

# Federal Home Loan Bank Board **Journal**

October 1981

Pratt Discusses the  
Bank Board's  
Proposed Thrift Institutions  
Restructuring Act

- expanded  
consumer lending
- commercial lending

DEPOSITORY

- expanded  
checking powers

PERIODICAL  
DO NOT CIRCULATE

- freedom to  
choose stock  
or mutual  
form of  
organization

- equipment leasing
- increased service  
corporation investment

## **Federal Home Loan Bank Board**

### **Chairman**

Richard T. Pratt

### **Member**

Andrew A. DiPrete

### **Member**

Vacant

## **Communications Office**

### **Director**

Bob Stahly Moore

### **Special Assistant to Director**

Jean McKee

### **Deputy Director**

Robert S. Marshall

### **Deputy Director**

Troy Kelley

### **Public Information Specialist**

Martha Gravlee

### **Acting Staff Assistant**

Andrea M. Johnson

### **Administrative Assistants**

Brigid C. McMurrough

Elizabeth B. Vaughn

### **Media Coordinator**

Rhodashia Oliver

## **FHLBB Journal**

### **Acting Editor**

Jeff Sconyers

### **Design Director**

Mary Jo Campbell

### **Assistant Editor**

Peggy Daniels

### **Graphics**

Harry A. Gardner

Amy Lippman

### **Photography**

Raymond C. Chick

Barry Carmick

Marti Degen

**The Federal Home Loan Bank Board Journal** is published monthly by the Federal Home Loan Bank Board.

The **Journal** is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Checks are to be made payable to the "Superintendent of Documents" and sent directly to him. For your convenience, a subscription form is printed on the back of this issue.

A copy is sent to each member institution without charge. 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 are to be addressed to the Service Section, Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20401. Telephone (202) 275-3050.

Requests for single copies or complaints about nondelivery of copies sent on Board mailing lists, should be addressed to the Editor, Federal Home Loan Bank Board Journal, 17th and G Streets, N.W., Washington, D.C. 20552. Telephone (202) 377-6923.

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

Whenever requesting a change in your mailing address, please send along the address label from your **Journal**.

October 1981  
Volume 14  
Number 10

**Federal Home Loan  
Bank Board Journal**

|           |                                                                                                                                     |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------|
| <b>2</b>  | <b>Pratt Discusses the Bank Board's Proposed Thrift Institutions Restructuring Act</b>                                              |
| <b>10</b> | <b>Income Capital Certificates: FSLIC Creates A Unique Savings and Loan Security</b><br>Douglas P. Faucette and Richard K. Kneipper |
| <b>14</b> | <b>Is the Fixed-Rate Mortgage Obsolete?</b><br>Alan R. Winger                                                                       |
| <b>17</b> | <b>Dispensing NOW Accounts: Participative Management Style</b><br>Carol A. Piening                                                  |
| <b>21</b> | <b>Surveying the Economic and Financial Horizon</b><br>Charlotte A. Chamberlain                                                     |
| <b>23</b> | <b>Association Earnings—First Half 1981</b><br>Richard C. Pickering                                                                 |
| <b>28</b> | <b>News</b>                                                                                                                         |
| <b>31</b> | <b>News in the Districts</b>                                                                                                        |
| <b>32</b> | <b>Regulations, Rulings, and Opinions</b>                                                                                           |
| <b>37</b> | <b>Statistical Series</b>                                                                                                           |



# **Pratt Discusses the Bank Board's Proposed Thrift Institutions Restructuring Act**

---

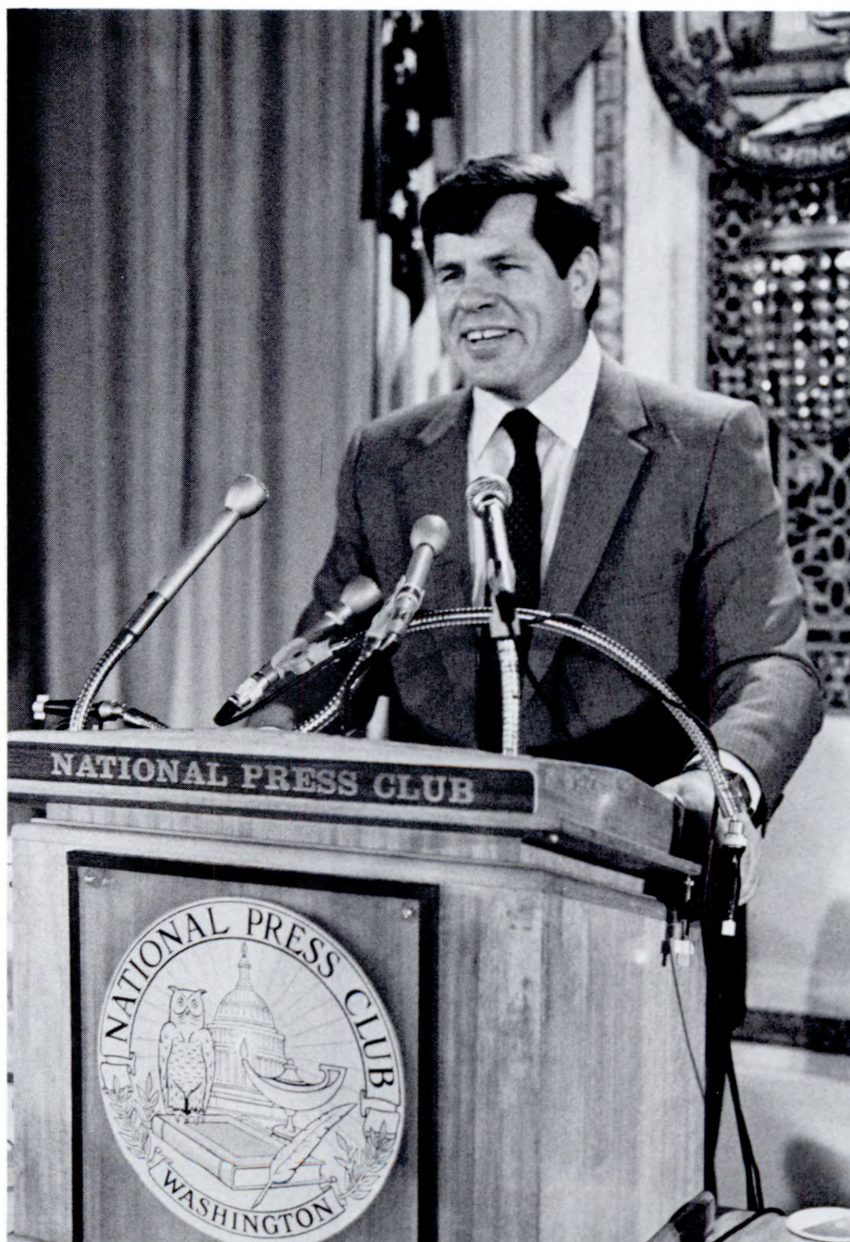
**Richard T. Pratt, Chairman of the Federal Home Loan Bank Board, in remarks delivered to a gathering at the National Press Club in Washington, D.C., on September 10, discussed the Bank Board's proposal to aid today's faltering thrift industry.**

**The proposal, called the Thrift Institutions Restructuring Act or the "Powers Bill", would provide thrifts with, among other powers: expanded checking powers; expanded consumer and commercial lending powers; and broadened real estate lending powers.**

**Honored guests on hand to hear Mr. Pratt speak were, among others: Andrew A. DiPrete, Bank Board Member; Maurice Mann, vice chairman of Warburg, Paribas & A. G. Becker; Charles E. Lord, Acting Comptroller of the Currency; Senator Jake Garn (R., Utah), Chairman of the Senate Banking Committee; Paul Volcker, Chairman of the Federal Reserve; and Representative Claude Pepper (D., Fla.), Chairman of the Select Committee on the Aging. The program was moderated by the president of the National Press Club, Joseph Slevin.**

**The following is a condensed version of Mr. Pratt's prepared remarks, followed by a question and answer session featured at the conclusion of Mr. Pratt's address.**





Chairman Pratt enjoys a light moment during his major address at the National Press Club during which he discussed the Bank Board's proposed "Thrift Institutions Restructuring Act."



The 1980s will challenge the thrift industry in unprecedented terms of meeting what may be a record demand for housing finance and the need to adapt to an entirely new financial environment. S&Ls must adopt new ways of doing business if they are going to immunize themselves from interest rate cycles and be able to compete against not only commercial banks, but also such giants as Sears, Shearson-American Express, and Merrill Lynch in providing financial services.

Let me turn first to the challenge presented by the demand for housing finance, an area that thrifts know well and could continue to serve once the present crisis is survived. The birth rate peaked in 1957. This means that the postwar baby boom is now at the homebuying stage. This alone puts tremendous pressures on the demand for housing. Further pressures will arise from the increasing longevity of the population, the fact that most of the aged still maintain independent households, the increased divorce rate, and the now very common trend of single-person households. All estimates of household formation rates involve some element of speculation, but an estimate of 1.62 million additional households per year for the next five years does not appear to be unreasonable.

In addition, two factors could further increase housing finance demand. One is the pent-up demand of households who now cannot afford housing as a result of high home prices, high interest rates, and the increasing burden of local real estate taxes. In 1970, the median existing home price was \$23,000. In 1980, it was \$62,200, a compound annual growth rate of 10.5 percent. To buy that home in 1970 with a 25-year, 80-percent mortgage cost \$144.46 a month in principal and interest payments. But by 1980, the cost was \$545.43, a compound annual rate of increase of 14.2 percent. In one 12-month period, July

1979 to July 1980, a period that reflects the tremendous surge in interest rates, the median-priced house was 21.1 percent more expensive and mortgage payments were 60.2 percent higher.

Of course, it is important to remember that for those who could afford to purchase a home, housing provided not only shelter, but also a form of investment and a hedge against inflation. A 1970 homebuyer who sold his home in 1980 realized a 24-percent compound annual return. For the more recent homebuyer, the return was even greater. A median-priced home purchased in 1975 and sold in 1980 would yield a 31-percent compound annual return. Thus, to the extent inflation continues, households will continue to seek housing for these investment attributes as well as for shelter purposes.

The second challenge is to be able to adapt sufficiently to survive and flourish in a new financial environment. This will entail efforts by the industry, as well as public policy-makers. Inflation has been with us since the mid-1960s, but Congress has repeatedly opposed flexible mortgages that permit interest rate risk to be shared by the borrower and the lender. As a consequence, the industry is now in an economically untenable position. The increasing cost of funds cannot be covered by the returns on fixed-rate, long-term mortgage portfolios. Erosion of net worth and operating losses are the visible and inevitable results. Savings and loan institutions hold \$500 billion in home mortgages. Sixty percent of the mortgages yield less than 10 percent—a direct wealth transfer to homeowners equivalent to at least 25 percent of the value of these loans.

Moreover, it is not only Congress that has failed to acknowledge that the home finance process must change and that homebuyers must share interest rate risk. State courts and legislators have acted to prevent

S&Ls from improving the yield on their portfolios by prohibiting enforcement of due-on-sale clauses in existing contracts. This exacerbates the problem for the institutions forced to allow assumptions at significantly below-market rates of interest and results in windfall gains to a relatively small handful of homesellers and buyers.

The question is what we, Congress, and the industry do now. It must be understood that savers and thrifts can no longer afford to subsidize homebuyers, that creating an industry to service a specialized financial need has resulted in creating an industry in serious financial difficulty, and that the providers of financial services are no longer limited to commercial banks and thrift associations, segregated from one another and operating in geographic areas defined by boundaries that bear no relevance to the needs of a sophisticated and mobile population.

At the Bank Board, we are taking every step within our power to enable thrift institutions to get through this crisis and to deal with the new realities. However, the understanding and cooperation of Congress is also necessary, inasmuch as some immediate and long-range solutions will require statutory action. While the enactment of the all-savers certificate provides some immediate assistance to the industry, it is imperative that the structural changes required be addressed. This will entail a virtual rewrite of the statutory authority governing thrifts to permit them to choose the line of business they will be in and to compete on a level playing field with other providers of financial services. To do this, we are proposing the Thrift Institutions Restructuring Act, or the "Powers Bill". The bill would provide the following essential powers:

**Expanded Checking Powers** would allow all Federal associations to offer demand deposits to any customer. This would permit thrifts to





Joseph Slevin, president of the National Press Club in Washington, D.C., prepares to introduce Bank Board Chairman Richard T. Pratt to members and honored guests.

penetrate the corporate checking market, now the unique preserve of the commercial banking industry.

**Broadened Real Estate Lending Powers** would allow Federals to invest us to 100 percent of their assets in real estate loans secured by nonresidential real property, and would remove loan-to-value ratios and first lien restrictions that must currently be satisfied for loans secured by residential real property.

**Commercial Lending** allows freedom to make secured or unsecured loans for corporate, commercial, business, or agricultural purposes. This broadened investment option would enable Federal associations to reduce their vulnerability to volatile economic conditions and to provide full banking services directly to their natural clients in real estate related businesses.

**Expanded Consumer Lending** would empower Federals to make consumer loans without being subject to the current 20 percent of assets restriction. This would also allow Federals to make inventory and floor planning loans and thereby acquire a reasonable volume of consumer credit business.

**Equipment Leasing Authority** would provide Federals with the means to attract new customers and provide more services to existing customers. This has proven to be a major and profitable activity for many commercial banks thrifts compete with. Leasing also carries favorable tax implications because of the investment tax credit and the ability to depreciate the equipment.

**Increased Service Corporation Investment** would raise the current three percent of assets limitation on

such investment to five percent, thereby enhancing the involvement in profitable land development activities.

**Freedom to Choose Stock or Mutual Form of Organization** would allow any thrift institution to convert itself into a Federal savings bank or a Federal savings and loan association and, in so doing, to change from mutual to stock form or vice versa. We believe Congress should allow thrift institutions and their organizers flexibility in electing their form of organization.

**Preemption of State Laws forbidding "Due-on-Sale" Clauses** would eliminate thrifts' current earnings problems that stem directly from the fact that they have large portfolios of low yield, fixed rate mortgages. It is essential that these mortgages be "rolled over" and replaced with





Part of the assembly that gathered to hear Chairman Pratt at the National Press Club on September 10.

instruments bearing interest rates more in keeping with the rates being demanded by depositors for their funds. As noted earlier, states' attacks on due-on-sale clauses have increased the subsidies to middle and upper income families by abrogating private financial contracts.

There is also a need for additional legislative tools for the Federal Savings and Loan Insurance Corporation. The FSLIC—when adverse financial conditions exist such as those we are currently experiencing—would be able to authorize savings and loan holding companies to own institutions in more than one state. In addition, the FSLIC could preempt state laws regarding conversion of state institutions to the stock

form.

Such congressional authority would vastly increase the universe of institutions potentially able to acquire a troubled thrift and reduce the amount of FSLIC financial assistance required to induce the transaction.

I think it fair to say that the savings and loan business has been overregulated. This regulatory zeal was intended to serve two purposes—one, to assure a supply of relatively low-cost mortgage credit and, two, to preserve the safety of savings deposits. With hindsight, it appears this approach may have been fundamentally in error, despite the value of the goals being served. What we must do now is recognize

that the economic environment has changed permanently, that the savings public is more sophisticated, that homebuyers can no longer expect to be subsidized to the extent they have been, that traditional barriers among various types of providers of financial services are falling, and that our regulatory philosophy must change. The makers of public policy, including the regulators, are now faced with the challenge of catching up to the lessons being taught by the marketplace. We must take advantage of market forces and not force distortions of the risk-reward relationships that govern private industry. If we can do this, I have no doubt that there is a bright future ahead for savings and loan institutions.





Mr. Pratt shakes hands with Edwin B. Brooks, Jr., immediate past president of the U.S. League of Sav-

ings Associations following last month's press conference at the National Press Club in Washington, D.C.

## Q & A Session

**Q: It appears as though the savings and loan industry is moving increasingly to short-term consumer loans and fewer mortgages. Will the industry do even more of this as its powers are expanded? How will this help housing?**

**MR. PRATT:** . . . The great problem facing thrift institutions is the imbalance between assets and maturities combined with an inflation level that was never anticipated or expected. In making long-term loans with short-term monies, the industry has listened to Congress and the public voice.

If we are to continue to have the instability that we see and have seen in the money markets, there is going

to have to be a better balance between the maturities of assets and liabilities. That means that institutions should quite properly look for some shorter-term loans, consumer loans. These serve the public interest as much as housing loans. They are things that people want and they are expressions of the will of the people, and I think that housing will best be served in the long run by making sure that this preeminent set of housing finance institutions survives and is healthy for the years to come.

**Q: Are any distinctions between banks and savings institutions justified?**

**MR. PRATT:** That is a long-run question that has not yet been



resolved. However, if the powers which we seek for savings and loan associations are granted, I don't think you will see any abandonment of the housing finance world by savings and loan associations. This is their tradition. This has been the source of their profits. This is where their customers are. I think that they will tend to specialize in this area over an extended period of time, and it is only through having all the tools and being free to choose the areas that they go into that they will be able to continue to provide housing finance.

**Q: What are the prospects for congressional action on the Thrift Institutions Restructuring Act? Does it have the Administration's support? How do the other regulators feel about it?**

MR. PRATT: The Bank Board proposes and Congress, of course, disposes, so we have yet to see. We are about to present Congress with a very basic blueprint and a very basic set of choices, and Congress has both the right and authority to speak on those choices. It appears to be the correct answer to us at this time.

The Administration has worked closely with us and I believe that we are close to very substantial agreement on the direction and thrust of this legislation. The other regulators have been informed. I think that they all hold their own views as to what the future of the world will be, but I don't see any necessarily explicit conflicts in philosophy there.

**Q: Will more interstate mergers of savings and loans follow this year?**

MR. PRATT: I don't know the answer to that. The Federal Home Loan Bank Board has the right to approve interstate mergers for Federal savings and loan associations and, as you know, has just approved a major merger of this type. (Ed. Note: see *NEWS* section on page 28.)

There are areas and problems

within the industry which need to be dealt with. The regulators and others have a limited set of tools with which to deal with them. One of the powerful tools that we have at this time is the ability to authorize interstate mergers. Congress may well take a look at this and come to an independent judgment as to the appropriateness of it.

At this time it is a tool which is available, which protects the FSLIC and the insurance fund and which saves a substantial amount of public funds. We will be examining those arrangements as they are presented.

**Q: Do you really expect 1-year all-savers certificates to spur 20- and 30-year lending by just helping to cut the losses of savings and loans already in an interest rate bind?**

MR. PRATT: I am most pleased with the potential of the all-savers certificate to alleviate the earnings problems of the business, and it is the health of the industry that offers the greatest longrun support for housing. At the same time, I think the certificate will provide some increase in the funds available for housing, but the main idea is to preserve these institutions, to get them back to competitive viability, and to be able to provide the volume of housing finance which this country needs.

**Q: On the all-savers certificates, again, will you push for an extension of the December 1982 deadline?**

MR. PRATT: The Federal Home Loan Bank Board, of course, doesn't make Treasury policy and I am sure that the thrift industry itself has its own ideas as to what may be appropriate approaches to Congress at various times. I would not expect, at least at this time, that we would be involved in suggesting tax legislation to the Administration.

**Q: How much money do you think the all-savers certificates will pull into the S&Ls? Are the money market funds threatened?**

MR. PRATT: I don't worry greatly about the survival of the money market funds. They seem to

be doing quite well on their own. The estimates of the amount of funds to be attracted by the all-savers certificates are widely varied. We, of course, hope that they are very substantial because this can provide significant help to the thrift industry at this time.

**Q: Do you and Mr. Volcker coordinate the policies of your two Boards or do we have a fragmented system in which each board "does its own thing," possibly offsetting the impact of the other's programs?**

MR. PRATT: We don't presume to tell the Federal Reserve what its policies should be. And while Mr. Volcker and I talk frequently and try to coordinate areas of mutual interest, there are, of course, great areas where the two boards have very separate responsibilities and act quite independently.

**Q: What is the status of Federal Home Loan Mortgage Corporation restructuring?**

MR. PRATT: The Federal Home Loan Mortgage Corporation, which is a subsidiary of the Federal Home Loan Bank Board in the sense that the Federal Home Loan Bank Board sits as the Board of Directors of the Mortgage Corporation, is presently in the midst of a plan to move the Corporation much more into the private sector. We think this is in the highest tradition of the present Administration.

The Federal Home Loan Mortgage Corporation and Fannie Mae, the two great secondary markets in this Nation, offer a great future for the secondary mortgage market. I expect to see these two institutions develop between them guarantees and securitization of mortgages that will lead to the kind of liquidity and trading which presently exist in Ginnie Mae securities. We are pushing ahead on the restructuring of the Federal Home Loan Mortgage Corporation, moving the Corporation closer to the private sector, seeing that capital will be adequately available and making sure it serves



all customers in making a strong and active secondary market for conventional mortgages.

**Q: Won't your all-savers certificates rob cities of their ability to borrow money at a cost that taxpayers can afford?**

MR. PRATT: These all-savers certificates, of course, are substantially different from tax-exempt municipal securities in that they are one-year securities, whereas, normally, tax-exempt municipals are long term. Those who normally are into long-term municipals may move a modest portion of their funds into the all-savers. I don't know the magnitude of such a movement, but I don't think it will seriously impair state and municipal financing.

**Q: What kind of homes will people live in when the pendulum swings? How will they differ from today's homes?**

MR. PRATT: Looking back on what homes have been in the past and the cycle which has taken place may provide some insight. At the end of the Second World War or thereabouts, the typical home would have had two bedrooms, probably 700 or 800 square feet, one bathroom, and probably sold for \$4,000 to \$6,000.

The present home is 1,400 square feet and has a great deal more in the way of modern conveniences, such as more than one bathroom. I think a very honest question is what is the

need for shelter, what is the basic need of a family, and what portion of that house is for investment purposes. I would suggest that the house we are seeing today has evolved more because of the financial investment aspect than because of shelter aspects.

If we continue to see some financial tightness and if we continue to see high energy prices, I expect that we will move toward a more compact, smaller home in the future. I think the variable rate mortgages will offer fewer opportunities to make a profit off financing. As that disappears, we will see smaller houses.

If you look at the typical mortgage loan today and its interest rate, it is the equivalent of the lender or the savers giving the borrower 25 percent of his loan as a free gift because of the degree to which that mortgage loan is under water. As mortgage loans must reflect the cost of funds more closely in the future, that potential for speculative profit will not exist for the homeowner.

**Q: Is there any future for rental housing or apartments?**

MR. PRATT: It is my belief that there will be a very substantial future for rental housing. If my prognostication is correct that housing may again take on more elements of shelter than at present, the tendency will certainly be in that direction.

Further, the tax program which

has been enacted will make investment in rental housing more attractive than it has been in the past. These are positive elements.

To the extent that restrictive laws are passed, such as rent control ordinances, which I think are very much against the public interest, the existence of rental housing will be greatly discouraged and conversion encouraged, thus tending to cause a disruption in our stock of rental housing. Hopefully, those things will not occur.

**Q: Will the pent-up housing demand touch off new big price increases for housing?**

MR. PRATT: The price of housing is really a very complex thing. In my opinion, the cost of housing has leveled off or declined somewhat in the last two years. Certainly, when one takes into account the typical type of financing which has been granted today by sellers, this is really an implicit discount in the price of housing.

I don't see any immediate and rapid upward movements in the price of housing in the near future. I think as the President's program is effective in controlling inflation, this will also extend to the housing sector. To the extent we as bureaucrats are effective in deregulating and making the cost of achieving housing and housing finance less costly and less cumbersome, it should mitigate upward price movements. J

The Thrift Institutions Restructuring Act was introduced in Congress on October 5, 1981, with the endorsement of the President and the Cabinet Council on Economic Affairs. Chairman Richard D. Pratt made the announcement at a press conference at the Federal Home Loan Bank Board stating, "I'm sure that all of you are aware of the situation in America's housing markets today. Information that we recently received from the National Association of Homebuilders tends to point this out and I might just read a paragraph from a statement of theirs. 'The

housing industry is in severe condition. Housing production is projected to be lower in 1981 than in any of the last 35 years. At today's mortgage rates, the typical family needs an income of \$38,520 to afford a median-priced new home. Failure rates in the construction industry are up dramatically over last year and 1 million construction workers will be unemployed by the end of this year.' "

"This situation, of course, has been of great concern to ourselves and to President Reagan, and in seeking a solution to getting our housing finance system working again in this

country, we have examined many options. We think the option that we have come to is one which is going to have significant and far-reaching advantages for housing finance in this country and put the thrift institutions back into the business of housing America. I think the leadership of the President and the Administration in being willing to endorse this far-reaching legislation, to recognize the need for housing finance and the structural problems which need to be addressed in the housing finance industry bodes very well for getting this system going again."



# Income Capital Certificates: FSLIC Creates a Unique Savings and Loan Security

---

by Douglas P. Faucette,  
Senior Associate General Counsel,  
Securities and Business  
Transactions, FHLBB, and  
Richard K. Kneipper, partner,  
Jones, Day, Reavis Pogue,  
Dallas, Texas.

---

**Editor's Note:** The views expressed in this article are those of the authors and do not necessarily reflect the views of the Federal Home Loan Bank Board.

## Overview

On September 4, 1981, the Federal Savings and Loan Insurance Corporation (FSLIC) announced the creation of a unique form of security called the income capital certificate (ICC) to be issued by savings and loan associations to the FSLIC in exchange for financial assistance from the FSLIC. This is an unprecedented step since the FSLIC historically has not received anything in the form of permanent capital in exchange for financial assistance.

On September 8, 1981, the FSLIC announced that First Federal Savings and Loan Association of Rochester, New York, would issue ICCs to the FSLIC in exchange for FSLIC assistance connected with the acquisition of Franklin Society Federal Savings and Loan Association, New York City. The purpose of this article is to summarize briefly the factors that led to the FSLIC's creation of this new security and its principal terms.

## FSLIC Objectives

The continuation of record high interest rates has seriously affected the earnings of a significant number of savings and loan associations. This has raised the possibility that FSLIC financial assistance to associations might be necessary on a more frequent basis. Thus, the FSLIC began considering various alter-

natives to resolve the financial difficulties of problem cases without requiring cash payouts to depositors that would disrupt public markets. At the same time, the FSLIC should be provided with an opportunity to recoup its investment in the event of a turnaround. An additional objective was to design an alternative that would provide true capital substance, thereby eliminating many complex legal issues that would arise if an association were to continue to operate while in or near book insolvency.

The alternatives considered included the issuance to the FSLIC by an association of subordinated debentures, income debentures, mutual capital certificates, or capital stock in exchange for financial assistance, or the guarantee by the FSLIC of a minimum level of association net worth.

As a result of an extensive review, it was concluded that an ideal instrument would be a hybrid between traditional debt and equity securities. Such a hybrid would provide the issuing association with permanent capital which would qualify as reserves under Section 403 of the National Housing Act and as net worth in accordance with generally accepted accounting principles (GAAP). This instrument also would permit the FSLIC to recover all or part of its investment under

circumstances where the association had sufficient net income available. In order to achieve these objectives, the legal staff of the FSLIC and the Federal Home Loan Bank Board (FHLBB), with the assistance of a law firm and two accounting firms, created the ICC.

## Income Capital Certificates

ICCs provide for annual income payments, which are analogous to dividends on participating preferred stock or interest on income debentures and annual redemption payments. In each case, payment is required only if the issuing association has net income, with payments being limited to specified percentages of such net income, which varies according to the level of net worth to assets met by the association. Since the amounts paid by the FSLIC for ICCs as well as annual income payments cannot be recovered except to the extent that specified percentages of new capital are received by the issuing association from net income, the FSLIC's plan to create true capital for net worth and regulatory purposes has been satisfied.

ICCs are designed for issuance by mutual S&Ls, although a form of ICC is being considered for issuance by stock associations. The ICCs will be issued to the FSLIC in exchange for cash, five-year promissory notes



of the FSLIC, or a combination of both. ICCs will be issued according to a master agreement prepared by the FSLIC, which is similar to an indenture. This will permit the issuance of a specified maximum stated value of ICCs, but it also reserves sole discretion of the FSLIC with respect to any purchases after the initial purchase. ICCs will be issued in minimum denominations of \$100,000 at 100 percent of the stated value of the ICCs.

Annual income payments on ICCs are due out of the net income of the S&L, as determined by GAAP, in an amount equal to an annual rate (which is based on the weekly auction rates during the preceding year for 26-week U.S. Treasury Bills) multiplied by the outstanding stated value of the ICCs; provided that (a) if the association's net worth is less than 2 percent of its total assets for such year, the annual income payments cannot exceed 50 percent of its net income, and (b) if the association's net worth for such year is equal to or greater than 2 percent of its total assets, the annual income payments cannot exceed 75 percent of its net income (net worth, total assets, and net income each being determined in accordance with GAAP).

Any annual income payments that would have been payable, except for the aforementioned provisions, become accumulated annual income payments and are payable on succeeding annual payment dates. Once annual income payments become due and payable, they will be treated for financial statement reporting purposes as a liability of the association as of the end of its immediately preceding fiscal year. If annual income payments are not paid on an annual payment date generally 75 days after the end of the association's immediately preceding fiscal year) or within 30 days after the holder of the ICC has delivered a written demand to the association for payment, a corrective income payment will become payable until the unpaid annual income and corrective income pay-

ments are paid. The corrective income payments are payable at a rate equal to the average of auction rates during the prior calendar month for the sale of residential mortgages by the Federal Home Loan Mortgage Corporation plus 5 percent on all unpaid amounts.

Annual redemptions of the outstanding stated value of ICCs are due out of the net income of the association, as long as its net worth is equal to or greater than 2 percent of its total assets. This is the case as long as aggregate redemptions, after giving effect to prior payment of all unpaid annual income payments and corrective income payments, do not exceed 75 percent of its net income or net worth does not drop to less than 2 percent of its total assets (net income, net worth, and total assets are each determined in accordance with GAAP).

Additional redemptions of the outstanding stated value of ICCs are required in amounts equaling 20 percent of the net proceeds of any issuance by the association of its equity securities. Again, aggregate redemptions cannot reduce the association's net worth to less than 2 percent of its total assets (net worth and total assets again being computed in accordance with GAAP). In addition, the association can redeem any outstanding ICCs at its option at any time in multiples of \$100,000, but such redemptions cannot reduce its net worth to less than 2 percent of its total assets. In the event of additional redemption payments or optional redemption payments, the association must pay all accumulated annual income payments and corrective income payments through the date of such redemption.

In the event of liquidation, holders of ICCs have the right to recover the outstanding stated value of ICCs held by them subject to the prior payment of all accounts, certificates of deposit, accumulated annual income payments, and corrective income payments due with respect to outstanding ICCs. This would place such holders after the rights of all holders of debt, and

prior to the equity rights of members of the association.

The master agreement contains a series of covenants by the association, including those relating to prompt payment of all amounts due on ICCs, payment of taxes and other claims, maintenance of properties and insurance, maintenance of corporate existence, limitations on transactions with affiliates, limitations on voluntary liquidation, maintenance of books and records, maintenance of FSLIC insurance, delivery of specified financial information, and compliance with the terms of the purchase agreement under which the ICCs were purchased. (The purchase agreement sets forth an additional set of covenants including substantial covenants with respect to the future operation of the association.) In addition, the association covenants that it will not, without the prior written consent of 51 percent of the outstanding stated value of the ICCs, merge or consolidate with or into any other entity (unless the association is the survivor), sell or otherwise dispose of a substantial part of its properties and assets not in the ordinary course of business, enter a reorganization or recapitalization, or incur additional debt (not including deposit accounts) in excess of a specified amount. The association also is liable for an additional corrective payment if it violates certain of such covenants.

