Sixth Annual Report

FEDERAL HOME LOAN BANK BOARD

for the period JULY 1, 1937 – JUNE 30, 1938

---

covering operations of the

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND
LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

LETTER

from the CHAIRMAN *of the*
FEDERAL HOME LOAN BANK BOARD

transmitting

Sixth Annual Report

FEDERAL HOME LOAN BANK BOARD

covering operations of the

FEDERAL HOME LOAN BANK SYSTEM

FEDERAL SAVINGS AND LOAN ASSOCIATIONS

FEDERAL SAVINGS AND
LOAN INSURANCE CORPORATION

HOME OWNERS' LOAN CORPORATION

for the period

JULY 1, 1937, *through* JUNE 30, 1938

UNITED STATES GOVERNMENT PRINTING OFFICE · WASHINGTON 1938
FOR SALE BY THE SUPERINTENDENT OF DOCUMENTS · · · · PRICE 30 CENTS

Letter of Transmittal

FEDERAL HOME LOAN BANK BOARD,
Washington, D. C., October 1, 1938.

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 Sixth Annual Report of the Federal Home Loan Bank Board for the period July 1, 1937, through June 30, 1938, 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.

During the reporting period there occurred a marked decline in economic activity which, although harsh in some other fields, served to emphasize the relative stability of financial institutions. The notable strength of thrift and home financing institutions during this period as evidenced both by their growth in assets and their influence on new construction and home ownership testifies to their soundness and the place they have achieved in public confidence.

Progress in the housing field is still slow, but residential building activity in the first six months of 1938 reflected a surprising demand for new dwellings. For the year 1938 as a whole, it may be expected that the number of new nonfarm dwelling units will exceed the 1937 number.

Mortgage lending institutions are ready to finance a much larger volume of residential construction than has been taking place in the last few years. Home-mortgage loans made by private financial institutions have almost trebled since 1934, amounting to approximately $1,560 million in 1937. A selected group of long-term savings, which are the chief source of urban mortgage credit, showed an increase of $2,500 million in 1937. These facts and other recent trends in home-mortgage finance and housing, which constitute the background of the Board's activities, are presented in the "Survey Of Housing And Mortgage Finance" included in the present report.

The *Federal Home Loan Bank System*, in its sixth year of operation, has continued to expand its services as a central reservoir of credit for thrift and home financing institutions. On June 30, 1938, outstanding advances of the twelve Federal Home Loan Banks to member institutions were $196,224,937 as against $167,056,887 at the end of the preceding fiscal year. Total capital stock, surplus, and undivided profits of the twelve Banks amounted to $167,981,331, an increase of $11,576,498 over June 30, 1937. During the fiscal year, the number of members of the System increased from 3,886 to 3,956 institutions. New home mortgage loans made by member institutions amounted to $563 million or approximately 36 percent of the total amount of such loans written by all institutional lenders in the fiscal year 1938. As a result of the steady growth of the System, the Federal Home Loan Banks entered the financial market in order to raise additional funds. Since April 1937, five issues of consolidated Federal Home Loan Bank debentures have been floated, each of which was heavily oversubscribed. Two of these were short-term and were paid off at maturity, leaving $90 million debentures outstanding on July 1, 1938.

On June 30, 1938, *Federal Savings and Loan Associations*, which are chartered and supervised by the Board, numbered 1,346 as against 1,286 on June 30, 1937. The number of shareholders increased from 801,347 to 1,030,096, and the aggregate assets of these institutions from $986,298,000 to $1,213,874,000. An encouraging sign of the soundness of the Federal savings and loan associations is the continuous growth of private savings invested in these institutions. In an identical group of 1,148 associations, private share investments increased by 19 percent during the fiscal year. In the same period, home mortgage loans made by all Federal associations amounted to $280,887,000, or 40 percent of the total amount loaned by all savings and loan associations throughout the country.

The *Federal Savings and Loan Insurance Corporation* has made substantial progress in the insurance of investments in savings and loan associations. During the fiscal year, 290 additional institutions with 269,510 shareholders and total assets of $228,726,000 were insured, bringing the total number of insured associations to 2,014, with combined assets of almost $2,000,000,000 and holding the accounts of 1,923,513 people. Total resources of the Federal Savings and Loan Insurance Corporation on June 30, 1938, were $114,077,883, an increase of $5,091,987 over the preceding fiscal year. Aggregate losses experienced by the Corporation since the beginning of its operations in 1934 amount to only $104,845.

The *Home Owners' Loan Corporation* is engaged in liquidating its assets in accordance with the provisions of the Home Owners' Loan Act and with especial regard to the welfare and interests of its borrowers. The experience of the Corporation during the fiscal year 1938 has demonstrated once more that the large majority of HOLC borrowers are able and willing to meet their loan obligations upon the liberal terms established by Congress. Despite the recession, the Corporation has made further progress in liquidation. The balance of original loans and advances outstanding has decreased from $2,549,524,000 to $2,214,064,000 during the fiscal year. The number of debtor accounts in default declined from 331,664 to 270,144, partly because of improved collections, but chiefly because of loan extensions granted to borrowers who were not able to meet their obligations in full, and because of foreclosures. However, foreclosure authorizations of the HOLC declined from 76,896 in the fiscal year 1937 to 47,745 in the fiscal year 1938. On June 30, 1938, the HOLC owned 82,987 properties at a total capital value of $437,605,041.

The *Federal Home Loan Bank Board* and the agencies under the Board, although operating under budgets and appropriations approved by Congress, are not called upon to use any appropriated funds from the public treasury. The income of the Board itself is obtained from assessments levied upon the twelve Federal Home Loan Banks and the other agencies under the direction of the Board, and from examination fees. The income of the agencies is obtained through interest on loans and investments, insurance premiums, or other similar forms of private revenue. By these separate and independent revenues, the operations of the Board and its agencies are carried on without the use of funds derived from taxation.

Respectfully,

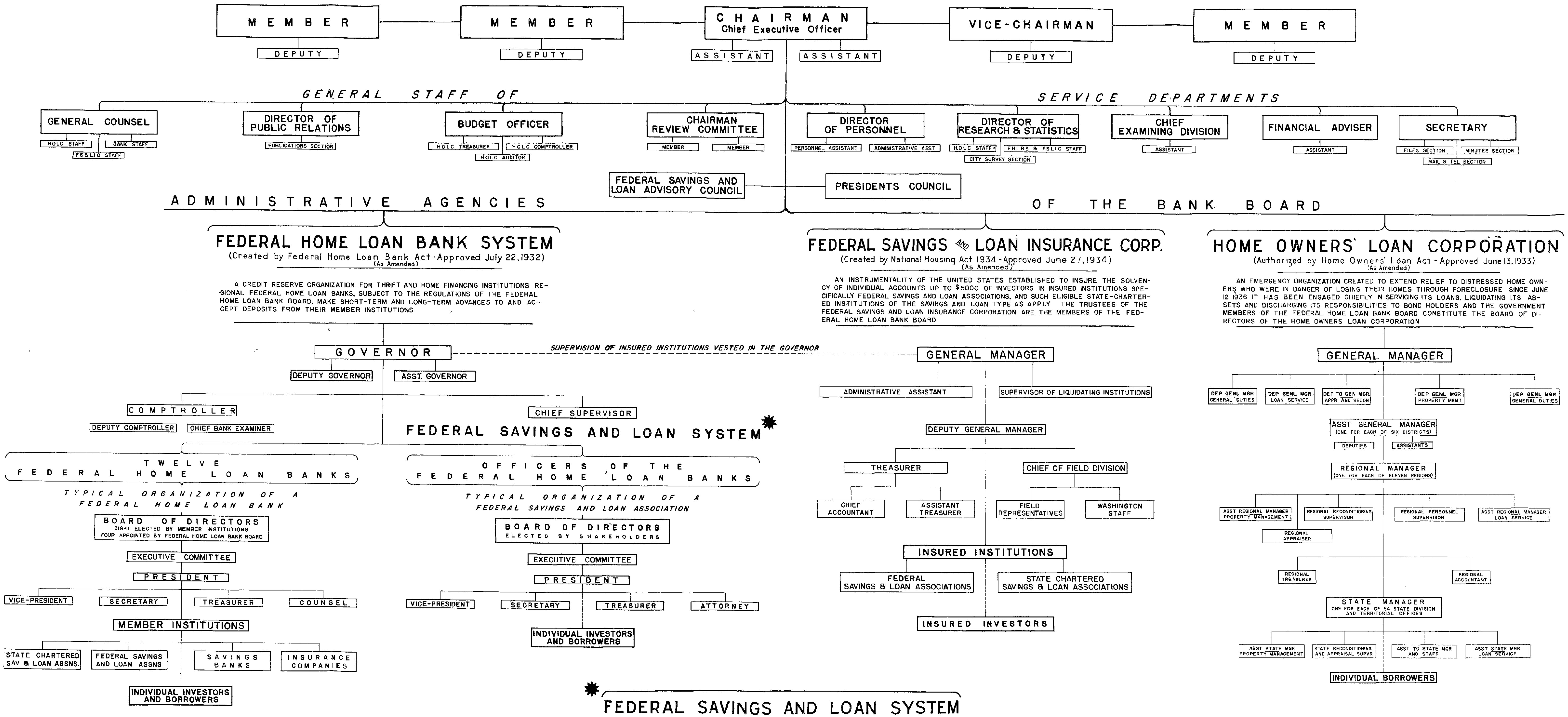
John H. Fahey, *Chairman,*
T. D. Webb, *Vice Chairman,*
Fred W. Catlett,
William H. Husband,
Members.

Contents

FUNCTIONAL ORGANIZATION CHART OF THE AGENCIES OF THE

FEDERAL HOME LOAN BANK BOARD

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



✱ FEDERAL SAVINGS AND LOAN SYSTEM

(Authorized by Home Owners' Loan Act - Approved June 13, 1933)
(As Amended)

LOCAL MUTUAL SAVINGS INSTITUTIONS, CHARTERED AND SUPERVISED BY THE FEDERAL HOME LOAN BANK BOARD, AND OPERATED UNDER BOARDS OF DIRECTORS ELECTED BY THEIR MEMBERS THEY ENCOURAGE LONG-TERM THRIFT ACCOUNTS AND THE FINANCING OF HOMES ON LONG-TERM AMORTIZED FIRST MORTGAGE LOANS

Approved
[signature] Chairman
Federal Home Loan Bank Board,
Washington, D.C. December 18, 1937

U. S. GOVERNMENT PRINTING OFFICE : 1938—O-88591

I

Introduction

THE Federal Home Loan Bank Board administers three separate agencies: (1) *Federal Home Loan Bank System,* including in its membership State-chartered home financing institutions and all Federal savings and loan associations; (2) the *Federal Savings and Loan Insurance Corporation;* and (3) the *Home Owners' Loan Corporation.*

The Federal Home Loan Bank Board serves as the Board of Directors of the Home Owners' Loan Corporation, as the Board of Trustees of the Federal Savings and Loan Insurance Corporation, and as the supervisory and regulatory authority of the Federal Home Loan Bank System and the Federal savings and loan associations.

Each of the agencies under the Board was created separately, but the laws governing them provided coordination of their activities under one general direction. This coordination was of basic importance in the development of a sound national system of home financing. It has created a national center for previously scattered and isolated efforts in the field of thrift and home finance; it has promoted the spread of uniform and sound practices for home financing institutions over the entire country; it has made for the accumulation and exchange of valuable experience in these fields; and it has permitted an economy and efficiency of administration that otherwise would not have been possible.

Essentially, the functions of the Bank Board and its agencies are: (1) to make more money available for home mortgages and thus to promote housing and reduce the volume of foreclosures; (2) to equalize the distribution of home-mortgage funds throughout the country by using the excess accumulations of areas of abundance in areas of scarcity; (3) to develop standards of operation among home financing institutions which would insure greater security of home mortgage investment and achieve higher and more uniform levels of management; and (4) to improve lending practices, to lower interest rates, to make more favorable the terms of mortgage loans for borrowers, and to enhance the value and attractiveness of individual home ownership.

Together, the agencies under the Bank Board constitute the largest institution dealing with housing and home-mortgage finance in the United States. The work of such an institution and the problems which it faces are necessarily linked with the general trends in these fields of economic activity. Its operations not only reflect these trends, but they are bound—and intended—to influence them. In the following section, an attempt is made to present the broad facts related to the particular realm in which the Federal Home Loan Bank Board operates.

II

Survey of Housing and Mortgage Finance

1. Revival of Residential Construction

For a long time residential construction has been one of the dark spots in the general economic picture, but at the close of June 1938, the outlook was encouraging.

With the up-swing in general business activity from 1933 to the spring of 1937, residential construction revived from the excessively low level to which it had fallen during the depression in the early Thirties. Its revival, however, was only moderate and lagged far behind industrial recovery as a whole.

In the spring of 1937, a sharp decrease of building set in, preceding by several months the decline of industrial production which marked the recession of 1937. The shrinkage of construction was certainly one of the factors which contributed to the subsequent reduction in general economic activity. The decline in building, however, soon came to a halt and in the spring of 1938, residential construction increased substantially. In May of this year, the index of residential construction for the first time exceeded the level of 1937.

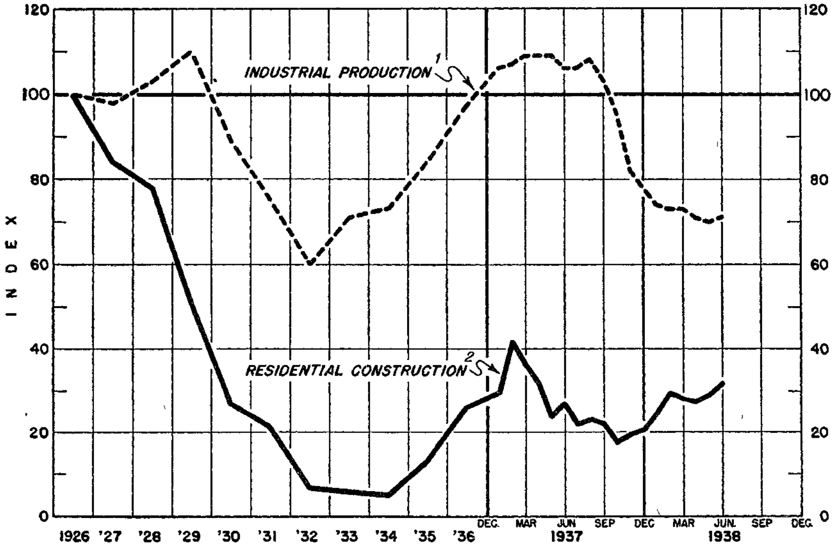
The resistance of residential building against the effects of the general decline in business in the first half of 1938, together with the continuing decrease of foreclosures and fairly stable rents, indicates a surprising demand for dwellings. It reflects, at the same time, the efforts made by Governmental agencies in the housing field to lower the cost and improve the terms of financing, and thus to broaden the market for new dwellings.

The index of residential construction, based on building permits, was still 10.3 percent lower for the first six months of this year than for the corresponding period of 1937. This index, which is shown on Chart I, is adjusted for seasonal variations and includes a correction for New York City where there occurred an unusual accumulation of building permits due to the inception of a new building code. Including New York City, the number of new dwelling units provided by building permits in all nonfarm areas was only 1 percent lower in the first half of 1938 than in the same period of 1937. For the year 1938 as a whole, it may be expected that the volume of residential building will exceed the 1937 volume.

Despite the revival of residential building in the summer of 1938, the country still has a long way to go toward an adequate rate of

CHART I

INDEX OF RESIDENTIAL CONSTRUCTION AND INDUSTRIAL PRODUCTION
1926 = 100



Note 1938 Residential Construction data includes correction for New York City because of irregular conditions arising from inception of new building code

Source. 1-Federal Reserve Board, adjusted for seasonal variations
2-Federal Home Loan Bank Board; adjusted for normal seasonal variations

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

construction and the achievement of housing standards comparable to American living standards in other respects. The "building boom" which many analysts have seen looming on the horizon has not materialized up to the present time; and yet a substantial recovery of residential construction is an important, if not essential, element in any decisive up-turn of the business cycle. The building industry holds a key position in the national economy. It is the largest industrial employer of labor. If building flourishes, the country generally is prosperous. If it languishes, other economic progress is impeded.

What are the obstacles to a more substantial revival of residential construction?

2. Obstacles to Housing

LIMITS OF ACTUAL DEMAND

From whatever angle the observer looks at the American housing scene, he discovers a large potential demand. New construction in the last seven or eight years did not keep pace with the increase in the number of households and with the reduction in the number of livable dwelling units through demolition, fire loss, and the final stages of deterioration and obsolescence. There is a large accumulated shortage which analysts estimate ranges from 1.5 to 3 million dwelling units. In addition to the accumulated shortage, the current need, based on the normal annual rate of replacement and the normal increase of families, is conservatively estimated to be about 500,000 dwelling units per year.

However, while the potential demand emphasizes the maximum expectancy in the development of housing, it is the actual or effective demand that determines the volume of construction. So long as family incomes of the masses remain at present levels, and so long as consumers, because of a feeling of uncertainty of future incomes, may hesitate to make long-term commitments, the effective demand for housing will fall short of the social need.

Rents in relation to costs for some years have been insufficient to induce substantial private building. This is evidenced by Chart II which shows the movement of market rentals—a determining factor for new construction—together with the index of building material prices as indicative of building costs.

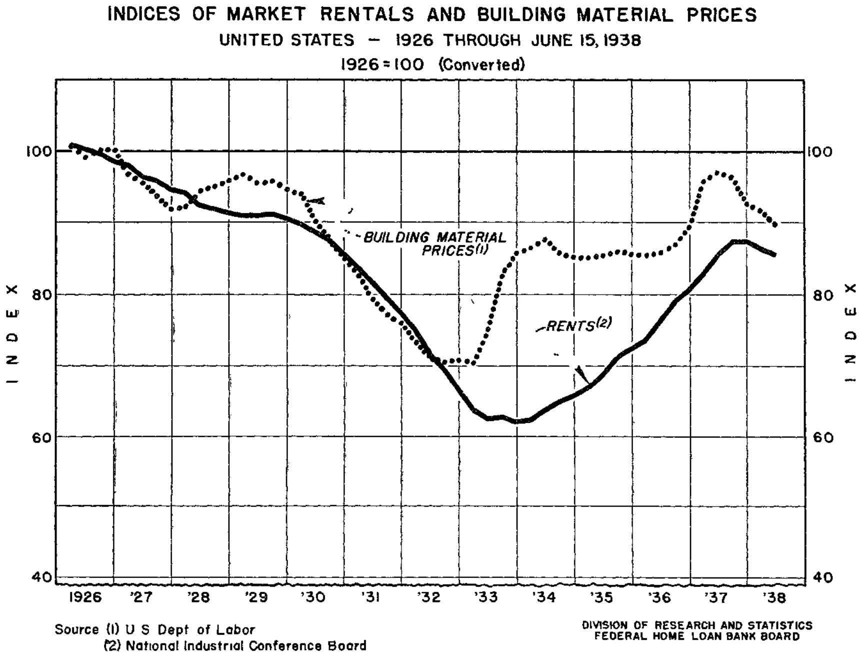
Since 1932 there has been a marked gap between the two curves on the Chart. The fact that rentals were on so much lower levels than building costs during the past five or six years explains in part the limited volume of private building in that period. Since the latter half of 1937, however, the two curves show a distinct tendency to close the gap, indicating an improving rent-cost relationship.

THE "OVERHANG"

There are, in addition, other factors impeding new construction. A large "overhang" of properties repossessed by financial institutions during the depression exerts continuous pressure on the building market. It has frequently been observed that liquidations of these properties become active and depress the market when rents and property values begin to rise. This is one of the reasons why it is still possible in many cases to buy existing homes at less than reproduction cost.

Residential real estate repossessed by lending institutions is estimated to have increased in number of dwellings and in amount about

CHART II



tenfold from 1929 to 1936. In 1937, this overhang remained fairly stationary and amounts at present to approximately $4 billion. The institutionally owned overhang of one- to four-family nonfarm dwellings alone is estimated to represent about 870,000 dwelling units valued at not less than $2.6 billion (Exhibit 1). If properties repossessed by other lenders, particularly individuals, were included, both these figures would be substantially higher. The reduction of the overhang will in part determine the time and extent of any further revival of private building activity.

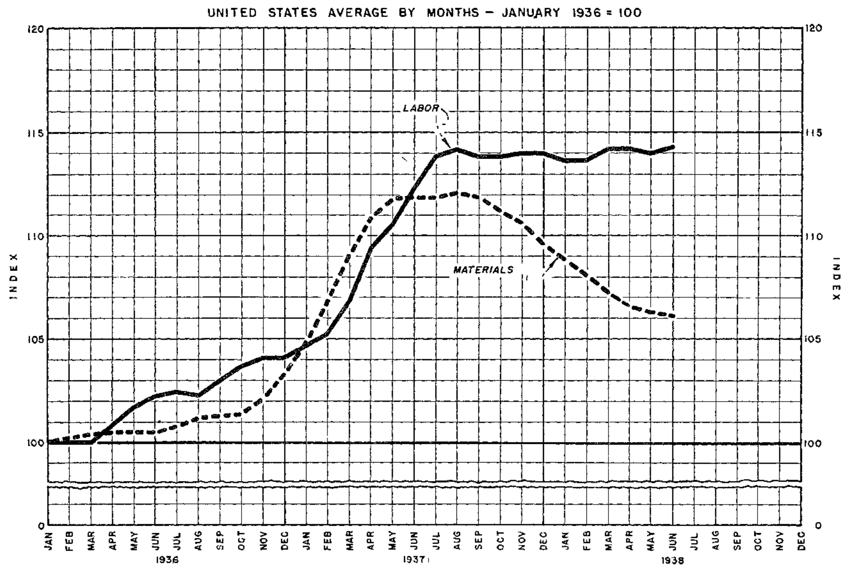
BUILDING COSTS

The following Chart reflects recent price fluctuations for the construction of a standard six-room frame house. It reveals that the cost of building materials increased by about 12 percent and the cost of labor by 14 percent from the spring of 1936 to the summer of 1937. In recent months, the cost of materials declined, while labor costs remained at the high level attained in 1937.[1]

High building costs are not due exclusively to prices of materials and labor. Equally responsible, among other factors, are excessive

CHART III

INDICES OF COST OF MATERIALS AND LABOR USED IN CONSTRUCTION OF STANDARD SIX-ROOM FRAME HOUSE



waste, faulty construction, poor methods of distribution, the present small-scale operation of the building industry, lack of standardization, and frequently extravagant profits of contractors and sales agents.

American industry, leading in the development of large-scale mechanized production in other fields, has not as yet applied devices of modern mass production to residential building. The prospective

[1] The indices underlying the Chart are presented in Exhibit 2. For a description of the basis of these indices, see Federal Home Loan Bank Review, January and February 1936.

98591—38——2

builder of a home finds some improvements over qualities and standards of previous decades, and some price reduction, but nothing comparable to the achievements of mass production in other fields. And yet, with mass production came satisfactory profits to American manufacturers, whereas the building industry, remaining close to the handicraft stage of production, suffered more than other industries and over a greater period of time.

Cooperative agreements which will eliminate jurisdictional labor disputes and bring about a revision of prevailing wage rates for the sake of steadier employment and higher annual income would also help to reduce the cost of building.

INADEQUATE REAL ESTATE LAWS

Less noticed by the public, but highly important, are certain impediments to new construction resulting from present inadequate or inefficient real-estate laws. Home ownership and development of real estate on business lines are made difficult by chaotic, cumbersome legal procedures which needlessly consume time and money. Simplification of such wasteful procedures would be instrumental in protecting real estate as an investment and in encouraging building activity.

Studies made by the Home Owners' Loan Corporation have revealed that foreclosure costs and the time required to accomplish foreclosure are excessive in more than half of our States. In Massachusetts, home mortgages may be foreclosed within three weeks and at a total cost of approximately $75. In New York State, on the other hand, the time consumed is from 5 to 10 months or more, and the cost is from about $300 to $800. In Illinois, the time consumed is about 18 months, and the cost also is from about $300 to $800. Redemption periods in the different States range from six months to two years. Procedures are extremely varied and complicated.

High foreclosure costs not only tend to raise the interest charge on home mortgages but also unnecessarily restrict the ratio of mortgage loan to property value and other terms of mortgage lending. From the standpoint of the consumer, therefore, it is highly desirable that the several States give consideration to the passage of a modernized and standardized real-estate mortgage and mortgage foreclosure law which would give adequate protection to the mortgagor and to the mortgagee, prevent waste, and encourage liberal home finance. A draft for a uniform real-estate and foreclosure law has been prepared for a subcommittee of the Central Housing Committee by the Legal Department of the Federal Home Loan Bank Board.

The same considerations hold true for a reform of land title registration and for a modernization of antiquated building codes and zoning ordinances. Simple, rapid, inexpensive, and secure methods of dealing with land and buildings are imperative. Regional variations should be reduced.

REAL-ESTATE TAXES

The burden of real-estate taxation also is a deterrent to housing activity. Present real-estate tax laws had their origin in times when real estate was almost the only form of tangible property. Now, however, real property in many States and communities is taxed out of proportion to other, and particularly to less tangible, forms of wealth.

Census figures show that between 1912 and 1932, the general property tax levy by all States, their subdivisions, and the District of Columbia rose from $13.91 to $40.37 per capita. This average per capita levy is estimated to have increased to $45.17 in 1934, to $46.72 in 1935, and to $48.72 in 1936.[2]

Apart from excessively high tax rates based on assessed values instead of on earning power, there is a general tendency to overassess small homes and to underassess large ones. In most States, moreover, real property taxes are levied and collected through small local units, each having its own collector. This multiplicity of tax collection agencies acting for overlapping or adjacent jurisdictions makes collection costs unnecessarily high.

A revision of real-estate taxes would be a desirable incentive for the revival of private building activity. As a general rule, the tax burden on real property should be more nearly equalized with that borne by other forms of property and, similarly, the burden upon home properties should be reduced and more nearly equalized with that borne by other types of real property.

Another aspect of real-estate taxation is the exemption of small homesteads. By the middle of 1938, more than half the States had considered legislation, 14 States had passed laws for exemption of homesteads from taxes or for a reduction of their rates, 2 States had amended their constitutions to permit such laws, and 3 States had constitutional amendments pending.

---

[2] These Census figures cover the 94 largest cities.

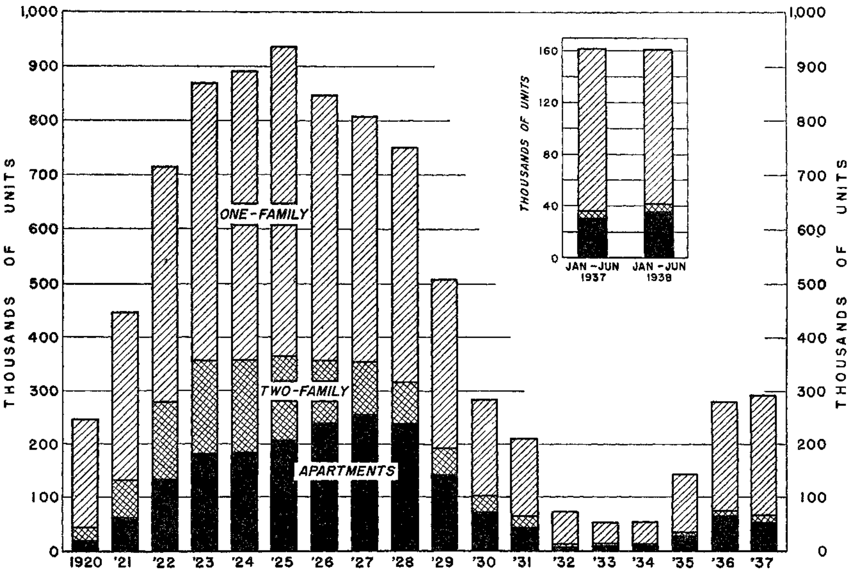
3. Trends in Residential Building and Mortgage Finance

CONSTRUCTION OF NONFARM DWELLINGS

Total construction of nonfarm dwellings was slightly higher in 1937 than in the preceding year. About 296,000 new nonfarm dwelling units were built as against 282,000 in 1936, representing an increase

CHART IV

NUMBER OF NEW NON-FARM DWELLING UNITS BUILT
BY TYPE OF DWELLING; 1920-1937



Source:- National Bureau of Economic Research *1920-1936*
U S Department of Labor *1937-1938*

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

of about 5 percent. Available data indicate that the 1937 volume will at least be maintained in 1938. In the first 6 months of 1938, 161,048 new nonfarm dwelling units were constructed as compared with 162,319 in the corresponding period of 1937. This rate of nonfarm residential building still lags far behind the normal current need of at least 500,000 new dwelling units per year.[3]

The above Chart shows that in recent years, 80 percent of nonfarm residential construction consisted of one- and two-family homes. This demonstrates the importance of small home construction in total

[3] For actual figures underlying the above Chart, see Exhibit 3.

residential building and is a measure of the significance of the field in which the Federal Home Loan Bank Board and its agencies operate.

Within the field of total residential building, private and public housing from the beginning of 1937 to June 1938 showed entirely opposite trends. In the cities of 10,000 population or over (for which data are available), the number of family units provided by private housing increased from 144,311 in 1936 to 164,422 in 1937, while the number of family units provided by public housing decreased from 16,278 to 3,611. In the first 6 months of 1938, practically no new building permits were issued for public housing projects. However, local housing projects in connection with the slum-clearance program under the United States Housing Act of 1937 are in preparation and will eventually result in an appreciable volume of public housing.

RECONDITIONING – AN IMPORTANT TASK

Little attention has been paid during the last few years to reconditioning of residential buildings; and yet reconditioning is highly important as a source of employment as well as for the upkeep of a considerable part of our national wealth and the improvement of housing standards. The following figures demonstrate that since the beginning of the depression, nonfarm homes and commercial urban properties have not been maintained on predepression standards; this, taken together with the small volume of new building, means that this country has been living on its capital.

Estimated expenditure for alterations, additions, and repairs in 257 reporting cities [1]

Year	Amount	Year	Amount	Year	Amount
1922	$297,311,000	1928	$309,720,000	1934	$135,688,000
1923	359,679,000	1929	353,048,000	1935	183,132,000
1924	300,359,000	1930	249,019,000	1936	237,785,000
1925	232,635,000	1931	188,885,000	1937	277,393,000
1926	270,092,000	1932	102,249,000	1938 [2]	119,759,000
1927	340,816,000	1933	108,025,000		

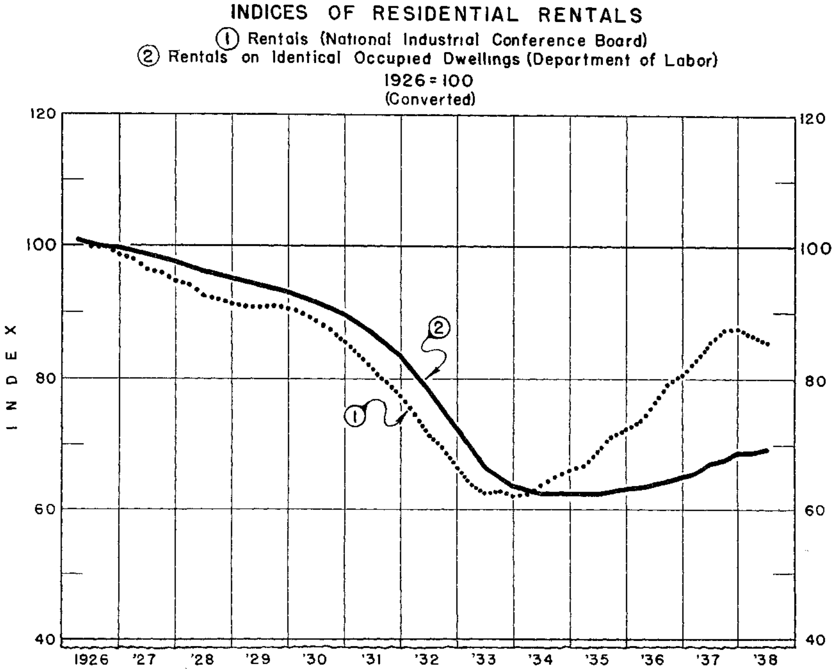
[1] Source: U. S. Department of Labor, Bureau of Labor Statistics.
[2] 6 months.

The increase of reconditioning expenditure over the last few years was due, in part, to Government assistance. The Home Owners' Loan Corporation has expended more than $112 million for the reconditioning of about 500,000 homes from 1934 up to the summer of 1938; credit insurance for renovation and modernization loans was provided by the National Housing Act. Nevertheless, the volume of reconditioning has not yet reached predepression levels despite the accumulated need for it.

RECENT TRENDS IN THE REAL-ESTATE MARKET

In accordance with the general economic recovery from 1933 to 1937, the real-estate market showed remarkable signs of improvement

CHART V



(Prepared by the Division of Research and Statistics, Federal Home Loan Bank Board)

during that period. Rents and the volume of real-estate sales increased; vacancies and foreclosures decreased.

The upward movement of rents, however, came to a halt toward the close of 1937. In the first half of 1938, the index of market rentals, which reflects rentals for newly tenanted structures as well as for occupied structures, has declined slightly while rentals on identical occupied dwellings have remained stationary.

Ever since the middle of 1934, the index of market rentals has been above the index of rentals on identical occupied dwellings. This gap between the two indices has widened constantly until the end of 1937—a phenomenon which is generally considered favorable to new building.

While residential rents in general are considerably higher than they were a few years ago, rents of one- and two-family dwellings have risen much more rapidly than rents of apartments from 1935 to the beginning of 1938. According to a sample survey by the Bureau of Labor Statistics covering 14,660 dwelling units in 16 large cities, rents of one-family dwellings increased by 5.3 percent, rents of two- and four-family dwellings by 5.7 percent, and rents of apartments by only 4.5 percent from March 1937 to March 1938.

Surveys of several cities indicate that toward the end of 1937, the rate of vacancies reached a low level. From 1933 to 1937, vacancies in cities making surveys dropped from an average of 8 or 9 percent to an average of about 2 or 3 percent. This decline in vacancies was another symptom favorable to building. In the first six months of 1938, however, vacancies seem to have increased again, although this increase was not uniform throughout the country and appears to have affected apartment houses more than one- and two-family dwellings.[4]

The volume of real-estate sales, which had been expanding since 1933, decreased sharply in the latter part of 1937, but recovered slowly in the spring of 1938. Foreclosures which had been declining for four years continued to decrease in the first half of 1938—generally an indication of sounder conditions in the real-estate market.

Foreclosure indices [1]

[Monthly average (1926=100)]

Period	Total nonfarm foreclosures [2]	Foreclosures in metropolitan communities	Period	Total nonfarm foreclosures	Foreclosures in metropolitan communities
1934	339	370	February 1938	172	157
1935	337	366	March 1938	195	176
1936	275	274	April 1938	191	177
1937	225	205	May 1938	194	181
January 1938	179	170	June 1938	189	177

[1] Division of Research and Statistics, Federal Home Loan Bank Board.
[2] It is estimated that about 15 percent of nonfarm foreclosures are on commercial properties.

While the improvement of the foreclosure situation is an encouraging fact, account must be taken of the moratorium laws which cover a considerable part of the country's mortgages. If moratorium laws

[4] Urban Residential Vacancies, 1930–1938, Survey of Current Business, August 1938, U. S. Department of Commerce.

had not been in such general effect, foreclosures would doubtless have been higher. Moreover, the trend during the fiscal year 1938 was favorably influenced by the decrease of foreclosures of the Home Owners' Loan Corporation.

It is interesting to note that foreclosures have been much higher in larger communities than in smaller ones. This is brought out in the following table:

Foreclosures segregated by county size groups

Year	Number of foreclosures per 1,000 nonfarm homes			
	0 to 4,999 dwellings	5,000 to 19,999 dwellings	20,000 to 59,999 dwellings	60,000 dwellings and over
1934	4.2	7.0	12.8	20.7
1935	4.0	6.9	12.6	20.8
1936	4.2	6.0	10.9	15.8
1937	3.9	5.7	9.1	11.9
1938 [1]	3.1	5.0	7.1	10.1

[1] 6 months. Projected on annual basis.

HOME-MORTGAGE LENDING ACTIVITY

Whatever the causes of the slack in residential construction, scarcity of mortgage funds at reasonable terms is not one of them. Private lending institutions of all types are able and willing to finance a much larger volume of residential building than has been taking place in recent years.

As is evidenced by the following table, the estimated volume of home-mortgage loans made by private financial institutions has almost trebled from 1934 to 1937 and reached $1,559 million in the latter year. In the first six months of 1938, however, the estimated volume of home-mortgage loans written by such institutional lenders showed a decrease of approximately 11 percent as compared with the corresponding period of 1937—a small reduction in view of the drop in general economic activity.

Estimated volume of home-mortgage loans made by institutional lenders [1]

[Amounts in millions of dollars]

Type of institution	Calendar years 1934	1935	1936	1937	January to June 1938 [2]
Savings and loan associations	364	504	652	804	334
Commercial banks [2]	55	184	300	355	170
Life insurance companies	16	77	158	268	139
Mutual savings banks	80	80	100	132	60
Total	515	845	1,210	1,559	703

[1] Estimates of the Division of Research and Statistics of the Federal Home Loan Bank Board based on special surveys and mortgage recordings. Figures are revisions from those in the Fifth Annual Report.
[2] Preliminary. Figures for commercial banks exclude trust departments.

The above table indicates that of the total estimated amount of home-mortgage loans made by institutional lenders during the last few years, savings and loan associations alone provided about one-half. In 1937, their volume of new home-mortgage loans was twice as large as in 1934. Life insurance companies, for want of other earning assets, have expanded their home-mortgage lending activity since 1934. Commercial banks likewise have increased their lending activity, particularly in connection with mortgage insurance under the National Housing Act. The share of commercial banks and insurance companies in total home-mortgage lending, however, has always been substantially smaller than that of savings and loan associations.

Within the field of home-mortgage lending, member institutions of the Federal Home Loan Bank System are responsible for a large portion of lending activity. Of the estimated total volume of home-mortgage loans made by institutional lenders in the last two years, members of the Bank System accounted for about 40 percent. Of the estimated total amount of home-mortgage loans made by savings and loan associations during the same period, associations which were members of the Federal Home Loan Bank System accounted for about 75 percent, and Federal savings and loan associations alone for approximately 35 percent.[5]

Despite the increase in total lending activity in recent years, the estimated total home mortgage indebtedness has constantly decreased. This was due mainly to the acquisition of mortgaged properties by lending institutions, and to amortization of outstanding mortgages. The estimated total home-mortgage debt at the end of 1937 was

[5] For more detailed information, see pp. 24 and 49 of the present report.

$17.3 billion, compared with the peak of almost $22 billion in 1930. The following table shows the estimated distribution of nonfarm home-mortgage holdings among the various types of lenders in the last few years:

Estimated outstanding mortgage loans on nonfarm one- to four-family homes, by types of lenders [1]

[Millions of dollars]

Type of lender	1934	1935	1936	1937
Savings and loan associations	$4, 012	$3, 467	$3, 361	$3, 480
Commercial banks	1, 189	1, 189	1, 230	1, 400
Mutual savings banks	3, 000	2, 850	2, 750	2, 700
Life insurance companies	1, 535	1, 351	1, 305	1, 330
Home Owners' Loan Corporation	2, 209	2, 897	2, 763	2, 398
Individuals and others [2]	6, 200	6, 000	6, 000	6, 000
Total	18, 145	17, 754	17, 409	17, 308

[1] Estimates of the Division of Research and Statistics of the Federal Home Loan Bank Board. For sources, see Exhibit 4.
[2] Includes trust departments of commercial banks, real estate, bond companies, title and mortgage companies, philanthropic institutions, construction companies, RFC Mortgage Co., etc.

Loans for new construction amounted only to about 30 percent of total home-mortgage loans made by savings and loan associations, commercial banks, life insurance companies, and mutual savings banks in 1937—a reflection of the still restricted activity in residential building. The remainder served for home purchase, refinancing, reconditioning, and other purposes.

Estimated home-mortgage loans made by selected types of institutions in 1937, according to purpose [1]

	Construction	All other purposes
Savings and loan associations	$234, 000, 000	$570, 000, 000
Commercial banks	100, 000, 000	255, 000, 000
Life insurance companies	67, 000, 000	201, 000, 000
Mutual savings banks	35, 000, 000	97, 000, 000
Total	436, 000, 000	1, 123, 000, 000

[1] Estimates of the Division of Research and Statistics of the Federal Home Loan Bank Board. Figures for commercial banks exclude trust departments.

THE INTEREST RATE

During 1937, the interest rate on mortgage loans continued the downward trend which started in 1934 and which was due in part to the huge refinancing program of the Home Owners' Loan Corporation.

