

Federal Home Loan Bank Board **Journal**

December 1981 Volume 14 Number 12

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A New Day Dawns for the Savings and Loan Industry

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Bank Board Journal**

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A New Day Dawns for the Savings and Loan Industry

Editor's Note: The following is the text of the speech delivered by Chairman Richard T. Pratt of the Federal Home Loan Bank Board at the Eighty-Ninth Annual Convention of the United States League of Savings Associations in New York City on November 10, 1981.

It is a great pleasure to be here today. It has been many years since I addressed a general session or a general convention of the U.S. League. Indeed, it has been many years since the days when I was with the League and the times I spent with my good friend John Stafford going out and giving the economics message at that time. John and I spent a great deal of time in economic forecasting, trying to provide you with an accurate look at the future, and I think that we won a hard-earned reputation.

The problems of the thrift industry are better known to you than to Mr. DiPrete and me. The difficulties associated with the savings and loan business at this time are certainly the most difficult since the 1930s. However, looking at the long-run possibilities for this business, we think the outlook has to be a very bright one at this time.

What is the attitude and role of the Federal Home Loan Bank Board and the job which we have to do at this time? I think two things can be stated as fundamental priorities: One is to serve this country, this industry, and the consumer in such a fashion that the thrift industry which we regulate can provide financial services on a business-like and profitable basis, regardless of the business cycle and the behavior of interest rates. I believe the present circumstances we're experiencing underscores the great need to get to that position where, as interest rates fluctuate, you will have the ability to continue to serve your markets and have the expectation of earning a

reasonable profit through the provision of excellence in financial services.

The second priority is that, given the present problems of this industry, it shall emerge as a viable, competitive, healthy industry which can take its place alongside other regulated industries and non-regulated providers of financial services and continuously maintain its position in the financial markets of this country and in the provision of housing finance and general financial services.

In setting out to meet these general goals of the Bank Board, attention is paid to three more specific goals that our programs are oriented toward achieving. The first of these is to provide you with an opportunity of having a reasonable balance in the mix of your assets and liabilities. The days seem forever gone when financial management was not needed in your institutions and when you could ignore the maturities and circumstances associated with the two different sides of the balance sheet.

In attempting to move in this direction, the Bank Board has already been quite active in this program for the last six months. Mr. DiPrete and I have tried to provide additional tools which, over a period of time, will greatly enhance that ability to manage assets and liabilities. The first of these, of course, is the provision of the variable rate mortgage which allows you to adjust interest rates on mortgages as interest rates increase or decrease. If we are to have periods of volatile interest rates, this will be an indispensable tool in your asset portfolio and one which can make the difference in a period of rising interest rates between maintaining profitability in operations and experiencing substantial losses.

We have heard comments on all sides of this regulation, of course. We believe that you can best determine what the terms and conditions of such mortgages should be in conjunction with your borrower. We could easily go back to the old days and to the historical reflection that regulation has probably been to spell out in great detail



Richard T. Pratt, Chairman, Federal Home Loan Bank Board delivers keynote address at 89th Annual U.S. League of Savings Associations Convention



Roy Green, Chairman, U.S. League of Savings Associations, delivers acceptance speech



what a variable rate mortgage should look like and how it should work.

In fact, in dealing with the staff originally on this, I believe some of that earlier orientation was expressed to me. I said this regulation should say that savings and loan associations shall be allowed to make variable rate mortgages on a fair and equitable basis. I said, "That seems like a good direction to go; let's take another cut at it."

The variable rate mortgage regulation and the other mortgage regulations, which Mr. DiPrete and I have promulgated, allow you to make any profitable, appropriate mortgage that appears to serve the interests of your customers and the interests of your association. I know that that may have been of little comfort to you in the last few months, given the conditions under which you have been operating. But we should remember that even this shall pass away and you will be back in the business of housing America and making mortgage loans as one of your primary areas of activity. I think you will find those tools to be extremely powerful and extremely helpful.

In addition, we have deregulated other mortgage lending aspects. As you know, we have taken a position on balloon loans—to provide balloon loan authority similar to national banks; especially given the controversy of the due-on-sale clause, we think this is going to be an important instrument which will be well received in the secondary market.

In looking at the balance between assets and liabilities and the ability to manage, the need to gain flexibility and have freedom of choice should not be underestimated. The savings and loan business as previously existed—I am quoting my good friend Lee Kendall—in my opinion died some time ago, but it is now being reborn, and it will be reborn in a more competitive environment, an environment that requires decision-making of a more sophisticated nature, a more complete management of assets and liabilities, and this needs to remain profitable over business cycles.

If we look at small commercial banks with assets of less than \$100 million—which are very much like many savings and loan associations in many regards—the spread between the earnings on their assets and the cost of their funds in 1977 was 3.74 percent. In 1978 it was 3.96 percent. In 1979, it was 4.19 percent. In 1980, it was 4.32 percent.

Now, let's look at return on assets for those institutions for those same four years: it was 98 basis points the first year, the second year 104 basis points, the third year

115 basis points and, in 1980, 119 basis points. I need not recite the return on assets for savings and loan associations to give you some comparison between the two.

Now, the Bank Board is not suggesting that you become commercial banks, but I am pointing out that I think the managers sitting in this room are every bit as capable, intelligent, willing to serve, and hard working as commercial bank managers. And when I look at the difference between 119 basis points in 1980 and an improved profit level of this year versus what the savings and loan business will experience, it appears to me that the explanation must fall to a very large extent in the freedom of operation, the ability to match assets and liabilities, and the freedom to choose the financial markets and services in which the company will engage.

It is our opinion that the savings and loan business and its managers need that freedom and that the race cannot be run with one hand tied behind your back. We are aggressively and diligently pushing to give you that freedom.

You may choose to operate as savings and loan associations, as you always have, and you may make an excellent profit doing so, but the choice should be yours, not the legislators or the regulators. It should be in the hands of management.

In proposing this type of restructuring and additional powers, we have been told, "But there are too many problems to do this at this time; there are too many short-run problems; we can't look at the long-run structural needs and the long-term viability of this industry."

The President's statement, in my opinion, is the best possible response to that. He, of course, was talking about the total economy, but I think it applies equally well to this industry when he said, "If not us, who, and if not now, when?" This is the time to get our house in order for profitability and service in the decades of the 1980s and 1990s and every year and every month of delay in having the viability, the structure, the powers that are needed is another delay in getting back to competition, in getting back to being a significant entity in the American economic system.

In addition to the asset-liability management powers and freedoms, the Bank Board has also been active in the area of reducing regulatory constraints. The Bank Board has delegated to the District Federal Home Loan Banks substantial authority for mergers, other applications, and other processing. We expect and will require that these

delegations result in a more expeditious processing of your needs.

We have taken two deregulatory steps which I think are of substantial importance and benefit. The first of these is the amortization of loan losses. One of the major problems which we all understand and face is the existence of a great number of low-yielding loans in your portfolios. To the extent that these provide an illiquid burden that reduces the ability of management to make intelligent decisions, we think that rules which require that situation do not make sense and are not helpful to the public or to the industry.

In that regard, we have promulgated a regulation which allows you to sell old low-yielding mortgage loans and amortize the loss over a period of time. The purpose of that regulation was several-fold: One, to provide better asset-liability balance where you have alternative investments which will reduce interest rate risk; two, to allow you to liquefy old mortgage loans where new profit opportunities would exist for the reinvestment of funds; and, three, to allow you to take advantage of tax laws where available to recover income taxes paid.

Those are all legitimate, valuable and extremely productive possibilities for your institutions. The regulation was not promulgated to provide illusory profits, and the Bank Board does not support—and it will deal with—programs which are designed perhaps to sell a package of 8 percent mortgages, repurchase an identical package of 8 percent mortgages, amortize the purchase discount over sum of digits or accelerated methods or short-term straight-line method, while amortizing the loss over the remaining maturity of the loans. This was not anticipated as far as this regulation is concerned, and the Bank Board will take steps to see that that situation does not exist.

Deregulation—the additional freedom—generates a requirement on both parties. The requirement for the Bank Board is to meet its responsibility for giving you the freedom to operate; your responsibility is to use this in a manner that maintains the credibility and integrity of the financial institution.

The second area which can be extremely useful in this period of problems and earnings difficulties is the goodwill purchase accounting or the movement to GAAP that will be highly useful to the industry. This movement will allow institutions which have the ability to survive and which have the financial wherewithal to take over other institutions which may provide an attractive extension of

their markets—a combination that will better serve the public—to do so without an adverse effect on earnings.

Again, this was not designed, nor will it be allowed, to create with mirrors factors that do not reasonably exist. The Bank Board will not look with favor on the issue of the minnow swallowing the whale sort of circumstance. There are responsible and appropriate uses for purchase accounting. We will look closely at these transactions as they occur to see that, in fact, the institution resulting makes sense and has the management ability and the viability to operate successfully.

The process of deregulation and turning to management for the decisions to operate this industry will, of course, be a learning experience both on your part and on the part of the Bank Board. It can be productive and useful to all parties concerned.

Let me speak about some of the philosophies and issues of the Bank Board at this time. One responsibility which I believe the Bank Board has is to reduce any damage or temporary damage which may occur from the present period of high interest rates; in promulgating regulations, promulgating deregulation and allowing new operating authorities, the Bank Board deals not only with institutions which are healthy but also with those institutions that are most troubled.

As you are well aware, the approach of the Bank Board has been generally confined to healthy, successful partners who can merge with the troubled institution and continue to provide the financial services and the continuity in the community. This has been done smoothly and has been done with a total maintenance of public confidence. I believe that our regulation staff at this time is the finest the Bank Board has ever had, and we rely heavily on Mr. Vartanian, Mr. Beesley, and Mr. Croft, as well as other senior staff of the Board. We believe they are doing an excellent job in dealing both with the difficulties and the normal business of the associations.

It should be understood that the Bank Board has no philosophic desire to change the face of American thrift institutions. One of the powers which this Board has, as you know, is the power to accomplish interstate mergers. We believe that this power provides an excellent tool to maintain the public confidence and the strength of this industry.

There are some problems that cannot easily be dealt with without the exercise of that power. If you look at the record of the Bank Board in the six months since Mr.

DiPrete and I have constituted the Board, you will see we have approved one interstate merger. This was the West Side-Washington-Citizens transaction. That transaction took two institutions, which were probably the most frequently and negatively mentioned institutions in the media in the United States, and turned them into a healthy, successful institution, having approximately \$300 million net worth. In my opinion, that transaction benefitted each person sitting in this room because it gave the message that this industry can deal with its problems, that adversity can be turned into opportunity, and that individuals need not worry about moving their funds from your institutions because there are mechanisms and vehicles existing to deal with those circumstances.

This merger saved billions of dollars in savings flows to this industry. We have not taken a similar transaction since then. We have resolved many problems on an intrastate basis and will continue to do so where feasible. The interstate power is an important power to us and it is an important power to you. It is absolutely vital that the public confidence be maintained in this industry, and that, as we come through this difficulty, there is a perception of an ability to handle problems and get back to the competitive world. Therefore, we will use this power as it is necessary. We have no desire to create nationwide operations as a result of some philosophy of the Bank Board. We will not at this time engage in interstate mergers of healthy associations. We will use the power sparingly and in the public interest.

In our attempts to facilitate mergers for weaker associations, we are often confronted with stockholders who, quite naturally, desire some consideration for their stock. We understand these stockholders have invested in an S&L with a desire to serve their communities and housing, and that they have a reasonable expectation of a profit on their investment. But stockholders' equity is risk capital. If FSLIC assistance is required to facilitate a merger, by definition, there is no value for the stockholders' equity. This policy has nothing to do with any desire to "punish" stockholders, as some have reported. It is only a logical application of the long-established rules of risk allocation.

As a corollary to this point, in order to merge a mutual into a stock, as was the case when Washington and Westside were merged into Citizens, the Bank Board must make a finding that there is no net realizable value for the

mutual account holders. To provide consideration to stockholders of a stock association, either directly from the FSLIC or indirectly from the surviving association receiving assistance from the FSLIC, would make a mockery of the Board's finding that there is no net realizable value to the mutual account holders when a mutual association is merged.

Since the FSLIC will do all it can to facilitate intrastate mergers that do not require assistance, stockholders may have the opportunity to negotiate with the acquiring association for some value for their stock. Remember, however, the Bank Board will not approve interstate mergers for the purpose of enhancing stock value, just for the purpose of preserving the FSLIC fund.

If the supervisory agents are not successful in finding a merger partner within the same state to take the weak institution without FSLIC financial assistance, then the supervisory agent may seek an out-of-state acquirer. For this reason, we encourage any who are interested in making interstate acquisitions to let your desires be known to the supervisory agents in the area into which you desire to expand. You may also want to let the FSLIC know, preferably in writing. All interstate transactions will be reviewed by the FSLIC and must be approved by the Board.

In terms of inter-industry, especially among financial institutions, this responsibility lies outside of our realm and primarily with the Federal Reserve Board.

However, both of these issues require the most thoughtful consideration on your part, and immediate and intuitive reactions should be rejected. Careful thought should be given to the future direction of this industry and to what will be the healthiest profile for the industry in years to come. Too often we react to short-run problems with solutions which may or may not be helpful in the short run; we do so without a vision of long-run direction for the industry.

Another issue of current importance to you is the deregulation of savings accounts and the actions of the DIDC. This is an area of great interest and we all have paid very close attention to it.

I believe the charter of the DIDC was somewhat misstated in the sense that a reasonable and useful charge for that organization would have been to develop competition among the providers of financial services in an orderly fashion. Unfortunately, the charge of the DIDC

was to promote competition in the purchase of savings and deregulation of interest rates paid on savings accounts. I believe that charge to be in the public interest, and the consumers are certainly entitled to a fair and competitive return on their savings. However, giving the DIDC the authority to deal with only the liability side of the balance sheet exacerbated the problems of this industry and provided no relief in giving you new authority on the asset side or even in allowing new authorities on the liability side.

Commercial checking accounts provide a substantial competitive handicap to the S&L industry in the competition for funds. It is most interesting that the DIDC is charged with the deregulation of interest rates on the liability side but has no authority to allow you to offer checking accounts to commercial or government customers.

You may have noticed that the Bank Board took an aggressive position in terms of who could receive NOW accounts and earn interest on checking accounts. We were immediately sued by the ABA, which was joined by the Federal Reserve, and the courts found the law prohibited the interpretation which we had suggested. This seems to me to be clearly outside the public interest—barring this major sector from accessing those funds that are very stable in the aggregate and are relatively low cost. We will continue to carry that message forward.

As you know, the DIDC recently reversed itself on the increase in passbook rates.

The IRA/Keogh accounts will be a very important source of funds to this industry, if handled correctly. A vehicle is needed to access IRA/Keogh funds. They are of a stable nature, which makes tremendous sense for use by this industry.

As you are aware, in the DIDC meeting I suggested that the provision of an IRA/Keogh account be pegged to the U.S. Treasury rates. This was rejected at the time the IRA/Keogh account was approved. It is my intention to return to the DIDC suggesting again that we have a pegged account allowing sufficient freedom for you to maintain and, where possible, increase your market share in these accounts while not running the risk of being exposed to extremely high and unreasonable interest rates while others acquire some of your market share in the early phases of the universal IRA/Keogh. We will work diligently in that regard.

There is a financial revolution, not an evolution. We must be on guard to see that the revolution does not devour its children. There are many common interests that must be pursued. This industry must have a vision of its own future and work diligently for that future.

We should separate the major from the minor issues. The DIDC may appear to be a major and an overriding issue at this time. However, the DIDC, at best, will be a footnote in the history of financial regulation. There needs to be a comprehensive program to place yourself in a position that will serve the financial needs of the coming years.

The development of the computer has forever changed the world. The ability to move funds to and from the most remote positions of this country or this world will always be with us. When interest rates come down, money market mutual funds and the sophisticated ability to handle funds will not disappear. We need to decide upon a role for this industry and work together in achieving that goal.

We must not turn our lobbying—persuasive powers—or our cannons on empty fields. There needs to be an overall comprehensive program to achieve the structure and viability which will assure the success of this industry. We have many friends in this regard.

The President's program is designed to get interest rates down and to halt inflation. We have received good support from the White House. You have another excellent friend in the White House in the person of Ed Gray. He has spoken for this industry and works for you continually, and you should appreciate his efforts.

Other people have dealt with us equitably and reasonably. Paul Volcker, Chairman of the Federal Reserve, from time-to-time has stood up and spoken out for reasonableness and responsibility in regulation and you should understand the support he has offered.

There is a major role ahead of us. I am very much enjoying the opportunity of working with you during these difficult times. I am totally dedicated to the success and viability of this industry. It is a great industry. The finest people in the world are in the savings and loan business. Together—regulator, the industry and the capability of you and your staffs—we will make this a stronger, healthier, and more viable business than it has ever been in the past.

Thank you very much. J

Strategies for Assisting the Thrift Industry to Creatively Cope with the Rapidly Changing Financial Environment

Introductory Statement

The system of housing finance in the U.S. is in the midst of great change. Persistent inflation, high and volatile interest rates, intensified competition, and changing consumer needs mean that traditional modes of operation for S&Ls—in particular, borrowing short to lend long—are excessively risky and unprofitable. To meet the social, economic and financial challenges of the 1980s, the S&L industry must be prepared for a rapid change in its structure and organization. It is only by successful adaptation to change that the long-run viability of individual associations and the S&L industry is assured.

Over the past 150 years, the S&L industry has acquired enviable expertise in providing housing finance. The Board intends to enhance this traditional role by increasing management's flexibility of credit markets. There have been many suggestions for how this can be done. These include becoming mini-commercial banks, mortgage bankers, full service financial centers, and real estate developers and financiers.

This article outlines four major Board strategies for assisting the S&L industry in coping with the changed financial environment.

Although our strategies do not address housing directly, we believe that pursuing these strategies will help revitalize the housing markets of this country. Thrifts must have the tools and freedom to operate in such a way that they can afford to take mortgage lending risks.

The objective of this article is to provide our employees and other interested persons with an understanding of how the Board has been and will be focusing its efforts to enable the S&L industry to emerge healthy and strong from its present situation.



Richard T. Pratt
Chairman

“Action to enable thrifts to adapt to this changed environment is imperative if thrifts are to capitalize on the opportunity presented by the sizable demand we project for housing finance over the next decade.”

Florida Savings and Loan League,
September 21, 1981

Editor's Note: The following article, developed under the direction of Malcolm Draper, Jr., Assistant to the Chairman, was published and distributed in conjunction with a recent Bank Board senior staff briefing. It describes the overall strategies of Chairman Richard Pratt and Board Member Andrew DiPrete with regard to the future of the thrift industry and summarizes several actions already taken, as well as some of those contemplated, in the furtherance of these strategies. It is the Editor's belief this information is of interest to the public.



Andrew A. DiPrete
Board Member

“I believe the Board should keep as its primary concern the need to enable associations to maintain a safe and sound financial position.”

Board meeting of
April 23, 1981

1. Provide the Industry with the Ability to Compete in All Phases of Financial and Economic Cycles and to Become Strong and Profitable

Thrift institutions should be able to be profitable and continue to provide housing finance and financial services to the American public over periods of increasing, stable, or decreasing interest rates.

The Board believes that thrifts must be given competitive parity with other financial providers in order to compete with both regulated and non-regulated institutions. One important aspect of such competitive parity is broadened investment powers allowing thrifts to reduce risk by matching asset and liability maturities. Thrifts must also be able to make loans and other investments that are as sensitive to interest rate changes as are their deposit instruments.