## **Statutory and Regulatory Provisions**

**Authority for Issuance.** Section 5(b) of the Home Owners' Loan Act of 1933 confers authority upon the FHLBB to authorize Federal savings and loan associations to issue "such notes, bonds, debentures, other obligations, or other securities (except capital stock)" as the FHLBB may so authorize, as well as mutual capital certificates.

The statutory scheme clearly contemplates allowing Federal associations to issue a wide array of securities, with the exception that mutual associations may not issue capital



stock without converting to the stock form. Since Federal associations are authorized to issue mutual capital certificates, which are in the nature of preferred stock and thus qualify as equity, the intention of Congress seems to have been only to prohibit the issuance of traditional equity securities that would confer complete ownership and control of the assets and earnings of a Federal mutual association, not hybrid securities such as mutual capital certificates that combine attributes of debt and equity. This view is reinforced by the parenthetical exclusion of capital stock from the term "other securities." Clearly, "other securities" includes equity securities or there would be no need for the exclusion.

Accordingly, the authority for issuance of ICCs can be implied under Section 5(b) of the 1933 Act as a "security" that the FHLBB can authorize Federal associations to issue, primarily since the ICC does not possess the characteristics of capital stock that the statute was intended to prohibit.

**FSLIC Authority to Purchase.** Section 406(f)(1) of the National Housing Act (NHA) allows the FSLIC to make contributions to insured institutions in order to prevent default or to return an insured institution in default to normal operation. That section authorizes the FSLIC "in its discretion and upon such terms and conditions, as it may determine, to make loans to, to purchase the assets of, or to make a contribution to an insured institution or an insured institution in default" subject to meeting either of two conditions. Such contribution or guarantee must not exceed the amount the FSLIC deems reasonably necessary to save the expense of liquidating an institution, or the FSLIC must determine that the continued operation of an institution is essential to provide adequate savings or home financing services in its community.

This authority has been used by the FSLIC to make cash contributions to ailing associations, guaran-

tee the assets of ailing associations where those assets are acquired by a healthy association, purchase subordinated debentures, and provide other forms of financial assistance. Since the FSLIC is authorized to make direct cash contributions to ailing associations and not receive anything in return, FSLIC certainly can reduce its total outlay by receipt of an ICC in exchange for its financial assistance. Accordingly, the authority of the FSLIC to purchase the ICC can be reasonably interpreted under FSLIC's governing statutory provisions.

**Net Worth and Reserve Obligations.** The treatment of the ICC under the governing statutory and regulatory reserve and net worth requirements is governed by Section 403(b) of the NHA and Section 561.13 of the FSLIC Rules and Regulations for Insurance of Accounts.

Section 403(b) of the NHA gives the FSLIC authority to include capital stock and other items as reserves. This section has been construed to give the FSLIC discretion to qualify any items that, although not technically reserves under GAAP, possess attributes similar to permanent equity securities. Since ICCs do have such equity attributes and are expected to be treated as net worth in accordance with GAAP, it seems clear that the FHLBB has full authority to qualify ICCs for reserve and net worth treatment.

Accordingly, on September 4, 1981, the FHLBB amended (FHLBB Resolution No. 81-516) the definition of net worth in Section 561.13 to include securities which constitute permanent equity capital in accordance with GAAP. This will allow the ICC to qualify as net worth under Section 563.13 and meet the statutory reserve requirement. In addition, the FHLBB also amended Section 523.10(g) of its regulations to permit the FSLIC notes to be included in the definition of liquid assets.

#### **Accounting Treatment**

A major feature of the ICC is

that neither income payments nor redemption payments are required to be made unless the association has the net income to make such payments, which are limited to a maximum of 75 percent of such net income. Thus, the ICC can never be repaid unless the association would have a greater capital position after such payments than it had before. This has the effect of giving the issuing association the permanent use of the proceeds received from the sale of the ICCs to the FSLIC.

In structuring the ICC, the FHLBB consulted with two accounting firms to ensure that ICCs would qualify as permanent equity under GAAP. Certain characteristics were included to enhance the equity attributes of the ICCs including that: ICCs should be issued for cash or cash equivalents; ICCs should not be collateralized, but should be unsecured even if payment was in default; ICCs should not require payment on demand and should have no stated maturity date, but be payable contingent upon and only if the association had net income determined in accordance with GAAP; and the rights of holders of ICCs in liquidation should be subordinate to the prior payment of all accounts, certificates of deposit, and other debts.

As described above, the ICCs have been designed to satisfy such requirements, and the FSLIC has been advised by the two accounting firms that the ICCs should be classified as equity in accordance with GAAP.

As indicated earlier, ICCs will be purchased by the FSLIC for either cash or an intermediate term promissory note of the FSLIC. In the case of First Federal of Rochester, the FSLIC note is an interest-bearing note, payable semiannually at an adjustable interest rate equal to the arithmetic average of the equivalent bond yields during the last month of the preceding semiannual period of the most recent U.S. Treasury five-year note plus a prescribed amount based on the equivalent bond yields of new Farm



Credit consolidated obligations and Federal Home Loan Bank System obligations, having a similar term. Since this note is negotiable by the association and bears a current rate of interest, the FSLIC has been advised by the accounting firms that the note would be classified as a cash equivalent in the association's statement of financial condition prepared in accordance with GAAP. The cash equivalent amount of this note will be an amount equal to the fair market value on the date of issuance, and it is not expected that this amount will be adjusted in the future except in event of a permanent impairment of the note's value.

### **Tax Considerations**

The provisions of the Internal Revenue Code (Code) that distinguish debt from equity were reviewed in connection with the structuring of the ICC. Under these provisions, it is likely that the ICC will be treated as equity for tax purposes, which means that the annual income payments will not be deductible by the association as interest and will be taxed as dividends to the holder. This equity tax treatment also could mean that the association's redemption of the stated value of the ICC might be deemed under Section 593(e) of the Code to be a redemption of capital stock made first out of the association's bad debt reserve.

However, under Section 243 of the Economic Recovery Act of 1981 (P.L. 97-34), the recapture for distributions out of the excess bad debt reserves will not apply to distributions to the FSLIC with respect to an interest in a thrift institution received in exchange for financial assistance. In addition, that Act states that after January 1, 1981, an association does not include as income or reduce its basis in property by an amount equal to money or property contributed to it by FSLIC as financial assistance under Section 406(f) of the NHA.

### **Summary**

The ICC was created by the FHLBB's legal staff to provide a

new method of FSLIC financial assistance so that the issuing association could treat the assistance as equity for regulatory net worth and reserve requirements, as well as for financial reporting in accordance with GAAP. The FSLIC would also receive the right to recover some or all of its investment in the event the association generates net income in the future.

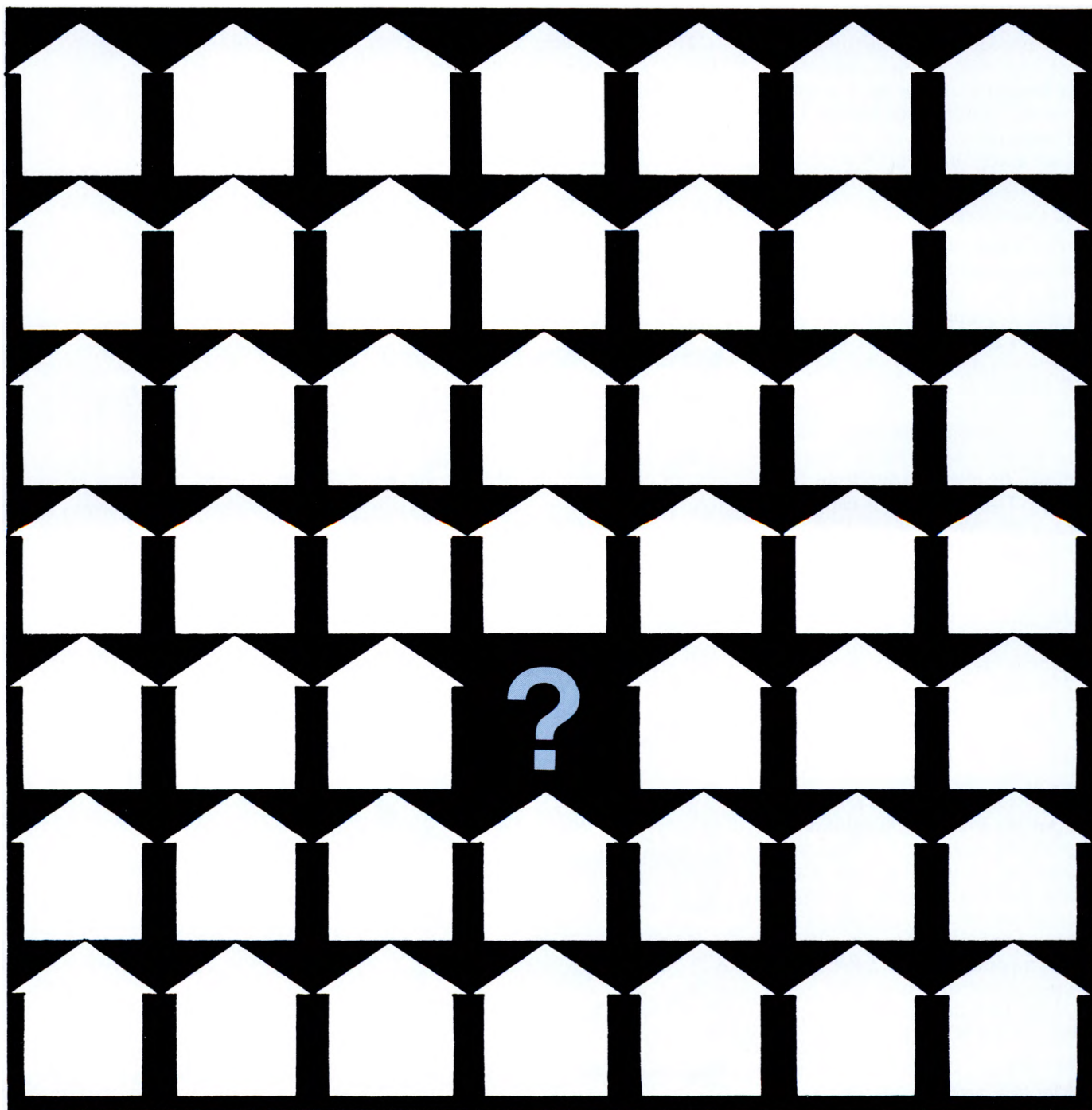
The ICC has been issued to the FSLIC in connection with one substantial merger, and it is expected that this unique security may be utilized in connection with future financial assistance provided by the FSLIC. In addition, if the experience with the ICCs is favorable, the FHLBB may authorize the issuance of ICCs by S&Ls in non-supervisory cases to allow healthy associations to obtain additional capital. J





# Is The Fixed-Rate Mortgage Obsolete?

by Alan R. Winger,  
Senior Vice President,  
Federal Home Loan Bank  
of Cincinnati





The decade of the 1980s seems to be ushering in an era of alternative mortgage forms, *e.g.*, variable-rate mortgages, graduated-payments mortgages, shared-appreciation mortgages, etc. Some argue that it is only a matter of time before the standard fixed-rate mortgage will disappear. Is this really the case? Is the fixed-rate mortgage an obsolete mortgage form?

---

### Why Alternative Mortgage Forms?

---

After years of dominating the home mortgage market, the fixed-rate constant-payment fully-amortized mortgage is being used less frequently in home mortgage loan transactions. We are creating the legal environment within which it is now possible to make alternative mortgage form loans, *e.g.*, variable-rate, graduated payments, shared appreciation loans. That these loans are being made with increased frequency at a time when inflation has emerged as a major economic problem is no accident. Inflation creates problems for both lenders and borrowers when the only mortgage form available is a fixed-rate, constant-payment, fully-amortized mortgage.

The current problems of thrift institutions—the Nation's major home mortgage lender—have their origin in inflation and the fixed-rate mortgage. Institutions that borrow short and lend long at fixed rates have problems during periods of secular inflation. Interest rates rise with inflation, which means higher money costs for those getting funds by borrowing short. Higher market rates, however, are not fully reflected in asset portfolios of those who lend long, for example, those who have portfolios of mortgages. Such portfolios do not “turn over”

rapidly enough for the higher rate loans currently being made to increase significantly the revenues from the total portfolio. As a consequence, income pressures develop.

A familiar story to thrift executives, it accounts for their recent strong interest in the variable-rate mortgage. That interest intensified when thrifts were given the authority to acquire deposits with market rate sensitive instruments such as the six-month money market certificate. With the upcoming gradual disappearance of savings rate ceilings and the differential, the money costs of thrift institutions will become even more exposed to interest rate change, which will mean an even greater need for flexibility in the adjusting revenues from assets. Because the variable-rate mortgage provides the lender with such flexibility, many believe it is a *sine qua non* for the survival and prosperity of thrift institutions and hence the viability of housing finance. The variable-rate mortgage attracts so much attention today because it is viewed as a mortgage form that must come into wider use if funds are to continue to be made available to homebuyers.

Borrowers have also suffered from inflation. While rising prices can stimulate home demand, they can also restrict that demand through their impact on mortgage interest rates. With inflation and fixed-rate mortgages, borrowers can have problems qualifying for home financing. Lenders have problems in the sense that with inflation the dollars they receive from mortgage loan repayments are worth less than today's dollar. A mortgage interest rate that incorporates an inflation premium is one way of dealing with this problem—the payments are higher to compensate for the fact that the repayments subsequently

forthcoming will be depreciated dollars. Such interest rate premiums, however, create problems for the borrower. A mortgage interest rate that incorporates an inflation premium tilts the real burden of the mortgage payment forward. The inflation tax is imposed at the outset, which is prior to the fact of more inflation, and hence increases the burden of the early payments. Families complain about high mortgage interest rates and how they make it difficult to qualify for home financing. The complaint has substance. What mortgage borrowers need in an inflationary environment is something that allows them to spread the real burden of the monthly payments of a mortgage loan more evenly over the life of the loan. A graduated payments mortgage is one such mortgage, as are the shared appreciation mortgage and the price level adjusted mortgage.

---

### Is The Fixed Rate Mortgage Obsolete?

---

Obviously, our recent experience suggests that the fixed-rate mortgage is not generally perceived as providing big net benefits in an inflationary environment. But before we make the leap from this conclusion to one that asserts that the fixed-rate mortgage is dead, we should ponder very carefully one important property of that mortgage. It is a mortgage form that allows the mortgage borrower to pass the interest rate risks of the loan on to the lender. A borrower who gets a variable-rate mortgage assumes these risks. If market interest rates rise, the interest costs of the mortgage rise, just as these costs fall when market rates are declining. Since most people have an aversion to risk, borrowers generally prefer



fixed-rate loans to those with variable-rate provisions. Certainly, borrowers do not consider the fixed-rate mortgage as obsolete. Why then shouldn't borrowers who want a fixed-rate mortgage be able to get such a loan? Why not, indeed?

Questions about the options available to borrowers, if there are no legal constraints, usually revolve around price or the interest rate of the loan. If it is legal, it should be available at a price. The key question is: Can the borrower afford the price?

Lenders who make fixed-rate mortgage loans, of course, assume interest rate risk. The assumption of such risk implies a potential cost for which the lender must be compensated. That compensation usually comes in the form of an interest rate that is adjusted to cover the risk. Generally speaking, the rate offered on a fixed-rate loan includes a premium that covers the interest rate risk assumed in making the loan.

What the premium is, as it is reflected in the lender's offer, depends on objective conditions which determine the risk and how the lender perceives those conditions. The objective conditions are developments in the economy and financial markets—both now and forthcoming—that determine the movement of interest rates over the period in which the mortgage is held. How lenders perceive these conditions is also crucial to what they do. This importance is sharply underscored by the offers they made back in the 1960s. Few, if any, mortgage lenders anticipated the rapid run-up in interest rates that occurred in the 1970s when they offered to make all those 6-percent loans in the 1960s. Their view of the interest rate risk back then was that it was minimal, which in retrospect turned out to be very, very wrong.

The problem confronting the risk-averse mortgage borrower today—that is, one who would like to shift the interest rate risk to the lender—is that mortgage lenders almost without exception view interest rate risks to be very large,

which is not surprising. Their view about inflation is very much conditioned by the recent past. They consider an accelerated inflation rate and hence very much higher interest rates in the future a very real possibility. With this view of the world of tomorrow it is no wonder there appears to be little interest on the part of mortgage lenders to make money available to mortgage borrowers on a fixed-rate basis. Now the talk among lenders is that the fixed-rate mortgage is obsolete.

But is this the case? Even in today's market, there are interest rates that should coax many lenders into making fixed-rate mortgage loans. Surely, there are lenders who would be willing to make a 25 percent fixed-rate mortgage loan now. While there probably aren't many borrowers who would be willing to borrow on these terms, interest rates for fixed-rate contracts can be found for which there would be lender offers.

Currently, these rates are high because of lender views about interest rate risks. The risk premiums they require are very high. While there might be a few borrowers who, because of their aversion to risk, would be willing and able to pay such higher rates, for most these rates are too high. The result is that variable-rate mortgages of some form or other are coming to dominate the residential mortgage market.

Does this mean the end of the fixed-rate mortgage? Certainly, the future of this mortgage is not very promising if the problem of inflation persists and gets worse. But suppose the problem of inflation diminishes or at least does not get any worse. Sooner or later this phenomenon will be recognized by lenders and will be reflected in their expectations.

Presumably, interest rate risks will be perceived as being less than they were. The risk premiums required to make fixed-rate loans should then decline, which means the risk adjusted rates on these loans would fall relative to rates charged on the

variable-rate loan. If some lenders don't see this happening, others will, and sooner or later mortgage rates on fixed-rate loans will fall into ranges that many borrowers find attractive.

Rates on fixed-rate mortgages will, over the interest rate cycle, always be higher than those on variable-rate loans. The differential will reflect the risk premium that has to be paid to lenders to get them to make fixed-rate loans. If lenders can get the premiums they believe necessary to compensate them for accepting this risk, and there are risk-averse borrowers willing to pay the risk-adjusted rate, then there should be transactions involving the fixed-rate mortgages.

The fixed-rate mortgage is not dead. If we give lenders and borrowers freedom to negotiate the kind of mortgage loan contract they choose, as we are, we should find both fixed- and variable-rate loans made under normal economic conditions. The proportions of each being made will depend on the attitudes of borrowers toward risk, the objective conditions determining that risk, and the lender views of those objective conditions. The greater the interest rate risks as perceived by lenders, the more expensive it will become for borrowers to get fixed-rate loans, which means they will be used less frequently. How many fixed-rate loans will be made when the costs are high depends on how borrowers view risk.

Obviously, the state of the economy and the Nation's financial markets will have important bearing on the kind of mortgage loans being made. Given those conditions now, the fixed-rate mortgage loan has become the least favored loan form. The precise outcome also depends on how lenders price the loans they are making. Since pricing mortgage loans with alternative mortgage loan forms is a relatively new experience for the mortgage lender, loan pricing decisions are likely to have important bearing on what kind of loans are being made in the near term future. J

## Dispensing NOW Accounts: Participative Management Style

by Carol A. Piening, assistant vice president-marketing director, Illini Federal Savings and Loan Association, Fairview Heights, Ohio

At Illini Federal Savings and Loan Association, a 96-year old, \$280-million-plus association located 12 miles east of St. Louis, Mo., the signing of the DIDMCA of 1980 served as the catalyst for the final phase of Illini's unique participative management approach to implementing NOW accounts.





Whereas a great number of savings and loans delegate NOW account responsibility to one or a few individuals, Illini adopted the team approach whereby nearly three-fourths of its staff worked on developing NOWs. "The success of our NOW account program definitely can be attributed to the planning and preparation of each member of the team," according to Richard C. May, chairman of the board of Illini.

Mr. May based his statement on a report covering the first six months of Illini's NOW account program which presented the following results:

- Over 2,500 NOW accounts were opened with 3,000 accounts originally targeted for 12 months,
- An average NOW account balance was \$1,300,
- Nearly 50 percent of the accounts were opened by new customers,
- Almost 85 percent has been new money,
- Cost of funds averaged 8.3 percent,
- Number of accounts per million in assets was higher than U.S. League projections,
- A larger market share was attained than originally projected,
- No major operational failures were incurred, and
- Customers were quite satisfied with Illini's NOW account program.

### **The Planning Process**

"Actual planning for NOW accounts began over three years ago when it appeared inevitable that the New England NOW account experience would lead to extending such services nationwide," said Paul K. Scoggins, executive vice president and project coordinating committee chairman. NOW account discussions in Illini's management committee resulted in a decision to gather and study as much data as was available, including sending a representative to early NOW account clinics. As a result of this early fact-gathering, Illini decided to pursue the NOW account project further and dele-

gated this responsibility to Mr. Scoggins.

The first tentative plan was written in early 1978 and later implemented to the point where major resources would need to be committed. Here the project was "put on hold" pending congressional authorization for nationwide NOW accounts.

Another early decision involved the selection of a NOW account manager. An internal search was performed as Illini believes that internal promotions not only recognize and reward outstanding employees' work performance and improve morale, but also provides the association with a manager who:

- (1) is experienced in the operations and terminology of a savings and loan association;
- (2) is familiar with the association's methods and systems;
- (3) has already proven his or her ability; and
- (4) will be loyal and conscientious.

Illini's selection for NOW account manager was Ann Kohnen, then the accounting supervisor. In the promotion proposal to Mrs. Kohnen, Mr. Scoggins and other members of management were honest in their assessments of NOW accounts—there was still the possibility that nationwide NOW accounts would not be approved by Congress, in which case the promotion would become a nonpromotion.

Mrs. Kohnen said that Illini's management was extremely supportive during the 2½ years before NOW accounts became a reality. "They diligently referred available NOW account information to me, encouraged me to purchase books and materials I felt would help me to know more about banking procedures," she said.

With the passage of the DIDMCA in early 1980, the NOW project was taken off "hold." All available data was consolidated into Illini's "Management Orientation Manual on NOW Accounts," the basis for all subsequent NOW account plan-

ning and decisionmaking. The study established objectives to be achieved by offering NOW accounts, outlined and analyzed the alternative strategies, projected results which would be achieved were NOW accounts offered, recommended the planning process to be followed and, finally, actually made the ultimate recommendation to offer NOW accounts in an aggressive deposit acquisition campaign. By April 1980, this study was approved by Illini Federal's board of directors, triggering the final but most intensive phase of the whole project.

### **Participative Management Approach**

The planning process called for a participative management approach as the optimum organization structure. "This form of structure is not unique at Illini," commented Mr. Scoggins. "We utilize this team approach on most of our projects, though none as extensive as NOW accounts. NOW accounts were viewed as an association project, not just a department project. Therefore, we felt that the project warranted extensive use of our various managerial personnel."

Nearly every member of Illini Federal's managerial staff was assigned to one or more decision-making task forces. Seventeen task forces were organized, each responsible for researching and forwarding their final recommendations to a project coordinating committee. An introductory letter was sent to every task force member, as well as a copy of the operational manual. The letter defined the overall organizational structure established for developing and implementing the NOW account operation, outlined the individual objectives of the particular task force, and provided the initial suggestions from which to begin the assignment.

"One of the reasons that Illini elected the team approach was to utilize the expertise of our entire staff," Mr. Scoggins said. "We knew that our ultimate deadline (January 2nd) was tight. Not only did the task forces utilize all

The numerous responsibilities associated with such an all-encompassing project were segregated into the following task forces:

|                                        |                           |
|----------------------------------------|---------------------------|
| Accounting                             | Teller Procedures         |
| Data Processing                        | Draft Design & Supply     |
| Clearing Bank Selection                | NOW Department Operations |
| Training                               | Regulatory Requirements   |
| Exceptions, Service Policies & Pricing | Forms & Supplies          |
| Marketing                              | Training Manuals          |
| Internal Auditing                      | Credit Reserve            |
| Staffing & Equipment                   | Affiliate Coordination    |
| Account Opening Procedures             |                           |

Each task force was headed by a chairperson whose day-to-day responsibilities were related to the assignment and who arranged meetings with the other three or four members and prepared written interim and final reports. Involved in the project were the:

|                                                  |                         |
|--------------------------------------------------|-------------------------|
| Accounting Manager/Treasurer                     |                         |
| Assistant Accounting Manager                     |                         |
| Assistant Data Processing Manager/Sr. Programmer |                         |
| Association's Attorney                           |                         |
| Branch Coordinator                               | Internal Auditor        |
| Branch Managers                                  | Marketing Director      |
| Collection Manager                               | NOW Account Manager     |
| Consumer Loan Manager                            | Office Services Manager |
| Customer Service Manager                         | Personnel Director      |
| Executive Secretary                              | Training Director       |

available expertise, but they decentralized the decisionmaking and allocated the workload, thereby enabling us to progress on many fronts concurrently," he added. Summarizing the benefits of this approach, Steven M. Rull, vice president/treasurer and assistant chairman of the coordinating committee said, "Perhaps most importantly, when the final plan was implemented, enthusiasm for NOW accounts was heightened among the many who shared the pride of authorship."

Overseeing the progress of the task force structure was a NOW account project coordinating committee, composed of Mr. Scoggins, Mr. Rull, Mrs. Kohnen, and Gerald R. Stemm, vice president of data processing. Members of this committee were managers who would have an intense, continuing responsibility in the NOW account operations. It was their challenge to ensure that all task forces were functioning and on target. "We knew that there would

be some delays in the project and we provided for these in our scheduling," Mr. Scoggins said, "but we didn't want any committee to go off on a tangent. We wanted to be kept abreast of how our NOW account program was taking shape."

In June, final task force reports were reviewed and coordinated into the association's comprehensive NOW account plan. Informational meetings for employees began in August, where they were encouraged to ask questions and to start selling the idea of Illini's NOW accounts to customers.

Enthusiasm for Illini's NOW account began to grow. The overall opinion was that Illini's approach would be appealing to the consumer because the task forces were liberally staffed with consumer-oriented people who were more attuned to customer needs. As Mrs. Kohnen said, "The branch managers serving on the committee had a completely different perspective of things from

those of us who worked in non-customer contact areas. Their experiences had given them a better insight into consumer banking."

#### Customer Benefits

Due to this consumer orientation, Illini's NOW account program offered various consumer benefits, such as:

- A low \$200 minimum balance for free checking;
- A low \$3 per month service charge for balances falling below \$200;
- 5¼ percent interest compounded daily and paid monthly;
- Free checking for customers over 65 years of age;
- Self-balancing statements in which checks are listed in numerical order, outstanding check numbers are highlighted, deposits and interest added are displayed, month-long activity is summarized and daily activity is shown;
- Availability of instant mini-



statements in each of the 6 offices;

- Direct deposit of recurring monthly checks;
- "Bank and Forth" mailers for mail transactions with postage paid both ways by Illini; and
- Credit reserve loans of \$300-\$1,000 for qualified applicants.

The decision was made not to presign NOW accounts, but to wait until January 2nd. While it was a certainty that some competitors would do so, it was a common feeling that the technical and operational systems be tested, debugged, and operating correctly before offering them to consumers. Commercial banks were offering "words of caution" to customers that savings and loans were novices in checking accounts, so customers were encouraged to "stick with the checking

account experts." Illini was determined that no operational mishap was going to substantiate the commercial banks' warnings.

In early December, a kick-off cocktail party was held for employees. At this time, the final NOW account package was presented and the media campaign was unveiled, with a target date scheduled the following week. By mid-December, rumors were heard about some of the terrific problems being encountered by savings and loans who were presigning NOW accounts. Mr. Rull said, "We succumbed to some last minute jitters, which spurred us to intensify and expand our training of all available personnel in the opening of NOW accounts. To gain actual experience, we opened employee accounts early and, to test our operations, we ran fictitious transactions on 'dummy'

accounts." Mr. Scoggins said, "When January 2nd finally rolled around, we had established contingency plans and were as prepared as we could be."

In summing up the NOW account project, all members of senior management agree that they are extremely pleased with the decision to offer NOWs. "I cannot emphasize enough how amazed I am that we embarked on such a complicated, critical new service with as little difficulty as we had," Mr. May said. John S. Hackmann, president of Illini said, "We had a new product to develop. We did so profitably and in a very timely manner. If we had to do it all over again, I would not change a single thing. In fact, I would recommend that we utilize this expanded, participative management approach for any future product development." J

---

# Surveying the Economic and Financial Horizon

---

by Charlotte A. Chamberlain,  
Director, Office of Policy and  
Economic Research, Federal Home  
Loan Bank Board

Political frustrations over high interest rates have added an extra ingredient of chaos to the credit markets. Voters told senators and representatives during the summer recess that their primary concern has shifted from inflation to the high level of interest rates. Early in September, short-term interest rates rallied on rumors that credit controls and restructuring of the Federal Reserve were being discussed on Capitol Hill. It is unlikely, however, that political harangues will be sufficient to overcome real economic factors responsible for the high level of interest rates. Last year's experiment with credit controls was detrimental to investors, consumers, and the Administration. Therefore, the likelihood of Federal Reserve or White House sanctioning of another large scale intervention in the capital market is low.

The Federal Reserve's infusion of bank reserves since July has permitted the short-term Federal funds rate to decline from the 17½ percent level of July to closer to 15 percent at the current time. Nevertheless, the demand for short-term credit remains strong. As a result, private money market rates have not substantially declined. Indeed, CD rates are substantially higher than term Federal funds. Similarly, long-term rates have not declined sharply. The yield curve has substantially flattened and has a distinct hump at the short end, *i.e.*, 3- and 6-month Treasury yields are about 100 to 150 basis points higher than Federal funds while long-term bonds are about 20 to 50 basis points lower in yield. Earlier in September, the yield on 3-month Treasuries was about 150 basis points higher than on 30-year Treasuries.

## Wall Street's Pessimistic Outlook

The Bears of Wall Street continue to expect interest rates, both long and short term, to rise in the fourth quarter. Indeed, their pessimism has intensified since last month and now extends through 1982. In the short run, the primary concern is the enormous supply of total debt coming to market in the next several months. The borrowing requirements of the Federal government, private industry, and municipalities continue to create a threatening avalanche of debt to be refunded. In addition, consumer debt for July expanded by an annual rate of 7 percent and the corporate calendar, while postponable, is as large as the Federal calendar.

The Federal government's funding needs in the fourth quarter alone is estimated at about \$35 billion. Salomon Brothers estimates that the U.S. Government is expected to need \$60—\$65 billion of net new funds over the next six months. By contrast, in the fourth quarter of 1980, net new Treasury borrowings amounted to \$28 billion. The last weekly Treasury auction in September 1980 produced a discount rate for 6-month Treasury bills of 11.7 percent. By the middle of December, the 6-month Treasury bill rate had increased to 15.4 percent.

## Intensifying Inflation

The Wall Street outlook views inflation as intensifying rather than abating. While food price inflation bloated the CPI for August, the current level of mortgage interest rates, home prices, and school tuitions are expected to produce double digit CPI statistics for September. These should more than offset declining automobile and petroleum prices. Producer price increases are also likely to rise in excess of 10 percent

in September and through the remainder of 1981. This re-escalation of inflation is an important factor pointing towards higher long- and short-term interest rates.