Complete information on interest charges in 1938 is not yet available, but individual reports indicate falling or steady rates for the overwhelming proportion of cities.

The Bank Board has for several years made studies of the trend of interest rates charged on home-mortgage loans by savings and loan associations. The results demonstrate that there has been an unprecedented reduction since the depression, a reduction that was to a large extent brought about through the efforts of the agencies under the Board. The average effective interest rate charged in 1931 by savings and loan associations was 8.0 percent; in 1937, however, the average effective interest rate charged by Federal savings and loan associations was 6.31 percent, a decrease of more than 20 percent since 1931. These rates, it is important to note, are the effective rates covering not only interest, but all service charges and other loan fees. They thus represent total cost to the borrower.

THE FLOW OF SAVINGS

While recent data on total savings are not available, the trend of certain types of individual savings can be ascertained. In Exhibit 5, selected data on private long-term savings of chiefly small investors and bank depositors are presented, including those types of savings which are competitive with savings and loan shares and those which constitute sources of urban mortgage credit: individual long-term savings in commercial banks, mutual savings banks, life insurance companies, postal savings, and United States savings bonds. On the basis of these data, it may be estimated that the aggregate increase in all these types of savings amounted to about $3 billion during 1937. In the same period, the growth of private savings invested in those savings and loan associations which are members of the Federal Home Loan Bank System amounted to about $200 million.

The flow of individual savings into the various types of institutions and investments during 1937 showed marked differences. Savings deposits in national banks rose by 4.5 percent and in mutual savings banks, by 1 percent. Savings in life insurance companies were 7.4 percent higher than at the end of 1936. Postal savings accounts remained nearly stationary. Holdings of United States savings bonds, which are a comparatively new type of investment, rose by more than 100 percent. The increase of private funds invested in member associations of the Federal Home Loan Bank System during 1937 was approximately 10 percent. Within the membership of the Bank System, Federal savings and loan associations showed the largest increase of private investments. The total amount of private share accounts in these institutions increased by 17.4 percent (excluding associations which were newly established and those which were converted from State to Federal charter during the year).

THE OUTLOOK

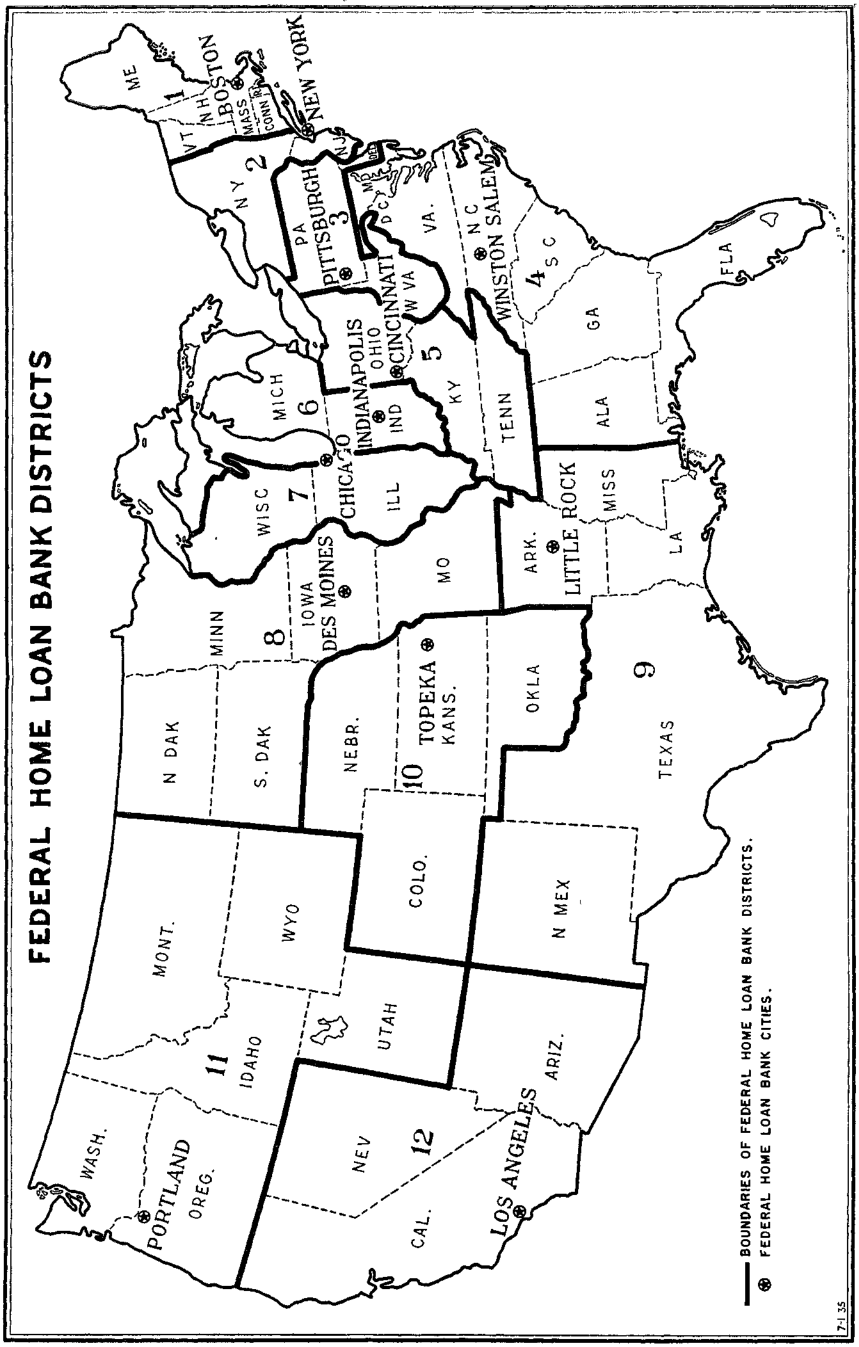
At the close of the fiscal year 1938, reassuring signs of economic recovery have become noticeable, particularly in the realm of housing. It appears as if the potential demand due to an accumulated housing shortage is now transforming itself into effective demand and that, without untoward incident such as a sudden increase in building costs, a further recovery of residential construction may be expected.

The Federal Home Loan Bank Board is directly concerned with the financing of home ownership. In this field it is important to note that home-mortgage finance is today in a much sounder position than at any time in the past decade. Property values are higher and more stable than in the early Thirties. Total home-mortgage debt has declined. Interest charges on home-mortgage loans have been greatly reduced. Financial institutions generally are in a better position to serve their communities than they have been since 1930. A plentiful supply of mortgage money is available. The rate of foreclosures has dropped.

Though much remains to be done, a fundamental reform of home-mortgage finance has been achieved since the summer of 1933 when the Home Owners' Loan Corporation and the Federal Home Loan Bank System began their effective work. Within five years, a substantial portion of the Nation's home-mortgage indebtedness has been transferred from a short-term to a more adequate long-term basis. The straight mortgage loan has to a large extent been replaced by the sounder amortized direct-reduction loan. Scientific appraisal practices have been introduced providing better security for mortgages. In connection with construction loans, sounder building standards have been developed by lending institutions. Confidence in home-mortgage investment has been revived, and insurance protection has been extended to savings which constitute the source of funds for such investment. These reforms will constitute a solid basis for further progress.

On the other hand, it cannot be overlooked that the building prospect is still clouded by the large volume of institutionally owned real estate acquired by foreclosure. These properties constitute a troublesome burden to many lending institutions and a constant threat to the real-estate market. An intelligent program for their absorption would help to spur new private construction.

The liberalization of lending practices in recent years is another subject for careful evaluation. Together with the decrease in interest rates, the ratio of mortgage loan to property value has continuously been raised. A more liberal lending policy appeared feasible because of the substantial reform of mortgage lending practices, the marked progress in stabilization of real-estate values, and the general improvement of appraisal methods which have taken place in the last few years. The continuous extension of loan limits, however, while broadening the market, involves a greater risk to all types of lending institutions. Mortgage lenders as well as Government agencies dealing with mortgage finance are aware of the fact that high loan ratios render the improvement of standards for home-mortgage lending ever more important. In order to make high ratio lending sound, more refined appraisal techniques are required, greater care must be exercised in the evaluation not only of the particular structure, but also of the neighborhood and its future, and stricter standards must be observed in examining the personal credit of the borrower. The adaptation of mortgage lending policies to these requirements calls for added skill and alertness on the part of lending institutions and improved supervision and control on the part of public regulatory authorities.



FEDERAL HOME LOAN BANK DISTRICTS

III

Federal Home Loan Bank System

WHY A NATIONAL RESERVE SYSTEM?

PRIOR to 1930, home-mortgage finance was seldom regarded as a national problem. As the result of local efforts, considerable progress had been made in the promotion of thrift and in the provision of funds for the financing of homes. This progress was evidenced by the growth of savings and loan associations and similar institutions throughout the country. However, as the country developed, these institutions provided neither a sufficiently standardized system of thrift and home financing nor a sufficiently regular supply of funds for mortgage lending on reasonable terms.

The terms and conditions of lending funds on home mortgages varied greatly in different parts of the country. In many communities the flow of money into the home-financing field was uncertain and unsatisfactory. Moreover, practically every thrift and home-financing institution in the country was an isolated unit with no permanent reservoir of credit at its command. Thrift and home-financing institutions were dependent largely upon borrowings from commercial banks to meet any extraordinary demand for loans and withdrawals. In times of disturbance and distress, however, commercial banks themselves were in need of money and tended to call their loans, thus aggravating rather than mitigating difficult situations. It took the sad experience of the years 1930 to 1933 to bring about the realization that the welfare of home ownership as well as the economic position of the country was seriously in danger as a result of these conditions.

FUNCTIONS OF THE SYSTEM

The Federal Home Loan Bank System, established by the Federal Home Loan Bank Act of 1932, was created to effect a much needed reform in the field of home finance. Its primary purpose is to furnish local thrift and home-financing institutions with a permanent reservoir of credit. The Federal Home Loan Bank System is thus designed to perform the same function in the field of home-mortgage credit that the Federal Reserve System, created in 1913, performs as a credit reserve for commercial banks, and that the Federal Land Banks, set up in 1917, perform in the field of farm finance.

In the history of our monetary system, the Federal Home Loan Banks represent another constructive step toward the achievement of stability in the country's financial structure, and greater resistance against the evils of booms and slumps. Through its discount facilities, the Bank System provides protection against sudden withdrawals of funds from member institutions. Through the issuance of debentures, it is in a position to tap the general credit resources of the country. The System has become an important factor in the supply of mortgage funds and thereby in the promotion of housing. The Federal Home Loan Bank System, furthermore, provides a means of equalizing the distribution of mortgage credit throughout the country by shifting funds to those localities and areas in which they are most needed. To the Nation as a whole, therefore, the System has brought an increase in the volume of credit available for home finance and also a better distribution of home-mortgage funds over the country.

At the same time the Federal Home Loan Bank System has been influential in the development of sound and economical policies for the operation of home-financing institutions. It has played an important part in securing widespread adoption of savings and investment plans which are simple, attractive, and safe, and which tend to encourage the accumulation of savings.

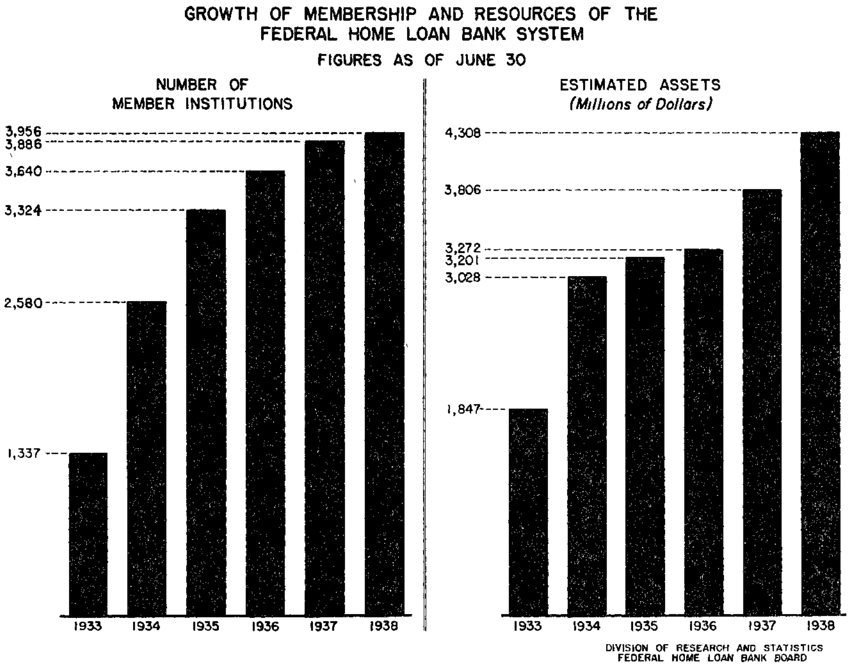
In order to give each section of the country access to the facilities of the Bank System, the United States, including Puerto Rico, the Virgin Islands, and the Territories of Alaska and Hawaii, has been divided into twelve districts with a Federal Home Loan Bank in each area, as shown on the map opposite page 21. The Board of each District Bank is composed of twelve directors, eight of whom are elected by member institutions and four appointed by the Federal Home Loan Bank Board to represent the public interest.

GROWTH OF MEMBERSHIP AND RESOURCES

At present, the twelve Federal Home Loan Banks and their 3,956 members, holding total assets of $4,308,104,000, constitute the largest home-mortgage credit pool in the world. Practically every community in the Nation is now actively served by one or more member thrift and home-financing institutions.

The following graph shows the continuous growth of membership and total assets of member institutions:

CHART VI



Membership in the Federal Home Loan Bank System is open to building and loan associations, savings and loan associations, homestead associations, cooperative banks, savings banks, and insurance companies, which are engaged in making long-term home loans. The bulk of present membership consists of savings and loan associations. Only those institutions are selected which, upon application for membership, are found to be solvent, well-managed organizations engaged in sound and economical home financing. Under the law, all Federal savings and loan associations (further reference to which is made in another section of this report) are required to be members of the System.

98591—38——3

The following table presents a comparison of the number and estimated assets of members, by type of institution, as of June 30, 1937, and June 30, 1938:

	June 30, 1937		June 30, 1938		Net increase in fiscal year	
	Number	Assets (millions of dollars)	Number	Assets (millions of dollars)	Number	Assets (millions of dollars)
Savings and loan associations [1]	3,866	3,470	3,909	3,700	43	230
State-chartered	2,585	2,484	2,572	2,487	−13	3
Federally-chartered	1,281	986	1,337	1,213	56	227
Other members	20	337	47	608	27	271
Savings banks	8	163	9	203	1	40
Insurance companies	12	174	38	405	26	231
Total	3,886	3,807	3,956	4,308	70	501

[1] Includes homestead associations and cooperative banks.

During the fiscal year ended June 30, 1938, membership of the Federal Home Loan Bank System showed a net increase of 70 institutions, of which 26 were insurance companies. The decrease in number of State-chartered savings and loan associations was in large part due to conversions from State to Federal charter and to mergers and consolidations.

Exhibit 6 gives the number and estimated resources of member institutions for each Federal Home Loan Bank District by fiscal years.

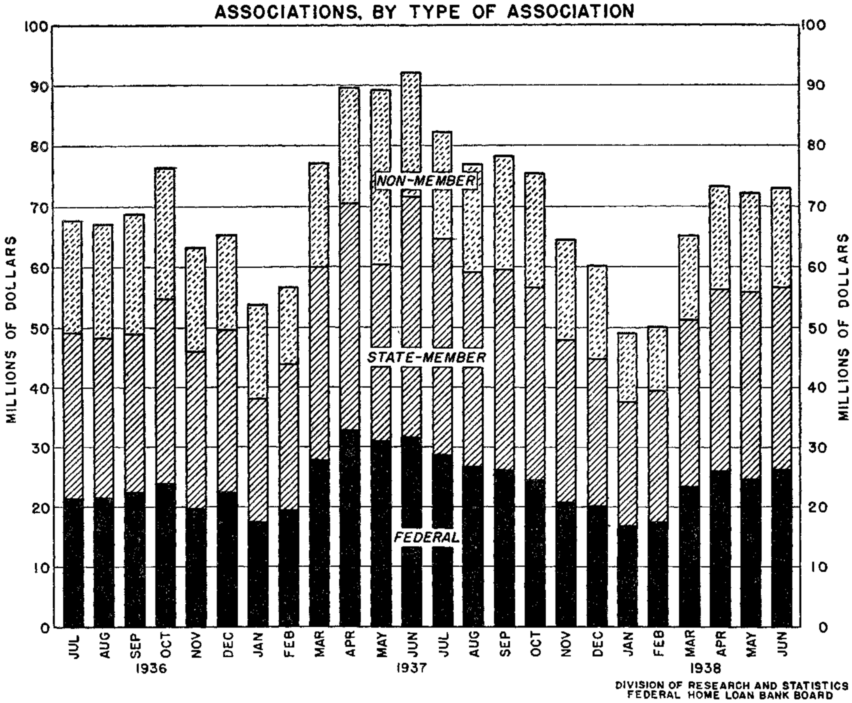
LENDING ACTIVITY OF MEMBER INSTITUTIONS

With its present membership, the Federal Home Loan Bank System represents a considerable percentage of the volume of home-mortgage lending by all financial institutions. The estimated total amount of home-mortgage loans made by financial institutions (savings and loan associations, commercial banks, savings banks, insurance companies) in the fiscal year ended June 30, 1938, was approximately $1,474 million. Of this total, $563 million was loaned by member savings and loan associations. In other words, approximately 40 percent of the amount of home-mortgage loans written by institutional lenders in that period was loaned by member institutions of the Federal Home Loan Bank System. Since the average mortgage loan made by savings and loan associations is smaller than that made by other financial institutions, the lending activity of member associations was even higher in terms of the number of loans or the number of homes financed.

The following Chart shows the estimated volume of new loans made by savings and loan associations in the fiscal years 1937 and 1938, by type of institution:[1]

CHART VII

VOLUME OF NEW MORTGAGE LOANS MADE BY SAVINGS AND LOAN ASSOCIATIONS, BY TYPE OF ASSOCIATION



Over the last two fiscal years, total member associations accounted for 75 percent of the amount of all loans made by savings and loan associations, both member and nonmember—a measure of the significance of the Bank System in the savings and loan field.

The peak of recent lending activity of savings and loan associations was reached in June 1937 with total loans of $92,211,000. From July 1937 to January 1938, the monthly volume of new loans showed a gradual decline. Since January, lending activity has increased again,

[1] The Chart includes loans for "other purposes" as well as home-mortgage loans.

reaching $73,067,000 in June 1938. During the fiscal year 1938, total loans made by all savings and loan associations amounted to about $820,686,000 as compared to $868,345,000 during the preceding fiscal year, a decrease of 5.5 percent. In view of the sharp decline in other business indices, this is a very slight decrease of activity.

Exhibits 7 and 8 give a detailed account of the volume of new loans made by savings and loan associations in the fiscal year 1938, classified by type of loan and type of institution.

The following table shows the distribution of total loans made by member institutions for construction, home purchase, refinancing, reconditioning, and other purposes in each of the fiscal years 1937 and 1938:

Distribution of new mortgage loans made by members of the Federal Home Loan Bank System, according to purpose

Purpose of loan	Fiscal year 1937		Fiscal year 1938	
	Dollars	Percent	Dollars	Percent
Construction	185,388,000	28.4	177,548,000	28.2
Home purchase	217,518,000	33.4	209,272,000	33 2
Refinancing	146,582,000	22 5	134,558,000	21.4
Reconditioning	39,535,000	6.1	41,981,000	6 7
Other	63,003,000	9.6	66,201,000	10 5
Total	652,026,000	100.0	629,560,000	100.0

Construction and reconditioning loans were approximately 35 percent of total loans throughout the period under consideration. One-third of total loans went for home purchase, and about 21 to 23 percent was used for refinancing purposes.

CONDENSED BALANCE SHEET ITEMS OF MEMBER INSTITUTIONS

Member institutions of the Federal Home Loan Bank System are required to submit to the Banks reports covering their operations during each calendar year. On the basis of these reports, the Division of Research and Statistics of the Federal Home Loan Bank Board has prepared a consolidated statement of balance sheet items reflecting the business trend of member institutions during the year 1937. This information is presented in Exhibit 9, which shows actual dollar amounts, and Exhibit 10, which gives the percentage distribution of balance sheet items.

Generally, movements during 1937 were favorable in most of the major balance sheet items. In each type of member institution, first-mortgage loans outstanding increased in proportion to total resources; the ratio of second mortgages to total assets dropped; the ratio of real estate owned likewise decreased, except for the nine savings banks covered in the report. The decrease in the ratio of cash to total assets reflects the feeling that liquidity at present is not so essential as it was in past years, and that there are sufficient mortgage risks good enough to prompt a shift of available funds from cash to first mortgages.

Member institutions of the Federal Home Loan Bank System at the end of 1937 held first-mortgage loans amounting to nearly $2.8 billion. This total was distributed among the several types of institutions as follows:

Type of member institution	Amount of first mortgages held at end of 1937	Percent of total	Ratio to total assets of members of same type
Federal savings and loan associations	$872, 513, 000	31. 64	79 39
Insured State-chartered associations	472, 429, 000	17. 13	72. 03
Noninsured State-chartered associations	1, 238, 345, 000	44. 90	69. 07
Savings banks	59, 376, 000	2. 15	29. 45
Insurance companies	115, 193, 000	4. 18	31. 34
Total	2, 757, 856, 000	100. 00	

The ratio of first mortgages to total assets naturally is higher for Federal and State-chartered savings and loan associations than for savings banks and insurance companies, since the latter invest only part of their funds in home mortgages.

The $2,583,000,000 of first-mortgage loans held by Federal Home Loan Bank members of the savings and loan type represents approximately 70 percent of the $3,700,000,000 in mortgages held by all savings and loan associations.

During 1937, the ratio of real estate owned to total assets decreased from 15.74 percent to 12.54 percent for all member institutions. With the rate of foreclosures still above normal, this decrease indicates a favorable movement in the real-estate market. A substantial portion of the real estate disposed of, however, was sold "on contract"; that is, on an installment contract without immediate transfer of title. The ratio of real estate sold on contract to total resources increased from 2.82 percent to 3.20 percent during the year.

At the end of 1937, the ratio of private share investments ("other free shares" and "pledged shares") to total resources was 62.89 percent in Federal and 66.14 percent in State-chartered member associations. Approximately 20 percent of total assets of Federal associations and 1.5 percent of total assets of State-chartered members were represented by Government share subscriptions (HOLC and Treasury). Nearly 10 percent of the resources of Federal associations were obtained by advances from the Federal Home Loan Banks to these associations, as compared with 7.67 percent at the close of 1936. In the case of State-chartered member associations, this ratio was 3.92 percent and 3.50 percent, respectively. The ratio of other borrowed money to total resources has constantly decreased in the past few years and is now almost negligible.

The ratio of reserves to total assets decreased in 1937. This decline was due mainly to the fact that the increase in total resources has outrun the accumulation of reserves.

ADVANCES OF THE FEDERAL HOME LOAN BANKS

By means of advances, the Federal Home Loan Banks provide their member thrift and home-mortgage institutions with additional funds. They thus increase the liquidity of member institutions and contribute to the expansion or maintenance of their lending activities. Advances are made on a secured or unsecured basis. Secured advances are collateralized by home mortgages or obligations of or guaranteed by the United States. Advances secured by home mortgages may be made up to 90 percent of the unpaid principal of home mortgages insured under Title II of the National Housing Act and up to 65 percent of the unpaid principal of other home mortgages, but not in excess of 60 percent of the appraised value of the home. Unsecured advances for not more than one year may be made to members whose creditor liabilities (not including advances from the Federal Home Loan Banks) do not exceed 5 percent of their net assets. All advances, whether secured or unsecured, are further collateralized in each case by an investment of the borrower in the stock of the Bank of at least one-twelfth of total outstanding advances to such borrower. It will thus be seen that the margin of protection behind these advances is substantial.

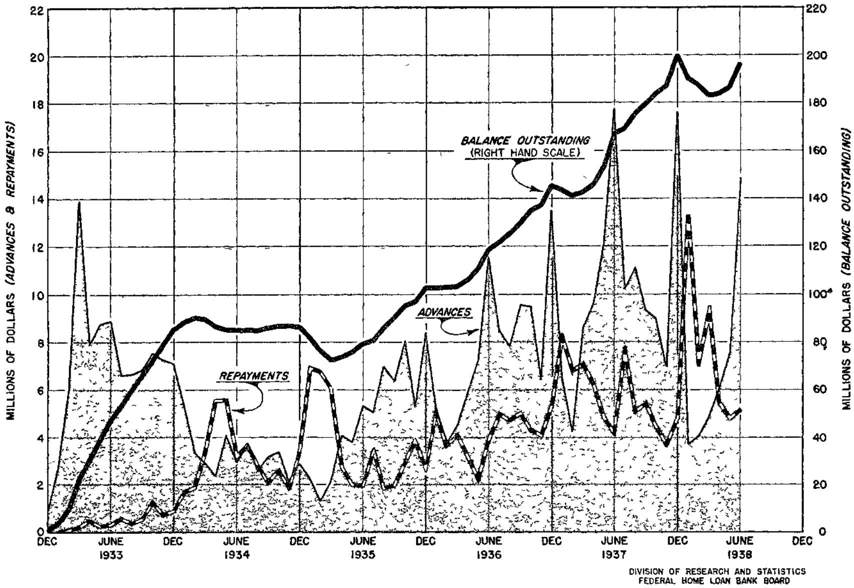
During the fiscal year ended June 30, 1938, the total amount of advances made was $105,432,158, and the total amount repaid,

$76,264,107. The balance of advances outstanding as of June 30, 1938, was $196,224, 937, as compared to $167,056,887 on June 30, 1937.

The following Chart illustrates the growth of lending activities of the twelve Federal Home Loan Banks from the beginning of operations to June 30, 1938:

CHART VIII

ADVANCES AND REPAYMENTS BY MONTHS AND BALANCE OF ADVANCES OUTSTANDING



During the past fiscal year, the volume of advances outstanding reached a new high. Such advances amounted to $200,000,000 at the end of 1937, but fell off during subsequent months as a result of heavy repayments of member institutions which, in turn, reflected the reduced demand for mortgage loans. Advances outstanding decreased to $183,125,490 at March 31, 1938, increased in the following months, and reached $196,224,937 on June 30, 1938.

Exhibit 11 presents a tabulation showing by months, from the beginning of operations, the amount of advances and repayments, and the balance of advances outstanding. The total volume of gross advances of the Banks in the 6 years of operation was $446,364,316. Exhibit 12 shows advances outstanding of each of the twelve Banks at the close of each fiscal year.

Of the $196,224,937 outstanding on June 30, 1938, $163,386,013 was collateralized by mortgages, obligations of or guaranteed by the United States Government, and capital stock of the Banks, while $32,838,924 was noncollateralized, except for capital stock of the Banks paid in by borrowing members. Exhibit 13 gives detailed information on the trend of collateralized and noncollateralized advances by half-year periods.

The following figures show the percentage of long-term and short-term advances at the end of each fiscal year, long-term advances being loans up to 10 years, and short-term advances being loans up to 1 year. The data reveal an increasing tendency of the member institutions to borrow on a long-term basis.

Percentage of long-term and short-term advances to members as of June 30

	Long-term	Short-term		Long-term	Short-term
1933	36.6	63.4	1936	63.0	37.0
1934	68.0	32.0	1937	70.8	29.2
1935	64.4	35.6	1938	76.0	24.0

The growing credit requirements of the members in recent years are reflected in the increasing number of borrowing members as compared to non-borrowing members. The ratio of borrowing members to total membership was 54.6 at the close of the fiscal year 1935, 63.6 at June 30, 1936, 67.3 at June 30, 1937, and 67.8 at June 30, 1938. Exhibit 14 indicates the changes in the percent of members borrowing from each of the twelve Banks.

The borrowing capacity of the members is far from being exhausted by the present volume of advances. On June 30, 1938, the 3,956 members of the Federal Home Loan Bank System had a potential borrowing capacity of approximately $1,454,000,000, or seven times the present borrowings. The potential borrowing capacity represents the approximate amount for which each member can legally obligate itself or 50 percent of its net assets whichever amount is lower. The amount of potential borrowing capacity does not necessarily mean that the members of the System can borrow to that limit, since lines of credit may be established for lesser amounts. However, it does give an indication of the maximum extent to which the twelve Federal Home Loan Banks may be called upon to supply credit in the home financing field.

CAPITAL STOCK OF THE FEDERAL HOME LOAN BANKS

The sources of funds which may be advanced to members are the capital stock of the Federal Home Loan Banks, debentures of the Banks, deposits of member institutions in the Banks, and interbank deposits.

The capital stock of the Federal Home Loan Banks is made up by subscriptions of member institutions and of the Federal Government. Each member institution must subscribe to the capital of the Federal Home Loan Bank of which it is a member to the extent of one percent of the aggregate unpaid principal of its home mortgages, but not less than $500. A borrowing member institution is required to have paid in an amount not less than one-twelfth of its outstanding advances from the Bank.

Realizing the need for the creation of a national mortgage reserve system and in order to give the system its initial financial impetus, the Congress committed the Treasury to subscribe to the capital of the Federal Home Loan Banks up to a total amount of $125,000,000. During the fiscal year ended June 30, 1938, the Secretary of the Treasury paid $4,227,000 on this commitment with the result that the entire Treasury subscription amounting to $124,741,000 was paid in at the end of the fiscal year.

During the fiscal year 1938, there was a net increase in members' subscriptions to stock in the Federal Home Loan Banks of $5,038,200; total payments on members' stock subscriptions aggregated $5,240,695.

As of June 30, 1938, the members of the Federal Home Loan Banks had subscribed to 368,720 shares of stock in the Banks, against which $36,771,205 had been paid to that date, leaving a balance of $100,795 still due on account of such subscriptions.

The combined capital stock structure of the Federal Home Loan Banks may be summarized as follows:

	June 30, 1937	June 30, 1938
Total stock subscriptions:		
Members	$31,833,800	$36,872,000
United States Government	124,741,000	124,741,000
Payments received on stock subscriptions:		
Members	31,530,510	36,771,205
United States Government	120,514,000	124,741,000
Balance due on above stock subscriptions:		
Members	303,290	100,795
United States Government	4,227,000	

There is attached as Exhibit 15 a statement, as of June 30, 1938, reflecting by districts and States the number of member institutions, their estimated resources, the amount of shares subscribed by such institutions, the balance of advances outstanding, the number of borrowing member institutions, and the estimated borrowing capacity of such member institutions.

DEBENTURE ISSUES

Up to the middle of 1937, the capital of the Federal Home Loan Banks was sufficient to meet the members' demands for advances. With the constantly increasing requirements resulting from the growth of the System and the rising activity of its member institutions, however, the Federal Home Loan Banks found it necessary to enter the financial markets in order to raise additional money. It may well be said that with this independent financing, the Federal Home Loan Bank System has come of age.

From the outset, the Congress anticipated access by the Bank System to the financial resources of the country. According to the Federal Home Loan Bank Act, each Federal Home Loan Bank has power, subject to rules and regulations prescribed by the Bank Board, to issue debentures, bonds, or other obligations upon such terms and conditions as the Board may approve. The Act also provides that the Board may issue consolidated Federal Home Loan Bank bonds which shall be the joint and several obligations of all the Federal Home Loan Banks, and shall be secured and be issued upon such terms and conditions as the Board may prescribe. In addition, the Act provides that the Board may issue consolidated Federal Home Loan Bank debentures which shall be the joint and several obligations of all Federal Home Loan Banks. The issuance of such debentures has been safeguarded by special restrictions. According to the Act, no debentures shall be issued at any time if any of the assets of any Federal Home Loan Bank are pledged to secure any debts or subject to any lien, and neither the Board nor any Bank shall have power to pledge any of the assets of any Federal Home Loan Bank, or voluntarily to permit any lien to attach to the same while any of such debentures are outstanding. Debentures outstanding shall at no time exceed five times the total paid-in capital of all Federal Home Loan Banks as of the time of issue of such debentures, and it is the duty of the Board not to issue debentures in excess of the notes or obligations of member institutions held by all Federal Home Loan Banks and secured by home mortgages or obligations of or guaranteed by the United States.

The securities issued to date are consolidated Federal Home Loan Bank debentures. The advantage of a consolidated issue appeared compelling from the various viewpoints of convenience, expense, and rate obtainable in the market.

Up to July 1, 1938, five issues of these debentures have been offered amounting to a total of $142,700,000, of which two issues amounting to $52,700,000 were repaid at maturity. The total amount outstanding as of July 1, 1938, was $90,000,000. The debentures were immediately accepted by the financial community. Each of the offerings was heavily oversubscribed, and the market for all issues has been generally at a premium over the original offering price.

Debenture issues of the Federal Home Loan Banks

No of series	Date of issue	Maturity	Amount	Interest rate
				Percent
A [1]	Apr. 1, 1937	Apr. 1, 1938	$24,700,000	1½
B [1]	July 1, 1937	July 1, 1938	28,000,000	1¼
C	Dec. 1, 1937	Dec. 1, 1940	25,000,000	2
D	Apr. 1, 1938	Apr 1, 1943	23,500,000	2
E	July 1, 1938	July 1, 1939	41,500,000	1

[1] Series A and B have been repaid.

Detailed information with respect to the participation of the twelve Banks in the debenture issues is set forth in Exhibit 16.

DIVIDENDS PAID AND INTEREST CHARGED

In the fiscal year ended June 30, 1938, each of the Federal Home Loan Banks declared dividends ranging from one percent to two percent per annum. The annual dividend rate on the average capital stock of the twelve Banks for the fiscal year ended June 30, 1938, amounted to 1.57 percent.

The United States Government is receiving annually the same return on its capital as is received by the member institutions. From the beginning of operations through June 30, 1938, the twelve Banks have declared dividends totalling $10,296,705, of which $8,184,586 went to the United States Government, and $2,112,119 to private member institutions. Exhibit 17 shows the dividends declared by each Bank to members and to the Government.

On June 30, 1938, the twelve Federal Home Loan Banks were charging interest on advances to members ranging from 3 percent to 3¾ percent. Such rates are set out in detail in Exhibit 18.

Apart from consolidated debentures, borrowings of the twelve Federal Home Loan Banks have been in the nature of interbank deposits. Such deposits may be termed to be on a demand basis and bear rates of interest ranging from 1½ percent to 2 percent per annum.

SUMMARY OF FINANCIAL OPERATIONS OF THE FEDERAL HOME LOAN BANKS

During the fiscal year ended June 30, 1938, the consolidated gross income of the Federal Home Loan Banks was $7,260,623. Total expenses during the period in question were $2,504,733. The net income of the twelve Federal Home Loan Banks for the fiscal year 1938, therefore, amounted to $4,755,890, as compared with $3,630,236 in the preceding year. The Banks were earning about 3 percent on their capital.

Consolidated profit and loss account of the twelve Federal Home Loan Banks

	Fiscal year 1937	Fiscal year 1938
Gross operating income:		
Interest earned on advances	$4,472,810	$5,952,844
Interest earned on investments	335,578	751,354
Gross operating income	4,808,388	6,704,198
Less—Operating charges:		
Compensation, travel, etc	774,326	890,255
Interest on debentures	52,481	935,179
Debenture expense—commissions	9,590	101,874
Debenture expense—other	10,105	42,719
Interest on deposits—members	149,175	162,109
Assessment for expenses of FHLBB	382,352	302,440
Total operating charges	1,378,029	2,434,576
Net operating income	3,430,358	4,269,622
Add—Nonoperating income:		
Profit on sale of investments	98,965	403,306
FHLB Board assessment refund	150,294	152,440
Miscellaneous	726	680
Total nonoperating income	249,985	556,426
Less—Nonoperating charges:		
Loss on sale of investments	462	375
Premium charged off on investments	49,646	69,782
Total nonoperating charges	50,108	70,157
Net nonoperating income	199,877	486,269
Net income	3,630,236	4,755,890

There is attached as Exhibit 19 a detailed statement of profit and loss for each of the Banks for the period July 1, 1937, through June 30, 1938.

On June 30, 1938, the total assets of the twelve Banks stood at $265,770,804, an increase of $68,807,254 during the fiscal year. Total capital stock, surplus, and undivided profits of the twelve Federal Home Loan Banks aggregated $167,981,331 as against $156,404,833 at the end of the preceding fiscal year. An analysis of the surplus and undivided profits of the twelve Federal Home Loan Banks individually and collectively, as of June 30, 1938, is given in Exhibit 20.

Consolidated statement of condition of the twelve Federal Home Loan Banks

	June 30, 1937	June 30, 1938
ASSETS		
Cash:		
On hand	$115,849	$46,742
On deposit with:		
U. S. Treasurer	5,752,210	28,917,145
Commercial banks	2,096,497	5,346,433
Federal Home Loan Bank of New York, agent	15,000	15,000
Other Federal Home Loan Banks		
In transit	22,496	9,536
Total cash	8,002,052	34,334,856
Deposit with U. S. Treasurer for matured obligations		6,302
Investments:		
U. S. Government obligations and securities guaranteed by U. S.	21,244,449	34,445,173
Advances outstanding:		
Members	167,053,742	196,222,132
Nonmembers	3,145	2,805
Total advances outstanding	167,056,887	196,224,937
Accrued interest receivable:		
Deposits—other Federal Home Loan Banks		
Investments	171,526	186,384
Advances to members	417,040	453,707
Advances to nonmembers	27	24
Total accrued interest receivable	588,593	640,115
Deferred charges:		
Prepaid debenture expense	51,785	106,161
Prepaid assessment—Federal Home Loan Bank Board	5,929	
Prepaid surety bond and insurance premiums	8,520	7,777
Other	66	66
Total deferred charges	66,300	114,004
Other assets:		
Accounts receivable	4,492	4,440
Miscellaneous	775	975
Total other assets	5,267	5,415
Total assets	196,963,548	265,770,802
LIABILITIES AND CAPITAL		
Liabilities:		
Deposits:		
Members—time	12,329,633	16,668,818
Members—demand	2,417,925	3,204,538
Applicants	207,525	117,725
Other Federal Home Loan Banks		
Prepayment on advances	240,602	
Total deposits	15,195,685	19,991,081

Consolidated statement of condition of the twelve Federal Home Loan Banks—Contd.

	June 30, 1937	June 30, 1938
LIABILITIES AND CAPITAL—continued		
Liabilities—Continued.		
Accrued interest payable:		
Deposits—members	$21,246	$26,603
Deposits—other Federal Home Loan Banks		
Debentures	92,625	334,167
Total accrued interest payable	113,871	360,770
Dividends payable:		
U. S. Government	422,904	642,153
Members	125,030	207,145
Total dividends payable	547,934	849,298
Accounts payable	1,226	6,500
Premiums on debentures		75,521
Debentures outstanding	24,700,000	[1] 76,500,000
Matured obligations:		
Consolidated debentures		5,000
Interest on consolidated debentures		1,302
Total matured obligations		6,302
Total liabilities	40,558,717	97,789,472
Capital:		
Capital stock (par):		
Members (fully paid)	31,336,700	36,653,700
Members (partially paid)	497,100	218,300
Total	31,833,800	36,872,000
Less unpaid subscriptions	303,290	100,795
	31,530,510	36,771,205
U. S. Government subscription	124,741,000	124,741,000
Less amount uncalled	4,227,000	
Total paid in on capital stock	152,044,510	161,512,205
Surplus:		
Reserve as required under section 16 of Act	2,403,301	3,354,480
Reserve for contingencies		8,952
Total surplus	2,403,301	3,363,432
Undivided profits	1,957,020	3,105,693
Total surplus and undivided profits	4,360,321	6,469,125
Total capital	156,404,831	167,981,330
Total liabilities and capital	196,963,548	265,770,802

[1] On July 1, 1938, Series B, amounting to $28,000,000, was repaid and a new Series E issued, in the amount of $41,500,000, making a total amount outstanding of $90,000,000 as of July 1, 1938.

A detailed statement of condition on June 30, 1938, for each of the Banks is attached as Exhibit 21. A significant trend in the operations of the Federal Home Loan Banks during the past fiscal year has been the increase in liquidity. On June 30, 1938, cash and investments (which consist of obligations of or guaranteed by the United States) were $68.78 million as against $29.24 million at the end of the preceding fiscal year, a net gain of almost $40 million.

In the reporting period, the proportion of Government capital in the Banks to their combined resources has continued to decrease. From January 1934 to June 30, 1938, the percentage of Government funds has dropped from 82 percent of their combined assets to 46.9 percent, while the percentage of private funds has risen correspondingly. This increase of private funds was due to the augmented purchase of stock in the Banks by member institutions, to mounting deposits of the latter in the Banks, and to the sale of consolidated debentures of the Bank System.