Intensive work has been done by the Board in the design of a legislative proposal entitled “Thrift Institutions Restructuring Act,” which, if enacted, will provide thrifts with most of the powers and freedom necessary to compete and improve profitability. However, to assist thrifts further, other recent steps have also been taken by the Board such as:

- Authorization of a truly rate-sensitive, adjustable mortgage loan
- Liberalization of restrictions on balloon payment and reverse annuity mortgages, and
- Arrangements with the Federal Reserve Board for access to its discount window by S&Ls.

2. Take Advantage of America’s Market Mechanisms to Provide Solutions to Industry Problems

Over the last two decades, a number of market forces have combined to change the basic structure of the thrift and banking industries. First, the age of consumerism hastened interest rate deregulation. Congress recognized that consumers and savers had the right to earn fair market rates of interest and that competition in the purchase of these funds was appropriate. The culmination of this new flexibility in interest rates was the Depository Institutions Deregulation and Monetary Control Act of 1980.

At the same time as forces were pushing toward interest rate deregulation, other revolutionary developments were occurring that made it clear that “business as usual” was quickly becoming obsolete as a viable mode of running a profitable housing finance business.

Already, the Board has taken a number of actions to assist the thrift industry in using market forces as growth opportunities. It has urged pre-emption of state restrictions on the use of due-on-sale clauses which skew the market forces by requiring thrifts to accept below-market rates on loans while subsidizing home buyers. It recently authorized an interstate merger among three S&Ls: Citizens of California, West Side of New York, and Washington of Florida. The Board also supported passage of the All Savers Certificate, and took the following steps:

- Authorized amortization of goodwill, generated in mergers, up to 40 years, and
- Authorized the deferral and amortization of gains and losses from the sale of mortgage loans and related securities.

3. Remove Regulatory Constraints which Impinge on the Freedom of an Association's Management to Make Operating and Business Decisions

Financial regulators in this country have often undertaken decisions which should be business decisions. Frequently the regulators have imposed their own judgment on decisions which have no impact on public policy and significantly hinder efficient management.

The Board believes this is not appropriate regulatory behavior and it is now trying to discourage industry's dependence on regulations for managerial decision-making. In order to restore maximum feasible discretion to the industry, the Board, among other things, already has:

- Authorized significant expansion of the ability of thrift institutions to hedge their interest rate risk using financial futures
- Expanded service corporation investment authority, and
- Expanded the ability to use interstate remote service units.

4. Aggressively Seek to Improve the Effectiveness of the FHLBB and FSLIC

The Board (FHLBB) has been actively engaged for the past several months in examining our own policies, methods, and procedures so it can be responsive to the needs of the industry.

Towards this end, the Board has recently increased the delegated authority of the Federal Home Loan Banks to approve mergers and acquisitions without referral of the application to the Washington office. Like-

wise, the individual staff offices of the FHLBB have adopted internal processing guidelines for mergers to avoid unnecessary review and further speed up the processing.

Other examples of progress are the development of a new system to forecast potential failures and to estimate costs to the Federal Savings and Loan Insurance Corporation (FSLIC) for alternative default prevention actions, as well as the initiation of a study to measure performance of the District Banks.

“What the industry, the Bank Board, and Congress must do now is recognize that the economic environment has changed permanently, that the savings public is more sophisticated, that traditional barriers among various types of providers of financial services are falling, and that our regulatory philosophies must change.”

Chairman Pratt, National League of Savings Associations, October 14, 1981

Planned Actions

Many additional actions will have to be taken to insure that thrifts have the management and financial tools that will permit them to choose the line of business they will be in and to balance their portfolio. First and foremost of these is a wholesale revision of the statutory authority governing thrifts.

★ **Therefore**, on October 5, 1981, legislation drafted by the Federal Home Loan Bank Board and endorsed by the Administration was introduced in Congress. Entitled the “Thrift In-

stitutions Restructuring Act” (TIRA), this legislation is designed to provide thrifts with the following new authorities:

- Corporate checking power
- Expanded consumer lending
- Commercial lending
- Increased service corporation investment
- Freedom to choose stock or mutual form
- Improved FSLIC conservatorship and receivership powers
- Emergency Federal stock charters, and
- Emergency interstate mergers and acquisitions.

★ **Additionally**, the Board is working toward the adoption of regulations that would:

Allow Thrifts to:

- Issue negotiable CDs
- Engage in consumer leasing
- Offer insurance to the public, including non-customers, through their service corporation subsidiaries

Liberalize restrictions governing the following:

- Outside borrowings and bunching of maturities by insured institutions
- Change-of-circumstances rule on management interlocks
- MCC proxy rules

Speed-up processing of applications by:

- Delegating more authority to the District Banks for approving holding company, conversions, and merger applications
- Improving the applications tracking system
- Streamlining the conversion process.

★ **Finally**, in order for the FSLIC premium structure to reflect the risk exposure of an association, the Bank Board is exploring optional methods of providing insurance of accounts. J

Synopsis of the President's Housing Commission Interim Report

by Stephen Landrigan,
Office of Community Investment

Last June, President Reagan created a special Commission on Housing. Its members, who include developers, academics, and a former Federal Home Loan Bank Board Chairman, were asked to review the many ways the Federal government is involved in housing and to suggest how that involvement could be made more effective. The 25-member Commission has met several times since then and has discussed issues ranging from the role of Federal credit programs, to urban homesteading, the rental market, the problems of first-time homebuyers, Federal tax policy, and the future of public housing.

Recently, the Commission published an interim report. Given the vast scope of their assignment, the Commission chose to focus this report on the matter of federally subsidized housing programs. This was done in order to contribute to the development of discussions within the Administration, which is at work on the FY 1982 budget. It is not meant to indicate that the Commission considers subsidized housing any more important than, for instance, the problems facing the thrift industry. In fact, the Commission has made it known that it plans to issue a special second interim report in late December or early January that will address what it sees as a need for "a more viable mortgage credit system in the years ahead."

The Commission has identified what it considers the three most important housing issues facing low-income Americans: availability, adequacy, and affordability. Of these, it believes that affordability is the most significant. Thus, it recommends "consumer-oriented housing assistance grants as the primary program for addressing the needs of the poor." Such a program, states the Commission, would both recognize

the validity of the government's role in providing housing assistance for the disadvantaged and does so by targeting "scarce public resources on those most in need." In short, the emphasis is on directing resources toward people, not structures.

The Commission acknowledges there may be some problems with housing assistance grants. The shortage of housing, as exists in some markets, is the major concern. This is especially so where low-cost housing is in short supply. In other instances, substandard units may not be upgraded sufficiently by owners to attract tenants with housing assistance grants.

Citing past Federal policies which focus on structures, the Commission feels that the government's money has been used neither efficiently nor to the benefit of those most in need. Also, such building programs have a history of reflecting government regulations more clearly than the wishes or needs of the people most affected. "Housing availability problems," states the report, "are best solved by those at the state and local level who know local market conditions."

The Commission offers four major guidelines for achieving this:

- Reliance on the experience and flexibility of state and local agencies to finance and produce housing, including both rehabilitation and new construction
- Tax policies to encourage housing supply and preservation
- Access for the private sector to the capital markets to insure the availability of mortgage credit and appropriate secondary mortgage markets
- Encouragement of private initiatives and programs dealing with the housing problems of the poor.

In recommending that the primary Federal housing assistance program

for low-income families be redirected towards housing assistance grants, the Commission also suggests that future commitments to build additional units under Section 8, Section 202, or public housing be halted, at least until the Commission can do further study. This proposal is based on the observation that the "primary housing problem today is inadequate income: poor families simply cannot afford decent housing." A consumer-oriented assistance program, the report states, will reduce housing costs for low-income families already living in decent housing and will allow others to move from inadequate to adequate housing. The report cites HUD's housing allowance payments experiments as successful examples of this process.

The Commission intends to "investigate the possibility of recapturing funds already committed for Section 8 New Construction and Substantial Rehabilitation projects, where this recapture is mutually agreeable" to all those involved in the projects. Present expenditures under Section 8 could be recycled into vouchers to replace public housing authority operating budgets. The report makes it clear that it does not seek a sudden end to public housing agency subsidies. Such a step, it says, should be carefully considered and include a transition period to avoid hurting either the agencies or their tenants.

The change-over to vouchers is expected to make adequate housing not only more affordable, but also more available. The Commission foresees developments in seven key areas which will facilitate this.

- **New Construction within the Community Development Block Grant Program.** The CDBG is recognized as very effective, in large measure because of the local control it allows. CDBG does not specifically allow its funds to be used for new housing. Its regulations, states the

Commission, should be changed so that it can. Not only would this "meet isolated supply problems in the absence of Section 8," but it would also eliminate the "complexity and expense of another Federal program."

- **Mortgage Revenue Bonds.** The Commission considered three options for state and local agency tax-exempt financing. One is to continue tax-exempt bonds as an instrument of financing new construction and rehabilitation with appropriate targeting. A second is to withdraw tax-exemption on all such bonds and provide direct unrestricted Federal payments, instead, in the form of a subsidy to make up the difference between tax-exempt and taxable yields. The third is to offer bond-issuing agencies their choice of either alternative.

The report states that "in view of the Mortgage Subsidy Bond Act of 1980, the Commission will establish a task force to review the fiscal policy, market and regulatory implications of the use of tax-exempt revenue bonds, whether for housing or other purposes."

- **Rehabilitation Tax Credit.** Tax credits are available to rehabilitators of non-residential real estate, low-income rental housing, and certified historic structures. However, owners of ordinary rental housing receive none. The report states that housing rehabilitation is "essential to preserving and adding to the housing supply." A rehabilitation tax credit would encourage the up-grading of the rental market without direct federal involvement.

- **Private Institutions.** Private foundations, religious groups, and other private organizations which have demonstrated their ability at financing innovative programs in housing construction, rehabilitation, and access to homeownership should be encouraged to continue doing so, even though the proposed shift to consumer-oriented housing would eliminate much of these organizations' present function as sponsors of non-profit ventures.

- **Homeownership.** The Commission is considering a program of "Individual Housing Accounts to encourage and assist saving for a down-payment by a first-time buyer" as well as other savings incentives to increase the volume of mortgage funds available to homebuyers.

- **FHA Insurance Programs.** While the Commission fully supports the activities of FHA, it does plan to investigate ways both in which FHA can serve sectors of the housing market not served by the private sector and "how best to achieve an orderly transition towards a greater reliance on private sector financial markets."

- **Pension Funds.** The Commission is recommending that the "provisions of current regulations or laws that inadvertently limit the housing investments of pension funds, insurance companies, and other major sources of potential housing capital" be eliminated. Of particular concern is the Employee Retirement Income Security Act of 1974 (ERISA) which limits the ability of pension funds to invest heavily in residential mortgage instruments. The Commission would like to see the Department of Labor, which administers ERISA, "revise those segments of the regulations that unnecessarily impede mortgage investment by private pension funds."

Before making any of these above-mentioned recommendations, the Commission stated strongly that the government should "continue its efforts to eliminate discriminatory practices that create artificial barriers and inhibit freedom of choice in housing." The absence of such an open housing policy, the report states, is a major impediment to a free market, upon which all its other recommendations are based.

With more topics yet to consider than it has so far, the Commission expects to complete its work on schedule and produce its final report no later than April 30, 1982. Copies of the 53-page interim report are available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. J

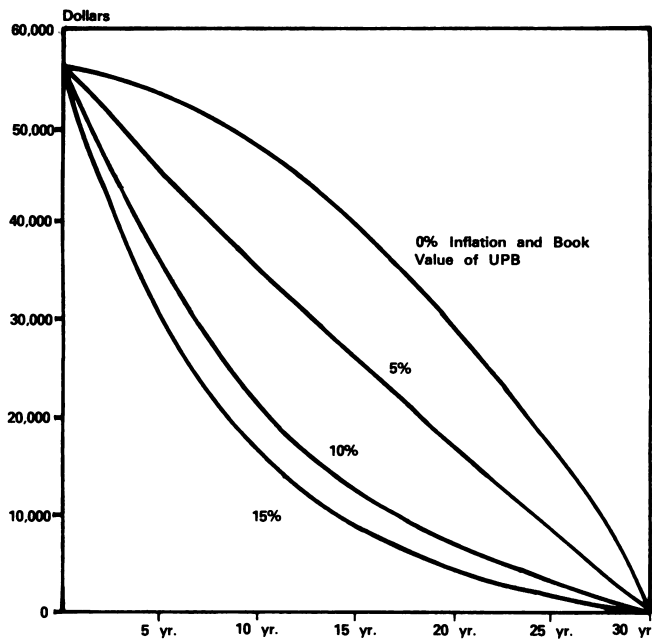
Real Dollar Payback Loans: A Solution to the Housing Problem

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Editors Note: The views expressed in
this article are those of the author and
do not necessarily reflect the views of
the Federal Home Loan Bank Board.

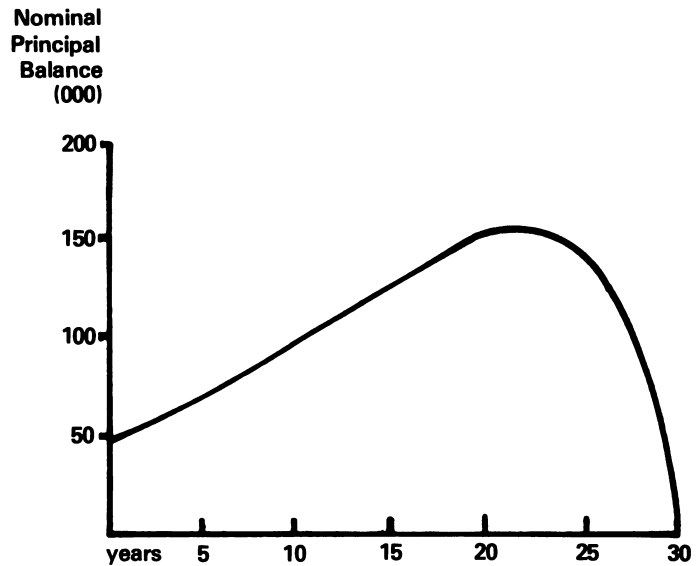


Chart I.—Real (Inflation Adjusted) Value Unpaid Principal Balance (UPB)



Source: Federal National Mortgage Association

Chart 2.—Interest Rate Components and Inflation Expectations



Source: Cassidy, 1981

Note: House price—\$64,500
 Mortgage loan—\$58,000
 Percents represent different inflation scenarios
 Assumed real interest rate—3%

Real Debt Value =

$$\frac{\text{Book Debt Value}}{(1 + i)^n}$$

where i = inflation rate
 n = number of years

It is an understatement to say that the housing industry is depressed. Housing starts recently have been a fraction of what might be considered a usual level. There is a consensus among economists and financial analysts that the culprit is high interest rates. Average interest rates now approach 17 percent with some borrowers paying 20 percent. This results in monthly payments that are simply unmanageable for many American families. At 16 percent, for example, 30-year amortization of a \$50,000 principal amount requires a monthly payment of \$672.38.

Lenders are less and less willing to lend on long-term fixed-rate mortgages, even at present elevated rates. There is good reason for this. The entire savings and loan industry may now be insolvent because of past commitment to fixed-rate mortgages and current high costs of funds. Lenders are simply no longer willing to accept the risk that the value of their returns will be decimated by inflation.

The problem lies in the financial system with its currently available

mortgage instruments. What has created the problem is that inflation expectations have driven nominal interest rates radically upward (Federal National Mortgage Association, 1981, pp. 8–10). Now, low- and moderate-income families cannot afford the cash flows that currently available mortgage instruments require, at least in the early years of the loan. Dr. Peter Treadway, former Federal National Mortgage Association chief economist, states the present challenge this way:

Ironically, by 1985, . . . [the] . . . hypothetical 1980 homebuyer will probably experience a dramatic drop in ratio of principal and interest payments to income. The reason for this is that payments remain fixed while incomes will probably rise more or less in step with inflation. The financial affordability challenge for the 1980s is to lower these initial payments in return for [the homebuyer's] giving up the rapid dramatic drop in the payment/income ratio (Federal National Mortgage Association, 1981, p. 16).

I have proposed a solution to the problem that exists in the housing industry and, consequently, throughout our economy (Sharplin, 1981). That proposal, the "Real Dollar Payback Mortgage," will be described in detail later in this article. First, though, it appears useful to consider how the savings and loan industry might have failed to accomplish its major sociological purpose, why the recently designed innovative mortgage lending instruments will fail to solve the problem, and how the continuing failure produces results that are clearly detrimental to our society.

The Failure of Our Long-Term Financing System

The purpose of mortgage lending in relation to homeownership is to allow homebuyers to pay the real (inflation-adjusted) cost of their home relatively evenly over the life of that home. Mortgage lending instruments have generally accomplished that objective in the past. Inflation rates from the 1940s to the early 1970s averaged about 4 percent or 5 percent per year. Chart 1 shows how real cost of homeownership is allocated over the life of a 30-year loan, assuming various inflation rates and fixed-rate, fixed-term mortgages. Note that at the end of 15 years with a 5 percent inflation rate, the real value of the unpaid principal balance has declined to about one-half its original amount. However, when the inflation rate is 10 percent, much more of the real value of the initial principal balance is shifted toward the early years of the mortgage obligation. Particularly, 50 percent of this real value must be paid within just over 7 years. In the second case, which is typical of the late 1970s and early 1980s, the lending instrument does not fulfill its purpose of distributing the payment of the real cost of the home evenly over the life of that home.

Interest Rate Components

Before reviewing the attempts that have been made to solve the problem described above, let us consider how interest rates are determined in the marketplace. Financial theory tells us

that the lender requires—and borrowers are willing to pay—a certain small amount, in real terms, for the use of the lenders' money. This interest rate is referred to as the "real interest rate" and it has historically been much less than 5 percent. This amount includes a "default risk premium," typically a percentage point or two, which is variable, based mainly upon the reliability of the debtor. Given the stability of home values, the conservatism of mortgage lenders in granting credit, and the importance of the underlying asset to borrowers which causes them to avoid default), mortgage home lending typically requires a very low risk premium.

Added to the real interest rate, however, is called an "inflation adjustment" (Fisher, 1896). The inflation adjustment is a reflection of the inflation expectations that borrowers and lenders have. Borrowers recognize that they will be repaying the obligation with dollars that have decreased in real value because of inflation and lenders know that their returns will be decreased in real value to the same extent. Accordingly, the inflation adjustment should approximate the expected inflation rate, which, during the period of the late 1970s and early 1980s, would seem to have been in the range of 10 percent or so. Chart 2 illustrates this relationship between inflation rates and mortgage lending rates and shows the several components mentioned above.

Also shown in Chart 2 is a component labeled "inflation risk premium." This chart reflects the risk to lenders that the inflation rate will exceed their expectations. (While shown on the chart as a function of the expected inflation rate, inflation risk premium should really be based upon the stability of historical inflation rates or the variability of inflation expectations. As inflation rates and, consequently, expectations have risen, though, the variation in those rates and expectations has increased). It appears likely that the inflation risk premium currently amounts to several percentage points on fixed-rate home mortgages.

The fact that inflation uncertainty, quite apart from the expected value of the inflation rate, affects interest rates, has been noted previously (Robinson and Wrightsman, 1980 p. 56; Cassidy, 1981, p. 6). Yet the amount of such an effect has not been estimated, nor has its impact been explicitly considered.

I have labeled five points on Chart 2 to indicate the market interest rates that existed at three time in recent history. The reader should note, however, that the abscissa is not time but expected inflation rate.