## Unexpected Revenue Short-Falls

Wall Street also expects the new All Savers Certificate and the expanded IRA/Keogh account to increase the Federal deficit. Estimates of the Treasury revenue short-fall from these accounts have been reported as low as \$800 million. The Federal Home Loan Bank Board staff expects as much as \$140 billion to go into S&L All Savers Certificates. Assuming an average tax bracket of 35 percent, Treasury revenues would decline by over \$5 billion per year in 1982 and 1983 from S&L All Savers Certificates alone. The Bank Board staff also estimates that an additional \$4 billion will flow into the few universal IRA accounts at S&Ls, further decreasing Treasury revenues by \$1½ billion from S&L IRAs alone. Treasury revenue losses are even greater when other depository institutions are included.

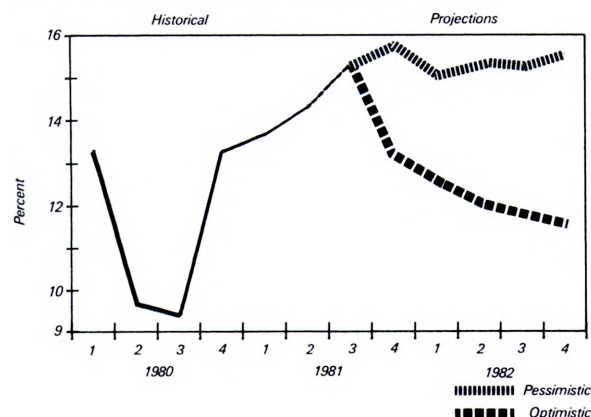
As a result, the Bears of Wall Street believe that these new instruments will heighten the competition for credit rather than enlarging the savings rate. In this pessimistic view, in the fourth quarter of 1981 and into 1982 the All Savers Certificate and the newly expanded IRA/Keogh account will put very strong upward pressure on interest rates. Further, the Bears believe the revenue effects of the tax cuts and the sluggish growth of the economy have been so severely underestimated that both short- and long-term interest rates will be higher at this time next year than they are now.

## Optimistic Outlook

The optimistic view for the credit



### Discount Rate 6-Month Treasury Bills



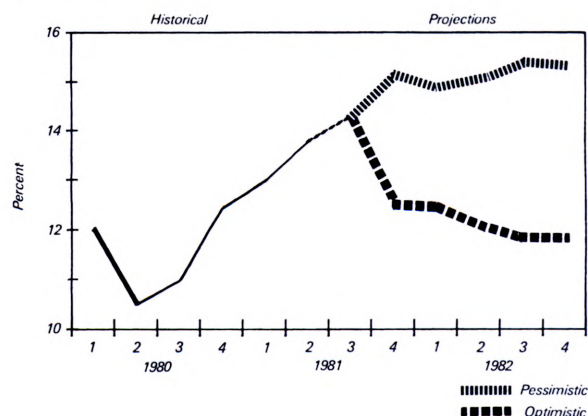
markets expects the recent rally in the short-term interest rates to extend to longer term issues, the cumulative effect being sharply lower rates by the end of the year. This view also expects petroleum prices and mortgage interest rates to decline from current levels. As a result, optimists expect inflation in 1982 to drop from 11 percent in 1981 to approximately 7 percent in 1982.

In this view of the economy, the All Savers Certificate and the expanded IRA/Keogh account are sufficiently attractive to create substantial net new savings flows. The general climate of declining interest rates and excess capacity in the economy bring about strong economic growth, large tax revenues, and the balanced budget that "supply-side" economists are predicting.

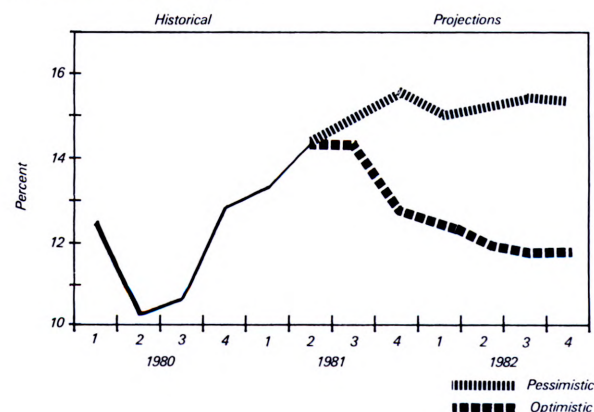
### Inventory Reduction Heads Recession

Another version of the optimistic alternative expects lower interest rates to follow from a recession induced by an inventory correction.

### Yield 10-Year Treasury Bonds (constant maturity)



### Yield 3- to 5- Year Treasury Bonds (constant maturity)



Real GNP, as measured by final sales, has declined in both the second (-1.6 percent) and third (-0.5 percent) quarters of 1981 while inventories have been rising. The June and July increases for inventories registered 0.7 percent and 1.1 percent, respectively. Therefore, the potential exists for a substantial reduction in short-term credit demands due to reductions in inventory accumulation.

### Choosing Between Alternatives

On balance, the bearish Wall Street view seems more plausible than the optimistic outlook. The recent easing in short-term Treasury rates is encouraging the large borrowing needs of both the government and the private

sector in the fourth quarter and this implies that interest rates have a strong upward bias. The economy is still sufficiently strong and any sharp decline in long-term rates would stimulate large amounts of new corporate and consumer financing. Certainly, a sharp decline in mortgage rates would unleash housing demand that has been postponed since mortgage rates started to increase rapidly in 1979. The outlook for credit markets in the economy, therefore, is likely to be one of sluggish growth, slowed by high interest rates and acutely depressed auto and housing markets through the end of 1981 into, at least, the first part of 1982. J



# Association Earnings—First Half 1981

by Richard C. Pickering, Director,  
Statistics and Analysis Division,  
Office of Policy and Economic  
Research

The savings and loan industry experienced a \$1.5 billion after-income-tax loss during the first half of 1981, as expenses exceeded income for the first time in the approximately 40 years since the Bank Board has been keeping detailed statistics.<sup>1</sup> This was in marked contrast to the \$0.3 billion after-tax return-on-assets experienced by FSLIC-insured associations during the preceding six months. It represented the fifth consecutive half-yearly decline in association profitability stemming from the introduction of market-related deposit rates in 1978 and the subsequent rise in market interest rates.

The loss experienced by associations during the first half of the year represented a -0.49 percent annualized rate on assets, compared with a 0.10 percent return-on-assets during the last half of 1980 and the recent high of 0.83 percent achieved in the second half of 1978. (See chart 1.) Because of Federal income tax refunds, the before-tax loss of associations in the most recent period was even higher than the after-tax loss—\$1.9 billion or an annualized rate on assets of 0.61 percent.

The principal cause of the switch from modest profitability last year to loss in early 1981, as well as of the previous decline in profitability, was a sharp rise in the interest rates paid by associations to depositors and lenders for funds, at a time when the average return on their principal in-

vestments, long-term mortgages, was increasing only moderately. The average cost of funds to associations rose from 9.11 percent during the last half of 1980 to 10.31 percent during the January-June period of 1981.

This represented a record 120 basis point increase, sharply more than the 34 basis point rise during the preceding half year and slightly higher than the 106 basis point increase in the first half of 1980, the previous record.

It reflected primarily the cyclical rise in market interest rates to historic highs in early 1981. In addition, in the case of deposits, it resulted from a further rise in the proportion of deposits earning market-related interest rates; at mid-year, 61 percent of association deposits were in such certificates—40 percent in six-month money market certificates offered at the same rate paid on six-month Treasury bills, 12 percent in 2½-year, variable-ceiling certificates offered at rates tied to yields on 2½-year Treasury securities, and 9 percent in jumbo certificates offered at market rates.

Also contributing to higher costs of associations was a rise in their operating expense ratio (operating expenses as a percentage of assets) from an annual rate of 1.37 percent in the second half of last year to 1.40 percent in the most recent six-month period.

In contrast to the sharp rise in costs, operating income of associations rose more modestly, primarily because most of it is provided by mortgage loan portfolios, which continued to be comprised mostly of mortgages made some years ago at the much lower levels of interest rates then prevailing. Average yields on association mortgage portfolios rose by only 28 basis points (to a record 9.72 percent) between the last half of 1980 and the first half of 1981, little more than the 26 basis point rise six months earlier. Earnings on liquid

assets increased more sharply, but they comprise a sharply smaller proportion of association assets than do mortgages. Moreover, income from loan fees declined, as mortgage lending volume dropped off substantially.

Associations in all geographical areas had a sharp drop in profitability early this year. Indeed, the return-on-assets of associations in all twelve Federal Home Loan Bank Districts was negative. It ranged from -0.30 percent in the Topeka District and -0.34 percent in the Atlanta District to -0.99 percent in the New York District. (See chart 2.)

Approximately 70 percent of federally insured savings and loan associations experienced a loss during the first half of 1981 (2,710 of the 3,927 such institutions). This was twice the 35 percent of the industry which had experienced a loss during the last half of 1980. Additional national detail regarding association income and expenses is provided in table 1 and in the following paragraphs.

## Gross Operating Income

Gross operating income of FSLIC-insured savings and loan associations totaled \$31.5 billion in the first half of 1981, 8.7 percent more than in the preceding half year. This was a larger rise than in either of the two preceding six month periods, but less than in the second half of 1979.

Growth in interest income from both mortgage and nonmortgage loans was moderately larger in the first half of the year than in the preceding six months and growth in interest on investment securities was sharply larger. The rise in interest from mortgage-backed securities, however, was slightly smaller than six months earlier, and income from fees and discounts on loans declined absolutely.

Interest on mortgage loans and contracts rose by 6.9 percent during the first six months of the year to

<sup>1</sup> Income and expense data for FSLIC-insured associations are available only back to 1945. Information on reserve and surplus accounts at associations prior to that time, however, indicates a decline in 1940. Since the change in such accounts provides a rough measure of profitability, it appears that 1940 was the most recent year in which the industry experienced a loss.



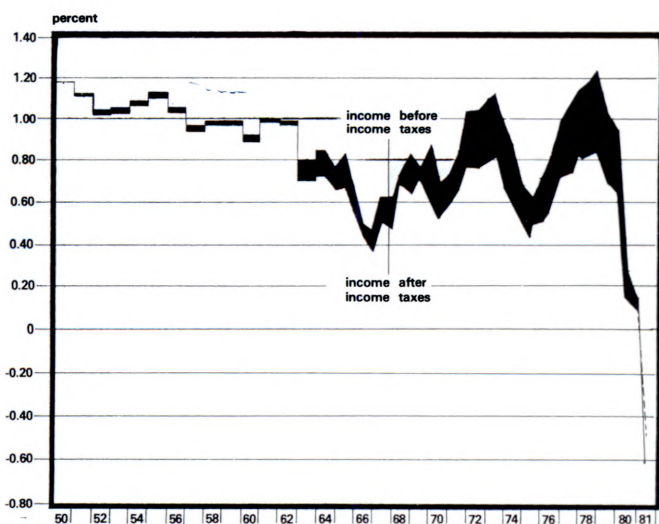
**Table 1.—Income and Expense of FSLIC-Insured Associations**  
(dollar figures in millions)

| Item                                                     | 1978     |                              |          |                              | 1979     |                              |          |                              | 1980     |                              |          |                              | 1981     |                              |
|----------------------------------------------------------|----------|------------------------------|----------|------------------------------|----------|------------------------------|----------|------------------------------|----------|------------------------------|----------|------------------------------|----------|------------------------------|
|                                                          | 1st Half |                              | 2nd Half |                              | 1st Half |                              | 2nd Half |                              | 1st Half |                              | 2nd Half |                              | 1st Half |                              |
|                                                          | Amount   | Change from preceding period | Amount   | Change from preceding period | Amount   | Change from preceding period | Amount   | Change from preceding period | Amount   | Change from preceding period | Amount   | Change from preceding period | Amount   | Change from preceding period |
| Gross operating income                                   |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |
| Interest on:                                             |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |
| Mortgage loans and contracts .....                       | \$15,652 | \$1,268                      | \$17,042 | \$1,390                      | \$18,363 | \$1,321                      | \$19,963 | \$1,600                      | \$21,108 | \$1,145                      | \$22,241 | \$1,133                      | \$23,778 | \$1,537                      |
| Mortgage-Backed securities .....                         | 527      | 60                           | 600      | 73                           | 683      | 83                           | 774      | 91                           | 880      | 106                          | 1,092    | 212                          | 1,291    | 199                          |
| Investment securities and deposits .....                 | 1,359    | 141                          | 1,685    | 326                          | 2,103    | 418                          | 2,340    | 237                          | 2,764    | 424                          | 2,833    | 69                           | 3,632    | 799                          |
| Other loans .....                                        | 419      | 36                           | 495      | 76                           | 571      | 76                           | 713      | 142                          | 896      | 183                          | 943      | 47                           | 1,075    | 132                          |
| Fees and discounts on loans .....                        | 870      | —32                          | 911      | 41                           | 857      | —54                          | 945      | 88                           | 720      | —225                         | 1,071    | 351                          | 908      | —163                         |
| Other .....                                              | 469      | —16                          | 581      | 112                          | 558      | —23                          | 768      | 210                          | 775      | 7                            | 829      | 54                           | 857      | 28                           |
| TOTAL .....                                              | 19,296   | 1,457                        | 21,314   | 2,018                        | 23,135   | 1,821                        | 25,503   | 2,368                        | 27,143   | 1,640                        | 29,009   | 1,866                        | 31,541   | 2,532                        |
| Operating expense                                        |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |
| Compensation and other benefits .....                    | 1,403    | 86                           | 1,534    | 131                          | 1,636    | 102                          | 1,776    | 140                          | 1,846    | 70                           | 1,957    | 111                          | 2,115    | 158                          |
| Office occupancy .....                                   | 319      | 19                           | 335      | 16                           | 355      | 20                           | 383      | 28                           | 409      | 26                           | 450      | 41                           | 487      | 37                           |
| Advertising .....                                        | 231      | 32                           | 251      | 20                           | 263      | 12                           | 312      | 49                           | 304      | —8                           | 314      | 10                           | 347      | 33                           |
| Other .....                                              | 1,021    | 52                           | 1,086    | 65                           | 1,147    | 61                           | 1,222    | 75                           | 1,260    | 38                           | 1,382    | 122                          | 1,428    | 46                           |
| TOTAL .....                                              | 2,974    | 189                          | 3,206    | 232                          | 3,401    | 195                          | 3,693    | 292                          | 3,819    | 126                          | 4,103    | 284                          | 4,377    | 274                          |
| Cost of funds                                            |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |
| Interest on savings .....                                | 12,481   | 740                          | 13,556   | 1,075                        | 15,276   | 1,720                        | 16,899   | 1,623                        | 19,943   | 3,044                        | 21,694   | 1,751                        | 25,562   | 3,868                        |
| Interest on borrowing .....                              | 1,119    | 284                          | 1,550    | 431                          | 1,874    | 324                          | 2,427    | 553                          | 2,874    | 447                          | 2,927    | 53                           | 3,788    | 861                          |
| TOTAL .....                                              | 13,600   | 1,024                        | 15,106   | 1,506                        | 17,150   | 2,044                        | 19,326   | 2,176                        | 22,817   | 3,491                        | 24,621   | 1,804                        | 29,350   | 4,729                        |
| Net operating income after cost of funds .....           | 2,722    | 244                          | 3,002    | 280                          | 2,584    | —418                         | 2,484    | —100                         | 507      | —1,977                       | 285      | —222                         | —2,186   | —2,471                       |
| Non-operating income .....                               | 150      | —38                          | 185      | 35                           | 199      | 14                           | 287      | 88                           | 412      | 125                          | 402      | —10                          | 472      | 70                           |
| Non-operating expense .....                              | 147      | —33                          | 192      | 45                           | 133      | —59                          | 225      | 92                           | 171      | —54                          | 242      | 71                           | 180      | —62                          |
| Net non-operating income .....                           | 3        | —5                           | —7       | —10                          | 66       | 73                           | 62       | —4                           | 241      | 179                          | 160      | —81                          | 292      | 132                          |
| Net income before income taxes .....                     | 2,725    | 239                          | 2,995    | 270                          | 2,650    | —345                         | 2,546    | —104                         | 748      | —1,798                       | 445      | —303                         | —1,894   | —2,339                       |
| Income taxes .....                                       | 855      | 94                           | 944      | 89                           | 825      | —119                         | 754      | —71                          | 267      | —487                         | 142      | —125                         | —377     | —519                         |
| Net income .....                                         | 1,870    | 145                          | 2,051    | 181                          | 1,825    | —226                         | 1,792    | —33                          | 480      | —1,312                       | 302      | —178                         | —1,517   | —1,819                       |
| Selected ratios <sup>1</sup>                             |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |
| To average assets:                                       |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |          |                              |
| Gross operating income .....                             | 8.32%    | .06%                         | 8.61%    | .29%                         | 8.78%    | .17%                         | 9.19%    | .41%                         | 9.44%    | .25%                         | 9.68%    | .24%                         | 10.09%   | .41%                         |
| Operating expense .....                                  | 1.28     | — .01                        | 1.29     | .01                          | 1.29     | —                            | 1.33     | .04                          | 1.33     | —                            | 1.37     | .04                          | 1.40     | .03                          |
| Cost of funds .....                                      | 5.86     | .04                          | 6.10     | .24                          | 6.51     | .41                          | 6.96     | .45                          | 7.94     | .98                          | 8.22     | .28                          | 9.39     | 1.17                         |
| Net income .....                                         | 0.81     | .01                          | 0.83     | .02                          | 0.69     | — .14                        | 0.65     | — .04                        | 0.17     | — .48                        | 0.10     | — .07                        | — 0.49   | — .59                        |
| Interest on savings to average savings .....             | 6.46     | .04                          | 6.65     | .19                          | 7.08     | .43                          | 7.50     | .42                          | 8.57     | 1.07                         | 8.98     | .41                          | 10.15    | 1.17                         |
| Cost of funds to average savings and borrowing .....     | 6.54     | .06                          | 6.79     | .25                          | 7.23     | .44                          | 7.71     | .48                          | 8.77     | 1.06                         | 9.11     | .34                          | 10.31    | 1.20                         |
| Interest on mortgages to average mortgages .....         | 8.39     | .11                          | 8.54     | .15                          | 8.70     | .16                          | 8.95     | .25                          | 9.18     | .23                          | 9.44     | .26                          | 9.72     | .28                          |
| Net income to net worth at end of preceding period ..... | 15.3     | 0.1                          | 15.6     | 0.3                          | 13.0     | — 2.6                        | 12.0     | — 1.0                        | 3.0      | — 9.0                        | 1.9      | — 1.1                        | — 9.4    | — 11.3                       |

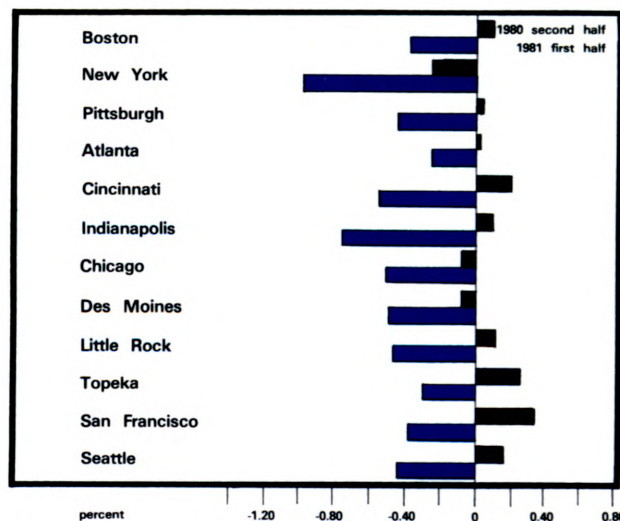
<sup>1</sup> Annualized by doubling.

NOTE: Detail may not add to total because of rounding.

**Chart 1.—Net Income of FSLIC-Insured Savings and Loan Associations as a Percent of Average Assets (annually through 1964; semiannually at annual rate thereafter)**



**Chart 2.—Net After-Tax Income as a Percent of Average Assets by Federal Home Loan Bank District—FSLIC-Insured Savings and Loan Associations (semiannually at annual rate)**



total \$23.8 billion. This was larger than the 5.4-percent rise in such income during the preceding six months and the largest increase since the second half of 1979. It resulted from a moderately larger rise in average mortgage portfolios in the first half of the year than six months earlier (this occurred despite a slowdown in mortgage lending, because the latter did not occur until late in the half-year), a sharp rise in interest rates charged on new mortgage loans, and an upward adjustment in the rates on some of the approximately 5½ percent of the mortgage loans in association portfolios subject to periodic interest rate adjustments.

Mortgage balances held by savings and loan associations were 3.8 percent larger in early 1981 than in late 1980, a greater rise than the 2.6 percent increase six months earlier. Contract interest rates on new conventional mortgages closed by associations for purchasing single-family homes, moreover, averaged 13.86 percent during the first half of the year, 150 basis points higher than six months earlier. As a result, the spread between rates on new loans made and the prior portfolio yield rose from 318 basis points to a record 442 basis points, as shown in table 2, increasing the impact of each new

loan made on portfolio yield.

Income from fees and discounts on mortgage loans, however, declined from \$1.1 billion in the second half of 1980 to \$0.9 billion in the first half of 1981. This reflected a decline in income from origination fees resulting from a one-third decline in loan closings (from \$46 billion in the last half of 1980 to \$30 billion) that was not entirely offset by increases in the average fee charged.

Interest income from investment securities and deposits totaled \$3.6 billion in January-June 1981, 28 percent more than six months earlier. This, a record increase, was sharply more than the 2.5-percent rise six months earlier. It reflected entirely an extremely sharp rise in the average yield on such investments, which are mostly short-term instruments that rapidly reflect changing market interest rates; growth in average holdings was smaller in the most recent half-year than earlier.

Interest on nonmortgage loans rose moderately more rapidly in the first half of the year than earlier to total \$1.1 billion. This also reflected the higher rates being earned on such loans; the rise in volume outstanding at associations was less than in late 1980. Interest income from mortgage-backed securities, however, grew at a

slightly less rapid pace than six months earlier to total \$1.3 billion in the January-June period of 1981.

### Operating Expenses

Operating expenses of S&Ls rose 6.7 percent in the first half of 1981 to total \$4.4 billion. This was a slightly smaller rise than in the preceding six months. It was, however, larger than the growth in average assets. As a consequence, the annualized operating expense ratio of associations (operating expense as a percent of average assets) rose from 1.37 percent in the last half of 1980 to a record 1.40 percent. (See chart 3.) This was the second consecutive significant rise in this ratio.

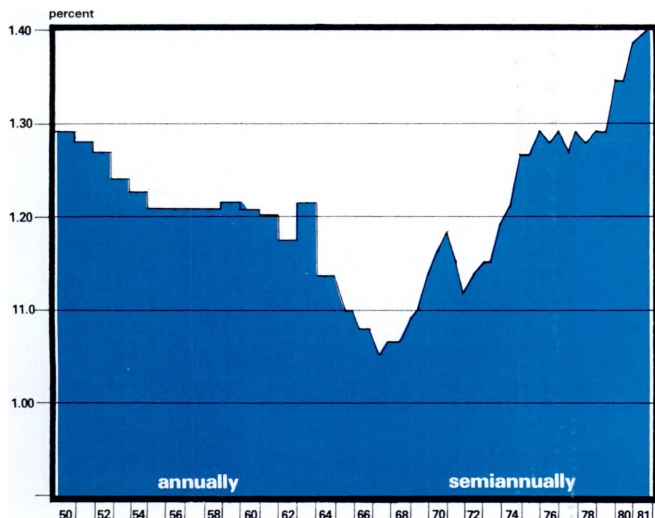
The major factor in the most recent rise in operating expense was an 8.1-percent increase in employee compensation (by far the largest component of the total) to \$2.1 billion. Advertising expenses also rose more than six months earlier. Growth in office occupancy and miscellaneous expenses, however, was smaller in the first half of 1981 than in late 1980.

### Cost of Funds

The interest cost of association funds rose 19.2 percent during the first half of 1981 to total \$29.4 billion. This was more than twice the



**Chart 3.—Operating Expense as a Percent of Average Assets—Insured Savings and Loan Associations**  
(annually and semiannually at annual rates)



7.9-percent rise during the preceding six-month period and slightly larger than the 18.1-percent increase in the first half of 1980, the most recent sharpest rise. Interest paid on both deposits and borrowings were up sharply, but the increase of the latter was larger than for the former.

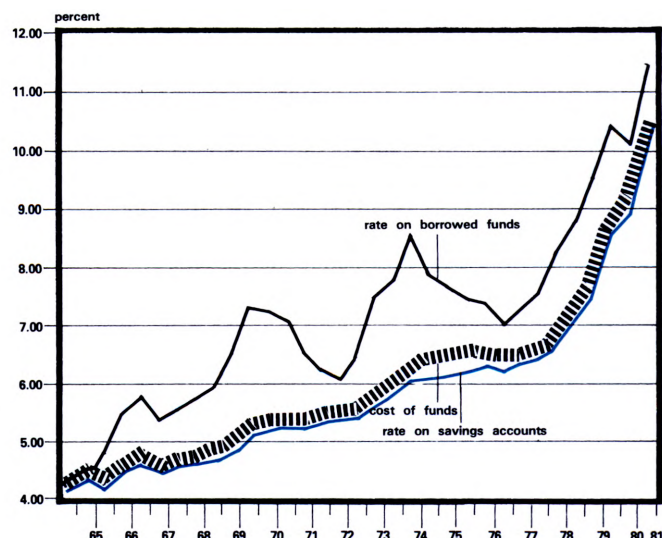
Interest paid, or accrued, on deposits at associations totaled \$25.6 billion during the first six months of 1981. This was 17.8 percent more than in the second half of 1980, a rise twice that during the preceding six months and only slightly less than the record 18-percent increase during the first half of last year. Average savings balances increased slightly more during the most recent six months than earlier, but most of the upward pressure on interest paid reflected the higher rates paid on accounts. Indeed, the average rate paid on deposits (annualized) rose from 8.98 percent in the second half of 1980 to 10.15 percent in the most recent half year, as shown in chart 4. This 117 basis point rise was a record, sharply more than the 41 basis point increase in the second half of last year and slightly more than the previous record increase of 107 basis points set in the first half of 1980. The sharp increase reflected both a

further rise in the proportion of deposits earning market-related interest rates and an increase in such rates. At the end of March, for example, the 39 percent of deposits in six-month money market certificates were earning an average rate of approximately 13½ percent. Six months earlier, the one-third of deposits in such accounts were earning an average rate of only 10.90 percent. Similarly, but less dramatically, at mid-March the 11 percent of deposits in 2½-year, variable-ceiling accounts were earning an average rate of slightly more than 11 percent, whereas at the end of September 1980 the 8½ percent of deposits in such accounts were earning only slightly more than 10½ percent.

Income from penalties imposed on early (*i.e.*, before maturity) withdrawals from certificates, which are deducted from deposit costs, contributed only moderately to holding such costs down in the January-June period. It was only in slightly larger volume than in the preceding six months—totaling just under \$450 million.

Interest paid on borrowed funds totaled \$3.8 billion during the first half of 1981. This was 29.4 percent more than in the last half of 1980, a

**Chart 4.—Average Interest Dividend Rate on Savings Accounts, Average Interest Rate on Borrowed Funds, and Average Cost of Funds—FSLIC-Insured S&Ls**  
(semiannually at annual rates)



sharply larger rise than in the preceding six months, but smaller than the increases in 1978 and a few earlier periods. This upward surge reflected a 13.8-percent rise in average borrowings outstanding during the period (sharply more than six months earlier) and a 140 basis point rise in the average rate paid on such borrowings to 11.56 percent. The average rate paid on Federal Home Loan Bank advances, which comprise nearly three-fourths of association borrowings, was nearly a full percentage point higher than during the last half of 1980. Moreover, the average rate paid on other borrowings, which includes a substantial amount of very short-term repurchase agreements, rose by about 2½ percentage points.

#### Nonoperating Income and Expense

Nonoperating income of associations rose from \$0.4 billion in the second half of 1980 to nearly \$0.5 billion in the first half of the current year, reflecting primarily a rise in miscellaneous nonoperating income. Nonoperating expenses, moreover, declined slightly to \$0.2 billion in the most recent half-year, as a result of reduced losses (or provision for losses) on securities and loans.

**Table 2.—Changes in Yield on Mortgage Portfolio of FLSIC-Insured Savings and Loan Associations and Spread between Portfolio Yield and Current Mortgage Rates**

(Semiannually at annual rate in basis points)

|      | Semiannual period | Increase in mortgage portfolio yield from preceding period | Spread between interest rates on new mortgages made and portfolio yield* |
|------|-------------------|------------------------------------------------------------|--------------------------------------------------------------------------|
| 1965 | 1 .....           | 0                                                          | 2                                                                        |
|      | 2 .....           | 1                                                          | 2                                                                        |
| 1966 | 1 .....           | —1                                                         | 20                                                                       |
|      | 2 .....           | 5                                                          | 65                                                                       |
| 1967 | 1 .....           | 3                                                          | 48                                                                       |
|      | 2 .....           | 2                                                          | 43                                                                       |
| 1968 | 1 .....           | 6                                                          | 71                                                                       |
|      | 2 .....           | 9                                                          | 100                                                                      |
| 1969 | 1 .....           | 7                                                          | 124                                                                      |
|      | 2 .....           | 16                                                         | 175                                                                      |
| 1970 | 1 .....           | 10                                                         | 190                                                                      |
|      | 2 .....           | 12                                                         | 178                                                                      |
| 1971 | 1 .....           | 13                                                         | 97                                                                       |
|      | 2 .....           | 11                                                         | 88                                                                       |
| 1972 | 1 .....           | 7                                                          | 56                                                                       |
|      | 2 .....           | 9                                                          | 54                                                                       |
| 1973 | 1 .....           | 8                                                          | 54                                                                       |
|      | 2 .....           | 13                                                         | 102                                                                      |
| 1974 | 1 .....           | 12                                                         | 127                                                                      |
|      | 2 .....           | 16                                                         | 177                                                                      |
| 1975 | 1 .....           | 8                                                          | 150                                                                      |
|      | 2 .....           | 15                                                         | 135                                                                      |
| 1976 | 1 .....           | 13                                                         | 115                                                                      |
|      | 2 .....           | 16                                                         | 104                                                                      |
| 1977 | 1 .....           | 11                                                         | 76                                                                       |
|      | 2 .....           | 14                                                         | 76                                                                       |
| 1978 | 1 .....           | 11                                                         | 84                                                                       |
|      | 2 .....           | 15                                                         | 126                                                                      |
| 1979 | 1 .....           | 16                                                         | 169                                                                      |
|      | 2 .....           | 25                                                         | 235                                                                      |
| 1980 | 1 .....           | 23                                                         | 365                                                                      |
|      | 2 .....           | 26                                                         | 318                                                                      |
| 1981 | 1 .....           | 28                                                         | 442                                                                      |

\*Average contract interest rate on conventional home mortgage loans closed by savings and loan associations in the specified semiannual period less mortgage portfolio yield of FSLIC-insured associations in previous period.

## Income Tax

Because of the before-tax operating losses experienced during the first half of the year, the savings and loan industry either received tax refunds or provided for such refunds in the

amount of \$0.4 billion. This, of course, was in sharp contrast to the \$0.1 billion provision for income taxes during the preceding half year. Refunds amounted to one-fifth of the before-tax loss of the industry. J



# News

## Bank Board Approves Large Interstate Merger



Bank Board Chairman Richard T. Pratt and Board Member Andrew A. DiPrete during the press conference held last month at the Bank Board announcing the approval of interstate merger.



Chairman Pratt speaks to the assembly of media persons at last month's press conference in which he announced the merger of a New York and a Florida savings and loan institution into Citizens Savings, a Federal savings and loan association based in San Francisco.

