# *Ninth Annual Report*

# FEDERAL HOME LOAN BANK BOARD

*for the period*

JULY 1, 1940, *through* JUNE 30, 1941

---

*covering operations of the*

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND
LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

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For sale by the Superintendent of Documents, Washington, D. C. . . . . . . . . Price 30 cents

# Letter of Transmittal

FEDERAL HOME LOAN BANK BOARD,
*Washington, D. C., October 1, 1941.*

THE SPEAKER OF THE HOUSE OF REPRESENTATIVES.

SIR: Pursuant to section 20 of the Federal Home Loan Bank Act, we have the honor to submit herewith the Ninth Annual Report of the Federal Home Loan Bank Board for the period July 1, 1940, through June 30, 1941, covering the operations of the Federal Home Loan Banks, the Federal Savings and Loan Associations, the Federal Savings and Loan Insurance Corporation, and the Home Owners' Loan Corporation.

The first section of the report presents a brief discussion of the vital question of defense housing, with particular emphasis on the participation of the Board and its agencies in the national program to provide adequate housing accommodations for workers in defense industries. Section II treats recent significant developments in the fields of residential construction and home finance. The sections which follow contain reports on the operating progress of each of the agencies under the Board during the 1941 fiscal year.

In these days when world events occur with increasing rapidity, an operating report restricted to a specific period, even though that period be only a few months past, may well seem out of date in some respects when it comes from the press. Although every effort has been made in the report which follows to analyze trends in the thrift and home financing field as they are affected by the present emergency and the Nation's all-out defense program, it is recognized that forces now at work may have far-reaching effects which cannot yet be predicted.

It is encouraging, nonetheless, to realize that whatever the future may bring, the thrift and home financing resources of the country are in a better position than ever before to withstand shocks and to make readjustments. The Federal Home Loan Bank Board and its agencies, in carrying out the various activities assigned to them by the Congress, have had a responsible part in correcting weaknesses which formerly handicapped this important sector of our economy. Although time and experience may well raise new problems for which reforms and improvements so far achieved will offer only incomplete solutions, there can be no question that definite progress has already been made.

Respectfully,

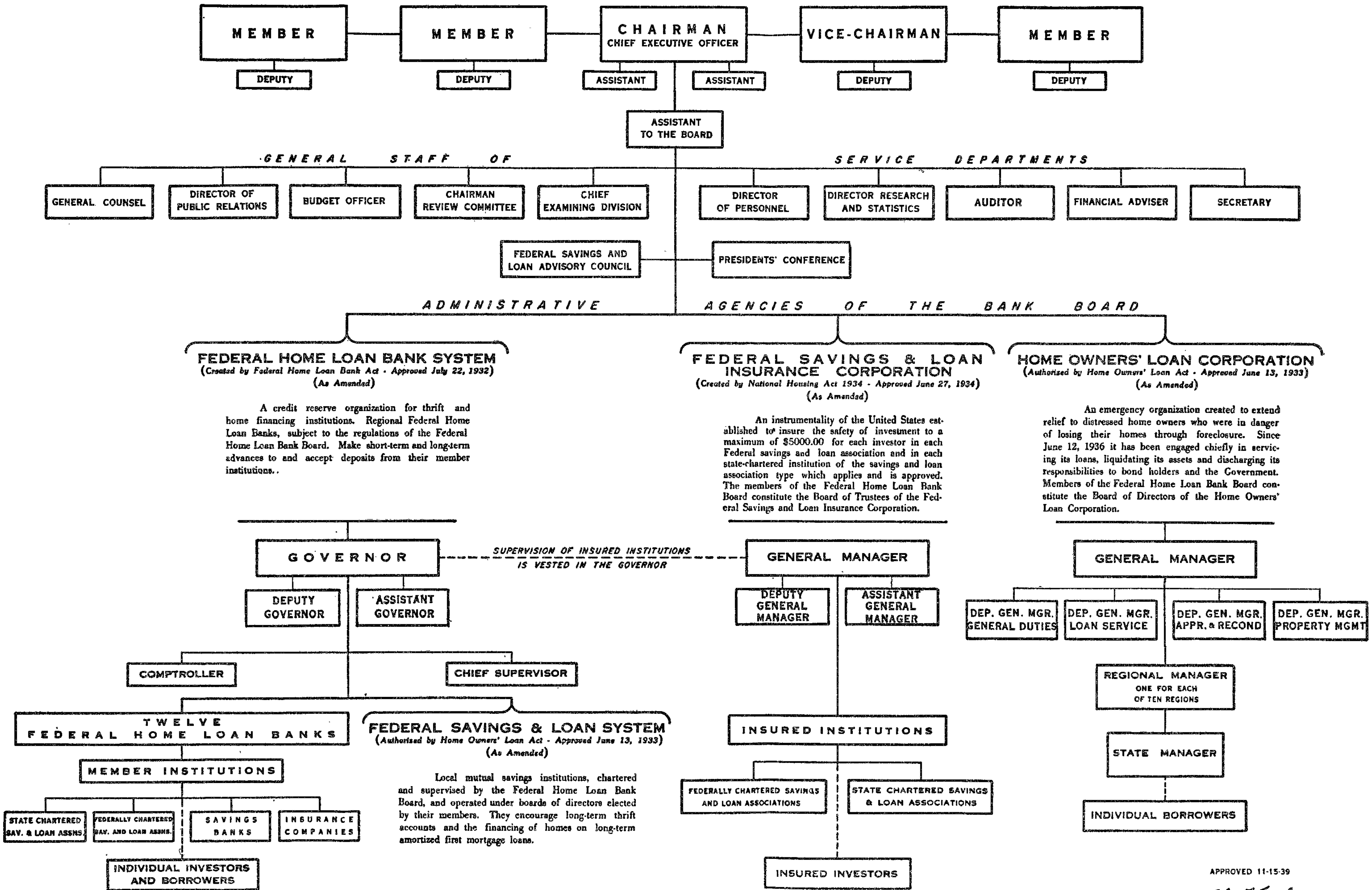
John H. Fahey, *Chairman*,
T. D. Webb, *Vice Chairman*,
Fred W. Catlett,
William H. Husband,
Frank W. Hancock, Jr.,
*Members*.

# Contents

ORGANIZATION CHART OF THE AGENCIES OF THE

# FEDERAL HOME LOAN BANK BOARD

(Created by Federal Home Loan Bank Act - Approved July 22 1932)




APPROVED 11-15-39

John H. Fahey Chairman,

FEDERAL HOME LOAN BANK BOARD

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# I

# Defense Housing

DURING the fiscal year ending June 30, 1941, the task of housing for defense became a vital influence at work in the fields of operation assigned to the Federal Home Loan Bank Board and its agencies. Thrift and home financing, like most normal business pursuits, have been passing through a period of readjustment and adaptation required by a war economy.

When this country embarked upon its emergency program of defense in the summer of 1940, it was immediately recognized that one of the major problems to be met was the provision of adequate housing for defense workers. The experience of 1917 and 1918, when frantic and none-too-successful efforts were made to house those employed in war industries, was ample proof of the necessity for developing a comprehensive housing program as an integral part of the broader plan of rearmament.

The responsibility of directing this part of the defense program was entrusted to a Defense Housing Coordinator appointed by the President on July 21, 1940. Until January 11, 1941, the Coordinator was attached to the National Defense Commission; since that date he has headed the Division of Defense Housing Coordination in the Office for Emergency Management. As his title implies, the Coordinator has been assigned the task of analyzing local defense housing needs and then bringing together the resources of private and public organizations to meet those needs.

It is true, of course, that housing as such contributes nothing directly to the actual manufacture of arms, munitions, tanks, airplanes, and all the other supplies which are essential to a preparedness program. On the other hand, it is axiomatic that without adequate shelter in areas of high industrial activity or of strategic military importance, all productive effort is seriously crippled. The responsibility of the Coordinator and the several housing agencies of the Government is, then, the task of seeing that no primary defense effort is slowed down or interfered with because of insufficient housing.

To private industry belongs the job of providing most of the additional housing needed in defense areas. Thus, housing designed for permanent use should be constructed and financed with private resources. On the other hand, there are certain localities where the risks involved in financing new residential construction are so great that private industry cannot be expected to assume them. In these areas, new housing must be provided with public funds. For example, where the need is temporary and uncertain, or where the only effective demand is for housing to be rented at uneconomic levels, public construction is the obvious solution.

Generally speaking public funds are employed for the construction of rental units and when private capital is unable or unwilling to provide needed housing. In terms of dollar outlay, the program for public defense housing, including funds authorized or in prospect for both dwelling units and community facilities aggregated almost $650,000,000 by the close of the 1941 fiscal year. On July 1, 1941, public funds had been allocated for 107,383 regular family dwelling units in defense areas, of which 66,656 were for industrial workers and 40,727 for enlisted and civilian personnel of the Army and Navy. Completed units at the close of the reporting period numbered 17,522, or 16.3 percent of total allocations. An additional 70,146 had been placed under construction contract.

Two types of defense housing constructed with public funds deserve special mention. One is demountable and portable housing which is programmed in localities where defense activity is of uncertain duration and where the likelihood of integrating permanent new housing with normal housing needs is questionable. The "ghost towns" of the last post-war period emphasize the high cost of failure to recognize the temporary nature of the demand for defense housing in a number of localities.

Of the 107,383 family dwelling units in defense areas for which public funds have been allocated through the close of the reporting period, 11,759 were scheduled as demountable and portable housing. It is hoped that this type of construction, which is relatively new in this country, will prove the answer to the very difficult problem of meeting an emergency need for housing in highly concentrated defense localities without, at the same time, creating a permanent drag on the real estate market by leaving an oversupply of housing after the emergency.

Trailers and dormitories for single persons constitute the second type of public housing designed for temporary use only. Trailers are used primarily to provide interim housing until regular projects can be completed. Dormitories are designed for use for several years and are often demountable in character. At the close of the 1941 fiscal year, a total of 1,170 trailers and 3,076 dormitory units had been completed.

However, despite this large volume of public defense housing, private capital has been responsible for the bulk of residential construction in defense areas. During the 1941 fiscal year, 616,000 dwelling units were constructed throughout the United States. Of this total, 510,000 units were built with private capital. Since an overwhelming proportion of this new housing is located in areas of concentrated defense activity, it is obvious that private capital is contributing most of the housing constructed in these localities to meet emergency needs.

Local savings and loan associations, which make up the majority of the membership of the Federal Home Loan Bank System, have long been the most important institutions financing small homes. It is not surprising, therefore, to find that these associations are proving themselves able participants in the defense effort, providing from their resources a substantial volume of housing in areas where the need is most urgent. It is estimated that during the reporting period, new dwelling units permanently financed by member savings and loan associations totaled 175,000, of which 63 percent were located in defense areas.

The Home Owners' Loan Corporation, which also operates under the direction of the Federal Home Loan Bank Board, has played its part in the defense program by speeding up its reconditioning program in defense centers in order to place existing structures on the rental or sales market as rapidly as possible.

Moreover, on August 20, 1941, the Coordinator announced a special program to encourage repair and modernization of private homes which will be carried out through offices of the Home Owners' Loan Corporation and local Homes Registration Offices. The program has been designed to make available to home owners without cost the services of fee technicians who will assist them in estimating the possibilities of repairing and converting their homes in order to make extra accommodations available for defense workers. As much of this work as possible will be done by salaried employees of the Home Owners' Loan Corporation and a special fund of $100,000 has been authorized by the President for use in employing fee technicians wherever necessary. It is expected that a substantial volume of needed housing can be supplied by conversion of existing dwellings in areas where acute shortages exist.

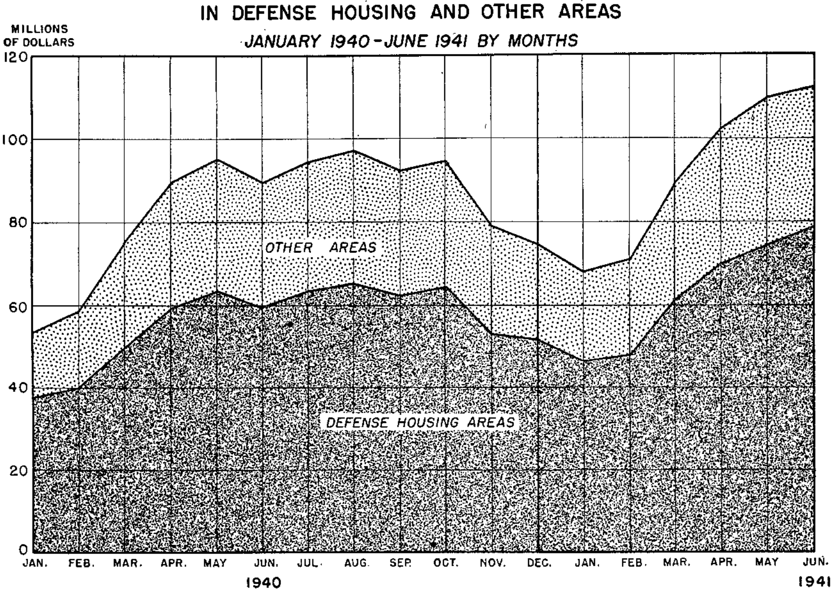
*Defense Lending by Member Institutions*

The member home financing institutions of the Federal Home Loan Bank System are in an excellent position to do their share in satisfying the emergent need for additional housing accommodations in defense areas. These institutions have a long and creditable experience in the home mortgage lending field, are operating in practically every urban area in the country, and have ample investable funds, which can be augmented from the resources of their Federal Home Loan

CHART I

LOANS MADE BY MEMBER SAVINGS AND LOAN ASSOCIATIONS IN DEFENSE HOUSING AND OTHER AREAS

*JANUARY 1940-JUNE 1941 BY MONTHS*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Banks. They have been accounting for about one-third of all recordings of urban mortgages of $20,000 or less, a fact which demonstrates that savings and loan associations represent a major source of the private credit which is being used to provide needed homes for defense workers.

As a gauge of the extent to which member savings and loan associations are participating in the production of homes for defense, the Federal Home Loan Bank Board has initiated a monthly study of the lending activity of member institutions in "defense housing areas." These areas include only communities so designated by the Defense

Housing Coordinator and those defined as eligible for home mortgage insurance under Title VI of the National Housing Act. In both cases, a severe housing shortage must exist before the locality can be approved as a defense housing area.

During the fiscal year 1941, member savings and loan associations loaned $740,000,000 in defense housing areas. Although this over-all figure includes loans for all purposes, it is estimated that over 110,000 newly constructed housing units were permanently financed by member savings and loan associations in defense housing areas.

In addition to the defense housing areas above described, there are numerous localities in which the defense program has brought about an increased demand for housing, although acute shortages have not as yet developed. Thus, contracts let by the Army and Navy have resulted in a rapid expansion of industrial activity in a large number of communities where the problem of housing defense workers, although not yet pressing, is nevertheless serious. If these areas are included with localities of primary importance, the record of member savings and loan associations is even more significant. During the fiscal year 1941, member institutions loaned approximately $420,000,000 in financing 160,000 newly constructed family units in all areas where defense contracts have been awarded.

*Lending by member savings and loan associations in defense housing areas, by purpose of loan*

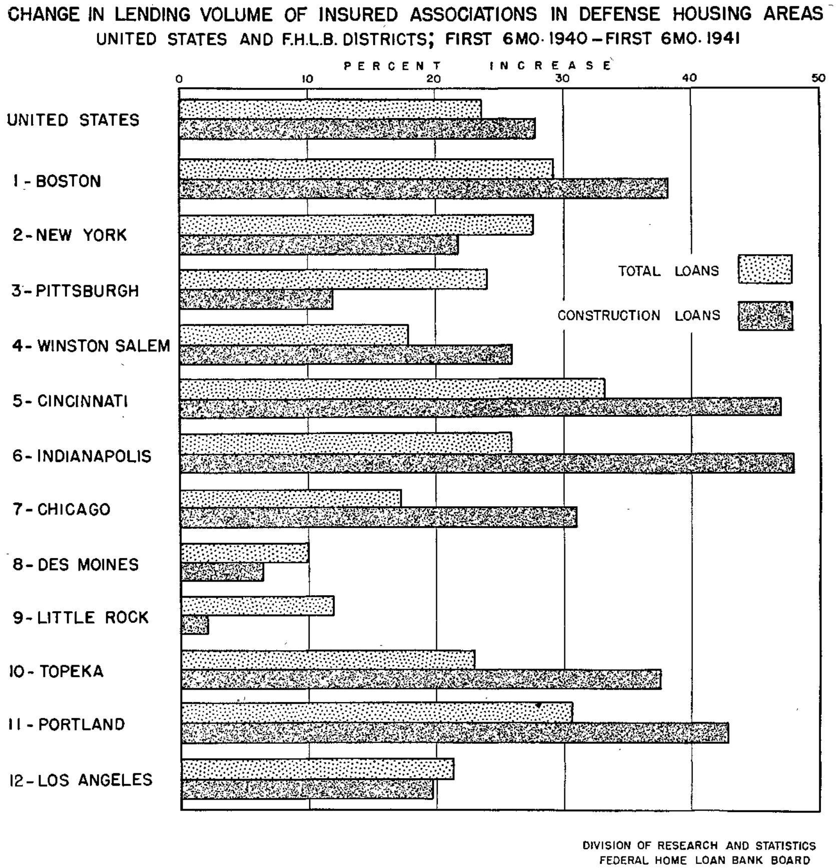
| Purpose of loan | January to June 1940 | January to June 1941 | Percent change |
|---|---|---|---|
| Construction | $105,837,400 | $137,922,900 | +30.3 |
| Home purchase | 107,440,900 | 145,682,900 | +35.6 |
| Refinancing | 57,866,000 | 55,496,400 | −4.1 |
| Reconditioning | 12,031,300 | 12,768,700 | +6.1 |
| Other | 26,518,400 | 26,901,500 | +1.4 |
| Total | 309,694,000 | 378,772,400 | +22.3 |

*Lending by member savings and loan associations in other areas, by purpose of loan*

| Purpose of loan | January to June 1940 | January to June 1941 | Percent change |
|---|---|---|---|
| Construction | $47,477,600 | $53,490,100 | +12.7 |
| Home purchase | 47,444,100 | 62,659,100 | +32.1 |
| Refinancing | 28,903,000 | 29,772,600 | +3.0 |
| Reconditioning | 10,752,700 | 10,847,300 | +0.9 |
| Other | 17,256,600 | 17,640,500 | +2.2 |
| Total | 151,834,000 | 174,409,600 | +14.9 |

The importance of member savings and loan associations of the Federal Home Loan Bank System as a major source of mortgage credit in defense housing areas is further illustrated by a comparison of their lending record during the first 6 months of 1940, just prior to the beginning of the national emergency, with the first 6 months of 1941, when the preparedness program was well under way. As the preceding table indicates, loans for the construction of new housing in defense

CHART II




areas during the first 6 months of 1941 show an increase of 30 percent as compared with only 13 percent in nondefense localities. Reconditioning loans in emergency defense areas also show a gain of 6 percent during the first 6 months of 1941, while loans for the same purpose in other areas increased only 1 percent. While it is impossible to say with any degree of exactitude to what extent the demand for homes in defense centers is being met by the reconditioning and conversion of existing dwellings, there are numerous indications that this activity is taking care of a substantial percentage of the demand for new housing accommodations.

The first six months of 1941 also saw decided shifts in lending volume among the twelve Federal Home Loan Bank Districts. Thus, as the chart on page 6 shows, the most substantial increases in lending activity and more particularly in the volume of construction loans made are found in the Federal Home Loan Bank Districts of Indianapolis, Cincinnati, Portland, and Boston. Undoubtedly, the unusual gains made in these areas are related directly to the fact that these same regions have received a large number of defense contracts and include a majority of the most concentrated defense centers.

### *Participation of the Federal Home Loan Bank Board in the Defense Housing Program*

The Federal Home Loan Bank Board is governed by two principal objectives in its defense housing activities. First, it seeks to collaborate to the fullest extent with other governmental departments and agencies in the development of an effective plan to provide needed additional housing in defense areas. Secondly, the Board has taken various measures to assure maximum cooperation on the part of the 3,839 member institutions of the Federal Home Loan Bank System in financing permanent-use defense housing.

With the energetic assistance of the Presidents of the twelve regional Federal Home Loan Banks, the Board has been engaged during the fiscal year in carrying on a program designed to bring about the greatest possible cooperation from member institutions of the Bank System in using their resources to provide permanent-use defense housing. Each of the Bank Presidents, assisted by a field force organized by the Board for this purpose, has initiated and carried forward a comprehensive program designed to stimulate activity on the part of member institutions in his District. The basic objectives of these programs are to bring about complete understanding, active interest, and energetic participation in the national program for defense housing. The Bank Presidents, because of their familiarity with local housing conditions in their respective Districts, have also been able to assist the Defense Housing Coordinator in studying the defense housing needs of individual communities.

Member institutions have been encouraged to analyze local housing and defense conditions with a view to determining the need for additional housing facilities and the extent to which their individual resources can be employed in financing them. Associations have been urged to join forces with others interested in local housing conditions to establish and conduct coöperative local defense housing programs. In a number of cases, member institutions, in cooperation with other local lenders, have conducted reconditioning and modernization programs in their communities. Such programs have proved advantageous since they provide within a short time additional housing facilities, reduce the danger of overbuilding, and require much less capital than new construction.

In encouraging these activities by savings and loan associations, the Board has been motivated by the desire to meet urgent needs for additional housing accommodations. However, the Board has cautioned lending institutions that it is of the utmost importance during the present emergency to require observance of minimum construction standards, adequate inspection procedures, conservative appraisal practices, and firm collection policies. Enlistment in the defense housing program to the limit of each association's ability consistent with sound business practices is, in short, the obligation which the Board has urged each member institution to assume as its primary contribution to the national defense effort.

Participation of member institutions in the defense housing program has been facilitated further by amendments to the Rules and Regulations governing the operation of Federal and insured savings and loan associations. Recognizing that the acute need for defense housing in many localities is placing emphasis primarily on the origination of loans, the Board has liberalized its regulations to permit insured institutions to sell mortgages and use the proceeds for financing defense housing when necessary.

In the case of Federal savings and loan associations located in recognized defense housing areas, the Board has indicated its willingness to consider individual applications for permission to sell mortgages for the duration of the emergency without regard to the limitations established by the Regulations. Insured State-chartered institutions have also been advised that the Regulations have been amended to permit the sale of mortgages made to finance permanent-use defense housing. In taking this action, the Board had no intention of encouraging its member institutions to engage in a program of unrestrained mortgage brokerage. Its purpose is rather to afford insured institutions a means whereby they can assist to a material degree in financing the construction of defense housing by setting up a revolving fund for the origination and sale of a substantial volume of their mortgage loans.

As a matter of policy, applications from Federal savings and loan associations for permission to sell mortgage loans in excess of regulatory limitations are carefully examined and permission is granted only where there is ample evidence that the supply of loanable funds available to the institution is less than the demand for home mortgage credit. The Board has also required Federal associations to submit evidence of carefully developed lending programs designed to avoid overextension of loan commitments as a result of too extensive use of the sale privilege.

The Board has also amended its Regulations to make available to Federal savings and loan associations the procedure for making loans under Title VI of the National Housing Act. This new title, designed to encourage private building in defense areas, became operative on March 28, 1941. It authorizes the insurance by the Federal Housing Administration of mortgages written up to 90 percent of appraised value on builder-owned properties located in areas where the President finds "that an acute shortage of housing exists or impends which would impede national defense activities." The original legislation authorized insurance of mortgages under Title VI up to $100,000,000; by an amendment adopted on September 2, 1941, this figure was increased to $300,000,000. The Presidents of the Federal Home Loan Banks and the Board's special field staff have urged all member associations located in defense areas to take advantage of the insurance facilities of Title VI.

Since 1938, the Board has restricted investments by the Home Owners' Loan Corporation in the shares of savings and loan associations to special rehabilitation cases. However, the Board has now decided that where justified, moderate HOLC investments may be made to provide additional working capital to meet defense housing demands. Such investments are intended to enable the associations to build up and maintain a revolving fund for the origination and sale of mortgages made to finance defense housing projects. In addition, the Board has announced that requests for the retirement of HOLC share investments may be waived upon application by associations located in defense areas. Associations applying for such waivers are required to demonstrate a definite need for the retention of these funds to meet defense housing needs.

As already indicated, the Board has strongly urged the member institutions of the Federal Home Loan Bank System to participate in the organization of local committee groups to survey existing housing resources and to determine additional housing needs in individual

425085—41——2

cities. The most effective local committees have proved to be those which bring together all community interests most directly concerned with housing—lending institutions, local housing authorities, operative builders, supply dealers, and representatives of labor and industry. Where local defense councils are in existence, the defense housing committees are usually set up as subcommittees of the councils.

These committees are voluntary in nature and operate under no common plan of operation. Nevertheless, these groups are assuming a more and more important place in carrying out the defense program. It is true, of course, that national planning and coordination are essential to any program of housing for defense. Local community organizations have neither the necessary information nor adequate resources for assuming responsibilities outside their immediate locality. However, it is in the local community that the actual construction of needed housing must be carried on, where defense workers will be living and working, and where the post-emergency effects of defense housing will be felt. Any national organization removed, as it is, from the local scene finds itself handicapped in making an analysis of either needs or resources without the assistance of those most familiar with local conditions. The task of the Defense Housing Coordinator is made considerably easier in localities where he can rely for accurate information and analysis upon the recommendations of a well-organized cooperative committee.

In addition to studying local housing problems as they are affected by defense activity, defense housing committees are undertaking numerous other responsibilities designed to meet the needs of their localities. The committees keep a check on the construction of defense housing to make sure that homes are made available as rapidly as is necessary. In many cities they have cooperated in the establishment and operation of Homes Registration Offices. By assembling in a central place all information on available vacant rooms, apartments, and homes, both for sale and rent, these Offices have proved an effective means of putting existing housing resources to the most economical use and are successful in relieving, in part at least, severe shortages. Another activity of local committees is the stimulation of programs to repair, modernize, and convert existing dwellings, thereby adding to the housing supply and avoiding unnecessary new construction.

In summary, the formation of local defense housing committees has been encouraged for the primary purpose of maintaining current information on the progress of builders in supplying the defense housing tentatively assigned to private enterprise and to deal with the post-war housing problem and the orderly liquidation of any excess housing which cannot be absorbed when the community returns to normal.

At the close of the reporting period, the Defense Housing Coordinator announced that private industry would be expected to provide a minimum of 400,000 new dwelling units in defense areas during the 1942 fiscal year. The record so far made by private building interests gives every reason to believe that this goal will be met. Certainly the member home financing institutions of the Federal Home Loan Bank System, whose assets now total more than $5,000,000,000, can be expected to finance a substantial proportion of the housing needed for defense.

# II

## Survey of Housing and Mortgage Finance

THE fiscal year 1941 was a period of continued progress in the fields of activity in which the Federal Home Loan Bank Board is primarily concerned. Construction of new homes, investment of savings in home mortgages, and general operations of the real-estate market all showed substantial improvement during the reporting period.

A gain of 27 percent over the previous fiscal year brought residential construction in nonfarm areas back to the annual level of the late Twenties. Home mortgage lending by private financial institutions reached a new ten-year high. Except for a brief period during the fall of 1940, the flow of savings into financial institutions continued at an excellent rate. The real-estate market as a whole showed significant signs of improvement. Real estate owned by financial institutions declined to such an extent that the overhang of institutionally-acquired properties, which for the past several years has been a serious drag on the market, no longer represents a major problem except in a few scattered areas.

The accelerating tempo of the national defense program has at the same time raised new problems and uncertainties which are already affecting thrift and home financing operations. No business operates in a vacuum and the mobilization of economic resources in the interests of an all-out preparedness effort means readjustments in all business activity. Fortunately, the home financing structure is today better able to meet the challenge than at any time in the past.

Member home financing institutions of the Federal Home Loan Bank System are supported by a substantial reservoir of credit on which they can rely, when necessary, for the payment of withdrawals or the financing of mortgage loans. Insurance of accounts in savings and loan associations has created a high degree of confidence on the part of savers and investors. Activities of the Federal Government in providing a ready market for insured mortgages is a further important bulwark to the home financing industry. Finally, the home mortgage debt of the country is basically sounder than in former periods of emergency.

## 1. RESIDENTIAL CONSTRUCTION AND THE REAL-ESTATE MARKET

### *Increased Residential Building*

The fiscal year 1941 witnessed profound changes in the national economy. By the beginning of the reporting period, the program for defense and all-out aid to the Democracies had reached the point where actual production was having measurable results in improved business conditions. Throughout the reporting period, the upward trends were maintained until by June 30, 1941, the various gauges of general business activity had reached the highest levels in many years. Thus, the index of industrial production was 157 for June 1941, a figure 30 percent higher than a year previous. Nonagricultural income rose from $66,616,000,000 during the 1940 fiscal year to $74,018,000,000 during the reporting period. Manufacturing payrolls increased $572,000,000, or 25.6 percent. Nonagricultural employment reached the record level of 32,647,000 in June 1941. Farm prices and cash income both enjoyed steady gains.

New residential construction was no exception to this general trend. During the fiscal year 1941, the total volume of residential construction reached the highest point since 1928. On the basis of building permit figures compiled by the Department of Labor, construction was started on approximately 616,000 nonfarm dwelling units, with an estimated permit valuation of $2,136,842,000. Compared with the previous fiscal year, these figures show a gain of 27 percent in number and 29 percent in dollar volume.

*Number of new dwelling units provided in nonfarm areas, by quarters, fiscal years 1940 and 1941**

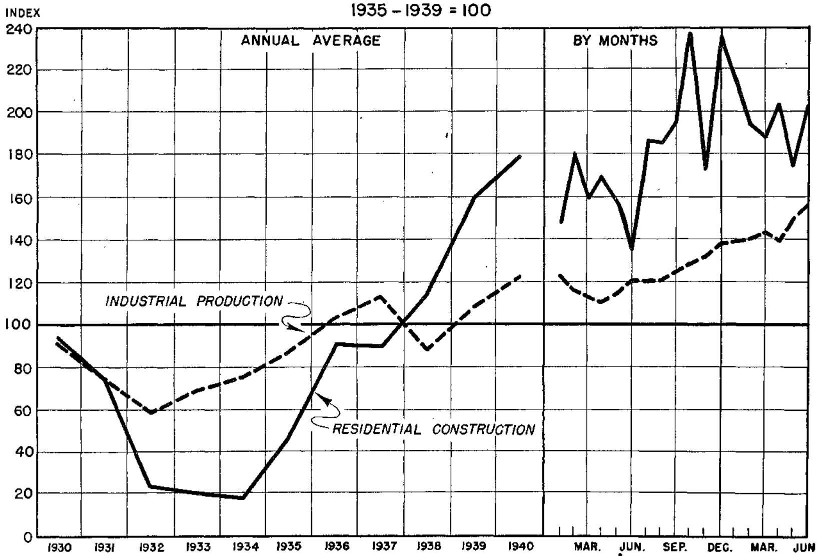
| Quarter | Fiscal year 1940 | Fiscal year 1941 | Percent increase |
|---|---|---|---|
| July-September | 124, 265 | 150, 634 | 21. 2 |
| October-December | 117, 224 | 146, 617 | 25. 1 |
| January-March | 99, 322 | 128, 872 | 29. 8 |
| April-June | 143, 427 | 189, 936 | 32. 4 |

*Source: U. S. Department of Labor.

Even more indicative of the acceleration in the rate of residential construction is a tabulation by quarters during the last two fiscal-year periods. On this basis, the first quarter of the current fiscal year shows an increase of 21 percent over the corresponding period a year

CHART III

INDICES OF RESIDENTIAL CONSTRUCTION AND INDUSTRIAL PRODUCTION
1935 - 1939 = 100

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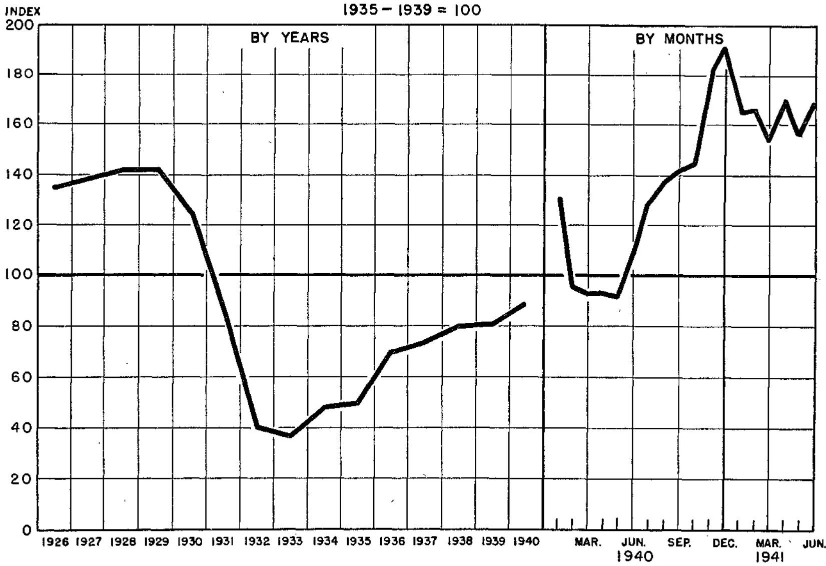
FEDERAL HOME LOAN BANK BOARD

CHART IV

CONSTRUCTION OTHER THAN RESIDENTIAL
*CONSTRUCTION CONTRACTS AWARDED*
1935 - 1939 = 100




*Source: Board of Governors of the Federal Reserve System, based on reports of the F. W. Dodge Corporation*

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

previous, while gains of 25, 30, and 32 percent were scored in the second, third, and fourth quarters.

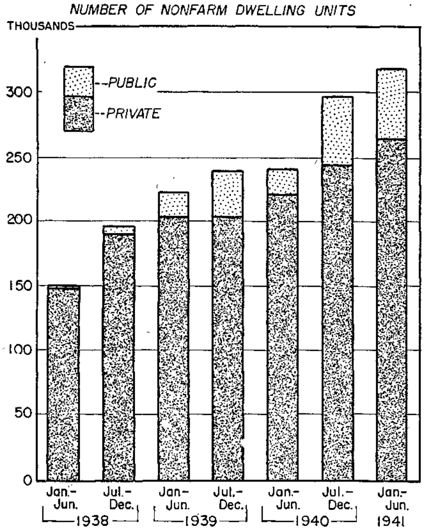
Despite the increased volume during the fiscal year 1941, residential building failed to keep pace with nonresidential building because of the rapid expansion in plant facilities which has accompanied the defense program. Only a short time ago idle factories and equipment were commonplace. Today, the situation is completely changed. The staggering job of meeting within the shortest possible period of time the production demands of an all-out defense program has necessitated plant expansion on a huge scale.

*The Defense Program and Residential Building*

Like so many other fields of economic activity, residential construction during the fiscal year 1941 was greatly affected by the defense effort and, more particularly, by the program of defense housing. The necessity of providing adequate shelter in defense areas, so that no essential productive activity is hindered by the lack of housing accommodations for defense workers, is basic to the Nation's preparedness program.

CHART V

DISTRIBUTION OF RESIDENTIAL CONSTRUCTION
PRIVATE AND PUBLIC
*NUMBER OF NONFARM DWELLING UNITS*

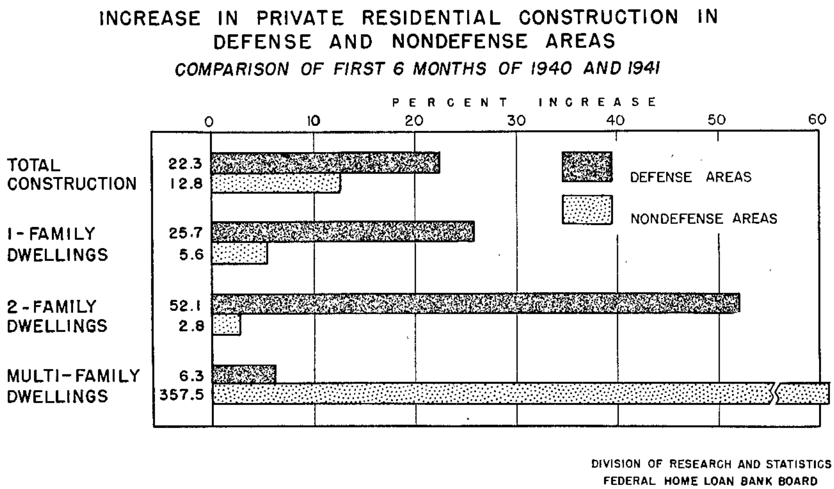



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The stimulus given to the whole economic system by the program of national defense, as evidenced by rising industrial production, increased national income, decreased unemployment, rising wages, and so forth, has in itself undoubtedly accounted for a substantial amount of new residential building. In a sense then, it might be said that the general defense effort of the country has been the primary cause of the increase in residential construction activity during the current fiscal year.

The effects of the defense program are most clearly visible in the public housing field. During the fiscal year 1941, the total number of dwelling units provided in nonfarm areas through public funds amounted to 105,788, or nearly twice the previous record set during the 1940 reporting period. According to the United States Department of Labor, 63,767 units, or 60.3 percent of this total, represent defense housing placed under construction contract in localities where the preparedness program necessitated additional housing facilities. While these figures show the direct result of the defense emergency on public housing, they indicate only one part of the story. The substantial increase in the volume of housing provided by private resources, amounting to 84,454 units, was also brought about in substantial measure by the urgent need of additional housing facilities in defense localities.

CHART VI




The concentration of private housing in defense areas is illustrated in the chart above. During the first six months of 1941, private residential construction in "defense localities," [1] which represented over 75 percent of all private residential building in incorporated places, expanded by 22 percent as compared with a growth of only 13 percent during the first six months of 1940. These percentage gains undoubtedly minimize the stimulating effect of the defense program on private building, for they have been restricted to residential construction activity within city and town limits and, therefore, fail to take into account the large volume of housing located immediately outside boom towns.

[1] "Defense localities" are defined as those areas for which public housing funds have either been allocated or where allocation is definitely under consideration as well as those which have been designated for FHA insurance under the new Title VI of the National Housing Act.

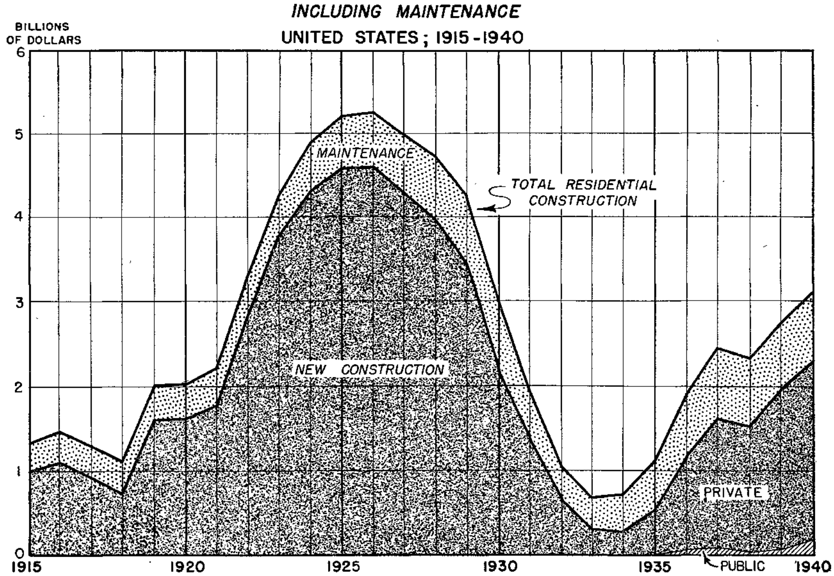
It must be recognized that a certain proportion of new private housing has undoubtedly been built to meet normal replacement requirements or to fill a demand divorced from any but the most indirect influence of the defense emergency. However, the substantial gains in private residential construction do signify that private housing is meeting a major portion of the demand for housing in defense areas. It should be noted in this connection that even where new home construction in defense areas is not specifically designed for occupancy by incoming defense workers, it does make available additional vacated units which may be used for this purpose. For this reason, any additional housing in defense areas helps in the execution of the armament program.

*Growing Importance of Public Housing*

As already stated, the number of publicly-financed nonfarm dwelling units on which construction was started in the 1941 fiscal year aggrer gated 105,788, an increase of 81 percent over the preceding fiscal yea.- This rise is directly reflected in the share of total residential construction attributed to public housing during the reporting period. Housing

CHART VII

ESTIMATED VALUE OF RESIDENTIAL CONSTRUCTION
*INCLUDING MAINTENANCE*
UNITED STATES; 1915-1940




*Source: U.S. Department of Commerce*

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FEDERAL HOME LOAN BANK BOARD

financed with Government funds represented 17 percent of total new nonfarm units in the fiscal year 1941 as compared with 12 percent during the previous year.

The relationship between public and private housing in total residential construction activity is illustrated in Chart VII which indicates the volume of expenditures for new construction and maintenance, with a breakdown to show the relative amounts provided from private and public funds.

The factor almost solely responsible for the increase in public housing was, of course, the necessity of meeting the demand for additional housing accommodations in defense centers which could not for good reason be met with private resources. The volume of public housing provided under the United States Housing Act of 1937 and the New York Public Housing Law of 1939 amounted to 60,200 units during the fiscal year 1941 as compared with 58,421 during the previous year. Included in this total for 1941 are 18,179 units placed under construction contract which will be used to house defense workers for the duration of the emergency, but which will revert to their original function of slum clearance projects when they are no longer needed for this purpose. There was, therefore, relatively little increase in the volume of housing constructed for immediate or ultimate use as slum clearance projects.

The following table compares the expansion of publicly-financed construction with the increase in private building activity in nonfarm areas:

*Comparison of private and public residential construction in nonfarm areas*

| Fiscal-year period | Total construction | | Private | | Public | |
|---|---|---|---|---|---|---|
| | Dwelling units started | Increase over preceding year | Dwelling units started | Increase over preceding year | Dwelling units started | Increase over preceding year |
| | *Number* | *Percent* | *Number* | *Percent* | *Number* | *Percent* |
| 1938 | 273,742 | | 273,022 | | 720 | |
| 1939 | 419,539 | 53.3 | 394,034 | 44.3 | 25,505 | 3,442.4 |
| 1940 | 484,238 | 15.4 | 425,817 | 8.1 | 58,421 | 129.1 |
| 1941 | 616,059 | 27.2 | 510,271 | 19.8 | [1] 105,788 | 81.1 |

[1] Of this total, 63,767 units were built in defense housing projects.

Direct construction of housing by Governmental agencies has resulted from two specific needs. The first is exemplified in the program of the United States Housing Authority—to replace submarginal housing by providing decent living quarters which are rented on a subsidized basis to slum dwellers. The second is the urgent problem of meeting housing needs in defense areas where private industry cannot handle the job because of the temporary character of the demand or because the demand is for housing at uneconomic rent levels. Present trends would seem to indicate that public housing for defense will play an increasingly important role in total residential construction activity.

### *Where New Housing is Built*

During the 1941 fiscal year, the rate of private residential construction in nonfarm areas showed gains ranging from 4.1 to 32.4 percent in the nine major geographical divisions of the country. The East North Central, South Atlantic, New England, and East South Central States led the other Districts with increases of 25 percent or more, while the Middle Atlantic and Mountain States at the other end of the list showed increases of slightly more than 4 percent.

The highest rates of private residential construction, continuing the trends of the last several years, were found in the Pacific, Mountain, and Southern States. The lowest rates of residential construction, in terms of population, were found in the New England and the Middle Atlantic States. It is interesting to note that the New England States, where the rate of construction is lower than for any of the other eight geographical divisions, experienced one of the highest percentage increases during the reporting period. On the other hand, the Mountain States, which ranked second in terms of rate alone, experienced a gain of only 4.4 percent as compared with the previous year.

*Private residential construction in nonfarm areas, fiscal years 1940 and 1941*

[Rate per 100,000 population] [1]

| Geographic division | 1940 | 1941 | Percent increase | Geographic division | 1940 | 1941 | Percent increase |
|---|---|---|---|---|---|---|---|
| New England | 206.7 | 270.3 | 30.8 | West South Central | 504.6 | 543.2 | 7.6 |
| Middle Atlantic | 282.2 | 293.7 | 4.1 | Mountain | 581.5 | 606.9 | 4.4 |
| East North Central | 331.4 | 438.9 | 32.4 | Pacific | 981.0 | 1,192.4 | 21.5 |
| West North Central | 351.1 | 382.9 | 9.1 | | | | |
| South Atlantic | 597.8 | 791.0 | 32.3 | United States total | 419.4 | 502.6 | 19.8 |
| East South Central | 365.7 | 460.6 | 26.0 | | | | |

[1] In the compilation of this material, building permit data collected by the U. S. Department of Labor have been used; publicly financed units are excluded. In order to provide a basis for comparison of residential building activity between various sections of the country, a ratio of the total number of new family dwelling units to existing nonfarm population has been computed instead of the absolute number of dwelling units provided. Population estimates used in computing the rate of building are based on the U. S. Census of 1940.

To complete the picture of where residential construction was carried on during the last fiscal year, the statistics have been expressed in the table below in terms of rate per 100,000 population in cities of varying size. Generally speaking, the highest rates were found in smaller communities and in rural nonfarm areas.

*Rate of private residential construction, by size of community, fiscal year 1941*

[Rate per 100,000 population]

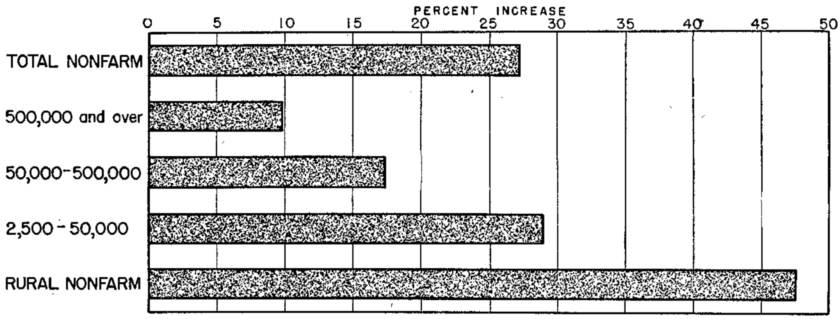
| Population group | Fiscal year 1941 | Population group | Fiscal year 1941 |
|---|---|---|---|
| Total nonfarm | 502 | 25,000–50,000 | 570 |
| Total urban | 488 | 10,000–25,000 | 579 |
| 500,000 and over | 413 | 5,000–10,000 | 585 |
| 100,000–500,000 | 432 | 2,500–5,000 | 572 |
| 50,000–100,000 | 485 | Rural nonfarm | 542 |

The increasing rates of construction in smaller communities are particularly interesting in view of population trends disclosed by the 1940 Census. Briefly, the Census showed that during the Thirties,

CHART VIII

INCREASE IN RESIDENTIAL CONSTRUCTION BY SIZE OF COMMUNITY

*FISCAL YEAR 1941*

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FEDERAL HOME LOAN BANK BOARD

the highest rates of population increase occurred in small communities. Thus, the percentage increase in the number of persons living in communities of 500,000 or over was 7.4 percent during the decade of the Thirties, 4.4 percent in cities of 50,000 to 500,000, and 13.7 percent in urban areas of 2,500 to 10,000. Rural nonfarm areas show an even higher gain of 14.5 percent. This trend was a direct reversal of the population curve of the Twenties.[2]

The above chart illustrates the higher percentage gains in total residential units provided during the fiscal year 1941 in smaller communities.

*Continued Preference for Single-Family Houses*

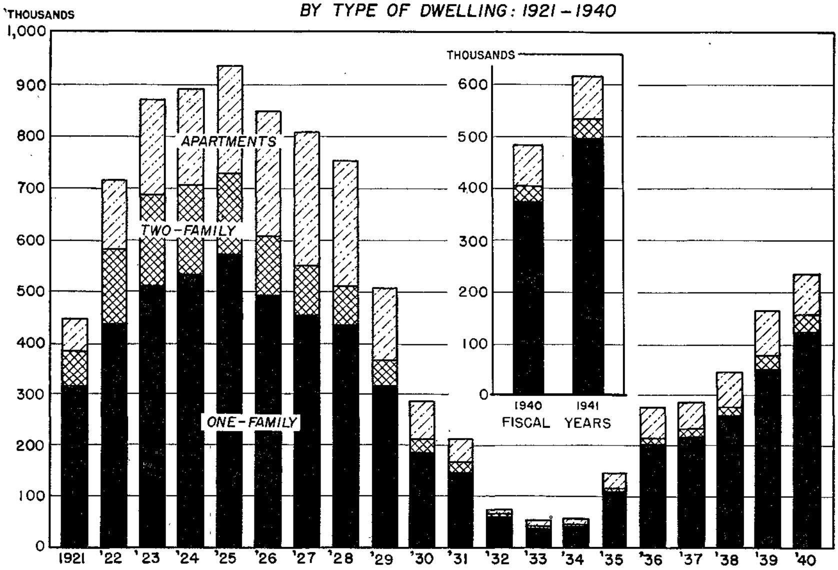
The Eighth Annual Report of the Federal Home Loan Bank Board emphasized the long-range trend toward an ever growing proportion

[2] For detailed information on population trends as disclosed by the 1940 Census, see pp. 35–38.

of single-family dwellings in the annual additions to the residential housing supply of the country. This development, which started with the recovery of residential construction in 1935, is contrary to our experience in the upswing of previous building cycles. During the Twenties, for example, the proportion of new dwelling units contained in apartment houses rose substantially during the period 1922 to 1928. During this same period, construction of one- and two-family houses remained relatively stable.

CHART IX

NUMBER OF NEW NONFARM DWELLING UNITS BUILT
*BY TYPE OF DWELLING: 1921-1940*




*Source: National Bureau of Economic Research 1921-1936*
*U.S. Department of Labor 1937-1941*

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FEDERAL HOME LOAN BANK BOARD

During the year under review, single-family houses assumed a position of even greater importance. Approximately 81 percent of total nonfarm units built are found in dwellings of this type as compared with 78 percent during the previous fiscal year. The gain in single-family home construction was made at the expense of multifamily housing developments as Exhibit 1 and the chart above indicate. The number of new single-family dwelling units provided during the fiscal year 1941 totaled 497,230, an increase of 32.4 percent over the previous fiscal year. The total volume of units provided in multi-family structures, on the other hand, amounted to 80,018 during the reporting period, or a gain of only 1.8 percent. The number of units provided in two-family structures showed a good increase during the fiscal year 1941 from 30,162 to 38,811. However, the relative importance of this type of housing remained practically unchanged, the figures for each of the last two fiscal years representing but 6 percent of the total new housing constructed.

Undoubtedly one of the main explanations for the predominant position of single-family houses in the volume of new construction during recent years is the fact that our population is increasing at a much faster rate in smaller communities and suburban areas than in central cities where most apartment building is concentrated. The traditional preference of the average American for a single-family home of his own is much more easily satisfied if he lives in a community where there is no problem of crowded living. It is no mere coincidence that the 1940 Census shows population during the Thirties to have grown three times as rapidly in suburban areas as in the central sections of our metropolitan communities.

*Improvement in the Real-Estate Market*

Recent Annual Reports of the Federal Home Loan Bank Board have emphasized that the real-estate market in this country has made only an incomplete recovery from the depression of the early Thirties. Reasons why recovery has lagged in this field are not difficult to find. Real estate is by its nature a commodity which moves slowly. Prices at which properties have been offered for sale have only recently been adjusted to realistic levels since many property holders refused to incur the very heavy sacrifices which would have been inevitable had they disposed of their investments at the depth of the depression. The avalanche of foreclosures during the first depression years resulted in an institutionally-owned overhang of properties which further deflated prices. Depreciation and obsolescence have exacted a heavy toll on older properties remaining unsold.

The task of liquidation under these conditions has naturally been a difficult one. Until recently, the market has functioned under the influence of mixed and somewhat paradoxical trends. Thus, the sale prices of older and larger properties have steadily declined, reflecting competition with new low-priced homes and the common preference of prospective home purchasers for small new houses located in attractive neighborhoods. On the other hand, the institutionally-owned overhang of properties has been steadily if slowly reduced, foreclosures have dropped to near normal levels, and sales activity, particularly in the lower price brackets, has been on the upgrade.

Compared with the slow recovery during the past few years, the real-estate market showed an accelerated improvement during the reporting period. The immediate return to boom conditions expected by a few optimists after the outbreak of the European war failed to occur, but all market factors, at least up to the present time, have been advancing in a positive direction.

Sales activity, which was already showing a good increase during the 1940 fiscal year, moved upward during the reporting period to a new post-depression peak. Reports on the volume of real-estate transfers and general market activity show a continuing improvement which is encouraging to those engaged in the field of housing and mortgage finance. In many localities, definite tendencies toward a stiffening of the prices at which older properties are sold have been noted, although the demand for this type of structure is still much slower than for small, new, single-family dwellings.

Member institutions of the Federal Home Loan Bank System, as well as other institutional holders of repossessed properties, also made excellent progress in liquidating their holdings during the current fiscal year. Prices have not only held up in most areas, but in some localities show a tendency to increase. As the defense program gathers greater momentum, it is having more and more noticeable effects on all sectors of the real-estate market. Thus, in a few localities where industrial activity has reached a new high pitch, there has been a concomitant upswing in real-estate activity. It is too early to draw any basic conclusions as to the long-run effects of the defense program on the real-estate market, but the few signs now available point toward increasing improvement.

The excessive tax burden borne by real estate in many communities remains one of the major bars to further recovery of the real-estate market. Property tax levies show little change since the Board stated in its Annual Report a year ago: "Overvaluation of properties in terms of present prices and revenues, outmoded tax-appraisal methods, high tax rates, and excessive costs of tax collection throughout the 175,000 overlapping tax jurisdictions discourage owner-occupancy and investment in real estate alike." Statistics for 252 cities collected by the Detroit Bureau of Governmental Research, Inc., show, for example, that there was an increase of 1.0 percent in the average adjusted tax rate per $1,000 during 1940, accompanied by a decline of 1.5 percent in average assessed values.

*Comparisons of 1940 and 1939 average adjusted tax rates of 252 American cities*[1]

| Population group | Average adjusted rates per $1,000 of assessed value | | | Population group | Average adjusted rates per $1,000 of assessed value | | |
|---|---|---|---|---|---|---|---|
| | 1940 | 1939 | Percent change | | 1940 | 1939 | Percent change |
| 500,000 and over | $28.87 | $28.41 | +1.6 | 30,000–50,000 | $27.65 | $27.51 | +0.5 |
| 300,000–500,000 | 29.39 | 27.92 | +5.3 | All 252 cities | 28.01 | 27.72 | +1.0 |
| 100,000–300,000 | 29.08 | 29.21 | −0.4 | | | | |
| 50,000–100,000 | 27.14 | 26.64 | +1.9 | | | | |

[1] Source: *National Municipal Review*, December 1940, p. 795.

Although tax rates are still on the increase, there has been a noticeable deceleration in the rate during the last four years, indicating the possibility that rates are becoming more or less stationary. According to the Detroit Bureau, one explanation for this tendency may be that revenue from the taxation of real property may be approaching a point of diminishing returns—"further increase in tax rates may produce political reverberations and a migration of assessed values." [3]

*Further Decline in Foreclosures*

One of the most positive gauges of improving real-estate market conditions is the steady decline in foreclosure activity. During the fiscal year 1941, the total number of nonfarm real-estate foreclosures declined 20 percent from the previous year and represents the lowest annual volume since 1926. This latter year is generally considered to have been the low year of the previous foreclosure cycle.

Foreclosures brought by the Home Owners' Loan Corporation have a strong influence on the trend for the country as a whole. In order to show the most accurate relationship between foreclosures and the normal real-estate market, Chart X has been prepared to illustrate the volume of foreclosures for each year since the previous low point of 1926, with separate trend lines for the Home Owners' Loan Corporation and others. The chart shows clearly that the volume of "all other foreclosures" has been declining steadily for several years and is now at an encouraging low and stable level.

Improvement of the general foreclosure picture during the last fiscal year was widespread among the Federal Home Loan Bank Districts. Each District and all but one State show a reduction in the number of foreclosures initiated during the reporting period as compared with the previous fiscal year. However, there are still a

[3] *National Municipal Review*, December 1940, p. 793.

425085—41——3

CHART X

NONFARM REAL ESTATE FORECLOSURES IN THE UNITED STATES

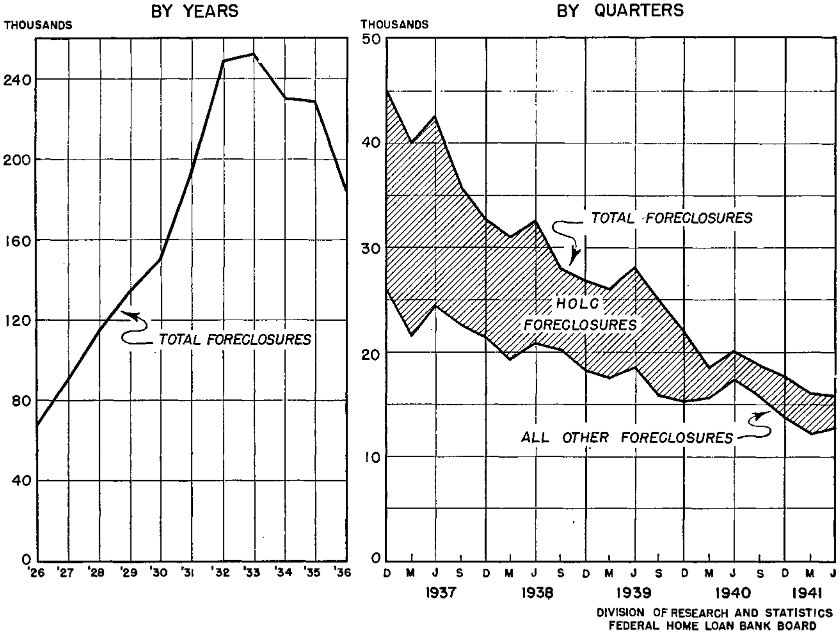
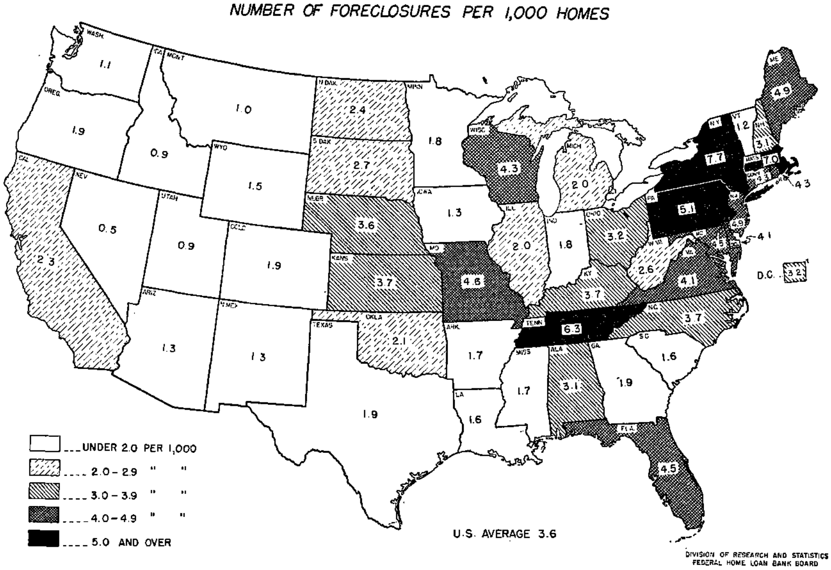



CHART XI

RATE OF NONFARM REAL ESTATE FORECLOSURES, FISCAL YEAR 1941

*NUMBER OF FORECLOSURES PER 1,000 HOMES*



few States in which foreclosures are somewhat high. The map on the opposite page, which illustrates the foreclosure rate for each State during the fiscal year 1941, shows clearly that the States with the highest rates are concentrated along the Atlantic Coast and in New England. Four States in this region, New York, Massachusetts, Pennsylvania, and New Jersey, show a rate well above the national average of 3.6 per thousand nonfarm dwellings.

States west of the Mississippi, with the exception of Missouri and Kansas, all show a rate lower than the national average. It is no coincidence that the remaining problem areas as far as foreclosures are concerned are the same areas where the real-estate market suffered most severely and where recovery has been slowest. A further reason for the higher volume of foreclosures along the Eastern Seaboard is the fact that there are a large number of highly urbanized areas in this region. For many years, larger communities have shown the highest foreclosure rate. Although foreclosures can be expected to continue in some volume in these regions, the improvement so far shown, plus the fact that in most areas of the country foreclosures have once more reached a low level, would appear to indicate that foreclosures no longer constitute a major economic problem. Exhibits 2 and 3 present data on nonfarm real-estate foreclosures for the United States and for each Federal Home Loan Bank District.

*Liquidation of Real-Estate Overhang*

The declining rate at which financial institutions are acquiring residential properties, coupled with steadily increasing sales activity, is bringing about a substantial reduction in the real-estate overhang. During the calendar year 1940, the estimated book value of residential property owned by selected financial institutions, including savings and loan associations, mutual savings banks, commercial banks, life insurance companies, and the Home Owners' Loan Corporation, declined from $2,401,594,000 [1] to $1,863,879,000, or by 22.4 percent. The chart on page 28 illustrates the progress made during the last two years by each of the aforementioned institutions in disposing of owned properties.

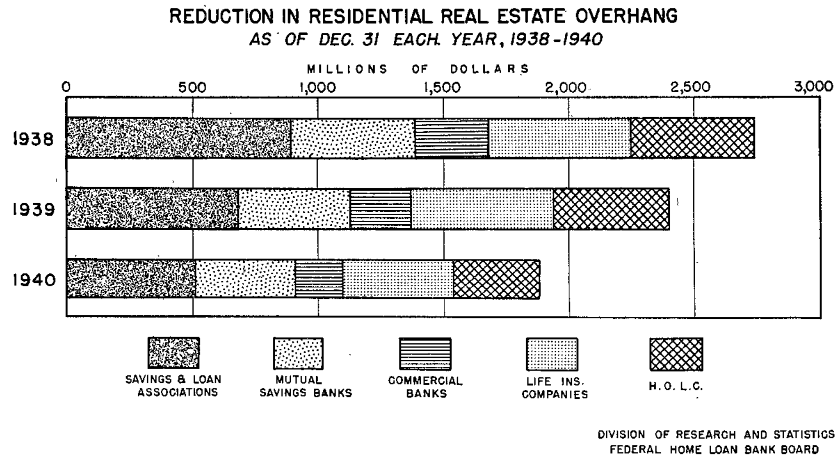
Savings and loan associations and the Home Owners' Loan Corporation led other institutions in liquidating their acquired real estate during 1940. Savings and loan associations are estimated to have decreased their holdings by $188,686,000, or 27.7 percent. Real estate owned by the Home Owners' Loan Corporation declined $123,953,202,

[1] Revision.

or 26.8 percent. Life insurance companies show a drop totaling $120,076,000, or 21.3 percent. The balance sheet of commercial banks shows a reduction in residential real estate of $55,000,000, or 22.4 percent, and the comparable figures for mutual savings banks were $50,000,000 and 11.1 percent.

Estimates of the real-estate overhang do not include such items as real estate owned by individuals, closed banks, and some other financing institutions, but they do show a fair picture of current trends in the liquidation of owned real estate. The volume of repossessed properties held by financial institutions—$1,863,879,000—is still substantial and in itself emphasizes that there remains a liquidation problem of some significance. However, the present real-estate

Chart XII




overhang is largely concentrated in a few States along the North Atlantic Seaboard and except for these areas no longer represents the basic threat to stability of the real-estate market which it did a few years ago. Provided another wave of foreclosures does not occur in the near future, it would appear that financial institutions throughout most of the country have made excellent progress in disposing of a particularly slow asset.

For the past few years the concentration of owned real estate has been most serious in the four States of New York, New Jersey, Pennsylvania, and Massachusetts. Despite a reduction in the dollar volume of holdings during 1940, these four States still account for 75 percent of HOLC holdings, for 70 percent of residential properties owned by insured commercial banks, for 44 percent of small homes owned by life insurance companies, and for 55 percent of the real-estate holdings of savings and loan associations. In addition, about 87 percent of all real estate owned by mutual savings banks is located in these four States. Although the overhang problem is no longer as acute in this area as in the past, there still remains much to be done before institutions in this region can operate on a normal market.

There are two important reasons for the substantial improvement shown by lending institutions during 1940 in liquidating their property holdings. The first of these is the belated recognition that it is highly dangerous for financial institutions to hold real estate indefinitely in hope of recovery on a rising market. There has, therefore, been an increasing tendency for institutions to price their properties realistically and to make concerted drives to sell their properties at the best possible figure, taking whatever losses may be necessary. The second determining factor has undoubtedly been the revival in general business conditions attendant upon the defense program. In many localities where industrial activity has made rapid headway during the last year, financial institutions have found a vastly improved market for their properties.

A need for additional housing accommodations brought about by influxes of workers into industrial cities has also stimulated sales activity. Many financial institutions have engaged in extensive repair and rehabilitation programs in order to meet a demand for decent, adequate shelter in areas where shortages have arisen as a result of defense activity. The steadily mounting volume of employment and increasing income in the hands of industrial workers has in itself operated to broaden the market for existing residential properties. More and more individuals in this class are finding themselves with sufficient resources to acquire a home and in a large number of cases, particularly where there are large families involved, housing needs are best met by reconditioned older properties. Higher priced and smaller new homes are more often than not outside the reach and need of such individuals.

Exhibit 4 shows data on residential real estate owned by selected financial institutions, tabulated by Federal Home Loan Bank Districts and by States.

### *Building Costs—Danger Signals*

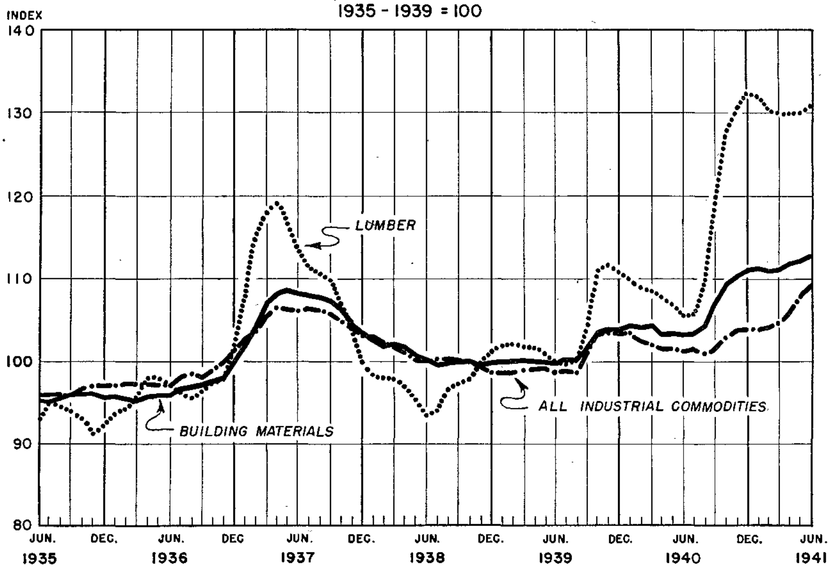
In its Eighth Annual Report, the Federal Home Loan Bank Board pointed out that building costs, unlike financing costs, had failed to show any appreciable decline during the past several years. During the first depression years, from 1929 to 1933, the price of building materials declined less than did the prices of most other commodities.

Despite this fact, after 1933, the price of building materials rose at a rate substantially higher than that for other commodities. Following the outbreak of the European war in the fall of 1939, further increases resulted, and at the beginning of the 1941 fiscal year, the index of wholesale building material prices compiled by the Department of Labor stood at 103.2 as compared with a figure of 96.2 for all commodities (1935–1939=100).

CHART XIII

WHOLESALE PRICE INDICES OF LUMBER, ALL BUILDING MATERIALS AND ALL INDUSTRIAL COMMODITIES

1935 - 1939 = 100




Source: U. S. Department of Labor

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FEDERAL HOME LOAN BANK BOARD

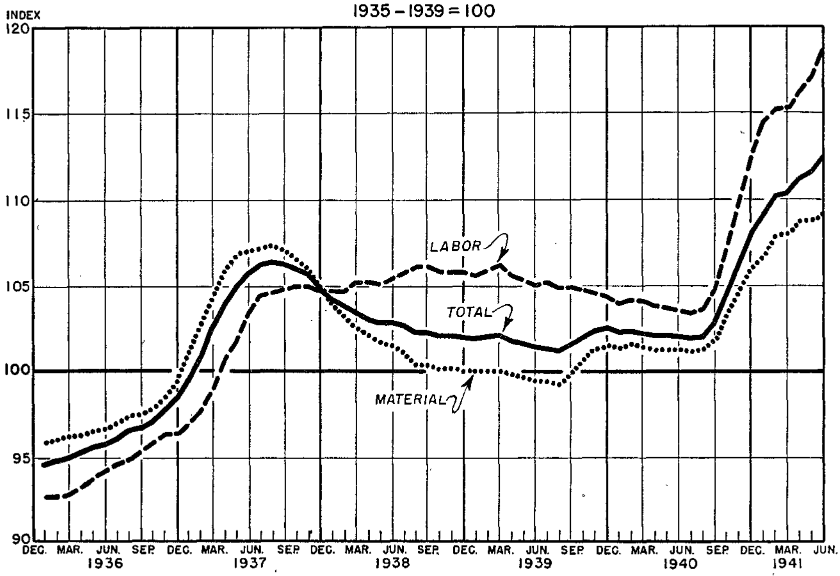
During the first six months of the reporting period, when the defense program was going ahead at an ever accelerating rate, the index of wholesale building material prices advanced to a figure of 110.9 at the end of December 1940. During this same period, the index of all commodities rose to 99.3 During the second half of the fiscal year, building costs continued to increase, although at a somewhat declining pace. At the close of the fiscal year, in June 1941, the index stood at 112.8, or 9.3 percent above the figure for a year previous.

Although wholesale prices of all groups of building materials which are included in arriving at the composite building material index showed increases during the year under review, the tremendous jump in lumber prices during the first half of the year was largely responsible for the rapid rise in the index as a whole. The behavior of lumber prices which increased 25 percent during the last six months of 1940 gave considerable concern to those engaged in the building and home financing fields. In September 1940, the National Defense Advisory Commission stated that "the defense program did not justify any increase in lumber prices . . ."

CHART XIV

COST INDICES FOR CONSTRUCTION OF A STANDARD SIX ROOM FRAME HOUSE

1935 – 1939 = 100

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FEDERAL HOME LOAN BANK BOARD

During the second half of the fiscal year, when the cantonment building program of the Army had largely been completed, lumber prices remained relatively stable, and even showed slight declines in some months. Nevertheless, the index of lumber prices stood at 131 in June 1941, an increase of 24 percent over the figure for a year previous.

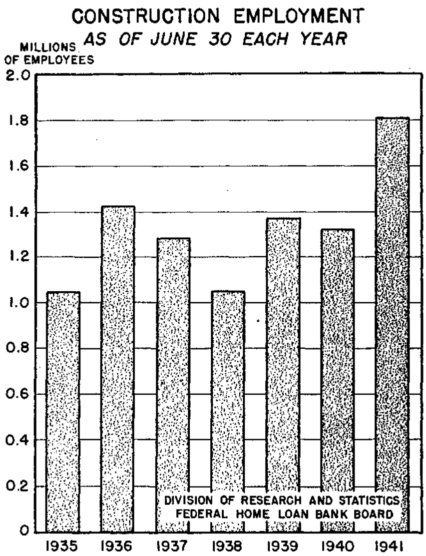
Rising building costs during the fiscal year 1941 are also indicated by the Federal Home Loan Bank Board's index of material and labor costs for constructing a standard six-room frame house in selected cities. Because it is based on dealers' prices, which usually lag behind wholesale price quotations, this index does not reflect the substantial increases shown by the Department of Labor's statistics on wholesale prices. Nonetheless, the cost index of materials used in building the standard house increased from 101.3 to 109.2, and the labor index from 103.5 to 118.6 during the reporting period (1935–1939=100). As the chart on page 31 indicates, the rate of increase slackened somewhat after the beginning of 1941, but each month after January 1941 represented a new high for the index since it was started in 1936.

Exhibit 5 shows the cost indices from January 1936 through June 1941.

*Labor Supply*

The stimulus of the defense program has had very noticeable effects on the demand for construction workers. Rapid plant expansion, construction of Army cantonments, shipbuilding, defense housing, increased residential building—all have had a hand in creating more job opportunities than have existed since long before the depression years. As indicated in Chart XV, the number of construction workers employed on June 30, 1941, was higher by far than at the close of the six previous fiscal years.

CHART XV




*Source: U. S. Department of Labor*

There is no indication as yet that widespread shortages of construction labor have developed. However, surveys of the labor market, conducted by the Bureau of Employment Security of the Social Security Board, show that in numerous localities serious local shortages have already occurred. There are also some indications of secondary shortages in smaller communities because the normal labor supply has been drawn into nearby cities where large defense contracts have been let.

The defense program and rising industrial production may well raise serious problems in the construction field as far as the supply of labor is concerned. During the 1930's, when the volume of both residential and nonresidential construction remained at consistently low levels as compared with the previous decade, there was a very natural decline in the number of skilled craftsmen in this field. Many workers were forced to enter employment in related or new fields, fewer younger men became apprentices in the various building trades, and the nucleus of trained specialists declined in size due to death, advancing age, and lack of replacements.

This development is clearly shown by reports from many areas of high industrial activity at the present time where serious local shortages, particularly of skilled workers, have been reported. Various industries have been forced to engage in extensive training programs to build up the available labor supply and to reorganize work activity in order that more and more of the load can be handled by relatively untrained and unskilled labor. It should also be noted that the Selective Service Program, while it has drawn few skilled professional laborers out of the market, has cut down in some degree the number of younger unskilled workers available for training.

*Rents and Vacancies*

In view of generally rising prices during the fiscal year 1941, over-all rent indices remained surprisingly stable. For the two fiscal years prior to the reporting period, the index of residential rentals compiled by the National Industrial Conference Board had shown only minor fluctuations. For most of the fiscal year 1941, as shown by the chart on page 34, the index remained fairly even, although there was some indication of a slight rise toward the close of the year.

However, local studies, which have been conducted by the Department of Labor in defense communities from time to time during the fiscal year 1941, showed a more pronounced trend toward rising rents, particularly in units which rent for $30 or less per month. Up to the present time, these substantial increases in rentals have been confined to relatively few localities where concentrated armament orders and greatly expanded Army and Navy activity have created real boom conditions with nonexistent vacancies, rapidly rising rents, doubling up of occupants, and increased real-estate prices. Whether such conditions will become more widespread depends primarily upon the extent to which new construction is successful in meeting housing shortages.

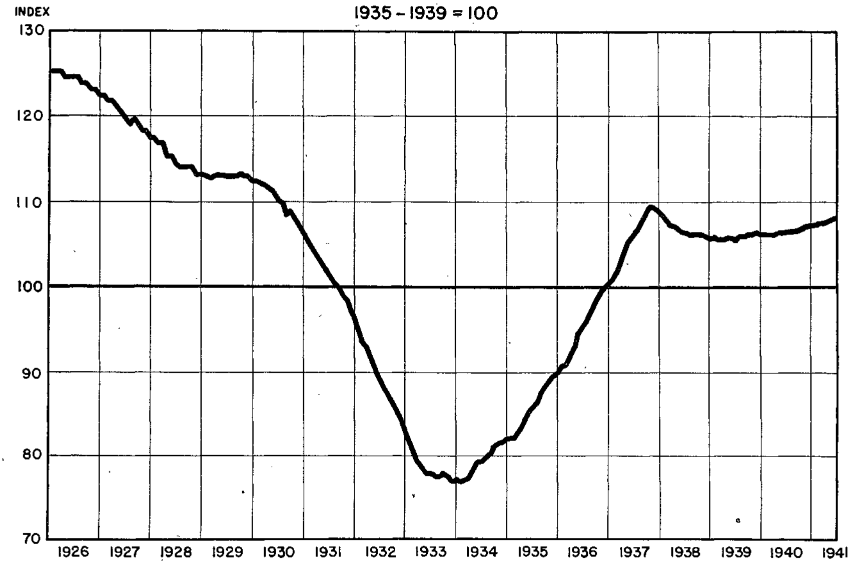
Generally, the situation is made more acute by the lack of large reserves of unoccupied family dwelling units in most communities. As of April 1, 1940, the date on which the last decennial Census was taken, vacancies throughout the country were low. For the country as a whole, the Bureau of the Census reported a vacancy ratio of 5.0 percent. In urban areas, the rate was only 4.3 percent and in rural, 6.1 percent. Since completion of the Census, numerous WPA surveys have been made in a large number of defense localities. Almost without exception, these surveys showed declines in vacancy ratios from the low figures disclosed at the time the Census was taken.

As in the case of rising rents, the lowest vacancy ratios and those showing the greatest declines are reported by communities in which

CHART XVI

INDEX OF RESIDENTIAL RENTALS

1935 - 1939 = 100




*Source: National Industrial Conference Board*

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FEDERAL HOME LOAN BANK BOARD

the defense program has brought about immediate demands for new housing accommodations. Again, the extent to which this condition may become common throughout the country cannot be determined on the basis of information presently available. Where vacancies are low or nonexistent, it follows, of course, that there will be a tendency for rents and real-estate prices to increase substantially.

*Long-range Market Factors*

The real-estate market today is most vitally subject to the influences not of normal long-range trends, but to the swift day-to-day changes brought about by the defense program. If, as seems most likely, the country finds it necessary to expand its defense preparations at an ever-increasing tempo, the real-estate market may necessarily be subjected to emergency action which will determine its entire course, at least for the duration. On June 29, 1941, a program for giving priority aid to defense housing was announced. It is possible that similar action may have to be taken to assure an adequate supply of construction labor on defense projects.

Heightened taxes, enforced savings, outright restriction of consumer purchases—any such development if it occurs, would mean a very sharp reduction in the output of housing just as it would mean belt tightening in many lines of economic activity not directly related to the preparedness program. In short, the Board recognizes that any discussion of real-estate market factors, whether it be from the standpoint of immediate conditions or long-range trends, must recognize first of all that the paramount defense effort of the country may require a reduction of residential building except in those areas where new accommodations are essential to house defense workers.

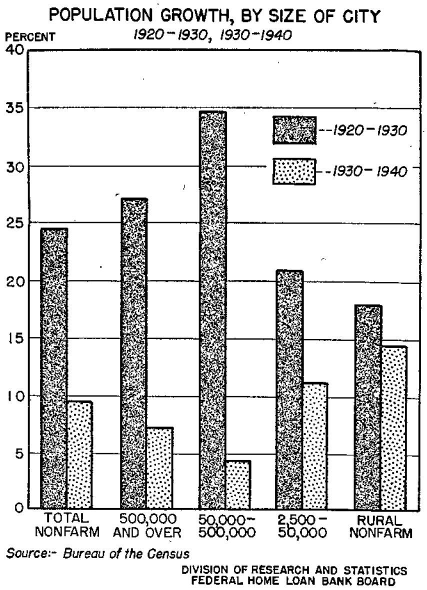
However, it is important to remember that such long-range factors as population trends, number and size of families, changing age structure of our population, degree of urbanization, and decentralization will always, over a period of time, play a heavy role in shaping housing demand.

The over-all picture of current population trends is summarized in the comparative rates of increase during the last two decades. Thus, from 1920 to 1930, the total population of the United States increased from 105,710,620 to 122,775,046, or by 16.1 percent. During the decade of the Thirties, the number of individuals residing in this country reached the figure of 131,669,275, or an increase of only 7.2 percent. Even such unpicturesque over-all figures as these are a strong indication that we are approaching a stage of relative maturity in population growth.

The story of population trends during the 1930's is no less important however, merely because the rate of increase was substantially under that of preceding decades. The most revealing fact about current population trends yet shown by the 1940 Census is that present day developments must be measured in terms of local shifts and variations rather than in terms of over-all expansion. Internal movements and migrations of population are quite as important a determinant of housing need as were the over-all gains of previous years.

Census statistics on the growth of population during the Thirties in communities of varying size present a significant picture when compared with trends in the same localities during the preceding decade. The chart below, for example, shows that from 1920 to 1930 the rate of population growth in larger cities was higher by a considerable margin than in smaller communities. During the Thirties, exactly the reverse was true with smaller communities and rural nonfarm areas showing far and away the largest percentage increase. During both decades, cities in the largest population group, however, show a contrary trend.

CHART XVII*




The analysis of urban population trends is incomplete without particular attention to movements within metropolitan districts. The 1940 Census lists 63,000,000 people who are residents of metropolitan districts, a gain of 15 percent during the Thirties. Total population increased only 7 percent during the same ten-year period. The growth in metropolitan districts is attributable in part at least to the addition of new districts on the Census list which in 1940 included 140 as compared with 96 in 1930 and 85 in 1920. A difference in definition of the term "metropolitan district" by the Census Bureau accounts for a number of the areas added in the 1940 Census.

More significant, perhaps, is the measurement of population growth in the 133 metropolitan districts for which information is available for both 1930 and 1940. Suburban areas in these districts show a gain of over 2,700,000 people during the Thirties, while central cities added only 2,000,000 to their population. On a percentage change basis, outlying districts were growing three times as rapidly as central cities.

Individual cities show variations of this over-all pattern, of course. In some instances, actual losses were registered in central cities, while suburbs grew rapidly. In other cases, the entire metropolitan district remained virtually static. In the majority of cities, however, there was a small gain in the central district and a rapid increase in the suburban area. Exhibit 7 gives a detailed breakdown showing population growth in individual metropolitan districts.

*Figures underlying Chart XVII will be found in Exhibit 6.

*Population of 133 comparable metropolitan districts, inside and outside central cities, 1930–1940*

| Location | Total population | | Increase, 1930–1940 | |
|---|---|---|---|---|
| | 1940 | 1930 | Number | Percent |
| In central cities | 42,350,996 | 40,343,442 | 2,007,554 | 5.0 |
| Outside central cities | 19,985,686 | 17,259,423 | 2,726,263 | 15.8 |
| Total | 62,336,682 | 57,602,865 | 4,733,817 | 8.2 |

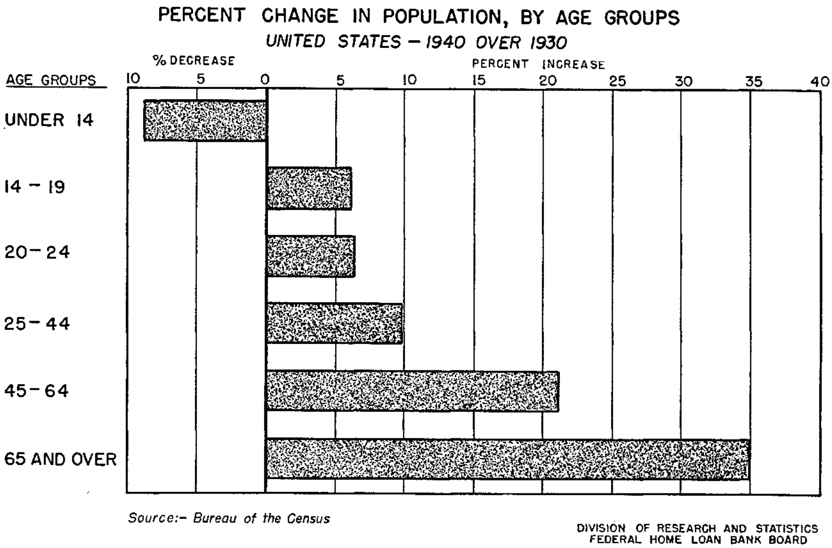
Causes for the steady shift out of central cities into surrounding suburban areas are not difficult to find. Decentralization results, among other causes, from congestion of central business districts, high tax rates in older sections of the cities, poor zoning and planning, restrictive building codes, ease of transportation resulting from widespread ownership of automobiles, and blighted areas which have been permitted to develop in many older communities. There is strong evidence that decentralization has already reached a point in a number of cities where the advantages to be obtained from a movement to newer and better planned developments are exacting an uneconomic toll from the community. Thus, as the radius of a city is expanded through the settlement and growth of suburban districts, the area which must be served by the municipality increases in geometric proportion and causes corresponding heavy increases in the cost of municipal services. Extension of public utility lines, police and fire protection, city paving, and transportation systems all mean increased cost to local taxpayers. Where these services include too wide an area because of excessive decentralization, the result is a heavily increased tax burden which bears particularly hard on older properties in static or declining central city areas.

Other significant population trends shown by the 1940 Census which have a direct bearing on the real-estate market include the "aging" of our population and a steady tendency toward smaller average size families. In April 1940, the number of persons aged 65 or over was 8,960,000, or 6.8 percent of total population, as compared with 6,630,000, or 5.4 percent in 1930. Statistics on younger age groups show that the number of persons approaching retirement will continue to increase in the future. Thus, in 1940 there were 25,947,000 persons, or 19.7 percent of total, in the age group from 45 to 64 years as compared with 21,415,000, or 17.4 percent, in 1930. Such changes as these in the age structure of our population have a direct influence on the need for housing. We may, for example, expect a greater demand for small, compact dwelling units to house older people.