Recent Innovations

Several plans have been put forth as possible solutions to the mortgage lending crunch (Hu, 1981). Adjusted rate mortgages and variable rate mortgages attempt to insure that the interest rate charged on the unpaid principal balance keeps pace with some key interest rate in the financial markets. Shared appreciation mortgages are designed to transfer a portion of the inflationary increase in the nominal value of the borrowers' homes to lenders. In return, the lenders offer lower interest rates. Graduated payment mortgages anticipate future inflation rates and try to schedule payments so that they will be more or less constant in real terms. Some borrowers and lenders have resorted to rollover mortgages, which involve borrowing at short-term interest rates and refinancing the entire obligation periodically at then-current interest rates. Each of these approaches has its merits but none affords more than a partial or stop-gap solution. Finally, price level adjusted mortgages would require adjustment of principal balances for inflation. Monthly payments would go up proportionally with principal balances.

Variable rate or adjustable rate mortgages assume that lenders, assured that their interest rates will not become lower than the inflation rate, will be willing to lend at a lower initial rate. This has helped lenders, by decreasing their risk, and thus has made money available for long-term borrowers. It has not substantially

decreased interest rates, though, because it simply reduces the interest rate commitment to a short-term one, and short-term rates are sometimes higher than long-term rates. As a matter of fact, the rates required on variable rate mortgages should be higher than those on fixed rate mortgages as inflation expectations—and, therefore, interest rate expectations—decline. Thus, it is generally true that families that cannot afford regular mortgages cannot afford variable rate mortgages. Referring to Chart 2, the only component of the mortgage lending rate that should be affected by this approach is the inflation risk premium.

Graduated payment mortgages accomplish the purpose of lowering initial payments and are among the most appealing of the several options now available; however, they require an *ex ante* estimate of inflation rates, a tenuous proposition at best.

Shared appreciation mortgages exchange a portion of the expected appreciation in home value, which belongs to borrowers, for a decrease in the interest rate charged by lenders. This approach has lapsed into disrepute recently, probably because of numerous problems including the indefiniteness of the return to lenders (Kaufman and Erdevig, 1981). The net amount of appreciation in home value depends upon whether the home has been sold and upon the real estate commission, if any. Both the time of that sale and the value at which the home is likely to be sold is subject to substantial uncertainty as well as to manipulation by borrowers. This type of mortgage should reduce both the inflation adjustment and the inflation risk premium but probably will prove infeasible due to the aforementioned deficiencies. It may be, too, that lenders will shy away from becoming involved in real estate investment—not their primary area of expertise—through the use of shared appreciation instruments.

For most families, rollovers are perceived as simply too risky. Having to refinance a home loan every year or two would be a fearsome prospect

for the average borrower. However, rollovers, properly managed, do offer the prospect of allowing homeowners to borrow back a portion of the appreciation in the nominal value of their homes each period. The amount borrowed back would serve to decrease the large cash flow requirement, which is the primary deficiency of conventional mortgages. In terms of the analysis implicit in Chart 2, this type of plan would greatly reduce inflation risk premium and in some cases allow borrowers to insulate themselves from part of the inflation adjustment.

Former Federal National Mortgage Association Economist Joseph Hu has suggested an adjusted rate-graduated payment mortgage, which is a combination of those two types first discussed above (Hu, 1981). While such an instrument would offer affordability for borrowers and interest rate protection for lenders in the later years, it does not strike at a major cause of the current problem, the lack of predictability of future inflation rates. A reduction of inflation rates below those anticipated when designing the graduated payment schedule might result in a renewed affordability crisis for homeowners some years after buying their homes.

The final type of alternative lending instrument to be discussed was recently proposed by Dr. Henry Cassidy of the Federal Home Loan Bank Board (Cassidy, 1981). Price level adjusted mortgages would have the disadvantage to lenders of incurring taxes on income not yet received, the amounts by which principal balances are adjusted (Cassidy, 1981, p. 7). Another problem relates to their marketability to borrowers. Price level adjustment would usually result in a principal balance nominally exceeding that of a year earlier (Cassidy, 1981, p. 5). Chart 3 illustrates this growth in nominal principal balance, assuming a 10-percent inflation rate. While the borrowers' real principal balances decrease in each period, many borrowers would not understand this and, therefore, would be averse to such a mortgage.



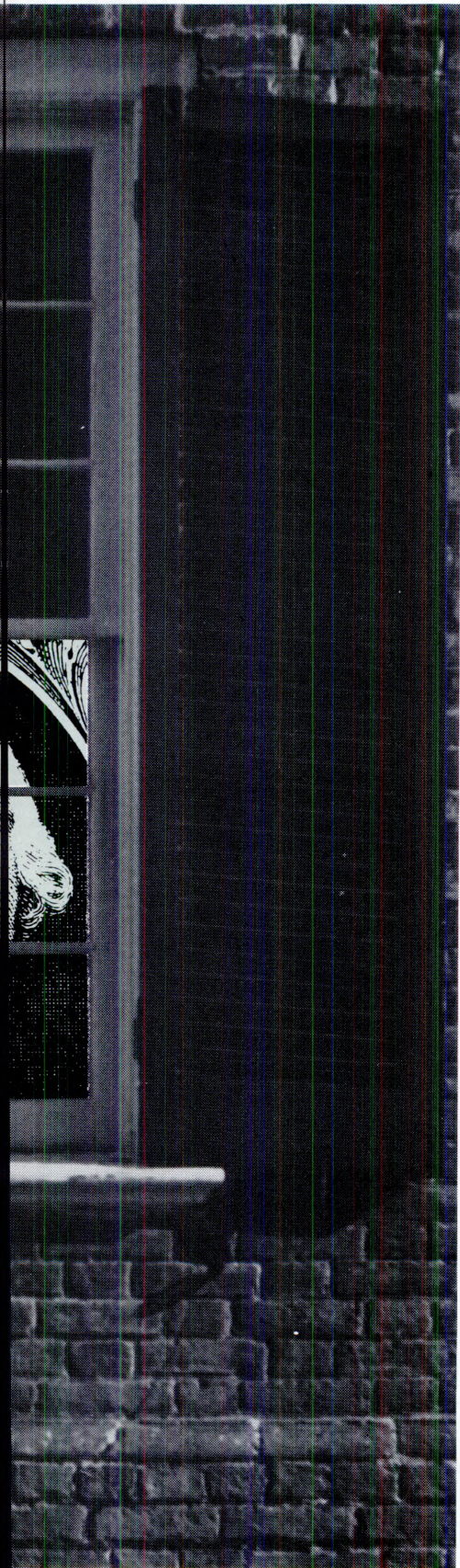
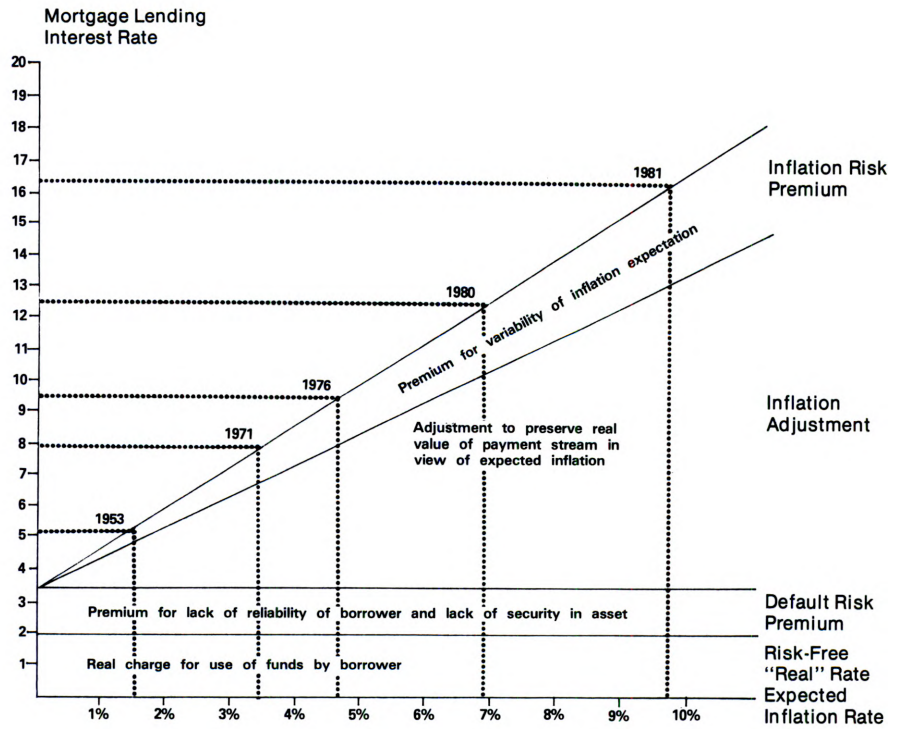


Chart 3—Unpaid Principal Balance Price Level Adjusted Mortgages



Despite the above problems, price level adjusted mortgages would eliminate the inflation adjustment and the inflation risk premium in the nominal interest rate. Such mortgages, therefore, would essentially solve the affordability crisis in housing.

Sociological Results

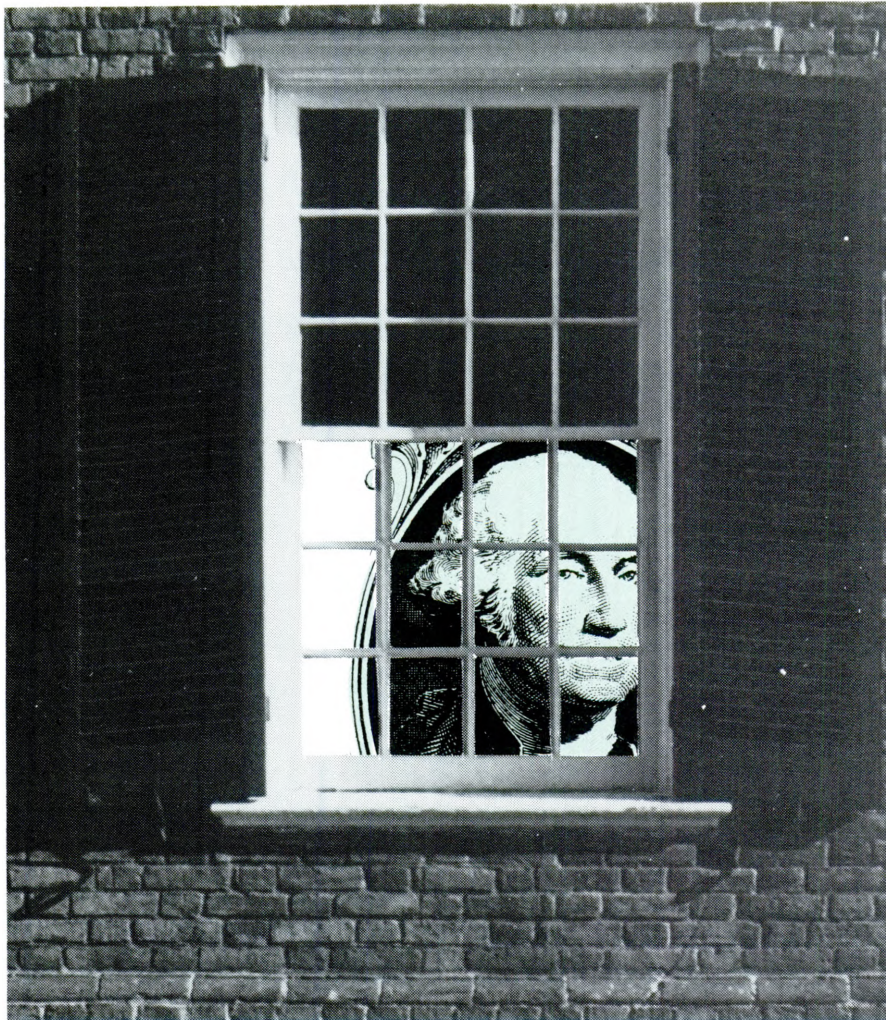
Currently available home lending instruments, coupled with extreme levels of inflation, penalize families in their lower-earning years. Persons in their twenties have lower incomes than those in their thirties and forties. Yet, because of inflation in home costs and individual compensation, the value of home payments for the latter group has become relatively insignificant (the typical 45-year-olds who bought their \$20,000 homes in 1969, for example, might have monthly payments of \$135.00). At the same time, lack of a real dollar mortgage instrument coupled with inflation-induced increases in interest rates makes homeownership unaf-

fordable for many young Americans.

Further, because of inflation and the inability of moderate-income persons to buy single-family homes, wealth is being transferred from wage-earners to buyers of rental housing who, by and large, are wealthy investors.

The Real Dollar Payback Concept

If the financing system has failed to achieve the purpose of allowing homebuyers to pay the real cost of their homes evenly over the useful lives of those assets and if the effect of this failure is substantially detrimental to society, then it appears worthwhile to seek a solution. It has been asserted here that the problem results from inflation expectations, the inclusion of those expectations as a major part of the mortgage lending interest rate, and the resultant elevation of initial monthly payment amounts on home loans. It has further been shown (see Chart 1) that buyers who finance homes at today's



inflation-elevated rates will pay a disproportionate share of the real cost of their homes during the early years of the home loan. This problem can best be solved through the introduction of a new kind of mortgage lending instrument that will require monthly payments that are equal in real terms (adjusted for inflation) over the life of the repayment schedule.

Referring to Chart 2, if payments are adjusted for inflation, then both the inflation adjustment and the inflation risk premium should be virtually eliminated. Realistically, the market would probably not adjust rapidly to the availability of such an instrument and the market rate on real dollar payback mortgages should be in the range of 5 percent to 7 percent, instead of 3 percent to 4 percent

as suggested in Chart 2. Even at 7 percent interest, initial monthly payments—and, in real terms, all monthly payments—on a \$60,000, 30-year loan would be \$399.00. This amount is affordable for typical prospective homebuyers. [The monthly payment is calculated just as that for a fixed rate mortgage instrument but using the much lower (real) interest rate.]

Adjustment of Monthly Payments

There are three kinds of indexes that might be used to adjust the monthly payments due under real dollar payback lending instruments. The first is an index that reflects the general level of inflation, such as the Consumer Price Index, the GNP Implicit Price Deflator, or the Producer Price Index. While per capita

disposable personal income has historically kept pace with these indexes, borrowers might fear that this would not be the case in the future. Nonetheless, the CPI, particularly, is well-known and respected and currently used for indexing social security payments and certain other elements in the economy. It, thus, has great appeal.

A second approach is to use an index that reflects period-to-period changes in the value of income streams that will pay the notes—that is to say, per capita disposable personal income. A third approach would be aimed primarily at protection of the lenders against decreases in the value of their security, that is, the home. The index of building costs for small residential structures published in the monthly *Construction Review* (U.S. Department of Commerce) might be appropriate if this approach is taken.

Whichever index is used, adjustments in the monthly payment should be made at least quarterly and should be of the exact percentage by which the appropriate index has changed. For several of the available indexes, a significant lag would be necessary because of publication delays.

Arrangements for Prepayment

If the borrowers desire to pay principal balance before maturity, or if the payoff balance has to be calculated for trading or other purposes, it is simple to calculate it. The principal balance at any point in time would be the then-existing present value of the remaining number of payments, assuming all payments to be of the then-existing amount, and using the discount rate (say, 7 percent) used in the original payment calculation. [The same result can be achieved by adjusting the unpaid principal balance (from a standard amortization table) for inflation, using the selected index.]

Marketability of Real Dollar Payback Loans

If the foregoing analysis, particularly that reflected in Chart 2, is valid and if financial markets are in any measure efficient, certainly the real

dollar payback loan should be marketable. From the standpoint of lenders, especially, the assurance that repayments will be adjusted for inflation should be enticing. The use of real dollar payback instruments during the 1960s and early 1970s would certainly have prevented the present crisis in home lending.

From the standpoint of borrowers, especially those who are currently excluded from the housing market, it is likely that a large latent demand already exists for real dollar payback loans. Offered a \$50,000 home loan with payments approximating \$330.00 and the assurance that those payments would constitute a level or decreasing proportion of family income, many young heads of household would immediately enter the housing market.

It is generally accepted that U.S. financial markets are somewhat efficient, although not perfectly so (Henning, 1975, pp. 26-28). Accordingly, it appears likely that interest rates charged on real dollar payback instruments should approach the real rate of interest reflected in Chart 2, including the risk-free rate plus the default risk premium. Therefore, the use of a 7 percent rate in the foregoing discussion probably is conservative. As a matter of fact, others (Cassidy, 1981; Kaufman and Erdevig, 1981) have assumed that the interest rate on inflation-adjusted mortgages will be 4 percent or 5 percent.

Conclusion

The reader will undoubtedly think of several possible criticisms of the real dollar payback approach. Among these might be the following:

1. The Consumer Price Index and the GNP Implicit Price Deflator include factors for housing costs, and to use these indexes to adjust home loans would result in circularity. Suffice it to say that home loan costs are only one of many factors involved in computation of these indexes and the real dollar payback loan would only constitute a percentage of the home loans made. Further, the use of a wage index would eliminate this prob-

lem.

2. The mortgage payment for a real dollar payback loan may balloon to unmanageable levels over a period of years. Even if a wage index is not used for the adjustment, the fact that per capita disposable personal income has historically kept pace with inflation mitigates this problem. Also, homes are typically purchased by couples in their lower earning years and paid for by those couples as their real incomes are increasing; therefore, it is reasonable to expect that the real dollar payback loan payment will constitute a decreasing proportion of personal income for a typical family.

3. Homebuyers like the idea of having their home value increased and the real value of their payments decreased through inflation. To the extent that borrowers feel this way, they are speculators who, in effect, are matching their ability to forecast the future against that of professional investors. The homebuyers have won in the past because the thrift industry has underestimated inflation rates while buying low interest, fixed rate, fixed-term mortgages. The industry will be more difficult to beat in the future. Secondly, these buyers will always be able to find a fixed rate mortgage if they so desire. The real dollar payback mortgage would be most appropriate for (1) rational borrowers who do not view their home loans as a means of financial speculation and (2) borrowers who are now shut out of the home market due to high interest rates caused by high inflation.

So that any criticism of the real dollar payback approach may be directed to the general concept involved and not at technical imperfections of my treatment of the concept, it seems useful to summarize the proposal: *in brief, it is suggested that a new type of credit instrument be made available to borrowers and to lenders. The major innovative feature of the new instrument would be that payments due to lenders will be adjusted for inflation.*

If the proposal herein stated is generally adopted, the effect on the

housing market will be immediate and major. Business investment will be encouraged and a major stimulus to inflation, high interest rates, will be dealt a severe blow.

