

FIRST ANNUAL REPORT
OF THE
FEDERAL HOUSING ADMINISTRATION
FOR THE PERIOD COMMENCING WITH THE APPROVAL
OF THE ACT ON JUNE 27, 1934, AND
ENDING DECEMBER 31, 1934

FIRST ANNUAL REPORT
OF THE
FEDERAL HOUSING ADMINISTRATION

LETTER
FROM
THE ADMINISTRATOR OF THE FEDERAL HOUSING
ADMINISTRATION

TRANSMITTING
THE FIRST ANNUAL REPORT OF THE ADMINISTRATION
FOR THE PERIOD COMMENCING WITH THE
APPROVAL OF THE ACT ON JUNE 27, 1934,
AND ENDING DECEMBER 31, 1934



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LETTER OF TRANSMITTAL

FEDERAL HOUSING ADMINISTRATION,
Washington, D. C., January 22, 1935.

SIR: In accordance with the provisions of section 5 of the National Housing Act creating the Federal Housing Administration, I have the honor of submitting to the Congress the first annual report on the operations of the Administration under titles I, II, and III of the act for the period commencing with the approval of the act on June 27, 1934, and ending December 31, 1934.

Respectfully,

JAMES A. MOFFETT,
Administrator.

The VICE PRESIDENT OF THE UNITED STATES.
The SPEAKER OF THE HOUSE OF REPRESENTATIVES.

▼

**OPERATIONS OF THE FEDERAL HOUSING ADMINISTRATION
DURING THE PERIOD ENDING DECEMBER 31, 1934**

National Housing Act approved June 27, 1934.

Federal Housing Administrator appointed June 30, 1934.

Offices assigned and occupied in the new Post Office Building, July 23, 1934.

MODERNIZATION PROGRAM

Headquarters staff and field organization in all States completed August 15, 1934.

Rules and regulations covering modernization credit insurance plan released August 10, 1934.

At that time less than 1 percent of the banks were either organized or prepared to make personal loans, based on character and income, of the type necessary for the Act to function properly.

Number of financial institutions now making loans of this type and operating on this plan, 3,997, representing 71 percent of the total commercial banking resources of the country.

Amount of loans insured, \$30,450,583.

Loans reported during month of December at rate of \$398,000 per day.

Number of loans insured, 72,658.

Average amount of loan, \$419.

Average duration of loans, 28 months.

Number of chairmen appointed for campaign for repair and modernization, 4,931.¹

Number of communities organized, 3,822.¹

Number of house-to-house canvass calls made, 3,070,274.¹

Number of canvasses completed, 257.¹

Number of daily newspapers carrying better-housing sections, 1,071.

Number of lines of newspaper advertising developed as a result of the better-housing campaign, 19,770,073.

Estimated total modernization and repair work developed, \$210,833,974.

Estimated weekly average of repair and modernization work developed during month of December, \$17,760,000.

Estimated employment being currently furnished due to Federal Housing Administration modernization and repair, 750,000.²

Expenditures of Federal Housing Administration to date, \$1,739,770.36.

Estimated cost of furnishing employment, assuming all expenditures devoted to modernization program, \$2.32 per person.

¹ Includes reports received at Washington, Jan. 2, 1935.

² This estimate is derived from the estimated weekly average value of work developed during December, and assumes that approximately 80 percent of the amount spent goes directly or ultimately to wages or salaries. For limited periods the amount of employment furnished as a result of repair and modernization work may fluctuate, according to whether or not stocks of materials are being depleted, without corresponding replacement, and other variable factors. However, it is to be noted that the estimate does not take into account the increase in business and employment which takes place when unemployed workers, who may or may not be on the relief rolls, are employed and add to their purchases, with a consequent greater call for labor to meet the increased demand.

MODERNIZATION PLEDGES BY INDUSTRY

Value of replacements, repairs, and improvements to industrial plant and equipment pledged to be undertaken in 1935 by 2,467 industrial concerns (in addition to work generated by local better-housing campaign, already listed), \$490,000,000.

MUTUAL MORTGAGE INSURANCE

Rules and regulations announced November 1, 1934.

Approval of mortgagees commenced immediately thereafter.

Number of institutions approved as mortgagees up to January 19, 1935—1,231 institutions having 1,474 branches, making a total of 2,705 banking outlets in which owners of homes may apply for insured mortgages.

Establishment of the plan in full operation has involved the preparation of an underwriting manual, training of a field force of appraisers, and the establishment of district underwriting offices in one or more cities of each of the 48 States.

GENERAL STATEMENT

The Federal Housing Administration is charged with the duty of encouraging improvement in housing standards and conditions by making improved credit facilities available to the owners and prospective owners of homes and other property. In accordance with the National Housing Act, it extends Government support by means of credit insurance covering private credit transactions. Hence, in achieving the desired results, chief reliance is placed upon private capital and initiative.

At the time the National Housing Act was passed, there were, on the one hand, home owners who were allowing properties to fall into disrepair, and were failing to keep them up-to-date in convenience, livability, and attractiveness. On the other hand, stood unemployed workers in the building trades, lumbering, brick making, transportation, and allied occupations; plants were idle or running only part time in virtually all of the heavy industries. The normal channels of credit needed reopening to assist in bringing about a revival of repair work and new building after several years of lowered activity.

Already employment for various periods of time has been provided through the modernization program for an estimated 750,000 persons.³ Even if the total cost of the Federal Housing Administration activities to date were allocated to this one phase of the program it would mean an expenditure of only \$2.32 of Government funds for each individual placed on a pay roll.

The Home Financing Problem

Many financial institutions, responsible for the safe investment of funds of their depositors, accumulating in increasing amounts, were receptive to a plan providing productive outlet for such funds. Other institutions with good home mortgages in their portfolios were temporarily out of the mortgage market because the traditional home mortgage is not a readily liquid asset. A large proportion of the institutions, representing millions of small savings depositors, were not able because of law or tradition, or both, to make mortgage loans of more than 50 or 60 percent of the appraised value, whereas the most urgent demand is for first mortgages of from 60 to 80 percent of the appraised value of the property.

Representatives of all groups concerned—the general public, business, labor, and finance—joined with the Government in devising a program for releasing credit and establishing the home financing of the country on a sounder basis. They proposed to participate in a country-wide movement for the improvement of housing standards and conditions.

The Movement for Better Housing

Following the passage of the National Housing Act, and as a result of the activities of the Federal Housing Administration, a national better-housing movement has been inaugurated and is in full swing.

³ See footnote on p. 1 relating to this estimate.

The Administrator takes this opportunity to acknowledge his obligation on behalf of the Federal Housing Administration, and the people of the United States generally, to the thousands of civic leaders, business men, bankers, and others, who have contributed and are contributing to its results. Without their aid, it could not have made truly country-wide progress in this great segment of the national recovery program. The energy and devotion of the volunteer workers ranks with that shown in the liberty loan drives and other cooperative efforts arising from the World War. A substantial share of the credit to these participants should be given for the modernization work estimated to be a direct result of this movement, totaling \$210,833,974.

SUMMARY OF PRINCIPAL FUNCTIONS

The activities of the Federal Housing Administration are centered on the bringing of private capital to an enlarged and more fruitful use in real property. Its prescribed functions may be outlined briefly under three headings, corresponding respectively to titles I, II, and III of the National Housing Act.

I. Character Loans for Modernizing Real Property

To encourage the immediate modernization, repair, and improvement of homes and other small properties, it is provided that any advances of credit or loans made for this purpose may be insured by the Federal Housing Administration against losses up to 20 percent of the total amount of such advances made by any bank or other approved financial institution. These loans are based primarily on the individual property owner's character and ability to repay.

II. Insured Mortgage Loans

A system of mutual mortgage insurance is provided as a means of instituting a thorough reform in the home financing structure, and to assure the release of credit required for the impending revival in home-building activity; hence, like the modernization credit plan, it becomes a vital element in the whole recovery program of the Federal Government. Mortgages, in order to be eligible for insurance, must conform to certain conditions set forth in the Act and in regulations prescribed by the Administrator. These conditions aim to develop practices that protect the borrowers against excessive charges, and in operation will discourage the assumption of obligations above the borrower's reasonable capacity to pay. They provide for complete retirement of the mortgage by means of small amortization payments at frequent intervals.

The resulting pooling of risks is designed to assure lower charges to borrowers as a group, safeguard the funds of lending institutions acting on behalf of millions of small savers, and provide a more stable and secure source of home mortgage credit, especially for loans up to a higher percentage of the appraised value than those now commonly available from institutions lending on first mortgages.