Of all population trends, probably none has greater significance in relation to the housing market than those reflecting the number and size of families, for housing demand is determined to a considerable degree by these two factors. On April 1, 1940, the number of private households (which corresponds closely to the number of families) was 34,860,000. It is, therefore, estimated that during the Thirties, there was a net gain of some 5,000,000 families, or 16.6 percent, as compared with an increase in total population of only 7.2 percent.

Over half of the increase in the number of families during the Thirties resulted from a decrease in the average size of family from

CHART XVIII




4.1 to 3.8. A drop in family size has been revealed by each Census since 1890 and further declines are likely because of a steadily decreasing birth rate. Just as the number of families is a major determinant of the number of dwelling units needed, the number of persons in the average family decides, in the main, the size of units to be built. The increasing importance of smaller single-family houses in recent years in the total volume of residential construction is a direct reflection of this relationship. For example, the median number of rooms in new homes accepted for mortgage insurance by the Federal Housing Administration has dropped from 6.2 in 1936 to 5.6 in 1940.[4]

[4] Seventh Annual Report of the Federal Housing Administration, p. 66.

## 2. MORTGAGE FINANCE AND SAVINGS

For the thrift and home financing industry, the fiscal year 1941 was a period of marked success. Home mortgage loans written by private lending institutions reached a new peak. Savings of individuals showed the largest net increase for any year since 1926, and brought the aggregate volume of long-term savings to a record level more than three times the 1920 total. The home financing industry at the close of the reporting period faced an uncertain and difficult future, but the success with which problems are being met justifies confidence in the ability of the industry to meet whatever readjustments the present emergency may necessitate.

### *Continued Gains of Home Mortgage Lending*

Home mortgage lending once again showed substantial gains during the calendar year 1940, when the estimated volume of new mortgage loans written on one- to four-family homes totaled $3,322,000,000, an increase of 16 percent over the previous year. The chart on page 40 which shows the trend in the volume of home mortgage lending, by years since 1929, reveals that substantial recovery from the low point of 1933 has already been achieved with activity in 1940 closely approaching the 1930 level. When current trends in home mortgage lending are compared with prior years, account must also be taken of the fact that in recent years real-estate prices have been considerably lower than in predepression periods. The 1940 dollar volume of lending activity, in other words, undoubtedly means more in terms of the number of houses financed than did the volume of new loans made in 1929.

All types of institutional lenders showed increased activity during 1940. Savings and loan associations again led the field by originating $1,200,000,000 in new loans, an increase of 22 percent over the previous calendar year. Commercial banks and their trust departments loaned $689,000,000, a figure 13 percent above the corresponding total during 1939. Home mortgage loans written by life insurance companies increased 18 percent to a total of $324,000,000. Mutual savings banks placed $133,000,000 in home mortgages as compared with $112,000,000 the previous year. Individuals and others accounted for $865,000,000, a gain of 17 percent. Lending activity of the Home Owners' Loan Corporation deserves special comment. The Corporation has, of course, made no new mortgage loans since June 12, 1936, when its statutory authority to refinance mortgages expired. Since that time, however, the Corporation has sold a number of acquired properties against purchase-money mortgages and has made supplemental advances to both borrowers and vendees for such purposes as the payment of delinquent taxes or the financing of needed repair and modernization work (see pages 143–4). These two factors account for "lending activity" of the Home Owners' Loan Corporation in the chart below during the period subsequent to June 1936. Exhibit 8 gives the estimated figures on mortgage lending activity for the years 1929 through 1940, by type of lender.

Chart XIX

HOME MORTGAGE LENDING ACTIVITY

*ESTIMATED VOLUME OF MORTGAGE LOANS MADE ON NONFARM ONE TO FOUR FAMILY DWELLINGS*

*1929 THROUGH 1940*

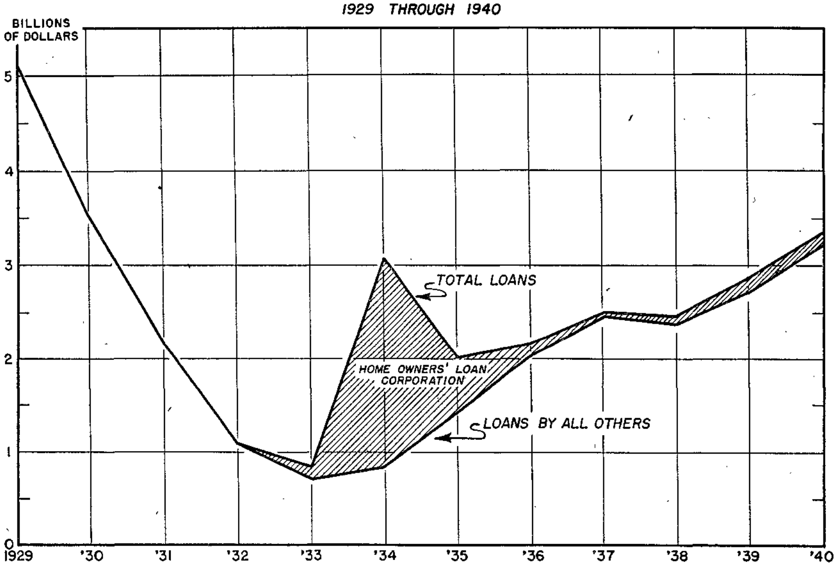



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Chart XX on the facing page, illustrating the relative share of 1940 home mortgage lending accounted for by various lenders, shows that savings and loan associations continue to be the most important lending institutions in the small home field. The long experience of these institutions as specialists in the financing of homes has equipped them to maintain their predominant position, despite increasing competition from other lenders.

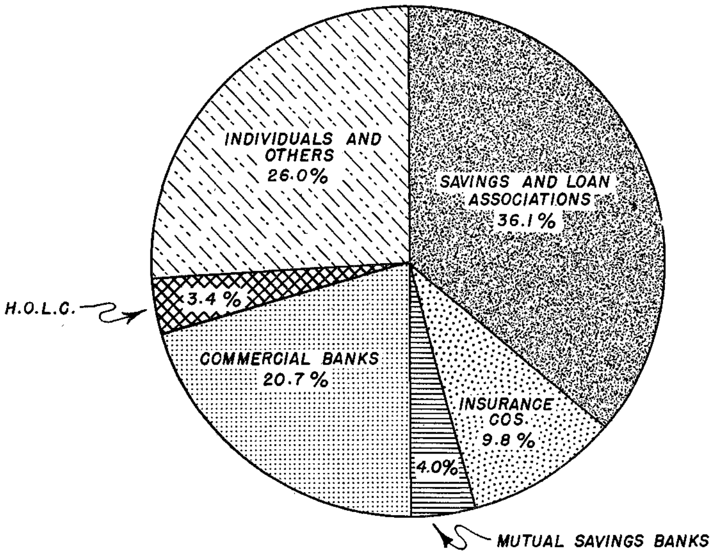
The steadily increasing volume of savings and loan lending is even more clearly shown by the chart on page 42. Based on monthly lending reports received over the past five years, the Division of Research and Statistics of the Federal Home Loan Bank Board has developed an index of new lending activity, adjusted for seasonal variations. By removing certain obscurities resulting from normal seasonal fluctuations, the index shows with greater clarity than do monthly dollar statistics the upward trend of lending operations.

A closer analysis of trends in mortgage lending activity is made possible by monthly statistics on mortgage recordings which have been collected by the Division of Research and Statistics of the Federal

CHART XX

ESTIMATED VOLUME OF MORTGAGE LOANS MADE ON NONFARM ONE-TO FOUR-FAMILY DWELLINGS, BY TYPE OF LENDER

*CALENDAR YEAR 1940*

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Home Loan Bank Board since the end of 1938. This study is designed to measure activity in the field of small and medium-sized loans and information is, therefore, restricted to mortgages of $20,000 or less on nonfarm property. The data comprise not only home mortgages, but mortgages on other types of properties which fall within the $20,000 limitation. The geographical coverage included in the sample on which the statistics are based has steadily been expanded until by June of 1941, reports were being received from more than 700 counties

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containing 68 percent of the total nonfarm population and located in every State and the District of Columbia.[5] Mortgage recording statistics, because they report not only new lending but registrations resulting from changes in existing contracts, cannot be taken as an absolute measure of the volume of new lending. Furthermore, recording statistics are not a completely accurate measure of the source of mortgage credit. Many lending institutions, particularly

CHART XXI


life insurance companies, operate through loan correspondents who record new mortgages in their own names. A fairly substantial

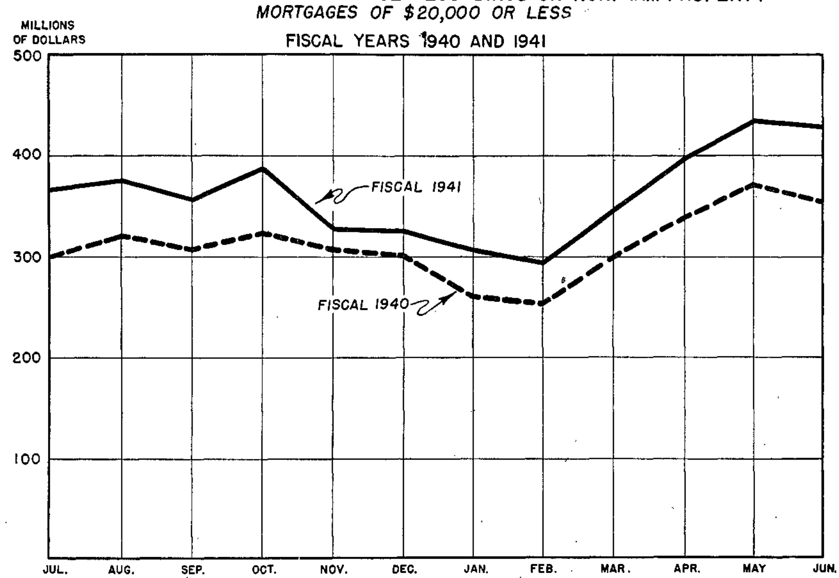
[5] Reports are received each month from field cooperators. Summaries of these reports are prepared for each State, by type of mortgagee, and from the totals of reported statistics, estimates representing total mortgages recorded in each State are developed on the basis of the relation of the nonfarm population in the sample to the total nonfarm population in the State. Adjustment factors are employed in the calculation to correct for the concentration of type of lenders and for the influence of metropolitan areas. Mortgage recording data are not directly comparable with the estimates on home mortgage lending presented in Chart XIX and Exhibit 8. As pointed out in the text, recordings include mortgages on one- to four-family homes as well as mortgages on other types of properties within the $20,000 limitation. Moreover, the period covered by mortgages recorded and loans made is not necessarily the same. Lending statistics are reported as of the date of loan commitment, while recording figures reflect the actual date of loan registration. Finally, alterations in the terms of an existing contract may necessitate a new registration. In the case of the refinancing of an institution's own mortgage, for example, the face amount of the instrument would appear in the recording totals, whereas only that portion which represented an increase in funds loaned would be included in lending figures.

volume of mortgages are, therefore, made with the intention of subsequent sale to other mortgagees. Such transfers, when consummated, are usually not apparent from mortgage records. However, the movement of recordings over a period of time does give an excellent picture of trends in lending activity and shifts among the various classes of lenders.

During the fiscal year 1941, total recordings of $20,000 or less numbered 1,545,000 in the amount of $4,362,000,000. Compared

CHART XXII

ESTIMATED VOLUME OF MORTGAGE RECORDINGS ON NONFARM PROPERTY
*MORTGAGES OF $20,000 OR LESS*
FISCAL YEARS 1940 AND 1941

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with the 1940 reporting period, these figures represent an increase of 12.8 percent in number and 16.2 percent in dollar volume.

Since the initiation of the mortgage recording studies, the data have consistently shown savings and loan associations leading all other institutional lenders, accounting roughly for one-third of the annual total. The fiscal year 1941 was no exception to this rule. Savings and loan recordings measured by number of mortgages represented 34 percent of total and on the basis of dollar volume, 32 percent. The relative position of other institutional lenders shows little change from the previous year. Banks and trust companies again ranked second, accounting for 22 percent by number and 25 percent by dollar volume of all recordings. Individuals and miscellaneous lenders ranked next, with insurance companies and mutual savings banks occupying a relatively minor position in the home loan field. It is true, of course, that insurance companies have but recently reentered this particular activity and mutual savings banks operate almost entirely in a few States along the Eastern Seaboard. Mortgage recordings by Federal Home Loan Bank Districts and by States are given in Exhibit 9.

*Total recordings of mortgages of $20,000 or less on nonfarm property, fiscal years 1940 and 1941*

| Type of lender | Total | | Increase | Percent of total | |
|---|---|---|---|---|---|
| | Fiscal year 1940 | Fiscal year 1941 | | Fiscal year 1940 | Fiscal year 1941 |
| | Number of mortgages recorded | | | | |
| Savings and loan associations | 469,578 | 527,602 | 58,024 | 34.3 | 34.2 |
| Insurance companies | 61,203 | 74,728 | 13,525 | 4.5 | 4.8 |
| Banks and trust companies | 292,496 | 338,316 | 45,820 | 21.3 | 21.9 |
| Mutual savings banks | 42,357 | 50,457 | 8,100 | 3.1 | 3.3 |
| Individuals | 327,875 | 365,225 | 37,350 | 23.9 | 23.6 |
| Others | 176,634 | 188,930 | 12,296 | 12.9 | 12.2 |
| Total | 1,370,143 | 1,545,258 | 175,115 | 100.0 | 100.0 |
| | Dollar amount of mortgages recorded (in thousands of dollars) | | | | |
| Savings and loan associations | $1,175,056 | $1,392,379 | $217,323 | 31.3 | 31.9 |
| Insurance companies | 308,179 | 366,795 | 58,616 | 8.2 | 8.4 |
| Banks and trust companies | 931,031 | 1,093,234 | 162,203 | 24.8 | 25.1 |
| Mutual savings banks | 157,816 | 190,107 | 32,291 | 4.2 | 4.3 |
| Individuals | 612,284 | 696,392 | 84,108 | 16.3 | 16.0 |
| Others | 568,344 | 623,328 | 54,984 | 15.2 | 14.3 |
| Total | 3,752,710 | 4,362,235 | 609,525 | 100.0 | 100.0 |

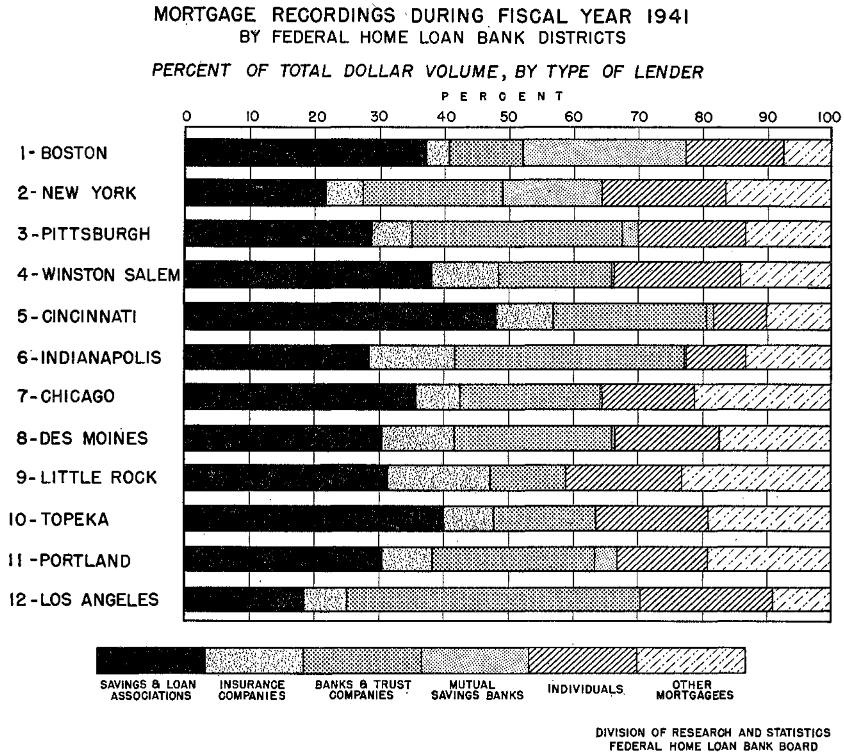
The explanation for the larger proportionate share attributed to savings and loan associations in the number of mortgages recorded than in the dollar volume of registrations is found in the fact that the average size of the loans made by these institutions is considerably smaller than the average for other institutions. Thus, as indicated by the table below, the average loan recorded by savings and loan associations was $2,639 as compared with an over-all average of $2,823.

*Average size of nonfarm mortgage loans recorded, fiscal year 1941*

| Type of lender | Average size of loan | Type of lender | Average size of loan |
|---|---|---|---|
| Individuals | $1,907 | Mutual savings banks | $3,768 |
| Savings and loan associations | 2,639 | Insurance companies | 4,908 |
| Banks and trust companies | 3,231 | | |
| Other mortgagees | 3,299 | All mortgagees | 2,823 |

The relative importance of the various types of mortgage lending institutions in different geographical areas is shown by the following chart. Explanations for the varying degrees of importance are not difficult to discover. Thus, in many localities savings and loan associations have traditionally been the major source of home financing funds. In other localities where the savings and loan movement has

CHART XXIII




not developed to a similar degree, other financial institutions are of greater significance. The impact of the depression on lending institutions and the degree of recovery so far attained are no respecters of geographical boundaries, and these factors have a direct influence on present business volume.

In nine of the twelve Federal Home Loan Bank Districts, savings and loan associations ranked first in the list of lenders on residential mortgages of $20,000 or less. In the remaining three Districts, Pittsburgh, Indianapolis, and Los Angeles, commercial banks were the most important lenders in this field.

*Expansion of Construction Lending*

For the past several years the volume of new loans made to finance the construction or purchase of homes has been assuming ever greater importance in the total lending picture. This trend has accompanied the steadily increasing amount of new residential construction and reflects, at the same time, a steady falling off in the demand for refinancing loans. A good illustration of this fact is found in the shifts among the various classifications of loans made by savings and loan associations in recent years. Unfortunately a similar breakdown on the lending activity of other financial institutions is not available, but since the same influences are at work throughout the financial community, it is highly probable that other lenders on residential real estate would show much the same experience.

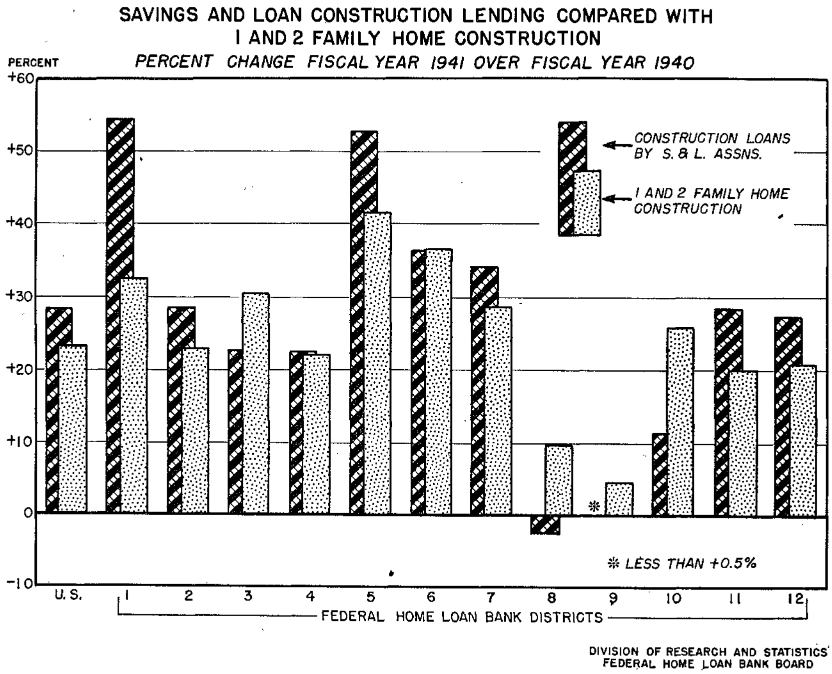
During the fiscal year 1941, the total volume of loans written by savings and loan associations reached a new post-depression peak of $1,294,400,000. As indicated by the table below, practically all of the 1941 increase in total lending activity by savings and loan associations was accounted for by gains made in loans for the construction or purchase of homes. Thus, loans for new construction alone increased $96,300,000, or 28 percent. Home purchase loans which reflect an actual transfer of ownership increased $104,500,000, or 27 percent. Loans advanced for refinancing actually declined, while the figures for reconditioning and miscellaneous loans show only slight gains over the previous year.

*Distribution of loans made by all savings and loan associations, by purpose of loans, fiscal years 1937–1941*

| Purpose of loan | Amounts in millions of dollars | | | | | Percent distribution | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 1937 | 1938 | 1939 | 1940 | 1941 | 1937 | 1938 | 1939 | 1940 | 1941 |
| Construction | $226.3 | $213.2 | $256.3 | $340.0 | $436.3 | 26 | 26 | 29 | 31 | 34 |
| Home purchase | 298.6 | 286.6 | 292.9 | 382.7 | 487.3 | 34 | 35 | 34 | 35 | 37 |
| Refinancing | 184.0 | 167.4 | 165.6 | 196.0 | 194.8 | 21 | 20 | 19 | 18 | 15 |
| Reconditioning | 65.5 | 59.4 | 58.3 | 61.7 | 63.4 | 8 | 7 | 7 | 6 | 5 |
| Other | 94.0 | 94.1 | 95.8 | 110.4 | 112.6 | 11 | 12 | 11 | 10 | 9 |
| Total | 868.4 | 820.7 | 868.9 | 1,090.8 | 1,294.4 | 100 | 100 | 100 | 100 | 100 |

During the fiscal year 1937, at a time when a substantial volume of mortgage debt was being refinanced, loans made on newly-built homes represented only 26 percent of total savings and loan advances. In the fiscal year 1941, over one-third of the aggregate loan volume went to finance new construction. Much the same trend though in lesser degree is shown by home purchase loans. Where loans for the buying of existing houses constituted 37 percent of total during the reporting period, the corresponding figure five years previous was 34 percent. In short, approximately 71 percent of the current lending volume of savings and loan associations is going to finance the construction or purchase of dwellings, whereas the similar percentage in the 1937 fiscal year was 60 percent.

CHART XXIV




Further evidence of the fact that savings and loan associations are accounting for an increasing proportion of new construction financing is found in the above chart which compares gains made in construction loans of savings and loan associations with permits issued for one- and two-family homes—the type of dwelling on which most savings and loan funds are advanced. During the reporting period, the increase in association construction loans actually exceeded the gains in one- and two-family building in seven of the Federal Home Loan Bank Districts.

*Increase in Home Mortgage Debt*

The mortgage debt outstanding on nonfarm one- to four-family dwellings increased during 1940 for the fourth consecutive year. In dollar volume, the gain is estimated at $907,000,000, bringing the total debt to $19,123,000,000. This increase of 5 percent during 1940 compares with an increase of $570,000,000, or 3.2 percent during the previous year.

The recent growth in home mortgage debt is the result of a number of factors. The steady increase in residential construction and the sale of properties on a low equity and longer amortization basis explains the major share of the increase. Progress made by financial institutions in liquidating property previously acquired through foreclosure has also raised the volume of debt outstanding. The low level of foreclosures in recent years has removed one of the primary causes for cancellation of debt by transfer to ownership during the early depression period. Rising incomes and expanding industrial activity are undoubtedly contributing to a more active market.

Because the Home Owners' Loan Corporation has since June of 1936 been primarily engaged in liquidating the $3,000,000,000 mortgage debt which it refinanced during the three previous years, changes in the over-all home mortgage debt fail to show the increase attributable to expanded holdings of private mortgage lenders. As the table below indicates, operating mortgage lenders registered a net increase in mortgage holdings of $989,000,000 during 1940.

*Estimated balance of outstanding mortgage loans on nonfarm one- to four-family dwellings*

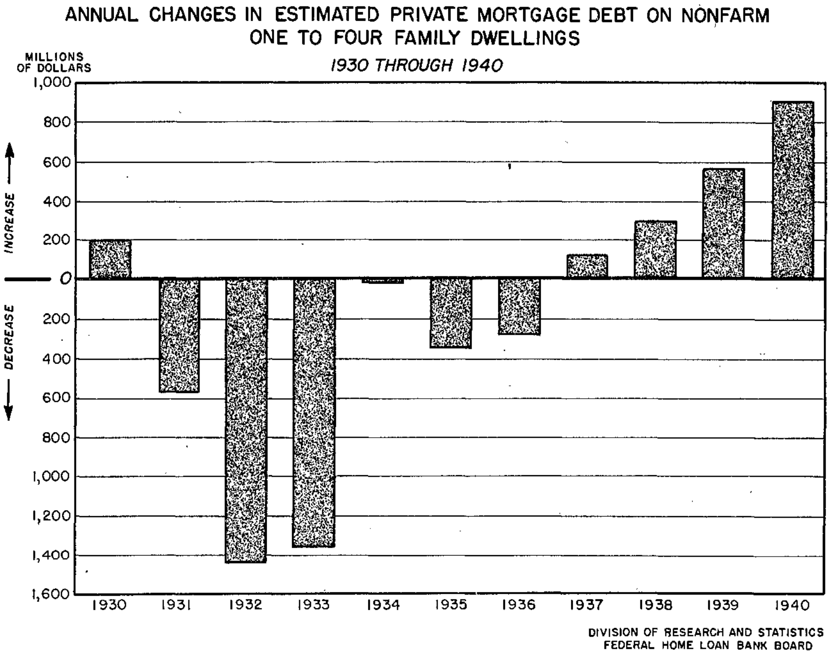
[Millions of dollars]

| Classes of lenders | 1936 | 1937 | 1938 | 1939 | 1940 | Increase or decrease | | | | 1936 through 1940 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | 1937 | 1938 | 1939 | 1940 | |
| Home Owners' Loan Corporation | $2,763 | $2,398 | $2,169 | $2,038 | $1,956 | −$365 | −$229 | −$131 | −$82 | −$807 |
| All others (institutions and individuals) | 14,462 | 14,946 | 15,477 | 16,178 | 17,167 | +484 | +531 | +701 | +989 | +2,705 |
| Total | 17,225 | 17,344 | 17,646 | 18,216 | 19,123 | +119 | +302 | +570 | +907 | +1,898 |

The steady recovery of home mortgage debt, particularly during the past three years, is especially significant when compared with trends in other types of long-term private debt. Although home mortgage debt is still well below the 1929 total, the steady gain since 1937 has brought the debt back to the 1932 level. The volume of mortgage indebtedness on farms is virtually stationary and private long-term debt as a whole has increased only slightly during the past several years.

Commercial banks and savings and loan associations have been responsible for the largest dollar increases in home mortgage debt since the turning point at the end of 1937. Loans held by commercial banks show a net gain of $695,000,000 during this period reaching a

CHART XXV




total of $2,095,000,000 at the end of 1940. Savings and loan associations show a similar growth of $684,000,000 resulting in a total portfolio of $4,104,000,000. Holdings of life insurance companies increased $512,000,000, mortgages held by individuals and "others" increased $330,000,000 while the liquidation of the HOLC brought about a decline of $442,000,000 in the volume of home mortgages held by that Corporation.

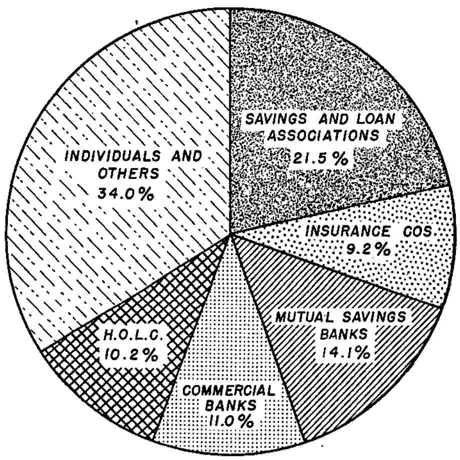
During the calendar year 1940 alone, savings and loan associations, commercial banks, and life insurance companies were responsible for practically all of the $907,000,000 increase in home mortgage debt. Mutual savings banks and individuals and others show only nominal increases while the holdings of the Home Owners' Loan Corporation declined by some $82,000,000.

As indicated by the pie chart below, savings and loan associations continue to be the most important institutional holders of home mortgage debt. These institutions account for 21 percent of the total loans outstanding at the end of 1940 and are exceeded in importance only by the miscellaneous group, individuals and others. Exhibit 10 shows a detailed breakdown of the home mortgage debt

CHART XXVI

ESTIMATED BALANCE OF OUTSTANDING MORTGAGE LOANS ON NONFARM ONE-TO FOUR-FAMILY DWELLINGS, BY TYPE OF LENDER

*DECEMBER 31, 1940*

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structure by type of financial institution over a period of the last eleven years.

From a national viewpoint, the steady increase in the volume of debt on nonfarm one- to four-family houses gives no particular cause for concern. The purchase of a home represents the largest investment ever made by the majority of the consuming public and results from cash transactions only in rare instances. Without financial assistance from mortgage lending institutions, widespread home ownership would be a practical impossibility.

More important than the absolute volume of debt outstanding at any time is the relative soundness of the debt structure. A volume of debt only half the size of that now outstanding, incurred without proper attention to property and credit risks, might well prove many times more hazardous than a debt half again the size of that now existing but incurred only after careful examination and selection of risk.

The debt structure of the Twenties was basically unsound in many respects as depression experience only too clearly emphasized. During the period of boom conditions after the last war, real estate was often overpriced, there was widespread and unsound speculation, inadequate attention was given to property appraisal and credit examination, and financing costs and loan terms were in many cases exorbitant and ill suited to the needs of borrowers. Many institutions overextended themselves or found themselves in an overextended position because of the lack of any reserve credit facilities.

Many of these defects have largely been eliminated and progress is steadily being made toward further improvement in the debt structure. Appraisals are made on a more careful scientific basis and the importance of credit analysis is more generally recognized. Long-term amortized loans with low down payments make expensive junior financing less necessary. Thrift and home financing institutions are bulwarked by a reserve credit system on which they can rely to avoid the credit shortages which formerly threw operations completely out of gear.

*Lending Operations in the Present Emergency*

Despite the improvement already noted in the character of the debt on urban homes today as compared with the Twenties there is still substantial room for improvement and, as a matter of general policy, the Federal Home Loan Bank Board is constantly encouraging the member institutions of the Federal Home Loan Bank System to maintain the high standards of operation which are the best defense against possible future trouble. The last depression proved the high cost of unsound and careless lending. A major aim in supervisory activities of the Board is to avoid similar difficulties in the future by encouraging the widespread adoption of lending terms which will enable member associations to attract and hold the best type of mortgage security in an increasingly competitive market.

Variable interest rates are recommended by the Board to enable institutions to gear their lending operations to market demands and obtain a diversified portfolio on which earnings are more closely related to the degree of risk involved. The Board has urged institutions to treat all borrowers equitably by refinancing old loans on more realistic terms in order to maintain the good will of borrowers and protect portfolios against useless raiding. The direct relationship between the cost of money and mortgage interest rates has been emphasized and wherever dividend rates are uneconomically high, the Board seeks to influence associations to reduce rates to competitive levels. Experience has proved that the rate of return, provided it is not so low that thrift goes completely unrewarded, is of less importance to prospective savers than safety of principal.

In general, the policy advocated by the Board is the establishment of both dividend and interest rates at levels which will (1) enable institutions to secure an adequate flow of savings funds, (2) to invest those funds in sound mortgage security, and (3) leave a sufficient spread to meet normal business expenses and provide adequate reserves against future losses.[6]

The operations of mortgage lending institutions in the present market require the closest possible attention to risk analysis. Increasing competition, for example, although a healthy development, does give rise to the danger that some institutions, in their efforts to attract mortgage loans, may accept too many marginal risks for future safety. The steady trend during the past few years toward lower down payments and longer amortization periods has eased the burden of home ownership, but there is no denying the fact that this development has placed a greater responsibility on home financing institutions to make careful appraisals of the mortgage investments in which they are placing the savings funds entrusted to them.

Even more important than these general market factors, however, is the fact that "business as usual" is disappearing in the present emergency. All economic activity is rapidly being diverted, in greater or lesser degree, to the primary defense needs of the country. Mortgage lending, like other business activity, is directly subject to the influence of our all-out armament program. The present-day housing demand is defined first as the need for shelter in defense areas. If necessary to the preparedness program, residential construction activity may be directed into meeting only that need.

It is no easy task, then, which faces home financing institutions today. On the one hand, they are confronted with an emergent need for their facilities, a need which is not the result of normal market operations. On the other hand, there loom all the uncertainties as to the long-range character of the risks they are expected to assume, indeed uncertainty as to the whole future turn of events. Their

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[6] More detailed comment on the supervisory activities of the Federal Home Loan Bank Board will be found in the Eighth Annual Report, pp. 38–40, 48–49.

task, then, is to cooperate to the greatest possible extent in fulfilling their share of the defense effort. The difficulty arises in trying to avoid that indefinable lending area where extension of credit will result in the creation of unsound debt and future collapse.

The Board is firmly of the opinion that although no hard and fast rules can be set up for the guidance of private lending institutions in this critical period, it is possible to avoid serious future consequences if proper attention is given to certain safeguards which should at this time more than ever be carefully followed by lending institutions. Thus, it is particularly important that every savings and loan association carefully inspect the type of construction which it intends to finance. The jerry-building of past decades has been the cause of substantial losses suffered by financial institutions in periods of deflated value. The urgent need of the present day is no excuse for shoddy and unsound construction which has always in the long run proved the most expensive type of building.

Careful, scientific appraisal will similarly ward off much future trouble. It is essential that the relationship between loan amount and appraised value of mortgage security be accurately determined. The credit rating of prospective borrowers should be carefully analyzed to avoid a repetition of the unsound lending which had such tragic effects both on overhoused borrowers and on financial institutions after the last real-estate collapse.

Attention should be given to neighborhood trends, for there is a growing realization that security values represented by investments in real estate are determined to a high degree by the character of the locality in which the property is situated. Real estate is by its nature an immovable commodity and many sound structures are today suffering from encroachments of blighted areas.

One of the best safeguards which any lending institution can employ is an adequate and systematic reserve policy. Too little attention has been paid in times past to the importance of reserves in the savings and loan industry. The Federal Home Loan Bank Board in cooperation with the Presidents of the Federal Home Loan Banks, State supervisory officials, and leaders of the industry have for some time urged in the strongest possible terms the necessity of providing now for losses which may have to be taken in the future. Statutory requirements for minimum reserve allocations should be considered the irreducible figure and wherever possible more substantial transfers should be made. The institutions which err on the side of generosity in their reserve policy have everything to gain and nothing to lose in the process; and the same is true for the individual investors in these institutions. There is no problem of dividend payments on reserve accounts. If an amount equivalent to reserves is invested in convertible low-rate investments, the liquidity position of the association is considerably enhanced. There is no set rule for determining the amount which should be built up in reserves, but it is highly important that every financial institution weigh carefully the risks it is presently assuming and attempt in the most accurate manner possible to set aside in reserve accounts an amount sufficient to balance the degree of risk involved.

The job of lending, but lending on the soundest possible basis is particularly important to savings and loan associations. Because of the mutual character of these institutions, practically all of the investable funds in their possession have been entrusted to them in the form of small savings of average people. The trustee responsibility of safeguarding and protecting these savings is no less important in the managerial operations of savings and loan associations than is the extension of mortgage credit to prospective home owners. No institution is fulfilling its just obligations if it caters to the interests of either group to the exclusion of the other.

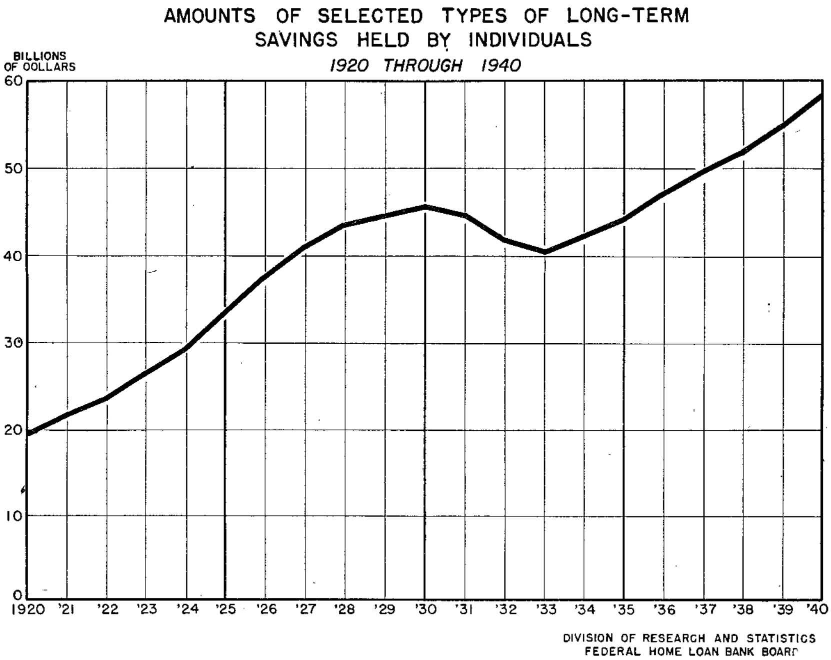
*Growing Volume of Savings*

The volume of individual long-term savings again showed an overall gain during the calendar year 1940. Most financial institutions experienced a temporary slowing down in receipt of new money during the late summer and early fall, but shortly thereafter the rate was again stepped up. It is probable that developments on the European war front during the summer of 1940—the collapse of France, repeated British losses and a sudden realization of possible dangers to this hemisphere—were largely responsible for this short reversal of previous trends.

As indicated by Chart XXVII, savings funds dropped off during the first years of the depression, but since 1934 have shown a steady increase. The types of savings on which the chart is based include only such savings as are potentially available for investment in home mortgages or which are directly competitive with share investments in savings and loan associations. The figures include statistics on the volume of savings deposits in banks, savings in life insurance companies and savings and loan associations, postal savings, postal savings bonds, and United States savings bonds. The volume of these savings increased approximately $3,500,000,000 during 1940 to a new all-time high of $57,962,000,000. Detailed information on the distribution of long-term savings from 1935 through 1940 will be found in Exhibit 11.

The importance of maintaining a steady flow of savings during an emergency period cannot be overestimated. One of the most imminent dangers faced by any country embarking on a period of rapid industrial expansion occasioned by a program of wholesale rearmament is that through the development of inevitable bottlenecks and shortages, accompanied by rapidly rising income, demand for con-

CHART XXVII



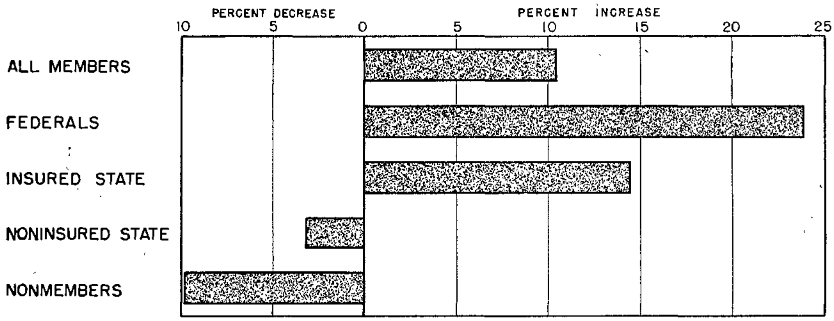

sumer purchases will outstrip productive effort and bring about a period of vicious inflation. The increasing volume of individual savings entrusted to long-term investment institutions is, therefore, encouraging, for it shows that at least some portion of enlarged income payments is not used for consumer purchases.

The comparative rates of increase among various classes of institutions and savings media remained relatively unchanged during 1940. Savings bonds again showed by far the largest percentage increase. The current redemption value of these bonds grew by almost $1,000,000,000 during the year, an increase of 44.6 percent. Life insurance companies showed an even larger dollar gain in savings funds, $1,644,000,000—or a gain of 7.0 percent. Savings deposits in insured commercial banks, which represent virtually all savings deposits in commercial banks, show an increase of $440,000,000, while savings and loan associations and mutual savings banks reported gains of $221,000,000 and $137,000,000, respectively. Postal savings grew by only $27,000,000.

Although private capital, which is the measure of savings invested in savings and loan associations, increased by $221,000,000, or 5 percent, in all associations throughout the country, the picture is even more favorable if member institutions of the Federal Home Loan

CHART XXVIII

PERCENT CHANGE OF PRIVATE INVESTMENT IN SAVINGS AND LOAN ASSOCIATIONS
*BY CLASS OF ASSOCIATION – CALENDAR YEAR 1940*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Bank System are considered alone. These institutions which include the large majority of active operating associations, increased their private resources by $341,000,000, or 10 percent during the year. The fact that savings invested in operating nonmember institutions declined by $120,000,000, or 10 percent, explains the relatively small increase for savings and loan associations as a whole. There are still many nonmember institutions which are inactive and gradually withdrawing from the savings field; trends in these institutions color statistics for the industry as a whole.

Among the member institutions of the Federal Home Loan Bank System, Federal savings and loan associations were far and away the most active group with regard to trends in private share capital. These institutions alone show a growth of $270,000,000, or 24 percent during the calendar year 1940. State-chartered insured associations also show a good increase of 15 percent, while uninsured State member associations show a decline of 3 percent in private capital.

Despite the fact that the defense effort has brought about a new demand for additional funds to finance the armament program, there is no indication as yet that the consistent trend toward lower rates of return on invested funds has come to a halt. Bond yields, for example, which have remained at consistently low levels for the last several years declined even further during the fiscal year. The yield on long-term U. S. Treasury bonds was 1.91 on June 30, 1941, as compared with 2.39 a year previous. The return on both high-grade and low-grade corporate bonds also declined to a record low. The weighted average dividend rate paid by mutual savings banks declined to 1.90 percent at the end of June 1941 as compared with 2.04 percent a year previous. Rates paid by commercial banks on savings deposits have been reduced in many localities below legal maxima. The dividend rate paid by Federal savings and loan associations dropped for the third consecutive year to a figure of 3.25 percent.

*Savings for Defense*

The cost of financing the tremendous expenditures necessitated by the defense program has raised new problems in the field of government finance. In order to avoid an inflationary spiral, every effort is being made to pay for a substantial percentage of current outlays from taxation and savings funds. The Public Debt Act of 1941 authorized the issuance of modified savings bonds for the purpose of attracting surplus public savings to the Treasury. These bonds, which went on sale May 1, 1941, are of three types—Series E, which are quite similar to the so-called Baby Bonds and which are sold only to individuals, and Series F and G, which are designed to attract corporate and large individual savings. Defense bonds are being sold through the voluntary efforts of a number of private financial institutions, including members of the Federal Home Loan Bank System, commercial and mutual savings banks, as well as through post offices.

Member institutions of the Federal Home Loan Bank System were designated as issuing agents for the sale of defense bonds on April 15, 1941. Immediately thereafter, the Federal Home Loan Bank Board and the Presidents of the Federal Home Loan Banks actively endorsed and assisted in carrying out a program of participation by savings and loan associations. Federal associations, by virtue of the fact that they are agents of the Federal Government

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were authorized to make application directly to the Federal Reserve Bank of the District in which the institution is located. In a few cases it has been necessary for State legislatures and supervisory departments to revise either the statutes or the regulations under which State associations are operating, in order to permit them to act as issuing agents. No time was lost in any State in securing the necessary changes and by the close of the fiscal year, State-chartered member institutions of the Federal Home Loan Bank System in practically all States were permitted to apply.

Savings and loan associations are peculiarly suited to serve as sales agents for the Treasury in the defense bond campaign. Member institutions of the Federal Home Loan Bank System are widely scattered throughout the United States and practically no community is outside the area served by one or more savings and loan associations. The customers of savings and loan associations constitute that group which will provide the best market for the sale of Series E bonds. The average citizen who is able to save small amounts and who is interested in purchasing a modest home is the same citizen on whom the Government must rely as its most important purchaser of defense savings bonds.

### *Problems Ahead*

The present national emergency has raised a host of new problems in the general field of thrift and home finance—some of which have been discussed briefly in this chapter. The not unlikely prospect that additional measures may be necessary to divert a greater volume of private savings into defense financing and the certainty of higher taxes may well slow down the flow of private investments into home financing institutions. The urgent need for defense housing, the prospect of further increases in building costs, the possibility of labor shortages or the exercise of priorities on labor and materials—these are but a few of the recent developments which complicate the outlook for the immediate future.

The home financing industry, like all private business, faces a major challenge in solving its problems, but fortunately the industry is better able today than ever before to meet the test. Activities of the Federal Government during the last few years have done much to strengthen our home financing structure. The Federal Home Loan Bank System alone is a stalwart bulwark sorely needed and lacked by home financing institutions in previous emergency periods. The elasticity of credit made possible by membership in this national credit system makes the job of conducting business today on a sound financial basis a much easier one.

The Federal Savings and Loan Insurance Corporation, by insuring the safety of investments in savings and loan associations, has had considerable success in restoring public confidence in local home financing institutions and in maintaining a steady flow of private savings into the home mortgage lending field. The psychological advantages resulting from an insurance of the risk involved in investing the small savings of average people are hard to overestimate. Perhaps even more important than insurance itself, however, is the general improvement in operating standards and policies of insured savings and loan associations which must meet definite standards of eligibility before approval by the Corporation. The fact that insurance of accounts has been extended to 2,310 institutions holding 53 percent of the assets of all operating associations in the country has brought about a recognized improvement in the whole home financing structure.

Despite the importance of the various actions taken by the Government to strengthen and support home mortgage lending, its efforts would amount to little were they not accompanied by better lending techniques and generally higher standards of operation in private financial institutions. Success or failure of home mortgage lending depends, in the final analysis, upon the capabilities of local management and sound business methods. Ground for considerable encouragement is found in such developments as the improvement in appraisal standards, more critical and careful loan analysis, more realistic lending terms, and the increasing realization on the part of individual institutions that the job of lending on home mortgage credit is a business which requires training, skill, and specialized knowledge. Only time will tell whether recovery so far made in the home mortgage lending field and the structural improvements brought about both by the industry and the Federal Government will prove adequate to meet the inevitable strain to which it will be subjected. Undoubtedly, however, there is a general awareness, which stems perhaps from recent experience, of the possible dangers ahead and the need for careful, farsighted planning. This attitude in itself is a healthy one and gives promise that a determined effort will be made to avoid the unsound type of lending which has always, in the past, caused ultimate trouble.

# III

# Federal Home Loan Bank System

For the Federal Home Loan Banks and their member home financing institutions, the 1941 fiscal year was a period of record-breaking activity. Advances by the Banks and repayments by borrowing member institutions both reached the highest figures for any fiscal year since the Bank System was established in 1932. A substantial inflow of private capital into member savings and loan associations enabled them to write mortgage loans in the total amount of $1,084,866,000, an increase of 21.3 percent over the preceding fiscal year, and to reduce Government share investments by almost 13 percent. The combined balance sheet and operating statements of member savings and loan associations reflect steady improvement.

The national emergency has confronted thrift and home financing institutions with a host of new problems. Fortunately the industry is better prepared than ever before to meet this challenge. Management and operating standards have been substantially improved in recent years, the problems brought on by the depression of the early Thirties have largely been surmounted, and perhaps most important of all, the industry is now able to face a difficult future with the knowledge that it is supported by the Federal Home Loan Bank System which stands ready to meet both emergency and normal credit demands.

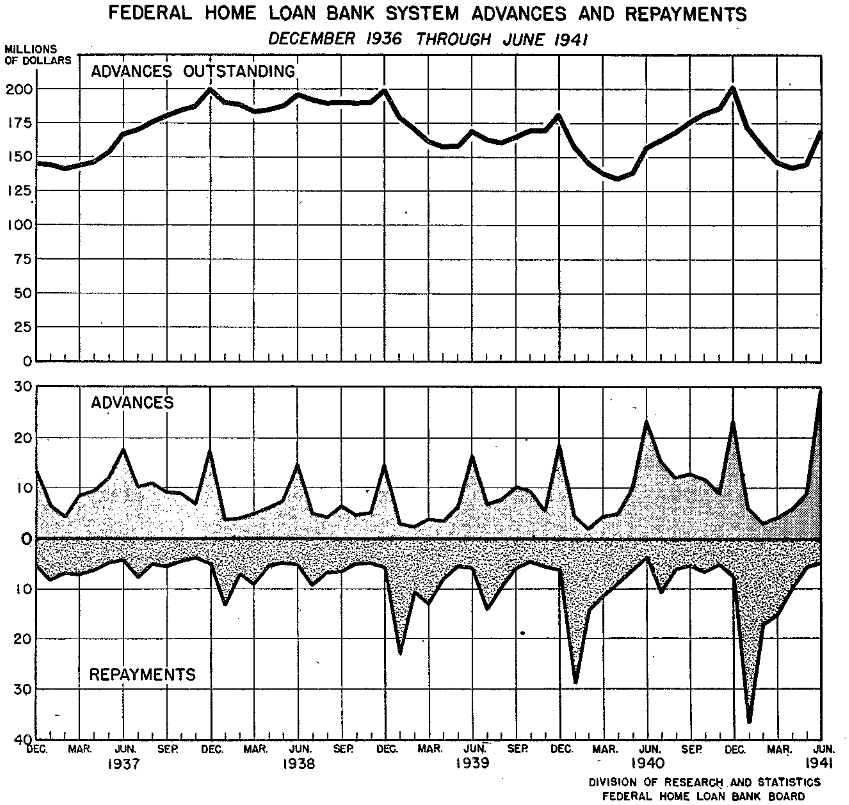
## 1. OPERATIONS OF THE FEDERAL HOME LOAN BANKS

### *Lending Activity*

The lending record of the Federal Home Loan Banks during the fiscal year 1941 demonstrates most clearly the ability of the System to meet the credit needs of its member institutions. The fact that advances outstanding on June 30, 1941, totaled $169,897,390, an increase of 8 percent as compared with the close of the previous reporting period, tells only one part of the story. Of equal significance is the fact that advances made during the 1941 fiscal year reached a new high of $142,875,563, a figure 32 percent greater than that for the fiscal year 1940. An increase of 9 percent in the total volume of repayments made by member institutions during the fiscal year 1941 accounts for the relatively small margin between the balance of outstanding advances at the close of the last two fiscal years.

The chart below shows a regularly recurring relationship between the volume of advances and the volume of repayments during each semiannual period. Normally, advances during the six-month period

CHART XXIX




from July to December are well above repayments, while from January to June, exactly the reverse is true, with repayments substantially in excess of advances. The last fiscal year was no exception to this general rule, but the movement of both advances and repayments was exaggerated in each six-month period due to certain special factors which influenced the lending activity of the twelve Banks.

The chart indicates, for example, that during the first half of the reporting period, from July through December 1940, current advances were substantially higher and current repayments considerably lower as compared with the first half of the preceding fiscal year. The need for an unusual amount of additional credit during this period is explained, in part at least, by a temporary slackening in the flow of private savings during the fall of 1940, probably brought on by psychological reactions to the turn of events abroad. The collapse of France, mounting British reverses, and the very real danger of an invasion of Great Britain apparently had some effect on the American investing public. For a few months at this time there were indications that hoarding, for example, was increasing.

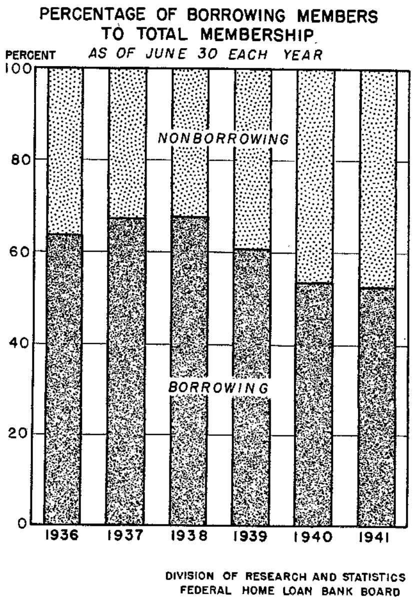
Home financing institutions generally were impressed with the necessity of maintaining a sufficiently liquid position to meet possible withdrawal demands. Therefore, they drew on the resources of the Federal Home Loan Banks to forestall any difficulty in this regard. Accompanying the temporary dropping off in the rate of private savings there was a steady demand for new mortgage funds which in turn led to increased use of the credit facilities of the Federal Home Loan Banks.

During the second half of the reporting period, this trend was reversed. Again, the shift was undoubtedly the result of more than the normal seasonal factors which regularly cause a rate of repayment well in excess of new advances during this six-month period. Advances made during the first six months of 1941 amounted to $57,774,230, while repayments reached a new peak of $89,368,804. It is probable that this greater than seasonal variation resulted from the fact that in the early months of 1941, private capital began to flow into home financing institutions at a good rate. Member institutions borrowing from the Federal Home Loan Banks, no longer confronted with the imminent possibility of a growing withdrawal demand, were able to retire at least a portion of the funds previously obtained from their Regional Bank. In other words, emphasis during the second half of the fiscal year just closed was shifted from primary liquidity to unused lines of credit with the Federal Home Loan Banks.

Although increasing private investments were undoubtedly the primary cause of the decline of advances outstanding after the all-time peak in December 1940, there were other developments which strengthened the cash resources of member institutions and made it possible to retire indebtedness. Principal repayments on direct-reduction loans increase steadily as the loans age, and many associations have now built their portfolios to a point where this factor alone is responsible for a substantial incoming volume of funds available for mortgage lending. The sale of a large number of owned properties through the medium of purchase-money mortgages has brought in cash down payments and added to earning mortgage portfolios. An ever increasing number of associations are supplementing their available lending funds by selling enough insured mortgages to build up a revolving fund. This activity has not yet assumed importance for the country as a whole, but in certain defense areas has already become significant.

Gross advances made by the Federal Home Loan Banks since the beginning of operations through June 30, 1941, totaled $773,908,855 and repayments made on such advances amounted to $604,011,465. Exhibit 12 summarizes in some detail advances, repayments, and balances outstanding since the beginning of operations.

Chart XXX




A comparison of advances outstanding in each of the Federal Home Loan Banks at the close of the last two fiscal years shows little uniformity in percentage increases or decreases. Nine of the Banks show gains of from 1.1 to 31.2 percent in advances held on June 30, 1941, over the close of the previous fiscal year. The other three Banks show a contrary trend, with declines ranging from 0.9 to 13.5 percent. Exhibit 13 gives detailed information on outstanding advances in each of the Bank Districts for the past eight years.

There was no substantial change at the close of the fiscal year in the number of member institutions borrowing from their Regional Banks. A year ago, on June 30, 1940, some 2,090 member institutions, or 53.4 percent of the total membership, were indebted to the Banks. On June 30, 1941, the corresponding figure was 2,010, or 52.4 percent of membership. This slight decline in the number of borrowing members and the somewhat higher volume of advances at the close of the reporting period is reflected in an increase in the average principal indebtedness of borrowers from $75,310 on June 30, 1940, to $84,526 on June 30, 1941. The percentage of borrowing members at the close of each of the last six fiscal-year periods, by Federal Home Loan Bank Districts, is shown in Exhibit 14.

The maximum rate which can be charged by the Federal Home Loan Banks on advances to their member institutions has been set at 3 percent by the Federal Home Loan Bank Board. On July 1, 1940, the Banks were charging from 2½ to 3 percent on long-term advances and from 1½ to 3 percent on short-term advances.

During the reporting period, the Indianapolis Bank reduced its rate from 3 to 2½ percent on short-term advances which do not exceed 15 percent of the institution's share capital. The Federal Home Loan Bank of Chicago lowered the cost of short-term advances from 3 to 2¼ percent if in each case the advance is amortized at the rate of at least 2½ percent quarterly. If amortized within one year in equal monthly installments, associations in the Chicago District are permitted to borrow at 1½ percent. The Los Angeles Bank reduced from 3 to 2½ percent the interest rate charged on long-term advances provided in each case the association agrees to use the proceeds of the advance to make new mortgage loans insured by the Federal Housing Administration. Detailed information on the rates charged by each of the twelve Banks will be found in Exhibit 15.

*Types of Advances*

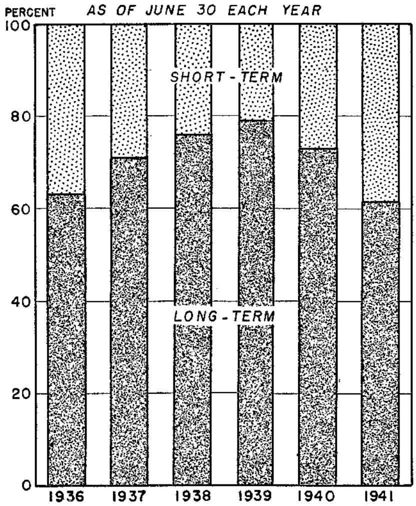
The trend toward an increasing proportion of short-term advances has continued steadily during the last two fiscal years. On June 30, 1941, advances which had been written for a period of one year or less amounted to $65,807,625, or 38.7 percent of all advances outstanding. This compares with a figure of $42,664,098, or 27.1 percent of the total at the close of the preceding fiscal year. As the chart below indicates, this development toward greater emphasis on short-term advances is a direct reversal of the trend which had previously continued for several years.

The emphasis on short-term advances was general throughout the country, with ten of the twelve Banks showing an increase both in dollar volume and in relation to total advances outstanding during the 1941 fiscal year. In the Topeka District, the amount of short-term advances declined, but rose from 11.8 to 12.2 percent of all advances. Only in the Portland Region did short-term advances decline both in dollar volume and ratio to total portfolio. The distribution of long- and short-term advances outstanding in each of the Federal Home Loan Bank Districts is shown in Exhibit 16.

There are undoubtedly a number of reasons why member institutions are borrowing to an increasing extent on a short-term basis. Some of the Banks have adopted variable interest rate schedules which make the cost of short-term advances attractively low. During the period when small or new associations were expanding at a very rapid rate, credit was needed to meet the demand for mortgage loans, and it was valuable to have advances which could be retired as mortgage payments were received. As associations pass this formative period, however, normal credit demands can often be met with short-term advances, supplemented by an adequate flow of private savings and mortgage repayments.

CHART XXXI

DISTRIBUTION OF LONG-TERM AND SHORT-TERM ADVANCES OUTSTANDING




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The majority of collateralized advances made by the Federal Home Loan Banks are long-term in character, and it is, therefore, not surprising to find the relationship between secured and unsecured advances following closely the pattern set by the terms on which advances are extended. The increasing number of short-term advances during the last fiscal year, for example, was accompanied by a growth in the volume of advances made without collateral.

*Trend of secured and unsecured advances outstanding, by fiscal-year periods*

| Date | Total advances outstanding | Collateralized advances | | Uncollateralized advances | |
|---|---|---|---|---|---|
| | | Amount outstanding | Percent of total | Amount outstanding | Percent of total |
| June 30, 1933 | $47,663,830 | $46,521,239 | 97.6 | $1,142,591 | 2.4 |
| June 30, 1934 | 85,148,354 | 82,740,248 | 97.2 | 2,408,106 | 2.8 |
| June 30, 1935 | 79,232,514 | 68,045,199 | 85.9 | 11,187,315 | 14.1 |
| June 30, 1936 | 118,586,838 | 89,964,281 | 75.9 | 28,622,557 | 24.1 |
| June 30, 1937 | 167,056,887 | 130,944,112 | 78.4 | 36,112,775 | 21.6 |
| June 30, 1938 | 196,224,937 | 163,386,013 | 83.3 | 32,838,924 | 16.7 |
| June 30, 1939 | 168,961,563 | 145,442,668 | 86.1 | 23,518,895 | 13.9 |
| June 30, 1940 | 157,397,047 | 126,342,499 | 80.3 | 31,054,548 | 19.7 |
| June 30, 1941 | 169,897,390 | 121,995,964 | 71.8 | 47,901,426 | 28.2 |

As shown by the table above, "unsecured advances" which are collateralized only to the extent of the borrowing association's investment in the capital stock of its Federal Home Loan Bank amounted to $47,901,426 on June 30, 1941, or 28.2 percent of all advances outstanding. At the beginning of the reporting period, advances of this character totaled $31,054,548, or 19.7 percent of total. Despite the fact that unsecured advances do not require a pledge of collateral, a number of other conservative safeguards have been set up for this type of lending. Thus, when such advances are made for a period up to one year, under Section 11(g) of the Federal Home Loan Bank Act, member institutions are not permitted to have outstanding liabilities to other creditors in an amount exceeding 5 percent of their net assets. This restriction insures the Federal Home Loan Bank recourse to a substantial share of the borrowing institution's assets. Furthermore, provision has been made whereby the Federal Home Loan Bank may utilize, if necessary, any excess collateral which may have been pledged by the institution as security for other advances.

At the close of the fiscal year 1941, secured advances amounted to $121,995,964, or 71.8 percent of total. Collateral supporting these advances consisted of 130,546 home mortgages with unpaid balances of $302,821,736, obligations of the United States Government, direct or fully guaranteed, in the amount of $800,450, and other eligible collateral in the amount of $85,016. In addition, a statutory lien was held on stock owned by borrowing members in the amount of $23,752,000 which can, if necessary, be used to protect advances, both secured and unsecured. A detailed description of the types of advances made by the Federal Home Loan Banks will be found in Exhibit 17.

Probably the most adequate proof of the conservative lending operations of the Federal Home Loan Banks is the fact that during nine years' operating experience not a single loss has been incurred on over $700,000,000 in advances.

On June 30, 1941, except for 13 borrowers in voluntary or involuntary liquidation, no institutions were delinquent over 30 days. Advances held by the 13 institutions in liquidation totaled $649,714. Advances to 12 of these borrowers, aggregating $499,714, were secured by home mortgages valued at $1,799,471 and stock in the Regional Banks in the amount of $123,100. An advance of $150,000 to the other liquidating institution was unsecured except for the association's $15,000 investment in the stock of its Bank. However, this advance is deemed amply protected by the large volume of the institution's assets. The advances to the 13 institutions are being liquidated regularly—in many cases ahead of schedule—and the generous margin of security behind them promises complete recovery within a normal period of time.

The borrowing capacity of each member institution has been defined by regulation of the Board as the amount for which an association can legally obligate itself or, in the absence of a legal limit, as the equivalent of 50 percent of the institution's net assets. On June 30, 1941, the total borrowing capacity of member associations, arrived at in the manner indicated, was $2,066,737,953. This figure should not be interpreted as a measure of the credit reservoir upon which member institutions can draw at will. On the contrary, every application for an advance is individually considered on its own merits and the applicant's "borrowing capacity" is probably the least important factor determining approval or disapproval. Much more important, for example, are the prospective borrowing association's financial condition and the acceptability of its collateral. Nevertheless, the very wide margin between legal borrowing capacity and advances outstanding indicates the potentialities of the Bank System.

### *Financial Condition of the Federal Home Loan Banks*

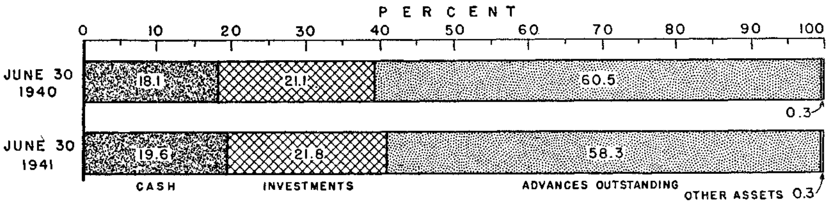
The consolidated balance sheet for the twelve Federal Home Loan Banks as of June 30, 1941, shows a highly liquid and sound financial picture. The volume of cash funds, $57,203,868, on June 30, 1941, was larger than at the close of any previous fiscal year and cash balances have been maintained during recent months at a higher point than during any prior period in the history of the Bank System. The primary measure of the value of the Federal Home Loan Bank System is its ability to meet any legitimate demand for credit, normal or extraordinary, which may be made by the home financing industry. Only in a secondary sense is the volume of advances which may be outstanding at any particular time a gauge of the System's usefulness or accomplishments. For this reason, it is important for the Banks to maintain a high degree of liquidity, particularly during critical times when any accurate estimation of future demand for advances is difficult to make.

*Cash holdings* of $57,203,868 on June 30, 1941, represent an increase of 21 percent over the close of the preceding fiscal year. In addition, secondary liquid reserves in the form of investments in United States Government obligations, direct or fully guaranteed, amounted to $63,407,070 at the close of the reporting period. Combined cash and investments constituted 41 percent of consolidated assets on June 30, 1941, as compared with 39 percent a year previous. Cash available for advances [7] and securities in excess of legal requirements [8] totaled $96,012,261 at the end of the 1941 fiscal period. A statement of condition for the Federal Home Loan Banks as a whole and for each of the Banks separately, as of June 30, 1941, is given in Exhibit 18.

CHART XXXII

COMPOSITION OF CONSOLIDATED ASSETS OF THE TWELVE FEDERAL HOME LOAN BANKS

AS OF JUNE 30, 1940 AND JUNE 30, 1941




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The book value of security holdings on June 30, 1941, amounted to $63,407,070, which is somewhat higher than the par value of $62,351,950, but is well under the current market price of $66,080,463. The following table shows the distribution of securities by maturity or call dates and yields at the close of the last two fiscal years. A detailed list of securities held by the twelve Banks will be found in Exhibit 19.

*Distribution of securities held by the twelve Federal Home Loan Banks, as of June 30, 1940, and June 30, 1941*

| Maturity/Callable | June 30, 1940 | | | June 30, 1941 | | |
|---|---|---|---|---|---|---|
| | Amount | Percent of total | Average weighted yield [1] | Amount | Percent of total | Average weighted yield [1] |
| | | | Percent | | | Percent |
| Under 1 year | $270,000 | 0.5 | 1.10 | $2,780,000 | 4.5 | 0.85 |
| 1 to 5 years | 21,803,000 | 40.6 | 1.17 | 22,458,800 | 36.0 | 1.17 |
| 5 to 10 years | 13,160,000 | 24.5 | 1.97 | 15,592,000 | 25.0 | 2.20 |
| 10 to 15 years | 12,343,000 | 23.0 | 2.55 | 16,808,150 | 26.9 | 2.33 |
| 15 to 20 years | 2,638,000 | 4.9 | 2.45 | 4,713,000 | 7.6 | 2.51 |
| 20 years and over | 3,475,000 | 6.5 | 2.58 | | | |
| Total | 53,689,000 | 100.0 | 1.84 | 62,351,950 | 100.0 | 1.83 |

[1] Based on cost to maturity/callable dates.

At the beginning of the fiscal year 1941, two series of *consolidated debentures* were outstanding in the total amount of $48,500,000. Series "C" amounting to $25,000,000 was retired at maturity on

[7] Represents total cash less reserve requirements of 75 percent of members' demand deposits, 25 percent of members' time deposits, total applicants' deposits, interbank deposits, and imprest funds.

[8] Represents the face value or principal amount of investments owned above the necessary legal reserves.

December 1, 1940, leaving only Series "D" outstanding. On November 29, 1940, two additional series, "F" and "G," were issued to provide funds for anticipated requirements. Series "F" in the amount of $15,000,000 was sold on a short-term basis to mature on April 15, 1941, and carried an interest rate of ½ of 1 percent. This series was retired in full at maturity. Series "G," the second series issued on November 29, amounted to $52,000,000 and will mature April 15, 1942. This issue bears an interest rate of ¾ of 1 percent. As in past offerings, both series issued during the reporting period were many times oversubscribed.

As a result of debenture transactions during the reporting period, outstanding obligations of the Federal Home Loan Banks totaled $75,500,000 at the close of the fiscal year. Consolidated debentures are the joint and several obligations of all of the Federal Home Loan Banks. The extent of the participation of each Bank in the issuance of each series now outstanding may be found in Exhibit 20.

*Deposits* of member institutions in their Federal Home Loan Banks have varied from $25,000,000 to $35,000,000 for the last two fiscal-year periods. On June 30, 1941, the total volume of such deposits outstanding amounted to $31,306,869, of which 19 percent was on a noninterest-bearing demand basis and 81 percent in interest-bearing time deposits. Although deposits of member institutions with the Federal Home Loan Banks have not yet reached a figure where they constitute a major source of funds, sufficient use has been made of this service of the Banks to indicate that many institutions are finding it a convenient means of preserving their liquidity positions.

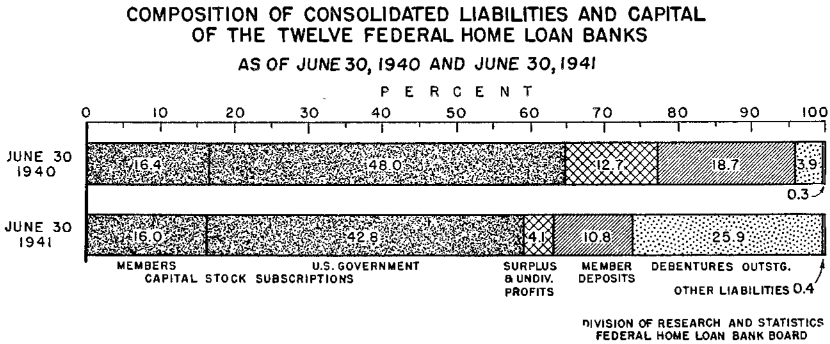
Interest rates paid by the Banks on time deposits were again reduced in several instances and prior to the close of the current fiscal year, it was announced that on and after July 1, 1941, the nine Banks paying interest on time deposits would pay a uniform rate of ½ of 1 percent. Except in one case, each of the nine Banks requires a ninety-day waiting period before interest is paid on deposits. The Boston Bank pays interest on deposits remaining from thirty to ninety days. Exhibit 21 gives a detailed account of the interest rates paid on time deposits as of July 1, 1941.

Interbank deposits have proved particularly useful as a means of providing sufficient funds to meet the demand for advances within the Bank System. Through this means, the Banks are able by a comparatively simple device to maintain an interregional flow of funds from areas of plenty to localities of temporary scarcity. Interbank deposits are made on a demand basis and, by resolution of the

Federal Home Loan Bank Board, carry an interest rate of ½ of 1 percent per annum. During the fiscal year 1941, interbank deposits totaled $17,500,000, and the amount outstanding on June 30, 1941, was $2,500,000. From the beginning of operations through the close of the current reporting period, more than $97,000,000 had been transferred within the Bank System by means of interbank deposits.

Outstanding *capital stock* of the Federal Home Loan Banks totaled $171,283,200 on June 30, 1941, as compared with $167,373,475 a year previous. The increase of $3,909,725 was accounted for by additional share subscriptions of member institutions since capital stock owned by the Federal Government has remained unchanged at $124,741,000 since November 1937. On a percentage basis, the ratio

Chart XXXIII




of capital stock owned by member institutions to the total outstanding has been increasing steadily since the organization of the Bank System. At the close of the fiscal year 1941, 27.2 percent of total stock was owned by member institutions as compared with 25.5 percent a year previous.

On February 20, 1941, the capital stock of the Federal Home Loan Banks owned by the Federal Government was taken over from the U. S. Treasury by the Reconstruction Finance Corporation. This transfer of ownership was first suggested in the President's Budget Message for the Fiscal Year 1941, in which he outlined a program for recapturing approximately $700,000,000 of the capital funds of various Government corporations. Authority for the actual transfer was given by the Congress in an Act approved June 25, 1940. Except for this legislation, there has been no change in the statutes and regulations governing the capital structure of the Banks.

Each member institution in the System is required to hold stock in its Regional Bank in an amount equal to at least 1 percent of the unpaid principal of its home mortgage portfolio, but not less than $500. Borrowing members are subject to the further requirement that paid-in stock must equal at least one-twelfth of their outstanding indebtedness to the Bank.

*Changes in capital structure of the twelve Federal Home Loan Banks*

| | June 30, 1940 | June 30, 1941 |
|---|---|---|
| Total stock subscriptions: | | |
| Members | $42,647,900 | $46,571,900 |
| United States Government [1] | 124,741,000 | 124,741,000 |
| Payments received on stock subscriptions: | | |
| Members | 42,632,475 | 46,542,200 |
| United States Government [1] | 124,741,000 | 124,741,000 |
| Balance due on above stock subscriptions: | | |
| Members | 15,425 | 29,700 |
| United States Government [1] | | |

[1] Government stock has been held by the Reconstruction Finance Corporation since February 20, 1941.

That part of the capital structure of the twelve Banks represented by *reserves and undivided profits* was also strengthened during the reporting period. Net earnings allocated to reserves and undivided profits amounted to $3,696,183 during the 1941 fiscal year, of which $1,338,992 was transferred to reserves and $2,357,191 to undivided profits. Reserve allocations by the Banks have consistently been greater than required by statute. Thus, during the current reporting period, the total amount of earnings retained by the Banks over and above dividends was $1,030,719 in excess of statutory requirements. Since the beginning of operations, from the fall of 1932 to June 30, 1941, the Banks have built up surplus and undivided profits in the amount of $12,033,992, or 113 percent more than the reserve required by law. The ratio of reserves and undivided profits to paid-in capital stock was 7 percent at the close of the current reporting period as compared with 6 percent a year previous.

Due principally to the increase in debenture obligations, total resources of the Banks increased during the last fiscal year from $260,067,459 to $291,511,973. At the close of the reporting period, current assets were 233 percent of current liabilities.

*Income and Expenses of the Federal Home Loan Banks*

During the current reporting period, earnings of the Federal Home Loan Banks were somewhat above the amount realized during the previous fiscal year. Gross income for the fiscal year 1941 was

$6,031,305 as compared with $5,715,959 during the preceding fiscal-year period. Increased interest income on a larger average outstanding volume of advances and profits from the sale of investments were mainly responsible for this trend. During the preceding fiscal year, when interest rates in a number of the Banks were reduced and loan volume declined as well, there was a substantial falling off in income.

Although operating expenses of the Banks are not as flexible as income, the Banks were able to effect a reduction in total expenses during the reporting period. Deductions from gross income, therefore, declined from $2,479,232 to $2,335,122. The net effect of a higher gross income and lower operating costs was, of course, an increase in net income from $3,236,727 during the 1940 fiscal year to $3,696,183 during the current reporting period.

A detailed statement of profit and loss during the fiscal year 1941 for each of the Federal Home Loan Banks will be found in Exhibit 22. The following table presents a summary picture of income and expenses for the Bank System as a whole.

*Condensed consolidated statement of profit and loss of the twelve Federal Home Loan Banks*

| | Fiscal year 1940 | Fiscal year 1941 |
|---|---|---|
| Income: | | |
| Interest earned on advances | $4, 561, 889 | $4, 610, 363 |
| Interest earned on investments | 956, 533 | 987, 472 |
| Interest earned on deposits in commercial banks | 570 | 1, 042 |
| Nonoperating income | 196, 967 | 432, 428 |
| Gross income | 5, 715, 959 | 6, 031, 305 |
| Less—Charges: | | |
| Compensation, travel, and other administrative expenses | 927, 106 | 934, 803 |
| Interest on deposits | 247, 393 | 119, 524 |
| Interest on debentures | 938, 750 | 814, 216 |
| Assessments for expenses of Federal Home Loan Bank Board | 300, 000 | 300, 000 |
| Other expenses | 49, 358 | 79, 589 |
| Nonoperating charges | 16, 625 | 86, 990 |
| Total deductions | 2, 479, 232 | 2, 335, 122 |
| Net income | 3, 236, 727 | 3, 696, 183 |

The Federal Home Loan Banks were created primarily for the purpose of serving member home financing institutions as a credit reservoir upon which they can rely for advances during both normal and emergency periods. Earnings which can with safety be distributed in the form of dividends to stockholders are of secondary importance. Nevertheless, over $16,000,000 in earnings of the Federal Home Loan Banks has been paid to stockholders, both Government and institutional, since the organization of the System.

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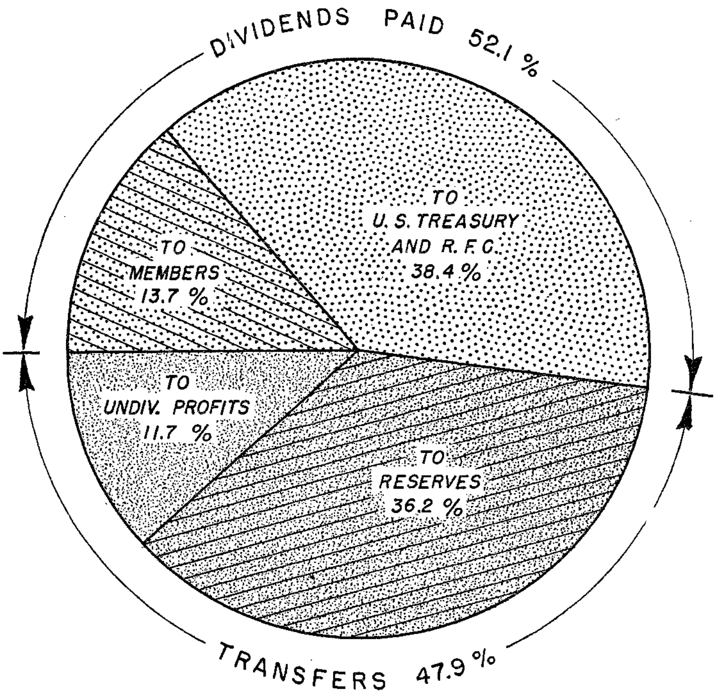
During the fiscal year 1941, dividends declared by the Banks ranged from one to two percent, with a weighted average rate of 1.14 percent, as compared with 1.07 percent during the previous reporting period. The increase in the average results from the fact that two Banks raised their dividend rates during the 1941 fiscal year. Dividends distributed

CHART XXXIV*

DISTRIBUTION OF NET INCOME

*FEDERAL HOME LOAN BANKS-FISCAL YEAR 1941*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

during the current reporting period amounted to $1,926,227, of which $838,003 was paid to the United States Treasury, $583,054 to the Reconstruction Finance Corporation, and $505,169 to member institutions. From the time of the Banks' organization to December 31, 1940, the United States Treasury received $12,021,340 in dividends.

*Figures underlying Chart XXXIV will be found in Exhibit 25.

When the Government's stock was transferred to the Reconstruction Finance Corporation in February 1941, the Treasury waived claim to any dividends declared after January 1, 1941. Future dividend payments on such stock will, of course, be made to the Reconstruction Finance Corporation. Exhibit 23 shows the dividend rates declared by each Bank for the fiscal years 1940 and 1941 and the cumulative amounts paid from the beginning of operations through June 30, 1941.

As already indicated, allocations to reserves and undivided profits during the fiscal year 1941 were $1,030,719 in excess of the reserve requirements of the Federal Home Loan Bank Act. An analysis of the surplus and undivided profits of the Federal Home Loan Banks, individually and collectively, is given in Exhibit 24.

### *Income and Expenses of the Federal Home Loan Bank Board*

Since the members of the Federal Home Loan Bank Board also compose the Board of Directors of the Home Owners' Loan Corporation and the Board of Trustees of the Federal Savings and Loan Insurance Corporation, the Federal Home Loan Bank Board derives its operating funds not only from the Federal Home Loan Banks, but also from these two agencies for services rendered and from fees received for the examination of home financing institutions. Expenses of the Examining Division of the Board, which constitute the major portion of the Board's operating budget, are reimbursed by the institutions examined. During the 1941 fiscal year, total receipts of the Federal Home Loan Bank Board amounted to $1,215,689 as compared with $1,396,775 for the fiscal year 1940. In addition, a cash balance of $352,671 was carried over at the beginning of the fiscal year 1941. Disbursements during the same two periods aggregated $1,328,401 and $1,282,529, respectively. The cash balance as of June 30, 1941, amounted to $239,959. Exhibit 26 shows detailed information on administrative receipts and disbursements for the last two fiscal years.

The personnel of the Bank Board totaled 460 at the close of the reporting period. Of this total, 304 employees constituted the staff of the Examining Division. Exhibit 27 gives a summary of personnel by departments as of June 30, 1940, and June 30, 1941.

### *Administration of the Federal Home Loan Bank System*

The major administrative responsibility of the Federal Home Loan Bank Board is the establishment of basic policies and the maintenance of adequate safeguards to insure successful operation of the Federal Home Loan Bank System. The Board is assisted in this responsibility by the Governor of the Federal Home Loan Bank System who acts as its chief administrative officer.

The structural organization of the Bank System has been designed to permit the maximum possible decentralization without loss of the over-all supervision which is necessary in the administration of a nation-wide organization and which is required by the Federal Home Loan Bank Act. Each of the twelve Regional Banks is governed by a Board of Directors which has been given considerable discretion and initiative within the terms of the Federal Home Loan Bank Act and the Rules and Regulations of the Bank Board. Under the general supervision of the regional directors, the officers of the Banks assume the actual job of management. The importance of maintaining the maximum of local autonomy possible in the administration of the Federal Home Loan Bank System has long been stressed by the Federal Home Loan Bank Board. If the Banks are to fulfill their responsibilities to member institutions, considerable freedom of action in meeting local problems and situations is essential.

It should not be implied that this philosophy of administration means a lack of coordination and supervision on the part of the Board. To the contrary, regular semiannual examination of the Banks, daily and monthly reports on operations and condition from each of the Banks, and the requirement that full and complete minutes of directors' and executive committee meetings must be kept and certified copies forwarded to the Governor, all serve as means by which the Board is able to scrutinize closely the current operations and activities of each of the Banks with the view to maintaining basic rules and regulations governing Bank operations on a well-defined basis.

The value of maintaining the Federal Home Loan Bank System on a decentralized but safeguarded administrative plan is illustrated by the successful operation of the Banks during the present emergency period. For example, there is little loss of time in meeting unusual situations either of a supervisory or credit nature which constantly confront the Banks in dealing with member institutions. All demands for credit are acted upon promptly by the Banks without reference to Washington. Officers of the Regional Banks are better able, because of their familiarity with local trends and conditions, to offer counsel and to take corrective action, if necessary, to prevent future trouble which may result from unsound lending or careless management during the present critical times.

The Federal Home Loan Bank Board is materially assisted in carry ing out its supervisory responsibility for the safe conduct of the Bank System through periodic conferences with the Federal Savings and

Loan Advisory Council, a body created by statute to confer with the Board "on general business conditions, and on special conditions affecting the Federal Home Loan Banks and their members." The Council consists of one member elected by each of the twelve boards of directors of the Federal Home Loan Banks and six members appointed by the Federal Home Loan Bank Board. The Council held two meetings during the current fiscal year, at which time thorough discussions were held on such questions as defense housing, current appraisal practices, debenture financing, mortgage-interest and dividend rates, State and Federal legislation, retirement of Government investments in Federal savings and loan associations, and the insurance of small associations. The Board derived, as always, considerable help in the formulation of policies not only from its discussions with the Council in these two meetings, but also by direct informal advices received from Council members throughout the reporting period. A list of members of the Council as of June 30, 1941, is attached as Exhibit 28.

To effect an even closer working relationship between the twelve Bank Presidents and the Governor of the Federal Home Loan Bank System, the Board some time ago created the Bank Presidents' Conference, composed of the executive heads of the twelve Banks. The Conference met twice during the fiscal year 1941 to confer with the Governor. Meetings of the Presidents serve the very valuable purpose of bringing together periodically those most directly concerned with day-to-day operations for a thorough discussion of both specific and general problems facing the Banks. At both Conference meetings during the last year, considerable time was devoted to the problem of defense housing and the cooperation of the Banks and their member institutions in furthering the aims of the national program. The Presidents were unanimous in supporting the program through the formation of local housing committees, conferences with representatives of public housing agencies, and surveys of defense housing needs in specific localities. Other subjects discussed at the meetings included debenture financing, investment and liquidity policies of the Banks, extensions of credit, supervisory duties of Bank officers, interest and dividend rates, and the cooperation of member institutions of the Bank System as issuing agents in marketing defense savings bonds and stamps.

*Examination and Supervision*

The Federal Home Loan Bank Board is charged by statute with the responsibility of examining and supervising the twelve Federal Home

Loan Banks. Semiannual examinations of the Banks and their regular operating reports provide the factual basis on which the Board determines the policies and procedures which guide Bank operations.

The Board also examines and supervises all Federal savings and loan associations. Supervision and, in most States, examination of State-chartered associations insured by the Federal Savings and Loan Insurance Corporation are shared with the respective State Departments. In a few cases where uninsured member institutions are not subject to State examination, it is customary for such institutions to submit to annual Federal examination. Each member institution is also required to file a detailed annual report which is analyzed by the Board's Examining Division. These reports are useful supervisory tools both for the Federal Home Loan Banks and the Board.

From an organizational standpoint, examination and supervision of insured institutions are two separate and distinct functions of the Federal Home Loan Bank Board. Examinations are conducted by a single Examining Division serving the Board and each of its agencies. The Governor of the Federal Home Loan Bank System and the officers of the Federal Home Loan Banks, as agents for the Board, have been made responsible for carrying out the Board's supervisory responsibilities.

