluded from the ownership limitations any mortgage insurance company in existence on March 11, 1976, and entirely owned directly or indirectly by insured institutions, none of which owned more than 25 percent.

Under the amended exception, an insured institution can insure its loans with such a mortgage insurance company only if its direct or indirect ownership of the company does not exceed (1) 2 percent or (2), for insured institutions which had a greater than 2-percent ownership in such a company on December 21, 1978, the greater of (a) 2 percent or (b) the lowest percentage ownership held after that date.

The intended effect of this amendment is to "ratchet down" the ownership of insured institutions in the only mortgage insurance company known to be within the exception (Pennsylvania Mortgage Insurance Company), while not unduly limiting that company's ability to expand its ownership base in accordance with the basic thrust of the regulation.

The regulation's effective date is January 29, 1979.

Regulation: 12 CFR Part 563. FHLBB Resolution No. 78-732. Published in the Federal Register 12/28/78.

Fidelity Bond Requirements

The Bank Board has adopted amendments which change the maximum deductible amounts permitted for fidelity bonds of FSLIC-insured institutions and codify the agency's policy regarding acceptable surety companies. The deductible amounts being demanded by surety companies today often exceed the maximum amounts permitted by the former regulation. Also, in some areas, there are few, if any, surety companies which are acceptable under the Bank Board's regulations and offer this coverage to FSLIC-insured institutions.

The Bank Board believes that all FSLIC-insured institutions will be able to obtain bonds with deductible amounts within the limits permitted by this amendment and that additional acceptable surety companies will increase competition in writing the bonds, resulting in better rates and services to such institutions. The regulation's effective date is February 26, 1979.

Regulation: 12 CFR Parts 563 and 571. FHLBB Resolution No. 79-31. Published in the Federal Register 1/24/79.

Investment in the Inter-American Savings and Loan Bank

The Bank Board has adopted amendments which permit Federal savings and loan associations to invest within certain limitations in the Inter-American Savings and Loan Bank, as authorized by section 22 of the Housing Authorization Act of 1976.

The amendment imposes the following conditions on a Federal association's investment: (1) threshold eligibility criteria to preclude illiquid investments by marginal associations, (2) aggregate investment limitations to assure that an association's investment does not exceed the lesser of one-quarter of one percent of assets or \$100,000, and (3) inclusion of both paid-in and callable capital in the aggregate investment limitation.

The regulation's effective date is February 20, 1979.

Regulation: 12 CFR Part 545. FHLBB Resolution No. 79-18. Published in the Federal Register 1/17/79.

PROPOSED AMENDMENTS

Rural Loan Program Liberalized

The Bank Board has proposed regulations that would liberalize authority for federally insured savings and loan associations to invest in Farmers' Home Administration (FmHA) Rural Housing Program guaranteed loans.

The proposed regulations would authorize Federal institutions to invest in these FmHA guaranteed mortgage loans with loan-to-value ratios exceeding 90 percent of value without the usual requirement of private mortgage insurance and with terms in excess of 30 years.

The proposal stems from changes in the Housing and Community Development Act of 1977, which increased FmHA's authority. The guaranteed-loan Rural Housing Program now applies to borrowers with incomes of \$15,600-\$20,000 and provides for negotiation of interest rates by the borrower and the lender, although interest rates may not exceed rates on comparable loans not guaranteed. Borrowers with improving financial status are no longer required to leave the guaranteed-loan program before their loans mature.

The proposed regulations, if adopted, would (1) authorize these guaranteed loans on FmHA's terms, but require at least an 80-percent guarantee and limit the investment in the nonguaranteed portion to no more than half of a lending association's net worth. (An association with 5 percent net worth making 90-percent guaranteed loans could invest up to 25 percent of its assets in such loans); (2) remove the requirement of private mortgage insurance for these loans; and (3) exempt FmHA-guaranteed home improvement

loans from the 15-year maturity restriction.

The period of public comment on the proposal closes March 2, 1979.

Regulation: 12 CFR Parts 561 and 563. FHLBB Resolution No. 79-62. Published in the Federal Register 1/30/79.

Statewide Branching

Federal Home Loan Bank Board Chairman Robert H. McKinney last month proposed that the Bank Board remove the 100-mile restriction on Federal savings and loan associations that wish to establish branch offices or mobile facilities within State boundaries.

"Revoking the current 100-mile restriction policy," Mr. McKinney said, "will enhance consumer services, promote competition, and remove one more restrictive regulation, which are always desirable goals in a free market economy."

Only 5 States—Indiana, Louisiana, Minnesota, Pennsylvania, and Illinois—presently restrict bank branching beyond 100 miles of the home office.

"It is the Bank Board's belief," Mr. McKinney added, "that statewide branching should be permitted in these five remaining States. To act otherwise, would be to place the federally chartered associations in these 5 States at a competitive disadvantage when compared with the more liberal branching policies of the 45 other States."

The period for public comments on the proposal closes March 16, 1979.

Regulation: 12 CFR Part 545. FHLBB Resolution no. 79-63. Published in the Federal Register 1/30/79.

MEMORANDUM

Sales of Future Income

On May 18, 1978, the Department of the Treasury issued final regulations under Section 593 of the Internal Revenue

Code which affect the computation of the percentage of taxable bad debt deduction where associations have net operating loss carry-backs. These regulations require that a net operating loss, to be carried back to one or more preceding taxable years, be computed so as to reduce the association's previously determined bad debt deduction. These regulations are applicable to taxable years beginning after December 31, 1977, rather than being retroactive.

Associations are being approached by commercial banks with offers to purchase interest income on association loans which is due in the future. In many cases, the primary objective of such proposals is to shift 1979 taxable income from 1979 to 1978, creating a tax loss for 1979. The loss may then be carried back to prior years for the purpose of obtaining tax refunds.

When transactions of this type are structured solely to take advantage of the prospective date of the aforementioned regulations, there is substantial potential for unforeseen tax consequences. Associations which enter into such transactions should consider carefully whether they represent a true sale of future interest income or whether they lack the characteristics of a legitimate sale and, therefore, are merely financing transactions. A specific determination should be made by the tax counsel for the association. The opinion of counsel should be included in the Report of Examinations.

Unless it can be demonstrated, to the FHLBB's satisfaction, that the transaction is clearly a legitimate sale, the transaction should be shown as borrowed money in all reports to the Bank Board and included in calculations of the limitation imposed by Insurance Regulation 563.8 and should be included, to the extent applicable, in the liquidity base, as provided for in Bank System Regulation 523.10.

Memorandum T 34-8

(NEWS, from page 26)

Federal Home Loan Bank of Des Moines

Lorne R. Worthington, Chairman, West Des Moines, Iowa; Gordon W. Halverson, Vice Chairman, Denison, Iowa; Earl D. Craig, Jr., Minneapolis, Minn.; Jack Rentschler, * Sioux Falls, S.D.; John R. Weber, * St. Louis, Mo.

Federal Home Loan Bank of Little Rock

Kalman A. Lifson, Chairman, Dallas, Texas; Deener E. Dobbins, Jr., Vice Chairman, Searcy, Ark.; Charles Bannerman, Greenville, Miss.; Hans Sternberg, Baton Rouge, La.; Mrs. Dorothy Caram, * Houston, Texas.

Federal Home Loan Bank of Topeka

Dale E. Saffels, Chairman, Wichita, Kan.; James E. Scaletty, Vice Chairman, Parsons, Kan.; Richard H. Hughes, Tulsa, Okla.; Patricia D. Kelly, * Pueblo, Colo.

Federal Home Loan Bank of Cincinnati

Dr. Athens C. Pullias, Chairman, Nashville, Tenn.; Richard G. Gilbert, Vice Chairman, Canton, Ohio; Everett A. Covington, Nashville, Tenn.; Warren T. Ross, Dayton, Ohio; Kenneth R. Elshoff, * Columbus, Ohio; Stanley D. Overton, * Nashville, Tenn.; Richard G. Gilbert, * Canton, Ohio; David A. Vetter, * Portsmouth, Ohio.

Federal Home Loan Bank of Indianapolis

Richard O. Ristine, Chairman, Indianapolis, Ind.; Thomas R. Ricketts, Vice Chairman, Troy, Mich.; C. James McCormick, Indianapolis, Ind.; Walter E. Douglas, * Detroit, Mich.; Sister Jeanne Knoerle, S.P., * Saint Mary-of-the-Woods, Ind.

Federal Home Loan Bank of Chicago

Alexander J. Vogl, Chairman, Des Plains, Ill.; V. J. Kerhlikar, Vice Chairman, Springfield, Ill.; H. Kirke Becker, Woodstock, Ill., appointed for unexpired term ending December 31, 1979; Sharon L. King, * Winnetka, Ill.; Bernard Weber, * Elm Grove, Wis.

Federal Home Loan Bank of San Francisco

Grant Sawyer, Chairman, Las Vegas, Nev.; Stuart Davis, Vice Chairman, Beverly Hills, Calif.; Samuel P. Goddard, Phoenix, Ariz.; M. Larry Lawrence, Coronado, Calif.; Mary Lee Widener, Berkeley, Calif.

Federal Home Loan Bank of Seattle

William M. Weisfield, Chairman, Bellevue, Wash.; Richard M. Mercer, Vice Chairman, Ogden, Utah; Robert W. Straub, Salem, Ore.; Calvin L. Rampton, Salt Lake City, Utah.

STATISTICAL SERIES

Contents	Page	Series No.
	29	S.1. — General Financial Data
	31	S.2. — Federal Home Loan Mortgage Corporation
	32	S.3. — Federal Home Loan Banks
	34	S.4. — Savings and Loan Associations
	40	S.5. — Mortgage Markets
	44	S.6. — Housing Markets

General Financial Data

Table S.1.1.—Security Yields and Rates
(Percent)

Period	Short-term			Intermediate- and long-term						
	U.S. Government obligations ¹			Bonds and notes ¹				Mortgages		
	3-month bills	6-month bills	1-year bills	U.S. Government ²		Aaa ³ State and local government	Aaa ³ corporate	FHA-insured ⁴	Conventional ⁵	
				5-year	20-year				New homes	Existing homes
1974	7.84	7.95	8.18	7.80	8.05	5.89	8.57	9.55	8.92	9.02
1975	5.77	6.01	6.75	7.77	8.19	6.42	8.83	9.20	9.01	9.21
1976	4.97	5.25	5.87	7.18	7.86	5.66	8.43	8.82	8.99	9.11
1977	5.27	5.53	5.71	6.99	7.67	5.20	8.02	8.68	9.01	9.02
1977										
Dec.	6.07	6.40	6.52	7.48	7.87	5.07	8.19	8.91	9.09	9.12
1978										
Jan.	6.44	6.70	6.80	7.77	8.14	5.20	8.41	9.11	9.15	9.15
Feb.	6.45	6.74	6.86	7.83	8.22	5.24	8.47	(⁶)	9.18	9.20
Mar.	6.29	6.63	6.82	7.86	8.21	5.11	8.47	9.29	9.26	9.24
Apr.	6.29	6.73	6.96	7.98	8.32	5.41	8.56	9.37	9.30	9.35
May.	6.41	7.02	7.28	8.18	8.44	5.57	8.69	9.67	9.37	9.37
June.	6.73	7.23	7.53	8.36	8.53	5.73	8.72	(⁶)	9.46	9.48
July.	7.01	7.44	7.79	8.54	8.69	5.80	8.88	9.92	9.57	9.63
Aug.	7.25	7.46	7.79	8.33	8.45	5.60	8.69	9.78	9.70	9.77
Sept.	7.85	7.99	8.01	8.43	8.47	5.50	8.56	9.78	9.73	9.84
Oct.	7.99	8.55	8.45	8.61	8.69	5.53	9.89	9.93	9.83	9.90
Nov.	8.64	9.24	9.20	8.84	8.75	5.55	9.03	9.99	9.87	9.97
Dec.	9.25	9.46	9.65	9.32	8.99	6.05	9.27	10.16	10.02	10.08

¹ Monthly data are averages of daily secondary market quotations, except for State and local government bonds, which are based on Thursday quotations only. Except for bills, the quotations are for a limited number of suitable issues of the indicated type, including only general obligations for State and local government bonds. For bills, averages are based on market yields quoted on a bank-discount basis.