III. National Mortgage Associations.

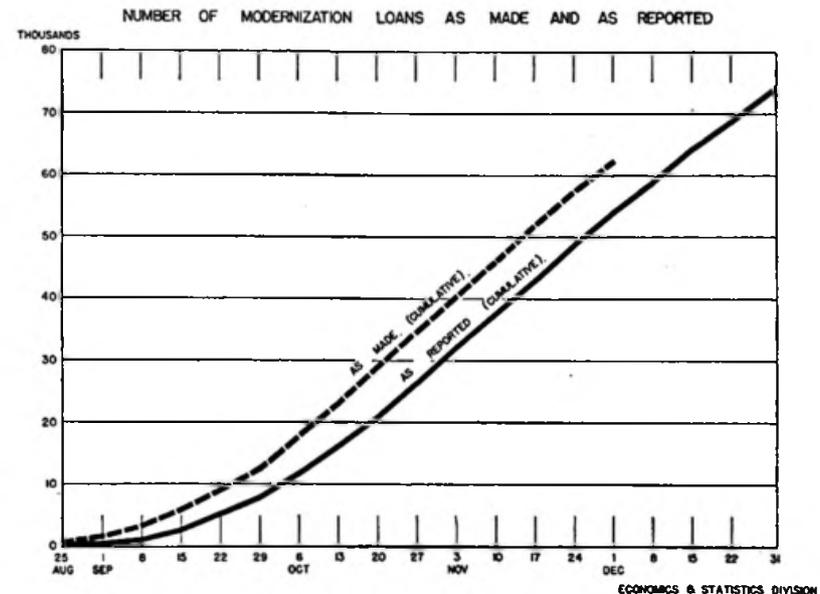
National mortgage associations, organized with private capital, are authorized to be established in order to develop a market for insured mortgages. Thus, insured mortgages will become more desirable to certain types of institutions.

These associations should aid in the flow of capital for home financing from areas with surplus funds seeking safe, long-term investment, to areas where such funds are not adequate to meet local home financing needs.

MODERNIZATION CREDIT PLAN

The modernization credit plan is a workable plan that is working. Every day it is doing three things that are helpful, practical, and productive—improving homes, moving products of industry, expanding the volume of bank credit through utilizing private funds.

The period from August 10 to December 31 may be called the "testing time" for modernization credit. The plan started quickly, gained steady momentum, spread through the entire country, and in a



few weeks introduced a new form of time-financing into the major banking structure of the United States.

Significance of Testing Period

During the testing period the average figures, as the plan gained headway, are impressive. In November, the owners of a thousand homes each day made use of these small, sound, liquidating credits, totaling more than \$425,000 daily. By the year-end the 72,658 insured loans aggregated \$30,450,583. This is but a forecast of the amount of modernization and the volume of business which should be stimulated by the full tide of the completely coordinated program.

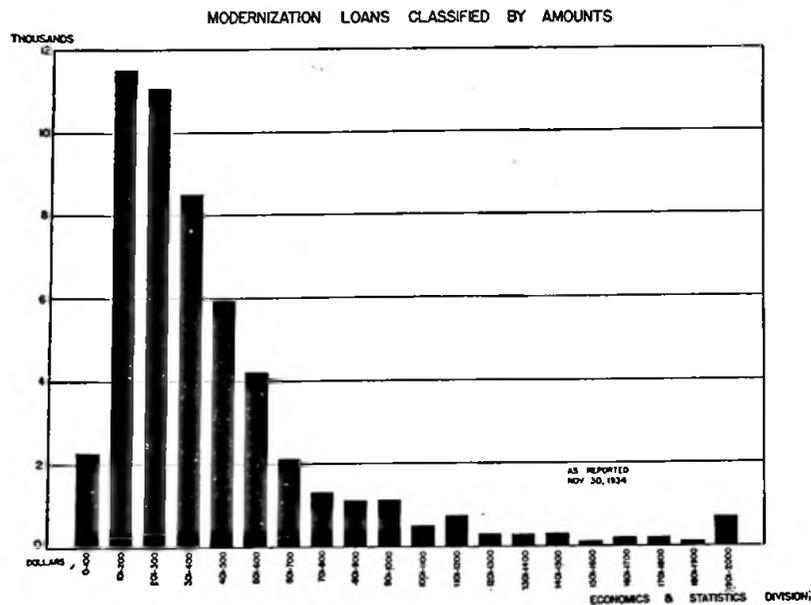
Conservative estimates based upon careful checking of field reports indicate that by December 31, 1935, a minimum of several hundred thousand property owners will be assisted with insured credits. When it is considered that the volume to date developed largely in a post-seasonal spurt of repairing in the late autumn, and

that winter figures have held up well, the prospect of multiplying the early daily averages seems reasonable.

Credit Plan as a Driving Force

Modernization credit is simply an instrument at the core of the better-housing program. It provides the driving force for the much greater volume of business being created through the better-housing campaigns described elsewhere. Indications are that the total of stimulated modernization work largely paid for with cash may run several times the amount of insured credit—which leads to a possible volume in 1935 of tremendous proportions. The modernization program is not essentially a borrowing program but a property improvement program. Where owners have cash its use is encouraged.

Modernization loans are not made by the Government. They are made by approved financial institutions, which are insured by the Federal Housing Administration against losses up to 20 percent of the



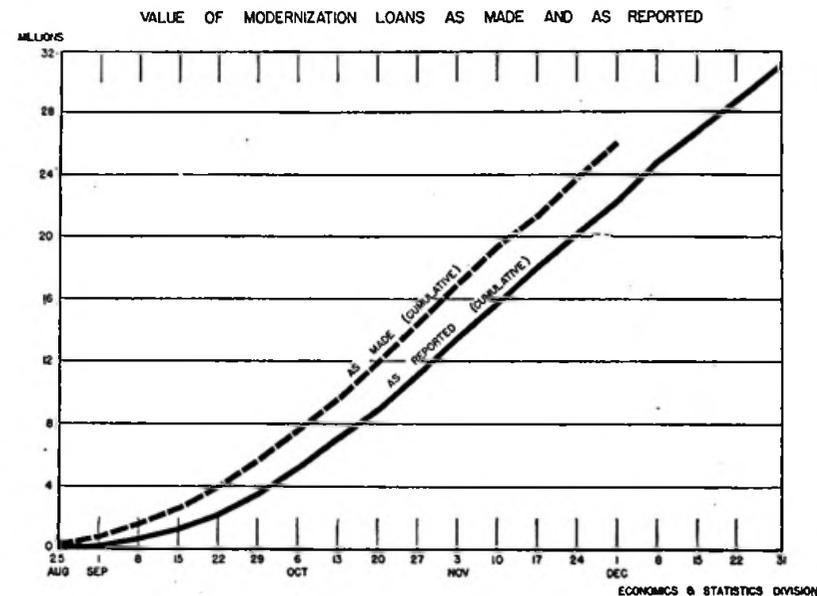
total of the eligible loans they make. The notes are signed by property owners and represent the pledge of the signers' income, backed by character and earning power. The notes extend from 1 to 5 years in amounts up to \$2,000. The major portion of the loans are for terms of 2 or 3 years, for \$400 or less. Payment is made in monthly installments, except in the case of farmers, who make payments at periods corresponding with the receipt of income.

The Typical Borrower

The figures show the average amount borrowed under the modernization credit plan is \$419, and is to be paid back within 28 months. The typical borrower is a conservative person, well capable of meeting his obligation, with small likelihood of causing eventual loss to the Federal Housing Administration. These loans are made only to solvent, income-earning property owners.

Soundness of Loans

It is estimated that the possible payments by the Federal Housing Administration, on account of claims for loss, will be ultimately only a fraction of the 20 percent which represents its maximum liability. This estimate assumes a continuance of present regulations, and that nothing will arise to disturb the attitude of the borrowers toward their obligations. The first loans made under the plan have been running about 5 months, and a preliminary questionnaire sent to those institutions handling the largest volume of loans brought the information from banks which make direct loans to local residents, that on less than one-half of 1 percent of the loans was a single monthly payment as much as 15 days late. Many banks reported no delinquencies whatever. Finance companies dealing with a clientele throughout the country, often by mail, reported a



somewhat higher percentage of slow monthly payments. Briefly, to date, the reports indicate a greater probability of payment than originally anticipated. This result tends to confirm the soundness of credit thus extended, through customary credit agencies. Institutions already engaged in making loans of this general character report, without exception, that modernization loans show fewer delinquencies than normal installment loans.

Outline of Procedure

Four primary steps were essential for the modernization credit plan:

1. Providing rules and regulations that would develop the maximum amount of sound credit.
2. Enlisting the participation of commercial banks, industrial banks, finance companies, building and loan associations, production credit associations and other eligible financial institutions in a type of credit with which most of them were not familiar.

3. Obtaining the support of contractors, manufacturers, and dealers for utilizing this advantageous credit tool to increase their business.