Richard T. Pratt, Chairman of the Federal Home Loan Bank Board, last month announced the approval of the merger of West Side Federal Savings and Loan Association, New York City, and Washington Savings and Loan Association, Miami Beach, into Citizens Savings and Loan, San Francisco, thereby making Citizens the largest federally chartered savings and loan in the Nation with \$6.8 billion in assets.

Mr. Pratt, who made the announcement at a Bank Board press conference, said the major factor

that made this merger possible was an agreement by Citizens parent corporation, National Steel Corporation of Pittsburgh, to provide \$75 million in additional capital to the resulting association. The FSLIC also agreed to make a financial contribution over a period of time to the resulting association.

Mr. Pratt said, "The transaction is proof of the savings and loan industry's ability to attract external capital." He added, "Citizens has long been recognized as a strong

leader in the savings and loan industry, and the merging of their management talents and resources with those of West Side and Washington Savings will promote the operation of a healthy, productive financial institution capable of and willing to provide mortgage money and other financial services to customers throughout their prospective states."

The merger will create a new association with 136 branch offices. As part of this merger, the Bank Board approved the conversions of Citizens





Linda Tsao Yang, Savings and Loan Commissioner for the State of California, addresses the press conference held at the Bank Board last month.



Anthony M. Frank, chairman and president of Citizens Savings and Loan, now the largest federally chartered savings and loan in the Nation, fields questions during last month's press conference at the Bank Board.

and Washington Savings from state-chartered to federally chartered S&Ls. The 19 offices of Washington Federal in Florida will operate as Washington Federal Savings and Loan Association of Miami Beach, a division of Citizens Savings, a Federal savings and loan association.

The 29 branch locations in New York will operate as West Side Federal Savings and Loan Association, a division of Citizens Savings, a Federal savings and loan association. Citizens' 88 California-based

branches will operate as Citizens Savings, a Federal savings and loan association with its home base in San Francisco.

Mr. Pratt, along with Bank Board Member Andrew A. DiPrete, expressed his appreciation for the assistance of the concerned state regulatory authorities involved with the merger, including Linda Tsao Yang, Savings and Loan Commissioner for the State of California; Muriel F. Siebert, Superintendent of Banks for the State of New York; and Gerald Lewis, Florida State

Comptroller and Commissioner of Banking.

Those in attendance at the press conference included: Howard Love, chairman and president of National Steel Corporation; Anthony M. Frank, chairman and president of Citizens Savings; Bryce Curry, President of the Federal Home Loan Bank of New York; Milton Feinerman, President of the Federal Home Loan Bank of San Francisco; and Robert Showfety, Executive Vice President of the Federal Home Loan Bank of Atlanta.



## Croft Appointed Director of Examinations and Supervision

D. James Croft has been appointed Director of the Office of Examinations and Supervision by Bank Board Chairman Richard T. Pratt, effective September 28.

Dr. Croft's Office is responsible for assuring the safety and soundness of the approximately 3,900 federally insured savings and loan associations in the Nation. OES's major functions include examining savings and loans, directing the resolution of prob-

lems threatening the financial stability of individual savings and loans, and implementing civil rights and consumer affairs legislation affecting the savings and loan industry.

Since joining the Bank Board on June 17, 1981, Dr. Croft served as Director of the Office of District Banks. Prior to this, he was professor of management at the University of Utah, and served as a consultant to businesses and government agencies,

including the Bank Board. Dr. Croft earned a Bachelor's degree in mathematics from Stanford University and an M.B.A. and Ph.D., both from Northwestern University.

L. David Taylor, former Director of the Office of Examinations and Supervision, has joined Perpetual American Savings, Washington, D.C., as senior vice president. James Silkensen has been appointed Acting Director of the Office of District Banks.

## Eugene M. Calnan Appointed President of the Federal Home Loan Bank of Pittsburgh

Eugene M. Calnan, Acting Chief Administrative Officer of the Federal Home Loan Bank of Pittsburgh since January 1981, recently was named President of the Bank by the Federal Home Loan Bank Board. Mr. Calnan also serves as the Principal Supervisory Agent for the Third District which comprises Delaware, Pennsylvania, and West Virginia.

Mr. Calnan came to the Pittsburgh Bank in January 1974 as Vice President and Supervisory Agent. In July 1975, he was promoted to Senior Vice President and Senior Supervisory Agent and later to Executive Vice President and Senior Supervisory Agent in October 1978.

Prior to his service with the Pittsburgh Bank, Mr. Calnan was president of the Dime Banking and Loan Association in Rochester, N.Y.

Earlier he served as vice president and treasurer of the Niagara Permanent Savings and Loan Association, Niagara Falls, N.Y. He also served as a senior examiner with the New York State Banking Department and as commissioned examiner in charge of the upstate district of New York State for the Federal Deposit Insurance Corporation.

Mr. Calnan received his B.S. in economics from St. John Fisher College, Rochester, N.Y., and later pursued pre-law studies and did graduate work at Niagara University and the University of Rochester. From 1950 to 1954, he served in the U.S. Air Force as an administrative supervisor.

Mr. Calnan and his wife, Betty, reside in Pittsburgh with their three children.



Mr. Calnan

## July 1981 Journal Reprints Now Available

Due to an unprecedented demand from the readership of the Federal Home Loan Bank Board Journal, the July 1981 issue, titled "Planning for the 1980s: The Real Challenge to S&Ls", is now available in reprint

form. The reprint contains only those articles carried in the original issue, rather than the separate sections, such as News, News in the Districts, Statistical Series, etc.

Extra copies may be obtained by

contacting the Bank Board's Office of Communications, The Journal, 1700 G Street, N.W., Washington, D.C. 20552, or by calling (202) 377-6676.



## News in the Districts



Mr. Croft

### District Six

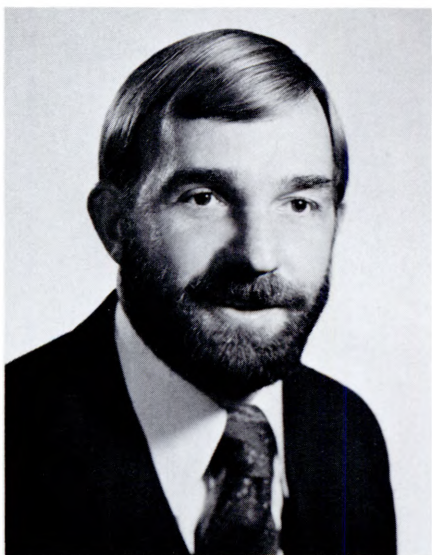
Vincent A. Cera has been promoted to the position of Assistant Vice President, Detroit Operations, according to an announcement from the FHLB of Indianapolis. The Bank also announced the promotions of Penny A. Stewart to Item Processing Manager and Jack T. Morton to Data Processing Manager.



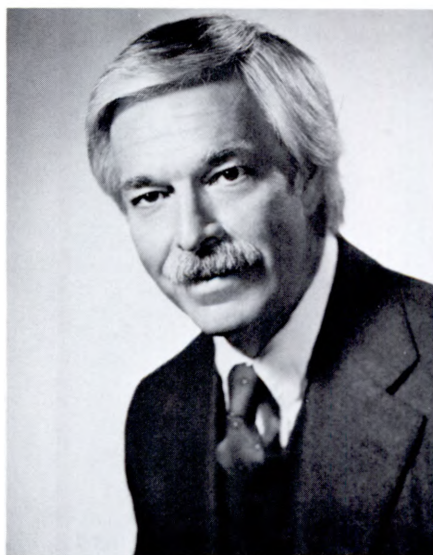
Mr. Cera

### District Eleven

The promotions of Gary L. Curley to Senior Vice President, Operations, and Robert C. Dietz to Vice President and Director, Correspondent Services, have been



Mr. Curley



Mr. Dietz



Mr. Gillespie

announced by the FHLB of San Francisco. In addition, Benjamin B. Gillespie has been named Vice President, Item Processing, with expanded responsibilities for both the NOW account processing center in Oakland and Funds Transfer Programs.

Mr. Curley joined the Bank in 1964 as a financial analyst and most recently served as Vice President and Controller. He holds a B.S. in

accounting from the University of California at Berkeley.

Mr. Dietz joined the Bank in November 1980 as Director of Marketing. Prior to coming to the Bank, he served seven years with the Federal Reserve Bank of San Francisco. Mr. Dietz attended Pratt Institute in New York City, and holds a Graduate Certificate in commercial banking from the American Institute of Banking.

Mr. Gillespie came to the Bank in July 1980 as Assistant Vice President, NOW Account Services and was promoted to Vice President, NOW Account Services in July 1981. He holds a B.A. in economics from Eastern Washington State College and an Advanced Certificate from the American Institute of Banking in Seattle. He is also a graduate of the Pacific Coast Banking School at the University of Washington.



# Regulations, Rulings and Opinions





## **Amendment Adopted—Appropriate Treatment of Securities Constituting Permanent Equity**

The Federal Home Loan Bank Board has adopted amendments to its regulations to ensure appropriate treatment of certain securities that may be issued by savings and loan

associations, including those issued in connection with assistance provided by the FSLIC. The amendments define the status of these securities under the liquidity and net

worth rules.

**Regulation: 12 CFR Parts 523 and 561. FHLBB Resolution No. 81-516. Published in the Federal Register 9/11/81.**

## **Amendment Adopted—Amendment to Policy on Supervisory Mergers and Acquisitions**

The Federal Home Loan Bank Board has amended its regulations to clarify its policy regarding branch applications by Federal savings and

loans that have established an interstate branch office through supervisory merger, consolidation, or purchase of assets.

**Regulation: 12 CFR Part 556. FHLBB Resolution No. 81-496. Published in the Federal Register 9/10/81.**

## **Memorandum/FHLMC Swap Transactions that Qualify as Reciprocal Sales of Mortgage Loans**

The Bank Board's Office of Examinations and Supervision has issued a memorandum to its professional staff advising them that the Federal Home Loan Mortgage Corporation (FHLMC) has a program of swap transactions designed to enhance the liquidity position of FSLIC-insured S&Ls by replacing mortgage loans with guaranteed FHLMC Mortgage Participation Certificates (PCs). These guaranteed PCs are eligible collateral for borrowings, including repurchase agreement transactions. The program operates as follows:

A single institution (individual seller swap transaction) or a group of institutions (multiple seller swap transactions) sells mortgage loans to FHLMC with an aggregate outstanding principal balance sufficient

to meet the FHLMC's pool formation requirement of \$100 million. FHLMC sells PCs to these institutions backed by the same mortgages. The association(s) continues to service the mortgage loans and pays a guarantee fee to FHLMC. The PC rate is keyed to the lowest coupon rate of the pooled mortgages, and monthly interest earned in excess of the FHLMC required net yield is interest income.

OES shall consider such transactions, which meet the following criteria, consistent with Memorandum R 49:

1. In all such transactions, both the sale of the mortgage loans and the sale of the PCs must be at par.

2. After establishing the original pool of mortgage loans, neither the mortgage loan sellers nor the

FHLMC, unless exercising its rights under its warranty requirements, may make any substitution for loans constituting the original pool.

3. When purchasing a pool of mortgages from a group of institutions, i.e., a multiple seller swap transaction, a minimum of 80 percent of the number of loans constituting the pool must bear interest rates with a range no greater than 200 basis points between the lowest rate and the highest rate in the pool.

Supervisory and examining staff should ascertain that gains or losses on the subsequent sale, purchase, or exchange of PCs emanating from these swap transactions are accounted for on the books of the insured institution.

**Memorandum: R 49-1. Published September 2, 1981.**







## Memorandum/Accounting for Goodwill in Accordance with GAAP Is Acceptable

The Bank Board's Office of Examinations and Supervision recently issued a memorandum to its professional staff setting forth guidelines for the staff of the Federal Home Loan Bank Board in reviewing the proposed accounting, under generally accepted accounting principles (GAAP) for goodwill arising from the acquisition of an S&L.

This intangible asset generally results when the purchase price for an S&L exceeds the fair value of the assets acquired, reduced by the fair value of any liabilities assumed. It only arises when the accounting for a business combination is in accordance with the purchase method. Accounting Principles Board Opinion (APBO) No. 16 contains guidelines for the use of the purchase method of accounting in a business combination.

Accounting for business combinations involving insured institutions should be in accordance with generally accepted accounting principles (GAAP). APBO No. 16 indicates the conditions for using the purchase method of accounting and provides instruction in its application. Financial Accounting Standards Board (FASB) Interpretation No. 9 provides additional guidance when applying the purchase method in a business combination involving a savings and loan association.

FASB Interpretation No. 9 describes the intangible assets and related accounting that can occur in a business combination involving a savings and loan association. It states that "the purchase price paid for a savings and loan association may include an amount for one or

more factors, such as the following:

(a) Capacity of existing savings accounts and loan accounts to generate future income,

(b) Capacity of existing savings accounts and loan accounts to generate additional business or new business, and

(c) Nature of territory served.

If the amount paid for any such factor can be determined, that amount shall not be included in goodwill. Rather, the amount paid for that separately identified intangible shall be recorded as the cost of the intangible and amortized over its estimated life."

The interpretation goes on to state that any portion of the purchase price which cannot be so assigned shall be assigned to goodwill and amortized in accordance with APBO No. 17, "Accounting for Intangible Assets." The interpretation recognizes that in some situations the amount paid for factors such as those described cannot be separately determined, and, as a result, their value is included in the amount designated as goodwill.

Identifying the fair value of these or other intangible factors, whether separately identified or included in goodwill, is a subjective task. It can be based on marketing and other demographic studies, analysis of the resulting association's abilities to cross-sell services, or analysis of past and expected behavior and lives of the acquired association's savings and loan accounts. In addition to determining the value of these intangible assets, such analyses should determine the asset's life and an appropriate amortization method to

provide proper matching with the resulting income derived from the accounts. Any assumptions used in determining these amounts must be realistic in light of the resulting association's management philosophies, practices, and abilities.

In discussing the estimated life of intangible assets, APBO No. 17 indicates that "analysis of all factors should result in a reasonable estimate of the useful life of most intangible assets. A reasonable estimate of the useful life may often be based on upper and lower limits, even though a fixed existence is not determinable. The period of amortization should not, however, exceed forty years."

An application from an association requesting approval for a business combination to be accounted for by the purchase method of accounting, from which intangible assets will result, should include a description of any resulting intangible assets and the plan for their amortization. This description should discuss the nature and results of management's analysis of the underlying intangible assets and the resulting amortization periods and methods.

This memorandum does not require a change in the accounting for goodwill from business combinations which has previously been consummated. However, upon obtaining approval of the Principal Supervisory Agent, an association may change the accounting for goodwill to comply with this memorandum.

**Memorandum: R 31b. Published September 1, 1981.**



## Memorandum/Certificate Accounts

The Bank Board's Office of Examinations and Supervision has issued a memorandum to its professional staff advising them that Section 3 of Memorandum #T 10-7b has been revised to allow conversions of outstanding certificates to those paying a lower or equal interest rate and having a longer or equal term without the imposition of an early withdrawal penalty. This change conforms Bank Board policy

to the policies of the Federal banking regulatory agencies. Section 3 now reads:

### *3. Conversion of Savings Certificates*

The conversion of any outstanding savings certificate (regardless of the date of issuance) to an account paying a higher rate of interest, or having a shorter term to maturity, is subject to the payment of a withdrawal penalty. An outstanding cer-

tificate may be converted to an account paying a rate of interest no higher than, and with a term to maturity no shorter than, the original account without payment of penalty. Upon conversion, the new certificate is subject to any applicable limitation on rates of interest on new deposits of the same term and type.

**Memorandum #T 10-7b-1. Published August 31, 1981.**



# Statistical Series

| Contents                                    | Series No. | Page |
|---------------------------------------------|------------|------|
| S.1.—General Financial Data                 |            | 37   |
| S.2.—Federal Home Loan Mortgage Corporation |            | 39   |
| S.3.—Federal Home Loan Banks                |            | 40   |
| S.4.—Savings and Loan Associations          |            | 42   |
| S.5.—Mortgage Markets                       |            | 48   |
| S.6.—Housing Markets                        |            | 52   |

## General Financial Data

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

| Period     | Short-term                               |                  |                 | Intermediate- and long-term  |         |                                                   |                               |                              |                           |                   |
|------------|------------------------------------------|------------------|-----------------|------------------------------|---------|---------------------------------------------------|-------------------------------|------------------------------|---------------------------|-------------------|
|            | U.S. Government obligations <sup>1</sup> |                  |                 | Bonds and notes <sup>1</sup> |         |                                                   |                               |                              | Mortgages                 |                   |
|            | 3-month<br>bills                         | 6-month<br>bills | 1-year<br>bills | U.S. Government <sup>2</sup> |         | Aaa <sup>3</sup> State<br>and local<br>government | Aaa <sup>3</sup><br>corporate | FHA-<br>insured <sup>4</sup> | Conventional <sup>5</sup> |                   |
|            |                                          |                  |                 | 5-year                       | 20-year |                                                   |                               |                              | New<br>homes              | Existing<br>homes |
| 1977 ..... | 5.27                                     | 5.53             | 5.71            | 6.99                         | 7.67    | 5.20                                              | 8.02                          | 8.68                         | 9.01                      | 9.02              |
| 1978 ..... | 7.19                                     | 7.58             | 7.74            | 8.32                         | 8.48    | 5.52                                              | 8.73                          | 9.70                         | 9.54                      | 9.58              |
| 1979 ..... | 10.07                                    | 10.06            | 9.75            | 9.52                         | 9.33    | 5.92                                              | 9.63                          | 10.87                        | 10.77                     | 10.92             |
| 1980 ..... | 11.43                                    | 11.36            | 10.89           | 11.48                        | 11.39   | 7.86                                              | 11.94                         | 12.29                        | 12.65                     | 12.95             |
| 1980       |                                          |                  |                 |                              |         |                                                   |                               |                              |                           |                   |
| Aug .....  | 9.13                                     | 9.41             | 9.39            | 10.84                        | 11.07   | 8.03                                              | 11.64                         | 13.54                        | 12.25                     | 12.26             |
| Sept ..... | 10.27                                    | 10.57            | 10.48           | 11.62                        | 11.47   | 8.36                                              | 12.02                         | 14.26                        | 12.35                     | 12.37             |
| Oct .....  | 11.62                                    | 11.63            | 11.30           | 11.86                        | 11.75   | 8.38                                              | 12.31                         | 14.38                        | 12.61                     | 12.68             |
| Nov .....  | 13.73                                    | 13.50            | 12.66           | 12.83                        | 12.44   | 8.71                                              | 12.97                         | 14.47                        | 13.04                     | 13.26             |
| Dec .....  | 15.49                                    | 14.64            | 13.23           | 13.25                        | 12.49   | 9.44                                              | 13.21                         | 14.08                        | 13.28                     | 13.58             |
| 1981       |                                          |                  |                 |                              |         |                                                   |                               |                              |                           |                   |
| Jan .....  | 15.02                                    | 14.08            | 12.62           | 12.77                        | 12.29   | 8.98                                              | 12.81                         | 14.23                        | 13.26                     | 13.67             |
| Feb .....  | 14.79                                    | 14.05            | 12.99           | 13.41                        | 12.98   | 9.46                                              | 13.35                         | 14.79                        | 13.54                     | 14.16             |
| Mar .....  | 13.36                                    | 12.81            | 12.28           | 13.41                        | 12.94   | 9.50                                              | 13.33                         | 15.04                        | 14.02                     | 14.38             |
| Apr .....  | 13.69                                    | 13.45            | 12.79           | 13.99                        | 13.46   | 9.78                                              | 13.88                         | 15.91                        | 14.15                     | 14.47             |
| May .....  | 16.30                                    | 15.29            | 14.29           | 14.63                        | 13.82   | 9.90                                              | 14.32                         | 16.33                        | 14.10                     | 14.66             |
| June ..... | 14.73                                    | 14.09            | 13.22           | 13.95                        | 13.20   | 9.86                                              | 13.75                         | 16.31                        | 14.67                     | 14.88             |
| July ..... | 14.95                                    | 14.74            | 13.91           | 14.79                        | 13.92   | 10.21                                             | 14.38                         | 16.76                        | 14.72                     | 15.28             |
| Aug .....  | 15.51                                    | 15.52            | 14.70           | 15.56                        | 14.52   | 11.10                                             | 14.89                         | 17.96                        | 15.27                     | 15.54             |

<sup>1</sup> 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.

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

<sup>3</sup> Aaa is the highest quality rating given by Moody's Investors Service.

<sup>4</sup> 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.

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

<sup>6</sup> Preliminary

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<br>(Seasonally adjusted data; in billions of dollars) |                                                                                    |                                                                                                                                                      |                                                                                                   | Time and savings accounts<br>(in millions of dollars) |                                            |                            |                                   |                               |
|-----------------|-----------------------------------------------------------------------------------|------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|-------------------------------------------------------|--------------------------------------------|----------------------------|-----------------------------------|-------------------------------|
|                 | M1-A                                                                              | M1-B                                                                               | M2                                                                                                                                                   | M3                                                                                                | Type of institution                                   |                                            |                            |                                   |                               |
|                 | (Currency plus demand deposits) <sup>1</sup>                                      | (M1-A plus other checkable deposits at banks and thrift institutions) <sup>2</sup> | (M1-B plus overnight RPs and Eurodollars, MMMF shares, and savings and small time deposits at commercial banks and thrift institutions) <sup>3</sup> | M2 plus large time deposits and term RPs at commercial banks and thrift institutions <sup>4</sup> | Total                                                 | Savings and loan associations <sup>5</sup> | Credit unions <sup>6</sup> | Mutual Savings banks <sup>7</sup> | Commercial banks <sup>8</sup> |
| <b>December</b> |                                                                                   |                                                                                    |                                                                                                                                                      |                                                                                                   |                                                       |                                            |                            |                                   |                               |
| 1976.....       | 305.0                                                                             | 307.7                                                                              | 1,116.7                                                                                                                                              | 1,299.7                                                                                           | 986,372                                               | 333,912                                    | 38,968                     | 122,802                           | 488,690                       |
| 1977.....       | 328.4                                                                             | 332.5                                                                              | 1,294.1                                                                                                                                              | 1,460.3                                                                                           | 1,118,354                                             | 386,875                                    | 46,832                     | 134,017                           | 550,630                       |
| 1978.....       | 351.6                                                                             | 359.9                                                                              | 1,400.8                                                                                                                                              | 1,622.2                                                                                           | 1,237,953                                             | 430,953                                    | 53,517                     | 141,383                           | 612,100                       |
| 1979.....       | 369.8                                                                             | 386.9                                                                              | 1,526.0                                                                                                                                              | 1,775.5                                                                                           | 1,323,139                                             | 470,004                                    | 56,232                     | 144,070                           | 653,000                       |
| <b>1980</b>     |                                                                                   |                                                                                    |                                                                                                                                                      |                                                                                                   |                                                       |                                            |                            |                                   |                               |
| Aug.....        | 382.8                                                                             | 406.9                                                                              | 1,633.4                                                                                                                                              | 1,896.7                                                                                           | 1,396,918                                             | 491,403                                    | 61,403                     | 148,018                           | 696,094                       |
| Sept.....       | 386.4                                                                             | 411.8                                                                              | 1,644.9                                                                                                                                              | 1,911.9                                                                                           | 1,415,077                                             | 496,991                                    | 63,728                     | 149,395                           | 704,963                       |
| Oct.....        | 390.1                                                                             | 416.3                                                                              | 1,654.0                                                                                                                                              | 1,927.5                                                                                           | 1,429,483                                             | 500,861                                    | 63,957                     | 149,797                           | 714,868                       |
| Nov.....        | 391.3                                                                             | 419.1                                                                              | 1,668.5                                                                                                                                              | 1,950.7                                                                                           | 1,448,660                                             | 503,368                                    | 64,304                     | 150,109                           | 730,879                       |
| Dec.....        | 387.7                                                                             | 415.6                                                                              | 1,669.4                                                                                                                                              | 1,963.5                                                                                           | 1,479,336                                             | 510,959                                    | 64,399                     | 151,355                           | 752,623                       |
| <b>1981</b>     |                                                                                   |                                                                                    |                                                                                                                                                      |                                                                                                   |                                                       |                                            |                            |                                   |                               |
| Jan.....        | 375.1                                                                             | 419.2                                                                              | 1,680.8                                                                                                                                              | 1,988.3                                                                                           | 1,503,183                                             | 512,946                                    | 63,874                     | 151,051                           | 775,312                       |
| Feb.....        | 367.2                                                                             | 421.2                                                                              | 1,695.7                                                                                                                                              | 2,007.9                                                                                           | 1,514,547                                             | 515,250                                    | 64,357                     | 151,346                           | 783,594                       |
| Mar.....        | 365.8                                                                             | 425.8                                                                              | 1,718.6                                                                                                                                              | 2,026.1                                                                                           | 1,528,583                                             | 518,990                                    | 65,744                     | 152,630                           | 791,219                       |
| Apr.....        | 366.6                                                                             | 433.7                                                                              | 1,738.1                                                                                                                                              | 2,044.6                                                                                           | 1,527,949                                             | 516,071                                    | 65,495                     | 151,429                           | 794,954                       |
| May.....        | 364.9                                                                             | 431.5                                                                              | 1,743.4                                                                                                                                              | 2,059.0                                                                                           | 1,544,835                                             | 517,628                                    | 65,988                     | 151,658                           | 809,561                       |
| June.....       | 361.9                                                                             | 428.8                                                                              | 1,749.3                                                                                                                                              | 2,076.5                                                                                           | 1,551,647                                             | 517,632                                    | 66,472                     | 152,603                           | 814,940                       |
| July.....       | 361.6                                                                             | 430.3                                                                              | 1,760.5                                                                                                                                              | 2,090.1                                                                                           | 1,558,571                                             | 514,103                                    | 65,854                     | 151,450                           | 827,164                       |
| Aug.....        | 361.4                                                                             | 431.8                                                                              | 1,778.8                                                                                                                                              | 2,112.7                                                                                           | NA                                                    | 512,768                                    | NA                         | NA                                | 839,730                       |

<sup>1</sup> Includes (1) demand deposits at all commercial banks other than those due to domestic banks, the U.S. Government, and foreign banks and official institutions less cash items in the process of collection and F.R. float; and (2) currency outside the Treasury, F.R. Banks and the vaults of commercial banks.

<sup>2</sup> M1-A plus NOW and ATS accounts at banks and thrift institutions, credit union share draft accounts and demand deposits at mutual savings banks.

<sup>3</sup> Small time deposits are those issued in amounts of less than \$100,000. M2 will differ from the sum of components presented in subsequent tables by a consolidation adjustment that has been made to avoid double counting of the public's monetary assets. The difference represents the amount of demand deposits held by thrift institutions at commercial banks.

<sup>4</sup> Large time deposits are those issued in amounts of \$100,000 or more and are net of the holdings of domestic banks, thrift institutions, the U.S. Government, money

market mutual funds and foreign banks and official institutions. Term RPs are net of RPs held by money market mutual funds.

<sup>5</sup> FHLBB estimates for all operating associations described in the notes to table S.4.1.

<sup>6</sup> 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.

<sup>7</sup> National Association of Mutual Savings Banks data for all mutual savings banks. Figures include a small amount of demand deposits.

<sup>8</sup> Federal Reserve estimates for the last Wednesday of the month of Domestically-Chartered Commercial Bank holdings of time and savings deposits except branches of foreign banks.

<sup>9</sup> Not available.

**Table S.1.3.—Selected Types of Savings**  
(In millions of dollars)

| Month      | Net increase in deposits at<br>FSLIC-insured savings and<br>loan associations <sup>1</sup> |                                   | Net increase in regular<br>deposits at mutual<br>savings banks <sup>2</sup> |                                   | Net increase<br>in shares at<br>credit unions <sup>3</sup> | Net increase in<br>time and savings<br>deposits other<br>than large CDs<br>at commercial<br>banks <sup>4</sup> | Net<br>purchase<br>of U.S.<br>savings<br>bonds <sup>5</sup> |
|------------|--------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------|-----------------------------------|------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------|
|            | Excluding<br>interest<br>credited                                                          | Including<br>interest<br>credited | Excluding<br>interest<br>credited                                           | Including<br>interest<br>credited |                                                            |                                                                                                                |                                                             |
| 1980       |                                                                                            |                                   |                                                                             |                                   |                                                            |                                                                                                                |                                                             |
| Aug .....  | 1,285                                                                                      | 2,480                             | 1                                                                           | 610                               | 829                                                        | 5,086                                                                                                          | —180                                                        |
| Sept ..... | 6                                                                                          | 5,519                             | —460                                                                        | 1,377                             | 963                                                        | 5,307                                                                                                          | —225                                                        |
| Oct .....  | 2,550                                                                                      | 3,827                             | —169                                                                        | 403                               | 229                                                        | 7,567                                                                                                          | —179                                                        |
| Nov .....  | 1,461                                                                                      | 2,476                             | —227                                                                        | 312                               | 347                                                        | 7,942                                                                                                          | —146                                                        |
| Dec .....  | 2,055                                                                                      | 7,563                             | —636                                                                        | 1,194                             | 95                                                         | 12,597                                                                                                         | —309                                                        |
| 1981       |                                                                                            |                                   |                                                                             |                                   |                                                            |                                                                                                                |                                                             |
| Jan .....  | 599                                                                                        | 2,060                             | —979                                                                        | —304                              | —525                                                       | 21,593                                                                                                         | —1,161                                                      |
| Feb .....  | 879                                                                                        | 2,276                             | —385                                                                        | 296                               | 483                                                        | 11,767                                                                                                         | —619                                                        |
| Mar .....  | —2,137                                                                                     | 3,694                             | —757                                                                        | 1,224                             | 1,387                                                      | 9,221                                                                                                          | —395                                                        |
| Apr .....  | —4,638                                                                                     | —2,857                            | —2,025                                                                      | —1,234                            | —249                                                       | 2,169                                                                                                          | —543                                                        |
| May .....  | —70                                                                                        | 1,696                             | —676                                                                        | 148                               | 493                                                        | 8,734                                                                                                          | —290                                                        |
| June ..... | —5,759                                                                                     | 317                               | —1,392                                                                      | 618                               | 484                                                        | 4,204                                                                                                          | —298                                                        |
| July ..... | —5,538                                                                                     | —3,491                            | —1,931                                                                      | —1,153                            | —618                                                       | 6,922                                                                                                          | —217                                                        |
| Aug .....  | —3,261                                                                                     | —1,320                            | —1,400                                                                      | —600                              | NA                                                         | 9,947                                                                                                          | —366                                                        |

<sup>1</sup> FHLBB data as described in notes to table S.4.2.

<sup>2</sup> 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 as shown in table S.1.2.

<sup>3</sup> National Credit Union Administration estimates as described in note to table S.1.2.

<sup>4</sup> Based on Federal Reserve data for last Wednesday of month for time and savings

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.

<sup>5</sup> 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.

<sup>6</sup> Preliminary

<sup>7</sup> Not available.