This proposal does not require the action of government except in a facilitating way. It anticipates only the actions of the now-existing financial markets. Hardly any knowledgeable American would suggest that government should actively involve itself any more deeply in these markets. However, unless a solution to the current financial morass is soon found, political pressure will force Federal intervention in the form of interest rate ceilings and/or loan subsidies, which will be to the detriment of the American consumer, homebuyer and taxpayer, the financial community and our free enterprise system. The appointment of the President's Commission on Housing in June 1981 might be the beginning of such intervention. J

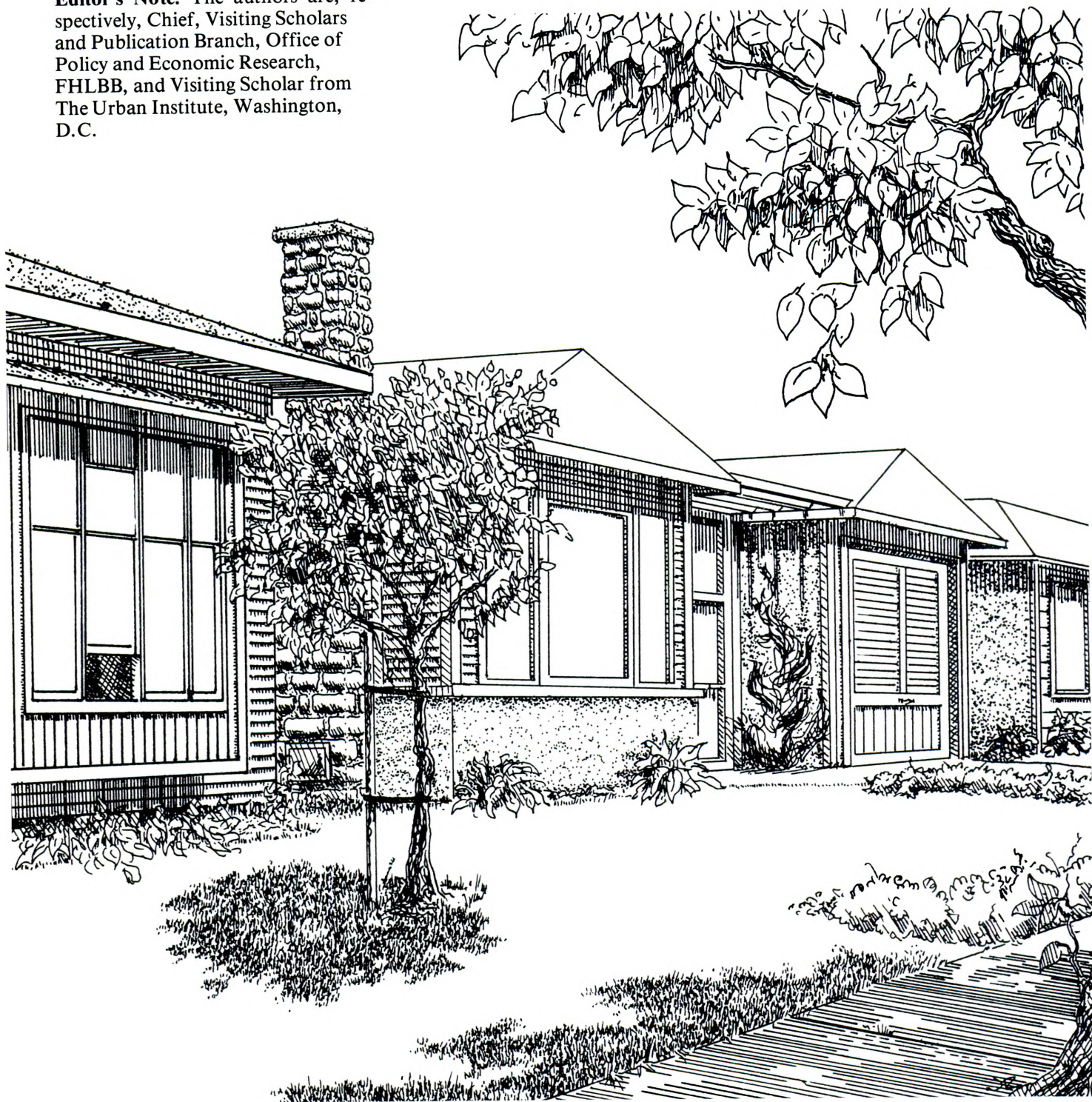
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Housing and the Economy

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Third Quarter Housing Activity

The third quarter was, in several respects, a record-setting quarter, but the records set are not the sort that could please anyone. Starts of new single-family homes dropped to some of the lowest levels since WWII. For the three-month period from July through September, new single-family starts averaged only 639,000 at a seasonally adjusted annual rate. The 598,000 August rate was the third lowest since 1959. Permits authorized for new construction have dropped steadily since May, but the number of starts has fallen even faster, indicating that even this declining rate of permit-seeking has been too optimistic.

New home sales in September were the lowest on record at 312,000. This was down sharply from July's 416,000 and was only about 55 percent of the sales in September 1980. Although permits, starts, and completions were all down, even lower sales activity has caused the sell-out period for unsold homes to soar. At September's sales level, the stock of unsold homes would provide a 12.3 month's supply. This is up from 10.2 months in August and from 7.7 months in September 1980.

New home sales prices dropped sharply in September from previous months to levels similar to those of a year ago. Median sales prices fell to \$67,100 from \$73,600 in August. This is down from \$68,500 in September 1980. Average (or mean) prices fell to \$82,000 from \$87,500 the month before, up slightly from \$80,300 in September 1980.

The meaning of the price statistics is uncertain to a larger degree than usual. House prices are not rising at the rate of general inflation and may well be falling. It is difficult to be precise for two reasons. First, the prices reported are not corrected for any quality changes. There are indications that the higher priced segment of the housing market is performing better than the rest. This would tend to shift the reported sales price upward, regardless of what happened to the price of comparable

houses from one year to the next. The average (mean) price is more subject to this bias than the median price is. Therefore, the combination of a reported decline in the median price and a reported increase in the mean price implies that the bias may be particularly great right now.

A second factor confusing interpretation of the statistics is that a large but unknown fraction of sales involve some sort of "creative financing," at rates well below market. These tactics create losses for the seller that are properly treated as a reduction in the house price. However, because they are not explicit, and because the loss on some kinds of creative financing will depend on future interest rates, there is no way to be certain how great they are.

Sales activity and prices in the existing, single-family home market also have been severely depressed.

Sales in September dropped to 2,070,000 units, only two-thirds of last September's 3,280,000 units, and about half of the peak recorded in November 1978. The sales activity per capita is the lowest ever recorded. The median sales price for existing homes declined slightly in September from the previous month, falling from \$68,400 to \$67,700. Although the median sales price is up 5.5 percent from September 1980, the increase is substantially less than the rate of inflation. It appears that 1981 will be the first time in five years that existing home prices will not keep pace with general consumer prices. As with new homes, price appreciation for existing units is probably even slower than these statistics indicate. Disproportionate sales activity in the upper segment of the market and extensive use of "creative financing" at below market rates of interest overstate true price changes.

Multi-family starts rose sharply in the period November 1980 to January 1981, but have fallen steadily since then. Starts in September 1981 were only 303,000, less than half the level in January (667,000), and down about 30 percent from the level a year ago (450,000). Over the past two decades, the combination of inflation

and tax law incentives has encouraged middle- and upper-income persons, who could afford the rents required by new construction, to purchase units rather than rent. (The strong interest in new condominium units and in condo conversion is a consequence of this.) To the extent rent increases have lagged behind the rate of increase in the general price level because of the inability of the remaining tenants to afford higher rents, the incentives for new rental construction have been greatly reduced.

Interest Rates

The outlook for housing depends heavily on the outlook for interest rates. Predictions of interest rates are particularly uncertain, though. So we offer a consensus view of several forecasters along with some of the reasoning underlying that view, and then two more extreme outlooks.

The consensus view is that short-term interest rates will decline quickly through the last quarter of 1981, stabilize or rise in the middle of 1982, and then fall slowly through 1983. The prime rate could reach 15 to 16 percent by the end of 1981. Long-term rates will fall throughout the same period, but much more slowly, with traditional long-term mortgage loans reaching the 13 to 15 percent range by 1983. This view is based on predictions about the economy, inflation, and Federal Reserve Board actions. Now let us consider each of these.

The Economy. As of early November, the economy appears to be falling into a recession. The consensus view of forecasters is that this downturn will continue until sometime near mid-1982.

Evidence that the economy is entering a recession is widespread. Housing and auto production, hurt by high interest rates throughout most of 1981, have hit historic lows recently. We already have noted the record-low housing starts and sales. Domestic auto production in October has fallen to the five million vehicle rate annually, 26 percent below last October and the lowest level since November 1971. The housing and auto

downturns appear to have spread to the rest of the economy in the third quarter. Industrial production declined 0.3 percent in August and 0.8 percent in September, with virtually all non-defense sectors showing declines in September. Over the past two quarters, the Gross National Product has shown little change. A decline in the second quarter was followed by a very slight increase in the third. Other evidence of economic decline includes September's 2.7 percent drop in the index of leading indicators and the decline in new factory orders. Unemployment has risen from 7.3 percent in August to 7.5 percent in September and 8 percent in October.

Most forecasters expect the current downward trend in the economy to continue until sometime near the middle of 1982. By then, increased activity in defense, the 10-percent second stage cut in individual income tax rates, lower taxes on business investment, and possibly some revival in housing and automobiles are predicted to revive economic output for an upswing lasting through 1983.

The emerging slide in economic activity should result in decreased business demands for credit and, if consensus forecasts are fulfilled, credit demand should remain soft until the recovery gets underway in 1982. Currently declining short-term interest rates, detailed below, reflect a weakening demand. Other evidence of a weakening demand appeared in the third week of October when commercial and industrial loans at leading banks turned downward following a slight increase in the preceding week.

The Fed. At the same time that business demand for credit is weakening, the supply of money appears to be easing. The Federal Reserve Board's avowed policy to slow money growth has been widely identified as the immediate cause of 1981's record-high short-term interest rates. So successful were Fed controls that money supply, as measured by checking accounts and currency (the so-called M1-B measure), has grown even more slowly than the lower bound of the Fed target. It is widely

felt that the Fed eased its controls in October to get back up to targeted growth. The decline in short-term rates since September and the end-of-October drop in the Fed's discount rate from 14 to 13 percent are cited as evidence. It is likely to take until early 1982 before M1-B gets back up to its targeted level because in October, when the Fed probably was loosening controls, growth continued below the target range.

With business demand for credit slackening and the money supply apparently easing, it is not surprising to find short-term interest rates beginning to fall. The prime rate was falling below 17½ percent as October ended from its high of over 20 percent a little over a month earlier. Interest rates on three-month bank certificates of deposit, a major cost component in setting the prime rate, fell over the same period from 17 percent to 14½ percent. Because the economic downturn and the Fed's easing of controls are expected to last into 1982, short-term rates are expected to continue declining until mid-1982. The prime is now commonly predicted to fall to 15 or 16 percent by the end of 1981.

In 1982, short-term rates are likely to cease falling once the economy turns upward. However, only the most pessimistic forecasts see rates reaching 1981 peaks. Other forecasts focus more on the declining inflation rate which, by late 1982, should be pronounced enough to cause reductions in the current inflation premium built into long- and short-term interest rates.

Inflation. Inflation has already slowed, although the Consumer Price Index obscures this decline by its over-emphasis on mortgage interest rates. For example, the producer price index for finished goods has risen only about 8 percent for the year ending this September compared with a nearly 13 percent rise the preceding year.

Expectations for continuing reductions in inflation in 1982 are guardedly optimistic. The Organization of Petroleum Exporting Countries has just agreed to keep prices fixed

throughout 1982, and the Department of Agriculture predicts food prices will rise no more rapidly than in 1981 because of plentiful supplies. Furthermore, 1982 will see several important labor contracts up for renewal in such industries as auto and trucking that clearly cannot continue their past patterns of rapid wage growth. In fact, General Motors and Ford are already pushing for wage concessions similar to those granted to Chrysler last year. Slower wage growth and continuing stability in food and oil prices during 1982 should bring price inflation as measured either by the producer price index or the implicit GNP deflator down to about 7½ percent for 1982 and 1983.

Primarily on the basis of improved inflation rates, forecasters are expecting long-term and short-term rates to decline by late 1982 and through 1983. For example, Data Resources Incorporated predicts interest rates on the traditional 25-year, level-payment mortgage to fall from its early October rate of 18 percent to a 15 percent average in 1982 and a 14 percent average in 1983. Predictions on short-term rates are similarly downward; money market mutual fund rates of 12 to 13 percent are being expected by 1983.

The outlook described so far has been based on the middle ranges of forecasts. It is well to keep in mind that this consensus view is not held by all.

Some "bearish" forecasters feel that private demands for credit will not decline this year, and that substantial Federal borrowing in the fourth quarter will quickly reverse the moderation in interest rates seen in the last few weeks. Fears that Congress will be unable to balance the budget, if widespread, could also keep inflationary expectations and uncertainty high, and these would put further upward pressure on long-term interest rates. Housing would remain in its currently depressed state.

On the other hand, some forecasters predict a deeper and longer recession starting now and continuing late into 1982. If the recession becomes

severe, both inflation and credit demand could fall substantially. Furthermore, recent tax changes may stimulate considerable new savings. Together these could lead to a major decline in interest rates. The silver lining in this darker cloud is that housing construction could mushroom.

Thrift Institutions

The record high interest rates lasting into October and the turn toward falling short-term rates since then have particularly important implications for the main source of housing credit, the thrift institutions. The high short-term interest rates caused large outflows from savings and loans. Over the full July through September quarter, net deposits declined \$2.8 billion. Declining deposits and high costs for borrowing forced thrift institutions to raise mortgage interest rates throughout the quarter. By early October, mortgage interest rates on new commitments passed 18 percent. Predictably, such high rates led to declining mortgage demand. New mortgage commitments declined steadily over the last quarter from \$4.3 billion in July to \$3.2 billion in September, reaching the low rate of May 1980, which suffered from the high rates and credit controls of that year.

October brought the first signs of relief for savings and loans. During the first 20 days of the month, All Savers Certificates apparently attracted \$3 to \$4 billion in new deposits. A total of \$13 to \$14 billion of these certificates were sold, so about \$10 billion were transferred from other savings and loan accounts. The new deposits represent clear gains for thrift institutions, and even the transfers that came from higher-yielding Small Savers Certificates (SSCs) and Money Market Certificates (MMCs) will help ease the thrifts' financial pinch. While the initial rush into All Savers Certificates is unlikely to be matched in succeeding months, total value should grow steadily as some owners of maturing SSCs and MMCs switch to All Savers Certificates. Furthermore, inflows from money market mutual funds could become important if short-term rates con-

tinue to decline, as is commonly predicted. However, inflows from money market mutual funds seem to have been unimportant in the initial move into All Savers Certificates. The funds continued to grow throughout October at a rate comparable to earlier months.

All Savers Certificates and lower short-term rates in the next six months should ease the recent troubles of thrift institutions. However, more substantial declines in all rates, beyond the consensus forecast for 1983, will be needed to change the fundamental problems of thrifts stemming from low deposits, low portfolio turnover, and low yields on old mortgages.

Housing Outlook

The outlook for owner-occupied housing is bleak, so long as interest rates remain high. Mortgage rates at 17 or 18 percent require monthly payments so great that only a small fraction of the population can qualify for conventional mortgage financing for the median-priced home.

The consensus forecast is for interest rates to fall to the 13 to 15 percent range in 1982 and 1983, and a major question is how housing markets would respond to such rates. Many would argue that a moderately high level of activity can be anticipated—1.4 to 1.7 million starts per year. They point to pent-up demand created over three years of low starts and falling sales. They also observe that starts held up surprisingly well when mortgage rates were in this range in late 1980 and early 1981.

Whether one should expect an equally good performance next time is uncertain. For one thing, it is likely that in recent years the demand for housing has been supported by a strong investment incentive. This past year, with housing prices flat or falling, may have removed some of the conviction that investment in housing is a sure way to beat inflation. Another reason housing markets may not bear up under 13-14 percent mortgage rates as well in the future as in the past is that, with inflation falling, these nominal rates represent

higher real rates than previously. The recent and prospective reductions in the marginal tax brackets will also increase the burden of high interest rates, since deduction of mortgage interest will be less advantageous than previously. Thus, there are good reasons to doubt that housing market activity will be strong in the coming year or two.

Some observers had hoped All Savers Certificates might provide enough low cost funds that home purchase and construction would be stimulated. The funds certainly are low cost; interest rates on All Savers have fallen to 10.7 percent for early November. However, leaders in the mortgage industry have expressed reluctance to make multi-year commitments on single-year certificates, especially when enabling legislation is limited to 18 months.

Between now and mid-1982, short-term rates could decline substantially, but long-term rates are expected to ease only slowly. Thus housing, as traditionally financed, would benefit little. One ray of hope, however, is that homebuyers could cash in on lower short-term rates by accepting adjustable mortgage loans tied to rates on short-term instruments. Homebuyers would immediately get the lower monthly payments permitted by falling short-term rates, and thrift institutions could avoid the risk of declining loan value if rates rise in the future.

The outlook for multi-family housing construction is not much better than for single-family housing. Condominium demand should be deterred by the same high interest rates and slowed value appreciation that we think will limit single-family demand. Rental housing did receive substantial tax benefits in the Economic Recovery Tax Act of 1981. But in recent years, much of the construction of multi-family rental units has depended on Federal government subsidies, particularly Section 8, and large cutbacks in these construction subsidies are being discussed. If they are made, construction of multi-family rental units will continue to be depressed in the coming year. J

Sources and Uses of Funds: Third Quarter 1981

by Stephen T. Zabrenski,
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Office of Policy and Economic Research,
Federal Home Loan Bank Board

Deposit outflows from savings and loan associations continued in the third quarter. Net new savings receipts were negative for the third consecutive quarter, more than offsetting interest credited to accounts for the second straight three-month period. There was a further weakening in savings flows to all types of accounts except large denomination and 2½-year or longer variable-ceiling certificate accounts. These latter two types of accounts and transaction accounts were the only accounts posting increases in balances during the quarter.

The third quarter deposit experience generally reflected the adverse effect of high market interest rates, which left associations at a competitive disadvantage with other investment alternatives, especially money market mutual funds. Some of the deposit loss, however, reflected the temporary transfer of funds into non-deposit retail repurchase agreements, many of which were scheduled to be converted into newly-authorized All Savers Certificates on October 1. On the positive side, funds flows into 2½-year or longer variable-ceiling certificates were up substantially in response to the removal of the 12-percent regulatory cap on the market-indexed ceiling on August 1.

Mortgage lending declined counter-seasonally during the third quarter, reflecting the attrition in deposit balances, the increased cost of funds to associations, and a reduced demand for mortgage loans resulting from further increases in commitment rates. Lending activity dipped close to the springtime 1980 low and activity for some loan and property types dropped to the lowest levels since the mid-1970s. Outstanding commit-

ments for future lending also declined by a more than seasonal amount, indicating that lending activity will continue to slow during the next few months.

Associations also increased borrowings by a record amount during the quarter, largely in response to adverse savings flows (some of this was funds flows into retail repurchase agreements). Holdings of liquid assets were reduced for the second consecutive quarter and the liquidity ratio dipped nearly to 8 percent.

Deposit Outflows Continue

Adverse deposit flows continued at associations during the third quarter, reflecting increased competition from alternative investments resulting from high market interest rates. Also contributing to deposit outflows was a further shift in funds from deposit accounts into non-deposit retail repurchase agreements.

The deposit outflow from regular passbook and old fixed-rate CDs accelerated in the third quarter, flow of MMCs turned negative and flow into transactions accounts slowed. The largest change was in MMC balances, which declined in the third quarter after posting a substantial increase during the April-June period. In contrast, balances in large denomination and 2½-year or longer certificates both increased more during the most recent quarter. The 2½-year account gain was five times the previous advance, some of which reflected shifts from lower-yielding MMCs.

Net new deposit receipts at federally insured associations were negative during each month of the quarter. Net receipts have now been negative on a monthly basis since March. Outflows were \$5.5 billion in July, \$3.3

billion in August, and \$3.8 billion in September, totaling \$12.6 billion for the quarter. This was an all-time record outflow and represented a counter-seasonal deterioration from the \$10.5 billion run-off during the second quarter. In contrast, there had been a net deposit gain of \$2.3 billion during the third quarter of 1980. (See Table 1.) Interest credited to accounts amounted to \$10 billion, a record, in the third quarter, up from \$9.6 billion during the previous three months and \$8.1 billion in the year-earlier quarter. On balance, outstanding deposits at associations declined by \$2.7 billion during July-September 1981. In the second quarter, such balances had dipped \$0.8 billion. During the year-earlier quarter, they had increased by \$10.4 billion.

Growth in 2½-year or longer variable-ceiling certificate account balances amounted to \$16.8 billion during the third quarter. This was five times the second quarter increase and the second largest quarterly increase on record. (See Table 2.) Virtually the entire increase was concentrated in the final two months of the quarter, reflecting the removal of the 12 percent "cap" on these accounts on August 1. At September 30, VCC balances at associations totaled \$77.4 billion and represented 15.3 percent of all deposits. Three months earlier, such balances were \$60.6 billion (11.9 percent) and at September 30, 1980, \$41.1 billion (8.4 percent).