² Yields on most actively traded issued adjusted to constant maturities by U.S. Treasury.

³ Aaa is the highest quality rating given by Moody's Investors Service.

⁴ Monthly data are based on opinion reports of FHA field offices on prevailing conditions in their localities as of the first of the succeeding month. Yields are derived from secondary market prices for sec. 203, 30-year mortgages with minimum

downpayment and an assumed prepayment at the end of 15 years. Gaps in monthly data are because of periods of adjustment to changes in maximum permissible contract interest rate. Data represent gross yield to the investor—i.e., the yield to the purchaser before deduction of serving costs.

⁵ Average effective interest rates; data prior to 1973 not completely comparable with later periods due to revision in series effective January 1973.

⁶ Not available.

Note: Annual data are averages of monthly data. Figures for U.S. Government obligations are from the Board of Governors of the Federal Reserve System, for corporate and State and local government bonds from Moody's Investors Service, for FHA mortgages from the Federal Housing Administration, and for conventional mortgages from the Federal Home Loan Bank Board.

Table S.1.2.—Measures of Money Stock and Time and Savings Accounts

Period	Measures of the money stock (Seasonally adjusted data; in billions of dollars)			Time and savings accounts (in millions of dollars)				
	M ₁ (Currency plus demand deposits) ¹	M ₂ (M ₁ plus time deposits at commercial banks other than large time CD's) ²	M ₃ (M ₂ plus deposits at nonbank thrift institutions) ³	Total	Type of institution			
					Savings and loan associations ⁴	Credit unions ⁵	Mutual Savings banks ⁶	Commercial banks ⁷
December								
1974	284.4	613.5	981.7	786,951	242,959	27,551	98,701	417,740
1975	295.2	664.7	1,092.5	875,204	286,043	33,048	109,873	446,240
1976	313.5	740.5	1,236.5	986,372	333,912	38,968	122,802	488,690
1977								
Dec	338.5	809.5	1,376.1	1,118,354	386,875	46,832	134,017	550,630
1978								
Jan.	341.7	815.9	1,386.6	1,126,592	389,544	47,317	134,771	554,960
Feb.	341.8	819.1	1,393.1	1,136,343	391,840	48,093	135,200	561,210
Mar.	342.9	822.6	1,400.3	1,156,285	398,992	49,706	136,997	570,590
Apr.	346.5	830.3	1,411.4	1,156,562	399,550	49,931	136,931	570,150
May.	350.6	835.2	1,419.9	1,171,636	401,930	50,789	137,307	581,610
June.	352.8	840.6	1,429.8	1,183,091	408,586	52,076	138,709	583,720
July.	354.2	846.2	1,440.9	1,188,799	411,660	51,551	139,128	586,460
Aug.	356.7	853.5	1,455.1	1,195,042	413,972	51,772	139,308	589,990
Sept.	360.9	862.4	1,472.1	1,206,110	420,405	52,867	139,068	593,770
Oct.	362.0	867.4	1,483.9	1,216,569	428,050	52,468	139,683	597,560
Nov.	360.6	870.5	1,492.1	1,212,535	425,207	52,600	139,958	598,770
Dec.	360.8	871.6	1,498.1	(*)	431,102	(*)	141,383	612,300

¹ Average of daily figures for (1) demand deposits at all commercial banks other than those due to domestic commercial banks and the U.S. Government, less cash items in process of collection and F.R. float; (2) foreign demand balances at F.R. Banks; and (3) currency outside the Treasury, F.R. Banks, and vaults of all commercial banks. Federal Reserve data.

² Includes, in addition to currency and demand deposits, an average of daily figures for savings deposits, time deposits open account, and time certificates of deposits other than negotiable time certificates of deposit issued in denominations of \$100,000 or more by large weekly reporting commercial banks. Federal Reserve data.

³ Includes M₂ plus the average of the beginning and end of month deposits of mutual savings banks, savings and loan associations, and credit unions. Federal Reserve data.

⁴ FHLBB estimates for all operating associations described in the notes to table S.4.1.

⁵ National Credit Union Administration estimates for all credit unions based on reports submitted by a sample of credit unions holding more than one-fifth of total assets. Data are revised annually to reflect benchmark data.

⁶ National Association of Mutual Savings Banks data for all mutual savings banks. Figures include a small amount of demand deposits.

⁷ Federal Reserve estimates for the last Wednesday of the month of all commercial bank holdings of time and savings deposits except (1) interbank, (2) U.S. Treasurer's open account, and commercial banks.

* Not available.

* Revised

Table S.1.3.—Selected Types of Savings

(In millions of dollars)

Month	Net increase in deposits at FSLIC-insured savings and loan associations ¹		Net increase in regular deposits at mutual savings banks ²		Net increase in shares at credit unions ³	Net increase in time and savings deposits other than large CD's at commercial banks ⁴	Net purchase of U.S. savings bonds ⁵
	Excluding interest credited	Including interest credited	Excluding interest credited	Including interest credited			
1977							
Dec.	883	5,448	-131	1,289	855	11,089	172
1978							
Jan.	2,877	3,071	-59	238	485	2,942	225
Feb.	2,073	2,259	171	476	776	7,157	213
Mar.	2,592	7,033	338	1,712	1,613	13,382	(?)
Apr.	401	602	-553	-264	225	313	218
May.	2,145	2,340	100	245	858	15,221	247
June.	1,744	6,545	-90	1,393	1,287	2,874	136
July.	2,812	3,019	38	303	-525	3,237	99
Aug.	2,069	2,274	-75	335	221	5,453	95
Sept.	1,606	6,349	-41	1,396	1,095	4,147	73
Oct.	2,434	2,755	48	615	-399	6,436	86
Nov.	1,897	2,116	-59	334	132	6,596	57
Dec.	689	5,802	-325	1,750	(?)	-744	(?)

¹ FHLBB data as described in notes to table S.4.2.

² National Association of Mutual Savings Banks data for all mutual savings banks. Excluded are a small amount of school, club, and other special deposits included in figures shown in table S.1.2.

³ National Credit Union Administration estimates as described in note to table S.1.2.

⁴ Based on Federal Reserve data for last Wednesday of month for time and sav-

ings accounts as described in note to table S.1.2. minus negotiable time certificates of deposit issued in denominations of \$100,000 or more by large weekly reporting commercial banks. Includes interest credited to accounts.

⁵ Sales of Series E and H bonds minus redemptions at sale price (i.e., exclusive of accrued discount) as reported by U.S. Treasury Department.

* Preliminary

* Not available.

Federal Home Loan Mortgage Corporation

Table S.2.1.—Federal Home Loan Mortgage Corporation: Operational Data
(In millions of dollars)

Period	Mortgage								
	Holdings (end of period)			Transactions (during period)				Commitments FHA/VA and conventional	
	Total	FHA/VA ¹	Conventional ²	Purchases		Sales		Made (during period)	Outstanding (end of period)
				FHA/VA	Conventional ²	FHA/VA	Conventional ²		
1970 ³	325	325		325				518	193
1971	968	821	147	564	214	48	65	801	182
1972	1,788	1,502	286	833	464	90	317	1,606	198
1973	2,604	1,800	804	335	999		409	1,629	186
1974	4,586	1,961	2,625	261	1,929		53	4,553	2,390
1975	4,987	1,881	3,106	119	1,594	70	951	982	111
1976	4,269	1,675	2,594	20	1,107	35	1,362	1,478	333
1977	3,267	1,450	1,817	20	4,104	7	4,033	5,501	1,063
1978									
January	3,134	1,437	1,697	2	398		503	337	961
February	3,001	1,436	1,565	13	350		470	451	1,021
March	3,202	1,443	1,759	21	323		127	593	1,234
April	3,061	1,428	1,633	4	352		465	512	1,347
May	2,863	1,411	1,452		479		651	811	1,640
June	2,246	1,393	853		500		793	762	1,870
July	2,019	1,376	643		520		725	738	2,055
August	2,441	1,359	1,082		742		299	838	2,142
September	2,496	1,343	1,153		670		402	760	2,130
October	2,902	1,329	1,573		791		370	547	1,716
November	3,060	1,313	1,747		765		581	706	1,617
December	3,091	1,299	1,792		596		340	455	1,410

¹ Include loans used to back bond issues guaranteed by GNMA.

² Include participations as well as whole loans.

³ Data for 1970 include only the period beginning November 26 when the FHLMC first became operational.

Table S.2.2.—Federal Home Loan Mortgage Corporation: Weekly Market Survey

(In percent, data for the week ending January 19, 1979)

Item	U.S. average	FHLMC Regional Office				
		Northeast	Atlanta	Chicago	Dallas	Los Angeles
Single-family conventionals:						
80-percent loans:						
Average quoted rate	10.40	10.25	10.25	10.375	10.375	10.75
Fees or points charged	1.50	1.0	2.0	2.5	1.0	1.0
95-percent loans:						
Average quoted rate	10.58	10.50	10.375	10.625	10.625	10.75
Fees or points charged	2.00	1.5	2.0	2.5	1.5	2.5
Multifamily conventionals, average quoted rate	10.90	10.875	10.875	11.00	10.75	11.00

Note: FHLMC market data are obtained weekly through its "sample of 125." Each FHLMC Area Office contacts 25 of its seller/servicers for this information. No attempt is made to determine statistical accuracy. Rather, we seek quick information to determine tone of the market. This survey is used for informational purposes

and is not intended for any other use. Any other purposes for which it may be used are entirely at the discretion of the user.

Note: Dallas has stopped reporting the FHA/VA quote.

Federal Home Loan Banks

Table S.3.1.—Federal Home Loan Banks: Combined Statement of Condition
(In millions of dollars)

End of period	Assets				Total assets; total liabilities and capital accounts ²	Liabilities			Capital accounts	
	Cash	Investments	Advances	Other		Deposits and borrowings	Consolidated obligations ¹	Other	Capital stock	Retained earnings
1973	157	3,437	15,147	266	19,007	1,745	14,449	317	2,122	374
1974	144	3,097	21,804	453	25,498	2,484	19,445	406	2,624	539
1975	108	4,376	17,845	383	22,712	2,700	16,383	334	2,705	590
1976	164	6,079	15,862	376	22,481	4,024	14,620	313	2,889	635
1977	134	3,749	20,173	510	24,566	4,286	16,009	296	3,295	680
1978 ³	202	3,414	32,670	482	36,768	6,244	25,109	459	4,120	836
1978										
Jan	163	3,952	20,422	445	24,982	4,059	16,274	376	3,567	706
Feb	144	4,798	20,845	445	26,232	4,205	17,475	190	3,631	731
Mar	153	5,079	21,278	444	26,954	4,522	17,632	302	3,739	759
Apr	145	3,719	22,957	505	27,326	4,557	17,816	400	3,765	788
May	168	5,445	23,664	498	29,775	5,077	19,871	221	3,786	820
June	188	4,121	25,274	471	30,054	5,099	19,953	331	3,818	853
July	187	4,383	26,605	469	31,644	5,378	21,060	463	3,855	888
Aug	169	3,944	27,869	466	32,448	5,366	22,002	267	3,889	924
Sept	127	3,808	29,158	521	33,614	5,684	22,652	392	3,925	961
Oct	106	3,425	30,104	485	34,120	5,633	23,004	524	3,959	1,000
Nov	124	3,672	30,975	502	35,273	5,611	24,341	272	4,008	1,041
Dec ³	202	3,414	32,670	482	36,768	6,244	25,109	459	4,120	836

¹ Represents Banks' participation exclusive of pass-throughs to the Federal Home Loan Mortgage Corporation.
² Figures may vary from other published data on the Banks due to rounding and other reclassification of accounts.