# Federal Home Loan Mortgage Corporation

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

| Period    | Mortgage                    |                     |                           |                                 |                           |        |                           |                  | Commitments FHA/VA<br>and conventional |                                   |
|-----------|-----------------------------|---------------------|---------------------------|---------------------------------|---------------------------|--------|---------------------------|------------------|----------------------------------------|-----------------------------------|
|           | Holdings<br>(end of period) |                     |                           | Transactions<br>(during period) |                           |        |                           |                  |                                        |                                   |
|           | Total                       | FHA/VA <sup>1</sup> | Conventional <sup>2</sup> | Purchases                       |                           | FHA/VA | Sales                     |                  | Made<br>(during<br>period)             | Outstanding<br>(end of<br>period) |
|           |                             |                     |                           | FHA/VA                          | Conventional <sup>2</sup> |        | Conventional <sup>2</sup> | PCs <sup>3</sup> |                                        |                                   |
| 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                       | 500              | 982                                    | 111                               |
| 1976      | 4,269                       | 1,675               | 2,594                     | 20                              | 1,107                     | 35     | 1,362                     | 400              | 1,478                                  | 333                               |
| 1977      | 3,267                       | 1,450               | 1,817                     | 20                              | 4,140                     | 7      | 4,033                     | 600              | 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                       | 700              | 455                                    | 1,410                             |
| 1979      |                             |                     |                           |                                 |                           |        |                           |                  |                                        |                                   |
| January   | 3,253                       | 1,287               | 1,966                     |                                 | 498                       |        | 321                       |                  | 374                                    | 1,248                             |
| February  | 3,143                       | 1,277               | 1,866                     |                                 | 400                       |        | 291                       | 200              | 357                                    | 1,177                             |
| March     | 3,358                       | 1,267               | 2,091                     |                                 | 350                       |        | 116                       |                  | 547                                    | 1,342                             |
| April     | 3,332                       | 1,254               | 2,078                     |                                 | 358                       |        | 363                       |                  | 540                                    | 1,487                             |
| May       | 3,299                       | 1,242               | 2,057                     |                                 | 560                       |        | 572                       |                  | 652                                    | 1,541                             |
| June      | 3,340                       | 1,227               | 2,113                     |                                 | 447                       |        | 182                       | 200              | 528                                    | 1,590                             |
| July      | 3,516                       | 1,214               | 2,302                     |                                 | 520                       |        | 320                       |                  | 528                                    | 1,572                             |
| August    | 3,579                       | 1,202               | 2,377                     |                                 | 638                       |        | 354                       | 200              | 655                                    | 1,536                             |
| September | 3,747                       | 1,189               | 2,558                     |                                 | 537                       |        | 347                       |                  | 437                                    | 1,399                             |
| October   | 3,748                       | 1,177               | 2,571                     |                                 | 552                       |        | 531                       |                  | 504                                    | 1,313                             |
| November  | 4,001                       | 1,167               | 2,834                     |                                 | 458                       |        | 186                       |                  | 221                                    | 1,036                             |
| December  | 4,052                       | 1,159               | 2,893                     |                                 | 403                       |        | 211                       | 150              | 199                                    | 796                               |
| 1980      |                             |                     |                           |                                 |                           |        |                           |                  |                                        |                                   |
| January   | 4,140                       | 1,155               | 2,985                     | 1                               | 279                       |        | 180                       |                  | 296                                    | 779                               |
| February  | 4,138                       | 1,149               | 2,989                     |                                 | 248                       |        | 207                       |                  | 197                                    | 726                               |
| March     | 4,228                       | 1,143               | 3,085                     |                                 | 193                       |        | 106                       |                  | 186                                    | 700                               |
| April     | 4,247                       | 1,137               | 3,110                     |                                 | 231                       |        | 200                       |                  | 189                                    | 643                               |
| May       | 4,023                       | 1,133               | 2,890                     |                                 | 176                       |        | 391                       |                  | 491                                    | 932                               |
| June      | 4,005                       | 1,128               | 2,877                     |                                 | 225                       |        | 230                       |                  | 577                                    | 1,246                             |
| July      | 4,142                       | 1,123               | 3,019                     |                                 | 440                       |        | 288                       |                  | 702                                    | 1,386                             |
| August    | 4,286                       | 1,115               | 3,171                     |                                 | 495                       |        | 320                       |                  | 476                                    | 1,300                             |
| September | 4,534                       | 1,108               | 3,426                     |                                 | 521                       |        | 275                       |                  | 218                                    | 934                               |
| October   | 4,717                       | 1,101               | 3,616                     |                                 | 398                       |        | 193                       |                  | 221                                    | 726                               |
| November  | 4,833                       | 1,095               | 3,738                     |                                 | 231                       |        | 88                        |                  | 180                                    | 653                               |
| December  | 5,056                       | 1,090               | 3,966                     |                                 | 285                       |        | 48                        |                  | 126                                    | 447                               |
| 1981      |                             |                     |                           |                                 |                           |        |                           |                  |                                        |                                   |
| January   | 5,028                       | 1,086               | 3,942                     |                                 | 152                       |        | 168                       |                  | 203                                    | 487                               |
| February  | 5,095                       | 1,082               | 4,013                     |                                 | 174                       |        | 94                        |                  | 91                                     | 394                               |
| March     | 5,150                       | 1,078               | 4,072                     |                                 | 148                       |        | 128                       |                  | 474                                    | 699                               |
| April     | 5,164                       | 1,074               | 4,091                     |                                 | 125                       |        | 97                        |                  | 118                                    | 678                               |
| May       | 5,211                       | 1,070               | 4,141                     |                                 | 480 <sup>4</sup>          |        | 421 <sup>4</sup>          |                  | 130                                    | 321                               |
| June      | 5,245                       | 1,066               | 4,179                     |                                 | 139                       |        | 94                        |                  | 293                                    | 1,018                             |
| July      | 5,238                       | 1,062               | 4,176                     |                                 | 242 <sup>4</sup>          |        | 238 <sup>4</sup>          |                  | 865                                    | 824                               |
| August    | 5,280                       | 1,059               | 4,221                     |                                 | 101                       |        | 44                        |                  | 308                                    | 1,028                             |

<sup>1</sup> Include loans used to back bond issues guaranteed by GNMA.  
<sup>2</sup> Include participations as well as whole loans.  
<sup>3</sup> Participation certificates.  
<sup>4</sup> Data for 1970 include only the period beginning November 26 when the FHLMC first became operational.  
<sup>5</sup> Includes \$356 million in special placements in May.  
<sup>6</sup> Includes \$104 million in special placements in July.  
<sup>7</sup> Guaranteed mortgage certificates.

Table S.2.2.—Federal Home Loan Mortgage Corporation: Weekly Market Survey  
in percent, data for the week ending August 21, 1981)

| Summary Results of Survey                                         | U.S.  | Northeast | Southeast | North Central | Southwest | West  |
|-------------------------------------------------------------------|-------|-----------|-----------|---------------|-----------|-------|
| Commitment Rate of 80% LTV Conventional Mortgages                 | 17.26 | 17.42     | 16.81     | 17.52         | 17.06     | 17.30 |
| Fees or Points charged Borrower on 80% LTV Conventional Mortgages | 2.1   | 2.0       | 3.0       | 2.6           | 1.7       | 1.6   |
| Fees or Points charged Seller on 80% LTV Conventional Mortgages   | .2    | .2        | .8        | .0            | .7        | 0     |
| Percentage of Respondents Offering 95% LTV Mortgages              | 50.0  | 81.2      | 39.9      | 44.7          | 45.9      | 47.7  |
| Percentage of Respondents Offering Adjustable Rate Mortgages      | 35.1  | 26.8      | 52.7      | 33.8          | 40.3      | 30.6  |

## 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 <sup>1</sup> | Liabilities             |                                       |       | Capital accounts |                   |
|---------------|--------|-------------|----------|-------|-------------------------------------------------------------------|-------------------------|---------------------------------------|-------|------------------|-------------------|
|               | Cash   | Investments | Advances | Other |                                                                   | Deposits and borrowings | Consolidated obligations <sup>1</sup> | Other | Capital stock    | Retained earnings |
| 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 .....    | 201    | 3,414       | 32,670   | 482   | 36,767                                                            | 6,243                   | 25,109                                | 459   | 4,120            | 836               |
| 1979 .....    | 251    | 3,693       | 41,838   | 646   | 46,428                                                            | 9,368                   | 30,372                                | 596   | 5,149            | 943               |
| <b>1980</b>   |        |             |          |       |                                                                   |                         |                                       |       |                  |                   |
| Sept .....    | 136    | 4,351       | 44,161   | 663   | 49,311                                                            | 9,569                   | 33,053                                | 721   | 5,035            | 933               |
| Oct .....     | 105    | 4,357       | 46,115   | 710   | 51,287                                                            | 9,531                   | 34,917                                | 858   | 5,031            | 950               |
| Nov .....     | 142    | 3,877       | 47,322   | 693   | 52,034                                                            | 9,912                   | 35,475                                | 631   | 5,053            | 963               |
| Dec .....     | 297    | 4,328       | 48,963   | 751   | 54,339                                                            | 10,141                  | 37,268                                | 901   | 5,160            | 869               |
| <b>1981</b>   |        |             |          |       |                                                                   |                         |                                       |       |                  |                   |
| Jan .....     | 155    | 5,099       | 48,581   | 800   | 54,635                                                            | 9,536                   | 37,871                                | 1,057 | 5,276            | 895               |
| Feb .....     | 124    | 5,624       | 48,206   | 704   | 54,658                                                            | 9,308                   | 38,293                                | 786   | 5,341            | 930               |
| Mar .....     | 170    | 5,475       | 49,175   | 755   | 55,575                                                            | 9,744                   | 38,710                                | 814   | 5,348            | 959               |
| Apr .....     | 159    | 3,944       | 51,530   | 800   | 56,433                                                            | 8,932                   | 40,165                                | 960   | 5,394            | 982               |
| May .....     | 178    | 5,358       | 53,148   | 793   | 59,477                                                            | 9,397                   | 42,816                                | 792   | 5,462            | 1,010             |
| June .....    | 173    | 5,577       | 56,095   | 815   | 62,660                                                            | 9,843                   | 45,280                                | 1,072 | 5,568            | 897               |
| July .....    | 127    | 5,546       | 59,475   | 906   | 66,054                                                            | 10,485                  | 47,927                                | 1,121 | 5,574            | 947               |
| Aug .....     | 203    | 6,148       | 62,471   | 892   | 69,714                                                            | 11,432                  | 50,623                                | 1,021 | 5,637            | 1,001             |

<sup>1</sup> Represents Banks' participation exclusive of passthroughs to the Federal Home Loan Mortgage Corporation.

<sup>2</sup> Figures may vary from other published data on the Banks due to rounding and other reclassification of accounts.

Note: FHLBB data.

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

| Month             | Number of borrowers (end of month) | Average cost <sup>1</sup> consolidated obligations-bonds |                                    | Average rate on FHLB advances <sup>2</sup> |                                  | Month             | Number of borrowers (end of month) | Average cost <sup>1</sup> consolidated obligations-bonds |                                    | Average rate on FHLB advances <sup>2</sup> |                                  |
|-------------------|------------------------------------|----------------------------------------------------------|------------------------------------|--------------------------------------------|----------------------------------|-------------------|------------------------------------|----------------------------------------------------------|------------------------------------|--------------------------------------------|----------------------------------|
|                   |                                    | Out-standing <sup>3</sup> (end of month)                 | Issued <sup>3</sup> (during month) | Out-standing <sup>2</sup> (end of month)   | Made <sup>2</sup> (during month) |                   |                                    | Out-standing <sup>3</sup> (end of month)                 | Issued <sup>3</sup> (during month) | Out-standing <sup>2</sup> (end of month)   | Made <sup>2</sup> (during month) |
| Percent per annum |                                    |                                                          |                                    |                                            |                                  | Percent per annum |                                    |                                                          |                                    |                                            |                                  |
| December          |                                    |                                                          |                                    |                                            |                                  | Dec . . . . .     | 2,819                              | 10.40                                                    | 15.80                              | 11.23                                      | 17.40                            |
| 1975 . . . . .    | 2,542                              | 8.31                                                     | (*)                                | 7.81                                       | 7.30                             | 1981              |                                    |                                                          |                                    |                                            |                                  |
| 1976 . . . . .    | 2,549                              | 8.09                                                     | (*)                                | 8.63                                       | 6.60                             | Jan . . . . .     | 2,792                              | 10.45                                                    | 13.35                              | 11.22                                      | 17.00                            |
| 1977 . . . . .    | 2,820                              | 7.88                                                     | (*)                                | 7.64                                       | 7.50                             | Feb . . . . .     | 2,763                              | 10.67                                                    | 13.94                              | 11.14                                      | 16.00                            |
| 1978 . . . . .    | 3,139                              | 8.08                                                     | 9.61                               | 8.56                                       | 10.20                            | Mar . . . . .     | 2,750                              | 10.77                                                    | 14.00                              | 11.08                                      | 14.60                            |
| 1979 . . . . .    | 2,983                              | 8.84                                                     | (*)                                | 9.91                                       | 13.40                            | Apr . . . . .     | 2,764                              | 10.89                                                    | 14.50                              | 11.40                                      | 15.50                            |
| 1980              |                                    |                                                          |                                    |                                            |                                  | May . . . . .     | 2,763                              | 11.33                                                    | 16.27                              | 11.95                                      | 17.50                            |
| Sept . . . . .    | 2,834                              | 9.88                                                     | 11.90                              | 9.80                                       | 11.10                            | June . . . . .    | 2,761                              | 11.48                                                    | 14.70                              | 12.40                                      | 17.50                            |
| Oct . . . . .     | 2,824                              | 10.00                                                    | 11.81                              | 10.03                                      | 12.30                            | July . . . . .    | 2,771                              | 11.64                                                    | 15.65                              | 12.93                                      | 17.70                            |
| Nov . . . . .     | 2,809                              | 10.28                                                    | 12.98                              | 10.41                                      | 14.30                            | Aug . . . . .     | 2,768                              | 12.03                                                    | 16.18                              | 13.32                                      | 18.20                            |

<sup>1</sup> Includes selling costs and passthroughs to the Federal Home Loan Mortgage Corporation.

<sup>2</sup> Weighted by amount outstanding at each rate.

<sup>3</sup> 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.

<sup>4</sup> No obligations issued.

<sup>5</sup> 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**  
(August 31, 1981)<sup>1</sup>

| District Bank       | Total<br>number of<br>members | Savings and loan associations |          |                 |       | Savings<br>banks | Insurance<br>companies |
|---------------------|-------------------------------|-------------------------------|----------|-----------------|-------|------------------|------------------------|
|                     |                               | All<br>S&LA's                 | Federals | State chartered |       |                  |                        |
|                     |                               |                               |          | FSLIC insured   | Other |                  |                        |
| All Banks .....     | 4,134                         | 3,985                         | 1,945    | 1,948           | 92    | 147              | 2                      |
| Boston .....        | 243                           | 158                           | 68       | 48              | 42    | 85               | .....                  |
| New York .....      | 329                           | 287                           | 113      | 173             | 1     | 42               | .....                  |
| Pittsburgh .....    | 295                           | 292                           | 127      | 148             | 17    | 3                | .....                  |
| Atlanta .....       | 654                           | 654                           | 449      | 204             | 1     | .....            | .....                  |
| Cincinnati .....    | 491                           | 490                           | 275      | 186             | 29    | .....            | 1                      |
| Indianapolis .....  | 205                           | 204                           | 126      | 77              | 1     | .....            | 1                      |
| Chicago .....       | 463                           | 460                           | 173      | 287             | ..... | 3                | .....                  |
| Des Moines .....    | 257                           | 256                           | 144      | 111             | 1     | 1                | .....                  |
| Little Rock .....   | 613                           | 613                           | 210      | 403             | ..... | .....            | .....                  |
| Topeka .....        | 212                           | 212                           | 107      | 105             | ..... | .....            | .....                  |
| San Francisco ..... | 219                           | 219                           | 71       | 148             | ..... | .....            | .....                  |
| Seattle .....       | 153                           | 140                           | 82       | 58              | ..... | 13               | .....                  |

<sup>1</sup> Preliminary



**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 |
| 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      | 19          | 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   | 57         | 1,479       | 1,524  | 4,935         | 1,434   |
| 1978          | 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   |
| 1979          | 41,838        | 1,150                  | 3,678    | 1,658       | 5,459   | 3,209       | 1,437         | 3,357   | 3,193      | 3,017       | 2,608  | 10,126        | 2,946   |
| 1980          |               |                        |          |             |         |             |               |         |            |             |        |               |         |
| Sept          | 44,161        | 1,113                  | 3,801    | 1,595       | 5,790   | 3,359       | 1,399         | 3,176   | 3,253      | 2,916       | 2,638  | 12,093        | 3,027   |
| Oct           | 46,115        | 1,117                  | 4,084    | 1,621       | 6,195   | 3,397       | 1,431         | 3,224   | 3,294      | 3,056       | 2,675  | 12,898        | 3,123   |
| Nov           | 47,322        | 1,124                  | 4,264    | 1,643       | 6,280   | 3,396       | 1,453         | 3,254   | 3,302      | 3,133       | 2,746  | 13,497        | 3,231   |
| Dec           | 48,963        | 1,171                  | 4,536    | 1,672       | 6,480   | 3,403       | 1,478         | 3,209   | 3,431      | 3,262       | 2,903  | 14,138        | 3,279   |
| 1981          |               |                        |          |             |         |             |               |         |            |             |        |               |         |
| Jan           | 48,581        | 1,173                  | 4,599    | 1,604       | 6,398   | 3,407       | 1,492         | 3,152   | 3,340      | 3,271       | 2,895  | 14,083        | 3,167   |
| Feb           | 48,206        | 1,164                  | 4,511    | 1,579       | 6,324   | 3,328       | 1,455         | 3,094   | 3,379      | 3,159       | 2,863  | 14,227        | 3,124   |
| Mar           | 49,175        | 1,166                  | 4,532    | 1,593       | 6,447   | 3,267       | 1,453         | 3,046   | 3,284      | 3,165       | 2,870  | 15,174        | 3,176   |
| Apr           | 51,530        | 1,177                  | 4,770    | 1,687       | 6,872   | 3,394       | 1,523         | 3,154   | 3,300      | 3,321       | 2,935  | 15,969        | 3,429   |
| May           | 53,148        | 1,220                  | 4,954    | 1,721       | 7,171   | 3,485       | 1,567         | 3,248   | 3,301      | 3,549       | 3,039  | 16,313        | 3,579   |
| June          | 56,095        | 1,237                  | 5,333    | 1,795       | 7,795   | 3,664       | 1,625         | 3,325   | 3,359      | 3,642       | 3,201  | 17,285        | 3,833   |
| July          | 59,475        | 1,257                  | 5,561    | 1,839       | 8,518   | 3,914       | 1,711         | 3,462   | 3,413      | 3,958       | 3,325  | 18,302        | 4,212   |
| Aug           | 62,471        | 1,244                  | 6,115    | 1,906       | 9,135   | 4,089       | 1,766         | 3,603   | 3,597      | 4,083       | 3,425  | 19,101        | 4,407   |

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 |
|--------|--------|--------|------------|--------|-------|--------|------------|
| 1974   | 12,763 | 6,106  | 6,657      | Dec    | 3,988 | 2,347  | 1,641      |
| 1975   | 5,468  | 9,425  | -3,957     | 1981   |       |        |            |
| 1976   | 8,114  | 10,097 | -1,983     | Jan    | 2,465 | 2,847  | -382       |
| 1977   | 13,756 | 9,445  | 4,311      | Feb    | 2,384 | 2,759  | -375       |
| 1978   | 25,297 | 12,800 | 12,497     | Mar    | 3,622 | 2,654  | 968        |
| 1979   | 29,166 | 19,998 | 9,168      | Apr    | 4,333 | 1,978  | 2,355      |
| 1980   |        |        |            | May    | 3,656 | 2,039  | 1,617      |
| Sept   | 3,737  | 2,182  | 1,555      | June   | 5,853 | 2,906  | 2,947      |
| Oct    | 3,895  | 1,941  | 1,954      | July   | 6,407 | 3,027  | 3,380      |
| Nov    | 2,996  | 2,311  | 685        | Aug    | 5,972 | 2,976  | 2,996      |

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

**Table S.3.6.—Consolidated Federal Home Loan Bank Obligations Outstanding—Bonds**  
(July 31, 1981)

| Date of maturity | Date of issue  | Amount (millions) | Coupon rate (percent) | Date of maturity | Date of issue | Amount (millions) | Coupon rate (percent) |
|------------------|----------------|-------------------|-----------------------|------------------|---------------|-------------------|-----------------------|
| Oct. 26, 1981    | Feb. 25, 1980  | 900               | 12.85                 | Mar. 26, 1984    | May 27, 1980  | 800               | 9.85                  |
| Nov. 25, 1981    | Oct. 25, 1974  | 400               | 8.65                  | May 25, 1984     | May 28, 1974  | 300               | 8 3/4                 |
| Nov. 25, 1981    | Dec. 23, 1980  | 700               | 15.80                 | May 25, 1984     | May 25, 1976  | 300               | 7 3/4                 |
| Nov. 27, 1981    | Oct. 27, 1971  | 200               | 6.60                  | May 25, 1984     | Oct. 25, 1979 | 550               | 11.00                 |
| Feb. 25, 1982    | Aug. 25, 1975  | 500               | 8%                    | Jun 25, 1984     | Feb. 25, 1981 | 1,000             | 14.00                 |
| Feb. 25, 1982    | Feb. 27, 1978  | 800               | 7.95                  | July 25, 1984    | July 27, 1981 | 1,000             | 15.55                 |
| Mar. 25, 1982    | Sep. 25, 1980  | 1,000             | 11.90                 | Aug. 27, 1984    | Aug. 25, 1976 | 500               | 7.85                  |
| Apr. 26, 1982    | May 26, 1981   | 1,200             | 17.05                 | Aug. 27, 1984    | Aug. 25, 1981 | 1,000             | 16.00                 |
| May 25, 1982     | Nov. 25, 1977  | 700               | 7.45                  | Sep. 25, 1984    | Mar. 25, 1981 | 700               | 13.85                 |
| May 25, 1982     | Aug. 27, 1979  | 900               | 9.20                  | Nov. 26, 1984    | Nov. 26, 1976 | 300               | 7%                    |
| Jun 25, 1982     | Mar. 25, 1981  | 1,100             | 14.10                 | Feb. 25, 1985    | Feb. 25, 1977 | 500               | 7%                    |
| July 26, 1982    | May 27, 1980   | 1,000             | 9.60                  | Mar. 25, 1985    | Aug. 25, 1980 | 1,200             | 10.80                 |
| July 26, 1982    | July 27, 1981  | 1,000             | 15.90                 | Apr. 25, 1985    | June 25, 1981 | 700               | 14.55                 |
| Aug. 25, 1982    | Oct. 25, 1979  | 750               | 11%                   | May 28, 1985     | Feb. 27, 1978 | 500               | 8%                    |
| Aug. 25, 1982    | Nov. 25, 1980  | 1,200             | 13.10                 | July 25, 1985    | Nov. 25, 1980 | 750               | 12.80                 |
| Oct. 25, 1982    | Oct. 27, 1980  | 1,200             | 11.85                 | Aug. 26, 1985    | Feb. 26, 1979 | 400               | 9.35                  |
| Nov. 26, 1982    | May 25, 1978   | 800               | 8%                    | Nov. 25, 1985    | Nov. 25, 1975 | 400               | 8.10                  |
| Dec. 27, 1982    | Aug. 25, 1981  | 1,400             | 16.50                 | Jan. 27, 1986    | Feb. 25, 1981 | 700               | 13.85                 |
| Jan. 25, 1983    | Apr. 29, 1981  | 1,200             | 14.50                 | Feb. 25, 1986    | May 25, 1979  | 400               | 9.55                  |
| Feb. 25, 1983    | Nov. 27, 1978  | 700               | 9.00                  | Mar. 25, 1986    | Aug. 25, 1981 | 600               | 15.75                 |
| Mar. 25, 1983    | June 25, 1981  | 1,100             | 14.80                 | May 27, 1986     | May 26, 1981  | 600               | 15.50                 |
| May 25, 1983     | April 12, 1973 | 161               | 7.30                  | July 25, 1986    | July 27, 1981 | 500               | 15.35                 |
| May 25, 1983     | Nov. 26, 1979  | 1,000             | 11.60                 | Nov. 25, 1986    | Nov. 26, 1979 | 600               | 11.30                 |
| July 25, 1983    | Jan. 28, 1981  | 600               | 13.35                 | Feb. 25, 1987    | May 27, 1980  | 600               | 10.45                 |
| Aug. 25, 1983    | Feb. 26, 1979  | 800               | 9.30                  | Mar. 25, 1987    | Aug. 25, 1980 | 600               | 11.10                 |
| Aug. 25, 1983    | Feb. 25, 1980  | 600               | 12%                   | May 26, 1987     | May 25, 1977  | 300               | 7.65                  |
| Oct. 25, 1983    | Mar. 25, 1980  | 500               | 14.05                 | Aug. 25, 1987    | Aug. 25, 1977 | 400               | 7.60                  |
| Nov. 25, 1983    | Feb. 25, 1975  | 300               | 7%                    | Nov. 26, 1987    | Oct. 25, 1977 | 400               | 7%                    |
| Nov. 25, 1983    | May 25, 1979   | 1,000             | 9.50                  | Nov. 27, 1987    | Nov. 19, 1970 | 140               | 8.60                  |
| Jan. 25, 1984    | May 26, 1981   | 1,000             | 15.80                 | Aug. 26, 1987    | Aug. 2, 1971  | 150               | 7 3/4                 |
| Feb. 27, 1984    | Aug. 27, 1979  | 900               | 9.05                  | Feb. 25, 1987    | Feb. 25, 1977 | 300               | 7%                    |
| Feb. 27, 1984    | Oct. 27, 1980  | 600               | 11.75                 | May 26, 1987     | May 25, 1972  | 150               | 7.15                  |

<sup>1</sup> 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 <sup>1</sup> |
|------------------------|---------------------------------------------|----------------|--------------|------------------------------------------------|--------------------------|-------------------------------------|------------------|-------------------|------------------------|-------------------------------------------|
|                        | Cash and investment securities <sup>1</sup> | Mortgage loans | Other assets |                                                | Savings capital          | FHLB advances, other borrowed money | Loans in process | Other liabilities | Net worth <sup>2</sup> |                                           |
| 1977 .....             | 39,150                                      | 381,163        | 38,928       | 459,241                                        | 386,800                  | 27,840                              | 9,911            | 9,506             | 25,184                 | 19,875                                    |
| 1978 .....             | 44,884                                      | 432,808        | 45,850       | 523,542                                        | 430,953                  | 42,907                              | 10,721           | 9,904             | 29,057                 | 18,911                                    |
| 1979 .....             | 46,341                                      | 475,688        | 56,933       | 578,962                                        | 470,004                  | 55,232                              | 9,582            | 11,506            | 32,638                 | 16,007                                    |
| <b>1980</b>            |                                             |                |              |                                                |                          |                                     |                  |                   |                        |                                           |
| Aug .....              | 53,336                                      | 487,036        | 62,923       | 603,295                                        | 491,403                  | 55,396                              | 7,540            | 16,190            | 32,766                 | 20,278                                    |
| Sept .....             | 53,435                                      | 491,895        | 63,990       | 609,320                                        | 496,991                  | 58,418                              | 8,243            | 12,776            | 32,892                 | 20,311                                    |
| Oct .....              | 56,146                                      | 496,495        | 65,132       | 617,773                                        | 500,861                  | 60,727                              | 8,654            | 14,502            | 33,029                 | 19,077                                    |
| Nov .....              | 57,302                                      | 499,973        | 66,664       | 623,939                                        | 503,368                  | 62,067                              | 8,853            | 16,430            | 33,221                 | 17,979                                    |
| Dec .....              | 57,572                                      | 502,812        | 69,445       | 629,829                                        | 510,959                  | 64,491                              | 8,783            | 12,277            | 33,319                 | 16,102                                    |
| <b>1981</b>            |                                             |                |              |                                                |                          |                                     |                  |                   |                        |                                           |
| Jan .....              | 57,460                                      | 504,068        | 69,700       | 631,228                                        | 512,946                  | 62,938                              | 8,120            | 14,104            | 33,120                 | 15,972                                    |
| Feb .....              | 58,401                                      | 505,309        | 70,695       | 634,405                                        | 515,250                  | 62,270                              | 7,833            | 16,071            | 32,981                 | 16,279                                    |
| Mar .....              | 58,461                                      | 507,152        | 71,246       | 636,859                                        | 518,990                  | 64,197                              | 7,756            | 13,271            | 32,645                 | 17,374                                    |
| Apr .....              | 56,886                                      | 509,525        | 72,416       | 638,827                                        | 516,071                  | 67,704                              | 7,840            | 14,946            | 32,266                 | 18,552                                    |
| May .....              | 59,045                                      | 511,754        | 73,804       | 644,603                                        | 517,628                  | 70,025                              | 7,997            | 17,089            | 31,864                 | 18,740                                    |
| June .....             | 57,616                                      | 514,803        | 74,285       | 646,704                                        | 517,632                  | 74,756                              | 8,008            | 14,756            | 31,552                 | 18,020                                    |
| July .....             | 57,453                                      | 516,527        | 74,813       | 648,793                                        | 514,103                  | 79,554                              | 7,766            | 16,365            | 31,005                 | 17,224                                    |
| Aug <sup>3</sup> ..... | 58,534                                      | 517,581        | 75,684       | 651,799                                        | 512,768                  | 83,145                              | 7,373            | 17,995            | 30,518                 | 16,819                                    |

<sup>1</sup> Includes cash and demand deposits, U.S. Government and Federal Agency securities, banker's acceptances and miscellaneous securities other than FHLB stock.

<sup>2</sup> Includes net undistributed income accrued by most, but not all associations.

<sup>3</sup> Not a balance sheet item.

<sup>4</sup> 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.

<sup>5</sup> Preliminary.

| Period | Mortgages    | Savings      |
|--------|--------------|--------------|
| 1977   | —118 million | —130 million |
| 1978   | —647 million | —710 million |
| 1979   | —255 million | —258 million |

| Period    | Mortgages    | Savings      |
|-----------|--------------|--------------|
| 1980—July | —108 million | —164 million |
| Aug       | 0            | 2 million    |
| Sept      | 0            | 8 million    |
| Dec       | —56 million  | —54 million  |
| 1981—Jan  | —319 million | —96 million  |
| Mar       | 0 million    | 6 million    |
| Apr       | —28 million  | —30 million  |
| May       | —128 million | —158 million |
| June      | —96 million  | —318 million |

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 <sup>1</sup> | Interest/dividends credited | Gross savings receipts     |         |             |                         |                                       |
|                        |                            |             |                         |                             | New savings received       | Total   | Withdrawals | Net inflow <sup>1</sup> | Net new savings received <sup>2</sup> |
| 1977 .....             | 218,250                    | 167,234     | 51,016                  | 18,189                      | 196,315                    | 214,504 | 164,312     | 50,192                  | 32,033                                |
| 1978 .....             | 270,841                    | 225,977     | 44,864                  | 20,713                      | 245,701                    | 266,414 | 222,239     | 44,175                  | 23,462                                |
| 1979 .....             | 359,483                    | 320,179     | 39,304                  | 23,866                      | 330,641                    | 354,507 | 315,611     | 38,897                  | 15,030                                |
| 1980 .....             | 460,615                    | 419,198     | 41,417                  | 30,288                      | 424,177                    | 454,465 | 413,509     | 40,956                  | 10,667                                |
| 1980                   |                            |             |                         |                             |                            |         |             |                         |                                       |
| Aug .....              | 32,625                     | 30,116      | 2,509                   | 1,195                       | 30,970                     | 32,165  | 29,685      | 2,481                   | 1,285                                 |
| Sept .....             | 42,726                     | 37,146      | 5,580                   | 5,513                       | 36,626                     | 42,139  | 36,621      | 5,518                   | 6                                     |
| Oct .....              | 47,204                     | 43,334      | 3,870                   | 1,277                       | 45,270                     | 46,547  | 42,720      | 3,827                   | 2,550                                 |
| Nov .....              | 31,722                     | 29,218      | 2,504                   | 1,015                       | 30,353                     | 31,368  | 28,891      | 2,476                   | 1,461                                 |
| Dec .....              | 44,594                     | 36,946      | 7,648                   | 5,507                       | 38,591                     | 44,098  | 36,536      | 7,563                   | 2,055                                 |
| 1981                   |                            |             |                         |                             |                            |         |             |                         |                                       |
| Jan .....              | 41,854                     | 39,771      | 2,083                   | 1,461                       | 39,930                     | 41,391  | 39,331      | 2,060                   | 599                                   |
| Feb .....              | 33,690                     | 31,388      | 2,302                   | 1,398                       | 31,913                     | 33,311  | 31,034      | 2,276                   | 879                                   |
| Mar .....              | 43,491                     | 39,757      | 3,734                   | 5,831                       | 37,195                     | 43,026  | 39,332      | 3,694                   | —2,137                                |
| Apr .....              | 43,855                     | 46,744      | —2,889                  | 1,782                       | 41,589                     | 43,371  | 46,227      | —2,857                  | —4,638                                |
| May .....              | 40,117                     | 38,402      | 1,715                   | 1,765                       | 37,908                     | 39,673  | 37,977      | 1,696                   | —70                                   |
| June .....             | 41,103                     | 40,781      | 322                     | 6,076                       | 34,389                     | 40,465  | 40,147      | 317                     | —5,759                                |
| July .....             | 42,799                     | 46,328      | —3,529                  | 2,047                       | 40,291                     | 42,338  | 45,829      | —3,491                  | —5,538                                |
| Aug <sup>3</sup> ..... | 42,182                     | 43,517      | —1,335                  | 1,940                       | 39,767                     | 41,707  | 43,028      | —1,320                  | —3,261                                |

<sup>1</sup> Gross savings receipts less withdrawals.