The establishment of an Examining Division with the Chief Examiner in Washington and a District Examiner in each Federal Home Loan Bank District has proved advantageous not only to the Board and its agencies but also to the associations themselves. A single examination of Federal savings and loan associations serves both the Federal Home Loan Bank Board, which charters these institutions, and the Federal Savings and Loan Insurance Corporation, which insures their investors' accounts. The examination of State-chartered insured associations is conducted jointly with the State authorities in a majority of the States. Data revealed by examinations are useful to the Board in considering various types of applications received from member institutions, including those for insurance of accounts by the Federal Savings and Loan Insurance Corporation, for conversion to Federal charter, and for share investments by the Home Owners' Loan Corporation. A standard examination report form, developed by the National Association of Building and Loan Supervisors, the United States Savings and Loan League, and the Federal Home Loan Bank Board is now used in examinations conducted by the Board and by over half of the State Supervisory Departments. Adoption of this form has eliminated considerable costly duplication in examination of State associations and provides a convenient norm for individual case analysis.

The separation of supervisory analysis and recommendations from actual examination of financial condition has proved a successful device for insuring, first, a high degree of independence to fact-finding examiners and, second, a detached consideration by supervisory officials of information revealed by examination. Examination and supervision, in other words, are two distinct but related activities of the Board. During an examination, the basic aim is to find and relate all essential facts concerning financial condition and current operations of a particular institution. The examination report is then carefully analyzed by trained supervisory officials who seek to determine whether the association is being operated in accordance with the Rules and Regulations of the Board and the best standards and practices of the industry. Recommendations for necessary supervisory action are usually based on these supervisory studies.

The principles guiding the Board in its supervisory activities are, in reality, the same principles which guide local management and directorates of supervised institutions—the maintenance of the industry in the soundest possible condition, offering a safe place for the investment of savings, and a source of funds for economical home financing. To the extent that these objectives are attained in each individual association, the industry is contributing to a stronger and better planned financial structure.

Supervision of financial institutions is a major responsibility involving protection of the interests of millions of private individuals whose savings funds are handled by these institutions. During critical times such as these, it is more important than ever that both institutional management and supervisory authorities recognize their joint obligation to avoid the type of operation which appears so profitable in "boom times," but which past experience has always shown ultimately to be so costly. For example, one of the responsibilities of the Board can be defined in these terms: To encourage member institutions of the Bank System to participate on a basis consistent with sound business practices in the program for housing defense workers. To carry out that responsibility implies a policy of watchful guidance with the constant aim of preventing at the earliest possible moment the development of unsound activities.

The delegation of immediate supervisory functions to the officers of the Federal Home Loan Banks has been of immeasurable value to the Board. By this means, supervisory actions and decisions are more responsive to varying conditions throughout the country and to special circumstances which are constantly developing in areas of concentrated defense activity.

Rules and Regulations governing ordinary operations, supervisory examinations and analyses, the exercise of informal influence, in fact the whole sphere of supervision, cannot of itself insure successful operation or rule out the possibility of serious trouble. To effective supervision must be coupled intelligent management on the part of each and every home-financing institution. For this reason, the Board devotes considerable energy to encouraging the industry to adopt progressive operating plans and methods, to employ capable, efficient management—in short, to place institutional operations on a basis which experience has shown will do most to assure successful administration of home-financing institutions.

### *Federal Home Building Service Plan*

The Federal Home Building Service Plan, initiated by the Federal Home Loan Bank Board in 1936 to stimulate the adoption of local "quality housing" programs was decentralized during the reporting period. Prior to this time, this activity of the Board was administered directly by the Board in Washington through the Regional Federal Home Loan Banks. Operating experience and the necessity for conducting the plan on a basis sufficiently flexible to permit adaptation to varying conditions throughout the country account for the decision to transfer administration of the program to the Regional Banks in each of the twelve Federal Home Loan Bank Districts. The essential purpose of the Federal Home Building Service Plan remains unchanged—to provide architectural counsel in the selection of a design suitable to site and neighborhood; to plan for future as well as present living requirements; to verify the specification of proper building materials; to supervise actual construction—all at a fee in line with the limited income of the average small-home buyer. Homes built under the Plan are registered with the Board in Washington and a certificate identifying the dwelling as a quality product is issued to the owner by the lending institution.

The Federal Home Building Service Plan enables member institutions of the Bank System to offer prospective borrowers assurance of sound planning, design, and construction. Emphasis on quality construction in the small-home field, where architectural planning and guidance have long been sorely needed, benefits both the borrower and the lending institution—the borrower because he receives a better house for his money and the lending institution because the security underlying its mortgage loans becomes a better risk. Under the present decentralized operation of the Plan, the Board is primarily concerned with over-all coordination of regional programs and the stimulation of public interest.

General administration of the Plan rests with the Governor's office. The Board's Architectural Adviser approves architects and home designs. Assistance is given by the Board's Public Relations Department through the preparation of local and national publicity, advertising material, and suggestions for individual promotion campaigns by cooperating institutions.

To the Federal Home Loan Banks has been assigned the task of handling all direct contacts with member institutions. The Banks maintain complete information on the operation and extent of the program and have available all material needed by institutions desiring to adopt the Plan. Each of the Banks stands ready to assist through counsel and guidance any interested member institution.

It has long been recognized that any program of this sort to be successful must be adaptable to varying local needs. Subjecting associations to detailed restrictions would hinder—not help—widespread adoption of the Plan. The Federal Home Building Service Plan, in short, is a tool which member institutions can adopt to meet the special conditions of local markets while, at the same time, conducting a quality construction program which is nationally recognized and which meets the high standards established for the program as a whole.

As of June 30, 1941, there were 348 member institutions which had received approval by the Board to offer the Federal Home Building Service Plan to their patrons and 535 architects had qualified. On the same date, the number of individual home designs approved under the Service totaled 520.

## 2. OPERATIONS OF MEMBER INSTITUTIONS

### *Changes in Membership*

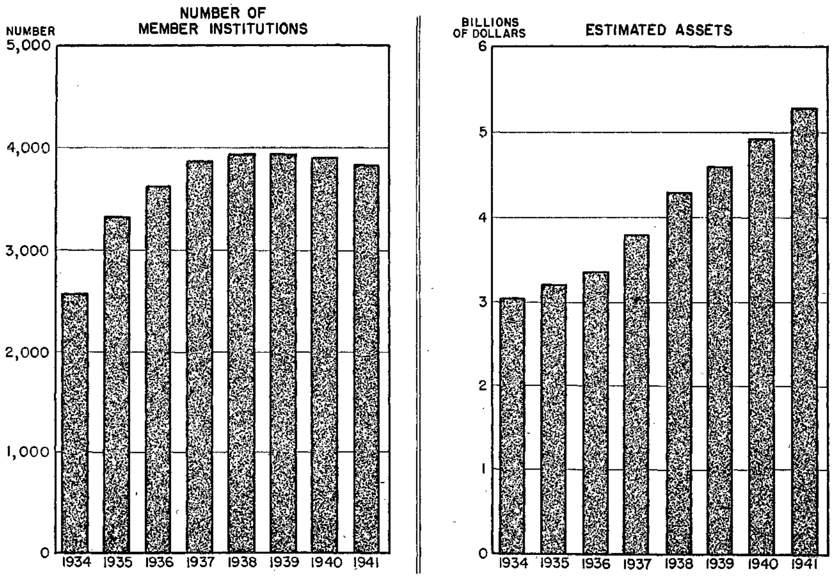
The number of home financing institutions which are members of the Federal Home Loan Bank System has shown little change during the last four fiscal years. At the close of the reporting period there were 3,839 member institutions as compared with 3,914 a year previous. The combined assets of all members, however, continue to show significant increases. On June 30, 1941, aggregate resources totaled $5,287,175,000, a gain of $360,021,000, or 7.3 percent during the 1941 fiscal year.

The decline in the number of member institutions is accounted for principally by a continuing process of consolidation within the savings and loan industry.[9] The trend is essentially a healthy one, resulting as it does in the gradual elimination of submarginal institutions and the development of larger and stronger associations. The Board and the Federal Home Loan Banks have supported and encouraged the process by assisting in mergers and reorganizations, with subsequent insurance of accounts by the Federal Savings and

CHART XXXV

NUMBER AND COMBINED ASSETS OF MEMBER INSTITUTIONS OF THE FEDERAL HOME LOAN BANK SYSTEM

*AS OF JUNE 30 EACH YEAR*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Loan Insurance Corporation. The principle guiding the Board in this general policy has been the development of a membership of sound, well-managed institutions capable of meeting the greatly increased current needs for economical and efficient home financing.

It is probable that the number of savings and loan associations will continue to decline for some time. The number of operating associations has already dropped from 11,442 in 1931 to approximately 7,200 at the end of 1940. It is estimated that among the latter, 1,500 associations are in a state of gradual liquidation. Since these insti-

[9] For a detailed discussion of the process of consolidation in the savings and loan industry, see Eighth Annual Report of the Federal Home Loan Bank Board, pp. 56–9.

tutions are making no new loans and receive no new investments, it is expected that many of them will be reorganized, merged with more active associations, or formally dissolved.

The record of admissions to and withdrawals from the Bank System during the last fiscal year is an additional indication of the trend toward fewer institutions. Thus, during the reporting period, 69 institutions were admitted to membership as compared with 90 during the fiscal year 1940. Applications for membership which were still pending on June 30, 1941, totaled 66 as against 96 a year previous.

Membership terminations during the reporting period totaled 144 as compared with 122 during the 1940 fiscal period. Termination of membership in many cases does not mean quite what the phrase implies. During the current fiscal year, for example, 30 terminations resulted from the merger or consolidation of associations within the membership of the Bank System. In such cases, the System as a whole does not lose all of the assets of the merged institution. As a matter of fact, where mergers are conducted as part of a community-wide rehabilitation program, the resulting institutions, because they are financially sound, well-managed, and able to take an active part in the mortgage lending business of their community, may within a short period of time bring a substantial net addition to the resources of the System.

In addition to the 30 membership terminations resulting from merger or consolidation, 81 member institutions went into liquidation, and 33 institutions withdrew voluntarily. The following table presents a summary of the changes in membership during the fiscal year 1941:

*Number and assets of member institutions of the Federal Home Loan Bank System, June 30, 1941, compared with June 30, 1940*

[Dollar amounts in millions]

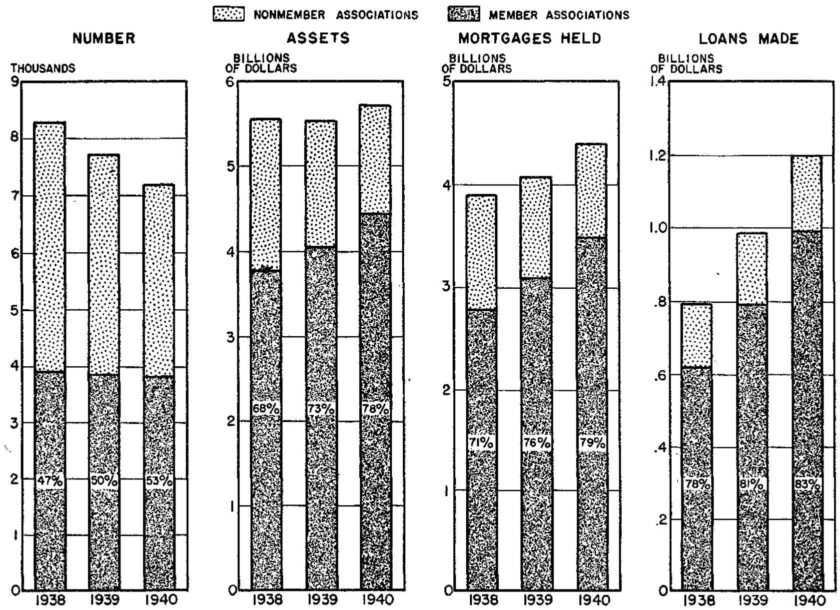
| | June 30, 1940 | | June 30, 1941 | | Net change in fiscal year | |
|---|---|---|---|---|---|---|
| | Number | Assets | Number | Assets | Number | Assets |
| Savings and loan associations [1] | 3,865 | $4,233 | 3,798 | $4,627 | −67 | +$394 |
| Insured associations: | | | | | | |
| Federally chartered | 1,421 | 1,726 | 1,452 | 2,028 | +31 | +302 |
| State-chartered | 812 | 979 | 857 | 1,126 | +45 | +147 |
| Uninsured associations | 1,632 | 1,528 | 1,489 | 1,473 | −143 | −55 |
| Other members | 49 | 694 | 41 | 660 | −8 | −34 |
| Savings banks | 11 | 213 | 12 | 252 | +1 | +39 |
| Insurance companies | 38 | 481 | 29 | 408 | −9 | −73 |
| Total | 3,914 | 4,927 | 3,839 | 5,287 | −75 | +360 |

[1] Includes savings and loan associations, building and loan associations, homestead associations, and cooperative banks.

Member savings and loan associations have for some time been the most active and substantial group within the entire thrift and home financing industry. Although representing but 53 percent of all operating institutions at the close of 1940, assets of members totaled 77 percent of aggregate resources for the industry as a whole, and their mortgage portfolio represented 80 percent of the combined

Chart XXXVI*

MEMBER SAVINGS AND LOAN ASSOCIATIONS COMPARED WITH ALL OPERATING SAVINGS AND LOAN ASSOCIATIONS
*BY CALENDAR YEARS*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

holdings of all associations. Exhibit 29 presents the number and assets of member institutions by Federal Home Loan Bank Districts and by States, at the close of the last two fiscal years.

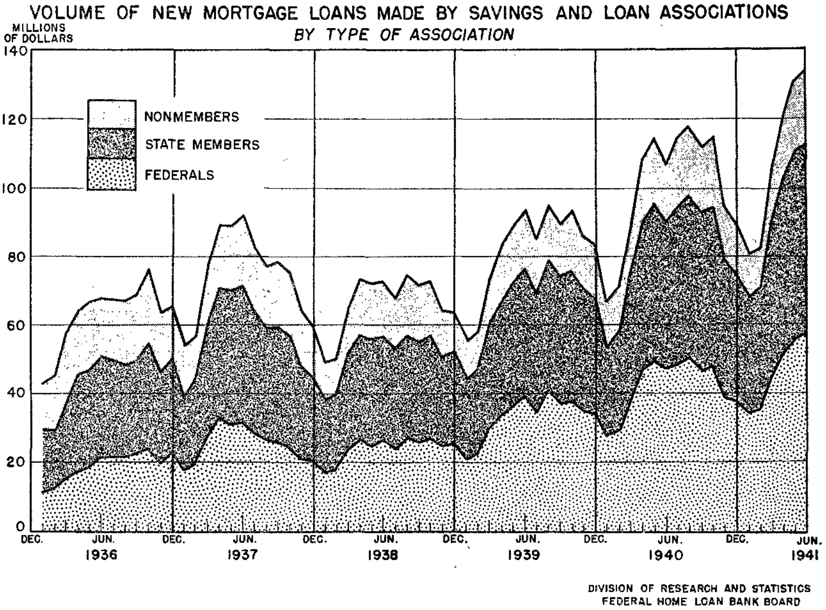
## *Lending Activity*

Lending activity of member savings and loan associations reached new record levels during the reporting period. Estimates prepared by the Board's Division of Research and Statistics show that the volume of new mortgage loans made by member associations during the fiscal

* For actual figures, see Exhibit 30.

year 1941 totaled $1,084,866,000 as compared with $894,212,000 during the preceding fiscal year, an increase of 21.3 percent. Loans written by nonmember institutions also showed a good gain, advancing from $196,576,000 during the 1940 fiscal year to $209,508,000. Lending activity of all savings and loan associations, therefore, reached a grand total of $1,294,374,000 during the reporting period.

CHART XXXVII




Once again, member institutions were responsible for an increasing share in total savings and loan lending activity during the fiscal year 1941. On a percentage basis, savings and loan members accounted for 84 percent of the mortgage loans made by the entire industry, as compared with 82 percent during the previous fiscal year. The ratio of nonmember lending to total declined from 18 to 16 percent.

*Percentage distribution of new mortgage loans made by savings and loan associations over the various classes of associations, fiscal-year figures*

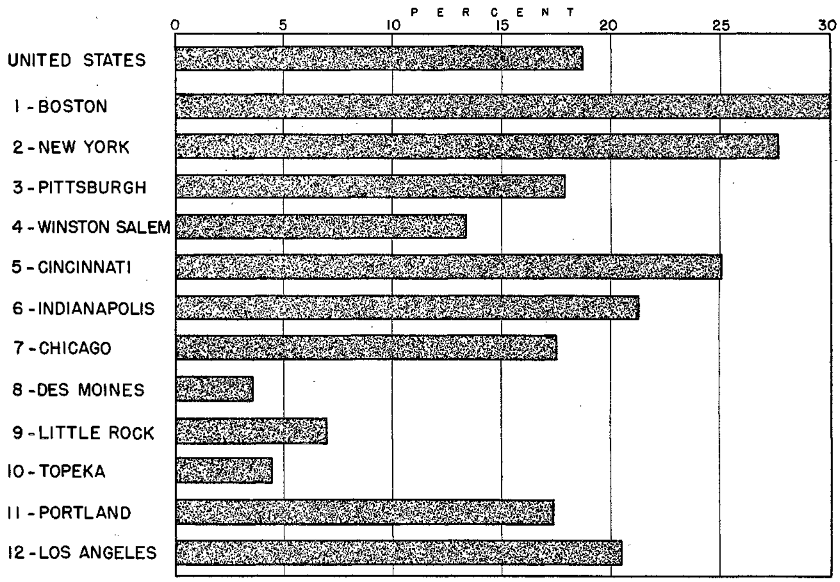
| Class of association | 1938 | 1939 | 1940 | 1941 |
|---|---|---|---|---|
| All savings and loan associations | 100.00 | 100.00 | 100.00 | 100.00 |
| Member savings and loan associations | 76.71 | 79.03 | 81.98 | 83.82 |
| Federal associations | 34.34 | 38.44 | 41.97 | 42.50 |
| State-chartered associations | 42.37 | 40.59 | 40.01 | 41.32 |
| Nonmember associations | 23.29 | 20.97 | 18.02 | 16.18 |

In the past, the relative position of member institutions and of Federal savings and loan associations as sources of mortgage credit was influenced directly by the increasing number of member and Federal associations. However, there have been only inconsequential changes in the number of member associations during recent years and it is, therefore, safe to conclude that the most active savings and loan associations are being concentrated to an ever greater degree within the Federal Home Loan Bank System. Another measure of this fact is found by comparing current lending activity with assets, by class of association. Such an analysis shows that member associations loaned $244 for each thousand dollars of assets as compared with only $148 for nonmember institutions. The table on page 85 illustrates the shifts in the relative importance of various types of savings and loan associations, by indicating the percentage of mortgage loans accounted for by each of the groups during the last four fiscal years.

CHART XXXVIII

PERCENTAGE INCREASE IN NEW MORTGAGE LENDING ACTIVITY OF SAVINGS AND LOAN ASSOCIATIONS

*UNITED STATES AND FEDERAL HOME LOAN BANK DISTRICTS-JUNE 30, 1940 TO JUNE 30, 1941*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Exhibit 31 shows the monthly volume of new mortgage loans made by savings and loan associations, separated by class of associations, from January 1936 to June 1941, and Exhibit 32 presents the dollar amount and percentage increase in such loans by Federal Home Loan Bank Districts over the last two fiscal years.

Stimulated lending activity was not restricted to any particular geographical area and each of the twelve Federal Home Loan Bank Districts reported substantial improvement during the current fiscal year as compared with the previous reporting period. Increases ranged from 4 percent in the Des Moines Federal Home Loan Bank District to 30 percent in the Boston District.

The distribution of mortgage loans made by member institutions, according to the purpose for which the loans were granted, followed the same general pattern shown by the entire savings and loan industry.[10] The trends were, if anything, more accentuated in the case of member institutions. Thus, the volume of construction loans increased from 33.4 to 35.9 percent of total and home purchase advances also showed a good increase from 33.2 to 35.8 percent of gross lending volume. So substantial were the gains in these two types of loans that the ratio of refinancing, reconditioning, and miscellaneous loans declined materially during the year.

*Distribution of new mortgage loans made by all savings and loan members of the Federal Home Loan Bank System, according to purpose*

| Purpose of loan | Fiscal year 1939 | | Fiscal year 1940 | | Fiscal year 1941 | |
|---|---|---|---|---|---|---|
| | Dollars | Percent | Dollars | Percent | Dollars | Percent |
| Construction | $219,726,000 | 32.0 | $298,628,000 | 33.4 | $389,559,000 | 35.9 |
| Home purchase | 216,789,000 | 31.6 | 297,243,000 | 33.2 | 388,376,000 | 35.8 |
| Refinancing | 136,494,000 | 19.9 | 166,191,000 | 18.6 | 168,201,000 | 15.5 |
| Reconditioning | 41,842,000 | 6.1 | 46,600,000 | 5.2 | 49,396,000 | 4.6 |
| Other | 71,846,000 | 10.4 | 85,550,000 | 9.6 | 89,334,000 | 8.2 |
| Total | 686,697,000 | 100.0 | 894,212,000 | 100.0 | 1,084,866,000 | 100.0 |

*Reduction of Government Share Investments*

Outstanding investments of the United States Treasury and the Home Owners' Loan Corporation in the shares of savings and loan associations declined appreciably—by 12.9 percent, in fact—during the fiscal year 1941. Repurchases which resulted in a decline of outstanding Government investments from $237,161,310 on June 30, 1940, to $206,524,260 at the close of the reporting period are an effective refutation of the fears which have been expressed by some

[10] See Survey of Housing and Mortgage Finance, pp. 46–48.

that temporary Government assistance to private financial institutions leads to permanent Federal subsidy.

The program for the investment of Government funds in the share capital of savings and loan associations originated in 1933 when the Home Owners' Loan Corporation was established to rescue hundreds of thousands of distressed home owners in imminent danger of losing their homes. Concurrently, with the establishment of this direct relief activity, the Congress wisely undertook the important task of bringing about a wholesale rehabilitation of the permanent home financing structure. As one part of this broader program, the Home Owners' Loan Act of 1933 and subsequent appropriations allocated Treasury funds of $49,300,000 for investment in the shares of Federal savings and loan associations. A short time later the Home Owners' Loan Corporation was permitted by amendment to its organic statute to make investments up to $300,000,000 in the shares of both Federal savings and loan associations and State-chartered associations which either belong to the Federal Home Loan Bank System or which are insured by the Federal Savings and Loan Insurance Corporation.

Investment by the Government in the share structure of savings and loan associations was intended to provide sufficient capital for a temporary period to enable these thrift and home financing institutions to meet demands for mortgage credit, thereby stimulating residential construction and employment. The program was highly successful in bringing about the desired result, for the lending activity of savings and loan associations was immediately stepped up as the program got under way.

The following table shows the volume of investments made by the Treasury and the Home Owners' Loan Corporation for each of the fiscal years from 1934 through 1941:

*Gross investments made by the U. S. Treasury and the Home Owners' Loan Corporation in member savings and loan associations*

| Fiscal year | Investments by the U. S. Treasury | | Investments by the HOLC | | Total investments | |
|---|---|---|---|---|---|---|
| | Amount invested | Cumulative | Amount invested | Cumulative | Amount invested | Cumulative |
| 1934 | $1,086,300 | $1,086,300 | | | $1,086,300 | $1,086,300 |
| 1935 | 29,520,400 | 30,606,700 | | | 29,520,400 | 30,606,700 |
| 1936 | 18,693,300 | 49,300,000 | $63,142,700 | $63,142,700 | 81,836,000 | 112,442,700 |
| 1937 | | 49,300,000 | 119,890,300 | 183,033,000 | 119,890,300 | 232,333,000 |
| 1938 | | 49,300,000 | 28,964,610 | 211,997,610 | 28,964,610 | 261,297,610 |
| 1939 | | 49,300,000 | 7,152,200 | 219,149,810 | 7,152,200 | 268,449,810 |
| 1940 | | 49,300,000 | 1,538,400 | 220,688,210 | 1,538,400 | 269,988,210 |
| 1941 | | 49,300,000 | 1,420,000 | 222,108,210 | 1,420,000 | 271,408,210 |

In the belief that it would be unsound to provide permanent capital for private financial institutions from Government funds, Congress provided for the gradual liquidation of share investments and charged the Federal Home Loan Bank Board both with supervising the original investments and their retirement. Under the terms of the Acts authorizing Government share investments, no requests for repurchase may be made for a period of five years from the date of investment; thereafter, requests may be made at the discretion of the Federal Home Loan Bank Board, but in no event in an amount exceeding, in any one year, ten percent of the total amount invested in the shares of any association.

Through June 30, 1941, the volume of repurchases requested by the Federal Home Loan Bank Board after study of the financial condition of associations which had received investments was $3,972,850. Since retirements during the same period totaled $64,883,950, it is evident that savings and loan associations have retired voluntarily $16 for each dollar requested by the Board. This excellent record has been made possible because private investments have been received by member institutions at a rate sufficient not only to take care of current mortgage loan demands, but also to permit retirement of Government capital. While many associations have made partial repurchases of their Government share investments, a large number of institutions have been able to retire them in full, with the result that by June 30, 1941, the number of Federal associations holding Treasury money was reduced to 345 as compared with 661 associations which had originally received investments, and the number of Federal and State associations employing Home Owners' Loan Corporation funds had declined from 1,348 to 1,106.

*Repurchases of Treasury and HOLC investments by member savings and loan associations*

| Fiscal year | Treasury investments | | HOLC investments | | Total investments | |
|---|---|---|---|---|---|---|
| | Amount repurchased | Cumulative | Amount repurchased | Cumulative | Amount repurchased | Cumulative |
| 1936 | $77,000 | $77,000 | | | $77,000 | $77,000 |
| 1937 | 1,039,300 | 1,116,300 | $12,000 | $12,000 | 1,051,300 | 1,128,300 |
| 1938 | 381,000 | 1,497,300 | 259,000 | 271,000 | 640,000 | 1,768,300 |
| 1939 | 3,811,000 | 5,308,300 | 2,420,000 | 2,691,000 | 6,231,000 | 7,999,300 |
| 1940 | [1] 9,854,600 | [1] 15,162,900 | 14,973,000 | 17,664,000 | 24,827,600 | 32,826,900 |
| 1941 | [1] 10,466,200 | [1] 25,629,100 | [2] 21,590,850 | [2] 39,254,850 | 32,057,050 | 64,883,950 |

[1] The following amounts were retired in accordance with section 5 (j) of the Home Owners' Loan Act: $671,800 in 1940; and $2,088,000 in 1941.

[2] Of this amount, $1,213,050 was called for retirement by the Federal Home Loan Bank Board in accordance with the Home Owners' Loan Act.

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Investment by the Treasury in the shares of Federal savings and loan associations was completed in 1936 when the $49,300,000 available was exhausted. Since that time, the large volume of voluntary repurchases has reduced the amount outstanding by more than one-half to a figure of $23,670,900 at the end of the fiscal year 1941.[11]

Investments by the Home Owners' Loan Corporation were made for the most part in 1936 and 1937. Since that time, investments have been approved on a restricted basis usually in connection with reorganization of individual associations and community rehabilitation programs. However, the Board has recently adopted the policy of considering HOLC investment requests which are received from institutions located in defense areas whose supply of local capital is insufficient to meet the immediate need for home financing.[12] The balance of HOLC investments outstanding at the end of the fiscal year 1941 amounted to $182,853,360, a reduction of 18 percent in the gross total of $222,108,210.

*Net amounts of Treasury and HOLC investments outstanding*

| Fiscal year | Treasury investments | | HOLC investments | | Total investments |
|---|---|---|---|---|---|
| | Number of associations [1] | Amount | Number of associations [1] | Amount | Amount |
| 1934 | 60 | $1,086,300 | | | $1,086,300 |
| 1935 | 576 | 30,606,700 | | | 30,606,700 |
| 1936 | 661 | 49,223,000 | 776 | $63,142,700 | 112,365,700 |
| 1937 | 661 | 48,183,700 | 1,141 | 183,021,000 | 231,204,700 |
| 1938 | 623 | 47,802,700 | 1,264 | 211,726,610 | 259,529,310 |
| 1939 | 585 | 43,991,700 | 1,304 | 216,458,810 | 260,450,510 |
| 1940 | 501 | 34,137,100 | 1,231 | 203,024,210 | 237,161,310 |
| 1941 | 345 | 23,670,900 | 1,106 | 182,853,360 | 206,524,260 |

[1] A number of Federal associations have received both Treasury and HOLC investments.

Investments by the Federal Government in the share capital of savings and loan associations have not only served the very useful purpose of encouraging home mortgage lending activity, but have also been a profitable earning asset on the national balance sheet. Through the close of the current reporting period, the United States Treasury had received $9,257,236 and the Home Owners' Loan Corporation, $32,553,691 as dividends on their share purchases. This is equivalent to a net earning yield of 3.41 percent on the average investments outstanding from 1934 through the fiscal year 1941—a rate well in excess of the cost of money to either the Home Owners'

[11] For more detailed information on investments by the Treasury in the shares of Federal associations, see pages 107–110.

[12] See page 9.

Loan Corporation or the Treasury. Losses have been inconsequential, amounting to only $1,428 in the case of one liquidating association.

A complete tabulation of Treasury and HOLC investments made and repurchased and net investments outstanding by class of member institution will be found in Exhibit 33.

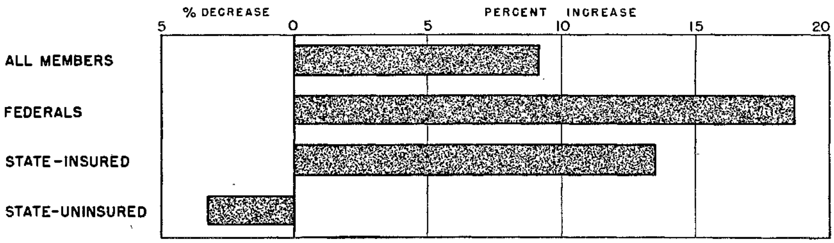
*Analysis of Condition of Member Associations*

The combined balance sheet of all member savings and loan associations shows a decided improvement during the calendar year 1940. The most important asset trends are found in a substantial increase in mortgage loans outstanding, a noteworthy decline in owned real estate, and a much stronger liquid position as measured in terms of cash on hand and in banks. The liability side of this master balance sheet shows a gain in private repurchasable capital and a substantial reduction in Government investments in the share capital of member associations. General reserves and undivided profits show a dollar increase of almost $19,000,000, but declined somewhat in relation to assets—a not unexpected trend in view of net losses incurred in the sale of a large volume of owned properties and the rapid growth of total resources. Exhibits 34 and 35 give a detailed balance sheet for all savings and loan members and a percentage distribution of the various balance-sheet items.

CHART XXXIX

PERCENT CHANGE IN ASSETS OF MEMBER SAVINGS AND LOAN ASSOCIATIONS

CALENDAR YEAR 1940 OVER 1939

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FEDERAL HOME LOAN BANK BOARD

*Assets.*—Total assets of member savings and loan associations show a gain of almost $363,000,000 during 1940, reaching a new high of $4,411,000,000 on December 31, 1940. This gain of 9 percent compares with an increase of $295,000,000, or 7.9 percent during the preceding year. Once again, the net increase in total assets was restricted to Federal savings and loan associations which show a gain of 18.5 percent and to State-chartered insured institutions whose total resources grew by 13.5 percent. State-chartered uninsured members suffered a decline of $53,500,000 in gross assets. It should be recognized, of course, that this decline resulted largely from the transfer of State associations to the insured or Federal categories.

The gain in assets of member institutions was general throughout the entire country with associations in the Winston-Salem District showing the most substantial increase—18.3 percent. Members in the Los Angeles and Portland Districts ranked second and third, showing percentage gains of 14.7 and 14.1, respectively.

The growth in assets of member institutions and mergers completed during the year are reflected in an increase of over $100,000 in the average size of member savings and loan associations. At the close of 1940, the average member institution had total resources of $1,155,000 as compared with $1,046,000 a year previous.

*First-mortgage loans.*—The substantial gains in home mortgage lending activity during 1940 are reflected in a new high for first mortgage loans outstanding at the close of the year. The increase of $388,000,000 in net first-mortgage investments exceeded gains made in previous years and resulted in a total portfolio of $3,496,000,000. It is now estimated that member institutions hold 80 percent of the mortgage investments of the entire savings and loan industry.

One of the most encouraging results of the increased lending activity of member savings and loan associations is the rising ratio of mortgage loans to total resources. At the close of 1940, first-mortgage holdings represented 79.3 percent of aggregate assets as compared with 76.8 percent at the beginning of the year. During the four-year period from 1936 to 1940, the mortgage account of member savings and loan associations has risen nearly ten percentage points in relation to total resources. Because home loans are the principal earning asset of savings and loan associations, the upward trend in this item is having a favorable effect on operating income.

Throughout the country, each of the Federal Home Loan Bank Districts shows a gain in mortgage portfolios, with the Winston-Salem Region, as illustrated by the chart on the opposite page, maintaining the highest rate of increase. Associations in this area also show the highest ratio of mortgage loans to total assets.

Federal savings and loan associations accounted for approximately two-thirds of the 1940 increase in total first-mortgage investments of member institutions. Federal associations alone built up their portfolio by $1,553,677,000, or by 21 percent. State-chartered insured associations show the second best record, with a gain of 17 percent.

The portfolio of State-chartered uninsured associations remained virtually static at $1,130,000,000.

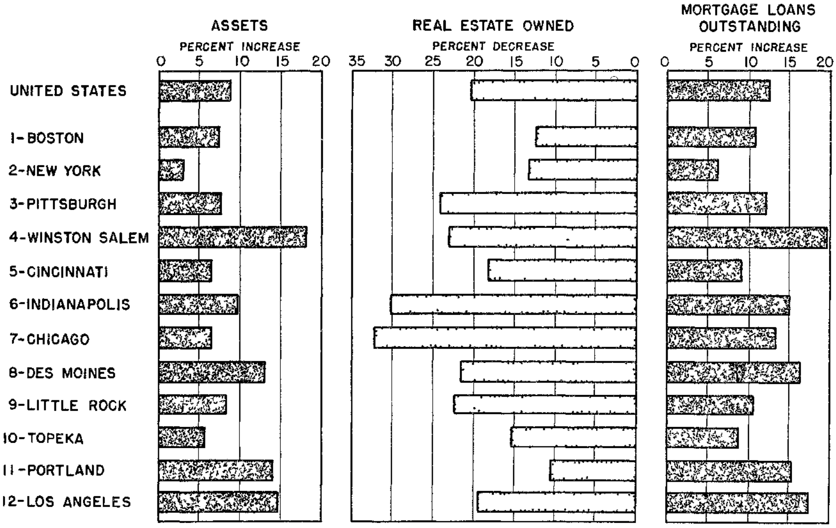
Junior mortgages, which have never represented a very important asset item on the balance sheet of savings and loan associations, declined further during 1940 to a figure of some $3,800,000, or less than one-tenth of one percent of the total.

*Real estate.*—The real-estate owned account of member savings and loan associations shows a reduction of over one-fifth during 1940. Improving economic conditions, a rising real-estate market, and concerted efforts by association management to dispose of a particularly slow asset are the principal factors accounting for this trend. The excellent progress shown by member institutions in liquidating foreclosed properties is clearly reflected in the following figures: At the end of 1936, member savings and loan associations held real estate valued on the books at $525,000,000, or 15.7 percent of total assets. At the end of 1940, four years later, the gross real-estate account had declined to $300,000,000 and represented less than 7 percent of aggregate resources. Member institutions throughout the entire Federal

CHART XL

TREND IN SELECTED ASSET ACCOUNTS OF ALL MEMBER SAVINGS AND LOAN ASSOCIATIONS

*UNITED STATES AND FEDERAL HOME LOAN BANK DISTRICTS – DEC 31, 1939 TO DEC 31, 1940*

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FEDERAL HOME LOAN BANK BOARD

Home Loan Bank System were successful in reducing their real-estate accounts. The most substantial decline occurred in the Chicago Region where associations were able to dispose of 33.2 percent of owned properties. The Indianapolis District was second, showing a decline of 30.1 percent, and the Pittsburgh Area ranked third with a decrease of 24.1 percent.

By the end of 1940, real estate held by member institutions in 30 States, the District of Columbia, Alaska, and Hawaii represented less than 5 percent of total resources and in an additional 14 States represented between 5 and 10 percent of aggregate assets. Although real estate owned by member savings and loan associations is still somewhat high in a few regions where the overhang has been a particularly serious problem, it now appears safe to observe that institutionally-owned properties no longer represent a nation-wide problem and that with the continuation of present trends, the vast majority of associations should be safely past the danger point within a short period of time.

*Real estate owned by member savings and loan associations, by Federal Home Loan Bank Districts*

| Federal Home Loan Bank District | Dollar amounts (in thousands) | | Proportion to total assets | |
|---|---|---|---|---|
| | Dec. 31, 1939 | Dec. 31, 1940 | Dec. 31, 1939 | Dec. 31, 1940 |
| | | | *Percent* | *Percent* |
| United States | $376, 673 | $299, 838 | 9.30 | 6.80 |
| No. 1—Boston | 45, 264 | 39, 696 | 9.53 | 7.77 |
| No. 2—New York | 72, 128 | 62, 625 | 16.04 | 13.50 |
| No. 3—Pittsburgh | 31, 610 | 23, 985 | 13.30 | 9.37 |
| No. 4—Winston-Salem | 8, 960 | 6, 904 | 2.17 | 1.41 |
| No. 5—Cincinnati | 76, 983 | 62, 935 | 9.38 | 7.20 |
| No. 6—Indianapolis | 21, 792 | 15, 222 | 8.40 | 5.35 |
| No. 7—Chicago | 62, 697 | 41, 883 | 15.37 | 9.64 |
| No. 8—Des Moines | 13, 889 | 10, 888 | 6.82 | 4.72 |
| No. 9—Little Rock | 10, 639 | 8, 253 | 5.02 | 3.59 |
| No. 10—Topeka | 17, 454 | 14, 773 | 10.60 | 8.48 |
| No. 11—Portland | 4, 251 | 3, 806 | 3.15 | 2.47 |
| No. 12—Los Angeles | 11, 006 | 8, 868 | 4.09 | 2.87 |

The increasing popularity of land contracts as a method of selling institutional properties is indicated by the $12,000,000 increase during 1940 in the volume of real-estate contracts held by member savings and loan associations. The dollar value of this account at the close of December 1940 was $167,000,000, or 3.8 percent of total assets.

*Cash.*—The very natural desire for greater liquidity during the current critical period is reflected in an increase of $36,000,000 during 1940 in the cash accounts of member savings and loan associations. Cash on hand and in banks on December 31, 1940, represented 5.5 percent of the total assets of all member savings and loan associations.

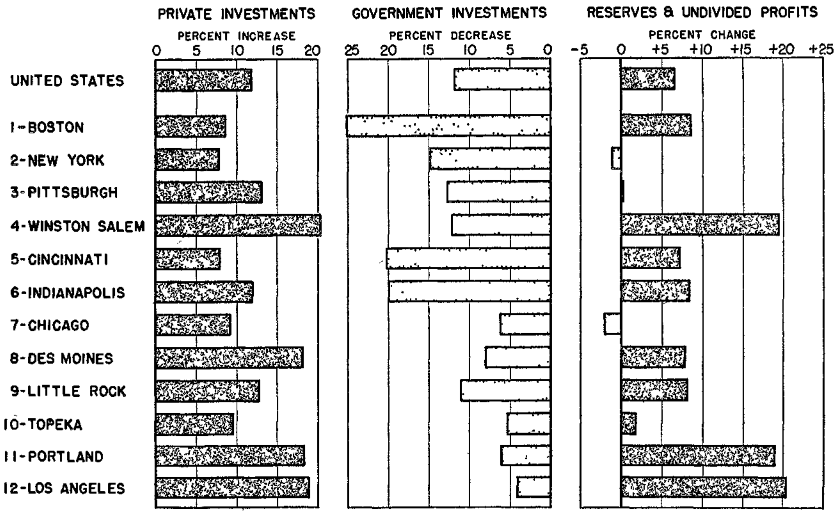
There has been a steady increase in the volume of cash reserves since 1937 and the aggregate liquid funds held by associations at the close of 1940 amounted to almost a quarter of a billion dollars.

*Private repurchasable capital.*—Private investments in member savings and loan associations showed an increase of almost 12 percent, or over $355,000,000 during 1940. Funds of this character, including shares, deposits, and investment certificates, totaled $3,376,000,000 on December 31, 1940, representing 76.5 percent of aggregate re-

CHART XLI

TREND IN SELECTED LIABILITY ACCOUNTS OF ALL MEMBER SAVINGS AND LOAN ASSOCIATIONS

*UNITED STATES AND FEDERAL HOME LOAN BANK DISTRICTS - DEC. 31, 1939 TO DEC. 31, 1940*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

sources as compared with 74.6 percent a year previous. A clearer picture of the growing interest of private individuals in savings and loan associations as an investment outlet is shown by the fact that the average member savings and loan association held private repurchasable capital of more than $884,233 at the close of 1940 as compared with a figure of $780,887 at the end of 1939.

As already mentioned, the trend of Government investments in the share capital of member savings and loan associations shows a substantial reduction in contrast to the rise in private investments. Government investments in member associations declined from $250,000,000 on December 31, 1939, to $220,000,000 at the close of

1940. This decline was over three times as great as that experienced during 1939 and resulted primarily from the heavy voluntary repurchases during the year, made possible by an increased inflow of private savings. By the close of 1940, there was more than fifteen dollars of private money for every one dollar of Government funds in member institutions; a year previous, the ratio was twelve dollars to one dollar.

Federal savings and loan associations show the best record in attracting private investments. These associations alone accounted for over two-thirds of the total increase in private repurchasable capital received by all member institutions, showing a net gain of $274,000,000, or a rise of 24.5 percent as compared with the previous year end. State-chartered insured associations accounted for an increase of $111,000,000, or 15.8 percent, while State-chartered uninsured institutions suffered a decline of 2½ percent in the volume of private funds entrusted to them. Again the record of State-chartered uninsured institutions reflects in part the transfer of associations from this category to the Federal and insured groups.

Associations in each of the Federal Home Loan Bank Districts show a good percentage gain in the volume of private investments held during 1940. Members in the Winston-Salem District led the System with an increase of 20.3 percent, with associations in the Los Angeles District a close second at 18.9 percent.

Mortgage pledged shares declined from $166,000,000 to $146,000,000 or by 12.0 percent during 1940. This item now represents but 3.3 percent of total resources and will continue to be increasingly less important because of the widespread adoption of direct-reduction loans and the elimination of share-account sinking-fund loans.

*Borrowed money.*—Borrowed money outstanding on December 31, 1940, over 92 percent of which was represented by Federal Home Loan Bank advances, showed a net increase of approximately 10 percent as compared with the volume outstanding on December 31, 1939. Because of the concomitant gain in total assets, however, this increase was insufficient to change the ratio of borrowings to total liabilities, the figure remaining at 4.9 percent.

*Reserves.*—General reserves and undivided profits were increased by over $18,800,000, or 6.6 percent, during the calendar year 1940. However, this increase failed to keep pace with the growth in total resources and the ratio of reserves to gross assets declined fractionally from 7.0 to 6.9 percent. When the reserve position of member savings and loan associations is analyzed in light of the substantial reduction of real estate owned and the rapid growth of many new associations, the difficulty of bringing about an increase in the reserve ratio is understandable. The fact that associations have been able to dispose of over 20 percent of their owned real estate within a single year and to increase their assets during the same period by 9 percent while maintaining reserve ratios is a feat which deserves commendation. Nevertheless, in the interests of conservative operation, the Board is urging associations to build up reserves as rapidly as possible while conditions are favorable.

### *Statement of Operations*

Because consolidated income and expense data are available only for those member institutions which report on a calendar-year basis, and because there are changes in the number of member institutions from year to year, a comparison of operating ratios is more significant than changes in dollar volume. However, it is worth noting that the 3,508 institutions which reported their operations for the calendar year 1940 show a total gross operating income of $212,591,000 as compared with $182,954,000 for the 3,110 reporting members in 1939. Net income after deduction of all charges aggregated $142,324,000 in 1940 as compared with $121,575,000 during 1939. Exhibit 36 contains detailed operating ratios for member institutions during 1939 and 1940 by type of institution.

The increase in mortgage investments of member savings and loan associations during 1940 is reflected in the fact that 86.2 percent of gross operating income was derived from interest on these loans. During 1939 the corresponding ratio was 85.2 percent. As might be expected from the large dollar volume of real estate sold on a contract basis, interest income from this account was also somewhat higher in 1940, representing slightly more than 4 percent of total income. Conversely, the decline of over $77,000,000 in real-estate holdings during 1940 brought about a reduction in income received from the management of properties from 3 to 2.4 percent of gross income.

The ratio of operating expenses to total income during 1940 shows a slight increase as compared with 1939 with most of the rise accounted for by gains in "other operating expenses." The expense ratios for compensation, maintenance of office quarters, and advertising remained virtually unchanged. Of total income received during 1940, some 26.2 percent was used for the ordinary expenses involved in running an association, i.e., 12.6 percent went for compensation of personnel, 2.5 percent for maintenance of office quarters, 2.1 percent for advertising, and the remaining 9.0 percent for "other operating expenses." These latter items include depreciation of buildings and equipment, payment of insurance and bond premiums, examination fees, stationery, printing, postage, and various communication charges.

The distribution of net income by reporting associations during 1940 illustrates the increasing emphasis placed on the accumulation of adequate reserves and undivided profits. In 1940 dividend payments absorbed 73.6 percent of net income as compared with 75.7 percent in 1939 and 78.8 percent in 1938. Transfers to reserves and undivided profits, on the other hand, showed a contrary trend. Over 26 percent of net income was allocated to these accounts during 1940. In the previous year the corresponding ratio was 24.4 percent.

For the first time the combined operating statements of member institutions have been segregated by asset size groups (Exhibit 37). Analysis of operating ratios by size of institution apparently bears out the conclusion that larger associations are able to operate more efficiently. The ratio of total expense to total operating income, although the trend is not entirely even, is generally lower in large institutions. Associations with less than $50,000 in assets, for example, had an operating expense ratio of 34 percent during 1940, while institutions in the over $10,000,000 asset bracket showed a ratio of 25 percent.

Compensation costs for management and personnel which represent approximately one-half of total operating expenses show a steady reduction in relation to gross income as associations increase in size. Whereas institutions with assets of less than $50,000 had a compensation expense ratio of 20.2 percent, the corresponding ratio for institutions in the over $10,000,000 group was but 11 percent. In general, the ratio of advertising expenses to gross operating income contrasted directly with the trend in compensation costs, and the larger institutions show progressively higher ratios. Examination of the operating ratios by size of institution which will be found in Exhibit 37 may prove of value to association managers in comparing their income and expense ratios with those for institutions of similar size.

### *Improvement in Operating Standards and Management*

The foregoing statistical analysis of the operations of member savings and loan associations has illustrated by fact and figure the progress of these home financing institutions during the present recovery period. There have been a number of factors responsible for this trend. In addition to such developments as assistance by the Federal Government through the Federal Home Loan Bank System and the

Federal Savings and Loan Insurance Corporation, and generally improved economic conditions, the evolution of new methods of operation designed to correct the weaknesses brought to light during the early depression period has been particularly important.

Prior to the early Thirties, many savings and loan associations were run as small neighborhood clubs, operating on a part-time basis and under complicated and out of date lending and investment regulations. Operating plans had been developed over a long experience and not infrequently had failed to keep pace with changing needs. Many associations were accustomed to meet only periodically and in private quarters. No attempt was made to keep offices open for the conduct of business except on these particular occasions. Quite often savings and loan associations were conducted as a sideline activity by other financial institutions.

In a period of growing competition and a more well-defined home mortgage market, associations of this type soon found themselves at considerable disadvantage. The result has been a growing trend toward full-time, well-trained management, independent office quarters, and the development of modern operating practices and standards.

For example, the "permanent" plan of operation has largely replaced the old "serial" type of association in which series of shares are issued only at stated intervals. "Permanent" associations issue shares at any time desired by the prospective saver, thereby offering a competitive, modern investment outlet. All Federal savings and loan associations are required to operate on the permanent plan. The Federal Home Loan Bank Board and the officers of the Federal Home Loan Banks have encouraged other member institutions of the Bank System to make the change to this plan.

Lending plans have also been streamlined to meet growing competition and to provide today's borrowers with a simple, easily understood mortgage contract. The majority of loans now being written by savings and loan associations are direct-reduction loans. Until comparatively recent times, most associations offered mortgage money on the "share-account sinking-fund" or "cancel and endorse" bases. In the case of the share-account sinking-fund loan, the borrower subscribed to the shares of the association in an amount equal to his loan, and his monthly payments went to purchase share capital rather than to retire the loan. When payments on shares, plus accumulated earnings, reached a figure equal to the loan, the share investment was used to repay the borrower's indebtedness. The cancel and endorse plan worked much the same way, except that as share payments were built up to the value of an entire share, that share was canceled and the loan reduced by a corresponding amount. Although these loan plans were distinct improvements over the older straight loan, both became unnecessarily complicated with the development of the direct-reduction loan.

In the case of direct-reduction loans, no subscriptions to share capital are involved, and monthly payments are applied directly to the loan balance, with interest figured on the constantly reducing balance outstanding. The loan contract is easily understood and less expensive to the borrower. The Federal Home Loan Bank Board has required Federal savings and loan associations to use the direct-reduction loan and has urged all member associations to adopt it. For the most part, the direct-reduction loan has become the standard type mortgage for the entire home-financing industry.

Further improvements in lending plans offered by savings and loan associations include the adoption of variable interest rates by which institutions are better enabled to evaluate their loans and to fit mortgage terms to the degree of risk involved. Various charges, penalties, fines, and forfeitures which a few years ago were commonly made by savings and loan associations have been greatly reduced and in many cases completely eliminated. Today, the average borrower from a savings and loan association knows exactly what his loan is costing him and how long he must keep up his monthly payments to clear the indebtedness on his home.

One of the most vital improvements in the conduct of savings and loan associations has been the increasing emphasis on stronger reserves. Early savings and loan associations, because they were mutual institutions, were often run on the theory that the accumulation of reserves was unfair to savings members because it meant a lower dividend return on investments. It is now generally recognized, however, that the accumulation of certain minimum reserves is essential to the sound conduct of the lending institution. In fact, most State laws, as well as the regulations governing Federal savings and loan associations, now establish certain minimum reserve allocations for savings and loan associations. The savings of investors, it is now conceded, are inherently safer in an institution which has built up a sufficient cushion to absorb inevitable losses.

Hand in hand with the greater emphasis on reserves has come a development toward increased liquidity. Although savings and loan associations, because their funds are invested for the most part in long-term home mortgage security, are not completely liquid institutions, it is now recognized that there are certain normal withdrawal demands which all institutions must expect and for which they should be prepared.

Another aspect of improved operating standards is the widespread adoption of carefully drawn operating budgets which are used as a guide in analyzing expenditures and keeping them in line with expected revenues.

The Federal Government, through the Federal Home Loan Bank System, the Federal Savings and Loan Insurance Corporation, and the standards of operation which it has set for Federally chartered institutions, has been responsible in no small measure for the development of the savings and loan industry into a more well-defined financial system. However, no activity which encourages sound operating techniques is in itself sufficient to insure permanent, sound savings and loan operations. Such supervisory efforts must be accompanied in each instance by trained, wide-awake, and efficient local management.

There is no question but that the level of management standards has been much improved during the last few years. The Board and its agencies have steadily encouraged this trend. Leaders of the industry, well aware of management problems, have also spared no effort to bring about higher professional standards.

Within the last two years there has appeared a new development which is typical of the increasing importance attached to well-qualified management—the first savings and loan graduate schools. Several schools have been held in various parts of the country for the purpose of affording association executives an opportunity to compare their policies and activities and to study, analyze, and work out solutions to the various managerial problems which confront them. The schools have been sponsored by local industry leaders with the cooperation of the Federal Home Loan Banks. The schools so far held have run from four or five days to two weeks, and are usually held in the summer on the campus of a well-known university. Trained specialists are engaged to lead concentrated study periods on various realistic questions. Lectures are given on savings and loan law, construction loan procedure, business forecasting, financial problems, personnel administration, and market analysis. Open forums are usually held at which the attending executives have an opportunity to thrash out in common discussion stubborn operating problems.

The graduate schools are still largely experimental, but each has aroused considerable interest and seems destined to become an increasingly important factor in management training. Encouraging response and the real interest shown by local managers is evidence at least that there is a growing awareness of a need for more training and study in the field of savings and loan management.

Another very recent development indicative of a growing professional attitude toward savings and loan operation is found in a number of local research projects initiated as a cooperative activity by a group of institutions for the purpose of acquainting themselves with local market trends. The increasingly complex society in which we live makes it ever more important to local management to know how general business conditions, employment and unemployment, contemplated building activity, current volume of mortgage lending, trends in rents and vacancies, and long-time neighborhood trends react on savings and loan business, present and prospective.

When associations were small and existed primarily to serve the interests of a local group, all of this was not so important. Now, however, that savings and loan associations are extending their operations over a wider field in an increasingly competitive market, research becomes a factor of considerable significance. Present efforts to broaden local technical knowledge in the field of housing and mortgage finance represent only the merest, but still a very encouraging, beginning. As in the case of graduate schools, these projects indicate a realization of a serious lack of essential information and a growing determination to do something about it.

# IV

## Federal Savings and Loan Associations

PUBLIC confidence in Federal savings and loan associations was once more evidenced by the rapid progress of these local thrift and home financing institutions during the 1941 fiscal year. Private share investments in the 1,455 [1] associations operating under Federal charter on June 30, 1941, increased by $286,761,600, or 23 percent, during the reporting period. The substantial inflow of private capital was sufficient to permit Federal associations to repurchase $28,566,050 of share investments held by the United States Government, although requests for retirements totaled only $3,160,050. At the same time, cash resources and reserves were substantially increased and new mortgage loans totaled $550,058,000, an increase of 20 percent over the preceding year.

In providing for the establishment of Federal savings and loan associations in 1933, Congress contemplated that these institutions would serve two purposes: (1) To provide sound thrift and home financing facilities in communities previously lacking adequate savings and home mortgage lending resources, and (2) to develop under Federal charter a group of home financing institutions operating under the best standards and practices evolved in the long history of savings and loan associations. The first aim has largely been carried out, resulting in the establishment as of June 30, 1941, of 639 newly-organized Federal associations, with assets of $629,301,000. It is not contemplated that there will be any further substantial increase in the number of new associations.

The importance of Federal savings and loan associations as an active standardized thrift and home financing system is well illustrated by a few facts showing the place of Federals in the savings and loan industry as a whole.

[1] Three associations are omitted from all statistical figures throughout this section because they had not fully completed organization prior to June 30, 1941; also, one association in process of liquidation whose charter had not been cancelled on that date is excluded. The difference between the 1,455 associations reported as operating under Federal charter and the 1,452 Federal savings and loan associations listed as members of the Federal Home Loan Bank System is due to the lapse of time between the issuance of Federal charters and the issuance of membership certificates.

*Federal savings and loan associations compared with all operating associations*

[Amounts in thousands of dollars]

| Date | Number | | | Assets | | Percent of total |
|---|---|---|---|---|---|---|
| | All operating associations | Federal savings and loan associations | Percent of total | All operating associations | Federal savings and loan associations | |
| Dec. 31, 1937 | 8,870 | 1,323 | 14.92 | $5,600,408 | $1,108,931 | 19 80 |
| Dec. 31, 1938 | 8,289 | 1,366 | 16.48 | 5,543,099 | 1,312,585 | 23.68 |
| Dec. 31, 1939 | 7,719 | 1,409 | 18 25 | 5,524,337 | 1,577,981 | 28 56 |
| Dec. 31, 1940 | 7,209 | 1,441 | 19.99 | 5,716,514 | 1,873,350 | 32.77 |

At the close of 1940, Federal savings and loan associations represented, by number, 20 percent of all operating associations. Assets of these institutions, however, constituted approximately 33 percent of all savings and loan assets, and mortgage loans written by Federals during the fiscal year 1941 constituted 42 percent of loans written by the entire industry. It is estimated that at the close of the reporting period, the mortgage portfolio of Federal savings and loan associations comprised 35 percent of the outstanding mortgage loans held by all institutions of this type.

Federal savings and loan associations are required to operate on a uniform basis and under regulations designed to insure efficient, modern business operations. Both lending and savings plans are simple and easily understood, enabling Federal associations to meet with ease the current strong competition both for savings funds and mortgage loans. Although Federal associations, from the standpoint of years, represent the youngest group within the savings and loan industry, they have already set a standard for the industry as a whole and their influence has been responsible in no small degree for recent widespread improvement in the operating practices of all thrift and home financing institutions.

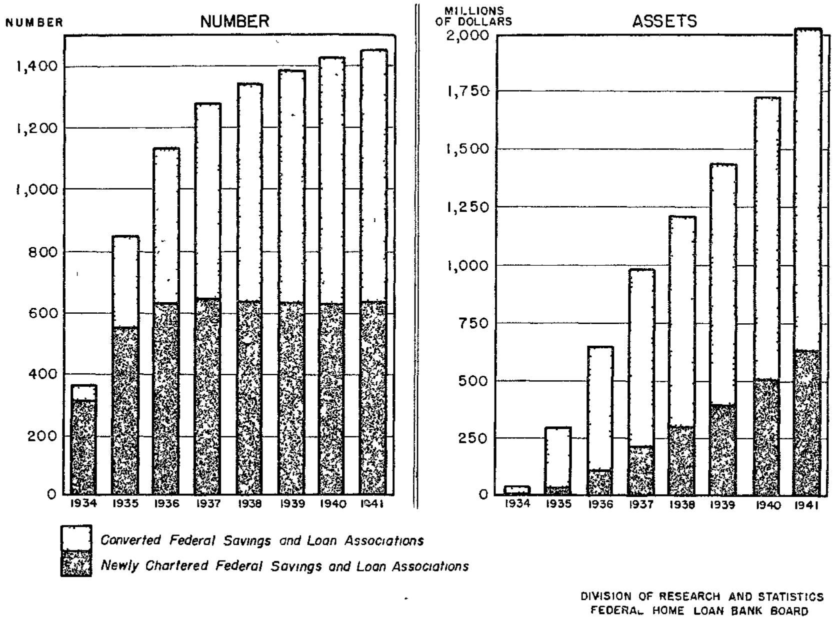
### *Growth and Development of Federal Savings and Loan Associations*

The number of operating Federal associations changed only slightly during the reporting period. There was a net increase of 26 associations, bringing the total number on June 30, 1941, to 1,455. On the same date, however, the combined assets of Federal associations reached the record-breaking figure of $2,029,639,000, as compared with $1,728,865,000 a year previous—a growth of 17 percent.

As the following chart shows, there have been practically no new Federal savings and loan associations chartered since 1936. Growth since that time has been almost entirely in the number of older institutions which previously had been operating under State charters and converted to the Federal plan of operation. Assets of Federal savings and loan associations, on the other hand, show an excellent rate of increase whether taken from the standpoint of the progress of new institutions or gains made by older converted associations. It is natural, of course, because of the comparatively short time in which new associations have been operating, that their combined assets

Chart XLII

NUMBER AND ASSETS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS




should be substantially smaller than in the case of converted associations which commenced operations as Federal institutions after growing to fairly good size prior to conversion.

The net addition of 26 Federal associations during the fiscal year 1941 was the result of 43 new charters issued and 17 cancellations of existing charters. Of the new charters, 36 were for the conversion of State-chartered associations and only 7 for newly-organized institutions. The cancellations of Federal charters during the reporting period resulted from 16 mergers with other Federal savings and loan associations, and one voluntary dissolution. Where a reduction in

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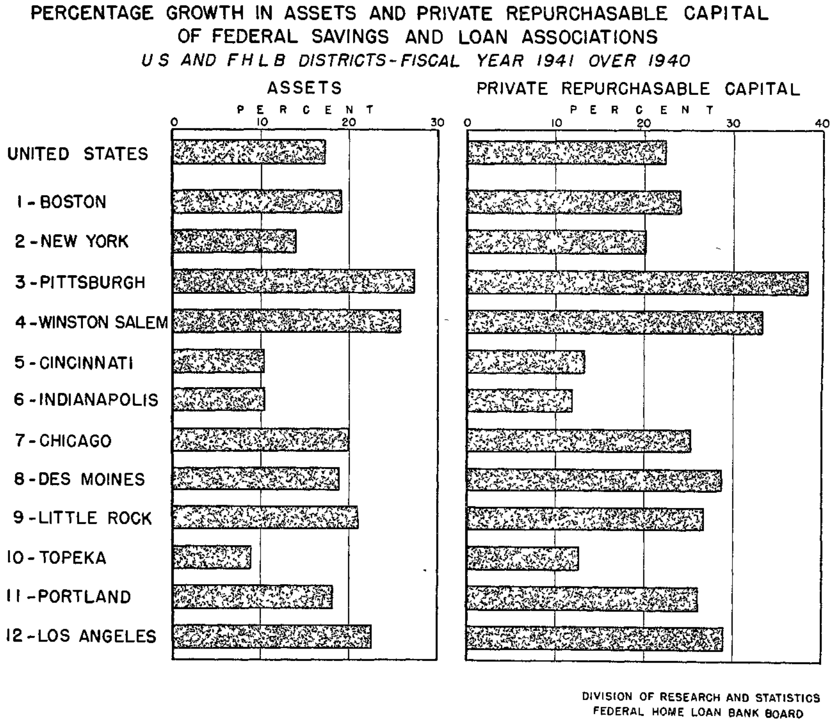
the number of institutions results from mergers, the system as a whole suffers, of course, no loss of assets.

*Changes in number of Federal savings and loan associations, fiscal year 1941*

| Type of association | Number of associations June 30, 1940 | New charters issued | Charters cancelled | Number of associations June 30, 1941 |
|---|---|---|---|---|
| New associations | 633 | 7 | 1 | 639 |
| Converted associations | 796 | 36 | 16 | 816 |
| Total | 1,429 | 43 | 17 | 1,455 |

CHART XLIII




At the close of the reporting period, 86 applications for conversion to Federal charter were on file with the Federal Home Loan Bank Board, as well as two requests for the issuance of new charters. Fifty percent of the Federal charters issued to converting associations during the fiscal year 1941 were granted to institutions located in the States of Pennsylvania, Wisconsin, and New Jersey. In each of these States, the savings and loan industry is undergoing a major program of rehabilitation, not infrequently involving segregation, merger, and conversion to Federal charter. As shown by Chart XLIII, Federal savings and loan associations in the Pittsburgh, Winston-Salem, and Los Angeles Federal Home Loan Bank Districts showed the greatest percentage gains in assets during the reporting period. Progress was not restricted to these particular areas, however, and each District shows an excellent rate of growth. Exhibit 38 shows the number and assets of Federal savings and loan associations classified by new and converted associations for each of the fiscal years from 1934 through 1941; and Exhibit 39 summarizes the number, assets, and mortgage loans outstanding of Federal associations, by Federal Home Loan Bank Districts and by States.

The relatively little change in the number of Federal associations during the last few years, accompanied by the rapid rise in gross resources of these associations, has naturally meant a corresponding increase in the average size of Federal associations. At the close of the fiscal year 1941, the average Federal savings and loan association had assets of $1,395,000, as compared with $1,210,000 a year previous. The following table illustrates this trend by showing the distribution of Federal savings and loan associations by asset size groups at the close of the last three fiscal years. Thus, since June 30, 1939, the percentage of Federal associations in the asset group of $1,000,000 and more has increased from 28 to 38. At the other end of the scale, the proportion of Federal associations with assets of less than $250,000 has decreased during the last two years from 32 to 21.

*Distribution of Federal savings and loan associations, by size groups*

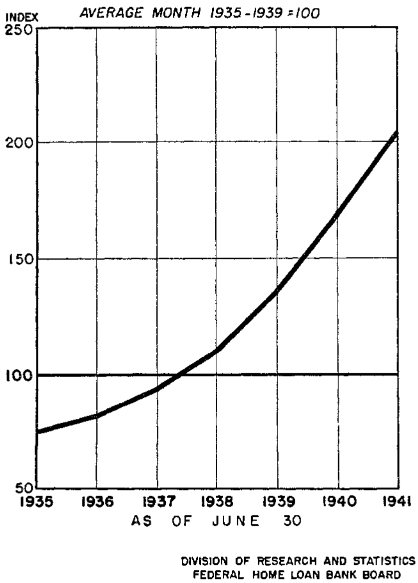
| Asset size group | June 30, 1939 | | June 30, 1940 | | June 30, 1941 | |
|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent |
| All associations | 1,386 | 100 | 1,429 | 100 | 1,455 | 100 |
| Less than $100,000 | 146 | 10 | 89 | 6 | 57 | 4 |
| $100,000 to $250,000 | 308 | 22 | 275 | 19 | 252 | 17 |
| $250,000 to $500,000 | 284 | 21 | 309 | 22 | 292 | 20 |
| $500,000 to $1,000,000 | 264 | 19 | 296 | 21 | 305 | 21 |
| $1,000,000 to $2,500,000 | 260 | 19 | 300 | 21 | 347 | 24 |
| $2,500,000 and over | 124 | 9 | 160 | 11 | 202 | 14 |

*Gain in Private Capital*

During the fiscal year 1941, the number of individuals who have entrusted their savings funds to Federal savings and loan associations increased from 1,562,079 to 1,806,852. Their investments reached a new high on June 30, 1941, of $1,554,809,600, an increase of 23 percent as compared with the total volume of investments outstanding a year previous. To eliminate the inflation of private capital trends which has resulted from the addition of new associations to the Federal savings and loan system, an index has been prepared on the experience of a comparable group of Federal savings and loan associations which have been operating over the past six years. As the following chart indicates, private capital during this period has more than doubled and during the past fiscal year alone showed an increase of 21 percent.

CHART XLIV*

INDEX OF PRIVATE REPURCHASABLE CAPITAL OUTSTANDING IN COMPARABLE FEDERAL SAVINGS AND LOAN ASSOCIATIONS




* For figures, see Exhibit 40.

Exhibit 41 summarizes, by Federal Home Loan Bank Districts and by States, the number of private investors and the volume of private investments held by Federal savings and loan associations.

In contrast to the steady increase in the volume of private capital invested in Federal savings and loan associations, the past few years have witnessed a steady decline in the volume of Government funds invested in these associations. During the fiscal year 1941, investments held by the United States Treasury and the Home Owners' Loan Corporation declined from $197,267,900 to $169,246,850.

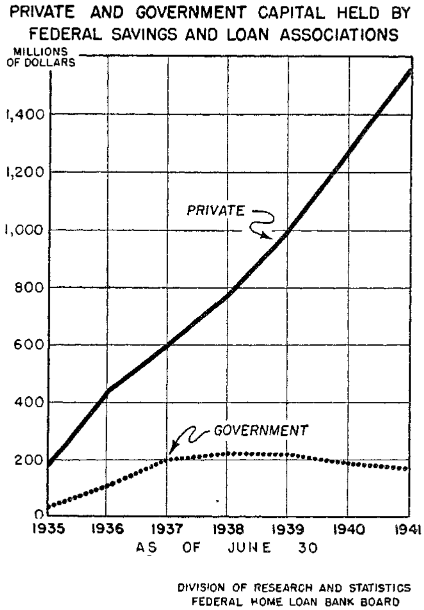
Approximately 93 percent of the amount of Government investments so far retired by Federal savings and loan associations is accounted for by voluntary repurchases. Investments called by the Federal Home Loan Bank Board under the terms of the Home Owners' Loan Act of 1933 have amounted to only $3,831,850 as compared with gross retirements of $56,887,950. As in the case of member institutions as a whole, the rate at which private capital has been received by Federals has made it possible for them to repay the Government at a faster rate than was contemplated by Congress. As a result of increasing private share subscriptions and decreasing Government capital investments, the ratio of Government money to total capital outstanding declined from 13 to 10 percent during the reporting period.

*Repurchases of Government investments by Federal savings and loans associations, cumulative, June 30*

| June 30 | United States Treasury | | Home Owners' Loan Corporation | |
|---|---|---|---|---|
| | Total repurchased | Amount called | Total repurchased | Amount called |
| 1936 | $77,000 | | | |
| 1937 | 1,116,300 | | $12,000 | |
| 1938 | 1,497,300 | | 231,000 | |
| 1939 | 5,308,300 | | 1,490,000 | |
| 1940 | 15,162,900 | $671,800 | 13,159,000 | |
| 1941 | 25,629,100 | 2,759,800 | 31,258,850 | $1,072,050 |

By the close of the fiscal year 1941, the cumulative investment of the Government in Federal savings and loan associations totaled $226,134,800. Of this amount, $49,300,000 represented share purchases by the Secretary of the Treasury, and the remainder investments by the Home Owners' Loan Corporation. No new investments have been made by the Treasury since November 1935 when the total amount appropriated by Congress for this purpose was exhausted. New investments by the Home Owners' Loan Corporation during the fiscal year amounted to only $275,000.

CHART XLV




The President's Budget Message for the Fiscal Year 1941 outlined a plan of recapturing approximately $700,000,000 from the capital funds of various Government agencies. The investments of the United States Treasury in the shares of Federal savings and loan associations were one of the items included in this program. Since voluntary repurchases have brought about a substantial reduction in the $49,300,000 capital investment of the Treasury to $23,670,900 at the close of the current fiscal year, and because of the increased need for private funds in home financing institutions to assist in the Nation's program of defense housing, the President withdrew his request for the complete retirement of capital stock owned by the Government in Federal savings and loan associations.

*Treasury and HOLC investments in Federal savings and loan associations*

| Investing agency | Investments outstanding June 30, 1940 | Additional investments fiscal year 1941 | Repurchases fiscal year 1941 | Investments outstanding June 30, 1941 |
|---|---|---|---|---|
| U. S. Treasury | $34,137,100 | | [1] $10,466,200 | $23,670,900 |
| Home Owners' Loan Corporation | 163,130,800 | [2] $545,000 | [3] 18,099,850 | 145,575,950 |
| Total | 197,267,900 | 545,000 | 28,566,050 | 169,246,850 |

[1] Of this amount $2,088,000 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.
[2] Only $275,000 was actually invested in Federal savings and loan associations by the Home Owners' Loan Corporation. The remaining $270,000 represents an increase in investments outstanding at the end of the year as a result of the conversion to Federal charter of State associations which had already received HOLC investments.
[3] Of this amount, $1,072,050 was retired in accordance with Section 5 (j) of the Home Owners' Loan Act.

A summary of investments by the United States Treasury and the Home Owners' Loan Corporation in Federal savings and loan associations, detailed by Federal Home Loan Bank Districts and by States, will be found in Exhibit 42.

During the calendar year 1940, dividends paid to the United States Treasury and the Home Owners' Loan Corporation by Federal savings and loan associations amounted to $6,226,287, of which $1,003,948 went to the United States Treasury and $5,222,339 to the Home Owners' Loan Corporation. Since the first investments were made in these institutions in 1934, total dividends to the United States Government, both Treasury and HOLC, have amounted to $33,166,182. This represents a weighted average return over the seven-year period ending with December 31, 1940, of 3.5 percent.

### *Expanded Lending Activity*

Mortgage lending activity of Federal savings and loan associations broke all previous records during the fiscal year 1941. The total volume of mortage loans written during the reporting period is estimated at $550,058,000 as compared with $457,816,000 during the fiscal year 1940, an increase of 20 percent.

As previously pointed out, the past few years have shown a decided movement toward an increasing proportion of construction and home purchase loans in the lending activity of savings and loan associations (see pp. 46-8). Federal savings and loan associations show a particularly strong trend in this direction. Thus, over the last five years, the proportion of construction loans has risen from 29 to 41 percent of total, and home purchase lending, from 22 to 33 percent. Refinancing, on the other hand, has declined in relation to total from 34 to 15 percent.

*Volume of new mortgage loans made by Federal savings and loan associations, by purpose of loan*

[Amounts in thousands of dollars]

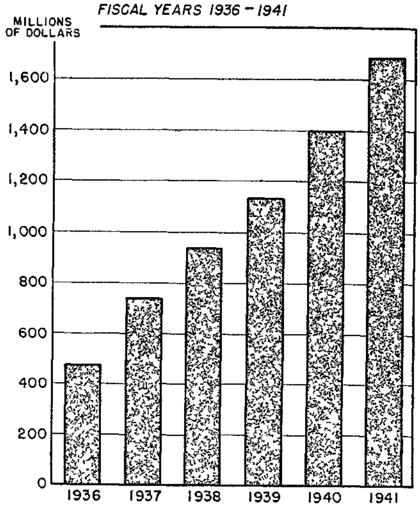
| Fiscal year | Volume of loans made | Construction | Purchase of homes | Refinancing | Reconditioning | Other |
|---|---|---|---|---|---|---|
| | | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| 1936 | $165,362 | 29.1 | 22 1 | 34.4 | 4.4 | 10.0 |
| 1937 | 291,986 | 34.5 | 28.9 | 23.5 | 5.8 | 7.3 |
| 1938 | 281,851 | 33.7 | 30 0 | 21.7 | 6.2 | 8.4 |
| 1939 | 333,959 | 37.0 | 28.5 | 20.2 | 5.6 | 8.7 |
| 1940 | 457,816 | 39.1 | 30.3 | 18.6 | 4.5 | 7.5 |
| 1941 | 550,058 | 41.4 | 32.9 | 15.3 | 4.1 | 6.3 |

Exhibit 43 summarizes, by Bank Districts and by States, loans made by reporting Federal savings and loan associations during the 1941 fiscal year, classified by purpose of loan.

CHART XLVI

ESTIMATED VOLUME OF MORTGAGE LOANS HELD BY FEDERAL SAVINGS & LOAN ASSOCIATIONS

*FISCAL YEARS 1936 - 1941*




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

Total loans held by Federal savings and loan associations increased from $1,404,952,500 on June 30, 1940, to $1,688,241,200 at the close of the reporting period. Because of the increasing principal repayments received on direct-reduction loans, and also because an increasing number of associations are selling enough loans to build up a revolving fund to make FHA insured mortgages in defense areas, the total current lending activity of these associations is not reflected entirely in trends from year to year in the volume of loans held.

*Financial Operations*

The principal developments outlined on the preceding pages are reflected in the combined comparative statement of condition of all Federal savings and loan associations at the close of the calendar years 1939 and 1940. (See Exhibits 34 and 35.) Total assets increased 18.5

percent during this period. The major gains are reflected in mortgage loans outstanding (up 20.9 percent), and cash on hand and in banks (up 27.2 percent).

Mortgage holdings represented 83.2 percent of total resources on December 31, 1940, as compared with 81.5 percent a year previous; real estate owned dropped from 5.7 percent to 4.1 percent of total assets and cash on hand increased as a ratio to total resources from 5.6 to 6.0 percent.

The liability side of the balance sheet shows a gain of 24.6 percent in private capital, while Government capital declined and reserves and undivided profits rose from $76,089,000 to $90,476,000. Because combined figures are somewhat distorted as a result of newly-chartered associations and mergers, selected balance-sheet items for a group of 1,394 identical Federal savings and loan associations, separated by new and converted institutions have been prepared to obtain a more accurate basis for comparison. This material will be found in Exhibit 44. Operating trends of the newly-organized Federal savings and loan associations vary significantly from those of older converted institutions. Thus, new associations show a more rapid growth in assets, private investments, and mortgage holdings. Property owned by both types of institutions showed a good decline with older associations showing the better percentage record. On the other hand, the ratio of owned property to total resources, as might be expected, is much lower in the case of new Federals.

Reserves and undivided profits have been accumulated at a more rapid rate by new institutions, but the ratio of reserves and undivided profits to total assets is considerably lower in new associations due to the shorter period of time in which they have been operating.

The consolidated statement of operations for Federal savings and loan associations during the calendar year 1940 (Exhibit 45) shows clearly the effect of increased lending activity on association income. Gross operating income of the 1,428 reporting Federal savings and loan associations during the calendar year 1940 amounted to $92,292,000 as compared with $78,255,000 for 1,384 reporting associations during 1939. Operating expenses aggregated $25,932,000 in 1940 as against $22,242,000 during the previous year. The ratio of operating expense to gross operating income shows a slight reduction from 28.4 percent during 1939 to 28.1 percent during 1940. Net income for the year 1940 (after interest and nonoperating items) aggregated $63,493,000 for reporting Federal associations as compared with $53,319,000 the year previous.

The increasing proportion of net income which is employed to strengthen the reserve position of Federal savings and loan associations is evidenced by the fact that 27.3 percent of 1940 net income was allocated to reserves and undivided profits as compared with 23.8 percent in 1939 and 22.1 percent in 1938. Dividend payments during 1940 took 72.7 percent of net income as compared with 76.2 percent in 1939.

The largest single operating expense of Federal savings and loan associations during 1940 was the cost of compensation to officers, directors, and employees. Expenditures for this item aggregated $12,088,000, or 13.1 percent of gross operating income. The next largest item in the list of operating expenses is advertising which aggregated $2,691,000 during 1940, or 2.9 percent of gross operating income. Increasing emphasis on business promotion activities resulted in an average advertising cost of $1,884 per association in 1940 as compared with $1,704 the year previous.[2]

Because operating ratios of Federal savings and loan associations vary considerably with the size of individual associations, a tabulation of ratios on the basis of nine size groups is presented in Exhibit 46. This material may prove useful to individual association executives in comparing the operations of their own association with those of a number of institutions of comparable size.

The dividend rates paid by Federal savings and loan associations on invested share capital have been declining steadily for the last several years. During the calendar year 1940, the average rate for all associations, weighted by the amount of invested capital, was 3.25 percent as compared with 3.39 percent during 1939, and 3.49 percent in 1938. During the year 1940, each of the Federal Home Loan Bank Districts showed a reduction in the average dividend rate paid by Federal associations. A downward trend in a large majority of the States likewise supports the observation that a reduction in rates is general throughout the country. There is a wide variation in the rates paid by Federal associations in different localities, as indicated by the fact that during 1940, rates ranged from a low of 2.42 percent in New York to a high of 4.03 percent in New Mexico. Exhibit 47 shows the average annual dividend rates paid by Federal savings and loan associations in each of the Federal Home Loan Bank Districts and States during the calendar years 1939 and 1940

[2] For a detailed analysis of business promotion expenditures of savings and loan associations, see *Federal Home Loan Bank Review*, May, June, August, and October 1941.

# V

# Federal Savings and Loan Insurance Corporation

STEADY progress was made during the fiscal year 1941 by the Federal Savings and Loan Insurance Corporation and the savings and loan associations whose investors' accounts it insures. At the close of the reporting period, there were 2,310 insured associations with assets of $3,158,251,000, giving 2,974,500 private investors the benefits of insurance. A year previous, the number of insured institutions totaled 2,235, gross assets amounted to $2,708,529,000, and insured investors numbered 2,591,600.

In addition to the gains measured by these figures, the consolidated balance sheet for insured associations shows considerable improvement in each of the more important items. Thus, mortgage holdings increased by 20 percent to $2,554,274,200. Real estate owned declined from $162,934,700 to $130,334,600, and now represents but 4 percent of gross assets. On the liability side, private repurchasable capital increased by 20 percent to $2,433,512,500, Government share capital declined from 9 to 7 percent of total resources, and the position of reserves and undivided profits was strengthened.

Despite an increased work load, the Corporation itself was again able to operate throughout the fiscal-year period on interest earnings from invested reserves. This meant that the Corporation was able to increase its aggregate resources from $124,917,101 to $130,920,146. Surplus and reserves were built up from $23,620,811 to $29,388,884, or by 24 percent.

The degree of recovery in the savings and loan business from the depression of the early Thirties can be measured in part at least by the fact that since the establishment of the Federal Savings and Loan Insurance Corporation in 1934, only 28 insured institutions have experienced difficulties so serious that corrective action by the Corporation was necessary. In handling 16 of these cases, the Federal Savings and Loan Insurance Corporation made net cash disbursements of $1,463,667 in order to prevent default. Recoveries received through June 30, 1941, in the amount of $20,202, have been deducted from gross disbursements to arrive at the foregoing figure. At the close of the reporting period, contingent commitments to insured institutions in difficulty totaled $291,374.

Three of the savings and loan associations so far assisted by the Corporation have been merged with other insured institutions, ten have continued operations as independent units, and three have liquidated voluntarily, paying all investors in cash. After an exhaustive study of the condition of two other associations, it was found that no financial assistance was needed from the Corporation. These institutions thereupon continued operation under approved plans. Operation of each of the associations is, of course, followed closely to prevent a recurrence of former trouble.

In addition, four institutions have been declared in default and placed in liquidation. Two of these associations are being liquidated by the Insurance Corporation, one jointly by the Corporation and the Kansas Building and Loan Department, and one by the Ohio Building and Loan Department. By June 30, 1941, insured shareholders in three of these associations had been issued new accounts in other insured institutions amounting to $508,988. This represents 87.3 percent of the number of insured claims to be settled, and 96.5 percent of the dollar amount involved. Payment of insurance to insured shareholders in the fourth association, which was placed in liquidation in June 1941, was pending final arrangements by the Insurance Corporation at the end of the reporting period. As the liquidation of these associations proceeds, it is probable that a substantial percentage of the funds issued to purchase new accounts will be recovered by the Corporation. At the close of the 1941 fiscal year, the Insurance Corporation was studying six cases in which some form of corrective action will probably have to be taken.

### *Operations of Insured Institutions*

The number of savings and loan associations benefiting from insurance protection increased from 2,235 to 2,310 during the 1941 reporting period. Of this number, 1,450 were Federal savings and loan associations, and the remaining 860 were institutions operating under State charter.

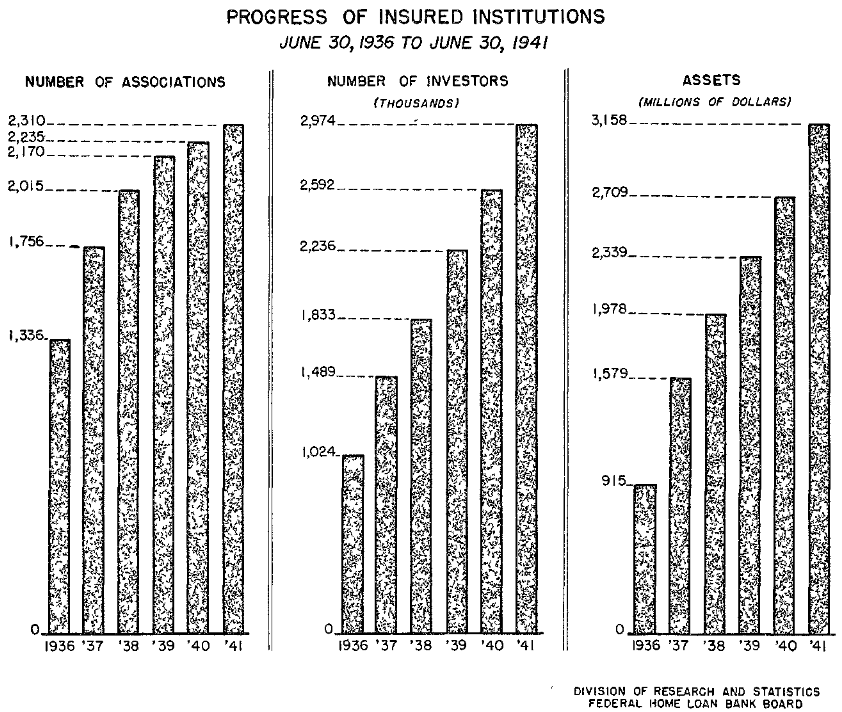
During the fiscal year 1941, insurance certificates were granted to 22 Federal savings and loan associations and to 62 State institutions. During the same period, certificates of 5 associations were canceled because of mergers with or sale of assets to other insured associations and 4 associations which went into liquidation were removed from the list of insured associations. On June 30, 1941, 236 applications for insurance of accounts were pending. Applications from 394 associations had been withdrawn and 158 had been rejected by the close of the fiscal year.

*Changes in number of insured associations, fiscal year 1941*

| Type of association | Associations insured June 30, 1940 | New insurance certificates issued | Insurance certificates canceled | Conversions to Federal charter | Associations insured June 30, 1941 |
|---|---|---|---|---|---|
| Federal savings and loan associations | 1,421 | 22 | 5 | +12 | 1,450 |
| State-chartered savings and loan associations | 814 | 62 | 4 | −12 | 860 |
| Total | 2,235 | 84 | 9 | 0 | 2,310 |

The growth in number of insured associations has slowed down substantially during recent years because a majority of the eligible associations within the business were insured in the years immediately following the establishment of the Corporation. In a number of

CHART XLVII



localities throughout the country, associations are receiving insurance certificates only after reorganization and rehabilitation have placed the institutions in a position to meet the entrance standards of the Corporation. The task of broadening the insurance coverage of the Federal Savings and Loan Insurance Corporation, as a matter of fact, is now largely a responsibility which must be carried out in connection with such rehabilitation programs.