ADMINISTRATION OF THE FEDERAL HOME LOAN BANK SYSTEM

Under the direction of the Board, immediate supervision over the operations of the twelve Federal Home Loan Banks is vested in the Governor of the Federal Home Loan Bank System. Each Bank is being examined at least twice a year. The supervision of member institutions is exercised by the Chief Supervisor in Washington and through the officers of the Federal Home Loan Banks, who act as agents of the Board for this purpose. Each member institution is required to furnish at least annually a report of its financial condition and operations. In addition, the Examining Division of the Board makes annual examinations and audits of Federal savings and loan associations, insured State-chartered savings and loan associations and member institutions where such members are not subject to State examination and supervision. Examinations are handled by the Washington office with a Chief Examiner in charge and 12 district offices, located in each of the Federal Home Loan Bank districts, with district examiners in charge.

On June 1, 1938, a revised codification of the rules and regulations for the twelve Federal Home Loan Banks was issued to comply as to form with the Act of June 19, 1937, amending the Federal Register Act. In the process of revision, only a few changes were made, all of which were of minor importance. The new codification has been filed with the Codification Board and will be published in the Federal Register.

As of July 1, 1938, total personnel of the Federal Home Loan Bank Board numbered 313 as against 359 on July 1, 1937. This includes, however, nine general departments which serve all agencies under the Board.

The Federal Home Loan Bank Board operates on a self-supporting basis through assessments made upon the twelve Federal Home Loan Banks, the Home Owners' Loan Corporation, the Federal Savings and Loan Insurance Corporation, and through fees received from savings and loan associations examined.

In the fiscal year 1938, total receipts of the Federal Home Loan Bank Board amounted to $1,298,015 as compared with $1,031,275 in the preceding period. Disbursements totaled $1,262,132 as against $1,118,367 in the fiscal year 1937. The balance as of June 30, 1938, including a cash balance of $256,594 carried over from the previous year, amounted to $292,477. Exhibit 22 presents a tabulation showing in detail the administrative receipts and disbursements for the last two fiscal years.

FEDERAL SAVINGS AND LOAN ADVISORY COUNCIL

The Federal Savings and Loan Advisory Council, created by the Congress under the Federal Home Loan Bank Act, as amended, held two meetings during the year. It is the function of this Council to confer with the Federal Home Loan Bank Board on general business conditions and on special conditions affecting the Federal Home Loan Banks, their members, and the Federal Savings and Loan Insurance Corporation. It may request information and make recommendations on matters within the jurisdiction of the Board affecting the Federal Home Loan Banks, their members, and the Federal Savings and Loan Insurance Corporation. 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 Bank Board. At the meetings held during the year, the Council discussed numerous matters of importance to the agencies under the Board and made valuable suggestions.

The officers and membership of the Council in the last fiscal year were as follows: I. Friedlander, chairman, ninth district, elected by bank; Col. C. B. Robbins, vice chairman, eighth district, appointed by Board; H. F. Cellarius, secretary, fifth district, elected by bank; E. H. Weeks, first district, elected by bank; LeGrand W. Pellet, second district, elected by bank; James Bruce, second district, appointed by Board; J. J. O'Malley, third district, elected by bank; G. W. Bahlke, fourth district, elected by bank; G. W. West, fourth district, appointed by Board; T. H. Tangeman, fifth district, appointed by Board; F. S. Cannon, sixth district, elected by bank; Morton Bodfish, seventh district, elected by bank; H. G. Zander, seventh district, appointed by Board (at the second meeting, F. O. Schneider served as alternate); J. F. Scott, eighth district, elected by bank;

G. E. McKinnis, tenth district, elected by bank; F. S. McWilliams, eleventh district, elected by bank; R. H. Cake, eleventh district, appointed by Board; and E. M. Einstein, twelfth district, elected by bank.

BANK PRESIDENTS' COUNCIL

The Bank Presidents' Council, created by a resolution of the Board and consisting of the executive heads of the twelve Federal Home Loan Banks, also held two meetings during the reporting period. It considered current problems in the operation of the Banks and the supervision of member institutions, and contributed a number of helpful recommendations on these phases of the Bank Board's activities.

FEDERAL HOME BUILDING SERVICE PLAN

Sound mortgage lending depends closely on sound construction. If houses are jerry-built or poorly designed, property values and confidence in home ownership are threatened, and, finally, the security of mortgage loans representing the savings of millions of people is endangered. It was only a logical step forward in the fulfilment of its program, therefore, when the Federal Home Loan Bank Board in 1936 adopted the Federal Home Building Service Plan.

A marked improvement in home construction can be effected by this Plan. Technical control, while the basis of all other types of construction, has generally been lacking and usually unavailable in small house building. In the course of the reconditioning operations of the Home Owners' Loan Corporation, the disastrous effects of poor design and shoddy construction upon home ownership, resulting in loss of values and shrinking equities, have been revealed. The Federal Home Building Service Plan provides a way of avoiding such uneconomical practices.

The facilities of the Plan enable member institutions of the Federal Home Loan Bank System, or other approved lenders, to provide prospective home owners with a complete home-building service, including sound financial and architectural advice and supervision of construction. The Plan is especially designed to serve those lower income families who had usually not been able to afford the services of an architect.

Lending institutions are being supplied with a portfolio of home designs in which economical and attractive designs are arranged according to size and cost of construction. The lender accordingly is

98591—38——4

enabled to be of practical assistance to home owners and to all those who undertake to supply small houses to the public. By virtue of the Plan, the lender can assume an active role in promoting sound housing, and at the same time is being supplied with desirable mortgage opportunities and with a means of competing successfully for the better loans in an increasingly competitive market.

The Plan is being operated in cooperation with the Regional Home Loan Banks, using the facilities of the agencies under the Board. While sponsored and promoted by the Board, the Plan is essentially a local undertaking. Once established with the facilities and material provided by the Board and the Regional Banks, the Plan is carried out by approved lenders and architects and technicians in accordance with prevailing local home building practices and local financing policies. However, the procedure provides a Certificate of Registration to be issued to the home owner reciting the protective measures under which the house has been built and serving as a testimonial of its sound construction and worth. This Certificate is registered by the Board for the protection of home owner and mortgagee.

Where the Plan has been put into operation, local architects and technicians have been willing to provide suitable advisory and supervisory services at a moderate fee. This service includes advice in the selection of an economical design, suitable to the site and neighborhood and meeting family requirements, supply of complete and detailed working drawings and specifications, checking of quotations and bids, and what is most important, inspection of materials and periodic supervision of construction.

In a number of the larger communities technical service is being developed through local formation of groups of architects or technical bureaus, generally sponsored or supported by the organized architectural profession. While the formation of such groups or bureaus has been encouraged to provide technical service for lending institutions under the Plan, their facilities are available to other users. Hence, this effort is providing fundamentally needed services capable of making an appreciable contribution to the improvement of small home building practices. In many localities response to the Plan has prompted an association of building-material manufacturers and distributors working with a committee of prominent architects to consider development of a design and supervision service for general use in all home building, however sponsored or financed.

The past year saw the Federal Home Building Service Plan pass into the operating phase. At the close of the fiscal year 1938, the use of the Plan was in prospect by over 150 member institutions in about 50 localities. Applications for approval have been received from about 250 architects, and approval has been given to 281 home designs developed especially for use in this service by leading architects throughout the country. At the end of the 1938 building season, about 400 designs will have been approved and made available within the localities for which designed or in other localities where suitable to local customs and building practices.

UNIFORM SAVINGS AND LOAN ACT

Through the supervision of member institutions by the Federal Home Loan Bank Board and the provision of uniform Federal charters for the Federal savings and loan associations,[2] much has been done to establish sound and standardized practices in the field of home finance. However, the Board supervises only a portion of all the existing institutions of the savings and loan type. One of the basic difficulties in the operation and supervision of State-chartered associations is the large variety of State laws under which they operate. In many instances, moreover, State legislation is now obsolete in the light of good mortgage lending practice. There is an urgent need, therefore, for greater uniformity and for a review of State laws to the end of perfecting legislation in the light of recent experience.

To serve as an illustrative guide for those States engaged in developing new legislation or revising their old laws in accordance with present-day conditions, the Legal Department of the Board, in cooperation with the Supervisory Committee on State Legislation of the United States Building and Loan League, has prepared a Uniform Savings and Loan Act. This draft has been made available to all State savings and loan supervisory authorities and to State legislatures in those States where there is at present no adequate savings and loan legislation. The act has recently been passed in somewhat modified form by the State of Georgia.

[2] See Section IV of the present report.

IV

Federal Savings and Loan Associations

PLACE OF SAVINGS AND LOAN ASSOCIATIONS IN THE CAPITAL MARKET

SAVINGS and loan associations are a vital part of the American capital market; yet they are much less known to the general public than many other institutions of our financial organization. Stock exchanges, for example, are more conspicuous; banks and bank transactions of varied kinds are employed by a larger number of individuals; and insurance companies enjoy greater prominence. The savings and loan business, while totalling many billions of dollars of assets, has been less in the public eye than these other institutions.

There are many reasons for this. The savings and loan business is chiefly a small man's business. There is no impressive "bigness" in it, It is a local business and has until recently received little recognition as a national factor. Savings and loan associations are almost universally mutual in character, which means that the investors and borrowers own and control the business. Moreover, in their operations, savings and loan associations are normally limited to two purposes—the advancement of savings and the financing of homes in their communities.

While the savings and loan business has been noteworthy for its strictly local pattern, it is the largest single factor in the Nation's home-mortgage finance. Of the $17.3 billion of estimated nonfarm home mortgages outstanding on December 31, 1937, savings and loan associations held $3.5 billion or about 20 percent, the largest single block. Moreover, savings and loan associations in the past decade have accounted for about one-half of the new mortgage loans made on nonfarm one- to four-family homes by all private financial institutions.[1]

What this means in terms of our national economy is evident from the fact that nonfarm home mortgages are the largest single item of

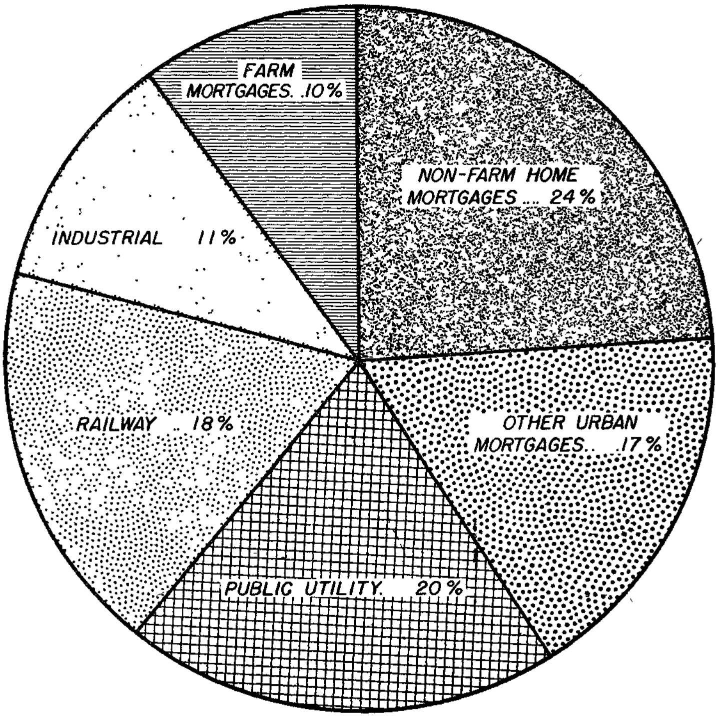
[1] See also Section II, p. 3.

private long-term debt in the United States. Of the almost $75 billion total private long-term indebtedness in 1934, nonfarm home mortgages accounted for $18.1 billion or 24 percent.

CHART IX

DISTRIBUTION OF PRIVATE LONG-TERM DEBT ACCORDING TO PURPOSE

UNITED STATES - 1934



Source: United States Department of Commerce "Long-Term Debts in the United States"

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

ORIGIN OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

Savings and loan associations have been operating in this country for more than 100 years under charters of the individual States and under various names such as building and loan associations, cooperative banks, and homestead associations. Federally-chartered institutions of this type are of comparatively recent origin. Their establishment came as a result of the depression which brought to light existing weaknesses in the structure of many financial institutions.

When Congress, in the special session of 1933, considered measures for the relief of home owners under threat of dispossession, it was confronted with the almost equally urgent problem of devising ways and means to revive thrift and home financing. Immediate relief for distressed home owners was provided by the refinancing operations of the Home Owners' Loan Corporation. However, to minimize the possibility of a recurrence of such a crisis, and to strengthen private home financing as an effective instrument of home ownership, assistance beyond temporary relief was imperative. Moreover, there were 1,555 counties in the United States—approximately one-half of the total number of counties—in which there were no local home-financing institutions whatever.

The necessity of dealing with these problems induced the Congress to embody in the Home Owners' Loan Act of 1933 provisions for the creation of Federal savings and loan associations as private institutions under Federal charter. The purpose of authorizing the establishment of these institutions was twofold: (1) To provide thrift and home-mortgage lending facilities in those communities where such facilities were unavailable or inadequate; and (2) to combine under Federal charter the best policies and practices developed in the savings and loan industry during the 107 years of its experience. The organization, incorporation, and supervision of Federal savings and loan associations were vested in the Federal Home Loan Bank Board. Federal associations were to be established either by conversion from State to Federal charter, or by the granting of charters to newly organized institutions. In order to supply immediate funds for home finance and to encourage private investments, the Secretary of the Treasury, and later the Home Owners' Loan Corporation, were authorized, within limits fixed by Congress, to subscribe to the shares of Federal savings and loan associations. It was furthermore provided that each association which obtains a Federal charter must apply and qualify for membership in the Federal Home Loan Bank System, and when the Federal Savings and Loan Insurance Corporation was created in 1934, all Federal associations were required to secure insurance of their accounts by this Corporation.

COMPARISON WITH THE ESTABLISHMENT OF THE NATIONAL BANK SYSTEM

The program for the encouragement of a national system of thrift and home-mortgage finance has a highly instructive parallel in the development of national banks. The circumstances leading to the authorization of Federal savings and loan associations are indeed in many respects similar to those which led to the establishment of national banks in 1863. Just as until 1863 the banks of the country were loosely regulated and without any element of unity, so up to 1933 there was in the United States a heterogeneous group of thrift and home-financing institutions which, although numerous, were poorly distributed geographically and in many areas incapable of meeting adequately the home-financing needs of the people.

Before the Civil War, banking operations in this country were carried on either by private individuals and firms or by institutions chartered under State laws. With the exception of the First and Second Banks of the United States (which engaged in commercial banking to only a very limited extent), there were no nationally-chartered institutions licensed to engage in general banking operations. The various State laws were widely divergent, and except in New England and New York, extraordinarily lax.

The National Bank Act of 1863 provided for a voluntary conversion of State banks into national banks. To insure uniform and constructive regulatory policy, responsibility for the supervision of national banks was vested in a specially created agency of the Government, the Office of the Comptroller of the Currency. With the passage of the National Bank Act and the adoption of strengthening amendments, material improvement in the banking structure was brought about. Some measure of stability and cohesion was created and stricter and more uniform regulation and controls were established.

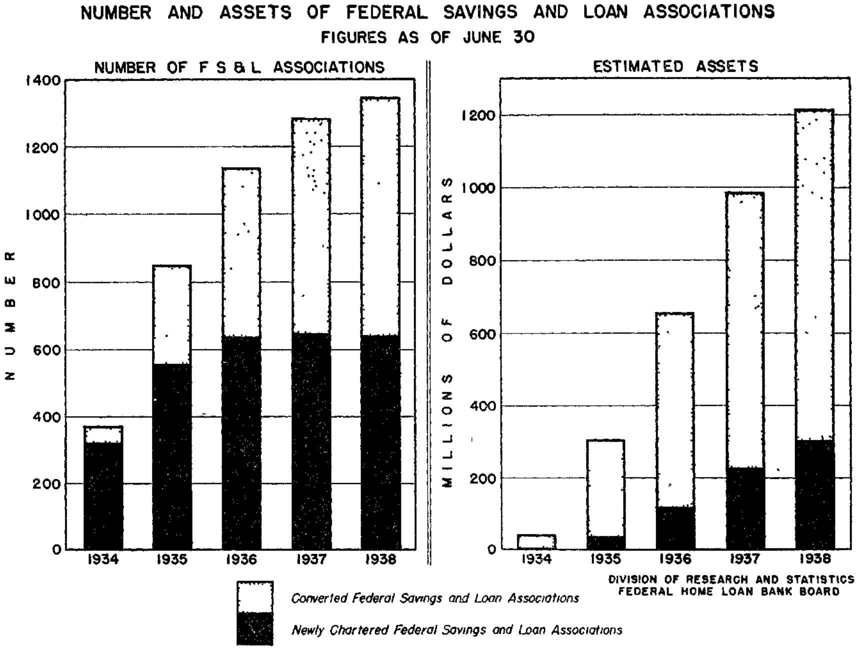
The same objectives which made national banks desirable were thus responsible to a large extent for the action of Congress authorizing the establishment of Federal savings and loan associations under uniform and constructive regulation by a Federal agency.

THE GROWTH OF THE FEDERAL SAVINGS AND LOAN SYSTEM

The following table and Chart X shows the growth in number and combined assets of Federal savings and loan associations since their inception:

Date	Number of associations			Estimated 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

CHART X



With the present number of 640 new and 706 converted Federal savings and loan associations, the objective of a wider geographical distribution of adequate thrift and home-financing facilities has to a large extent been achieved. On June 30, 1938, 2,868 counties or approximately 94 percent of all counties were being served wholly or in part by Federal associations (which are permitted to lend over an area within 50 miles of their location). A map prepared as of June 30, 1938, indicates the counties now being served by Federal associations, and the counties which in 1933 had not had the benefit of local home-financing institutions (Exhibit 23).

During the fiscal year ended June 30, 1938, the number of Federal savings and loan associations increased from 1,286 to 1,346, the number of investors in such associations from 801,347 to 1,030,096, and the estimated total assets from $986,298,000 to $1,213,874,000. In this period, 90 new charters were issued, of which 13 were for newly established Federal associations and 77 for converted State-chartered associations. On the other hand, there were 30 terminations of charter because of consolidation, merger, or liquidation. Exhibit 24 presents comparative data on Federal associations chartered, number of investors and total assets by States and Bank districts as of June 30, 1937, and June 30, 1938.

Of the 1,346 Federal savings and loan associations recorded as of June 30, 1938, there were 81 new and 235 converted Federal associations with assets over $1,000,000; 367 new and 442 converted had assets over $100,000 and up to $1,000,000; and 192 new and 29 converted associations had assets of less than $100,000.

RISE OF PRIVATE INVESTMENTS

Recent trends indicate an increasing importance of private investments in the capital structure of Federal savings and loan associations. Since November 1935, the Secretary of the Treasury has no longer subscribed to share-accounts in Federal associations, and under a new policy adopted by the Federal Home Loan Bank Board in 1937, investments of the Home Owners' Loan Corporation have been restricted to cases of special importance such as community-wide rehabilitation programs. However, Federal savings and loan associations have been able to expand their total share capital considerably by a steady increase of private share investments. In the fiscal year ended June 30, 1938, Governmental investments on the one hand and private investments on the other increased as follows:

Amount of investments in all Federal savings and loan associations

[In thousands of dollars]

Type of investor	June 30, 1937	June 30, 1938	Decrease (−) or increase (+)
U. S. Treasury	$48, 184	$47, 802	−$381
Home Owners' Loan Corporation	150, 356	170, 764	+20, 408
Private investment (repurchasable capital)	594, 928	763, 725	+168, 797

On June 30, 1938, the ratio of private investments to total investments was 77.7 percent as against 74.8 percent on June 30, 1937. Exhibit 25 shows private investments and investments of the United States Treasury and of the Home Owners' Loan Corporation by States as of June 30, 1937, and June 30, 1938.

The continuous increase of private investments is a most encouraging sign of the soundness of the Federal savings and loan associations. In an identical group of 1,148 associations,[2] private investments have grown from $469 million at the end of 1936 to $607 million on June 30, 1938, an increase of 29.4 percent. The increase during the fiscal year 1938 was 19 percent.

Private investments in 1,148 identical Federal savings and loan associations

Date	Private investments	Percent increase over preceding period
Dec. 31, 1936	$468,822,200	
June 30, 1937	510,006,100	8.8
Dec. 31, 1937	550,395,900	7.9
June 30, 1938	606,674,400	10.2

As is indicated by the foregoing figures, the rate of increase in private investments slowed down slightly in the second half of 1937. In the first 6 months of 1938, however, private investments have increased rapidly, and their rate of increase has exceeded that of the corresponding period of 1937 despite the reduced national income.

LENDING ACTIVITY OF FEDERAL ASSOCIATIONS

In the fiscal years 1937 and 1938, Federal savings and loan associations have supplied more than 35 percent of the total amount loaned on mortgages by all savings and loan associations. Between August 8, 1933, on which date the first charter was issued to a Federal savings and loan association, and June 30, 1938, these institutions loaned $799,775,158, exclusive of loans made for the purpose of refinancing loans previously held by them.

The following table shows the amount of loans made by reporting Federal savings and loan associations from January 1935 through June 1938, by half-year periods:

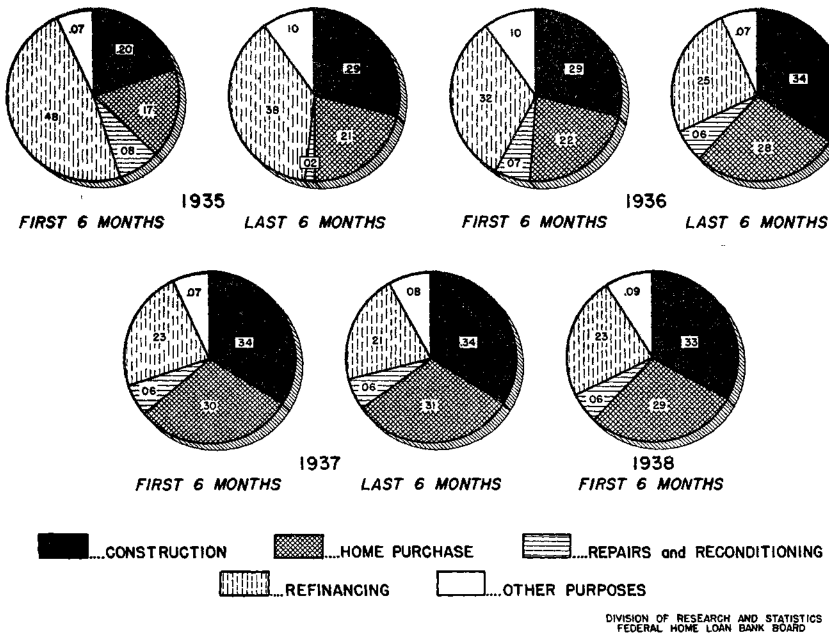
Period	Number of associations at end of period	Amount of mortgage loans during period
January–June 1935	851	$42,572,638
July–December 1935	1,023	74,781,919
January–June 1936	1,135	91,034,700
July–December 1936	1,212	135,101,799
January–June 1937	1,286	157,550,000
July–December 1937	1,328	146,606,100
January–June 1938	1,346	134,280,900

[2] A group of identical associations was chosen in order to eliminate the effect of conversions of State chartered into Federally chartered associations, and newly established Federal associations during the period under consideration.

There was an increase in volume in every six months' period up to the middle of 1937 when, in accordance with the general decrease in economic activity and residential construction, the volume of new loans fell off. As compared to the drop in other business indices, however, the lending activity of Federal associations has been well maintained.

CHART XI

HOW THE AVERAGE DOLLAR LOANED BY REPORTING FEDERAL SAVINGS AND LOAN ASSOCIATIONS WAS SPENT



In the last few years, there has been a gradual shift in the purposes for which mortgage loans were made by Federal associations. Construction loans and loans for home purchase have grown in relative importance, while the proportion of refinancing loans has constantly decreased; the percentage of repair and reconditioning loans has remained fairly stable. In the first half of 1935, 48 percent of total loans were for refinancing; in the corresponding period of 1938, only 23 percent were for this purpose. Loans for home purchase, on the other hand, were 17 percent of the total in the first half of 1935 and

29 percent in the corresponding period of 1938, and construction loans increased from 20 percent to 33 percent. During recent years, Federal savings and loan associations have thus been participating more fully in the financing of home construction by devoting more and more of their lending funds to this purpose.

A summary of loans made by reporting Federal savings and loan associations during the fiscal year ended June 30, 1938, by States and Bank districts and according to purpose, is presented in Exhibit 26. Exhibit 27 shows total mortgage loans outstanding of Federal associations by States and Bank districts together with Federal Home Loan Bank advances to these associations.

FINANCIAL OPERATIONS

Consolidated balance sheets available for the calendar year 1937 indicate that the operations of Federal savings and loan associations during the year were, on the whole, satisfactory (see Exhibits 9 and 10). The ratio of first-mortgage loans to total assets increased from 76.26 percent at the end of 1936 to 79.39 percent at the end of 1937. During the same period, the ratio of second mortgages dropped from 0.15 percent to 0.06 percent. The ratio of real estate owned decreased from 10.82 percent to 8.41 percent, while the ratio of real estate sold "on contract" increased from 2.93 percent to 3.33 percent. The increased lending activity of Federal associations was accompanied by a reduction in the ratio of cash to total resources from 4.77 percent to 4.05 percent.

On the liability side of the balance sheet, the ratio of Government share subscriptions to total assets was 19.65 percent at the end of 1937 as compared to 19.46 percent at the close of 1936. Advances from Federal Home Loan Banks increased from 7.67 percent to 9.31 percent of total resources during 1937, while the ratio of other borrowed money decreased from 0.28 percent to 0.21 percent. The ratio of reserves and undivided profits dropped from 6.07 percent to 5.35 percent.

The standardized accounting system used by Federal savings and loan associations and the standard form of annual reports required by the Federal Home Loan Bank Board result in comparable income and expense data for these associations. For the first time in the history of the savings and loan business, therefore, a close analysis and comparison of operating costs on a broad basis has been possible.

Analyses of this type help the management of an individual association to determine its efficiency and earning power as compared with other associations; they are useful tools for shaping operating policies; they likewise assist the Federal Home Loan Bank Board in setting standards for supervision and regulation.

Exhibit 28 presents the results of an analysis of operating costs for 1937, including 1,301 reporting institutions out of a total number of 1,328 Federal savings and loan associations in existence at the end of that year. Since the normal expense and income ratio for a small association may not apply to a large institution, the reporting associations were grouped as to size. The break-down as to size discloses that the ratio of operating expense to gross income is generally lower in institutions with more than $1,000,000 assets than in the smaller institutions. Likewise, the ratio of operating expense to net assets tends to decrease with growing size of institutions, at least above the $500,000 bracket. The ratio of net operating income to average invested capital, on the other hand, clearly shows a tendency to be higher in the smaller institutions and lower in the larger institutions.

TERMINATION OF THE SAVINGS AND LOAN DIVISION

On January 11, 1938, the Savings and Loan Division of the Federal Home Loan Bank Board was discontinued and the remaining Washington personnel transferred to the Office of the Governor of the Federal Home Loan Bank System. Through this Division, the Board took a prominent part in rehabilitating those applicant institutions which did not measure up to the Board's standards of eligibility for conversion into Federally-chartered institutions, or for insurance of share accounts, or for Treasury and Home Owners' Loan Corporation investments. These programs included financial and corporate reorganizations of associations, write-down of assets, and in many cases, segregation of the sound and liquid assets from frozen assets, the former being used as the capital of a live and going institution, and the latter being subject to gradual liquidation.

The field services heretofore performed by the Division have been assumed by the officers of the Federal Home Loan Banks. A tabulation of receipts and disbursements of the savings and loan promotion fund for the fiscal year ended June 30, 1938, is attached as Exhibit 29.

ENABLING STATE LEGISLATION

During the fiscal year, the legislatures of two States, Georgia and Pennsylvania, enacted laws specifically permitting conversion of State-chartered member associations of the Federal Home Loan Bank System into Federal savings and loan associations. Such enabling legislation has now been enacted in 40 States and in the Territory of Hawaii. In the reporting period, legislation was enacted in 19 States relating to investment by guardians, executors, administrators, insurance companies, or fiduciaries in the shares of Federal savings and loan associations.

THE STRUCTURE OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS

The plan of operation adopted for Federal savings and loan associations in 1933, and modified in subsequent years, followed closely the model developed by a committee of the United States Building and Loan League. A Federal savings and loan association receives its capital as payments of investors on share accounts and lends such capital chiefly upon the security of first liens on homes. Borrowers are permitted to repay their loans in monthly installments over a period up to 20 years.[3]

Federal savings and loan associations are subject to supervision by the Federal Home Loan Bank Board. Through its cooperation and counsel, the Board seeks to assist and guide individual managements as helpfully as possible without assuming or accepting the inherently local functions and responsibilities of management. By decentralization—designating the officers of the twelve Federal Home Loan Banks as its supervising agents for institutions in the respective Bank districts—supervision by the Board tends more fully to respond to the varying conditions of the different sections of the country and to the particular needs of each institution.

Each Federal savings and loan association is locally owned and locally managed. Its directors are local leaders selected by its members. Each borrower is a member and is entitled to vote and participate in its meetings. Each investor may cast one vote for each $100 invested, or fraction thereof, but, regardless of the amount of his investment, no investor may cast more than 50 votes.

Loans made by Federal savings and loan associations are based upon a type of contract that is easily understood, and the borrower's pass book clearly indicates the progress made toward the attainment of that goal which every home owner cherishes; namely, a debt-free home. This type of loan is known as the "direct-reduction loan". The amount by which each monthly payment exceeds the interest is

[3] Twenty-five years for a limited amount of home-mortgage loans insured under the National Housing Act, as amended.

applied directly to the reduction of the principal. Interest is calculated monthly on the unpaid balance of the loan. This type of loan results in a lowering of the interest cost to the borrower in comparison with older-type loans, and also brings about a distinct improvement in the morale of the borrower because he has a much clearer understanding of the transaction as a whole, and is in a position to know, at all times, the exact status and unpaid balance of his loan.

Federal savings and loan associations are not permitted to assess fees and fines for late installment payments by their savers. The borrower is not penalized for inability to meet current obligations other than by a proper charge for interest on the unpaid balance of the loan. His obligation is completely independent of the earnings of the institution, or the dividends declared on share accounts, or of any other contingency not written into the loan contract.

The payment of a bonus for regular and systematic long-term investment has replaced the system of fines and forfeitures which has often been the subject of criticism. The encouragement of long-term investment is sound policy for a financial institution which lends its funds primarily on long-term mortgages.

When the Federal savings and loan association is described as the national bank of the home-financing field, two things are implied: First, that it receives its charter from an agency of the Federal Government and is supervised by that agency; and second, that in contrast to the wide variety of practices employed by State-chartered institutions, each Federal savings and loan association, no matter where located, conforms to the same general pattern of structure and operation.

One effect of chartering Federal savings and loan associations throughout the country has been to encourage the movement toward standardized practice in State-chartered institutions of similar type. Many such institutions have adopted the direct reduction loan plan and other features of the Federal savings and loan associations when opportunity has been afforded them to witness the results of such practices in the growth of Federally chartered associations.

Further progress in simplifying the Federal charter was made with the issuance of a new form of charter, together with a complete revision of rules and regulations, on December 1, 1936. For a summary of the revisions made, see the Fifth Annual Report of the Federal Home Loan Bank Board, pages 24–25.

Since its approval, the revised charter has been issued to all newly organized or newly converted associations. Those chartered prior to

December 1, 1936, may adopt the new charter at their own option. On June 30, 1938, a total of 1,206 revised charters had been granted to old and new associations, leaving only 140 associations operating under the 1933 charter.

RISK RATING AND VARIABLE INTEREST RATES

Comparatively new features in the lending practice of savings and loan associations are risk rating and variable interest rates. A loan made upon a modern, well-constructed home in a good neighborhood, to a borrower with a regular income adequate to make the necessary monthly payments, can safely be made at a lower rate of interest than a loan secured by an old, poorly designed home in a deteriorating community, to a borrower whose income is irregular and where collection expense may, therefore, prove high. Similarly there is less risk of loss in a loan amounting to 50 percent of the appraised value of a property, than in an 80 percent loan, if other circumstances are the same. Finally, a 10-year maturity because of its quicker amortization generally represents a smaller risk than a 20-year maturity.

Thus, on the basis of a number of factors, the degree of risk can be determined and the rate of interest varied accordingly.

An association which charges a low interest rate exclusively can afford to make only those loans which carry a minimum of risk. Its volume of loans will therefore be restricted. An association charging a high rate of interest on all its loans will attract only those borrowers who are not able to obtain funds at a lower cost elsewhere. Such an association will experience a high collection cost and will risk the potential acquisition of real estate through foreclosure. By the application of risk rating, an association is able to attract good risks at lower interest rates and to make some loans where the risk is slightly greater but the return higher, thus buttressing its average risk through intelligent diversification.

The problem which savings and loan associations face is to secure a volume of business and resultant income sufficient to maintain expenses, to pay a competitive dividend, and to provide adequate reserves; at the same time they must avoid delinquencies and the acquisition of real estate in the future. The variable interest rate plan has helped some associations to solve this problem.

Federal savings and loan associations are not required to adopt the variable interest rate plan but may charge, within the framework of their State laws, such rates of interest and other charges as their boards of directors may determine.

98591—38——5

V

Federal Savings and Loan Insurance Corporation

PURPOSE OF THE CORPORATION

THE Federal Savings and Loan Insurance Corporation was created in June 1934 under Title IV of the National Housing Act, as part of the Federal Government's attempt "to encourage improvement in housing standards and conditions." Its principal function is to strengthen the confidence of the public in savings and loan associations, which, as has been shown in preceding sections of this report, are one of the chief sources for home-mortgage funds throughout the country. The Corporation protects every investor against the loss of savings and credited earnings held in insured savings and loan associations to a maximum of $5,000 and thus adds another safeguard to the basic security of such associations.

The establishment of the Federal Savings and Loan Insurance Corporation followed by 1 year the creation of the Federal Deposit Insurance Corporation which protects deposits in commercial banks up to $5,000. Through the adoption of these plans for Government protection of small depositors and investors, Congress recognized that security of savings has become essential to national welfare.

The protection afforded by the Federal Savings and Loan Insurance Corporation is based on the principle of mutual insurance. Annual premiums are charged to the insured associations and are available to meet the operating expenses of the Corporation and to accumulate a reserve fund for the payment of losses. The $100,000,000 capital of the Corporation was subscribed by the Home Owners' Loan Corporation, which in turn is a Federal instrumentality.

GROWTH OF INSURANCE PROTECTION

On June 30, 1938, 2,014 savings and loan associations in 46 States and two Territories of the United States were taking advantage of the protection offered by the Corporation. Their total assets reached

$1,978,476,000. The number of investors in these associations was 1,923,513. Since the accounts of 98 percent of the investors in insured institutions do not exceed $5,000 each, the great majority of investors is assured of 100 percent protection of its investments.

During the fiscal year ended June 30, 1938, 290 additional thrift and home-financing institutions were insured, with 269,510 account-holders and aggregate assets of $228,726,000.

The following graph shows the rapid progress of insurance protection:

Chart XII

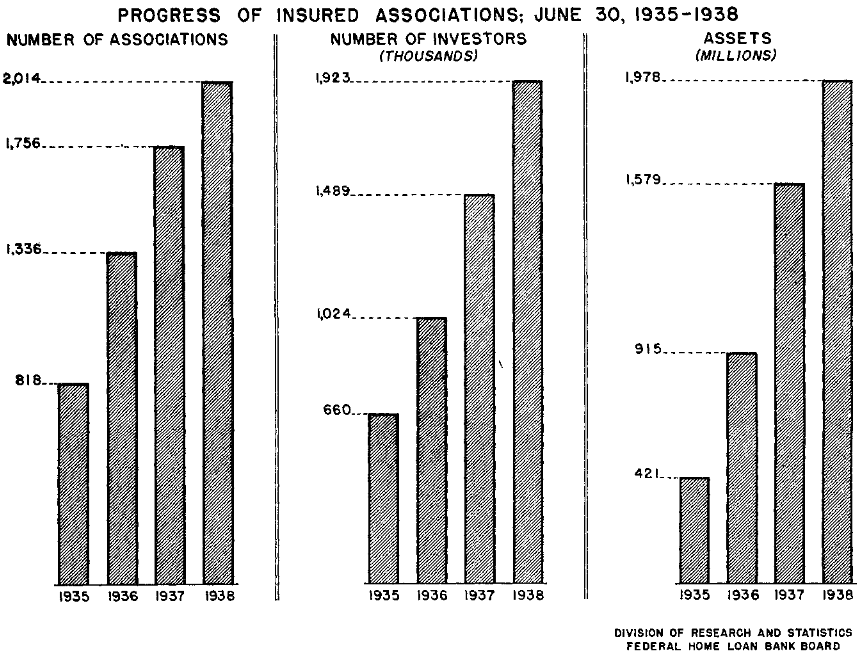


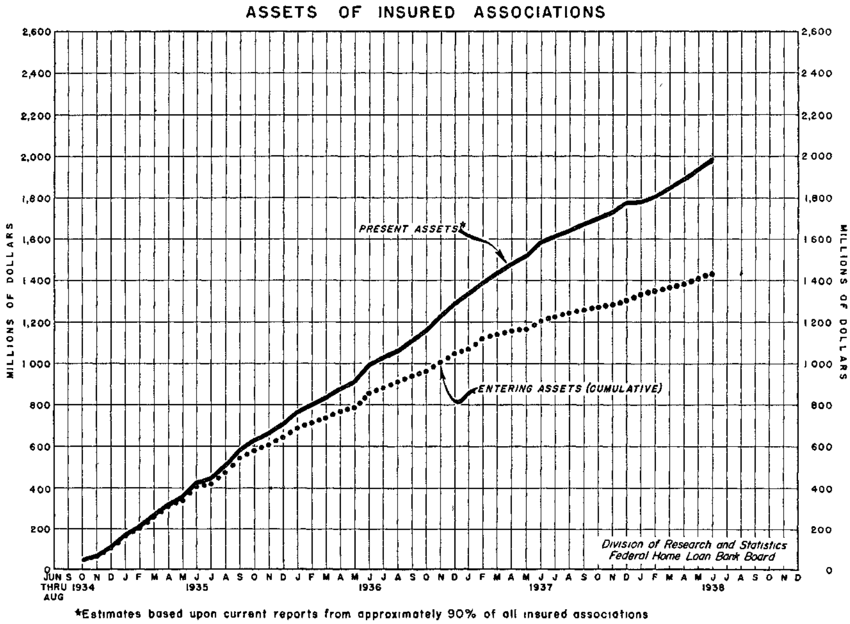
Exhibit 30 presents in detail the number, investors, and assets of insured institutions, segregated as to new Federal savings and loan associations, converted Federal associations, and State-chartered associations, together with an analysis of the average size of insured institutions, by States and Federal Home Loan Bank Districts.

All Federal savings and loan associations, as soon as they are chartered, must apply and qualify for insurance. In addition to 1,336 Federal associations, 678 State-chartered associations had become insured up to June 30, 1938. It is the object of the Corporation gradually to make clear to all eligible associations the broad basic value of insurance as a protection and support to institutions that in themselves are inherently sound but nevertheless may encounter unforeseen and indeterminable risks.

BENEFICIAL EFFECTS OF INSURANCE

After nearly four years of experience, it can be said with certainty that insurance of accounts has encouraged the flow of investors' money

Chart XIII



into the savings and loan associations, decreased withdrawals, increased reinvestment of funds, increased the supply of mortgage funds, and in general has strengthened the confidence of the community in this type of home-financing institution.

Evidence of the beneficial effects of insurance is the growth in resources of those associations which have obtained insurance. This growth is reflected in the above Chart, which shows the trend of "entering assets" and "present assets" of insured associations from the beginning of operations through June 30, 1938. The dotted line on the Chart represents the assets as of the date of insurance of each association; the addition of these entering assets yields a cumulative total at the end of each month as shown by the dotted line. The solid line represents the total amount of assets of insured associations at the end of each month, as reflected by their current balance sheets. The spread between the two lines shows clearly the progress made by savings and loan associations after insurance of their accounts.

Insurance is of greatest value in strengthening the confidence of the public when it is widely advertised. Associations receiving a certificate of insurance, therefore, usually undertake an extensive advertising campaign to acquaint the public with the benefits of insurance. Newspapers, radio, literature, and direct mail have all been used by associations in announcing the advantages of insurance. Insured institutions are encouraged to use the insignia of the Insurance Corporation for advertising purposes.