4. Acquainting the property owners of the benefits of modernizing now and of using, if necessary, the most favorable credit terms ever provided for time financing.

Rules and regulations were mailed out on August 8, scarcely 2 weeks after quarters were obtained at the new Post Office Building, and became effective August 10. The regulations were simple and workable and conformed with tested principles. The result was that 3,997 institutions, including banks, representing 71 percent of the commercial banking resources of the country, had actually reported modernization loans by December 31. In many cases loans are arranged in a matter of minutes, and ordinarily in a few hours.

Lowest Cost Time Financing

Modernization credit for which the maximum charge on all loans is limited to the equivalent of \$5 per \$100 face amount of a 1-year note to be paid in monthly installments, is the lowest cost time financing ever made available. No matter for what period the loan runs, the charge to the borrower cannot be more than at the rate of \$5 per \$100 per year. Tables have been issued to participating financial institutions to limit such charges, and the discount of the long term borrower is so adjusted that he will have the same advantage as the short term borrower. The charge represents the upper limit, within which any institution may make its own arrangement on its own plan with customers. Flexibility was necessary because various kinds of institutions, all governed by different laws and customs, are participating.

Modernization credit had to be made to fit all types of institutions. Attainment of this result was greatly aided by favorable rulings of National and State examining authorities. This made it possible for banks to acquire modernization notes which otherwise it would have been difficult for them to do. The Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Reserve Board and practically all State supervising officers established standards which made it possible for banks to accept such paper up to 5 years. Liquidity for such notes was provided in the Act itself and translated into the contract by a provision enabling approved institutions to borrow from the Federal Housing Administration against such notes in case of need.

Major Objectives Attained

The success of the modernization credit plan may be measured in three ways:

1. The release of credit which property owners otherwise could not obtain. From a questionnaire submitted to institutions extending the major portion of these loans, it was ascertained that practically all modernization loans originated solely because of the existence of the plan. This is therefore new additional credit.

2. A reduction in the cost of time-financing. This has been attained to a degree far exceeding the saving from the absorption of the credit loss by a government agency; it has resulted in these installment

loans being made actually at a substantially lower cost than ever before for loans of similar type.

3. Opening of the door of credit to property owners by commercial banks even though the borrowers were not customers—a novel conception of credit of far-reaching and historic significance.

Progress in Bank Acceptance

Additional contracts of insurance become operative daily. As of December 31, financial institutions which had accepted contracts of insurance were as follows:

Commercial banks.....	10,029
Building and loan associations.....	1,546
Savings banks.....	166
Industrial banks.....	87
Finance companies.....	66
Miscellaneous.....	51
Total.....	11,945

This included commercial banks representing more than 91 percent of the commercial bank resources of the country. Many institutions obtained contracts late in the year; some have not yet reported loans; others are just acquiring facility in handling such loans. The degree to which credit has been extended depended both on the understanding of the institution and on the activity of the local community committee. As of the year-end the insured loans reported for the various types of institutions were divided as follows:

	Percent	Number	Amount
Commercial banks.....	72	61,982	\$21,824,040
Finance companies.....	22	15,902	6,620,551
Industrial banks.....	4	3,087	1,296,540
Building and loan associations.....	1	800	370,056
Miscellaneous.....	1	817	339,396
Total.....	100	72,658	\$30,450,583

It should be emphasized that these represent insured loans only. A large volume of loans which were not insurable under the rules, and which ordinarily would not have been made for modernization purposes, have been made by institutions of all types, particularly by building and loan associations.

Balanced Advantages of Plan

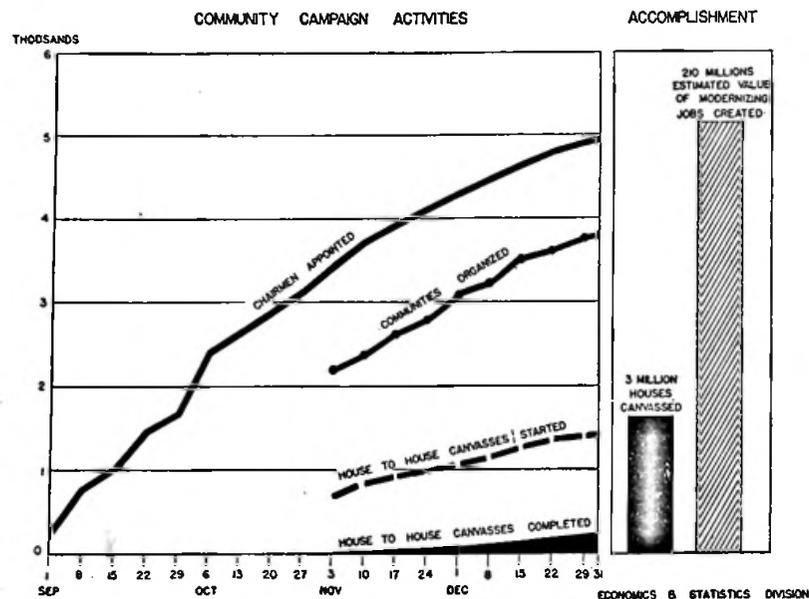
The first objectives of the modernization credit program have been achieved. By the close of 1935, when the active operation under title I of the National Housing Act terminates, these objectives will have been broadly extended. The latitude given the Administrator made it possible to establish a growing and not a static plan, which has achieved immediate results and gives promise of greater achievement. The evidence all indicates that the modernization credit plan properly balances advantages to property owners, industry, and financial institutions in a manner calculated to stimulate a maximum volume of sound credit.

BETTER-HOUSING CAMPAIGN

The better-housing campaign, embracing at the date of writing more than 5,200 local committee chairmen, was planned as a major part of the Federal Housing Administration activities, for the years 1934 and 1935, with the following purposes in view:

1. To make known, and impress upon owners of homes and other properties the fact that loans to finance repairs and modernization, to be repaid in installments out of income, have become a tangible reality—something available at a local institution and not something indefinite and distant.

2. To encourage all property holders throughout the country to make careful inspection of their buildings and grounds in order to determine what repairs and upkeep are required to keep them from



rapid deterioration, and what improvements they would like to make and could reasonably afford. The reservoir of work to be tapped in this way is of immense volume, potentially running into many billions of dollars, only a fraction of which will require financing through the modernization credit plan.

3. To bring about an accompanying re-birth of sales and production activity in the building and building materials industries, with resulting increase in employment, decrease in the burden of the public relief roll, and general toning up and increase in business and employment.

Progress in Organization

Through the cooperation of the National Emergency Council, the State directors of that organization were drafted to establish field offices and to commence the creation of local better-housing campaign committees. As the work developed, the Federal Housing

Administration built up its own regional, State and district offices in charge of its own personnel, with an associate director in each State or district office devoting his entire time to the better-housing program.

Of the 4,931 local chairmen appointed as of December 31, 1934, 3,822 had organized their committees and at least laid definite plans for campaigns. In 1,725 communities, house-to-house canvasses had been started. Two hundred and fifty-seven of the canvasses had been completed. Incomplete reports showed that 3,070,274 canvass calls had been made, with 462,853 jobs pledged, at an average value of approximately \$276 per job.

Many of the local committees have had the benefit of State Emergency Relief Administration workers to act as canvassers. All the committees serve voluntarily, and most of them have raised funds by private subscription to meet necessary expenses in connection with the furnishing of forms, full-time paid personnel, etc.

A wide variety of methods of organization and plans of operation have been devised by these committees in meeting their own local conditions, exhibiting great resourcefulness in overcoming obstacles. The efforts of the local committees have been multiplied in effectiveness because of the active support of the press, radio broadcasting, motion-picture theaters, and advertising by local and national business firms.

Support in Reaching the Public

Editorial and news support has been almost universal. In addition, 1,071 daily papers have created "better housing" sections and developed 19,770,073 lines of new advertising from an industry which hitherto has not been notably active in this form of sales promotion. Fifty-five percent of the daily papers are running such sections.

All four of the Nation-wide broadcasting chains are donating important time on the air to the promotion of "better housing." Hundreds of commercial sponsors of popular broadcasts are devoting substantial portions of their time to the same, and 483 independent radio stations are likewise giving freely of their time. All told, 18,067 broadcasts have been made to date in the interest of the campaign, all without cost to the Administration.

A large percentage of the motion picture theater owners have shown pictures and slides and provided their patrons with specific information as to how and where to secure loans or other needed cooperation.