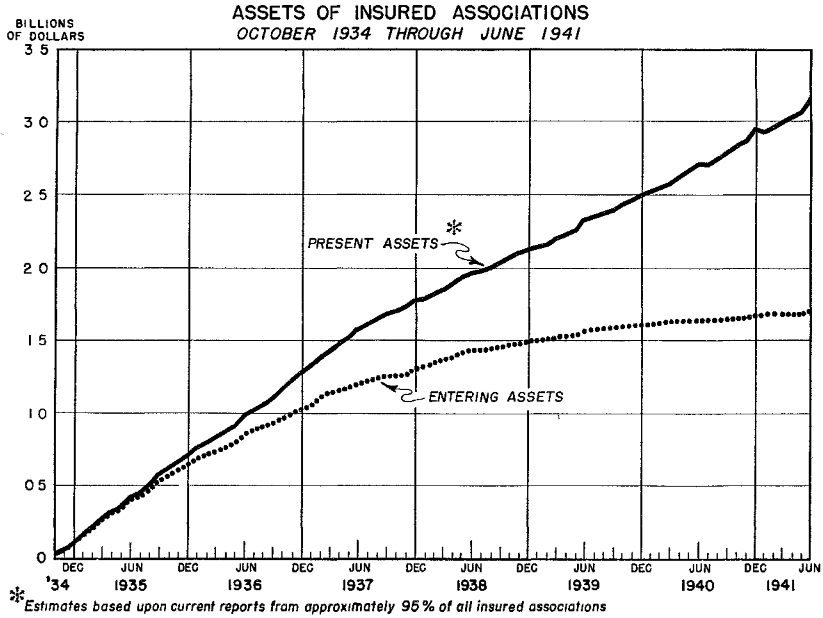
The extent of insurance coverage already obtained is well illustrated by a comparison of insured associations with all member savings and loan associations of the Federal Home Loan Bank System. At the close of the reporting period, 60.8 percent of all member savings and loan associations were insured, and they held over 68 percent of the aggregate resources of all member associations. Insured institutions are operating in every State as well as in the District of Columbia, Alaska, and Hawaii. On June 30, 1941, insured institutions in 18 States and Alaska represented from 90 to 100 percent of the assets of all members and in 27 States and Hawaii, the resources of insured institutions represented over 70 percent of total member savings and loan association assets.

Exhibit 48 shows the number and assets of insured associations and the number of investors in these institutions as of June 30, 1941, by Federal Home Loan Bank Districts and by States. Exhibit 49 compares insured savings and loan associations with all savings and loan member institutions of the Federal Home Loan Bank System, by Federal Home Loan Bank Districts and by States, at the close of the fiscal year 1941.

The operating progress of insured associations is well illustrated by the chart on the facing page which shows the trend of entering and present assets of savings and loan associations from the time insurance was granted through June 30, 1941. The dotted line on the chart represents the assets of all associations insured since 1934 as of the respective dates insurance was granted; the solid line, the total assets of all insured institutions at the end of each month. The spread between the two lines indicates the gain in assets after insurance of accounts was granted.

Another evidence of the growing importance of insured savings and loan associations within the industry is the fact that during the fiscal year 1941, new mortgage loans made by these institutions totaled $817,894,000, an increase of 23 percent over the previous reporting period and an amount equal to 75 percent of the total lending volume for all member institutions of the Federal Home Loan Bank System.

CHART XLVIII




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

In order that the dollar volume and percentage changes in the various major balance-sheet items of insured associations for the last two fiscal years may be compared more accurately, the chart on page 120 has been based on the percentage increase in pertinent ledger accounts of an identical group of 2,159 insured institutions, whose combined assets represented approximately 94 percent of the total resources of all insured associations at the close of the 1941 fiscal year.

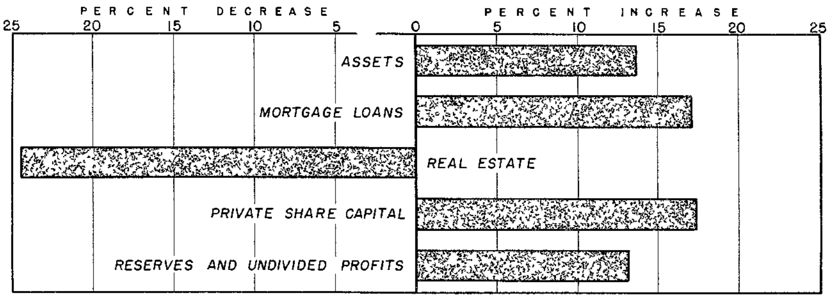
During the reporting period, gross assets of the 2,159 identical associations operating during the last fiscal year increased $357,608,000, or by 14 percent. With the return of foreclosure activity to a normal level, and because of a more active and stable real-estate market, these institutions were able to reduce their real-estate holdings by $37,347,000, or 24 percent, and increase their mortgage portfolio from $2,050,272,000 to $2,402,522,000. The liquidity position of insured institutions as measured by cash and Government obligations increased from $173,408,000 to $211,839,000.

Private capital was invested in the 2,159 identical associations at an excellent rate, and the net volume outstanding increased by 17 percent during the reporting period. The particularly rapid decline in the volume of owned real estate necessitated the write-off of losses involved in sales. Nevertheless, reserves and undivided profits show an increase of $19,647,000, or 13 percent. At the close of the reporting period, reserves and undivided profits were equal to 144 percent of total real estate owned. This was the first fiscal year end since the introduction of share insurance that reserves and unallocated income exceeded the book value of real estate held by identical associations.

CHART XLIX

PERCENTAGE CHANGE IN SELECTED BALANCE SHEET ITEMS OF 2,159 IDENTICAL INSURED ASSOCIATIONS

JUNE 30, 1941 COMPARED WITH JUNE 30, 1940




DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

*Progress of an identical group of 2,159 insured associations, fiscal year 1941*

[Amounts in thousands of dollars]

| Item | June 30, 1940 | June 30, 1941 | Change in dollar volume | Percent change |
|---|---|---|---|---|
| Total assets | $2,601,541 | $2,959,149 | $357,608 | +13.7 |
| First mortgages held | 2,050,272 | 2,402,522 | 352,250 | +17.2 |
| Real estate owned | 153,318 | 115,971 | 37,347 | −24.4 |
| Cash and Government obligations | 173,408 | 211,839 | 38,431 | +22.2 |
| Private repurchasable capital | 1,940,270 | 2,279,154 | 338,884 | +17.5 |
| Government investment | 229,050 | 197,911 | 31,139 | −13.6 |
| Reserves and undivided profits | 147,187 | 166,834 | 19,647 | +13.3 |

*Community Programs*

As this and previous Annual Reports have already explained, it is the policy of the Federal Savings and Loan Insurance Corporation to process insurance applications in certain areas not on an individual association basis, but rather as part of a community-wide program. Generally speaking, this approach is desirable and many times is necessary in localities where there is either an excessive number of savings and loan associations or where many of the established institutions have ceased to operate normally. Experience has shown that extension of insurance protection to problem areas on this basis is definitely more advantageous than the insurance of individual associations without a general rehabilitation of other local thrift and home financing institutions. The community benefits by the development of a well-balanced group of associations with adequate resources to meet local needs. Individual institutions have a much greater chance of operating successfully if the community is no longer troubled with subnormally operating institutions. Risks insured by the Federal Savings and Loan Insurance Corporation are much sounder in communities where all local home financing institutions are operating normally.

Community programs are the primary responsibility of State supervisory authorities. The Corporation works closely with and extends every assistance to the State Departments, but actual direction and control of local rehabilitation efforts are centered in State supervisors. The advantages of the community approach through the cooperation of State regulatory agencies and the Federal Savings and Loan Insurance Corporation have been discussed at some length in previous Annual Reports of the Board.[1] Probably the major benefit lies in the fact that the progress of associations which eventually obtain insurance under a community program is not hindered by the unfavorable influence of other associations in the same locality which are frozen or otherwise are in unsound financial condition.

Several community programs in which the Corporation has participated already have been completed. Notable among these are the programs for Altoona, Pennsylvania, and Milwaukee, Wisconsin. A comprehensive rehabilitation effort for the Chicago area is now approaching completion and similar programs are well under way in a number of other problem localities.

Because of the high concentration of savings and loan associations in the State of New Jersey, and because of the particularly serious repercussions of the real-estate collapse in that area, the community approach has been especially useful. By June 30, 1941, a total of 20 separate programs, involving 220 associations with aggregate resources of $104,000,000, had been developed by the New Jersey State authorities with the collaboration and assistance of local industry leaders, the Federal Home Loan Bank of New York, and the Federal Savings and Loan Insurance Corporation. Of this total, four individual programs had been fully completed by the close of the reporting period.

[1] See Eighth Annual Report of the Federal Home Loan Bank Board, pp. 107-110.

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The program for Paterson, New Jersey, is an excellent illustration of the results that are being obtained. When the rehabilitation plan for this area was first originated in the fall of 1939, there were in existence a total of 34 associations, with combined assets of approximately $16,000,000. The majority of these institutions were small, part-time associations poorly located and unable to offer satisfactory or economical thrift and home financing facilities. The Paterson community program has now virtually been completed and the city proper is served by six full-time associations, each of which is in sound financial condition, is centrally located in modern office quarters, and is operating with the protection of insurance of accounts.

An outstanding example of the results which can be obtained by means of community programs is found in the recently completed rehabilitation of the savings and loan industry in Milwaukee:

During the 1920's, local building and loan associations in Milwaukee experienced an abnormally rapid mushroom growth, reaching a peak in 1930, when there were well over 100 associations, with combined resources of approximately $221,000,000. It is estimated that at that time there were 200,000 shareholders in Milwaukee institutions, which is to say that one out of every three or four persons in Milwaukee County had invested in savings and loan shares. As a further measure of the prominent place of savings and loan associations in Milwaukee County, it has been conservatively estimated that during the ten-year period from 1921 through 1930, mortgage loans written by Milwaukee associaions amounted to more than $300,000,000 in loans made to approximately 60,000 individual home borrowers.

Due both to the extent of the economic depression and to unsound lending practices which had been pursued during the boom Twenties, the savings and loan associations of Milwaukee County encountered very serious difficulties in the early 1930's. Within a very short time after the crash, almost all of the institutions in the County were forced to suspend or drastically curtail the payment of withdrawal requests. New mortgage lending virtually ceased. From 1930 to 1937, the combined assets of Milwaukee associations fell from $221,248,000 to $126,997,000. Mortgage loans held by these institutions shrank from $205,802,000 to only $55,668,000—a drop of 73 percent—while foreclosures brought about an increase in the real-estate owned account from $2,065,000 to $52,157,000.

With the establishment of the Federal Savings and Loan Insurance Corporation in 1934, twelve of the Milwaukee associations were able to qualify for insurance, but due to the widespread loss of public confidence in building and loan associations, these few institutions made very slow progress during the next several years. In an effort to meet in some measure at least the requirements of Milwaukee for thrift and home mortgage facilities, five new Federal savings and loan associations were organized during the middle 1930's. Although these institutions were able to make some progress, it was evident that as long as the local industry was held in ill repute, all operating savings and loan associations would be definitely handicapped. The need for a general rehabilitation of savings and loan associations throughout the community was clearly evident and in early 1939, the State supervisory authorities, in cooperation with the Federal Savings and Loan Insurance Corporation, launched a determined effort to clean up the situation.

In the course of the ensuing eighteen months, the State Banking Department of Wisconsin succeeded in effecting a thoroughgoing reconstruction of savings and loan facilities in Milwaukee. At the start of the program there were 107 savings and loan associations with combined assets of approximately $127,000,000. Of these, 11 associations with assets of $3,000,000 were in liquidation, 5 associations with assets of $6,000,000 were newly-organized Federal savings and loan associations, 12 institutions with assets of $11,000,000 were insured State-chartered associations, and the remaining 79 institutions with gross resources of $107,000,000 were uninsured State-chartered institutions. With the exception of the 5 Federal savings and loan associations and the 12 insured State-chartered institutions, almost all of the savings and loan associations in Milwaukee were completely frozen.

During the course of the program, it was found possible to insure 27 additional associations independently on a 100 percent basis. A total of 6 associations received insurance certificates after a segregation of unsound assets. Another 12 institutions were merged in combinations which developed 4 insured units. An additional 8 associations were merged with institutions already insured. The State Department found it necessary to place a substantial number of associations in liquidation or under restrictions equivalent thereto. On the other hand, a few institutions were able to maintain normal operations without benefit of insurance. At the conclusion of the program, Milwaukee was being served by 63 associations with aggregate assets of approximately $83,000,000. The majority of these institutions are offering their investors the protection of share insurance. The progress of the insured group in Milwaukee is particularly encouraging. During the six-month period ending June 30, 1941, combined private capital in the 52 institutions insured as of January 1, 1941, increased from $47,163,000 to $48,580,000, or at an annual rate of approximately 6 percent. During this same period, new mortgage loans written by all insured Milwaukee County associations aggregated approximately $6,000,000.

One of the most interesting developments of the Milwaukee rehabilitation program has been the Milwaukee Properties Bureau, a cooperative real-estate marketing organization established as an integral part of the program to facilitate the disposition of institutionally-owned properties.[2] The success met by the Bureau is illustrated by the sales record through June 30, 1941. As of that date, the Bureau had been able to effect the sale of 2,412 parcels of real estate, at an aggregate sales price of $13,145,648, representing the disposition of 38.7 percent by number and 36.0 percent by dollar volume of all real estate owned by the associations and listed for sale.

Since its establishment in the early summer of 1939, the Bureau has stimulated widespread interest and attention on the part of many State supervisory authorities, savings and loan officials, and others. It appears not unlikely that as a result of the Bureau's highly satisfactory experience in disposing of real estate, similar organizations will be established in other communities as the need arises.

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[2] A description of the Bureau and its operations will be found in the Eighth Annual Report of the Federal Home Loan Bank Board, Exhibit 49

Practically all community programs have depended for their success on the reorganization of a number of local institutions unable by any other means to resume normal operations. However, cases in which reorganization is necessary before associations can qualify for insurance are not restricted to those communities where the insurance program has been processed on a community basis, but have occurred in many other areas as well. The Corporation and the Federal Home Loan Banks have assisted several hundred institutions to reenter the ranks of operating savings and loan associations through various types of reorganization and subsequent insurance of accounts. In most cases, reorganization has taken the form of a segregation by which all good assets are transferred to a newly-organized association. In other cases, the reorganization has been attained by means of a write-down of shares in order to remove an impairment of capital or by a pledge and escrow of shares in order to provide a secondary reserve until the association's financial condition has been sufficiently strengthened. In almost every case, these reorganized and insured institutions have become a valuable asset to their community, providing a safe, profitable investment outlet and a supply of credit for home-mortgage borrowers.

*Supervision*

Because the soundness of the Federal Savings and Loan Insurance Corporation as an insuring instrumentality depends to a very considerable degree on the continued normal operation of insured institutions, close supervision is exercised over all savings and loan associations to which it is extending the benefits of insurance protection. Safeguards for the operation of insured savings and loan associations begin first with an examination of applicant institutions and a careful analysis and study to determine whether such associations meet the entrance standards of the Corporation. No detailed criteria have been established which must be met by each association, for every applicant is considered individually and decisions are made on the basis of the pertinent facts and financial condition shown by each association. The Corporation requires that the applicant association show satisfactory evidence of sound financial condition, have competent management, adhere to safe lending and investment policies, possess satisfactory earning capacity, be able to meet normal withdrawal demands, and show convincing prospects for successful future operations.

Before approving an application for insurance, the Corporation also requires an institution to show evidence of intention to maintain a dividend policy which will permit adequate reserve allocations and to charge mortgage interest rates that will enable the association to attract and hold the best mortgage loans available in the territory it serves. Although exceptions may be made in unusual cases, the Corporation looks more favorably upon the application of an institution with independent office quarters and full-time executive management. Once insured, all associations are subject to the Rules and Regulations of the Corporation which include requirements that each insured institution pursue only those financial policies which are consistent with economical home financing.

As previously indicated,[3] supervision by the Insurance Corporation of operating insured institutions is conducted through the Governor of the Federal Home Loan Bank System and the officers of the Federal Home Loan Banks. Examinations of insured institutions are made by the Examining Division of the Federal Home Loan Bank Board.

Thus, neither supervisory nor examining activities of the Insurance Corporation are subject to useless and expensive duplication which might be unavoidable were it not for the cooperative arrangement just described.

In addition to complete annual examination of insured associations, supervision encompasses a close and continuing study of the progress of associations by an analysis of monthly reports and through direct contacts maintained by the officers of the twelve Federal Home Loan Banks. Supervisory responsibilities of the Corporation also include carrying out agreements with associations to which the Corporation has given cash assistance to remove an impairment of capital or to prevent default.

*Insurance Settlements*

Although every effort may be made to prevent the development of problem cases, it is recognized that influences not readily subject to control make certain losses inevitable in any insuring operation. In fact, the basic purpose of an insurance system is to absorb the risk of just such losses as these. During the fiscal year 1941, insurance payments were made by the Federal Savings and Loan Insurance Corporation to four associations which were threatened with default. In one other case referred to the Corporation during the year, it was determined, after careful study and the development of an approved plan of operation, that immediate financial assistance was not necessary. This brings to a total of eighteen the number of insurance cases which have been handled by the Corporation.

[3] See p. 78.

During June 1941, the Federal Home Loan Bank Board appointed temporary conservators for three Federal savings and loan associations pending hearings to determine whether a conservator or receiver should be appointed. These associations were the First Federal Savings and Loan Association of Renton, Renton, Washington, for which a temporary conservator was appointed on June 19, 1941; the Aetna Federal Savings and Loan Association, Topeka, Kansas; and the First Federal Savings and Loan Association of Oklahoma, Oklahoma City, Oklahoma, for which temporary conservators were appointed on June 26 and June 30, respectively. Hearings in these three cases had not been held by the close of the reporting period.

Inefficient or dishonest management has been responsible for many of the loss cases which the Corporation has so far been called upon to manage. "Acts of God," such as flood and drought, as well as adverse economic conditions, have also been contributing factors in a number of the problem cases which had developed through the close of the reporting period.

When there is a likelihood that an insured association is in need of assistance from the Insurance Corporation under Section 406 of the National Housing Act, as amended, the Corporation is notified by the Governor of the Federal Home Loan Bank System, or by a State supervisory authority. When an institution is referred to it for assistance, the first obligation of the Corporation is to determine by a careful examination of all facts the proper course of action to be followed. Section 406 of the National Housing Act provides for corrective action through a direct contribution, loan, or purchase of assets. Each method for prevention of default is thoroughly explored as it relates to the association in question and decision is based on a determination as to which of the alternative methods will be most beneficial to the shareholder, to the institution, and to the community, as well as most satisfactory to the Corporation.

Once the decision, supported by factual study and analysis, has been reached, recommendations are made to the Board of Trustees of the Corporation (the Federal Home Loan Bank Board). Final decision as to the type of corrective action to be taken, if any, to prevent a default is the responsibility of the Board of Trustees. If it is decided that the deficit in capital funds is to be made up, the Corporation proceeds to do so under a plan which usually includes the utilization of reserves of the association and execution of an agreement stipulating the terms of settlement and the conditions on which recoveries may be made by the Corporation.

In all cases where the difficulties of an association are traceable to poor management, the Corporation insists that management satisfactory to the Board of Trustees be installed before any funds are granted. The selection of new management is left to the board of directors of the association, provided the individuals appointed meet the approval of the Corporation.

Up to the present time, in no case referred to it has the Corporation made a loan or a purchase of assets as a means of solving the association's problem. It is contemplated, however, that both of these means of settlement may be employed at some time in the future.

In each case in which an insured association has been declared in default and placed in liquidation, the Corporation as required by statute, has offered all insured shareholders the two optional methods of settlement, i.e., a new account in an open insured association, or 10 percent of his account in cash immediately and the remaining 90 percent in negotiable noninterest-bearing Corporation debentures. Through the close of the reporting period, all insured shareholders had elected the first option.

*Summary of share settlement claims in insured institutions in liquidation as of June 30, 1941* [1]

| | Security Federal Savings and Loan Association of Guymon, Guymon, Oklahoma | Community Federal Savings and Loan Association of Independence, Independence, Missouri | Trenton Building and Loan Association, Trenton, Ohio |
|---|---|---|---|
| Total number of insured accounts | 233 | 374 | 51 |
| Total amount of insured accounts | $164, 335 83 | $334, 584 77 | $28, 455. 44 |
| Number of accounts settled | 212 | 312 | 51 |
| Amount of accounts settled | $164, 061 65 | $316, 470 84 | $28, 455. 44 |
| Percent of accounts settled | 91 0 | 83.4 | 100.0 |
| Percent of amount settled | 99 9 | 94 6 | 100 0 |

[1] The Dickinson County Building and Loan Association of Abilene, Kansas, is not included in this schedule since it was placed in liquidation just prior to the close of the fiscal year. There are 74 insured accounts aggregating $44,268.94 in this institution.

To avoid delay and confusion, the Corporation has evolved a special procedure for "paying off" shareholders in liquidating insured institutions. Before offering shareholders an account in another institution, the Corporation makes arrangements with nearby insured associations for the issuance of the shares which it is estimated will be required, paying for them in cash as they are issued. Shares are then immediately made available to those electing this method of settlement. Because the cooperating associations have available in cash from the Corporation an amount equal to the new accounts being issued, each has so far seen fit to permit immediate withdrawal by the shareholders in accordance with the current policy of the association. By the close of the reporting period, experience had proved that a substantial percentage of individuals receiving new share accounts in connection with liquidation cases made no attempt to withdraw their savings from the operating institution. Withdrawals, in fact, have not exceeded 20 percent of the amount transferred.

At the time new accounts are issued to shareholders in other institutions, their share accounts in the liquidating institution are assigned to the Corporation, leaving it in almost complete ownership of the association. When the exchange of share accounts has been completed, the Corporation has fulfilled its primary obligation as insurer and awaits its liquidating dividends along with others who have a claim against the institution.

In those cases where the Corporation is acting as receiver for a Federal association, a special representative of the receiver is placed in charge of the association who proceeds to liquidate the assets under a plan adopted by the Board. In each liquidation case of this type the policy of the Corporation is to wind up the affairs of the association as inexpensively as possible and with a minimum of disturbance to shareholders and surrounding financial institutions. (For a report on the three liquidating insured associations, see page 130.)

During the fiscal year 1941, financial assistance to insured associations totaled $546,468.49 and undisbursed contingent commitments, as of June 30, 1941, amounted to $291,374.11. Recoveries during the reporting period amounted to $2,094.25. In all cases referred to the Corporation since the beginning of operations, financial assistance has aggregated $1,483,869.29 and recoveries through June 30, 1941, have totaled $20,201.86. There follows a brief description of the 6 cases requiring financial help during the fiscal year 1941:

Adverse climatic and economic conditions so substantially affected real estate values in an isolated section of a southwestern State that a small State-chartered association, already burdened with a large amount of real estate acquired through a former manager, was seriously threatened with default. Thorough study of the situation revealed that the community lacked home financing facilities and that a contribution, which was less than the expense of liquidation, would be sufficient to rehabilitate the institution. After determining that the association's executive officer, who had been previously employed to help the institution work out its problems, was capable, the Corporation made a contribution of $54,939.68 and allowed the association to continue under the same management. The Corporation also entered into an agreement with the association whereby that portion of the contribution ultimately not required to absorb losses on specific assets shall be returned to the Corporation.

A similar type of settlement was made in the case of another State-chartered institution located in a large midwestern industrial city. Here again the difficulties were due to extended adverse economic conditions, resulting in heavy appraised losses on real estate which exceeded the association's reserves. After surveying each possible method of settlement, the Corporation made an outright contribution of $45,773.27 without a recovery agreement in order that the association might continue operations on a normal basis. Since the executive officers and directors of the association had managed the institution's affairs as well as could have been expected under the unfavorable local conditions, the Corporation allowed them to continue under an agreement that they resign in such manner and at such time as requested if this arrangement proved unsatisfactory. The Corporation further strengthened the position of the association by authorizing it to purchase the acceptable assets of a nearby association which was in the process of liquidation.

Losses suffered by a small Federal savings and loan association in a southeastern State exceeded the institution's reserves and fidelity bond coverage. After the election of three new directors, the employment of a new managing officer, and upon the execution of an agreement with the association providing for return to the Corporation of any amount in excess of that needed to absorb losses on specific assets, the Corporation made a contribution of $32,361.47 in order that the association might continue in a sound and solvent condition; $2,094.25 of this amount was immediately recovered under the terms of the agreement.

Appraisals of real estate owned by a Federal savings and loan association in one of the Pacific States reflected a substantial impairment of capital. Examination of the association's condition revealed that its difficulty was caused largely by failure of the association to take a realistic approach to the solution of the institution's real estate problem. A survey of community conditions showed a definite need for an insured association in that area. Accordingly, upon the employment of new, full-time, executive management acceptable to the Board of Trustees and the adoption of a satisfactory operating budget, the Insurance Corporation made a contribution of $133,226.89 in order to allow the association to continue operation. It was agreed that that portion of the contribution ultimately not required to absorb losses is subject to return to the Corporation and if losses are greater than anticipated, the Corporation will make further contributions to a maximum of $21,117.65 upon approval of its Board of Trustees.

During the fiscal year 1941, the Corporation made additional disbursements totaling $228,761.43 in order to prevent default in two associations which had previously been given financial assistance. However, at the time of the original settlement in each case, it was recognized that additional assistance might be necessary to cover certain losses which could not be determined at that time. Consequently, when subsequent examinations of those institutions showed additional aid necessary, the Board, after determining that the total amount of cash assistance was not in excess of that necessary to save the expense of liquidation and that such settlement was in the best interests of the Corporation, made additional disbursements to prevent default and allowed the associations to continue operation.

In addition, the Corporation paid out $53,500 to two insured institutions as payments on contingent contributions previously authorized by the Board.

*Operation of Insured Institutions in Default*

"Default" is defined as an official determination by a properly constituted legal authority pursuant to which a conservator, receiver, or other legal custodian is appointed for an insured institution for the purpose of liquidation. A declaration of default in the case of Federal savings and loan associations is made by the Federal Home Loan Bank Board after a thorough examination has shown such action to be necessary; in the case of State-chartered institutions, the supervisory authorities or a court of competent jurisdiction of the State in which the institution is located are responsible for a determination of default.

In the event of default and liquidation of a Federal savings and loan association, the statutes provide that the Federal Savings and Loan Insurance Corporation must be appointed receiver. In the event of default and liquidation of an insured State association, the laws in a number of States permit the appointment of the Insurance Corporation as coreceiver with the State authorities.

Since the establishment of the Insurance Corporation in 1934, four insured institutions, two Federal savings and loan associations and two State-chartered institutions, have been placed in liquidation. The Insurance Corporation is acting as receiver for the two Federal associations. One of the State-chartered institutions is being liquidated under the joint responsibility of the Insurance Corporation and the Kansas Building and Loan Department. The supervisory officials of Ohio are in charge of the other State association.

Under the terms of Section 406 (e) of the National Housing Act, as amended, the Corporation is required to make an annual report to the Congress on its operation of defaulted insured associations. The following detailed report and the financial statements in Exhibit 50 are therefore submitted:

Both of the Federal savings and loan associations for which the Insurance Corporation is now acting as receiver were placed in liquidation during the fiscal year 1940.

Following the appointment of the Insurance Corporation as receiver for the Community Federal Savings and Loan Association of Independence, Independence, Missouri, a hearing was held in compliance with the Rules and Regulations of the Federal Savings and Loan System at the Home Office of the association. At this hearing, interested parties were given an opportunity to submit evidence as to the condition of the association and its management and to propose any plan for its operation or for the disposition of its assets. Following the hearing, the Federal Home Loan Bank Board directed the Insurance Corporation to proceed with liquidation under the terms of a plan approved by the Board. The Board also appointed an agent for the Association to represent the Corporation, with authority to take full possession of the institution, its books, records, and assets, and to carry out the duties of the Insurance Corporation as receiver. Subject to the supervision of the General Manager of the Insurance Corporation, the agent was given authority to proceed with liquidation of the assets of the association under the terms of a plan approved by the Board. The Community Federal Savings and Loan Association of Independence, Independence, Missouri, was placed in receivership on June 26, 1940, and liquidation proceedings were authorized on July 23, 1940.

The Security Federal Savings and Loan Association of Guymon, Guymon, Oklahoma, was placed in receivership by the Board on February 12, 1940, and the Corporation was directed to proceed with liquidation on March 29, 1940.

The Trenton Building and Loan Association, Trenton, Ohio, is being liquidated by the Superintendent of Building and Loan Associations of the State of Ohio. This institution was declared in default and placed in receivership for purposes of liquidation on April 15, 1940.

Liquidation in each of these three cases is progressing as favorably as can be expected in view of the local circumstances affecting each institution. Every effort is being made to conserve the assets of the associations and to conduct the receiverships in a manner which will result in the greatest possible degree of recovery to the Corporation and to uninsured shareholders. Comparative statements of condition and operations as of the date of each receivership through June 30, 1941, are shown in Exhibit 50. None of the receivership cases has as yet proceeded to a point where the Corporation can with any degree of accuracy estimate the ultimate recovery; however, present indications do show that the percentage return will probably be high. No liquidating dividends had been declared or paid through June 30, 1941, except to creditors.

In addition to the three insured associations which had been declared in default and placed in liquidation prior to the close of the fiscal year 1941, the Insurance Corporation had an interest in one other insured institution which was placed in liquidation during the current reporting period. A report of this case follows:

In accordance with Section 17–1032 of the General Statutes of the State of Kansas, the Kansas Supervisor of Building and Loan Associations notified the General Manager of the Insurance Corporation on May 26, 1941, that it appeared, upon examination of the affairs of The Dickinson County Building and Loan Association, Abilene, Kansas, that the association was in an unsound condition and that the interests of its creditors were being jeopardized. Assets of the association totaled $65,989.

The condition of the association was due primarily to unfavorable economic conditions and a general decline of real-estate values in the Abilene area. Operation of the association was unprofitable and it was impossible, even under competent management, to accumulate sufficient reserves to meet resulting losses.

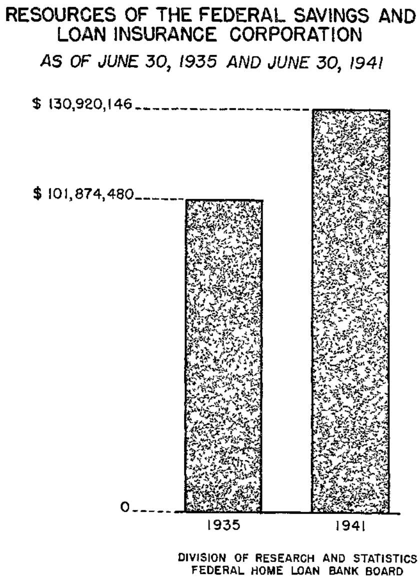
The Building and Loan Supervisory Board of the State of Kansas on June 9 concluded that a receiver for the association should be appointed and the Board of Trustees of the Insurance Corporation determined that the Corporation would act as coliquidator of the association with the Kansas Supervisor in accordance with the provisions of the Kansas Statutes. Formal liquidation proceedings were pending at the close of the fiscal year.

A statement of condition of The Dickinson County Building and Loan Association as of June 30, 1941, is included in Exhibit 50.

*Operations of the Insurance Corporation*

During the fiscal year 1941, total resources of the Insurance Corporation increased from $124,917,101 to $130,920,146, or by 5 percent. Reserves and surplus, as of June 30, 1941, totaled $29,388,884, as compared with $23,620,811 on the same date a year previous. Reserves have been built up as rapidly as possible during the Corporation's brief experience. During the same period, however, the Corporation's potential insured liability has grown at a faster rate, making the continued accumulation of reserves advisable.

CHART L




The Corporation's potential insured liability, representing the total amount of all insured accounts up to $5,000 for each investor and the total creditor obligations of all insured associations, was $2,464,167,000 at the close of the reporting period as compared with $2,056,099,000 at the close of the 1940 reporting period. Expressed more simply, the Corporation on June 30, 1941, had for each dollar of capital, reserves, and surplus a potential liability of $18.82. Since a large proportion of the assets of insured institutions, aggregating $3,158,251,000, must be set up against the Corporation's potential liability, it is inconceivable under realistic conditions that the entire amount of this liability will ever become real. Even under the most adverse conditions, considerable amounts would be realized from accounts subrogated to the Corporation.

The capital stock of the Corporation, aggregating $100,000,000 was exchanged in 1934 for 3 percent guaranteed bonds of the Home Owners' Loan Corporation in a similar amount. Reserves and surplus amounting to $29,388,884 are invested entirely in Government obligations and securities wholly guaranteed by the Government. Exhibit 51 shows the Corporation's statement of condition as of June 30, 1941. The Corporation receives its income from annual premiums paid by insured institutions, admission fees from associations when first insured, and interest on its investments. All income above expenses is placed in reserves. Disbursements in connection with insurance settlements are charged to reserves.

The Corporation's premium income is derived from the payment by each insured association of an annual insurance premium equal to ⅛ of 1 percent of its total share and creditor obligations, or an amount equal to approximately 11 cents for each $100 of assets. Premium income earned during the fiscal year 1941 totaled $3,063,115 as compared with $2,631,241 for the preceding reporting year. Associations which applied and were insured during the 1941 fiscal year paid an admission fee of 4 cents for each $100 of insurable accounts and creditor liabilities. Admission fees received during the reporting period totaled $24,371 as against $19,022 during the preceding fiscal year.

Income of the Insurance Corporation from investments during the fiscal year 1941, including $13,365 in profits from the sale of securities, amounted to $3,494,673. Including miscellaneous items, the aggregate income of the Corporation for the year ending June 30, 1941, was $6,582,193, an increase of $457,533 over the preceding year.

Administrative expenses of the Corporation totaled $256,524 during the 1941 reporting period; and nonadministrative expenses resulting principally from costs incurred in connection with settlement cases totaled $8,492. This compares with $240,383 for administrative and $15,426 for nonadministrative expenses during the preceding fiscal year. After deduction of expenses, both administrative and nonadministrative, from gross income, the Corporation shows a net income for the reporting period of $6,317,177 as compared with $5,868,851 during the preceding fiscal year.

Financial assistance to insured institutions during the fiscal year 1941 aggregated $546,468 as compared with $537,472 the year before. Contingent commitments to prevent default in insured associations aggregated $291,374 on June 30, 1941, as against $323,756 a year previous. Exhibits 52 and 53 present detailed statements of income and expenses for the fiscal year 1941. The following table shows in abbreviated form various income and expense items for the 1941 fiscal period:

*Condensed income and expense statement for the period July 1, 1940, to June 30, 1941*

| | | |
|---|---|---|
| Income: | | |
| Insurance premiums earned | $3, 063, 114. 94 | |
| Admission fees earned | 24, 370. 83 | |
| Interest earned on investments | 3, 481, 308. 13 | |
| Miscellaneous | 34. 00 | |
| | | $6, 568, 827. 90 |
| Administrative expenses | 256, 524. 40 | |
| Nonadministrative expenses | 8, 491. 79 | |
| | | 265, 016. 19 |
| Net income from operations | | 6, 303, 811. 71 |
| Other income: Profit on sale of securities | | 13, 365. 05 |
| Net income for period | | 6, 317, 176. 76 |
| Less: Adjustment of net income for prior years | | 3, 104. 16 |
| Net income | | 6, 320, 280. 92 |

*Distribution of net income*

| | |
|---|---|
| To special reserve for contingencies | $3, 000, 000. 00 |
| To surplus | 3, 320, 280. 92 |
| Total | 6, 320, 280. 92 |
| Contributions to insured associations deducted from legal reserve fund | 546, 468. 49 |

At the close of the reporting period, personnel employed by the Corporation totaled 42. The Corporation is enabled to operate efficiently with this small staff because it utilizes the general service divisions of the Federal Home Loan Bank Board, thus making it unnecessary for the Corporation to build up auxiliary departments. Throughout its seven years' experience, the Corporation has been able to meet its running expenses without using premium receipts or income received from original capital. Income on earned reserves has been more than sufficient to cover operating expenses.

# VI

## Home Owners' Loan Corporation

SINCE June 12, 1936, when its refinancing activities were brought to a close, the Home Owners' Loan Corporation has been engaged primarily in liquidating its loans and the properties it has been forced to acquire. Substantial progress was made toward this goal during the reporting period. The total balance of loan and property accounts was reduced from $2,436,945,646 to $2,189,038,942, or by 10.2 percent. Sales of Corporation properties deserve special mention. An excess of property sales over new acquisitions brought about a drop of 30.2 percent in the number of properties owned and in process of acquiring title. The liability side of the Corporation's balance sheet shows a decline in bonded indebtedness from $2,634,808,900 to $2,419,608,800.

Liquidation of the Home Owners' Loan Corporation is measured primarily by the ability of the Corporation's borrowers to repay their indebtedness. By June 30, 1941, a large majority of these borrowers had made real headway in their efforts to acquire debt-free home ownership. On that date, the average loan balance outstanding per active borrower was $2,108 as compared with an average loan of $2,884 to these same individuals. In short, the average present borrower from the Corporation has been able to reduce his indebtedness by almost 27 percent. Over 96 percent of the active original accounts still on the books of the Corporation at the end of the fiscal year were performing satisfactorily, and only 3.8 percent of active accounts were in default and not liquidating.

During the 1941 fiscal year, the Corporation was able to effect a reduction of 22.4 percent in the number of personnel. Administrative expenses of the Corporation also show a decrease of 15.3 percent, resulting both from the termination of personnel and the closing of a number of field offices.

### 1. REPAYMENT RECORD OF BORROWERS

*Status of Accounts*

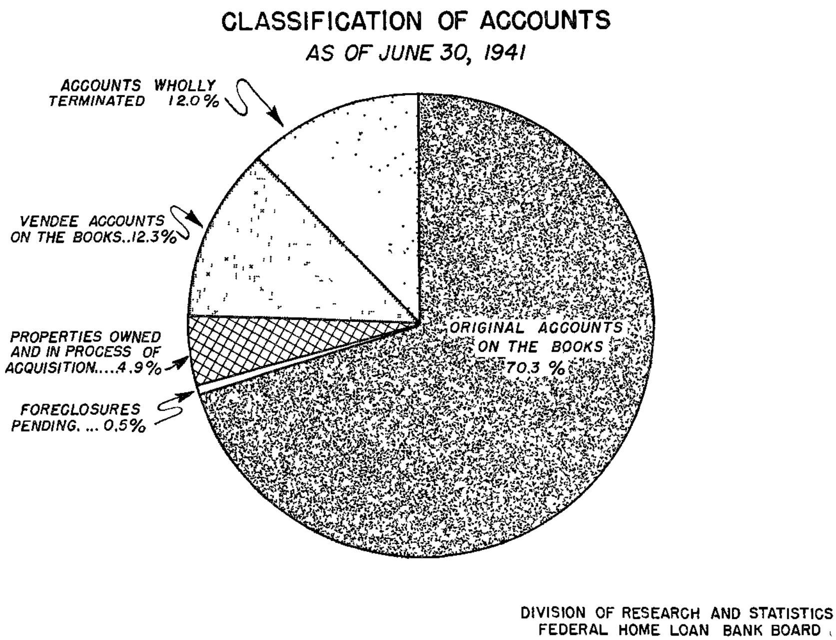
Progressing liquidation of the Home Owners' Loan Corporation resulted in certain changes during the reporting period in the types of accounts carried on the Corporation's books. Thus, the number of active original loan accounts declined somewhat due to foreclosures and payments in full. Property accounts declined because of an excess of sales over acquisitions. Since the large majority of property sales are made on a deferred payment basis, vendee accounts show a corresponding increase. A classification of accounts at the end of the last two fiscal years is shown in the following table:

*Classification of accounts, June 30, 1940, and June 30, 1941*

| | June 30, 1940 | June 30, 1941 |
|---|---|---|
| Total number of original accounts | 1,019,138 | 1,019,510 |
| Active original loan accounts on the books | 759,137 | 716,676 |
| Active vendee accounts on the books | 97,025 | 125,573 |
| Foreclosures pending (original loans and vendee accounts) | 6,177 | 5,508 |
| Properties owned and in process of acquisition | 70,780 | 49,419 |
| Accounts wholly terminated and exchanged | 86,019 | 122,334 |

It will be noted that on June 30, 1941, the number of accounts set up by the Corporation totaled 1,019,510. This figure exceeds the 1,017,823 loans refinanced by the Corporation principally as the result of division of certain properties upon which original loans had been granted.

CHART LI




By the close of the reporting period, 12 percent of the Corporation's accounts had been completely terminated, leaving 88 percent to be liquidated. Over 70 percent of all accounts established by the

Corporation were still in active status on June 30, 1941, while 0.5 percent were in foreclosure pending judgment or sale. An additional 4.9 percent had shifted from mortgage loan status to property acquired or in process of acquisition, and the remaining 12.3 percent of total represented accounts set up for the purchasers of properties sold on a deferred payment plan.

Of the active original borrowers' accounts still on the books at the end of the 1941 fiscal year, 689,398, or 96.2 percent, were performing satisfactorily. Borrowers in this category were either repaying their loans on schedule; were less than three months in arrears; or if more than three months in arrears, were reducing their delinquency by regular payments. Only 27,278, or 3.8 percent of active accounts, were in default and not liquidating. Of this number, but 2,765 were classified as insoluble. Two factors are primarily responsible for the low delinquency ratio on June 30, 1941. In the first place, generally improved economic conditions have had a salutary effect on current repayments by borrowers. Equally important is the influence of the Corporation's extension program. In a number of cases the Corporation makes supplementary advances in order to bring borrowers' accounts into current status at the time repayment periods are extended (see page 143).

Of the 132,731 vendee accounts which had been set up by the Corporation through June 30, 1941, a total of 4,282 had been wholly retired through repayment in full, 2,303 accounts had been returned to the Corporation's property account as a result of foreclosure, and 3 accounts had been charged off or exchanged. An additional 570 vendee accounts were pending foreclosure judgment or sale at the close of the reporting period, thus leaving 125,573 vendee accounts in active status on June 30, 1941. Except for 2,190 cases, or 1.7 percent of total active vendees, all of these accounts were performing acceptably.

*Status of active borrower and vendee accounts, June 30, 1941*

| Classification | Total | | Original loan accounts | | Vendee accounts | |
|---|---|---|---|---|---|---|
| | Number | Percent of total | Number | Percent of total | Number | Percent of total |
| Total borrowers in "active status" | 842,249 | 100 0 | 716,676 | 100.0 | 125,573 | 100 0 |
| Paying on schedule or less than three months in arrears | 787,520 | 93 5 | 665,465 | 92.9 | 122,055 | 97.2 |
| More than three months in arrears but liquidating | 25,261 | 3 0 | 23,933 | 3.3 | 1,328 | 1.1 |
| Total in satisfactory status | 812,781 | 96 5 | 689,398 | 96.2 | 123,383 | 98 3 |
| In default and not liquidating | 29,468 | 3.5 | 27,278 | 3 8 | 2,190 | 1.7 |

425085—41——10

The foregoing statistical summary is significant primarily because it shows that the large majority of HOLC borrowers are experiencing no insurmountable difficulty in retiring their obligations to the Corporation. The low-cost, amortized loans made available to HOLC borrowers are proving an effective means of assisting most of these people not only to keep the homes they were in imminent danger of losing, but to increase their equities as well.

*Collections*

During the fiscal year 1941, the Home Owners' Loan Corporation received $73,122,180 in interest and $179,838,597 in principal from original borrowers. Total collections thus amounted to $252,960,777 as compared with $256,505,868 during the 1940 fiscal year.

Increasing sales of acquired properties on a deferred payment basis are reflected in a larger volume of collections from vendees. Total receipts from this source during the reporting period amounted to $62,592,891 as compared with $50,048,308 the year before. Interest payments made by vendees alone totaled $14,142,293 as against $9,531,005 in the 1940 reporting period.

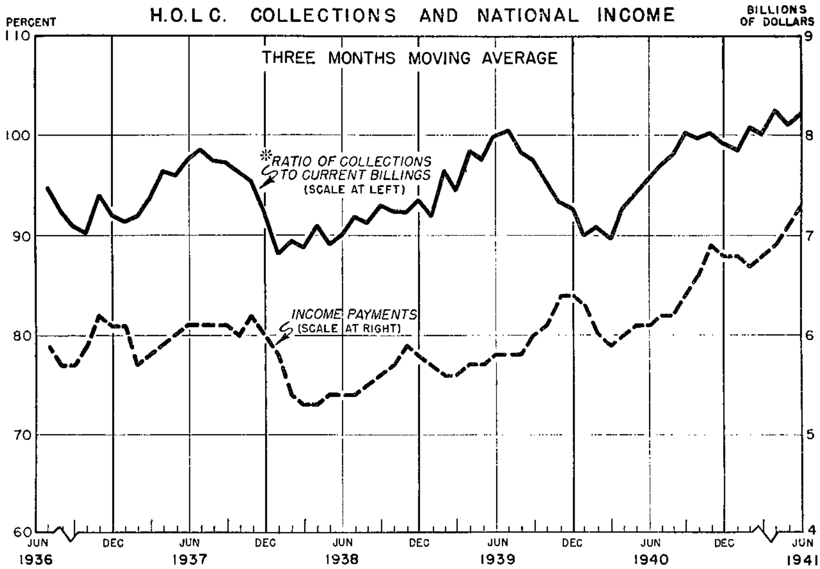
From the beginning of operations through June 30, 1941, the Corporation collected a grand total of $1,843,734,607 from both borrowers and vendees. Of this total, $1,092,184,460, or 59.2 percent, represents repayments on mortgage principal including loans paid in full, and the remaining $751,550,147 constitutes interest payments to the Corporation. Cash sales and initial payments on property sales have been included in these figures.

The collection record of the Corporation has followed closely the fluctuations of general business conditions. Whenever employment slackens and family income declines, collections from borrowers tend to fall off. Conversely, as the following chart indicates, when economic activity improves, payment is made promptly on billings by the Corporation. The fiscal year 1941 shows an especially close correlation between national income and collections. The reporting period was one of rising industrial activity, increased employment, and higher incomes.[1] It is no mere coincidence that the ratio of payments received on active accounts to current billings actually exceeded 100 percent because of payments received on delinquent installments and prepayments during five of the first six months of 1941.

[1] See pp. 14–15

Another evidence of the improved ability of HOLC borrowers to repay their obligations to the Corporation is the steadily increasing number who are finding it possible, either through resources of their own or by private refinancing, to repay their loans in full. During the reporting period, 30,954 original borrowers retired the balance of their indebtedness to the Corporation. From the beginning of operations through the close of the fiscal year 1941, the total number of borrowers' accounts wholly terminated through payment in full numbered 108,095 in the amount of $249,846,629.

CHART LII




*In some months the ratio exceeds 100% because of the collection of arrearages not included in current accruals and because of loan repayments in full

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

On June 30, 1941, arrearages amounted to $15,278,304, of which $14,051,486 was due on original loan accounts and the remaining $1,226,818 on vendee accounts. Of the total amount due and still unpaid, $12,869,165 represented amounts uncollected on principal and $2,409,139, amounts still unpaid on interest. As might be expected from the improved repayment record of borrowers during the reporting period, arrearages at the close of the reporting period were substantially lower than a year previous, when the total amount due and unpaid amounted to $35,118,808.

*Reduction of Mortgage Indebtedness by Borrowers*

The liquidation of the Corporation's assets, and more particularly, the rapidity with which this goal can be accomplished is measured primarily by the ability of the Corporation's borrowers to repay their indebtedness. The following table demonstrates the progress already made by the present HOLC borrowers in reducing their mortgage obligations through the close of the reporting period:

*Debt liquidation of the average outstanding original loan*

| | |
|---|---|
| Number of original accounts outstanding, June 30, 1941 | 721, 614 |
| Original amount of these loans | $2, 081, 236, 692 |
| Average original amount | $2, 884 |
| Loan balance, June 30, 1941 | $1, 521, 046, 216 |
| Average loan balance, June 30, 1941 | $2, 108 |
| Percent reduction | 26. 9 |

The present average borrower has been able, over a period of from five to eight years, to reduce by 26.9 percent the principal balance of his mortgage loan. This record is particularly noteworthy when it is recalled that a large majority of the original HOLC mortgagors were delinquent some two years on principal and interest payments and from two to three years on taxes and assessments at the time their obligations were refinanced by the Corporation.

Not all of the original borrowers have, of course, been able to carry out their loan contracts. It was not expected, in fact, that the refinancing of distressed mortgages by the Home Owners' Loan Corporation would result in the successful rehabilitation of all of the mortgagors to whom the Corporation's loans were granted. By June 30, 1941, foreclosure had been authorized in 193,612 cases when the borrowers, although given every opportunity and encouragement, still failed to meet their loan obligations. On the other hand, the 108,095 borrowers who have retired their loans in full have done more than meet their mortgage payments on schedule. Exhibit 54 shows the average original loan per active borrower and the average loan balance outstanding on June 30, 1941, by HOLC Regions and by States.

The original refinancing loans made by the Home Owners' Loan Corporation aggregated $3,093,451,321. By the close of the 1941 fiscal year, subsequent advances to original borrowers for miscellaneous purposes, as well as the conversion of delinquent interest to principal, increased this investment to $3,263,957,817. By June 30, 1941, the Corporation's borrowers had retired, through repayment of principal,

$956,637,553, or 29.3 percent of total original loans and advances. In addition, $786,274,048, or 24.1 percent of gross loans and advances had been transferred to other accounts, particularly the Corporation's property account. The net result of principal repayments and transfers was to leave a balance of original loans and advances outstanding of $1,521,046,216 on June 30, 1941.

*Reduction of indebtedness of original borrowers*

| | Through June 30, 1940 | Through June 30, 1941 |
|---|---|---|
| Original amount of loans closed | $3,093,451,321 | $3,093,451,321 |
| Advances to borrowers and interest merged with principal in extension agreements | 153,182,289 | 170,506,496 |
| Cumulative gross indebtedness of borrowers | 3,246,633,610 | 3,263,957,817 |
| Less principal repayments | 776,798,956 | 956,637,553 |
| Less balances transferred to property and similar accounts | 734,951,572 | 786,274,048 |
| Balance of original loans and advances outstanding | 1,734,883,082 | 1,521,046,216 |

In addition to the repayment in full of 108,095 original loans, a number of accounts have been terminated by charge-offs, cash sales, and other methods. The following table summarizes all accounts terminated as of the close of the last two fiscal years:

*Cumulative number of accounts terminated*

| | Through June 30, 1940 | Through June 30, 1941 |
|---|---|---|
| Original loans paid in full | 77,141 | 108,095 |
| Cash sales at foreclosure | 908 | 1,224 |
| Cash sales of acquired properties | 6,038 | 8,471 |
| Vendee instruments paid in full | 1,797 | 4,275 |
| Properties and accounts charged off or consolidated | 180 | 249 |
| Total accounts terminated | 86,064 | 122,314 |

## 2. GENERAL OPERATIONS

### *Loan Service*

Since its inception, the Home Owners' Loan Corporation has been confronted with a peculiarly difficult problem in servicing its loans. Unlike normal private lending institutions, the Corporation made its loans to home owners already seriously delinquent and unable to obtain from other sources the refinancing funds needed to avoid foreclosure. The added responsibility of keeping such borrowers in their homes if reasonably possible impelled the Corporation to develop a highly specialized servicing operation.

By treating delinquent accounts on an individual case basis, the Corporation has been able to discover the source of borrowers' difficulties and to take corrective measures in many cases which otherwise would have drifted into foreclosure. A representative of the Home Owners' Loan Corporation calling at the borrower's home can usually, by frank discussion with members of the family, diagnose the financial ills which led to delinquency in loan payments.

In cases of small arrearage, the same results can often be obtained by direct correspondence. In any event, the Corporation bends every effort to assist the home owner to rehabilitate himself whether the difficulty be lack of employment, illness, financial reverses, crop failures, overhousing, excessive taxes, or any of the adversities which may beset home owners during the course of long-term financing. Through its representatives located in all sections of the country, the Corporation is in a position to help borrowers obtain employment or public assistance, to assist them in the sale or rental of their homes, or to grant temporary forbearance, adjustments of loan payments, or advances for taxes and reconditioning, if such action is justified by the circumstances of the individual case.

The reduction in the number of active accounts in the Corporation's portfolio during the fiscal year due to foreclosures and payments in full was largely offset by sales of acquired properties on a deferred payment basis. As a result, the number of mortgage loans and vendee accounts being serviced declined by only 13,393, or from 855,681 at the beginning of the fiscal year to 842,249 on June 30, 1941.

Although the volume of accounts was reduced only slightly, the nature of the Corporation's servicing problem was altered by the large-scale extension activities during the 1940 fiscal year and the general improvement in business conditions which has been brought about by the national defense program. As a consequence of these developments, only 6.5 percent of the Corporation's loans were 3 months or more in arrears at the close of the fiscal year as compared with 25.9 percent in December 1939, just prior to the inauguration of the extension program under the Mead-Barry Act. Loans over 6 months in arrears represented but 1.2 percent of total as compared with 17.3 percent in December 1939.

This shift in the delinquent status of accounts was accompanied by a transition from "curative" to "preventive" servicing. In other words, the Corporation's primary emphasis in servicing its loans is at this time not so much the elimination of serious delinquencies, although accounts in this category continue to receive close attention, but rather the task of helping home owners to avoid arrearages. Assistance of this latter type is especially necessary in those cases where the borrower's repayment period has been extended to bring his account current. Failure to maintain payments on the revised basis may well mean unavoidable foreclosure since extensions usually represent the ultimate possible liberalization of loan terms, if the integrity of the Corporation's loans as debtor obligations is to be maintained.

A new servicing policy was adopted by the Corporation in December 1940 to permit special leniency to the borrower whose income is adversely affected by his induction or the induction of a member of his family into military service. By June 1941, the privilege of making reduced payments (generally equivalent to interest and taxes) during the period of military service had been granted to 235 Corporation borrowers. In a number of cases, the Corporation has agreed to carry the loans temporarily without any payment whatsoever, on the borrower's promise to make up the delinquent installments as soon as possible after the termination of military service.

A servicing activity which protects both the Home Owners' Loan Corporation and its borrowers is the advance of supplemental amounts for the payment of taxes, insurance, repairs, and like costs. Many borrowers have been hard pressed, at times, to meet these costs in addition to their regular payments on interest and principal. In justifiable cases, therefore, the Corporation has followed the practice of advancing the needed funds, when the borrower is unable to take care of these items himself, increasing the loan by the amount thus paid out on his account. In this manner, the Corporation not only protects its own security by the amounts expended, but also assists its borrowers through temporary periods of difficulty.

The table below indicates that almost 92 percent of total supplemental advances through June 30, 1941, were made for the payment of delinquent taxes. While funds for this purpose still accounted for the major share of funds advanced during the fiscal year 1941, it is noteworthy that the dollar volume decreased from $66,283,241 during the previous reporting period to $13,165,882, or by 80 percent, principally as a result of the growth in tax and insurance accounts (see pages 145-6). Advances for other purposes show relatively little change during the reporting period.

*Advances to original borrowers, by purpose*

| Fiscal year | Taxes | Insurance | Maintenance | Miscellaneous | Total |
|---|---|---|---|---|---|
| 1934 | $1,619 | $17,017 | | | $18,636 |
| 1935 | 85,035 | 391,349 | $3,696 | $676 | 480,756 |
| 1936 | 1,563,728 | 2,144,683 | 311,362 | 21,904 | 4,041,677 |
| 1937 | 11,349,050 | 1,215,925 | 528,159 | 66,477 | 13,159,611 |
| 1938 | 18,607,296 | 1,269,992 | 386,026 | 133,013 | 20,396,327 |
| 1939 | 36,991,707 | 1,068,715 | 415,172 | 145,979 | 38,621,573 |
| 1940 | 66,283,241 | 778,422 | 886,627 | 881,794 | 68,830,084 |
| 1941 | 13,165,882 | 1,103,216 | 895,414 | 589,950 | 15,754,462 |
| Cumulative, June 30, 1941 | 148,047,558 | 7,989,319 | 3,426,456 | 1,839,793 | 161,303,126 |

*Extension of Loan Terms*

Under the terms of the Mead-Barry Act approved on August 11, 1939, the Home Owners' Loan Corporation was authorized to extend the amortization period of borrowers' loan accounts to a maximum of 25 years from the date of the execution of the security instrument, if, in the judgment of the Corporation, the circumstances of the home owner and the condition of the security justify such extension. A substantial number of extension applications had been processed before the close of the 1940 fiscal year, and on June 30, 1940, the books of the Corporation showed 172,491 extended accounts. During the reporting period, an additional 61,134 accounts were extended on the books of the Corporation, bringing the total to 233,625 as of June 30, 1941.

Authority to extend loan terms has considerably broadened the Corporation's servicing activities and has given thousands of borrowers a fresh opportunity to work out their delinquency problems and avoid foreclosure. Loan extensions have naturally been granted borrowers whose delinquency was most serious. Of the total loans extended on the books of the Corporation from the beginning of the program in the fall of 1939 through the close of the current reporting period, 48.3 percent were in arrears more than 12 monthly installments and 31.2 percent were delinquent 18 or more monthly payments at the time extensions were granted.

*Accounts extended from October 1, 1939, through June 30, 1941, classified by arrearage age groups at time of extension*

| Installments in arrears: | Percent of total |
|---|---|
| Less than 3 months | 8.5 |
| 3 to 11 months | 43.2 |
| 12 to 17 months | 17.1 |
| 18 months and over | 31.2 |
| Total | 100.0 |

Extended accounts require close servicing attention by the Corporation, for failure to carry out the terms of revised contracts in most cases leaves no alternative but resort to foreclosure. There is a necessary limit to the leniency and assistance which can be extended to the Corporation's borrowers without sacrificing the interests of the Corporation and the taxpaying public, and there are few cases in which any further aid can be justified if extended terms of payment cannot be met.

At the close of the reporting period, the books of the Corporation show that 225,784 of the 233,625 accounts which had received an extension of amortization period were in active status. The remaining 7,841 had been terminated by foreclosure or payment in full. A large proportion of the extended accounts now on the books of the Corporation have been in effect for at least a year. Although this is not a sufficient period of time to warrant accurate conclusions as to the number of borrowers who will be able to rehabilitate themselves by means of an extension, the performance record of this group of Corporation debtors has to date been a satisfactory one. At the close of the reporting period, 95.2 percent of active extended accounts were in satisfactory status, while only 4.8 percent were in default and not liquidating.

*Tax and Insurance Accounts*

In dealing with over one million borrowers, the Home Owners' Loan Corporation found that one of the most serious cost problems involved in home ownership was the burden of taxes, insurance, and similar carrying charges which must be borne by the borrower in addition to his regular monthly loan installments. In the normal course of events, charges for taxes and insurance are levied on an annual basis and in many cases their payment in a lump sum represents a major hardship. In an effort to assist its borrowers, therefore, the Corporation has established a special procedure by which home owners may accumulate funds for the payment of taxes and insurance on a systematic monthly installment basis. When taxes and insurance come due, they are paid automatically by the Corporation from the funds paid in by the borrower in this manner.

This program has not only provided a safeguard for home owners against the accrual of insurance charges and penalties due to tax delinquency, but, in addition, it has brought about substantial economies in the Corporation's administrative expenses by obviating the need for searching public tax records on a large number of properties.

During the reporting period, the number of Corporation borrowers and vendees for whom tax and insurance accounts had been established increased by 90,443 to a total of 418,517 on June 30, 1941. At the time the Mead-Barry extension program was inaugurated in the fall of 1939, the Board adopted, as a matter of policy, a requirement that tax and insurance accounts be established in each case where an extension was granted. Likewise, since October 1939, each vendee has been required to accumulate funds for the payment of taxes and insurance through such accounts.

The value of the tax and insurance program is directly reflected in the fact that borrowers' tax delinquency has declined to the point where the Corporation now encounters little difficulty on this score.

*Taxation*

Tax and insurance accounts established by the Corporation have proved a successful means of assisting borrowers to meet their annual tax charges. However, the real root of the problem lies not in devices which facilitate the collection of tax bills, but in a more equitable real-estate tax system. Taxes are, of course, cost factors over which the Corporation has no control. Its experience as one of the largest taxpayers in the country, however, does offer some interesting facts on the relative importance of taxation in the average home buyer's budget.

Analysis of the tax and insurance accounts during the calendar year 1940 shows that for the country as a whole, the average monthly tax and insurance installment represents approximately 33 percent of the average monthly loan installment. In four States, real-estate taxes are equivalent to 50 percent or more of loan payments and in an additional 12 States, they represent between two-fifths and one-half of the monthly loan installment. Relating monthly tax accruals to mortgage interest shows that the average tax is equal to about 80 percent of the interest charged each month on the Corporation's loans and there are ten States in which taxes actually exceed the borrower's interest payments.

A rigid cost such as taxation has a direct and evident bearing on the cost of home ownership. An oppressive tax load not only handicaps the borrower in meeting his mortgage indebtedness, but may well even discourage home ownership if the borrower knows that after the debt has been cleared he will still be left with an excessive tax burden.

Taxation costs have a direct effect on property acquisitions and sales. It is impossible, of course, to single out taxation as the sole determinant in HOLC property operations. However, it is undoubtedly more than a coincidence that the Home Owners' Loan Corporation has been forced to acquire fewer properties and has been able to dispose of its property acquisitions at a better rate in communities and areas where taxes are on a reasonable level.

In the following table, annual taxes as a percentage of sales prices are shown to correlate closely with the percentage of sales to acquisitions in the same localities. In Jersey City, for example, where annual taxes represented 7.41 percent of property values as represented by sales prices during the first six months of 1940, the Corporation had been able to liquidate only 26.6 percent of its total acquisitions. In San Francisco, on the other hand, where taxes represented but 1.89 percent of current market prices, the Corporation has been able successfully to dispose of 97.4 percent of acquisitions.

*Annual tax rates and HOLC property sales in selected cities*

| City | Taxes as a percent of sales prices [1] | Percentage of HOLC sales to properties acquired | City | Taxes as a percent of sales prices [1] | Percentage of HOLC sales to properties acquired |
|---|---|---|---|---|---|
| | *Percent* | *Percent* | | *Percent* | *Percent* |
| Jersey City | 7.41 | 26.6 | St. Paul | 3 63 | 91.0 |
| Newark | 5.80 | 27.9 | Minneapolis | 3.59 | 88.0 |
| Rochester | 5.70 | 39.1 | Fort Worth | 2.97 | 89.4 |
| Buffalo | 5.32 | 32 1 | Indianapolis | 2.53 | 82.5 |
| Boston | 5.17 | 45.6 | Dallas | 2.23 | 92 6 |
| Brooklyn (N. Y.) | 4.72 | 36 7 | Atlanta | 2.21 | 96.3 |
| Bronx (N. Y.) | 4 32 | 55 1 | Tulsa | 2 19 | 86 0 |
| Queens (N. Y.) | 3.81 | 33 3 | Salt Lake City | 2.04 | 98.3 |
| New Orleans | 3.78 | 86 0 | Oklahoma City | 2 03 | 94.5 |
| Milwaukee | 3 70 | 74 1 | Cleveland | 2 00 | 87.0 |
| Pittsburgh | 3.69 | 74.8 | San Francisco | 1 89 | 97.4 |

Based on sales during the first six months of 1940.

A further example of the cost of taxation in HOLC operations is found by relating the annual tax burden to gross income received by the Corporation from the properties it owns. During the fiscal year 1941, over 40 percent of total gross rentals received by the Corporation was disbursed in the form of taxes.

*Insurance Program*

As outlined in the Eighth Annual Report of the Board, certain changes were made in May 1940 in the Corporation's program with respect to insurance of borrowers' properties, as well as properties acquired by the Corporation, against fire, windstorm, and other hazards. An agreement was entered into with the Stock Company Association whereby borrowers who maintain tax and insurance accounts with the Corporation (see p. 145), as well as certain borrowers who neglect to obtain insurance, may have their properties insured by the Stock

Company Association pursuant to its contract with the Corporation. This contractual agreement was concluded only after open competitive bids had been received from a number of qualified insurance carriers.

The majority of the Corporation's borrowers are continuing to furnish their own insurance policies from companies of their own selection and through their own agents. The Home Owners' Loan Corporation requires only that the insurance carriers be licensed by the State in which the borrower's property is located and that the policy be such in amount and other respects as to afford the Corporation adequate protection. However, 90 percent of the 418,517 borrowers and vendees for whom tax and insurance accounts have been set up on June 30, 1941, had elected the convenience of having the insurance on their properties renewed with the Stock Company Association under the terms of its contract with the Corporation.

On June 1, 1940, the Board discontinued the purchase of insurance against fire and other hazards on its owned properties. In lieu of insurance, a reserve was set up to which such losses might be charged. On the basis of previous loss experiences, reserve allocations were established at the rate of fifty cents per month per owned property. From the time the reserve was first set up in June 1940 through the close of the fiscal year 1941, provisions for losses on this basis aggregated $352,746.50, while losses charged to the reserve during the same thirteen months totaled only $115,389.53.

*Foreclosures*

After deduction of withdrawn cases, net foreclosures authorized on original loans during the fiscal year 1941 totaled 11,498. During the previous reporting period, net authorizations totaled 11,078. Foreclosure authorizations on vendee accounts numbered 1,593 as against 795 during the 1940 fiscal year. Included in the above figures are 2,812 properties acquired during the reporting period by deed in lieu of foreclosure as compared with 4,334 during the previous fiscal year.

The slight increase in the number of net foreclosure authorizations on mortgage loans during the fiscal year 1941 was accounted for principally by foreclosure actions brought during the first few months of the reporting period. The majority of accounts on which the Corporation was forced to institute proceedings at that time were cases in which foreclosure had previously been authorized, but which had been postponed during consideration of extension applications. In those cases where it was found after careful consideration that even the most liberal extension of loan terms would be insufficient to permit the borrower to carry his loan, it was necessary to resume foreclosure action. These cases account for the noticeable increase in foreclosure activity during the fall of 1940. After this period had passed, the trend of foreclosures was steadily downward, with net authorizations during the last six months of the reporting period totaling only 3,615 as compared with 7,883 during the previous six months.

The downward trend in foreclosure activity during the closing months of the reporting period is attributed to two causes. First, the Corporation's extension program has placed a large number of marginal accounts on a satisfactory paying basis. At the end of June 1941, only about 7 percent of outstanding mortgage loan accounts were in default. Second and perhaps even more important, is the fact that improved economic conditions and rising incomes have enabled a great number of borrowers to maintain their loan contracts on a current basis.

*Foreclosure operations during the fiscal year 1941, by months*

| Month | Original borrowers | | | Vendees | | |
|---|---|---|---|---|---|---|
| | Authorizations | Withdrawals | Net authorizations | Authorizations | Withdrawals | Net authorizations |
| 1940 | | | | | | |
| July | 1,554 | 351 | 1,203 | 151 | 29 | 122 |
| August | 1,829 | 385 | 1,444 | 179 | 27 | 152 |
| September | 2,223 | 358 | 1,865 | 235 | 38 | 197 |
| October | 2,117 | 596 | 1,521 | 255 | 47 | 208 |
| November | 1,706 | 585 | 1,121 | 192 | 42 | 150 |
| December | 1,313 | 584 | 729 | 182 | 65 | 117 |
| 1941 | | | | | | |
| January | 1,525 | 611 | 914 | 183 | 66 | 117 |
| February | 1,510 | 691 | 819 | 212 | 69 | 143 |
| March | 1,497 | 712 | 785 | 242 | 74 | 168 |
| April | 1,140 | 781 | 359 | 171 | 96 | 75 |
| May | 946 | 563 | 383 | 154 | 71 | 83 |
| June | 879 | 524 | 355 | 125 | 64 | 61 |
| Total | 18,239 | 6,741 | [1] 11,498 | 2,281 | 688 | [2] 1,593 |

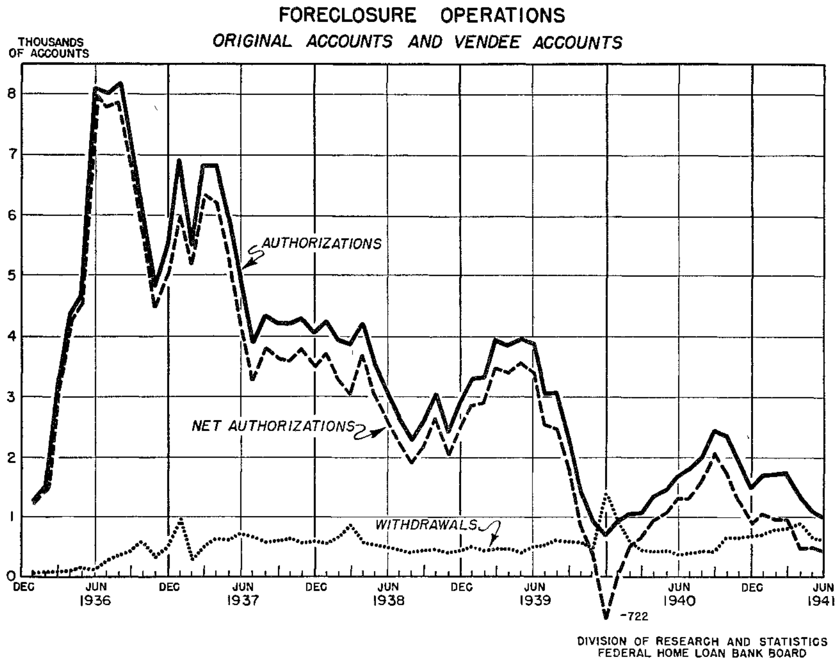
[1] Includes 586 redemptions.
[2] Includes 1 redemption.

Since the beginning of operations, the Corporation has authorized 226,244 foreclosures on original loans, of which 32,632 have been withdrawn, leaving a net total of 193,612, or 19.0 percent of loans closed. Foreclosures which have been authorized on vendee accounts reached the cumulative figure of 3,825 on June 30, 1941. After deduction of withdrawals numbering 943, a net total of 2,882 remains. Compared with the total volume of vendee accounts set up on the books of the Corporation, this represents a foreclosure rate of only 2.2 percent and speaks well for the performance record of individuals who have purchased Corporation properties on a deferred payment basis.

Exhibit 55 presents on a cumulative basis to June 30, 1941, net foreclosure authorizations on original loans and vendee accounts, by HOLC Regions and by States, and the ratio of net foreclosures on original loans to the total number of loans granted.

As previous Reports of the Board have stated, the foreclosure policy of the Home Owners' Loan Corporation is predicated on the

CHART LIII




belief that foreclosure should be taken only after every other reasonable means of enabling the borrower to keep his loan in satisfactory status has been exhausted. One measure of this policy is found in the following table:

*Percent distribution of foreclosures through June 30, 1941, by arrearages at time of foreclosure*

| Arrearages before foreclosure: | *Percent of total* |
|---|---|
| Less than 12 months | 35.5 |
| 12 months to 17 months | 21.4 |
| 18 months to 23 months | 19.4 |
| 24 months and over | 23.7 |
| Total | 100.0 |

In its efforts to work out fair means of settlement with its borrowers, the Corporation withheld foreclosure actions until the delinquencies amounted to more than 12 months in 64.5 percent of total cases. As a matter of fact, even this figure is something of an understatement. Extended accounts are brought into current status at time of extension by including in the loan amount delinquent principal and interest as well as advances made for delinquent taxes, assessments, and insurance. In the above table, therefore, arrearages at time of foreclosure on these accounts include only the period of delinquency after approval of the extension agreement. If forbearance prior to this time were also computed, the percentage of foreclosed accounts upon which delinquencies totaled 12 monthly installments or more would be substantially higher than 64.5 percent.

*Property Management*

The 1941 reporting period saw a further substantial reduction in the real-estate holdings of the Home Owners' Loan Corporation. During the 1941 fiscal year, the number of properties owned and in process of acquiring title [2] decreased from 70,780 to 49,419, a reduction of 30.2 percent. The combined capital value [3] of properties owned and in process of acquiring title was $318,734,001 on June 30, 1941, as compared with $424,185,212 a year previous, a decline of 24.9 percent.

The Corporation's declining real-estate account resulted, of course, from an excess of sales over new acquisitions during the reporting period. Only 17,382 properties were acquired during the fiscal year 1941, while property sales during the same twelve months totaled 34,745. Exhibit 56 shows property acquisitions and sales, by fiscal-year periods, from 1936 through 1941.

The policy guiding all property management activities of the Home Owners' Loan Corporation has been one of orderly liquidation, designed to dispose of acquired real estate as rapidly as is consistent with the Government's interest and with the Corporation's policy as a public agency to safeguard the stability of the real-estate market. The practice of "dumping" properties has never been followed on the premise that such a policy might well weaken the market and would represent an irresponsible sacrifice of the realizable value which the Corporation has in its properties. Instead, properties owned by the

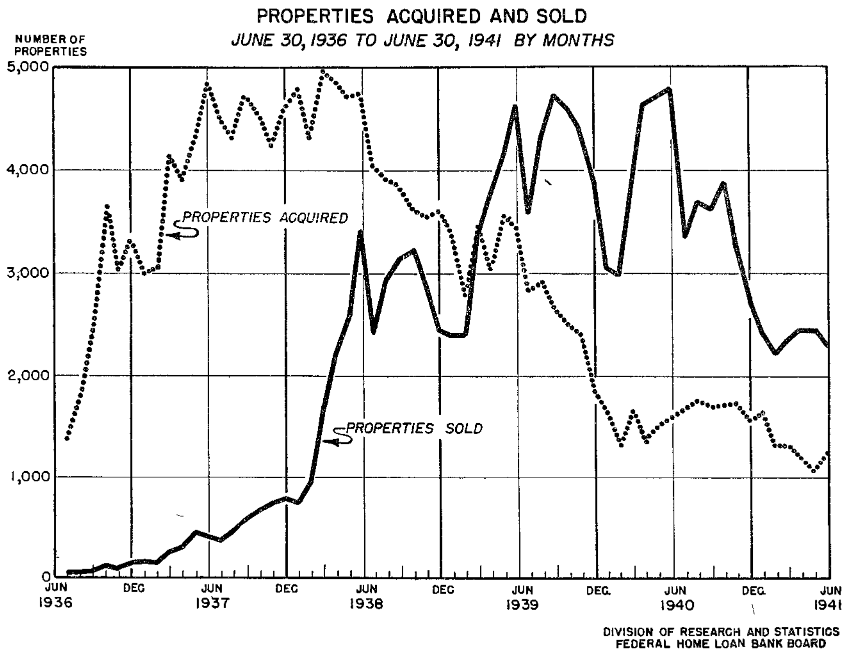
[2] Properties in process of acquiring title are those where the foreclosure action has been advanced to the point of judgment or sale but where because of the existence of a redemption period or for other reasons, some additional time must yet elapse before the Corporation can acquire full title.

[3] The capital value of property is represented by unpaid balances of loans and advances; unpaid interest to date of foreclosure, sale, or judgment; foreclosure costs; other charges applicable to the period preceding acquisition; initial repairs; and reconditioning and permanent additions which enhance the value of the property.

Home Owners' Loan Corporation are offered for sale at prices based on fair market values.

Each property acquired by the Corporation is treated as an individual case and disposition is based on an analysis of all factors involved. Decisions as to sale and rental prices and necessary reconditioning to be performed are based on such analysis, the object of which is to determine the best means of liquidating the Corporation's

CHART LIV




properties. All properties are listed for sale with brokers, and listings are distributed on an equitable basis to all reputable sales brokers in the community.

The property holdings of the Corporation continue to show a tendency toward concentration in certain areas where, in spite of generally improved economic conditions throughout the country, recovery of the local real-estate market continues to lag and sales are difficult. The real-estate problem of the Home Owners' Loan Corporation, like that of other financial institutions, has become primarily one of liquidating the properties which it now holds in these localities.[4]

A conspicuous example of this concentration is found in the eastern and northeastern sections of the country, especially in such States as

[4] See Survey of Housing and Mortgage Finance, pp. 27–29.

New York, New Jersey, and Massachusetts. The proportion of properties in the New York Region, comprising New York, New Jersey, and the New England States, has increased progressively from 32.2 percent of total at the end of the fiscal year 1938 to 69.5 percent on June 30, 1941. Only 16.1 percent of the Corporation's loans were originally made in these same States.

An inventory of properties owned on June 30, 1941, shows the heaviest concentrations to be in the very large and the very small communities. Over 22.2 percent of the Corporation's properties were located in cities with one million or more inhabitants and 13.4 percent in towns of less than twenty-five hundred population. In particular, the scattering of properties throughout thousands of small communities has presented a unique problem in the marketing activities of the Corporation. Previous analyses have shown that sales had a tendency to lag in the population groups at each end of the scale, but recent reports indicate that sales, in each of the various community size groups, are approaching a closer balance.

*Property sales, by size of community, through June 30, 1941*

| | Total | 1,000,000 and over | 500,000 to 1,000,000 | 250,000 to 500,000 | 100,000 to 250,000 | 50,000 to 100,000 |
|---|---|---|---|---|---|---|
| Number of properties acquired [1] | 184,686 | 27,017 | 12,410 | 19,667 | 21,024 | 16,016 |
| Number of properties sold | 139,764 | 17,035 | 9,302 | 15,826 | 17,363 | 12,076 |
| Percentage sold | 75 7 | 63 1 | 75.0 | 80.5 | 82 6 | 75.4 |

| | 25,000 to 50,000 | 10,000 to 25,000 | 5,000 to 10,000 | 2,500 to 5,000 | Less than 2,500 |
|---|---|---|---|---|---|
| Number of properties acquired [1] | 16,085 | 23,182 | 13,682 | 10,662 | 24,941 |
| Number of properties sold | 12,930 | 17,392 | 10,661 | 8,273 | 18,906 |
| Percentage sold | 80 4 | 75.0 | 77.9 | 77.6 | 75.8 |

[1] Includes properties sold prior to acquisition, as permitted by statute in certain States.

Analysis of properties sold through June 30, 1941, shows a preponderance of sales at prices of $4,000 or less. As the following table indicates, 85 percent or more of properties acquired and priced at $3,000 or less had been sold through June 30, 1941, and over 79 percent of properties priced at $3,000 to $4,000 had also been liquidated.

*Properties acquired and sold, by price ranges, as of June 30, 1941*

| | Less than $1,000 | $1,000 to $2,000 | $2,000 to $3,000 | $3,000 to $4,000 | $4,000 to $6,000 | $6,000 to $10,000 | $10,000 and over |
|---|---|---|---|---|---|---|---|
| Number of properties acquired [1] | 12,967 | 31,043 | 35,144 | 32,502 | 44,149 | 25,851 | 3,030 |
| Number of properties sold | 11,063 | 27,076 | 29,987 | 25,801 | 28,870 | 15,088 | 1,879 |
| Percentage sold | 85 3 | 87 2 | 85 3 | 79.4 | 65.4 | 58.4 | 62.0 |

[1] Includes properties sold prior to acquisition as permitted by statute in certain States.

Only a limited number of HOLC properties have been sold on a cash basis. The large majority have been sold with a down payment and the balance payable in equal monthly installments over a period ranging up to fifteen years. On June 30, 1941, the average down payment on such sales was 11.9 percent of the purchase price.

*Property sales through June 30, 1941, by terms*

| | Number of properties | Percent of total |
|---|---|---|
| Cash sales | 8,478 | 6.1 |
| Sales on security instruments | 76,430 | 54.7 |
| Sales contracts or other instruments in lieu thereof | 54,856 | 39.2 |
| Total | 139,764 | 100.0 |

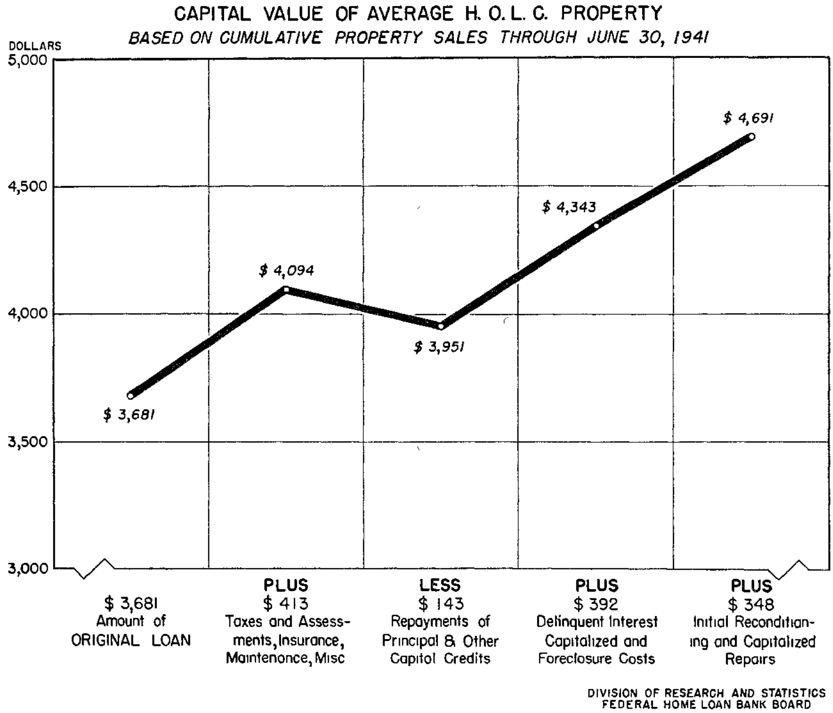
Property sales through the end of the fiscal year 1941 resulted in a cumulative capital loss of $168,402,668, or an average of $1,204.91 per property, representing the spread between the sales price and the capital value carried on the books of the Corporation. The cumulative capital loss through the close of the reporting period was 25.8 percent of the capital value of all properties sold. A detailed statement of profit and loss on sales, by calendar years, is given in Exhibit 57.

Without some explanation of the factors accounting for losses, these figures give a false picture of the Corporation's sales experience. Losses resulting from the sale of owned properties have been computed on the basis of a capital value which includes all costs resulting from the forbearance shown by the Corporation to its distressed borrowers. These book losses can, in fact, be taken in part to represent the cost of leniency toward borrowers who failed to rehabilitate themselves.

Efforts to avoid foreclosure and to exhaust every possibility of working out a satisfactory solution to delinquency problems mean the accumulation of substantial arrearages in many cases before the Corporation resorts to foreclosure. After foreclosure has been authorized, all costs incident to acquiring title are included in the capital value which in almost every instance has been increased as a result of the borrower's loan and tax delinquency. After acquisition, extensive reconditioning is many times necessary before the property can be placed in condition for rental or sale and amounts spent for these purposes are also added to capital value. As a result, the book value assigned to a large majority of the Corporation's acquired properties is well above current market prices, and the losses reported above should not be looked upon as losses resulting entirely from the sale of real estate.

The various elements entering into the capital value of properties cumulatively sold through June 30, 1941, are shown in Exhibit 58. The chart which follows illustrates how capital value is built up on the average property so far sold by the Corporation.

CHART LV




*Property Income and Expense*

Of the 62,868 units in properties owned by the Corporation on June 30, 1941, there were 51,606, or 82.1 percent, rented or available for rental. Of these units available for rental, 46,655, or 90.4 percent, were rented.[5] The 11,262 units vacant and not available for rental on June 30, 1941, comprised those units held for repairs, properties held vacant for sale, those adversely occupied, and a few cases in transition from one of these categories to another.

During the fiscal year 1941, the gross operating income derived from properties amounted to $20,774,183; and gross expenses, exclusive of interest and administrative overhead costs, totaled $16,680,132,

[5] In 288 cases, dwelling units could not be rented because the tenants were in the process of eviction.

leaving a net operating income for the reporting period of $4,094,051. From the beginning of operations through June 30, 1941, property income aggregated $93,714,151, while total property expense amounted to $79,299,181, resulting in a cumulative net operating income of $14,414,970.

Detailed information on vacancies, rent collections, and average rent per dwelling unit will be found in Exhibit 59. Exhibit 60 contains a summary of the various income and expense items entering into the operation of properties sold through June 30, 1941.

*Vendee Accounts*

The increasing volume of property sales is reflected in a corresponding growth in the number of accounts established for the purchasers of properties on a deferred payment basis. On June 30, 1941, vendee accounts totaled 126,143, or 14.9 percent of all debtor accounts as compared with 97,404, or 11.3 percent of total a year previous.

The Corporation's collection experience on its vendee portfolio has been a satisfactory one. Of the total vendee accounts in active status on June 30, 1941, over 97 percent were paying on schedule or were less than three months in arrears; an additional 1.0 percent, although delinquent, were making satisfactory liquidation payments; and only 1.7 percent were in default and threatened with foreclosure. As already mentioned, foreclosures authorized on vendee accounts through June 30, 1941, totaled only 2,882, or but 2.2 percent of all properties sold on a deferred payment plan. By the close of the reporting period, 2,229 properties had been reacquired from vendees.[6]

Through June 30, 1941, property sales on a deferred payment basis had brought a total sales price of $459,775,247, resulting in the establishment of vendee accounts in the amount of $401,573,895. The difference represents principally down payments received from property sales. Principal repayments and transfers to the Corporation's property account had reduced the dollar volume outstanding on vendee accounts at the close of the reporting period to $349,246,315, including $3,592,221 in advances made to vendees and unpaid balances of instruments received from partial sales in the amount of $3,091,554.