<sup>2</sup> New savings received less withdrawals.

<sup>3</sup> 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<br>operating<br>associa-<br>tions | FSLIC-insured associations |                                 |             |                 |              |                 |                   |              |               |                |             |                  |         |
|------------------------|---------------------------------------|----------------------------|---------------------------------|-------------|-----------------|--------------|-----------------|-------------------|--------------|---------------|----------------|-------------|------------------|---------|
|                        |                                       | United<br>States           | Federal Home Loan Bank District |             |                 |              |                 |                   |              |               |                |             | San<br>Francisco | Seattle |
|                        |                                       |                            | Bos-<br>ton                     | New<br>York | Pitts-<br>burgh | At-<br>lanta | Cincin-<br>nati | Indian-<br>apolis | Chi-<br>cago | Des<br>Moines | Little<br>Rock | To-<br>peka |                  |         |
| 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   |
| 1978 .....             | 44,864                                | 44,175                     | 579                             | 2,995       | 1,710           | 8,927        | 3,534           | 2,236             | 4,290        | 2,584         | 4,466          | 2,098       | 8,707            | 2,049   |
| 1979 .....             | 39,304                                | 38,897                     | 388                             | 2,792       | 1,184           | 7,260        | 2,784           | 1,640             | 3,554        | 1,790         | 3,790          | 1,782       | 10,002           | 1,931   |
| 1980 .....             | 41,417                                | 40,956                     | 725                             | 3,479       | 2,005           | 8,239        | 3,216           | 2,090             | 4,365        | 2,198         | 4,733          | 2,097       | 6,170            | 1,641   |
| 1980                   |                                       |                            |                                 |             |                 |              |                 |                   |              |               |                |             |                  |         |
| Aug .....              | 2,509                                 | 2,481                      | 92                              | 295         | 79              | 426          | 188             | 164               | 236          | 121           | 233            | 119         | 424              | 105     |
| Sept .....             | 5,580                                 | 5,518                      | 64                              | 541         | 263             | 986          | 466             | 335               | 518          | 315           | 479            | 263         | 1,021            | 265     |
| Oct .....              | 3,870                                 | 3,827                      | 89                              | 135         | 181             | 921          | 257             | 218               | 435          | 254           | 388            | 212         | 547              | 189     |
| Nov .....              | 2,504                                 | 2,476                      | 94                              | 214         | 119             | 657          | 208             | 95                | 390          | 146           | 335            | 140         | 46               | 32      |
| Dec .....              | 7,648                                 | 7,563                      | 50                              | 520         | 290             | 1,460        | 632             | 396               | 685          | 370           | 861            | 314         | 1,522            | 463     |
| 1981                   |                                       |                            |                                 |             |                 |              |                 |                   |              |               |                |             |                  |         |
| Jan .....              | 2,083                                 | 2,060                      | 43                              | 55          | 113             | 768          | 177             | 66                | 295          | 48            | 148            | 171         | 94               | 82      |
| Feb .....              | 2,302                                 | 2,276                      | 54                              | 217         | 82              | 566          | 168             | 109               | 166          | 15            | 373            | 96          | 318              | 111     |
| Mar .....              | 3,734                                 | 3,694                      | 50                              | 461         | 176             | 731          | 403             | 156               | 415          | 180           | 413            | 168         | 397              | 144     |
| Apr .....              | -2,889                                | -2,857                     | -13                             | -163        | -113            | -473         | -251            | -205              | -247         | -236          | -235           | -57         | -612             | -250    |
| May .....              | 1,715                                 | 1,696                      | 81                              | 259         | 56              | 165          | 92              | -24               | 215          | -10           | 348            | 144         | 354              | 13      |
| June .....             | 322                                   | 317                        | 10                              | 241         | 92              | 105          | 85              | -12               | 96           | 52            | 200            | 1           | -439             | -113    |
| July .....             | -3,529                                | -3,491                     | 13                              | -345        | -95             | -574         | -284            | -264              | -362         | -235          | -249           | -115        | -713             | -268    |
| Aug <sup>1</sup> ..... | -1,335                                | -1,320                     | 45                              | -60         | -70             | -131         | -60             | -144              | -229         | -40           | 166            | -18         | -626             | -153    |

<sup>1</sup> Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in the note to table S.4.9. 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 |
| 1977 .....             | 32,033        | 315                             | 2,134    | 1,277      | 6,193   | 2,379      | 1,469        | 3,130   | 1,822      | 3,384       | 1,372  | 7,013         | 1,515   |
| 1978 .....             | 23,462        | 133                             | 862      | 812        | 5,219   | 1,744      | 1,179        | 2,303   | 1,385      | 2,859       | 1,284  | 4,645         | 1,038   |
| 1979 .....             | 15,030        | —104                            | 330      | 186        | 2,876   | 760        | 4,455        | 1,280   | 474        | 1,941       | 831    | 5,248         | 756     |
| 1980 .....             | 10,669        | 84                              | 334      | 694        | 2,703   | 672        | 495          | 1,348   | 578        | 2,421       | 904    | 370           | 65      |
| 1980                   |               |                                 |          |            |         |            |              |         |            |             |        |               |         |
| Aug .....              | 1,285         | 39                              | 174      | 26         | 188     | 99         | 101          | 98      | 67         | 145         | 74     | 229           | 45      |
| Sept .....             | 6             | 2                               | —27      | 47         | 24      | —18        | 49           | —9      | —5         | 32          | 37     | —89           | —38     |
| Oct .....              | 2,550         | 38                              | 5        | 119        | 685     | 157        | 136          | 288     | 188        | 295         | 161    | 362           | 116     |
| Nov .....              | 1,461         | 41                              | 111      | 76         | 449     | 139        | 46           | 271     | 101        | 266         | 104    | —130          | —11     |
| Dec .....              | 2,055         | —17                             | —41      | 22         | 477     | 147        | 129          | 175     | 56         | 421         | 88     | 425           | 176     |
| 1981                   |               |                                 |          |            |         |            |              |         |            |             |        |               |         |
| Jan .....              | 599           | —14                             | —82      | 54         | 489     | 74         | —12          | 123     | —23        | 33          | 116    | —171          | 12      |
| Feb .....              | 879           | —6                              | 88       | 23         | 291     | 75         | 36           | 4       | —49        | 270         | 45     | 54            | 48      |
| Mar .....              | —2,137        | —26                             | —150     | —47        | —324    | —99        | —131         | —139    | —138       | —64         | —66    | —787          | —168    |
| Apr .....              | —4,638        | —76                             | —330     | —194       | —800    | —378       | —311         | —459    | —323       | —370        | —123   | —927          | —347    |
| May .....              | —70           | 15                              | 91       | —18        | —167    | —32        | —108         | —11     | —90        | 219         | 79     | 10            | —78     |
| June .....             | —5,759        | —71                             | —401     | —191       | —962    | —458       | —322         | —474    | —279       | —288        | —242   | —1,636        | —435    |
| July .....             | —5,538        | —53                             | —523     | —184       | —942    | —451       | —384         | —593    | —338       | —416        | —197   | —1,082        | —375    |
| Aug <sup>1</sup> ..... | —3,261        | —28                             | —244     | —155       | —485    | —208       | —243         | —440    | —127       | 17          | —90    | —1,004        | —254    |

<sup>1</sup> 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 | FSLIC-insured associations |                      |                      |                  |                      |                      |                            |             |       |                                    |                               |                                  |
|------------------|----------------------------------------|----------------------------|----------------------|----------------------|------------------|----------------------|----------------------|----------------------------|-------------|-------|------------------------------------|-------------------------------|----------------------------------|
|                  |                                        | Loans closed               |                      |                      |                  |                      |                      |                            |             |       | Loans and participations purchased | Loans and participations sold | Net loan repayments <sup>1</sup> |
|                  |                                        | 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 |             |       |                                    |                               |                                  |
| 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                           |
| 1978             | 110,294                                | 108,273                    | 19,767               | 2,316                | 2,168            | 64,384               | 2,743                | 1,676                      | 10,724      | 4,495 | 10,984                             | 15,485                        | 52,196                           |
| 1979             | 100,546                                | 98,730                     | 18,230               | 1,979                | 2,106            | 59,647               | 1,962                | 1,430                      | 9,211       | 4,155 | 12,012                             | 18,311                        | 49,713                           |
| 1980             | 72,537                                 | 71,270                     | 13,276               | 1,404                | 1,979            | 41,188               | 1,020                | 1,265                      | 7,565       | 3,573 | 12,955                             | 15,856                        | 40,673                           |
| 1980             |                                        |                            |                      |                      |                  |                      |                      |                            |             |       |                                    |                               |                                  |
| Aug              | 8,339                                  | 8,194                      | 1,412                | 118                  | 151              | 5,036                | 82                   | 115                        | 926         | 356   | 1,217                              | 1,284                         | 3,965                            |
| Sept             | 9,500                                  | 9,334                      | 1,598                | 173                  | 281              | 5,487                | 121                  | 121                        | 1,157       | 397   | 1,581                              | 1,716                         | 4,378                            |
| Oct              | 9,336                                  | 9,174                      | 1,701                | 152                  | 224              | 5,349                | 107                  | 139                        | 1,076       | 425   | 1,005                              | 1,134                         | 4,491                            |
| Nov              | 6,574                                  | 6,461                      | 1,205                | 162                  | 207              | 3,680                | 75                   | 121                        | 697         | 313   | 922                                | 956                           | 2,981                            |
| Dec              | 6,942                                  | 6,823                      | 1,277                | 152                  | 292              | 3,573                | 110                  | 172                        | 767         | 480   | 2,667                              | 2,907                         | 3,713                            |
| 1981             |                                        |                            |                      |                      |                  |                      |                      |                            |             |       |                                    |                               |                                  |
| Jan              | 4,285                                  | 4,211                      | 902                  | 110                  | 150              | 2,215                | 59                   | 102                        | 406         | 266   | 675                                | 741                           | 2,585                            |
| Feb              | 3,676                                  | 3,613                      | 804                  | 69                   | 135              | 1,875                | 57                   | 68                         | 379         | 226   | 568                                | 714                           | 2,232                            |
| Mar              | 4,923                                  | 4,839                      | 1,066                | 137                  | 165              | 2,453                | 42                   | 122                        | 510         | 344   | 834                                | 790                           | 3,058                            |
| Apr              | 5,533                                  | 5,438                      | 1,209                | 135                  | 207              | 2,718                | 59                   | 118                        | 582         | 411   | 773                                | 824                           | 3,012                            |
| May              | 5,730                                  | 5,632                      | 1,114                | 112                  | 208              | 3,010                | 65                   | 122                        | 583         | 418   | 1,014                              | 1,382                         | 2,929                            |
| June             | 6,047                                  | 5,944                      | 1,033                | 133                  | 261              | 3,259                | 115                  | 114                        | 569         | 459   | 1,334                              | 1,126                         | 3,041                            |
| July             | 4,983                                  | 4,898                      | 885                  | 101                  | 199              | 2,649                | 72                   | 84                         | 522         | 387   | 667                                | 975                           | 2,884                            |
| Aug <sup>2</sup> | 3,755                                  | 3,691                      | 646                  | 65                   | 123              | 2,058                | 43                   | 75                         | 393         | 288   | 591                                | 653                           | 2,580                            |

<sup>1</sup> Principal payments plus miscellaneous credits less debits for interest, taxes, etc.

<sup>2</sup> 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<br>operating<br>associa-<br>tions | FSLIC-insured associations |                                 |             |                 |              |                 |                   |              |               |                |             |                  |         |
|------------|---------------------------------------|----------------------------|---------------------------------|-------------|-----------------|--------------|-----------------|-------------------|--------------|---------------|----------------|-------------|------------------|---------|
|            |                                       | United<br>States           | Federal Home Loan Bank District |             |                 |              |                 |                   |              |               |                |             | San<br>Francisco | Seattle |
|            |                                       |                            | Bos-<br>ton                     | New<br>York | Pitts-<br>burgh | At-<br>lanta | Cincin-<br>nati | Indian-<br>apolis | Chi-<br>cago | Des<br>Moines | Little<br>Rock | To-<br>peka |                  |         |
| 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   |
| 1978 ..... | 110,294                               | 108,273                    | 1,504                           | 4,147       | 4,116           | 16,876       | 9,582           | 5,098             | 10,572       | 6,011         | 10,972         | 5,975       | 26,362           | 7,059   |
| 1979 ..... | 100,546                               | 98,730                     | 1,357                           | 3,363       | 3,311           | 15,969       | 8,241           | 4,323             | 9,207        | 4,800         | 8,717          | 5,516       | 27,635           | 6,291   |
| 1980 ..... | 72,537                                | 71,270                     | 1,162                           | 2,803       | 2,423           | 14,467       | 5,585           | 2,490             | 5,514        | 2,933         | 8,250          | 4,116       | 17,411           | 4,113   |
| 1980       |                                       |                            |                                 |             |                 |              |                 |                   |              |               |                |             |                  |         |
| Aug .....  | 8,339                                 | 8,194                      | 152                             | 267         | 257             | 1,481        | 678             | 312               | 703          | 332           | 860            | 480         | 2,268            | 405     |
| Sept ..... | 9,500                                 | 9,334                      | 180                             | 325         | 321             | 1,799        | 762             | 357               | 812          | 405           | 934            | 548         | 2,283            | 608     |
| Oct .....  | 9,336                                 | 9,174                      | 175                             | 362         | 364             | 1,932        | 788             | 361               | 758          | 421           | 975            | 554         | 1,951            | 531     |
| Nov .....  | 6,574                                 | 6,461                      | 120                             | 299         | 256             | 1,464        | 528             | 238               | 501          | 286           | 740            | 360         | 1,296            | 372     |
| Dec .....  | 6,942                                 | 6,823                      | 109                             | 319         | 246             | 1,521        | 496             | 215               | 456          | 276           | 869            | 359         | 1,562            | 394     |
| 1981       |                                       |                            |                                 |             |                 |              |                 |                   |              |               |                |             |                  |         |
| Jan .....  | 4,285                                 | 4,211                      | 66                              | 228         | 139             | 1,093        | 295             | 130               | 244          | 168           | 602            | 225         | 806              | 215     |
| Feb .....  | 3,676                                 | 3,613                      | 43                              | 164         | 110             | 856          | 238             | 94                | 229          | 122           | 574            | 208         | 735              | 241     |
| Mar .....  | 4,923                                 | 4,839                      | 65                              | 157         | 134             | 1,132        | 348             | 127               | 321          | 156           | 710            | 286         | 1,140            | 261     |
| Apr .....  | 5,533                                 | 5,438                      | 72                              | 187         | 188             | 1,213        | 416             | 153               | 353          | 187           | 805            | 297         | 1,283            | 283     |
| May .....  | 5,730                                 | 5,632                      | 104                             | 224         | 214             | 1,234        | 456             | 189               | 399          | 196           | 722            | 320         | 1,213            | 360     |
| June ..... | 6,047                                 | 5,944                      | 119                             | 277         | 230             | 1,291        | 446             | 193               | 435          | 206           | 795            | 345         | 1,300            | 308     |
| July ..... | 4,983                                 | 4,898                      | 96                              | 232         | 219             | 1,003        | 363             | 156               | 323          | 145           | 734            | 334         | 1,017            | 275     |
| Aug' ..... | 3,755                                 | 3,691                      | 81                              | 192         | 143             | 757          | 288             | 117               | 298          | 129           | 610            | 223         | 635              | 217     |

<sup>1</sup> 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<sup>1</sup>**  
(In millions of dollars)

| End of year and quarter | Total   | 1-4 family homes |        |        |              | Residential property with 5 or more dwelling units |       |              | Nonresidential |       |        |
|-------------------------|---------|------------------|--------|--------|--------------|----------------------------------------------------|-------|--------------|----------------|-------|--------|
|                         |         | Total            | FHA    | VA     | Conventional | Total                                              | FHA   | Conventional | Total          | Land  | Other  |
| 1972 <sup>2</sup>       | 206,182 | 166,410          | 14,057 | 13,474 | 138,879      | 21,051                                             | 1,343 | 19,708       | 18,721         | 1,814 | 16,907 |
| 1973 <sup>2</sup>       | 231,733 | 187,078          | 13,813 | 14,604 | 158,661      | 22,779                                             | 1,321 | 21,458       | 21,876         | 2,294 | 19,582 |
| 1974 <sup>2</sup>       | 249,301 | 200,987          | 13,472 | 15,166 | 172,349      | 23,808                                             | 1,246 | 22,562       | 24,506         | 2,643 | 21,863 |
| 1975 <sup>2</sup>       | 278,590 | 223,903          | 13,450 | 15,968 | 194,485      | 25,547                                             | 1,172 | 24,375       | 29,140         | 3,064 | 26,076 |
| 1976 <sup>2</sup>       | 323,005 | 260,794          | 13,372 | 16,602 | 230,820      | 28,425                                             | 1,375 | 27,068       | 33,786         | 3,392 | 30,394 |
| 1977 <sup>2</sup>       |         |                  |        |        |              |                                                    |       |              |                |       |        |
| 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 <sup>2</sup>       |         |                  |        |        |              |                                                    |       |              |                |       |        |
| Mar                     | 392,418 | 320,056          | 12,204 | 16,050 | 291,802      | 33,591                                             | 1,452 | 32,139       | 38,771         | 4,120 | 34,651 |
| June                    | 407,940 | 334,144          | 12,075 | 15,991 | 306,078      | 34,349                                             | 1,428 | 32,921       | 39,447         | 4,324 | 35,123 |
| Sept                    | 420,934 | 345,587          | 11,955 | 15,911 | 317,721      | 35,358                                             | 1,431 | 33,927       | 39,989         | 4,420 | 35,569 |
| Dec                     | 432,808 | 356,114          | 11,816 | 15,797 | 328,501      | 36,053                                             | 1,428 | 34,625       | 40,641         | 4,458 | 36,183 |
| 1979 <sup>2</sup>       |         |                  |        |        |              |                                                    |       |              |                |       |        |
| Mar                     | 441,377 | 363,739          | 11,696 | 15,669 | 336,374      | 36,678                                             | 1,457 | 35,221       | 40,980         | 4,590 | 36,370 |
| June                    | 456,483 | 377,466          | 11,777 | 15,749 | 349,940      | 37,066                                             | 1,461 | 35,605       | 41,951         | 4,839 | 37,112 |
| Sept                    | 468,217 | 387,918          | 11,752 | 15,732 | 360,434      | 37,270                                             | 1,451 | 35,819       | 43,029         | 5,057 | 37,972 |
| Dec                     | 475,688 | 394,345          | 11,607 | 15,555 | 367,183      | 37,579                                             | 1,427 | 36,152       | 43,764         | 5,280 | 38,484 |
| 1980                    |         |                  |        |        |              |                                                    |       |              |                |       |        |
| Mar                     | 478,952 | 398,009          | 11,446 | 15,279 | 371,284      | 37,215                                             | 1,437 | 35,778       | 43,728         | 5,364 | 38,364 |
| June                    | 481,042 | 399,746          | 11,256 | 14,980 | 373,530      | 37,329                                             | 1,395 | 35,934       | 43,967         | 5,436 | 38,531 |
| Sept                    | 491,895 | 409,898          | 11,363 | 15,003 | 383,530      | 37,728                                             | 1,377 | 36,351       | 44,271         | 5,480 | 38,791 |
| Dec                     | 502,812 | 419,446          | 11,464 | 15,034 | 392,948      | 38,113                                             | 1,408 | 36,705       | 45,253         | 5,531 | 39,722 |

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

<sup>2</sup> 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, \$—35 million; 1976, \$—337 million; 1977—1st, \$—37 million; 1980—1st, \$—644; 2nd, \$—108.

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

<sup>4</sup> Revised.

<sup>5</sup> Preliminary.

Note: FHLBB data.

**Table S.4.8.—Average Cost of Funds<sup>1</sup> 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 |
|----------------|---------------|--------|----------|-------------|---------|-------------|---------------|---------|------------|-------------|--------|---------------|---------|
| 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    |
| 1978           | 6.67          | 6.37   | 6.37     | 6.53        | 6.61    | 6.64        | 6.54          | 6.71    | 6.73       | 6.87        | 6.79   | 6.80          | 6.66    |
| 1979           | 7.47          | 7.05   | 7.23     | 7.21        | 7.35    | 7.35        | 7.33          | 7.40    | 7.39       | 7.64        | 7.47   | 7.83          | 7.60    |
| 1980           | 8.94          | 8.31   | 8.63     | 8.51        | 8.79    | 8.69        | 8.74          | 8.77    | 8.70       | 9.06        | 8.87   | 9.57          | 9.12    |
| 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    | 6.45        | 6.43          | 6.58    | 6.64       | 6.80        | 6.70   | 6.63          | 6.50    |
| July-Dec       | 6.79          | 6.46   | 6.52     | 6.67        | 6.71    | 6.73        | 6.65          | 6.84    | 6.81       | 6.93        | 6.88   | 6.97          | 6.82    |
| 1979           |               |        |          |             |         |             |               |         |            |             |        |               |         |
| Jan.-June      | 7.23          | 6.84   | 6.98     | 6.97        | 7.12    | 7.13        | 7.11          | 7.19    | 7.17       | 7.43        | 7.27   | 7.54          | 7.30    |
| July-Dec       | 7.71          | 7.25   | 7.48     | 7.45        | 7.57    | 7.56        | 7.55          | 7.60    | 7.61       | 7.84        | 7.67   | 8.12          | 7.90    |
| 1980           |               |        |          |             |         |             |               |         |            |             |        |               |         |
| Jan.-June      | 8.77          | 8.17   | 8.57     | 8.32        | 8.46    | 8.51        | 8.61          | 8.50    | 8.47       | 8.86        | 8.64   | 9.55          | 9.05    |
| July-Dec       | 9.11          | 8.44   | 8.68     | 8.69        | 9.12    | 8.86        | 8.86          | 9.03    | 8.92       | 9.26        | 9.09   | 9.59          | 9.18    |
| 1981           |               |        |          |             |         |             |               |         |            |             |        |               |         |
| Jan.-June      | 10.31         | 9.55   | 10.15    | 9.71        | 9.99    | 9.99        | 10.28         | 9.99    | 9.91       | 10.58       | 10.26  | 11.09         | 10.60   |

<sup>1</sup> 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<sup>1</sup> by FSLIC-Insured Savings and Loan Associations, by Bank District (Percent)**

| Year or half year | All Districts | Boston | New York | Pittsburgh | Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | San Francisco | Seattle |
|-------------------|---------------|--------|----------|------------|---------|------------|--------------|---------|------------|-------------|--------|---------------|---------|
| 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    |
| 1978 .....        | 6.56          | 6.25   | 6.25     | 6.41       | 6.53    | 6.55       | 6.55         | 6.61    | 6.62       | 6.79        | 6.69   | 6.64          | 6.50    |
| 1979 .....        | 7.29          | 6.89   | 6.98     | 7.01       | 7.21    | 7.21       | 7.27         | 7.22    | 7.19       | 7.50        | 7.34   | 7.61          | 7.37    |
| 1980 .....        | 8.78          | 8.16   | 8.33     | 8.32       | 8.66    | 8.57       | 8.67         | 8.60    | 8.51       | 8.99        | 8.78   | 9.43          | 8.93    |
| 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    |
| July-Dec .....    | 6.65          | 6.31   | 6.36     | 6.52       | 6.61    | 6.62       | 6.64         | 6.71    | 6.68       | 6.84        | 6.75   | 6.77          | 6.62    |
| 1979              |               |        |          |            |         |            |              |         |            |             |        |               |         |
| Jan.-June .....   | 7.08          | 6.70   | 6.76     | 6.80       | 7.01    | 7.02       | 7.08         | 7.04    | 6.99       | 7.31        | 7.16   | 7.35          | 7.10    |
| July-Dec .....    | 7.50          | 7.08   | 7.20     | 7.21       | 7.41    | 7.39       | 7.45         | 7.40    | 7.38       | 7.69        | 7.51   | 7.87          | 7.63    |
| 1980              |               |        |          |            |         |            |              |         |            |             |        |               |         |
| Jan.-June .....   | 8.57          | 8.00   | 8.23     | 8.07       | 8.28    | 8.38       | 8.52         | 8.31    | 8.21       | 8.76        | 8.52   | 9.38          | 8.81    |
| July-Dec .....    | 8.98          | 8.32   | 8.42     | 8.57       | 9.03    | 8.75       | 8.81         | 8.89    | 8.81       | 9.21        | 9.03   | 9.47          | 9.04    |
| 1981              |               |        |          |            |         |            |              |         |            |             |        |               |         |
| Jan.-June .....   | 10.15         | 9.45   | 9.73     | 9.61       | 9.86    | 9.90       | 10.26        | 9.82    | 9.77       | 10.51       | 10.14  | 10.98         | 10.40   |

<sup>1</sup> 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<sup>1</sup> by FSLIC-Insured Savings and Loan Associations, by Bank District (Percent)**

| Year or half year | All Districts | Boston | New York | Pittsburgh | Atlanta | Cincinnati | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | San Francisco | Seattle |
|-------------------|---------------|--------|----------|------------|---------|------------|--------------|---------|------------|-------------|--------|---------------|---------|
| 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    |
| 1978 .....        | 8.47          | 8.17   | 7.88     | 8.28       | 8.37    | 8.43       | 8.44         | 8.41    | 8.40       | 8.64        | 8.56   | 8.75          | 8.88    |
| 1979 .....        | 8.83          | 8.55   | 8.14     | 8.55       | 8.67    | 8.81       | 8.80         | 8.72    | 8.72       | 8.98        | 8.94   | 9.23          | 9.26    |
| 1980 .....        | 9.31          | 8.95   | 8.49     | 8.93       | 9.17    | 9.28       | 9.19         | 9.18    | 9.04       | 9.36        | 9.42   | 9.87          | 9.78    |
| 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    |
| July-Dec .....    | 8.54          | 8.22   | 7.92     | 8.35       | 8.43    | 8.46       | 8.52         | 8.50    | 8.46       | 8.69        | 8.65   | 8.87          | 8.96    |
| 1979              |               |        |          |            |         |            |              |         |            |             |        |               |         |
| Jan.-June .....   | 8.70          | 8.37   | 8.04     | 8.46       | 8.56    | 8.70       | 8.67         | 8.60    | 8.62       | 8.88        | 8.80   | 9.06          | 9.12    |
| July-Dec .....    | 8.95          | 8.68   | 8.24     | 8.63       | 8.78    | 8.91       | 8.93         | 8.83    | 8.81       | 9.08        | 9.08   | 9.39          | 9.39    |
| 1980              |               |        |          |            |         |            |              |         |            |             |        |               |         |
| Jan.-June .....   | 9.18          | 8.80   | 8.40     | 8.86       | 9.02    | 9.15       | 9.10         | 9.01    | 9.01       | 9.25        | 9.30   | 9.70          | 9.64    |
| July-Dec .....    | 9.44          | 9.09   | 8.58     | 9.00       | 9.31    | 9.40       | 9.28         | 9.35    | 9.07       | 9.46        | 9.54   | 10.03         | 9.91    |
| 1981              |               |        |          |            |         |            |              |         |            |             |        |               |         |
| Jan.-June .....   | 9.72          | 9.40   | 8.83     | 9.27       | 9.64    | 9.56       | 9.48         | 9.51    | 9.33       | 9.80        | 9.94   | 10.34         | 10.22   |

<sup>1</sup> 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<sup>1</sup> of Liquid Assets<sup>2</sup> to Liquidity Base<sup>3</sup> Required of Members of the Federal Home Loan Bank System (Percent)**

| Effective date                  | All liquid assets | Short-term liquid assets <sup>4</sup> | Effective date                   | All liquid assets | Short-term liquid assets <sup>4</sup> | Effective date      | All liquid assets | Short-term liquid assets <sup>4</sup> |
|---------------------------------|-------------------|---------------------------------------|----------------------------------|-------------------|---------------------------------------|---------------------|-------------------|---------------------------------------|
| Dec. 1950 .....                 | 6                 | ( <sup>5</sup> )                      | Aug. 1, 1971 .....               | 7                 | ( <sup>6</sup> )                      | Sept. 1, 1975 ..... | 6½                | 2½                                    |
| Mar. 1, 1961 <sup>7</sup> ..... | 7                 | ( <sup>5</sup> )                      | Jan. 1, 1972 .....               | 7                 | 3                                     | Mar. 1, 1976 .....  | 7                 | 3                                     |
| Aug. 1, 1968 .....              | 6½                | ( <sup>5</sup> )                      | May 1, 1973 .....                | 6½                | 2½                                    | May 1, 1978 .....   | 6½                | 2½                                    |
| June 12, 1969 .....             | 6                 | ( <sup>5</sup> )                      | Aug. 1, 1973 <sup>7</sup> .....  | 5½                | 1½                                    | Jan. 1, 1979 .....  | 6                 | 2                                     |
| Dec. 1, 1969 .....              | 5½                | ( <sup>5</sup> )                      | Sept. 1, 1974 <sup>7</sup> ..... | 5                 | 1                                     | Oct. 25, 1979 ..... | 5½                | 1½                                    |
| Apr. 1, 1971 .....              | 6½                | ( <sup>5</sup> )                      | Apr. 1, 1975 .....               | 5½                | 1½                                    | Apr. 1, 1980 .....  | 5                 | 1                                     |
| May 1, 1971 .....               | 7½                | ( <sup>5</sup> )                      | June 1, 1975 .....               | 6                 | 2                                     |                     |                   |                                       |

<sup>1</sup> 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.