Large denomination (\$100,000 or more) certificate balances increased by \$2.9 billion in the third quarter, compared with gains of \$2.4 billion and \$2.7 billion in the previous and year-earlier quarters, respectively. Jumbo CD balances were \$46.2 billion (9.1 percent of total savings) at

Table 1.—FSLIC-Insured Savings and Loan Associations: Sources and Uses of Funds
(in millions of dollars)

Item	1981		1980		1979	1978	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Third Quarter	
Sources, total	20,081	22,542	18,220	35,981	29,839	34,476	35,604
Net increase in deposits	-2,662	-844	8,030	13,866	10,354	7,947	11,643
Net new deposits received	-12,627	-10,467	-659	6,066	2,252	1,974	6,487
Interest/dividends credited	9,964	9,623	8,690	7,799	8,101	5,971	5,155
Loan dispositions	11,332	12,314	10,120	16,181	16,116	19,185	18,061
Net loan repayments	8,549	8,982	7,875	11,184	12,004	13,800	14,054
Loan sales	2,783	3,332	2,245	4,997	4,112	5,385	4,007
Net increase in borrowing	12,417	10,701	-254	-6,017	3,584	5,688	4,280
Net increase in FHLB advances	8,017	6,585	269	4,482	1,931	3,360	3,758
Net increase in other borrowing	4,400	4,116	-523	1,535	1,653	2,328	522
Net increase in other liabilities	339	1,469	994	-503	-181	788	604
Net increase in net worth	-1,345	-1,098	-670	420	-34	868	1,016
Uses, total	20,081	22,542	18,220	35,981	29,839	34,476	35,604
Gross mortgage loans disbursed	15,729	19,884	15,548	26,516	25,789	31,215	31,305
Gross mortgage loans made	12,678	17,014	12,663	22,458	23,139	27,371	28,209
Less net increase in loans in process	-927	251	-808	536	1,193	-341	-398
Loans purchased	2,124	3,121	2,077	4,594	3,843	3,503	2,698
Net increase in cash and securities	1,517	-810	881	4,076	1,028	1,022	2,429
Net increase in regulatory liquidity	-1,542	-2,539	971	2,673	388	776	2,351
Net increase in other investment securities	3,059	1,729	-90	1,403	640	246	78
Net acquisitions of government-insured, mortgage-backed securities, etc	1,054	2,089	996	1,913	2,769	895	844
Net increase in non-mortgage consumer loans	61	456	643	724	536	624	-247
Net increase in other assets	1,720	923	152	2,752	-283	720	779
Memoranda:							
Mortgage loan commitments outstanding:							
End of period	15,935	17,923	17,281	16,021	20,176	22,220	21,457
Increase during period	-1,988	647	1,285	-4,154	4,884	-361	-1,252
Liquidity ratio (end of period in percent) ²	8.05	8.41	9.01	8.94	8.73	8.68	8.70

¹ Detail may not add to totals because of rounding.

² Eligible liquid assets as a percent of savings plus borrowing payable in one year or less.
Note: The sources and uses table is presented

in a form which is slightly different from that found in the monthly release of selected balance sheet data. The loans in process account has been moved from the liability side where it appears on the balance sheet to the

assets side in order to derive the dollar volume of loans disbursed. In addition, lending activity data are shown gross and adjustments have been made to the net change in balance sheet items for structural and definitional changes.

Table 2.—FSLIC-Insured Savings and Loan Associations: Changes in Deposit Balances
(in millions of dollars)

Type of account	1981		1980		1979	1978	
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Third Quarter	
Regular and transaction accounts, total	-4,914	-2,848	1,169	-12,018	7,853	-3,573	-2,531
Regular accounts	-5,454	-3,778	-2,610	-12,458	7,702	NA	NA
Transaction accounts ¹	540	930	3,779	440	151	NA	NA
Large denomination certificates	2,874	2,369	1,138	3,542	2,704	3,504	1,197
Small denomination certificates, total	-621	-360	5,722	22,345	-204	8,016	12,977
6-month money market ¹	-890	6,350	12,900	24,640	-6,920	15,324	13,938
2½-year or longer variable ceiling ¹	16,840	3,311	6,979	9,145	14,845	0	0
Other	-16,571	-10,021	-14,157	-11,440	-8,129	-7,308	-961
All types of accounts	-2,662	-839	8,029	13,869	10,353	7,947	11,643

¹ Estimated based on information reported by a small sample of large associations and revised semiannually to reflect benchmark data for March and September.

the end of September, up from \$43.4 billion (8.5 percent) at mid-year and \$36.4 billion (7.5 percent) last September.

Transaction account balances rose by \$0.5 billion in the three months ending September 30, substantially less than the \$0.9 billion rise in the second quarter and sharply less than the \$3.8 billion increase in the first quarter, when such accounts were initially authorized for issue nationwide. At September 30, transaction account balances were \$6.5 billion (1.3 percent of all deposits).

MMC balances declined by \$0.9 billion during the third quarter, in marked contrast to the \$6.4 billion advance during the prior three months. The reversal reflected transfers into "uncapped" higher-yielding VCCs and retail repurchase agreements as well as withdrawals. MMC balances had also declined in the third quarter of 1980, but this was in response to a significant decline in short-term interest rates. MMC balances totaled \$202.6 billion (40.1 percent) at September 30. At mid-year, balances were \$203.5 billion (40.1 percent) and at September 30, 1980, \$159.6 billion (32.7 percent).

Regular passbook account balances declined for the fourth consecutive quarter. The \$5.5 billion drop-off was the largest since the fourth quarter of last year, when outflows totaled \$12.5 billion. At \$91.9 billion on September 30, passbook balances represented 18.2 percent of total deposits. At mid-year, they stood at \$91.4 billion (19.2 percent) and a year ago were \$116.3 billion (23.9 percent).

Balances in old fixed-rate certificates also declined. The \$16.6 billion drop-off was the largest since the second quarter of 1980 and the thirteenth consecutive quarterly run-off. Balances were \$80.6 billion (16 percent of all savings) at the end of September, down from \$97.2 billion (19.1 percent) at mid-year and \$133.1 billion (27.3 percent) a year earlier.

Mortgage Loan Repayments

Repayments of mortgage loan principal totaled \$8.5 billion at associations in the third quarter. This

represented a counter-seasonal decline from the previous three months, when repayment had amounted to \$9 billion. The slow-down reflected the down-turn in construction activity and home sales during the third quarter.

Further Slow-down in Mortgage Lending

Associations reduced mortgage lending during the third quarter in contrast to the usual slight increase in activity from the second to the third quarter. The further slow-down reflected the outflow of deposits, increased costs of funds to associations, and higher mortgage rates. By the end of September, mortgage commitment rates had risen to 17 $\frac{3}{4}$ percent, a new high and up from 16 $\frac{1}{2}$ percent at mid-year.

Lending volume slumped during each month of the quarter and totaled \$12.7 billion for the entire period, compared with \$17 billion in the previous three months. After adjustment for seasonal factors, the third quarter volume was \$11.6 billion, down \$4.1 billion (26 percent) from the second quarter level and close to the recent low of \$10.9 billion reached in the second quarter of last year. (See Chart 1.)

Construction loan outlays totaled \$3.1 billion for the third quarter, down \$1.3 billion (20 percent) from the second quarter and \$1.9 billion (38 percent) from the year-earlier period. (See Table 3.) Disbursements for construction purposes were only slightly above the second quarter 1980 low of \$2.9 billion and outlays for several property types dipped below these recent lows to the lowest levels since the mid-1970s.

There were reductions in construction lending volumes for all covered property types on a quarter-to-quarter basis. Declines ranged from 16 percent (single-family condominium outlays) and 17 percent (non-residential properties) to 37 percent (single-family non-condominium) and 40 percent (2-4 dwelling unit residences). Outlays for multi-family construction projects were off 28 percent. On a year-over-year basis, the

same general pattern prevailed, although non-residential outlays were up 6 percent. Residential component declines ranged from 14 percent (single-family condominium) to 34 percent (multi-family) to 51 percent (single-family non-condominium and 2-4 unit properties).

Permanent lending volume was also down with several components declining to levels last reached in the 1974-1976 slow-down in lending. At \$7.2 billion in the third quarter, activity was \$2.4 billion (25 percent) less than during the previous three months and \$7.3 billion (50 percent) below the year-earlier amount.

Every property classification posted a decline in lending volume on both a quarter-to-quarter and year-over-year basis. Outlays for newly built, single-family homes were down least—only 14 percent—over the quarter, probably reflecting special borrower assistance programs by builders. Other quarterly declines ranged from 27 to 34 percent. On a year-over-year basis, newly built, single-family financing was down 29 percent, while non-residential lending was off 23 percent. All other property types posted declines ranging from 50 to 60 percent.

Refinancing volume, at \$1.4 billion, was down 22 percent from the second quarter level and 48 percent from the year-earlier amount. Lending volume for all other purposes totaled \$1.1 billion, down 18 percent over the quarter but up 3 percent from a year ago.

Secondary Market Activity

Associations slowed their secondary market activity counter-seasonally during the third quarter, with purchases dropping at twice the rate of sales. Consequently, net sales increased to \$0.7 billion on gross purchases of \$2.1 billion and gross sales of \$2.9 billion. This was the highest net sales position since the second quarter of last year when they amounted to \$1 billion. Since then, quarterly sales had narrowly fluctuated between \$0.2 and \$0.4 billion.

Chart 1—

Billions of Dollars

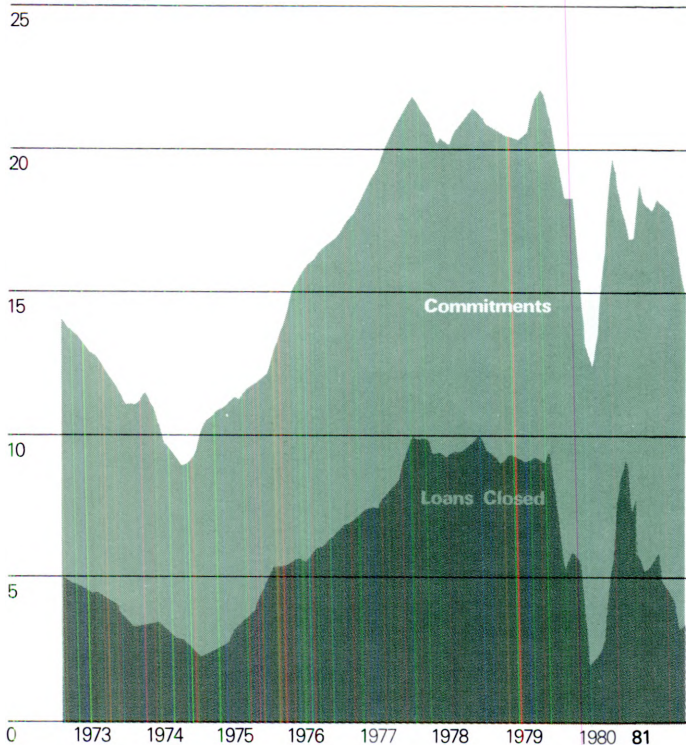
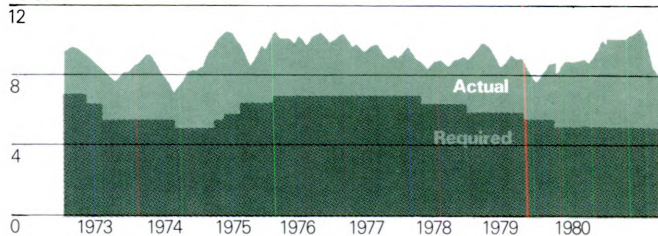


Chart 2—

End of Month Eligible Liquid Assets as a Percent of Savings and Short-Term Borrowings



Quarterly Change in Holdings of Liquid Assets

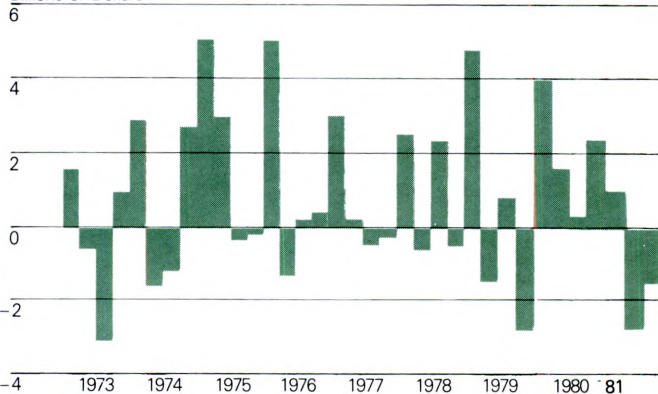
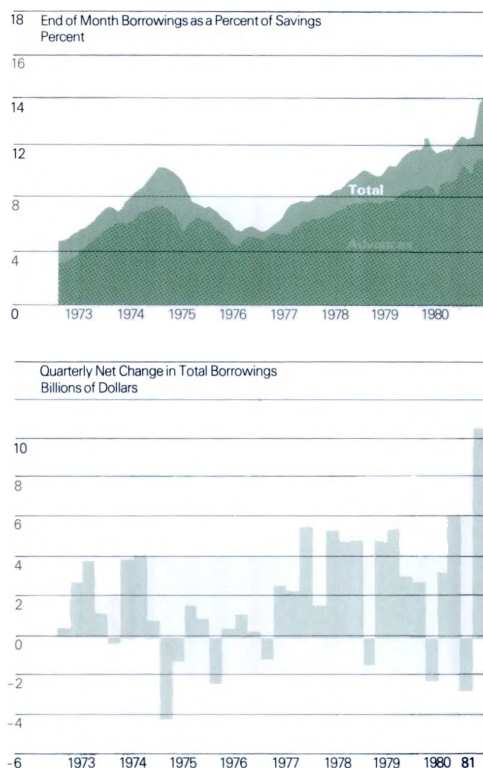


Table 3.—FSLIC-Insured Savings and Loan Associations: Mortgage Activity
(in millions of dollars)

Type of loan and property ¹	1981				1980	1979	1978
	Third Quarter	Second Quarter	First Quarter	Fourth Quarter	Third Quarter	Third Quarter	Third Quarter
Mortgage loans closed:							
Construction:							
Single-family, condominium	573	680	563	682	666	538	384
Single-family, other	1,575	2,493	2,044	3,248	3,210	4,089	4,311
2-4 dwelling units	110	183	165	254	226	256	237
5 or more dwelling units	274	380	316	466	414	561	566
Other structures	559	676	450	723	526	618	530
Total	3,091	4,412	3,538	5,373	5,042	6,062	6,027
Purchase:							
Single-family, newly built	2,793	3,251	2,732	4,080	3,923	4,765	4,650
Single-family, previously occupied	3,757	5,424	3,565	7,980	9,401	11,348	12,212
2-4 dwelling units	228	314	245	541	523	880	846
5 or more dwelling units	157	239	158	292	316	503	587
Other improved real estate	241	354	292	432	312	380	360
Total	7,176	9,582	6,992	13,325	14,475	16,876	18,655
Refinancing	1,354	1,734	1,295	2,540	2,601	2,305	2,451
Other purposes	1,054	1,288	837	1,217	1,023	1,128	1,075
Total loans closed	12,675	17,014	12,663	22,458	23,139	27,371	28,209
Secondary market activity:							
Purchases	1,124	3,121	2,077	4,594	3,843	3,503	2,698
Sales	2,783	3,332	2,245	4,997	4,112	5,385	4,007
Net purchases	-659	-213	-169	-403	-269	-1,883	-1,309

¹ Detail may not add to totals because of rounding.

Chart 3.—Borrowings of FSLIC-Insured Associations



Mortgage Commitments Off

Commitments for future mortgage lending were reduced steadily and more than seasonally during the third quarter. At \$15.9 billion on September 30, outstanding commitments were \$2 billion (11 percent) less than at mid-year. On a seasonally adjusted basis, outstanding commitments declined \$1.8 billion to \$15.3 billion. (See Chart 1.)

Some 78 percent of outstanding commitments were for originations, with the balance for purchases at the end of September. The originations proportion had been 81 percent at mid-year and has generally declined from the 83 to 87 percent range which prevailed in recent years. Some 40 percent of net commitments outstanding (gross commitments to acquire less commitments to sell) were expected to be disbursed in the fourth quarter, another 22 percent in the opening three months of 1982, and 38 percent beginning in April

1982.

Liquidity Reduced

Associations continued to reduce their holdings of liquid assets during the third quarter. The decline was more than seasonal and reflected the need for funds to meet savings withdrawals and previously-issued mortgage commitments. For the entire quarter, liquid asset holdings declined by \$1.5 billion to \$44.3 billion. (See Chart 2.)

The liquidity ratio (liquid assets as a proportion of deposits and short-term borrowings) declined in July, inched up in August, then dropped again in September. At 8.05 percent at the end of September, the liquidity ratio was down from 8.41 percent at mid-year and at its lowest level since the 7.98 percent level reached in December 1979. The ratio, however, remained well above the required regulatory minimum of 5 percent. (See Chart 2.)

Borrowings Up Again

Net borrowings of associations amounted to a record \$12.4 billion during the third quarter, topping the \$10.7 billion increase in the second quarter. Borrowings were heavy in each month: \$4.7 billion in July, \$3.7 billion in August, and \$4 billion in September.

Advances from the Federal Home Loan Banks increased by \$8 billion to \$61.8 billion. Other borrowings, including retail repurchase agreements issued by associations, rose \$4.4 billion to \$24.9 billion. All activity and balance figures were new highs.

At \$86.7 billion, total borrowings were 17.16 percent of total deposits at associations at the end of September, up from \$74.3 billion and 14.62 percent at mid-year. The advances-to-savings ratio also increased, from 10.58 to 12.23 percent. (See Chart 3.) J

News



Mrs. King

King Appointed Director of Minority Affairs

Adean Wells King has been appointed Director of the Office of Minority Affairs by Bank Board Chairman Richard T. Pratt.

Mrs. King came to the Bank Board in October 1976 as Equal Employment Opportunity Officer, and served as Acting Director from March 1981 until her appointment, which was effective October 4. She is responsible for advising and counseling the Chairman and the Board on a broad range of policy matters relating to the development and implementation of equal employment opportunity at the Bank Board; for developing Agency policies, program objectives, and guidelines based on Federal

statute, Equal Employment Opportunity Commission and Office of Personnel Management guidelines; and for assuring the policies and objectives are implemented throughout the Federal Home Loan Bank System.

Before joining the Bank Board, Mrs. King was a contract compliance officer at the U.S. Department of Agriculture and, prior to that, was a management consultant. Mrs. King was graduated from the University of Tennessee in Knoxville with a degree in business administration.

She and her husband, Gordon, reside in Upper Marlboro, Maryland, with their two children.

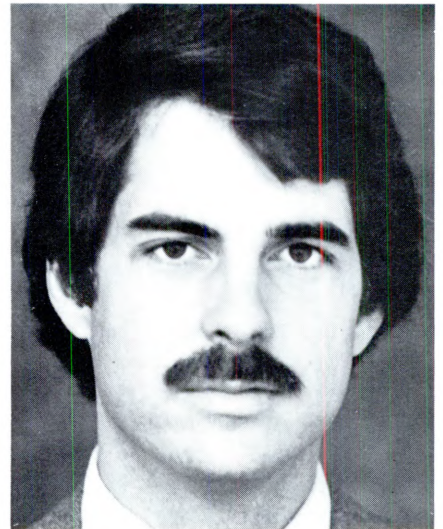
News in the Districts

Elliott Named to Marketing Post at District One

David Elliott has been named Vice President and Director of Marketing and Member Services at the Federal Home Loan Bank of Boston. In his new position, Mr. Elliott will create a marketing and member services department responsible for bringing new Bank services to members and helping members to exploit fully existing services. This department will also work with institutions considering membership in the Bank.