*Reconditioning*

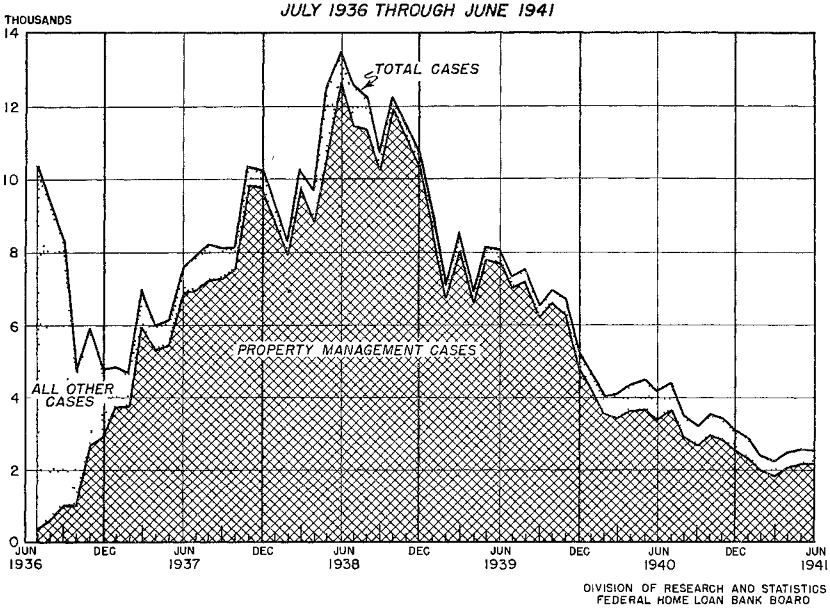
Reconditioning operations of the Home Owners' Loan Corporation are undertaken for two broad purposes. In the first place, funds have been advanced by the Corporation to a number of its borrowers

[6] These properties are included in the acquisition figures given on page 151.

to be expended for needed repairs and maintenance. As previously explained (see page 143), this servicing activity of the Corporation serves the dual purpose of protecting the interests of both the borrower and the Corporation. In the second place, it is necessary to recondition a substantial number of properties which the Corporation has been forced to acquire. In order either to rent or sell many properties, it is essential that they be restored to a condition of normal habitability which will enable them to compete favorably with similar properties

CHART LVI

RECONDITIONING CASES COMPLETED
JULY 1936 THROUGH JUNE 1941




in the neighborhood. Determination of the character and extent of reconditioning and repairs is based, of course, on a careful analysis of each individual case.

Reconditioning operations during the fiscal year 1941 show a decline from the previous year. This reduction is principally accounted for by a drop in the number of properties acquired, thereby reducing the volume of necessary repair work on properties offered for sale. During the reporting period, a total of 35,982 reconditioning contracts were completed, in the amount of $11,653,483, as compared with 66,085, in the amount of $17,722,229 the preceding year.

Of the contracts completed during the 1941 fiscal year, 30,289, or 84.2 percent, were for the reconditioning of properties acquired by the Corporation or in the process of acquisition. From the beginning of operations in 1933 through the close of June 1941, the Corporation had completed 831,850 reconditioning contracts involving a total expenditure of $168,674,387. In addition to cases handled directly by the Reconditioning Division of the Corporation, certain other expenditures are made by contract management brokers who have authority to provide for small maintenance repairs on properties under their supervision. It is estimated that the Corporation's reconditioning activity has, from the beginning of operations through June 30, 1941, provided approximately 17 million days of work for masons, carpenters, plumbers, painters, and others in the building industry. Detailed information on the various types of reconditioning cases completed since the beginning of operations will be found in Exhibit 61.

The reconditioning program of the Home Owners' Loan Corporation has had two important results. Expenditures of the Corporation for moderate repair and rehabilitation work have improved the marketability of properties. Since these properties must compete on a market which offers the public attractive new homes at moderate prices, it is important to place older structures in an attractive and sound condition.

A second result of reconditioning activity has been the effect of this type of operation in stopping neighborhood blight in older residential districts. In several cities, reconditioning by the Home Owners' Loan Corporation has stimulated private lenders and home owners to take similar action to protect their real-estate investments. The technical staff of the Corporation has cooperated in surveys of blighted areas in Baltimore and Chicago, and the findings of these studies have laid the groundwork for neighborhood rehabilitation programs in a number of other communities.

As mentioned in the first section of this Report, the Corporation's Reconditioning Division is now engaged in making similar studies for the Defense Housing Coordinator with the view to developing modernization and conversion programs in areas of concentrated defense industry as one means of adding to the existing supply of housing with a minimum of cost and delay.[7]

[7] See page 3.

*Appraisals*

During the fiscal year 1941, the total number of appraisals completed by the Corporation numbered 60,264 as compared with 90,872 during the preceding reporting period. Of the appraisals completed during the current fiscal year, 20,264 were initial appraisals and 40,000 represented reappraisals or supplemental reviews. Changing economic conditions, the aging of the Corporation's properties, and the various contingencies that constantly affect their value make it necessary to conduct fairly frequent reappraisals of properties in order to keep this vital information on a current basis. The Corporation has, in fact, adopted the policy of ordering review appraisals whenever it is found that values are being affected by economic or neighborhood changes and that the latest appraisal information available has become out of date.

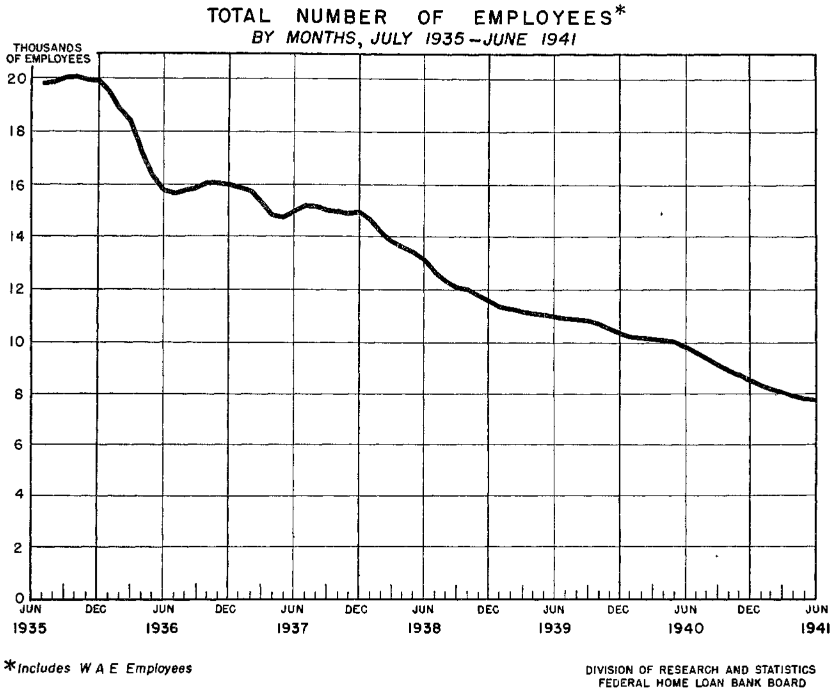
In the early period of operations, appraisals were used primarily as a means of evaluating the security behind each of the million loans refinanced by the Corporation. In subsequent years, appraisals have been used by the Corporation principally as a property management tool for the determination of sales prices, rents, and the need for reconditioning. In a few cases, appraisals are used in legal proceedings.

Since the Appraisal Section of the Corporation has had considerable experience in estimating the value of real estate on a wide geographical basis and has available within its regional and field set-up trained specialists for this type of work, the other agencies under the Federal Home Loan Bank Board, as well as a number of unrelated Government agencies, have made use of the appraisal facilities of the Corporation. Under a cooperative arrangement with the Federal Works Agency and the Procurement Division of the United States Treasury, the Appraisal Section of the Home Owners' Loan Corporation has assisted in the appraisal of various types of property, particularly old post office and customhouse structures no longer needed for Government use. During the reporting period, the Corporation also made a large number of defense appraisals for the War and Navy Departments, involving all types of properties valued at several millions of dollars. Twenty-six appraisals were completed or were under way on June 30, 1941, for the War Department, and 62 for the Navy Department, thus making it unnecessary for these agencies to develop extensive appraisal facilities of their own. Cooperative appraisal work of the Corporation's Appraisal Section for other Government departments is done on a reimbursable basis.

### 3. ADMINISTRATION AND PERSONNEL

The problems encountered in the administration of the Home Owners' Loan Corporation are difficult and in many respects unique. Because the Corporation's loans were made to distressed home owners, it has been necessary to develop special service activities not usually required of private lenders. The cost of handling the Corporation's typically small accounts has also been relatively high since there is little difference in overhead expenses on a mortgage of $3,000 and one

CHART LVII




ten times that figure. The very fact that the Corporation's loans and properties are located in virtually every county in the United States has made the problem of administering and controlling operations more complex than would otherwise be the case. Nevertheless, as the following figures will show, the Corporation has been able to effect steady reductions in administrative costs during the last several years.

On July 1, 1941, personnel [8] employed by the Corporation numbered 7,764, of whom 1,256 were listed on the home office and 6,508 on the

[8] All personnel figures include employees on a per diem basis.

field payrolls. Included in the figure for home office personnel are 203 individuals who were officially stationed in various field offices. These figures compare with a total of 1,274 home office employees and 8,569 field employees at the beginning of the fiscal year. In other words, during the reporting period, the Corporation was able to effect a reduction of 21.1 percent in number of personnel, with a resulting saving in annual salary cost of $3,831,400.

At the height of refinancing activity in November 1934, the total personnel employed by the Corporation numbered more than 20,000. From that period, the staff of the Home Owners' Loan Corporation has been reduced by over 62 percent. This continuing retrenchment reflects the progressive adaptation of the organization to the reduced volume of its work and also the steady introduction of operating efficiencies and improvements as rapidly as developments would permit. Detailed information on the number of employees on the payroll as of July 1, 1941, broken down by departments, divisions, and sections will be found in Exhibit 62.

The Corporation has been faced with the difficult problem of maintaining a high morale during a period when it has been necessary to cut down on administrative overhead in view of the over-all responsibility of the Corporation to liquidate its affairs as rapidly and as economically as possible. In order to take advantage of every opportunity to develop and maintain the complete support of its employees, the Board in 1940 authorized the development and publication of a statement of policy governing employee relations. Department heads, supervisors, and employees cooperated in the formation of clearly stated policies to which all agreed, and worked out procedures for an easy, free exchange of ideas and the prompt settlement of problems affecting both employees and management.

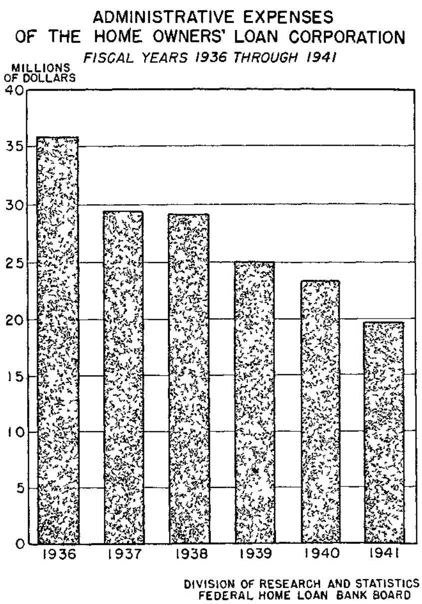
Probably the most serious personnel problem confronting the Corporation has been the selection of personnel for separation when reductions in force are necessary. Great care has been exercised to develop and administer a uniform procedure for the fair and equitable determination of employees who must be separated. Consideration is given to such factors as efficiency, length of service, versatility, economic need for employment, and veteran's preference.

As a public responsibility, the Corporation has assumed the task of assisting employees who must be separated to obtain other employment as rapidly as possible. Few of the employees separated during the reporting period were without employment for any extended length of time, and in the majority of cases, assistance by the Corporation was instrumental in enabling these individuals to find other jobs.

In the fall of 1940, it became apparent that the national defense program would require trained personnel in the rapidly expanding agencies of the Government responsible for the problem of housing for defense. In the interests of the broader public welfare, the Corporation immediately adopted a policy of making available its best qualified and most thoroughly seasoned employees for key positions in defense agencies although in many cases this meant a considerable sacrifice on the part of its own organization.

Positions with the Home Owners' Loan Corporation have been classified in accordance with the requirements of Executive Order No. 6746 of June 21, 1934, which set compensation scales for employees in emergency agencies. Under the terms of the Ramspeck Act, approved November 26, 1940, the Home Owners' Loan Corporation with a number of other agencies of the Federal Government will begin to operate fully under Civil Service regulations and laws on January 1, 1942. In anticipation of this change in personnel procedures, the Board on May 14, 1941, provided for the adoption of salary rates and grades prescribed for agencies subject to the Classification Act. By this action, the Board is assisting its employees to secure at an early date all of the benefits of the Government service under the merit system. Personnel policies and procedures of the Corporation have been closely correlated with those of the Civil Service Commission since the establishment of the Corporation in 1933. It is, therefore, expected that the transition can be completed with a minimum of work and expense.

CHART LVIII




During the 1941 fiscal year, 21 State, divisional, district, and other branch offices of the Corporation were closed, reducing the total number of such offices to 21 at the end of the reporting period. The number of field stations maintained by the Corporation for servicing purposes was also reduced from 56 to 47. The contraction in field organization brought about during the reporting period was reflected not only in substantial salary savings, but also in reduction of rental and other overhead costs.

## 4. FINANCIAL OPERATIONS

### *Statement of Condition*

The financial statement of the Home Owners' Loan Corporation shows further progress in the liquidation of assets during the fiscal year 1941. Aggregate resources declined from $2,790,002,453 on June 30, 1940, to $2,565,932,327 at the close of the reporting period, a decrease of 8 percent. A comparison of the balance sheet on June 30, 1941 (Exhibit 63), with the balance sheet a year previous, shows several significant shifts in major items during the reporting period.

*Changes in important balance-sheet items from June 30, 1940, to June 30, 1941*

| | |
|---|---|
| Assets: | |
| Original mortgage loans and advances thereon | −$213, 836, 866 |
| Vendee accounts and advances thereon | +72, 007, 186 |
| Property owned and in process of acquiring title | −105, 451, 211 |
| Bond Retirement Fund | +11, 044, 501 |
| Investments | −20, 170, 850 |
| Liabilities and Capital: | |
| Bonded indebtedness | −215, 200, 100 |
| Accounts payable | +7, 000, 527 |
| Reserve for losses | −21, 439, 806 |
| Net worth (capital stock minus deficit) | −15, 909, 686 |

*Original mortgage loans.*—The balance of original mortgage loans outstanding and advances thereon shows a decline during the reporting period from $1,734,883,082 to $1,521,046,216. This decrease is primarily accounted for by principal repayments on the part of original borrowers and to a lesser degree by the transfer of loan accounts to property accounts through foreclosure or deed in lieu of foreclosure.

*Vendee instruments.*—The progress of the Corporation in selling its owned properties on a deferred payment basis is reflected in an increase of vendee instruments outstanding and advances thereon from $277,239,129 to $349,246,315.

*Property owned.*—The capital value of property owned and in process of acquiring title fell from $424,185,211 to $318,734,001 during the reporting period as a result of increasing property sales and declining acquisitions, analyzed in detail on pages 151–155.

*Bond Retirement Fund.*—On June 30, 1940, the cash and security holdings of the Bond Retirement Fund totaled $35,066,998, of which $31,449,200 was represented by cash held in the United States Treasury for retirement of matured bonds. At the close of the current reporting period, the total of such funds, all in cash, amounted to $46,111,498, of which only $10,687,950 represented the portion held against matured obligations. The balance applicable to unmatured bonds consequently increased during the year by $31,805,750.

*Investments.*—Investments of the Home Owners' Loan Corporation include the entire capital stock of the Federal Savings and Loan Insurance Corporation in the amount of $100,000,000 and investments in the shares of Federal and State-chartered savings and loan associations. Due entirely to the repurchase of share investments by savings and loan associations, investments of the Corporation declined from $303,024,210 to $282,853,360. Exhibit 64 gives a detailed statement of HOLC investments in savings and loan associations.

*Bonded indebtedness.*—The bonded indebtedness of the Corporation declined from $2,634,808,900 to $2,419,608,800 during the reporting period. Bonds outstanding on June 30, 1941, include $10,687,950 in matured bonds not yet presented for payment for which an equal amount of cash is on deposit with the Treasurer of the United States. Eliminating these bonds, the total liability of the Corporation on unmatured bonded indebtedness totaled $2,408,920,850 on June 30, 1941, and if allowance is made for funds held by or due the Bond Retirement Fund, a net liability of $2,373,497,300 results. All outstanding unmatured bonds of the Corporation are guaranteed by the Government both as to principal and interest.

No bonds were issued by the Home Owners' Loan Corporation to the public during the fiscal year ending June 30, 1941. The only securities issued during this period were $5,000,000 of ¼ percent, Series N bonds, due October 1940 and $15,000,000, ¼ percent, Series O bonds, due October 1941. Both of these series were sold at intervals to the United States Treasury for general corporate purposes and were repaid prior to June 30, 1941.

Prior to May 15, 1941, cash totaling $190,837,900, which had been accumulated in the Bond Retirement Fund, was deposited with the United States Treasury for the payment of a like amount of ⅝ percent, Series L bonds, due on that date. This reduction in bonded indebtedness represented one of the largest single reductions of debt in the record of Government agencies. A detailed statement of bonds issued, refunded, and retired to June 30, 1941, and bonds outstanding on that date is presented in Exhibit 65

*Reserves and losses.*—At the beginning of the reporting period, the Corporation's reserve for losses on mortgage loans, interest, and property amounted to $47,098,068. Regular monthly allocations of $3,333,333 were added to the account during the fiscal year, resulting in total additions of $40,000,000. Losses sustained during the year on mortgage loans and property exceeded this amount, aggregating $61,439,806, and resulted in a reduction in the balance outstanding in the reserve at the close of the reporting period to $25,658,262.

*Net worth.*—On June 30, 1941, the accumulated deficit, after provision for losses, aggregated $92,362,692. Hence, the net worth of the Corporation at the close of the reporting period stood at $107,637,308, a decline of $15,909,686 during the year.

Exhibit 66 gives the cash receipts and disbursements of the Corporation during the last two fiscal years. Their effect on cash working funds, Bond Retirement Fund, and bond liability, taking into consideration assets of the Bond Retirement Fund, follows:

| | Fiscal year 1940 | Fiscal year 1941 |
|---|---|---|
| Source of funds: | | |
| Cash working funds, beginning of year | $79,329,628 | $39,702,549 |
| Balance in Bond Retirement Fund, beginning of year | 149,217,560 | 35,066,998 |
| Net receipts from operations | 159,884,275 | 240,118,617 |
| Proceeds from bond sales | 117,171,577 | 20,009,048 |
| Discount on bonds purchased | 112,631 | |
| Net funds available | 505,715,671 | 334,897,212 |
| Use of funds: | | |
| Cash working funds, end of year | 39,702,549 | 53,585,613 |
| Balance in Bond Retirement Fund, end of year | 35,066,998 | 46,111,499 |
| Bonds retired | 430,946,124 | 235,200,100 |
| Total | 505,715,671 | 334,897,212 |

### *Income and Expense*

During the fiscal year 1941, both the income and the expenses of the Corporation show a substantial reduction. Operating and other income totaled $116,484,728 as compared with $128,527,812 during the preceding fiscal year. Operating and other expenses amounted to $92,867,479 as compared with $105,496,796 during the 1940 reporting period. There was, thus, a reduction of $12,043,084, or 9.4 percent in income and $12,629,317, or 12 percent in expenses.

The greatest decline in income during the reporting period was the result of a reduction in interest income on mortgage loans and advances from $84,735,261 to $73,935,176. Two factors account for this drop, a decline in the number of loan accounts on the Corporation's books and a reduction in the principal amount on which interest is charged as a result of amortization. Most of the decline is accounted for by the latter of these factors.

Interest income on vendee accounts increased $4,461,926 as a result of the addition of a large number of new accounts during the fiscal year. Property income for the fiscal year showed a substantial decline in the amount of $5,493,675, reflecting reduced property holdings and substantial progress in the sale of real estate. Dividends received from share investments in savings and loan associations declined due to retirements of these investments during the reporting period. Furthermore, a number of institutions have reduced the rate at which dividends are paid on their share capital.

*Condensed income and expense statement for the fiscal years 1940 and 1941*

| Items | July 1, 1939 to June 30, 1940 | July 1, 1940 to June 30, 1941 |
|---|---|---|
| Operating and other income: | | |
| Interest on original mortgage loans and advances | $84,735,261 | $73,935,176 |
| Interest on vendee accounts and advances | 9,969,264 | 14,431,190 |
| Interest on special investments | 41,407 | 19,639 |
| Property income | 26,267,858 | 20,774,183 |
| Dividends on investments in savings and loan associations | 7,253,960 | 6,473,661 |
| Miscellaneous | 260,062 | 851,479 |
| Total income | 128,527,812 | 116,484,728 |
| Operating and other expenses: | | |
| Net interest on bonded indebtedness | 56,393,368 | 55,242,303 |
| Amortization of discount on refunded bonds | 1,466,777 | |
| Administrative expense | 23,331,735 | 19,766,078 |
| General expense | 2,296,198 | 1,178,966 |
| Property expense | 22,008,718 | 16,680,132 |
| Total expense | 105,496,796 | 92,867,479 |
| Net income before provision for losses | 23,031,016 | 23,617,249 |
| Provision for losses | 40,067,690 | 40,353,331 |
| Deficit for period | 17,036,674 | 16,736,082 |

The drop in property expense during the reporting period accounted for approximately 42 percent of the total decline in Corporation expenses. Again, the decline can be attributed to the reduction in real-estate holdings of the Corporation. Administrative expenses also showed a substantial reduction of $3,537,321, or 15 percent during the reporting period. Interest on bonded indebtedness declined by $1,147,475 as a result of the reduction in the total volume of bonds outstanding. After provision for losses in the amount of $40,353,331 during the reporting period, a deficit for 1941 fiscal-year operations was sustained in the amount of $16,736,082 as against a loss of $17,036,674 in the preceding fiscal year. A detailed income and expense statement will be found in Exhibit 67.

From the beginning of operations through June 30, 1941, total operating and other income of the Home Owners' Loan Corporation aggregated $944,786,228 and operating and other expenses during this same period amounted to $809,541,194. The difference between these two figures gives a net income of $135,245,034 before provision for losses which may be sustained in the liquidation of assets. After deduction of $227,600,293 for losses sustained and provision for future losses, together with a surplus adjustment of $7,433, the deficit on June 30, 1941, aggregated $92,362,692. A statement of income and expense from the beginning of operations to June 30, 1941, and an analysis of changes in deficit for the reporting period are given in Exhibits 68 and 69.

Since ordinary business practice requires the establishment of reserves to which losses may be charged, the Board of Directors of the Corporation has set aside from income each year specified amounts to maintain reserves to which losses arising from delinquent interest and the liquidation of mortgage loans and property may be charged. During the fiscal year 1941, allocations thus set aside totaled $40,000,000, but since losses charged off exceeded reserve provisions, the balance in the reserve account was reduced by $21,439,806.

*Analysis of reserves and charges to reserves*

| Item | Cumulative to June 30, 1940 | Fiscal year 1941 | Cumulative to June 30, 1941 |
|---|---|---|---|
| Allocated to reserves | $186,137,153 | $40,000,000 | $226,137,153 |
| Losses: | | | |
| On mortgage loans and vendee instruments [1] | 168,710 | 28,161 | 196,871 |
| On capital value of property sold | [2] 115,226,094 | 53,176,575 | [3] 168,402,669 |
| Sales brokers' commissions and selling expenses | 23,432,941 | 8,221,827 | 31,654,768 |
| On properties charged off | 211,340 | 13,243 | 224,583 |
| Total losses | 139,039,085 | 61,439,806 | 200,478,891 |
| Balance in reserves | 47,098,068 | −21,439,806 | 25,658,262 |

[1] Includes reserve provisions for accumulated interest.
[2] Includes accrued interest capitalized of $27,415,423.50
[3] Includes accrued interest capitalized of $36,144,860.60.

## 5. PROGRESS IN LIQUIDATION

During the reporting period, the Home Owners' Loan Corporation made further substantial progress in the liquidation of its resources. The task of liquidation consists primarily in the collection of the amount invested in outstanding mortgage loans plus the unpaid balance on properties acquired, subsequent additions in the form of advances to borrowers and vendees, interest capitalized, and necessary expenditures on properties acquired.

The net balance of loans outstanding and the capital value of properties on hand was reduced during the fiscal year ending June 30, 1941, from $2,436,945,646 to $2,189,038,942, or by 10.2 percent. This compares with a net liquidation ratio of 7.3 percent during the previous fiscal year. The various processes by which this reduction in investment was brought about are illustrated in the following table:

*Reduction of total debtor and property accounts [1] in the fiscal year 1941*

| | | |
|---|---|---|
| Balance of loans outstanding and property on hand, June 30, 1940 | | $2, 436, 945, 646 |
| Plus: Additions during the year: | | |
| Advances to original borrowers | $16, 244, 641 | |
| Advances to vendees | 2, 428, 898 | |
| Interest converted to principal (extensions) | 1, 126, 599 | |
| Interest capitalized in property | 1, 720, 892 | |
| Capital charges to property | 12, 539, 397 | |
| Sales brokers' commissions and selling expense | 8, 221, 827 | |
| Miscellaneous | 2, 036, 957 | |
| Total additions | | 44, 319, 211 |
| | | 2, 481, 264, 857 |
| Minus: Receipts during the year: | | |
| Principal repayments by original borrowers | $179, 838, 597 | |
| Principal repayments by vendees | 48, 536, 004 | |
| Miscellaneous capital cash credits | 1, 793, 954 | |
| Unposted advances, decrease | 625, 814 | |
| Total receipts | | 230, 794, 369 |
| Loss on principal sustained during the year | | [2] 61, 431, 546 |
| Balance of loans outstanding and properties on hand, June 30, 1941 | | 2, 189, 038, 942 |

[1] Debtor accounts include original loans and advances to borrowers, subsequent additions to the original loans, and interest converted to principal by extension, they also include vendee accounts originating from property sales of the Corporation and advances to vendees. Property accounts represent the capital value both of property owned and property in process on which a foreclosure judgment has been obtained or foreclosure sale has been held subject to redemption period; they include unpaid interest on the loan accounts transferred to property accounts, the cost of initial repairs and improvements, and acquisition costs, taxes, etc , applicable to the period prior to the acquisition of absolute title.

[2] Including sales commissions and selling expenses of $8,221,827.

The Corporation still had investments in debtor and property accounts amounting to $2,189,038,942 at the close of the 1941 fiscal year. This total was composed of $1,521,046,216 representing original mortgage loans and advances thereon, $349,246,315 in vendee accounts and advances, $318,734,001 in property acquisitions, and $12,410 in the form of unposted advances. From the beginning of operations through June 30, 1941, the Corporation's gross investments in loans and properties—aggregating $3,489,651,957 on that date—had been reduced by $1,300,613,014, or 37.2 percent of the total. Of this reduction, $1,100,134,124, or 31.5 percent of total investments, is accounted for by moneys actually received by the Corporation in the form of repayments on debtor accounts and from the proceeds of property sales. The remaining $200,478,891, or 5.7 percent of the gross total, represents losses sustained in the liquidation of loans, interest, and properties.

*Reduction of total debtor and property accounts through June 30, 1941*

| | Amount | Percent |
|---|---|---|
| Gross investment in loans and properties, June 30, 1941 | [1] $3,489,651,957 | 100.0 |
| Deduct: | | |
| Repayments on original loans | 956,637,553 | 27.4 |
| Receipts—property sales and vendee accounts | 135,546,907 | 3.9 |
| Net miscellaneous cash credits | 7,949,664 | 0.2 |
| Total | 1,100,134,124 | 31.5 |
| Total losses | [1] 200,478,891 | 5.7 |
| Balance of loans outstanding and properties on hand, June 30, 1941 | 2,189,038,942 | 62 8 |

[1] Includes sales brokers' commissions and selling expenses.

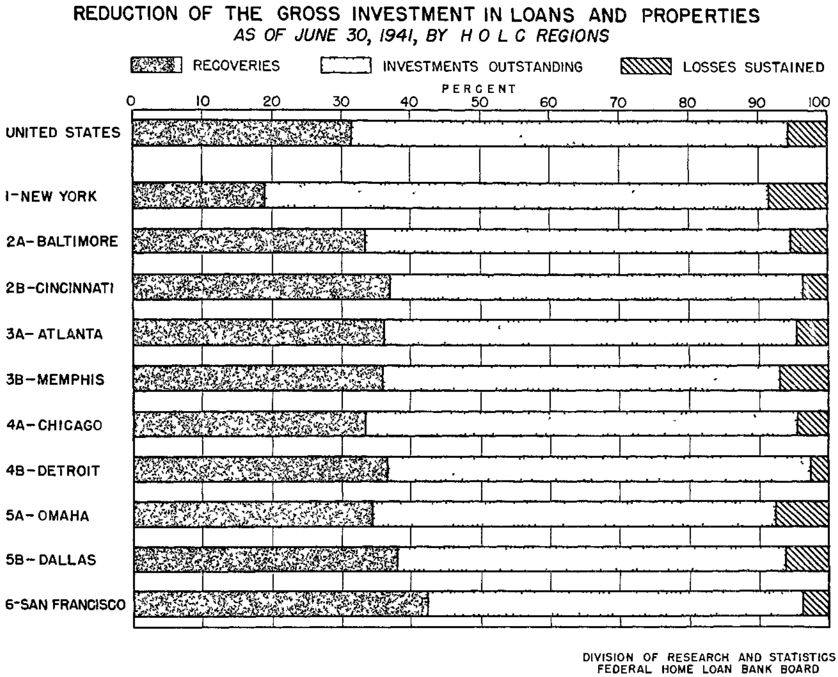
The only other major type of investment which is subject to gradual liquidation consists of investments in the shares of savings and loan associations. During the reporting period, such investments declined by $20,170,850 as the net result of voluntary repurchases of $20,377,800, retirements requested by the Board in the amount of $1,213,050, and new investments of only $1,420,000.

The progress in liquidation varies substantially among the different HOLC Regions as the chart on page 170 indicates. On June 30, 1941, the San Francisco Region, including the Pacific and Mountain States, led all other Regions with a reduction in gross investments in that area of 45.59 percent, including losses sustained in the process of liquidation. At the other extreme, the New York Region, comprising New York, New Jersey, and the several New England States, was far below the national average with a reduction of only 26.83 percent.

The reduction in the Corporation's debtor and property accounts has been accompanied by a reduction in the bonded indebtedness of the Corporation. Total bonds outstanding on June 30, 1941, aggregated $2,419,608,800, as compared with a peak of $3,047,046,575 at the time the refinancing activity of the Home Owners' Loan Corporation ended in June of 1936. The Corporation has issued a gross total in bonds of $5,903,318,875, which includes bonds issued solely for refunding purposes. Bonds refunded through June 30, 1941, amounted to $2,413,865,325 and bonds retired totaled $1,069,844,750, leaving the net liability at the close of the reporting period at $2,419,608,800.

In accordance with the provisions of the Home Owners' Loan Act, all principal repayments by borrowers have been deposited regularly in the Bond Retirement Fund and used only for the retirement of

CHART LIX




bonds. Certain other receipts such as cash proceeds from property sales and repurchases of investments in savings and loan associations have likewise been applied to the retirement of bonds by order of the Board. Through the close of the reporting period, principal repayments of debtors and proceeds from property sales amounted to $1,092,814,460; other items applicable to the retirement of bonds aggregated $43,211,024, giving a total of $1,136,025,484. Of this amount, $1,115,843,304 had actually been deposited in the Fund through June 30, 1941, and the remaining $20,182,181 was deposited during July. The following table shows the disposition of the funds allocated to the Bond Retirement Fund through June 30, 1941:

| | |
|---|---|
| Applied to retirement of bonds | $1, 069, 731, 805 |
| Deposited with U. S. Treasury for retirement of matured bonds on which interest has ceased | 10, 687, 950 |
| Available for future bond retirement | 35, 423, 548 |
| | 1, 115, 843, 303 |
| Amount due Bond Retirement Fund for June 1941 deposited in July 1941 | 20, 182, 181 |
| | 1, 136, 025, 484 |

The discrepancy between the net reduction in bonded indebtedness and the gross receipts applied to the retirement of bonds is a normal result of the liquidation problem facing the Corporation. The Home Owners' Loan Corporation has been obliged to acquire a substantial volume of properties and to expend considerable amounts on reconditioning, taxes, and insurance. The Corporation has also made advances both to original borrowers and vendees for a number of purposes. All of these factors have offset in part the reduction of original loan balances and have naturally tended to create a lag in a corresponding reduction in bonded indebtedness outstanding.

# List of Charts

DEFENSE HOUSING



SURVEY OF HOUSING AND MORTGAGE FINANCE

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN INSURANCE CORPORATION



HOME OWNERS' LOAN CORPORATION

# List of Exhibits

SURVEY OF HOUSING AND MORTGAGE FINANCE



FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND LOAN

INSURANCE CORPORATION

## EXHIBIT 1

*New nonfarm residential building in the United States, 1921–41*

[Thousands of dwelling units]

| Calendar year | 1-family | 2-family | Apartment | Total | Calendar year | 1-family | 2-family | Apartment | Total |
|---|---|---|---|---|---|---|---|---|---|
| 1921 | 316 | 70 | 63 | 449 | 1932 | 61 | 6 | 7 | 74 |
| 1922 | 437 | 146 | 133 | 716 | 1933 | 39 | 4 | 11 | 54 |
| 1923 | 513 | 175 | 183 | 871 | 1934 | 42 | 3 | 10 | 55 |
| 1924 | 534 | 173 | 186 | 893 | 1935 | 110 | 6 | 28 | 144 |
| 1925 | 572 | 157 | 208 | 937 | 1936 | 203 | 13 | 60 | 276 |
| 1926 | 491 | 117 | 241 | 849 | 1937 | 219 | 15 | 52 | 286 |
| 1927 | 454 | 99 | 257 | 810 | 1938 | 261 | 17 | 69 | 347 |
| 1928 | 436 | 78 | 239 | 753 | 1939 | 351 | 28 | 86 | 465 |
| 1929 | 316 | 51 | 142 | 509 | 1940 | 425 | 37 | 78 | 540 |
| 1930 | 185 | 28 | 73 | 286 | Fiscal year 1940 | 375 | 30 | 79 | 484 |
| 1931 | 147 | 21 | 44 | 212 | Fiscal year 1941 | 497 | 39 | 80 | 616 |

Source: For 1921–36: National Bureau of Economic Research. For 1937 through 1941 Department of Labor, on the basis of building permit reports for cities of 2,500 population or over.

## EXHIBIT 2

*Nonfarm real-estate foreclosures in the United States, 1926–41*

| Year | Number | Rate per 1,000 nonfarm dwellings | Year | Number | Rate per 1,000 nonfarm dwellings |
|---|---|---|---|---|---|
| 1926 | 68,100 | 3.6 | 1934 | 230,350 | 12.2 |
| 1927 | 91,000 | 4.8 | 1935 | 228,713 | 12.1 |
| 1928 | 116,000 | 6.1 | 1936 | 185,439 | 9.8 |
| 1929 | 134,900 | 7.1 | 1937 | 151,366 | 8.0 |
| 1930 | 150,100 | 7.9 | 1938 | 118,505 | 6.3 |
| 1931 | 193,800 | 10.2 | 1939 | 100,961 | 5.3 |
| 1932 | 248,700 | 13.1 | 1940 | 75,310 | 4.0 |
| 1933 | 252,400 | 13.3 | 1941 [1] | 31,941 | 3.4 |

[1] January to June; rate on annual basis.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 3

*Nonfarm real-estate foreclosures, by Federal Home Loan Bank Districts and by States*

| Bank District and State | Number, year ending June 30, 1940 | Number, year ending June 30, 1941 | Bank District and State | Number, year ending June 30, 1940 | Number, year ending June 30, 1941 |
|---|---|---|---|---|---|
| United States total | 85,726 | 68,432 | No. 7—Chicago | 4,912 | 4,273 |
| No. 1—Boston | 10,367 | 7,356 | Illinois | 2,886 | 2,362 |
| | | | Wisconsin | 2,026 | 1,911 |
| Connecticut | 1,410 | 1,120 | | | |
| Maine | 769 | 663 | No. 8—Des Moines | 5,157 | 4,063 |
| Massachusetts | 7,151 | 4,759 | | | |
| New Hampshire | 300 | 266 | Iowa | 597 | 517 |
| Rhode Island | 668 | 481 | Minnesota | 831 | 646 |
| Vermont | 69 | 67 | Missouri | 3,200 | 2,564 |
| | | | North Dakota | 230 | 146 |
| No. 2—New York | 19,079 | 15,620 | South Dakota | 299 | 190 |
| New Jersey | 4,417 | 3,412 | No. 9—Little Rock | 3,418 | 2,565 |
| New York | 14,662 | 12,208 | | | |
| | | | Arkansas | 360 | 305 |
| No. 3—Pittsburgh | 12,229 | 10,285 | Louisiana | 661 | 485 |
| | | | Mississippi | 342 | 231 |
| Delaware | 212 | 184 | New Mexico | 124 | 77 |
| Pennsylvania | 11,248 | 9,398 | Texas | 1,931 | 1,467 |
| West Virginia | 769 | 703 | | | |
| | | | No. 10—Topeka | 3,090 | 2,843 |
| No. 4—Winston-Salem | 9,043 | 7,417 | | | |
| | | | Colorado | 357 | 341 |
| Alabama | 1,118 | 916 | Kansas | 1,096 | 1,098 |
| District of Columbia | 326 | 271 | Nebraska | 811 | 715 |
| Florida | 1,326 | 1,317 | Oklahoma | 826 | 689 |
| Georgia | 989 | 675 | | | |
| Maryland | 1,761 | 1,367 | No. 11—Portland | 1,427 | 964 |
| North Carolina | 1,715 | 1,241 | | | |
| South Carolina | 412 | 305 | Idaho | 89 | 53 |
| Virginia | 1,396 | 1,325 | Montana | 114 | 81 |
| | | | Oregon | 390 | 369 |
| No. 5—Cincinnati | 8,887 | 7,172 | Utah | 126 | 71 |
| | | | Washington | 623 | 332 |
| Kentucky | 1,356 | 1,176 | Wyoming | 85 | 58 |
| Ohio | 5,529 | 4,017 | | | |
| Tennessee | 2,002 | 1,979 | No. 12—Los Angeles | 3,596 | 3,086 |
| No. 6—Indianapolis | 4,521 | 2,788 | Arizona | 181 | 111 |
| | | | California | 3,400 | 2,964 |
| Indiana | 1,532 | 1,122 | Nevada | 15 | 11 |
| Michigan | 2,989 | 1,666 | | | |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 4

*Selected figures on residential real estate owned by financial institutions, Dec. 31, 1940*

| FHLB Districts | All real estate owned by savings and loan associations | 1- to 4-family nonfarm homes owned by life insurance companies | Residential real estate owned by insured commercial banks [1] | Properties owned by the Home Owners' Loan Corporation [2] |
|---|---|---|---|---|
| United States | $492,171,000 | $209,631,000 | $139,314,000 | $338,276,678 |
| No. 1—Boston | 50,056,000 | 8,117,000 | 9,998,000 | 46,153,542 |
| Connecticut | 550,000 | 2,610,000 | 2,833,000 | 8,327,674 |
| Maine | 1,929,000 | 1,000 | 818,000 | 896,550 |
| Massachusetts | 46,633,000 | 5,301,000 | 4,415,000 | 32,089,671 |
| New Hampshire | 438,000 | 50,000 | 124,000 | 815,562 |
| Rhode Island | 411,000 | 142,000 | 1,130,000 | 3,338,695 |
| Vermont | 95,000 | 13,000 | 678,000 | 685,390 |
| No. 2—New York | 156,197,000 | 63,385,000 | 43,245,000 | 201,623,940 |
| New Jersey | 121,043,000 | 16,501,000 | 18,794,000 | 57,002,790 |
| New York | 35,154,000 | 46,884,000 | 24,451,000 | 144,621,150 |
| No. 3—Pittsburgh | 68,462,000 | 25,258,000 | 52,561,000 | 12,922,489 |
| Delaware | 273,000 | 108,000 | 643,000 | 66,019 |
| Pennsylvania | 65,454,000 | 24,414,000 | 50,011,000 | 12,509,483 |
| West Virginia | 2,735,000 | 736,000 | 1,907,000 | 346,987 |
| No. 4—Winston-Salem | 9,843,000 | 20,179,000 | 6,925,000 | 11,566,815 |
| Alabama | 1,452,000 | 5,777,000 | 731,000 | 1,153,481 |
| District of Columbia | 474,000 | 421,000 | 769,000 | 83,637 |
| Florida | 70,000 | 1,796,000 | 540,000 | 474,139 |
| Georgia | 173,000 | 4,176,000 | 1,680,000 | 612,811 |
| Maryland | 4,138,000 | 272,000 | 1,273,000 | 6,230,491 |
| North Carolina | 1,786,000 | 6,807,000 | 640,000 | 786,769 |
| South Carolina | 426,000 | 226,000 | 79,000 | 152,175 |
| Virginia | 1,324,000 | 704,000 | 1,213,000 | 2,073,312 |
| No. 5—Cincinnati | 77,230,000 | 19,271,000 | 8,443,000 | 12,361,837 |
| Kentucky | 13,383,000 | 1,195,000 | 1,118,000 | 1,124,893 |
| Ohio | 63,262,000 | 12,144,000 | 6,597,000 | 10,106,098 |
| Tennessee | 585,000 | 5,932,000 | 728,000 | 1,130,846 |
| No. 6—Indianapolis | 17,854,000 | 24,257,000 | 2,676,000 | 10,964,673 |
| Indiana | 8,734,000 | 2,000,000 | 2,006,000 | 3,907,746 |
| Michigan | 9,120,000 | 22,257,000 | 670,000 | 7,056,927 |
| No. 7—Chicago | 54,232,000 | 19,534,000 | 3,403,000 | 15,230,374 |
| Illinois | 29,970,000 | 19,318,000 | 2,432,000 | 5,005,053 |
| Wisconsin | 24,262,000 | 216,000 | 971,000 | 10,225,321 |
| No. 8—Des Moines | 13,206,000 | 10,729,000 | 1,211,000 | 10,655,844 |
| Iowa | 1,568,000 | 675,000 | 186,000 | 663,808 |
| Minnesota | 738,000 | 2,744,000 | 215,000 | 1,486,909 |
| Missouri | 9,769,000 | 7,228,000 | 728,000 | 6,977,887 |
| North Dakota | 778,000 | 44,000 | 55,000 | 537,539 |
| South Dakota | 353,000 | 38,000 | 27,000 | 989,701 |
| No. 9—Little Rock | 8,534,000 | 4,638,000 | 1,742,000 | 5,228,279 |
| Arkansas | 233,000 | 625,000 | 101,000 | 735,205 |
| Louisiana | 5,701,000 | 17,000 | 415,000 | 1,858,235 |
| Mississippi | 215,000 | 690,000 | 408,000 | 600,925 |
| New Mexico | 98,000 | 4,000 | 9,000 | 45,169 |
| Texas | 2,287,000 | 3,302,000 | 809,000 | 1,988,745 |
| No. 10—Topeka | 18,850,000 | 3,816,000 | 189,000 | 7,451,301 |
| Colorado | 1,495,000 | 428,000 | 29,000 | 265,395 |
| Kansas | 10,085,000 | 669,000 | 120,000 | 2,410,859 |
| Nebraska | 3,041,000 | 314,000 | 22,000 | 1,424,413 |
| Oklahoma | 4,229,000 | 2,405,000 | 18,000 | 3,350,634 |

See footnotes at end of table.

EXHIBIT 4—Continued

*Selected figures on residential real estate owned by financial institutions, Dec. 31, 1940*—Continued

| FHLB Districts | All real estate owned by savings and loan associations | 1- to 4-family nonfarm homes owned by life insurance companies | Residential real estate owned by insured commercial banks [1] | Properties owned by the Home Owners' Loan Corporation [2] |
|---|---|---|---|---|
| No. 11—Portland | $8,549,000 | $4,256,000 | $218,000 | $1,644,031 |
| Idaho | 76,000 | 4,000 | 2,000 | 155,639 |
| Montana | 103,000 | 74,000 | 6,000 | 85,633 |
| Oregon | 1,322,000 | 2,161,000 | 138,000 | 170,851 |
| Utah | 5,287,000 | 186,000 | 17,000 | 194,364 |
| Washington | 1,691,000 | 1,824,000 | 43,000 | 980,605 |
| Wyoming | 70,000 | 7,000 | 12,000 | 56,939 |
| No. 12—Los Angeles | 9,158,000 | 6,191,000 | 8,703,000 | 2,473,553 |
| Arizona | 70,000 | 61,000 | 101,000 | 709,673 |
| California | 9,033,000 | 6,128,000 | 8,599,000 | 1,761,968 |
| Nevada | 10,000 | 2,000 | 3,000 | 1,912 |
| Hawaii | 45,000 | ---------- | ---------- | ---------- |

[1] Excluding possessions. Source: FDIC Report, Assets and Liabilities of Operating Insured Banks Dec. 31, 1940.
[2] Capital value. Excludes properties in process of acquiring title.

EXHIBIT 5

*Indices of total building cost, and of cost of materials and labor used in construction of standard 6-room frame house*

[Average month 1935-39=100]

| | Materials | Labor | Total | | Materials | Labor | Total |
|---|---|---|---|---|---|---|---|
| *1936* | | | | *1938*—Continued | | | |
| January | 95.8 | 92.6 | 94.7 | November | 100.2 | 105.8 | 102.1 |
| February | 96.0 | 92.6 | 94.9 | December | 100.0 | 105.8 | 102.0 |
| March | 96.2 | 92.7 | 95.0 | | | | |
| April | 96.3 | 93.2 | 95.3 | *1939* | | | |
| May | 96.5 | 93.8 | 95.6 | January | 100.0 | 105.6 | 101.9 |
| June | 96.6 | 94.3 | 95.8 | February | 100.0 | 105.9 | 102.0 |
| July | 97.0 | 94.7 | 96.2 | March | 100.0 | 106.1 | 102.1 |
| August | 97.4 | 94.9 | 96.6 | April | 99.9 | 105.6 | 101.8 |
| September | 97.5 | 95.3 | 96.8 | May | 99.7 | 105.3 | 101.6 |
| October | 97.8 | 95.8 | 97.1 | June | 99.5 | 105.0 | 101.4 |
| November | 98.4 | 96.3 | 97.7 | July | 99.4 | 105.1 | 101.3 |
| December | 99.5 | 96.4 | 98.5 | August | 99.3 | 104.9 | 101.2 |
| | | | | September | 99.9 | 104.9 | 101.6 |
| *1937* | | | | October | 100.6 | 104.8 | 102.0 |
| January | 101.0 | 96.9 | 99.6 | November | 101.3 | 104.6 | 102.4 |
| February | 102.5 | 97.6 | 100.9 | December | 101.5 | 104.4 | 102.5 |
| March | 104.5 | 98.9 | 102.6 | | | | |
| April | 105.9 | 100.7 | 104.2 | *1940* | | | |
| May | 106.8 | 101.7 | 105.0 | January | 101.4 | 104.0 | 102.3 |
| June | 107.0 | 103.3 | 105.8 | February | 101.5 | 104.2 | 102.4 |
| July | 107.2 | 104.4 | 106.3 | March | 101.4 | 104.1 | 102.3 |
| August | 107.3 | 104.7 | 106.4 | April | 101.2 | 103.8 | 102.1 |
| September | 107.1 | 104.8 | 106.3 | May | 101.3 | 103.7 | 102.2 |
| October | 106.5 | 105.0 | 106.0 | June | 101.3 | 103.5 | 102.1 |
| November | 106.0 | 105.0 | 105.7 | July | 101.2 | 103.4 | 102.0 |
| December | 104.9 | 104.8 | 104.9 | August | 101.4 | 103.6 | 102.1 |
| | | | | September | 101.9 | 104.8 | 102.9 |
| *1938* | | | | October | 103.4 | 106.9 | 104.6 |
| January | 104.1 | 104.7 | 104.3 | November | 104.6 | 109.8 | 106.4 |
| February | 103.3 | 104.7 | 103.8 | December | 105.9 | 112.5 | 108.1 |
| March | 102.6 | 105.2 | 103.5 | | | | |
| April | 102.1 | 105.2 | 103.1 | *1941* | | | |
| May | 101.7 | 105.1 | 102.8 | January | 106.6 | 114.5 | 109.3 |
| June | 101.5 | 105.3 | 102.8 | February | 107.8 | 115.1 | 110.2 |
| July | 101.1 | 105.7 | 102.7 | March | 108.0 | 115.3 | 110.4 |
| August | 100.4 | 106.0 | 102.3 | April | 108.7 | 116.1 | 111.2 |
| September | 100.4 | 106.1 | 102.3 | May | 108.8 | 117.0 | 111.6 |
| October | 100.2 | 105.8 | 102.1 | June | 109.2 | 118.6 | 112.4 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 6

*Population growth in the United States, by size of city, 1920–30, 1930–40*

| | 1940 | 1930 | Percent increase 1940–30 | 1920 | Percent increase 1930–20 |
|---|---|---|---|---|---|
| Total nonfarm | 101, 518, 199 | 92, 617, 533 | 9. 6 | 74, 351, 980 | 24 6 |
| 500,000 and over | 22, 367, 825 | 20, 828, 542 | 7. 4 | 16, 369, 301 | 27. 2 |
| 50,000–500,000 | 22, 964, 081 | 21, 988, 642 | 4. 4 | 16, 325, 772 | 34 7 |
| 2,500–50,000 | 29, 091, 796 | 26, 137, 639 | 11. 3 | 21, 609, 530 | 21. 0 |
| Rural nonfarm | 27, 094, 497 | 23, 662, 710 | 14 5 | 20, 047, 377 | 18 0 |

## EXHIBIT 7

*Population changes in metropolitan districts of the United States, 1930–40*

[Based on 133 districts for which 1930 and 1940 data are available]

| Metropolitan district | Increase in central city | | Decrease in central city | | Increase outside central city | | Decrease outside central city | |
|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Akron, Ohio | | | 10, 249 | 4 0 | 13, 273 | 14. 5 | | |
| Albany, Schenectady, Troy, N. Y | | | 7, 437 | 2. 5 | 13, 753 | 10. 6 | | |
| Allentown, Bethlehem, Easton, Pa | 4, 060 | 2. 2 | | | | | 1, 090 | 0. 8 |
| Altoona, Pa | | | 1, 840 | 2. 2 | 1, 702 | 5. 3 | | |
| Asheville, N. C | 1, 117 | 2. 2 | | | 4, 670 | 23. 0 | | |
| Atlanta, Ga | 31, 922 | 11. 8 | | | 39, 452 | 39. 2 | | |
| Atlantic City, N. J | | | 2, 104 | 3. 2 | 176 | . 5 | | |
| Augusta, Ga | 5, 577 | 9 2 | | | 4, 801 | 28. 1 | | |
| Baltimore, Md | 54, 226 | 6. 7 | | | 43, 219 | 29 9 | | |
| Beaumont-Port Arthur, Tex | | | 3, 433 | 3 2 | 14, 192 | 73 9 | | |
| Binghamton, N. Y | 1, 647 | 2. 1 | | | 13, 504 | 25. 3 | | |
| Birmingham, Ala | 7, 905 | 3. 0 | | | 17, 154 | 13. 9 | | |
| Boston, Mass | | | 10, 372 | 1 3 | 52, 989 | 3. 5 | | |
| Bridgeport, Conn | 405 | . 3 | | | 12, 247 | 21 4 | | |
| Buffalo-Niagara, N. Y | 5, 394 | . 8 | | | 31, 752 | 18. 5 | | |
| Canton, Ohio | 3, 495 | 3 3 | | | 5, 626 | 6 5 | | |
| Cedar Rapids, Iowa | 6, 023 | 10 7 | | | 605 | 5 8 | | |
| Charlotte, N. C | 18, 224 | 22 0 | | | 3, 498 | 40. 7 | | |
| Charleston, S. C | 9, 010 | 14 5 | | | 9, 941 | 56. 8 | | |
| Charleston, W. Va | 7, 506 | 12 4 | | | 20, 666 | 43. 3 | | |
| Chattanooga, Tenn | 8, 365 | 7. 0 | | | 16, 261 | 33 3 | | |
| Chicago, Ill | 20, 370 | . 6 | | | 114, 001 | 11. 5 | | |
| Cincinnati, Ohio | 4, 450 | 1. 0 | | | 25, 395 | 8. 2 | | |
| Cleveland, Ohio | | | 22, 093 | 2. 5 | 42, 047 | 14. 3 | | |
| Columbia, S. C | 10, 815 | 21 0 | | | 4, 777 | 21. 3 | | |
| Columbus, Ohio | 15, 523 | 5. 3 | | | 9, 873 | 19. 8 | | |
| Corpus Christi, Tex | 29, 560 | 106. 6 | | | 6, 885 | 106. 1 | | |
| Dallas, Tex | 34, 259 | 13 2 | | | 32, 631 | 66 3 | | |
| Davenport, Iowa-Rock Island, Moline, Ill | 12, 482 | 9. 5 | | | 8, 022 | 34 1 | | |
| Dayton, Ohio | 9, 736 | 4 8 | | | 9, 849 | 19. 3 | | |
| Decatur, Ill | 1, 795 | 3. 1 | | | 1, 102 | 20 6 | | |
| Denver, Colo | 34, 551 | 12. 0 | | | 19, 060 | 44. 4 | | |
| Des Moines, Iowa | 17, 260 | 12. 1 | | | 5, 750 | 31. 2 | | |
| Detroit, Mich | 54, 790 | 3. 5 | | | 136, 313 | 25. 4 | | |
| Duluth, Minn.-Superior, Wis | | | 1, 375 | 1. 0 | 3, 083 | 17. 3 | | |
| Durham, N. C | 8, 158 | 15. 7 | | | 3, 000 | 46. 2 | | |
| El Paso, Tex | | | 5, 611 | 5. 5 | 2, 951 | 18. 4 | | |
| Erie, Pa | 988 | . 9 | | | 3, 234 | 23 4 | | |
| Evansville, Ind | | | 5, 187 | 5 1 | 23, 671 | 113 4 | | |
| Fall River-New Bedford, Mass | | | 2, 102 | . 9 | 1, 695 | 3. 8 | | |
| Flint, Mich | | | 4, 949 | 3. 2 | 13, 564 | 57. 8 | | |
| Fort Wayne, Ind | 3, 464 | 3. 0 | | | 4, 363 | 37. 6 | | |
| Fort Worth, Tex | 14, 215 | 8. 7 | | | 18, 887 | 169. 7 | | |
| Fresno, Calif | 8, 172 | 15. 6 | | | 11, 214 | 43. 8 | | |
| Galveston, Tex | 7, 924 | 15. 0 | | | 5, 452 | 101. 7 | | |
| Grand Rapids, Mich | | | 4, 300 | 2 6 | 7, 019 | 18. 2 | | |
| Greensboro, N. C | 5, 750 | 10. 7 | | | 3, 836 | 38. 7 | | |

EXHIBIT 7—Continued

*Population changes in metropolitan districts of the United States, 1930–40*—Con.

| Metropolitan district | Increase in central city | | Decrease in central city | | Increase outside central city | | Decrease outside central city | |
|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Hamilton-Middletown, Ohio | | | 356 | .4 | 6,053 | 24.4 | | |
| Harrisburg, Pa | 3,554 | 4.4 | | | 8,141 | 10.0 | | |
| Hartford-New Britain, Conn | 2,752 | 1.2 | | | 28,256 | 11.8 | | |
| Houston, Tex | 92,162 | 31.5 | | | 79,109 | 168.6 | | |
| Huntington, W. Va., and Ashland, Ky | 3,727 | 3.6 | | | 3,885 | 6.6 | | |
| Indianapolis, Ind | 22,811 | 6.3 | | | 14,861 | 27.8 | | |
| Jackson, Miss | 13,825 | 28.6 | | | 5,926 | 29.7 | | |
| Jacksonville, Fla | 43,516 | 33.6 | | | 3,390 | 17.7 | | |
| Johnstown, Pa | | | 325 | .5 | 4,495 | 5.6 | | |
| Kalamazoo, Mich | | | 689 | 1.3 | 5,163 | 28.8 | | |
| Kansas City, Mo., and Kansas City, Kans | | | 967 | .2 | 26,874 | 31.0 | | |
| Knoxville, Tenn | 5,778 | 5.5 | | | 10,337 | 34.6 | | |
| Lancaster, Pa | 1,396 | 2.3 | | | 7,475 | 11.8 | | |
| Lansing, Mich | 356 | .5 | | | 11,306 | 55.7 | | |
| Little Rock, Ark | 6,360 | 7.8 | | | 7,227 | 23.0 | | |
| Lincoln, Nebr | 6,051 | 8.0 | | | | | 3,700 | 37.3 |
| Los Angeles, Calif | 266,229 | 21.5 | | | 319,841 | 29.6 | | |
| Louisville, Ky | 11,332 | 3.7 | | | 18,680 | 19.3 | | |
| Lowell-Lawrence-Haverhill, Mass | | | 1,548 | .7 | 4,489 | 4.6 | | |
| Macon, Ga | 4,036 | 7.5 | | | 3,567 | 26.6 | | |
| Madison, Wis | 9,548 | 16.5 | | | 4,451 | 69.0 | | |
| Manchester, N. H | 851 | 1.1 | | | 408 | 10.6 | | |
| Memphis, Tenn | 39,799 | 15.7 | | | 16,552 | 72.0 | | |
| Miami, Fla | 61,535 | 55.6 | | | 56,813 | 263.6 | | |
| Milwaukee, Wis | 9,223 | 1.6 | | | 37,699 | 22.8 | | |
| Minneapolis-St. Paul, Minn | 44,144 | 6.0 | | | 34,675 | 36.0 | | |
| Montgomery, Ala | 12,005 | 18.2 | | | 3,303 | 26 8 | | |
| Nashville, Tenn | 13,536 | 8.8 | | | 18,811 | 33.9 | | |
| New Haven, Conn | | | 2,050 | 1.3 | 16,554 | 12.6 | | |
| New Orleans, La | 35,775 | 7.8 | | | 9,378 | 26.0 | | |
| New York-Northeastern N. J | 492,896 | | | | 296,200 | | | |
| Norfolk, Portsmouth, Newport News, Va | 22,313 | 10.6 | | | 27,780 | 43 8 | | |
| Oklahoma City, Okla | 19,035 | 10 3 | | | 31 | .2 | | |
| Omaha, Nebr.-Council Bluffs, Iowa | 9,229 | 3.6 | | | 4,618 | 25 9 | | |
| Peoria, Ill | 118 | .1 | | | 17,716 | 44.6 | | |
| Philadelphia, Pa | | | 19,627 | 1.0 | 71,123 | 7.9 | | |
| Pittsburgh, Pa | 1,842 | .3 | | | 38,550 | 3.0 | | |
| Portland, Maine | 2,833 | 4.0 | | | 3,859 | 13 3 | | |
| Portland, Oreg | 3,579 | 1.2 | | | 24,099 | 31.3 | | |
| Providence, R. I | 523 | .2 | | | 20,346 | 4.6 | | |
| Racine-Kenosha, Wis | | | 1,844 | 1.6 | 3,456 | 22.1 | | |
| Reading, Pa | | | 603 | .5 | 5,472 | 9.2 | | |
| Richmond, Va | 10,113 | 5.5 | | | 15,048 | 40.0 | | |
| Roanoke, Va | 81 | .1 | | | 7,392 | 21.8 | | |
| Rochester, N. Y | | | 3,157 | 1.0 | 16,536 | 23.5 | | |
| Rockford, Ill | | | 1,227 | 1.4 | 3,282 | 18.9 | | |
| Sacramento, Calif | 12,208 | 13.0 | | | 19,796 | 59.5 | | |
| Saginaw-Bay City, Mich | 2,680 | 2 1 | | | 6,061 | 36.6 | | |
| St. Joseph, Mo | | | 5,224 | 6.5 | 696 | 6.6 | | |
| St. Louis, Mo | | | 5,912 | .7 | 80,373 | 17.0 | | |
| Salt Lake City, Utah | 9,667 | 6 9 | | | 10,370 | 23.5 | | |
| San Antonio, Tex | 22,312 | 9.6 | | | 17,427 | 36.5 | | |
| San Diego, Calif | 55,346 | 37.4 | | | 20,002 | 60.6 | | |
| San Francisco-Oakland, Calif | 18,242 | 2.0 | | | 120,189 | 32.3 | | |
| San Jose, Calif | 10,806 | 18.7 | | | 15,133 | 33.1 | | |
| Savannah, Ga | 10,972 | 12.9 | | | 1,567 | 7.7 | | |
| Scranton-Wilkes-Barre, Pa | | | 3,419 | 1.5 | | | 19,312 | 4 6 |
| Seattle, Wash | 2,719 | .7 | | | 29,257 | 53.1 | | |
| Shreveport, La | 21,512 | 28.1 | | | 4,647 | 49.4 | | |
| Sioux City, Iowa | 3,181 | 4.0 | | | 835 | 18.2 | | |
| South Bend, Ind | | | 2,925 | 2.8 | 3,378 | 8.0 | | |
| Spokane, Wash | 6,487 | 5.6 | | | 6,085 | 45.8 | | |
| Springfield, Ill | 3,639 | 5.1 | | | 3,478 | 33.1 | | |
| Springfield, Mo | 3,711 | 6.5 | | | 3,140 | 51.2 | | |
| Springfield-Holyoke, Mass | | | 3,133 | 1.5 | | | 1,235 | .6 |

## EXHIBIT 7—Continued

*Population changes in metropolitan districts of the United States, 1930–40*—Con.

| Metropolitan district | Increase in central city | | Decrease in central city | | Increase outside central city | | Decrease outside central city | |
|---|---|---|---|---|---|---|---|---|
| | Number | Percent | Number | Percent | Number | Percent | Number | Percent |
| Springfield, Ohio | 1,919 | 2 8 | | | 1. 558 | 30. 0 | | |
| Stockton, Calif | 6,751 | 14 1 | | | 10,706 | 76 9 | | |
| Syracuse, N. Y | | | 3,359 | 1. 6 | 16,696 | 46. 8 | | |
| Tampa-St. Petersburg, Fla | 27,617 | 19. 5 | | | 13,066 | 47. 6 | | |
| Terre Haute, Ind | | | 117 | . 2 | 1,247 | 6. 4 | | |
| Tacoma, Wash | 2,591 | 2. 4 | | | 6,656 | 16 7 | | |
| Toledo, Ohio | | | 8,369 | 2. 9 | 3,502 | 6. 3 | | |
| Topeka, Kans | 3,713 | 5. 8 | | | 2,357 | 31. 2 | | |
| Trenton, N. J | 1,341 | 1. 1 | | | 8,568 | 12 8 | | |
| Tulsa, Okla | 899 | . 6 | | | 4,456 | 10. 6 | | |
| Utica-Rome, N. Y | 654 | . 5 | | | 5,556 | 9 8 | | |
| Washington, D. C | 176,222 | 36. 2 | | | 110,535 | 82 4 | | |
| Waterbury, Conn | | | 588 | . 6 | 4,835 | 11 9 | | |
| Waterloo, Iowa | 5,552 | 12. 0 | | | 4,446 | 40. 9 | | |
| Wheeling, W. Va | | | 560 | . 9 | 6,277 | 4. 9 | | |
| Wichita, Kans | 3,856 | 3 5 | | | 4. 278 | 53. 1 | | |
| Wilmington, Del | 5,907 | 5. 5 | | | 19,475 | 34. 2 | | |
| Winston-Salem, N. C | 4,541 | 6. 0 | | | 8,018 | 36. 4 | | |
| Worcester, Mass | | | 1,617 | . 8 | 2,518 | 2. 3 | | |
| York, Pa | 1,458 | 2. 6 | | | 3,974 | 12. 4 | | |
| Youngstown, Ohio | | | 2,282 | 1 3 | 10,150 | 5 2 | | |
| Total | 2,158,504 | | 150,950 | | 2,751,600 | | 25,337 | |

Source: Bureau of the Census.

## EXHIBIT 8

*Estimated volume of mortgage loans originated on nonfarm 1- to 4-family dwellings, by type of lender*

[Millions of dollars]

| Type of lender | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Savings and loan associations | $1,791 | $1,262 | $892 | $543 | $414 | $451 | $564 | $755 | $897 | $798 | $986 | $1,200 |
| Insurance companies | 525 | 400 | 169 | 54 | 10 | 16 | 77 | 140 | 232 | 242 | 274 | 324 |
| Mutual savings banks | 612 | 484 | 350 | 150 | 99 | 80 | 80 | 100 | 120 | 105 | 112 | 133 |
| Commercial banks and their trust departments | 1,040 | 670 | 364 | 170 | 110 | 110 | 264 | 430 | 500 | 560 | 610 | 689 |
| Home Owners' Loan Corporation | | | | | 132 | 2,263 | 583 | 128 | 27 | 81 | 151 | 111 |
| Individuals and others [1] | 1,120 | 720 | 400 | 175 | 100 | 150 | 443 | 605 | 723 | 669 | 740 | 865 |
| Total | 5,088 | 3,536 | 2,175 | 1,092 | 865 | 3,070 | 2,011 | 2,158 | 2,499 | 2,455 | 2,873 | 3,322 |

[1] Includes fiduciaries, mortgage, title, and real-estate companies, construction companies, philanthropic and educational institutions, fraternal organizations, State and local governments, etc.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

# EXHIBIT 9

*Estimated recordings of nonfarm mortgages of $20,000 and less,[1] by type of mortgagee, fiscal year 1941*

[Amounts shown are in thousands of dollars]

| Federal Home Loan Bank District and State | Savings and loan associations | | Insurance companies | | Banks and trust companies | | Mutual savings banks | | Individuals | | Other mortgagees | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount | Number | Amount |
| United States | 527,602 | $1,392,379 | 74,728 | $366,795 | 338,316 | $1,093,234 | 50,457 | $190,107 | 365,225 | $696,392 | 188,930 | $623,328 | 1,545,258 | $4,362,235 |
| No. 1—Boston | 42,913 | 139,628 | 2,531 | 13,527 | 12,095 | 43,307 | 27,519 | 94,977 | 25,587 | 57,265 | 9,149 | 28,852 | 119,794 | 377,556 |
| Connecticut | 3,895 | 14,411 | 1,237 | 7,298 | 4,134 | 17,425 | 5,958 | 23,311 | 5,814 | 14,144 | 3,732 | 13,960 | 24,770 | 90,549 |
| Maine | 2,644 | 6,165 | 227 | 881 | 1,566 | 3,422 | 2,406 | 5,308 | 2,900 | 4,479 | 748 | 1,517 | 10,491 | 21,772 |
| Massachusetts | 31,035 | 103,727 | 889 | 4,476 | 3,886 | 14,778 | 14,065 | 50,306 | 13,586 | 32,382 | 3,714 | 10,414 | 67,175 | 216,083 |
| New Hampshire | 1,746 | 3,901 | 25 | 134 | 737 | 1,798 | 2,349 | 7,299 | 1,044 | 1,710 | 131 | 341 | 6,032 | 15,183 |
| Rhode Island | 2,515 | 9,027 | 137 | 657 | 1,315 | 4,781 | 1,293 | 4,267 | 1,598 | 3,500 | 743 | 2,412 | 7,601 | 24,644 |
| Vermont | 1,078 | 2,397 | 16 | 81 | 457 | 1,103 | 1,448 | 4,486 | 645 | 1,050 | 81 | 208 | 3,725 | 9,325 |
| No. 2—New York | 30,776 | 101,054 | 4,910 | 27,073 | 25,191 | 100,771 | 16,140 | 72,021 | 37,279 | 89,029 | 19,751 | 77,884 | 134,047 | 467,832 |
| New Jersey | 11,607 | 38,365 | 2,738 | 13,946 | 14,768 | 60,418 | 868 | 4,452 | 13,862 | 34,336 | 8,570 | 30,536 | 52,413 | 182,053 |
| New York | 19,169 | 62,689 | 2,172 | 13,127 | 10,423 | 40,353 | 15,272 | 67,569 | 23,417 | 54,693 | 11,181 | 47,348 | 81,634 | 285,779 |
| No. 3—Pittsburgh | 35,454 | 90,414 | 4,066 | 19,783 | 31,137 | 103,623 | 2,207 | 7,709 | 23,671 | 52,423 | 11,833 | 42,652 | 108,368 | 316,604 |
| Delaware | 491 | 1,606 | 277 | 1,616 | 759 | 3,597 | 247 | 747 | 842 | 1,973 | 380 | 1,068 | 2,996 | 10,607 |
| Pennsylvania | 29,835 | 78,848 | 3,001 | 14,434 | 22,631 | 81,436 | 1,857 | 6,904 | 18,540 | 43,598 | 9,795 | 38,429 | 85,659 | 263,649 |
| West Virginia | 5,128 | 9,960 | 788 | 3,733 | 7,747 | 18,590 | 103 | 58 | 4,289 | 6,852 | 1,658 | 3,155 | 19,713 | 42,348 |
| No. 4—Winston-Salem | 81,104 | 200,835 | 11,764 | 55,280 | 35,118 | 91,412 | 549 | 1,986 | 60,418 | 104,321 | 28,163 | 75,262 | 217,116 | 529,096 |
| Alabama | 2,935 | 4,820 | 1,147 | 4,793 | 3,673 | 7,851 | | | 5,887 | 7,567 | 3,057 | 7,170 | 16,699 | 32,201 |
| District of Columbia | 6,125 | 31,885 | 1,158 | 7,870 | 1,304 | 8,486 | | | 4,123 | 12,207 | 2,545 | 12,605 | 15,255 | 73,053 |
| Florida | 8,581 | 25,817 | 3,610 | 15,324 | 4,465 | 11,503 | | | 10,116 | 22,006 | 5,496 | 15,241 | 32,268 | 89,891 |
| Georgia | 10,247 | 17,977 | 1,530 | 7,584 | 6,284 | 11,798 | | | 7,622 | 10,244 | 3,345 | 8,507 | 29,028 | 56,110 |
| Maryland | 14,040 | 36,319 | 527 | 2,732 | 3,518 | 11,399 | 549 | 1,986 | 5,228 | 11,910 | 2,121 | 6,038 | 25,983 | 70,384 |
| North Carolina | 20,368 | 41,301 | 1,613 | 7,088 | 4,881 | 12,897 | | | 10,117 | 11,397 | 4,358 | 10,035 | 41,337 | 82,718 |
| South Carolina | 5,341 | 11,219 | 709 | 3,211 | 3,835 | 6,651 | | | 7,150 | 7,637 | 2,533 | 4,204 | 19,568 | 32,922 |
| Virginia | 13,467 | 31,497 | 1,470 | 6,678 | 7,158 | 20,827 | | | 10,175 | 21,353 | 4,708 | 11,462 | 36,978 | 91,817 |
| No. 5—Cincinnati | 86,205 | 248,159 | 9,044 | 45,798 | 38,648 | 122,967 | 1,437 | 5,610 | 25,405 | 43,828 | 18,452 | 52,180 | 179,191 | 518,542 |
| Kentucky | 12,756 | 30,943 | 1,859 | 8,266 | 6,157 | 15,914 | | | 2,607 | 3,283 | 1,257 | 3,326 | 24,636 | 61,732 |
| Ohio | 70,009 | 209,340 | 4,962 | 28,669 | 25,961 | 88,239 | 1,437 | 5,610 | 18,225 | 34,127 | 8,229 | 28,900 | 128,823 | 394,885 |
| Tennessee | 3,440 | 7,876 | 2,223 | 8,863 | 6,530 | 18,814 | | | 4,573 | 6,418 | 8,966 | 19,954 | 25,732 | 61,925 |

| | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. 6—Indianapolis | 40, 940 | 86, 759 | 8, 606 | 40, 456 | 39, 292 | 108, 938 | 279 | 515 | 14, 922 | 28, 477 | 11, 211 | 40, 775 | 115, 250 | 305, 920 |
| Indiana | 28, 281 | 52, 667 | 3, 841 | 16, 892 | 13, 821 | 37, 488 | 279 | 515 | 5, 529 | 9, 010 | 3, 295 | 9, 387 | 55, 046 | 125, 959 |
| Michigan | 12, 659 | 34, 092 | 4, 765 | 23, 564 | 25, 471 | 71, 450 | | | 9, 393 | 19, 467 | 7, 916 | 31, 388 | 60, 204 | 179, 961 |
| No. 7—Chicago | 46, 060 | 132, 544 | 5, 108 | 25, 433 | 21, 710 | 80, 959 | 113 | 233 | 23, 863 | 53, 988 | 18, 129 | 78, 745 | 114, 983 | 371, 902 |
| Illinois | 34, 508 | 101, 172 | 3, 783 | 19, 467 | 13, 504 | 54, 764 | | | 12, 837 | 31, 508 | 15, 246 | 69, 045 | 79, 878 | 275, 956 |
| Wisconsin | 11, 552 | 31, 372 | 1, 325 | 5, 966 | 8, 206 | 26, 195 | 113 | 233 | 11, 026 | 22, 480 | 2, 883 | 9, 700 | 35, 105 | 95, 946 |
| No. 8—Des Moines | 39, 781 | 90, 410 | 7, 305 | 33, 661 | 28, 602 | 72, 776 | 419 | 1, 408 | 29, 483 | 48, 050 | 17, 801 | 52, 100 | 123, 391 | 298, 405 |
| Iowa | 9, 989 | 20, 463 | 1, 292 | 5, 944 | 7, 887 | 19, 042 | | | 5, 184 | 8, 688 | 2, 075 | 5, 895 | 26, 427 | 60, 032 |
| Minnesota | 14, 082 | 34, 826 | 2, 910 | 12, 317 | 7, 068 | 15, 806 | 419 | 1, 408 | 9, 180 | 16, 511 | 2, 499 | 8, 047 | 36, 158 | 88, 915 |
| Missouri | 13, 453 | 30, 380 | 2, 285 | 12, 634 | 11, 568 | 33, 738 | | | 13, 244 | 19, 906 | 12, 661 | 37, 155 | 53, 211 | 133, 813 |
| North Dakota | 1, 387 | 3, 228 | 169 | 630 | 771 | 1, 347 | | | 754 | 1, 221 | 388 | 672 | 3, 469 | 7, 098 |
| South Dakota | 870 | 1, 513 | 649 | 2, 136 | 1, 308 | 2, 843 | | | 1, 121 | 1, 724 | 178 | 331 | 4, 126 | 8, 547 |
| No. 9—Little Rock | 32, 035 | 78, 405 | 8, 924 | 40, 035 | 10, 189 | 29, 410 | | | 25, 534 | 44, 970 | 19, 060 | 58, 179 | 95, 742 | 250, 999 |
| Arkansas | 3, 068 | 5, 789 | 467 | 1, 834 | 1, 794 | 4, 244 | | | 2, 732 | 3, 527 | 1, 215 | 2, 505 | 9, 276 | 17, 899 |
| Louisiana | 8, 759 | 27, 994 | 1, 340 | 6, 239 | 1, 003 | 3, 105 | | | 4, 394 | 8, 732 | 4, 616 | 12, 517 | 20, 112 | 58, 587 |
| Mississippi | 1, 901 | 3, 363 | 513 | 2, 099 | 1, 734 | 3, 835 | | | 2, 731 | 3, 518 | 1, 354 | 3, 068 | 8, 233 | 15, 883 |
| New Mexico | 1, 011 | 2, 269 | 57 | 196 | 1, 028 | 3, 461 | | | 1, 200 | 2, 029 | 271 | 509 | 3, 567 | 8, 464 |
| Texas | 17, 296 | 38, 990 | 6, 547 | 29, 667 | 4, 630 | 14, 765 | | | 14, 477 | 27, 164 | 11, 604 | 39, 580 | 54, 554 | 150, 166 |
| No. 10—Topeka | 30, 586 | 64, 031 | 2, 766 | 12, 310 | 10, 440 | 25, 358 | | | 18, 864 | 27, 756 | 10, 663 | 30, 673 | 73, 319 | 160, 128 |
| Colorado | 4, 131 | 10, 234 | 366 | 1, 522 | 1, 689 | 4, 736 | | | 7, 422 | 12, 599 | 3, 232 | 10, 728 | 16, 840 | 39, 819 |
| Kansas | 8, 877 | 16, 626 | 595 | 2, 458 | 3, 635 | 7, 978 | | | 2, 756 | 3, 629 | 2, 059 | 5, 261 | 17, 922 | 35, 952 |
| Nebraska | 7, 288 | 14, 888 | 1, 111 | 5, 134 | 1, 313 | 3, 688 | | | 2, 586 | 3, 637 | 1, 249 | 3, 603 | 13, 547 | 30, 950 |
| Oklahoma | 10, 290 | 22, 283 | 694 | 3, 196 | 3, 803 | 8, 956 | | | 6, 100 | 7, 891 | 4, 123 | 11, 081 | 25, 010 | 53, 407 |
| No. 11—Portland | 21, 441 | 49, 153 | 3, 413 | 12, 783 | 15, 813 | 40, 172 | 1, 794 | 5, 648 | 15, 071 | 22, 530 | 9, 769 | 31, 248 | 67, 301 | 161, 534 |
| Idaho | 1, 508 | 3, 023 | 137 | 477 | 1, 134 | 3, 936 | | | 1, 791 | 2, 310 | 1, 097 | 3, 151 | 5, 667 | 12, 897 |
| Montana | 1, 543 | 4, 004 | 268 | 1, 194 | 750 | 2, 157 | | | 1, 538 | 2, 935 | 350 | 826 | 4, 449 | 11, 116 |
| Oregon | 4, 930 | 12, 188 | 1, 145 | 4, 512 | 2, 033 | 4, 626 | 181 | 645 | 5, 805 | 7, 975 | 2, 541 | 8, 129 | 16, 635 | 38, 075 |
| Utah | 2, 315 | 6, 361 | 369 | 1, 248 | 3, 381 | 10, 240 | | | 1, 282 | 1, 796 | 575 | 1, 226 | 7, 922 | 20, 871 |
| Washington | 10, 288 | 21, 306 | 1, 487 | 5, 332 | 7, 745 | 17, 094 | 1, 613 | 5, 003 | 3, 755 | 5, 748 | 4, 780 | 16, 634 | 29, 668 | 71, 117 |
| Wyoming | 857 | 2, 271 | 7 | 20 | 770 | 2, 119 | | | 900 | 1, 766 | 426 | 1, 282 | 2, 960 | 7, 458 |
| No. 12—Los Angeles | 40, 307 | 110, 987 | 6, 291 | 40, 656 | 70, 081 | 273, 541 | | | 65, 128 | 123, 755 | 14, 949 | 54, 778 | 196, 756 | 603, 717 |
| Arizona | 1, 023 | 2, 705 | 129 | 607 | 1, 615 | 5, 561 | | | 3, 014 | 6, 186 | 512 | 1, 094 | 6, 293 | 16, 153 |
| California | 39, 046 | 107, 649 | 6, 131 | 39, 907 | 68, 099 | 266, 721 | | | 61, 444 | 116, 191 | 14, 324 | 53, 442 | 189, 044 | 583, 910 |
| Nevada | 238 | 633 | 31 | 142 | 367 | 1, 259 | | | 670 | 1, 378 | 113 | 242 | 1, 419 | 3, 654 |

[1] Based upon county reports submitted through the cooperation of savings and loan associations, the U. S. Building and Loan League, the Mortgage Bankers Association, and the American Title Association.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 10

*Estimated balance of outstanding mortgage loans on nonfarm 1- to 4-family dwellings* [1]

[Millions of dollars]

| Type of mortgagee | 1929 | 1930 | 1931 | 1932 | 1933 | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Savings and loan associations | $6,507 | $6,402 | $5,890 | $5,148 | $4,437 | $3,710 | $3,293 | $3,237 | $3,420 | $3,555 | $3,758 | $4,104 |
| Insurance companies | 1,626 | 1,732 | 1,775 | 1,724 | 1,599 | 1,379 | 1,281 | 1,245 | 1,246 | 1,320 | 1,490 | 1,758 |
| Mutual savings banks | 3,225 | 3,300 | 3,375 | 3,375 | 3,200 | 3,000 | 2,850 | 2,750 | 2,700 | 2,670 | 2,680 | 2,700 |
| Commercial banks [2] | 2,500 | 2,425 | 2,145 | 1,995 | 1,810 | 1,189 | 1,189 | 1,230 | 1,400 | 1,600 | 1,810 | 2,095 |
| Home Owners' Loan Corporation | ------ | ------ | ------ | ------ | 132 | 2,379 | 2,897 | 2,763 | 2,398 | 2,169 | 2,038 | 1,956 |
| Individual and others [3] | 7,200 | 7,400 | 7,500 | 7,000 | 6,700 | 6,200 | 6,000 | 6,000 | 6,180 | 6,332 | 6,440 | 6,510 |
| Total | 21,058 | 21,259 | 20,685 | 19,242 | 17,878 | 17,857 | 17,510 | 17,225 | 17,344 | 17,646 | 18,216 | 19,123 |

[1] The estimates of the outstanding balance of nonfarm home-mortgage loans by type of institution for 1940 and the revised statistics for the immediately preceding years have been developed from exhaustive studies of the mortgage holdings of savings and loan associations, life insurance companies, mutual savings banks, commercial banks, and the Home Owners' Loan Corporation. The figures for the Home Owners' Loan Corporation reflect the actual balance of mortgage loans held and advances outstanding. The figures for savings and loan associations are based on a compilation of the annual reports of Federal savings and loan associations to the Federal Home Loan Bank Board, and of the annual reports of State-chartered savings and loan associations to their supervisors and to the Federal Home Loan Bank Board. The estimates for life insurance companies were developed from study and summary of detailed reports which were received from a sample group of insurance companies holding more than 85 percent of life insurance company assets. These schedules provide a detailed breakdown of their mortgage-loan portfolios. The estimates for mutual savings banks were developed by the use of data on the total mortgage holdings of these banks, as reported by the Comptroller of the Currency, and the National Association of Mutual Savings Banks as well as certain additional material collected by the Division of Research and Statistics of the Federal Home Loan Bank Board. As a result of this investigation, it was possible to segregate mortgage holdings of mutual savings banks into the farm and nonfarm element and further to separate the nonfarm element into mortgages on homes and other-than-home property. The project covered mutual savings banks in the States of New York and Massachusetts, and involved institutions containing more than 50 percent of all mutual savings banks assets. For commercial banks, use was made of a study conducted at the end of 1934 by the Federal Housing Administration in conjunction with the Comptroller of the Currency, the Federal Reserve Board, and the Federal Deposit Insurance Corporation. This canvass segregated mortgages on homes from other nonfarm real-estate holdings of the reporting banks. The relationships shown then have been applied to total mortgage holdings of the banks for earlier years. In recent reports the Federal Deposit Insurance Corporation has provided a segregation of mortgage holdings of insured commercial banks. Adjustments have been made in the estimated data on the basis of the Federal Deposit Insurance Corporation's reports as well as the FHA reports indicating increased mortgage lending by commercial banks. Finally, in the case of individuals and other types of mortgagees, estimates have been developed for recent years on the basis of studies of mortgage recordings by type of mortgagee conducted by the Division of Research and Statistics of the Federal Home Loan Bank Board. For earlier years the estimates have been prepared after reviewing many studies, bulletins, and researches of various Government and private agencies. Included in these sources are the Financial Survey of Urban Housing, the refinancing operations of the Home Owners' Loan Corporation by type of mortgagee, local surveys conducted by the National Association of Real Estate Boards, special surveys of the Federal Home Loan Banks, figures supplied by the New York State Mortgage Commission, sundry reports of the Mortgage Bankers Association, and hearings of the Sabath Committee investigating real-estate bond-holdings committees.

[2] Does not include trust departments of commercial banks.

[3] Includes trust departments of commercial banks, fiduciaries, real-estate bond companies, title and mortgage companies, philanthropic and educational institutions, fraternal organizations, construction companies, RFC Mortgage Company, Federal National Mortgage Association, etc.