³ Preliminary Data.
NOTE: FHLBB data.

Table S.3.2.—Federal Home Loan Banks: Selected Operating Factors

Month	Number of borrowers (end of month)	Average cost ¹ consolidated obligations—bonds		Average rate on FHLB advances ³		Month	Number of borrowers (end of month)	Average cost ¹ consolidated obligations—bonds		Average rate on FHLB advances ³	
		Out-standing ² (end of month)	Issued ³ (during month)	Out-standing ² (end of month)	Made ² (during month)			Out-standing ² (end of month)	Issued ³ (during month)	Out-standing ² (end of month)	Made ² (during month)
		Percent per annum						Percent per annum			
December						Feb	2,820	7.87	7.82	7.72	7.80
1973	2,515	7.61	7.51	7.68	8.55	Mar	2,815	7.87	(*)	7.75	7.80
1974	2,607	8.17	7.54	8.33	8.40	Apr	2,839	7.87	(*)	7.77	7.90
1975	2,542	8.31	(*)	7.81	7.30	May	2,828	7.91	8.22	7.83	8.10
1976	2,549	8.09	(*)	7.63	6.60	June	2,961	7.91	(*)	7.91	8.04
1977	2,820	7.88	(*)	7.64	7.50	July	2,989	7.93	8.68	7.99	8.60
1978	3,139	8.08	9.61	8.56	10.20	Aug	3,040	7.93	8.47	8.04	8.60
						Sept	3,080	7.96	(*)	8.10	8.70
1978						Oct	3,110	7.96	(*)	8.20	8.70
Jan	2,861	7.88	(*)	7.68	7.60	Nov	3,142	8.03	9.42	8.38	9.90
						Dec	3,139	8.08	9.61	8.56	10.20

¹ Includes selling costs and pass-throughs to the Federal Home Loan Mortgage Corporation.

² Weighted by amount outstanding at each rate.

³ Weighted by the amount issued or made at each rate. Advances made exclude renewals and conversions and the averages shown reflect changes in the types of

advances being made as well as changes in rates on specific types of advances.

⁴ No obligations issued.

⁵ Excludes advances to the Federal Home Loan Mortgage Corporation.
Note: FHLBB data.

Table S.3.3.—Federal Home Loan Banks: Number of Members, by Type
(December 31, 1978)

District Bank	Total number of members	Savings and loan associations				Savings banks	Insurance companies
		All S&LA's	Federals	State chartered			
				FSLIC insured	Other		
All Banks	4,242	4,154	2,000	2,053	101	86	2
Boston	212	156	69	49	38	56	
New York	329	314	103	210	1	15	
Pittsburgh	322	320	141	157	22	2	
Atlanta	678	678	457	220	1		
Cincinnati	539	538	299	204	35		
Indianapolis	217	216	132	83	1		1
Chicago	503	501	184	317		2	
Des Moines	268	267	147	118	2	1	
Little Rock	606	606	196	410			
Topeka	225	225	106	118	1		
San Francisco	193	193	79	114			
Seattle	150	140	87	53		10	

Table S.3.4.—Federal Home Loan Bank Advances Outstanding, by Bank
(In millions of dollars)

End of period	All Districts	Federal Home Loan Bank											
		Boston	New York	Pitts-burgh	Atlanta	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1973	15,147	635	1,559	670	2,469	917	279	1,283	850	847	1,002	4,034	602
1974	21,804	901	1,910	974	3,478	1,379	555	1,727	1,252	1,219	1,270	6,187	951
1975	17,845	659	1,700	899	2,537	1,236	412	1,424	1,214	1,079	1,104	4,744	837
1976	15,862	470	1,215	731	1,913	1,232	371	1,279	1,101	1,109	1,179	4,345	917
1977	20,173	493	1,508	902	2,513	1,597	567	1,764	1,457	1,479	1,524	4,935	1,434
1977													
Nov	18,492	472	1,411	856	2,310	1,562	491	1,654	1,299	1,321	1,460	4,331	1,325
Dec	20,173	493	1,508	902	2,513	1,597	567	1,764	1,457	1,479	1,524	4,935	1,434
1978 ¹													
Jan	20,422	509	1,649	888	2,493	1,649	582	1,805	1,496	1,544	1,531	4,776	1,500
Feb	20,845	500	1,667	894	2,570	1,660	583	1,875	1,478	1,554	1,534	4,977	1,553
Mar	21,278	483	1,643	871	2,653	1,698	593	1,939	1,607	1,612	1,547	5,083	1,549
Apr	22,957	499	1,699	919	2,832	1,783	617	2,062	1,717	1,701	1,652	5,796	1,680
May	23,664	520	1,845	940	3,026	1,861	652	2,161	1,752	1,749	1,719	5,661	1,778
June	25,273	563	1,979	986	3,248	2,012	793	2,294	1,849	1,858	1,796	5,997	1,898
July	26,605	626	2,039	1,016	3,382	2,159	874	2,418	2,108	1,912	1,891	6,175	2,005
Aug	27,869	671	2,107	1,101	3,605	2,293	921	2,521	2,212	1,998	1,945	6,430	2,065
Sept	29,158	690	2,138	1,200	3,776	2,383	972	2,637	2,294	2,092	1,972	6,825	2,179
Oct	30,104	755	2,320	1,238	3,881	2,452	1,003	2,727	2,381	2,155	2,022	6,972	2,198
Nov	30,975	787	2,484	1,290	4,018	2,515	1,039	2,743	2,393	2,211	2,030	7,172	2,294
Dec	32,670	842	2,578	1,283	4,223	2,574	1,105	2,807	2,537	2,345	2,060	7,972	2,344

¹ Preliminary data.

Note: FHLBB data. Detail may not add to total because of rounding.

Table S.3.5.—Federal Home Loan Bank Advances Made and Repaid
(In millions of dollars)

Period	Made	Repaid	Net change	Period	Made	Repaid	Net change
1973	10,013	2,845	7,168	Feb	1,410	987	423
1974	12,763	6,106	6,657	Mar	1,528	1,095	433
1975	5,468	9,425	-3,957	Apr	2,460	781	1,679
1976	8,114	10,097	-1,983	May	1,928	1,221	707
1977	13,756	9,445	4,311	June	2,606	997	1,609
1978	25,297	12,800	12,497	July	2,440	1,109	1,331
1977				Aug	2,213	949	1,264
Dec	2,620	939	1,681	Sept	2,013	724	1,289
1978 ¹				Oct	2,047	1,101	946
Jan	1,526	1,277	249	Nov	2,306	1,435	871
				Dec	2,819	1,124	1,696

¹ Preliminary data.

Note: FHLBB data. Advances made and repaid exclude renewals.

Table S.3.6.—Consolidated Federal Home Loan Bank Obligations Outstanding—Bonds
(Dec. 31, 1978)

Date of maturity	Date of issue	Amount (millions)	Coupon rate (percent)	Date of maturity	Date of issue	Amount (millions)	Coupon rate (percent)
Feb. 26, 1979	June 21, 1974	577	8.65	Nov. 25, 1981	Oct. 25, 1974	400	8.65
Feb. 26, 1979	Sept. 25, 1974	585	9.45	Nov. 27, 1981	Oct. 27, 1971	200	6.60
May 25, 1979	May 28, 1974	391	8 $\frac{3}{4}$	Feb. 25, 1982	Aug. 25, 1975	500	8 $\frac{3}{4}$
May 25, 1979	Oct. 25, 1974	487	8.65	Feb. 25, 1982	Feb. 27, 1978	800	7.95
May 25, 1979	Feb. 27, 1978	1,300	7.50	May 25, 1982	Nov. 25, 1977	700	7.45
Aug. 27, 1979	July 25, 1974	485	9 $\frac{1}{2}$	Nov. 26, 1982	May 25, 1978	800	8 $\frac{1}{4}$
Aug. 27, 1979	Nov. 25, 1977	900	7.20	Feb. 25, 1983	Nov. 27, 1978	700	9.0
Nov. 26, 1979	Nov. 25, 1974	484	8.15	May 25, 1983	Apr. 12, 1973	161	7.30
Nov. 26, 1979	Dec. 23, 1974	467	7 $\frac{1}{2}$	Nov. 25, 1983	Feb. 25, 1975	300	7 $\frac{3}{4}$
Nov. 26, 1979	July 25, 1978	700	8.60	May 25, 1984	May 28, 1974	300	8 $\frac{3}{4}$
Feb. 25, 1980	Mar. 25, 1970	350	7 $\frac{3}{4}$	May 25, 1984	May 25, 1976	300	7 $\frac{3}{4}$
Feb. 25, 1980	Feb. 25, 1974	300	7.05	Aug. 27, 1984	Aug. 25, 1976	500	7.85
Feb. 25, 1980	May 25, 1978	1,200	8.10	Nov. 26, 1984	Nov. 26, 1976	300	7 $\frac{3}{4}$
May 27, 1980	May 25, 1977	500	6.65	Feb. 25, 1985	Feb. 25, 1977	500	7 $\frac{3}{4}$
May 27, 1980	Aug. 25, 1978	1,000	8.40	May 28, 1985	Feb. 27, 1978	500	8 $\frac{1}{2}$
Aug. 25, 1980	Aug. 25, 1976	700	7.30	Nov. 25, 1985	Nov. 25, 1975	400	8.10
Aug. 25, 1980	Nov. 27, 1978	900	9 $\frac{1}{4}$	May 26, 1987	May 25, 1977	300	7.65
Oct. 15, 1980	Oct. 15, 1970	200	7.80	Aug. 25, 1987	Aug. 25, 1977	400	7.60
Nov. 25, 1980	Nov. 25, 1975	600	7 $\frac{3}{4}$	Nov. 26, 1993	Oct. 25, 1977	400	7 $\frac{3}{4}$
Nov. 25, 1980	Nov. 26, 1976	500	6.70	Nov. 27, 1995 ¹	Nov. 19, 1970	140	8.60
Feb. 25, 1981	Feb. 25, 1976	500	7.60	Aug. 26, 1996 ¹	Aug. 2, 1971	150	7 $\frac{3}{4}$
May 26, 1981	Dec. 26, 1978	600	9.55	Feb. 25, 1997	Feb. 25, 1977	300	7 $\frac{1}{2}$
Aug. 25, 1981	Aug. 25, 1977	800	7.05	May 26, 1997 ¹	May 25, 1972	150	7.15

¹ These issues represent bonds issued by the Federal Home Loan Mortgage Corporation and guaranteed by the Government National Mortgage Association.

Note: FHLBB data.