<sup>2</sup> Liquid assets are defined as: (a) cash and unpledged demand deposits beginning in 1950; (b) U.S. Government obligations—all maturities for the period 1950–March 31, 1975 (subject to some limitation on holdings of longer-term issues beginning 1972) and only those maturing in 5 years or less since (with phase-in); (c) certain Federal agency securities maturing in 5 years or less beginning June 11, 1969; (d) time and savings deposits maturing in 1 year or less, or with a notice period of 90 days or less, beginning December 22, 1969; (e) loans of unsecured days (Federal) funds maturing in 6 months or less beginning November 21, 1973; (f) bankers acceptances maturing in 6 months or less beginning December 22, 1969, and in 9 months or less beginning April 1, 1975; (g) high-grade general obligations of state and local governments (beginning December 22, 1969) and U.S. guaranteed public housing authority notes (beginning April 1, 1975) maturing in 2 years or less; (h) shares of open-end investment companies limiting their investment to the foregoing beginning August 27, 1960; (i) high-grade corporate debt obligations maturing in 3 years or less and commercial paper maturing in 270 days or less beginning December 31, 1960, and (j) liquid assets held subject to

repurchase agreement and accrued interest on liquid assets, and on assets which would so qualify except for maturity, beginning January 1, 1972. Additional restrictions were effective for some assets and special provisions applicable to mutual savings banks for some periods.

<sup>3</sup> 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.

<sup>4</sup> Short-term liquid assets are the liquid assets defined in footnote 2 except: (a) U.S. Government and Federal agency obligations must mature in 12 months or less beginning April 1, 1975 (in 18 months or less earlier) and (b) time deposits, bankers acceptances, state and local government and housing authority obligations, corporate debt and commercial paper must mature in 6 months or less. The short-term requirement is not applicable to member mutual savings banks or insurance companies.

<sup>5</sup> During the period June 27–Nov. 1, 1968, 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.

<sup>6</sup> No separate requirement.

<sup>7</sup> 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 S&Ls That Are Members of the FHLB System**

| Type of account                                              | Effective date and percentage rates |                   |                   |                    |                   |                   |                   |                   |
|--------------------------------------------------------------|-------------------------------------|-------------------|-------------------|--------------------|-------------------|-------------------|-------------------|-------------------|
|                                                              | Jan. 21, 1970 <sup>1</sup>          | July 6, 1973      | Nov. 1, 1973      | Dec. 23, 1974      | June 1, 1978      | July 1, 1979      | Jan. 1, 1980      | Dec. 31, 1980     |
| Regular .....                                                | <sup>2</sup> 5.00                   | 5.25              | 5.25              | 5.25               | 5.25              | 5.50              | 5.50              | 5.50              |
| Transaction (NOW) .....                                      | ( <sup>3</sup> )                    | ( <sup>3</sup> )  | <sup>3</sup> 5.00 | <sup>3</sup> 5.00  | <sup>3</sup> 5.00 | <sup>3</sup> 5.00 | <sup>3</sup> 5.00 | <sup>3</sup> 5.25 |
| 90-day notice (for withdrawals) .....                        | <sup>4</sup> 5.25                   | 5.75              | <sup>5</sup> 5.75 | <sup>5</sup> 5.75  | <sup>5</sup> 5.75 | <sup>5</sup> 5.75 | <sup>6</sup> 6.00 | <sup>6</sup> 6.00 |
| Certificate with fixed or minimum term or qualifying period: |                                     |                   |                   |                    |                   |                   |                   |                   |
| Fixed ceiling accounts:                                      |                                     |                   |                   |                    |                   |                   |                   |                   |
| Balance less than \$100,000:                                 |                                     |                   |                   |                    |                   |                   |                   |                   |
| Owned by governmental units:                                 |                                     |                   |                   |                    |                   |                   |                   |                   |
| All terms .....                                              | ( <sup>7</sup> )                    | ( <sup>7</sup> )  | ( <sup>7</sup> )  | 7.75               | 8.00              | 8.00              | 8.00              | 8.00              |
| Owned by others:                                             |                                     |                   |                   |                    |                   |                   |                   |                   |
| 90 days to 6 months .....                                    | 5.25                                | <sup>7</sup> 5.75 | 5.75              | 5.75               | 5.75              | 5.75              | 6.00              | 6.00              |
| 6 months to 1 year .....                                     | <sup>7</sup> 5.25                   | <sup>7</sup> 5.75 | 5.75              | 5.75               | 5.75              | 5.75              | 6.00              | 6.00              |
| 1 year to 2 years .....                                      | <sup>7</sup> 5.75                   | <sup>7</sup> 6.50 | <sup>7</sup> 6.50 | <sup>7</sup> 6.50  | <sup>7</sup> 6.50 | <sup>7</sup> 6.50 | 6.50              | 6.50              |
| 2 years to 2½ years .....                                    | <sup>8</sup> 6.00                   | <sup>7</sup> 6.50 | <sup>7</sup> 6.50 | <sup>7</sup> 6.50  | <sup>7</sup> 6.50 | <sup>7</sup> 6.50 | 6.50              | 6.50              |
| 2½ years to 4 years .....                                    | <sup>8</sup> 6.00                   | <sup>7</sup> 6.75 | <sup>7</sup> 6.75 | <sup>7</sup> 6.75  | <sup>7</sup> 6.75 | <sup>7</sup> 6.75 | 6.75              | 6.75              |
| 4 years to 6 years .....                                     | <sup>8</sup> 6.00                   | ( <sup>9</sup> )  | <sup>9</sup> 7.50 | <sup>9</sup> 7.50  | <sup>9</sup> 7.50 | <sup>9</sup> 7.50 | 7.50              | 7.50              |
| 6 years to 8 years .....                                     | <sup>8</sup> 6.00                   | ( <sup>9</sup> )  | <sup>9</sup> 7.50 | <sup>9</sup> 7.75  | <sup>9</sup> 7.75 | <sup>9</sup> 7.75 | 7.75              | 7.75              |
| 8 years or more .....                                        | <sup>8</sup> 6.00                   | ( <sup>9</sup> )  | <sup>9</sup> 7.50 | <sup>9</sup> 7.75  | <sup>9</sup> 8.00 | <sup>9</sup> 8.00 | 8.00              | 8.00              |
| IRA or Keogh account with term of 3 or more yrs .....        | ( <sup>11</sup> )                   | ( <sup>11</sup> ) | ( <sup>11</sup> ) | <sup>11</sup> 7.75 | 8.00              | 8.00              | 8.00              | 8.00              |
| Balance \$100,000 <sup>12</sup> or more:                     |                                     |                   |                   |                    |                   |                   |                   |                   |
| All owners—all terms .....                                   | ( <sup>13</sup> )                   | ( <sup>14</sup> ) | ( <sup>14</sup> ) | ( <sup>14</sup> )  | ( <sup>14</sup> ) | ( <sup>14</sup> ) | ( <sup>14</sup> ) | ( <sup>14</sup> ) |
| Variable ceiling accounts:                                   |                                     |                   |                   |                    |                   |                   |                   |                   |
| MMC with 26 wk. term and min. bal. of \$10,000 .....         | ( <sup>15</sup> )                   | ( <sup>15</sup> ) | ( <sup>15</sup> ) | ( <sup>15</sup> )  | ( <sup>15</sup> ) | ( <sup>15</sup> ) | ( <sup>15</sup> ) | ( <sup>15</sup> ) |
| 4 years or longer .....                                      | ( <sup>16</sup> )                   | ( <sup>16</sup> ) | ( <sup>16</sup> ) | ( <sup>16</sup> )  | ( <sup>16</sup> ) | ( <sup>16</sup> ) | ( <sup>16</sup> ) | ( <sup>16</sup> ) |
| 2½ years or longer .....                                     | ( <sup>17</sup> )                   | ( <sup>17</sup> ) | ( <sup>17</sup> ) | ( <sup>17</sup> )  | ( <sup>17</sup> ) | ( <sup>17</sup> ) | ( <sup>17</sup> ) | ( <sup>17</sup> ) |

<sup>1</sup> See this table in the June 1973 Journal for earlier information.

<sup>2</sup> 5.25 percent in Mass.

<sup>3</sup> Effective Jan. 1, 1974, for associations with home offices in Massachusetts and New Hampshire, on Feb. 26, 1976, for associations in other New England states, and on Nov. 10, 1978, for associations in New York State.

<sup>4</sup> 5.50 percent in Mass.

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

<sup>6</sup> 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.

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

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

<sup>9</sup> 1,000 minimum balance required.

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

<sup>11</sup> Effective July 6, 1977; no separate category until then.

<sup>12</sup> \$50,000 for Puerto Rico only, beginning Sept. 3, 1970.

<sup>13</sup> 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.

<sup>14</sup> No maximum rate.

<sup>15</sup> First authorized June 1, 1978; maximum rates changed each Thursday through Apr. 2, 1981 and each Tuesday thereafter. For the period June 1, 1978–March 14, 1979,

the maximum rate was the average rate (discount basis) on 6-month U.S. Treasury bills as determined at the immediately preceding auction plus 25 basis points. For the period March 15, 1979–June 4, 1980, when the Treasury bill rate was less than 8.75 percent, the maximum continued to be calculated as specified above, but when the bill rate was between 8.75 and 9.00 percent, the maximum was 9.00 percent and when the bill rate was 9.00 percent or higher the maximum was the bill rate. Beginning June 5, 1980, when the bill rate was 8.75 percent or above, the maximum was the bill rate plus 25 basis points; when the bill rate was 8.50–8.75 percent, the maximum was 9.00 percent; when the bill rate was 7.25–8.50 percent, the maximum was the bill rate plus 50 basis points; and when the bill rate was below 7.25 percent the maximum was 7.75 percent.

<sup>16</sup> Authorized for July 1–Dec. 31, 1979 only. Maximum rate for each month was equal to 1 percentage point less than the average yield on 4-year U.S. Treasury securities (as determined by the U.S. Treasury Department) for the 5 business days preceding the 3rd business day before the end of the prior month.

<sup>17</sup> First authorized Jan. 1, 1980. For the period January 1–May 30, 1980, the maximum rate for each month is equal to 50 basis points less than the average yield on 2½ year U.S. Treasury securities (as determined by the U.S. Treasury Department) for the 5 business days preceding the 3rd business day before the end of the month. For the period June 2–June 11, 1980, the maximum was the average yield on such Treasury securities for the 5 business days preceding the 3rd business day prior to the end of May, but not less than 9.50 percent. Beginning June 12, 1980, the maximum was changed every second Thursday (Tuesday beginning Apr. 14, 1981) and was the average yield on applicable Treasury securities on the 5 business days ending the preceding Monday, but not less than 9.50 percent. For the period March 1, 1980–July 31, 1981, the maximum could be no higher than 12.00 percent.

## Mortgage Markets

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

| Period                                | Contract interest rate* (per-cent) | Initial fees and charges* (per-cent) | Effective rate* (per-cent) | Term to maturity (years) | Loan amount (thou-sands) | Purchase 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 |
| All Loans                             |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| 1977 .....                            | 8.82                               | 1.22                                 | 9.02                       | 26.2                     | 36.2                     | 49.5                        | 75.0                           | NA                                                                                | NA                | NA                | NA                |
| 1978 .....                            | 9.34                               | 1.30                                 | 9.56                       | 26.7                     | 41.2                     | 56.8                        | 74.7                           | NA                                                                                | NA                | NA                | NA                |
| 1979 .....                            | 10.60                              | 1.51                                 | 10.87                      | 27.4                     | 48.3                     | 68.0                        | 73.5                           | 33                                                                                | 43                | 18                | 7                 |
| 1980 .....                            | 12.48                              | 1.96                                 | 12.86                      | 27.2                     | 51.6                     | 73.4                        | 72.7                           | 35                                                                                | 41                | 16                | 9                 |
| 1980                                  |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| Aug .....                             | 11.89                              | 2.00                                 | 12.27                      | 27.2                     | 53.5                     | 75.6                        | 72.8                           | 34                                                                                | 42                | 16                | 8                 |
| Sept .....                            | 11.99                              | 2.03                                 | 12.37                      | 27.4                     | 54.0                     | 76.9                        | 72.8                           | 34                                                                                | 42                | 16                | 8                 |
| Oct .....                             | 12.29                              | 2.02                                 | 12.67                      | 27.1                     | 51.4                     | 71.7                        | 74.1                           | 33                                                                                | 39                | 18                | 11                |
| Nov .....                             | 12.77                              | 2.07                                 | 13.18                      | 26.7                     | 49.7                     | 69.8                        | 73.9                           | 31                                                                                | 41                | 19                | 9                 |
| Dec .....                             | 13.06                              | 2.12                                 | 13.48                      | 27.0                     | 51.9                     | 73.5                        | 73.2                           | 33                                                                                | 42                | 17                | 9                 |
| 1981                                  |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| Jan .....                             | 13.12                              | 2.23                                 | 13.57                      | 27.5                     | 53.1                     | 73.6                        | 75.4                           | 31                                                                                | 36                | 18                | 15                |
| Feb .....                             | 13.49                              | 2.23                                 | 13.94                      | 27.2                     | 54.4                     | 76.8                        | 73.7                           | 33                                                                                | 39                | 17                | 11                |
| Mar .....                             | 13.76                              | 2.41                                 | 14.25                      | 27.4                     | 54.3                     | 77.3                        | 73.6                           | 32                                                                                | 42                | 16                | 11                |
| Apr .....                             | 13.86                              | 2.36                                 | 14.36                      | 26.8                     | 52.1                     | 72.2                        | 74.4                           | 31                                                                                | 41                | 18                | 10                |
| May .....                             | 14.01                              | 2.29                                 | 14.49                      | 26.2                     | 51.3                     | 71.6                        | 73.9                           | 33                                                                                | 39                | 18                | 11                |
| June .....                            | 14.32                              | 2.32                                 | 14.82                      | 26.0                     | 54.5                     | 78.0                        | 72.7                           | 35                                                                                | 40                | 16                | 9                 |
| July .....                            | 14.57                              | 2.47                                 | 15.10                      | 26.9                     | 55.8                     | 79.6                        | 73.1                           | 33                                                                                | 40                | 16                | 11                |
| Aug .....                             | 14.88                              | 2.53                                 | 15.45                      | 26.2                     | 55.1                     | 79.4                        | 71.9                           | 38                                                                                | 39                | 16                | 8                 |
| Purchase of newly built homes         |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| 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                |
| 1979 .....                            | 10.48                              | 1.66                                 | 10.77                      | 28.5                     | 53.3                     | 74.4                        | 73.9                           | 33                                                                                | 43                | 17                | 9                 |
| 1980 .....                            | 12.25                              | 2.09                                 | 12.65                      | 28.2                     | 59.2                     | 83.4                        | 73.2                           | 34                                                                                | 41                | 16                | 10                |
| 1980                                  |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| Aug .....                             | 11.84                              | 2.12                                 | 12.25                      | 27.7                     | 61.5                     | 88.6                        | 71.2                           | 37                                                                                | 42                | 13                | 8                 |
| Sept .....                            | 11.95                              | 2.10                                 | 12.35                      | 27.6                     | 58.7                     | 83.7                        | 72.2                           | 34                                                                                | 45                | 15                | 6                 |
| Oct .....                             | 12.20                              | 2.16                                 | 12.61                      | 28.2                     | 61.3                     | 84.0                        | 75.0                           | 33                                                                                | 40                | 17                | 11                |
| Nov .....                             | 12.62                              | 2.15                                 | 13.04                      | 27.6                     | 56.1                     | 77.1                        | 75.2                           | 27                                                                                | 38                | 25                | 11                |
| Dec .....                             | 12.86                              | 2.15                                 | 13.28                      | 28.2                     | 63.9                     | 90.1                        | 72.9                           | 37                                                                                | 39                | 14                | 11                |
| 1981                                  |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| Jan .....                             | 12.80                              | 2.40                                 | 13.26                      | 29.1                     | 63.0                     | 87.0                        | 75.6                           | 29                                                                                | 38                | 17                | 15                |
| Feb .....                             | 13.02                              | 2.59                                 | 13.54                      | 29.0                     | 65.6                     | 90.3                        | 75.6                           | 31                                                                                | 37                | 18                | 14                |
| Mar .....                             | 13.48                              | 2.64                                 | 14.02                      | 28.7                     | 64.5                     | 90.9                        | 73.9                           | 32                                                                                | 42                | 16                | 11                |
| Apr .....                             | 13.62                              | 2.61                                 | 14.15                      | 28.6                     | 64.1                     | 88.5                        | 74.7                           | 30                                                                                | 40                | 18                | 12                |
| May .....                             | 13.56                              | 2.60                                 | 14.10                      | 28.5                     | 65.5                     | 88.9                        | 76.7                           | 28                                                                                | 34                | 23                | 16                |
| June .....                            | 14.12                              | 2.50                                 | 14.67                      | 27.5                     | 66.8                     | 94.1                        | 72.6                           | 33                                                                                | 42                | 16                | 10                |
| July .....                            | 14.14                              | 2.73                                 | 14.72                      | 28.3                     | 67.9                     | 95.2                        | 73.9                           | 32                                                                                | 40                | 14                | 14                |
| Aug .....                             | 14.60                              | 2.98                                 | 15.27                      | 27.2                     | 70.3                     | 98.1                        | 74.7                           | 33                                                                                | 38                | 17                | 11                |
| Purchase of previously occupied homes |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| 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                 |
| 1979 .....                            | 10.66                              | 1.45                                 | 10.92                      | 27.1                     | 46.3                     | 64.6                        | 74.0                           | 31                                                                                | 43                | 19                | 6                 |
| 1980 .....                            | 12.58                              | 1.90                                 | 12.95                      | 26.8                     | 48.0                     | 68.0                        | 73.3                           | 34                                                                                | 41                | 17                | 9                 |
| 1980                                  |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| Aug .....                             | 11.89                              | 1.94                                 | 12.26                      | 27.0                     | 50.9                     | 71.3                        | 73.6                           | 33                                                                                | 42                | 17                | 8                 |
| Sept .....                            | 12.00                              | 1.98                                 | 12.37                      | 27.4                     | 51.9                     | 73.6                        | 73.4                           | 33                                                                                | 41                | 17                | 8                 |
| Oct .....                             | 12.31                              | 1.95                                 | 12.68                      | 26.8                     | 48.1                     | 67.1                        | 74.2                           | 32                                                                                | 39                | 19                | 11                |
| Nov .....                             | 12.85                              | 2.03                                 | 13.26                      | 26.5                     | 47.5                     | 66.3                        | 74.5                           | 30                                                                                | 42                | 18                | 9                 |
| Dec .....                             | 13.15                              | 2.12                                 | 13.58                      | 26.5                     | 46.3                     | 65.3                        | 73.7                           | 31                                                                                | 43                | 19                | 8                 |
| 1981                                  |                                    |                                      |                            |                          |                          |                             |                                |                                                                                   |                   |                   |                   |
| Jan .....                             | 13.24                              | 2.16                                 | 13.67                      | 27.1                     | 48.6                     | 66.7                        | 76.1                           | 31                                                                                | 35                | 18                | 16                |
| Feb .....                             | 13.73                              | 2.06                                 | 14.16                      | 26.3                     | 48.9                     | 69.6                        | 73.3                           | 31                                                                                | 41                | 18                | 10                |
| Mar .....                             | 13.91                              | 2.25                                 | 14.38                      | 26.7                     | 47.1                     | 66.5                        | 74.2                           | 30                                                                                | 42                | 17                | 11                |
| Apr .....                             | 13.99                              | 2.25                                 | 14.47                      | 26.0                     | 45.1                     | 62.2                        | 74.8                           | 31                                                                                | 40                | 19                | 11                |
| May .....                             | 14.19                              | 2.17                                 | 14.66                      | 25.4                     | 44.8                     | 63.5                        | 73.0                           | 34                                                                                | 40                | 17                | 9                 |
| June .....                            | 14.40                              | 2.22                                 | 14.88                      | 25.3                     | 49.3                     | 70.8                        | 73.1                           | 35                                                                                | 39                | 17                | 9                 |
| July .....                            | 14.77                              | 2.36                                 | 15.28                      | 26.3                     | 50.2                     | 72.4                        | 72.9                           | 32                                                                                | 40                | 18                | 10                |
| Aug .....                             | 15.03                              | 2.31                                 | 15.54                      | 25.7                     | 48.1                     | 70.3                        | 70.9                           | 39                                                                                | 40                | 14                | 7                 |

See footnotes at end of following table.



**Table S.5.2.—Commitment Rates and Lending Policy on Conventional Home Mortgage Loans with 25-Year Maturity: National Averages for All Major Types of Lenders<sup>1</sup>**

| Period | Contract Interest Rate <sup>2</sup> |       |       |       |       | Effective Interest Rate <sup>4</sup> |       |       |       |       | Percent of Respondents Offering <sup>7</sup> |      |      |      |      |
|--------|-------------------------------------|-------|-------|-------|-------|--------------------------------------|-------|-------|-------|-------|----------------------------------------------|------|------|------|------|
|        | Loan-to-Price Ratio:                |       |       |       |       | Loan-to-Price Ratio:                 |       |       |       |       | Loan-to-Price Ratio:                         |      |      |      |      |
|        | 50%                                 | 75%   | 80%   | 90%   | 95%   | 50%                                  | 75%   | 80%   | 90%   | 95%   | 50%                                          | 75%  | 80%  | 90%  | 95%  |
| 1977   | 8.71                                | 8.79  | 8.83  | 9.01  | 9.13  | 8.88                                 | 8.96  | 9.00  | 9.22  | 9.39  | 88.3                                         | 88.4 | 85.9 | 76.2 | 47.8 |
| 1978   | 9.43                                | 9.50  | 9.53  | 9.69  | 9.80  | 9.63                                 | 9.69  | 9.74  | 9.95  | 10.09 | 86.7                                         | 85.8 | 82.9 | 72.4 | 44.6 |
| 1979   | 10.94                               | 11.00 | 11.05 | 11.23 | 11.28 | 11.20                                | 11.27 | 11.32 | 11.54 | 11.63 | 82.7                                         | 79.6 | 75.7 | 63.5 | 38.7 |
| 1980   | 13.60                               | 13.63 | 13.66 | 13.80 | 13.86 | 13.97                                | 14.00 | 14.02 | 14.21 | 14.30 | 81.5                                         | 80.1 | 77.3 | 65.3 | 41.1 |
| 1980   |                                     |       |       |       |       |                                      |       |       |       |       |                                              |      |      |      |      |
| Aug    | 12.16                               | 12.19 | 12.20 | 12.33 | 12.41 | 12.49                                | 12.52 | 12.54 | 12.70 | 12.82 | 84.2                                         | 83.4 | 81.9 | 72.8 | 45.7 |
| Sept   | 12.85                               | 12.88 | 12.91 | 13.07 | 13.17 | 13.20                                | 13.23 | 13.26 | 13.46 | 13.60 | 84.3                                         | 83.9 | 81.9 | 72.2 | 45.5 |
| Oct    | 13.46                               | 13.49 | 13.53 | 13.68 | 13.75 | 13.83                                | 13.86 | 13.90 | 14.09 | 14.19 | 82.8                                         | 82.2 | 81.2 | 71.7 | 44.8 |
| Nov    | 13.85                               | 13.88 | 13.90 | 14.05 | 14.14 | 14.23                                | 14.26 | 14.28 | 14.47 | 14.59 | 82.3                                         | 81.7 | 80.0 | 70.5 | 43.6 |
| Dec    | 14.52                               | 14.55 | 14.55 | 14.69 | 14.75 | 14.92                                | 14.95 | 14.95 | 15.13 | 15.23 | 81.8                                         | 81.0 | 79.2 | 68.3 | 43.1 |
| 1981   |                                     |       |       |       |       |                                      |       |       |       |       |                                              |      |      |      |      |
| Jan    | 14.95                               | 14.97 | 14.98 | 15.13 | 15.17 | 15.35                                | 15.38 | 15.39 | 15.58 | 15.66 | 80.3                                         | 79.3 | 77.9 | 68.0 | 42.9 |
| Feb    | 14.90                               | 14.92 | 14.93 | 15.09 | 15.15 | 15.31                                | 15.34 | 15.34 | 15.55 | 15.65 | 80.5                                         | 80.0 | 77.7 | 68.0 | 44.2 |
| Mar    | 15.02                               | 15.05 | 15.06 | 15.22 | 15.34 | 15.44                                | 15.47 | 15.48 | 15.70 | 15.86 | 77.5                                         | 77.2 | 75.0 | 64.5 | 42.1 |
| Apr    | 15.07                               | 15.10 | 15.11 | 15.28 | 15.37 | 15.50                                | 15.53 | 15.54 | 15.75 | 15.89 | 78.2                                         | 77.6 | 75.2 | 64.9 | 42.9 |
| May    | 15.63                               | 15.67 | 15.68 | 15.84 | 15.90 | 16.08                                | 16.12 | 16.13 | 16.34 | 16.45 | 76.0                                         | 75.7 | 73.0 | 63.2 | 41.5 |
| June   | 16.33                               | 16.35 | 16.36 | 16.49 | 16.56 | 16.80                                | 16.82 | 16.83 | 17.02 | 17.13 | 74.0                                         | 72.6 | 70.0 | 60.3 | 38.1 |
| July   | 16.45                               | 16.48 | 16.47 | 16.62 | 16.70 | 16.93                                | 16.96 | 16.95 | 17.15 | 17.26 | 72.6                                         | 70.9 | 68.3 | 59.7 | 36.6 |
| Aug    | 16.79                               | 16.81 | 16.83 | 16.94 | 17.03 | 17.28                                | 17.31 | 17.33 | 17.48 | 17.62 | 70.3                                         | 68.7 | 66.9 | 56.9 | 35.3 |

See footnotes at end of Table S.5.3.

**Table S.5.3.—Commitment Rates,<sup>a</sup> Lending Policy,<sup>a</sup> and Terms on Conventional Home Mortgage Loans Made: National Averages for Savings and Loan Associations**

| Period | Commitment Rates and Policy on 25-Year Loans |       |                                 |       |                                                  |      | All Loans Closed                        |                                           |                                 |                          |                     |                        |                         |
|--------|----------------------------------------------|-------|---------------------------------|-------|--------------------------------------------------|------|-----------------------------------------|-------------------------------------------|---------------------------------|--------------------------|---------------------|------------------------|-------------------------|
|        | Contract Interest Rate (%) <sup>2</sup>      |       | Effective Rate (%) <sup>4</sup> |       | Percent of Respondents Offering <sup>5</sup> (%) |      | Contract Interest Rate <sup>2</sup> (%) | Initial Fees and Charges <sup>3</sup> (%) | Effective Rate <sup>4</sup> (%) | Term to Maturity (years) | Loan Amount (\$000) | Purchase Price (\$000) | Loan-to-Price Ratio (%) |
|        | Loan-to-Price Ratio:                         |       | Loan-to-Price Ratio:            |       | Loan-to-Price Ratio:                             |      |                                         |                                           |                                 |                          |                     |                        |                         |
|        | 75%                                          | 90%   | 75%                             | 90%   | 75%                                              | 90%  |                                         |                                           |                                 |                          |                     |                        |                         |
| 1977   | 8.80                                         | 9.02  | 8.99                            | 9.25  | 94.0                                             | 86.9 | 8.84                                    | 1.37                                      | 9.07                            | 27.0                     | 36.8                | 49.3                   | 76.5                    |
| 1978   | 9.53                                         | 9.72  | 9.74                            | 9.99  | 91.7                                             | 81.3 | 9.39                                    | 1.44                                      | 9.63                            | 27.4                     | 41.1                | 55.5                   | 76.1                    |
| 1979   | 11.02                                        | 11.24 | 11.30                           | 11.57 | 86.9                                             | 72.6 | 10.64                                   | 1.71                                      | 10.94                           | 28.0                     | 47.1                | 64.4                   | 75.5                    |
| 1980   | 13.59                                        | 13.76 | 13.97                           | 14.18 | 86.1                                             | 74.4 | 12.48                                   | 2.16                                      | 12.90                           | 28.0                     | 51.6                | 71.7                   | 74.4                    |
| 1980   |                                              |       |                                 |       |                                                  |      |                                         |                                           |                                 |                          |                     |                        |                         |
| Aug    | 12.13                                        | 12.29 | 12.48                           | 12.67 | 89.8                                             | 83.0 | 11.87                                   | 2.13                                      | 12.28                           | 27.9                     | 54.7                | 76.2                   | 74.1                    |
| Sept   | 12.85                                        | 13.03 | 13.22                           | 13.44 | 89.3                                             | 82.3 | 11.99                                   | 2.13                                      | 12.39                           | 28.1                     | 53.9                | 74.6                   | 74.5                    |
| Oct    | 13.46                                        | 13.65 | 13.85                           | 14.07 | 88.7                                             | 81.9 | 12.36                                   | 2.18                                      | 12.77                           | 28.1                     | 51.7                | 70.9                   | 75.3                    |
| Nov    | 13.82                                        | 13.99 | 14.21                           | 14.42 | 87.5                                             | 79.4 | 12.76                                   | 2.25                                      | 13.19                           | 28.1                     | 50.5                | 69.8                   | 74.9                    |
| Dec    | 14.49                                        | 14.64 | 14.90                           | 15.10 | 86.4                                             | 77.2 | 13.04                                   | 2.38                                      | 13.51                           | 27.8                     | 51.5                | 71.6                   | 74.7                    |
| 1981   |                                              |       |                                 |       |                                                  |      |                                         |                                           |                                 |                          |                     |                        |                         |
| Jan    | 14.95                                        | 15.12 | 15.38                           | 15.59 | 84.2                                             | 76.8 | 13.44                                   | 2.47                                      | 13.93                           | 28.2                     | 55.3                | 75.9                   | 75.2                    |
| Feb    | 14.90                                        | 15.06 | 15.33                           | 15.53 | 86.0                                             | 77.0 | 13.54                                   | 2.47                                      | 14.04                           | 27.9                     | 55.2                | 76.6                   | 75.0                    |
| Mar    | 15.02                                        | 15.19 | 15.46                           | 15.68 | 82.3                                             | 72.6 | 13.80                                   | 2.53                                      | 14.32                           | 27.8                     | 53.8                | 74.7                   | 74.8                    |
| Apr    | 15.06                                        | 15.23 | 15.51                           | 15.72 | 82.3                                             | 72.8 | 13.96                                   | 2.54                                      | 14.50                           | 27.2                     | 51.7                | 71.0                   | 75.0                    |
| May    | 15.68                                        | 15.82 | 16.15                           | 16.34 | 80.5                                             | 71.6 | 14.06                                   | 2.45                                      | 14.57                           | 27.1                     | 52.5                | 72.5                   | 74.5                    |
| June   | 16.37                                        | 16.48 | 16.86                           | 17.02 | 77.9                                             | 68.3 | 14.36                                   | 2.55                                      | 14.91                           | 27.3                     | 53.9                | 75.3                   | 74.4                    |
| July   | 16.46                                        | 16.58 | 16.96                           | 17.12 | 75.5                                             | 66.6 | 14.60                                   | 2.64                                      | 15.16                           | 27.4                     | 55.8                | 78.7                   | 74.0                    |
| Aug    | 16.83                                        | 16.93 | 17.35                           | 17.49 | 73.7                                             | 63.9 | 14.82                                   | 2.75                                      | 15.43                           | 27.3                     | 55.2                | 78.4                   | 73.1                    |

<sup>1</sup> Savings and loan associations, mortgage bankers, commercial banks, and mutual savings banks.

<sup>2</sup> Excludes the estimated cost of private (non-Governmental) mortgage insurance from the contract rate for the relatively small number of loans including such costs in the rate.

<sup>3</sup> 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, property transfer, and title search and insurance.

<sup>4</sup> Contract rate plus initial fees and charges amortized over 10 years, the assumed

actual average life of a conventional mortgage.