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

# EXHIBIT 11

*Changes in selected types of individual long-term savings: Dec. 31, 1935, to 1940*

[In millions of dollars]

| | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | Percent change, 1939–40 |
|---|---|---|---|---|---|---|---|
| Total | 44, 191 | 46, 951 | 49, 531 | 51, 501 | 54, 510 | 57, 962 | +6. 3 |
| Life-insurance companies [2] | 17, 542 | 19, 133 | 20, 510 | 21, 858 | 23, 381 | 25, 025 | +7. 0 |
| Mutual savings banks [3] | 9, 829 | 10, 013 | 10, 126 | 10, 235 | 10, 481 | 10, 618 | +1. 3 |
| Insured commercial banks [4] | 10, 575 | 11, 491 | 12, 100 | 12, 196 | 12, 622 | 13, 062 | +3 5 |
| Savings and loan associations [5] | 4, 759 | 4, 449 | 4, 433 | 4, 392 | 4, 412 | [1] 4, 633 | +5. 0 |
| Postal savings [6] | 1, 229 | 1, 291 | 1, 303 | 1, 286 | 1, 315 | 1, 342 | +2. 1 |
| 2½-percent postal-savings bonds [7] | 104 | 99 | 95 | 92 | 90 | 87 | −3. 3 |
| United States savings bonds [8] | 153 | 475 | 964 | 1, 442 | 2, 209 | 3, 195 | +44. 6 |

[1] Preliminary.
[2] Estimated accumulated savings in United States life insurauce companies. Represents reserves plus unpaid dividends and surplus to policyholders, except that deduction is made of policy notes and loans and net deferred and unpaid premiums. Source: Spectator Life Insurance Yearbook.
[3] Deposits. Source: The Month's Work, published by National Association of Mutual Savings Banks.
[4] Deposits evidenced by savings passbooks. Source: Assets and Liabilities of Insured Commercial Banks, report of Federal Deposit Insurance Corporation.
[5] Estimated private investments in savings and loan associations, including deposits, investment securities, and shares pledged against mortgage loans. Source: Federal Home Loan Bank Board.
[6] Due depositors; outstanding principal and accrued interest on certificates of deposits, outstanding savings stamps, and unclaimed deposits. Source: Post Office Department.
[7] Excludes such bonds held by the Postal Savings System. Source: Treasury Daily Statement and Post Office Department.
[8] Current redemption value. Source: Treasury Daily Statement.

EXHIBIT 12

*Federal Home Loan Banks—Advances and repayments for the periods indicated, and the balance of advances outstanding at the close of such periods*

| Period | Advances | Repayments | Balance outstanding |
|---|---|---|---|
| Fiscal year. | | | |
| 1933 | $48, 894, 602. 41 | $1, 230, 772. 82 | $47, 663, 829. 59 |
| 1934 | 62, 871, 970. 22 | 25, 387, 445. 72 | 85, 148, 354. 09 |
| 1935 | 36, 683, 308. 61 | 42, 599, 148. 52 | 79, 232, 514. 18 |
| 1936 | 78, 195, 224. 32 | 38, 840, 900. 50 | 118, 586, 838. 00 |
| 1937 | 114, 287, 052 41 | 65, 817, 003. 85 | 167, 056, 886. 56 |
| 1938 | 105, 432, 157. 95 | 76, 264, 107. 15 | 196, 224, 937. 36 |
| 1939 | 76, 659, 074. 62 | 103, 922, 448 88 | 168, 961, 563. 10 |
| *1939* | | | |
| July | 6, 823, 240. 00 | 14, 197, 703. 85 | 161, 587, 099. 25 |
| August | 7, 767, 958. 00 | 9, 885, 280. 86 | 159, 469, 776. 39 |
| September | 10, 152, 378. 44 | 5, 934, 956. 06 | 163, 687, 198. 77 |
| October | 9, 604, 571. 96 | 4, 637, 720. 74 | 168, 654, 049. 99 |
| November | 5, 827, 035. 52 | 5, 659, 170. 45 | 168, 821, 915. 06 |
| December | 18, 723, 885. 15 | 6, 232, 809 57 | 181, 312, 990. 64 |
| *1940* | | | |
| January | 4, 386, 398. 89 | 28, 911, 443. 55 | 156, 787, 945 98 |
| February | 2, 010, 995. 54 | 14, 283, 556. 42 | 144, 515, 385. 10 |
| March | 4, 374, 870. 00 | 11, 247, 974. 04 | 137, 642, 281. 06 |
| April | 4, 973, 207. 50 | 8, 804, 899. 62 | 133, 810, 588. 94 |
| May | 9, 884, 072. 50 | 6, 186, 099 84 | 137, 508, 561. 60 |
| June | 23, 481, 287. 73 | 3, 592, 802. 17 | 157, 397, 047. 16 |
| Total, fiscal year 1940 | 108, 009, 901. 23 | 119, 574, 417. 17 | |
| *1940* | | | |
| July | 15, 542, 739. 68 | 10, 718, 007. 44 | 162, 221, 779. 40 |
| August | 12, 209, 287. 50 | 6, 029, 500. 24 | 168, 401, 566. 66 |
| September | 12, 896, 570. 76 | 5, 250, 670 57 | 176, 047, 466 85 |
| October | 12, 066, 970 34 | 6, 588, 388. 58 | 181, 526, 048. 61 |
| November | 8, 952, 588. 54 | 4, 931, 703. 41 | 185, 546, 933. 74 |
| December | 23, 433, 176. 95 | 7, 488, 146 32 | 201, 491, 964. 37 |
| *1941* | | | |
| January | 6, 142, 675. 87 | 36, 785, 701. 18 | 170, 848, 939 06 |
| February | 3, 182, 473. 86 | 17, 132, 191. 64 | 156, 899, 221. 28 |
| March | 4, 201, 171 66 | 15, 141, 495 98 | 145, 958, 896. 96 |
| April | 5, 798, 618. 13 | 9, 929, 309 66 | 141, 828, 205 43 |
| May | 9, 132, 748. 00 | 5, 688, 329. 38 | 145, 272, 624. 05 |
| June | 29, 316, 542. 16 | 4, 691, 776. 51 | 169, 897, 389. 70 |
| Total, fiscal year 1941 | 142, 875, 563 45 | 130, 375, 220 91 | |
| Grand total through June 30, 1941 | 773, 908, 855. 22 | 604, 011, 465 52 | |

# EXHIBIT 13

*Federal Home Loan Banks—Advances outstanding, by Bank Districts, at the close of each fiscal year, 1934–41*

| Bank District | 1934 | 1935 | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 |
|---|---|---|---|---|---|---|---|---|
| No. 1—Boston | $2,982,340.82 | $2,275,230.86 | $3,518,784.57 | $7,540,012 31 | $8,260,689.10 | $6,368,675 99 | $5,742,629.00 | $7,531,990.12 |
| No. 2—New York | 13,414,258.25 | 14,059,169.43 | 16,113,360.04 | 19,084,080.31 | 17,604,256 88 | 16,926,006.24 | 17,834,544.93 | 17,407,556.59 |
| No. 3—Pittsburgh | 10,236,810.34 | 10,163,204.84 | 12,440,437.03 | 14,584,513.29 | 17,312,068.05 | 16,584,498.07 | 14,913,220.55 | 15,232,544.19 |
| No. 4—Winston-Salem | 6,164,934.16 | 6,080,260.40 | 8,826,208.68 | 13,660,614.82 | 18,599,959.05 | 12,951,918 83 | 17,010,237.00 | 20,075,628.00 |
| No. 5—Cincinnati | 16,876,551.82 | 15,373,686.20 | 20,576,290.96 | 26,337,086.50 | 28,388,514.11 | 19,728,295.42 | 14,644,948.53 | 15,892,333.88 |
| No. 6—Indianapolis | 6,174,450.93 | 4,095,285.50 | 6,389,683 44 | 9,475,516.75 | 12,084,384.74 | 10,515,994.89 | 9,421,954.95 | 11,015,626.68 |
| No. 7—Chicago | 11,299,317.00 | 12,324,760.32 | 20,141,668.81 | 27,779,232.64 | 32,557,741.63 | 27,418,752.14 | 25,056,486.23 | 28,851,099.41 |
| No. 8—Des Moines | 4,373,084.84 | 3,519,830.24 | 7,192,262 09 | 11,091,987 99 | 15,083,069.64 | 15,474,581.91 | 14,369,080.00 | 14,234,475.04 |
| No. 9—Little Rock | 4,631,160.05 | 3,305,630 65 | 8,331,450.46 | 10,734,265 04 | 11,623,047.84 | 9,179,484.75 | 6,692,327.62 | 7,934,461.50 |
| No. 10—Topeka | 3,945,824.99 | 2,838,711.12 | 6,108,935.50 | 8,038,541 51 | 11,284,314.79 | 10,760,610 22 | 9,122,588.58 | 7,890,635.14 |
| No. 11—Portland | 2,146,650.77 | 2,207,408.00 | 3,016,172.29 | 5,903,378.26 | 6,913,525.48 | 5,599,006 89 | 6,785,386.61 | 7,847,124 92 |
| No. 12—Los Angeles | 2,902,970.12 | 2,989,336.62 | 5,931,584.13 | 12,827,657.14 | 16,513,366.05 | 17,453,737 75 | 15,803,643.16 | 15,983,914.23 |
| Total | 85,148,354 09 | 79,232,514 18 | 118,586,838.00 | 167,056,886.56 | 196,224,937.36 | 168,961,563.10 | 157,397,047.16 | 169,897,389.70 |

## EXHIBIT 14

*Percentage of borrowing members to total membership, by Federal Home Loan Bank Districts, at the close of each fiscal year, 1936–41*

| Bank District | 1936 | 1937 | 1938 | 1939 | 1940 | 1941 |
|---|---|---|---|---|---|---|
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| No. 1—Boston | 40.4 | 44.0 | 39.9 | 32.4 | 29.9 | 33.2 |
| No. 2—New York | 60.3 | 61.7 | 63.2 | 60.5 | 58.6 | 58.3 |
| No. 3—Pittsburgh | 76.1 | 80.4 | 80.8 | 78.1 | 72.1 | 69.8 |
| No. 4—Winston-Salem | 61.7 | 65.7 | 71.7 | 56.6 | 53.8 | 46.7 |
| No. 5—Cincinnati | 55.6 | 54.8 | 56.0 | 46.8 | 37.8 | 36.1 |
| No. 6—Indianapolis | 54.1 | 70.5 | 66.8 | 59.3 | 53.5 | 54.8 |
| No. 7—Chicago | 80.5 | 82.4 | 81.1 | 75.3 | 64.1 | 68.6 |
| No. 8—Des Moines | 60.7 | 68.7 | 68.7 | 65.0 | 55.0 | 57.8 |
| No. 9—Little Rock | 59.5 | 62.7 | 60.1 | 51.7 | 41.2 | 43.8 |
| No. 10—Topeka | 63.2 | 67.5 | 66.8 | 58.5 | 51.7 | 46.9 |
| No. 11—Portland | 60.6 | 67.2 | 69.3 | 53.0 | 48.1 | 42.9 |
| No. 12—Los Angeles | 61.3 | 68.2 | 73.4 | 71.1 | 60.5 | 56.1 |
| Total | 63.6 | 67.3 | 67.8 | 60.4 | 53.4 | 52.4 |

## EXHIBIT 15

*Federal Home Loan Banks—Interest rates charged member institutions on advances,[1] as of July 1, 1941*

| Federal Home Loan Bank | Rate in effect | Types of advances |
|---|---|---|
| | *Percent* | |
| Boston | 1½ | All short-term advances amortized within 1 year. |
| | 2½ | All long-term advances. |
| New York | 1½ | All short-term advances amortized within 1 year. |
| | 2½ | All long-term advances. |
| Pittsburgh | 3 | All advances. |
| Winston-Salem | 3 | Do. |
| Cincinnati | 2½ | Do. |
| Indianapolis | 2½ | Short-term advances not exceeding 15 percent of member's share capital. |
| | 3 | All long-term advances. |
| Chicago | 1½ | All short-term advances amortized, in equal monthly installments.[2] |
| | 2¼ | All short-term advances amortized, by not less than 2½ percent of the principal amount quarterly.[2] |
| | 3 | All other advances. |
| Des Moines | 3 | All advances. |
| Little Rock | 3 | Do. |
| Topeka | 3 | Do. |
| Portland | 3 | Do. |
| Los Angeles | 2½ | Advances made on and subsequent to May 1, 1941, where the proceeds are used solely for making FHA loans. |
| | 3 | All other advances. |

[1] Banks are required to charge ½ of 1 percent to 1 percent additional on advances to nonmembers.
[2] Advances must not exceed 10 percent of member's assets.

# EXHIBIT 16

*Federal Home Loan Banks—Distribution of advances outstanding, by long-term and short-term advances, as of June 30, 1940, and June 30, 1941*

| Federal Home Loan Bank | Long-term advances | | | | Short-term advances | | | | Total advances outstanding | |
|---|---|---|---|---|---|---|---|---|---|---|
| | June 30, 1940 | | June 30, 1941 | | June 30, 1940 | | June 30, 1941 | | June 30, 1940 | June 30, 1941 |
| | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Percent | Amount | Amount |
| Boston | $2,673,979.00 | 46.6 | $3,206,114.50 | 42.6 | $3,068,650 00 | 53.4 | $4,325,875.62 | 57.4 | $5,742,629.00 | $7,531,990.12 |
| New York | 15,128,536.82 | 84.8 | 14,238,255.70 | 81.8 | 2,706,008.11 | 15.2 | 3,169,300.89 | 18.2 | 17,834,544.93 | 17,407,556.59 |
| Pittsburgh | 9,369,894.15 | 62.8 | 7,959,259.89 | 52.3 | 5,543,326.40 | 37.2 | 7,273,284.30 | 47.7 | 14,913,220 55 | 15,232,544.19 |
| Winston-Salem | 9,348,637.00 | 54.9 | 10,837,428.00 | 54.0 | 7,661,600 00 | 45.1 | 9,238,200.00 | 46.0 | 17,010,237.00 | 20,075,628.00 |
| Cincinnati | 8,024,548.53 | 54.8 | 7,492,396.38 | 47.1 | 6,620,400.00 | 45.2 | 8,399,937.50 | 52.9 | 14,644,948.53 | 15,892,333.88 |
| Indianapolis | 8,003,055.95 | 84.9 | 4,863,844.19 | 44 2 | 1,418,899.00 | 15.1 | 6,151,782.49 | 55.8 | 9,421,954.95 | 11,015,626.68 |
| Chicago | 18,982,234.47 | 75.8 | 14,776,204.75 | 51.2 | 6,074,251.76 | 24.2 | 14,074,894.66 | 48.8 | 25,056,486.23 | 28,851,099.41 |
| Des Moines | 11,313,080 00 | 78.7 | 10,072,325.04 | 70.8 | 3,056,000.00 | 21.3 | 4,162,150.00 | 29.2 | 14,369,080.00 | 14,234,475.04 |
| Little Rock | 4,360,327.62 | 65.2 | 3,195,261.50 | 40.3 | 2,332,000.00 | 34.8 | 4,739,200.00 | 59.7 | 6,692,327.62 | 7,934,461.50 |
| Topeka | 8,051,288.58 | 88.2 | 6,929,135.14 | 87.8 | 1,071,300.00 | 11.8 | 961,500.00 | 12.2 | 9,122,588.58 | 7,890,635.14 |
| Portland | 4,860,224.11 | 71.6 | 6,016,124.92 | 76.7 | 1,925,162.50 | 28.4 | 1,831,000.00 | 23.3 | 6,785,386.61 | 7,847,124.92 |
| Los Angeles | 14,617,143.16 | 92.5 | 14,503,414.23 | 90.7 | 1,186,500.00 | 7.5 | 1,480,500.00 | 9.3 | 15,803,643.16 | 15,983,914.23 |
| Total | 114,732,949.39 | 72.9 | 104,089,764.24 | 61.3 | 42,664,097.77 | 27.1 | 65,807,625.46 | 38.7 | 157,397,047.16 | 169,897,389.70 |

## EXHIBIT 17

*Types of advances made by the Federal Home Loan Banks*

The twelve Federal Home Loan Banks may make the following types of advances:

### ADVANCES TO MEMBERS

(*a*) Up to ten years on the security of home mortgages or obligations of or guaranteed by the United States. Such advances up to one year need not be amortized, though three Banks have a preferential rate for those advances amortized. Advances made for more than one year must be amortized on a monthly or quarterly basis and are subject to the following limitations as to amount:

1. If secured by a mortgage insured under the provisions of Titles II and VI of the National Housing Act, the advance may not be for an amount in excess of 90 percent of the unpaid principal of the mortgage loan.
2. If secured by a home mortgage given in respect of an amortized home-mortgage loan which was for an original term of six years or more, or in cases where shares of stock, which are pledged as security for such loan, mature in a period of six years or more, the advance may be for an amount not in excess of 65 percent of the unpaid principal of the home-mortgage loan; but in no case shall the amount of the advance exceed 60 percent of the value of the real estate securing the home-mortgage loan.
3. If secured by a home mortgage given in respect of any other home-mortgage loan, the advance shall not be for an amount in excess of 50 percent of the unpaid principal of the home-mortgage loan; but in no case shall the amount of such advance exceed 40 percent of the value of the real estate securing the home-mortgage loan.
4. If secured by obligations of the United States, or obligations fully guaranteed by the United States, the advance shall not be for an amount in excess of the face value of such obligations.

(*b*) Up to one year on securities other than obligations of or guaranteed by the United States, providing such securities constitute an investment which the member is legally authorized to make, have a readily ascertainable market value, and are not in default with respect to payments of interest or principal. Such advances cannot be in excess of 80 percent of the market value or the principal amount of such securities, whichever is less.

(*c*) Up to one year without security or on any kind of security to members whose creditor liabilities (not including advances from the Federal Home Loan Bank) do not exceed five percent of their net assets.

(*d*) Up to thirty days on an unsecured basis or on any kind of security. Such advances must be repaid at maturity or refunded with eligible collateral. In making such advances, there is no requirement that the creditor liabilities of the member do not exceed five percent of its net assets.

### ADVANCES TO NONMEMBER MORTGAGEES.

Up to ten years on mortgages insured under Title II of the National Housing Act. Advances for more than one year must be repaid on a monthly or quarterly amortization basis.

# EXHIBIT 18

*Federal Home Loan Banks—Statement of condition as of June 30, 1941*

| Balance sheet item | Consolidated | Combined | Boston | New York | Pittsburgh | Winston-Salem | Cincinnati |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| Cash: | | | | | | | |
| On hand | $48, 130. 89 | $48, 130. 89 | $500. 00 | $500. 00 | $1, 200. 00 | $10. 00 | $510 00 |
| On deposit with— | | | | | | | |
| U. S. Treasurer | 42, 615, 549 95 | 42, 615, 549. 95 | 3, 401, 345. 46 | 1, 749, 859. 98 | 1, 478, 549. 16 | 9, 924, 387. 21 | 4, 182, 121. 44 |
| U. S. Treasurer—Allocated for securities | 578, 000. 00 | 578, 000 00 | 0 | 0 | 0 | 0 | 210, 000. 00 |
| Commercial banks | 13, 947, 186. 93 | 13, 947, 186. 93 | 1, 394, 287. 11 | [1] 362, 665. 10 | 1, 514, 413. 39 | 1, 548, 983 65 | 1, 363, 638. 04 |
| FHL Bank of New York, agent | 15, 000. 00 | 15, 000 00 | 1, 250. 00 | 1, 250 00 | 1, 250 00 | 1, 250 00 | 1, 250. 00 |
| Other Federal Home Loan Banks | 0 | 2, 500, 000. 00 | 0 | 0 | 0 | 500, 000 00 | 0 |
| Total cash | 57, 203, 867. 77 | 59, 703, 867 77 | 4, 797, 382 57 | [1] 2, 114, 275 08 | 2, 995, 412. 55 | 11, 974, 630. 86 | 5, 757, 519. 48 |
| Deposit with U. S. Treasurer for matured obligations | 335, 515. 54 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investments: | | | | | | | |
| U. S. Government obligations and securities fully guaranteed by United States | 63, 407, 069. 89 | 63, 407, 069. 89 | 8, 125, 538. 41 | 8, 415, 806. 78 | 5, 380, 402. 33 | 690, 000. 00 | 11, 759, 463. 88 |
| Advances outstanding—Members | 169, 897, 389. 70 | 169, 897, 389. 70 | 7, 531, 990. 12 | 17, 407, 556. 59 | 15, 232, 544. 19 | 20, 075, 628. 00 | 15, 892, 333. 88 |
| Accrued interest receivable: | | | | | | | |
| Deposits—Other Federal Home Loan Banks | 0 | 191 78 | 0 | 0 | 0 | 0 | 0 |
| Investments | 205, 749. 02 | 205, 749. 02 | 25, 843. 52 | 27, 052. 50 | 23, 009. 73 | 1, 476. 65 | 38, 689. 64 |
| Advances to members | 235, 239. 22 | 235, 239. 22 | 8, 209. 95 | 40, 752. 59 | 46, 559. 78 | 60, 349. 42 | 7, 999. 06 |
| Total accrued interest receivable | 440, 988. 24 | 441, 180. 02 | 34, 053. 47 | 67, 805. 09 | 69, 569. 51 | 61, 826. 07 | 46, 688 70 |
| Deferred charges: | | | | | | | |
| Prepaid consolidated debenture expense | 62, 891. 11 | 62, 891. 11 | 0 | 0 | 6, 349. 02 | 11, 955. 94 | 2, 187. 37 |
| Prepaid assessment—Federal Home Loan Bank Board | 150, 000. 00 | 150, 000. 00 | 9, 188 92 | 14, 901 36 | 14, 044. 24 | 18, 055. 87 | 14, 683 24 |
| Prepaid surety bond and insurance premiums | 5, 878. 13 | 5, 878. 13 | 370. 34 | 686. 76 | 515. 02 | 348. 49 | 1, 014 98 |
| Other | 567. 76 | 567. 76 | 0 | 0 | 0 | 24. 21 | 0 |
| Total deferred charges | 219, 337. 00 | 219, 337. 00 | 9, 559. 26 | 15, 588. 12 | 20, 908. 28 | 30, 384. 51 | 17, 885. 59 |
| Other assets: | | | | | | | |
| Accounts receivable | 6, 655 09 | 6, 655. 09 | 150. 00 | 468. 75 | 2, 453. 91 | 262. 69 | 796. 48 |
| Miscellaneous | 1, 150. 00 | 1, 150. 00 | 0 | 0 | 0 | 675. 00 | 0 |
| Total other assets | 7, 805. 09 | 7, 805 09 | 150 00 | 468. 75 | 2, 453. 91 | 937. 69 | 796. 48 |
| Total assets | 291, 511, 973. 23 | 293, 676, 649 47 | 20, 498, 673. 83 | 28, 021, 500 41 | 23, 701, 290. 77 | 32, 833, 407. 13 | 33, 474, 688. 01 |

See footnote at end of table.

## EXHIBIT 18—Continued

*Federal Home Loan Banks—Statement of condition as of June 30, 1941*—Continued

| Balance sheet item | Consolidated | Combined | Boston | New York | Pittsburgh | Winston-Salem | Cincinnati |
|---|---|---|---|---|---|---|---|
| LIABILITIES AND CAPITAL | | | | | | | |
| Liabilities: | | | | | | | |
| Deposits: | | | | | | | |
| Members—Time | $25, 417, 337. 62 | $25, 417, 337. 62 | $2, 354, 645. 73 | $2, 223, 842. 02 | $624, 437. 00 | $2, 145, 100. 00 | $5, 747, 000. 00 |
| Members—Demand | 5, 889, 531. 88 | 5, 889, 531. 88 | 300, 000 00 | 612, 603. 40 | 63, 630. 71 | 0 | 2, 527, 896. 67 |
| Applicants | 137, 650. 00 | 137, 650. 00 | 32, 800. 00 | 26, 250 00 | 40, 600. 00 | 2, 825. 00 | 12, 725. 00 |
| Other Federal Home Loan Banks | 0 | 2, 500, 000. 00 | 0 | 0 | 0 | 0 | 0 |
| Total deposits | 31, 444, 519. 50 | 33, 944, 519. 50 | 2, 687, 445. 73 | 2, 862, 695. 42 | 728, 667. 71 | 2, 147, 925. 00 | 8, 287, 621. 67 |
| Accrued interest payable: | | | | | | | |
| Deposits—Members | 16, 861. 48 | 16, 861. 48 | 5, 589. 97 | 37. 82 | 1, 299. 65 | 1, 436. 03 | 216. 10 |
| Deposits—Other Federal Home Loan Banks | 0 | 191. 78 | 0 | 0 | 0 | 0 | 0 |
| Consolidated debentures | 198, 750. 05 | 198, 750. 05 | 0 | 0 | 25, 468. 75 | 31, 250. 00 | 12, 500. 00 |
| Total accrued interest payable | 215, 611. 53 | 215, 803. 31 | 5, 589. 97 | 37. 82 | 26, 768. 40 | 32, 686. 03 | 12, 716. 10 |
| Dividends payable: | | | | | | | |
| Reconstruction Finance Corporation | 401, 730. 88 | 401, 730 88 | 62, 337. 50 | 0 | 0 | 0 | 63, 878. 50 |
| Members | 160, 187. 44 | 160, 187. 44 | 22, 743. 96 | 0 | 0 | 0 | 40, 136. 49 |
| Total dividends payable | 561, 918. 32 | 561, 918 32 | 85, 081. 46 | 0 | 0 | 0 | 104, 014. 99 |
| Accounts payable | 14, 241. 67 | 14, 241. 67 | 0 | 0 | 14, 044 24 | 18. 00 | 8. 75 |
| Premiums on consolidated debentures | 122, 974 36 | 122, 974. 36 | 0 | 0 | 8, 277. 16 | 28, 378. 69 | 0 |
| Consolidated debentures: [3] | | | | | | | |
| 2% series D, due Apr. 1, 1943 | 23, 500, 000. 00 | 23, 500, 000. 00 | 0 | 0 | 4, 000, 000. 00 | 2, 500, 000 00 | 2, 500, 000. 00 |
| ¾% series G, due Apr. 15, 1942 | 52, 000, 000. 00 | 52, 000, 000. 00 | 0 | 0 | 3, 500, 000. 00 | 12, 000, 000. 00 | 0 |
| Total consolidated debentures | 75, 500, 000. 00 | 75, 500, 000. 00 | 0 | 0 | 7, 500, 000. 00 | 14, 500, 000. 00 | 2, 500, 000. 00 |
| Matured obligations: | | | | | | | |
| Consolidated debentures | 334, 000. 00 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on consolidated debentures | 1, 515. 54 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total matured obligations | 335, 515 54 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 108, 194, 780. 92 | 110, 359, 457. 16 | 2, 778, 117. 16 | 2, 862, 733. 24 | 8, 277, 757. 51 | 16, 709, 007. 72 | 10, 904, 361. 51 |
| Capital: | | | | | | | |
| Capital stock (par): | | | | | | | |
| Members (fully paid) | 46, 520, 400. 00 | 46, 520, 400. 00 | 4, 695, 600. 00 | 4, 995, 400. 00 | 2, 958, 300. 00 | 5, 336, 800. 00 | 8, 141, 200. 00 |
| Members (partially paid) | 51, 500 00 | 51, 500. 00 | 0 | 500. 00 | 7, 100. 00 | 0 | 0 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Total | 46, 571, 900. 00 | 46, 571, 900. 00 | 4, 695, 600. 00 | 4, 995, 900. 00 | 2, 965, 400 00 | 5, 336, 800. 00 | 8, 141, 200. 00 |
| Less: Unpaid subscriptions | 29, 700. 00 | 29, 700. 00 | 0 | 375. 00 | 2, 650. 00 | 0 | 0 |
| Total | 46, 542, 200. 00 | 46, 542, 200. 00 | 4, 695, 600. 00 | 4, 995, 525 00 | 2, 962, 750. 00 | 5, 336, 800. 00 | 8, 141, 200. 00 |
| U. S. Government subscription—Now owned by Reconstruction Finance Corporation (fully paid) | 124, 741, 000. 00 | 124, 741, 000. 00 | 12, 467, 500. 00 | 18, 963, 200. 00 | 11, 146, 300. 00 | 9, 208, 200. 00 | 12, 775, 700. 00 |
| Total paid in on capital stock | 171, 283, 200. 00 | 171, 283, 200. 00 | 17, 163, 100 00 | 23, 958, 725. 00 | 14, 109, 050 00 | 14, 545, 000. 00 | 20, 916, 900 00 |
| Surplus: | | | | | | | |
| Reserve as required under Section 16 of the Act | 5, 647, 910. 51 | 5, 647, 910 51 | 360, 517. 17 | 705, 820. 96 | 517, 064 83 | 526, 991. 77 | 876, 930. 82 |
| Reserve for contingencies | 1, 501, 456. 47 | 1, 501, 456 47 | 75, 000 00 | 158, 636 65 | 0 | 220, 000 00 | 247, 819 82 |
| Total surplus | 7, 149, 366 98 | 7, 149, 366 98 | 435, 517 17 | 864, 457 61 | 517, 064 83 | 746, 991 77 | 1, 124, 750 64 |
| Undivided profits | 4, 884, 625. 33 | 4, 884, 625 33 | 121, 939 50 | 335, 584 56 | 797, 418. 43 | 832, 407. 64 | 528, 675. 86 |
| Total surplus and undivided profits | 12, 033, 992. 31 | 12, 033, 992 31 | 557, 456 67 | 1, 200, 042 17 | 1, 314, 483. 26 | 1, 579, 399 41 | 1, 653, 426. 50 |
| Total capital | 183, 317, 192 31 | 183, 317, 192. 31 | 17, 720, 556. 67 | 25, 158, 767. 17 | 15, 423, 533. 26 | 16, 124, 399 41 | 22, 570, 326. 50 |
| Total liabilities and capital | 291, 511, 973. 23 | 293, 676, 649. 47 | 20, 498, 673 83 | 28, 021, 500. 41 | 23, 701, 290. 77 | 32, 833, 407. 13 | 33, 474, 688. 01 |

See footnotes at end of table.

## EXHIBIT 18—Continued

*Federal Home Loan Banks—Statement of condition as of June 30, 1941*—Continued

| Balance sheet item | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | Portland | Los Angeles |
|---|---|---|---|---|---|---|---|
| ASSETS | | | | | | | |
| Cash: | | | | | | | |
| On hand | $28,263.03 | $16,686.90 | $111.30 | $25.00 | $25.00 | $0 | $299.66 |
| On deposit with— | | | | | | | |
| U. S. Treasurer | 1,917,230 52 | 6,645,006 70 | 7,368,973.88 | 1,906,649.10 | 2,249,137.34 | 794,553.94 | 997,735.22 |
| U. S. Treasurer—Allocated for securities | 210,000 00 | 0 | 140,000.00 | 0 | 0 | 0 | 18,000 00 |
| Commercial banks | 748,385.04 | 4,904,754.66 | 156,712.27 | 0 | 7,710.55 | 1,507,001.05 | 438,636.07 |
| FHL Bank of New York, agent | 1,250 00 | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 | 1,250.00 | 1,250 00 |
| Other Federal Home Loan Banks | 0 | 2,000,000.00 | 0 | 0 | 0 | 0 | 0 |
| Total cash | 2,905,128.59 | [2] 13,567,698.26 | 7,667,047.45 | 1,907,924.10 | 2,258,122.89 | 2,302,804.99 | 1,455,920.95 |
| Deposit with U. S. Treasurer for matured obligations | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investments: | | | | | | | |
| U. S. Government obligations and securities fully guaranteed by United States | 9,264,106 70 | 5,330,000 00 | 1,628,000 00 | 3,575,000 00 | 3,219,587.50 | 2,354,476.79 | 3,664,687.50 |
| Advances outstanding—Members | 11,015,626.68 | 28,851,099.41 | 14,234,475.04 | 7,934,461.50 | 7,890,635.14 | 7,847,124.92 | 15,983,914.23 |
| Accrued interest receivable: | | | | | | | |
| Deposits—Other Federal Home Loan Banks | 0 | 191.78 | 0 | 0 | 0 | 0 | 0 |
| Investments | 25,789.33 | 18,969.55 | 11,694 14 | 7,110 52 | 11,331 60 | 4,628.45 | 10,153 39 |
| Advances to members | 4,775 81 | 7,506.90 | 7,296.67 | 19,605.54 | 10,551.55 | 17,486.68 | 4,145.27 |
| Total accrued interest receivable | 30,565.14 | 26,668 23 | 18,990.81 | 26,716.06 | 21,883.15 | 22,115.13 | 14,298.66 |
| Deferred charges: | | | | | | | |
| Prepaid consolidated debenture expense | 6,053 83 | 17,277.23 | 9,635.60 | 1,312 50 | 2,767.55 | 1,221.04 | 4,131.03 |
| Prepaid assessment—Federal Home Loan Bank Board | 11,442 44 | 19,022.78 | 12,706.66 | 8,703.53 | 8,958.69 | 6,778.53 | 11,513 74 |
| Prepaid surety bond and insurance premiums | 557.29 | 158.21 | 436.05 | 386.50 | 499.78 | 329 01 | 575 70 |
| Other | 0 | 0 | 543.55 | 0 | 0 | 0 | 0 |
| Total deferred charges | 18,053.56 | 36,458 22 | 23,321.86 | 10,402 53 | 12,226.02 | 8,328.58 | 16,220.47 |
| Other assets: | | | | | | | |
| Accounts receivable | 160.00 | 550 00 | 117.50 | 113 20 | 0 | 150.00 | 1,432.56 |
| Miscellaneous | 0 | 0 | 0 | 0 | 50 00 | 0 | 425.00 |
| Total other assets | 160.00 | 550 00 | 117.50 | 113.20 | 50.00 | 150.00 | 1,857.56 |
| Total assets | 23,233,640.67 | 47,812,474 12 | 23,571,952 66 | 13,454,617.39 | 13,402,504.70 | 12,535,000 41 | 21,136,899.37 |

| LIABILITIES AND CAPITAL | | | | | | | |
|---|---|---|---|---|---|---|---|
| Liabilities: | | | | | | | |
| Deposits: | | | | | | | |
| Members—Time | 4, 840, 924. 50 | 5, 797, 837. 08 | 887, 551. 29 | 0 | 160, 000. 00 | 0 | 636, 000. 00 |
| Members—Demand | 422, 716 92 | 0 | 12, 405. 10 | 31, 254 83 | 106, 069. 05 | 1, 073, 620. 56 | 739, 334. 64 |
| Applicants | 125. 00 | 15, 125. 00 | 1, 200. 00 | 0 | 0 | 0 | 6, 000. 00 |
| Other Federal Home Loan Banks | 0 | 0 | 0 | 0 | 0 | 2, 000, 000. 00 | 500, 000. 00 |
| Total deposits | 5, 263, 766. 42 | 5, 812, 962. 08 | 901, 156. 39 | 31, 254. 83 | 266, 069. 05 | 3, 073, 620. 56 | 1, 881, 334. 64 |
| Accrued interest payable: | | | | | | | |
| Deposits—Members | 6, 091. 82 | 2, 172. 81 | 17. 28 | 0 | 0 | 0 | 0 |
| Deposits—Other Federal Home Loan Banks | 0 | 0 | 0 | 0 | 0 | 191. 78 | 0 |
| Consolidated debentures | 19, 921. 92 | 43, 125. 00 | 33, 437. 50 | 7, 500 00 | 11, 953. 13 | 2, 343. 75 | 11, 250. 00 |
| Total accrued interest payable | 26, 013. 74 | 45, 297. 81 | 33, 454. 78 | 7, 500 00 | 11, 953. 13 | 2, 535. 53 | 11, 250. 00 |
| Dividends payable: | | | | | | | |
| Reconstruction Finance Corporation | 49, 330. 50 | 106, 304 25 | 46, 218. 13 | 43, 862 00 | 0 | 29, 800. 00 | 0 |
| Members | 24, 417. 49 | 37, 730. 08 | 17, 547. 23 | 11, 121. 94 | 0 | 6, 490. 25 | 0 |
| Total dividends payable | 73, 747. 99 | 144, 034 33 | 63, 765. 36 | 54, 983. 94 | 0 | 36, 290. 25 | 0 |
| Accounts payable | 38. 15 | 0 | 0 | 0 | 0 | 0 | 132. 53 |
| Premiums on consolidated debentures | 11, 233. 28 | 42, 568. 07 | 16, 554. 23 | 0 | 2, 956. 11 | 3, 547. 30 | 9, 459. 52 |
| Consolidated debentures :[3] | | | | | | | |
| 2% series D, due Apr. 1, 1943 | 2, 500, 000. 00 | 3, 000, 000. 00 | 4, 500, 000. 00 | 1, 500, 000. 00 | 2, 000, 000. 00 | 0 | 1, 000, 000. 00 |
| ¾% series G, due Apr. 15, 1942 | 4, 750, 000. 00 | 18, 000, 000. 00 | 7, 000, 000. 00 | 0 | 1, 250, 000. 00 | 1, 500, 000. 00 | 4, 000, 000. 00 |
| Total consolidated debentures | 7, 250, 000. 00 | 21, 000, 000. 00 | 11, 500, 000. 00 | 1, 500, 000 00 | 3, 250, 000. 00 | 1, 500, 000. 00 | 5, 000, 000. 00 |
| Matured obligations: | | | | | | | |
| Consolidated debentures | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest on consolidated debentures | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total matured obligations | 0 | 0 | 0 | 0 | 0 | .0 | 0 |
| Total liabilities | 12, 624, 799. 58 | 27, 044, 862. 29 | 12, 514, 930 76 | 1, 593, 738. 77 | 3, 530, 978. 29 | 4, 615, 993. 64 | 6, 902, 176. 69 |
| Capital: | | | | | | | |
| Capital stock (par): | | | | | | | |
| Members (fully paid) | 3, 340, 700. 00 | 5, 152, 900 00 | 2, 860, 800. 00 | 2, 283, 600 00 | 1, 870, 300 00 | 1, 432, 600. 00 | 3, 452, 200. 00 |
| Members (partially paid) | 500 00 | 5, 000. 00 | 3, 400 00 | 0 | 35, 000. 00 | 0 | 0 |
| Total | 3, 341, 200. 00 | 5, 157, 900. 00 | 2, 864, 200. 00 | 2, 283, 600. 00 | 1, 905, 300 00 | 1, 432, 600. 00 | 3, 452, 200 00 |
| Less: Unpaid subscriptions | 375. 00 | 1, 250. 00 | 1, 300. 00 | 0 | 23, 750. 00 | 0 | 0 |
| Total | 3, 340, 825 00 | 5, 156, 650. 00 | 2, 862, 900. 00 | 2, 283, 600 00 | 1, 881, 550. 00 | 1, 432, 600 00 | 3, 452, 200. 00 |

See footnotes at end of table.

## EXHIBIT 18—Continued

*Federal Home Loan Banks—Statement of condition as of June 30, 1941*—Continued

| Balance sheet item | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | Portland | Los Angeles |
|---|---|---|---|---|---|---|---|
| Capital—Continued. | | | | | | | |
| Capital stock (par)—Continued. | | | | | | | |
| U. S. Government subscription—Now owned by Reconstruction Finance Corporation (fully paid) | $6,577,400 00 | $14,173,900 00 | $7,394,900 00 | $8,772,400 00 | $7,333,600 00 | $5,960,000.00 | $9,967,900.00 |
| Total paid in on capital stock | 9,918,225 00 | 19,330,550.00 | 10,257,800.00 | 11,056,000.00 | 9,215,150.00 | 7,392,600 00 | 13,420,100.00 |
| Surplus: | | | | | | | |
| Reserve as required under Section 16 of the Act | 358,271.97 | 767,896.42 | 374,554 68 | 346,791 05 | 252,051.44 | 220,905.04 | 340,114.36 |
| Reserve for contingencies | 0 | 0 | 250,000 00 | 0 | 0 | 250,000 00 | 300,000.00 |
| Total surplus | 358,271.97 | 767,896.42 | 624,554 68 | 346,791.05 | 252,051.44 | 470,905.04 | 640,114.36 |
| Undivided profits | 332,344.12 | 669,165.41 | 174,667 22 | 458,087.57 | 404,324.97 | 55,501.73 | 174,508.32 |
| Total surplus and undivided profits | 690,616.09 | 1,437,061.83 | 799,221.90 | 804,878.62 | 656,376 41 | 526,406 77 | 814,622.68 |
| Total capital | 10,608,841 09 | 20,767,611.83 | 11,057,021.90 | 11,860,878 62 | 9,871,526.41 | 7,919,006.77 | 14,234,722.68 |
| Total liabilities and capital | 23,233,640.67 | 47,812,474.12 | 23,571,952.66 | 13,454,617.39 | 13,402,504.70 | 12,535,000.41 | 21,136,899.37 |

1 As of June 30, 1941, the New York Bank also administered as agent for the 12 Banks an imprest fund of $15,000, from which debenture expenses, other than brokerage commissions and interest are paid. The New York Bank also acted as agent for the payment of premiums on employees' group life insurance in the several Banks.

2 In addition, on June 30, 1941, the Chicago Bank held in escrow for certain associations in its District, the sum of $2,281.14.

3 Consolidated Federal Home Loan Bank debentures issued by the Federal Home Loan Bank Board and now outstanding are the joint and several obligations of all Federal Home Loan Banks.

## EXHIBIT 19

*Federal Home Loan Banks—Investment holdings at the close of the fiscal year 1941*

| | Interest rate | Face value |
|---|---|---|
| U. S. Treasury bonds: | | |
| Mar. 15, 1956–46 | 3¾ | $200,000 |
| June 15, 1947–43 | 3⅜ | 200,000 |
| Apr. 15, 1946–44 | 3¼ | 850,000 |
| Oct. 15, 1945–43 | 3¼ | 150,000 |
| Dec. 15, 1952–49 | 3⅛ | 300,000 |
| June 15, 1949–46 | 3⅛ | 900,000 |
| Sept. 15, 1955–51 | 3 | 140,000 |
| June 15, 1948–46 | 3 | 1,650,000 |
| Mar. 15, 1960–55 | 2⅞ | 3,886,000 |
| Dec. 15, 1965–60 | 2¾ | 2,875,000 |
| June 15, 1963–58 | 2¾ | 1,000,000 |
| Sept. 15, 1959–56 | 2¾ | 838,000 |
| June 15, 1954–51 | 2¾ | 3,167,000 |
| Mar. 15, 1951–48 | 2¾ | 1,295,000 |
| Sept. 15, 1947–45 | 2¾ | 1,550,000 |
| Mar. 15, 1958–56 | 2½ | 5,407,200 |
| Mar. 15, 1954–52 | 2½ | 4,140,000 |
| Dec. 15, 1953–49 | 2½ | 4,300,000 |
| Sept. 15, 1952–50 | 2½ | 3,050,000 |
| Sept. 15, 1948 | 2½ | 200,000 |
| Dec. 15, 1945 | 2½ | 300,000 |
| June 15, 1956–54 | 2¼ | 1,735,000 |
| Dec. 15, 1953–51 | 2¼ | 600,000 |
| June 15, 1955–53 | 2 | 500,000 |
| Dec. 15, 1950–48 | 2 | 1,080,000 |
| Mar. 15, 1950–48 | 2 | 1,650,000 |
| Dec. 15, 1947 | 2 | 550,000 |
| Total | | 42,513,200 |
| U. S. Treasury notes: | | |
| Dec. 15, 1942 | 1¾ | 200,000 |
| Mar. 15, 1942 | 1¾ | 200,000 |
| Dec. 15, 1941 | 1¼ | 100,000 |
| Dec. 15, 1943 | 1⅛ | 900,000 |
| June 15, 1943 | 1⅛ | 1,295,000 |
| Mar. 15, 1944 | 1 | 600,000 |
| Sept. 15, 1943 | 1 | 150,000 |
| Dec. 15, 1945 | ¾ | 3,440,000 |
| Mar. 15, 1945 | ¾ | 450,000 |
| Sept. 15, 1944 | ¾ | 1,635,000 |
| June 15, 1944 | ¾ | 250,000 |
| Total | | 9,220,000 |
| U. S. Defense Savings bonds: | | |
| Series F June 1, 1953 | [1] 2 53 | 49,950 |
| Series G June 1, 1953 | 2½ | 150,000 |
| Series G May 1, 1953 | 2½ | 200,000 |
| Total | | 399,950 |
| Total Treasury issues | | 52,133,150 |
| Miscellaneous securities: | | |
| Home Owners' Loan Corporation bonds: | | |
| May 1, 1952–44 | 3 | 250,000 |
| July 1, 1944–42 | 2¼ | 400,800 |
| June 1, 1947–45 | 1½ | 4,550,000 |
| Total | | 5,200,800 |
| Federal Farm Mortgage Corporation bonds: May 15, 1949–44 | 3 | 100,000 |
| Commodity Credit Corporation notes: Nov. 15, 1941 | 1 | 200,000 |
| Reconstruction Finance Corporation notes: | | |
| July 15, 1943 | 1⅛ | 930,000 |
| July 1, 1942 | 1 | 188,000 |
| Oct. 15, 1942 | ⅞ | 720,000 |
| Jan. 15, 1942 | ⅞ | 1,800,000 |
| July 20, 1941 | ⅞ | 480,000 |
| Total | | 4,118,000 |
| U. S. Housing Authority notes: Feb. 1, 1944 | 1⅜ | 600,000 |
| Total miscellaneous issues | | 10,218,800 |
| Grand total | | 62,351,950 |

[1] (Eq.)

## EXHIBIT 20

*Federal Home Loan Banks—Statement of consolidated debentures outstanding, June 30, 1941*

| Federal Home Loan Bank | Total outstanding | Series D, 2 percent due Apr. 1, 1943 | Series G, ¾ of 1 percent due Apr. 15, 1942 |
|---|---|---|---|
| Boston | 0 | 0 | 0 |
| New York | 0 | 0 | 0 |
| Pittsburgh | $7,500,000 | $4,000,000 | $3,500,000 |
| Winston-Salem | 14,500,000 | 2,500,000 | 12,000,000 |
| Cincinnati | 2,500,000 | 2,500,000 | 0 |
| Indianapolis | 7,250,000 | 2,500,000 | 4,750,000 |
| Chicago | 21,000,000 | 3,000,000 | 18,000,000 |
| Des Moines | 11,500,000 | 4,500,000 | 7,000,000 |
| Little Rock | 1,500,000 | 1,500,000 | 0 |
| Topeka | 3,250,000 | 2,000,000 | 1,250,000 |
| Portland | 1,500,000 | 0 | 1,500,000 |
| Los Angeles | 5,000,000 | 1,000,000 | 4,000,000 |
| Total | 75,500,000 | 23,500,000 | 52,000,000 |

## EXHIBIT 21

*Federal Home Loan Banks—Interest rates paid members on time deposits, as of July 1, 1941*

| Federal Home Loan Bank | Remaining over 90 days | Limitation (greater of two) |
|---|---|---|
| | *Percent* | |
| Boston | [1] ½ | $50,000 or 1 percent of assets. |
| New York | ½ | None. |
| Pittsburgh | ½ | Do. |
| Winston-Salem | ½ | $100,000. |
| Cincinnati | ½ | $100,000 or 5 times minimum stock requirements. |
| Indianapolis | ½ | None. |
| Chicago | ½ | Do. |
| Des Moines | ½ | Do. |
| Little Rock | | No interest paid. |
| Topeka | | Do. |
| Portland | | Do. |
| Los Angeles | ½ | None. |

[1] One-half of 1 percent paid on deposits remaining 30 to 90 days.

# EXHIBIT 22

*Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1941*

| | Consolidated | Combined | Boston | New York | Pittsburgh | Winston-Salem | Cincinnati |
|---|---|---|---|---|---|---|---|
| Gross operating income: | | | | | | | |
| Interest earned on advances | $4, 610, 362. 62 | $4, 610, 362. 62 | $163, 416 00 | $434, 739. 74 | $460, 356 05 | $638, 569. 49 | $395, 956 45 |
| Interest earned on investments | 987, 472. 27 | 987, 472 27 | 160, 598. 12 | 39, 864. 65 | 105, 441. 30 | 22, 501. 15 | 204, 431. 09 |
| Interest earned on deposits—other Federal Home Loan Banks | 0 | 26, 396 75 | 710. 38 | 9, 207. 66 | 0 | 0 | 5, 629. 79 |
| Interest earned on deposits—commercial banks | 1, 042. 23 | 1, 042 23 | 0 | 0 | 0 | 0 | 0 |
| Gross operating income | 5, 598, 877. 12 | 5, 625, 273. 87 | 324, 724. 50 | 483, 812 05 | 565, 797. 35 | 661, 070. 64 | 606, 017. 33 |
| Less—Operating charges: | | | | | | | |
| Compensation, travel, etc. (detail below) | 934, 803. 14 | 934, 803. 14 | 58, 317 26 | 128, 573. 24 | 114, 177. 09 | 71, 005. 92 | 100, 667. 92 |
| Interest on debentures | 814, 216. 49 | 814, 216. 49 | 0 | 0 | 103, 247. 18 | 107, 450. 72 | 71, 484. 43 |
| Debenture expense—commissions | 58, 019. 51 | 58, 019. 51 | 0 | 0 | 5, 880. 17 | 10, 773 62 | 2, 204. 97 |
| Debenture expense—other | 21, 569. 76 | 21, 569. 76 | 1, 370. 12 | 1, 370. 12 | 1, 868. 08 | 2, 518. 15 | 1, 370. 11 |
| Interest on deposits—members | 119, 523. 67 | 119, 523 67 | 12, 196. 76 | 12, 592. 94 | 4, 187. 55 | 5, 892. 33 | 25, 065. 65 |
| Interest on deposits—other Federal Home Loan Banks | 0 | 26, 396. 75 | 0 | 0 | 6, 174 88 | 14, 002. 74 | 616. 14 |
| Assessment for expenses of Federal Home Loan Bank Board | 300, 000. 00 | 300, 000. 00 | 19, 798. 85 | 25, 654. 49 | 28, 349. 71 | 30, 915 09 | 33, 982. 29 |
| Total operating charges | 2, 248. 132. 57 | 2, 274, 529 32 | 91, 682. 99 | 168, 190. 79 | 263, 884. 66 | 242, 558. 57 | 235, 391. 51 |
| Net operating income | 3, 350, 744. 55 | 3, 350, 744. 55 | 233, 041. 51 | 315, 621. 26 | 301, 912. 69 | 418, 512. 07 | 370, 625. 82 |
| Add—Nonoperating income: | | | | | | | |
| Profit on sale of investments | 432, 334. 86 | 432, 334. 86 | 37, 719. 22 | 67, 179. 30 | 0 | 116, 220. 69 | 66, 820. 81 |
| Miscellaneous | 93. 13 | 93. 13 | 0 | 0 | 0 | 0 | 43. 13 |
| Total nonoperating income | 432, 427. 99 | 432, 427. 99 | 37, 719 22 | 67, 179. 30 | 0 | 116, 220. 69 | 66, 863. 94 |
| Less—Nonoperating charges: | | | | | | | |
| Premium charged off on investments | 81, 351. 65 | 81, 351. 65 | 0 | 0 | 0 | 0 | 0 |
| Loss on sale of investments | 137. 98 | 137. 98 | 0 | 0 | 0 | 0 | 137. 98 |
| Air conditioning equipment—charge off | 5, 500. 00 | 5, 500. 00 | 0 | 0 | 0 | 0 | 0 |
| Total nonoperating charges | 86, 989. 63 | 86, 989. 63 | 0 | 0 | 0 | 0 | 137. 98 |
| Net income | 3, 696, 182. 91 | 3, 696, 182. 91 | 270, 760. 73 | 382, 800. 56 | 301, 912. 69 | 534, 732 76 | 437, 351. 78 |

EXHIBIT 22—Continued

*Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1941*—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

| | Consolidated | Combined | Boston | New York | Pittsburgh | Winston-Salem | Cincinnati |
|---|---|---|---|---|---|---|---|
| Compensation: | | | | | | | |
| Directors' fees | $40,165 00 | $40,165.00 | $2,260 00 | $6,900.00 | $2,725.00 | $2,265.00 | $4,700.00 |
| Officers' salaries | 278,053.05 | 278,053.05 | 26,425.00 | 24,938 15 | 21,300 00 | 20,000.00 | 31,800.00 |
| Counsel's compensation | 44,788.00 | 44,788.00 | 3,200 00 | 6,000 00 | 5,600 00 | 2,400.00 | 5,002 00 |
| Other salaries | 265,637 18 | 265,637.18 | 9,525.00 | 44,548 84 | 51,960 00 | 21,585.49 | 28,523.07 |
| Total compensation | 628,643.23 | 628,643.23 | 41,410.00 | 82,386.99 | 81,585 00 | 46,250.49 | 70,025.07 |
| Travel expense: | | | | | | | |
| Directors | 28,968.09 | 28,968.09 | 1,041.39 | 2,167 67 | 2,586 35 | 2,657.80 | 3,447.52 |
| Officers | 34,281 28 | 34,281.28 | 3,477.88 | 3,345 90 | 3,460 69 | 3,674.05 | 2,816.70 |
| Other | 16,744 38 | 16,744.38 | 23 40 | 3,988.12 | 1,773 73 | 2,104.01 | 570.97 |
| Total travel expense | 79,993.75 | 79,993 75 | 4,542 67 | 9,501 69 | 7,820.77 | 8,435.86 | 6,835.19 |
| Other expenses: | | | | | | | |
| Telephone and telegraph | 18,752.47 | 18,752.47 | 1,008.69 | 2,483 28 | 2,690.19 | 1,905 27 | 1,607.52 |
| Postage and express | 20,767 46 | 20,767 46 | 694 97 | 3,543 48 | 2,203.71 | 1,972.44 | 1,869.74 |
| Light, power, etc | 8,586 72 | 8,586 72 | 459 10 | 2,728 90 | 206 89 | 252 98 | 1,032.14 |
| Stationery, printing and supplies | 24,921 21 | 24,921 21 | 1,321.06 | 5,443 59 | 2,202 24 | 2,305.53 | 2,816 92 |
| Insurance and surety bond premiums | 22,239.11 | 22,239.11 | 1,496.36 | 2,773.46 | 2,106.59 | 1,301 68 | 2,538 65 |
| Furniture and fixtures purchased | 8,214 79 | 8,214.79 | 97 86 | 1,642.13 | 904.50 | 579.29 | 495 24 |
| Rent, less rental charged Examining Division—Federal Home Loan Bank Board | 57,641 85 | 57,641 85 | 2,499.96 | 8,520.80 | 7,486 08 | 2,865 00 | 8,400.04 |
| Services of Examining Division | 26,144 08 | 26,144.08 | 1,086 60 | 6,464 60 | 4,654.09 | 2,377 09 | 1,348.12 |
| Miscellaneous operating expense | 38,898 47 | 38,898.47 | 3,699 99 | 3,084.32 | 2,317.03 | 2,760.29 | 3,699.29 |
| Total other expenses | 226,166 16 | 226,166.16 | 12,364 59 | 36,684 56 | 24,771.32 | 16,319.57 | 23,807.66 |
| Total | 934,803 14 | 934,803.14 | 58,317.26 | 128,573.24 | 114,177 09 | 71,005.92 | 100,667.92 |

| | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | Portland | Los Angeles |
|---|---|---|---|---|---|---|---|
| Gross operating income: | | | | | | | |
| Interest earned on advances | $278,528.92 | $746,499 45 | $456,104 40 | $208,510 92 | $257,407 67 | $177,156 83 | $393.116.70 |
| Interest earned on investments | 144,682.23 | 68,380 99 | 38,370 61 | 60,960.76 | 48,523.81 | 31,052 62 | 62,664 94 |
| Interest earned on deposits—other Federal Home Loan Banks | 0 | 4,249 16 | 0 | 4,672.70 | 0 | 410 66 | 1,516 40 |
| Interest earned on deposits—commercial banks | 1,042.23 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gross operating income | 424,253 38 | 819,129.60 | 494,475 01 | 274,144 38 | 305,931.48 | 208,620 11 | 457,298.04 |
| Less—Operating charges: | | | | | | | |
| Compensation, travel, etc (detail below) | 56,737 34 | 88,839 05 | 60,517 52 | 70,774 97 | 60,195 94 | 48,641 35 | 76,355.54 |
| Interest on debentures | 78,190 06 | 172,384 89 | 133,467 71 | 33,906 15 | 50,301 08 | 4,346.20 | 59,438.07 |
| Debenture expense—commissions | 4,807.17 | 16,375 68 | 8,343 74 | 923 68 | 2,638.86 | 1,112.31 | 4,959.31 |
| Debenture expense—other | 1,733 39 | 2,977 02 | 2,058 98 | 1,370.11 | 1,580 88 | 1,523 25 | 1,829 55 |
| Interest on deposits—members | 24,683 27 | 24,676 06 | 4,116 55 | 0 | 2.73 | 0 | 6,109.83 |
| Interest on deposits—other Federal Home Loan Banks | 1,680.33 | 0 | 546 45 | 0 | 0 | 2,133 04 | 1,243.17 |
| Assessment for expenses of Federal Home Loan Bank Board | 22,509 26 | 38,407 20 | 25,054 11 | 19,153 13 | 18,548 94 | 12,770.02 | 24,856 91 |
| Total operating charges | 190,340 82 | 343,659 90 | 234,105 06 | 126,128 04 | 133,268 43 | 70,526 17 | 174,792.38 |
| Net operating income | 233,912 56 | 475,469 70 | 260,369 95 | 148,016 34 | 172,663 05 | 138,093 94 | 282,505 66 |
| Add—Nonoperating income: | | | | | | | |
| Profit on sale of investments | 33,998 28 | 0 | 4,546 56 | 96,687.50 | 9,162 50 | 0 | 0 |
| Miscellaneous | 0 | 0 | 0 | 0 | 0 | 0 | 50.00 |
| Total nonoperating income | 33,998 28 | 0 | 4,546 56 | 96,687.50 | 9,162 50 | 0 | 50.00 |
| Less—Nonoperating charges: | | | | | | | |
| Premium charged off on investments | 1,092.26 | 0 | 0 | 65,125 01 | 15,134 38 | 0 | 0 |
| Loss on sale of investments | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Air conditioning equipment—charge off | 0 | 0 | 0 | 5,500 00 | 0 | 0 | 0 |
| Total nonoperating charges | 1,092.26 | 0 | 0 | 70,625 01 | 15,134.38 | 0 | 0 |
| Net income | 266,818 58 | 475,469.70 | 264,916 51 | 174,078 83 | 166,691.17 | 138,093.94 | 282,555.66 |

EXHIBIT 22—Continued

*Federal Home Loan Banks—Statement of profit and loss for the fiscal year ended June 30, 1941*—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

| | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | Portland | Los Angeles |
|---|---|---|---|---|---|---|---|
| Compensation: | | | | | | | |
| Directors' fees | $2,225.00 | $2,960 00 | $3,510.00 | $3,060.00 | $3,590.00 | $3,020.00 | $2,950.00 |
| Officers' salaries | 18,479.92 | 26,599.98 | 24,080.00 | 28,100.00 | 17,500.00 | 15,430.00 | 23,400.00 |
| Counsel's compensation | 3,010.00 | 5,000.00 | 2,410.00 | 3,300.00 | 3,000 00 | 2,100.00 | 3,766.00 |
| Other salaries | 15,036.97 | 23,503.61 | 7,855.70 | 16,297.40 | 17,440.00 | 10,177.90 | 19,183.20 |
| Total compensation | 38,751.89 | 58,063.59 | 37,855.70 | 50,757.40 | 41,530.00 | 30,727.90 | 49,299.20 |
| Travel expense: | | | | | | | |
| Directors | 1,253.70 | 1,755.28 | 2,464.57 | 3,639.79 | 2,971.32 | 3,117.08 | 1,865.62 |
| Officers | 2,227.65 | 1,235.03 | 2,125.10 | 2,596.12 | 1,903.81 | 2,013.54 | 5,404.81 |
| Other | 1,351.43 | 2,430.74 | 447.43 | 249.50 | 1,204 09 | 2,511.77 | 89.19 |
| Total travel expense | 4,832.78 | 5,421.05 | 5,037 10 | 6,485.41 | 6,079.22 | 7,642.39 | 7,359 62 |
| Other expenses: | | | | | | | |
| Telephone and telegraph | 1,144 58 | 1,441.58 | 874.36 | 1,640 76 | 802.96 | 1,006.47 | 2,146.81 |
| Postage and express | 1,167.78 | 2,376.18 | 1,494.41 | 1,537.70 | 738.78 | 953.23 | 2,215.04 |
| Light, power, etc | 469.99 | 1,838.52 | 345 38 | 560.53 | 0 | 0 | 692.29 |
| Stationery, printing and supplies | 1,034 89 | 2,027.10 | 1,348 44 | 1,599.11 | 739.55 | 982.59 | 3,100.19 |
| Insurance and surety bond premiums | 1,615.21 | 1,944.35 | 1,509 77 | 2,113.41 | 1,467.76 | 1,261 99 | 2,109.88 |
| Furniture and fixtures purchased | 276 65 | 7.20 | 1,590 70 | 98.05 | 783.00 | 543.60 | 1,196.57 |
| Rent, less rental charged Examining Division—Federal Home Loan Bank Board | 3,180.00 | 10,200 00 | 4,169 97 | 1,800.00 | 4,200.00 | 2,700.00 | 1,620.00 |
| Services of Examining Division | 1,950.87 | 3,483.12 | 165 36 | 22.12 | 1,123.13 | 998.38 | 2,470.60 |
| Miscellaneous operating expense | 2,312.70 | 2,036.36 | 6,126 33 | 4,160 48 | 2,731.54 | 1,824.80 | 4,145 34 |
| Total other expenses | 13,152.67 | 25,354 41 | 17,624 72 | 13,532.16 | 12,586.72 | 10,271.06 | 19,696.72 |
| Total | 56,737 34 | 88,839 05 | 60,517.52 | 70,774.97 | 60,195 94 | 48,641.35 | 76,355 54 |

## EXHIBIT 23

*Federal Home Loan Banks—Total dividends declared through June 30, 1941, and the annual rates paid semiannually for the fiscal years 1940 and 1941*

| Federal Home Loan Bank | Total dividends declared through June 30, 1941 | | | Fiscal year 1940 | | Fiscal year 1941 | |
|---|---|---|---|---|---|---|---|
| | Total | U. S. Government subscription | Members | July 1 to Dec. 31, 1939 | Jan. 1 to June 30, 1940 | July 1 to Dec. 31, 1940 | Jan. 1 to June 30, 1941 |
| | | | | *Percent* | *Percent* | *Percent* | *Percent* |
| Boston | $1,244,944.20 | $970,142.11 | $274,802.09 | 1 | 1 | 1 | 1 |
| New York | 2,328,824.27 | 1,875,116.75 | 453,707.52 | 1 | 1 | 1 | 1 |
| Pittsburgh | 1,270,840.88 | 1,057,037.39 | 213,803.49 | 1 | (1) | 1 | (1) |
| Winston-Salem | 1,055,559.45 | 787,989.29 | 267,570.16 | 1 | (1) | 1 | (1) |
| Cincinnati | 2,730,324.80 | 1,866,929.67 | 863,395.13 | 1½ | 1 | 1¼ | 1 |
| Indianapolis | 1,100,695.34 | 805,195.59 | 295,499.75 | 1½ | 1 | 1½ | 1½ |
| Chicago | 2,402,420.28 | 1,909,730.70 | 492,689.58 | 1 | 1 | 2 | 1½ |
| Des Moines | 1,073,250.92 | 865,403.96 | 207,846.96 | 1¼ | 1¼ | 1¼ | 1¼ |
| Little Rock | 929,016.47 | 770,614.62 | 158,401.85 | 1 | 1 | 1 | 1 |
| Topeka | 600,374.76 | 496,592.56 | 103,782.20 | 1 | 1 | 1 | 1 |
| Portland | 578,084.59 | 498,790.88 | 79,293.71 | 1¼ | 1 | 1 | 1 |
| Los Angeles | 884,654.35 | 700,850.61 | 183,803.74 | 1¼ | 1 | 1 | 1 |
| Total | 16,198,990.31 | 12,604,394.13 | 3,594,596.18 | | | | |

[1] Dividends are usually declared on a calendar-year basis.

## EXHIBIT 24

*Federal Home Loan Banks—Analysis of surplus and undivided profits for the fiscal year ended June 30, 1941*

| | Combined | Boston | New York | Pittsburgh | Winston-Salem | Cincinnati |
|---|---|---|---|---|---|---|
| Surplus—Reserve as required by Section 16 of Act: | | | | | | |
| Balance June 30, 1940 | $4,908,673.89 | $306,365.02 | $629,260.84 | $456,682.29 | $420,045.21 | $789,460.46 |
| Additions during fiscal year 1941 | 739,236.62 | 54,152.15 | 76,560.12 | 60,382.54 | 106,946.56 | 87,470.36 |
| Balance June 30, 1941 | 5,647,910.51 | 360,517.17 | 705,820.96 | 517,064.83 | 526,991.77 | 876,930.82 |
| Surplus—Reserve for contingencies: | | | | | | |
| Balance June 30, 1940 | 901,701.25 | 0 | 104,893.21 | 0 | 152,334.49 | 194,473.55 |
| Additions during fiscal year 1941 | 599,755.22 | 75,000.00 | 53,743.44 | 0 | 67,665.51 | 53,346.27 |
| Balance June 30, 1941 | 1,501,456.47 | 75,000.00 | 158,636.65 | 0 | 220,000.00 | 247,819.82 |
| Undivided profits: | | | | | | |
| Balance June 30, 1940 | 4,453,661.25 | 148,790.32 | 321,585.03 | 694,728.00 | 608,818.17 | 464,688.65 |
| Add: Profit for fiscal year 1941 | 3,696,182.91 | 270,760.73 | 382,800.56 | 301,912.69 | 534,732.76 | 437,351.78 |
| Deduct: | | | | | | |
| Dividends declared during fiscal year 1941: | | | | | | |
| U. S. Government | 838,003.76 | 62,337.50 | 94,816.00 | 111,463.00 | 92,082.00 | 79,848.13 |
| Reconstruction Finance Corporation | 583,054.38 | 62,337.50 | 94,816.00 | 0 | 0 | 63,878.50 |
| Members | 505,168.85 | 43,784.40 | 48,865.47 | 27,376.72 | 44,449.22 | 88,821.31 |
| Allocation to legal reserve | 739,236.62 | 54,152.15 | 76,560.12 | 60,382.54 | 106,946.56 | 87,470.36 |
| Allocation to reserve for contingencies | 599,755.22 | 75,000.00 | 53,743.44 | 0 | 67,665.51 | 53,346.27 |
| Total deductions | 3,265,218.83 | 297,611.55 | 368,801.03 | 199,222.26 | 311,143.29 | 373,364.57 |
| Balance June 30, 1941 | 4,884,625.33 | 121,939.50 | 335,584.56 | 797,418.43 | 832,407.64 | 528,675.86 |

| | Indianapolis | Chicago | Des Moines | Little Rock | Topeka | Portland | Los Angeles |
|---|---|---|---|---|---|---|---|
| Surplus—Reserve as required by Section 16 of Act: | | | | | | | |
| Balance June 30, 1940 | $304, 908. 25 | $672, 802. 48 | $321, 571. 38 | $311, 975. 28 | $218, 713. 21 | $193, 286. 25 | $283, 603. 22 |
| Additions during fiscal year 1941 | 53, 363. 72 | 95, 093. 94 | 52, 983. 30 | 34, 815. 77 | 33, 338. 23 | 27, 618. 79 | 56, 511. 14 |
| Balance June 30, 1941 | 358, 271. 97 | 767, 896. 42 | 374, 554. 68 | 346, 791. 05 | 252, 051. 44 | 220, 905. 04 | 340, 114. 36 |
| Surplus—Reserve for contingencies: | | | | | | | |
| Balance June 30, 1940 | 0 | 0 | 150, 000. 00 | 0 | 0 | 200, 000. 00 | 100, 000, 00 |
| Additions during fiscal year 1941 | 0 | 0 | 100, 000. 00 | 0 | 0 | 50, 000. 00 | 200, 000. 00 |
| Balance June 30, 1941 | 0 | 0 | 250, 000. 00 | 0 | 0 | 250, 000. 00 | 300, 000. 00 |
| Undivided profits: | | | | | | | |
| Balance June 30, 1940 | 264, 673. 75 | 622, 549. 98 | 188, 857. 21 | 428, 382. 25 | 362, 354. 96 | 67, 275. 20 | 280, 957. 73 |
| Add: Profit for fiscal year 1941 | 266, 818. 58 | 475, 469. 70 | 264, 916. 51 | 174, 078. 83 | 166, 691. 17 | 138, 093. 94 | 282, 555. 66 |
| Deduct: | | | | | | | |
| Dividends declared during fiscal year 1941: | | | | | | | |
| U. S. Government | 49, 330. 50 | 141, 739. 00 | 46, 218. 13 | 43, 862. 00 | 36, 668. 00 | 29, 800. 00 | 49, 839. 50 |
| Reconstruction Finance Corporation | 49, 330. 50 | 106, 304. 25 | 46, 218. 13 | 43, 862. 00 | 36, 668. 00 | 29, 800. 00 | 49, 839. 50 |
| Members | 47, 123. 49 | 85, 717. 08 | 33, 686. 94 | 21, 833. 74 | 18, 046. 93 | 12, 648. 62 | 32, 814. 93 |
| Allocation to legal reserve | 53, 363. 72 | 95, 093. 94 | 52, 983. 30 | 34, 815. 77 | 33, 338. 23 | 27, 618. 79 | 56, 511. 14 |
| Allocation to reserve for contingencies | 0 | 0 | 100, 000. 00 | 0 | 0 | 50, 000. 00 | 200, 000. 00 |
| Total deductions | 199, 148. 21 | 428, 854. 27 | 279, 106. 50 | 144, 373. 51 | 124, 721. 16 | 149, 867. 41 | 389, 005. 07 |
| Balance June 30, 1941 | 332, 344. 12 | 669, 165. 41 | 174, 667. 22 | 458, 087. 57 | 404, 324. 97 | 55, 501. 73 | 174, 508. 32 |

## EXHIBIT 25

*Distribution of net income of the Federal Home Loan Banks for the fiscal year ended June 30, 1941*

| | Amount | Percent to total |
|---|---|---|
| Allocation to reserves: | | |
| To legal reserves | $739,236 62 | 20.0 |
| To reserve for contingencies | 599,755.22 | 16.2 |
| Total to reserves | 1,338,991.84 | 36.2 |
| Dividends paid· | | |
| United States Government | 1,421,058.14 | 38.4 |
| Members | 505,168.85 | 13.7 |
| Total dividends paid | 1,926,226.99 | 52.1 |
| Balance to undivided profits | 430,964.08 | 11.7 |
| Total net income (consolidated) | 3,696,182.91 | 100.0 |

## EXHIBIT 26

*Federal Home Loan Bank Board—Statement of receipts and disbursements of the Board for the fiscal years 1940 and 1941*

| | July 1, 1939, to June 30, 1940 | July 1, 1940, to June 30, 1941 |
|---|---|---|
| Balance at beginning of fiscal year | $238,425.11 | $352,671.00 |
| Receipts: | | |
| Assessments upon: [1] | | |
| Federal Home Loan Banks | 450,000 00 | 150,000.00 |
| Home Owners' Loan Corporation | 152,458.99 | 129,442.40 |
| Federal Savings and Loan Insurance Corporation | 118,293.82 | 92,841.38 |
| Examining receipts | 675,065 03 | 841,879.13 |
| Miscellaneous refunds | 447.54 | 1,526.19 |
| Receipts from sales of property | 509.85 | ---------------- |
| Total receipts | 1,396,775.23 | 1,215,689.10 |
| Total cash and receipts | 1,635,200.34 | 1,568,360.10 |
| Disbursements: | | |
| Salaries | 1,005,447.68 | 1,034,851.67 |
| Supplies and materials | 12,601.73 | 9,380.46 |
| Newspapers and periodicals | 96.18 | 78.68 |
| Communications | 23,208.66 | 24,037.43 |
| Travel | 171,799.94 | 183,763.71 |
| Transportation of things | 614.30 | 546.98 |
| Printing and binding | 16,261.20 | 17,344.95 |
| Photographing and duplicating | 14,910.89 | 19,127.72 |
| Rents | 23,667.02 | 24,675.93 |
| Equipment, furniture, and fixtures | 11,021.74 | 6,393.55 |
| Transferred to administrative expenses: | | |
| Federal Loan Agency | 2,900.00 | 5,800.00 |
| Treasury Department | ---------------- | -2,400.00 |
| Total disbursements | 1,282,529.34 | 1,328,401.08 |
| Balance at end of fiscal year | 352,671.00 | 239,959.02 |

[1] Includes assessment made in advance of $150,000 for the period July 1 to Dec. 31, 1940.

## EXHIBIT 27

*Federal Home Loan Bank Board—Comparative statement reflecting, by offices, the number of Board employees as of the close of the fiscal years 1940 and 1941*

| | 1940 | 1941 | | 1940 | 1941 |
|---|---|---|---|---|---|
| Offices of the Board Members | 11 | 11 | Division of Research and Statistics | 10 | 13 |
| Office of the Governor: | | | Legal Department | 11 | 14 |
| Governor's immediate office | 11 | 12 | Review Committee | 10 | 12 |
| Office of the Comptroller | 34 | 37 | | | |
| Office of the Chief Supervisor | 26 | 27 | Examining Division: | | |
| Federal Home Building Service Section | 20 | 5 | Washington office | 8 | 9 |
| | | | Field | 233 | 295 |
| Total, Governor's Office | 91 | 81 | Total, Examining Division | 241 | 304 |
| Office of the Secretary | 16 | 15 | Grand total | 396 | 460 |
| Office of Public Relations | 6 | 10 | | | |

## EXHIBIT 28

*Federal Home Loan Bank System—Members of the Federal Savings and Loan Advisory Council, as of June 30, 1941*

| Federal Home Loan Bank District | Name | Elected or appointed |
|---|---|---|
| Boston | Sumner W. Johnson | Elected. |
| New York | LeGrande W. Pellett | Do. |
| Do | Lucius R. Eastman | Appointed. |
| Pittsburgh | J. J. O'Malley | Elected. |
| Winston-Salem | George W. West | Do. |
| Do | W. Waverly Taylor | Appointed. |
| Cincinnati | H. F. Cellarius | Elected. |
| Do | R. P. Dietzman | Appointed. |
| Indianapolis | F. S. Cannon | Elected. |
| Chicago | W. E. Hodnett | Do. |
| Do | H. G. Zander, Jr | Appointed. |
| Des Moines | John F. Scott | Elected. |
| Do | C. B. Robbins | Appointed. |
| Little Rock | I. Friedlander | Elected. |
| Topeka | George E. McKinnis | Do. |
| Portland | Ben H. Hazen | Do. |
| Do | B. A. Perham | Appointed. |
| Los Angeles | Harold A. Noble | Elected. |

EXHIBIT 29

*Federal Home Loan Bank System—Number and estimated assets of member institutions, June 30, 1940, and June 30, 1941*

| Bank District and State | Number of members | | Assets of members [In thousands of dollars] | |
|---|---|---|---|---|
| | 1940 | 1941 | 1940 | 1941 |
| United States | 3,914 | 3,839 | 4,927,154 | 5,287,175 |
| No. 1—Boston | 221 | 223 | 698,228 | 774,547 |
| Connecticut | 48 | 48 | 93,325 | 105,122 |
| Maine | 22 | 23 | 18,951 | 19,671 |
| Massachusetts | 125 | 124 | 515,013 | 532,011 |
| New Hampshire | 17 | 19 | 35,872 | 73,159 |
| Rhode Island | 4 | 5 | 30,326 | 39,383 |
| Vermont | 5 | 4 | 4,741 | 5,201 |
| No. 2—New York | 413 | 391 | 457,506 | 481,294 |
| New Jersey | 289 | 267 | 179,257 | 176,359 |
| New York | 124 | 124 | 278,249 | 304,935 |
| No. 3—Pittsburgh | 541 | 503 | 261,976 | 276,792 |
| Delaware | 7 | 7 | 2,647 | 2,893 |
| Pennsylvania | 503 | 467 | 237,891 | 250,769 |
| West Virginia | 31 | 29 | 21,438 | 23,130 |
| No. 4—Winston-Salem | 413 | 409 | 626,891 | 672,048 |
| Alabama | 23 | 23 | 34,064 | 18,621 |
| District of Columbia | 20 | 21 | 135,791 | 152,349 |
| Florida | 51 | 50 | 72,352 | 86,755 |
| Georgia | 56 | 56 | 36,750 | 44,853 |
| Maryland | 69 | 65 | 63,336 | 74,702 |
| North Carolina | 117 | 115 | 211,431 | 207,895 |
| South Carolina | 43 | 43 | 32,739 | 38,527 |
| Virginia | 34 | 36 | 40,428 | 48,346 |
| No. 5—Cincinnati | 590 | 584 | 891,073 | 906,936 |
| Kentucky | 96 | 94 | 97,712 | 101,026 |
| Ohio | 452 | 450 | 721,676 | 768,530 |
| Tennessee | 42 | 40 | 71,685 | 37,380 |
| No. 6—Indianapolis | 215 | 217 | 274,096 | 298,116 |
| Indiana | 158 | 159 | 163,827 | 177,388 |
| Michigan | 57 | 58 | 110,269 | 120,728 |
| No. 7—Chicago | 462 | 455 | 425,528 | 464,412 |
| Illinois | 345 | 341 | 292,621 | 333,995 |
| Wisconsin | 117 | 114 | 132,907 | 130,417 |
| No. 8—Des Moines | 240 | 244 | 223,536 | 249,686 |
| Iowa | 69 | 70 | 47,539 | 53,441 |
| Minnesota | 39 | 42 | 57,270 | 70,382 |
| Missouri | 107 | 107 | 98,070 | 103,528 |
| North Dakota | 13 | 13 | 10,515 | 11,768 |
| South Dakota | 12 | 12 | 10,142 | 10,567 |
| No. 9—Little Rock | 284 | 281 | 357,589 | 365,193 |
| Arkansas | 41 | 41 | 18,576 | 20,790 |
| Louisiana | 67 | 67 | 94,806 | 100,007 |
| Mississippi | 26 | 26 | 22,560 | 24,635 |
| New Mexico | 14 | 14 | 5,941 | 6,653 |
| Texas | 136 | 133 | 215,706 | 213,108 |

## EXHIBIT 29—Continued

*Federal Home Loan Bank System—Number and estimated assets of member institutions, June 30, 1940, and June 30, 1941*—Continued

| Bank District and State | Number of members | | Assets of members [In thousands of dollars] | |
|---|---|---|---|---|
| | 1940 | 1941 | 1940 | 1941 |
| No. 10—Topeka | 230 | 226 | 202,773 | 220,973 |
| Colorado | 39 | 39 | 31,556 | 34,997 |
| Kansas | 103 | 101 | 59,583 | 63,125 |
| Nebraska | 34 | 33 | 50,778 | 54,492 |
| Oklahoma | 54 | 53 | 60,856 | 68,359 |
| No. 11—Portland | 133 | 133 | 146,919 | 168,502 |
| Idaho | 8 | 8 | 7,801 | 8,435 |
| Montana | 13 | 13 | 10,646 | 11,688 |
| Oregon | 30 | 29 | 32,658 | 37,056 |
| Utah | 10 | 10 | 15,520 | 18,152 |
| Washington | 61 | 62 | 74,719 | 86,787 |
| Wyoming | 10 | 10 | 5,303 | 5,938 |
| Alaska | 1 | 1 | 272 | 446 |
| No. 12—Los Angeles | 172 | 173 | 361,039 | 408,676 |
| Arizona | 3 | 3 | 4,230 | 5,578 |
| California | 162 | 164 | 352,324 | 397,533 |
| Nevada | 3 | 2 | 794 | 885 |
| Hawaii | 4 | 4 | 3,691 | 4,680 |

## EXHIBIT 30

*Federal Home Loan Bank System—Member savings and loan associations compared with all operating savings and loan associations*

| Item | 1937 | 1938 | 1939 | 1940 |
|---|---|---|---|---|
| Number of operating savings and loan associations | 8,870 | 8,289 | 7,719 | [1] 7,200 |
| Number of member associations | 3,895 | 3,903 | 3,870 | 3,824 |
| Same, proportion to total (percent) | 43.91 | 47.09 | 50 14 | 53.11 |
| Assets of operating savings and loan associations (thousands of dollars) | $5,600,408 | $5,543,099 | $5,524,337 | $5,700,000 |
| Assets of member associations (thousands of dollars) | 3,565,731 | 3,786,636 | 4,053,692 | 4,425,565 |
| Same, proportion to total (percent) | 63.67 | 68.31 | 73 38 | 77.64 |
| First mortgage loans held by operating savings and loan associations (thousands of dollars) | $3,841,880 | $3,907,581 | $4,077,161 | $4,400,000 |
| First mortgage loans held by member associations (thousands of dollars) | 2,583,286 | 2,792,720 | 3,107,387 | 3,495,884 |
| Same, proportion to total (percent) | 67.24 | 71.47 | 76 21 | 79.45 |
| Loans made during year by all savings and loan associations (thousands of dollars) | $896,579 | $797,996 | $986,383 | $1,199,579 |
| Loans made during year by member associations (thousands of dollars) | 686,564 | 620,369 | 796,378 | 993,212 |
| Same, proportion to total (percent) | 76.58 | 77.74 | 80.74 | 82.80 |

[1] Preliminary estimate.