Mr. Elliott joined the Boston Bank in 1978 as Vice President/Director of Community Investment. In that

capacity, he worked at both local and national levels to develop and implement a unique community investment program of the Federal Home Loan Bank System. Before joining the Bank, Mr. Elliott spent four years with the Neighborhood Reinvestment Corporation in Washington, D.C., and Boston as associate director for program development. A native of St. Louis, Missouri, he holds a B.A. degree from Westminster College (Fulton, Missouri) and an M.B.A. degree from Boston University.



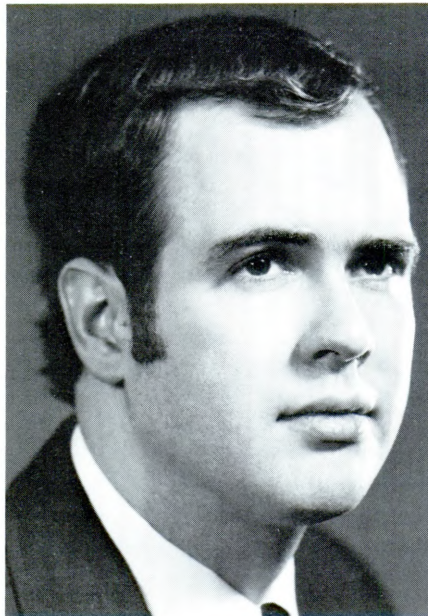
Mr. Elliott

Singleton Elected Vice President at District Four

Stanton J. Singleton, Jr., has been elected Vice President and Corporate Counsel of the Federal Home Loan Bank of Atlanta, as announced last month by Bank President Carl O. Kamp, Jr.

Mr. Singleton has been with the Atlanta Bank since receiving his law degree from the University of Georgia in 1972. Since that time, he has served in various administrative and legal capacities in the Bank's applications department and was named Assistant Vice President and Associate Corporate Counsel in 1976.

Mr. Singleton is a member of the Georgia and American Bar Associations and is a captain in the Judge Advocate General's Corps of the U.S. Army Reserves.



Mr. Singleton



Mrs. Hoskin

Hoskin Named Director of Community Investment at District Twelve

Beverly Hoskin has been promoted to Director of Community Investment at the Federal Home Loan Bank of Seattle, as recently announced by Bank President James R. Faulstich. In her new position, Mrs. Hoskin is responsible for formulating and implementing programs, as well as encouraging and assisting member

institutions, in the revitalization of communities and neighborhoods.

Mrs. Hoskin joined the Seattle Bank in April 1978 as administrative assistant for Community Investment. Before joining the Seattle Bank, she was manager of Washington (State)

Housing Resources. Prior to that, she was program coordinator for the Seattle League of Women Voters. Having received a B.A. degree in education from Long Beach State, Mrs. Hoskin has taught in the Los Angeles, Seattle, and the U.S. Department of Defense (Okinawa) school systems.

Regulations, Rulings and Opinions

Final Rule—Balloon Payment Mortgage Loans; Reverse Annuity Mortgage Loans

The Federal Home Loan Bank Board has amended its regulation authorizing federally-chartered thrift institutions to make non-amortized and partially-amortized loans by raising the maximum loan-to-value ratio from 60 to 95 percent, removing the existing five-year maximum on terms of such loans, and permitting the interest rates on such loans to be

adjusted periodically. The Board also liberalized its regulations authorizing the issuance of reverse annuity mortgage loans by deleting the requirements that such loan plans be submitted to the Board, that lenders offer refinancing of such loans at maturity, and that such loans bear a fixed interest rate. These actions are intended to enhance associations'

ability to balance the yields of their investment portfolios with their liabilities, and to meet borrowers' needs for additional home financing options.

Regulation 12 CFR Part 545. FHLBB Resolution No. 81-608. Published in the Federal Register 10/23/81.

Final Rule—Technical Amendment Relating to Receiverships

The Federal Home Loan Bank Board has adopted a technical amendment to Part 569a of the Rules and Regulations of the Federal Savings and Loan Insurance Corporation. The amendment changes the re-

turn to be paid as post-default interest in receiverships established pursuant to Section 406(c)(2) of the National Housing Act, as amended, in order to allow adjustment of the rate of return.

Regulation No. 12 CFR Part 569a. FHLBB Resolution No. 81-653. Published in the Federal Register 11/4/81.

Final Rule—Statement of Policy on Mergers

The Federal Home Loan Bank Board has clarified its general policy with regard to mergers of savings and loan institutions and the legal criteria the Board will apply in approving merger applications. Because of the

increased number of mergers occurring in the current economic environment, the Board determined that its current policy in reviewing those mergers should be stated as soon as possible.

Regulation No. 12 CFR Part 571. FHLBB Resolution No. 81-650. Published in Federal Register 11/4/81.

Final Rule—Delegation of Authority Regarding State Stock to Federal Stock Conversions

The Board has delegated to the Principal Supervisory Agent of the appropriate Federal Home Loan Bank authority to approve applica-

tions for conversion of state-chartered savings and loan institutions to federally-chartered savings and loan institutions in order to expedite the

processing of such applications. **Regulation No. 12 CFR Part 552. FHLBB Resolution No. 81-651. Published in Federal Register 11/4/81.**

Final Rule—Internal Processing—Election of Federal Home Loan Bank Directors, and Filing Applications Relating to Management Official Interlocks

The Board has amended its regulations to streamline the processing of elections for directors to the boards of the Federal Home Loan Banks and to permit merged or consolidated institutions, located in the same state and Federal Home Loan Bank Dis-

trict, to recognize their increased size in determining the number of votes they may cast in such an election held in the year of the merger or consolidation. The Board has also amended its regulations to provide procedures for submission of applica-

tions under the management official interlock rules.

Regulation No. 12 CFR Parts 522 and 563f. FHLBB Resolution No. 81-654. Published in Federal Register 11/4/81.

Proposed Rule—Amendments Concerning Borrowing

The Board has proposed to amend its regulations governing borrowing by savings and loan associations, the accounts of which are insured by the FSLIC. Major proposed changes include: (1) eliminating the current limitations on (a) the aggregate amount of outside borrowing, (b) the aggregate book value of all collateral securing outside borrowing, and (c) the distribution of maturities of liabilities; (2) eliminating the require-

ment that an institution continue to meet FSLIC net worth requirements after giving effect to an outside borrowing with a maturity in excess of one year; (3) eliminating the prohibition against the sale of loans with resource; and (4) expanding alternative loan documentation permitted for participation interests in loan pools to any type of loan in which an institution may invest. The proposal also would require that loss contin-

gencies resulting from the sale of loans with recourse be included in calculating net worth requirements. The proposed action would provide institutions with greater flexibility to manage liabilities and to arrange for sales of loans in the secondary market.

Regulation No. 12 CFR Parts 544, 561, 563, 571. FHLBB Resolution No. 81-640. Published Federal Register 10/28/81.

Proposed Rule—Amortization Periods for Premiums, Charges, and Credits; Treatment of Gains and Losses on the Sale of Real Estate

The Federal Home Loan Bank Board has proposed to authorize institutions, the accounts of which are insured by the Federal Savings and Loan Insurance Corporation (“insured institutions”), to amortize premiums, charges, discounts, and deferred acquisition credits relating to certain loans over a period not shorter than the loans’ contractual life or ten years, and to recognize currently any profit on certain sales

of real estate. The Board also proposed to authorize identical accounting treatment for sales of real estate by an insured institution’s subsidiary service corporation. Finally, the Board proposed to eliminate the regulatory provisions relating to amortization of discounts, charges, and credits recorded prior to January 1, 1972, since such regulatory provisions no longer have any application. The proposed amend-

ments would enable insured institutions and their subsidiary service corporations to reflect in their financial statements the results of real estate sales activities on a more realistic basis and on an equal footing with other entities engaging in similar activities.

Regulation No. 12 CFR Parts 563 and 563c. FHLBB Resolution No. 81-641. Published in Federal Register 10/28/81.

Proposed Rule—Amendments Relating to Issuance of Mutual Capital Certificates

The Board has proposed to amend its regulations concerning mutual capital certificates by providing that Federal mutual savings and loan associations and Federal mutual savings banks may adopt Board pre-approved charter amendments authorizing the issuance of mutual capital certificates without a special

proxy solicitation, and that state-chartered mutual savings and loan institutions, the accounts of which are insured by the FSLIC, may issue mutual capital certificates pursuant to the Board’s regulations provided that they adopt appropriate charter amendments authorizing their issuance in accordance with applicable

state law. The proposed amendments are intended to facilitate the issuance of mutual capital certificates.

Regulation No. 12 CFR Parts 544, 563, and 677. FHLBB Resolution No. 81-652. Published in Federal Register 11/4/81.

Notice of Cease-and-Desist Action

The Federal Savings and Loan Insurance Corporation (FSLIC) issued last month a cease-and-desist order against a state-chartered insured institution and its principal stockholder upon their consent.

The order requires the association to add \$1 million to its net worth by November 26, 1981, by a direct infusion of capital in cash, from the realization of cash on the sale of two parcels of land (recently acquired without any cash outlay or transfer of any assets), from a cash profit on the sale of any asset on hand, or by any other means that is acceptable to the Supervisory Agent. By December 31, 1981, the association must add addi-

tional capital of \$500,000 to \$1 million so that it will have a positive balance in its net worth, calculated in a manner satisfactory to the FSLIC in accordance with the insurance regulations, as presently in effect or as modified hereinafter, of \$1 million.

Pursuant to the order, if the association fails to meet these benchmarks or if it thereafter fails to maintain a positive net worth of \$1 million, the association’s directors must adopt and execute a consent resolution permitting the FSLIC to negotiate a merger, consolidation, rehabilitation, conversion, or transfer of the association’s assets and liabilities, or any combination or variation of the

foregoing.

The order further requires the association to meet and maintain 75 percent of the minimum amounts required by the reserve regulation, Section 563.13 of the Rules and Regulations for Insurance of Accounts [12 C.F.R. § 563.13 (1981)] by December 31, 1982, and to meet and maintain thereafter the full requirements by December 31, 1983. The order provides that it will remain in effect until the association has met and maintained the net worth level required by Section 563.13 of the Rules and Regulations for Insurance of Accounts for a period of six months.

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January, p. 21

Housing starts for 1980 totaled 1.29 million units; in fourth quarter, housing starts increased over third quarter total with the bulk of increase being in multifamily units. Housing and Economic Developments: A Quarterly Review. Marshall A. Kaplan.
February, p. 27

Housing starts declined 26 percent to 1.3 million during 1980, while prices of new homes rose 27 percent

to \$64,600. Office of Policy and Economic Research. An annual report by Marshall A. Kaplan.
April, p. 21

The Impact of Financial Innovations and Reform in the Housing and Mortgage Market. Five panelists give their views at 10th annual housing conference.
May, p. 4

Declined sharply during January-March 1981. Housing and Economic Developments: A quarterly Review. Marshall A. Kaplan.
May, p. 33

Abstract written on investment demand for housing during inflationary times. Research Working Papers. Romelle F. Roeske.
June, p. 28

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Outlook continues to be dim. Housing and Economic Developments: A Quarterly Review. Marshall A. Kaplan.
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Housing: Planning for the Future. Carol Mount Peterson.
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Starts continued to decline, this time to 918,000. A Monthly Economic Report. Surveying the Economic Horizon. Charlotte A. Chamberlain.
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Insurance limit on accounts increased from \$40,000 to \$100,000 in March 1980. Federal Savings and Loan Insurance Corporation. An

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Bank Board issues interpretation regarding payment of FSLIC insurance on accounts and clarifying existing FSLIC insurance coverage.
July, p. 77

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Bank Board issues memorandum advising OES professional staff how S&Ls may capitalize interest rates relating to qualifying assets.
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High interest rates curtailed most S&L operations and reduced industry profitability during 1980. Office of Policy and Economic Research. An annual report by Marshall A. Kaplan.
April, p. 20

Interest rate volatility during 1980 emphasized importance of asset and liability management. Office of Finance. An annual report by Charles Myers.
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The unstable interest rate environment is a major source of change in the financial market. Savings and Loan Planning for the Competitive Environment. Richard G. Marcis.
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Interest rates expected to rise in the fourth quarter. Surveying the Economic and Financial Horizon. Charlotte A. Chamberlain.
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Sharp rise in interest rates paid by S&Ls to depositors and lenders for funds was the principal cause for the loss during the first six months of 1981. Association Earnings—First Half 1981. Richard C. Pickering.
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Shape of Treasury yield curve, constraints on interest rate movements, and selected AML index help to determine initial rate on AMLs. Pricing Adjustable Mortgage Loans: Guidance from the Yield Curve. Henry J. Cassidy.
November, p. 7

Interest rates to remain high despite weakening economy and lessening inflationary pressures, due to restrictive monetary policy. A Monthly Economic Report. Surveying the Economic Horizon. Charlotte A. Chamberlain.
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May, p. 14

Congress working on issue of title insurance and high settlement costs. The Impact of Title Insurance and Controlled Business on the S&L Industry. Deborah A. Ford and G. Burgess Allison.
June, p. 2

Abstract written on legislative attempts to alter asset-liability mismatch. Research Working Papers. Romelle F. Roeske.
June, p. 28

DIDMCA is most dynamic piece of legislation in S&L history since the Homeowners' Loan Act of 1933 and

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Thrift Institutions Restructuring Act, which was introduced in Congress, explained briefly. Strategies for Assisting the Thrift Industry to Creatively Cope with the Rapidly Changing Financial Environment.
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March, p. 31

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April, p. 26

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Bank Board states policy regarding S&L authority to include due-on-sale clauses in its mortgage loan contract.
September, p. 31

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Liquid Assets rose \$1 billion during first quarter. Sources and Uses of Funds: First Quarter 1981. Stephen T. Zabrenski. **June, p. 31**

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Liquid asset holdings were reduced to \$45.9 billion and liquidity ratio declined to 8.41 percent. Sources and Uses of Funds: Second Quarter 1981. Stephen T. Zabrenski. **September, p. 24**

Bank Board amended liquidity rules to classify short-term securities issued by the FHLMC as liquid assets. **November, p. 25**

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Providing financial assistance usually through mergers is the resolution of a vast majority of all problem cases. In 1980, 93 of 124 problem cases were resolved through mergers. The FSLIC: Protection through Professionalism. Richard H. Grant. **February, p. 9**

Mergers authorized by the Bank Board tripled during 1980 after declining for past 5 years. Office of Industry Development. An annual report by Carol A. Oman. **April, p. 45**

Bank Board gave District Banks more authority to approve merger applications which in the past 95 percent of all merger applications had been approved by the Bank Board. Office of Industry Development. An annual report by Carol A. Oman. **April, p. 51**

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MONEY MARKET CERTIFICATES (MMCs)

Less reliance on short-term liabilities such as MMCs is one step to reduce maturity imbalance risk due to lend-long/borrow-short posture of S&Ls. Controlling Profit Volatility. Jerry Hartzog.
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Fell \$4 billion after increasing by record \$61.7 billion in previous 6-month period, which marked first semi-annual decline in MMC balances. Changes in S&L Deposit Account Structure: April 1980-September 1980. Stephen T. Zabrenski.
February, p. 20

MMCs improved substantially in fourth quarter as compared with the third quarter and at year end 1980, and represented 36.4 percent of all deposits as compared with 27.7 percent at year end 1979. Sources and Uses of Funds: Fourth Quarter 1980. Stephen T. Zabrenski.
March, p. 31

Growth in MMCs was largest of all accounts in spite of decline, MMC balance was 36 percent of all deposits. Office of Policy and Economic Research. An annual report by Marshall A. Kaplan.
April, p. 24

All but 8 S&Ls offered MMCs as MMCs totaled \$197 billion which represented 38 percent of total deposits. Changes in S&L Deposit Account Structure: October 1980-March 1981. Stephen T. Zabrenski.
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Declined in third period. Sources and Uses of Funds: Third Quarter 1981. Stephen T. Zabrenski.
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S&Ls are confronted with ways to compete with MMFs, the major source of funds. Planning for the Competitive Environment. Richard G. Marcis.
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Increased from \$0.8 billion to \$5 billion since authorization on December 31, 1980. Changes in S&L Deposit Account Structure: October 1980—March 1981. Stephen T. Zabrenski.
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Elimination of Regulation Q expected to result in less branching, fewer give-aways, and higher rates on deposits. Interest Rate Deregulation, Branching, and Competition in the Savings and Loan Industry. Kristine L. Chase.

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REMOTE SERVICE UNITS (RSUs)

Bank Board eliminates restrictions on authorizing RSU activities.

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Bank Board adopts amendment removing restrictions on operation of RSUs.

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Bank Board proposes to remove geographic restrictions on RSU operations.

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Bank Board removes geographic restrictions on establishment and use of RSUs.

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Research Working Papers. Romelle F. Roeske.

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Bank Board issues memorandum advising that over-collateralization of reverse-repurchase agreements may be unsafe.

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RESERVES

Bank Board issues Memorandum T-67 relating to reserve requirements for depository institutions, including revising Regulation D and amending reporting requirements for institutions with \$14 million or less.

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Less reliance on short-term liabilities such as passbook accounts is one step to reduce maturity imbalance risk due to lend-long/borrow-short posture of S&Ls. Controlling Profit Volatility. Jerry Hartzog. **February, p. 16**

Changes in S&L Deposit Account Structure: April 1980-September 1980. Savings balances increased 20 percent over 2 previous 6-month periods and passbook balances increased for first time since September 1977-March 1978 period. Stephen T. Zabrenski. **February, p. 20**

Savings during last quarter improved especially during October which had the largest monthly inflow since March 1979; but passbook accounts declined record \$12 billion during fourth quarter. Sources and Uses of Funds: Fourth Quarter 1980. Stephen T. Zabrenski. **March, p. 31**

S&Ls authorized to issue debit cards enabling savings account holders to make withdrawals or third party payments. **March, p. 42**

Bank Board issues memorandum on restricted use of give-aways. **March, p. 48**

Balances in regular passbook account declined \$11.3 billion during 1980 and was 21 percent of all deposits at S&Ls. Office of Policy and Economic Research. An annual report by Marshall A. Kaplan. **April, p. 24**

Regulation D amended by Federal Reserve which changed definition of "calendar month." **May, p. 53**

Net savings outflow was \$0.7 billion during first quarter 1981, the first quarterly outflow since third quarter 1974. Sources and Uses of Funds: First Quarter 1981. Stephen T.