The Corporation attempts to point the way for fair and honest advertising. Through the Federal Home Loan Banks, it exercises supervision over the publicity of insured associations, thus enforcing Section 7 (e) of the Rules and Regulations which states: "No association shall use advertising (whether printed, radio, display, or of any other nature) or make any representation which is inaccurate in any particular or which in any way misrepresents its services, contracts, investments, or financial condition." A detailed advertising guide was distributed to insured institutions during the year.

OPERATIONS OF INSURED ASSOCIATIONS

The trend of operations of insured savings and loan associations in the fiscal year 1938 was gratifying. During the year, private investments in 1,405 identical instutitions, covering Federal and State-chartered associations which were insured over the entire reporting period, increased by 13.1 percent. Average net cash earnings of all insured institutions were approximately 4 percent of invested capital.

The following table presents a summary of selected balance sheet items of insured associations as of June 30, 1938:

Selected balance sheet items for all insured associations as of June 30, 1938

[Dollar amounts are shown in thousands]

Item	All associations	Federal associations [1]			State-chartered associations		
		Total	New	Converted	Total	Member [2]	Non-member [2]
Number of associations	2,014	1,336	638	698	678	675	3
Assets	$1,978,476	$1,208,357	$301,242	$907,115	$770,119	$767,028	$3,091
First mortgages held	1,481,893	942,110	269,827	672,283	539,783	536,999	2,784
FHLB advances	143,004	101,318	35,089	66,229	41,686	41,686	0
Borrowed money	6,259	2,319	460	1,859	3,940	3,890	50
Government investment	258,403	218,567	100,541	118,026	39,836	39,836	0
Private repurchasable capital	1,316,517	760,695	142,027	618,668	555,822	553,384	2,438
General reserves and undivided profits	106,423	56,870	6,625	50,245	59,553	49,328	225

[1] Does not include 10 recently chartered Federal associations not insured as of June 30, 1938.
[2] Members and non-members of the Federal Home Loan Bank System.

Ratios computed on the basis of the above figures show that, on June 30, 1938, 75.0 percent of total resources of all insured associations was invested in first mortgages. The ratio of private repurchasable capital to total assets was 66.5 percent, the ratio of Government investment, 13.1 percent, and the ratio of reserves and undivided profits, 5.4 percent.

The importance of insured institutions in the field of home-mortgage finance can be measured by the fact that of the $726,558,000 loaned on homes by all savings and loan associations during the fiscal year 1938,[1] insured associations accounted for $364,903,000 or approximately 50 percent.

LOCAL PROGRAMS

In certain communities the extension of insurance protection has been delayed by the weakened condition of the local savings and loan structure. In these localities it requires the combined efforts of the Insurance Corporation, the Federal Home Loan Banks, and the State Supervisors to rehabilitate the institutions and restore public confidence.

The Federal Savings and Loan Insurance Corporation has continued to cooperate with State officials in rehabilitating associations in various parts of the country. In approximately 30 States, it has participated in rehabilitation programs with State supervisory officials by making joint analyses of problems, by setting forth tentative conditions upon

[1] See Exhibit 8, total loans less loans for "other purposes."

which insurance could be obtained for institutions, by assisting institutions directly to effect reorganization, and by granting insurance following reorganization.

The Corporation has participated in group meetings with State Supervisors for the purpose of discussing general questions of policy and procedure and in individual conferences with officials of various States where problems concerning State and community programs were discussed.

SUPERVISION AND PREVENTION OF DEFAULT

Prevention of default is the most important aspect of effective insurance protection, and close supervision the most adequate means of administering such preventive policy. The Corporation, therefore, exercises constant supervision of insured institutions.

Through study of the examinations, audits, monthly reports, and annual reports required to be submitted by the associations, through conferences with State Supervisors and Building and Loan League officers, and through personal contacts with the associations, the Federal Home Loan Banks, which act as agents of the Corporation, scrutinize the financial condition, management, lending policies, and operations of insured associations. When serious violations of the letter or spirit of the Act or Rules and Regulations are noted, they are called to the attention of the association and adequate steps are taken to see that such violations are promptly corrected.

All insured associations are required to be examined annually. Federal savings and loan associations are examined by the Examining Division of the Federal Home Loan Bank Board. In the case of State-chartered insured associations, the Examining Division for the Corporation conducts joint examinations with State regulatory authorities in 25 States; in the remaining States, examinations are conducted by the Examining Division of the Federal Home Loan Bank Board.

In 16 States and the Territory of Hawaii, a uniform examination form is in use in whole or in part. This form was developed in conferences between the National Association of State Building and Loan Supervisors, the United States Building and Loan League, the Examining Division of the Federal Home Loan Bank Board, and representatives of the Insurance Corporation.

During the fiscal year 1938, the Federal Savings and Loan Insurance Corporation assisted a number of associations which encountered difficulties, by effecting mergers with other insured institutions, or by the development of a program of accelerated reserve accumulation, reduction of expenses, disposal of real estate, or general reorganization.

SETTLEMENTS

In the event of default and liquidation of an insured institution, other measures having failed, the Corporation must make available to each of the insured investors in that institution either (1) a new account in an insured association equal to his insured investment in the institution in default, or (2) at the option of the insured investor, the full insured amount of his account—10 percent in cash, 45 percent in debentures of the Corporation payable within one year, and 45 percent in debentures of the Corporation payable within three years.

The Corporation, however, is authorized to prevent the default of an insured institution or to restore an insured institution in default to normal operation by making a loan or contribution to, or purchasing the assets of, such institution; but the amount so expended shall not be greater than that which the Corporation finds to be reasonably necessary to save the expense of liquidating the institution.

In three cases during the fiscal year 1938, the Corporation exercised this latter authority:

Because of inability to carry on operations on a sound and profitable basis the directors of a newly organized Federal association in the South requested the Corporation to make a contribution to the association in order to restore its capital and so to enable the association to redeem all accounts. After it had been determined that this procedure was for the good of the industry as a whole and that the amount involved would be less than the cost of liquidation, the Corporation made a contribution of $192.30 to the association. The institution thereupon, as previously agreed, redeemed its accounts, paying its investors in cash in full. The Federal Home Loan Bank Board canceled the charter of the association and the Federal Savings and Loan Insurance Corporation canceled the certificate of insurance.

A Federal savings and loan association in New England, chartered in January 1936, experienced difficulty because of local floods and poor business conditions. On April 7, 1938, the board of directors of the association unanimously decided to dissolve and requested the Insurance Corporation to contribute a sum to restore the capital, permitting all investors to be paid. Since the required amount of $530.73 was less than would be required to liquidate the association and since it seemed unlikely that the association would be able to operate effectively, the Corporation contributed this sum. The association redeemed its accounts, paying its investors in full, and its charter and insurance certificate were canceled.

A considerable impairment in a midwestern State-chartered institution was discovered in the spring of 1938. Thorough examination and audit of the affairs of the association were made by the Corporation and all assets were appraised; the total impairment reached $102,097.60. Finding that this amount was less than the loss through liquidation and also that the association is valuable to its community and has prospects for continued success, the Corporation made a contribution of $102,097.60 in order that the association might continue operations on a solvent basis.

The contributions made by the Corporation in these three settlements were $102,820. Aggregate contributions made by the Corporation since the beginning of operations amount to $104,845.

TERMINATIONS AND WITHDRAWALS

According to rules and regulations promulgated by the Corporation under authority of the National Housing Act, the Corporation may terminate the insured status of an association because of violation of any provision of the Act or the rules and regulations after ample opportunity for hearing has been given. The Corporation has not found it necessary to exercise this power during its four years of operation.

Similarly, an institution may terminate its insured status, provided all insured investors are notified of its intention and are given opportunity to approve or disapprove such proposal. A Federal savings and loan association may not terminate insurance without relinquishing its charter. No association has terminated its insured status in this manner during the lifetime of the Corporation.

During the fiscal year 1938, 30 insurance certificates were canceled by the Corporation. Of the cancellations, 22 were due to merger with other insured institutions, 7 were due to liquidation and payment of all obligations in full, and 1 was due to failure of an association to meet all conditions of insurance. Since 1934, 54 certificates have been canceled because of mergers, 17 because of dissolution, and 1 because of failure to meet all conditions of insurance.

COST OF INSURANCE

Each insured institution pays an annual premium of one-eighth of one percent of the aggregate of all accounts of an insurable type plus creditor obligations. The Corporation is authorized to make an additional annual assessment up to one-eighth of one percent to cover losses and expenses. Such assessments, however, have not been necessary. When the reserves of the Insurance Corporation equal 5 percent of its potential liabilities, premium payments cease.

In accordance with the Act, associations applying for insurance after the first year of operation are required to pay, upon approval of their applications, an admission fee as a fair contribution to the reserves already accumulated. During the fiscal year 1938, the fourth year of operation of the Corporation, the fee was $0.04 for each $100 of the aggregate of creditor obligations and accounts of an insurable type.

Insured institutions pay the expenses of the annual examinations required by the Insurance Corporation. In the case of Federal savings and loan associations, this involves no additional cost since the examinations conducted by the Examining Division for the Federal Home Loan Bank Board are accepted by the Insurance Corporation. Examinations of insured State-chartered associations are made at some extra cost in States where joint examinations are conducted, and at a cost of about three hundredths of one percent of assets for associations of average size in States where examinations are not conducted jointly with the State authorities.

SUMMARY OF FINANCIAL OPERATIONS

In the fiscal year ended June 30, 1938, the Corporation had a premium income of $1,881,450 as compared with $1,346,078 in the preceding period. Admission fees totalled $65,927 as against $66,351 in the fiscal year 1937. As in the previous year, additional income of $3,000,000 was earned on the Corporation's capital invested in Home Owners' Loan Corporation bonds. Earnings on invested reserves amounted to $262,774 as compared with $146,211 in the preceding year. Including miscellaneous items, total income during the fiscal year reached $5,210,256 as against $4,558,777 in the fiscal year 1937.

Total administrative expenses of the Corporation during the fiscal year 1938 were $192,227 or 3.7 percent of the total income, as against $158,582 in 1937. Nonadministrative expenses incurred in connection with contributions to impaired associations amounted to $621. All expenses have been paid from the interest earned on the invested reserves.

As in preceding years, all income above expenses has been placed in the reserve account. The ultimate soundness and reliability of the Insurance Corporation depend upon the accumulation of reserves adequate to absorb all losses which the Corporation may have to assume in the liquidation of, or in making contributions to, associations having impaired capital. It is to the financial interest of the insured associations, as well as of the Insurance Corporation, to build up reserves as rapidly as possible until they equal 5 percent of the insured risk of the Corporation, at which time the Congress has provided that the payment of premiums shall cease. On June 30, 1938, reserves totalled $13,124,723, after deduction of $102,820 for contributions during the year was made.

Total resources of the Corporation as of June 30, 1938, were $114,077,883, an increase of $5,091,987 over the end of the preceding fiscal year. Capital and surplus amounted to $113,124,723 as compared with $108,235,357 on June 30, 1937. The total potential liability of the Corporation as of June 30, 1938, was $1,400,000,000 or approximately 12 times the capital and surplus of the Corporation. Under no circumstances could the potential liability become real as such eventuality would imply the complete failure of every insured association without any recovery value in any asset. Present experience indicates that failures are relatively few under normal business conditions and that the basic security of the assets of any liquidating association is substantial.

Exhibits 31, 32, and 33 present detailed statements of financial condition and of income and expense during the fiscal year 1938.

PERSONNEL

Since the activity of the Federal Savings and Loan Insurance Corporation is in the field of thrift and urban home financing, the Congress stipulated in the enabling act that the members of the Federal Home Loan Bank Board should act as trustees of the Insurance Corporation. The trustees were authorized to promulgate rules and regulations and to appoint officers and employees of the Corporation.

The Corporation uses the services of various general service divisions under the Board such as the Review Committee, the Division of Research and Statistics, the Public Relations Department, the Personnel Department, the Examining Division, the Legal Department, the Budget Officer, and the Secretary's Office, and it shares in the expenses of those divisions. A small staff, therefore, appears directly on its pay roll. The Corporation's staff increased by 23 during the fiscal year ended June 30, 1938, due to the continuous expansion of the Corporation's activities and due to an adjustment with the Federal Home Loan Bank Board in accordance with which the Corporation reduced its annual contribution to the Board for services rendered from $84,522 to $54,670, placing on its pay roll employees of the Board who are actually engaged in the work of the Corporation.

Employees on the pay roll of the Federal Savings and Loan Insurance Corporation as of June 30, 1938

Division	Employees
General Manager's Office	10
Treasurer's Office	5
Legal Department	21
Review Committee	4
Office of Secretary of Board	1
Total	41

VI

Home Owners' Loan Corporation

THE EMERGENCY TASK

THE Home Owners' Loan Corporation (HOLC) was created June 13, 1933, as an emergency instrumentality of the Federal Government. Its refinancing operations ceased June 12, 1936. Its principal activities at present are the collection and servicing of its loans, and the management and sale of the properties acquired. Its objective is to conclude its operations, if possible, without loss to the Federal Government and the taxpayer, and to assist as many borrowers as possible to preserve and ultimately own their homes free and clear of debt.

The Corporation was called into existence to refinance the mortgages of distressed urban home owners and to stem the flood of foreclosures resulting from the unprecedented economic collapse of the early Thirties. In 1933, hundreds of thousands of home mortgages were in default. Home owners throughout the country already had lost their properties through foreclosure or were in imminent danger of doing so. Financial institutions were threatened with irreparable losses. Deflation was rapidly destroying all property values.

The emergency was one with which private enterprise was hopelessly unable to cope. To meet the situation, Congress created the Home Owners' Loan Corporation and charged it with the duty of taking over the mortgages on small nonfarm homes, the owners of which were in actual default and could not otherwise escape foreclosure. The Corporation was provided with a capital of $200 million, subscribed by the United States Treasury, and with the authority to issue bonds in exchange for defaulted mortgages

VOLUME OF REFINANCING

The total number of applications filed for refinancing of home mortgages was 1,886,491, aggregating $6,173,355,652. Of this number, the Corporation closed 1,017,948 loans for an amount of $3,093,450,641.

In addition, 8,002 supplemental loans for reconditioning were made to borrowers who had previously received refinancing loans

Of the nearly $3.1 billion loaned by the Corporation, some $2.7 billion, or just under 90 percent of the total, went to former mortgagees in payment of the indebtedness due them. Approximately $230 million, or over 7 percent, was applied to the payment of taxes, assessments, etc.; nearly $70 million, or over 2 percent, to the repair and reconditioning of the properties mortgaged; and the balance of $50 million, or about 1 percent, to insurance, appraisal, and legal fees and other costs incidental to the processing of the application and the granting of the loan.

Of the total of $2.75 billion used to pay off the original lenders, approximately 79 percent was disbursed to financial institutions, and about 21 percent to individuals and other noninstitutional mortgage creditors.

Through exchange of its readily marketable, interest-bearing bonds for the frozen mortgages held by financial institutions, the Home Owners' Loan Corporation helped materially to combat the financial crisis in 1933. Nearly $400 million of its bonds went to closed financial institutions, permitting the release of funds to depositors and relieving the pressure for payment upon debtors of such institutions.

In many instances, the mortgage debts originally owed by HOLC borrowers were scaled down in the process of refinancing. In all, it is estimated that this reduction was in the neighborhood of $200 million or about 7 percent of the original debt.

Those borrowers whose loans were refinanced prior to April 1934 were given the option of a temporary moratorium on principal repayments, but under the amended Act of April 27, 1934, this optional moratorium was withdrawn.

CONTINUING EFFECTS

The direct achievements of the HOLC were the relief given to over one million home owners, the placing of thousands of financial institutions on a more liquid basis, and a marked contribution to the stabilization of real-estate values. Its operations were thus an important factor in the general economic recovery of 1933 to 1937.

However, the lasting effects of the HOLC will long outlive its immediate accomplishments. Through the acquisition of the bulk of dubious mortgages, the HOLC has to a considerable extent cleared the field of home mortgage credit. In connection with its refinancing operations, interest rates were reduced and loan terms improved to the borrowers' advantage. Practically all of the Corporation's loans, even though below the average as risks, now bear 5 percent interest per year as against 6, 7, or 8 percent which many borrowers were paying before their loans were refinanced by the HOLC. Many of the original mortgages taken over by the Corporation were of the short-term variety, repayable in one lump sum at maturity. The disadvantages of this type of mortgage from the borrower's standpoint are obvious. The HOLC loans, on the other hand, were based on the "direct-reduction" plan providing for the gradual and orderly retirement of the principal indebtedness through regular monthly payments over a long-term, 15-year period. The Federal Government, by underwriting more than $3 billion of these loans in one enormous operation, thus made available to one million distressed home owners the most advantageous low-cost loan amortization plan in the history of the United States.

The Corporation's standard use of the "direct-reduction" plan has stimulated a general acceptance of long-term amortized mortgage loans by private financial institutions throughout the country. In addition, by extending the first mortgage loan to as much as 80 percent of the appraised value of the property, the Corporation has encouraged a similar liberality for amortized loans on the part of private lenders.

With its large reconditioning program on which more than $112 million has been expended, the HOLC has assisted in the recovery of the building industry and the reemployment of workers in the building trades. At the same time, it has demonstrated to private home-financing institutions the advantages that a well-directed reconditioning program can yield both in protecting an institution's active loans and stimulating the rental and sale of acquired properties.

Finally, another highly important achievement has been the improvement of appraisal technique. The importance of reliable appraisals to the real estate market and to a sound mortgage credit structure can hardly be overestimated. Reliable appraisals form the basis for secure investment, and the collapse of mortgage finance during the depression might well be attributed in part to the previous lack of uniform and scientific appraisals. The HOLC played an important part in making the country "appraisal conscious". In the course of its operations, the HOLC contributed largely to the development of a scientific appraisal technique and the training of a skilled

98591—38——6

appraisal personnel. For the first time in the history of American real estate, a nation-wide scientific appraisal procedure and a standardized appraisal formula were developed which could be applied to all types of residential property throughout the country.

PROGRESS IN LIQUIDATION

During the fiscal year ended June 30, 1938, the Home Owners' Loan Corporation has made further progress in liquidation. The following table reflects the trend of liquidation from the beginning of operations to June 30, 1938, together with comparable figures as of June 30, 1937. The table shows that at the end of the fiscal year 1938, $432.5 million of the total borrowers' indebtedness of $3,133.8 million (including original loans and advances) had been repaid. An amount of $487.2 million was transferred to property and other accounts, including sales on extended terms to third parties at foreclosure, etc. The balance of original loans and advances outstanding on June 30, 1938, was $2,214.1 million as compared with $2,549.5 million at the end of the preceding fiscal year.

Realization upon HOLC loans

	Up to June 30, 1937	Up to June 30, 1938
Original amount of loans closed	$3,093,459,363	$3,093,450,642
Advances to borrowers, and interest merged with principal in extension agreements	18,863,605	40,325,427
Cumulative gross indebtedness of borrowers	3,112,322,968	3,133,776,069
Less principal repayments [1]	270,068,891	432,520,240
Unpaid balance	2,842,254,077	2,701,255,829
Less balances transferred to property [2] and to other accounts	292,730,356	487,191,512
Balance of original loans and advances outstanding	2,549,523,721	2,214,064,317

[1] In addition to the principal repayments to June 30, 1938, approximately $15,000,000 has been received from property sales, vended payments, and other items applicable to the capital value of property.

[2] Includes both property owned and property in foreclosure on which a foreclosure judgment has been obtained or foreclosure sale has been held subject to a redemption period. Subsequent to the transfer of defaulted loans to property, the unpaid principal balance of the loans so transferred has been increased by approximately $105,000,000 to June 30, 1938. This increase is comprised of (1) the unpaid interest on the loan account at time of transfer, (2) initial repairs and improvements, and (3) acquisition costs, taxes, and other items applicable to the period prior to the acquisition of absolute title.

On June 30, 1938, 34,907 loans totalling $79,159,173 had been voluntarily paid in full by original borrowers. This compares with 19,325 paid-in-full loans totalling $42,885,406 as of June 30, 1937.

In addition to the above cited terminations of original loans by voluntary payment in full, a number of accounts have been terminated by cash sales to third parties at time of foreclosure, paid-in-full vendee instruments, and cash sale of acquired properties. The following table gives a summary of terminated accounts:

Comparison of cumulative total of HOLC accounts terminated for June 30, 1937, and June 30, 1938 [1]

	June 30, 1937	June 30, 1938
Mortgage loans paid in full	19,325	34,907
Cash sales at foreclosure	164	458
Vendee instruments paid in full	13	71
Cash sales of acquired properties	181	1,025
Total accounts terminated	19,683	36,461

[1] An account is terminated when it is fully collected either through payment of the loan or cash sale of the acquired property.

THE TREND OF COLLECTIONS

During the fiscal year 1938, payments applied to original loan accounts aggregated $278,984,255, of which $162,451,349 represented repayments of principal, and $116,532,906 payments of interest. This compares with aggregate payments of $291,065,215, during the fiscal year 1937, of which $149,028,280 was principal and $142,036,935, interest.

The decrease of interest payments and the increase of principal repayments is the natural result of the direct-reduction amortization plan on which the HOLC mortgage loans are based. Interest on these loans is calculated monthly on the constantly reducing principal of the loan. Interest payments, therefore, decrease continuously in the course of operations. The amount of principal repayments, on the other hand, necessarily increases because a growing percentage of the borrowers' monthly payments is being applied to the reduction of the principal.

At the end of the fiscal year 1938, there were 270,144 accounts in actual default, that is, in arrears for more than 3 months, as against 331,664 at the end of the preceding fiscal year. This decrease was due partly to improved collections as reflected in transfers from defaulted accounts to current accounts and to payments of defaulted loans in full, but also to extension agreements [2] and the elimination of accounts through transfer to property account.[3] The decline of defaulted accounts as a whole should therefore not be taken to indicate an improvement of collections.

[2] See p. 74.
[3] See pp. 81–82.

The following table gives a summary of debtor accounts which are in arrears from 1 to 3 months and over 3 months:

Number and amount of accounts in arrears [1]

	Year	Number	Percent of total accounts	Amount	Percent of total maturities
NUMBER OF ACCOUNTS IN ARREARS 1 TO 3 MONTHS AND AMOUNT OWED					
June	1936	232,056	23.1	$7,755,000	1.7
December	1936	233,498	24.0	8,406,000	1.4
June	1937	218,003	23.4	7,869,000	1.1
December	1937	233,598	25.9	8,050,000	0.9
June	1938	247,522	28.2	8,027,000	0.8
NUMBER OF ACCOUNTS IN ARREARS OVER 3 MONTHS AND AMOUNT OWED					
June	1936	397,533	39.5	$108,844,000	24.4
December	1936	371,236	38.1	120,293,000	20.0
June	1937	331,664	35.7	113,260,000	15.3
December	1937	290,464	32.2	105,972,000	12.0
June	1938	270,144	30 8	98,761,000	9.8

[1] The table covers all accounts in arrears prior to the transfer of defaulted loans to property account.

The above figures should be interpreted in the light of the fact that nearly 50 percent of all borrowers in default are liquidating their arrearages by systematic payments. This means that one-half of the defaulted borrowers make regular payments for the liquidation of their arrearages in addition to their current monthly remittances.

METHODS OF DEALING WITH DEFAULTS

It is the policy of the HOLC to exhaust every means of avoiding foreclosure. Individual attention is given to each defaulted borrower. Each case is handled on its own merits with a view to enabling the borrower to retain his home. Efforts are made to find jobs for those borrowers who, because of unemployment, have become seriously in arrears. Attempts are made to obtain public assistance for the most needy cases. Those borrowers who are found to be burdened with obligations beyond their income have frequently been assisted in renting or selling their properties.

In February 1937, moreover, the HOLC established a new policy providing for loan extensions as a means of assistance to those borrowers who are not able to meet their obligations in full. Under this procedure defaulted loans can be recast, in certain types of cases, to arrange for the liquidation of arrearages over a period within the borrower's ability to pay, but not to exceed the present term of the loan. In August 1937 the plan was extended to include any borrower in arrears who has demonstrated, over a substantial period, his ability to pay a sum in addition to the monthly installment called for in the loan contract, provided that the condition of the security justifies an extension.

In the fiscal year 1938 a great deal of effort was devoted to the handling of such loan extensions. Nearly 39,000 extensions were granted, the majority of which involved borrowers who had demonstrated their ability to make liquidating payments over a substantial period, thereby justifying the recasting of the entire present balance and defaulted interest. In many of these cases, delinquent taxes were advanced by the Corporation and included in the extension amount. In about 1,100 cases, accounts of defaulted borrowers were extended in order to enable the borrowers to sell their properties. A sufficient initial payment by the purchaser to demonstrate good faith was a prerequisite to each extension of this latter type.

TAX DEFAULTS

One of the most serious problems is the liquidation of the tax arrearages of borrowers. Approximately 40 percent of HOLC borrowers are delinquent in taxes for one or more of the years 1933 to 1937. While this situation has been recognized from the outset, a great deal of attention was devoted to the problem during the past fiscal year in order to offer the greatest possible assistance to borrowers and at the same time assure the greatest measure of protection to the Corporation. Through field representatives, an intensive campaign was conducted to urge the prompt payment of tax arrearages by borrowers. However, in many cases it is impossible for borrowers to pay the total amount of taxes out of their small incomes. Borrowers were, therefore, permitted to make monthly deposits with the Corporation for the purpose of liquidating tax arrearages or paying accruing taxes. At the end of June 1938, special deposit agreements of this sort were in effect with 34,116 borrowers and the balance of deposits in these accounts aggregated $1,437,869.

COSTS OF LOAN SERVICE

The costs of loan service are, of course, influenced by the fact that, unlike any other home-financing institution, the HOLC has refinanced only home owners threatened with the loss of their properties. This makes collection costs necessarily high. To conduct its loan service effectively, the HOLC cannot merely mail out collection bills each month. Continuous and extensive contact, both mail and personal, must be maintained with its borrowers regarding arrears in interest or principal payments, taxes and assessments, or regarding advances made by the Corporation for necessary repairs, taxes, or insurance. Furthermore, its loan service extends to all areas of the United States, thickly and scantily populated alike. Finally, the HOLC as a public agency has to gear its loan service not only to the protection of the Government's interests but to the welfare of its borrowers. The procedures maintained for the rehabilitation of borrowers are costly, and the HOLC is under considerable expense in the development of tax-liquidating arrangements and extension agreements as explained.

On June 30, 1937, personnel engaged in the servicing of loans totaled 3,682 with annual salaries of $6,008,620. On June 30, 1938, this had been reduced to 2,693 employees with total annual salaries of $4,891,160, a reduction of 27 percent in number of employees and 19 percent in annual salary cost. At the end of the fiscal year there were 405 accounts in arrears for every employee in the eleven Regional Loan Service Divisions. In State and district offices and loan service stations, there were 172 borrowers being contacted personally for every loan service employee, including service representatives and supervisory and clerical personnel.

During the fiscal year 1938 the average annual servicing cost, including pay roll, mileage, and subsistence per account in arrears, was $14.50. Regional office expense accounted for $4.25 of this amount while the salaries and travel expense in State and district offices and loan service stations amounted to $10.25 per account in arrears. The entire salary and travel cost of loan servicing during the fiscal year was equivalent to 2.3 percent of the total amount collected from borrowers.

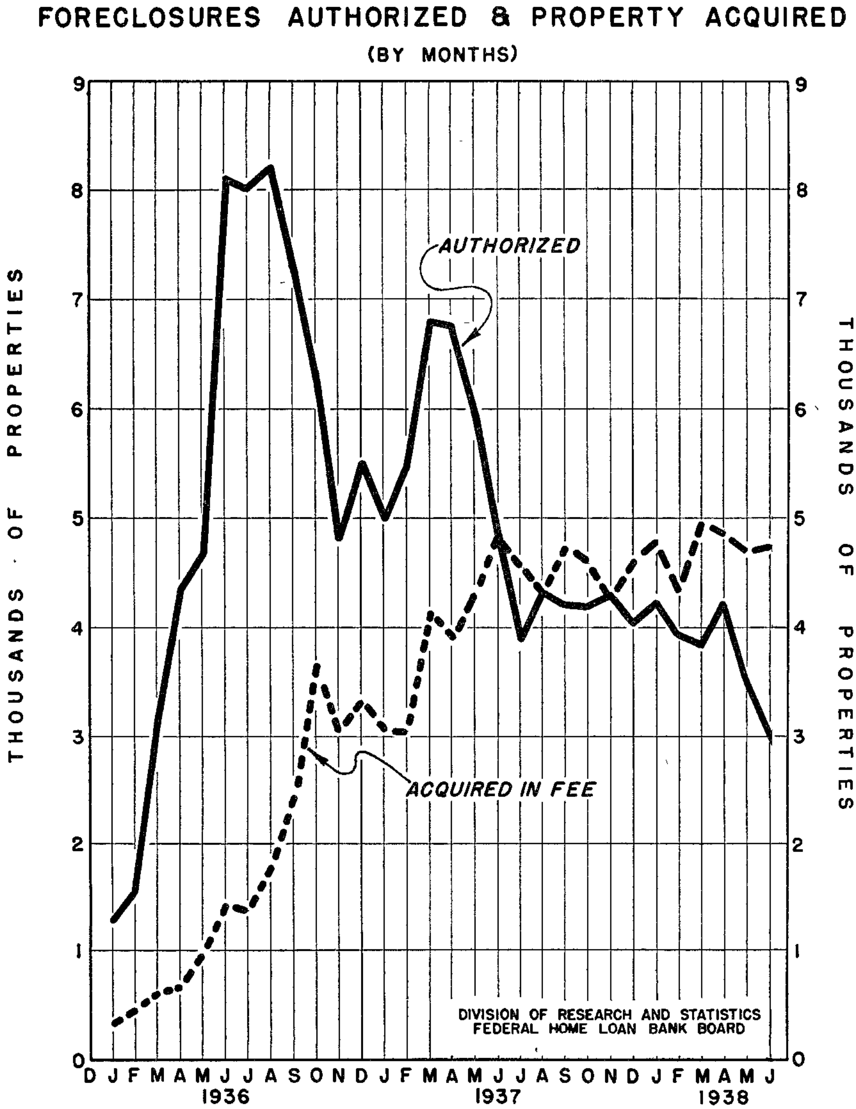
DECREASE OF FORECLOSURES

Despite the business recession, which developed in the latter part of 1937, the trend of foreclosures authorized by the HOLC was downward. In the fiscal year ended June 30, 1938, there were 47,745 foreclosures authorized as compared with 76,896 in the preceding fiscal year; in the second half of the fiscal year, 22,763 foreclosures were authorized as against 24,982 in the first half. Withdrawals of foreclosure actions during the fiscal year 1938 totalled 7,143 as against 6,032 in the preceding fiscal year.

These figures reflect the policy of the HOLC to extend every reasonable consideration to the borrower before proceeding to foreclosure as the last resort. This course is pursued even though the borrower may be many months in arrears, beyond the required minimum of 90 days as provided in the Corporation's mortgages and trust deeds.

The following graph presents the trend of foreclosures authorized and properties acquired, by months, from January 1936, through

CHART XIV



June 1938. It shows that the peak of foreclosure authorizations was reached in the summer of 1936, and that, except for an increase in the spring of 1937 and minor variations, the trend has been downward ever since.

In Exhibit 34, a summary of foreclosure operations of the HOLC is set forth. It shows that from 1934 to June 30, 1938, 152,292 foreclosures were authorized, of which 13,855 cases have been withdrawn—100,022 properties were acquired. The remainder comprised cases in which properties have been redeemed or sold to third parties, and cases in which final disposition of the title was awaiting expiration of redemption periods or the completion of other steps in foreclosure proceedings.

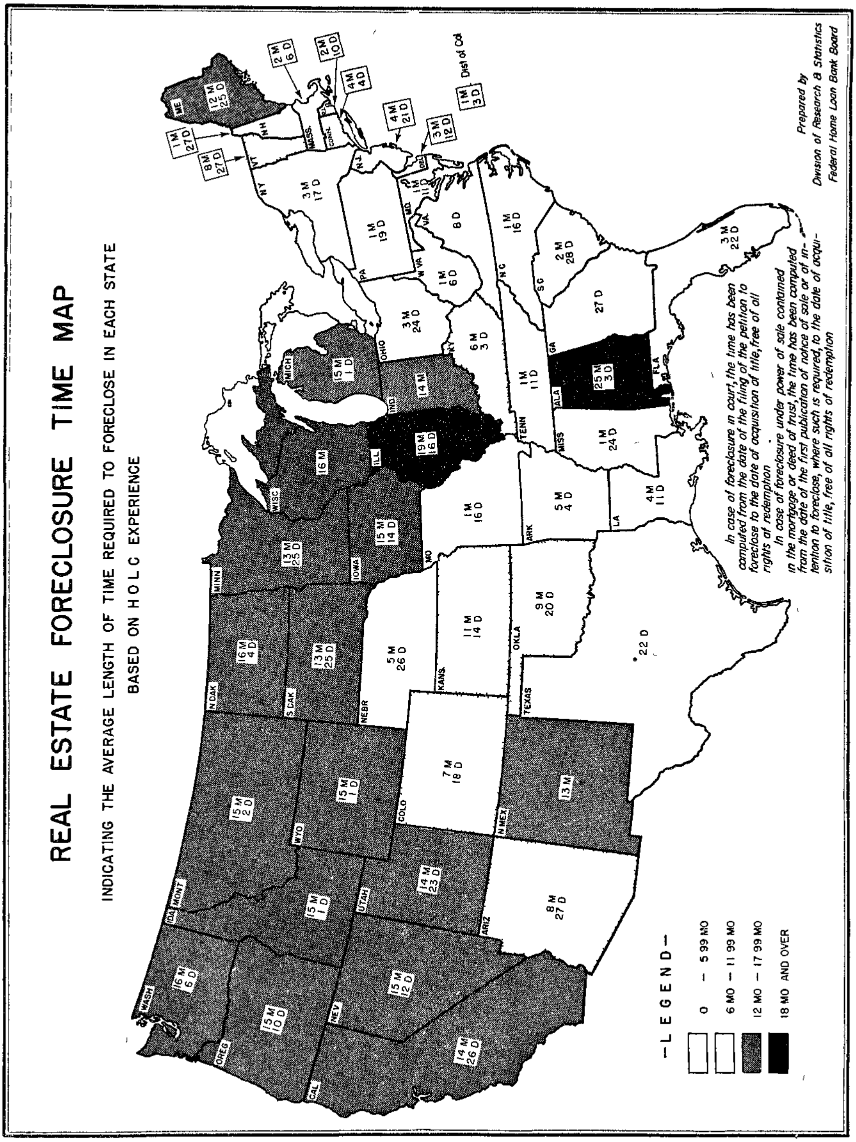
COST AND TIME OF FORECLOSURE

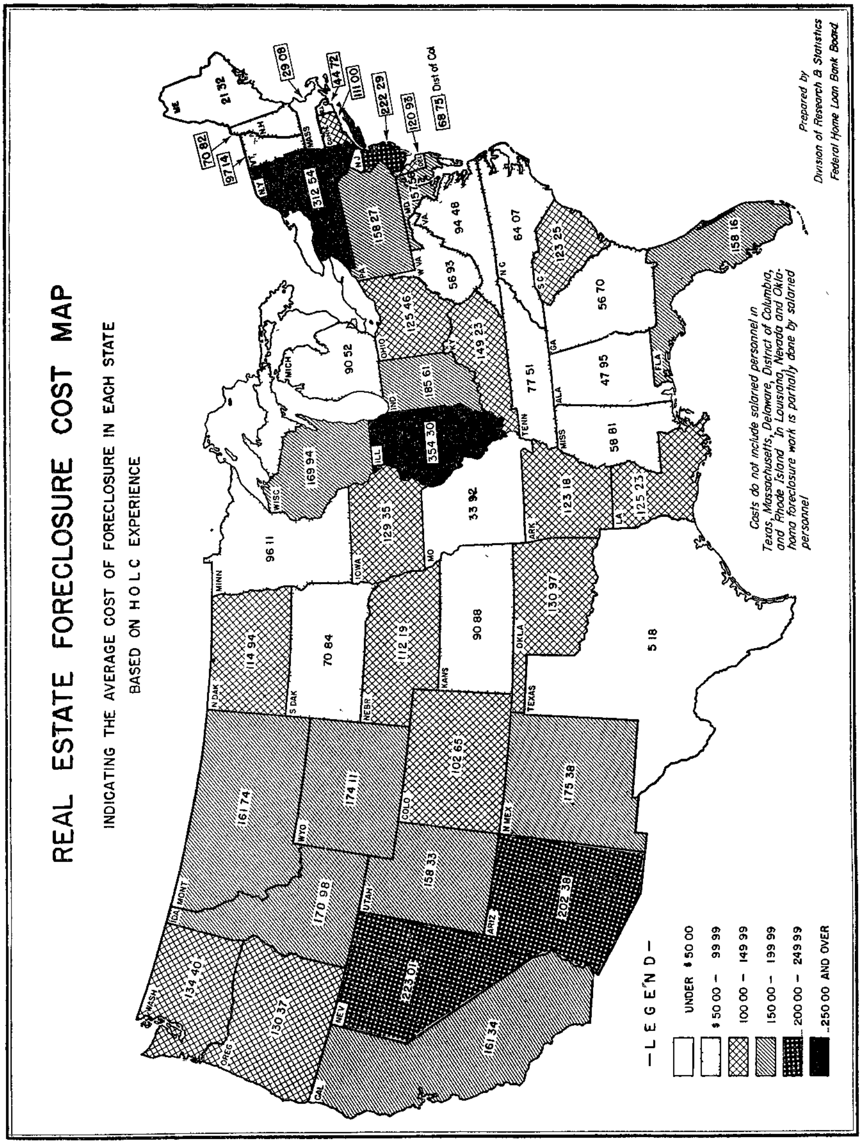
Owing to the extent of its operations, the Corporation has accumulated what is perhaps the widest experience in foreclosure procedure and cost in this country. The two foreclosure maps on pages 79 and 80 show the unreasonably large diversity of foreclosure costs and periods of time required to complete foreclosure in the various States. They demonstrate convincingly the need for greater uniformity in State mortgage and foreclosure laws.

The two common methods of foreclosure are: (1) Foreclosure by court action, under the mortgage; and (2) foreclosure under power of sale contained in the deed of trust or mortgage, involving the simple procedure of advertisement. Under court action, both the foreclosure costs and the time required to foreclose are greater than under the power of sale method.

In about 30 States in which the HOLC has foreclosed by court action, the cost has averaged about $175 and, in the remaining 19 States, including the District of Columbia where the power of sale method is used, the cost has averaged about $70 a case. Most of the latter States are located in the southeastern part of the United States, with a few in the East, Mid-West, and South. In five of the States in which court action has been used—New York, New Jersey, Illinois, Nevada, and Arizona—the cost has ranged from $200 to $350.

However, the HOLC foreclosure costs have been far less than those of private lending agencies. Great care has been taken to keep these costs as low as feasible. Under the direction of the Washington Office, fee schedules have been set up in each State upon a fair and reasonable basis. As a result, the HOLC has saved approximately $1,500,000 in fees in one State alone.