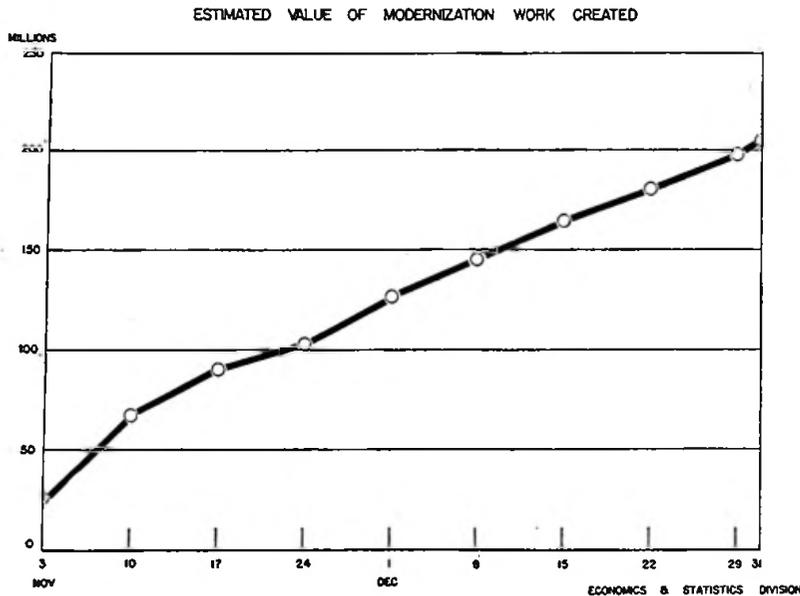
To date, a total of 4,627 manufacturers have been reported as actively cooperating in the better-housing program. Some 2,467 industrial concerns have agreed to undertake delayed repairs and improvements to their plants, and have pledged to spend a total of \$490,000,000 during the coming year. This work is in addition to that generated by local better-housing programs. Hundreds of concerns are actively assisting in distributing leaflets and pamphlets to their employees and to their customers. Scores of companies doing a Nation-wide business, both in building and in related lines, have tied in their newspaper, magazine, radio, billboard, and direct mail advertising with the housing program. Many concerns have conducted schools for salesmen and dealers to instruct them in the National Housing Act.

Limited Role of Federal Housing Administration

Although this vast movement is the direct result of activities of the Federal Housing Administration, the Administration's expenditures of time and money represent only a very small fraction of the total expenditures of time and money furnished by private groups. The Administration's role has been essentially to present a need, and a program, to leaders of local and national groups; to act as a coordinator; and to furnish limited quantities of circulars and pamphlets having a Nation-wide appeal. The modernization credit insurance plan reinforces the appeal for cooperation, by giving concrete evidence of the Government's interest and faith in the program.

Far-Reaching Character of Results

Regional and State directors reported by the end of the year an estimated total of \$210,833,974 worth of modernization jobs created



as a result of the better-housing campaign. Work paid for directly in cash by the owners, uninsured additions to mortgages made by building and loan associations, other loans made with or without collateral by banks, account for the activity in addition to that financed by insured loans. The extent to which this work has increased employment and business activity is shown not only by the estimated number of 750,000 men³ given employment, but by increases of 50 to 100 percent, and even 350 percent, in the amount of business done by companies doing a Nation-wide business in the last months of 1934 as compared with the corresponding months in 1933.

Railroads report tonnage increases in building materials running up to as high as 41 percent.

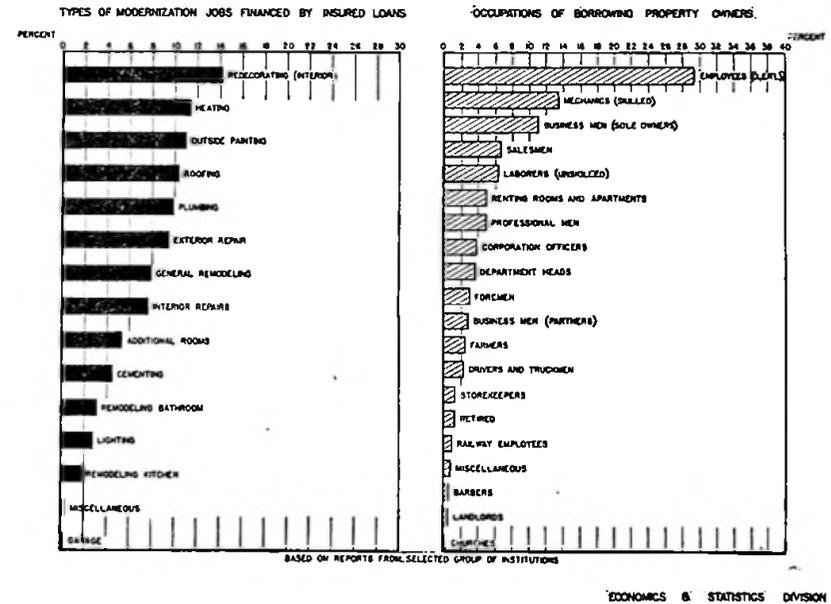
³ See footnote on p. 1, relating to this estimate.

Building permits for repairs and modernization in approximately 760 cities during the last 5 months of 1934 showed a 29.6-percent increase over the same period in 1933.

Reemployment in Building Trades

In 60 cities it is reported that as a result of the better-housing programs there are no contractors or building-trades men who are unemployed. Additional cities have reported that all building-trades men in certain lines have been reemployed. In some communities canvasses have actually had to be stopped because there were not sufficient building tradesmen to take care of the work created.

The number of industries and types of workers employed is suggested by the accompanying chart, showing the classes of jobs resulting from a group of pledges.



A group of 25 individual cities, ranging from small to large, in which canvasses were conducted, showed increases in value of building permits during the 4 months from August to November ranging from 35 percent to as much as 500 percent, as compared with the same period in 1933. Modernization and repair work at the present time is being generated at the rate of approximately \$18,000,000 per week, with the definite assurance of a large increase as the better-housing campaigns become intensified, and increase in number during the spring.

Rural Program

In many cases the local better-housing committees have included villages and farm territory within their trading areas as part of the field of work. However, at the close of the year, extension of the movement definitely to cover the needs of strictly farming areas was well advanced in cooperation with the Department of Agriculture. Circular material especially designed to be of help to farmers was

prepared, and county committees are being established. A special section of the Act permits production credit associations to make insured modernization loans for improvements on farm houses—credit for other farm buildings being provided through other channels.

The movement which is now being launched is designed to encourage improvements on farm buildings of all types. In the formation of county committees the full cooperation of county agents, the home-demonstration agents, and the extension service has been offered by the Department of Agriculture and is being used. Various State and private agencies, and the farm press, are actively cooperating. Over 160 farm publications are now publishing better housing material.

Program Benefits All

The better-housing program has been set up to benefit all elements in the community. It benefits the property owner because it enables him to preserve or increase the value of his property or to make improvements which add to the pleasure or convenience of living. It benefits the building industry because it derives direct profit from the sale of materials or services. It benefits financial institutions because it gives them an outlet for funds in a security that is safe and liquid. It benefits unrelated lines of business because it helps to stimulate trade. It benefits the taxpayer and the Government because it helps to decrease the expenditure for relief.

Throughout the program the appeal has been based on the benefits to be gained by those participating, because it has been demonstrated that the program is in the interest of every element in a community. It has been established upon a sound business basis.

MUTUAL MORTGAGE INSURANCE

The mutual mortgage insurance system as established by the National Housing Act aims to provide the millions of home owners in the country with a more economical, dependable, and sounder source of home-mortgage credit.

It was designed to bring the home-financing system of the country out of a chaotic situation, and to restore it on an improved basis, able to meet the legitimate demands of the borrowing public, and to provide for the revival of home-building activity which is so essential to the recovery program.

Description of Mutual Mortgage Insurance Plan

These purposes are to be accomplished through a mutual mortgage insurance fund, operated by the Federal Housing Administration, which insures lending institutions against loss of principal on home mortgages approved by the Administration as meeting certain prescribed conditions. Payment of losses incurred by the fund is guaranteed by the Federal Government in the case of all mortgage loans insured prior to July 1, 1937.

An essential distinguishing feature of the plan, which places it in a class apart from private mortgage guarantees granted in the past, is the provision that claims against the mutual mortgage insurance fund will be paid in debentures, to be known as Federal Housing Administration debentures. These obligations will bear interest at the rate of 3 percent per annum, payable semiannually, and will

have a maturity date 3 years after the maturity date of the mortgage in exchange for which the debentures were issued. Through this arrangement the Federal Housing Administration is automatically relieved of any pressure to dispose of repossessed houses at any particular time, and may therefore await a favorable trend in the home real-estate market. Furthermore, by having the debentures mature at a future date, a fund that might experience heavy losses at the start would be in a position to build up its resources over a period of years as premiums accumulated.