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Bank Board determines that Christmas Club accounts and similar savings certificates are considered as "term" accounts, not as regular accounts. **June, p. 40**

Memorandum issued on requirements with respect to give-aways and trading stamps. **June, p. 40**

Changes in S&L Deposit Account Structure: October 1980—March 1981. Stephen T. Zabrenski. **August, p. 17**

Bank Board proposes to allow payment of interest on demand deposits held by the District Banks to enable the District Banks to serve the thrift industry and to enable thrifts to make use of funds. **August, p. 35**

Bank Board issues memorandum pertaining to certain time deposits which are to be considered personal time deposits and thus would not be subject to reserve requirements. **August, p. 37**

S&Ls experienced deposit outflows amounting to \$10.5 billion. Sources and Uses of Funds: Second Quarter 1981. Stephen T. Zabrenski. **September, p. 24**

Bank Board removes cap on ceiling rates of return payable by S&Ls on accounts of 2½ to 4 years and authorizes issuance of fixed-term accounts with variable rates. **November, p. 25**

Adverse savings flow continued in third quarter. Sources and Uses of Funds: Third Quarter 1981. Stephen T. Zabrenski. **December, p. 24**

SAVINGS AND LOAN ASSOCIATIONS

"Money Huts" Meet Customer Needs in Far West Territory. Far West Federal S&L of Portland, Oreg., introduces new concept of branching. **February, p. 14**

Future Federal Branches into Tomorrow's Technology. Future Federal, located in Louisville, Ky., sets up passive solar system. Madelynn Uth. **March, p. 24**

FSLIC paid out record \$1.3 billion to depositors of 11 S&Ls. Federal Savings and Loan Insurance Corporation. An annual report by Richard H. Grant. **April, p. 12**

Bank Board examines serious problem S&Ls every 6.5 months and problem-free S&Ls every 15.8 months. Office of Examinations and Supervision. An annual report by L. David Taylor. **April, p. 41**

New S&Ls established were concentrated heavily in the San Francisco District (41 percent) and in the Atlanta and Little Rock Districts combined (42 percent). Office of Industry Development. An annual report by Carol A. Oman. **April, p. 46**

Association Earnings—Second Half, 1980. Richard C. Pickering. **May, p. 28**

Bank Board eliminates form reports required under Bank Protection Act. **May, p. 53**

Three abstracts written on S&Ls. Research Working Papers. Romelle F. Roeske. **June, p. 28**

Understanding the Financial Institution Customer. Barbara E. Casey. **July, p. 62**

Otero Savings and Loan of Colorado Springs, Colo., develops innovative program to help first-time homebuyers. "Mortgages for Beginners:" An Early Success in Flexible Underwriting. Richard Fischman and Marcis Dempsey. **August, p. 10**

Crimes Against S&Ls Increase 16.1 Percent During Second Half of 1980. Peggy Daniels. **September, p. 18**

Mutual Home and Savings Association, based in Decatur, Ill., preserves an historical home in Shelbyville to be used as a branch office. 318 West Main Street—A Structure of Special Significance. Keith Hammond. **September, p. 22**

About 70 percent of S&Ls experienced a loss during the first half of 1981. Association Earnings—First Half 1981. Richard C. Pickering. **October, p. 23**

Bank Board requires that a record be prepared by each S&L after each attempted or completed external crime and filed at Bank Board headquarters.

November, p. 27

Chairman Pratt to Establish Savings and Loan Industry Museum.

December, p. 3

Bank Board adopts amendment allowing adjustment of rate of return with regard to receiverships.

December, p. 31

Bank Board issues cease-and-desist order against an S&L and requires that S&L add \$1 million to its net worth.

December, p. 32

SCHWARZ, KATHY SPILLAR

Assessing Community Credit Needs through a Consumer Survey. Co-author: Joel Saegert.

May, p. 24

SECRETARIAT

Secretariat. An annual report by J.J. Finn.

April, p. 77

Bank Board Implements Successful Micrographics System.

August, p. 31

SECURITIES

Savings and Loans and the Mortgage-Backed Security. Alan R. Winger and Madelynn Uth.

January, p. 12

Memorandum issued by Bank Board's Office of Examinations and Supervision on qualifying securities for investment and/or liquidity purposes.

May, p. 42-52

Bank Board implements recent statutory authority permitting S&Ls and other member institutions to invest in corporate debt obligations to satisfy their liquidity requirements.

February, p. 35

Corporate Bond Securities for Improved S&L Earnings and Liquidity. Donald J. Puglisi.

March, p. 19

Bank Board authorizes S&Ls to invest in mutual funds.

May, p. 42

Floating Rate Note: Alternative Short-Term Investments. Donald J. Puglisi and Deborah L. Cohen.

June, p. 7

Bank Board issues memo detailing guidelines on marketing government securities or retail repurchase agreements.

June, p. 42

Bank Board defines status of securities under liquidity and net worth rules to ensure appropriate treatment of certain securities.

October, p. 33

Bank Board corrects language in final amendments regarding permanent equity on securities.

November, p. 26

Bank Board permits S&Ls to defer and amortize gains and losses on sale or other disposition of mortgage-related securities and debt securities.

November, p. 26

SERVICE CORPORATIONS

Bank Board proposes to amend regulations to provide increased flexibility in S&Ls' service corporation activities.

February, p. 35

The Impact of Title Insurance and Controlled Business on the S&L Industry. Deborah A. Ford and G. Burgess Allison.

June, p. 2

Bank Board adopts amendments expanding and adding flexibility to service corporation activities.

June, p. 39

Proposed Act would increase service corporation investment. Pratt Discusses the Bank Board's Proposed Thrift Institutions Restructuring Act.

October, p. 5

Bank Board proposes to authorize identical accounting treatment for sale of real estate by S&Ls' service corporations.

December, p. 32

SHARPLIN, A.D.

Real Dollar Payback Loans: A Solution to the Housing Problem.

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SILKENSEN, JAMES R.

Office of District Banks. An annual report.

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STERN, JOSEPH M.

Issues of Tax Significance to the Thrift Industry. Co-author: William J. Newman, Jr.

March, p. 2

STOCK ASSOCIATIONS

The Change in Savings and Loan Control Act of 1978.

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The number of stock associations numbered 46 at end of 1980. Office of General Counsel. An annual report by Ira L. Tannenbaum.

April, p. 32

U.S. Court of Appeals upheld Bank Board's authority to approve conversions of mutual S&Ls to stock associations. Office of General Counsel. An annual report by Ira L. Tannenbaum.

April, p. 37

Bank Board adopts amendment to Charter S regulations regarding mergers of stock S&Ls and mutuals.

May, p. 41

Abstract written on impact of stock conversions. Research Working Papers. Romelle F. Roeske.

June, p. 28

Bank Board adopts amendment clarifying its authority to waive certain requirements in a merger involving a stock association and amended the definition of "association."

July, p. 77

Proposed Act would give S&Ls more freedom to convert to stock from mutual form or vice versa. Pratt Discusses the Bank Board's Proposed Thrift Institutions Restructuring Act.

October, p. 5

Bank Board delegates to Supervisory Agents the authority to approve state stock to Federal stock conversions.

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The Income Tax Treatment of Savings Certificate Penalties. Henry D. Forer.
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General Financial Data

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

Period	Short-term			Intermediate- and long-term						
	U.S. Government obligations ¹			Bonds and notes ¹				Mortgages		
	3-month bills	6-month bills	1-year bills	U.S. Government ²		Aaa ³ State and local government	Aaa ³ corporate	FHA-insured ⁴	Conventional ⁵	
				5-year	20-year				New homes	Existing homes
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										
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
Sept	14.70	14.92	14.53	15.93	15.07	11.55	15.49	18.55	15.29	15.93
Oct	13.54	13.82	13.62	15.41	15.13	12.05	15.40	17.43	15.65	16.01

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

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

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

⁴ Monthly data are based on opinion reports of FHA field offices on prevailing conditions in their localities as of the first of the succeeding month. Yields are derived from secondary market prices for sec. 203, 30-year mortgages with minimum downpayment and an assumed prepayment at the end of 15 years. Gaps in monthly data are

because of periods of adjustment to changes in maximum permissible contract interest rate. Data represent gross yield to the investor—i.e., the yield to the purchaser before deduction of serving costs.

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

⁶ 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 (Seasonally adjusted data; in billions of dollars)				Total	Time and savings accounts (in millions of dollars)			
	M1-A	M1-B	M2	M3		Type of institution			
	(Currency plus demand deposits) ¹	(M1-A plus other checkable deposits at banks and thrift institutions) ²	(M1-B plus overnight RPs and Eurodollars. MMMF shares, and savings and small time deposits at commercial banks and thrift institutions) ³	M2 plus large time deposits and term RPs at commercial banks and thrift institutions ⁴		Savings and loan associations ⁵	Credit unions ⁶	Mutual Savings banks ⁷	Commercial banks ⁸
December									
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
1980									
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
1981									
Jan	375.1	419.2	1,680.8	1,989.3	1,503,183	512,946	63,874	151,051	775,312
Feb	367.2	421.2	1,695.7	2,009.1	1,514,547	515,250	64,357	151,346	783,594
Mar	365.8	425.8	1,718.6	2,027.2	1,528,583	518,990	65,744	152,630	791,219
Apr	366.6	433.7	1,738.1	2,046.0	1,527,949	516,071	65,495	151,429	794,954
May	364.9	431.5	1,743.4	2,060.8	1,544,835	517,628	65,988	151,658	809,561
June	361.9	428.8	1,749.3	2,079.0	1,551,647	517,632	66,472	152,603	814,940
July	361.3	430.1	1,760.1	2,094.0	1,558,571	514,103	65,854	151,450	827,164
Aug	362.2	432.7	1,777.1	2,117.3	1,568,688	512,745	65,138	151,075	839,730
Sept	359.9	431.7	1,786.5	2,131.8	NA	514,800	65,686	NA	847,446
Oct	360.7	433.1	1,800.3	2,143.5	NA	NA	NA	NA	854,652

¹ 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.

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

³ 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.

⁴ 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.

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

⁶ 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.

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

⁸ 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.

⁹ Not available.

Table S.1.3.—Selected Types of Savings

(In millions of dollars)

Month	Net increase in deposits at FSLIC-insured savings and loan associations ¹		Net increase in regular deposits at mutual savings banks ²		Net increase in shares at credit unions ³	Net increase in time and savings deposits other than large CDs at commercial banks ⁴	Net purchase of U.S. savings bonds ⁵
	Excluding interest credited	Including interest credited	Excluding interest credited	Including interest credited			
1980							
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	-3,290	-1,343	-1,366	-407	-716	8,920	-366
Sept	-3,799	2,172	-1,500	-950	548	6,993	-340
Oct ⁶	1,463	3,533	NA	NA	NA	8,335	-300

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

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

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

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

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

⁶ Preliminary

⁷ Not available.

Federal Home Loan Mortgage Corporation

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

Period	Mortgage									
	Holdings (end of period)			Transactions (during period)					Commitments FHA/VA and conventional	
	Total	FHA/VA ¹	Conventional ²	Purchases		Sales			Made (during period)	Outstanding (end of period)
				FHA/VA	Conventional ²	FHA/VA	Conventional ²			
						PCs ⁴	GMCs ⁵			
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	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 ⁴		421 ⁴		130	321
June	5,245	1,066	4,179		139		94		293	1,018
July	5,238	1,062	4,176		242 ⁵		238 ⁵		865	824
August	5,280	1,059	4,221		101		44		308	1,028
September	5,410	1,055	4,355		393 ⁶		249 ⁷		365	982
October	5,453	1,053	4,400		290 ⁸		245 ^{8*}		1,834	2,863

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

² Include participations as well as whole loans.

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

⁴ Includes \$356 million in special placements in May.

⁵ Includes \$104 million in special placements in July.

⁶ Includes \$242 million in special placement in September.

⁷ Includes \$217 million in special placements in September.

⁸ Participation certificates.

* Guaranteed mortgage certificates.

** Includes \$211 million in special placements and \$4 million in adjustable rate mortgages (ARMs).

*** Includes \$203 million in special placements.

Table S.2.2.—Federal Home Loan Mortgage Corporation: Weekly Market Survey
(In percent, data for the week ending November 20, 1981)

Summary Results of Survey	U.S.	Northeast	Southeast	North Central	Southwest	West
Commitment Rate of 80% LTV Conventional Mortgages	17.70	17.78	18.60	17.66	17.89	17.32
Fees or Points charged Borrower on 80% LTV Conventional Mortgages	2.2	2.4	2.1	2.5	2.7	1.8
Fees or Points charged Seller on 80% LTV Conventional Mortgages	.2	.1	.7	.3	.5	0
Percentage of Respondents Offering 95% LTV Mortgages	60.6	57.9	29.8	62.9	46.1	76.1
Percentage of Respondents Offering Adjustable Rate Mortgages	37.6	41.6	33.2	36.0	59.9	29.7

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 ¹	Liabilities			Capital accounts	
	Cash	Investments	Advances	Other		Deposits and borrowings	Consolidated obligations ¹	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
1980										
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
1981										
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
Sept	248	8,000	64,347	941	73,536	11,852	53,755	1,185	5,682	1,062
Oct	256	7,295	64,662	1,009	73,222	11,548	53,481	1,369	5,698	1,126

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

Note: FHLBB data.

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

Month	Number of borrowers (end of month)	Average cost ¹ consolidated obligations-bonds		Average rate on FHLB advances ³		Month	Number of borrowers (end of month)	Average cost ¹ consolidated obligations-bonds		Average rate on FHLB advances ³	
		Out-standing ² (end of month)	Issued ³ (during month)	Out-standing ² (end of month)	Made ³ (during month)			Out-standing ² (end of month)	Issued ³ (during month)	Out-standing ² (end of month)	Made ³ (during month)
Percent per annum						Percent per annum					
December						Feb	2,763	10.67	13.94	11.14	16.00
1975	2,542	8.31	(*)	7.81	7.30	Mar	2,750	10.77	14.00	11.08	14.60
1976	2,549	8.09	(*)	8.63	6.60	Apr	2,764	10.89	14.50	11.40	15.50
1977	2,820	7.88	(*)	7.64	7.50	May	2,763	11.33	16.27	11.95	17.50
1978	3,139	8.08	9.61	8.56	10.20	June	2,761	11.48	14.70	12.40	17.50
1979	2,983	8.84	(*)	9.91	13.40	July	2,771	11.64	15.65	12.93	17.70
1980											
Nov	2,809	10.28	12.98	10.41	14.30	Aug	2,768	12.03	16.18	13.32	18.20
Dec	2,819	10.40	15.80	11.23	17.40	Sept	2,747	12.29	16.46	13.41	17.50
1981											
Jan	2,792	10.45	13.35	11.22	17.00	Oct	2,714	NA	15.55	13.29	NA

¹ Includes selling costs and passthroughs to the Federal Home Loan Mortgage Corporation.

² Weighted by amount outstanding at each rate.

³ Weighted by the amount issued or made at each rate. Advances made exclude renewals and conversions and the averages shown reflect changes in the types of advances being made as well as changes in rates on specific types of advances.

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

⁴ No obligations issued.

⁵ Excludes advances to the Federal Home Loan Mortgage Corporation.

Note: FHLBB data.

Table S.3.3.—Federal Home Loan Banks: Number of Members, by Type
(October 30, 1981)¹

District Bank	Total number of members	Savings and loan associations					
		All S&L's	Federals	State chartered		Savings banks	Insurance companies
				FSLIC insured	Other		
All Banks	4,084	3,932	1,927	1,912	93	150	2
Boston	246	159	68	48	43	87	
New York	325	283	111	171	1	42	
Pittsburgh	292	289	126	146	17	3	
Atlanta	644	644	440	203	1		
Cincinnati	484	483	271	183	29		1
Indianapolis	204	203	126	76	1		1
Chicago	453	450	170	280		3	
Des Moines	254	253	144	108	1	1	
Little Rock	606	606	209	397			
Topeka	211	211	108	103			
San Francisco	213	213	72	141			
Seattle	152	138	82	56		14	

¹ 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	Pittsburgh	Atlanta	Cincinnati	Indianapolis	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													
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
Sept.	64,347	1,251	6,480	1,968	9,471	4,116	1,772	3,787	3,583	4,250	3,452	19,671	4,546
Oct.	64,662	1,244	6,425	1,959	9,430	4,056	1,754	3,821	3,690	4,243	3,434	20,101	4,504

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	Feb.	2,384	2,759	-375
1975	5,468	9,425	-3,957	Mar.	3,622	2,654	968
1976	8,114	10,097	-1,983	Apr.	4,333	1,978	2,355
1977	13,756	9,445	4,311	May	3,656	2,039	1,617
1978	25,297	12,800	12,497	June	5,853	2,906	2,947
1979	29,166	19,998	9,168	July	6,407	3,027	3,380
1980				Aug.	5,972	2,976	2,996
Nov.	2,996	2,311	685	Sept.	6,622	4,746	1,876
Dec.	3,988	2,347	1,641	Oct.	3,941	3,626	315
1981							
Jan.	2,465	2,847	-382				

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

Table S.3.6.—Consolidated Federal Home Loan Bank Obligations Outstanding—Bonds
(October 30, 1981)

Date of maturity	Date of issue	Amount (millions)	Coupon rate (percent)	Date of maturity	Date of issue	Amount (millions)	Coupon rate (percent)
Nov. 25, 1981	Oct. 25, 1974	400	8.65	May. 25, 1984	May 28, 1974	300	8¾
Nov. 25, 1981	Dec. 23, 1980	700	15.80	May 25, 1984	May 25, 1976	300	7¾
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	Sep. 25, 1984	Sep. 25, 1981	600	16.40
Jun 25, 1982	Mar. 25, 1981	1,100	14.10	Nov. 26, 1984	Nov. 26, 1976	300	7%
July 26, 1982	May 27, 1980	1,000	9.60	Feb. 25, 1985	Feb. 25, 1977	500	7%
July 26, 1982	July 27, 1981	1,000	15.90	Mar. 25, 1985	Aug. 25, 1980	1,200	10.80
Aug. 25, 1982	Oct. 25, 1979	750	11%	Apr. 25, 1985	June 25, 1981	700	14.55
Aug. 25, 1982	Nov. 25, 1980	1,200	13.10	May 28, 1985	Feb. 27, 1978	500	8%
Sep. 27, 1982	Sep. 25, 1981	1,500	16.50	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
Feb. 25, 1983	Oct. 26, 1981	800	15.55	May 27, 1986	May 26, 1981	600	15.50
Mar. 25, 1983	June 25, 1981	1,100	14.80	July 25, 1986	July 27, 1981	500	15.35
May 25, 1983	April 12, 1973	161	7.30	Sep. 25, 1986	Sep. 25, 1981	500	16.40
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	7¾
Feb. 27, 1984	Aug. 27, 1979	900	9.05	Feb. 25, 1996 ¹	Feb. 25, 1977	300	7%
Feb. 27, 1984	Oct. 27, 1980	600	11.75	May 26, 1997 ¹	May 25, 1972	150	7.15
Mar. 26, 1984	May 27, 1980	800	9.85				

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

Note: FHLBB data.

Savings and Loan Associations

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

End of period	Assets			Total assets; total liabilities, and net worth	Liabilities and reserves					Loan commitments outstanding ³
	Cash and investment securities ¹	Mortgage loans	Other assets		Savings capital	FHLB advances, other borrowed money	Loans in process	Other liabilities	Net worth ²	
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
1980										
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
1981										
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	58,558	517,701	75,727	651,986	512,745	83,287	7,382	18,067	30,505	16,681
Sept	58,938	518,132	77,019	654,089	514,800	87,148	7,016	15,019	30,106	16,012
Oct ⁵	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

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

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

³ Not a balance sheet item.

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

⁵ 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 ¹	Interest/dividends credited	New savings received	Total	Withdrawals	Net inflow ¹	Net new savings received ²	
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										
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	43,548	44,906	—1,358	1,947	41,119	43,066	44,410	—1,343	—3,290	
Sept	50,170	48,115	2,055	5,970	44,547	50,517	48,346	2,172	—3,799	
Oct ³	NA	NA	NA	2,069	52,191	54,260	50,728	3,533	1,463	

¹ Gross savings receipts less withdrawals.

² New savings received less withdrawals.

³ Preliminary data based on incomplete reporting.

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

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

Period	All operating associations	FSLIC-insured associations												
		United States	Federal Home Loan Bank District											
			Boston	New York	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
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														
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	-1,358	-1,343	46	-84	-64	-118	-55	-142	-217	-42	85	-1	-605	-147
Sept	NA	2,172	-7	272	84	306	167	-19	45	92	276	161	717	77
Oct ¹	NA	3,533	101	134	130	574	261	168	367	89	207	187	1,208	105

¹ Preliminary data based on incomplete reporting.