Savings and Loan Associations

Table S.4.1.—All Operating Savings and Loan Associations: Balance Sheet Data and Commitments
(In millions of dollars)

End of period	Assets			Total assets; total liabilities, and net worth	Liabilities and reserves					Loan commitments outstanding ²
	Cash and investment securities ¹	Mortgage loans	Other assets		Savings capital	FHLB advances, other borrowed money	Loans in process	Other liabilities	Net worth ²	
1974 ^{4,5}	23,251	249,301	22,993	295,545	242,959	24,780	3,244	6,105	18,442	7,454
1975	30,853	278,590	28,790	338,233	286,043	20,634	5,128	6,949	19,779	10,673
1976	35,724	323,005	33,179	391,907	333,912	19,083	6,840	8,074	21,998	14,826
1977										
Nov	40,478	376,420	38,706	455,604	381,265	25,581	9,904	13,850	25,004	21,259
Dec	39,150	381,163	38,928	459,241	386,800	27,840	9,911	9,506	25,184	19,875
1978										
Jan	40,309	384,182	39,747	464,238	389,544	27,943	9,828	11,479	25,444	19,523
Feb	41,599	387,591	40,495	469,685	391,840	28,714	9,902	13,462	25,767	20,614
Mar	41,823	392,428	41,030	475,281	398,992	29,323	10,414	10,518	26,034	22,308
Apr	41,853	397,284	41,810	480,947	399,550	31,904	10,937	12,186	26,370	23,398
May	42,444	402,305	42,303	487,052	401,930	32,759	11,386	14,239	26,738	23,939
June	41,505	407,965	42,106	491,576	408,586	34,270	11,632	10,046	27,042	22,927
July	43,627	411,956	42,718	498,301	411,660	35,730	11,540	11,972	27,399	22,393
Aug	44,188	416,677	43,433	504,298	413,972	37,219	11,422	13,906	27,779	22,047
Sept	43,987	420,971	44,019	508,977	420,405	38,595	11,222	10,676	28,079	21,648
Oct	45,577	425,236	44,539	515,352	423,050	39,873	11,165	12,832	28,432	21,503
Nov ⁶	45,761	429,316	45,343	520,420	425,107	40,862	10,983	14,648	28,820	20,617

¹ Includes cash and demand deposits, U.S. Government and Federal Agency securities, bankers' acceptances and miscellaneous securities other than FHLB stock.

² Includes net undistributed income accrued by most, but not all associations.

³ Not a balance sheet item.

⁴ Data for the period specified reflect an increase in savings and mortgage balances of the indicated amount caused by addition of newly organized associations or a decrease (—) caused by conversion or merger into mutual savings and commercial banks or by liquidation.

Period	Mortgages	Savings
1974	63 million	65 million
1975	35 million	35 million
1976—July	—281 million	—342 million
Dec	—56 million	—80 million

Period	Mortgages	Savings
1977—Jan	—33 million	—37 million
June	2 million	4 million
Oct	—87 million	—97 million
1978—Jan	—299 million	—378 million
Apr	—61 million	—56 million
July	3 million	4 million

⁵ Beginning January 1973, participation certificates guaranteed by FHLMC, loans and notes insured by the Farmers Home Administration, and certain other Government-insured, mortgage-type investments, previously included in conventional mortgage loans, are included in other assets.

⁶ Preliminary data based on incomplete reporting.

Note: FHLBB estimates based on reported monthly data for FSLIC-insured associations and periodic benchmark data for other associations. Estimates are subject to revision as benchmark data become available.

Table S.4.2.—Savings Activity at Savings and Loan Associations
(In millions of dollars)

Period	All operating associations			FSLIC-insured associations						
	Gross savings receipts	Withdrawals	Net inflow ¹	Gross savings receipts			Withdrawals	Net inflow ¹	Net new savings received ²	
				Interest/dividends credited	New savings received	Total				
1974	125,900	109,847	16,053	10,952	111,650	122,576	106,982	15,595	4,668	
1975	154,644	111,838	42,806	12,752	138,354	151,106	109,054	42,051	29,298	
1976	184,210	133,625	50,585	15,360	165,434	180,794	131,064	49,728	34,369	
1977	218,250	167,234	51,016	18,189	196,313	214,402	164,312	50,192	32,004	
1977										
Nov	15,425	13,698	1,727	184	14,985	15,069	13,469	1,700	1,516	
Dec	21,386	15,851	5,535	4,565	16,468	21,033	15,585	5,449	883	
1978										
Jan	21,680	18,557	3,123	194	21,319	21,319	18,248	3,071	2,877	
Feb	16,083	13,786	2,297	185	15,632	15,817	13,558	2,259	2,073	
Mar	23,410	16,258	7,152	4,441	18,578	22,019	15,987	7,033	2,592	
Apr	20,362	19,749	613	201	19,827	20,028	19,426	603	401	
May	18,900	16,620	2,380	195	18,485	18,680	16,340	2,340	2,145	
June	27,151	20,496	6,655	4,801	21,902	26,703	20,157	6,545	1,744	
July	24,408	21,338	3,070	207	23,803	24,010	20,991	3,020	2,812	
Aug	21,108	18,796	2,312	205	20,556	20,761	18,487	2,274	2,069	
Sept	24,168	17,712	6,456	4,743	19,025	23,768	17,418	6,349	1,606	
Oct	24,145	21,343	2,802	221	23,519	23,740	20,985	2,755	2,534	
Nov ³	21,570	19,514	2,056	207	21,006	21,213	19,191	2,022	1,815	

¹ Gross savings receipts less withdrawals.

² New savings received less withdrawals.

³ Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in the note to table S.4.1. Gross receipts and withdrawals for some months are overstated because of the inclusion of transfers among accounts at some associations.

Table S.4.3.—Net Savings Inflow at Savings and Loan Associations
(In millions of dollars)

Period	All operating associations	FSLIC-insured associations												
		United States	Federal Home Loan Bank District											
			Boston	New York	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1974.....	16,068	15,595	251	1,792	685	3,105	1,470	822	1,167	1,344	1,640	807	1,856	654
1975.....	43,121	42,051	767	3,924	1,949	7,851	3,351	1,950	3,765	2,603	3,601	1,891	8,375	2,025
1976.....	50,703	49,728	795	4,006	2,219	9,053	4,003	2,362	4,809	2,988	4,535	2,105	10,511	2,343
1977.....	51,016	50,192	730	4,093	2,082	9,392	3,948	2,411	4,877	2,876	4,747	2,074	10,577	2,386
1977														
Dec.....	5,535	5,449	44	508	311	1,094	523	291	539	313	469	240	831	285
1978														
Jan.....	3,123	3,071	36	56	103	874	149	102	276	204	398	148	556	170
Feb.....	2,297	2,259	41	148	101	514	172	93	176	102	290	88	436	98
Mar.....	7,152	7,033	83	620	268	1,242	586	386	692	428	635	315	1,439	340
Apr.....	613	603	19	96	23	205	60	45	105	43	111	43	-149	1
May.....	2,380	2,340	40	248	79	417	179	108	207	105	219	129	538	70
June.....	6,655	6,545	78	493	300	1,084	548	383	638	396	602	293	1,431	298
July.....	3,070	3,020	60	141	103	676	189	141	245	145	380	136	665	138
Aug.....	2,312	2,274	56	140	75	522	185	101	139	135	217	118	468	119
Sept.....	6,456	6,349	77	471	246	1,138	560	351	626	385	579	285	1,324	307
Oct.....	2,802	2,755	36	20	66	670	186	133	267	151	304	163	615	144
Nov.....	2,151	2,116	18	106	55	445	196	98	275	136	257	119	360	50
Dec ¹	5,899	5,802	40	436	291	1,146	517	296	633	356	477	258	1,026	327

¹ Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in the note to table S.491. Detail may not add to total because of rounding.

Table S.4.4.—Net New Savings Received by FSLIC-Insured Savings and Loan Associations
(In millions of dollars)

Period	United States	Federal Home Loan Bank District												
		Boston	New York	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle	
1974.....	4,668	-33	519	201	1,177	475	242	109	686	891	396	-146	140	
1975.....	29,298	449	2,464	1,383	5,609	2,208	1,273	2,538	1,851	2,716	1,401	6,015	1,415	
1976.....	34,369	429	2,284	1,523	6,371	2,650	1,568	3,331	2,088	3,427	1,509	7,580	1,607	
1977.....	32,003	315	2,134	1,277	6,193	2,379	1,469	3,130	1,822	3,384	1,372	7,013	1,515	
1977														
Dec.....	883	-6	39	76	319	110	41	123	48	116	66	-105	58	
1978														
Jan.....	2,877	7	29	95	834	134	96	246	195	384	141	551	164	
Feb.....	2,073	11	122	94	469	159	88	152	94	281	82	430	93	
Mar.....	2,592	34	173	105	460	209	154	270	163	287	137	483	117	
Apr.....	401	-9	64	14	162	44	39	76	34	97	36	-152	-4	
May.....	2,145	8	221	71	371	167	102	183	98	208	122	531	64	
June.....	1,744	25	15	63	260	115	121	193	116	224	106	449	57	
July.....	2,812	31	111	94	634	171	135	214	135	366	129	660	132	
Aug.....	2,069	27	109	67	472	170	95	113	127	205	111	461	112	
Sept.....	1,606	27	-1	71	293	158	104	179	106	204	95	305	64	
Oct.....	2,534	6	-12	56	624	168	125	232	141	289	155	610	139	
Nov.....	1,897	-16	75	47	391	181	91	248	127	245	111	351	44	
Dec.....	689	-13	-71	38	255	65	28	178	53	64	56	-30	65	

¹ Preliminary data based on incomplete reporting.

Note: FHLBB data. Net new savings received equal new savings (exclusive of interest/dividends credited) less withdrawals. Detail may not add to total because of rounding.

Table S.4.5.—Mortgage Loan Activity of Savings and Loan Associations
(In millions of dollars)

Period	All operating associations, total loans closed	FSLIC-insured associations											
		Loans closed									Loans and participations purchased	Loans and participations sold	Net loan repayments ¹
		Total	Purpose of loan						Refinancing	Other			
			Construction of—			Purchase of—							
1- to 4-family homes	Other dwelling units	Other structures	1- to 4-family homes	Other dwelling units	Other improved real estate								
1974	38,958	38,050	6,350	1,039	1,334	22,110	897	843	3,169	2,317	5,903	3,504	23,229
1975	55,040	53,799	8,492	1,376	1,737	30,024	1,360	1,515	6,101	3,194	8,544	5,206	28,230
1976	78,776	77,103	12,686	1,816	2,049	44,752	2,463	1,786	7,980	3,571	12,799	8,447	37,335
1977	107,368	105,287	17,845	2,472	2,252	61,313	3,470	1,908	11,370	4,657	14,497	13,846	48,467
1977													
Dec	9,233	9,060	1,492	227	199	5,001	344	194	1,123	478	1,150	1,324	4,210
1978													
Jan	7,115	6,983	1,194	160	151	3,860	274	149	865	331	949	1,048	3,618
Feb	6,828	6,703	1,207	132	133	3,736	212	138	825	319	829	883	3,289
Mar	9,418	9,244	1,854	219	186	5,097	301	165	1,013	407	1,055	1,191	4,343
Apr	9,026	8,860	1,801	174	222	4,927	236	157	946	398	924	1,033	3,909
May	10,436	10,245	1,968	249	198	6,031	275	133	983	407	864	1,440	4,722
June	11,472	11,262	1,990	234	225	6,968	256	181	967	441	950	1,281	5,356
July	9,031	8,866	1,610	168	148	5,468	183	130	780	379	859	1,129	4,566
Aug	10,398	10,208	1,750	196	191	6,480	225	116	887	334	974	1,449	5,073
Sept	9,305	9,135	1,571	202	191	5,760	179	114	784	333	865	1,329	4,415
Oct	9,674	9,497	1,728	252	155	5,753	213	125	874	397	967	1,563	4,532
Nov	9,165	8,998	1,587	174	203	5,481	189	118	904	343	842	1,464	4,253
Dec	8,295	8,144	1,457	143	152	4,526	200	144	892	372	872	1,475	4,090

¹ Principal payments plus miscellaneous credits less debits for interest, taxes, etc.
² Preliminary data based on incomplete reporting. Note: FHLBB data. All operating association data are estimates as described in note to table S.4.1.