System Based on Sound Loans

Insurance is granted only in the case of loans meeting certain conditions prescribed in the Act and administrative regulations. The unit of operations is a sound home mortgage loan obtained from a financial institution, such as a building and loan association, bank, life insurance company, or mortgage company having its own funds to invest.

A "sound loan" must meet two basic requirements: (1) it must be one which the borrower reasonably can be expected to repay in regular installments of interest and principal; (2) it must be secured adequately by a dwelling the value of which will reasonably protect the gradually diminishing outstanding principal, with a fair margin of safety. Extreme risks obviously are to be avoided, just as no fire-insurance company would knowingly insure the dwelling of a "fire-bug", or no automobile casualty company would knowingly insure a man with a bad record of reckless driving.

In arriving at a determination of what constitutes an eligible loan, the Administration has endeavored to look at the matter from the point of view of all three parties concerned—namely, the borrower, the lender, and the mutual mortgage insurance fund.

Problems Involved in Regulations and Administration

The Federal Housing Administration is responsible for seeing that these and other conditions are fully realized in the actual operation of the plan. The responsibility is of the gravest character, for the rejection of a sound loan may be rendering an injustice to a worthy borrower, and the acceptance of an unsound loan would be unfair to other participants in the fund, if not to the borrower himself.

The regulations governing the operation of the plan, and designed to secure the prompt and efficient operation of the system, were announced and made effective on November 1, 1934. Some of the provisions deserve special mention:

Approval of Mortgage Lending Institutions

The mutual mortgage insurance plan involves reliance upon the integrity and responsibility of the lender, who acts in a position of trust in collecting mortgage insurance premiums from the borrower and remitting them to the Federal Housing Administration. For this and for other reasons it was decided to limit the right to insure mortgages to incorporated lending institutions, subject to adequate Federal or State supervision, that must have a sound financial structure, and that must have funds of their own to lend on home mortgages.

Conditions Prescribed for Insured Mortgages

To be eligible for insurance, a mortgage must be for a principal amount not exceeding \$16,000, nor 80 percent of the appraised value of the property, as of the date the mortgage is executed. It must be

executed upon a standard form, as prescribed by the Administration for use in the State or other jurisdiction in which the property covered by the mortgage is situated.

A payment is to be made each month by the borrower, directly to the lender, covering the following items:

- (a) Premium charges under the contract of insurance.
- (b) One-twelfth of the annual service charge, if any.
- (c) One-twelfth of the amount of taxes, special assessments, and fire and other casualty insurance premiums estimated to come due during the year.
- (d) Amortization payment on the principal of the mortgage.
- (e) Interest on the principal outstanding, which is reduced monthly.

The item in regard to fire insurance and taxes is of particular importance. By having these charges estimated in advance, the prospective borrower has a much more definite idea of what they will amount to in terms of his month-to-month income. In order to meet them, the borrower builds up a fund in advance, instead of being confronted at intervals with the necessity of making a considerable lump-sum payment. Further, the possible loss to the lender in case of foreclosure is greatly lessened, because, under the plan, taxes definitely are not permitted to fall into arrears, and, in fact, are anticipated.

The borrower is not restricted as to place of residence and need not be the occupant of the property securing the mortgage.

Property Standards

Safeguards to both borrower and lender have been provided in the standards laid down by the Administration for the soundness of the construction of dwellings; for proper facilities for light and air; for the stability as an investment of the lot upon which the dwelling stands; and for other such standards designed to prevent jerry-building and to insure that property represented by an insured mortgage shall be a means toward increasing the value and quality of American homes.

Operative Builders, and Financing of New Construction

A large proportion of new houses normally are constructed by operative or speculative builders.

Since an insured mortgage loan cannot be granted on a structure which is merely planned, or unfinished, special pains have been taken to outline the conditions under which operative builders and others may obtain advance commitments to insure mortgages on homes following their completion. Such commitments are to be made only where the project is deemed economically sound and in accordance with proper standards of construction, and of lot and neighborhood layout.

It is believed that these commitments will have a constructive value in enabling legitimate operative builders to obtain the short-time credits required for construction loans, especially in conjunction with section 505 of the act, which facilitates the granting of such loans by national and other member banks of the Federal Reserve System.

Field Organization of Underwriting Offices

It was evident from the start that in order to act promptly and soundly on applications for mortgage insurance it would be necessary to set up field offices in the different parts of the country. For this

purpose the country was divided into 12 regions, with one or more district offices in each State.

On the field offices rests the immediate responsibility for exercise of unassailable integrity and sound judgment, which is requisite for the success of the mutual mortgage insurance plan and the attainment of a Nation-wide reorganization of mortgage lending practices.

In passing upon the eligibility of the mortgages submitted, a thoroughly systematic procedure, in the hands of men who have long experience in the valuation of home real estate, was determined as one fundamental.

An underwriting manual, containing a detailed outline of steps to be followed in determining valuations, risk factors, and the financial responsibility of the borrower, was prepared. It is hoped that the standards of practice, when fully developed, will be of such a character that they will be uniformly adopted throughout the United States as the recognized basis for making all classes of home mortgage appraisals.

In order to fill technical positions in the field force, a group of men were selected, as a result of interviews and tests given in the field. Those chosen were brought to Washington, given an intensive course of training in the regulations and methods of procedure, and required to pass an examination before receiving final appointments in the field offices.

What Mutual Mortgage Insurance Means to the Borrower

Under the insured mortgage plan as it has been set in operation, the borrower may obtain the security of a fully amortized long-term loan. This is, in a large proportion of cases, in place of the exorbitant charges, padded selling prices, renewal fees, risks and uncertainties, that formerly went with the combination of a first and second mortgage.

The limits placed on interest rates and other service charges result in substantially lower costs than those that have generally prevailed during the active real estate markets existing before the depression. Under present conditions, the insured mortgage loan represents the borrower's first real prospect of obtaining any sort of financing for from 60 to 80 percent of the value through regular financial institutions, for building a home, or buying any home except one that had been repossessed.

Further, the borrower receives substantial protection against the kind of mistakes in judgment which are likely to be made by a family not experienced in buying a home, or in home property values.

In applying for the loan, he is obliged first of all to review his own financial situation and the probable expenses of carrying his home. Later, he will know, if a commitment to insure his loan is made by the Federal Housing Administration, that one or more men of long experience and impartial attitude have concluded that he is not attempting a transaction obviously beyond his means. He will also have what probably only a small percentage of home buyers have ever had in the past: the benefit of knowing the appraised value set upon the property which he intends to buy or build, by a trained valuator acting in accordance with a procedure designed to reduce to a minimum, errors that might result from casual or hasty conclusions.

Advantages to Lenders

Lenders derive substantial benefits by participating in the system. It affords to them security of principal for investments in home mortgages which they now hold or may make.

It makes home-mortgage investments a much more liquid form of asset. The fact that a mortgage is insured is a hallmark indicating the soundness of the loan, both with respect to the ability of the borrower to pay, and the property which secures it.

Therefore, wherever State legislation permits, the plan brings mortgages amounting to from 60 to 80 percent of the value of the property within the range of conservative investments, for institutions such as savings banks, building and loan associations, and insurance companies. This furnishes a profitable outlet for funds which hitherto may have been found difficult to place.

It is recognized that, with careless appraisals, no careful investigation of the borrower's capacity to pay, and no exercise of discretion in basing appraisals on inflated market values during boom periods, home mortgages within the percentages named may involve a considerable element of risk; however, under the same conditions even mortgages which are rated nominally as amounting to 40 to 50 percent of the appraised value may involve substantial risk.

Even without all the safeguards which the insured mortgage plan provides, many of the best building and loan associations throughout the country have demonstrated the merits of the fully amortized loan. This type of loan has in fact proved its merits in the hands of well-managed institutions.

The plan affords many institutions the opportunity to meet a need in the community or communities in which they operate. No more important service can be rendered than that of building a sound structure over the gap between the 50 to 60 percent loans commonly made in the past by such institutions, and the amount required by a large class of prudent home owners. This gap was formerly bridged by second and third mortgages. These, with their exorbitant charges and other vicious features, contributed to large numbers of homes bought on a "shoestring" equity. They not only brought financial ruin to thousands of families, but constantly menaced the whole mortgage market.

Other Advantages

Once the plan comes into wide-spread operation, the following results may reasonably be anticipated:

- (a) Persons whose savings funds are intrusted to banks, building and loan associations, and insurance companies will have added security behind their funds.
- (b) Purchase of homes at inflated values will tend to be discouraged. This will exert a powerful influence against speculative booms in real estate, with consequent conservation of values in the investment of all owners of homes and other small properties.
- (c) Less jerry-building—houses that do not measure up to quality standards set by the Federal Housing Administration will find a less ready market.
- (d) Improvement in subdivision layouts—subdivisions that are regarded as specially good by the Federal Housing Administration will receive more favorable loan rating.
- (e) Greater stability from year to year in home construction, with consequent greater stability in employment in the building trades and in the building-material manufacturing industries.
- (f) The general public advantage arising from the discouragement of vast numbers of "shoestring" purchases of homes, fewer home owners

in financial difficulties during such temporary periods of unemployment as may reoccur in the future, and greater stability in our banks and savings institutions.