<sup>5</sup> Included loans for purchase of newly-built homes, for purchase of previously occupied homes, and for combination construction-purchase loans.

<sup>6</sup> For fixed rate loans for purchase of newly built homes with a 25-year maturity.

<sup>7</sup> Preliminary.

Note: Data are weighted averages compiled by the FHLBB in cooperation with the Federal Deposit Insurance Corporation from data reported by a sample of the indicated types of lenders for fully amortized conventional first mortgage loans that are both secured by and for purchase of single-family nonfarm residential properties.

**Table S.5.4.—Mortgage Debt Outstanding, by Type of Property and Mortgage**  
(In millions of dollars)

| End of year<br>and quarter | Property type |           |             |                             |                      |         | Mortgage type <sup>1</sup>   |                                |                       |
|----------------------------|---------------|-----------|-------------|-----------------------------|----------------------|---------|------------------------------|--------------------------------|-----------------------|
|                            | Total         | Nonfarm   |             |                             |                      | Farm    | FHA/VA-<br>under-<br>written | Conven-<br>tional <sup>2</sup> |                       |
|                            |               | Total     | Residential |                             | Com-<br>mer-<br>cial |         |                              |                                |                       |
|                            |               |           | Total       | 1- to 4-<br>family<br>homes |                      |         |                              |                                | 5 or<br>more<br>units |
| 1973 .....                 | 682,321       | 641,068   | 509,343     | 416,211                     | 93,132               | 131,725 | 41,253                       | 135,044                        | 547,277               |
| 1974 .....                 | 742,512       | 696,224   | 549,347     | 449,371                     | 99,976               | 146,877 | 46,288                       | 140,212                        | 602,300               |
| 1975 .....                 | 801,537       | 750,660   | 591,362     | 490,761                     | 100,601              | 159,298 | 50,877                       | 146,984                        | 654,553               |
| 1976 .....                 | 889,202       | 832,171   | 660,961     | 556,456                     | 104,505              | 171,210 | 57,031                       | 154,146                        | 735,056               |
| 1977                       |               |           |             |                             |                      |         |                              |                                |                       |
| 1st .....                  | 911,679       | 852,491   | 678,511     | 573,174                     | 105,337              | 173,980 | 59,188                       | 155,697                        | 755,982               |
| 2nd .....                  | 949,017       | 887,108   | 709,339     | 601,742                     | 107,597              | 177,769 | 61,909                       | 158,652                        | 790,365               |
| 3d .....                   | 986,527       | 922,529   | 740,198     | 630,500                     | 109,698              | 182,331 | 63,998                       | 161,564                        | 824,963               |
| 4th .....                  | 1,023,505     | 957,681   | 768,407     | 656,566                     | 111,841              | 189,274 | 65,824                       | 161,739                        | 861,766               |
| 1978 <sup>2</sup>          |               |           |             |                             |                      |         |                              |                                |                       |
| 1st .....                  | 1,051,719     | 983,662   | 790,069     | 676,400                     | 113,669              | 193,593 | 68,057                       | 165,253                        | 886,466               |
| 2d .....                   | 1,092,243     | 1,021,353 | 822,661     | 706,305                     | 116,356              | 198,692 | 70,890                       | 167,440                        | 924,803               |
| 3d .....                   | 1,133,524     | 1,059,735 | 854,159     | 734,771                     | 119,388              | 205,576 | 73,789                       | 174,663                        | 958,861               |
| 4th .....                  | 1,172,754     | 1,096,561 | 883,815     | 761,843                     | 121,972              | 212,746 | 76,193                       | 176,377                        | 996,377               |
| 1979 <sup>2</sup>          |               |           |             |                             |                      |         |                              |                                |                       |
| 1st .....                  | 1,201,500     | 1,127,366 | 910,848     | 787,906                     | 122,942              | 216,518 | 74,134                       | 182,956                        | 1,018,544             |
| 2d .....                   | 1,245,953     | 1,168,086 | 945,435     | 820,422                     | 125,013              | 222,651 | 77,867                       | 187,079                        | 1,058,874             |
| 3d .....                   | 1,289,397     | 1,208,732 | 979,119     | 852,317                     | 126,802              | 229,613 | 80,665                       | 194,290                        | 1,095,107             |
| 4th .....                  | 1,326,750     | 1,244,234 | 1,007,783   | 878,931                     | 128,852              | 236,451 | 82,516                       | 199,021                        | 1,127,729             |
| 1980 <sup>2</sup>          |               |           |             |                             |                      |         |                              |                                |                       |
| 1st .....                  | 1,357,660     | 1,270,747 | 1,027,971   | 897,608                     | 130,363              | 242,776 | 86,913                       | 207,537                        | 1,150,123             |
| 2d .....                   | 1,380,928     | 1,289,924 | 1,042,480   | 910,286                     | 132,194              | 247,444 | 91,004                       | 211,622                        | 1,169,306             |
| 3rd .....                  | 1,414,881     | 1,321,237 | 1,069,586   | 935,393                     | 134,193              | 251,651 | 93,644                       | 218,901                        | 1,195,980             |
| 4th .....                  | 1,451,840     | 1,355,340 | 1,097,002   | 960,422                     | 136,580              | 258,338 | 96,500                       | 225,074                        | 1,226,766             |

<sup>1</sup> FHA/VA-figures are from Federal Housing Administration and Veterans Administration. Conventional data include farm mortgages regardless of mortgage type.

<sup>2</sup> 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.5.5.—Mortgage Debt Outstanding on One-to Four-Family Nonfarm Properties by Type of Holder**  
(In millions of dollars)

| End of year<br>and quarter | Total   | Savings<br>and loan<br>associations <sup>1</sup> | Life<br>insurance<br>companies | Mutual<br>savings<br>banks | Commercial<br>banks | Federal and related agencies <sup>2</sup> |       |       | Mortgage<br>pools or<br>trusts <sup>3</sup> | Other<br>holders |
|----------------------------|---------|--------------------------------------------------|--------------------------------|----------------------------|---------------------|-------------------------------------------|-------|-------|---------------------------------------------|------------------|
|                            |         |                                                  |                                |                            |                     | FNMA <sup>2</sup>                         | 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 .....                 | 556,456 | 260,794                                          | 16,088                         | 53,089                     | 86,234              | 26,934                                    | 3,889 | 4,701 | 42,084                                      | 62,643           |
| 1977                       |         |                                                  |                                |                            |                     |                                           |       |       |                                             |                  |
| 1st .....                  | 573,174 | 269,821                                          | 15,699                         | 53,502                     | 88,691              | 26,836                                    | 3,200 | 4,109 | 47,123                                      | 64,193           |
| 2d .....                   | 601,742 | 284,414                                          | 15,418                         | 55,000                     | 94,899              | 27,933                                    | 2,901 | 4,403 | 50,219                                      | 66,555           |
| 3d .....                   | 630,500 | 298,429                                          | 15,022                         | 56,313                     | 100,474             | 28,178                                    | 2,818 | 4,285 | 55,634                                      | 69,347           |
| 4th .....                  | 656,566 | 310,686                                          | 14,727                         | 57,637                     | 105,115             | 28,504                                    | 2,738 | 4,471 | 60,573                                      | 72,115           |
| 1978 <sup>4</sup>          |         |                                                  |                                |                            |                     |                                           |       |       |                                             |                  |
| 1st .....                  | 676,400 | 320,056                                          | 14,417                         | 58,747                     | 108,699             | 30,208                                    | 2,694 | 3,426 | 63,427                                      | 74,726           |
| 2d .....                   | 706,305 | 334,144                                          | 14,217                         | 59,882                     | 115,389             | 32,974                                    | 1,856 | 3,316 | 67,054                                      | 77,473           |
| 3d .....                   | 734,771 | 345,587                                          | 14,158                         | 61,104                     | 121,911             | 35,437                                    | 1,994 | 3,741 | 70,743                                      | 80,096           |
| 4th .....                  | 761,843 | 356,114                                          | 14,436                         | 62,252                     | 126,966             | 37,579                                    | 2,407 | 3,733 | 75,789                                      | 82,567           |
| 1979 <sup>4</sup>          |         |                                                  |                                |                            |                     |                                           |       |       |                                             |                  |
| 1st .....                  | 787,906 | 363,739                                          | 14,507                         | 62,892                     | 132,803             | 40,702                                    | 2,685 | 3,898 | 80,240                                      | 86,440           |
| 2d .....                   | 820,422 | 377,466                                          | 14,489                         | 63,559                     | 138,624             | 42,543                                    | 2,489 | 4,159 | 86,671                                      | 90,422           |
| 3d .....                   | 852,317 | 387,918                                          | 14,884                         | 64,065                     | 145,093             | 43,534                                    | 2,850 | 4,189 | 94,075                                      | 95,709           |
| 4th .....                  | 878,931 | 394,345                                          | 16,193                         | 64,706                     | 149,460             | 45,488                                    | 3,059 | 4,687 | 101,579                                     | 99,414           |
| 1980 <sup>4</sup>          |         |                                                  |                                |                            |                     |                                           |       |       |                                             |                  |
| 1st .....                  | 897,608 | 398,009                                          | 16,850                         | 64,865                     | 152,553             | 48,394                                    | 3,210 | 5,618 | 106,157                                     | 101,952          |
| 2d .....                   | 910,286 | 399,746                                          | 17,796                         | 64,864                     | 153,753             | 49,837                                    | 3,037 | 6,097 | 110,318                                     | 104,838          |
| 3rd .....                  | 935,393 | 409,896                                          | 17,996                         | 64,966                     | 156,737             | 50,071                                    | 3,459 | 5,668 | 116,820                                     | 109,780          |
| 4th .....                  | 960,422 | 419,446                                          | 17,911                         | 65,307                     | 160,746             | 51,775                                    | 3,873 | 5,770 | 121,756                                     | 113,838          |

<sup>1</sup> See notes to S.4.7.

<sup>2</sup> 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.

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

<sup>4</sup> Revised.

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.5.6.—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 <sup>1</sup> | Life insurance companies | Mutual savings banks | Commercial banks | Federal and related agencies <sup>2</sup> |       |       | Mortgage pools and trusts <sup>3</sup> | 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                    | 104,505 | 28,425                                     | 19,178                   | 14,177               | 8,082            | 5,970                                     | 2,271 | 4,072 | 1,910                                  | 20,420        |
| 1977 <sup>4</sup>       |         |                                            |                          |                      |                  |                                           |       |       |                                        |               |
| 1st                     | 105,337 | 29,187                                     | 18,921                   | 14,291               | 8,115            | 5,994                                     | 2,343 | 3,878 | 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                      | 109,698 | 31,581                                     | 18,831                   | 14,952               | 8,815            | 5,970                                     | 2,077 | 4,314 | 2,682                                  | 20,476        |
| 4th                     | 111,841 | 32,513                                     | 18,807                   | 15,304               | 9,215            | 5,865                                     | 2,112 | 4,398 | 3,089                                  | 20,538        |
| 1978 <sup>4</sup>       |         |                                            |                          |                      |                  |                                           |       |       |                                        |               |
| 1st                     | 113,669 | 33,591                                     | 18,648                   | 15,598               | 9,387            | 5,821                                     | 2,343 | 4,600 | 3,368                                  | 20,313        |
| 2d                      | 116,356 | 34,349                                     | 18,688                   | 15,900               | 9,925            | 5,779                                     | 2,361 | 4,183 | 4,271                                  | 20,900        |
| 3d                      | 119,388 | 35,358                                     | 18,742                   | 16,224               | 10,478           | 5,752                                     | 2,663 | 4,462 | 4,579                                  | 21,130        |
| 4th                     | 121,972 | 36,053                                     | 19,000                   | 16,529               | 10,912           | 5,732                                     | 2,632 | 4,755 | 4,966                                  | 21,393        |
| 1979 <sup>4</sup>       |         |                                            |                          |                      |                  |                                           |       |       |                                        |               |
| 1st                     | 122,942 | 36,678                                     | 19,080                   | 16,699               | 10,324           | 5,708                                     | 2,627 | 4,634 | 5,530                                  | 21,662        |
| 2d                      | 125,013 | 37,066                                     | 19,102                   | 16,876               | 10,493           | 5,663                                     | 2,625 | 4,411 | 6,130                                  | 22,647        |
| 3d                      | 126,802 | 37,270                                     | 19,107                   | 17,010               | 10,937           | 5,639                                     | 2,602 | 4,762 | 6,438                                  | 23,037        |
| 4th                     | 128,852 | 37,579                                     | 19,274                   | 17,180               | 11,180           | 5,603                                     | 3,089 | 4,647 | 7,049                                  | 23,251        |
| 1980 <sup>4</sup>       |         |                                            |                          |                      |                  |                                           |       |       |                                        |               |
| 1st                     | 130,363 | 37,215                                     | 19,590                   | 17,223               | 11,557           | 5,596                                     | 3,170 | 5,032 | 7,225                                  | 23,755        |
| 2d                      | 132,194 | 37,329                                     | 19,284                   | 17,223               | 11,764           | 5,582                                     | 3,730 | 5,219 | 7,467                                  | 24,596        |
| 3rd                     | 134,193 | 37,728                                     | 19,357                   | 17,249               | 11,997           | 5,561                                     | 3,670 | 5,472 | 7,752                                  | 25,407        |
| 4th                     | 136,580 | 38,113                                     | 19,614                   | 17,340               | 12,304           | 5,552                                     | 3,938 | 5,394 | 8,267                                  | 26,058        |

<sup>1</sup> See notes to table S.4.7.

<sup>2</sup> 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.

<sup>3</sup> Balances backing securities insured or guaranteed by Government National Mort-

gage Association, FHLMC, and Farmers Home Administration.

<sup>4</sup> Revised.

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

<sup>5</sup> Revised.

**Table S.5.7.—Foreclosures<sup>1</sup> 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 <sup>2</sup> |                                     | Actual                                    | Annualized <sup>2</sup> |                                | Actual                                   | Annualized <sup>2</sup> |                                | Actual                                   | Annualized <sup>2</sup> |
| 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                    |
| July—Dec  | 8,473                          | .056                                     | .112                    | 312.5                               | .076                                      | .152                    | 5,893                          | .044                                     | .088                    | 2,580                          | .151                                     | .302                    |
| 1979      |                                |                                          |                         |                                     |                                           |                         |                                |                                          |                         |                                |                                          |                         |
| Jan.—June | 8,364                          | .054                                     | .108                    | 321.0                               | .073                                      | .146                    | 6,076                          | .044                                     | .088                    | 2,288                          | .139                                     | .278                    |
| July—Dec  | 8,403                          | .054                                     | .108                    | 361.9                               | .079                                      | .158                    | 6,688                          | .048                                     | .096                    | 1,715                          | .107                                     | .214                    |
| 1980      |                                |                                          |                         |                                     |                                           |                         |                                |                                          |                         |                                |                                          |                         |
| Jan.—June | 9,411                          | .060                                     | .120                    | 414.0                               | .088                                      | .176                    | 7,776                          | .055                                     | .110                    | 1,635                          | .104                                     | .208                    |
| July—Dec  | 10,800                         | .069                                     | .138                    | 501.3                               | .105                                      | .210                    | 9,274                          | .065                                     | .130                    | 1,526                          | .098                                     | .196                    |

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>1</sup>    | Private housing units started <sup>2</sup> |            |               |       |       |                   |           |                 | Private nonfarm starts financed by Government home programs |       | New private housing units authorized <sup>3</sup> | New homes sold <sup>3,4</sup> | New construction put in place: total residential buildings <sup>5</sup> |
|------------------------|--------------------------------------------|------------|---------------|-------|-------|-------------------|-----------|-----------------|-------------------------------------------------------------|-------|---------------------------------------------------|-------------------------------|-------------------------------------------------------------------------|
|                        | U.S. total                                 | Region     |               |       |       | Type of structure |           |                 |                                                             |       |                                                   |                               |                                                                         |
|                        |                                            | North-east | North central | South | West  | 1 unit            | 2-4 units | 5 units or more | FHA                                                         | VA    |                                                   |                               |                                                                         |
| 1977 .....             | 1,987.1                                    | 201.6      | 464.6         | 783.1 | 537.9 | 1,450.9           | 121.7     | 414.4           | 100.1                                                       | 218.1 | 1,690.0                                           | 821                           | 80,956                                                                  |
| 1978 .....             | 2,020.3                                    | 200.3      | 451.2         | 823.7 | 545.2 | 1,433.3           | 125.0     | 462.0           | 94.4                                                        | 126.8 | 1,800.5                                           | 818                           | 93,424                                                                  |
| 1979 .....             | 1,745.1                                    | 177.9      | 349.2         | 747.5 | 470.5 | 1,194.1           | 122.0     | 429.0           | 106.5                                                       | 121.7 | 1,551.8                                           | 706                           | 99,030                                                                  |
| 1980 .....             | 1,292.2                                    | 124.5      | 218.1         | 642.7 | 306.0 | 852.2             | 109.5     | 330.5           | 99.5                                                        | 95.5  | 1,181.6                                           | 530                           | 87,261                                                                  |
| 1980                   |                                            |            |               |       |       |                   |           |                 |                                                             |       |                                                   |                               |                                                                         |
| Aug .....              | 1,411                                      | 131        | 218           | 689   | 373   | 971               | 133       | 307             | 101                                                         | 105   | 1,361                                             | 632                           | 79,333                                                                  |
| Sept .....             | 1,482                                      | 180        | 281           | 665   | 356   | 1,032             | 140       | 310             | 108                                                         | 102   | 1,564                                             | 571                           | 84,482                                                                  |
| Oct .....              | 1,519                                      | 111        | 284           | 770   | 354   | 1,009             | 121       | 389             | 97                                                          | 111   | 1,333                                             | 540                           | 89,826                                                                  |
| Nov .....              | 1,550                                      | 110        | 316           | 758   | 366   | 1,019             | 143       | 388             | 116                                                         | 110   | 1,355                                             | 564                           | 95,617                                                                  |
| Dec .....              | 1,532                                      | 126        | 256           | 812   | 338   | 971               | 135       | 426             | 136                                                         | 110   | 1,235                                             | 545                           | 98,898                                                                  |
| 1981                   |                                            |            |               |       |       |                   |           |                 |                                                             |       |                                                   |                               |                                                                         |
| Jan .....              | 1,660                                      | 163        | 329           | 887   | 281   | 993               | 149       | 518             | 108                                                         | 101   | 1,228                                             | 523                           | 100,686                                                                 |
| Feb .....              | 1,215                                      | 93         | 189           | 666   | 267   | 791               | 112       | 312             | 82                                                          | 95    | 1,165                                             | 500                           | 99,684                                                                  |
| Mar .....              | 1,297                                      | 130        | 217           | 684   | 266   | 838               | 105       | 354             | 99                                                          | 87    | 1,153                                             | 507                           | 96,266                                                                  |
| Apr .....              | 1,332                                      | 123        | 203           | 695   | 311   | 897               | 92        | 343             | 89                                                          | 93    | 1,186                                             | 451                           | 98,287                                                                  |
| May .....              | 1,158                                      | 125        | 172           | 597   | 264   | 764               | 106       | 288             | 71                                                          | 86    | 1,167                                             | 479                           | 94,223                                                                  |
| June .....             | 1,039                                      | 98         | 154           | 545   | 242   | 688               | 88        | 263             | 68                                                          | 73    | 963                                               | 410                           | 91,441                                                                  |
| July .....             | 1,049                                      | 155        | 173           | 496   | 225   | 707               | 85        | 257             | 56                                                          | 74    | 913                                               | 420                           | 87,878                                                                  |
| Aug <sup>6</sup> ..... | 937                                        | 102        | 154           | 469   | 212   | 591               | 84        | 262             | 53                                                          | 69    | 863                                               | NA                            | NA                                                                      |

<sup>1</sup> Monthly data are seasonally adjusted annual rates.

<sup>2</sup> 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.

<sup>3</sup> Bureau of the Census, Department of Commerce.

<sup>4</sup> Department of Housing and Urban Development.

<sup>5</sup> Not available.

<sup>6</sup> Preliminary.

**Table S.6.2.—Inventory of Unsold Homes**

| End of month           | New homes for sale<br>(in thousands of units) |                       |                    |             |                                        |
|------------------------|-----------------------------------------------|-----------------------|--------------------|-------------|----------------------------------------|
|                        | Total                                         | Stage of construction |                    |             | As ratio of new home sold during month |
|                        |                                               | Completed             | Under construction | Not started |                                        |
| December               |                                               |                       |                    |             |                                        |
| 1977 .....             | 408                                           | 87                    | 256                | 65          | NA                                     |
| 1978 .....             | 421                                           | 98                    | 260                | 63          | NA                                     |
| 1979 .....             | 403                                           | 117                   | 227                | 59          | NA                                     |
| 1980 .....             | 343                                           | 111                   | 178                | 54          | NA                                     |
| 1980                   |                                               |                       |                    |             |                                        |
| July .....             | 338                                           | 116                   | 167                | 55          | 6.2                                    |
| Aug .....              | 333                                           | 111                   | 170                | 52          | 5.6                                    |
| Sept .....             | 339                                           | 110                   | 173                | 56          | 7.6                                    |
| Oct .....              | 342                                           | 108                   | 181                | 53          | 7.7                                    |
| Nov .....              | 344                                           | 110                   | 181                | 53          | 7.3                                    |
| Dec <sup>1</sup> ..... | 343                                           | 111                   | 178                | 54          | 7.5                                    |
| 1981                   |                                               |                       |                    |             |                                        |
| Jan .....              | 328                                           | 106                   | 170                | 52          | 9.1                                    |
| Feb .....              | 322                                           | 108                   | 164                | 50          | 8.2                                    |
| Mar .....              | 319                                           | 107                   | 161                | 52          | 6.7                                    |
| Apr .....              | 323                                           | 106                   | 165                | 52          | 7.4                                    |
| May .....              | 319                                           | 103                   | 165                | 52          | 7.1                                    |
| June .....             | 313                                           | 105                   | 158                | 50          | 8.3                                    |
| July .....             | 308                                           | 105                   | 154                | 49          | 8.6                                    |

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

<sup>1</sup> Preliminary.

**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 |
|--------------------------------|---------------|------------|---------------|-------|------|
| <b>New series <sup>1</sup></b> |               |            |               |       |      |
| 1977 .....                     | 5.2           | 5.1        | 5.1           | 5.7   | 5.0  |
| 1978 .....                     | 5.0           | 5.0        | 5.0           | 6.0   | 5.2  |
| 1979 .....                     | 5.4           | 4.5        | 5.7           | 6.1   | 5.3  |
| 1980 .....                     | 5.4           | 4.2        | 6.0           | 6.0   | 5.2  |
| <b>1979 <sup>1</sup></b>       |               |            |               |       |      |
| 1st .....                      | 5.1           | 4.3        | 5.6           | 5.6   | 4.9  |
| 2nd .....                      | 5.5           | 4.5        | 5.4           | 6.3   | 5.5  |
| 3rd .....                      | 5.7           | 4.3        | 6.0           | 6.9   | 5.4  |
| 4th .....                      | 5.4           | 4.9        | 5.8           | 5.6   | 5.5  |
| <b>1980 <sup>1</sup></b>       |               |            |               |       |      |
| 1st .....                      | 5.2           | 4.7        | 5.4           | 5.6   | 5.1  |
| 2nd .....                      | 5.6           | 4.1        | 6.1           | 6.5   | 5.5  |
| 3rd .....                      | 5.7           | 4.3        | 6.7           | 6.5   | 5.2  |
| 4th .....                      | 5.0           | 4.8        | 5.0           | 4.6   | 5.5  |
| <b>1981</b>                    |               |            |               |       |      |
| 1st .....                      | 5.2           | 3.7        | 6.2           | 5.8   | 5.0  |
| 2nd .....                      | 5.0           | 3.7        | 6.1           | 5.1   | 5.0  |

<sup>1</sup> Revised to include vacant, for-rent units classified as dilapidated.

<sup>2</sup> Average of four quarters as published by Bureau of Census.

Note: Bureau of the Census, Department of Commerce.



# Federal Home Loan Bank Districts

## 1. Federal Home Loan Bank of Boston

Raymond H. Elliott, President  
Post Office Box 2196  
Boston, Massachusetts 02106  
Connecticut, Maine, Massachusetts, New Hampshire,  
Rhode Island, and Vermont  
District Director-Examinations: Charles E. Seaman

## 2. Federal Home Loan Bank of New York

Bryce Curry, President  
One World Trade Center, Floor 103  
New York, New York 10048  
New Jersey, New York, Puerto Rico, and Virgin Islands  
District Director-Examinations: Leonard Nightingale

## 3. Federal Home Loan Bank of Pittsburgh\*

Eugene M. Calnan, President  
11 Stanwix St., 4th Floor, Gateway Center  
Pittsburgh, Pennsylvania 15222  
Delaware, Pennsylvania, and West Virginia  
District Director-Examinations: Norman L. Giancola

## 4. Federal Home Loan Bank of Atlanta

Carl O. Kamp, Jr., President  
Post Office Box 56527  
Atlanta, Georgia 30343  
Alabama, District of Columbia, Florida, Georgia, Mary-  
land, North Carolina, South Carolina, and Virginia  
District Director-Examinations: Lamar Heath

## 5. Federal Home Loan Bank of Cincinnati

Charles Lee Thiemann, President  
Post Office Box 598  
Cincinnati, Ohio 45201  
Kentucky, Ohio, and Tennessee  
District Director-Examinations: Donald E. Ison

## 6. Federal Home Loan Bank of Indianapolis

Ronald R. Morphew, President-Secretary  
1350 Merchants Plaza, South Tower  
115 West Washington Street  
P.O. Box 60  
Indianapolis, Indiana 46206  
Indiana and Michigan  
District Director-Examinations: Ervin Berlinger

## 7. Federal Home Loan Bank of Chicago

Leo B. Blaber, Jr., President  
111 East Wacker Drive  
Chicago, Illinois 60601  
Illinois and Wisconsin  
District Director-Examinations: John P. Valek

## 8. Federal Home Loan Bank of Des Moines

Dean R. Prichett, President  
907 Walnut Street  
Des Moines, Iowa 50309  
Iowa, Minnesota, Missouri, North Dakota, and South  
Dakota  
District Director-Examinations: Bernard C. Zimmer

## 9. Federal Home Loan Bank of Little Rock

Joseph E. Settle, President  
1400 Tower Building  
Little Rock, Arkansas 72201  
Arkansas, Louisiana, Mississippi, New Mexico, and Texas  
District Director-Examinations: William G. Ball

## 10. Federal Home Loan Bank of Topeka

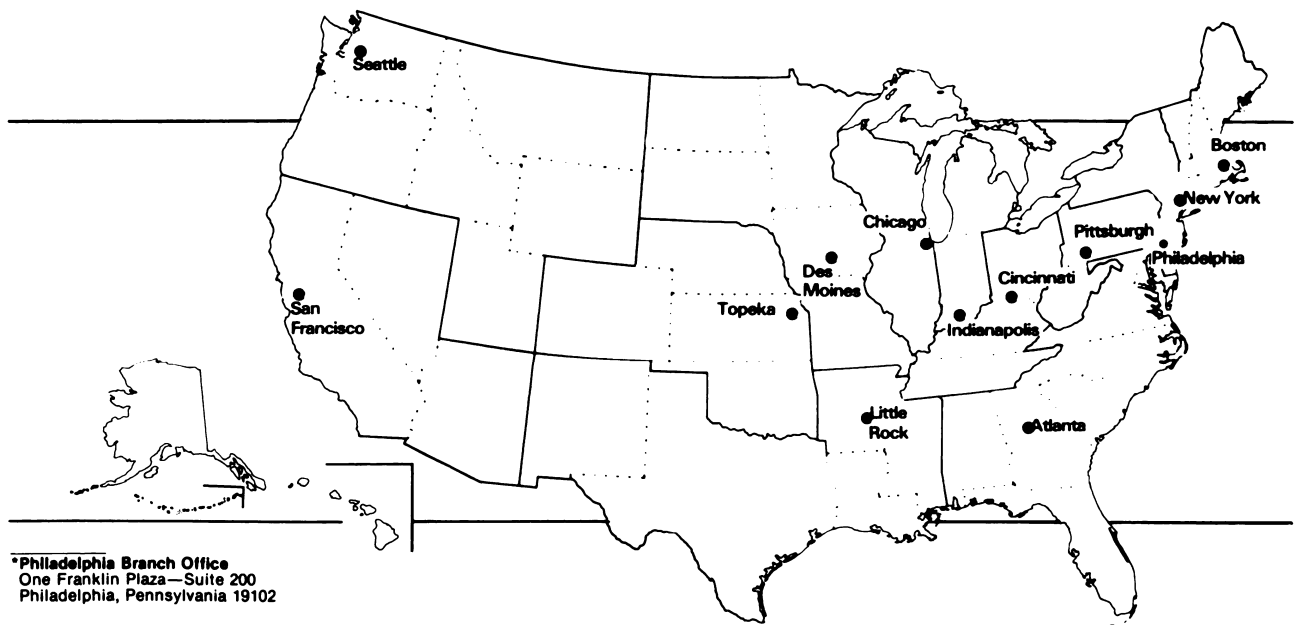
Kermit Mowbray, President  
Post Office Box 176  
Topeka, Kansas 66601  
Colorado, Kansas, Nebraska, and Oklahoma  
District Director-Examinations: Max L. Johnson

## 11. Federal Home Loan Bank of San Francisco

Milton Feinerman, President  
Post Office Box 7948  
San Francisco, California 94120  
Arizona, Nevada, and California  
District Director-Examinations: Paul F. Bowman

## 12. Federal Home Loan Bank of Seattle

James R. Faulstich, President  
600 Stewart Street  
Seattle, Washington 98101  
Alaska, Hawaii and Guam, Idaho, Montana, Oregon,  
Utah, Washington, and Wyoming  
District Director-Examinations: James L. Brazil



## Federal Home Loan Bank Board

Washington, D.C. 20552

Postage and  
Fees Paid  
by Federal  
Home Loan  
Bank Board



The Federal Home Loan Bank Board supervises the Nation's savings and homefinancing industry—the major private source of funds to finance the construction, rehabilitation, and purchase of housing.

The **Federal Home Loan Bank Board Journal** is published by the Office of Communications of 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.

Savings and loan officials and other lenders, builders, developers, educators, planners, public officials, economists, librarians, or anyone interested

in housing and home financing will find the **Journal** helpful.

This monthly, illustrated magazine features interviews and articles from Board staff members, from industry, from Government, and from educators. It carries a statistical series which provides comprehensive economic information collected from various sources on mortgage and housing markets and data on savings and loan associations, Federal Home Loan Banks, general financial data and FSLIC's financial statements. It covers Board policies, regulations, and programs, industry and Government achievements, and new directions in the changing savings and loan field. To subscribe, just use the coupon below.

### Federal Home Loan Bank Board Journal

To:  
Superintendent of Documents  
U.S. Government Printing  
Office  
Washington, D.C. 20402

Please enter my subscription to the **Federal Home Loan Bank Board Journal** (issued monthly) for one year (\$29.00 a year domestic; \$36.25 if mailed to a foreign address).

Enclosed find \$ \_\_\_\_\_  
(check, money order, or Documents coupons).

Please charge this order to my Deposit Account No. \_\_\_\_\_

### Order Form

FOR USE OF SUPT. DOCS.

|  |  |
|--|--|
|  |  |
|  |  |

Name \_\_\_\_\_

Street \_\_\_\_\_

City \_\_\_\_\_

State \_\_\_\_\_ Zip \_\_\_\_\_