EXHIBIT 31

*Estimated volume of new mortgage loans made by savings and loan associations, by type of association, January 1936 through June 1941*

| Year and month | Federal associations | State member associations | Nonmember associations | Total |
|---|---|---|---|---|
| *1936* | | | | |
| January | $11,764,000 | $18,434,000 | $12,593,000 | $42,791,000 |
| February | 12,105,000 | 17,055,000 | 16,156,000 | 45,316,000 |
| March | 15,310,000 | 22,180,000 | 20,381,000 | 57,871,000 |
| April | 17,740,000 | 28,597,000 | 17,915,000 | 64,252,000 |
| May | 18,966,000 | 28,166,000 | 19,945,000 | 67,077,000 |
| June | 21,247,000 | 29,197,000 | 17,858,000 | 68,302,000 |
| July | 21,491,000 | 27,898,000 | 18,507,000 | 67,896,000 |
| August | 21,571,000 | 26,773,000 | 18,864,000 | 67,208,000 |
| September | 22,500,000 | 26,761,000 | 19,652,000 | 68,913,000 |
| October | 23,914,000 | 30,864,000 | 21,743,000 | 76,521,000 |
| November | 19,771,000 | 26,344,000 | 17,200,000 | 63,315,000 |
| December | 22,517,000 | 27,252,000 | 15,766,000 | 65,535,000 |
| *1937* | | | | |
| January | 17,543,000 | 20,729,000 | 15,595,000 | 53,867,000 |
| February | 19,360,000 | 24,594,000 | 12,781,000 | 56,735,000 |
| March | 27,829,000 | 32,177,000 | 17,208,000 | 77,214,000 |
| April | 32,915,000 | 37,395,000 | 19,290,000 | 89,600,000 |
| May | 30,998,000 | 39,288,000 | 19,046,000 | 89,332,000 |
| June | 31,577,000 | 39,965,000 | 20,669,000 | 92,211,000 |
| July | 28,693,000 | 35,758,000 | 17,783,000 | 82,234,000 |
| August | 26,768,000 | 32,334,000 | 17,915,000 | 77,017,000 |
| September | 26,189,000 | 33,307,000 | 18,818,000 | 78,314,000 |
| October | 24,539,000 | 32,104,000 | 18,813,000 | 75,456,000 |
| November | 20,829,000 | 27,113,000 | 16,561,000 | 64,503,000 |
| December | 20,038,000 | 24,522,000 | 15,536,000 | 60,096,000 |
| *1938* | | | | |
| January | 16,781,000 | 20,879,000 | 11,442,000 | 49,102,000 |
| February | 17,520,000 | 22,073,000 | 10,500,000 | 50,093,000 |
| March | 23,356,000 | 27,835,000 | 14,027,000 | 65,218,000 |
| April | 26,107,000 | 30,238,000 | 16,962,000 | 73,307,000 |
| May | 24,721,000 | 31,196,000 | 16,362,000 | 72,279,000 |
| June | 26,310,000 | 30,350,000 | 16,407,000 | 73,067,000 |
| July | 23,823,000 | 28,973,000 | 14,843,000 | 67,639,000 |
| August | 26,858,000 | 29,506,000 | 18,345,000 | 74,709,000 |
| September | 25,650,000 | 29,255,000 | 16,742,000 | 71,647,000 |
| October | 26,534,000 | 30,546,000 | 15,851,000 | 72,931,000 |
| November | 24,220,000 | 26,115,000 | 13,735,000 | 64,070,000 |
| December | 25,019,000 | 26,504,000 | 12,411,000 | 63,934,000 |
| *1939* | | | | |
| January | 20,894,000 | 23,071,000 | 11,602,000 | 55,567,000 |
| February | 22,298,000 | 24,191,000 | 11,820,000 | 58,309,000 |
| March | 29,811,000 | 30,124,000 | 13,443,000 | 73,378,000 |
| April | 33,400,000 | 32,562,000 | 17,463,000 | 83,425,000 |
| May | 36,358,000 | 35,426,000 | 17,339,000 | 89,123,000 |
| June | 39,094,000 | 36,465,000 | 18,595,000 | 94,154,000 |
| July | 34,055,000 | 34,146,000 | 16,971,000 | 85,172,000 |
| August | 40,645,000 | 37,340,000 | 17,053,000 | 95,038,000 |
| September | 37,090,000 | 36,989,000 | 15,653,000 | 89,732,000 |
| October | 37,854,000 | 37,847,000 | 17,596,000 | 93,297,000 |
| November | 34,785,000 | 34,671,000 | 16,620,000 | 86,076,000 |
| December | 34,053,000 | 33,209,000 | 15,850,000 | 83,112,000 |
| *1940* | | | | |
| January | 28,008,000 | 25,737,000 | 13,199,000 | 66,944,000 |
| February | 29,786,000 | 28,941,000 | 12,795,000 | 71,522,000 |
| March | 38,241,000 | 36,484,000 | 15,643,000 | 90,368,000 |
| April | 46,577,000 | 43,015,000 | 18,409,000 | 108,001,000 |
| May | 49,287,000 | 45,803,000 | 19,452,000 | 114,542,000 |
| June | 47,435,000 | 42,214,000 | 17,335,000 | 106,984,000 |
| July | 48,676,000 | 45,414,000 | 20,211,000 | 114,301,000 |
| August | 50,305,000 | 46,807,000 | 20,510,000 | 117,622,000 |
| September | 46,480,000 | 45,988,000 | 19,307,000 | 111,775,000 |
| October | 48,307,000 | 46,224,000 | 19,869,000 | 114,400,000 |
| November | 38,896,000 | 40,143,000 | 15,528,000 | 94,567,000 |
| December | 37,715,000 | 36,729,000 | 14,109,000 | 88,553,000 |
| *1941* | | | | |
| January | 34,360,000 | 33,947,000 | 12,133,000 | 80,440,000 |
| February | 35,645,000 | 35,301,000 | 11,384,000 | 82,330,000 |
| March | 45,365,000 | 43,947,000 | 15,850,000 | 105,162,000 |
| April | 51,371,000 | 50,956,000 | 18,304,000 | 120,631,000 |
| May | 55,396,000 | 54,495,000 | 21,062,000 | 130,953,000 |
| June | 57,542,000 | 54,857,000 | 21,241,000 | 133,640,000 |

## EXHIBIT 32

*Estimated volume of new mortgage loans made by all savings and loan associations during the fiscal years 1940 and 1941, by Federal Home Loan Bank Districts*

| Bank District | 1940 | 1941 | Percent increase |
|---|---|---|---|
| United States | $1,090,788,000 | $1,294,374,000 | 18.7 |
| No. 1—Boston | 101,181,000 | 131,528,000 | 30 0 |
| No. 2—New York | 101,154,000 | 129,220,000 | 27.7 |
| No. 3—Pittsburgh | 84,852,000 | 100,020,000 | 17.9 |
| No. 4—Winston-Salem | 160,306,000 | 181,808,000 | 13.4 |
| No. 5—Cincinnati | 176,305,000 | 220,634,000 | 25.1 |
| No. 6—Indianapolis | 55,763,000 | 67,625,000 | 21.3 |
| No. 7—Chicago | 111,260,000 | 130,861,000 | 17.6 |
| No. 8—Des Moines | 69,228,000 | 71,721,000 | 3.6 |
| No. 9—Little Rock | 57,860,000 | 61,898,000 | 7.0 |
| No. 10—Topeka | 50,133,000 | 52,395,000 | 4 5 |
| No. 11—Portland | 38,963,000 | 45,742,000 | 17.4 |
| No. 12—Los Angeles | 83,783,000 | 100,922,000 | 20.5 |

*Federal Home Loan Bank System—Investments by the U. S. Treasury and the Home Owners' Loan Corporation in member savings and loan associations, by fiscal-year periods*

| Fiscal year | Investments of the U. S. Treasury in Federal savings and loan associations | | | Investments by the Home Owners' Loan Corporation | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Federal savings and loan associations | | | State-chartered insured associations | | | State-chartered uninsured associations | | |
| | Gross investments (cumulative) | Repurchases | Net investments outstanding | Gross investments (cumulative) | Repurchases | Net investments outstanding | Gross investments (cumulative) | Repurchases | Net investments outstanding | Gross investments (cumulative) | Repurchases | Net investments outstanding |
| 1934 | $1,086,300 | | $1,086,300 | | | | | | | | | |
| 1935 | 30,606,700 | | 30,606,700 | | | | | | | | | |
| 1936 | 49,300,000 | $77,000 | 49,223,000 | $52,817,100 | | $52,817,100 | $9,636,600 | | $9,636,600 | $689,000 | | $689,000 |
| 1937 | 49,300,000 | 1,116,300 | 48,183,700 | 150,368,400 | $12,000 | 150,356,400 | 30,283,600 | | 30,283,600 | 2,381,000 | | 2,381,000 |
| 1938 | 49,300,000 | 1,497,300 | 47,802,700 | 170,995,300 | 231,000 | 170,764,300 | 39,876,310 | $40,000 | 39,836,310 | 1,126,000 | | 1,126,000 |
| 1939 | 49,300,000 | 5,308,300 | 43,991,700 | 174,523,800 | 1,490,000 | 173,033,800 | 44,118,010 | 1,201,000 | 42,917,010 | 508,000 | | 508,000 |
| 1940 | 49,300,000 | [1] 15,162,900 | 34,137,100 | 176,289,800 | 13,159,000 | 163,130,800 | 43,890,410 | 4,245,000 | 39,645,410 | 508,000 | 260,000 | 248,000 |
| 1941 | 49,300,000 | [2] 25,629,100 | 23,670,900 | 176,834.800 | [3] 31,258,850 | 145,575,950 | 44,790,410 | [4] 7,736,000 | 37,054,410 | 483,000 | 260,000 | 223,000 |

[1] Of this amount, $671,800 was retired in accordance with section 5 (j) of the Home Owners' Loan Act.
[2] Of this amount, $2,759,800 was retired in accordance with section 5 (j) of the Home Owners' Loan Act.
[3] Of this amount, $1,072,050 was retired in accordance with section 5 (j) of the Home Owners' Loan Act.
[4] Of this amount, $138,000 was retired in accordance with section 5 (j) of the Home Owners' Loan Act.

NOTE.—The decrease in investments in State-chartered insured and uninsured associations is due to transfers to either Federal savings and loan associations or to insured associations.

# EXHIBIT 34

*Combined balance-sheet items for all savings and loan member institutions of the Federal Home Loan Bank System, as of Dec. 31, 1939, and Dec. 31, 1940*

[Amounts shown in thousands of dollars]

| Item | Total savings and loan members | | Federal savings and loan associations | | State-chartered insured savings and loan associations | | State-chartered uninsured savings and loan associations | |
|---|---|---|---|---|---|---|---|---|
| | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 |
| Number of institutions | 3,868 | 3,818 | 1,400 | 1,433 | 795 | 835 | 1,673 | 1,550 |
| ASSETS | | | | | | | | |
| First mortgage loans (including interest and advances) | $3,107,387 | $3,495,884 | $1,284,880 | $1,553,677 | $693,433 | $811,463 | $1,129,074 | $1,130,744 |
| Junior mortgage liens (including interest and advances) | 4,645 | 3,840 | 761 | 704 | 1,123 | 1,072 | 2,761 | 2,064 |
| Other loans (including share loans) | 28,642 | 29,844 | 6,467 | 7,131 | 4,925 | 5,532 | 17,250 | 17,181 |
| Real estate sold on contract | 155,220 | 167,169 | 54,468 | 60,270 | 45,288 | 51,332 | 55,464 | 55.567 |
| Real estate owned | 376,673 | 299,838 | 89,774 | 77,377 | 89,266 | 75,771 | 197,633 | 146,690 |
| Federal Home Loan Bank stock | 40,029 | 43,547 | 17,226 | 20,052 | 9,312 | 10,480 | 13,491 | 13,015 |
| Other investments (including accrued interest) | 69,706 | 68,542 | 13,025 | 12,840 | 18,219 | 20,708 | 38,462 | 34,994 |
| Cash on hand and in banks | 206,232 | 242,391 | 87,922 | 111,855 | 50,927 | 61,028 | 67,383 | 69,508 |
| Office building (net) | 44,606 | 46,414 | 17,384 | 19,059 | 12,214 | 12,870 | 15,008 | 14,485 |
| Furniture, fixtures, and equipment (net) | 4,222 | 4,530 | 2,125 | 2,439 | 1,127 | 1,216 | 970 | 875 |
| Other assets | 10,823 | 8,964 | 2.123 | 1,845 | 2,899 | 2,478 | 5,801 | 4,641 |
| Total assets | 4,048,185 | 4,410,963 | 1,576,155 | 1,867,249 | 928,733 | 1,053,950 | 1,543,297 | 1,489,764 |
| LIABILITIES AND CAPITAL | | | | | | | | |
| U. S. Government investment (shares and deposits) | 250,252 | 220,477 | 208,140 | 180,900 | 41,764 | 39,357 | 348 | 220 |
| Private repurchasable shares | 2,729,739 | 3,068,951 | 1,116,089 | 1,390,150 | 539,823 | 635,352 | 1,073,827 | 1,043,449 |
| Mortgage pledged shares | 166,300 | 145,971 | 13,884 | 9,798 | 22,411 | 19,319 | 130,005 | 116,854 |
| Deposits and investment certificates | 290,730 | 306,799 | 341 | 322 | 162,029 | 177,261 | 128,360 | 129,216 |
| Advances from Federal Home Loan Banks | 181,603 | 200,105 | 105,933 | 126,754 | 39,299 | 44,210 | 36,371 | 29,141 |
| Other borrowed money | 17,900 | 16,755 | 4,962 | 4,778 | 3,946 | 4,246 | 8,992 | 7,731 |
| Loans in process | 45,298 | 62,833 | 27,998 | 38,459 | 11,079 | 15,799 | 6,221 | 8,575 |
| Advance payments by borrowers | 9,917 | 13,707 | 4,331 | 6,213 | 2,968 | 4,033 | 2,618 | 3,461 |
| Other liabilities | 18,612 | 19,319 | 7,808 | 8,501 | 5,373 | 5,955 | 5,431 | 4,863 |
| Capital, permanent reserve, or guaranty stock | 25,559 | 25,799 | 0 | 0 | 20,399 | 21,106 | 5,160 | 4,693 |
| Deferred credit to future operations | 15,857 | 16,604 | 6,045 | 6,449 | 4,111 | 4,487 | 5,701 | 5,668 |
| Specific reserves | 11,303 | 9,613 | 4,155 | 3,977 | 3,076 | 2,681 | 4,072 | 2,955 |
| General reserves | 198,026 | 198,169 | 51,551 | 58,902 | 52,239 | 57,005 | 94,236 | 82,262 |
| Bonus on shares | 457 | 559 | 380 | 472 | 65 | 78 | 12 | 9 |
| Undivided profits and surplus | 86,632 | 105,302 | 24,538 | 31,574 | 20,151 | 23,061 | 41,943 | 50,667 |
| Total liabilities and capital | 4,048,185 | 4,410,963 | 1,576,155 | 1,867,249 | 928,733 | 1,053,950 | 1,543,297 | 1,489,764 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 35

*Percentage distribution of balance-sheet items for all savings and loan member institutions of the Federal Home Loan Bank System, as of Dec. 31, 1939, and Dec. 31, 1940*

[Percentage ratio to total assets]

| Item | All savings and loan members | | Federal savings and loan associations | | State-chartered insured savings and loan associations | | State-chartered uninsured savings and loan associations | |
|---|---|---|---|---|---|---|---|---|
| | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 |
| Number of institutions | 3,868 | 3,818 | 1,400 | 1,433 | 795 | 835 | 1,673 | 1,550 |
| ASSETS | | | | | | | | |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| First mortgage loans (including interest and advances) | 76.76 | 79.25 | 81.52 | 83.21 | 74.67 | 76.99 | 73.16 | 75.90 |
| Junior mortgage liens (including interest and advances) | .12 | .09 | .05 | .04 | .12 | .10 | .18 | .14 |
| Other loans (including share loans) | .71 | .68 | .41 | .38 | .53 | .53 | 1.12 | 1.15 |
| Real estate sold on contract | 3.84 | 3.79 | 3.46 | 3.23 | 4 88 | 4.87 | 3 59 | 3.73 |
| Real estate owned | 9.30 | 6.80 | 5.70 | 4.14 | 9 61 | 7.19 | 12 81 | 9.85 |
| Federal Home Loan Bank stock | .99 | .99 | 1.09 | 1 07 | 1.00 | .99 | .87 | .87 |
| Other investments (including accrued interest) | 1.72 | 1.55 | .83 | .69 | 1.96 | 1.96 | 2.49 | 2.35 |
| Cash on hand and in banks | 5.09 | 5.50 | 5.58 | 5.99 | 5.48 | 5.79 | 4.37 | 4.67 |
| Office building (net) | 1.10 | 1.05 | 1.10 | 1.02 | 1.32 | 1.22 | .97 | .97 |
| Furniture, fixtures, and equipment (net) | .10 | .10 | .13 | .13 | .12 | .12 | .06 | .06 |
| Other assets | .27 | .20 | .13 | .10 | .31 | .24 | .38 | .31 |
| Total assets | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| LIABILITIES AND CAPITAL | | | | | | | | |
| U. S. Government investment (shares and deposits) | 6.17 | 5.00 | 13.21 | 9 69 | 4.43 | 3.73 | .02 | .01 |
| Private repurchasable shares | 67.43 | 69 57 | 70 81 | 74 45 | 58.12 | 60.28 | 69.58 | 70.04 |
| Mortgage pledged shares | 4.11 | 3 31 | .88 | .52 | 2.41 | 1.83 | 8.42 | 7.84 |
| Deposits and investment certificates | 7.20 | 6 96 | .02 | .02 | 17.52 | 16 82 | 8.32 | 8.67 |
| Advances from Federal Home Loan Banks | 4.49 | 4.54 | 6.72 | 6.79 | 4.23 | 4.19 | 2.36 | 1.96 |
| Other borrowed money | .44 | .38 | .31 | .26 | .42 | .40 | .58 | .52 |
| Loans in process | 1.12 | 1.42 | 1 78 | 2.06 | 1 19 | 1.50 | .40 | .58 |
| Other liabilities | 1.09 | 1.13 | 1.15 | 1.13 | 1.34 | 1.38 | .89 | .94 |
| Capital, permanent reserve, or guaranty stock | .63 | .58 | .00 | .00 | 2 20 | 2.00 | .34 | .32 |
| Specific reserves | .28 | .22 | .26 | 21 | .33 | .26 | .26 | .20 |
| General reserves | 4.89 | 4.49 | 3.27 | 3.15 | 5.63 | 5 41 | 6.11 | 5.52 |
| Undivided profits | 2.15 | 2.40 | 1.59 | 1.72 | 2.18 | 2.20 | 2.72 | 3.40 |
| Total liabilities and capital | 100.00 | 100.00 | 100.00 | 100 00 | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 36

*Operating ratios for reporting savings and loan member institutions of the Federal Home Loan Bank System, for the calendar years 1939 and 1940*

| Item | Percentage ratio to gross operating income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Federal savings and loan associations | | Insured State-chartered member associations | | Uninsured State-chartered member associations | |
| | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 |
| Number of institutions reporting | 3,110 | 3,508 | 1,384 | 1,428 | 642 | 772 | 1,084 | 1,308 |
| GROSS OPERATING INCOME | | | | | | | | |
| Interest: | | | | | | | | |
| | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* | *Percent* |
| On mortgage loans — ordinary cash collections | 85.23 | 86.19 | 86 23 | 88.06 | 82 28 | 84.35 | 85.98 | 85.04 |
| On mortgage loans—all other | .99 | .56 | 1.03 | .31 | .92 | .51 | .99 | .92 |
| On loans on shares, passbooks, and certificates | .62 | .32 | .30 | .28 | .39 | .31 | 1.17 | .37 |
| On real estate sold on contract | 3 79 | 4 05 | 3 81 | 3.67 | 5.29 | 5.40 | 2.76 | 3.58 |
| On investments and bank deposits | 1.10 | .93 | .66 | .42 | 1.50 | 1.14 | 1 38 | 1.46 |
| Other | .25 | .33 | .11 | .12 | .39 | .36 | .33 | .59 |
| Premiums or commissions on loans (current installments and amortized only) | 1 19 | 1.28 | 1 47 | 1.33 | .96 | 1.03 | 1.01 | 1.40 |
| Appraisal fees, legal fees, and initial service charges | 1 44 | 1 58 | 2.18 | 2 43 | 1 42 | 1 36 | .53 | .61 |
| Other fees and fines | .60 | .59 | .41 | .39 | .54 | .46 | .88 | .93 |
| Net income or loss from real estate owned | 3 00 | 2.44 | 1 99 | 1.40 | 4 41 | 3.04 | 3 29 | 3.43 |
| Gross income from office building | 1.09 | 1.12 | 1.13 | 1.01 | 1.04 | 1.24 | 1.08 | 1.17 |
| Dividends on stock in Federal Home Loan Bank | .24 | .19 | .26 | .20 | .24 | .19 | .21 | .17 |
| Other dividends | .05 | .04 | .03 | .02 | .06 | .07 | .07 | .04 |
| Miscellaneous operating income | .41 | .38 | 39 | .36 | .56 | .54 | .32 | .29 |
| Gross operating income | 100.00 | 100.00 | 100.00 | 100 00 | 100.00 | 100.00 | 100.00 | 100.00 |
| LESS OPERATING EXPENSES | | | | | | | | |
| Compensation to directors, officers, employees, etc | 12.61 | 12.60 | 13 29 | 13 11 | 13 84 | 13 69 | 10.97 | 11 15 |
| Collection expense (agents, etc.) | .35 | .26 | .22 | .24 | .73 | .35 | .24 | .21 |
| Legal services—retainer, traveling expense and special services | .54 | .53 | .55 | .48 | .68 | .63 | .45 | .51 |
| Expense accounts of directors, officers, and employees | .27 | .28 | .34 | .36 | .34 | .33 | .12 | .14 |
| Rent, light, heat, etc | 1.51 | 1.47 | 1.77 | 1.64 | 1.52 | 1.52 | 1.18 | 1.20 |
| Repairs, taxes, and maintenance of office building | .98 | 1.02 | 1.03 | .99 | 1.05 | 1.19 | .88 | .95 |
| Depreciation of office building | .52 | .53 | .44 | .44 | .67 | .71 | .53 | .54 |
| Furniture, fixtures, and equipment, including depreciation | .47 | .47 | .64 | .62 | .47 | .51 | .25 | .23 |
| Advertising | 2.12 | 2.12 | 3.01 | 2.92 | 2.11 | 2.15 | 1.00 | 1.03 |
| Stationery, printing, and office supplies | .75 | .76 | .85 | .83 | .80 | .85 | .58 | .60 |
| Telegraph, telephone, postage, and express | .53 | .53 | .64 | .63 | .59 | .58 | .36 | .34 |
| Insurance and bond premiums | .50 | .62 | .56 | .56 | .59 | .60 | .36 | .71 |
| Federal insurance premium (if insured) | 1.30 | 1.33 | 1.98 | 1.97 | 1.96 | 1.99 | .00 | .01 |
| Audit | .30 | .30 | .22 | .19 | .25 | .29 | .42 | .44 |
| Supervising examinations and assessments | .42 | .42 | .45 | .41 | .64 | .66 | .25 | .27 |
| Organization dues | .23 | .24 | .29 | .29 | .24 | .26 | .14 | .15 |
| Other operating expense | 2.53 | 2.70 | 2.14 | 2 42 | 2.89 | 3.30 | 2.77 | 2 65 |
| Total operating expense | 25.93 | 26.18 | 28 42 | 28.10 | 29.37 | 29.61 | 20.50 | 21 13 |
| Net operating income before interest and other charges | 74 07 | 73.82 | 71.58 | 71.90 | 70.63 | 70.39 | 79.50 | 78.87 |

## EXHIBIT 36—Continued

*Operating ratios for reporting savings and loan member institutions of the Federal Home Loan Bank System, for the calendar years 1939 and 1940*—Continued

| Item | Percentage ratio to gross operating income | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Total | | Federal savings and loan associations | | Insured State-chartered member associations | | Uninsured State-chartered member associations | |
| | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 | 1939 | 1940 |
| LESS INTEREST CHARGES | | | | | | | | |
| On deposits, investment certificates, etc. | *Percent* 5.07 | *Percent* 4.44 | *Percent* 0 04 | *Percent* 0.09 | *Percent* 12 11 | *Percent* 10.88 | *Percent* 6 61 | *Percent* 5 46 |
| On advances from Federal Home Loan Bank | 2.42 | 2 02 | 3.42 | 2 83 | 2.31 | 1.87 | 1.24 | 1.05 |
| On borrowed money | .26 | .21 | .11 | .11 | 30 | .29 | .43 | .30 |
| Total interest | 7.75 | 6 67 | 3 57 | 3.03 | 14.72 | 13 04 | 8 28 | 6.81 |
| Net operating income | 66 32 | 67.15 | 68 01 | 68 87 | 55 91 | 57.35 | 71 22 | 72 06 |
| ADD NONOPERATING INCOME | | | | | | | | |
| Dividends retained on repurchases and withdrawals | .17 | .19 | 02 | .01 | .19 | .15 | 33 | .44 |
| Profit on sale of real estate | 1 59 | 1.56 | 1 70 | 1.42 | 2 06 | 2.07 | 1 16 | 1 38 |
| Profit on sale of investments | 33 | .20 | .41 | .19 | .30 | .23 | .25 | .20 |
| Other nonoperating income | .50 | .39 | .27 | .35 | 1 10 | .64 | .39 | .26 |
| Total nonoperating income | 2 59 | 2 34 | 2 40 | 1.97 | 3 65 | 3 09 | 2 13 | 2.28 |
| Net income after interest and before charges | 68 91 | 69 49 | 70 41 | 70.84 | 59 56 | 60.44 | 73.35 | 74.34 |
| LESS NONOPERATING CHARGES | | | | | | | | |
| Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves) | 15 | .15 | .11 | .14 | 25 | .23 | .15 | .10 |
| Loss on sale of real estate | 1.44 | 1.49 | 1 46 | 1.31 | 1.54 | 2 07 | 1.34 | 1.31 |
| Loss on sale of investments | .07 | .08 | .08 | .04 | 08 | .19 | .04 | 06 |
| Other nonoperating charges | .80 | .82 | 63 | .56 | .74 | .96 | 1.06 | 1 06 |
| Total nonoperating charges | 2 46 | 2 54 | 2 28 | 2.05 | 2.61 | 3 45 | 2.59 | 2 53 |
| Net income for the year | 66.45 | 66.95 | 68.13 | 68 79 | 56 95 | 56 99 | 70 76 | 71.81 |
| | Percentage ratio to net income | | | | | | | |
| LESS TRANSFERS FOR RESERVES AND DIVIDENDS | | | | | | | | |
| For bonus on shares | .11 | .11 | .23 | .20 | .07 | .07 | .00 | .03 |
| Legal reserves | 4.53 | 2.95 | 1.56 | .27 | 5.56 | 4.48 | 7.54 | 5.47 |
| Federal insurance reserve | 3.45 | 3.92 | 5.60 | 5.97 | 5.04 | 6.11 | .00 | .05 |
| For contingencies | 4.69 | 6.07 | 5.66 | 7.13 | 3.73 | 5.29 | 4.03 | 5.18 |
| Real-estate reserve | 1.39 | 1.61 | 1.14 | 1.08 | 1.62 | 1.62 | 1.56 | 2.28 |
| Other reserves | 1.44 | .83 | .32 | .45 | 1.61 | .71 | 2.70 | 1.35 |
| Dividends | 75.54 | 73.50 | 76.17 | 72.74 | 72.67 | 73.15 | 76.35 | 74.67 |
| Balance to undivided profits | 8 85 | 11.01 | 9 32 | 12 16 | 9 70 | 8.57 | 7.82 | 10.97 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

# EXHIBIT 37

*Consolidated statement of operations for 3,508 savings and loan member institutions, classified by asset size groups, Dec. 31, 1940*

| Item | Dollar amounts in thousands | | | | | | | | | | Ratio to gross operating income | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Total | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1, 000 to $2, 499 | $2, 500 to $4, 999 | $5, 000 to $9, 999 | $10, 000 and over | Total | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1, 000 to $2, 499 | $2, 500 to $4, 999 | $5, 000 to $9, 999 | $10, 000 and over |
| Number of institutions | 3, 508 | 39 | 173 | 732 | 747 | 757 | 670 | 256 | 92 | 42 | | | | | | | | | | |
| GROSS OPERATING INCOME | | | | | | | | | | | | | | | | | | | | |
| Interest: | | | | | | | | | | | | | | | | | | | | |
| On mortgage loans—ordinary cash collections | $183, 231 | $78 | $690 | $6, 150 | $12, 517 | $23, 972 | $46, 246 | $37, 865 | $26, 473 | $29, 240 | *Pct.* 86. 19 | *Pct.* 87. 65 | *Pct.* 87. 79 | *Pct.* 86 36 | *Pct.* 86 15 | *Pct.* 86. 01 | *Pct.* 86. 68 | *Pct.* 86. 11 | *Pct.* 85 41 | *Pct.* 86. 31 |
| On mortgage loans—all other | 1, 182 | 0 | 3 | 48 | 92 | 151 | 298 | 237 | 126 | 227 | . 56 | 0 | . 38 | . 68 | . 63 | . 54 | . 56 | . 54 | . 41 | . 67 |
| On loans on shares, passbooks, and certificates | 676 | 0 | 3 | 36 | 72 | 101 | 172 | 107 | 68 | 117 | . 32 | 0 | . 38 | . 51 | . 50 | . 36 | . 32 | . 25 | . 22 | . 35 |
| On real estate sold on contract | 8, 615 | 3 | 11 | 211 | 478 | 1, 213 | 2, 195 | 1, 460 | 1, 564 | 1, 480 | 4. 05 | 3 37 | 1. 40 | 2. 96 | 3 29 | 4 35 | 4. 11 | 3. 32 | 5. 05 | 4. 37 |
| On investments and bank deposits | 1, 982 | 0 | 1 | 7 | 64 | 101 | 377 | 519 | 446 | 467 | . 93 | 0 | . 13 | . 10 | . 44 | . 36 | . 71 | 1. 18 | 1. 44 | 1. 38 |
| Other | 707 | 0 | 0 | 8 | 22 | 42 | 101 | 392 | 70 | 72 | . 33 | 0 | 0 | . 11 | . 15 | . 15 | . 19 | . 89 | . 23 | . 21 |
| Premium or commission on loans (current installments and amortized only) | 2, 719 | 3 | 17 | 132 | 274 | 368 | 647 | 892 | 215 | 171 | 1. 28 | 3 37 | 2 16 | 1 85 | 1. 88 | 1. 32 | 1. 21 | 2 03 | . 69 | . 50 |
| Appraisal fees, legal fees, and initial service charges | 3, 356 | 1 | 14 | 130 | 194 | 440 | 927 | 717 | 418 | 515 | 1 58 | 1. 12 | 1. 78 | 1. 83 | 1. 34 | 1 58 | 1 74 | 1. 63 | 1. 35 | 1. 52 |
| Other fees and fines | 1, 244 | 0 | 6 | 52 | 78 | 149 | 258 | 260 | 178 | 263 | . 59 | 0 | . 76 | . 73 | . 54 | . 54 | . 48 | . 59 | . 57 | . 78 |
| Net income or loss from real estate owned | 5, 212 | 2 | 37 | 263 | 555 | 933 | 1, 379 | 958 | 667 | 418 | 2 44 | 2 25 | 4. 71 | 3. 69 | 3 82 | 3 35 | 2. 59 | 2 18 | 2. 15 | 1. 23 |
| Gross income from office building | 2, 373 | 1 | 1 | 45 | 91 | 234 | 476 | 309 | 595 | 621 | 1. 12 | 1. 12 | . 13 | . 63 | . 63 | . 84 | . 89 | . 70 | 1. 92 | 1. 83 |
| Dividends on stock in Federal Home Loan Bank | 405 | 0 | 0 | 10 | 24 | 53 | 105 | 85 | 65 | 63 | . 19 | 0 | 0 | . 14 | . 16 | . 19 | . 20 | . 19 | . 21 | . 19 |
| Other dividends | 87 | 0 | 0 | 2 | 7 | 9 | 19 | 30 | 4 | 16 | . 04 | 0 | 0 | . 03 | . 05 | . 03 | . 04 | . 07 | . 01 | . 05 |
| Miscellaneous operating income | 802 | 1 | 3 | 27 | 61 | 105 | 151 | 142 | 106 | 206 | . 38 | 1. 12 | . 38 | . 38 | . 42 | . 38 | . 28 | . 32 | . 34 | . 61 |
| Gross operating income | 212, 591 | 89 | 786 | 7, 121 | 14, 529 | 27, 871 | 53, 351 | 43. 973 | 30, 995 | 33, 876 | 100 00 | 100 00 | 100. 00 | 100 00 | 100 00 | 100. 00 | 100. 00 | 100. 00 | 100. 00 | 100. 00 |

## EXHIBIT 37—Continued

*Consolidated statement of operations for 3,508 savings and loan member institutions, classified by asset size groups, Dec. 31, 1940*—Con.

| Item | Dollar amounts in thousands: Total | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1,000 to $2,499 | $2,500 to $4,999 | $5,000 to $9,999 | $10,000 and over | Ratio to gross operating income: Total | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1,000 to $2,499 | $2,500 to $4,999 | $5,000 to $9,999 | $10,000 and over |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LESS OPERATING EXPENSE | | | | | | | | | | | | | | | | | | | | |
| Compensation to directors, officers, employees, etc. | $26,795 | $18 | $140 | $1,081 | $2,099 | $3,939 | $6,856 | $5,377 | $3,563 | $3,722 | *Pct.* 12.60 | *Pct.* 20.23 | *Pct.* 17.81 | *Pct.* 15.18 | *Pct.* 14.45 | *Pct.* 14.13 | *Pct.* 12.85 | *Pct.* 12.22 | *Pct.* 11.50 | *Pct.* 10.99 |
| Collection expense (agents, etc.) | 548 | 0 | 0 | 4 | 17 | 51 | 89 | 119 | 128 | 140 | .26 | 0 | 0 | .05 | .12 | .18 | .17 | .27 | .41 | .41 |
| Legal services—retainer, traveling expenses, and special services | 1,122 | 0 | 6 | 37 | 86 | 144 | 291 | 246 | 136 | 176 | .53 | 0 | .76 | .52 | .59 | .52 | .55 | .56 | .44 | .52 |
| Expense accounts of directors, officers, and employees | 599 | 0 | 1 | 8 | 38 | 85 | 147 | 150 | 97 | 73 | .28 | 0 | .13 | .11 | .26 | .30 | .28 | .34 | .31 | .22 |
| Rent, light, heat, etc. | 3,127 | 5 | 20 | 143 | 264 | 499 | 863 | 544 | 423 | 366 | 1.47 | 5.62 | 2.55 | 2.01 | 1.82 | 1.79 | 1.62 | 1.24 | 1.37 | 1.08 |
| Repairs, taxes, and maintenance of office building | 2,178 | 0 | 2 | 29 | 76 | 193 | 445 | 346 | 492 | 595 | 1.02 | 0 | .25 | .41 | .52 | .69 | .83 | .79 | 1.59 | 1.76 |
| Depreciation of office building | 1,134 | 0 | 0 | 14 | 41 | 107 | 258 | 216 | 286 | 212 | .53 | 0 | 0 | .20 | .28 | .38 | .48 | .49 | .92 | .62 |
| Furniture, fixtures, and equipment, including depreciation | 991 | 0 | 0 | 19 | 52 | 132 | 294 | 231 | 141 | 122 | .47 | 0 | 0 | .27 | .36 | .48 | .55 | .52 | .45 | .36 |
| Advertising | 4,498 | 1 | 3 | 80 | 194 | 487 | 1,164 | 1,021 | 734 | 814 | 2.12 | 1.12 | .38 | 1.12 | 1.34 | 1.75 | 2.18 | 2.32 | 2.37 | 2.40 |
| Stationery, printing, and office supplies | 1,614 | 0 | 2 | 61 | 123 | 226 | 428 | 327 | 227 | 220 | .76 | 0 | .25 | .86 | .85 | .81 | .80 | .74 | .73 | .65 |
| Telegraph, telephone, postage, and express | 1,116 | 0 | 3 | 27 | 66 | 151 | 282 | 239 | 164 | 184 | .53 | 0 | .38 | .38 | .45 | .54 | .53 | .54 | .53 | .54 |
| Insurance and bond premiums | 1,321 | 0 | 9 | 54 | 117 | 213 | 364 | 276 | 159 | 129 | .62 | 0 | 1.15 | .76 | .80 | .77 | .68 | .63 | .51 | .38 |
| Federal insurance premium (if insured) | 2,832 | 1 | 4 | 70 | 154 | 333 | 752 | 609 | 472 | 437 | 1.33 | 1.12 | .51 | .98 | 1.06 | 1.20 | 1.41 | 1.38 | 1.52 | 1.29 |
| Audit | 631 | 0 | 5 | 34 | 64 | 85 | 136 | 160 | 77 | 70 | .30 | 0 | .64 | .48 | .44 | .31 | .25 | .36 | .25 | .21 |
| Supervising examinations and assessments | 900 | 1 | 8 | 65 | 99 | 145 | 237 | 167 | 89 | 89 | .42 | 1.12 | 1.02 | .91 | .68 | .52 | .44 | .40 | .29 | .26 |
| Organization dues | 504 | 0 | 0 | 13 | 34 | 65 | 148 | 113 | 79 | 52 | .24 | 0 | 0 | .18 | .23 | .23 | .28 | .26 | .26 | .15 |
| Other operating expense | 5,749 | 4 | 28 | 178 | 321 | 658 | 1,322 | 1,179 | 949 | 1,110 | 2.70 | 4.50 | 3.56 | 2.50 | 2.21 | 2.36 | 2.48 | 2.68 | 3.06 | 3.28 |
| Total operating expense | 55,659 | 30 | 231 | 1,917 | 3,845 | 7,513 | 14,076 | 11,320 | 8,216 | 8,511 | 26.18 | 33.71 | 29.39 | 26.92 | 26.46 | 26.96 | 26.38 | 25.74 | 26.51 | 25.12 |
| Net operating income before interest and other charges | 156,932 | 59 | 555 | 5,204 | 10,684 | 20,358 | 39,275 | 32,653 | 22,779 | 25,365 | 73.82 | 66.29 | 70.61 | 73.08 | 73.54 | 73.04 | 73.62 | 74.26 | 73.49 | 74.88 |

| | | | | | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| LESS INTEREST CHARGES | | | | | | | | | | | | | | | | | | | | |
| On deposits, investment certificates, etc. | 9,433 | 0 | 0 | 57 | 245 | 773 | 1,978 | 2,510 | 1,892 | 1,978 | 4.44 | 0 | 0 | .80 | 1.69 | 2.77 | 3.71 | 5 71 | 6.10 | 5.84 |
| On advances from Federal Home Loan Bank | 4,292 | 3 | 25 | 205 | 405 | 741 | 1,347 | 770 | 372 | 424 | 2.02 | 3.37 | 3.18 | 2 88 | 2.79 | 2.66 | 2.52 | 1.75 | 1.20 | 1.25 |
| On borrowed money | 459 | 0 | 0 | 39 | 51 | 93 | 105 | 58 | 79 | 34 | .21 | 0 | 0 | .55 | .35 | .33 | .20 | .13 | .26 | .10 |
| Total interest | 14,184 | 3 | 25 | 301 | 701 | 1,607 | 3,430 | 3,338 | 2,343 | 2,436 | 6.67 | 3.37 | 3.18 | 4.23 | 4.83 | 5.76 | 6.43 | 7.59 | 7.56 | 7.19 |
| Net operating income | 142,748 | 56 | 530 | 4,903 | 9,983 | 18,751 | 35,845 | 29,315 | 20,436 | 22,929 | 67.15 | 62.92 | 67.43 | 68.85 | 68.71 | 67.28 | 67.19 | 66.67 | 65.93 | 67.69 |
| ADD NONOPERATING INCOME | | | | | | | | | | | | | | | | | | | | |
| Dividends retained on repurchases and withdrawals | 391 | 1 | 3 | 41 | 79 | 82 | 98 | 33 | 26 | 28 | .19 | 1.12 | .38 | .58 | .54 | .29 | .18 | .07 | .08 | .08 |
| Profit on sale of real estate | 3,324 | 1 | 8 | 71 | 212 | 360 | 766 | 784 | 546 | 576 | 1.56 | 1.12 | 1.02 | 1.00 | 1.46 | 1.29 | 1.44 | 1.78 | 1.76 | 1.70 |
| Profit on sale of investments | 431 | 0 | 2 | 11 | 16 | 36 | 102 | 113 | 90 | 61 | .20 | 0 | .25 | .15 | .11 | .13 | .19 | .26 | .29 | .18 |
| Other nonoperating income | 829 | 0 | 7 | 27 | 45 | 70 | 223 | 145 | 113 | 199 | .39 | 0 | .89 | .38 | .31 | .25 | .42 | .33 | .37 | .59 |
| Total nonoperating income | 4,975 | 2 | 20 | 150 | 352 | 548 | 1,189 | 1,075 | 775 | 864 | 2.34 | 2.24 | 2.54 | 2.11 | 2.42 | 1.96 | 2.23 | 2.44 | 2.50 | 2.55 |
| Net income after interest and before charges | 147,723 | 58 | 550 | 5,053 | 10,335 | 19,299 | 37,034 | 30,390 | 21,211 | 23,793 | 69.49 | 65.16 | 69.97 | 70.96 | 71.13 | 69.24 | 69.42 | 69.11 | 68.43 | 70.24 |
| LESS NONOPERATING CHARGES | | | | | | | | | | | | | | | | | | | | |
| Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves) | 314 | 0 | 0 | 3 | 15 | 31 | 54 | 89 | 101 | 21 | .15 | 0 | 0 | .04 | .10 | .11 | .10 | .20 | .33 | .06 |
| Loss on sale of real estate | 3,173 | 0 | 5 | 149 | 140 | 267 | 513 | 1,125 | 462 | 512 | 1.49 | 0 | .64 | 2.09 | .96 | .96 | .96 | 2.56 | 1.49 | 1.51 |
| Loss on sale of investments | 168 | 0 | 0 | 7 | 8 | 12 | 26 | 46 | 11 | 58 | .08 | 0 | 0 | .10 | .06 | .04 | .05 | .10 | .03 | .17 |
| Other nonoperating charges | 1,744 | 0 | 10 | 52 | 86 | 192 | 355 | 390 | 424 | 235 | .82 | 0 | 1.27 | .73 | .59 | .69 | .67 | .89 | 1.37 | .70 |
| Total nonoperating charges | 5,399 | 0 | 15 | 211 | 249 | 502 | 948 | 1,650 | 998 | 826 | 2.54 | 0 | 1.91 | 2.96 | 1.71 | 1.80 | 1.78 | 3.75 | 3.22 | 2.44 |
| Net income for the year | 142,324 | 58 | 535 | 4,842 | 10,086 | 18,797 | 36,086 | 28,740 | 20,213 | 22,967 | 66.95 | 65.16 | 68.06 | 68.00 | 69.42 | 67.44 | 67.64 | 65.36 | 65.21 | 67.80 |
| LESS TRANSFERS FOR RESERVES AND DIVIDENDS | | | | | | | | | | | | | | | | | | | | |
| For bonus on shares | 162 | 0 | 1 | 18 | 8 | 19 | 28 | 15 | 15 | 58 | .11 | 0 | .19 | .37 | .08 | .10 | .08 | .05 | .08 | .25 |
| Legal reserves | 4,199 | 0 | 5 | 94 | 221 | 551 | 959 | 907 | 482 | 980 | 2.95 | 0 | .93 | 1.94 | 2.19 | 2.93 | 2.66 | 3.16 | 2.38 | 4.27 |
| Federal insurance reserve | 5,579 | 1 | 16 | 151 | 310 | 628 | 1,465 | 1,411 | 729 | 868 | 3.92 | 1.73 | 2.99 | 3.12 | 3.07 | 3.34 | 4.06 | 4.91 | 3.61 | 3.78 |
| For contingencies | 8,639 | 7 | 44 | 396 | 717 | 1,227 | 2,412 | 1,630 | 1,192 | 1,014 | 6.07 | 12.07 | 8.22 | 8.18 | 7.11 | 6.53 | 6.68 | 5.67 | 5.90 | 4.41 |
| Real-estate reserve | 2,295 | 0 | 8 | 59 | 224 | 372 | 607 | 504 | 291 | 230 | 1.61 | 0 | 1.50 | 1.22 | 2.22 | 1.98 | 1.68 | 1.75 | 1.44 | 1.00 |
| Other | 1,178 | 1 | 13 | 55 | 149 | 236 | 247 | 274 | −24 | 227 | .83 | 1.72 | 2.43 | 1.13 | 1.48 | 1.26 | .68 | .96 | −.12 | .99 |
| Dividends | 104,606 | 42 | 399 | 3,569 | 7,275 | 13,902 | 26,341 | 21,412 | 14,843 | 16,823 | 73.50 | 72.41 | 74.58 | 73.71 | 72.13 | 73.96 | 73.00 | 74.50 | 73.43 | 73.25 |
| Balance to undivided profits | 15,666 | 7 | 49 | 500 | 1,182 | 1,862 | 4,027 | 2,587 | 2,685 | 2,767 | 11.01 | 12.07 | 9.16 | 10.33 | 11.72 | 9.90 | 11.16 | 9.00 | 13.28 | 12 05 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 38

*Federal savings and loan associations—Number and assets as of the end of each fiscal year, 1934–41*

| Date | Number of associations | | | Assets (in thousands of dollars) | | |
|---|---|---|---|---|---|---|
| | Total | New | Converted | Total | New | Converted |
| June 30, 1934 | 370 | 320 | 50 | $41,402 | $3,198 | $38,204 |
| June 30, 1935 | 851 | 554 | 297 | 304,569 | 36,145 | 268,424 |
| June 30, 1936 | 1,135 | 637 | 498 | 655,192 | 116,670 | 538,522 |
| June 30, 1937 | 1,286 | 647 | 639 | 986,297 | 222,528 | 763,769 |
| June 30, 1938 | 1,346 | 640 | 706 | 1,213,874 | 301,242 | 912,632 |
| June 30, 1939 | 1,386 | 636 | 750 | 1,442,069 | 397,239 | 1,044,830 |
| June 30, 1940 | 1,429 | 633 | 796 | 1,728,865 | 506,588 | 1,222,277 |
| June 30, 1941 | 1,455 | 639 | 816 | 2,029,639 | 629,301 | 1,400,338 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

# EXHIBIT 39

*Federal savings and loan associations—Number of associations chartered, mortgage loans outstanding, and assets, by Federal Home Loan Bank Districts and by States, June 30, 1940, and June 30, 1941*

| Bank District and State | Number of associations | | | Mortgage loans outstanding | | | Assets | | |
|---|---|---|---|---|---|---|---|---|---|
| | June 30, 1940 | June 30, 1941 | Increase | June 30, 1940 | June 30, 1941 | Increase | June 30, 1940 | June 30, 1941 | Increase |
| United States | 1,429 | 1,455 | 26 | $1,404,952,500 | $1,688,241,200 | $283,288,700 | $1,728,865,000 | $2,029,639,000 | $300,774,000 |
| No. 1—Boston | 51 | 51 | 0 | 104,985,700 | 131,445,600 | 26,459,900 | 133,644,000 | 159,320,000 | 25,676,000 |
| Connecticut | 15 | 15 | 0 | 14,376,800 | 21,082,600 | 6,705,800 | 15,938,000 | 22,911,000 | 6,973,000 |
| Maine | 5 | 5 | 0 | 929,400 | 1,179,400 | 250,000 | 1,006,000 | 1,314,000 | 308,000 |
| Massachusetts | 26 | 26 | 0 | 79,362,300 | 95,892,900 | 16,530,600 | 105,044,000 | 120,075,000 | 15,031,000 |
| New Hampshire | 2 | 2 | 0 | 7,060,800 | 8,053,100 | 992,300 | 7,974,000 | 8,944,000 | 970,000 |
| Rhode Island | 1 | 1 | 0 | 1,026,200 | 1,476,600 | 450,400 | 1,156,000 | 1,675,000 | 519,000 |
| Vermont | 2 | 2 | 0 | 2,230,200 | 3,761,000 | 1,530,800 | 2,526,000 | 4,401,000 | 1,875,000 |
| No. 2—New York | 69 | 73 | 4 | 139,877,300 | 161,427,000 | 21,549,700 | 174,734,000 | 199,380,000 | 24,646,000 |
| New Jersey | 5 | 9 | 4 | 3,414,100 | 7,022,300 | 3,608,200 | 4,689,000 | 8,839,000 | 4,150,000 |
| New York | 64 | 64 | 0 | 136,463,200 | 154,404,700 | 17,941,500 | 170,045,000 | 190,541,000 | 20,496,000 |
| No. 3—Pittsburgh | 122 | 124 | 2 | 74,486,200 | 98,515,600 | 24,029,400 | 89,632,000 | 114,297,000 | 24,665,000 |
| Delaware | 1 | 1 | 0 | 273,400 | 292,400 | 19,000 | 279,000 | 332,000 | 53,000 |
| Pennsylvania | 99 | 101 | 2 | 59,982,300 | 82,002,700 | 22,020,400 | 72,394,000 | 95,194,000 | 22,800,000 |
| West Virginia | 22 | 22 | 0 | 14,230,500 | 16,220,500 | 1,990,000 | 16,959,000 | 18,771,000 | 1,812,000 |
| No. 4—Winston-Salem | 208 | 212 | 4 | 175,773,100 | 224,137,900 | 48,364,800 | 201,693,000 | 254,011,000 | 52,318,000 |
| Alabama | 15 | 17 | 2 | 7,356,900 | 9,888,000 | 2,531,100 | 9,245,000 | 12,159,000 | 2,914,000 |
| District of Columbia | 3 | 3 | 0 | 15,201,300 | 20,268,600 | 5,067,300 | 16,804,000 | 22,311,000 | 5,507,000 |
| Florida | 46 | 46 | 0 | 50,769,000 | 63,886,300 | 13,117,300 | 59,318,000 | 74,289,000 | 14,971,000 |
| Georgia | 43 | 43 | 0 | 21,153,400 | 27,144,300 | 5,990,900 | 22,939,000 | 29,717,000 | 6,778,000 |
| Maryland | 32 | 31 | −1 | 26,370,100 | 35,355,600 | 8,985,500 | 32,401,000 | 41,349,000 | 8,948,000 |
| North Carolina | 20 | 22 | 2 | 16,059,200 | 20,711,600 | 4,652,400 | 17,807,000 | 22,736,000 | 4,929,000 |
| South Carolina | 30 | 30 | 0 | 17,512,100 | 21,470,900 | 3,958,800 | 19,278,000 | 23,415,000 | 4,137,000 |
| Virginia | 19 | 20 | 1 | 21,351,100 | 25,412,600 | 4,061,500 | 23,901,000 | 28,035,000 | 4,134,000 |

EXHIBIT 39—Continued

*Federal savings and loan associations—Number of associations chartered, mortgage loans outstanding, and assets, by Federal Home Loan Bank Districts and by States, June 30, 1940, and June 30, 1941*—Continued

| Bank District and State | Number of associations | | | Mortgage loans outstanding | | | Assets | | |
|---|---|---|---|---|---|---|---|---|---|
| | June 30, 1940 | June 30, 1941 | Increase | June 30, 1940 | June 30, 1941 | Increase | June 30, 1940 | June 30, 1941 | Increase |
| No. 5—Cincinnati | 211 | 213 | 2 | $245, 297, 400 | $277, 182, 600 | $31, 885, 200 | $308, 047, 000 | $340, 118, 000 | $32, 071, 000 |
| Kentucky | 55 | 54 | −1 | 49, 517, 400 | 53, 896, 900 | 4, 379, 500 | 63, 962, 000 | 67, 617, 000 | 3, 655, 000 |
| Ohio | 118 | 121 | 3 | 171, 182, 800 | 194, 097, 000 | 22, 914, 200 | 216, 263, 000 | 239, 302, 000 | 23, 039, 000 |
| Tennessee | 38 | 38 | 0 | 24, 597, 200 | 29, 188, 700 | 4, 591, 500 | 27, 822, 000 | 33, 199, 000 | 5, 377, 000 |
| No. 6—Indianapolis | 99 | 99 | 0 | 95, 868, 300 | 112, 168, 700 | 16, 300, 400 | 138, 290, 000 | 152, 681, 000 | 14, 391, 000 |
| Indiana | 69 | 69 | 0 | 66, 911, 800 | 75, 908, 900 | 8, 997, 100 | 93, 534, 000 | 101, 127, 000 | 7, 593, 000 |
| Michigan | 30 | 30 | 0 | 28, 956, 500 | 36, 259, 800 | 7, 303, 300 | 44, 756, 000 | 51, 554, 000 | 6, 798, 000 |
| No. 7—Chicago | 133 | 139 | 6 | 124, 726, 900 | 151, 123, 700 | 26, 396, 800 | 154, 721, 000 | 185, 736, 000 | 31, 015, 000 |
| Illinois | 98 | 100 | 2 | 105, 423, 100 | 127, 516, 300 | 22, 093, 200 | 130, 072, 000 | 155, 951, 000 | 25, 879, 000 |
| Wisconsin | 35 | 39 | 4 | 19, 303, 800 | 23, 607, 400 | 4, 303, 600 | 24, 649, 000 | 29, 785, 000 | 5, 136, 000 |
| No. 8—Des Moines | 109 | 112 | 3 | 97, 730, 100 | 118, 488, 900 | 20, 758, 800 | 115, 262, 000 | 137, 136, 000 | 21, 874, 000 |
| Iowa | 32 | 32 | 0 | 15, 515, 100 | 19, 132, 600 | 3, 617, 500 | 17, 551, 000 | 21, 338, 000 | 3, 787, 000 |
| Minnesota | 30 | 30 | 0 | 45, 635, 100 | 55, 932, 600 | 10, 297, 500 | 52, 513, 000 | 63, 475, 000 | 10, 962, 000 |
| Missouri | 37 | 40 | 3 | 32, 950, 500 | 39, 292, 600 | 6, 342, 100 | 40, 809, 000 | 47, 334, 000 | 6, 525, 000 |
| North Dakota | 6 | 6 | 0 | 2, 027, 900 | 2, 466, 200 | 438, 300 | 2, 543, 000 | 3, 046, 000 | 503, 000 |
| South Dakota | 4 | 4 | 0 | 1, 601, 500 | 1, 664, 900 | 63, 400 | 1, 846, 000 | 1, 943, 000 | 97, 000 |
| No. 9—Little Rock | 165 | 166 | 1 | 75, 542, 200 | 91, 980, 000 | 16, 437, 800 | 85, 805, 000 | 103, 902, 000 | 18, 097, 000 |
| Arkansas | 33 | 33 | 0 | 11, 335, 900 | 13, 110, 900 | 1, 775, 000 | 12, 744, 000 | 14, 495, 000 | 1, 751, 000 |
| Louisiana | 13 | 13 | 0 | 13, 141, 600 | 13, 771, 300 | 629, 700 | 14, 238, 000 | 14, 820, 000 | 582, 000 |
| Mississippi | 21 | 21 | 0 | 5, 117, 500 | 6, 352, 600 | 1, 235, 100 | 5, 536, 000 | 6, 981, 000 | 1, 445, 000 |
| New Mexico | 7 | 7 | 0 | 2, 012, 000 | 2, 464, 100 | 452, 100 | 2, 168, 000 | 2, 680, 000 | 512, 000 |
| Texas | 91 | 92 | 1 | 43, 935, 200 | 56, 281, 100 | 12, 345, 900 | 51, 119, 000 | 64, 926, 000 | 13, 807, 000 |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| No. 10—Topeka | 100 | 100 | 0 | 80,759,600 | 90,046,800 | 9,287,200 | 105,810,000 | 115,491,000 | 9,681,000 |
| Colorado | 23 | 23 | 0 | 16,774,000 | 19,238,100 | 2,464,100 | 21,180,000 | 23,873,000 | 2,693,000 |
| Kansas | 29 | 30 | 1 | 18,276,300 | 21,109,800 | 2,833,500 | 28,901,000 | 31,432,000 | 2,531,000 |
| Nebraska | 15 | 15 | 0 | 6,784,000 | 7,462,900 | 678,900 | 7,888,000 | 8,692,000 | 804,000 |
| Oklahoma | 33 | 32 | −1 | 38,925,300 | 42,236,000 | 3,310,700 | 47,841,000 | 51,494,000 | 3,653,000 |
| No. 11—Portland | 84 | 86 | 2 | 70,264,100 | 83,775,400 | 13,511,300 | 85,842,000 | 101,574,000 | 15,732,000 |
| Idaho | 8 | 8 | 0 | 6,703,000 | 7,312,700 | 609,700 | 7,801,000 | 8,435,000 | 634,000 |
| Montana | 2 | 3 | 1 | 463,000 | 920,800 | 457,800 | 570,000 | 1,054,000 | 484,000 |
| Oregon | 22 | 23 | 1 | 13,995,600 | 16,630,100 | 2,634,500 | 16,145,000 | 19,366,000 | 3,221,000 |
| Utah | 6 | 6 | 0 | 5,922,100 | 7,455,600 | 1,533,500 | 7,708,000 | 9,270,000 | 1,562,000 |
| Washington | 36 | 36 | 0 | 39,743,400 | 47,272,500 | 7,529,100 | 49,757,000 | 58,768,000 | 9,011,000 |
| Wyoming | 9 | 9 | 0 | 3,178,200 | 3,776,700 | 598,500 | 3,589,000 | 4,235,000 | 646,000 |
| Alaska | 1 | 1 | 0 | 258,800 | 407,000 | 148,200 | 272,000 | 446,000 | 174,000 |
| No. 12—Los Angeles | 78 | 80 | 2 | 119,641,600 | 147,949,000 | 28,307,400 | 135,385,000 | 165,993,000 | 30,608,000 |
| Arizona | 2 | 2 | 0 | 3,047,300 | 3,726,000 | 678,700 | 3,457,000 | 4,553,000 | 1,096,000 |
| California | 74 | 76 | 2 | 113,880,500 | 141,082,600 | 27,202,100 | 128,984,000 | 158,085,000 | 29,101,000 |
| Nevada | 1 | 1 | 0 | 480,300 | 659,600 | 179,300 | 617,000 | 758,000 | 141,000 |
| Hawaii | 1 | 1 | 0 | 2,233,500 | 2,480,800 | 247,300 | 2,327,000 | 2,597,000 | 270,000 |

## EXHIBIT 40

*Index of private repurchasable capital in comparable Federal savings and loan associations* [1]

[Average month 1935-1939=100]

| Date | Private repurchasable capital | Percent increase over preceding year | Date | Private repurchasable capital | Percent increase over preceding year |
|---|---|---|---|---|---|
| June 30, 1935 | 75 | | June 30, 1938 | 110 | 17 |
| June 30, 1936 | 82 | 9 | June 30, 1939 | 136 | 24 |
| June 30, 1937 | 94 | 15 | June 30, 1940 | 169 | 24 |
| | | | June 30, 1941 | 204 | 21 |

[1] This index eliminates the effect of conversion of State-chartered into Federally-chartered associations, and the addition of newly-established Federal associations during the period. Any growth of associations due to consolidation, merger, or purchase of assets from other institutions is not reflected in the index.

## EXHIBIT 41

*Federal savings and loan associations—Private investors in repurchasable shares and private repurchasable capital, by Federal Home Loan Bank Districts and by States, June 30, 1940, and June 30, 1941*

| Bank District and State | Number of private investors in repurchasable shares | | | Private repurchasable capital | | |
|---|---|---|---|---|---|---|
| | June 30, 1940 | June 30, 1941 | Increase | June 30, 1940 | June 30, 1941 | Increase |
| United States | 1, 562, 079 | 1, 806, 852 | 244, 773 | $1, 268, 048, 000 | $1, 554, 809, 600 | $286, 761, 600 |
| No. 1—Boston | 119, 804 | 132, 209 | 12, 405 | 105, 678, 500 | 131, 215, 000 | 25, 536, 500 |
| Connecticut | 17, 016 | 21, 241 | 4, 225 | 10, 870, 200 | 17, 236, 500 | 6, 366, 300 |
| Maine | 927 | 1, 150 | 223 | 601, 300 | 913, 400 | 312, 100 |
| Massachusetts | 90, 582 | 95, 293 | 4, 711 | 84, 263, 600 | 100, 140, 200 | 15, 876, 600 |
| New Hampshire | 8, 379 | 8, 726 | 347 | 7, 013, 600 | 7, 864, 400 | 850, 800 |
| Rhode Island | 1, 142 | 2, 854 | 1, 712 | 581, 300 | 1, 171, 000 | 589, 700 |
| Vermont | 1, 758 | 2, 945 | 1, 187 | 2, 348, 500 | 3, 889, 500 | 1, 541, 000 |
| No. 2—New York | 197, 369 | 218, 663 | 21, 294 | 130, 130, 300 | 156, 332, 900 | 26, 202, 600 |
| New Jersey | 3, 277 | 7, 063 | 3, 786 | 3, 310, 000 | 6, 549, 900 | 3, 239, 900 |
| New York | 194, 092 | 211, 600 | 17, 508 | 126, 820, 300 | 149, 783, 000 | 22, 962, 700 |
| No. 3—Pittsburgh | 87, 850 | 111, 717 | 23, 867 | 62, 373, 900 | 86, 388, 000 | 24, 014, 100 |
| Delaware | 97 | 140 | 43 | 220, 500 | 277, 500 | 57, 000 |
| Pennsylvania | 77, 521 | 99, 847 | 22, 326 | 51, 778, 000 | 73, 317, 400 | 21, 539, 400 |
| West Virginia | 10, 232 | 11, 730 | 1, 498 | 10, 375, 400 | 12, 793, 100 | 2, 417, 700 |
| No. 4—Winston-Salem | 160, 748 | 197, 218 | 36, 470 | 144, 090, 800 | 192, 207, 800 | 48, 117, 000 |
| Alabama | 9, 306 | 11, 834 | 2, 528 | 7, 024, 900 | 9, 996, 000 | 2, 971, 100 |
| District of Columbia | 16, 020 | 19, 119 | 3, 099 | 13, 961, 300 | 19, 412, 100 | 5, 450, 800 |
| Florida | 39, 188 | 48, 200 | 9, 012 | 39, 038, 900 | 53, 022, 600 | 13, 983, 700 |
| Georgia | 21, 454 | 25, 860 | 4, 406 | 16, 528, 600 | 22, 897, 200 | 6, 368, 600 |
| Maryland | 29, 819 | 37, 944 | 8, 125 | 22, 010, 400 | 28, 308, 200 | 6, 297, 800 |
| North Carolina | 13, 596 | 16, 577 | 2, 981 | 12, 291, 600 | 16, 812, 100 | 4, 520, 500 |
| South Carolina | 15, 458 | 18, 590 | 3, 132 | 15, 515, 300 | 19, 833, 700 | 4, 318, 400 |
| Virginia | 15, 907 | 19, 094 | 3, 187 | 17, 719, 800 | 21, 925, 900 | 4, 206, 100 |
| No. 5—Cincinnati | 281, 337 | 316, 219 | 34, 882 | 242, 902, 000 | 275, 555, 700 | 32, 653, 700 |
| Kentucky | 51, 052 | 55, 335 | 4, 283 | 52, 354, 700 | 56, 759, 400 | 4, 404, 700 |
| Ohio | 206, 902 | 233, 240 | 26, 338 | 173, 024, 300 | 196, 015, 100 | 22, 990, 800 |
| Tennessee | 23, 383 | 27, 644 | 4, 261 | 17, 523, 000 | 22, 781, 200 | 5, 258, 200 |
| No. 6—Indianapolis | 122, 805 | 134, 974 | 12, 169 | 108, 279, 200 | 121, 286, 500 | 13, 007, 300 |
| Indiana | 84, 762 | 91, 267 | 6, 505 | 71, 798, 900 | 79, 697, 000 | 7, 898, 100 |
| Michigan | 38, 043 | 43, 707 | 5, 664 | 36, 480, 300 | 41, 589, 500 | 5, 109, 200 |

## EXHIBIT 41—Continued

*Federal savings and loan associations—Private investors in repurchasable shares and private repurchasable capital, by Federal Home Loan Bank Districts and by States, June 30, 1940, and June 30, 1941*—Continued

| Bank District and State | Number of private investors in repurchasable shares | | | Private repurchasable capital | | |
|---|---|---|---|---|---|---|
| | June 30, 1940 | June 30, 1941 | Increase | June 30, 1940 | June 30, 1941 | Increase |
| No. 7—Chicago | 133, 094 | 160, 179 | 27, 085 | $105, 803, 500 | $132, 554, 400 | $26, 750, 900 |
| Illinois | 114, 460 | 138, 040 | 23, 580 | 89, 497, 200 | 111, 372, 100 | 21, 874, 900 |
| Wisconsin | 18, 634 | 22, 139 | 3, 505 | 16, 306, 300 | 21, 182, 300 | 4, 876, 000 |
| No. 8—Des Moines | 102, 030 | 123, 538 | 21, 508 | 76, 661, 100 | 98, 631, 200 | 21, 970, 100 |
| Iowa | 14, 423 | 18, 124 | 3, 701 | 12, 380, 600 | 16, 810, 000 | 4, 429, 400 |
| Minnesota | 54, 393 | 66, 864 | 12, 471 | 34, 320, 300 | 45, 198, 500 | 10, 878, 200 |
| Missouri | 29, 029 | 33, 926 | 4, 897 | 26, 953, 700 | 32, 937, 600 | 5, 983, 900 |
| North Dakota | 2, 828 | 3, 156 | 328 | 1, 855, 300 | 2, 422, 600 | 567, 300 |
| South Dakota | 1, 357 | 1, 468 | 111 | 1, 151, 200 | 1, 262, 500 | 111, 300 |
| No. 9—Little Rock | 60, 532 | 71, 214 | 10, 682 | 66, 239, 500 | 83, 864, 700 | 17, 625, 200 |
| Arkansas | 7, 498 | 8, 117 | 619 | 9, 879, 300 | 11, 612, 600 | 1, 733, 300 |
| Louisiana | 7, 444 | 7, 753 | 309 | 11, 278, 700 | 11, 863, 200 | 584, 500 |
| Mississippi | 4, 053 | 5, 009 | 956 | 4, 085, 500 | 5, 667, 900 | 1, 582, 400 |
| New Mexico | 1, 340 | 1, 604 | 264 | 1, 743, 800 | 2, 357, 700 | 613, 900 |
| Texas | 40, 197 | 48, 731 | 8, 534 | 39, 252, 200 | 52, 363, 300 | 13, 111, 100 |
| No. 10—Topeka | 81, 413 | 89, 844 | 8, 431 | 80, 324, 300 | 90, 553, 400 | 10, 229, 100 |
| Colorado | 17, 397 | 20, 517 | 3, 120 | 15, 510, 700 | 18, 166, 900 | 2, 656, 200 |
| Kansas | 24, 997 | 26, 091 | 1, 094 | 20, 667, 300 | 22, 466, 400 | 1, 799, 100 |
| Nebraska | 6, 498 | 7, 441 | 943 | 5, 277, 000 | 6, 484, 100 | 1, 207, 100 |
| Oklahoma | 32, 521 | 35, 795 | 3, 274 | 38, 869, 300 | 43, 436, 000 | 4, 566, 700 |
| No. 11—Portland | 125, 154 | 136, 010 | 10, 856 | 54, 262, 400 | 68, 427, 700 | 14, 165, 300 |
| Idaho | 8, 234 | 8, 487 | 253 | 4, 763, 800 | 5, 597, 200 | 833, 400 |
| Montana | 677 | 952 | 275 | 385, 800 | 850, 200 | 464, 400 |
| Oregon | 16, 192 | 18, 508 | 2, 316 | 9, 514, 800 | 12, 326, 000 | 2, 811, 200 |
| Utah | 9, 950 | 11, 684 | 1, 734 | 4, 550, 200 | 5, 723, 500 | 1, 173, 300 |
| Washington | 87, 353 | 92, 799 | 5, 446 | 32, 705, 300 | 40, 575, 100 | 7, 869, 800 |
| Wyoming | 2, 491 | 3, 257 | 766 | 2, 165, 200 | 3, 069, 000 | 903, 800 |
| Alaska | 257 | 323 | 66 | 177, 300 | 286, 700 | 109, 400 |
| No. 12—Los Angeles | 89, 943 | 115, 067 | 25, 124 | 91, 302, 500 | 117, 792, 300 | 26, 489, 800 |
| Arizona | 2, 526 | 3, 556 | 1, 030 | 1, 907, 900 | 2, 982, 300 | 1, 074, 400 |
| California | 85, 529 | 109, 311 | 23, 782 | 87, 005, 800 | 111, 807, 100 | 24, 801, 300 |
| Nevada | 560 | 655 | 95 | 517, 300 | 675, 400 | 158, 100 |
| Hawaii | 1, 328 | 1, 545 | 217 | 1, 871, 500 | 2, 327, 500 | 456, 000 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

425085—41——16

EXHIBIT 42

*Federal savings and loan associations—Investments of the U. S. Treasury and the Home Owners' Loan Corporation, by Federal Home Loan Bank Districts and by States, June 30, 1940, and June 30, 1941*

| Bank District and State | June 30, 1940 | June 30, 1941 | Decrease |
|---|---|---|---|
| United States | $197,267,900 | $169,246,850 | $28,021,050 |
| No. 1—Boston | 8,898,700 | 5,881,300 | 3,017,400 |
| Connecticut | 3,105,500 | 1,862,300 | 1,243,200 |
| Maine | 257,000 | 244,000 | 13,000 |
| Massachusetts | 5,251,200 | 3,490,000 | 1,761,200 |
| New Hampshire | | | |
| Rhode Island | 285,000 | 285,000 | |
| Vermont | | | |
| No. 2—New York | 23,692,200 | 20,629,400 | 3,062,800 |
| New Jersey | 291,000 | 341,000 | [1] 50,000 |
| New York | 23,401,200 | 20,288,400 | 3,112,800 |
| No. 3—Pittsburgh | 9,413,800 | 7,840,400 | 1,573,400 |
| Delaware | | | |
| Pennsylvania | 6,360,800 | 5,272,400 | 1,088,400 |
| West Virginia | 3,053,000 | 2,568,000 | 485,000 |
| No. 4—Winston-Salem | 27,210,300 | 24,281,650 | 2,928,650 |
| Alabama | 1,265,500 | 1,061,300 | 204,200 |
| District of Columbia | | | |
| Florida | 10,487,200 | 9,858,550 | 628,650 |
| Georgia | 3,925,800 | 3,558,700 | 367,100 |
| Maryland | 3,832,500 | 3,627,500 | 205,000 |
| North Carolina | 2,832,500 | 2,566,100 | 266,400 |
| South Carolina | 1,804,300 | 1,126,800 | 677,500 |
| Virginia | 3,062,500 | 2,482,700 | 579,800 |
| No. 5—Cincinnati | 22,783,300 | 17,047,300 | 5,736,000 |
| Kentucky | 3,117,700 | 1,998,200 | 1,119,500 |
| Ohio | 13,534,800 | 10,046,700 | 3,488,100 |
| Tennessee | 6,130,800 | 5,002,400 | 1,128,400 |
| No. 6—Indianapolis | 10,637,300 | 8,803,100 | 1,834,200 |
| Indiana | 7,774,800 | 6,272,600 | 1,502,200 |
| Michigan | 2,862,500 | 2,530,500 | 332,000 |
| No. 7—Chicago | 21,750,200 | 19,388,800 | 2,361,400 |
| Illinois | 18,023,100 | 15,698,000 | 2,325,100 |
| Wisconsin | 3,727,100 | 3,690,800 | 36,300 |
| No. 8—Des Moines | 18,516,900 | 17,111,900 | 1,405,000 |
| Iowa | 2,364,900 | 1,914,400 | 450,500 |
| Minnesota | 8,466,000 | 8,060,200 | 405,800 |
| Missouri | 7,033,000 | 6,504,200 | 528,800 |
| North Dakota | 300,500 | 288,100 | 12,400 |
| South Dakota | 352,500 | 345,000 | 7,500 |
| No. 9—Little Rock | 7,901,300 | 5,190,700 | 2,710,600 |
| Arkansas | 1,332,300 | 931,400 | 400,900 |
| Louisiana | 267,500 | 170,000 | 97,500 |
| Mississippi | 702,700 | 441,500 | 261,200 |
| New Mexico | 232,500 | 122,500 | 110,000 |
| Texas | 5,366,300 | 3,525,300 | 1,841,000 |
| No. 10—Topeka | 8,734,200 | 7,599,200 | 1,135,000 |
| Colorado | 2,461,400 | 2,338,300 | 123,100 |
| Kansas | 3,236,800 | 3,070,400 | 166,400 |
| Nebraska | 1,153,000 | 869,000 | 284,000 |
| Oklahoma | 1,883,000 | 1,321,500 | 561,500 |

[1] Increase.

EXHIBIT 42—Continued

*Federal savings and loan associations—Investments of the U. S. Treasury and the Home Owners' Loan Corporation, by Federal Home Loan Bank Districts and by States, June 30, 1940, and June 30, 1941*—Continued

| Bank District and State | June 30, 1940 | June 30, 1941 | Decrease |
|---|---|---|---|
| No. 11—Portland | $17,645,900 | $16,244,700 | $1,401,200 |
| Idaho | 2,265,500 | 2,029,100 | 236,400 |
| Montana | 30,000 | 30,000 | |
| Oregon | 4,468,200 | 4,158,400 | 309,800 |
| Utah | 1,700,000 | 1,693,100 | 6,900 |
| Washington | 8,223,300 | 7,657,200 | 566,100 |
| Wyoming | 925,600 | 643,600 | 282,000 |
| Alaska | 33,300 | 33,300 | |
| No. 12—Los Angeles | 20,083,800 | 19,228,400 | 855,400 |
| Arizona | 655,000 | 655,000 | |
| California | 19,428,800 | 18,573,400 | 855,400 |
| Nevada | | | |
| Hawaii | | | |

EXHIBIT 43

*Federal savings and loan associations—New mortgage loans made by reporting associations during the year ended June 30, 1941, by purpose of loan*

| Federal Home Loan Bank District and State | Construction | Home purchase | Refinancing | Repairs and reconditioning | Other purposes | Total |
|---|---|---|---|---|---|---|
| United States | $227,250,600 | $180,728,500 | $84,678,500 | $21,966,300 | $35,000,600 | $549,624,500 |
| No. 1—Boston | 18,243,200 | 16,134,500 | 6,399,700 | 1,832,900 | 2,546,900 | 45,157,200 |
| Connecticut | 4,334,700 | 2,791,500 | 1,403,800 | 204,300 | 161,000 | 8,895,300 |
| Maine | 76,500 | 183,200 | 65,200 | 56,100 | 16,100 | 397,100 |
| Massachusetts | 12,546,700 | 12,058,000 | 4,223,900 | 1,359,600 | 1,971,300 | 32,159,500 |
| New Hampshire | 773,100 | 433,800 | 353,600 | 134,400 | 316,600 | 2,011,500 |
| Rhode Island | 214,700 | 266,200 | 206,700 | 200 | 0 | 687,800 |
| Vermont | 297,500 | 401,800 | 146,500 | 78,300 | 81,900 | 1,006,000 |
| No. 2—New York | 16,204,500 | 14,705,600 | 3,577,800 | 548,600 | 803,000 | 35,839,500 |
| New Jersey | 817,200 | 907,300 | 202,700 | 78,400 | 39,000 | 2,044,600 |
| New York | 15,387,300 | 13,798,300 | 3,375,100 | 470,200 | 764,000 | 33,794,900 |
| No. 3—Pittsburgh | 11,061,100 | 19,248,800 | 6,608,500 | 1,351,700 | 1,265,600 | 39,535,700 |
| Delaware | 48,400 | 55,300 | 5,200 | 700 | 0 | 109,600 |
| Pennsylvania | 9,141,500 | 17,993,400 | 5,591,200 | 930,600 | 916,200 | 34,572,900 |
| West Virginia | 1,871,200 | 1,200,100 | 1,012,100 | 420,400 | 349,400 | 4,853,200 |
| No. 4—Winston-Salem | 42,054,800 | 26,292,200 | 11,482,500 | 3,397,400 | 6,046,200 | 89,273,100 |
| Alabama | 1,104,600 | 1,113,500 | 1,002,000 | 205,000 | 220,200 | 3,645,300 |
| District of Columbia | 4,959,700 | 1,888,100 | 1,167,900 | 137,900 | 351,500 | 8,505,100 |
| Florida | 14,522,700 | 3,082,000 | 2,486,600 | 955,700 | 2,802,300 | 23,849,300 |
| Georgia | 3,645,900 | 3,091,200 | 2,260,300 | 584,800 | 470,200 | 10,052,400 |
| Maryland | 5,959,600 | 10,326,300 | 1,157,600 | 112,700 | 279,000 | 17,835,200 |
| North Carolina | 3,863,700 | 1,632,300 | 1,191,000 | 535,400 | 773,900 | 7,996,300 |
| South Carolina | 3,737,200 | 1,651,500 | 1,013,100 | 609,000 | 548,000 | 7,558,800 |
| Virginia | 4,261,400 | 3,507,300 | 1,204,000 | 256,900 | 601,100 | 9,830,700 |
| No. 5—Cincinnati | 29,235,700 | 31,244,800 | 11,856,900 | 3,770,500 | 4,812,700 | 80,920,600 |
| Kentucky | 3,380,400 | 5,183,400 | 1,947,600 | 683,100 | 834,900 | 12,029,400 |
| Ohio | 21,964,100 | 24,200,600 | 8,082,300 | 2,633,500 | 3,346,800 | 60,227,300 |
| Tennessee | 3,891,200 | 1,860,800 | 1,827,000 | 453,900 | 631,000 | 8,663,900 |

EXHIBIT 43—Continued

*Federal savings and loan associations—New mortgage loans made by reporting associations during the year ended June 30, 1941, by purpose of loan*—Continued

| Federal Home Loan Bank District and State | Construction | Home purchase | Refinancing | Repairs and reconditioning | Other purposes | Total |
|---|---|---|---|---|---|---|
| No. 6—Indianapolis | $14, 319, 300 | $9, 844, 700 | $6, 424, 300 | $2, 081, 100 | $2, 369, 700 | $35, 039, 100 |
| Indiana | 7, 368, 700 | 7, 464, 200 | 3, 619, 300 | 1, 605, 200 | 1, 470, 100 | 21, 527, 500 |
| Michigan | 6, 950, 600 | 2, 380, 500 | 2, 805, 000 | 475, 900 | 899, 600 | 13, 511, 600 |
| No. 7—Chicago | 15, 763, 400 | 19, 517, 000 | 9, 828, 300 | 2, 646, 400 | 2, 993, 600 | 50, 748, 700 |
| Illinois | 13, 179, 300 | 17, 141, 600 | 8, 649, 000 | 2, 379, 700 | 2, 529, 600 | 43, 879, 200 |
| Wisconsin | 2, 584, 100 | 2, 375, 400 | 1, 179, 300 | 266, 700 | 464, 000 | 6, 869, 500 |
| No. 8—Des Moines | 13, 388, 000 | 11, 566, 900 | 7, 119, 600 | 1, 657, 800 | 2, 214, 000 | 35, 946, 300 |
| Iowa | 2, 193, 400 | 2, 600, 100 | 1, 187, 300 | 471, 400 | 413, 000 | 6, 865, 200 |
| Minnesota | 7, 957, 200 | 4, 501, 800 | 3, 639, 900 | 855, 100 | 1, 495, 500 | 18, 449, 500 |
| Missouri | 2, 861, 300 | 4, 138, 300 | 2, 039, 600 | 264, 000 | 222, 200 | 9, 525, 400 |
| North Dakota | 301, 200 | 222, 900 | 189, 700 | 39, 000 | 54, 000 | 806, 800 |
| South Dakota | 74, 900 | 103, 800 | 63, 100 | 28, 300 | 29, 300 | 299, 400 |
| No. 9—Little Rock | 10, 372, 500 | 6, 619, 100 | 3, 989, 900 | 1, 683, 700 | 2, 561, 300 | 25, 226, 500 |
| Arkansas | 1, 485, 900 | 1, 217, 400 | 647, 000 | 326, 000 | 540, 500 | 4, 216, 800 |
| Louisiana | 1, 371, 500 | 802, 600 | 313, 900 | 241, 600 | 246, 200 | 2, 975, 800 |
| Mississippi | 862, 600 | 499, 800 | 561, 900 | 187, 100 | 237, 200 | 2, 348, 600 |
| New Mexico | 381, 500 | 132, 300 | 185, 300 | 54, 500 | 78, 800 | 832, 400 |
| Texas | 6, 271, 000 | 3, 967, 000 | 2, 281, 800 | 874, 500 | 1, 458, 600 | 14, 852, 900 |
| No. 10—Topeka | 8, 605, 700 | 9, 740, 000 | 5, 057, 600 | 1, 143, 000 | 3, 429, 900 | 27, 976, 200 |
| Colorado | 2, 193, 800 | 2, 365, 600 | 1, 361, 800 | 221, 700 | 514, 400 | 6, 657, 300 |
| Kansas | 2, 360, 400 | 2, 706, 900 | 742, 500 | 235, 200 | 704, 500 | 6, 749, 500 |
| Nebraska | 909, 900 | 725, 700 | 341, 900 | 79, 300 | 208, 800 | 2, 265, 600 |
| Oklahoma | 3, 141, 600 | 3, 941, 800 | 2, 611, 400 | 606, 800 | 2, 002, 200 | 12, 303, 800 |
| No. 11—Portland | 11, 807, 700 | 7, 710, 800 | 5, 717, 300 | 1, 334, 000 | 2, 668, 200 | 29, 238, 000 |
| Idaho | 634, 700 | 524, 400 | 462, 300 | 191, 000 | 242, 900 | 2, 055, 300 |
| Montana | 117, 400 | 95, 100 | 29, 900 | 24, 500 | 38, 800 | 305, 700 |
| Oregon | 2, 807, 700 | 1, 279, 600 | 921, 100 | 235, 500 | 409, 300 | 5, 653, 200 |
| Utah | 1, 375, 800 | 533, 000 | 423, 700 | 77, 000 | 176, 000 | 2, 585, 500 |
| Washington | 6, 187, 900 | 4, 895, 100 | 3, 675, 200 | 664, 600 | 1, 664, 100 | 17, 086, 900 |
| Wyoming | 533, 100 | 339, 500 | 174, 100 | 101, 400 | 135, 200 | 1, 283, 300 |
| Alaska | 151, 100 | 44, 100 | 31, 000 | 40, 000 | 1, 900 | 268, 100 |
| No. 12—Los Angeles | 36, 194, 700 | 8, 104, 100 | 6, 616, 100 | 519, 200 | 3, 289, 500 | 54, 723, 600 |
| Arizona | 784, 800 | 328, 700 | 209, 200 | 85, 500 | 118, 100 | 1, 526, 300 |
| California | 34, 911, 100 | 7, 385, 900 | 6, 230, 800 | 404, 700 | 3, 102, 200 | 52, 034, 700 |
| Nevada | 134, 800 | 16, 500 | 62, 000 | 5, 700 | 45, 100 | 264, 100 |
| Hawaii | 364, 000 | 373, 000 | 114, 100 | 23, 300 | 24, 100 | 898, 500 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 44

*Federal savings and loan associations—Selected balance-sheet items for 1,394 identical new and converted associations, as of June 30, 1940, and June 30, 1941*

[Dollar amounts in thousands]

| | 624 new associations | | | 770 converted associations | | | All 1,394 associations | | |
|---|---|---|---|---|---|---|---|---|---|
| | June 30, 1940 | June 30, 1941 | Percent change | June 30, 1940 | June 30, 1941 | Percent change | June 30, 1940 | June 30, 1941 | Percent change |
| Total assests | $497,945 | $614,801 | +23 | $1,171,739 | $1,320,645 | +13 | $1,669,684 | $1,935,446 | +16 |
| First mortgage loans held | 445,758 | 547,602 | +23 | 911,297 | 1,061,403 | +16 | 1,357,055 | 1,609,005 | +19 |
| Real estate owned | 2,769 | 2,259 | −18 | 77,875 | 60,390 | −22 | 80,644 | 62,649 | −22 |
| Cash and Government obligations | 31,853 | 43,875 | +38 | 78,295 | 94,241 | +20 | 110,148 | 138,116 | +25 |
| Private capital | 329,936 | 442,139 | +34 | 892,808 | 1,037,993 | +16 | 1,222,744 | 1,480,132 | +21 |
| Government investment | 91,051 | 79,683 | −12 | 100,237 | 83,849 | −16 | 191,288 | 163,532 | −15 |
| Reserves and undivided profits [1] | 14,543 | 21,001 | +44 | 64,316 | 72,416 | +13 | 78,859 | 93,417 | +18 |

[1] Reserves and undivided profits were taken from the July monthly reports in order to reflect the condition of the institutions after the closing of the books and accumulations from net earnings during the preceding 6 months.