Classification of Mortgages According to Risk

The organic act provides that mortgages accepted for insurance shall be so classified into groups that mortgages in any group shall involve substantially similar risk characteristics and have similar maturity dates. A separate insurance fund is to be set up for each group.

In order that the risk in connection with mortgage insurance may be spread among as many home owners as possible, the initial premium receipts on account of mortgage insurance will be classified by premium rates and maturity dates only. In cooperation with the Central Statistical Board a comprehensive mortgage study will be undertaken to determine the risk characteristics of mortgages throughout the United States. As soon as the study has been completed and risk factors determined, the mortgages will be classified into distinctive risk characteristics groups and the various home owners given the benefit of the premium accruals on a scientific and equitable basis.

Need for State Legislation

The Administration is seriously handicapped in putting titles II and III into effective operation on a large scale by the fact that there are now existing in most States laws which limit the amount which may be loaned by banks, insurance companies, building and loan associations, trust companies, and others, on mortgage security to from 50 to 60 percent of the value of the property offered as security for the mortgage. These laws also make it difficult, in other respects, for financial institutions in these States to take full advantage of the provisions of the Housing Act.

At the request of the Administrator, the President on December 17 addressed letters to the governors of the several States expressing the hope that they would give their careful consideration to the subject of appropriate legislation in their States at the first meeting of the State legislatures.

Forty-four State legislatures meet this winter. The Administrator has prepared and transmitted for introduction in the legislatures, amendments to the laws of the various States which will meet the difficulty encountered. The States of New York and Ohio have already amended their laws as a means of cooperation. The Administrator expresses the hope that Members of the Congress will lend their assistance in obtaining this needed legislation in their respective States.

A similar problem was taken care of with respect to national banks, by section 505 of the National Housing Act, which provides that, in the case of loans secured by real estate which are insured under the provisions of title II of the act, the restrictions in section 24 of the Federal Reserve Act as to the amount of the loan in relation to the actual value of the real estate, and as to the 5-year limit of the terms of such loans, do not apply.

Recent Developments in Home Mortgage Market

It is highly significant that since the introduction of the National Housing Act in the Congress, and particularly since the passage of the

Act, a number of outstanding mortgage lending institutions of the country have announced and featured home mortgage loans on a long-term amortized basis, indicating that they are anxious to provide the type of credit which the mutual mortgage insurance plan encourages.

Initial Response to Plan

The regulations were well received, with an immediate and cordial response. Financial institutions and home owners showed great interest and now understand generally that the program is not one of loaning Government funds.

Although private participation in the provisions of title II has been possible for less than 3 months, at the date of writing, and although most financial institutions were required to hold meetings of their directors before being able to cooperate, 1,231 financial institutions with 1,474 branch offices, a total of 2,705 financial outlets, were approved as mortgagees by January 19, and commitments to insure mortgages in all parts of the country have been granted.

The development of titles II and III must of necessity be cumulative, since it depends upon the enlistment of private capital and initiative.

Mortgage Insurance for Low-Cost Housing Projects

A special section of the organic Act provides, in part:

The Administrator may also insure first mortgages, * * * covering property held by Federal or State instrumentalities, private limited dividend corporations, or municipal corporate instrumentalities of one or more States, formed for the purpose of providing housing for persons of low income which are regulated or restricted by law or by the Administrator as to rents, charges, capital structure, rate of return, or methods of operation.

In accordance with the provisions of this section, a special circular dealing with the considerations which govern the eligibility for insurance of low-cost housing projects, was issued on November 27, 1934.

This section of the act has opened up possibilities which at the moment are commanding active interest. Applications covering some 15 projects throughout the eastern part of the United States, not including many others which appear to be of a less substantial character, are now being investigated and if found eligible, will be insured. It is anticipated that several more projects will be presented within the near future.

NATIONAL MORTGAGE ASSOCIATIONS

The Administrator is authorized to charter privately financed and operated national mortgage associations whose principal function is to buy, hold, and sell insured mortgages. The minimum paid-in capital is \$5,000,000 and provision is made for close supervision by the Administrator. An association is permitted to issue notes, bonds, or other obligations not exceeding the current value of the insured mortgages, cash, and United States Government securities which it holds, nor exceeding 10 times the par value of its outstanding capital stock.

These associations are designed to furnish a practical means by which capital funds seeking a highly safe form of investment may be loaned in areas where home financing institutions operating locally

do not provide sufficient funds to meet the need. The result should be to help reduce variations in interest rates between different sections of the country, and thus bring relief to home owners in those areas where the rates have been above the average.

The substantial development of such associations obviously cannot proceed without the parallel creation of a sizable volume of insured home mortgages, which will furnish the necessary basis for their activities. However, the operation of such associations is regarded as vital to the effective and rapid growth of the mutual mortgage insurance plan, and should constitute an enduring part of the new home financing system which this Administration is fostering.

In connection with the tentative plans of various groups to form such associations, it develops that under the present laws, no national bank may invest in the stock of another corporation, except the Federal Reserve bank, and that State member banks of the Federal Reserve system are subject to the same limitations. This has prevented a number of banks which had shown an interest and willingness to form national mortgage associations from doing so. It is respectfully submitted that the present banking laws should be appropriately amended to permit national and other member banks to invest, with appropriate limitations, in the capital stock of national mortgage associations, in order to make possible the creation of an adequate number of such associations and their successful operation.

ORGANIZATION

Handling of Applicants for Positions

When the Federal Housing Administration became established in the new Post Office Building, personnel offices were opened in order that employees suitable to handle the various duties of the Administration might be selected and appointed.

The personnel office was immediately deluged with applicants seeking positions. As many as 3,000 a day called in person, and up to December 31, 1934, the total number of applications placed on file exceeded 110,000.

All of these applications have been courteously handled, either through written acknowledgments or personal interviews with the applicants, and all applications have been rated and classified. This work proved to be a source of considerable expense.

Many of the applicants were carpenters, plumbers, and other building tradesmen who were under the impression that the Administration would undertake modernization of buildings, or construction of houses, with its own funds.

Correspondence

A similar impression prevailed among many of the thousands of citizens who have written to the Administration. Thousands of requests for money to be used in modernization work or home construction have been received, together with thousands of requests for information.

Daily incoming mail reached a daily unit volume as high as 5,700 pieces. Up to January 1, 1935, 259,666 pieces of incoming mail were received. All letters were expeditiously handled and courteously answered.

Initial Field Organization

At the time the Administration began functioning, it was apparent that a field organization was necessary for immediate and effective promotion of the modernization credit plan. In the absence of a trained field organization, the State offices of the National Emergency Council were temporarily utilized as offices of the Federal Housing Administration.

Use of Printed Matter

To gain the cooperation of private financial institutions under the plan, explanatory literature, with applications for approval as lending agencies, forms, blanks and other written material, was sent to every suitable institution in the country. It was also necessary to prepare and mail thousands of pieces of literature designed to foster the creation of locally financed "better housing campaigns"; to provide an explanation of the plan for prospective borrowers; and to suggest to newspapers, advertising agencies, merchants in the building trades, and other businesses, methods by which they could cooperate.

Field Organization for Mortgage Insurance

In initiating the mutual mortgage insurance plan, persons with suitable experience in the technical end of the program were trained, and the promulgation of necessary forms, procedures and regulations was accomplished in much the same way as under the modernization credit plan.

With the appointment of such personnel, temporary State offices established under the National Emergency Council were converted, as of January 1, 1935, into regular offices of the Administration.

Regional and District Offices

For the purpose of administering all the portions of the Act, the United States was divided into 12 regions, corresponding closely to those established under the Federal Reserve System. Each region was placed in the charge of a regional director, and at least one office was established in each of the 48 States. As of December 31, 1934, all such offices were fully organized and equipped to handle all necessary business under all phases of the Act.