Table S.4.6.—Mortgage Loans Closed by Savings and Loan Associations
(In millions of dollars)

Period	All operating associations	FSLIC-insured associations												
		United States	Federal Home Loan Bank District											
			Boston	New York	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1974	38,958	38,050	873	2,581	1,658	6,681	4,035	1,858	3,531	2,124	3,704	1,959	7,191	1,851
1975	55,040	53,799	1,022	3,062	2,433	9,033	5,283	2,365	5,164	2,944	5,225	2,716	11,424	3,133
1976	78,776	78,776	1,192	3,680	3,012	11,712	6,943	3,423	7,730	4,240	7,661	3,867	19,067	4,577
1977	107,368	105,287	1,473	4,199	3,903	15,399	9,387	4,624	10,675	5,859	10,918	5,597	26,603	6,648
1977														
Dec	9,233	9,060	116	387	311	1,418	731	394	869	516	1,017	473	2,248	580
1978														
Jan	7,115	6,983	85	289	233	1,186	461	255	683	358	777	373	1,801	481
Feb	6,828	6,703	64	238	189	1,132	547	276	639	345	752	363	1,681	478
Mar	9,418	9,244	100	316	298	1,477	757	376	885	470	1,038	507	2,341	680
Apr	9,026	8,860	99	295	337	1,376	829	383	905	463	898	495	2,066	713
May	10,436	10,245	137	346	430	1,566	1,024	490	1,063	572	1,037	590	2,319	671
June	11,472	11,262	185	483	511	1,762	1,098	552	1,129	663	1,076	594	2,537	673
July	9,031	8,866	140	407	404	1,436	881	479	842	505	867	485	1,873	548
Aug	10,398	10,208	159	431	428	1,527	970	540	1,005	604	1,035	556	2,347	606
Sept	9,305	9,135	142	346	364	1,295	849	471	903	556	890	497	2,283	540
Oct	9,674	9,497	146	327	350	1,370	795	454	935	522	959	534	2,498	607
Nov	9,165	8,998	133	324	301	1,362	737	431	830	492	840	511	2,493	534
Dec	8,295	8,144	116	336	268	1,370	634	390	741	461	800	464	2,050	512

¹ Preliminary data based on incomplete reporting.
 Note: FHLBB data. All operating association data are estimates as described in the note to table S.4.1. Detail may not add to total because of rounding.

Table S.4.7.—Mortgage Debt Held by All Operating Savings and Loan Associations by Type of Property and Mortgage ¹
(In millions of dollars)

End of year and quarter	Total	1- to 4-family homes				Residential property with 5 or more dwelling units			Nonresidential		
		Total	FHA	VA	Conventional	Total	FHA	Conventional	Total	Land	Other
1972 ²	206,182	166,410	14,057	13,474	138,879	21,051	1,343	19,708	18,721	1,814	16,907
1973 ²	231,733	187,078	13,813	14,604	158,661	22,779	1,321	21,458	21,876	2,294	19,582
1974 ²	249,301	200,987	13,472	15,166	172,349	23,808	1,246	22,562	24,506	2,643	21,863
1975	278,590	223,903	13,450	15,968	194,485	25,547	1,172	24,375	29,140	3,064	26,076
1976											
Mar ³	286,296	230,395	13,598	16,318	200,479	25,937	1,231	24,706	29,944	3,120	26,824
June ³	299,238	240,976	13,645	16,578	210,753	26,812	1,287	25,525	31,450	3,202	28,248
Sept ²	311,753	251,553	13,561	16,648	221,344	27,497	1,341	26,156	32,703	3,305	29,398
Dec ²	323,005	260,794	13,372	16,602	230,820	28,425	1,357	27,068	33,786	3,392	30,394
1977 ⁴											
Mar	333,565	269,821	13,109	16,411	240,301	29,187	1,401	27,786	34,557	3,502	31,055
June	350,609	284,414	13,008	16,479	254,927	30,503	1,437	29,066	35,692	3,646	32,046
Sept	366,800	298,429	12,801	16,433	269,195	31,581	1,467	30,114	36,790	3,815	32,975
Dec	381,163	310,686	12,426	16,238	282,022	32,513	1,487	31,026	37,964	4,002	33,962
1978 ⁵											
Mar	392,428	320,064	12,205	16,050	291,809	33,592	1,452	32,140	32,772	4,120	34,652
June	407,965	334,164	12,076	15,992	306,096	34,351	1,428	32,923	39,450	4,324	35,126

¹ Distribution is estimated primarily on the basis of data reported semiannually by FSLIC-insured associations.

² Data for the indicated period reflect an increase in total mortgage balances caused by an addition of newly organized associations, or a decrease caused by conversion or merges into mutual savings banks or by liquidation in the following amounts: 1972, \$—78 million; 1973, \$—35 million; 1974, \$—63 million; 1975—

1st, \$—17 million; 2d, \$—18 million; 1976—3d, \$—281 million; 4th, \$—56 million; 1977—1st, \$—37 million.

³ Correction of misclassified assets reduced total mortgage balances by \$250 million in 1976—3d and by \$100 million in 1976—1st.

⁴ Revised. ⁵ Preliminary.
Note: FHLBB data.

Table S.4.8.—Average Cost of Funds ¹ to FSLIC-Insured Savings and Loan Associations, by Bank District
(Percent)

Year half year	All Districts	Boston	New York	Pitts-burgh	Atlanta	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1973	5.60	5.58	5.45	5.53	5.58	5.55	5.48	5.56	5.62	5.68	5.70	5.73	5.65
1974	6.14	6.04	5.95	6.04	6.17	6.08	5.92	6.11	6.17	6.27	6.23	6.27	6.15
1975	6.32	6.23	6.06	6.20	6.33	6.26	6.16	6.29	6.41	6.53	6.50	6.44	6.30
1976	6.38	6.22	6.12	6.27	6.37	6.35	6.24	6.39	6.49	6.61	6.57	6.45	6.35
1977	6.44	6.22	6.16	6.32	6.42	6.41	6.34	6.49	6.54	6.67	6.63	6.48	6.40
1974													
Jan.-June	6.00	5.92	5.79	5.90	6.01	5.94	5.78	5.97	6.05	6.12	6.10	6.14	5.97
July-Dec.	6.28	6.16	6.06	6.15	6.30	6.19	6.04	6.24	6.29	6.40	6.37	6.44	6.32
1975													
Jan.-June	6.31	6.21	6.05	6.15	6.34	6.22	6.13	6.29	6.37	6.51	6.47	6.41	6.26
July-Dec.	6.34	6.25	6.10	6.24	6.34	6.30	6.19	6.31	6.44	6.55	6.52	6.42	6.34
1976													
Jan.-June	6.35	6.20	6.08	6.23	6.35	6.31	6.21	6.35	6.47	6.59	6.55	6.44	6.31
July-Dec.	6.40	6.24	6.15	6.31	6.39	6.38	6.26	6.43	6.51	6.62	6.59	6.45	6.39
1977													
Jan.-June	6.39	6.20	6.09	6.27	6.38	6.37	6.29	6.44	6.50	6.65	6.61	6.43	6.33
July-Dec.	6.48	6.23	6.22	6.37	6.45	6.45	6.39	6.54	6.57	6.69	6.65	6.53	6.46
1978													
Jan.-June	6.54	6.28	6.21	6.38	6.50	6.54	6.43	6.58	6.64	6.80	6.70	6.63	6.50

¹ Interest and dividends paid on savings. FHLB advances and other borrowed money during period as a percent of average savings and borrowings. (Averages

based on 7 monthend figures for half years and 13 monthends for years; half-year data have been annualized by doubling.)

Table S.4.9.—Effective Interest/Dividend Rates Paid ¹ by FSLIC-Insured Savings and Loan Associations, by Bank District (Percent)

Year or half year	All Districts	Boston	New York	Pitts-burgh	Atlanta	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1973	5.51	5.47	5.36	5.43	5.50	5.48	5.44	5.48	5.56	5.61	5.61	5.60	5.53
1974	5.96	5.82	5.77	5.85	5.99	5.94	5.83	5.93	6.02	6.14	6.08	6.01	5.92
1975	6.21	6.05	5.94	6.07	6.23	6.17	6.12	6.18	6.31	6.44	6.38	6.28	6.18
1976	6.31	6.11	6.05	6.19	6.32	6.29	6.25	6.33	6.43	6.55	6.48	6.35	6.27
1977	6.39	6.15	6.11	6.27	6.38	6.37	6.38	6.45	6.49	6.64	6.56	6.42	6.33
1974													
Jan.-June	5.86	5.75	5.65	5.74	5.87	5.83	5.72	5.83	5.94	6.02	6.01	5.94	5.81
July-Dec.....	6.04	5.89	5.85	5.92	6.08	6.03	5.93	6.01	6.09	6.24	6.18	6.10	6.04
1975													
Jan.-June	6.16	5.99	5.91	5.99	6.20	6.11	6.05	6.15	6.26	6.40	6.35	6.23	6.10
July-Dec.....	6.24	6.08	6.00	6.13	6.26	6.22	6.18	6.21	6.35	6.47	6.41	6.27	6.24
1976													
Jan.-June	6.28	6.08	6.00	6.15	6.30	6.25	6.21	6.28	6.40	6.53	6.46	6.33	6.23
July-Dec.....	6.34	6.13	6.09	6.23	6.34	6.32	6.29	6.37	6.45	6.59	6.50	6.36	6.31
1977													
Jan.-June	6.35	6.13	6.05	6.21	6.34	6.33	6.32	6.40	6.46	6.62	6.54	6.39	6.26
July-Dec.....	6.42	6.16	6.17	6.32	6.42	6.40	6.44	6.49	6.52	6.65	6.58	6.45	6.39
1978													
Jan.-June	6.46	6.18	6.13	6.30	6.45	6.47	6.46	6.50	6.56	6.73	6.62	6.51	6.37

¹ Interest/dividends paid on savings during period as a percent of average savings balances. (Averages based on 7 monthends for half years and 13 monthends for years; half-year ratios have been annualized by doubling.)