Note: FHLBB data. All operating association data are estimates as described in the note to table S.4.9. 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														
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	-3,290	-27	-260	-147	-477	-201	-241	-429	-129	-72	-75	-984	-248	
Sept	-3,799	-89	-370	-151	-737	-357	-308	-529	-243	-221	-82	-467	-246	
Oct ¹	1,463	28	-59	40	185	113	56	130	-16	42	109	841	-6	

¹ Preliminary data based on incomplete reporting.

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

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

Period	All operating associations total loans	FSLIC-insured associations											
		Loans closed									Loans and participations purchased	Loans and participations sold	Net loan repayments ¹
		Total	Purpose of loan						Refinancing	Other			
			Construction of—			Purchase of—							
		1- to 4-family homes	Other dwelling units	Other structures	1- to 4-family homes	Other dwelling units	Other improved real estate						
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													
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	4,052	3,983	667	90	141	2,231	50	77	413	312	679	852	2,645
Sept	NA	3,797	706	83	219	1,899	35	80	419	355	778	956	3,020
Oct ¹	NA	3,217	499	61	187	1,682	58	74	361	295	690	605	2,984

¹ Principal payments plus miscellaneous credits less debits for interest, taxes, etc.

² Preliminary data based on incomplete reporting. Note: FHLBB data. All operating association data are estimates as described in note to table S.4.1.

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

Period	All operating associations	FSLIC-insured associations												
		United States	Federal Home Loan Bank District										Seattle	
			Boston	New York	Pittsburgh	Atlanta	Cincinnati	Indianapolis	Chicago	Des Moines	Little Rock	Topeka		San Francisco
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														
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	4,052	3,983	81	205	143	804	301	117	306	129	645	259	765	226
Sept	NA	3,797	78	194	125	669	267	101	258	112	634	235	960	164
Oct ¹	NA	3,217	75	164	122	631	219	81	209	98	451	263	706	199

¹ Preliminary data based on incomplete reporting.

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

Table S.4.7.—Mortgage Debt Held by All Operating Savings and Loan Associations by Type of Property and Mortgage¹
(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 ²	206,182	166,410	14,057	13,474	138,879	21,051	1,343	19,708	18,721	1,814	16,907
1973 ²	231,733	187,078	13,813	14,604	158,661	22,779	1,321	21,458	21,876	2,294	19,582
1974 ²	249,301	200,987	13,472	15,166	172,349	23,808	1,246	22,562	24,506	2,643	21,863
1975 ²	278,590	223,903	13,450	15,968	194,485	25,547	1,172	24,375	29,140	3,064	26,076
1976 ²	323,005	260,794	13,372	16,602	230,820	28,425	1,375	27,068	33,786	3,392	30,394
1977 ⁴											
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 ⁴											
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 ⁵											
Mar	441,377	363,739	11,696	15,669	336,374	36,678	1,457	35,221	40,960	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	14,960	373,530	37,329	1,395	35,934	43,967	5,436	38,531
Sept	491,895	409,896	11,363	15,003	383,530	37,728	1,377	36,351	44,271	5,460	38,811
Dec	502,812	419,446	11,464	15,034	392,948	38,113	1,408	36,705	45,253	5,531	39,722
Mar	507,152	423,269	11,309	14,860	397,100	38,189	1,420	36,769	45,694	5,680	40,014
June	514,803	430,324	11,223	14,826	404,275	38,044	1,390	36,654	46,435	5,920	40,515

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

² Data for the indicated period reflect an increase in total mortgage balances caused by an addition of newly organized associations, or a decrease caused by conversion or merges into mutual savings banks or by liquidation in the following amounts: 1972, \$—78 million; 1973, \$—35 million; 1974, \$—63 million; 1975, \$—35 million; 1976,

\$—337; 1977—1st, \$—37 million; 1980—1st, \$—644; 2nd, \$—108.

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

⁴ Revised.

⁵ Preliminary.

Note: FHLBB data.

Table S.4.8.—Average Cost of Funds¹ to FSLIC-Insured Savings and Loan Associations, by Bank District
(Percent)

Year half year	All Districts	Boston	New York	Pittsburgh	Atlanta	Cincinnati	Indianapolis	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

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

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

Table S.4.9.—Effective Interest/Dividend Rates Paid¹ by FSLIC-Insured Savings and Loan Associations, by Bank District (Percent)

Year or half year	All Districts	Boston	New York	Pitts-burgh	Atlanta	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
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

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

Table S.4.10.—Interest Return on Mortgages Held¹ by FSLIC-Insured Savings and Loan Associations, by Bank District (Percent)

Year or half year	All Districts	Boston	New York	Pitts-burgh	Atlanta	Cincin-nati	Indian-apolis	Chicago	Des Moines	Little Rock	Topeka	San Francisco	Seattle
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

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

Table S.4.11.—Minimum Ratio¹ of Liquid Assets² to Liquidity Base³ Required of Members of the Federal Home Loan Bank System (Percent)

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

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

² Liquid assets 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, 1980; (i) high-grade corporate debt obligations maturing in 3 years or less and commercial paper maturing in 270 days or less beginning December 31, 1980, 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.

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

⁴ Short-term liquid assets 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.

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

⁶ No separate requirement.

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

Table S.4.12.—Maximum Rates of Return Payable on Savings Accounts by S&Ls That Are Members of the FHLB System

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

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

² 5.25 percent in Mass.

³ 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.

⁴ 5.50 percent in Mass.

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

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

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

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

⁹ \$1,000 minimum balance required.

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

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

¹² \$50,000 for Puerto Rico only, beginning Sept. 3, 1970.

¹³ 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.

¹⁴ No maximum rate.

¹⁵ 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.

¹⁶ 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.

¹⁷ 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 ¹

Period	Contract interest rate ² (percent)	Initial fees and charges ³ (percent)	Effective rate ⁴ (percent)	Term to maturity (years)	Loan amount (thousands)	Purchase price (thousands)	Loan-to-price ratio (percent)	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											
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
Sept	15.14	2.48	15.70	25.6	53.4	76.8	72.0	40	36	16	9
Oct	15.35	2.44	15.89	25.9	52.7	77.9	70.1	43	32	14	11
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											
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
Sept	14.69	2.75	15.29	26.6	64.8	89.1	74.4	37	35	17	12
Oct	15.04	2.86	15.65	27.4	63.5	89.2	73.0	37	33	14	16
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											
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
Sept	15.38	2.40	15.93	25.2	47.2	69.4	71.2	39	37	16	8
Oct	15.47	2.42	16.01	25.7	48.1	71.9	70.9	41	34	15	10

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 Lenders¹

Period	Contract Interest Rate ²					Effective Interest Rate ⁴					Percent of Respondents Offering ⁷				
	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															
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
Sept	17.23	17.26	17.27	17.40	17.55	17.73	17.77	17.78	17.95	18.14	72.1	70.8	68.0	57.7	35.1
Oct	17.61	17.64	17.67	17.83	17.97	18.14	18.17	18.20	18.40	18.58	73.7	72.8	69.2	59.3	35.6

See footnotes at end of Table S.5.3.

Table S.5.3.—Commitment Rates,^a Lending Policy,^b 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 (%) ²		Effective Rate (%) ⁴		Percent of Respondents Offering ⁵ (%)		Contract Interest Rate ² (%)	Initial Fees and Charges ³ (%)	Effective Rate ⁴ (%)	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														
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	
Sept	17.25	17.36	17.78	17.93	76.2	64.7	14.97	2.79	15.57	27.3	54.6	77.4	73.3	
Oct	17.59	17.74	18.13	18.32	77.2	66.4	15.17	2.96	15.81	27.5	54.8	77.1	73.7	

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

² 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.

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

⁴ Contract rate plus initial fees and charges amortized over 10 years, the assumed

actual average life of a conventional mortgage.

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

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

⁷ 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 and quarter	Property type							Mortgage type ¹	
	Total	Nonfarm					Farm	FHA/VA-underwritten	Conventional ²
		Total	Residential		Commercial	Total			
			1- to 4-family homes	5 or more 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 ²									
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 ²									
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 ²									
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

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

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

Table S.5.5.—Mortgage Debt Outstanding on One-to Four-Family Nonfarm Properties by Type of Holder
(In millions of dollars)

End of year and quarter	Total	Savings and loan associations ¹	Life insurance companies	Mutual savings banks	Commercial banks	Federal and related agencies ²			Mortgage pools or trusts ³	Other holders
						FNMA ²	FHLMC	Other		
1973	416,211	187,078	20,426	48,811	67,998	20,370	2,446	4,334	13,636	51,112
1974	449,371	200,987	19,026	49,213	74,758	23,778	4,217	5,422	18,639	53,331
1975	490,761	223,903	17,590	50,025	77,018	25,813	4,588	7,475	28,081	56,268
1976	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 ⁴										
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 ⁴										
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 ⁴										
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

¹ See notes to S.4.7.

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

³ Balances backing securities insured or guaranteed by Government National Mort-

gage Association, FHLMC, and Farmers Home Administration.

⁴ 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 ¹	Life insurance companies	Mutual savings banks	Commercial banks	Federal and related agencies ²			Mortgage pools and trusts ³	Other holders
						FNMA	GNMA	Other		
1973	93,132	22,779	18,451	12,343	6,932	3,805	2,574	1,650	616	23,982
1974	99,976	23,808	19,625	12,923	7,619	5,800	2,598	2,542	785	24,276
1975	100,601	25,547	19,629	13,792	5,915	6,011	2,710	3,594	1,263	22,140
1976	104,505	28,425	19,178	14,177	8,082	5,970	2,271	4,072	1,910	20,420
1977 ⁴										
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 ⁴	109,698	31,581	18,831	14,952	8,815	5,970	2,077	4,314	2,682	20,476
4th ⁴	111,841	32,513	18,807	15,304	9,215	5,865	2,112	4,398	3,089	20,538
1978 ⁴										
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 ⁴										
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 ⁴										
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
3d	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

¹ See notes to table S.4.7.

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

³ Balances backing securities insured or guaranteed by Government National Mort-

gage Association, FHLMC, and Farmers Home Administration.

⁴ Revised.

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

⁴ Revised.

Table S.5.7.—Foreclosures¹ by FSLIC-Insured Savings and Loan Associations Classified by Type of Mortgage

Period	All types of mortgages						Conventional mortgages			FHA/VA mortgages		
	Number of mortgages foreclosed		Balance due on mortgages foreclosed				Number of mortgages foreclosed			Number of mortgages foreclosed		
	Number	Percent of average No. of mortgages held	Amount (\$ millions)	Percent of average Mortgage balances held		Number	Percent of average No. of mortgages held		Number	Percent of average No. of mortgages held		
	Actual	Annualized ²		Actual	Annualized ²		Actual	Annualized ²		Actual	Annualized ²	
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
1981												
Jan.—June	13,083	.083	.166	669.7	.135	.270	11,215	.078	.156	1,868	.123	.246

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

² Foreclosure rates for semiannual periods expressed at annual rates without seasonal adjustment.

Note: FHLBB data.

Housing Markets

Table S.6.1.—Indicators of Housing Activity

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

Period ¹	Private housing units started ²								Private nonfarm starts financed by Government home programs		New private housing units authorized ²	New homes sold ^{3,4}	New construction put in place: total residential buildings ⁵
	U.S. total	Region				Type of structure			FHA	VA			
		North-east	North central	South	West	1 unit	2-4 units	5 units or more					
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													
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	95,206
May	1,158	125	172	597	264	764	106	288	71	86	1,167	478	89,719
June	1,039	98	154	545	242	688	88	263	68	73	963	402	85,971
July	1,047	151	170	493	233	704	86	257	56	74	913	416	85,340
Aug	941	108	154	467	212	606	76	259	53	69	865	357	83,631
Sept	920	128	121	476	195	646	58	216	60	54	850	312	82,384
Oct ⁶	857	97	158	319	223	487	96	274	NA	NA	729	NA	NA

¹ Monthly data are seasonally adjusted annual rates.

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

³ Bureau of the Census, Department of Commerce.

⁴ Department of Housing and Urban Development.

⁵ Not available.

⁶ Preliminary.

Table S.6.2.—Inventory of Unsold Homes

End of month	New homes for sale (in thousands of units)				As ratio of new home sold during month
	Total	Stage of construction			
		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					
Sept	339	110	173	56	7.6
Oct	342	108	181	53	7.7
Nov	344	110	181	53	7.3
Dec ¹	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	105	166	52	7.4
May	318	101	165	51	7.2
June	310	102	158	50	8.3
July	305	102	155	48	8.6
Aug	301	104	148	47	9.0
Sept	300	107	145	48	11.4

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

¹ 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
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
1979 ¹					
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
1980 ¹					
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
1981					
1st	5.2	3.7	6.2	5.8	5.0
2nd	5.0	3.7	6.1	5.1	5.0

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

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

Note: Bureau of the Census, Department of Commerce.

Federal Savings and Loan Insurance Corporation

Table S.7.1.—FSLIC: Comparative Statement of Condition

Assets, liabilities, and reserves	September 30, 1981	September 30, 1980	Change
ASSETS			
Cash with U.S. Treasury	\$158,642	\$458,938	\$(300,296)
Accounts receivable	8,527,500	9,052,532	(525,032)
Notes receivable			
Investments ¹ (U.S. and Fed Ag securities)	4,619,751,198	4,996,250,610	(376,499,412)
Accrued interest on investments	77,353,355	89,017,073	(11,663,718)
Assets acquired from insured institutions (book value of assets acquired to prevent default after allowance for losses)	1,657,428,359	1,035,960,223	621,468,136
Loans (loans to insured institutions and accrued interest)	390,879,165	174,744,287	216,134,878
Subrogated accounts in insured institutions in liquidation (after allowance for losses)	68,131,237	-0-	68,131,237
Deferred charges and other assets	9,077,140	9,885,499	(808,359)
Total assets	6,831,306,596	6,315,369,162	515,937,434
LIABILITIES AND RESERVES			
Miscellaneous accrued liabilities and accounts payable	41,828,335	127,461,411	(85,633,076)
Notes payable to insured institutions	42,000,000	-0-	42,000,000
Allowance for estimated losses—contribution agreements	131,356,399	32,888,989	98,467,410
Deferred Credits	7,411,220	6,350,733	1,060,487
Primary reserve (cumulative net income)	5,982,704,147	5,333,255,279	649,448,868
Secondary reserve (additional premiums in the nature of prepayments with respect to future premiums)	626,006,495	815,412,750	(189,406,255)
Total liabilities and reserves	6,831,306,596	6,315,369,162	515,937,434

¹ Market value of investments as of September 30, 1981 amounted to \$3,522,021,127.11.

Table S.7.2.—FSLIC: Comparative Statement of Income and Expense

Income and expenses	12 months ended September 30, 1981	12 months ended September 30, 1980	Net change
Income:			
Fees from examinations of savings and loan institutions	\$-0-	\$17,842,559	\$(17,842,559)
Insurance premiums and admission fees	421,529,143	385,322,773	36,206,370
Interest on U.S. and Federal agency securities	412,095,601	444,241,583	(32,145,982)
Interest on loans to insured institutions	27,760,443	7,517,235	20,243,208
Income on assets acquired from insured institutions	119,267,722	42,445,845	76,821,877
Miscellaneous	809,589	34,446,618	(33,637,029)
Total	981,462,498	931,816,613	49,645,885
Expenses:			
Administrative:			
Personnel compensation	633,810	518,682	115,128
Personnel benefits	65,835	47,506	18,329
Travel and transportation of persons	24,142	36,861	(12,719)
Transportation of things	3,288	2,973	315
Rent, communication, and utilities	182,772	152,270	30,502
Printing and reproduction	446	1,854	(1,408)
Other services	37,030	74,086	(37,056)
Supplies and materials	2,070	3,041	(971)
Equipment (noncapitalized)	-0-	70	(70)
Subtotal—Administrative Department of Insurance	949,393	837,343	112,050
Department of Examination—Home Office		1,167,590	(1,167,590)
Department of Examination—Field	-0-	31,283,293	(31,283,293)
Subtotal—Administrative	-0-	32,450,883	(32,450,883)
Services rendered by Federal Home Loan Bank Board	30,681,771	11,820,566	18,861,205
Liquidation and other miscellaneous expenses	18,364,290	35,434,660	(17,070,370)
Subtotal	49,046,061	47,255,226	(1,790,835)
Return on premium prepayments	57,964,831	76,045,463	(18,080,632)
Net insurance losses and provisions for losses	325,078,879	123,038,599	202,040,280
Total	433,039,164	279,627,514	153,411,650
Net income	548,423,334	652,189,099	(103,765,765)

Table S.7.3.—FSLIC: Source and Application and Total Income
(Cumulative through September 30, 1981)

Item	Amount	Percent to total amount
SOURCE		
Insurance premiums	\$4,004,122,325	48.3
Interest on investments	3,842,633,095	46.3
Income on assets acquired from insured institutions	247,149,407	3.0
Other income	197,495,585	2.4
Total	8,291,400,412	100.0
APPLICATION		
Expenses and charges	427,635,015	5.2
Return on capital stock	42,975,507	.5
Insurance losses (net)	733,372,421	8.9
Return on additional premiums (prepayments)	1,205,738,856	14.5
Retained earnings	5,881,678,613	70.9
Total	\$8,291,400,412	100.0

Table S.7.4.—FSLIC: Selected Reserve Data

Period	Aggregate of primary and secondary reserve of FSLIC	
	Amount	Percent to total amount of all accounts of insured members of all insured institutions
December 31		
1962	\$677,979,731	0.838
1963	944,709,617	1.011
1964	1,248,928,055	1.196
1965	1,537,140,992	1.353
1966	1,803,957,053	1.526
1967	2,049,121,630	1.622
1968	2,409,440,391	1.813
1969	2,801,327,950	2.138
1970	2,902,841,514	2.048
1971	2,986,858,767	1.767
1972	3,142,367,689	1.564
1973	3,453,504,521	1.563
1974	3,791,425,579	1.602
1975	4,119,622,359	1.478
1976	4,480,117,424	1.365
1977	4,872,768,476	1.286
1978	5,328,249,001	1.262
1979	5,847,810,619	1.269
1980	6,462,268,008	1.289
1981 (September 30)	6,608,710,643	1.308

Table S.7.5.—FSLIC: Summary of Insurance Settlement Actions

(Cumulative through September 30, 1981)

Method	Number	Number of investors protected
Method of settlement:		
Acquisition of assets	13	75,782
Acquisition of assets and contributions	21	188,471
Contribution	82	1,182,801
Contribution and loan	5	44,064
Contribution, loan, and acquisition of assets	4	177,602
Loan	5	161,366
Loan and acquisition of assets	1	26,137
Purchase and assumption	5	100,844
Receivership and acquisition of assets	3	40,107
Receivership	11	58,080
Income capital certificates	1	243,000
Total	151	2,298,254

Table S.7.6.—FSLIC: Selected Financial Data—FSLIC-Insured Savings and Loan Associations*

(September 30, 1981)

Membership:	
Federally chartered, mutual and stock	1,940
State chartered:	
Mutual	1,189
Stock	737
Total	3,866
Assets	
Total amount	\$643,016,316,000
Average size association	\$166,326,000
Cash, Government obligations, and other investment securities, total amount	
	\$57,842,643,000
Savings capital, total amount	
	\$505,181,797,000
Mortgage loans held, total amount	
	\$509,544,326,000
Net worth, total amount	
	\$29,338,291,000
Percent of net worth to—	
Total assets	4.56
Total savings capital	5.81
Total mortgage loans	5.76
Percent of cash and government obligations, and other investment securities to total savings capital	
	11.45

*Represents over 98 percent of the resources of all operating savings and loan associations.