## EXHIBIT 45

*Federal savings and loan associations— Consolidated statement of operations for 1,428 reporting Federal savings and loan associations, for the year ended December 1940*

[Dollar amounts in thousands]

| Item | Amount | Ratio to gross operating income | Ratio to net income |
|---|---|---|---|
| GROSS OPERATING INCOME | | | |
| Interest: | | *Percent* | *Percent* |
| On mortgage loans—ordinary cash collections | $81,271 | 88.06 | |
| On mortgage loans—all other | 285 | .31 | |
| On loans on shares, passbooks, and certificates | 257 | .28 | |
| On real estate sold on contract | 3,385 | 3.67 | |
| On investments and bank deposits | 389 | .42 | |
| Other | 112 | .12 | |
| Premium or commission on loans (current only) | 1,229 | 1.33 | |
| Appraisal fees, legal fees, and initial service charges | 2,243 | 2.43 | |
| Other fees and fines | 361 | .39 | |
| Gross income from real estate owned | | | |
| Less—cost of repairs, taxes, and maintenance | | | |
| Net income from real estate owned | 1,290 | 1.40 | |
| Gross income from office building | 932 | 1.01 | |
| Dividends on stock in Federal Home Loan Banks | 189 | .20 | |
| Other dividends | 20 | .02 | |
| Miscellaneous operating income | 329 | .36 | |
| Gross operating income | 92,292 | 100.00 | 145.36 |

EXHIBIT 45—Continued

*Federal savings and loan associations—Consolidated statement of operations for 1,428 reporting Federal savings and loan associations, for the year ended December 1940*—Continued

[Dollar amounts in thousands]

| Item | Amount | Ratio to gross operating income | Ratio to net income |
|---|---|---|---|
| LESS OPERATING EXPENSE | | *Percent* | *Percent* |
| Compensation to directors, officers, employees | 12,088 | 13.11 | |
| Collection expense (agents, etc.) | 227 | .24 | |
| Legal services—retainer, travel, and special | 446 | .48 | |
| Expense account of directors, officers, and employees | 328 | .36 | |
| Rent, light, heat, etc | 1,516 | 1.64 | |
| Repairs, taxes, and maintenance of office building | 916 | .99 | |
| Depreciation of office building | 402 | .44 | |
| Furniture, fixtures, and equipment, including depreciation | 570 | .62 | |
| Advertising | 2,691 | 2.92 | |
| Stationery, printing, and office supplies | 765 | .83 | |
| Telegraph, telephone, postage and express | 586 | .63 | |
| Insurance and bond premiums | 518 | .56 | |
| Federal insurance premium | 1,816 | 1.97 | |
| Audit | 176 | .19 | |
| Supervising examinations and assessments | 381 | .41 | |
| Organization dues | 272 | .29 | |
| Other operating expense | 2,234 | 2.42 | |
| Total operating expense | 25,932 | 28.10 | 40.84 |
| Net operating income before interest and other charges | 66,360 | 71.90 | 104.52 |
| LESS INTEREST CHARGES | | | |
| On deposits, investment certificates, etc | 86 | .09 | |
| On advances from Federal Home Loan Banks | 2,607 | 2.83 | |
| On borrowed money | 104 | .11 | |
| Total interest | 2,797 | 3.03 | 4.41 |
| Net operating income | 63,563 | 68.87 | 100.11 |
| ADD NONOPERATING INCOME | | | |
| Dividends retained on repurchases and withdrawals | 9 | .01 | .01 |
| Profit on sale of real estate | 1,317 | 1.42 | 2.07 |
| Profit on sale of investments | 175 | .19 | .28 |
| Other nonoperating income | 321 | .35 | .51 |
| Total nonoperating income | 1,822 | 1.97 | 2.87 |
| Net income after interest and before charges | 65,385 | 70.84 | 102.98 |
| LESS NONOPERATING CHARGES | | | |
| Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves) | 125 | .14 | .19 |
| Loss on sale of real estate | 1,211 | 1.31 | 1.91 |
| Loss on sale of investments | 37 | .04 | .06 |
| Other nonoperating charges | 519 | .56 | .82 |
| Total nonoperating charges | 1,892 | 2 05 | 2.98 |
| Net income for the year | 63,493 | 68.79 | 100.00 |
| LESS TRANSFERS FOR RESERVES AND DIVIDENDS | | | |
| For bonus on shares | 128 | | .20 |
| Legal reserves | 172 | | .27 |
| Federal insurance reserve | 3,787 | | 5.97 |
| For contingencies | 4,523 | | 7.13 |
| Real-estate reserve | 688 | | 1.08 |
| Other | 288 | | .45 |
| Dividends | 46,186 | | 72.74 |
| Balance to undivided profits | 7,721 | | 12.16 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 46

*Federal savings and loan associations—Operating ratios of 1,428 reporting Federal savings and loan associations, grouped as to size of association, for the year ended Dec. 31, 1940*

| | Total | Ratio to gross operating income (in thousands of dollars) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1,000 to $2,499 | $2,500 to $4,999 | $5,000 to $9,999 | $10,000 and over |
| GROSS OPERATING INCOME | | | | | | | | | | |
| Interest: | *Per cent* | *Per cent* | *Per cent* | *Per cent* | *Per cent* | *Per cent* | *Per cent* | *Per cent* | *Per cent* | *Per cent* |
| On mortgage loans—ordinary cash collections | 88.06 | 92 11 | 92.95 | 91.17 | 88.71 | 87.52 | 88.00 | 88.99 | 86.19 | 88.70 |
| On mortgage loans—all other | .31 | 0 | 0 | .16 | .91 | .33 | .39 | .39 | .12 | 0 |
| On loans on shares, passbooks, and certificates | .28 | 0 | 0 | .36 | .44 | .29 | .26 | .24 | .23 | .34 |
| On real estate sold on contract | 3 67 | 0 | 0 | 1.38 | 2.26 | 3.74 | 3.75 | 2.66 | 5.03 | 4.34 |
| On investments and bank deposits | .42 | 0 | 0 | 0 | .26 | .19 | .30 | .48 | .83 | .45 |
| Other | .12 | 0 | 0 | .20 | .04 | .13 | .12 | .11 | .16 | .10 |
| Premium or commission on loans (current only) | 1 33 | 5 26 | 1.66 | 1.66 | 2.26 | 1.37 | 1.57 | 1.38 | 1.22 | .41 |
| Appraisal fees, legal fees, and initial service charges | 2 43 | 2 63 | 4.56 | 3.13 | 2.16 | 2.75 | 2.52 | 2.53 | 1.92 | 2.40 |
| Other fees and fines | .39 | 0 | 0 | .59 | .24 | .30 | .27 | .43 | .33 | .78 |
| Net income from real estate owned | 1.40 | 0 | .83 | .51 | 1.78 | 1.98 | 1.42 | 1.30 | 1.72 | .57 |
| Gross income from office building | 1.01 | 0 | 0 | .44 | .44 | .74 | .91 | 1.00 | 1.70 | .97 |
| Dividends on stock in Federal Home Loan Banks | .20 | 0 | 0 | .12 | .13 | .20 | .21 | .21 | .20 | .24 |
| Other dividends | .02 | 0 | 0 | 0 | .02 | .02 | .02 | .04 | 0 | .02 |
| Miscellaneous operating income | .36 | 0 | 0 | .28 | .35 | .44 | .26 | .24 | .35 | .68 |
| Gross operating income | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| LESS OPERATING EXPENSE | | | | | | | | | | |
| Compensation to directors, officers, employees | 13.11 | 15.79 | 14.53 | 15.29 | 14.77 | 14.84 | 13.30 | 12.67 | 11.63 | 12.39 |
| Collection expense (agents, etc.) | .24 | 0 | 0 | 0 | .06 | .19 | .16 | .29 | .33 | .42 |
| Legal services—retainer, travel, and special | .48 | 0 | 0 | .35 | .30 | .50 | .53 | .50 | .39 | .59 |
| Expense account of directors, officers, and employees | .36 | 0 | .42 | .16 | .37 | .44 | .35 | .39 | .37 | .27 |
| Rent, light, heat, etc | 1 64 | 2.63 | 1.66 | 2.22 | 2.07 | 2.00 | 1.82 | 1.28 | 1.46 | 1.42 |
| Repairs, taxes, and maintenance of office building | .99 | 0 | 0 | .28 | .43 | .63 | .86 | 1.01 | 1.55 | 1.26 |
| Depreciation of office building | .44 | 0 | 0 | 0 | .20 | .35 | .38 | .50 | .75 | .33 |
| Furniture, fixtures, and equipment, including depreciation | .62 | 0 | 0 | .32 | .48 | .69 | .65 | .71 | .60 | .50 |
| Advertising | 2.92 | 0 | .83 | 1.58 | 1.87 | 2 58 | 2.76 | 2.98 | 3.25 | 3.80 |
| Stationery, printing, and office supplies | .83 | 0 | .41 | .87 | .94 | .93 | .88 | .78 | .80 | .70 |
| Telegraph, telephone, postage, and express | .63 | 0 | .41 | .59 | .65 | .70 | .63 | .62 | .60 | .68 |
| Insurance and bond premiums | .56 | 0 | .83 | .48 | .76 | .76 | .65 | .49 | .39 | .45 |
| Federal insurance premium | 1.97 | 2 63 | 1.66 | 1.78 | 1 70 | 1.85 | 1.89 | 2.00 | 2.06 | 2 22 |
| Audit | .19 | 0 | .41 | .20 | .31 | .21 | .20 | .18 | .22 | .07 |
| Supervising examinations and assessments | .41 | 2 63 | .41 | .87 | .68 | .51 | .42 | .40 | .28 | .28 |
| Organization dues | .29 | 0 | 0 | .12 | .28 | .29 | 32 | .32 | .30 | .24 |
| Other operating expense | 2 42 | 0 | 2 91 | 1.94 | 1.80 | 2 03 | 2.24 | 2.45 | 2.93 | 2.81 |
| Total operating expense | 28.10 | 23 68 | 24.48 | 27.05 | 27.67 | 29.50 | 28.04 | 27 57 | 27.91 | 28 43 |
| Net operating income before interest and other charges | 71.90 | 76 32 | 75 52 | 72.95 | 72.33 | 70.50 | 71 96 | 72.43 | 72.09 | 71.57 |

EXHIBIT 46—Continued

*Federal savings and loan associations—Operating ratios of 1,428 reporting Federal savings and loan associations, grouped as to size of association, for the year ended Dec. 31, 1940*—Continued

| | Total | Ratio to gross operating income (in thousands of dollars) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1,000 to $2,499 | $2,500 to $4,999 | $5,000 to $9,999 | $10,000 and over |
| LESS INTEREST CHARGES | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* |
| On deposits, investment certificates, etc | .09 | 0 | 0 | 0 | .30 | .29 | .05 | .13 | 0 | 0 |
| On advances from Federal Home Loan Banks | 2.83 | 2.63 | 1.66 | 2.65 | 3.00 | 3.20 | 2.88 | 3.08 | 1.95 | 3.10 |
| On borrowed money | .11 | 0 | 0 | .16 | .06 | .10 | .08 | .07 | .23 | .12 |
| Total interest | 3.03 | 2.63 | 1.66 | 2.81 | 3 36 | 3.59 | 3.01 | 3.28 | 2.18 | 3.22 |
| Net operating income | 68.87 | 73.69 | 73.86 | 70.14 | 68.97 | 66.91 | 68.95 | 69.15 | 69.91 | 68.35 |
| ADD NONOPERATING INCOME | | | | | | | | | | |
| Dividends retained on repurchases and withdrawals | .01 | 0 | 0 | 0 | .02 | .01 | .01 | .02 | .01 | 0 |
| Profit on sale of real estate | 1.42 | 0 | .41 | .63 | .74 | 1.33 | 1.33 | 1.43 | 1.76 | 1.77 |
| Profit on sale of investments | .19 | 0 | 0 | .28 | .07 | .06 | .11 | .10 | .40 | .36 |
| Other nonoperating income | .35 | 0 | 0 | .08 | .26 | .28 | .31 | .26 | .49 | .53 |
| Total nonoperating income | 1.97 | 0 | .41 | .99 | 1.09 | 1.68 | 1.76 | 1.81 | 2.66 | 2.66 |
| Net income after interest and before charges | 70.84 | 73.69 | 74.27 | 71.13 | 70.06 | 68.59 | 70.71 | 70.96 | 72.57 | 71.01 |
| LESS NONOPERATING CHARGES | | | | | | | | | | |
| Foreclosure costs and back taxes on real estate acquired (unless capitalized or charged to reserves) | .14 | 0 | 0 | .08 | .07 | .06 | .06 | .05 | .46 | .11 |
| Loss on sale of real estate | 1.31 | 0 | 0 | .16 | .26 | .71 | .87 | .99 | 2.11 | 2.96 |
| Loss on sale of investments | .04 | 0 | 0 | 0 | .02 | .01 | .01 | .12 | .05 | 0 |
| Other nonoperating charges | .56 | 0 | 0 | .16 | .28 | .44 | .60 | .60 | 1.05 | .12 |
| Total nonoperating charges | 2.05 | 0 | 0 | .40 | .63 | 1.22 | 1.54 | 1.76 | 3.67 | 3.19 |
| Net income for the year | 68.79 | 73.69 | 74.27 | 70.73 | 69.43 | 67.37 | 69.17 | 69.20 | 68.90 | 67.82 |

*Distribution of net income for 1,428 reporting Federal savings and loan associations, for the year ended Dec. 31, 1940*

| Transfers for reserves and dividends | Total | Ratio to net income (in thousands of dollars) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | $0 to $49 | $50 to $99 | $100 to $249 | $250 to $499 | $500 to $999 | $1,000 to $2,499 | $2,500 to $4,999 | $5,000 to $9,999 | $10,000 and over |
| | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* | *Per-cent* |
| Net income for the year | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| For bonus on shares | .20 | 0 | .56 | .28 | .13 | .14 | .12 | .11 | .13 | .67 |
| Legal reserves | .27 | 0 | 0 | .17 | .13 | .19 | .17 | .11 | .22 | .97 |
| Federal insurance reserve | 5.97 | 3.57 | 5.58 | 5.32 | 5.41 | 5.07 | 5.75 | 6.69 | 5.65 | 6.96 |
| For contingencies | 7.13 | 7.14 | 5.03 | 6.33 | 6.75 | 6.81 | 7.45 | 7.38 | 6.57 | 7.46 |
| Real-estate reserve | 1.08 | 0 | 0 | .17 | .61 | .89 | 1.08 | 1.04 | 1.92 | .66 |
| Other | .45 | 0 | .56 | .39 | .27 | 1.02 | .40 | .74 | .49 | −.36 |
| Dividends | 72.74 | 67.86 | 71.51 | 73.68 | 75.21 | 74.06 | 73.18 | 72.57 | 72.30 | 70.17 |
| Balance to undivided profits | 12.16 | 21.43 | 16.76 | 13.66 | 11.49 | 11.82 | 11.85 | 11.36 | 12.72 | 13.47 |

Source: Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 47

*Federal savings and loan associations—Average annual dividend rates declared for the calendar years 1939 and 1940* [1]

| Federal Home Loan Bank District and State | 1939 | 1940 | Federal Home Loan Bank District and State | 1939 | 1940 |
|---|---|---|---|---|---|
| United States | 3.39 | 3.25 | No. 7—Chicago | 3.53 | 3.40 |
| No. 1—Boston | 3.11 | 3.00 | Illinois | 3.52 | 3.44 |
| Connecticut | 3.41 | 3 25 | Wisconsin | 3.59 | 3.20 |
| Maine | 3.13 | 3 04 | No. 8—Des Moines | 3.34 | 3.22 |
| Massachusetts | 3.04 | 2 95 | Iowa | 3.70 | 3.54 |
| New Hampshire | 3.50 | 3 00 | Minnesota | 3.04 | 2.95 |
| Rhode Island | 3.00 | 3.00 | Missouri | 3.53 | 3.42 |
| Vermont | 3.03 | 3.16 | North Dakota | 3.34 | 3.23 |
| No. 2—New York | 2.58 | 2.43 | South Dakota | 3.78 | 3.48 |
| New Jersey | 3.00 | 2.86 | No. 9—Little Rock | 3.87 | 3.65 |
| New York | 2.58 | 2 42 | Arkansas | 4 02 | 3.83 |
| No. 3—Pittsburgh | 3.72 | 3.56 | Louisiana | 3.84 | 3.34 |
| Delaware | 3.50 | 3 50 | Mississippi | 3.85 | 3.84 |
| Pennsylvania | 3.67 | 3.50 | New Mexico | 3.99 | 4.03 |
| West Virginia | 3.91 | 3.83 | Texas | 3.84 | 3.64 |
| No. 4—Winston-Salem | 3.80 | 3.58 | No. 10—Topeka | 3.63 | 3.46 |
| Alabama | 3.94 | 3.95 | Colorado | 3.20 | 3.22 |
| District of Columbia | 3.69 | 3.39 | Kansas | 3 35 | 3.09 |
| Florida | 3.84 | 3.51 | Nebraska | 3.20 | 3.10 |
| Georgia | 3.87 | 3.71 | Oklahoma | 4 05 | 3.84 |
| Maryland | 3.44 | 3.33 | No. 11—Portland | 3.25 | 3.15 |
| North Carolina | 4.08 | 3.87 | Idaho | 3.46 | 3.40 |
| South Carolina | 3.82 | 3.65 | Montana | 3.50 | 3.68 |
| Virginia | 3.98 | 3.66 | Oregon | 3.31 | 3.17 |
| No. 5—Cincinnati | 3.40 | 3.22 | Utah | 3.04 | 3.04 |
| Kentucky | 3.70 | 3.44 | Washington | 3.18 | 3 07 |
| Ohio | 3.24 | 3.10 | Wyoming | 3.86 | 3.70 |
| Tennessee | 4.01 | 3.71 | Alaska | 4.00 | 4.00 |
| No. 6—Indianapolis | 3.09 | 2.98 | No. 12—Los Angeles | 3.82 | 3.78 |
| Indiana | 3.12 | 2 99 | Arizona | 4 00 | 3.50 |
| Michigan | 3.05 | 2.96 | California | 3 82 | 3.79 |
| | | | Nevada | 4 00 | 4.00 |
| | | | Hawaii | 3.50 | 3.50 |

[1] Average weighted by amount of invested capital.

# EXHIBIT 48

*Federal Savings and Loan Insurance Corporation—Number and assets of all insured associations and number of private shareholders, by Federal Home Loan Bank Districts and by States, June 30, 1941*

[Average assets are actual, other assets are in thousands of dollars]

| Bank District and State | All insured associations | | | New Federals | | | Converted Federals | | | State-chartered associations | | | Average assets in all insured associations |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Number of associations | Private shareholders | Assets | Number of associations | Private shareholders | Assets | Number of associations | Private shareholders | Assets | Number of associations | Private shareholders | Assets | |
| United States | 2,310 | 2,974,535 | $3,158,251 | 639 | 531,275 | $629,301 | 811 | 1,274,925 | $1,398,744 | 860 | 1,168,335 | $1,130,206 | $1,367,208 |
| No. 1—Boston | 60 | 140,311 | 167,286 | 18 | 20,159 | 21,140 | 33 | 112,050 | 138,180 | 9 | 8,102 | 7,966 | 2,788,100 |
| Connecticut | 22 | 28,606 | 30,039 | 10 | 12,751 | 13,078 | 5 | 8,490 | 9,833 | 7 | 7,365 | 7,128 | 1,365,409 |
| Maine | 5 | 1,150 | 1,314 | 5 | 1,150 | 1,314 | 0 | ------ | ------ | 0 | ------ | ------ | 262,800 |
| Massachusetts | 26 | 95,293 | 120,075 | 0 | ------ | ------ | 26 | 95,293 | 120,075 | 0 | ------ | ------ | 4,618,269 |
| New Hampshire | 4 | 9,463 | 9,782 | 1 | 631 | 900 | 1 | 8,095 | 8,044 | 2 | 737 | 838 | 2,445,500 |
| Rhode Island | 1 | 2,854 | 1,675 | 1 | 2,854 | 1,675 | 0 | ------ | ------ | 0 | ------ | ------ | 1,675,000 |
| Vermont | 2 | 2,945 | 4,401 | 1 | 2,773 | 4,173 | 1 | 172 | 228 | 0 | ------ | ------ | 2,200,500 |
| No. 2—New York | 178 | 361,349 | 320,159 | 14 | 50,252 | 47,558 | 57 | 168,154 | 151,601 | 107 | 142,943 | 121,000 | 1,798,646 |
| New Jersey | 82 | 80,352 | 79,533 | 0 | ------ | ------ | 7 | 6,806 | 8,618 | 75 | 73,546 | 70,915 | 969,915 |
| New York | 96 | 280,997 | 240,626 | 14 | 50,252 | 47,558 | 50 | 161,348 | 142,983 | 32 | 69,397 | 50,085 | 2,506.521 |
| No. 3—Pittsburgh | 191 | 143,920 | 154,553 | 38 | 31,330 | 34,386 | 84 | 79,992 | 79,518 | 69 | 32,598 | 40,649 | 809,178 |
| Delaware | 1 | 140 | 332 | 1 | 140 | 332 | 0 | ------ | ------ | 0 | ------ | ------ | 332,000 |
| Pennsylvania | 164 | 130,744 | 132,618 | 25 | 25,463 | 24,898 | 74 | 73,989 | 69,903 | 65 | 31,292 | 37,817 | 808,646 |
| West Virginia | 26 | 13,036 | 21,603 | 12 | 5,727 | 9,156 | 10 | 6,003 | 9,615 | 4 | 1,306 | 2,832 | 830,885 |
| No. 4—Winston-Salem | 266 | 257,432 | 325,596 | 124 | 101,976 | 139,049 | 88 | 95,242 | 114,962 | 54 | 60,214 | 71,585 | 1,224,045 |
| Alabama | 21 | 14,750 | 13,573 | 12 | 7,967 | 7,870 | 5 | 3,867 | 4,289 | 4 | 2,916 | 1,414 | 646,333 |
| District of Columbia | 11 | 30,799 | 40,190 | 1 | 10,263 | 10,372 | 2 | 8,856 | 11,939 | 8 | 11,680 | 17,879 | 3,653,636 |
| Florida | 47 | 49,775 | 75,553 | 43 | 47,700 | 73,390 | 3 | 500 | 899 | 1 | 1,575 | 1,264 | 1,607,511 |
| Georgia | 47 | 30,532 | 35,736 | 26 | 11,119 | 12,283 | 17 | 14,741 | 17,434 | 4 | 4,672 | 6,019 | 760,340 |
| Maryland | 40 | 45,300 | 49,523 | 0 | ------ | ------ | 31 | 37,944 | 41,349 | 9 | 7,356 | 8,174 | 1,238,075 |
| North Carolina | 38 | 35,436 | 41,602 | 11 | 7,713 | 9,952 | 11 | 8,864 | 12,784 | 16 | 18,859 | 18,866 | 1,094,789 |
| South Carolina | 37 | 25,249 | 29,975 | 17 | 5,997 | 9,105 | 13 | 12,593 | 14,310 | 7 | 6,659 | 6,560 | 810,135 |
| Virginia | 25 | 25,591 | 39,444 | 14 | 11,217 | 16,077 | 6 | 7,877 | 11,958 | 5 | 6,497 | 11,409 | 1,577,760 |
| No. 5—Cincinnati | 335 | 659,447 | 627,322 | 61 | 53,329 | 64,011 | 152 | 262,890 | 276,107 | 122 | 343,228 | 287,204 | 1,872,603 |
| Kentucky | 56 | 55,822 | 68,091 | 17 | 3,693 | 5,720 | 37 | 51,642 | 61,897 | 2 | 487 | 474 | 1,215,911 |
| Ohio | 241 | 575,981 | 526,032 | 16 | 34,471 | 39,222 | 105 | 198,769 | 200,080 | 120 | 342,741 | 286,730 | 2,182,705 |
| Tennessee | 38 | 27,644 | 33,199 | 28 | 15,165 | 19,069 | 10 | 12,479 | 14,130 | 0 | ------ | ------ | 873,658 |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| No. 6—Indianapolis | 173 | 206, 676 | 226, 113 | 44 | 49, 926 | 48, 602 | 55 | 85, 048 | 104, 079 | 74 | 71, 702 | 73, 432 | 1, 307, 012 |
| Indiana | 129 | 129, 548 | 142, 712 | 27 | 30, 162 | 28, 079 | 42 | 61, 105 | 73, 048 | 60 | 38, 281 | 41, 585 | 1, 106, 295 |
| Michigan | 44 | 77, 128 | 83, 401 | 17 | 19, 764 | 20, 523 | 13 | 23, 943 | 31, 031 | 14 | 33, 421 | 31, 847 | 1, 895, 477 |
| No. 7—Chicago | 282 | 291, 044 | 337, 229 | 44 | 40, 903 | 45, 467 | 95 | 119, 276 | 140, 269 | 143 | 130, 865 | 151, 493 | 1, 195, 848 |
| Illinois | 197 | 220, 643 | 245, 837 | 17 | 26, 225 | 27, 960 | 83 | 111. 815 | 127, 991 | 97 | 82, 603 | 89, 886 | 1, 247, 904 |
| Wisconsin | 85 | 70, 401 | 91, 392 | 27 | 14, 678 | 17, 507 | 12 | 7, 461 | 12, 278 | 46 | 48, 262 | 61, 607 | 1, 075, 200 |
| No. 8—Des Moines | 160 | 178, 738 | 184, 414 | 57 | 27, 532 | 35, 046 | 54 | 96, 006 | 101, 110 | 49 | 55, 200 | 48, 258 | 1, 152, 588 |
| Iowa | 42 | 23, 751 | 26, 953 | 23 | 11, 434 | 14, 074 | 9 | 6, 690 | 7, 264 | 10 | 5, 627 | 5, 615 | 641, 738 |
| Minnesota | 34 | 67, 766 | 64, 508 | 14 | 6, 799 | 7, 883 | 16 | 60, 065 | 55, 592 | 4 | 902 | 1, 033 | 1, 897, 294 |
| Missouri | 69 | 78, 534 | 83, 890 | 15 | 8, 120 | 11, 721 | 24 | 25, 806 | 34, 633 | 30 | 44, 608 | 37, 536 | 1, 215, 797 |
| North Dakota | 8 | 6, 409 | 6, 311 | 3 | 557 | 749 | 3 | 2, 599 | 2, 297 | 2 | 3, 253 | 3, 265 | 788, 875 |
| South Dakota | 7 | 2, 278 | 2, 752 | 2 | 622 | 619 | 2 | 846 | 1, 324 | 3 | 810 | 809 | 393, 143 |
| No. 9—Little Rock | 260 | 193, 925 | 237, 586 | 129 | 34, 628 | 48, 171 | 37 | 36, 586 | 55, 731 | 94 | 122, 711 | 133, 684 | 913, 792 |
| Arkansas | 37 | 10, 097 | 16, 860 | 28 | 5, 901 | 9, 678 | 5 | 2, 216 | 4, 817 | 4 | 1, 980 | 2, 365 | 455, 676 |
| Louisiana | 68 | 81, 555 | 100, 123 | 9 | 1, 262 | 2, 118 | 4 | 6, 491 | 12, 702 | 55 | 73, 802 | 85, 303 | 1, 472, 397 |
| Mississippi | 23 | 5, 862 | 7, 814 | 19 | 4, 813 | 6, 728 | 2 | 196 | 253 | 2 | 853 | 833 | 339, 739 |
| New Mexico | 13 | 4, 318 | 6, 042 | 7 | 1, 604 | 2, 680 | 0 | | | 6 | 2, 714 | 3, 362 | 464, 769 |
| Texas | 119 | 92, 093 | 106, 747 | 66 | 21, 048 | 26, 967 | 26 | 27, 683 | 37, 959 | 27 | 43, 362 | 41, 821 | 897, 034 |
| No. 10—Topeka | 156 | 123, 581 | 151, 974 | 35 | 17, 184 | 20, 406 | 65 | 72, 660 | 95, 085 | 56 | 33, 737 | 36, 483 | 974, 192 |
| Colorado | 31 | 26, 649 | 31, 586 | 14 | 5, 084 | 5, 646 | 9 | 15, 433 | 18, 227 | 8 | 6, 132 | 7, 713 | 1, 018, 903 |
| Kansas | 64 | 45, 497 | 48, 463 | 10 | 7, 565 | 8, 747 | 20 | 18, 526 | 22, 685 | 34 | 19, 406 | 17, 031 | 757, 234 |
| Nebraska | 19 | 9, 780 | 10, 631 | 8 | 3, 740 | 4, 959 | 7 | 3, 701 | 3, 733 | 4 | 2, 339 | 1, 939 | 559, 526 |
| Oklahoma | 42 | 41, 655 | 61, 294 | 3 | 795 | 1, 054 | 29 | 35, 000 | 50, 440 | 10 | 5, 860 | 9, 800 | 1, 459, 381 |
| No. 11—Portland | 112 | 219, 079 | 139, 642 | 36 | 38, 689 | 31, 077 | 50 | 97, 321 | 70, 497 | 26 | 83, 069 | 38, 068 | 1, 246, 804 |
| Idaho | 8 | 8, 487 | 8, 435 | 0 | | | 8 | 8, 487 | 8, 435 | 0 | | | 1, 054, 375 |
| Montana | 8 | 10, 430 | 10, 113 | 0 | | | 3 | 952 | 1, 054 | 5 | 9, 478 | 9, 059 | 1, 264, 125 |
| Oregon | 23 | 18, 508 | 19, 366 | 18 | 15, 361 | 15, 319 | 5 | 3, 147 | 4, 047 | 0 | | | 842, 000 |
| Utah | 9 | 27, 299 | 17, 961 | 1 | 100 | 229 | 5 | 11, 584 | 9, 041 | 3 | 15, 615 | 8, 691 | 1, 995, 667 |
| Washington | 54 | 150, 775 | 79, 086 | 8 | 20, 481 | 11, 691 | 28 | 72, 318 | 47, 077 | 18 | 57, 976 | 20, 318 | 1, 464, 556 |
| Wyoming | 9 | 3, 257 | 4, 235 | 8 | 2, 424 | 3, 392 | 1 | 833 | 843 | 0 | | | 470, 556 |
| Alaska | 1 | 323 | 446 | 1 | 323 | 446 | 0 | | | 0 | | | 446, 000 |
| No. 12—Los Angeles | 137 | 199, 033 | 286, 377 | 39 | 65, 367 | 94, 388 | 41 | 49, 700 | 71, 605 | 57 | 83, 966 | 120, 384 | 2, 090, 343 |
| Arizona | 3 | 4, 945 | 5, 578 | 2 | 3, 556 | 4, 553 | 0 | | | 1 | 1, 389 | 1, 025 | 1, 859, 333 |
| California | 130 | 190, 132 | 276, 642 | 37 | 61, 811 | 89, 835 | 39 | 47, 500 | 68, 250 | 54 | 80, 821 | 118, 557 | 2, 128, 015 |
| Nevada | 1 | 655 | 758 | 0 | | | 1 | 655 | 758 | 0 | | | 758, 000 |
| Hawaii | 3 | 3, 301 | 3, 399 | 0 | | | 1 | 1, 545 | 2, 597 | 2 | 1, 756 | 802 | 1, 133, 000 |

Source. Division of Research and Statistics, Federal Home Loan Bank Board.

## EXHIBIT 49

*Federal Savings and Loan Insurance Corporation—Comparison of all savings and loan members of the Federal Home Loan Bank System with all insured savings and loan associations, by Federal Home Loan Bank Districts and by States, June 30, 1941*

[Assets in thousands of dollars]

| Bank District and State | All savings and loan members | | All insured associations [1] | | Ratio all insured associations to all savings and loan members | Ratio of assets of all insured associations to assets of all savings and loan members |
|---|---|---|---|---|---|---|
| | Number | Assets | Number | Assets | | |
| United States | 3,798 | $4,626,920 | 2,310 | $3,158,251 | 60.8 | 68.3 |
| No. 1—Boston | 212 | 525,765 | 60 | 167,286 | 28.3 | 31.8 |
| Connecticut | 45 | 48,617 | 22 | 30,039 | 48.9 | 61.8 |
| Maine | 23 | 19,671 | 5 | 1,314 | 21.7 | 6.7 |
| Massachusetts | 122 | 396,377 | 26 | 120,075 | 21 3 | 30.3 |
| New Hampshire | 13 | 16,516 | 4 | 9,782 | 30.8 | 59.2 |
| Rhode Island | 5 | 39,383 | 1 | 1,675 | 20.0 | 4.3 |
| Vermont | 4 | 5,201 | 2 | 4,401 | 50.0 | 84.6 |
| No. 2—New York | 391 | 481,294 | 178 | 320,159 | 45.5 | 66.5 |
| New Jersey | 267 | 176,359 | 82 | 79,533 | 30.7 | 45.1 |
| New York | 124 | 304,935 | 96 | 240,626 | 77.4 | 78 9 |
| No. 3—Pittsburgh | 502 | 268,463 | 191 | 154,553 | 38.0 | 57.6 |
| Delaware | 7 | 2,893 | 1 | 332 | 14 3 | 11.5 |
| Pennsylvania | 466 | 242,440 | 164 | 132,618 | 35 2 | 54.7 |
| West Virginia | 29 | 23,130 | 26 | 21,603 | 89.7 | 93.4 |
| No. 4—Winston-Salem | 400 | 522,990 | 266 | 325,596 | 66.5 | 62.3 |
| Alabama | 21 | 13,573 | 21 | 13,573 | 100.0 | 100.0 |
| District of Columbia | 21 | 152,349 | 11 | 40,190 | 52.4 | 26.4 |
| Florida | 49 | 77,274 | 47 | 75,553 | 95.9 | 97.8 |
| Georgia | 54 | 37,582 | 47 | 35,736 | 87.0 | 95.1 |
| Maryland | 65 | 74,702 | 40 | 49,523 | 61.5 | 66 3 |
| North Carolina | 112 | 88,106 | 38 | 41,602 | 33.9 | 47.2 |
| South Carolina | 42 | 31,058 | 37 | 29,975 | 88 1 | 96 5 |
| Virginia | 36 | 48,346 | 25 | 39,444 | 69.4 | 81.6 |
| No. 5—Cincinnati | 582 | 900,643 | 335 | 627,322 | 57.6 | 69.7 |
| Kentucky | 93 | 98,800 | 56 | 68,091 | 60 2 | 68.9 |
| Ohio | 450 | 768,530 | 241 | 526,032 | 53.6 | 68.4 |
| Tennessee | 39 | 33,313 | 38 | 33,199 | 97.4 | 99.7 |
| No. 6—Indianapolis | 216 | 296,718 | 173 | 226,113 | 80.1 | 76.2 |
| Indiana | 159 | 177,388 | 129 | 142,712 | 81.1 | 80.5 |
| Michigan | 57 | 119,330 | 44 | 83,401 | 77.2 | 69.9 |
| No. 7—Chicago | 454 | 461,283 | 282 | 337,229 | 62.1 | 73.1 |
| Illinois | 341 | 333,995 | 197 | 245,837 | 57.8 | 73 6 |
| Wisconsin | 113 | 127,288 | 85 | 91,392 | 75.2 | 71.8 |
| No. 8—Des Moines | 242 | 242,405 | 160 | 184,414 | 66.1 | 76.1 |
| Iowa | 70 | 53,441 | 42 | 26,953 | 60.0 | 50.4 |
| Minnesota | 42 | 70,382 | 34 | 64,508 | 81.0 | 91.7 |
| Missouri | 106 | 102,279 | 69 | 83,890 | 65.1 | 82.0 |
| North Dakota | 13 | 11,768 | 8 | 6,311 | 61.5 | 53.6 |
| South Dakota | 11 | 4,535 | 7 | 2,752 | 63.6 | 60.7 |

See footnote at end of table.

EXHIBIT 49—Continued

*Federal Savings and Loan Insurance Corporation—Comparison of all savings and loan members of the Federal Home Loan Bank System with all insured savings and loan associations, by Federal Home Loan Bank Districts and by States, June 30, 1941*—Continued

[Assets in thousands of dollars]

| Bank District and State | All savings and loan members | | All insured associations[1] | | Ratio all insured associations to all savings and loan members | Ratio of assets of all insured associations to assets of all savings and loan members |
|---|---|---|---|---|---|---|
| | Number | Assets | Number | Assets | | |
| No. 9—Little Rock | 272 | $240, 750 | 260 | $237, 586 | 95. 6 | 98. 7 |
| Arkansas | 39 | 17, 294 | 37 | 16, 860 | 94. 9 | 97. 5 |
| Louisiana | 67 | 100, 007 | 68 | 100, 123 | 101. 5 | 100. 1 |
| Mississippi | 25 | 8, 698 | 23 | 7, 814 | 92 0 | 89. 8 |
| New Mexico | 14 | 6, 653 | 13 | 6, 042 | 92. 9 | 90. 8 |
| Texas | 127 | 108, 098 | 119 | 106, 747 | 93. 7 | 98 8 |
| No. 10—Topeka | 223 | 185, 118 | 156 | 151, 974 | 70. 0 | 82. 1 |
| Colorado | 39 | 34, 997 | 31 | 31, 586 | 79. 5 | 90. 3 |
| Kansas | 101 | 63, 125 | 64 | 48, 463 | 63. 4 | 76. 8 |
| Nebraska | 30 | 18, 637 | 19 | 10, 631 | 63. 3 | 57. 0 |
| Oklahoma | 53 | 68, 359 | 42 | 61, 294 | 79. 2 | 89. 7 |
| No. 11—Portland | 132 | 167, 119 | 112 | 139, 642 | 84. 8 | 83. 6 |
| Idaho | 8 | 8, 435 | 8 | 8, 435 | 100. 0 | 100. 0 |
| Montana | 13 | 11, 688 | 8 | 10, 113 | 61. 5 | 86. 5 |
| Oregon | 29 | 37, 056 | 23 | 19, 366 | 79. 3 | 52. 3 |
| Utah | 10 | 18, 152 | 9 | 17, 961 | 90. 0 | 98. 9 |
| Washington | 61 | 85, 404 | 54 | 79, 086 | 88. 5 | 92. 6 |
| Wyoming | 10 | 5, 938 | 9 | 4, 235 | 90. 0 | 71. 3 |
| Alaska | 1 | 446 | 1 | 446 | 100. 0 | 100. 0 |
| No. 12—Los Angeles | 172 | 334, 372 | 137 | 286, 377 | 79. 7 | 85. 6 |
| Arizona | 3 | 5, 578 | 3 | 5, 578 | 100 0 | 100. 0 |
| California | 163 | 323, 229 | 130 | 276, 642 | 79. 8 | 85. 6 |
| Nevada | 2 | 885 | 1 | 758 | 50 0 | 85. 6 |
| Hawaii | 4 | 4, 680 | 3 | 3, 399 | 75. 0 | 72. 6 |

[1] Includes 5 insured nonmembers, 1 in the District of Columbia, with assets of $4,251,000; 1 in Ohio whose assets have been combined with an insured member institution due to a merger not yet completed; 2 in Louisiana with assets of $939,000, and 1 in California with assets of $462,000

## EXHIBIT 50

*Federal Savings and Loan Insurance Corporation—Statements of condition and operation for insured institutions in receivership on June 30, 1941*

*Security Federal Savings and Loan Association of Guymon, Guymon, Okla.*

### CONDENSED COMPARATIVE STATEMENT OF CONDITION

| | Date of receivership Feb. 12, 1940 | As of June 30, 1941 |
|---|---|---|
| ASSETS | | |
| Mortgage loans | $94,655.29 | $98,615.27 |
| Real estate sold on contract | 1,107.80 | 0 |
| Real estate owned | 118,457.27 | 53,026.18 |
| Cash and investments | 8,697.00 | 35,024.16 |
| Other assets | 483.00 | 28.00 |
| Total | 223,400.36 | 186,693.61 |
| LIABILITIES AND CAPITAL | | |
| Advances from Federal Home Loan Bank of Topeka | 14,236.01 | 0 |
| Other liabilities | 2,048.68 | 383.31 |
| Advance payments by borrowers | 0 | 942.41 |
| Shares purchased by Federal Savings and Loan Insurance Corporation | 0 | 164,061.65 |
| Other share account claims | 165,940.31 | 1,878.66 |
| Reserve for losses | 41,175.36 | 19,427.58 |
| Total | 223,400.36 | 186,693.61 |

### CONDENSED STATEMENTS OF OPERATION

| | Fiscal year ended June 30, 1941 | Cumulative Feb. 12, 1940, through June 30, 1941 |
|---|---|---|
| Gross income | $6,135.64 | $9,366.12 |
| Less expenses | 7,930.19 | 9,200.41 |
| Net operating income | −1,794.55 | 165.71 |
| Add profits derived from realization of assets | 2,528.75 | 4,531.87 |
| Total | 734.20 | 4,697.58 |
| Less losses sustained through realization of assets | 6,252.80 | 8,834.84 |
| Net credit to reserve for losses | −5,518.60 | −4,137.26 |

## EXHIBIT 50—Continued

*Community Federal Savings and Loan Association of Independence, Independence, Mo.*

CONDENSED COMPARATIVE STATEMENT OF CONDITION

| | Date of receivership June 26, 1940 | As of June 30, 1941 |
|---|---|---|
| ASSETS | | |
| Mortgage loans | $887,090.51 | $744,354.66 |
| Share loans | 12,194.72 | 6,948.21 |
| Other loans | 3,500.00 | 3,500.00 |
| Real estate sold on contract | 63,528.37 | 23,856.62 |
| Real estate owned, including office building | 213,607.94 | 108,461.75 |
| Real estate in judgment subject to redemption | 0 | 7,459.22 |
| Cash and investments | 52,429.44 | 51,641.54 |
| Other assets | 5,954.07 | 5,734.73 |
| Total | 1,238,305.05 | 951,956.73 |
| LIABILITIES AND CAPITAL | | |
| Advances from Federal Home Loan Bank of Des Moines | 274,730.50 | 43,933.20 |
| Other liabilities | 2,276.69 | 4,959.75 |
| Loans in process | 2,015.00 | 0 |
| Advance payments by borrowers | 0 | 1,116.64 |
| Shares purchased by Federal Savings and Loan Insurance Corporation | 0 | [1] 316,410.84 |
| Other share account claims: | | |
| Insured claims | 335,336.81 | 18,173.93 |
| Uninsured claims | 542,033.14 | 537,033.44 |
| Reserve for losses | 81,912.91 | 30,328.93 |
| Total | 1,238,305.05 | 951,956.73 |

CONDENSED STATEMENTS OF OPERATION

| | Fiscal year ended June 30, 1941 | Cumulative June 26, 1940 through June 30, 1941 |
|---|---|---|
| Gross income | $50,694.66 | $50,768.87 |
| Less expenses | 18,837.68 | 18,928.00 |
| Net operating income | 31,856.98 | 31,840.87 |
| Add profits derived from realization of assets | 5,606.87 | 6,141.80 |
| Total | 37,463.85 | 37,982.67 |
| Less losses sustained through realization of assets | 26,041.21 | 26,041.21 |
| Net credit to reserve for losses | 11,422.64 | 11,941.46 |

[1] Does not include 1 share account claim settled in amount of $60. This amount was paid on June 30, 1941, and placed on the Insurance Corporation's books as of June 30, 1941, but was not placed on the receiver's books at Independence, Mo., until July 8, 1941.

EXHIBIT 50—Continued

*Trenton Building and Loan Association, Trenton, Ohio*

CONDENSED COMPARATIVE STATEMENT OF CONDITION

| | Date of receivership Apr. 15, 1940 | As of June 30, 1941 |
|---|---|---|
| ASSETS | | |
| Cash in bank | $2,664.33 | $21,186.86 |
| Shares in American Building and Loan Association of Middletown, Ohio | 0 | 129.89 |
| Stock in Federal Home Loan Bank of Cincinnati | 500.00 | 0 |
| Mortgage loans | 21,843.16 | 4,449.90 |
| Office building | 1,028.85 | 1,028.85 |
| Furniture and fixtures | 251.33 | 0 |
| Deficiency account (shortage of Secretary) | 8,494.52 | 0 |
| Liquidator's capital loss | 0 | 4,976.89 |
| Total | 34,782.19 | 31,772.39 |
| LIABILITIES AND CAPITAL | | |
| Advances from Federal Home Loan Bank of Cincinnati | 2,500.00 | 0 |
| Interest on advances | 17.72 | 0 |
| Cash over | 17.30 | 0 |
| Unapplied loan credits (pledged stock) | 593.23 | 0 |
| Claims: | | |
| Outstanding checks | 137.68 | 0 |
| Director's fees | 16.50 | 0 |
| Examination fees—FHLBB | 202.52 | 0 |
| Shares purchased by Federal Savings and Loan Insurance Corporation | 0 | 28,455.44 |
| Other share account claims | 28,228.50 | 0 |
| Undivided profits | 3,068.74 | 3,003.89 |
| Liquidators's undivided profits | 0 | 313.06 |
| Total | 34,782.19 | 31,772.39 |

CONDENSED STATEMENT OF OPERATION

| | Apr. 15, 1940, through June 30, 1941 |
|---|---|
| Gross income | $929.52 |
| Less expenses | 406.36 |
| Net operating income | 523 16 |
| Add profits derived from realization of assets | 0 |
| Total | 523.16 |
| Less losses sustained through realization of assets | 210.10 |
| Net credit to reserve for losses | 313.06 |

## EXHIBIT 50—Continued

*The Dickinson County Building and Loan Association, Abilene, Kans. Statement of condition as of June 30, 1941*

ASSETS

| | |
|---|---|
| Real estate sold on contract | $1, 388. 36 |
| Real estate owned, including office building | 31, 307. 36 |
| Cash and investments | 13, 737. 82 |
| Other assets | 819. 05 |
| Reserve for losses | 15, 032. 55 |
| Total | 62, 285. 14 |

LIABILITIES AND CAPITAL

| | |
|---|---|
| Advance payments by borrowers | $5. 20 |
| Other liabilities | 11. 00 |
| Permanent stock | 18, 000. 00 |
| Share account claims | 44, 268. 94 |
| Total | 62, 285. 14 |

## EXHIBIT 51

*Federal Savings and Loan Insurance Corporation—Statement of condition as of June 30, 1941*

ASSETS

| | | |
|---|---|---|
| Cash in United States Treasury | | $924, 579. 33 |
| Accounts receivable: | | |
| Insurance premiums | $819, 962. 80 | |
| Other | 737. 12 | |
| | | 820, 699. 92 |
| Investments: U. S. Government obligations and securities fully guaranteed by U. S | | 128, 062, 480. 15 |
| Accrued interest on investments | | 603, 398. 67 |
| Subrogated accounts in insured institutions in liquidation | | 508, 987. 93 |
| Total assets | | 130, 920, 146. 00 |

LIABILITIES AND CAPITAL

| | | |
|---|---|---|
| Accounts payable | | $39, 447. 59 |
| Deferred income: Unearned insurance premiums | | 1, 491, 814. 72 |
| Capital: | | |
| Capital stock outstanding | $100, 000, 000. 00 | |
| *Reserves (including special reserve for contingencies) | 29, 388, 883. 69 | |
| | | 129, 388, 883. 69 |
| Total liabilities and capital | | $130, 920, 146. 00 |

*Specific contingent liabilities in the amount of $291,374.11 are not reflected in the above statement.

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EXHIBIT 52

*Federal Savings and Loan Insurance Corporation—Income and expense statement for the period July 1, 1940, through June 30, 1941*

| | | | |
|---|---|---|---|
| Income: | | | |
| Insurance premiums earned | | $3, 063, 114. 94 | |
| Admission fees earned | | 24, 370. 83 | |
| Interest earned on U. S. Government obligations and securities fully guaranteed by U. S. | | 3, 481, 308. 13 | |
| Miscellaneous | | 34. 00 | |
| | | | $6, 568, 827. 90 |
| Administrative expenses: | | | |
| Personal services | $118, 631. 48 | | |
| Travel expense | 5, 833. 45 | | |
| Printing and binding | 3, 363. 39 | | |
| Supplies and materials | 704. 74 | | |
| Telephone and telegraph | 1, 161. 78 | | |
| Advertising | 239. 49 | | |
| Furniture and fixtures | 1, 398. 35 | | |
| Miscellaneous | 684. 49 | | |
| Audit by Home Owners' Loan Corporation | 1, 090. 23 | | |
| Services rendered by Federal Home Loan Bank Board | 122, 217. 00 | | |
| Administrator's office—Federal Loan Agency | 1, 200. 00 | | |
| Total administrative expenses | | 256, 524. 40 | |
| Nonadministrative expenses: | | | |
| Personal services | $3, 942. 31 | | |
| Travel expense | 3, 732. 04 | | |
| Printing and binding | 258. 28 | | |
| Telephone and telegraph | 395. 95 | | |
| Examining expense | 161. 50 | | |
| Miscellaneous | 1. 71 | | |
| Total nonadministrative expenses | | 8, 491. 79 | |
| | | | 265, 016. 19 |
| Net income from operations | | | 6, 303, 811. 71 |
| Other income: Profit on sale of securities | | | 13, 365. 05 |
| Net income for period | | | 6, 317, 176. 76 |
| Adjustments of net income for prior years | | | 3, 104. 16 |
| Net income | | | 6, 320, 280. 92 |

*Distribution of net income*

| | |
|---|---|
| To special reserve for contingencies | $3, 000, 000. 00 |
| To surplus | 3, 320, 280. 92 |
| Total | $6, 320, 280. 92 |

## EXHIBIT 53

*Federal Savings and Loan Insurance Corporation—Expenses for the period July 1, 1940, to June 30, 1941*

| | |
|---|---|
| Administrative expenses: | |
| Personal services | $118, 631. 48 |
| Travel expense | 5, 833. 45 |
| Printing and binding | 3, 363. 39 |
| Supplies and materials | 704. 74 |
| Telephone and telegraph | 1, 161. 78 |
| Advertising | 239. 49 |
| Furniture and fixtures | 1, 398. 35 |
| Miscellaneous | 684. 49 |
| Audit by Home Owners' Loan Corporation | 1, 090. 23 |
| Services rendered by Federal Home Loan Bank Board | 122, 217. 00 |
| Administrator's office—Federal Loan Agency | 1, 200. 00 |
| Total administrative expenses | 256, 524. 40 |
| Nonadministrative expenses: | |
| Personal services | 3, 942. 31 |
| Travel expense | 3, 732. 04 |
| Printing and binding | 258. 28 |
| Telephone and telegraph | 395. 95 |
| Examining expense | 161. 50 |
| Miscellaneous | 1. 71 |
| Total nonadministrative expenses | 8, 491. 79 |
| Grand total | 265, 016. 19 |

## EXHIBIT 54

*Home Owners' Loan Corporation—Average outstanding original loan per borrower and average loan balance outstanding, June 30, 1941, by HOLC Regions and by States*

| Region and State | Average | | Percent reduction |
|---|---|---|---|
| | Original loan | Outstanding loan balance | |
| United States | $2,884 | $2,108 | 26.9 |
| Region 1—New York | 4,329 | 3,619 | 16.4 |
| Connecticut | 4,078 | 3,111 | 23.7 |
| Maine | 2,111 | 1,527 | 27.7 |
| Massachusetts | 4,078 | 3,464 | 15.1 |
| New Hampshire | 2,198 | 1,753 | 20.2 |
| New Jersey | 4,371 | 3,496 | 20.0 |
| New York | 4,658 | 4,035 | 13.4 |
| Rhode Island | 3,862 | 2,971 | 23.1 |
| Vermont | 2,414 | 1,861 | 22.9 |
| Region 2A—Baltimore | 2,846 | 2,109 | 25.9 |
| Delaware | 3,051 | 2,225 | 27.1 |
| District of Columbia | 5,747 | 4,163 | 27.6 |
| Maryland | 2,760 | 2,145 | 22.3 |
| Pennsylvania | 2,728 | 2,019 | 26.0 |
| Virginia | 3,031 | 2,152 | 29.0 |
| Region 2B—Cincinnati | 3,030 | 2,156 | 28.8 |
| Ohio | 3,078 | 2,196 | 28.7 |
| West Virginia | 2,531 | 1,741 | 31.2 |
| Region 3A—Atlanta | 2,265 | 1,629 | 28.1 |
| Alabama | 2,101 | 1,512 | 28.0 |
| Florida | 2,225 | 1,561 | 29.8 |
| Georgia | 2,251 | 1,622 | 27.9 |
| North Carolina | 2,486 | 1,829 | 26.4 |
| South Carolina | 2,317 | 1,634 | 29.5 |
| Puerto Rico | 2,905 | 2,321 | 20.1 |
| Region 3B—Memphis | 2,427 | 1,718 | 29.2 |
| Arkansas | 1,791 | 1,205 | 32.7 |
| Kentucky | 2,631 | 1,874 | 28.8 |
| Louisiana | 2,677 | 1,860 | 30.5 |
| Mississippi | 1,906 | 1,349 | 29.2 |
| Missouri | 2,838 | 2,041 | 28.1 |
| Tennessee | 2,166 | 1,552 | 28.3 |

| Region and State | Average | | Percent reduction |
|---|---|---|---|
| | Original loan | Outstanding loan balance | |
| Region 4A—Chicago | $3,737 | $2,721 | 27.2 |
| Illinois | 3,903 | 2,799 | 28.3 |
| Wisconsin | 3,332 | 2,532 | 24.0 |
| Region 4B—Detroit | 2,698 | 1,873 | 30.6 |
| Indiana | 2,282 | 1,555 | 31.9 |
| Michigan | 2,924 | 2,045 | 30.1 |
| Region 5A—Omaha | 1,941 | 1,377 | 29.1 |
| Colorado | 1,943 | 1,339 | 31.1 |
| Iowa | 1,883 | 1,286 | 31.7 |
| Kansas | 1,668 | 1,243 | 25.5 |
| Minnesota | 2,203 | 1,522 | 30.9 |
| Nebraska | 2,011 | 1,470 | 26.9 |
| North Dakota | 1,962 | 1,551 | 20.9 |
| South Dakota | 1,743 | 1,281 | 26.5 |
| Region 5B—Dallas | 2,253 | 1,491 | 33.8 |
| New Mexico | 2,033 | 1,351 | 33.5 |
| Oklahoma | 2,205 | 1,421 | 35.6 |
| Texas | 2,290 | 1,532 | 33.1 |
| Region 6—San Francisco | 2,285 | 1,474 | 35.5 |
| Arizona | 2,345 | 1,558 | 33.6 |
| California | 2,577 | 1,646 | 36.1 |
| Idaho | 1,763 | 1,181 | 33 0 |
| Montana | 1,950 | 1,301 | 33.3 |
| Nevada | 2,826 | 1,822 | 35.5 |
| Oregon | 1,973 | 1,274 | 35.4 |
| Utah | 2,238 | 1,483 | 33.7 |
| Washington | 1,820 | 1,159 | 36.3 |
| Wyoming | 2,318 | 1,506 | 35.0 |
| Hawaii | 2,688 | 1,666 | 38.0 |

# EXHIBIT 55

*Home Owners' Loan Corporation—Net foreclosure authorizations on original loans and vendee accounts, cumulatively to June 30, 1941, by Regions and by States*

| Region and State | Original loans, net authorized: Cumulative | Original loans, net authorized: Percent of total loans closed | Vendee loans, net authorized, cumulative |
|---|---|---|---|
| United States | 193,612 | 19.0 | 2,882 |
| Region 1—New York | 61,567 | 37.5 | 403 |
| Connecticut | 2,394 | 23.3 | 14 |
| Maine | 655 | 19.3 | 6 |
| Massachusetts | 9,807 | 40.0 | 81 |
| New Hampshire | 404 | 21.6 | 13 |
| New Jersey | 13,649 | 37.6 | 86 |
| New York | 32,776 | 40.9 | 191 |
| Rhode Island | 1,500 | 24.5 | 8 |
| Vermont | 382 | 24.2 | 4 |
| Region 2A—Baltimore | 16,414 | 18.1 | 207 |
| Delaware | 257 | 15.6 | 6 |
| District of Columbia | 267 | 12.8 | 7 |
| Maryland | 3,503 | 22.0 | 25 |
| Pennsylvania | 10,243 | 17.4 | 110 |
| Virginia | 2,144 | 17.8 | 59 |
| Region 2B—Cincinnati | 13,826 | 12.8 | 123 |
| Ohio | 13,026 | 13.2 | 111 |
| West Virginia | 800 | 8.8 | 12 |
| Region 3A—Atlanta | 8,525 | 13.4 | 189 |
| Alabama | 3,046 | 18.3 | 65 |
| Florida | 1,325 | 9.8 | 42 |
| Georgia | 1,801 | 12.1 | 36 |
| North Carolina | 1,670 | 13.6 | 28 |
| South Carolina | 662 | 11.6 | 18 |
| Puerto Rico | 21 | 3.6 | --------- |
| Region 3B—Memphis | 15,784 | 19.5 | 341 |
| Arkansas | 1,680 | 16.2 | 46 |
| Kentucky | 1,579 | 17.1 | 19 |
| Louisiana | 2,369 | 16.5 | 35 |
| Mississippi | 1,317 | 15.0 | 46 |
| Missouri | 6,634 | 27.0 | 138 |
| Tennessee | 2,205 | 16.0 | 57 |
| Region 4A—Chicago | 16,748 | 16.2 | 142 |
| Illinois | 9,118 | 13.0 | 100 |
| Wisconsin | 7,630 | 23.1 | 42 |
| Region 4B—Detroit | 14,162 | 10.9 | 188 |
| Indiana | 6,699 | 13.7 | 84 |
| Michigan | 7,463 | 9.2 | 104 |
| Region 5A—Omaha | 19,436 | 20.5 | 497 |
| Colorado | 1,202 | 10.4 | 42 |
| Iowa | 2,853 | 14.5 | 69 |
| Kansas | 5,719 | 30.9 | 114 |
| Minnesota | 2,861 | 13.6 | 81 |
| Nebraska | 3,895 | 28.6 | 122 |
| North Dakota | 1,146 | 26.0 | 25 |
| South Dakota | 1,760 | 28.7 | 44 |
| Region 5B—Dallas | 14,453 | 20.4 | 523 |
| New Mexico | 205 | 8.3 | 13 |
| Oklahoma | 6,142 | 25.6 | 125 |
| Texas | 8,106 | 18.3 | 385 |
| Region 6—San Francisco | 12,697 | 11.3 | 269 |
| Arizona | 927 | 14.2 | 27 |
| California: | | | |
| Northern | 1,276 | 10.6 | 14 |
| Southern | 4,353 | 10.9 | 108 |
| Idaho | 410 | 8.7 | 13 |
| Montana | 326 | 8.9 | 2 |
| Nevada | 61 | 5.0 | --------- |
| Oregon | 932 | 9.9 | 28 |
| Utah | 1,604 | 14.9 | 24 |
| Washington | 2,673 | 12.5 | 44 |
| Wyoming | 135 | 5.5 | 9 |

## EXHIBIT 56

*Home Owners' Loan Corporation—Property acquisitions and sales, by fiscal-year periods*

| Period | Acquisitions | | Sales | | | Ratio of number of sales to number of acquisitions [2] |
|---|---|---|---|---|---|---|
| | Number of properties [1] | Aggregate capital value [1] | Number of properties | Aggregate capital value | Aggregate sales price | |
| 1936 | 5, 275 | $23, 930, 096 | 142 | $497, 117 | $523, 055 | 2 6 |
| 1937 | 39, 534 | 181, 196, 458 | 2, 231 | 8, 248, 929 | 8, 293, 100 | 5. 4 |
| 1938 | 55, 190 | 303, 226, 436 | 15, 159 | 62, 001, 901 | 54, 182, 578 | 26. 7 |
| 1939 | 41, 743 | 228, 932, 138 | 37, 771 | 166, 888, 675 | 130, 177, 111 | 89. 1 |
| 1940 | 23, 826 | 127, 055, 797 | 49, 716 | 241, 270, 671 | 170, 505, 356 | 207. 1 |
| 1941 | 17, 382 | 85, 650, 581 | 34, 745 | 173, 474, 370 | 120, 297, 795 | 199. 9 |
| Total | 182, 950 | 949, 991, 506 | 139, 764 | 652, 381, 663 | 483, 978, 995 | 75. 7 |

[1] Includes all adjustments to June 30, 1941.
[2] For the purpose of computing the percentage of properties sold to those cumulatively acquired, properties sold prior to acquisition have been added to the number of properties acquired.

## EXHIBIT 57

*Home Owners' Loan Corporation—Profit and loss on sales of real estate, by calendar years*

| Year | Number of properties sold at a profit and amount of profit | | Number of properties sold at a loss and amount of loss | | Total number of properties sold | |
|---|---|---|---|---|---|---|
| | Number | Profit | Number | Loss | Number | Profit (+) or loss (−) |
| 1935 | 27 | $6, 926 | 2 | $1, 528 | 29 | +$5, 398 |
| 1936 | 366 | 125, 782 | 235 | 118, 828 | 601 | +6, 954 |
| 1937 | 3, 033 | 1, 218, 126 | 2, 214 | 1, 381, 934 | 5, 247 | −163, 808 |
| 1938 | 5, 761 | 1, 729, 446 | 22, 957 | 23, 123, 114 | 28, 718 | −21, 393, 668 |
| 1939 | 5, 442 | 1, 598, 793 | 40, 787 | 56, 684, 231 | 46, 229 | −55, 085, 438 |
| 1940 | 3, 843 | 1, 157, 266 | 40, 862 | 68, 860, 946 | 44, 705 | −67, 703, 680 |
| 1941 [1] | 2, 135 | 823, 386 | 12, 100 | 20, 519, 053 | 14, 235 | −19, 695, 667 |

[1] January to June, inclusive.

## EXHIBIT 58

*Home Owners' Loan Corporation—Analysis of the various elements entering into the capital value of properties owned and in process of acquiring title, June 30, 1941*

| | | |
|---|---|---|
| Original capitalized value: | | |
| Unpaid balance of loans and advances | $256, 599, 028. 58 | |
| Unpaid balance of accrued interest | 15, 997, 767. 62 | |
| Total | | $272, 596, 796. 20 |
| Subsequent capital charges: | | |
| Taxes and assessments | 11, 097, 630. 76 | |
| Insurance | [1] 11, 136. 32 | |
| Reconditioning and capital repairs | 29, 878, 008. 65 | |
| Foreclosure and other acquisition costs | 7, 131, 213. 33 | |
| Miscellaneous | 508, 266. 72 | |
| | | 48, 603, 983. 14 |
| Total | | 321, 200, 779. 34 |
| Subsequent capital credits: | | |
| Rents (prior to acquisition of title) | 648, 394. 63 | |
| Partial sales (no profit or loss recognized) | 909, 848. 35 | |
| Collection of deficiencies | 297, 306. 88 | |
| Miscellaneous | 611, 228. 71 | |
| | | 2, 466, 778. 57 |
| Total capitalized value at June 30, 1941 | | 318, 734, 000. 77 |

[1] Net credit—results from cancellation of policies at acquisition.

## EXHIBIT 59

*Home Owners' Loan Corporation—Percentage of vacant units to units available for rent, percentage of rents collected to rent accruals, and average rent per unit, by months*

| Year and month | Vacancies | Collections | Average rent per unit |
|---|---|---|---|
| *1936* | *Percent* | *Percent* | |
| July | 18.6 | 93.7 | $20.59 |
| August | 18.7 | 92.4 | 20.75 |
| September | 15.9 | 94.7 | 20.04 |
| October | 17.1 | 88.5 | 21.24 |
| November | 18.4 | 88.8 | 21.26 |
| December | 17.5 | 89.4 | 20.92 |
| *1937* | | | |
| January | 18.7 | 96.2 | 22.61 |
| February | 18.3 | 95.3 | 22.90 |
| March | 17.8 | 92.8 | 23.90 |
| April | 15.0 | 99.5 | 23.85 |
| May | 13.3 | 94.7 | 24.60 |
| June | 12.5 | 96.3 | 24.99 |
| July | 11.2 | 95.5 | 25.27 |
| August | 10.4 | 97.7 | 25.48 |
| September | 10.4 | 97.3 | 25.77 |
| October | 10.4 | 97.7 | 26.10 |
| November | 11.2 | 97.9 | 26.90 |
| December | 12.4 | 96.7 | 26.75 |
| *1938* | | | |
| January | 13.1 | 93.3 | 26.48 |
| February | 13.5 | 96.0 | 27.19 |
| March | 14.3 | 99.7 | 26.91 |
| April | 12.6 | 97.2 | 26.96 |
| May | 11.6 | 99.2 | 27.40 |
| June | 11.5 | 98.8 | 27.66 |
| July | 12.0 | 98.4 | 27.93 |
| August | 11.0 | 99.2 | 27.99 |
| September | 10.3 | 98.4 | 28.00 |
| October | 9.9 | 99.6 | 28.25 |
| November | 10.4 | 96.8 | 28.69 |
| December | 10.5 | 100.3 | 28.82 |
| *1939* | *Percent* | *Percent* | |
| January | 10.9 | 98.7 | $29.01 |
| February | 10.4 | 99.4 | 28.95 |
| March | 9.3 | 99.8 | 29.14 |
| April | 7.8 | 99.9 | 29.45 |
| May | 7.7 | 100.0 | 29.33 |
| June | 7.4 | 99.1 | 29.43 |
| July | 7.2 | 99.9 | 29.78 |
| August | 7.5 | 99.5 | 30.02 |
| September | 7.6 | 99.1 | 29.99 |
| October | 7.9 | 99.5 | 30.11 |
| November | 8.5 | 98.4 | 30.30 |
| December | 8.6 | 99.3 | 31.53 |
| *1940* | | | |
| January | 9.2 | 97.8 | 31.55 |
| February | 9.2 | 99.1 | 31.50 |
| March | 9.4 | 98.8 | 31.79 |
| April | 8.5 | 98.8 | 31.94 |
| May | 8.2 | 100.0 | 32.41 |
| June | 8.3 | 100.2 | 32.90 |
| July | 8.5 | 99.7 | 33.01 |
| August | 8.5 | 99.3 | 33.25 |
| September | 9.0 | 99.3 | 33.47 |
| October | 9.3 | 99.9 | 33.87 |
| November | 9.7 | 99.5 | 34.09 |
| December | 10.4 | 99.2 | 34.48 |
| *1941* | | | |
| January | 10.9 | 98.5 | 34.33 |
| February | 10.8 | 99.3 | 34.41 |
| March | 10.5 | 98.9 | 34.57 |
| April | 9.8 | 99.1 | 34.88 |
| May | 9.5 | 99.9 | 35.23 |
| June | 9.0 | 99.2 | 35.33 |

## EXHIBIT 60

*Home Owners' Loan Corporation—Summary of the various income and expense items entering into the operation of properties sold by the Corporation through June 30, 1941*

| | |
|---|---|
| Operating profit (or loss) on property sold: | |
| Expense—Taxes | $17, 369, 704. 72 |
| Insurance | 1, 800, 882. 15 |
| Maintenance | 9, 959, 961. 27 |
| Miscellaneous | 4, 486, 753. 18 |
| Commissions | 4, 535, 788. 08 |
| | 38, 153, 089. 40 |
| Unallocated | 42, 234. 39 |
| | 38, 195, 323. 79 |
| Income | 44, 555, 677. 52 |
| Net operating profit on property sold | 6, 360, 353. 73 |
| Number of properties sold | 139, 764 |
| Average capital loss (including brokers' commissions and selling expense) | 1, 431. 39 |
| Average operating profit | 45. 51 |

## EXHIBIT 61

*Home Owners' Loan Corporation—Number of reconditioning contracts completed from the beginning of operations through June 30, 1941*

| Type of case | Number of contracts completed | Total dollar amount | Average dollar amount |
|---|---|---|---|
| 1. Included in original loans to place homes of borrowers in a condition of reasonable structural soundness | 417, 396 | $78, 257, 464 | $187 |
| 2. Advanced to borrowers since closing of loans for keeping homes in sound condition | 18, 821 | 3, 180, 592 | 169 |
| 3. Reconditioning to make acquired properties attractive for rent or sale | 362, 971 | 79, 708, 573 | 220 |
| 4. Insurance cases supervised by the Corporation | 32, 662 | 7, 527, 758 | 230 |
| Total | 831, 850 | 168, 674, 387 | 203 |

EXHIBIT 62

*Home Owners' Loan Corporation—Number of employees by departments, divisions, and sections, as of July 1, 1941*

| | | |
|---|---|---|
| Board Members and assistants | 48 | |
| Secretary's Office | 200 | |
| Research and Statistics | 54 | |
| Public Relations | 14 | |
| Financial Adviser | 4 | |
| Total, Board | | [1] 320 |
| General Manager, staff | 457 | |
| Property Management | 1,639 | |
| Loan Service | 1,787 | |
| Appraisal and Reconditioning | 912 | |
| Comptroller and Accounting | 961 | |
| Treasurer | 537 | |
| Budget | 10 | |
| Auditor | 342 | |
| Purchase and Supply | 62 | |
| Total, Management | | 6,707 |
| Legal Department | | 528 |
| Personnel Department | | 209 |
| Total, HOLC | | [2] 7,764 |

[1] Includes personnel of general service departments which serve all agencies under the Federal Home Loan Bank Board.

[2] Includes 23 W. A. E. employees and 107 employees on military leave.

## EXHIBIT 63

*Home Owners' Loan Corporation—Balance sheet as of June 30, 1941*

ASSETS

| | | | |
|---|---|---|---|
| Mortgage loans, advances and sales instruments—at present face value: | | | |
| Original loans and advances thereon | | $1,521,046,216.03 | |
| Vendee accounts (purchase money mortgages, sales contracts, or instruments used in lieu thereof) | | 349,246,315.37 | |
| Unposted advances on mortgage loans, and vendee accounts | | 12,409.43 | |
| | | | $1,870,304,940.83 |
| Interest receivable | | | 5,713,151.51 |
| Property:[1] | | | |
| Owned | | $303,029,389.97 | |
| In process of acquiring title | | 15,704,610.80 | |
| | | | 318,734,000.77 |
| | | | 2,194,752,093.11 |
| Less reserve for losses [2] | | | 25,658,261.81 |
| | | | 2,169,093,831.30 |
| Investments—at cost: | | | |
| Federal Savings and Loan Insurance Corporation (entire capital) | | $100,000,000.00 | |
| Savings and loan associations: | | | |
| Federal-chartered | $145,575,950.00 | | |
| State chartered | 37,277,410.00 | | |
| | | 182,853,360.00 | |
| | | | 282,853,360.00 |
| Bond Retirement Fund: | | | |
| Cash (including $10,687,950.00 deposited with U. S. Treasury for retirement of matured bonds) | | | 46,111,498.43 |

[1] Property owned and property in process of acquiring title are stated at values represented by unpaid balances of loans and advances, unpaid interest to date of foreclosure sale or judgment, foreclosure costs, net charges prior to date of acquisition, and permanent additions, initial repairs and reconditioning subsequent to acquisition. Unpaid interest included in these values amounts to $15,997,767.62.

[2] The reserve for losses is being accumulated at an annual rate which, it is intended, will approximate eventually the total losses which may be sustained in the liquidation of mortgage loans, interest and property. During the period of accumulation, therefore, the carrying value of these assets, less the reserve, will not necessarily represent their probable realizable value.

EXHIBIT 63—Continued

*Home Owners' Loan Corporation—Balance sheet as of June 30, 1941*—Continued

ASSETS—continued

| | | |
|---|---|---|
| Cash: | | |
| Operating funds (includes $20,182,180.55 payable to Bond Retirement Fund in July 1941; and $17,794,970.26 deposited by borrowers—see contra) | $53, 585, 612. 51 | |
| Special funds held by U. S. Treasury for payment of interest coupons—(see contra) | 11, 300, 873. 05 | |
| | | $64, 886, 485. 56 |
| Fixed assets: | | |
| Home Office land and building—at cost | 2, 987, 819. 93 | |
| Furniture, fixtures and equipment—at cost | 2, 525, 959. 87 | |
| Total fixed assets | 5, 513, 779. 80 | |
| Less reserve for depreciation | 2, 754, 133. 08 | |
| | | 2, 759, 646. 72 |
| Other assets: Accounts receivable | | 106, 140. 63 |
| Deferred and unapplied charges | | 121, 364. 73 |
| Total assets | | 2, 565, 932, 327. 37 |

LIABILITIES AND CAPITAL

| | | |
|---|---|---|
| Bonded indebtedness (guaranteed as to principal and interest by the United States, except $222,275 of unpaid matured 4-percent bonds guaranteed as to interest only): | | |
| Bonds outstanding—not matured | $2, 408, 920, 850. 00 | |
| Bonds matured—on which interest has ceased | 10, 687, 950. 00 | |
| | | $2, 419, 608, 800. 00 |
| Accounts payable: | | |
| Interest due July 1, 1941 and prior thereto (see contra) | 11, 300, 873. 05 | |
| Vouchers payable | 61, 920. 89 | |
| Insurance premiums | 676, 112. 21 | |
| Commissions to sales brokers | 148, 481. 92 | |
| Special deposits by borrowers | 17, 794, 970. 26 | |
| Miscellaneous | 42, 244. 67 | |
| | | 30, 024, 603. 00 |

EXHIBIT 63—Continued

*Home Owners' Loan Corporation—Balance sheet as of June 30, 1941*—Continued

LIABILITIES AND CAPITAL—continued

| | | |
|---|---|---|
| Accrued liabilities: | | |
| Accrued interest on bonded indebtedness | $4, 836, 521. 03 | |
| Other accrued liabilities | 226, 106. 22 | |
| | | $5, 062, 627. 25 |
| Deferred and unapplied credits: | | |
| Unamortized premium on bonds sold | 1, 206, 794. 51 | |
| Miscellaneous | 1, 165, 417. 87 | |
| | | 2, 372, 212. 38 |
| Reserves: | | |
| Fidelity and casualties | 239, 419. 64 | |
| Fire and other hazards | 987, 356. 97 | |
| | | 1, 226, 776. 61 |
| Capital stock less deficit: | | |
| Capital stock: | | |
| Authorized, issued and outstanding | 200, 000, 000. 00 | |
| Less deficit after provision for losses in the manner described in footnote 2 on page 259 | 92, 362, 691. 87 | 107, 637, 308. 13 |
| Total liabilities and capital | | 2, 565, 932, 327. 37 |

NOTE.—Except for property transactions which are recorded on a cash basis, major items of income and expense are recorded on an accrual basis. Therefore, no asset value has been recognized with respect to uncollected rentals or prepaid taxes nor liability for accrued taxes.

EXHIBIT 64

*Home Owners' Loan Corporation—Investments in savings and loan associations, by States, as of June 30, 1941*

| | Federal savings and loan associations | | State-chartered savings and loan associations | |
|---|---|---|---|---|
| | Number | Amount | Number | Amount |
| Alabama | 13 | $787,700 | | |
| Arizona | 2 | 655,000 | 1 | $150,000 |
| Arkansas | 25 | 803,200 | 1 | 65,000 |
| California | 55 | 16,802,400 | 11 | 1,605,000 |
| Colorado | 16 | 2,236,100 | 5 | 725,000 |
| Connecticut | 15 | 1,862,300 | 3 | 50,000 |
| Delaware | | | | |
| Florida | 42 | 8,212,250 | | |
| Georgia | 40 | 2,906,000 | 2 | 200,000 |
| Idaho | 6 | 1,818,500 | | |
| Illinois | 81 | 12,238,500 | 21 | 902,500 |
| Indiana | 51 | 5,818,900 | 18 | 645,000 |
| Iowa | 22 | 1,532,100 | 4 | 51,000 |
| Kansas | 20 | 2,653,500 | 16 | 2,184,000 |
| Kentucky | 29 | 1,964,500 | | |
| Louisiana | 8 | 119,500 | 28 | 4,942,600 |
| Maine | 6 | 244,000 | | |
| Maryland | 19 | 3,627,500 | 3 | 145,210 |
| Massachusetts | 10 | 3,490,000 | | |
| Michigan | 25 | 2,107,100 | 9 | 870,000 |
| Minnesota | 28 | 7,199,600 | | |
| Mississippi | 16 | 287,100 | 1 | 20,000 |
| Missouri | 30 | 5,020,800 | 8 | 908,800 |
| Montana | 1 | 30,000 | 1 | 225,000 |
| Nebraska | 9 | 730,500 | 2 | 5,000 |
| Nevada | | | | |
| New Hampshire | 1 | | | |
| New Jersey | 5 | 341,000 | 44 | 3,338,000 |
| New Mexico | 7 | 112,500 | | |
| New York | 55 | 16,104,000 | 15 | 1,231,300 |
| North Carolina | 15 | 1,955,200 | 6 | 137,500 |
| North Dakota | 4 | 244,000 | 1 | 595,000 |
| Ohio | 56 | 7,941,500 | 34 | 7,640,000 |
| Oklahoma | 18 | 1,211,000 | 1 | 100,000 |
| Oregon | 19 | 3,352,300 | | |
| Pennsylvania | 48 | 4,954,500 | 12 | 390,000 |
| Rhode Island | 1 | 285,000 | | |
| South Carolina | 19 | 788,600 | 1 | 75,000 |
| South Dakota | 4 | 287,000 | 3 | |
| Tennessee | 35 | 4,556,400 | | |
| Texas | 67 | 3,060,400 | 8 | 1,630,000 |
| Utah | 6 | 1,639,000 | 3 | 1,435,000 |
| Vermont | 1 | | | |
| Virginia | 18 | 2,267,400 | | |
| Washington | 24 | 6,969,000 | 10 | 1,039,000 |
| West Virginia | 17 | 2,189,000 | 3 | 240,000 |
| Wisconsin | 35 | 3,521,000 | 37 | 5,732,500 |
| Wyoming | 9 | 616,800 | | |
| District of Columbia | 1 | | | |
| Hawaii | 1 | | | |
| Alaska | 1 | 33,300 | | |
| Total | 1,036 | 145,575,950 | 312 | 37,277,410 |

EXHIBIT 64—Continued

*Summary of investments in savings and loan associations, fiscal year 1941*

| | Federal savings and loan associations | State-chartered savings and loan associations | Total |
|---|---|---|---|
| Investments—June 30, 1940 (net) | $163, 130, 800 | $39, 893, 410 | $203, 024, 210 |
| Investments—July 1, 1940, to June 30, 1941 | 270, 000 | 1, 150, 000 | 1, 420, 000 |
| Conversions from State to Federal charter—July 1, 1940, to June 30, 1941 | 275, 000 | −275, 000 | |
| Total | 163, 675, 800 | 40, 768, 410 | 204, 444, 210 |
| Repurchases—July 1, 1940, to June 30, 1941 | 18, 099, 850 | 3, 491, 000 | 21, 590, 850 |
| Investments—June 30, 1941 (net) | 145, 575, 950 | 37, 277, 410 | 182, 853, 360 |

# EXHIBIT 65

*Home Owners' Loan Corporation—Bonds issued, refunded, and retired to June 30, 1941, and outstanding as of June 30, 1941*

| Coupon dates | Coupon rate | Callable date | Maturity date | Amount issued (including issues for refunding) | Refunding and retirements | | | Amount outstanding at June 30, 1941 |
|---|---|---|---|---|---|---|---|---|
| | | | | | Amount refunded | Amount retired | Total | |
| | *Percent* | | | | | | | |
| Jan. 1 and July 1 | 4 | (1) | July 1, 1951 | $635,410,325 | $594,694,225 | $40,493,825 | $635,188,050 | $222,275 |
| Nov. 1 and May 1 | 3 | May 1, 1944 | May 1, 1952 | 1,116,178,275 | 335,885,000 | 1,715,075 | 337,600,075 | 778,578,200 |
| Feb. 1 and Aug. 1 | 2¾ | Aug. 1, 1939 | Aug. 1, 1949 | 1,339,795,875 | 1,163,616,800 | 167,701,750 | 1,331,318,550 | 8,477.325 |
| Jan. 1 and July 1 | 2¼ | July 1, 1942 | July 1, 1944 | 879,282,450 | | 3,843,825 | 3,843,825 | 875,438,625 |
| Feb. 15 and Aug. 15 | 2 | | Aug. 15, 1938 | 49,532,100 | | 49,466,100 | 49,466,100 | 66,000 |
| Feb. 15 and Aug. 15 | 1¾ | | Aug. 15, 1937 | 49,843,000 | | 49,843,000 | 49,843,000 | |
| Feb. 15 and Aug. 15 | 1½ | | Aug. 15, 1936 | 49,736,000 | | 49,736,000 | 49,736,000 | |
| Dec. 1 and June 1 | 1½ | | June 1, 1939 | 325,254,750 | 319,669,300 | 5,549,200 | 325,218,500 | 36,250 |
| Dec. 1 and June 1 | 1½ | June 1, 1945 | June 1, 1947 | 763,616,800 | | 8,712,775 | 8,712,775 | 754,904,025 |
| Nov. 15 and May 15 | ⅝ | | May 15, 1941 | 191,801,900 | | 190,360,200 | 190,360,200 | 1,441,700 |
| Nov. 15 and May 15 | ⅜ | | May 15, 1940 | 127,867,400 | | 127,423,000 | 127,423,000 | 444,400 |
| Apr. 15 and Oct. 15 | ¼ | (2) | Oct. 15, 1937 | 132,000,000 | | 132,000,000 | 132,000,000 | |
| Apr. 15 and Oct. 15 | ¼ | (2) | Oct. 15, 1938 | 60,000,000 | | 60,000,000 | 60,000,000 | |
| Apr. 15 and Oct. 15 | ¼ | (2) | Oct. 15, 1939 | 94,000,000 | | 94,000,000 | 94,000,000 | |
| Apr. 15 and Oct. 15 | ¼ | (2) | Oct. 15, 1940 | 74,000,000 | | 74,000,000 | 74,000,000 | |
| Apr. 15 and Oct. 15 | ¼ | (2) | Oct. 15, 1941 | 15,000,000 | | 15,000,000 | 15,000,000 | |
| Totals | | | | 5,903,318,875 | 2,413,865,325 | 1,069,844,750 | 3,483,710,075 | 2,419,608,800 |

[1] Callable at any interest payment date after July 1, 1933. All 4 percent bonds outstanding were called on July 1, 1935.
[2] At any time. Such bonds are usually retired during the month succeeding sale thereof.

# EXHIBIT 66

*Home Owners' Loan Corporation—Cash receipts and expenditures, fiscal years 1940 and 1941*

| | 1940 | 1941 |
|---|---|---|
| Receipts: | | |
| Collection of interest | $90,204,200 | $87,225,773 |
| Dividends on investments | 7,292,109 | 6,472,686 |
| Property income | 26,243,551 | 20,755,481 |
| Repayments of principal and miscellaneous property credits | 222,614,633 | 228,376,761 |
| Repurchase of savings and loan shares | 14,973,000 | 21,590,850 |
| Miscellaneous unapplied and unposted items and borrowers' special deposits for taxes and insurance | 21,178,525 | 39,906,357 |
| Total receipts | 382,506,018 | 404,327,908 |
| Expenditures: | | |
| Administrative expense—Federal Loan Agency and Federal Home Loan Bank Board | 23,653,581 | 19,948,289 |
| Interest on bonds | 59,219,430 | 55,584,323 |
| Property expense | 22,491,659 | 17,182,729 |
| Other nonadministrative expense | 13,177,019 | 9,168,553 |
| Advances to borrowers | 70,214,604 | 18,673,326 |
| Advances for acquisition of, or due to ownership of property | 22,156,415 | 12,740,842 |
| Purchase of shares of savings and loan associations | 1,538,400 | 1,420,000 |
| Miscellaneous unposted items and disbursements from borrowers' special deposits for taxes and insurance | 10,170,634 | 30,351,230 |
| Total expenditures | 222,621,742 | 165,069,292 |
| Net receipts | 159,884,276 | 239,258,616 |
| Means of financing: | | |
| Cash balance at beginning of year | 79,329,628 | 39,702,549 |
| Net receipts (above) | 159,884,276 | 239,258,616 |
| Bond sales | 117,171,577 | 20,849,048 |
| Net funds available | 356,385,481 | 299,810,213 |
| Funds allocated for retirement of bonds | 316,682,932 | 246,224,601 |
| Cash balance at end of year | 39,702,549 | 53,585,612 |

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EXHIBIT 67

*Home Owners' Loan Corporation—Statement of income and expense for the fiscal year 1941*

| | |
|---|---|
| Operating and other income: | |
| Interest: | |
| Mortgage loans and advances | $73, 935, 175. 72 |
| Vendee accounts and advances | 14, 431, 189. 86 |
| Total | 88, 366, 365. 58 |
| Special investments | 19, 638. 71 |
| Total | 88, 386, 004. 29 |
| Property income | 20, 774, 182. 94 |
| Dividends received from savings and loan associations | 6, 473, 061. 24 |
| Miscellaneous | 851, 479. 05 |
| Total income | 116, 484, 727. 52 |
| Operating and other expenses: | |
| Interest on bonded indebtedness | 55, 446, 135. 22 |
| Less amortization of premium on bonds sold | 203, 831. 82 |
| | 55, 242, 303. 40 |
| Administrative and general expenses: | |
| Administrative expenses—current fiscal year | 19, 630, 538. 89 |
| Administrative expenses—first preceding fiscal year | 127, 470. 32 |
| Administrative expenses—all other fiscal years | 8, 068. 32 |
| General expenses | 1, 178, 965. 68 |
| Property expense | 16, 680, 132. 27 |
| Total expenses | 92, 867, 478. 88 |
| Net income before provision for losses which may be sustained in the liquidation of assets | 23, 617, 248. 64 |
| Provision for losses: | |
| On mortgage loans, interest and property | 40, 000, 000. 00 |
| For fidelity and casualties | 33, 247. 30 |
| For fire and other hazards | 320, 083. 50 |
| Total | 40, 353, 330. 80 |
| Loss for fiscal year | 16, 736, 082. 16 |

## EXHIBIT 68

*Home Owners' Loan Corporation—Statement of income and expense from the beginning of operations, June 13, 1933, to June 30, 1941*

| | | | |
|---|---|---|---|
| Operating and other income: | | | |
| Interest: | | | |
| Mortgage loans and advances | | $785, 032, 446. 67 | |
| Vendee accounts and advances | | 30, 554, 385. 53 | |
| | | 815, 586, 832. 20 | |
| Special investments | | 202, 061. 81 | |
| Total | | | $815, 788, 894. 01 |
| Property income | | | 93, 714, 150. 60 |
| Dividends received—Federal Savings and Loan Insurance Corporation | | | 3, 035, 326. 09 |
| Dividends received from savings and loan associations | | | 29, 745, 820. 70 |
| Miscellaneous | | | 2, 502, 036. 88 |
| Total | | | 944, 786, 228. 28 |
| Operating and other expense: | | | |
| Interest on bonded indebtedness | | $493, 673, 665. 75 | |
| Less amortization of premium on bonds sold | | 412, 072. 92 | |
| | | 493, 261, 592. 83 | |
| Discount on refunded bonds | | 7, 158, 329. 31 | |
| Administrative and general expense | | 229, 822, 090. 75 | |
| Property expense | | 79, 299, 181. 32 | |
| | | | 809, 541, 194. 21 |
| Net income before provision for losses which may be sustained in the liquidation of assets | | | 135, 245, 034. 07 |
| Provision for losses: | | | |
| On mortgage loans, interest and property (computed in accordance with Board Resolution of Nov. 15, 1938) | | $226, 137, 153. 25 | |
| For fidelity and casualties | | 1, 110, 393. 54 | |
| For fire and other hazards | | 352, 746. 50 | |
| | | | 227, 600, 293. 29 |
| Loss for period June 13, 1933, to June 30, 1941 | | | 92, 355, 259. 22 |
| Add: Unlocated payments | | $33, 780. 04 | |
| Less: | | | |
| Unidentified payments | $12, 150. 35 | | |
| Repayments unallocated — unidentified difference | 14, 197. 04 | | |
| | | 26, 347. 39 | |
| | | | 7, 432. 65 |
| Deficit at June 30, 1941 | | | 92, 362, 691. 87 |

EXHIBIT 69

*Home Owners' Loan Corporation—Analysis of changes in deficit for the fiscal year ended June 30, 1941*

| | | |
|---|---|---|
| Deficit at July 1, 1940 | | $76, 453, 005. 43 |
| Add: | | |
| Loss for the fiscal year ended June 30, 1941 | $16, 736, 082. 16 | |
| Unlocated payments | 33, 780. 04 | |
| Adjustment to miscellaneous income | 14, 333. 26 | |
| | | 16, 784, 195. 46 |
| | | 93, 237, 200. 89 |
| Deduct: | | |
| Adjustment of discount on refunded bonds | 840, 000. 00 | |
| Adjustment of interest earned | 14, 317. 02 | |
| Repayments unallocated—unidentified difference | 14, 197. 04 | |
| Accounts payable—unclaimed items | 3, 113. 80 | |
| Unidentified payments | 2, 616. 10 | |
| Miscellaneous credits | 265. 06 | |
| | | 874, 509. 02 |
| Deficit at June 30, 1941 | | 92, 362, 691. 87 |

# INDEX

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