Table S.4.10.—Interest Return on Mortgages Held ¹ by FSLIC-Insured Savings and Loan Associations, by Bank District (Percent)

Year or half year	All Districts	Boston	New York	Pitts-burgh	Atlanta	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
1973	7.17	7.06	6.75	7.03	7.28	7.16	7.18	6.92	7.13	7.31	7.25	7.34	7.44
1974	7.43	7.33	7.03	7.32	7.53	7.47	7.47	7.25	7.41	7.63	7.54	7.51	7.69
1975	7.66	7.60	7.19	7.54	7.69	7.70	7.68	7.47	7.63	7.84	7.77	7.85	7.97
1976	7.95	7.80	7.46	7.83	7.94	7.98	7.96	7.83	7.91	8.15	8.06	8.11	8.32
1977	8.21	8.01	7.68	8.05	8.14	8.24	8.21	8.13	8.15	8.38	8.32	8.45	8.60
1974													
Jan.-June	7.35	7.24	6.95	7.26	7.46	7.38	7.40	7.17	7.35	7.52	7.46	7.44	7.58
July-Dec.....	7.51	7.43	7.08	7.36	7.59	7.55	7.52	7.31	7.47	7.73	7.64	7.63	7.81
1975													
Jan.-June	7.59	7.48	7.17	7.45	7.65	7.61	7.59	7.42	7.55	7.75	7.70	7.74	7.86
July-Dec.....	7.74	7.72	7.23	7.61	7.75	7.80	7.76	7.55	7.71	7.93	7.86	7.91	8.08
1976													
Jan.-June	7.87	7.72	7.39	7.76	7.87	7.90	7.88	7.73	7.82	8.06	7.98	8.03	8.21
July-Dec.....	8.03	7.87	7.52	7.89	8.00	8.06	8.04	7.92	8.00	8.24	8.13	8.18	8.43
1977													
Jan.-June	8.14	7.96	7.63	8.02	8.07	8.17	8.12	8.06	8.09	8.32	8.26	8.35	8.53
July-Dec.....	8.28	8.05	7.73	8.08	8.21	8.30	8.29	8.19	8.21	8.44	8.37	8.54	8.67
1978													
Jan.-June	8.39	8.12	7.83	8.20	8.30	8.40	8.35	8.31	8.34	8.58	8.47	8.63	8.80

¹ Interest earned on mortgages as a percent of average mortgage balances, net of loans in process. (Averages based on 7 monthends for half years and 13 monthends for years; half-year ratios have been annualized by doubling.)

Table S.4.11.—Minimum Ratio ¹ of Liquid Assets ² to Liquidity Base ³ Required of Members of the Federal Home Loan Bank System (Percent)

Effective date	All liquid assets	Short-term liquid assets ⁴	Effective date	All liquid assets	Short-term liquid assets ⁴	Effective date	All liquid assets	Short-term liquid assets ⁴
Dec. 1950	6	(*)	May 1, 1971	7½	(*)	Apr. 1, 1975	5½	1½
Mar. 1, 1961 ¹	7	(*)	Aug. 1, 1971	7	(*)	June 1, 1975	6	2
Aug. 1, 1968	6½	(*)	Jan. 1, 1972	7	3	Sept. 1, 1975	6½	2½
June 12, 1969	6	(*)	May 1, 1973	6½	2½	Mar. 1, 1976	7	3
Dec. 1, 1969	5½	(*)	Aug. 1, 1973 ⁷	5½	1½	May 1, 1978	6½	2½
Apr. 1, 1971	6½	(*)	Sept. 1, 1974 ⁷	5	1	Jan. 1, 1979	6	2

¹ Before Dec. 22, 1969, the indicated minimum was required on each day a member closed loans. Beginning Dec. 22, 1969, compliance has been monthly, on the basis of an average of daily liquid asset balances to an average of the liquidity base for the preceding month, or, in the case of members with less than \$25 million in assets, to the liquidity base at the end of the preceding month. Special provision is made in the case of deficiencies resulting from the withdrawal of savings.

² Liquid assets consisted of unpledged cash, deposits, and U.S. Government securities through June 10, 1969. Federal agency securities with 5 or less years to maturity were added June 11, 1969. Effective Dec. 22, 1969, and subject to some additional restrictions, the following were made eligible liquid assets: (a) time deposits at commercial banks with a maturity of 1 year or less, or a notice period of 90 days or less; (b) bankers' acceptances with a maturity of 6 months or less; (c) general obligations of State and local governments with a maturity of 2 years or less; (d) eligible liquid assets held subject to a repurchase agreement; and (e) accrued interest on liquid assets, or assets which would so qualify except for maturity. Effective Jan. 1, 1972, the amount of U.S. Government securities with a maturity of more than 7 years that could be counted as liquid assets was limited to one-half of 1 percent of the base and mutual savings banks could elect to hold that portion of required liquidity in excess of 5 percent in Federal funds and commercial paper. Beginning Nov. 21, 1973, unsecured Federal funds loans made eligible liquid assets for member associations. Effective May 14, 1974, maximum maturity for bankers acceptances increased to 9 months. Effective April 1, 1975: (a) maximum maturity for U.S. Government securities reduced to 5 years, except such securities with a

longer term held on March 31 and eligible as liquid assets would continue as such through March 31, 1977; (b) certain public housing authority notes guaranteed by the United States with maximum maturity of 24 months made eligible liquid assets.

³ Before Nov. 1, 1970, the liquidity base consisted of a member's net withdrawable accounts (or the policy reserve required by State law, in the case of an insurance company). Beginning Nov. 1, 1970, borrowings payable on demand or due in 1 year or less were added.

⁴ Short-term liquid assets consist of the liquid assets defined in footnote 2, except: (a) U.S. Governments and Federal agency securities with a maturity longer than 18 months; (b) commercial bank time deposits with a maturity longer than 6 months; (c) State and local government obligations; and (d) bankers' acceptances with a maturity longer than 6 months. Effective April 1, 1975: (a) maximum maturity for U.S. Government and Federal agency securities reduced to 12 months, except such securities held on March 31 and eligible as short-term liquid assets would continue as such; (b) certain public housing authority notes with a maturity of 6 months or less made eligible liquid assets. The requirement is not applicable to member mutual savings banks or insurance companies.

⁵ During the period June 27-Nov. 1, 1966, members were permitted to reduce liquid asset holdings below the requirement by an amount not exceeding the smaller of (a) actual net savings withdrawn, or (b) 1 percent of withdrawable savings.

⁶ No separate requirement.

⁷ Penalties for liquidity deficiencies caused by net savings withdrawals during August through December 1973 and April through October 1974 were waived.

Table S.4.12.—Maximum Rates of Return Payable on Savings Accounts by Savings and Loan Associations that Are Members of the Federal Home Loan Bank System

Type of account	Effective date and percentage rates				
	Jan. 21, 1970 ¹	July 6, 1973	Nov. 1, 1973	Dec. 23, 1974	June 1, 1978
Regular	² 5.00	5.25	5.25	5.25	5.25
Transaction (NOW)	³	³	³ 5.00	³ 5.00	³ 5.00
90-day notice (for withdrawals)	⁴ 5.25	5.75	⁴ 5.75	⁴ 5.75	⁴ 5.75
Certificate with fixed or minimum term or qualifying period:					
Balance less than \$100,000:					
Owned by governmental units:					
All terms	(*)	(*)	(*)	7.75	8.00
Owned by others:					
90 days to 6 months	5.25	⁷ 5.75	5.75	5.75	5.75
6 months to 1 year	⁷ 5.25	⁷ 5.75	5.75	5.75	5.75
1 year to 2 years	⁷ 5.75	⁷ 6.50	⁷ 6.50	⁷ 6.50	⁷ 6.50
2 years to 2½ years	⁸ 6.00	⁸ 6.50	⁸ 6.50	⁸ 6.50	⁸ 6.50
2½ years to 4 years	⁸ 6.00	⁸ 6.75	⁸ 6.75	⁸ 6.75	⁸ 6.75
4 years to 6 years	⁸ 6.00	¹⁰	⁸ 7.50	⁸ 7.50	⁸ 7.50
6 years or more	⁸ 6.00	¹⁰	⁸ 7.50	⁸ 7.75	⁸ 7.75
8 years or more	⁸ 6.00	¹⁰	⁸ 7.50	⁸ 7.75	⁸ 8.00
Individual retirement (IRA) or Keogh (H.R. 10) account with term of 3 or more years	(¹¹)	(¹¹)	(¹¹)	¹¹ 7.75	8.00
Money market certificate with 26 week term and minimum balance of \$10,000	(¹²)	(¹²)	(¹²)	(¹²)	(¹²)
Balance \$100,000 ¹³ or more:					
All owners—all terms	(¹⁴)	(¹⁵)	(¹⁵)	(¹⁵)	(¹⁵)

¹ See this table in the June 1973 Journal for earlier information.

² 5.25 percent in Mass.

³ Effective Jan. 1, 1974, only for associations with home offices in certain New England states

⁴ 5.50 percent in Mass.

⁵ Beginning Nov. 27, 1974, maximum rate for notice accounts owned by governmental units was the same as for certificate accounts owned by such units.

⁶ Before Nov. 27, 1974, maximum rate was the same as for other types of owners; from Nov. 27 through Dec. 22, 1974, maximum rate was 7.50 percent.

⁷ \$1,000 minimum balance required, except in areas where mutual savings banks were permitting lower balance.

⁸ \$5,000 minimum balance required, except in areas where mutual savings banks were permitting a lower balance.

⁹ \$1,000 minimum balance required.

¹⁰ No maximum rate with \$1,000 minimum balance; 6.75 percent maximum with lower minimum balance.

¹¹ Effective July 6, 1977; no separate category until then.

¹² First authorized June 1, 1978; maximum rate as of each Thursday is the average rate (discount basis) on 6-month U.S. Treasury bills as determined at the immediately preceding auction plus 25 basis points.

¹³ \$50,000 for Puerto Rico only, beginning Sept. 3, 1970.

¹⁴ From Jan. 21, 1970, through May 16, 1973, maximum rate was 6.50 percent for accounts with term of 60-89 days, 6.75 percent for 90-179 day accounts, 7.00 percent for 180-364 day accounts, and 7.50 percent for longer term accounts; thereafter no maximum rate.

¹⁵ No maximum rate.