REAL ESTATE FORECLOSURE TIME MAP
INDICATING THE AVERAGE LENGTH OF TIME REQUIRED TO FORECLOSE IN EACH STATE
BASED ON H O L C EXPERIENCE
WASH 16 M 6 D
OREG 15 M 10 D
CAL 14 M 26 D
IDA 15 M 1 D
MONT 15 M 2 D
NEV 15 M 12 D
UTAH 14 M 23 D
ARIZ 8 M 27 D
WYO 15 M 1 D
COLO 7 M 18 D
N MEX 13 M
N DAK 16 M 4 D
S DAK 13 M 25 D
NEBR 5 M 26 D
KANS 11 M 14 D
OKLA 9 M 20 D
TEXAS 22 D
MINN 13 M 25 D
IOWA 15 M 14 D
MO 1 M 16 D
ARK 5 M 4 D
LA 4 M 11 D
WISC 16 M
ILL 19 M 16 D
MICH 15 M 1 D
IND 14 M
OHIO 3 M 24 D
KY 6 M 3 D
TENN 1 M 11 D
MISS 1 M 24 D
ALA 25 M 3 D
GA 27 D
FLA 3 M 22 D
SC 2 M 28 D
NC 1 M 16 D
VA 8 D
W VA 1 M 6 D
PA 1 M 19 D
NY 3 M 17 D
MD 1 M 11 D
DEL 3 M 12 D
N J 4 M 21 D
CONN 4 M 4 D
R I 2 M 10 D
MASS 2 M 6 D
VT 8 M 27 D
N H 1 M 27 D
ME 12 M 25 D
1 M 3 D Dist of Col
— L E G E N D —
0 - 5 99 MO
6 MO - 11 99 MO
12 MO - 17 99 MO
18 MO AND OVER
In case of foreclosure in court, the time has been computed from the date of the filing of the petition to foreclose to the date of acquisition of title, free of all rights of redemption.
In case of foreclosure under power of sale contained in the mortgage or deed of trust, the time has been computed from the date of the first publication of notice of sale or of intention to foreclose, where such is required, to the date of acquisition of title, free of all rights of redemption.
Prepared by Division of Research & Statistics Federal Home Loan Bank Board


REAL ESTATE FORECLOSURE COST MAP
INDICATING THE AVERAGE COST OF FORECLOSURE IN EACH STATE
BASED ON H O L C EXPERIENCE
WASH 134 40
OREG 130 37
CAL 161 34
IDA
MONT 161 74
NEV 223 01
UTAH 158 33
ARIZ 202 38
WYO 174 11
COLO 102 65
N MEX 175 38
N DAK 114 94
S DAK 70 84
NEBR 112 19
KANS 90 88
OKLA 130 97
TEXAS 5 18
MINN 96 11
IOWA 129 35
MO 33 92
ARK 123 18
LA 125 23
WISC 169 94
ILL 354 30
MICH 90 52
IND 185 61
OHIO 125 46
KY 149 23
TENN 77 51
MISS 58 81
ALA 47 95
GA 56 70
FLA 158 16
S C 123 25
N C 64 07
VA 94 48
W VA 56 93
PA 158 27
N Y 312 54
N J
MD
ME 21 32
MASS
CONN
70 82
97 14
29 08
44 72
111 00
222 29
120 93
68 75 Dist of Col
—L E G E N D—
UNDER $50 00
$50 00 – 99 99
100 00 – 149 99
150 00 – 199 99
200 00 – 249 99
250 00 AND OVER
Costs do not include salaried personnel in Texas, Massachusetts, Delaware, District of Columbia, and Rhode Island In Louisiana, Nevada and Oklahoma foreclosure work is partially done by salaried personnel
Prepared by
Division of Research & Statistics
Federal Home Loan Bank Board

In the States which use the power of sale procedure, only about 1 to 2 months is required to complete the foreclosure; in States which use court action and in which there is no redemption period, about 3 to 4 months is required to foreclose; whereas in most of the Western States in which the law allows a redemption period, the average time to complete foreclosure is about 14 months. Twenty-five States (mostly in the West) have redemption periods ranging from 6 to 24 months. In five of these States, the redemption period is 6 months; in another, 9 months; in six States, the period is 12 months; and in another, 18 months; and one State has a 24 months' redemption period.

Six of the States have moratoria laws applicable to HOLC loans. Steps are being taken to test their constitutionality in Wisconsin and Iowa, where such laws most affect the HOLC operations by reason of the extra cost and additional time required to complete foreclosure.

ACQUISITION AND SALES OF PROPERTIES

With the increase in the number of properties acquired and in process of acquisition, property management has become a progressively more important factor in the program of liquidation in which the HOLC is engaged. It is a highly specialized task involving not only the reconditioning, rental, and eventual sale of properties in such a way as to produce a maximum return and recovery on the Corporation's investment, but likewise a thorough consideration for real estate and economic conditions both locally and generally.

In the following table a survey is given of properties under jurisdiction of the Property Management Division of the HOLC:

	Properties owned	Properties in process of acquiring title	Properties on which foreclosure or deed acceptance pending	Total properties
June 30, 1936	5,133	2,391	21,151	28,675
December 31, 1936	20,856	15,416	29,359	65,631
June 30, 1937	42,486	27,610	25,064	95,160
December 31, 1937	65,950	25,410	21,460	112,820
June 30, 1938	82,987	20,145	17,043	120,175

Exhibit 35 shows properties under jurisdiction of the Property Management Division on June 30, 1938, by regions.

During the fiscal year 1938, 55,453 properties were acquired as against 39,534 in the preceding fiscal year. In the same period there was a total sale of 15,350 properties as against 2,231 properties in the preceding year. On June 30, 1938, properties owned totalled 82,987, while those in process of acquiring title numbered 20,145. This compares with 42,486 and 27,610 properties, respectively, on June 30, 1937. The capital value [4] of owned properties on hand as of June 30, 1938, was $437,605,041 as against $211,484,565 as of June 30, 1937.

Cumulative sales of the Corporation as of June 30, 1938, amounted to 17,532 properties sold at a total price of $62,998,733. This compares with a capital value of these properties as on the books amounting to $70,747,947.

Chart XV on the opposite page shows the number of properties sold by months and cumulative.

It is the policy of the Corporation to liquidate through sale, and if possible, without loss all acquired properties as rapidly as is consistent with the best interests of the Government. However, at all times the need for continued stabilization of the real-estate market is taken into consideration. Properties which the HOLC is obliged to take over are priced in line with their current market value and potentialities for sale. It is not the policy of the Corporation to dump them on the market at sacrifice prices.

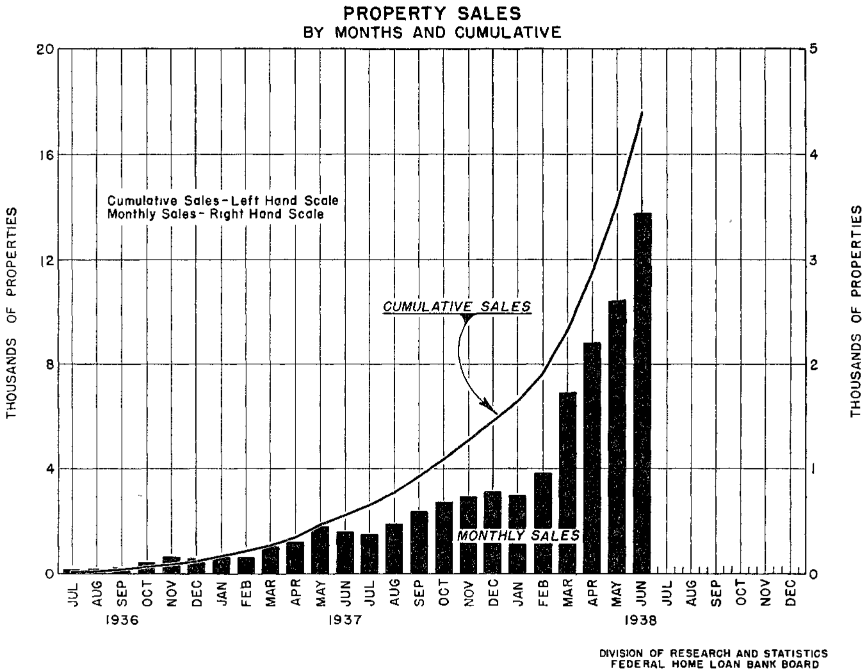
It is the practice of the Corporation to sell, rent, and manage its properties through real-estate brokers where satisfactory arrangements can be made for such purposes. The Corporation has appointed more than 2,800 contract sales and management brokers and more than 15,000 other approved brokers.

Average monthly receipts of the Property Management Division, including rents collected and miscellaneous receipts, increased from $488,563 in the fiscal year 1937 to $1,573,495 in the fiscal year 1938. The cumulative total of collections since the beginning of operations

[4] The capital value of property is comprised of the following elements. (a) Unpaid principal balance of loans, advances, and interest merged with principal in extension agreements, at the time of foreclosure judgment or foreclosure sale where such sale is not preceded by a judgment; (b) unpaid accrued interest to date of foreclosure judgment or foreclosure sale where such sale is not preceded by a judgment; (c) all foreclosure and acquisition costs; (d) all expenditures, less all receipts, regardless of nature, applicable to the period between foreclosure as described in (a) and the acquisition of absolute title; (e) *initial* repairs or reconditioning regardless of nature; (f) assessments with benefits of more than 1 year; and (g) improvement or other expenditures which enhance physical value.

increased from \$7,595,617 as of June 30, 1937, to \$26,477,551 as of June 30, 1938. The net operating income of the Property Management Division cumulative to June 30, 1938, amounted to \$2,766,497. This net operating income is derived from the management of owned properties under the jurisdiction of the Division after deduction of property expense for taxes, insurance, maintenance, miscellaneous, and management commissions, from the total rental property income received.

CHART XV



For the fiscal year 1938, personnel expense of the Property Management Division amounted to \$4,418,466. On the basis of June 1938 figures, the pay roll of the Division was \$3.41 per month per property under the jurisdiction of the Division. As of July 1, 1938, the number of Property Management employees was divided as follows: Home Office, 102; Regional Offices, 863; and State and District Offices, 1,922.

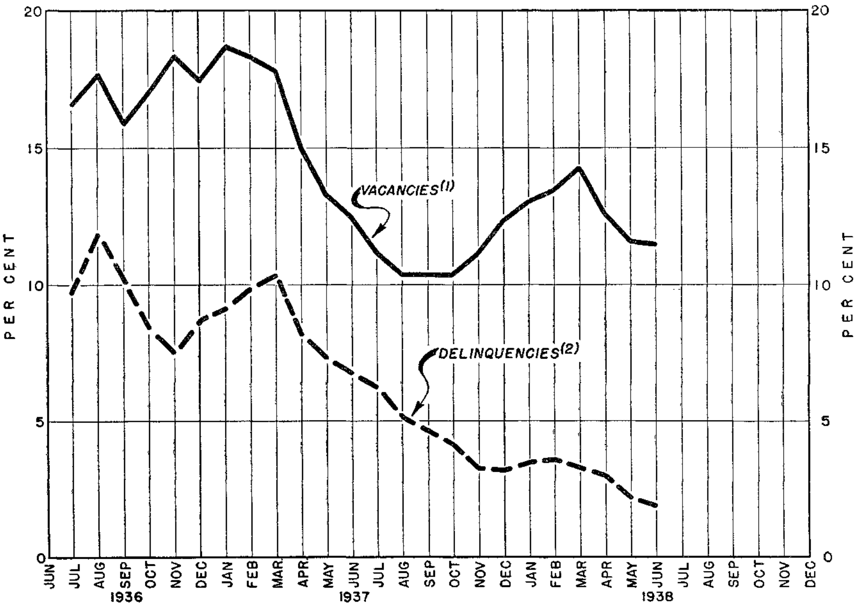
RENTING OF PROPERTIES

Of the dwelling units under the jurisdiction of the Property Management Division available for rental,[5] 65,805 units were rented, and 9,323 [6] were vacant at the end of the fiscal year 1938.

The following Chart presents the trend of vacancies and rental delinquencies from July 1936 through June 1938 (for actual figures see Exhibit 36):

CHART XVI

VACANCIES AND DELINQUENCIES



(1) Percentages of vacant units to units available to yield income
(2) Percentages of tenants in possession delinquent more than one month to units rented

DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

The Chart shows that vacancies as well as rental delinquencies were almost continuously decreasing during the period under consideration. At the end of 1937 and in the first few months of 1938, vacancies and

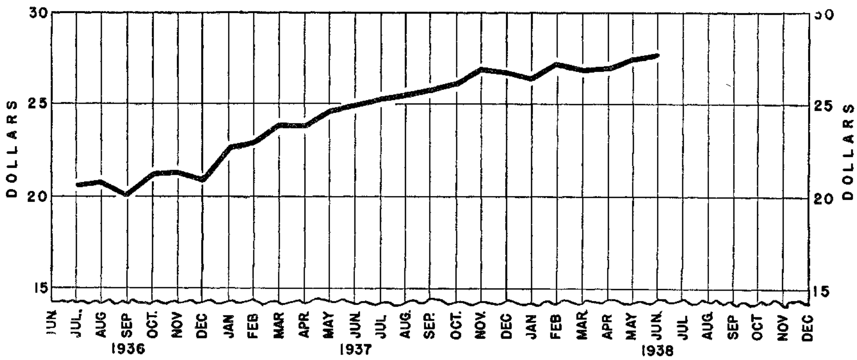
[5] Units not available for rental comprise those upon which authorized foreclosure or voluntary deed acceptances are pending, where the Corporation does not have possessory rights or income; those vacant subject to expiration of redemption period; those in charge of receiver, held vacant for repairs, held vacant for immediate sale, adversely occupied, and those awaiting report.
[6] Including 661 units in which tenants were in process of eviction.

rental delinquencies slightly increased as a result of adverse business conditions, but toward the end of the fiscal year a more normal situation was restored.

In the last two fiscal years, the average monthly rental per unit rented showed a steady increase which was almost unaffected by the recession in 1937. This average rose from $20.59 in July 1936 to $26.90 in November 1937 and reached $27.66 in June 1938 (for complete figures see Exhibit 36).

CHART XVII

AVERAGE PRICE PER UNIT RENTED



DIVISION OF RESEARCH AND STATISTICS
FEDERAL HOME LOAN BANK BOARD

While the above Chart reflects the continuous efforts on the part of the HOLC to improve its rental operations, it confirms, at the same time, the general picture of a stable rental market given in Section II of the present report.[7] Because of the large extent of its rental operations, the experience of the HOLC in this field may safely be taken as indicative of the general trend throughout the country.

VOLUME OF RECONDITIONING

In view of the dire need for wholesale reconditioning in this country, particular attention may be drawn to the reconditioning experience of the Corporation. It is the policy of the HOLC that every home on which it holds a mortgage be in such condition of repair that the property will be protected against serious deterioration and will constitute adequate security for the Corporation's long-term loan. In

[7] Pp. 12–14.

cases where title has been acquired, the reconditioning operations place the property in a condition to invite sale or rental and to compete favorably with typical properties in the immediate neighborhood.

Since the beginning of reconditioning operations up to the end of the fiscal year 1938, the Corporation has completed 615,034 cases of reconditioning with a total expenditure of $112,883,184.[8] Approximately 500,000 small homes thus were protected against undue deterioration.

It is estimated that each 1,000 dollars of repair expenditure represents in excess of 100 days of labor. On this basis, the reconditioning operations of the HOLC have created between 11 and 12 million working days for masons, carpenters, plumbers, painters, and others in the building trades. Thousands of contractors throughout the Nation have benefited. The manufacturing of building materials has been stimulated and the sale of such materials in local communities greatly increased.

The following table presents detailed information on the various types of reconditioning cases completed during the fiscal year and since the beginning of operations:

Reconditioning operations (contracts completed)

Type of case	July 1, 1937 through June 30, 1938	Cumulative through June 30, 1938
Property Management	109,934	159,161
Advances	2,104	8,566
Insurance	5,781	29,967
Refinancing	721	[1] 417,340
Total	118,540	[1] 615,034

[1] Includes 52,269 reconditioning jobs estimated by the Reconditioning Division as having been completed by the Corporation before the organization of the Reconditiomng Division on June 1, 1934.

"Property Management" indicates reconditioning completed on properties under the jurisdiction of the Property Management Division.

"Advances" cover cases in which reconditioning advances have been granted to borrowers since closing loans.

"Insurance" refers to reconditioning covered by insurance proceeds and performed under the supervision of the Reconditioning Division.

"Refinancing" refers to reconditioning loans given in connection with the original refinancing of mortgage loans by the Corporation.

[8] These figures include 52,269 reconditioning jobs amounting to approximately $6,800,000, which had been completed by the Corporation before the organization of the Reconditioning Division on June 1, 1934. They include also 29,967 insurance loss cases amounting to $4,779,802, completed under the supervision of the Reconditioning Division in which the reconditioning was covered by insurance proceeds instead of by advances by the Corporation. They do not include maintenance by contract management brokers in behalf of the HOLC or reconditioning in insurance loss cases in which the work was not supervised by the Reconditioning Division.

In the fiscal year 1938, the trend of reconditioning operations was upward, due primarily to the increase in "Property Management" cases; that is, in cases where, by reconditioning, acquired properties have been prepared for sale. During the fiscal year, the total number of reconditioning contracts completed was 118,540, amounting to $23,146,876. This compares favorably with the 84,395 cases aggregating $16,015,838 in the preceding fiscal year.

COST AND EFFECT OF RECONDITIONING

HOLC experience indicates that, on the average, rehabilitation of typical home properties can be undertaken with comparatively little expenditure per property. Average expenditure for reconditioning on a cumulative basis from the beginning of operations was $184 for all types of reconditioning cases. Average reconditioning expenditure for the preparation of acquired properties for the rental or sales market was $310 on initial type of cases.

The overhead costs to be attributed to reconditioning operations are not included in these figures. The average salaried personnel cost per case disposed of has decreased steadily, as is indicated by the following figures:

December 1936	$27.60
June 1937	17.47
December 1937	12.85
June 1938	8.15

Chart XVIII on the following page shows the purposes for which the average reconditioning dollar was spent. The diagram is based upon a sample analysis of representative initial reconditioning cases on acquired properties in process during March 1938.

The experience of the Corporation has demonstrated that the expenditure of reasonable amounts for putting properties into good shape has a favorable influence on sales. Reconditioned properties are commanding rentals substantially higher than before reconditioning, and there is a ready market for them irrespective of season, as promptly as they can be put into shape. In many sections of the country where, in the past, properties could be rented or sold only for May and September or October occupancy, there is no difficulty in overcoming this barrier after reconditioning.

The success of the Corporation's reconditioning policy has done much to stimulate private owners and lending institutions in adopting a similar practice. Operators in the real-estate field are becoming

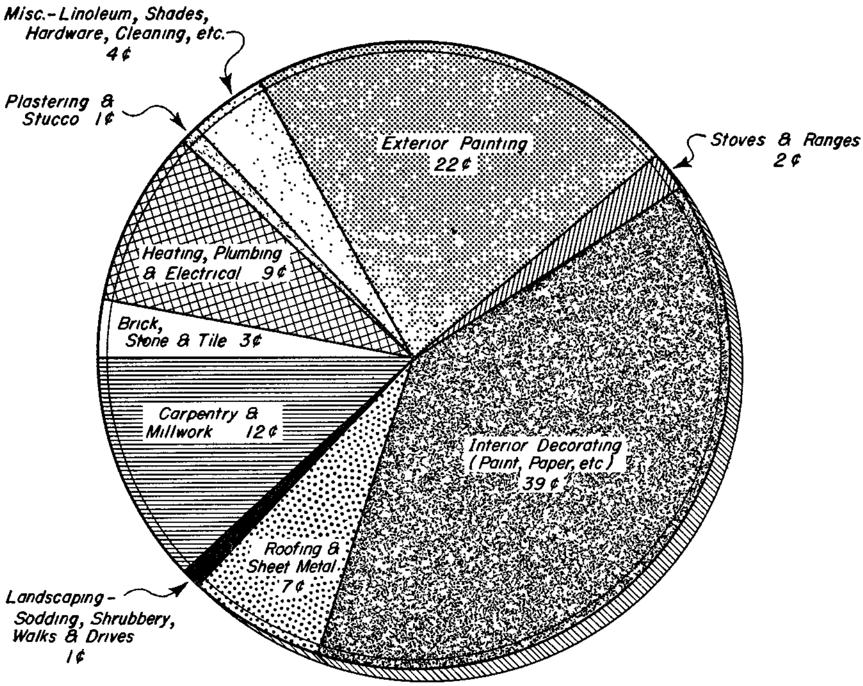
98591—38——7

more and more convinced of the importance of reconditioning and its appeal to the prospective renter or purchaser.

It is of particular significance that through the reconditioning operations of the HOLC, technical direction and supervision of reconditioning have been injected into the making of mortgage loans on existing homes as distinguished from new homes. All of the construction techniques of plans, specifications, contracts, and supervision, have been employed in the reconditioning of homes which in ordinary practice are not the subject of such professional attention.

Chart XVIII

WHERE THE RECONDITIONING DOLLAR GOES



The extension of similar services to the construction of small homes through the Federal Home Building Service Plan (see p. 39) is one of the most important developments from this experience.

ORGANIZATION AND PERSONNEL OF THE CORPORATION

When the HOLC was established in 1933, the Federal Home Loan Bank Board was charged with the responsibility of organizing and operating the Corporation. Forty-eight State offices were established and, in addition, offices in the District of Columbia, Hawaii, and Puerto Rico.

In the early part of 1934, it became apparent that it was impractical to handle the tremendous volume of administrative work through the central office in Washington. Regional offices were therefore established in the following cities: Boston, New York, Baltimore, Atlanta, Memphis, Cincinnati, Chicago, Detroit, Dallas, Omaha, and San Francisco.

Besides these 11 regional offices, there were 53 State, division, and Territorial offices, 56 district offices, and 242 loan service stations operating at the end of the fiscal year 1938.

Loan service stations are posts of duty established strategically at points of loan concentration permitting contact with the Corporation's borrowers at a minimum of inconvenience and expense. Most of these small offices are in post-office space or the homes of HOLC representatives and involve no rental cost to the Corporation. A few are in rented space and some have collection facilities.

The personnel of the Corporation as of the end of the fiscal year totalled 13,140, including 45 employees on a per diem basis. Of this total, 1,549 were in the home office, 5,311 in the regional offices, and 6,280 in the State, division, and district offices. During the fiscal year, July 1, 1937, to July 1, 1938, there was a total reduction of 1,826 employees.

Trend of personnel

	Home office	Regional offices	State and district offices	Total
December 31, 1935	2,379	5,169	12,436	19,984
June 30, 1936	2,086	5,409	8,296	15,791
December 31, 1936	1,982	6,015	8,018	16,015
June 30, 1937	1,834	5,950	7,182	14,966
January 1, 1938	1,751	5,947	7,205	14,903
July 1, 1938	1,549	5,311	6,280	13,140

Detailed information on the number of employees by departments, divisions, and sections is given in Exhibit 37.

INVESTMENTS IN SAVINGS AND LOAN ASSOCIATIONS

By the Home Owners' Loan Act and subsequent amendments, the Corporation was authorized to invest $100,000,000 in the capital stock of the Federal Savings and Loan Insurance Corporation, and, within certain limits, to make investments in Federal and in State-chartered insured or uninsured savings and loan associations which are member institutions of the Federal Home Loan Bank System.

Investments in savings and loan associations during the fiscal year ending June 30, 1938, totaled $28,964,610 as compared to $119,890,300 in the preceding fiscal year. These investments were divided as follows:

Federal associations	$18, 864, 900
State-chartered associations	10, 099, 710

During the same period, an amount of $259,000 was retired, making net investment in savings and loan associations of $28,705,610. This brought the net total of investments in savings and loan associations on June 30, 1938, to $211,726,610, as compared to $183,021,000 on June 30, 1937.

During the fiscal year, the Corporation received $6,134,331 as dividends on its investments in savings and loan associations. This compares with $2,345,742 received during the preceding fiscal year.

Detailed statements of HOLC investments in savings and loan associations are attached as Exhibits 38 and 39.

SUMMARY OF FINANCIAL OPERATIONS

For the fiscal year 1938 the operating and other income of the HOLC was $142,145,615, including $6,134,331 in dividends received from investments in savings and loan associations. In the same period, operating and other expenses were $123,944,216. Thus, total income (before giving effect to losses in liquidation of assets during the fiscal year and provisions for losses on mortgage loans, properties, etc.) exceeded total expenses by $18,201,399.

Cumulatively to June 30, 1938, the total expenses of $587,168,834 (which includes $101,047,066 as provisions for reserves) exceeded the total income of $557,527,853 [9] by $29,640,981. This amount, to-

[9] This includes dividends of $11,596,187 received from investments in savings and loan associations and in the Federal Savings and Loan Insurance Corporation.

gether with net losses in liquidation of assets totaling $11,252,311, represents the deficit as of June 30, 1938 of $40,893,292, as compared with a deficit on June 30, 1937 of $31,740,151.

Detailed statements of income and expenses for the fiscal year ended June 30, 1938, and from the beginning of operations to June 30, 1938, as well as an analysis of changes in deficit for the fiscal year ended June 30, 1938, are attached as Exhibits 40, 41, and 42 respectively.

The Corporation's condensed balance sheet as of June 30, 1938, is presented in the following table:

Home Owners' Loan Corporation—Financial statement as of June 30, 1938

ASSETS

Mortgage loans, advances and sales instruments—At present face value		$2, 265, 153, 189. 38
Interest receivable		17, 307, 484. 89
Property:		
Owned	$437, 605, 041. 06	
In process of acquiring title	78, 601, 360. 14	
		516, 206, 401. 20
(At amounts represented by the unpaid balances of loans, advances and unpaid interest; foreclosure and other net costs to dates of acquisition; initial repairs and reconditioning, permanent additions and betterments subsequent to acquisition. Unpaid interest to dates of acquisition included in these costs amounts to $33,863,140.)		
		2, 798, 667, 075. 47
Less—Reserve for losses [1]		99, 977, 653. 88
		2, 698, 689, 421. 59

[1] The "Reserve for Losses" represents an accumulation of annual charges, which it is estimated will approximate eventually the total losses which may be sustained in the liquidation of mortgage loans, interest, and property. The total is the sum of amounts determined as follows:

(1) One-quarter of 1% of the original face amount of all loans recorded to June 30, 1935. Since that date monthly additions have been made to this reserve at the rate of one-quarter of 1% per annum on the unpaid balances of these loans and other loans made subsequent to that date.

(2) Total interest due and unpaid on mortgage loans as at June 30, 1938.

(3) Total unpaid interest, foreclosure, and other net costs to dates of acquisition of properties.

Losses amounting to $48,348.54 on mortgage loans have been charged to the Reserve. In addition, losses aggregating $7,749,213.71 on the capitalized value of property sold and commission and selling expenses of $3,459,202.24 have been charged directly to profit and loss.

Home Owners' Loan Corporation—Financial statement as of June 30, 1938—Con.

ASSETS—Continued

Investments—At cost:			
Federal Savings and Loan Insurance Corporation (entire capital)		$100, 000, 000. 00	
Savings and Loan Associations:			
Federal-chartered	$170, 764, 300. 00		
State-chartered	40, 962, 310. 00		
		211, 726, 610. 00	
			$311, 726, 610. 00
Bond Retirement Fund:			
Cash		90, 266, 430. 98	
United States Treasury Bonds, at face value		1, 100, 000. 00	
			91, 366, 430. 98
Cash:			
Operating funds (including $16,028,526.55 payable in July 1938 to Bond Retirement Fund, representing allocation for month of June 1938)		26, 575, 819. 03	
Special funds held by United States Treasury for payment of interest coupons (see Contra)		10, 657, 333. 34	
Special funds held for borrowers (see Contra)		1, 517, 474. 03	
			38, 750, 626. 40
Fixed assets:			
Home office land and building, at cost		2, 971, 539. 49	
Furniture, fixtures and equipment, at cost		3, 051, 561. 26	
		6, 023, 100. 75	
Less—Reserves for depreciation		2, 123, 027. 47	
			3, 900, 073. 28
Other assets:			
Accounts receivable		149, 480. 31	
Treasury bonds accepted as repayments (Retired in July 1938)		150. 00	
			149, 630. 31
Deferred and unapplied charges:			
Unamortized discount on refunded bonds		4, 820, 560. 36	
Unapplied property costs and expenses		1, 235, 284. 08	
Miscellaneous		56, 718. 59	
			6, 112, 563. 03
			3, 150, 695, 355. 59

Home Owners' Loan Corporation—Financial statement as of June 30, 1938—Con.

LIABILITIES AND CAPITAL

Bonded indebtedness:		
(Guaranteed as to principal and interest by the United States):		
Bonds outstanding, not matured		$2, 952, 169, 125. 00
Bonds matured, on which interest has ceased [2]		824, 725. 00
		2, 952, 993, 850. 00
Accounts payable:		
Interest coupons due July 1, 1938 and prior thereto (see Contra)	$10, 657, 333. 34	
Insurance premiums	1, 056, 320. 98	
Commission to sales brokers	689, 356. 23	
Special deposits by borrowers (see Contra)	1, 517, 474. 03	
Contracts outstanding for the repair and reconditioning of properties	5, 243, 989. 94	
Miscellaneous	28, 645. 45	
		19, 193, 119. 97
Accrued liabilities:		
Accrued interest on bonded indebtedness	16, 138, 122. 45	
Other accrued liabilities	293, 398. 46	
		16, 431, 520. 91
Deferred and unapplied credits		1, 970, 156. 52
Reserve for fidelity and casualties		1, 000, 000. 00
Capital stock less deficit:		
Capital stock:		
Authorized, issued, and outstanding	$200, 000, 000. 00	
Less—Deficit before full provision for losses which may be sustained in the liquidation of assets [1]	40, 893, 291. 81	
		159, 106, 708. 19
		3, 150, 695, 355. 59

[1] For footnote see page 91.

[2] This figure includes $592,225.00 of 4% bonds which are guaranteed as to interest, but not as to principal.

BONDS OUTSTANDING

In addition to its capital of $200,000,000, the HOLC has been authorized to issue bonds to a total not exceeding $4,750,000,000. These bonds were the primary source of funds for the vast refinancing program of the Home Owners' Loan Corporation and the above-mentioned investments.

The bond authorization has not been fully used. The gross amount of bonds issued through June 30, 1938, was $4,498,305,775. Of this, $1,206,852,225 has been refunded and $338,459,700 retired, a total of $1,545,311,925, in cancelled obligations. This left a net liability for bonds outstanding of $2,952,993,850, as compared to $3,013,149,650 on June 30, 1937. All bonds outstanding are guaranteed by the United States Government as to principal and interest, excepting 4 percent bonds which were guaranteed as to payment of interest only. A statement showing the coupon dates of the bonds, the coupon rate, the callable date, maturity date, total amount of each issue, the amount refunded and retired, and the balance outstanding is set forth in Exhibit 43.

In accordance with the provisions of the Home Owners' Loan Act, all payments made by borrowers on principal of the loans held by the Corporation have been applied to the retirement of bonds or are in the bond redemption fund for such retirement. By Board resolution, certain other receipts must likewise be applied to the retirement of bonds. Through June 30, 1938, total payments allocated to the sinking fund amounted to $445,854,344.

The HOLC continued its policy of exchanging 2¼ percent bonds for those bearing 2¾ percent and 3 percent rates, when advantageous market conditions prevailed. The amount of exchanges to June 30, 1938, involved approximately $1,200,000,000 of the Corporation's securities and will result in a net saving in interest to the HOLC of approximately $19,000,000. Of the cumulative total exchanges, over $750,000,000 was completed during the fiscal year 1938. Largely as a result of such exchanges, the average interest rate on all bonds was reduced from 2.585 percent as of June 30, 1937, to 2.527 percent as of June 30, 1938.

RECENT DEMANDS FOR FURTHER LIBERALIZATION OF LOAN TERMS

During the reporting period, demands for far-reaching changes in the Corporation's loan terms have been made, and such demands have led to the introduction of various resolutions and legislative proposals in Congress. The principal demands are: First, to lower the rate of interest; second, to extend the amortization period; and third, to introduce a moratorium on principal payments for a number of years.

A few fundamental considerations may help to clarify the issues in question. The refinancing job of the Corporation was accomplished by using the credit of the Federal Government in place of the exhausted credit of home owners. Through the use of Government credit, the Corporation's borrowers obtained the benefit of loans more liberal than generally ever before available from any source. It was not intended, however, to grant the HOLC borrowers outright

Government subsidies. When the Corporation was put into operation, it was planned by Congress to be self-liquidating; the loans were to be repaid with interest sufficient to cover the rate paid by the Corporation on its bonds, through which the necessary capital was obtained, plus the costs of operation, and the necessary reserves for unavoidable losses.

From the past experience of the HOLC, it can be said with certainty that the present interest rate of 5 percent is necessary to pay the interest on its bonds, to meet operating expenses, and to cover losses. Each year from the beginning of operations, the Corporation has shown a deficit even with the present 5 percent rate, despite continuous effort to keep expenses down. This deficit reached $40,693,292 at the end of the fiscal year 1938. Should the interest rate on its loans be reduced, the Corporation would face a much larger deficit. The loss of revenue would amount to several hundred million dollars over the term of years, depending on the extent of reduction. All this would have to be defrayed by the taxpayers in the shape of deficiency appropriations direct from the United States Treasury.

Reduced interest rates or other liberalizations of loan terms, to be financed by tax payments of the total population, would grant favors to a very small minority of the population. It must be remembered that, despite the huge refinancing operations of the Corporation, its borrowers and their families represent but 3 percent of the country's total population. This minority enjoys already the lowest effective interest rate on urban mortgages in the United States. Almost without exception, the cost to the home owner under the HOLC amortized mortgage is less than rent for a home of corresponding value. In addition, it permits the borrower actually to acquire final ownership free of debt.

In all probability, the subsidy involved in the above-mentioned demands would be ineffective. The problem of those borrowers who are unable to meet their obligations on existing terms would not be solved by a reduction of interest and a more liberal plan of principal repayment. At the time foreclosures were authorized, these loans were delinquent for an average of 21 months, the borrowers had been from 2 to 3 years behind in the payment of taxes, and in addition the property had generally suffered from want of repairs. The difference in the monthly payment of the average HOLC loan of $3,000 between a 5 percent and a 3½ percent interest rate on the present 15-year plan is only $2.28. A difference of so small an amount would not remove the difficulties of the borrowers whose performance has been so unsatisfactory as to necessitate foreclosure.

The same considerations hold true for an extension of the amortization period and the proposed moratorium on principal payments. Such measures would not begin to relieve those borrowers who have fallen down as hopelessly as to be facing foreclosure. For the overwhelming majority of borrowers who are meeting their contractual payments in regular stride, an extended period of repayment or a moratorium would be needless. In the case of those borrowers who, though not seriously enough in arrears to be considered for foreclosure, are temporarily unable to meet their payments in full, the proposed measures would provide no really needed benefit beyond what those borrowers are already receiving. The Corporation already has ample authority to make appropriate adjustments wherever the facts warrant, and it is using this authority to the fullest possible extent.

As has been brought out in the preceding sections of this report, the Corporation extends its mortgagors every reasonable leniency. In the average foreclosure case, the borrower has had occupancy free of charge for a period amounting to over 4 years and has paid no taxes for approximately 5 years, including the period of default before refinancing by the HOLC.

Among the Corporation's borrowers there are, however, a number of cases where the family has suffered a permanent reduction in income and where the only solution is a corresponding permanent adjustment in family expenditure. In these cases carrying charges on the present homes, even if considerably reduced, would remain far beyond the borrowers' capacity to pay. The fact that, through the Corporation, the Federal Government is the creditor of such borrowers creates in some instances a particular resistance against the necessary adjustments. The Corporation, however, cannot involve the Government in certain loss by permitting a borrower to remain in a home indefinitely without payment and without prospect of payment. It is the province of other agencies of the Government to take care of those who cannot themselves provide for their shelter needs.

There are, moreover, many cases of foreclosure accounted for by willful default, noncooperation, abandonment of the property, death of the borrower, and outside legal complications. Plainly in all these cases a reduced interest rate and a further liberalization of loan terms, while throwing a heavy financial burden upon the Federal Government and upon the taxpayer, would present no solution of the borrower's problem.

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

HOME OWNERS' LOAN CORPORATION

EXHIBIT 1

Estimated volume of 1- to 4-family nonfarm dwellings owned by financial institutions in 1929 and at the end of 1937

Types of institutions	1929			1937		
	Number of properties	Number of dwelling units	Amount	Number of properties	Number of dwelling units	Amount
Building and loan associations [1]	20,000	25,000	$75,000,000	303,000	379,000	$930,000,000
Mortgage and other companies [1]	10,000	15,000	50,000,000	80,000	125,000	400,000,000
Mutual savings banks [2]	2,000	3,000	10,000,000	80,000	125,000	400,000,000
Home Owners' Loan Corporation				65,950	84,031	331,006,820
Life insurance companies [3]	10,000	15,000	50,000,000	49,953	80,000	305,484,000
Commercial banks [2]	30,000	45,000	150,000,000	45,000	75,000	225,000,000
Total	72,000	103,000	335,000,000	623,903	868,031	2,591,490,820

[1] Estimate; Federal Home Loan Bank Board.
[2] Estimates based on Annual Reports of the Comptroller of the Currency.
[3] 1929: Estimate, the 1937 figures are based on a questionnaire survey of 80 (including the 34 largest) life insurance companies holding $25.1 billion of $26.3 billion total assets of all life-insurance companies.

EXHIBIT 2

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

[United States average by months—January 1936=100]

Month	1936		1937		1938	
	Materials	Labor	Materials	Labor	Materials	Labor
January	100.0	100.0	104.9	104.7	108.9	113 7
February	100.2	100.0	106.9	105.2	108.1	113.7
March	100.4	100.0	109.1	106.8	107.2	114.2
April	100.5	100.9	110.9	109.4	106.6	114.2
May	100.5	101.8	111.8	110.6	106.3	114.0
June	100.5	102.3	111.9	112.4	106.1	114.3
July	100.8	102.5	111.9	113.9		
August	101.2	102.3	112.1	114.2		
September	101.3	103.0	111.9	113.9		
October	101.4	103.7	111.2	113.9		
November	102.1	104.1	110.6	114.0		
December	103.3	104.1	109.6	114 0		

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

EXHIBIT 3

New nonfarm residential building in the United States

[Thousands of dwelling units]

Year	Type of dwelling				Year	Type of dwelling			
	1-family	2-family	Apartment	Total		1-family	2-family	Apartment	Total
1922	437	146	133	716	1931	147	21	44	212
1923	513	175	183	871	1932	61	6	7	74
1924	534	173	186	893	1933	39	4	11	54
1925	572	157	208	937	1934	42	3	10	55
1926	491	117	241	849	1935	110	6	28	144
1927	454	99	257	810	1936	207	10	65	282
1928	436	78	239	753	1937	225	14	54	293
1929	316	51	142	509	Jan.-June 1937	126	6	30	162
1930	185	28	73	286	Jan.-June 1938	120	6	35	161

Source: For 1922 to 1936: National Bureau of Economic Research. For 1937 and 1938: Department of Labor, on the basis of building permit reports for cities of 2,500 population or over. For communities of less than 2,500 population, an arbitrary 10% increase has been assumed; slightly less than for the 2,500 to 5,000 group as estimated by the Department of Labor. These figures are preliminary and are subject to revision on the basis of a field survey now being conducted in rural nonfarm areas.

EXHIBIT 4

Sources of estimates on outstanding mortgage loans on nonfarm one- to four-family homes

The estimates on outstanding nonfarm home-mortgage loans represent the results of exhaustive studies made of the mortgage holdings of savings and loan associations and life insurance companies and as complete an investigation as possible of the mortgage holding statistics which were accessible for other types of institutions.

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 applying to the total mortgage holdings of these banks, as reported by the Comptroller of the Currency, 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 bank assets.

The estimates for commercial banks and for individuals and others are preliminary. 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 other years, except that in recent years adjustment has been made because of the large amount of FHA loans made by commercial banks.

Finally, in the case of individuals and other types of mortgagees, estimates have been developed 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 HOLC 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, hearings of the Sabath Committee investigating real-estate bond holdings committees, and such mortgage recording statistics as have been procured in recent years from several larger communities in the United States possessing about 17 percent of the urban population.

EXHIBIT 5

Selected data on individual long-term savings

[Amounts in millions of dollars]

	Dec. 31, 1935	June 30, 1936	Dec. 31, 1936	June 30, 1937	Dec. 31, 1937
Postal savings	1,201	1,232	1,260	1,268	1,270
2½% postal savings bonds	122	121	120	119	118
U. S. savings bonds [1]	153	316	475	800	964
Life insurance companies [2]	17,542	----------	19,133	----------	20,510
National banks [3]	5,906	6,068	6,360	6,511	6,646
State commercial banks [4]	----------	4,997	----------	5,479	----------
Mutual savings banks [5]	----------	10,055	10,144	10,208	10,255
Member savings and loan associations of the Federal Home Loan Bank System [6]	2,358	----------	2,510	----------	2,725

[1] Current redemption value. Over 85 percent of the dollar amount of these bonds is purchased by individuals.
[2] Reserves plus unpaid dividends and surplus to policy-holders, except that deduction is made of policy notes and loans and net deferred and unpaid premiums. Estimated from Spectator Life Insurance Year Book and Proceedings of the Association of Life Insurance Presidents.
[3] Deposits evidenced by savings passbooks.
[4] Includes loan and trust companies, stock savings banks, and State commercial banks. Deposits evidenced by savings passbooks. Source: Comptroller of the Currency.
[5] Time deposits of individuals, partnerships, and corporations. The latter 2 items are relatively small. Source: Comptroller of the Currency.
[6] Private shares including pledged shares, and deposits and investment certificates.