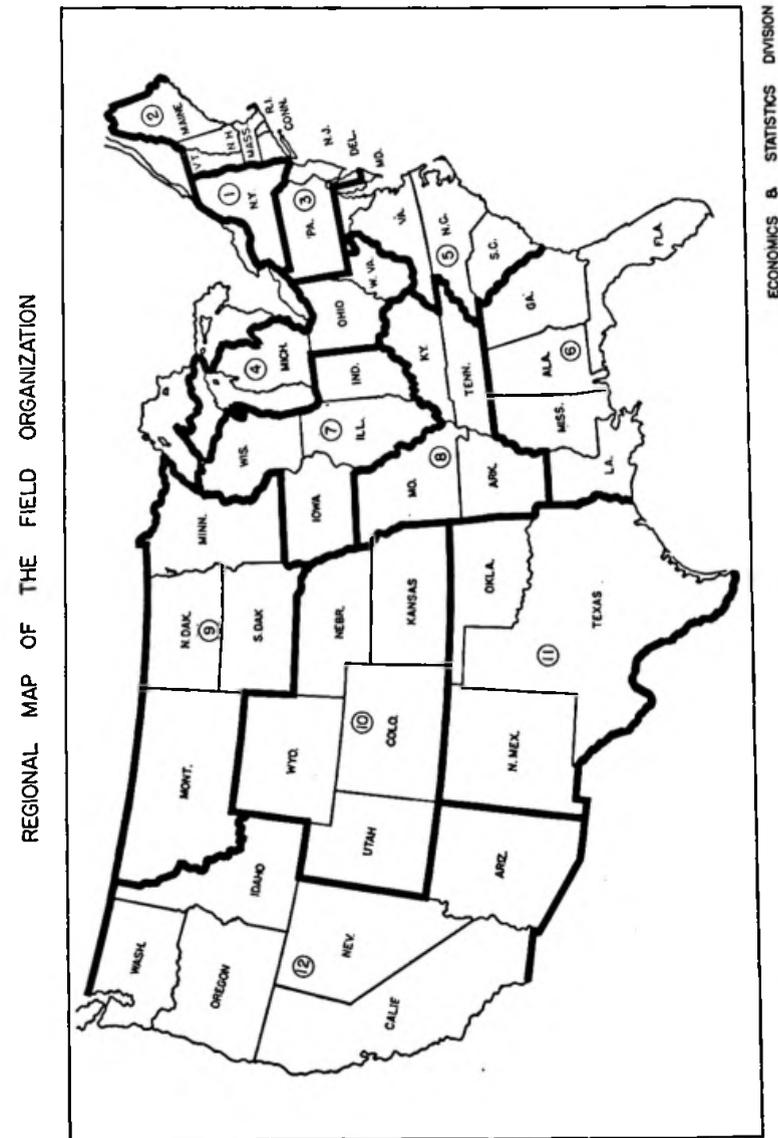
PERSONNEL

Section 1 of the National Housing Act exempted the Federal Housing Administration from the provisions of the classified civil service. All appointments of the employees in the District of Columbia and the field were made in accordance with the provisions of Executive Order No. 6746, dated June 21, 1934, and from eligible registers of applicants developed by the personnel office on a basis of their fitness for the particular positions involved.

Employees selected to assist in the administration of the mutual mortgage insurance plan were required to have years of experience in amortized mortgage procedure. Those chosen for the position of valuator, or appraiser, not only had to prove 10 years of experience in their field, but were also given a special training in a school conducted by the Administration.

As far as possible the initial appointments were made in accordance with the grades and salaries of the Classification Act of 1923 and were apportioned among the several States in accordance with the spirit of

the Apportionment Act, which provided that appointments in the Government service should be on the same ratio as the population of the respective States. Owing to the urgency of the work, the classification of employees as to grade and salary was made on a tentative basis.



In cooperation with the Civil Service Commission, a classification survey is being made of all positions. As rapidly as the survey is completed for any group or class of positions, the employees in these groups are immediately classified in strict accordance with the Classi-

fication Act. In case an employee or group of employees feel that the classification of his or their position as determined by the Federal Housing Administration has done him or them an injustice, arrangements have been made with the Civil Service Commission to consider the appeal of such cases and the Federal Housing Administration will abide by the findings of the Civil Service Commission insofar as they relate to the grade in pay of a particular position or group of positions. As soon as the survey is completed for the employees in the District of Columbia, the survey will be extended to the field. All of the employees of the Federal Housing Administration are expected to be fully classified by or before June 30, 1935.

The fact that 110,000 applications for positions have been received materially increased the cost of selecting the proper personnel.

Standards of Staff Performance

Acknowledgment already has been made of the cooperation received from private individuals and organizations throughout the country. No less credit is due the members of the staff of the Federal Housing Administration, and the officials and employees of a number of other Federal establishments. Among these the Administration is particularly indebted to the Government Printing Office, which has rendered most prompt and efficient service in turning out work of a high quality under emergency conditions.

The Federal Housing Administration activities have been developed throughout the country in a short space of time only because men in certain key positions have worked to the limit of their endurance, over extended periods. In practically every part of the organization, members of the staff have at times been called upon to work, during less extended periods, for long hours under high pressure, in order to permit the entire program to proceed. This has all been done cheerfully and voluntarily.

The various divisions have displayed the best sort of team play in aiding one another. This has resulted in a smooth running efficiency that has permitted rapid-fire action in meeting one problem after another. Another result is that the organization possesses great flexibility, and an unusually cooperative spirit.

The Administrator commends in the highest terms the members of the staff for their loyal service. He further acknowledges with profound gratitude the assistance rendered by officials in other branches of the Government.

FINANCES

Provision of the Act

The Reconstruction Finance Corporation was authorized by the National Housing Act to make available to the Administrator of the Federal Housing Administration such funds as he deemed necessary for the purposes of carrying out the provisions of the act. These funds may be classified in four groups:

1. *Renovation and modernization loans (sec. 2)*—
The losses on account of insured loans of banks, trust companies, personal finance companies, mortgage companies, building and loan associations, installment finance companies, lending companies and other financial institutions on account of loans made which were insured under the rules and regulations of the Administrator are limited to..... \$200, 000, 000
2. *Loans to financial institutions (sec. 3)*—
The Administrator is further authorized and empowered to make loans to institutions which are insured under sec. 2, and to enter into loan agreements with such institutions, upon the security of obligations which meet the requirements prescribed under sec. 2. Such loans or agreements may be made for the full face value of the obligations offered as security, and shall be at such rates and upon such terms and conditions as the Administrator shall determine. Estimated amount as a reserve for contingencies..... Indefinite
3. *Mutual mortgage insurance fund (sec. 202)*—
To initiate the general reserve account of the Mutual Mortgage Insurance fund, there was allocated the sum of.... \$10, 000, 000
4. *Salaries and expenses (sec. 4)*—
In addition to the foregoing specific authorizations, there was authorized such amounts as the Administrator deemed necessary to carry out the provisions of the act. This was estimated to be..... Indefinite

Although section I of the act authorized the Administrator to make the expenditures without regard to other provisions of the law governing the expenditure of public funds, it was decided as a matter of policy to conform as nearly as possible to the established procedure governing the expenditure of public funds.

The Comptroller General of the United States has cooperated to establish the necessary accounting system and procedure and to preaudit all vouchers paid on account of salary and expenses. The services of the Chief Disbursing Officer of the United States have been utilized in making the disbursements.

Financial Statement

The status of the accounts and funds as of December 31 are as follows:

Statement of assets and expenses, income and liabilities as of Dec. 31, 1934

ASSETS AND EXPENSES		
Disbursing officer's cash:		
OX-680 Renovation and modernization loans and insurance, F. H. A., allotment R. F. C.....	\$500, 000. 00	
OX-681 Salaries and expenses, F. H. A., allotment R. F. C.....	400, 401. 57	
891-804 Special deposits.....	203. 05	
03-5079 N. I. R.-F. H. A., 1933-35.....	52, 313. 25	
		\$952, 078. 47
Treasury cash:		
OX-680 Renovation and modernization loans and insurance, F. H. A., allotment R. F. C.....	7, 500, 000. 00	
OX-681 Salaries and expenses F. H. A., allotment R. F. C.....	5, 000, 000. 00	
OS-353 Mutual mortgage insurance fund, special fund.....	671, 836. 37	
03-5079 N. I. R.-F. H. A., 1933-35.....	7, 609. 33	
		13, 779, 445. 70
Investments and reserve funds:		
Due from Reconstruction Finance Corporation:		
OX-680 Renovation and modernization loans and insurance, F. H. A., allotment R. F. C.....	200, 000, 000. 00	
Less: Advances.....	8, 000, 000. 00	
		192, 000, 000. 00

Statement of assets and expenses, income and liabilities as of Dec. 31, 1934—Contd