Mortgage Markets

Table S.5.1.—Terms on Conventional Home Mortgage Loans Made: National Averages for All Major Types of Lenders ¹

Period	Contract interest rate ² (per cent)	Initial fees and charges ³ (per cent)	Effective rate ⁴ (per cent)	Term to maturity (years)	Loan amount (thousands)	Purchase price (thousands)	Loan-to-price ratio (per cent)	Percentage distribution of estimated number of loans by loan-to-price ratio class			
								70.0 percent or less	70.1-80.0 percent	80.1-90.0 percent	Over 90.0 percent
Purchase of newly built homes											
1975	8.75	1.54	9.01	26.8	33.3	44.6	76.1	26	42	19	14
1976	8.76	1.44	8.99	27.2	35.9	48.4	75.8	28	41	21	11
1977	8.80	1.33	9.01	27.9	40.5	54.3	76.3	26	43	21	11
1978	9.30	1.39	9.54	28.0	45.9	62.6	75.3	29	42	19	11
1977											
Dec	8.87	1.30	9.09	28.0	42.6	57.7	75.5	28	43	19	10
1978											
Jan	8.93	1.41	9.15	28.3	43.3	58.0	76.4	25	44	21	10
Feb	8.96	1.32	9.18	27.3	44.0	59.9	75.3	26	46	18	10
Mar	9.03	1.37	9.26	27.4	43.5	58.8	75.5	30	38	20	11
Apr	9.07	1.44	9.30	28.4	45.7	61.6	76.1	25	44	21	10
May	9.14	1.34	9.37	27.7	44.2	59.8	75.5	29	39	21	12
June	9.23	1.40	9.46	28.3	45.9	62.6	75.6	28	41	20	11
July	9.34	1.40	9.57	28.2	45.3	60.7	75.4	28	43	18	11
Aug	9.45	1.43	9.70	28.0	46.4	63.6	75.3	28	42	17	13
Sept	9.50	1.36	9.73	27.8	46.7	64.6	74.1	31	40	20	9
Oct	9.60	1.37	9.83	28.0	48.6	66.8	74.4	32	41	18	9
Nov	9.63	1.40	9.87	27.9	47.5	65.1	74.4	32	40	18	10
Dec	9.76	1.49	10.02	28.1	49.6	68.1	75.1	29	43	17	12
Purchase of previously occupied homes											
1975	9.01	1.19	9.21	24.0	27.4	38.2	73.4	31	47	17	5
1976	8.92	1.17	9.11	24.5	29.8	41.3	73.8	30	47	18	5
1977	8.83	1.17	9.02	25.8	34.7	47.5	75.1	27	48	20	6
1978	9.37	1.26	9.58	26.4	39.4	54.2	75.1	28	45	21	7
1977											
Dec	8.93	1.17	9.12	26.1	36.0	49.4	74.8	29	46	20	6
1978											
Jan	8.95	1.22	9.15	26.1	36.9	50.6	74.8	28	47	19	7
Feb	8.99	1.23	9.20	25.8	36.4	49.4	75.9	26	47	21	7
Mar	9.04	1.22	9.24	26.2	37.6	51.0	75.6	26	45	21	8
Apr	9.14	1.26	9.35	26.6	38.6	52.1	76.1	25	45	22	8
May	9.17	1.22	9.37	26.2	38.2	51.7	76.0	26	44	23	7
June	9.27	1.21	9.48	26.5	39.2	53.9	74.8	28	45	20	7
July	9.41	1.27	9.63	26.5	39.2	53.7	75.1	28	46	20	7
Aug	9.55	1.27	9.77	26.4	39.7	54.7	74.9	29	45	20	6
Sept	9.62	1.26	9.84	26.6	41.3	57.5	74.4	29	44	21	6
Oct	9.68	1.28	9.90	26.6	39.9	55.0	74.9	30	44	21	6
Nov	9.74	1.30	9.97	26.6	42.6	59.4	74.8	29	45	21	6
Dec	9.85	1.32	10.08	27.0	43.7	61.5	73.7	32	44	19	6
Combined construction-purchase											
1975	8.89	1.45	9.13	24.0	31.5	46.1	69.1	44	43	8	4
1976	8.83	1.41	9.07	25.2	34.9	50.4	70.3	40	47	10	3
1977	8.77	1.39	9.00	25.8	38.5	55.1	71.1	38	46	11	5
1978	9.17	1.43	9.42	26.3	43.9	64.1	69.9	42	44	10	5
1977											
Dec	8.83	1.43	9.07	26.7	40.6	57.5	72.1	35	51	10	4
1978											
Jan	8.92	1.35	9.15	25.4	40.1	57.4	71.2	39	47	11	11
Feb	8.84	1.52	9.09	26.0	42.7	61.7	70.2	39	49	9	4
Mar	8.92	1.47	9.16	26.9	42.5	62.9	69.6	40	44	11	4
Apr	8.98	1.34	9.20	26.0	43.5	62.1	71.2	39	50	7	4
May	9.03	1.45	9.27	26.6	43.8	62.4	71.4	39	44	12	5
June	9.04	1.33	9.26	26.4	43.6	63.9	70.0	46	40	9	5
July	9.18	1.46	9.43	26.5	43.2	63.0	70.2	41	46	10	3
Aug	9.24	1.44	9.50	26.3	45.9	65.8	70.9	41	46	10	4
Sept	9.33	1.37	9.57	26.2	44.1	67.3	66.9	52	34	10	4
Oct	9.45	1.25	9.66	25.6	43.9	65.5	67.9	48	40	9	3
Nov	9.55	1.70	9.84	26.8	46.4	67.2	71.1	39	45	12	5
Dec	9.61	1.53	9.88	26.9	46.9	69.6	68.7	44	42	9	5

See footnotes at end of following table.

Table S.5.2.—Terms on Conventional Home Mortgage Loans Made: National Averages for Savings and Loan Associations ¹

Period	Contract interest rate ² (per-cent)	Initial fees and charges ³ (per-cent)	Effective rate ⁴ (per-cent)	Term to maturity (years)	Loan amount (thou-sands)	Pur-chase price (thou-sands)	Loan-to-price ratio (per-cent)	Percentage distribution of estimated number of loans by loan-to-price ratio class			
								70.0 percent or less	70.1-80.0 percent	80.1-90.0 percent	Over 90.0 percent
Purchase of newly built homes											
1975	8.78	1.62	9.05	27.8	34.1	44.9	77.4	23	44	21	13
1976	8.79	1.55	9.04	28.1	36.6	48.6	76.8	25	43	21	11
1977	8.81	1.43	9.04	28.4	41.1	54.6	77.0	23	46	21	10
1978	9.32	1.51	9.58	28.6	46.0	61.9	76.0	NA	NA	NA	NA
1977											
Dec	8.90	1.42	9.13	28.6	43.3	58.0	76.3	25	46	21	9
1978											
Jan	8.93	1.44	9.17	28.7	43.7	58.3	76.4	25	46	21	9
Feb	8.97	1.44	9.20	28.7	44.7	60.0	76.4	25	45	19	11
Mar	9.03	1.52	9.28	28.7	44.1	58.6	76.9	24	43	22	10
Apr	9.10	1.50	9.35	28.7	45.4	60.5	76.7	24	45	21	10
May	9.17	1.49	9.41	28.5	44.9	60.1	76.2	26	41	21	12
June	9.27	1.50	9.52	28.6	45.3	61.1	75.8	28	42	21	9
July	9.34	1.47	9.59	28.4	44.2	60.0	75.5	NA	NA	NA	NA
Aug	9.48	1.58	9.75	28.8	46.4	63.0	75.5	NA	NA	NA	NA
Sept	9.55	1.51	9.80	28.7	47.3	64.1	75.7	NA	NA	NA	NA
Oct	9.61	1.52	9.86	28.7	48.5	64.9	76.2	NA	NA	NA	NA
Nov	9.65	1.58	9.92	28.7	48.5	66.0	75.2	NA	NA	NA	NA
Dec	9.79	1.60	10.06	28.5	48.4	65.7	75.8	NA	NA	NA	NA
Purchase of previously occupied homes											
1975	9.05	1.40	9.28	25.1	27.7	37.4	75.6	25	50	20	5
1976	8.94	1.34	9.16	25.6	30.3	40.8	76.2	24	50	21	5
1977	8.86	1.32	9.08	26.6	35.1	46.9	76.8	22	50	22	6
1978	9.43	1.40	9.66	27.1	39.2	52.5	76.7	NA	NA	NA	NA
1977											
Dec	8.96	1.31	9.18	26.7	36.3	48.9	76.3	23	49	22	6
1978											
Jan	9.00	1.33	9.22	26.7	37.0	49.9	76.3	24	50	20	6
Feb	9.03	1.34	9.25	26.5	36.4	48.5	77.2	21	51	22	7
Mar	9.10	1.34	9.32	26.9	38.0	50.4	77.0	22	49	22	7
Apr	9.19	1.37	9.42	27.1	38.5	51.3	77.1	22	47	23	8
May	9.23	1.35	9.45	27.0	38.6	51.3	77.4	22	47	24	7
June	9.36	1.37	9.59	27.2	39.8	53.4	76.7	24	46	23	7
July	9.48	1.43	9.72	26.9	37.9	50.9	76.6	NA	NA	NA	NA
Aug	9.62	1.43	9.86	27.0	39.1	52.9	76.3	NA	NA	NA	NA
Sept	9.70	1.43	9.94	27.3	41.1	55.5	76.4	NA	NA	NA	NA
Oct	9.73	1.41	9.97	27.4	39.8	53.7	76.5	NA	NA	NA	NA
Nov	9.79	1.47	10.04	27.3	41.9	56.3	76.5	NA	NA	NA	NA
Dec	9.94	1.49	10.19	27.4	41.9	56.1	76.6	NA	NA	NA	NA

¹ Savings and loan associations, mortgage bankers, commercial banks, and mutual savings banks.

² The estimated cost of mortgage insurance has been deducted from the contract rate for the relatively small number of loans including such costs in the rate.

³ Includes any general or specific charges paid by the borrower, or seller, in order to obtain a loan, except those for mortgage, credit, life, or property insurance, for property transfer, and for title search and insurance.

⁴ Contract rate plus initial fees and charges amortized over a 10-year period, on the assumption that, on the average, loans are prepaid at the end of that time.

Note: Data are weighted averages compiled by the FHLBB in cooperation with the Federal Deposit Insurance Corporation from individual loan data reported by a sample of the indicated types of lenders on fully amortized conventional first mortgage loans secured by single-family residential property; excluded are interim construction loans, refinancing loans, junior liens, and federally underwritten loans.

Table S.5.3.—Mortgage Debt Outstanding, by Type of Property and Mortgage
(In millions of dollars)

End of year and quarter	Total	Property type						Mortgage type ¹	
		Nonfarm					Farm	FHA/VA-underwritten	Conventional
		Total	Residential		Com-mercial	Total			
Total	1- to 4-family homes		5 or more units	Total					
1973	682,321	641,068	509,343	416,211	93,132	131,725	41,253	135,044	374,716
1974	742,512	696,224	549,347	449,371	99,976	146,877	46,288	140,212	409,576
1975	801,537	750,660	591,362	490,761	100,601	159,298	50,877	146,984	445,085
1976									
1st	818,420	766,220	605,037	503,255	101,782	161,183	52,200	148,311	456,726
2d	840,533	786,740	622,691	519,790	102,901	164,049	53,793	150,548	472,143
3d	865,639	810,174	642,644	538,771	103,873	167,530	55,465	150,801	491,843
4th	889,202	832,171	660,961	556,456	104,505	171,210	57,031	154,146	506,815
1977									
1st	912,179	852,991	679,011	573,674	105,337	173,980	59,188	155,697	523,357
2d	950,519	888,608	710,839	603,242	107,597	177,768	61,909	158,652	548,704
3d	988,526	924,528	742,197	632,699	109,498	182,331	63,998	161,564	575,163
4th	1,023,413	957,735	768,704	657,169	111,535	189,031	65,678	161,739	601,660
1978									
1st	1,050,200	982,142	788,720	674,783	113,937	193,422	68,058	165,253	624,509
2d	1,091,510	1,020,628	820,997	704,540	116,457	199,631	70,882	167,440	650,252
3d	1,131,899	1,058,095	850,948	731,732	119,216	207,147	73,804	174,663	671,855

¹ FHA/VA-figures are from Federal Housing Administration and Veterans Ad-
ministration. Conventional data include farm mortgages regardless of mortgage
type.
² Revised.

Note: Except as noted all data are estimates, subject to revision, made by Federal
Reserve in conjunction with FHLBB and Department of Commerce from data
reported by various institutional and Government sources.