98591—38——8

EXHIBIT 6

Number and assets of member institutions of the Federal Home Loan Bank System

[Assets shown in thousands of dollars]

	June 30, 1933		June 30, 1934		June 30, 1935		June 30, 1936		June 30, 1937		June 30, 1938	
	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets	Number	Assets
Boston, No. 1	57	$126, 257	115	$376, 098	135	$389, 555	161	$430, 130	191	$534, 296	208	$621, 377
New York, No. 2	91	185, 918	321	403, 104	385	489, 824	403	475, 255	423	477, 971	419	474, 085
Pittsburgh, No. 3	237	124, 921	385	200, 849	469	226, 741	519	234, 407	547	230, 245	569	236, 695
Winston-Salem, No. 4	142	161, 229	291	218, 765	385	213, 664	426	219, 320	435	368, 146	428	462, 836
Cincinnati, No. 5	267	452, 830	398	624, 905	477	675, 967	513	682, 442	551	725, 495	564	790, 350
Indianapolis, No. 6	67	211, 642	117	266, 777	147	254, 226	172	238, 021	200	232, 912	208	239, 983
Chicago, No. 7	156	147, 652	286	244, 685	401	274, 005	451	318, 667	484	364, 296	482	389, 555
Des Moines, No. 8	66	68, 381	145	110, 529	211	124, 823	219	128, 980	230	154, 787	243	178, 300
Little Rock, No. 9	94	139, 788	165	168, 553	242	146, 034	264	143, 365	287	250, 973	293	332, 862
Topeka, No. 10	67	70, 845	146	165, 887	207	170, 269	220	150, 534	228	148, 117	232	181, 520
Portland, No. 11	51	65, 427	92	95, 134	120	91, 242	132	81, 903	137	103, 740	137	114, 194
Los Angeles, No. 12	42	91, 885	119	152, 713	145	145, 321	160	169, 142	173	215, 701	173	286, 347
United States, total	1, 337	1, 846, 775	2, 580	3, 027, 999	3, 324	3, 201, 671	3, 640	3, 272, 166	3, 886	3, 806, 679	3, 956	4, 308, 104

EXHIBIT 7

Estimated volume of new mortgage loans made by all savings and loan associations, by type of institution, July 1, 1937, to June 30, 1938

[In thousands of dollars]

District	Total	Federal	State-chartered members	Nonmembers	District	Total	Federal	State-chartered members	Nonmembers
1	$78,951	$19,709	$38,516	$20,726	9	$45,877	$16,987	$26,682	$2,208
2	78,075	20,644	20,210	37,221	10	42,956	18,074	12,350	12,532
3	64,638	12,599	19,460	32,579	11	28,241	15,732	10,186	2,323
4	109,891	37,880	52,464	19,547	12	67,283	26,900	35,021	5,362
5	137,424	49,720	62,689	25,015					
6	36,779	16,817	16,815	3,147	United States, total	820,686	281,851	347,709	191,126
7	82,133	26,945	37,611	17,577					
8	48,438	19,844	15,705	12,889					

EXHIBIT 8

Estimated volume of new mortgage loans made by all savings and loan associations, classified by purpose, July 1, 1937, to June 30, 1938

[In thousands of dollars]

District	Construction	Home purchase	Refinancing	Reconditioning	Other	Total
1	$16,613	$32,650	$15,200	$6,356	$8,132	$78,951
2	22,621	31,136	12,291	5,290	6,737	78,075
3	9,567	30,571	13,061	5,073	6,366	64,638
4	32,995	28,761	27,376	6,452	14,307	109,891
5	27,869	58,261	25,372	9,953	15,969	137,424
6	9,050	12,785	6,418	3,948	4,578	36,779
7	15,379	28,258	22,266	7,729	8,501	82,133
8	13,466	14,830	11,832	3,490	4,820	48,438
9	15,101	14,114	6,811	3,541	6,310	45,877
10	10,750	14,472	6,951	2,873	7,910	42,956
11	9,917	6,308	5,786	2,334	3,896	28,241
12	29,855	14,402	14,074	2,350	6,602	67,283
United States, total	213,183	286,548	167,438	59,389	94,128	820,686

EXHIBIT 9

Federal Home Loan Bank System—Balance sheet items for all (3,927) member institutions for the calendar year 1937 compared with all (3,757) member institutions for 1936

[Amounts shown in thousands of dollars]

Item	Total members		Federal-chartered members		State-chartered building and loan members		Savings banks		Insurance companies	
	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
Number of member institutions	3,757	3,927	1,199	1,319	2,547	2,571	8	9	3	28
ASSETS										
Cash on hand and in bank	$125,349	$151,584	$37,318	$44,535	$80,997	$81,111	$6,258	$6,849	$776	$19,089
FHLB stock	28,233	34,770	7,855	12,657	20,226	21,502	134	266	18	345
Other investments	197,762	319,811	13,436	18,488	72,908	74,051	105,729	122,835	5,689	104,437
First-mortgage loans	2,254,030	2,757,856	597,110	872,513	1,611,980	1,710,774	41,287	59,376	3,653	115,193
Second-mortgage loans	8,520	5,966	1,216	615	7,304	5,351				
Policy loans and premium notes on policies of insurance companies	2,963	59,545							2,963	59,545
Other loans including share loans	33,064	35,187	2,697	4,653	28,012	26,475	2,334	3,287	21	772
Real estate sold on contract	93,983	131,912	22,910	36,561	71,004	91,638	69			3,713
Real estate owned	525,367	516,277	84,684	92,425	436,432	396,092	1,821	5,988	2,430	21,772
Office building (net)	41,215	55,629	9,895	12,727	29,521	29,358	1,799	1,945		11,599
Furniture and fixtures (net)	4,229	3,459	1,389	1,434	2,807	1,987	33	38		
Interest and rents accrued and due to insurance companies	197	3,331							197	3,331
Uncollected and deferred premiums of insurance companies	433	11,599							433	11,599
Guaranteed and reinsured assets of other insurance companies		15,553								15,553
Other assets	22,139	17,477	4,438	2,361	16,598	10,320	440	1,052	663	3,744
Nonadmitted assets of insurance company	151	3,088							151	3,088
Total assets	3,337,333	4,116,868	782,948	1,098,969	2,377,789	2,448,659	159,904	201,636	16,692	367,604

LIABILITIES AND CAPITAL										
Government share subscription	171,096	252,828	152,361	215,994	18,735	36,834				
Other free shares	2,045,425	2,256,146	481,793	673,321	1,563,632	1,582,825				
Pledged shares	190,555	204,729	11,632	17,783	178,923	186,946				
Deposits and investment certificates	415,443	447,174	3,429	1,970	265,668	261,867	146,346	183,337		
Policy claims of insurance companies	123	3,898							123	3,898
Advances from FHLB	143,721	198,324	60,054	102,268	83,230	96,056	380		57	
Other borrowed money	17,053	17,973	2,211	2,357	14,564	14,985	100		178	631
Deferred credits	6,252	16,939	1,753	4,773	4,376	8,697			123	3,469
Loans in process	28,572	22,435	14,469	13,003	14,094	9,432	9			
Guarantee fund and reinsured liabilities of other insurance companies		10,500								10,500
Other liabilities	22,177	37,249	7,669	8,696	12,802	20,304	1,260	109	446	8,140
Specific reserves	26,229	24,436	7,241	5,240	18,959	19,151	29	45		
General reserves	175,632	185,167	29,715	38,121	135,848	134,591	10,069	12,455		
Policy reserves of insurance companies	13,507	297,731							13,507	297,731
Reserves and surplus of insurance companies	819	28,728							819	28,728
Undivided profits	58,111	72,751	10,604	15,397	45,796	51,664	1,711	5,690		
Capital, permanent and guaranty stock	22,618	39,860	17	46	21,162	25.307			1,439	14,507
Total liabilities and capital	3,337,333	4,116,868	782,948	1,098,969	2,377,789	2,448,659	159,904	201,636	16,692	367,604

EXHIBIT 10

Federal Home Loan Bank System—Percentage distribution of balance sheet items for all (3,927) member institutions for the calendar year 1937 compared with all (3,757) member institutions for 1936

Item	Percentage ratio to total assets									
	Total members		Federal-chartered members		State-chartered building and loan members		Savings banks		Insurance companies	
	1936	1937	1936	1937	1936	1937	1936	1937	1936	1937
Number of member institutions	3,757	3,927	1,199	1,319	2,547	2,571	8	9	3	28
ASSETS	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Cash on hand and in bank	3.76	3.68	4.77	4.05	3.40	3.31	3.91	3.40	4.65	5.19
FHLB stock	.85	.85	1.00	1.15	.85	.88	.08	.13	.11	.09
Other investments	5.93	7.77	1.72	1.68	3.07	3.02	66.12	60.92	34.08	28.41
First-mortgage loans	67.54	66.99	76.26	79.39	67.79	69.87	25.82	29.45	21.89	31.34
Second-mortgage loans	.25	.15	.15	.06	.31	.22				
Policy loans and premium notes on policies of insurance companies	.09	1.45							17.75	16.20
Other loans, including share loans	.99	.86	.34	.42	1.18	1.08	1.46	1.63	.13	.21
Real estate sold on contract	2.82	3.20	2.93	3.33	2.99	3.74	.04	0	0	1.01
Real estate owned	15.74	12.54	10.82	8.41	18.35	16.18	1.14	2.97	14.56	5.92
Office building (net)	1.23	1.35	1.26	1.16	1.24	1.20	1.13	.96	0	3.15
Furniture and fixtures (net)	.13	.08	.18	.13	.12	.08	.02	.02		.02
Interest and rents accrued and due to insurance companies	.01	.08							1.18	.91
Uncollected and deferred premiums of insurance companies	.01	.28							2.59	3.16
Guaranteed and reinsured assets of other insurance companies	0	.38							0	4.23
Other assets	.66	.42	.57	.22	.70	.42	.28	.52	3.97	1.02
Nonadmitted assets of insurance companies	.01	.08							.91	.84
Total assets	100.00	100.00	100.00	100.00	100.00	100 00	100.00	100.00	100 00	100 00

LIABILITIES AND CAPITAL										
Government share subscription	5.13	6.14	19.46	19 65	.79	1 50				
Other free shares	61.29	54 80	61.54	61.27	65 76	64.64				
Pledged shares	5.71	4.97	1.49	1 62	7.53	7.63				
Deposits and investment certificates	12 45	10.86	.44	.18	11.17	10.70	91.52	90 92		
Policy claims of insurance companies	0	.10							.73	1.06
Advances from FHLB	4.31	4.82	7.67	9.31	3 50	3.92	.24	0	.34	0
Other borrowed money	.51	.44	.28	.21	.61	.61	.06	0	1 07	.17
Deferred credits	.19	.41	.22	.43	.18	.36			.74	.94
Loans in process	.86	.54	1 85	1.18	.59	.39	.01	0		
Guarantee fund and reinsured liabilities of other insurance companies	0	.26							0	2.86
Other liabilities	.66	.90	98	.79	.54	.83	.79	.06	2.67	2.21
Specific reserves	.79	.59	.92	.48	.80	.78	02	.02		
General reserves	5.26	4 50	3.80	3 47	5 71	5 50	6 29	6.18		
Policy reserve of insurance companies	.40	7.23							80.92	80.99
Reserves and surplus of insurance companies	02	.70							4.91	7 82
Undivided profits	1 74	1.77	1.35	1.40	1 92	2.11	1.07	2.82		
Capital, permanent and guaranty stock	.68	.97	0	.01	90	1.03			8.62	3.95
Total liabilities and capital	100 00	100 00	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 11

Federal Home Loan Banks—Advances and repayments by months from beginning of operations through June 30, 1938, showing totals for each fiscal year and balance outstanding at end of each month

	Advances	Repayments	Balance outstanding
1932: December	$837,500.00		$837,500.00
1933: January	2,744,100.00	$540.00	3,581,060.00
February	5,927,686.00	49,900.00	9,458,846.00
March	13,839,305.00	208,290.00	23,089,861.00
April	7,919,996 66	470,142.36	30,539,715.30
May	8,731,803.46	218,064.01	39,053,454.75
June	8,894,211.29	283,836.45	47,663,829.59
Total, 1933	48,894,602.41	1,230,772.82	
1933: July	6,608,503.54	527,669.10	53,744,664.03
August	6,622,178.59	355,589.92	60,011,252.70
September	6,822,576.20	508,336.65	66,325,492.25
October	7,535,213.49	1,250,594.83	72,610,110.91
November	7,271,869.26	697,977.03	79,184,003.14
December	7,109,721.00	866,469.77	85,427,254.37
1934: January	5,237,169.41	1,637,490.30	89,026,933.48
February	3,356,593 14	1,843,691.90	90,539,834.72
March	2,899,014.56	3,414,043.28	90,024,806.00
April	2,356,399.93	5,559,183 52	86,822,022.41
May	4,103,127.10	5,583,348.25	85,341,801.26
June	2,949,604.00	3,143,051.17	85,148,354.09
Total, 1934	62,871,970.22	25,387,445.72	
1934: July	3,620,784 66	3,625,627.20	85,143,511.55
August	2,571,464.64	2,783,993.07	84,930,983.12
September	3,196,250.00	2,080,298.85	86,046,934.27
October	3,378,053.23	2,578,656.64	86,846,330.86
November	2,108,155 00	1,840,083.07	87,114,402.79
December	2,903,950.45	3,360,040.71	86,658,312.53
1935: January	2,232,355 00	6,905,190 64	81,985,476.89
February	1,297,856.24	6,741,283 73	76,542,049.40
March	2,122,943.15	6,049,326.43	72,615,666.12
April	4,103,529.21	2,708,390.27	74,010,805.06
May	3,795,063.50	1,969,691.09	75,836,177.47
June	5,352,903.53	1,956,566.82	79,232,514.18
Total, 1935	36,683,308.61	42,599,148.52	
1935: July	5,073,606.40	3,429,257.89	80,876,862.69
August	6,972,058.39	1,823,487.24	86,025,433.84
September	6,369,573.73	1,962,811.21	90,432,196.36
October	8,067,246 14	2,904,027.83	95,595,414.67
November	5,329,092 01	3,835,875 33	97,088,631.35
December	8,413,841.26	2,707,884.11	102,794,588.50
1936: January	5,070,567.64	5,065,083.46	102,800,072.68
February	3,784,453 46	3,642,285.52	102,942,240.62
March	4,511,032 74	4,095,348 35	103,357,925.01
April	5,836,425 27	3,222,002.32	105,972,347.96
May	7,206,946.28	2,257,757.96	110,921,536.28
June	11,560,381 00	3,895,079.28	118,586,838.00
Total, 1936	78,195,224.32	38,840,900.50	
1936: July	8,507,318.61	4,993,024.46	122,101,132.15
August	7,830,488.60	4,713,861.22	125,217,759.53
September	9,575,961.09	5,026,810.43	129,766,910.19
October	9,486,822.93	4,313,114.62	134,940,618.50
November	6,414,125 55	4,093,534.98	137,261,209.07
December	13,472,534.33	5,333,013.45	145,400,729.95
1937: January	6,569,659.50	8,225,339.56	143,745,049.89
February	4,259,601.50	6,799,768.55	141,204,882.84
March	8,591,366.93	7,076,711.86	142,719,537.91
April	9,640,452.75	6,214,114.07	146,145,876.59
May	12,169,985.12	4,824,662.61	153,491,199.10
June	17,768,735.50	4,203,048.04	167,056,886.56
Total, 1937	114,287,052.41	65,817,003.85	

Federal Home Loan Banks—Advances and repayments by months from beginning of operations through June 30, 1938, showing totals for each fiscal year and balance outstanding at end of each month—Continued

	Advances	Repayments	Balance outstanding
1937: July	10, 221, 429. 84	7, 707, 421. 76	169, 570, 894. 64
August	11, 116, 419. 02	5, 080, 175 81	175, 607, 137. 85
September	9, 330, 371. 28	5, 426, 303. 27	179, 511, 205. 86
October	8, 991, 254. 84	4, 461, 350. 20	184, 041, 110. 50
November	7, 001, 123. 74	3, 706, 692. 48	187, 335, 541. 76
December	17, 590, 772. 89	4, 831, 686. 17	200, 094, 628. 48
1938: January	3, 722, 730. 00	13, 279, 451. 72	190, 537, 906. 76
February	4, 070, 622. 57	7, 090, 461. 42	187, 518, 067. 91
March	4, 900, 573. 80	9, 293, 152. 19	183, 125, 489. 52
April	6, 088, 928. 11	5, 464, 846. 38	183, 749, 571. 25
May	7, 551, 480. 00	4, 791, 230. 17	186, 509, 821. 08
June	14, 846, 451. 86	5, 131, 335. 58	196, 224, 937. 36
Total, 1938	105, 432, 157. 95	76, 264, 107. 15	
Grand total to date	446, 364, 315 92	250, 139, 378 56	

EXHIBIT 12

Federal Home Loan Banks—Advances outstanding by Bank Districts at the close of each fiscal year, 1933–1938

	June 30—					
	1933	1934	1935	1936	1937	1938
Boston	$2, 245, 925 00	$2, 982, 340. 82	$2, 275, 230. 86	$3, 518, 784. 57	$7, 540, 012. 31	$8, 260, 689. 10
New York	3, 526, 500. 00	13, 414, 258. 25	14, 059, 169. 43	16, 113, 360. 04	19, 084, 080. 31	17, 604, 256. 88
Pittsburgh	4, 686, 947. 34	10, 236, 810. 34	10, 163, 204. 84	12, 440, 437. 03	14, 584, 513. 29	17, 312, 068. 05
Winston-Salem	4, 990, 400. 00	6, 164, 934. 16	6, 080, 260. 40	8, 826, 208. 68	13, 660, 614. 82	18, 599, 959. 05
Cincinnati	10, 541, 499. 00	16, 876, 551. 82	15, 373, 686. 20	20, 576, 290. 96	26, 337, 086. 50	28, 388, 514. 11
Indianapolis	4, 522, 576. 25	6, 174, 450. 93	4, 095, 285. 50	6, 389, 683. 44	9, 475, 516. 75	12, 084, 384. 74
Chicago	6, 364, 776. 62	11, 299, 317. 00	12, 324, 760. 32	20, 141, 668. 81	27, 779, 232. 64	32, 557, 741. 63
Des Moines	2, 399, 600. 00	4, 373, 084. 84	3, 519, 830. 24	7, 192, 262. 09	11, 091, 987. 99	15, 083, 069. 64
Little Rock	4, 836, 182. 14	4, 631, 160. 05	3, 305, 630. 65	8, 331, 450. 46	10, 734, 265. 04	11, 623, 047. 84
Topeka	1, 569, 400. 00	3, 945, 824. 99	2, 838, 711. 12	6, 108, 935. 50	8, 038, 541. 51	11, 284, 314. 79
Portland	1, 111, 408. 08	2, 146, 650. 77	2, 207, 408. 00	3, 016, 172. 29	5, 903, 378. 26	6, 913, 525. 48
Los Angeles	868, 615. 16	2, 902, 970. 12	2, 989, 336. 62	5, 931, 584. 13	12, 827, 657. 14	16, 513, 366. 05
Total	47, 663, 829. 59	85, 148, 354 09	79, 232, 514. 18	118, 586, 838 00	167, 056, 886. 56	196, 224, 937. 36

EXHIBIT 13

Federal Home Loan Banks—Statement reflecting the trend of collateralized and noncollateralized advances outstanding by half-year periods

	Total advances outstanding	Collateralized advances		Noncollateralized 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
Dec. 31, 1933	85, 427, 254	84, 299, 622	98. 7	1, 127, 632	1. 3
June 30, 1934	85, 148, 354	82, 740, 248	97. 2	2, 408, 106	2. 8
Dec. 31, 1934	86, 658, 313	82, 032, 059	94. 7	4, 626, 254	5. 3
June 30, 1935	79, 232, 514	68, 045, 199	85. 9	11, 187, 315	14. 1
Dec. 31, 1935	102, 794, 588	77, 212, 211	75. 1	25, 582, 377	24. 9
June 30, 1936	118, 586, 838	90, 893, 235	76. 6	27, 693, 603	23. 4
Dec. 31, 1936	145, 400, 730	111, 596, 594	76. 8	33, 804, 136	23. 2
June 30, 1937	167, 056, 887	130, 944, 112	78. 4	36, 112, 775	21. 6
Dec. 31, 1937	200, 094, 628	159, 285, 784	79. 6	40, 838, 844	20. 4
June 30, 1938	196, 224, 937	163, 386, 013	83. 3	32, 838, 924	16. 7

EXHIBIT 14

Federal Home Loan Banks—Percent of members borrowing as of designated dates

	June 30—						June 30—				
	1934	1935	1936	1937	1938		1934	1935	1936	1937	1938
Boston	43. 5	28. 9	40. 4	44. 0	39. 9	Des Moines	64. 8	51. 7	60. 7	68. 7	68. 7
New York	54. 8	54. 8	60. 3	61. 7	63. 2	Little Rock	45. 5	33. 1	59 5	62. 7	60. 1
Pittsburgh	75. 1	71. 0	76. 1	80. 4	80. 8	Topeka	63. 0	42. 5	63. 2	67. 5	66. 8
Winston-Salem	60. 5	55. 8	61. 7	65. 7	71. 7	Portland	67. 4	55. 8	60. 6	67. 2	69. 3
Cincinnati	66. 8	52. 2	55. 6	54. 8	56. 0	Los Angeles	57. 1	46. 9	61. 3	68 2	73. 4
Indianapolis	59. 8	43. 5	54. 1	70. 5	66. 8						
Chicago	79. 7	73. 1	80. 5	82. 4	81. 1	Total	63. 8	54. 6	63. 6	67. 3	67. 8

EXHIBIT 15

Federal Home Loan Banks—Statement showing by Districts and States the number of member institutions, their estimated resources, amount of shares subscribed by member institutions, the balance of advances outstanding, the number of borrowing member institutions, and the borrowing capacity of member institutions as of June 30, 1938

	Number of member institutions	Estimated resources	Amounts subscribed by members	Balance of advances outstanding	Number of borrowing member institutions	Borrowing capacity of member institutions
District No. 1, Boston:						
Connecticut	46	$79, 455, 000	$486, 600	$2, 278, 382 60	36	$20, 900, 000
Maine	21	17, 869, 000	153, 900	573, 365. 00	14	4, 460, 000
Massachusetts	118	467, 888, 000	2, 467, 500	4, 528, 987. 00	19	127, 355, 000
New Hampshire	15	26, 404, 000	165, 300	742, 676. 50	9	7, 345, 000
Rhode Island	4	25, 967, 000	210, 000	76, 575. 00	3	5, 975, 000
Vermont	4	3, 794, 000	35, 700	60, 703. 00	2	895, 000
Total	208	621, 377, 000	3, 519, 000	8, 260, 689. 10	83	166, 930, 000
District No. 2, New York:						
New Jersey	295	246, 014, 000	2, 246, 900	11, 730, 410. 86	199	107, 000, 000
New York	124	228, 071, 000	1, 913, 800	5, 873, 846. 02	66	98, 000, 000
Total	419	474, 085, 000	4, 160, 700	17, 604, 256. 88	265	205, 000, 000
District No. 3, Pittsburgh:						
Delaware	7	2, 209, 000	21, 700	41, 517. 50	3	448, 000
Pennsylvania	530	216, 813, 000	2, 143, 800	15, 130, 941. 33	428	53, 470, 000
West Virginia	32	17, 673, 000	257, 200	2, 139, 609. 22	29	5, 660, 000
Total	569	236, 695, 000	2, 422, 700	17, 312, 068. 05	460	59, 578, 000
District No 4, Winston-Salem:						
Alabama	23	24, 526, 000	120, 800	605, 808. 75	14	11, 645, 600
District of Columbia	18	114, 803, 000	913, 200	957, 160. 00	5	54, 945, 700
Florida	53	41, 713, 000	515, 400	4, 769, 299. 29	44	16, 875, 000
Georgia	57	25, 367, 000	273, 200	2, 164, 097. 63	50	10, 248, 100
Maryland	86	50, 599, 000	562, 100	3, 479, 628. 04	63	22, 202, 000
North Carolina	112	153, 921, 000	715, 500	3, 116, 613. 94	74	47, 765, 300
South Carolina	40	23, 105, 000	196, 600	1, 201, 535. 00	31	10, 249, 100
Virginia	39	28, 802, 000	326, 200	2, 305, 816. 40	26	11, 487, 900
Total	428	462, 836, 000	3, 623, 000	18, 599, 959. 05	307	185, 418, 700
District No. 5, Cincinnati:						
Kentucky	94	88, 852, 000	879, 300	5, 715, 931. 20	69	31, 000, 000
Ohio	428	647, 697, 000	5, 940, 100	20, 151, 916. 41	213	198, 000, 000
Tennessee	42	53, 801, 000	277, 000	2, 520, 666. 50	34	7, 000, 000
Total	564	790, 350, 000	7, 096, 400	28, 388, 514. 11	316	236, 000, 000

Federal Home Loan Banks—Statement showing by Districts and States the number of member institutions, their estimated resources, amount of shares subscribed by member institutions, the balance of advances outstanding, the number of borrowing member institutions, and the borrowing capacity of member institutions as of June 30, 1938—Continued

	Number of member institutions	Estimated resources	Amounts subscribed by members	Balance of advances outstanding	Number of borrowing member institutions	Borrowing capacity of member institutions
District No. 6, Indianapolis:						
Indiana	156	$141,847,000	$1,710,400	$9,461,081.74	108	$50,215,978
Michigan	52	98,136,000	831,300	2,623,303.00	31	31,168,510
Total	208	239,983,000	2,541,700	12,084,384.74	139	81,384,488
District No. 7, Chicago:						
Illinois	353	239,507,000	2,750,000	20,531,344.32	291	86,581,442
Wisconsin	129	150,048,000	1,609,300	12,026,397.31	100	48,584,821
Total	482	389,555,000	4,359,300	32,557,741.63	391	135,166,263
District No. 8, Des Moines:						
Iowa	61	33,525,000	385,500	1,710,095.40	34	14,815,466
Minnesota	40	36,152,000	600,300	6,350,726.00	29	13,821,278
Missouri	115	89,776,000	847,400	5,946,116.24	86	27,227,157
North Dakota	14	9,363,000	98,500	674,878.00	9	4,332,454
South Dakota	13	9,484,000	49,000	401,254.00	9	1,886,482
Total	243	178,300,000	1,980,700	15,083,069.64	167	62,082,837
District No. 9, Little Rock:						
Arkansas	41	14,743,000	146,300	1,054,559.52	30	5,300,000
Louisiana	70	124,074,000	988,300	5,322,784.41	47	41,750,000
Mississippi	28	20,043,000	88,300	252,828.96	14	4,900,000
New Mexico	16	4,969,000	41,100	225,580.00	7	2,050,000
Texas	138	169,033,000	732,300	4,767,294.95	78	54,250,000
Total	293	332,862,000	1,996,300	11,623,047.84	176	108,250,000
District No. 10, Topeka:						
Colorado	40	27,105,000	194,300	1,368,356.25	28	9,546,922
Kansas	105	61,179,000	663,900	5,453,193.29	74	24,293,716
Nebraska	35	39,448,000	174,000	1,124,496.25	20	9,745,501
Oklahoma	52	53,788,000	525,000	3,338,269.00	33	19,744,642
Total	232	181,520,000	1,557,200	11,284,314.79	155	63,330,781
District No. 11, Portland:						
Alaska	1	117,000	1,400	15,586.13	1	30,756
Idaho	9	6,523,000	68,000	604,761.62	9	2,746,889
Montana	13	8,989,000	70,600	203,030.70	7	1,838,937
Oregon	29	25,807,000	204,500	1,170,991.81	24	9,793,122
Utah	10	13,410,000	192,500	1,667,337.49	9	5,011,151
Washington	65	55,301,000	483,400	2,798,883.92	35	19,117,630
Wyoming	10	4,047,000	44,600	452,933.81	10	1,217,094
Total	137	114,194,000	1,065,000	6,913,525.48	95	39,755,579
District No. 12, Los Angeles:						
Arizona	3	2,334,000	47,300	544,461.86	3	816,000
California	164	280,711,000	2,465,100	15,721,705.41	121	108,814,000
Hawaii	4	2,570,000	23,600	153,000.00	2	1,133,000
Nevada	2	732,000	14,000	91,393.78	1	365,000
Total	173	286,347,000	2,550,000	16,510,561.05	127	111,128,000
Loan to nonmember mortgagee, District No. 12				2,805.00	1	
Grand total	3,956	4,308,104,000	36,872,000	196,224,937.36	2,682	1,454,024,648

EXHIBIT 16

Federal Home Loan Banks—Statement of consolidated debentures outstanding

	Total outstanding	Series C 2 percent due Dec. 1, 1940	Series D 2 percent due Apr. 1, 1943	Series E 1 percent due July 1, 1939
Boston				
New York				
Pittsburgh	$8,500,000	$1,500,000	$4,000,000	$3,000,000
Winston-Salem	9,000,000	3,000,000	2,500,000	3,500,000
Cincinnati	14,350,000	2,750,000	2,500,000	9,100,000
Indianapolis	6,250,000	2,000,000	2,500,000	1,750,000
Chicago	20,250,000	8,000,000	3,000,000	9,250,000
Des Moines	9,500,000	3,000,000	4,500,000	2,000,000
Little Rock	4,000,000	500,000	1,500,000	2,000,000
Topeka	4,750,000	750,000	2,000,000	2,000,000
Portland	2,025,000			2,025,000
Los Angeles	11,375,000	3,500,000	1,000,000	6,875,000
Total	90,000,000	25,000,000	23,500,000	41,500,000

EXHIBIT 17

Federal Home Loan Banks—Total dividends declared through June 30, 1938, and annual rates by 6-month periods

	Total dividends declared through June 30, 1938			Fiscal year 1933		Fiscal year 1934		Fiscal year 1935		Fiscal year 1936		Fiscal year 1937		Fiscal year 1938	
	Total	U. S. Government	Members	Oct. 15, 1932, to Dec. 31, 1932	Jan. 1, 1933, to June 30, 1933	July 1, 1933, to Dec. 31, 1933	Jan. 1, 1934, to June 30, 1934	July 1, 1934, to Dec. 31, 1934	Jan. 1, 1935, to June 30, 1935	July 1, 1935, to Dec. 31, 1935	Jan. 1, 1936, to June 30, 1936	July 1, 1936, to Dec. 31, 1936	Jan. 1, 1937, to June 30, 1937	July 1, 1937, to Dec. 31, 1937	Jan. 1, 1938, to June 30, 1938
				Percent	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*	*Percent*
Boston	$710, 859. 88	$564, 948. 36	$145, 911. 52	[1] 2–1½	[1] 2–1½	[1] 2–1½	[1] 2–1½	[1] 2–1½	1	1½	1½	1½	1½	1½	1½
New York	1, 622, 321. 94	1, 306, 220. 75	316, 101. 19	2	2	2	2	2	2	2	2	2	2	2	2
Pittsburgh	859, 612. 29	722, 648. 39	136, 963. 90	2	2	2	2	2	2	2	2	2	1	1	-------
Winston-Salem	660, 617. 13	511, 743. 29	148, 873. 84	2	2	2	2	2	2	2	1½	1½	1	1	-------
Cincinnati	1, 844, 247. 70	1, 307, 992. 79	536, 254. 91	2	2	2	2	2	2	2	2	2	2	2	2
Indianapolis	699, 058. 36	525, 656. 09	173, 402. 27	2	2	2	2	2	1½	1½	1½	1½	1½	1½	1½
Chicago	1, 507, 596. 02	1, 236, 470. 45	271, 125. 57	2	2	2	2	2	2	2	2	2	2	2	2
Des Moines	671, 270. 51	560, 364. 31	110, 906. 20	2	2	2	2	2	1½	1½	2	2	2	2	2
Little Rock	602, 966. 02	507, 442. 62	95, 523. 40	2	2	2	2	2	2	1	1	1	1	1	1
Topeka	328, 556. 58	276, 584. 56	51, 972. 02	1	1	1	1	1	1	1	1	1	1	1	1
Portland	355, 397. 59	312, 540. 88	42, 856. 71	1½	1½	1½	1½	1½	1½	1½	1	1½	1½	1½	1¼
Los Angeles	434, 201. 50	351, 974. 10	82, 227. 40	2	2	2	1	1	1	1	1	1	1	1½	1½
Total	10, 296, 705 52	8, 184, 586. 59	2, 112, 118. 93												

[1] Dividends were declared to stockholders of record on December 31, 1934, for the period October 15, 1932, to December 31, 1934, at the rate of 2 percent per annum to the U. S. Government and 1½ percent per annum to member institutions.

EXHIBIT 18

Statement reflecting interest rates charged by the Federal Home Loan Banks to member institutions for advances as of June 30, 1938

Location	Rate in effect	Type of loan
	Percent	
Boston	3	All advances. All 10-year advances made after Jan. 15, 1937, shall be written at 3 percent for 2 years, with the right to increase the interest rate to not more than 4 percent for 8 years thereafter.
New York	3	All advances for 1 year or less.
	3¾	All advances for more than 1 year shall be written at 4 percent, but interest collected at 3¾ percent during 1938.
Pittsburgh	3½	All advances for 1 year or less. All advances for more than 1 year are to be written at 4 percent, but until further notice credit will be given on all outstanding advances for the difference between the written rates of 5, 4½ percent, or 4 percent and 3½ percent per annum.
Winston-Salem	3½	All advances, with the provision that interest rate may be increased to not more than 4½ percent after 30 days' written notice.
Cincinnati	3	All advances executed for a period not exceeding 2 years between Aug. 1, 1935, and May 16, 1937.
	3¼	All advances executed after May 15, 1937. If advances are written with a maturity in excess of 1 year, the written rate shall be 3½ percent, but until further notice interest to be collected at 3¼ percent.
Indianapolis	3	All secured advances executed prior to Feb. 1, 1938, to be collected at 3 percent.
	3	All secured advances executed after Jan. 31, 1938, to be written at 3¾ percent but until further notice interest to be collected at 3.
	3½	All unsecured advances made under Section 11 (g) (4) of the Act will be written and collected at 3½ percent.
Chicago	3¼	All secured advances are written to bear 3½ percent but until further notice interest collected at 3¼ percent.
	3½	All unsecured advances.
Des Moines	3¼-3½	On all outstanding advances at Apr. 1, 1938, written at 3½ percent or more upon which 3½ percent or less is being paid, the interest on and after said date, until further notice, shall be collected at 3¼ percent. All advances made on and after Apr. 1, 1938, shall be written at 3½ percent, and interest collected at 3¼ percent until further notice.
Little Rock	3	All advances. All advances maturing before Dec. 31, 1938, are to be written at 3 percent. Advances maturing after that date to be written at 4 percent but until Dec. 31, 1938, interest to be charged at 3 percent.
Topeka	3	All advances.
Portland	3	All advances to members secured by mortgages insured under Title II of the National Housing Act.
	3½	All advances for 1 year or less. All advances for more than 1 year are written at 4 percent, but interest collected at 3½ percent so long as short-term advances carry this rate.
Los Angeles	3	All advances.