Table S.5.4.—Mortgage Debt Outstanding on One- to Four-Family Nonfarm Properties by Type of Holder
(In millions of dollars)

End of year and quarter	Total	Savings and loan associations ¹	Life insurance companies	Mutual savings banks	Commercial banks	Federal and related agencies ²			Mortgage pools or trusts ³	Other holders
						FNMA ²	FHLMC	Other		
1973	416,211	187,078	20,426	48,811	67,998	20,370	2,446	4,334	13,636	51,112
1974	449,371	200,987	19,026	49,213	74,758	23,778	4,217	5,422	18,639	53,331
1975	490,761	223,903	17,590	50,025	77,018	25,813	4,588	7,475	28,081	56,268
1976										
1st	503,255	230,395	17,160	50,553	78,974	26,262	4,247	7,454	30,907	57,301
2d	519,790	240,976	16,855	51,326	81,281	26,112	4,166	5,749	34,322	59,003
3d	538,771	251,553	16,448	52,250	83,938	27,030	3,917	5,542	37,569	60,524
4th	556,456	260,794	16,088	53,089	86,234	26,934	3,889	4,701	42,084	62,643
1977										
1st	573,674	269,821	15,699	53,502	88,691	26,836	3,200	4,109	47,123	64,693
2d	603,242	284,414	15,418	55,000	94,899	27,933	2,901	4,403	50,219	68,055
3d	632,699	298,428	15,022	56,313	100,474	28,178	2,818	4,285	55,634	71,547
4th	657,169	310,686	14,727	57,637	105,115	28,504	2,738	4,471	60,573	72,718
1978										
1st	674,783	320,064	14,476	58,747	108,699	30,208	2,785	3,426	63,427	72,951
2d	704,540	334,164	14,129	59,895	115,389	32,974	1,856	3,316	67,054	75,763
3d	731,732	344,817	14,189	61,104	121,911	35,437	1,994	3,741	70,485	78,054

¹ See notes to S.4.7.

² Except for balances backing securities insured or guaranteed by the agencies. Included in other, are Veterans Administration, Federal Housing Administration, Farmers Home Administration, and Federal Land Banks.

³ Balances backing securities insured or guaranteed by Government National Mortgage Association, FHLMC, and Farmers Home Administration.
Note: Data, except for savings and loan associations, are partly estimated by Federal Reserve from data collected by Federal agencies and private organizations.

Table S.5.5.—Mortgage Debt Outstanding on Nonfarm Residential Property with Five or More Units
(In millions of dollars)

End of year and quarter	Total	Savings and loan associations ¹	Life insurance companies	Mutual savings banks	Commercial banks	Federal and related agencies ²			Mortgage pools and trusts ³	Other holders
						FNMA	GNMA	Other		
1973.....	93,132	22,779	18,451	12,343	6,932	3,805	2,574	1,650	616	23,982
1974.....	99,976	23,808	19,625	12,923	7,619	5,800	2,598	2,542	785	24,276
1975.....	100,601	25,547	19,629	13,792	5,915	6,011	2,710	3,594	1,263	22,140
1976										
1st.....	101,782	25,937	19,565	13,699	6,981	5,920	2,733	3,433	1,699	21,815
2d.....	102,901	26,812	19,367	13,674	8,130	5,916	2,392	3,739	1,676	21,195
3d.....	103,873	27,497	19,234	13,915	8,144	5,932	2,582	3,871	1,784	20,914
4th.....	104,505	28,425	19,178	14,177	8,082	5,970	2,271	4,072	1,910	20,420
1977										
1st.....	105,337	29,187	18,921	14,291	8,115	5,994	2,343	5,864	2,314	20,294
2d.....	107,597	30,503	18,891	14,602	8,542	5,985	2,258	4,132	2,405	20,279
3d.....	109,498	31,381	18,831	14,952	8,815	5,970	2,077	4,314	2,682	20,476
4th.....	111,535	32,513	18,807	15,304	9,215	5,865	2,112	4,398	3,089	20,232
1978										
1st.....	113,937	33,592	18,851	15,598	9,387	5,821	2,343	4,628	3,368	20,349
2d.....	116,457	34,351	18,745	15,903	9,925	5,779	2,361	4,183	4,271	20,939
3d.....	119,216	35,446	18,803	16,224	10,478	5,752	2,663	4,462	4,260	21,128

¹ See notes to table S.4.7.

² Except for balances backing securities insured or guaranteed by the agencies. Included in other, are Veterans Administration, Federal Housing Administration, Farmers Home Administration, and Federal Land Banks.

³ Balances backing securities insured or guaranteed by Government National Mortgage Association, FHLMC, and Farmers Home Administration.

Note: Data, except for savings and loan associations, are partially estimated by Federal Reserve from data collected by Federal agencies and private organizations.

⁴ Revised.

Table S.5.6.—Foreclosures¹ by FSLIC-Insured Savings and Loan Associations Classified by Type of Mortgage

Period	All types of mortgages						Conventional mortgages			FHA/VA mortgages		
	Number of mortgages foreclosed			Balance due on mortgages foreclosed			Number of mortgages foreclosed			Number of mortgages foreclosed		
	Number	Percent of average No. of mortgages held		Amount (\$ millions)	Percent of average Mortgage balances held		Number	Percent of average No. of mortgages held		Number	Percent of average No. of mortgages held	
		Actual	Annualized ²		Actual	Annualized ²		Actual	Annualized ²		Actual	Annualized ²
1972												
July—Dec.....	12,243	.105	.210	252.0	.131	.262	5,391	.054	.108	6,852	.378	.756
1973												
Jan.—June.....	13,015	.108	.216	292.8	.140	.280	5,324	.052	.104	7,691	.406	.812
July—Dec.....	12,260	.100	.200	283.8	.128	.256	5,315	.051	.102	6,945	.364	.728
1974												
Jan.—June.....	11,936	.095	.190	329.2	.142	.284	5,359	.051	.102	6,577	.327	.654
July—Dec.....	12,294	.097	.194	385.4	.160	.320	6,586	.061	.122	5,708	.296	.592
1975												
Jan.—June.....	12,823	.101	.202	520.5	.209	.418	7,727	.071	.142	5,096	.266	.532
July—Dec.....	12,156	.094	.188	565.4	.215	.430	7,811	.071	.142	4,345	.225	.450
1976												
Jan.—June.....	11,560	.087	.174	594.7	.211	.422	7,993	.071	.142	3,567	.185	.370
July—Dec.....	10,982	.081	.162	534.6	.176	.352	7,807	.067	.134	3,175	.168	.336
1977												
Jan.—June.....	10,540	.076	.152	458.2	.139	.278	7,045	.059	.118	3,495	.189	.378
July—Dec.....	9,360	.065	.130	409.7	.114	.228	6,423	.051	.102	2,937	.162	.324
1978												
Jan.—June.....	9,029	.061	.122	410.9	.106	.212	6,321	.048	.096	2,708	.152	.304

¹ Foreclosures include deeds in lieu of foreclosure and are reported as of the date the judgment is obtained, even if subject to a redemption period.

² Foreclosure rates for semiannual periods expressed at annual rates without seasonal adjustment. Note: FHLBB data.

Housing Markets

Table S.6.1.—Indicators of Housing Activity

(In thousands of units except for last column which is in millions of dollars)

Period ¹	Private housing units started ²								Private nonfarm starts financed by Government home programs		New private housing units authorized ²	New homes sold ^{3,4}	New construction put in place: total residential buildings ⁵
	U.S. total	Region				Type of structure			FHA	VA			
		North-east	North-central	South	West	1 unit	2-4 units	5 units or more					
1974.....	1,337.7	183.2	317.3	552.8	284.5	888.1	68.1	381.6	56.6	72.4	1,074.4	519	50,376
1975.....	1,160.4	149.2	294.0	442.1	275.1	892.2	64.0	204.3	69.1	73.7	939.2	549	46,472
1976.....	1,537.5	169.2	400.1	568.5	399.6	1,162.4	85.9	289.2	81.0	99.9	1,296.2	646	60,520
1977.....	1,974.8	193.9	448.9	787.0	545.0	1,441.1	122.3	411.5	131.4	218.1	1,690.0	819	80,353
1977													
Dec.....	2,203	199	432	905	667	1,574	153	476	147	147	1,778	857	87,246
1978													
Jan.....	1,548	118	286	650	494	1,156	101	291	71	113	1,526	813	79,380
Feb.....	1,569	64	394	598	513	1,103	79	387	76	120	1,534	774	85,273
Mar.....	2,047	152	444	903	548	1,429	126	492	103	139	1,647	793	88,141
Apr.....	2,165	244	482	874	565	1,492	142	531	111	137	1,740	827	92,433
May.....	2,054	188	463	868	535	1,478	89	487	103	121	1,597	846	94,533
June.....	2,124	212	476	889	547	1,441	148	535	88	128	1,821	831	94,902
July.....	2,119	221	466	888	544	1,453	135	531	104	122	1,632	789	93,998
Aug.....	2,025	223	407	818	577	1,440	139	446	101	117	1,563	784	92,455
Sept.....	2,075	251	464	849	517	1,463	111	501	93	125	1,731	792	92,527
Oct.....	2,106	208	428	930	540	1,455	139	512	107	135	1,719	979	92,780
Nov.....	2,155	183	548	882	542	1,556	156	441	88	(⁶)	1,691	(⁶)	(⁶)
Dec.....	2,125	256	411	787	671	1,533	133	459	79	(⁶)	(⁶)	(⁶)	(⁶)

¹ Monthly data are seasonally adjusted annual rates.

² Bureau of the Census, Department of Commerce; figures are based on 13,000 permit-issuing places beginning 1967, 14,000 permit-issuing places beginning 1972.

³ Bureau of the Census, Department of Commerce.

⁴ Department of Housing and Urban Development.

⁵ Not available.

⁶ Preliminary.

Table S.6.2.—Inventory of Unsold Homes

End of month	New homes for sale (in thousands of units)				
	Total	Stage of construction			As ratio of new homes sold during month
		Completed	Under construction	Not started	
December					
1974.....	350	101	190	59	NA
1975.....	316	87	178	50	NA
1976.....	358	87	215	56	NA
1977.....	408	87	256	65	NA
1977					
Oct.....	403	84	256	63	6.4
Nov.....	408	84	256	68	7.4
Dec.....	408	87	256	65	8.0
1978					
Jan.....	401	85	246	70	7.0
Feb.....	389	81	237	70	6.2
Mar.....	398	79	246	73	5.3
Apr.....	403	79	253	72	4.8
May.....	408	79	259	70	5.1
June.....	422	83	262	78	5.5
July.....	420	83	265	72	6.2
Aug.....	420	90	264	66	5.9
Sept.....	421	94	261	65	6.3
Oct.....	418	93	262	63	5.8

Note: Bureau of the Census, Department of Commerce, and Department of Housing and Urban Development. Detail may not add to total because of rounding.

¹ Revised.

Table S.6.3.—Rental Vacancy Rates for the United States and Major Regions

Year and quarter	United States	North-east	North-central	South	West
	New series ^{1,2}				
1974.....	6.2	4.2	6.1	8.0	6.2
1975.....	6.0	4.1	5.7	7.7	6.2
1976.....	5.6	4.7	5.7	6.4	5.4
1977.....	5.2	5.1	5.1	5.7	5.0
1977					
1st.....	5.1	4.8	5.3	5.8	4.4
2nd.....	5.3	5.2	4.7	5.5	5.7
3d.....	5.4	5.4	5.1	5.7	5.5
4th.....	5.1	4.9	5.2	5.6	4.4
1978					
1st.....	5.0	4.8	5.3	5.4	4.4
2nd.....	6.4	5.5	5.7	7.3	6.7
3d.....	5.0	5.1	4.4	5.3	4.8

¹ Revised to include vacant, for-rent units classified as dilapidated.

² Average of four quarters as published by Bureau of Census.

Note: Bureau of the Census, Department of Commerce.