EXHIBIT 19

Federal Home Loan Banks

STATEMENT OF PROFIT AND LOSS FOR THE FISCAL YEAR ENDED JUNE 30, 1938

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Gross operating income:							
Interest earned on advances	$5,952,843.90	$5,952,843.90	$251,430.01	$696,736.54	$559,310.23	$594,449.03	$846,169.08
Interest earned on investments	751,353.53	751,353.53	83,969.44	28,692.04	55,241.65	25,102.23	120,481.68
Interest earned on deposits, other Federal Home Loan Banks	0	82,680.09	59,629.44	14,498.61	0	180.82	0
Gross operating income	6,704,197.43	6,786,877.52	395,028.89	739,927.19	614,551.88	619,732.08	966,650.76
Less—operating charges:							
Compensation, travel, and other expenses (detail below)	890,255.00	890,255.06	60,113.23	120,588.23	112,164.74	68,735.31	108,392.95
Interest on debentures	935,178.87	935,178.87	0	0	84,642.86	95,880.01	171,061.45
Debenture expense, commissions	101,874.34	101,874.34	0	0	9,426.45	9,344.43	21,629.36
Debenture expense, other	42,718.92	42,718.92	1,712.74	1,712.75	4,167.71	4,195.63	5,064.49
Interest on deposits, members	162,109.25	162,109.25	12,262.14	31,302.94	1,562.26	7,051.38	22,211.16
Interest on deposits, other Federal Home Loan Banks	0	82,680.03	0	0	445.20	1,643.84	11,835.62
Assessment for expenses of Federal Home Loan Bank Board	302,439.71	302,439.71	21,032.38	35,856.57	27,355.18	24,942.21	39,720.29
Total operating charges	2,434,576.09	2,517,256.18	95,120.49	189,460.49	239,764.40	211,792.81	379,915.32
Net operating income	4,269,621.34	4,269,621.34	299,908.40	550,466.70	374,787.48	407,939.27	586,735.44
Add—nonoperating income:							
Profit on sale of investments	403,306.28	403,306.28	88,705.72	8,951.96	0	18,156.24	56,907.66
Federal Home Loan Bank Board assessment refund	152,439.70	152,439.70	10,348.38	16,580.57	13,299.18	13,250.21	20,180.29
Miscellaneous	680.07	680.07	0	0	0	4.00	0
Total nonoperating income	556,426.05	556,426 05	99,054.10	25,532.53	13,299.18	31,410.45	77,087.95
Less—nonoperating charges:							
Premium charged off on investments	69,782.21	69,782.21	0	0	0	0	0
Loss on sale of investments	375.00	375.00	0	0	0	0	375.00
Total nonoperating charges	70,157.21	70,157.21	0	0	0	0	375.00
Net income	4,755,890 18	4,755,890.18	398,962 50	575,999.23	388,086.66	439,349.72	663,448.39

Federal Home Loan Banks—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Compensation.							
Directors' fees	$34,435.00	$34,435.00	$2,360.00	$4,680.00	$3,525.00	$1,815.00	$3,800.00
Officers' salaries	252,144.94	252,144.94	25,125.00	27,200.04	19,500.00	17,275.00	29,425.00
Counsel's salary	38,901.00	38,901.00	2,800.00	3,000.00	5,300.00	1,800.00	5,001.00
Other salaries	244,826.07	244,826.07	8,446.26	40,922.34	47,377.42	21,830.23	31,194.29
Total compensation	570,307.01	570,307.01	38,731.26	75,802.38	75,702.42	42,720.23	69,420.29
Travel expense:							
Directors	28,276.92	28,276.92	1,187.54	2,495.47	3,473.23	2,484.31	2,487.48
Officers	35,216.67	35,216.67	4,114.82	3,995.99	3,642.73	3,995.04	3,072.05
Other	17,182.29	17,182.29	32.90	3,879.94	1,831.71	3,102.51	1,811.37
Total travel expense	80,675.88	80,675.88	5,335.26	10,371.40	8,947.67	9,581.86	7,370.90
Other expenses:							
Telephone and telegraph	21,825.00	21,825.00	1,088.35	2,618.34	2,664.44	1,882.30	2,501.10
Postage and express	20,499.18	20,499.18	726.90	2,845.01	2,007.49	2,195.90	2,495.78
Heat, light, power, ice, etc	6,579.64	6,579.64	362.91	2,211.85	197.84	281.60	873.48
Stationery, printing, and supplies	29,210.55	29,210.55	1,446.30	4,954.86	2,447.31	2,771.62	3,366.03
Insurance and surety bond premiums	20,593.81	20,593.81	1,587.03	2,408.06	2,420.96	1,021.70	2,326.79
Furniture and fixtures purchased	13,354.33	13,354.33	0	2,681.90	847.61	296.80	1,305.75
Rent, less rental charged Examining Division, Federal Home Loan Bank Board	49,496.22	49,496.22	3,200.04	6,599.96	6,506.04	2,932.50	7,200.04
Examinations and analyses	43,349.95	43,349.95	3,084.87	6,985.24	7,144.43	3,233.08	7,258.44
Miscellaneous operating expense	34,363.43	34,363.49	4,550.31	3,109.23	3,278.53	1,817.72	4,274.35
Total other expenses	239,272.11	239,272.17	16,046.71	34,414.45	27,514.65	16,433.22	31,601.76
Total	890,255.00	890,255.06	60,113.23	120,588.23	112,164.74	68,735.31	108,392.95

Federal Home Loan Banks—Continued

STATEMENT OF PROFIT AND LOSS FOR THE FISCAL YEAR ENDED JUNE 30, 1938

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Gross operating income:							
Interest earned on advances	$348, 651. 87	$975, 623. 20	$459, 233. 45	$328, 295. 11	$281, 275. 80	$215, 614. 32	$396, 055. 26
Interest earned on investments	75, 674. 40	59, 603. 69	76, 693. 64	61, 837. 50	36, 656. 95	36, 898. 56	90, 501. 75
Interest earned on deposits, other Federal Home Loan Banks	649. 32	45. 21	8. 22	0	139. 72	2, 383. 56	5, 145. 19
Gross operating income	424, 975. 59	1, 035, 272 10	535, 935. 31	390, 132. 61	318, 072. 47	254, 896. 44	491, 702. 20
Less—operating charges:							
Compensation, travel, and other expenses (detail below)	52, 186. 32	78, 827. 09	54, 601. 91	76, 037. 54	51, 038. 58	36, 933. 38	70, 635. 78
Interest on debentures	70, 518. 38	206, 579. 24	119, 636. 00	39, 496. 10	34, 279. 23	19, 235. 99	93, 849. 61
Debenture expense, commissions	6, 963. 31	21, 440. 90	12, 951. 34	4, 845. 42	3, 345. 56	2, 527. 50	9, 400. 07
Debenture expense, other	3, 679. 56	5, 949. 09	4, 880. 50	2, 717. 17	2, 869. 32	2, 078. 73	3, 691. 23
Interest on deposits, members	19, 113. 77	54, 015. 57	6, 704. 06	0	4, 769. 26	0	3, 116. 71
Interest on deposits, other Federal Home Loan Banks	11, 576. 65	48, 141. 77	5, 062. 98	1, 865. 76	1, 097. 26	706. 84	304. 11
Assessment for expenses of Federal Home Loan Bank Board	20, 078. 53	41, 169. 33	22, 062 78	19, 579. 70	16, 163. 00	14, 276. 86	20, 202. 88
Total operating charges	184, 116. 52	456, 122. 99	225, 899. 57	144, 541. 69	113, 562. 21	75, 759. 30	201, 200. 39
Net operating income	240, 859. 07	579, 149. 11	310, 035. 74	245, 590. 92	204, 510. 26	179, 137. 14	290, 501. 81
Add—nonoperating income:							
Profit on sale of investments	25, 784. 93	61, 337. 06	3, 517. 72	0	5, 078. 12	0	134, 866. 87
Federal Home Loan Bank Board assessment refund	10, 054. 53	20, 633. 32	12, 074. 78	9, 711. 70	8, 071. 00	7, 360. 86	10, 874. 88
Miscellaneous	44. 08	287. 90	0	219. 09	0	0	125. 00
Total nonoperating income	35, 883. 54	82, 258. 28	15, 592. 50	9, 930. 79	13, 149. 12	7, 360. 86	145, 866. 75
Less—nonoperating charges:							
Premium charged off on investments	42, 000. 96	0	0	1, 750. 00	0	0	26, 031. 25
Loss on sale of investments	0	0	0	0	0	0	0
Total nonoperating charges	42, 000. 96	0	0	1, 750. 00	0	0	26, 031. 25
Net income	234, 741. 65	661, 407. 39	325, 628. 24	253, 771. 71	217, 659. 38	186, 498. 00	410, 337. 31

Federal Home Loan Banks—Continued

DETAIL OF COMPENSATION, TRAVEL, AND OTHER EXPENSES—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Compensation:							
Directors' fees	$1,960.00	$2,980.00	$2,725.00	$2,655 00	$3,810.00	$1,640.00	$2,485.00
Officers' salaries	10,262.48	27,941.36	21,250.00	26,224.96	14,900.00	12,325.00	20,716.10
Counsel's salary	3,000 00	3,600.00	3,000.00	3,300.00	1,650.00	2,400.00	4,050.00
Other salaries	17,011.84	14,957.96	6,600.15	18,622.81	12,224.93	6,903.95	18,733.89
Total compensation	32,234.32	49,479.32	33,575.15	50,802.77	32,584.93	23,268.95	45,984.99
Travel expense:							
Directors	1,447.19	1,704.54	2,730.29	3,046.73	3,279.77	2,266.20	1,674.17
Officers	2,018 85	2,239 72	2,608 36	3,051.13	1,473.75	1,484.32	3,519.91
Other	2,497 51	342.89	180.82	2,158.15	714.30	578.86	51.33
Total travel expense	5,963.55	4,287.15	5,519.47	8,256 01	5,467.82	4,329.38	5,245.41
Other expenses:							
Telephone and telegraph	1,213.77	1,342.69	1,025.91	3,491.23	985.72	957.39	2,053.76
Postage and express	1,162.88	2,350.86	753.09	1,796.20	999.84	596.88	2,568.35
Heat, light, power, ice, etc	394.43	983.38	278.35	682 45	0	0	313.35
Stationery, printing, and supplies	1,323.59	2,641.62	2,141.16	2,205.67	1,866.93	992.27	3,053.19
Insurance and surety bond premiums	1,502.63	1,799.76	1,404.71	2,076.54	1,358.68	1,367.57	1,319.38
Furniture and fixtures purchased	864.46	207.12	1,140.59	1,327.56	655.50	571.52	3,455.52
Rent, less rental charged Examining Division, Federal Home Loan Bank Board	3,024.00	6,000.00	3,866.64	1,800.00	4,200.00	2,847.00	1,320.00
Examinations and analyses	2,273.65	5,484.91	1,641.67	1,513.14	1,902.39	727.58	2,100.55
Miscellaneous operating expense	2,229.04	4,250.28	3,255.17	2,085.97	1,016.77	1,274.84	3,221.28
Total other expenses	13,988.45	25,060.62	15,507.29	16,978.76	12,985.83	9,335.05	19,405.38
Total	52,186.32	78,827.09	54,601.91	76,037.54	51,038.58	36,933.38	70,635.78

EXHIBIT 20

Federal Home Loan Banks—Analysis of surplus and undivided profits for the fiscal year ended June 30, 1938

	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
SURPLUS—RESERVE AS REQUIRED BY SEC. NO. 16 OF THE ACT						
Credit balance—June 30, 1937	$2,403,302.10	$134,805 51	$343,680 29	$239,318.42	$181,991.94	$423,109.09
Additions to reserve during fiscal year ended June 30, 1938	951,178.05	79,792.50	115,199.86	77,617.33	87,869.94	132,689.68
Credit balance—June 30, 1938	3,354,480 15	214,598.01	458,880.15	316,935 75	269,861.88	555,798.77
SURPLUS—RESERVE FOR CONTINGENCIES						
Credit balance—June 30, 1937	0	0	0	0	0	0
Added during June 1938	8,951 96	0	8,951 96	0	0	0
Credit balance—June 30, 1938	8,951.96	0	8,951.96	0	0	0
UNDIVIDED PROFITS						
Credit balance—June 30, 1937	1,957,020.78	61,023.78	194,341.38	228,020.67	187,457.94	236,869.65
Add: Profit for the fiscal year ended June 30, 1938	4,755,890.18	398,962.50	575,999.23	388,086.66	439,349 72	663,448.39
	6,712,910 96	459,986 28	770,340.61	616,107 33	626,807 66	900,318.04
Deduct: Dividends declared during the fiscal year ended June 30, 1938:						
U. S. Government	2,067,202.69	184,044 81	362,090 39	109,283.41	91,965.58	255,514 00
Members	579,884.80	48,801.79	80,089.93	21,075.84	28,141.69	134,069.77
Allocation to legal reserve	951,178.05	79,792 50	115,199 86	77,617 33	87,869 94	132,689 68
Allocation to reserve for contingencies	8,951.96	0	8,951 96	0	0	0
Total deductions	3,607,217 50	312,639.10	566,332 14	207,976 58	207,977.21	522,273.45
Credit balance—June 30, 1938	3,105,693 46	147,347.18	204,008 47	408,130 75	418,830 45	378,044.59

Federal Home Loan Banks—Analysis of surplus and undivided profits for the fiscal year ended June 30, 1938—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
SURPLUS—RESERVE AS REQUIRED BY SEC. NO. 16 OF THE ACT							
Credit balance—June 30, 1937	$168,800.46	$330,348.65	$135,405.44	$179,659.90	$93,055.55	$78,142.90	$94,983.95
Additions to reserve during fiscal year ended June 30, 1938	46,948.33	132,281.48	65,125.65	50,754.34	43,531.88	37,299.60	82,067.46
Credit balance—June 30, 1938	215,748.79	462,630.13	200,531.09	230,414.24	136,587.43	115,442.50	177,051.41
SURPLUS—RESERVE FOR CONTINGENCIES							
Credit balance—June 30, 1937	0	0	0	0	0	0	0
Added during June 1938	0	0	0	0	0	0	0
Credit balance—June 30, 1938	0	0	0	0	0	0	0
UNDIVIDED PROFITS							
Credit balance—June 30, 1937	111,321.19	354,260.75	53,899.39	221,617.87	127,659.41	52,742.98	127,805.77
Add: Profit for the fiscal year ended June 30, 1938	234,741.65	661,407.39	325,628.24	253,771.71	217,659.38	186,498.00	410,337.31
	346,062.84	1,015,668.14	379,527.63	475,389.58	345,318.79	239,240.98	538,143.08
Deduct: Dividends declared during the fiscal year ended June 30, 1938:							
U. S. Government	98,661.00	425,217.00	147,898.00	87,724.00	73,336.00	81,950.00	149,518.50
Members	36,565.13	115,245.12	35,950.73	18,280.48	14,163.85	13,652.79	33,847.68
Allocation to legal reserve	46,948.33	132,281.48	65,125.65	50,754.34	43,531.88	37,299.60	82,067.46
Allocation to reserve for contingencies	0	0	0	0	0	0	0
Total deductions	182,174.46	672,743.60	248,974.38	156,758.82	131,031.73	132,902.39	265,433.64
Credit balance—June 30, 1938	163,888.38	342,924.54	130,553.25	318,630.76	214,287.06	106,338.59	272,709.44

EXHIBIT 21

Federal Home Loan Banks—Statement of condition as of June 30, 1938

ASSETS

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Cash:							
On hand	$46,741.98	$46,741.98	$500 00	$500.00	$1,200.00	$10.00	$510.00
On deposit with:							
U. S. Treasurer	28,917,144.79	28,917,144.79	5,564.26	3,986.28	1,607,551.12	3,714,464.76	7,806,272 25
Commercial banks	5,346,432.71	5,346,432.71	2,547,401.62	[1] 91,872.44	157,551 31	37,472.77	120,612.34
Federal Home Loan 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	15,150,000.00	6,450,000.00	5,100,000.00	0	0	0
In transit	9,536.30	0	0	0	0	0	0
Total cash	34,334,855.78	49,475,319.48	9,004,715.88	[1] 5,197,608 72	1,767,552.43	3,753,197.53	7,928,644.59
Deposit with U. S Treasurer for matured obligations	6,302.50	0	0	0	0	0	0
Investments: U. S. Government obligations and securities fully guaranteed by United States	34,445,172 60	34,445,172.60	1,293,929.68	3,893,319.26	3,856,330 25	2,387,817.43	8,122,457.07
Advances outstanding:							
Members	196,222,132.36	196,222,132.36	8,260,689.10	17,604,256.88	17,312,068.05	18,599,959.05	28,388,514.11
Nonmember mortgagees	2,805.00	2,805.00	0	0	0	0	0
Total advances outstanding	196,224,937.36	196,224,937.36	8,260,689.10	17,604,256.88	17,312,068.05	18,599,959.05	28,388,514.11
Accrued interest receivable:							
Deposits, other Federal Home Loan Banks	0	17,451 36	9,696 58	7,606.82	0	0	0
Investments	186,384 39	186,384 39	3,325.83	23,150.05	22,019.36	10,255.57	42,509.97
Advances to members	453,707.34	453,707.34	6,646.19	71,770.14	66,740.20	69,804.69	102,884.31
Advances to nonmember mortgagees	24.48	24 48	0	0	0	0	0
Total accrued interest receivable	640,116.21	657,567.57	19,668.60	102,527.01	88,759.56	80,060.26	145,394.28
Deferred charges:							
Prepaid debenture expense	106,160.85	106,160 85	0	0	12,520 83	11,979.21	11,475.70
Prepaid surety bond and insurance premiums	7,776.52	7,776.52	562 50	921 40	691 91	323.75	846.40
Other	66.50	66.50	0	0	0	66.50	0
Total deferred charges	114,003.87	114,003 87	562.50	921.40	13,212.74	12,369.46	12,322.10
Other assets:							
Accounts receivable	4,440.50	4,440 50	200 00	500 00	2,075.08	260.80	478 66
Miscellaneous	975.05	975.00	0	0	0	450 00	0
Total other assets	5,415.55	5,415.50	200 00	500.00	2,075.08	710 80	478 66
Total assets	265,770,803.87	280,922,416.38	18,579,765.76	26,799,133.27	23,039,998.11	24,834,114.53	44,597,810.81

[1] As of June 30, 1938, the New York Bank also held as Agent for the twelve Banks an imprest fund of $15,000 from which expenses of issuing debentures, other than brokerage commissions, are to be paid.

Federal Home Loan Banks—Statement of condition as of June 30 1938—Continued

LIABILITIES AND CAPITAL

	Consolidated	Combined	Boston	New York	Pittsburgh	Winston-Salem	Cincinnati
Liabilities:							
Deposits:							
Members, time	$16,668,818.60	$16,668,818.60	$2,117,497.01	$2,844,504.35	$167,731 71	$625,806.68	$3,099,600.00
Members, demand	3,204,538.29	3,204,538.29	0	151,141 99	0	0	1,560,478.30
Applicants	117,725.00	117,725 00	0	6,700.00	25,400 00	4,575.00	43,150.00
Other Federal Home Loan Banks	0	15,150,000 00	0	0	1,500,000 00	1,600,000.00	6,000,000.00
Total deposits	19,991,081.89	35,141,081.89	2,117,497.01	3,002,346.34	1,693,131 71	2,230,381.68	10,703,228.30
Accrued interest payable:							
Deposits, members	26,603.24	26,603.24	6,999 46	1,046 35	957 03	374.76	533.18
Deposits, other Federal Home Loan Banks	0	7,915.01	0	0	61.64	65.76	246.57
Debenture	334,166.63	334,166.63	0	0	31,974.98	39,612.50	64,464.58
Total accrued interest payable	360,769 87	368,684.88	6,999 46	1,046.35	32,993 65	40,053.02	65,244.33
Dividends payable:							
U. S. Government	642,153 00	642,153 00	93,506.25	0	0	0	127,757 00
Members	207,145 18	207,145.18	25,792.85	0	0	0	68,375 54
Total dividends payable	849,298 18	849,298.18	119,299.10	0	0	0	196,132.54
Accounts payable	6,500 00	6,500.00	0	0	5,000 00	0	1,500 00
Premiums on debentures	75,520 86	75,520.86	0	0	4,531.25	9,062 50	8,307.28
Consolidated debentures [2]							
1¼% due July 1, 1938	28,000,000.00	28,000,000 00	0	0	1,516,000 00	3,538,000 00	7,581,000 00
2% due Dec. 1, 1940	25,000,000 00	25,000,000 00	0	0	1,500,000 00	3,000,000 00	2,750,000.00
2% 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
Total consolidated debentures	76,500,000 00	76,500,000.00	0	0	7,016,000 00	9,038,000.00	12,831,000.00
Matured obligations:							
Consolidated debentures	5,000 00	0	0	0	0	0	0
Interest on consolidated debentures	1,302 50	0	0	0	0	0	0
Total	6,302 50	0	0	0	0	0	0
Total liabilities	97,789,473 30	112,941,085 81	2,243,795 57	3,003,392.69	8,751,656 61	11,317,497.20	23,805,412 45

Capital:							
Capital stock (par):							
Members (fully paid)	36, 653, 700. 00	36, 653, 700. 00	3, 489, 000. 00	4, 160, 700 00	2, 411, 700. 00	3, 612, 500. 00	7, 076, 200. 00
Members (partially paid)	218, 300. 00	218, 300. 00	30, 000. 00	0	11, 000. 00	10, 500. 00	20, 200 00
Total	36, 872, 000. 00	36, 872, 000. 00	3, 519, 000 00	4, 160, 700 00	2, 422, 700 00	3, 623, 000 00	7, 096, 400. 00
Less unpaid subscriptions	100, 795. 00	100, 795. 00	12, 475 00	0	5, 725. 00	3, 275. 00	13, 545. 00
	36, 771, 205. 00	36, 771, 205 00	3, 506, 525 00	4, 160, 700. 00	2, 416, 975. 00	3, 619, 725 00	7, 082, 855 00
U. S. Government (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	161, 512, 205. 00	161, 512, 205. 00	15, 974, 025 00	23, 123, 900 00	13, 563, 275. 00	12, 827, 925 00	19, 858, 555. 00
Surplus:							
Reserve as required under Sec. #16 of Act	3, 354, 480. 15	3, 354, 480. 15	214, 598 01	458, 880. 15	316, 935. 75	269, 861 88	555, 798. 77
Reserve for contingencies	8, 951. 96	8, 951. 96	0	8, 951 96	0	0	0
Total surplus	3, 363, 432. 11	3, 363, 432. 11	214, 598. 01	467, 832. 11	316, 935. 75	269, 861 88	555, 798. 77
Undivided profits	3, 105, 693. 46	3, 105, 693. 46	147, 347. 18	204, 008 47	408, 130. 75	418, 830 45	378, 044 59
Total surplus and undivided profits	6, 469, 125. 57	6, 469, 125. 57	361, 945 19	671, 840 58	725, 066. 50	688, 692 33	933, 843. 36
Total capital	167, 981, 330. 57	167, 981, 330 57	16, 335, 970. 19	23, 795, 740 58	14, 288, 341. 50	13, 516, 617 33	20, 792, 398 36
Total liabilities and capital	265, 770, 803 87	280, 922, 416. 38	18, 579, 765. 76	26, 799, 133. 27	23, 039, 998. 11	24, 834, 114 53	44, 597, 810 81

[2] 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.

Federal Home Loan Banks—Statement of condition as of June 30, 1938—Continued

ASSETS

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Cash:							
On hand	$8, 420 55	$21, 396. 53	$13, 619. 90	$25 00	$25. 00	0	$535. 00
On deposit with:							
U. S. Treasurer	2, 074, 363. 23	4, 359, 491. 70	1, 893, 808. 46	1, 306, 301. 03	340, 729. 64	$2, 051, 362. 97	3, 753, 249. 09
Commercial banks	514, 208. 96	1, 348, 710. 96	23, 988. 86	0	6, 496 63	25, 000. 00	473, 116. 82
Federal Home Loan 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	1, 700, 000. 00	1, 100, 000. 00	200, 000. 00	0	0	0	600, 000. 00
In transit	0	0	0	0	0	0	0
Total cash	4, 298, 242. 74	6, 830, 849. 19	2, 132, 667. 22	1, 307, 576 03	348, 501. 27	2, 077, 612. 97	4, 828, 150. 91
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	3, 313, 000. 00	1, 728, 896. 19	2, 879, 608. 88	2, 390, 000. 00	1, 198, 750. 00	1, 971, 376. 34	1, 409, 687. 50
Advances outstanding:							
Members	12, 084, 384. 74	32, 557, 741. 63	15, 083, 069. 64	11, 623, 047. 84	11, 284, 314. 79	6, 913, 525. 48	16, 510, 561. 05
Nonmember mortgagees	0	0	0	0	0	0	2, 805. 00
Total advances outstanding	12, 084, 384. 74	32, 557, 741. 63	15, 083, 069. 64	11, 623, 047. 84	11, 284, 314. 79	6, 913, 525. 48	16, 513, 366. 05
Accrued interest receivable:							
Deposits, other Federal Home Loan Banks	69. 87	45. 21	8 22	0	0	0	24. 66
Investments	12, 836. 58	12, 529. 49	23, 915 09	16, 359. 09	10, 691. 66	5, 777. 12	3, 014. 58
Advances to members	2, 102. 99	49, 653. 79	11, 430 34	33, 240. 16	9, 740. 18	20, 937. 45	8, 756. 90
Advances to nonmember mortgagees	0	0	0	0	0	0	24. 48
Total accrued interest receivable	15, 009. 44	62, 228. 49	35, 353. 65	49, 599. 25	20, 431. 84	26, 714. 57	11, 820. 62
Deferred charges:							
Prepaid debenture expense	9, 965. 33	23, 236. 11	16, 729. 19	4, 569. 46	6, 261. 45	0	9, 423. 57
Prepaid surety bond and insurance premiums	487. 60	1, 448. 24	500. 41	554. 07	476. 65	541. 69	421. 90
Other	0	0	0	0	0	0	0
Total deferred charges	10, 452. 93	24, 684. 35	17, 229. 60	5, 123. 53	6, 738. 10	541. 69	9, 845. 47
Other assets:							
Accounts receivable	270. 00	0	0	223. 25	0	150. 00	282. 71
Miscellaneous	100. 00	0	0	0	0	0	425. 00
Total other assets	370. 00	0	0	223. 25	0	150. 00	707. 71
Total assets	19, 721, 459. 85	41, 204, 399. 85	20, 147, 928 99	15, 375, 569 90	12, 858, 736. 00	10, 989, 921. 05	22, 773, 578. 26

EXHIBIT 23

U. S. GOVERNMENT PRINTING OFFICE : 1938 — O - 98591

LIABILITIES AND CAPITAL

Liabilities:							
Deposits:							
Members, time	$2,383,550 60	$3,795,047.02	$782,081.23	0	$348,000.00	0	$505,000.00
Members, demand	201,281 39	0	0	$83,254.83	143 39	$65,000.00	1,143,238.39
Applicants	4,400 00	26,850.00	1,400.00	0	2,000.00	0	3,250.00
Other Federal Home Loan Banks	1,000,000.00	2,550,000.00	0	900,000 00	0	1,600,000 00	0
Total deposits	3,589,231.99	6,371,897.02	783,481.23	983,254 83	350,143 39	1,665,000.00	1,651,488.39
Accrued interest payable:							
Deposits, members	7,277 09	5,148.27	4,120 82	0	146 28	0	0
Deposits, other Federal Home Loan Banks	7,438.29	0	0	36.99	0	65.76	0
Debentures	28,470.82	54,864.58	40,137.50	14,652.08	14,406.25	12,637.50	32,945 84
Total accrued interest payable	43,186.20	60,012.85	44,258 32	14,689 07	14,552 53	12,703.26	32,945 84
Dividends payable:							
U S. Government	49,330 50	141,739.00	73,949.00	43,862.00	0	37,250.00	74,759.25
Members	18,657.30	41,579.64	18,893.60	9,533.56	0	6,436.70	17,875.99
Total dividends payable	67,987 80	183,318.64	92,842.60	53,395.56	0	43,686.70	92,635.24
Accounts payable	0	0	0	0	0	0	0
Premiums on debentures	6,041.69	24,166.67	9,062.50	1,510 44	2,265.59	0	10,572.94
Consolidated debentures: [2]							
1¼% due July 1, 1938	2,022,000 00	4,245,000 00	2,022,000 00	1,011,000.00	505,000 00	2,022,000 00	3,538,000.00
2% due Dec. 1, 1940	2,000,000 00	8,000,000.00	3,000,000.00	500,000 00	750,000.00	0	3,500,000 00
2% 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
Total consolidated debentures	6,522,000 00	15,245,000 00	9,522,000 00	3,011,000.00	3,255,000.00	2,022,000.00	8,038,000 00
Matured obligations:							
Consolidated debentures	0	0	0	0	0	0	0
Interest on consolidated debentures	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0
Total liabilities	10,228,447 68	21,884,395.18	10,451,644.65	4,063,849 90	3,621,961.51	3,743,389.96	9,825,642.41
Capital:							
Capital stock (par):							
Members (fully paid)	2,533,700 00	4,334,300 00	1,959,900.00	1,988,100 00	1,550,500 00	1,064,500.00	2,472,600.00
Members (partially paid)	8,000.00	25,000 00	20,800.00	8,200.00	6,700 00	500.00	77,400.00
Total	2,541,700.00	4,359,300.00	1,980,700 00	1,996,300 00	1,557,200.00	1,065,000.00	2,550,000.00

[2] 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.

Federal Home Loan Banks—Statement of condition as of June 30, 1938—Continued

LIABILITIES AND CAPITAL—Continued

	Indianapolis	Chicago	Des Moines	Little Rock	Topeka	Portland	Los Angeles
Capital—Continued.							
Capital stock (par)—Continued.							
Less unpaid subscriptions	$5,725.00	$18,750.00	$10,400.00	$6,025.00	$4,900.00	$250.00	$19,725.00
	2,535,975.00	4,340,550.00	1,970,300.00	1,990,275.00	1,552,300.00	1,064,750.00	2,530,275.00
U. S. Government (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	9,113,375.00	18,514,450.00	9,365,200.00	10,762,675.00	8,885,900.00	7,024,750.00	12,498,175.00
Surplus:							
Reserve as required under Sec. #16 of Act	215,748.79	462,630.13	200,531.09	230,414.24	136,587.43	115,442.50	177,051.41
Reserve for contingencies	0	0	0	0	0	0	0
Total surplus	215,748.79	462,630.13	200,531.09	230,414.24	136,587.43	115,442.50	177,051.41
Undivided profits	163,888.38	342,924.54	130,553.25	318,630.76	214,287.06	106,338.59	272,709.44
Total surplus and undivided profits	379,637.17	805,554.67	331,084.34	549,045.00	350,874.49	221,781.09	449,760.85
Total capital	9,493,012 17	19,320,004.67	9,696,284.34	11,311,720.00	9,236,774.49	7,246,531.09	12,947,935.85
Total liabilities and capital	19,721,459.85	41,204,399.85	20,147,928.99	15,375,569.90	12,858,736.00	10,989,921.05	22,773,578.26

EXHIBIT 22

Statement of receipts and disbursements of the Federal Home Loan Bank Board for the fiscal years 1937 and 1938

	July 1, 1936, to June 30, 1937	July 1, 1937, to June 30, 1938
Balance at beginning of fiscal year	$343,685.47	$256,593.79
Receipts:		
Assessments upon—		
Federal Home Loan Banks	232,003.40	150,000.00
Home Owners' Loan Corporation	221,948.32	295,144.14
Federal Savings and Loan Insurance Corporation	82,442.05	64,615.90
Savings and Loan Promotion, Federal Home Loan Bank Board	24,106.11	0
Examining receipts	469,444.52	783,874.27
Miscellaneous refunds	1,331.32	4,381.17
Total receipts	1,031,275.72	1,298,015.48
Total cash and receipts	1,374,961.19	1,554,609.27
Disbursements:		
Salaries	847,416.40	857,807.09
Supplies and materials	4,460.96	10,511.97
Newspapers and periodicals	0	59.75
Communications	14,872.96	28,881.49
Travel	134,617.25	176,876.56
Transportation of things	272.33	787.92
Printing and binding	12,804.11	13,756.64
Photographing and duplicating	2,890.83	22,979.17
Rents	13,805.69	18,514.96
Equipment, furniture and fixtures	4,189.95	6,956.94
Special and miscellaneous	8,036.92	0
Total disbursements	1,043,367.40	1,137,132.49
Repayment to Home Owners' Loan Corporation and Federal Savings and Loan Insurance Corporation for retirement of amounts previously advanced by the Corporations	75,000.00	125,000.00
	1,118,367.40	1,262,132.49
Balance at end of fiscal year	256,593.79	292,476.78

EXHIBIT 23

PROGRESS OF FEDERAL SAVINGS AND LOAN ASSOCIATIONS AND AREAS SERVICED

[See map facing page 128]

EXHIBIT 24

Federal Savings and Loan Associations—Number of associations chartered, number of investors, and assets, by States and Bank Districts, June 30, 1937, and June 30, 1938

	Number of associations chartered			Number of investors			Assets		
	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase
District No. 1, Boston:									
Connecticut	15	15	------	$4,463	$9,815	$5,352	$6,895,255	$9,298,000	$2,402,745
Maine	6	5	[1]1	359	473	114	317,079	517,000	199,921
Massachusetts	22	26	4	52,346	66,049	13,703	70,743,849	87,399,000	16,655,151
New Hampshire	2	2	------	3,153	3,808	655	5,352,557	6,085,000	732,443
Rhode Island	1	1	------	77	537	460	83,670	395,000	311,330
Vermont	2	2	------	710	1,038	328	993,766	1,480,000	486,234
Total	48	51	3	61,108	81,720	20,612	84,386,176	105,174,000	20,787,824
District No. 2, New York:									
New Jersey	------	------	------	------	------	------	------	------	------
New York	62	64	2	102,236	160,318	58,082	111,925,464	129,394,000	17,468,536
Puerto Rico	------	------	------	------	------	------	------	------	------
Virgin Islands	------	------	------	------	------	------	------	------	------
Total	62	64	2	102,236	160,318	58,082	111,925,464	129,394,000	17,468,536
District No. 3, Pittsburgh:									
Delaware	------	------	------	------	------	------	------	------	------
Pennsylvania	46	60	14	12,458	24,580	12,122	16,018,476	28,061,000	12,042,524
West Virginia	21	21	------	6,680	7,085	405	10,477,054	12,595,000	2,117,946
Total	67	81	14	19,138	31,665	12,527	26,495,530	40,656,000	14,160,470
District No. 4, Winston-Salem:									
Alabama	15	15	------	4,234	5,368	1,134	4,269,797	5,725,000	1,455,203
District of Columbia	1	2	1	25	6,998	6,973	20,300	6,090,000	6,069,700
Florida	50	48	[1]2	12,781	19,386	6,605	24,275,881	32,964,000	8,688,119
Georgia	43	43	------	9,770	12,751	2,981	12,420,458	15,513,000	3,092,542
Maryland	22	29	7	9,899	14,104	4,205	15,667,240	20,357,000	4,689,760
North Carolina	14	16	2	3,970	5,349	1,379	7,299,694	9,531,000	2,231,306
South Carolina	30	30	------	8,542	10,482	1,940	9,689,117	12,792,000	3,102,883
Virginia	20	21	1	5,935	8,257	2,322	10,985,607	14,668,000	3,682,393
Total	195	204	9	55,156	82,695	27,539	84,628,094	117,640,000	33,011,906
District No. 5, Cincinnati:									
Kentucky	45	50	5	34,943	37,249	2,306	45,017,361	54,690,000	9,672,639
Ohio	96	109	13	129,126	156,177	27,051	149,355,926	172,457,000	23,101,074
Tennessee	37	38	1	11,675	11,993	318	16,096,195	19,770,000	3,673,805
Total	178	197	19	175,744	205,419	29,675	210,469,482	246,917,000	36,447,518
District No. 6, Indianapolis:									
Indiana	66	67	1	66,366	67,154	788	74,878,903	78,990,000	4,111,097
Michigan	22	27	5	15,588	21,048	5,460	18,643,398	29,441,000	10,797,602
Total	88	94	6	81,954	88,202	6,248	93,522,301	108,431,000	14,908,699
District No. 7, Chicago:									
Illinois	98	101	3	48,164	61,911	13,747	75,272,305	91,189,000	15,916,695
Wisconsin	28	27	[1]1	4,235	7,530	3,295	7,246,628	9,970,000	2,723,372
Total	126	128	2	52,399	69,441	17,042	82,518,933	101,159,000	18,640,067

[1] Reduction.

Federal Savings and Loan Associations—Number of associations chartered, number of investors, and assets, by States and Bank Districts, June 30, 1937, and June 30, 1938—Continued

	Number of associations chartered			Number of investors			Assets		
	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase
District No. 8, Des Moines:									
Iowa	32	31	[1] 1	6,088	7,583	1,495	6,839,977	9,250,000	2,410,023
Minnesota	33	31	[1] 2	25,347	32,337	6,990	25,394,435	32,356,000	6,961,565
Missouri	37	37	------	20,658	21,932	1,274	30,956,574	33,910,000	2,953,426
North Dakota	5	5	------	1,767	1,818	51	1,522,689	1,784,000	261,311
South Dakota	4	4	------	1,024	1,157	133	1,344,727	1,523,000	178,273
Total	111	108	[1] 3	54,884	64,827	9,943	66,058,402	78,823,000	12,764,598
District No. 9, Little Rock:									
Arkansas	35	33	[1] 2	4,461	5,134	673	7,987,236	9,400,000	1,412,764
Louisiana	12	12	------	5,826	6,234	408	11,290,693	12,119,000	828,307
Mississippi	20	21	1	2,454	2,915	461	2,781,331	3,552,000	770,669
New Mexico	8	8	------	810	949	139	1,006,385	1,465,000	458,615
Texas	89	91	2	16,046	28,834	12,788	21,967,887	36,653,000	14,685,113
Total	164	165	1	29,597	44,066	14,469	45,033,532	63,189,000	18,155,468
District No. 10, Topeka:									
Colorado	23	24	1	6,834	13,791	6,957	10,088,360	17,268,000	7,179,640
Kansas	22	21	[1] 1	5,042	7,465	2,423	6,965,332	10,190,000	3,224,668
Nebraska	15	15	------	3,256	4,429	1,173	4,623,498	5,942,000	1,318,502
Oklahoma	32	33	1	26,847	25,440	[1] 1,407	39,122,366	42,909,000	3,786,634
Total	92	93	1	41,979	51,125	9,146	60,799,556	76,309,000	15,509,444
District No. 11, Portland:									
Alaska	1	1	------	38	86	48	52,031	117,000	64,969
Idaho	8	9	1	5,956	7,223	1,267	5,195,542	6,524,000	1,328,458
Montana	1	2	1	33	508	475	80,381	328,000	247,619
Oregon	23	22	[1] 1	9,579	11,003	1,424	9,905,307	11,668,000	1,762,693
Utah	6	6	------	5,432	8,352	2,920	5,066,149	6,612,000	1,545,851
Washington	36	36	------	72,451	73,723	1,272	31,995,112	36,052,000	4,056,888
Wyoming	9	9	------	878	1,362	484	1,820,348	2,260,000	439,652
Total	84	85	1	94,367	102,257	7,890	54,114,870	63,561,000	9,446,130
District No. 12, Los Angeles:									
Arizona	2	3	1	468	1,453	985	1,379,520	1,889,000	509,480
California	67	72	5	31,215	45,819	14,604	63,318,729	78,939,000	15,620,271
Hawaii	1	1	------	944	1,089	145	1,539,395	1,793,000	253,605
Nevada	1	------	[1] 1	158	------	[1] 158	107,864	------	[1] 107,864
Total	71	76	5	32,785	48,361	15,576	66,345,508	82,621,000	16,275,492
Grand total	1,286	1,346	60	801,347	1,030,096	228,749	986,297,848	1,213,874,000	227,576,152

[1] Reduction.

EXHIBIT 25

Federal Savings and Loan Associations—Private investments and investments of U. S. Treasury and Home Owners' Loan Corporation, by States and Bank Districts, June 30, 1937, and June 30, 1938

	Private investment [1]			U. S. Treasury and H. O. L. C. investment		
	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase
District No. 1, Boston:						
Connecticut	$2,660,906	$4,478,426	$1,817,520	$2,762,500	$3,132,500	$370,000
Maine	81,884	219,019	137,135	166,500	207,000	40,500
Massachusetts	50,973,738	63,927,252	12,953,514	4,069,200	5,246,200	1,177,000
New Hampshire	3,391,236	4,327,715	936,479	475,000	475,000	----------
Rhode Island	68,095	167,825	99,730	----------	185,000	185,000
Vermont	834,068	1,267,076	433,008	50,000	50,000	----------
Total	58,009,927	74,387,313	16,377,386	7,523,200	9,295,700	1,772,500
District No. 2, New York:						
New Jersey	----------	----------	----------	----------	----------	----------
New York	68,743,635	84,231,683	15,488,048	27,938,400	29,973,300	2,034,900
Puerto Rico	----------	----------	----------	----------	----------	----------
Virgin Islands	----------	----------	----------	----------	----------	----------
Total	68,743,635	84,231,683	15,488,048	27,938,400	29,973,300	2,034,900
District No. 3, Pittsburgh:						
Delaware	----------	----------	----------	----------	----------	----------
Pennsylvania	6,954,408	14,589,204	7,634,796	5,252,200	6,386,200	1,134,000
West Virginia	4,886,344	5,858,255	971,911	2,675,000	3,144,000	469,000
Total	11,840,752	20,447,459	8,606,707	7,927,200	9,530,200	1,603,000
District No. 4, Winston-Salem:						
Alabama	2,432,683	3,477,873	1,045,190	1,010,500	1,260,500	250,000
District of Columbia	20,300	4,361,951	4,341,651	----------	50,000	50,000
Florida	7,884,884	14,289,075	6,404,191	11,040,400	11,832,400	792,000
Georgia	5,844,696	7,918,722	2,074,026	4,207,900	4,449,900	242,000
Maryland	8,837,094	11,295,416	2,458,322	3,150,000	3,825,000	675,000
North Carolina	2,916,500	4,403,507	1,487,007	2,539,500	3,013,500	474,000
South Carolina	6,423,996	9,033,839	2,609,843	1,691,500	1,922,500	231,000
Virginia	6,010,057	8,217,654	2,207,597	2,710,000	3,390,000	680,000
Total	40,370,210	62,998,037	22,627,827	26,349,800	29,743,800	3,394,000
District No. 5, Cincinnati:						
Kentucky	32,825,540	40,564,956	7,739,416	3,176,000	3,926,000	750,000
Ohio	106,732,849	127,666,710	20,933,861	15,660,000	16,517,000	857,000
Tennessee	6,238,990	8,481,653	2,242,663	6,404,600	6,884,600	480,000
Total	145,797,379	176,713,319	30,915,940	25,240,600	27,327,600	2,087,000
District No. 6, Indianapolis:						
Indiana	54,352,611	55,370,948	1,018,337	7,700,000	8,632,000	932,000
Michigan	12,624,549	21,570,124	8,945,575	3,074,800	3,443,300	368,500
Total	66,977,160	76,941,072	9,963,912	10,774,800	12,075,300	1,300,500
District No. 7, Chicago:						
Illinois	40,256,473	51,442,491	11,186,018	18,685,000	20,481,500	1,796,500
Wisconsin	2,681,890	4,621,766	1,939,876	3,055,500	3,487,000	431,500
Total	42,938,363	56,064,257	13,125,894	21,740,500	23,968,500	2,228,000
District No. 8, Des Moines:						
Iowa	3,318,040	4,893,781	1,575,741	2,311,500	2,447,000	135,500
Minnesota	11,198,979	15,452,265	4,253,286	8,016,700	8,573,300	556,600
Missouri	18,178,297	19,630,426	1,452,129	6,404,000	7,116,000	712,000
North Dakota	1,005,209	1,122,741	117,532	260,000	305,000	45,000
South Dakota	688,835	828,039	139,204	353,000	353,000	----------
Total	34,389,360	41,927,252	7,537,892	17,345,200	18,794,300	1,449,100

[1] Excludes pledged shares.

Federal Savings and Loan Associations—Private investments and investments of U. S. Treasury and Home Owners' Loan Corporation, by State and Bank Districts, June 30, 1937, and June 30, 1938—Continued

	Private investment [1]			U. S. Treasury and H. O. L. C. investment		
	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase
District No. 9, Little Rock:						
Arkansas	$4,312,657	$5,681,743	$1,369,086	$1,894,500	$1,924,500	$30,000
Louisiana	9,046,040	9,262,662	216,622	506,500	435,500	[2] 71,000
Mississippi	1,555,914	2,295,771	739,857	738,500	771,500	33,000
New Mexico	536,537	891,887	355,350	347,000	342,000	[2] 5,000
Texas	12,765,564	24,061,905	11,296,341	5,672,600	6,099,100	426,500
Total	28,216,712	42,193,968	13,977,256	9,159,100	9,572,600	413,500
District No. 10, Topeka:						
Colorado	5,737,021	11,646,927	5,909,906	2,368,000	2,615,000	247,000
Kansas	2,664,617	5,032,105	2,367,488	2,698,000	2,855,000	157,000
Nebraska	2,545,843	3,579,046	1,033,203	1,331,000	1,441,000	110,000
Oklahoma	28,611,976	31,523,223	2,911,247	2,140,000	2,485,000	345,000
Total	39,559,457	51,781,301	12,221,844	8,537,000	9,396,000	859,000
District No. 11, Portland.						
Alaska	9,700	28,212	18,512	18,700	33,300	14,600
Idaho	2,458,043	3,197,663	739,620	1,850,600	2,325,600	475,000
Montana	30,225	213,460	183,235	30,000	30,000	------------
Oregon	3,499,064	5,099,930	1,600,866	4,339,500	4,621,500	282,000
Utah	2,761,348	3,574,467	813,119	1,205,000	1,700,000	495,000
Washington	17,266,563	20,614,199	3,347,636	8,612,000	8,813,000	201,000
Wyoming	494,891	726,181	231,290	876,500	1,008,100	131,600
Total	26,519,834	33,454,112	6,934,278	16,932,300	18,531,500	1,599,200
District No. 12, Los Angeles:						
Arizona	420,771	858,120	437,349	590,000	590,000	------------
California	29,749,295	40,233,386	10,484,091	18,457,000	19,768,200	1,311,200
Hawaii	1,336,000	1,493,274	157,274	25,000	------------	[2] 25,000
Nevada	59,103	------------	[2] 59,103	------------	------------	------------
Total	31,565,169	42,584,780	11,019,611	19,072,000	20,358,200	1,286,200
Grand total	594,927,958	763,724,553	168,796,595	198,540,100	218,567,000	20,026,900

[1] Excludes pledged shares.
[2] Reduction.

EXHIBIT 26

Summary of new mortgage loans made by reporting [1] Federal savings and loan associations during year ended June 30, 1938

State and F. H. L. B. District	Construction	Home purchase	Refinancing [2]	Repairs and reconditioning	Other purposes	Total
UNITED STATES	$94,450,600	$84,406,400	$61,058,700	$17,594,300	$23,377,000	$280,887,000
District No. 1	5,538,100	6,260,000	5,124,600	1,385,900	1,370,200	19,678,800
Connecticut	1,281,500	807,400	1,014,500	148,600	96,800	3,348,800
Maine	43,200	65,800	75,000	32,500	22,400	238,900
Massachusetts	3,775,300	4,625,700	3,497,700	996,500	799,500	13,694,700
New Hampshire	245,700	345,900	334,200	150,800	425,600	1,502,200
Rhode Island	91,900	155,600	66,100	3,900	------------	317,500
Vermont	100,500	259,600	137,100	53,600	25,900	576,700
District No. 2	10,0[illegible]900	5,757,900	3,366,200	796,500	976,400	20,994,900
New Jersey	------------	------------	------------	------------	------------	------------
New York	1[illegible]97,900	5,757,900	3,366,200	796,500	976,400	20,994,900

[1] Reporting associations held about 97.5% of total assets of all Federal savings and loan associations.
[2] Refinancing of associations' own mortgages includes only the amount of increase in the mortgage.

Summary of new mortgage loans made by reporting Federal savings and loan associations during year ended June 30, 1938—Continued

State and F. H. L. B. District	Construction	Home purchase	Refinancing [2]	Repairs and reconditioning	Other purposes	Total
District No. 3	$3,106,600	$4,928,600	$3,079,800	$594,700	$485,200	$12,194,900
Delaware						
Pennsylvania	2,141,000	3,944,400	2,051,300	248,800	238,600	8,624,100
West Virginia	965,600	984,200	1,028,500	345,900	246,600	3,570,800
District No. 4	15,155,400	10,286,700	6,523,600	1,929,900	3,467,000	37,362,600
Alabama	412,300	408,700	335,300	122,100	195,600	1,474,000
District of Columbia	199,200	130,800	165,400	12,200	15,000	522,600
Florida	6,092,300	1,758,500	1,467,200	482,500	1,482,300	11,282,800
Georgia	2,000,900	923,200	1,279,700	398,400	439,200	5,041,400
Maryland	1,207,500	4,106,600	550,800	74,500	128,700	6,068,100
North Carolina	1,374,000	687,600	756,100	236,600	385,400	3,439,700
South Carolina	2,165,200	851,000	841,400	353,100	461,100	4,671,800
Virginia	1,704,000	1,420,300	1,127,700	250,500	359,700	4,862,200
District No. 5	14,105,600	17,758,700	10,508,800	3,232,200	4,211,200	49,816,500
Kentucky	2,460,800	4,102,000	2,501,200	846,500	1,110,800	11,021,300
Ohio	9,228,300	12,882,500	6,592,600	1,944,300	2,533,800	33,181,500
Tennessee	2,416,500	774,200	1,415,000	441,400	566,600	5,613,700
District No. 6	4,201,900	5,594,200	3,662,300	1,640,800	1,667,000	16,766,200
Indiana	2,635,200	4,745,400	2,647,800	1,353,900	1,213,600	12,595,900
Michigan	1,566,700	848,800	1,014,500	286,900	453,400	4,170,300
District No. 7	5,133,200	9,444,900	7,474,900	2,468,800	2,291,800	26,813,600
Illinois	3,810,300	8,207,900	6,800,300	2,323,000	2,101,100	23,242,600
Wisconsin	1,322,900	1,237,000	674,600	145,800	190,700	3,571,000
District No. 8	5,369,100	5,895,800	5,555,800	1,480,900	1,554,600	19,856,200
Iowa	1,101,200	1,021,600	704,900	294,900	263,500	3,386,100
Minnesota	2,746,000	2,918,100	2,643,800	499,700	873,200	9,680,800
Missouri	1,284,000	1,786,600	2,076,300	584,200	290,200	6,021,300
North Dakota	140,400	81,500	44,500	46,700	93,900	407,000
South Dakota	97,500	88,000	86,300	55,400	33,800	361,000
District No. 9	7,464,300	3,636,600	2,895,800	1,323,000	1,705,400	17,025,100
Arkansas	848,800	810,000	659,500	253,400	501,700	3,073,400
Louisiana	1,467,700	525,400	348,800	201,900	300,200	2,844,000
Mississippi	409,000	170,300	376,200	144,400	157,500	1,257,400
New Mexico	359,400	72,600	93,900	46,900	23,400	596,200
Texas	4,379,400	2,058,300	1,417,400	676,400	722,600	9,254,100
District No. 10	5,055,100	6,307,400	3,255,500	868,600	2,393,900	17,880,500
Colorado	859,000	1,354,100	941,000	253,400	327,500	3,735,000
Kansas	694,400	996,700	392,200	143,300	229,400	2,456,000
Nebraska	551,800	394,700	335,800	73,600	164,900	1,520,800
Oklahoma	2,949,900	3,561,900	1,586,500	398,300	1,672,100	10,168,700
District No. 11	5,229,000	3,731,700	3,670,800	1,052,000	2,001,600	15,685,100
Idaho	582,100	391,500	365,000	141,800	141,000	1,621,400
Montana	17,500	11,400	4,600	10,700	42,200	86,400
Oregon	1,164,500	641,400	756,200	212,000	325,700	3,099,800
Utah	494,500	314,300	230,300	40,400	81,300	1,160,800
Washington	2,548,300	2,083,200	2,155,400	573,600	1,330,800	8,691,300
Wyoming	329,400	289,900	150,500	59,800	80,000	909,600
Alaska	92,700		8,800	13,700	600	115,800
District No. 12	13,994,400	4,803,900	5,940,600	821,000	1,252,700	26,812,600
Arizona	465,100	174,600	154,400	18,300	75,400	887,800
California	13,381,000	4,404,800	5,678,200	783,100	1,130,200	25,377,300
Nevada						
Hawaii	148,300	224,500	108,000	19,600	47,100	547,500

[2] Refinancing of associations' own mortgages includes only the amount of increase in the mortgage.

Prepared by Division of Research and Statistics, Federal Home Loan Bank Board.

EXHIBIT 27

Federal savings and loan associations—Mortgage loans outstanding and Federal Home Loan Bank advances, by States, June 30, 1937, and June 30, 1938

	Mortgage loans outstanding			Federal Home Loan Bank advances		
	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase
District No. 1, Boston:						
Connecticut	$5,889,248	$8,346,206	$2,456,958	$842,061	$1,136,336	$294,275
Maine	294,000	462,648	168,648	37,670	66,654	28,984
Massachusetts	44,743,691	59,864,148	15,120,457	3,511,306	4,281,815	770,509
New Hampshire	4,445,900	5,360,499	914,599	525,800	452,910	[1] 72,890
Rhode Island	70,800	368,078	297,278	15,000	31,575	16,575
Vermont	918,100	1,271,381	353,281	38,328	60,703	22,375
Total	56,361,739	75,672,960	19,311,221	4,970,165	6,029,993	1,059,828
District No. 2, New York:						
New Jersey						
New York	83,006,700	97,401,009	14,394,309	5,515,097	4,701,832	[1] 813,265
Puerto Rico						
Virgin Islands						
Total	83,006,700	97,401,009	14,394,309	5,515,097	4,701,832	[1] 813,265
District No. 3, Pittsburgh:						
Delaware						
Pennsylvania	12,569,529	22,740,570	10,171,041	1,870,424	3,810,481	1,940,057
West Virginia	8,059,100	10,202,826	2,143,726	786,836	1,428,186	641,350
Total	20,628,629	32,943,396	12,314,767	2,657,260	5,238,667	2,581,407
District No. 4, Winston-Salem:						
Alabama	3,424,100	4,399,921	975,821	368,332	417,570	49,238
District of Columbia		4,613,045	4,613,045		190,910	190,910
Florida	21,394,600	28,761,713	7,367,113	3,253,172	4,707,299	1,454,127
Georgia	11,249,412	14,354,690	3,105,278	1,420,545	1,839,518	418,973
Maryland	10,564,192	14,876,499	4,312,307	1,353,390	2,441,884	1,088,494
North Carolina	6,371,768	8,637,629	2,265,861	1,224,154	1,464,379	240,225
South Carolina	8,496,900	11,485,191	2,988,291	861,822	1,026,350	164,528
Virginia	9,353,600	12,887,714	3,534,114	1,353,180	1,808,838	455,658
Total	70,854,572	100,016,402	29,161,830	9,834,595	13,896,748	4,062,153
District No. 5, Cincinnati:						
Kentucky	31,479,239	40,109,721	8,630,482	3,649,104	4,625,226	976,122
Ohio	112,154,448	131,149,630	18,995,182	7,166,032	6,925,509	[1] 240,523
Tennessee	13,674,600	17,312,325	3,637,725	1,755,421	2,520,667	765,246
Total	157,308,287	188,571,676	31,263,389	12,570,557	14,071,402	1,500,845
District No. 6, Indianapolis:						
Indiana	52,869,147	60,880,200	8,011,053	5,795,679	7,894,708	2,099,029
Michigan	11,973,800	17,971,078	5,997,278	882,253	1,348,585	466,332
Total	64,842,947	78,851,278	14,008,331	6,677,932	9,243,293	2,565,361
District No. 7, Chicago:						
Illinois	55,299,933	71,392,442	16,092,509	7,253,240	10,122,509	2,869,269
Wisconsin	6,467,100	8,959,435	2,492,335	818,430	1,041,420	222,990
Total	61,767,033	80,351,877	18,584,844	8,071,670	11,163,929	3,092,259
District No. 8, Des Moines:						
Iowa	5,960,102	8,271,103	2,311,001	622,238	1,229,860	607,622
Minnesota	20,015,364	26,464,578	6,449,214	4,127,400	6,165,812	2,038,412
Missouri	20,909,500	23,512,038	2,602,538	2,733,854	3,548,078	814,224
North Dakota	1,070,400	1,374,028	303,628	124,991	194,871	69,880
South Dakota	1,033,700	1,297,425	263,725	189,850	225,833	35,983
Total	48,989,066	60,919,172	11,930,106	7,798,333	11,364,454	3,566,121

[1] Reduction.

98591—38——10

Federal savings and loan associations—Mortgage loans outstanding and Federal Home Loan Bank advances, by States, June 30, 1937, and June 30, 1938—Con.

	Mortgage loans outstanding			Federal Home Loan Bank advances		
	June 30, 1937	June 30, 1938	Increase	June 30, 1937	June 30, 1938	Increase
District No 9, Little Rock:						
Arkansas	6, 451, 100	7, 996, 060	1, 544, 960	774, 296	789, 730	15, 434
Louisiana	9, 848, 200	10, 970, 613	1, 122, 413	450, 423	439, 319	[1] 11, 104
Mississippi	2, 478, 900	3, 236, 088	757, 188	241, 937	170, 237	[1] 71, 700
New Mexico	925, 300	1, 348, 095	422, 795	80, 275	181, 200	100, 925
Texas	18, 294, 147	29, 997, 767	11, 703, 620	1, 426, 341	2, 163, 209	736, 868
Total	37, 997, 647	53, 548, 623	15, 550, 976	2, 973, 272	3, 743, 695	770, 123
District No. 10, Topeka						
Colorado	7, 846, 664	11, 560, 825	3, 714, 161	765, 934	1, 008, 645	242, 711
Kansas	5, 610, 588	7, 854, 458	2, 243, 870	877, 610	1, 422, 660	545, 050
Nebraska	3, 891, 300	5, 023, 873	1, 132, 573	289, 875	460, 049	170, 174
Oklahoma	26, 061, 300	30, 114, 557	4, 053, 257	1, 766, 301	2, 996, 859	1, 230, 558
Total	43, 409, 852	54, 553, 713	11, 143, 861	3, 699, 720	5, 888, 213	2, 188, 493
District No. 11, Portland:						
Alaska	46, 400	104, 686	58, 286	2, 800	15, 586	12, 786
Idaho	4, 725, 400	5, 938, 067	1, 212, 667	463, 925	604, 762	140, 837
Montana	50, 900	204, 648	153, 748	5, 000	54, 172	49, 172
Oregon	8, 176, 910	9, 816, 532	1, 639, 622	891, 022	1, 090, 857	199, 835
Utah	3, 746, 100	4, 662, 518	916, 418	541, 250	857, 579	316, 329
Washington	26, 161, 000	29, 712, 769	3, 551, 769	1, 976, 267	2, 558, 391	582, 124
Wyoming	1, 562, 000	1, 997, 542	435, 542	212, 558	332, 613	120, 055
Total	44, 468, 710	52 436, 762	7, 968, 052	4, 092, 822	5, 513, 960	1, 421, 138
District No. 12, Los Angeles:						
Arizona	1, 033, 400	1, 681, 465	648, 065	288, 075	441, 080	153, 005
California	50, 474, 100	66, 185, 755	15, 711, 655	7, 018, 789	10, 066, 731	3, 047, 942
Hawaii	1, 446, 900	1, 612, 465	165, 565	25, 000	147, 500	122, 500
Nevada	84, 793		[1] 84, 793			
Total	53, 039, 193	69, 479, 685	16, 440, 492	7, 331, 864	10, 655, 311	3, 323, 447
Grand total	742, 674, 375	944, 746, 553	202, 072, 178	76, 193, 287	101, 511, 497	25, 318, 210

[1] Reduction.

EXHIBIT 28

Federal Savings and Loan Associations—Analysis of operating cost,[1] average income and expense ratios together with percent of net operating income to average invested capital for the twelve-month period ended December 31, 1937, by asset groups

Asset groups	Number of associations reporting	Percent operating expense to gross income	Percent operating expense to average net assets	Percent net operating income to average invested capital
$0 to $74,999	174	25 2	1 70	5 26
$75,000 to $149,999	206	27. 8	1. 77	5. 20
$150,000 to $299,999	244	28. 8	1. 83	4. 82
$300,000 to $499,999	154	29. 4	1. 82	4. 81
$500,000 to $749,999	156	30. 3	1. 90	4 76
$750,000 to $999,999	91	29. 0	1. 70	4. 66
$1,000,000 to $1,499,999	105	28. 8	1. 68	4. 64
$1,500,000 to $2,499,999	92	28. 1	1. 63	4. 67
$2,500,000 to $3,999,999	30	26 6	1. 46	4. 66
$4,000,000 to $5,999,999	26	26. 9	1. 31	4. 06
Over $6,000,000	23	23. 2	1. 22	4. 36

[1] The operating expense is confined to normal operations, and does not include items of a nonrecurring nature. Likewise, the operating income is that which has been earned from the usual type of business transaction.

EXHIBIT 29

Statement of cash receipts and disbursements of the Savings and Loan Promotion Fund for the year ended June 30, 1938

Balance as of June 30, 1937		$40,235.20
Receipts:		
Miscellaneous refunds		911.12
Total cash and receipts		41,146.32
Disbursements:		
Salaries	$2,350.08	
Supplies and materials	89.77	
Communications	20.37	
Travel	2,635.63	
Transportation of things	1.22	
Printing and binding	1,202.26	
Photographing and duplicating	669.32	
Equipment, furniture and fixtures	113.69	
		7,082.34
Balance as of June 30, 1938		[1] 34,063.98

[1] This balance is available for disbursements contracted before the termination of the Savings and Loan Division.

EXHIBIT 30

Federal Savings and Loan Insurance Corporation—Number and assets of all insured associations, and number of investors by States and Federal Home Loan Bank Districts, June 30, 1938

[Average assets are actual, other assets are in thousands of dollars]

State and Bank District	All insured associations: Number of associations	All insured associations: Number of investors	All insured associations: Assets	New Federals: Number of associations	New Federals: Number of investors	New Federals: Assets	Converted Federals: Number of associations	Converted Federals: Number of investors	Converted Federals: Assets	State-chartered associations: Number of associations	State-chartered associations: Number of investors	State-chartered associations: Assets	Average assets in all insured associations
United States	2,014	1,923,513	$1,978,476	638	249,013	$301,242	698	778,100	$907,115	678	896,400	$770,119	$982,361
Boston, No. 1	53	82,438	105,654	18	8,898	8,024	33	72,822	97,150	2	718	480	1,993,472
Connecticut	17	10,533	9,778	10	6,417	4,980	5	3,398	4,318	2	718	480	575,176
Maine	5	473	517	5	473	517							103,400
Massachusetts	26	66,049	87,399				26	66,049	87,399				3,361,500
New Hampshire	2	3,808	6,085	1	560	816	1	3,248	5,269				3,042,500
Rhode Island	1	537	395	1	537	395							395,000
Vermont	2	1,038	1,480	1	911	1,316	1	127	164				740,000
New York, No. 2	130	226,405	190,831	14	35,862	21,370	50	124,456	108,024	66	66,087	61,437	1,467,931
New Jersey	37	16,968	22,913							37	16,968	22,913	619,270
New York	93	209,437	167,918	14	35,862	21,370	50	124,456	108,024	29	49,119	38,524	1,805,570
Pittsburgh, No. 3	145	50,879	72,379	35	13,584	15,138	44	17,914	25,325	66	19,381	31,916	499,166
Delaware													
Pennsylvania	120	42,674	57,781	24	11,126	9,807	34	13,287	18,061	62	18,261	29,913	481,508
West Virginia	25	8,205	14,598	11	2,458	5,331	10	4,627	7,264	4	1,120	2,003	583,920
Winston-Salem, No. 4	245	121,336	153,258	126	41,506	61,104	77	41,089	56,088	42	38,741	36,066	625,543
Alabama	15	6,432	5,911	11	3,553	3,385	3	1,715	1,892	1	1,164	634	394,067
District of Columbia	9	23,234	20,116	1	6,116	3,702	1	882	2,388	7	16,236	14,026	2,235,111
Florida	48	19,386	32,964	45	19,086	32,325	3	300	639				686,750
Georgia	46	15,293	18,243	26	4,230	5,816	17	8,521	9,697	3	2,542	2,730	396,587
Maryland	39	18,323	23,814				29	14,104	20,357	10	4,219	3,457	610,615
North Carolina	29	12,522	16,142	10	2,181	4,047	6	3,168	5,484	13	7,173	6,611	556,621
South Carolina	34	15,270	16,671	17	2,647	4,466	13	7,835	8,326	4	4,788	3,879	490,324
Virginia	25	10,876	19,397	16	3,693	7,363	5	4,564	7,305	4	2,619	4,729	775,880

Cincinnati, No. 5	302	514,012	477,122	62	24,561	35,766	133	180,711	210,825	107	308,740	230,531	1,579,874
Kentucky	54	38,782	55,770	18	1,902	2,721	31	35,200	51,643	5	1,680	1,406	1,032,778
Ohio	210	463,227	401,582	16	15,780	22,062	92	140,397	150,395	102	307,060	229,125	1,912,295
Tennessee	38	11,993	19,770	28	6,879	10,983	10	5,114	8,787				520,263
Indianapolis, No. 6	158	138,356	150,703	43	19,697	23,012	49	68,222	85,029	66	50,437	42,662	953,816
Indiana	125	105,486	111,959	27	14,648	16,049	40	52,223	62,941	58	38,615	32,969	895,672
Michigan	33	32,870	38,744	16	5,049	6,963	9	15,999	22,088	8	11,822	9,693	1,174,061
Chicago, No. 7	191	110,387	153,110	43	16,436	21,374	85	53,005	79,785	63	40,946	51,951	801,623
Illinois	147	91,043	125,428	16	8,906	11,404	85	53,005	79,785	46	29,132	34,239	853,252
Wisconsin	44	19,344	27,682	27	7,530	9,970				17	11,814	17,712	629,136
Des Moines, No. 8	149	106,959	112,906	58	11,783	16,630	50	53,044	62,193	41	42,132	34,083	757,758
Iowa	37	11,629	11,654	23	4,657	6,104	8	2,926	3,146	6	4,046	2,404	314,973
Minnesota	35	32,928	32,882	15	2,484	3,744	16	29,853	28,612	4	591	526	939,486
Missouri	63	57,352	62,168	15	4,044	6,078	22	17,888	27,832	26	35,420	28,258	986,794
North Dakota	7	3,522	4,243	3	262	381	2	1,556	1,403	2	1,704	2,459	606,143
South Dakota	7	1,528	1,959	2	336	323	2	821	1,200	3	371	436	279,857
Little Rock, No. 9	262	164,894	183,538	130	21,646	26,846	35	22,420	36,343	97	120,828	120,349	700,527
Arkansas	37	6,866	11,397	28	3,546	5,624	5	1,588	3,770	4	1,732	1,997	308,027
Louisiana	69	84,335	88,405	8	749	1,096	4	5,485	11,023	57	78,101	76,286	1,281,232
Mississippi	23	3,561	4,179	19	2,729	3,322	2	186	230	2	646	627	181,696
New Mexico	14	2,919	4,146	8	949	1,465				6	1,970	2,681	296,143
Texas	119	67,213	75,411	67	13,673	15,339	24	15,161	21,314	28	38,379	38,758	633,706
Topeka, No. 10	143	86,434	109,850	35	8,668	11,322	58	42,457	64,987	50	35,309	33,541	768.182
Colorado	32	21,789	23,393	15	2,651	2,884	9	11,140	14,384	8	7,998	6,125	731,031
Kansas	55	31,754	34,155	9	3,082	4,357	12	4,383	5,833	34	24,289	23,965	621,000
Nebraska	18	4,921	6,381	8	2,499	3,618	7	1,930	2,324	3	492	439	354,500
Oklahoma	38	27,970	45,921	3	436	463	30	25,004	42,446	5	2,530	3,012	1,208,447
Portland, No. 11	111	187,389	89,350	37	26,126	18,716	48	76,131	44,845	26	85,132	25,789	804,955
Idaho	9	7,223	6,524				9	7,223	6,524				724,889
Montana	8	11,222	7,854				2	508	328	6	10,714	7,526	981,750
Oregon	22	11,003	11,668	18	9,222	9,200	4	1,781	2,468				530,364
Utah	9	19,405	13,258	1	58	193	5	8,294	6,419	3	11,053	6,646	1,473,111
Washington	53	137,088	47,669	9	15,741	7,560	27	57,982	28,492	17	63,365	11,617	899,415
Wyoming	9	1,362	2,260	8	1,019	1,646	1	343	614				251,111
Alaska	1	86	117	1	86	117							117,000
Los Angeles No. 12	125	134,024	179,775	37	20,246	41,940	36	25,829	36,521	52	87,949	101,314	1,438,200
Arizona	3	1,919	2,305	2	1,053	1,860				1	866	445	768,333
California	119	130,426	175,270	35	19,193	40,080	35	24,740	34,728	49	86,493	100,462	1,472,857
Nevada													
Hawaii	3	1,679	2,200				1	1,089	1,793	2	590	407	373,333

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

EXHIBIT 31

Federal Savings and Loan Insurance Corporation—Financial statement as of June 30, 1938

ASSETS

Cash in U. S. Treasury			$118, 043. 97
Accounts receivable:			
Insurance premiums due		$1, 700. 70	
Insurance premiums deferred		525, 380. 87	
Other		73. 08	
			527, 154. 65
Investments:			
U. S. Government securities and securities wholly guaranteed by the United States		112, 601, 500. 00	
Premium less discount on investments		248, 113. 65	
			112, 849, 613. 65
Accrued interest:			
On investments			583, 070. 24
Total assets			114, 077, 882. 51

LIABILITIES AND CAPITAL

Accounts payable:			
For purchases and services		$4, 716. 39	
Funds held in escrow (Clinton F. S. & L. A., Clinton, Tenn.)		73. 80	
			4, 790. 19
Deferred income:			
Unearned insurance premiums		948, 368. 86	
Credits due insured associations		. 02	
			948, 368. 88
Capital and surplus:			
Capital stock outstanding		100, 000, 000. 00	
Reserve fund as provided by law	$4, 227, 543. 83		
Less: contributions to insured institutions	102, 820. 39		
		4, 124, 723. 44	
Special reserve for contingencies		9, 000, 000. 00	
			113, 124, 723. 44
Total liabilities and capital			114, 077, 882. 51

EXHIBIT 32

Federal Savings and Loan Insurance Corporation—Income and expense statement for the period, July 1, 1937, to June 30, 1938

Income:	
Insurance premiums earned	$1, 881, 450. 30
Admission fees earned	65, 926. 84
Total	1, 947, 377. 14
Expenses: [1]	
Administrative	192, 227. 45
Nonadministrative	620. 64
Total	192, 848 09
Net operating income	1, 754, 529. 05
Other income:	
Interest earned on investments	3, 262, 774. 37
Amortization of discount on bonds	42. 80
Miscellaneous receipts	61. 72
Total	3, 262, 878. 89
Other deductions:	
Amortization of premium on bonds	21, 795. 38
Total	21, 795. 38
Other income less other deductions	3, 241, 083. 51
Net income for period	4, 995, 612. 56
Deduct adjustments of prior years	3, 426. 09
Net income	4, 992, 186. 47
Allocated to special reserve for contingencies	3, 000, 000. 00
Allocated to reserve	1, 992, 186. 47

[1] Detail Expense Accounts are shown in following table.

EXHIBIT 33

Federal Savings and Loan Insurance Corporation—Expenses for the period July 1, 1937, to June 30, 1938

Administrative expenses:	
Personal services	$117, 630. 35
Printing and binding	4, 486. 40
Supplies and materials	371. 06
Travel expense	8, 961. 59
Telephone and telegraph	453. 04
Special expense fund—Director of Public Relations	766. 01
Advertising	2, 244. 10
Furniture and fixtures	1, 325. 87
Miscellaneous	720. 20
Services rendered by Federal Home Loan Bank Board	54, 669. 93
Audit by Comptroller's Office of the Federal Home Loan Bank Board	598. 90
Total administrative expenses	192, 227. 45
Nonadministrative expenses:	
Travel expenses	589. 05
Telephone and telegraph	21. 69
Miscellaneous	9. 90
Total nonadministrative expenses	620. 64
Grand total	192, 848. 09

EXHIBIT 34

Home Owners' Loan Corporation—Summary of foreclosures

Year	Foreclosures authorized	Cases			Properties		
		Withdrawn	Pending judgment or sale[1]	In process of acquiring title[2]	Redeemed by borrower	Sold to third party	Acquired in fee
1934	35	4	22	0	0	0	9
1935, January–June	535	10	425	6	0	2	114
1935, July–December	3,900	182	2,870	290	0	6	983
1936, January–June	23,181	484	19,821	1,564	0	23	4,449
1936, July–December	42,879	3,170	29,453	15,666	20	80	15,875
1937, January–June	34,017	2,862	24,129	28,690	76	154	23,225
1937, July–December	24,982	3,562	21,209	25,762	119	168	26,981
1938, January–June	22,763	3,581	17,028	20,560	59	120	28,386
Cumulative totals, June 30, 1938	152,292	13,855	17,028	20,560	274	553	100,022

[1] At end of period.
[2] Cases in which judgment or sale has taken place but a delay for possible redemption or other reasons is necessary before title in absolute fee can be obtained. Figures refer to end of period.

EXHIBIT 35

Home Owners' Loan Corporation—Properties under jurisdiction of Property Management Division, June 30, 1938, separated by regions

	Properties owned	Properties in process of acquiring title	Properties on which foreclosure or deed acceptance pending	Total properties under jurisdiction
Region 1A, Boston	6,296	116	325	6,737
Region 1B, New York	20,420	895	9,355	30,670
Region 2A, Baltimore	9,235	91	743	10,069
Region 2B, Cincinnati	7,347	737	1,135	9,219
Region 3A, Atlanta	2,642	1,647	608	4,897
Region 3B, Memphis	9,040	145	637	9,822
Region 4A, Chicago	5,036	4,759	612	10,407
Region 4B, Detroit	5,547	1,864	666	8,077
Region 5A, Omaha	6,758	5,567	975	13,300
Region 5B, Dallas	6,633	842	1,450	8,925
Region 6, San Francisco	4,033	3,482	537	8.052
Total, United States	82,987	20,145	17,043	120,175

EXHIBIT 36

Home Owners' Loan Corporation—Vacancies, rental delinquencies, and average price per unit rented by months

	Vacancies [1]	Rental delinquencies [2]	Average price per unit rented		Vacancies [1]	Rental delinquencies [2]	Average price per unit rented
	Percent	*Percent*			*Percent*	*Percent*	
1936—July	18.6	9.7	$20.59	1937—July	11.2	6.3	$25.27
August	17.7	11.9	20.75	August	10.4	5.2	25.48
September	15.9	10.1	20.04	September	10.4	4.7	25.77
October	17.1	8.4	21.24	October	10.4	4.2	26.10
November	18.4	7.5	21.26	November	11.2	3.3	26.90
December	17.5	8.7	20.92	December	12.4	3.2	26.75
1937—January	18.7	9.1	22.61	1938—January	13.1	3.5	26.48
February	18.3	9.9	22.90	February	13.5	3.6	27.19
March	17.8	10.4	23.90	March	14.3	3.3	26.91
April	15.0	8.2	23.85	April	12.6	3.0	26.96
May	13.3	7.3	24.60	May	11.6	2.2	27.40
June	12.5	6.8	24.99	June	11.5	1.9	27.66

[1] Percentages of vacant units to units available to yield income.
[2] Percentages of tenants in possession delinquent more than one month to units rented.

EXHIBIT 37

Home Owners' Loan Corporation—Number of employees by departments, divisions, and sections as of July 1, 1938

Board Members and Assistants	43	
Secretary's Office	138	
Research and Statistics	61	
Public Relations	18	
Adjustment	4	
Financial Adviser	3	
Total, Board		[1] 267
General Manager, Staff	1,264	
Assistant General Managers	26	
Property Management	2,901	
Loan Service	2,693	
Appraisal and Reconditioning	1,598	
Accounting	1,221	
Treasurer	719	
Budget	[1] 16	
Auditor	512	
Insurance	370	
Purchase and Supply	[1] 95	
Total, Management		11,415
Legal Department		1,268
Personnel Department		[1] 190
H. O. L. C., total		[2] 13,140

[1] Includes personnel of general service departments which serve all agencies under the Federal Home Loan Bank Board.
[2] Includes 45 employees on per diem basis.

EXHIBIT 38

Home Owners' Loan Corporation—Statement of investments in savings and loan associations

	Fiscal year 1937	Fiscal year 1938
Investments:		
Federal savings and loan associations	$96,681,300	$18,864,900
State-chartered savings and loan associations	23,209,000	10,099,710
Total	119,890,300	28,964,610
Repurchases:		
Federal savings and loan associations	12,000	219,000
State-chartered savings and loan associations		40,000
Total	12,000	259,000
Net investments:		
Federal savings and loan associations	96,669,300	18,645,900
State-chartered savings and loan associations	23,209,000	10,059,710
Total	119,878,300	28,705,610
Net cumulative investments—end of year:		
Federal savings and loan associations	150,356,400	170,764,300
State-chartered savings and loan associations	32,664,600	40,962,310
Total	183,021,000	211,726,610

EXHIBIT 39

Home Owners' Loan Corporation—Investments in savings and loan associations, by States, as of June 30, 1938

	Federal savings and loan associations		State building and loan associations	
	Number	Amount	Number	Amount
Alabama	13	$870,500		
Arizona	2	590,000	1	$150,000
Arkansas	25	1,311,000	1	65,000
California	54	17,109,700	12	2,158,000
Colorado	16	2,349,000	4	780,000
Connecticut	15	2,775,500	3	71,000
Delaware				
Florida	44	9,272,500		
Georgia	40	3,377,000	2	400,000
Idaho	7	1,930,000		
Illinois	82	14,297,500	11	680,000
Indiana	49	7,326,000	17	1,050,000
Iowa	21	1,644,000	5	181,000
Kansas	17	2,302,000	19	2,682,000
Kentucky	29	3,319,000		
Louisiana	8	378,000	28	5,967,600
Maine	6	218,500		
Maryland	18	3,800,000	3	325,710
Massachusetts	10	4,807,000		
Michigan	22	2,694,300	8	890,000
Minnesota	28	7,404,600		
Mississippi	16	485,000	1	20,000
Missouri	30	5,134,000	6	847,400
Montana	1	30,000	1	275,000
Nebraska	9	767,000	2	10,000
Nevada				
New Hampshire	1	400,000		
New Jersey			18	1,325,000
New Mexico	7	173,500		
New York	55	19,658,800	16	1,871,600
North Carolina	13	2,050,000	7	267,500
North Dakota	4	244,000	1	600,000
Ohio	55	12,812,000	35	10,595,000
Oklahoma	18	2,210,000	1	25,000
Oregon	19	3,518,500		
Pennsylvania	44	5,562,400	17	754,500
Rhode Island	1	185,000		
South Carolina	18	1,219,000	1	75,000
South Dakota	4	288,000	2	27,000
Tennessee	36	5,744,000		
Texas	67	4,539,100	8	2,400,000
Utah	6	1,640,000	3	1,450,000
Vermont	1	50,000		
Virginia	19	2,897,500	1	135,000
Washington	24	7,588,000	11	1,174,000
West Virginia	17	2,314,000	3	270,000
Wisconsin	27	2,747,500	17	3,480,000
Wyoming	9	853,600		
District of Columbia	1	50,000		
Hawaii	1	25,000		
Alaska	1	33,300		
Total	1,010	170,995,300	265	41,002,310
Less: Repurchases	[1] 10	231,000	1	40,000
Net investment	1,000	170,764,300	264	40,962,310

[1] Does not include 5 additional partial repurchases.

EXHIBIT 40

Home Owners' Loan Corporation—Summary of income and expense for the fiscal year ended June 30, 1938

Operating and other income:		
Interest		$119, 685, 378. 84
Rent		16, 160, 089. 61
Dividends received from savings and loan associations		6, 134, 330. 72
Miscellaneous		165, 816. 17
		142, 145, 615. 34
Operating and other expenses:		
Interest on bonded indebtedness	$75, 768, 685. 19	
Amortization of discount on refunded bonds	2, 351, 438. 38	
Administrative and general expenses	31, 984, 319. 61	
Property expenses	13, 836, 853. 79	
Miscellaneous	2, 919. 01	
		123, 944, 215. 98
Net income before losses in the liquidation of assets and provision for losses		18, 201, 399. 36
Losses in the liquidation of assets during the fiscal year ended June 30, 1938:		
Loss on capitalized value of property sold	$7, 801, 280. 92	
Commission and selling expense on property sales	3, 083, 493. 66	
	10, 884, 774. 58	
Less—Profit on sale of furniture, fixtures and equipment	6, 510. 36	
		10, 878, 264. 22
Net income before provision for losses which may be sustained in the liquidation of assets		7, 323, 135. 14
Provision for losses:		
On mortgage loans (based on ¼ of 1% per annum on the unpaid monthly balances of mortgage loans)	$5, 839, 614. 50	
On property (equivalent to unpaid interest, advances and foreclosure costs to dates of acquisition on all property acquired, less property sold, during the fiscal year)	21, 160, 122. 74	
For fidelity and casualties	171, 063. 98	
		27, 170, 801. 22
Loss for fiscal year		19, 847, 666. 08

EXHIBIT 41

Home Owners' Loan Corporation—Summary of income and expenses from beginning of operations to June 30, 1938

Operating and other income:		
Interest		$524, 399, 688. 46
Rent		20, 317, 129. 46
Dividends received:		
Federal Savings and Loan Insurance Corporation		3, 035, 326. 09
Savings and loan associations		8, 560, 861. 16
Miscellaneous		1, 214, 848. 27
Operating and other expenses:		557, 527, 853. 44
Interest on bonded indebtedness	$309, 426, 351. 10	
Amortization of discount on refunded bonds	3, 893, 286. 45	
Administrative and general expenses	155, 216, 368. 90	
Property expenses	17, 582, 772. 31	
Miscellaneous	2, 988. 76	
		486, 121, 767. 52
Net income before losses in the liquidation of assets and provision for losses		71, 406, 085. 92
Losses in the liquidation of assets during the period from June 13, 1933 to June 30, 1938:		
Loss on capitalized value of property sold	$7, 749, 213. 71	
Commission and selling expense on property sales	3, 459, 202. 24	
Loss on sale of furniture, fixtures and equipment	43, 895. 38	
		11, 252, 311. 33
Net income before provision for losses which may be sustained in the liquidation of assets		60, 153, 774. 59
Provision for losses:		
On mortgage loans (based on ¼ of 1% per annum on the unpaid monthly balances of mortgage loans)	$26, 377, 419. 63	
On interest receivable (equivalent to interest due and unpaid at June 30, 1938)	12, 785, 211. 26	
On property (equivalent to unpaid interest, advances and foreclosure costs to dates of acquisition on all property on hand at June 30, 1938)	60, 863, 371. 53	
For fidelity and casualties	1, 021, 063. 98	
		101, 047, 066. 40
Loss for the period (Deficit as at June 30, 1938[1]		40, 893, 291. 81

[1] See financial statement, footnote 1, p. 91.

EXHIBIT 42

Home Owners' Loan Corporation—Analysis of changes in deficit for the fiscal year ended June 30, 1938

Deficit as at June 30, 1937		$31,740,150.62
Add:		
Loss for the fiscal year ended June 30, 1938	$19,847,666.08	
Cumulative property expenses, less property income, deferred pending sale, carried as an asset at June 30, 1937, written off in the current fiscal year	7,730,562.73	
Administrative and general expenses applicable to prior years	1,426,908.65	
Additional loss on sale of real estate applicable to prior years as a result of revised capitalization procedure adopted by the Board of Directors on May 14, 1937	272,824.75	
Reduction of property income applicable to prior years credited during the current fiscal year to property in process of acquiring title, as a result of revised capitalization procedure	288,100.07	
Adjustment of interest receivable controls in various regional offices, applicable to prior years, in order to effect reconcilement with detailed accounts	541,675.25	
		30,107,737.53
		61,847,888.15
Deduct:		
Capitalization of various expenditures charged to property expense in prior years, resulting from revised capitalization procedure	7,216,468.63	
Elimination of reserve for depreciation of property owned as at June 30, 1937	1,500,234.15	
Reduction of reserve for losses on interest receivable to an amount equivalent to interest due and unpaid at June 30, 1938	12,230,782.50	
Miscellaneous credits (net)	7,111.06	
		20,954,596.34
Deficit as at June 30, 1938 before full provision for losses which may be sustained in the liquidation of assets [1]		40,893,291.81

[1] See financial statement, footnote 1, p. 91.

EXHIBIT 43

Home Owners' Loan Corporation—Bonds issued, refunded, and retired to June 30, 1938, and outstanding as of June 30, 1938

Coupon dates	Coupon rate	Callable date	Maturity date	Amount issued (including issues for refunding)	Refunding and retirements: Amount refunded	Refunding and retirements: Amount retired	Total	Amount outstanding June 30, 1938
	Percent							
Jan. 1 to July 1	4	July 1, 1935	July 1, 1951	$635, 410, 325	$594, 694, 225	$40, 123, 875	$634, 818, 100	$592, 225
May 1 to Nov. 1	3	May 1, 1944	May 1, 1952	1, 116, 178, 275	306, 408, 000	1, 713, 675	308, 121, 675	808, 056, 600
Feb. 1 to Aug. 1	2¾	Aug. 1, 1939	Aug. 1, 1949	1, 339, 795, 875	305, 750, 000	35, 032, 475	340, 782, 475	999, 013, 400
Jan. 1 to July 1	2¼	July 1, 1942	July 1, 1944	755, 555, 450		243, 175	243, 175	755, 312, 275
Feb. 15 to Aug. 15	2		Aug 15, 1938	49, 532, 100				49, 532, 100
Do	1¾		Aug. 15, 1937	49, 843, 000		49, 620, 500	49, 620, 500	222, 500
Do	1½		Aug. 15, 1936	49, 736, 000		49, 726, 000	49, 726, 000	10, 000
June 1 to Dec. 1	1½		June 1, 1939	325, 254, 750				325, 254, 750
Apr. 15 to Oct. 15	¼	(1)	Oct. 15, 1937	132, 000, 000		132, 000, 000	132, 000, 000	
Do	¼	(1)	Oct. 15, 1938	45, 000, 000		30, 000, 000	30, 000, 000	15, 000, 000
Total				4, 498, 305, 775	1, 206, 852, 225	338, 459, 700	1, 545, 311, 925	2, 952, 993, 850

[1] At any time.

Index

O