ASSETS AND EXPENSES—continued

Investment mutual mortgage insurance fund:			
4½ (3.03) percent Treasury bonds (par \$2,940,000), 1947-52	\$3,324,056.26		
Less: Amortized premium	5,683.24		
		\$3,316,273.02	
4 (3.03) percent Treasury bonds (par \$2,850,000), 1944-54		3,092,125.02	
Less: Amortized premium	7,268.53		
		3,084,856.49	
¾ (3.03) percent Treasury bonds (par \$2,788,100), 1946-50		2,084,345.13	
Less: Amortized premium	5,164.01		
		2,079,181.12	
			\$9,380,310.63
Accrued interest receivable:			
4½ percent Treasury bonds	26,031.25		
4 percent Treasury bonds	4,750.00		
¾ percent Treasury bonds	30,404.79		
			61,276.04
Insured notes receivable		30,450,572.42	
Less: Reserve for losses	\$6,090,114.48		
Reserve for collections	24,300,457.94		
		30,450,572.42	.00
Furniture, fixtures and equipment			199,845.49
Undistributed expenditures:			
Washington office (exhibit A)	1,205,733.14		
Field offices (exhibit B)	444,037.22		
		1,739,770.36	
Total assets and expenses		218,113,026.69	
LIABILITIES AND CAPITAL			
Special depositors			\$203.65
Unliquidated encumbrances:			
OX-681 Salaries and expenses F. H. A., allotment R. F. C.	\$142,290.11		
03-5679 N. I. R.-F. H. A., 1933-35	23,461.38		
		165,751.49	
Unallotted appropriations:			
OX-680 Renovation and modernization loans and insurance, F. H. A., allotment R. F. C.	8,200,000.00		
OX-681 Salaries and expenses F. H. A., allotment R. F. C.	5,600,000.00		
03-5679 N. I. R.-F. H. A., 1933-35	38,461.20		
		13,836,461.20	
Expended appropriations:			
OX-681 Salaries and expenses F. H. A., allotment R. F. C.	1,057,709.89		
03-5679 N. I. R.-F. H. A., 1933-35	940,077.42		
		1,997,787.31	
Available capital:			
OS-333 Mutual mortgage insurance fund, special fund:			
Invested in Treasury bonds	\$9,489,915.41		
Unallotted balance mutual mortgage insurance fund	500,084.59		
		10,000,000.00	
Interest collected	\$73,282.78		
Interest accrued to Dec. 31, 1934	61,276.04		
		134,558.82	
Less: Amortized premium	21,115.78		
		113,423.04	
			10,113,423.04
OX-680 Renovation and modernization loans and interest, F. H. A., allotment R. F. C.			192,000,000.00
Total liabilities and capital		218,113,626.69	

Expense distribution of Washington office as of Dec. 31, 1934

EXHIBIT A

	Totals	Adminis- trative	Public re- lations	Publicity	Construc- tion and real estate	Legal
Salaries	\$805,064.69	\$24,178.95	\$137,014.00	\$32,238.59	\$48,357.88	\$24,178.94
Supplies and materials	97,403.39	2,922.10	16,558.59	3,896.14	5,844.20	2,922.10
Travel	34,143.81	302.52	5,550.06	989.31	3,331.57	477.79
Communications	34,111.18	1,023.34	5,798.90	1,364.45	2,046.07	1,023.34
Transportation	2,789.97	83.70	474.20	111.00	167.40	83.70
Printing and binding	293,070.50		263,763.45			
Rents	20,053.92	601.62	3,409.17	802.10	1,203.24	601.62
Repairs and alterations	4,445.11	133.35	755.67	177.80	266.71	133.35
Miscellaneous operating ex- penses	3,750.57	112.51	637.60	150.02	225.03	112.51
Totals	1,295,733.14	29,368.09	433,961.73	39,730.07	61,442.70	29,533.35

	Moderni- zation credit	Mortgage and insur- ance	Technical	Comp- troller	Office manager	Field op- erations	Econom- ics and statistics
Salaries	\$64,477.17	\$16,119.29	\$48,357.88	\$40,298.24	\$314,326.22	\$24,178.94	\$32,238.59
Supplies and materials	7,792.27	1,048.07	5,844.20	4,870.17	37,987.31	2,922.10	3,896.14
Travel	17,112.44	357.24	1,236.46	681.59	2,309.44	969.84	825.55
Communications	2,728.89	682.22	2,046.67	1,705.56	13,303.35	1,023.34	1,364.45
Transportation	223.20	55.80	107.40	139.50	1,088.08	83.70	111.60
Printing and binding	23,445.64	5,861.41					
Rents	1,604.31	401.08	1,203.24	1,002.70	7,821.00	601.62	802.16
Repairs and alterations	355.61	88.90	266.71	222.25	1,733.61	133.35	177.80
Miscellaneous operating expenses	300.04	75.01	225.03	187.53	1,462.70	112.51	150.02
Totals	118,039.57	25,589.02	59,347.59	49,107.54	380,031.77	30,025.40	39,566.31

Distribution of field expenses as of Dec. 31, 1934

EXHIBIT B

State and city	Local address	Total	Salaries	Travel
Alabama, Birmingham	Jemison Companies Building	\$6,800.00	\$6,689.90	\$120.00
Alaska, Juneau	Juneau	2,586.64	2,586.64	
Arizona, Phoenix	704 Heard Building	3,894.43	3,840.68	34.75
Arkansas, Little Rock	408 Donaghey Building	6,723.02	6,470.52	253.40
California:				
San Francisco	Rooms 601-602, 225 Bush Street	13,797.54	13,499.41	298.13
Los Angeles	Room 609, 756 South Spring Street	8,154.60	8,154.60	
Colorado, Denver	609, 728 U. S. National Bank Building	6,870.23	6,642.82	236.41
Connecticut, Hartford	Room 301, 125 Trumbull Street	5,651.92	5,651.92	
Delaware, Wilmington	402 Mullin Building	4,970.32	4,850.49	113.83
Florida, Jacksonville	1512 Lynch Building	6,545.96	6,325.11	220.85
Georgia, Atlanta	1101 First National Bank Building	16,101.22	15,806.13	385.09
Hawaii, Honolulu	Chamber of Commerce	205.83	205.83	
Idaho, Boise	401 Idaho Building	5,664.48	5,614.88	49.60
Illinois:				
Chicago	134 North La Salle Street	19,055.01	18,744.47	310.54
Springfield	620 Illinois Building	7,910.65	7,892.90	36.75
Indiana, Indianapolis	17 North Meridian Street	6,255.74	6,255.74	
Iowa, Des Moines	418 Old Federal Building	5,285.23	4,925.69	359.54
Kansas, Topeka	309 New Post Office Building	6,064.74	6,051.79	12.95
Kentucky, Louisville	412 Federal Building	4,082.93	4,082.93	
Louisiana, New Orleans	1104 Hibernia Bank Building	5,440.15	5,427.05	13.10
Maine, Portland	Chapman Building	4,769.78	4,741.03	28.75
Maryland, Baltimore	017 Fidelity Building	5,089.98	4,707.61	382.37
Massachusetts, Boston	10 Post Office Square	15,047.19	14,082.18	65.01
Michigan, Detroit	1174 First National Bank Building	9,257.46	9,161.38	96.08
Minnesota, Minneapolis	200 Roanoke Building	6,098.83	6,840.38	149.45
Mississippi, Jackson	212 Lamar Life Building	5,698.02	5,523.52	174.50
Missouri:				
Kansas City	710 R. A. Long Building	8,342.03	8,202.75	70.28
St. Louis	1303 Ambassador Building	4,266.62	4,225.12	41.50
Montana, Helena	604 Power Block Building	5,127.10	5,110.75	16.35
Nebraska, Omaha	670 Saunders-Kennedy Building	7,370.00	7,335.35	35.55
Nevada, Reno	Old Federal Building	2,386.87	2,386.87	
New Hampshire, Concord	Suite 17, Phoenix Hotel	3,670.85	3,670.85	
New Jersey, Newark	505 Industrial Office Building	9,858.06	9,858.06	
New Mexico, Santa Fe	301 Lensic Building	4,763.03	4,763.03	
New York:				
New York City	11 West Forty-second Street	34,192.18	34,126.70	65.48
Albany	Room 305, 74 Chapel Street	4,820.44	4,707.11	23.33
Buffalo	728 Marine Trust Building	7,657.06	7,573.56	83.50
North Carolina, Asheville	Haywood Building, 46 Haywood Street	7,464.36	7,142.16	322.20
North Dakota, Bismarck	10 Eltinge Building	4,226.71	4,141.22	85.49
Ohio:				
Cleveland	808 Bulkeley Building	10,030.14	9,788.34	241.80
Columbus	Huntington National Bank Building	8,459.05	8,284.25	174.80
Oklahoma:				
Oklahoma City	421 Commerce Exchange Building	6,665.68	6,665.68	
Tulsa	822 Tulsa National Bank Building	5,284.09	5,284.09	
Oregon, Portland	420 Park Building	4,038.13	3,972.68	65.55
Pennsylvania:				
Philadelphia	1638 Fidelity-Philadelphia Trust Building	9,499.50	9,484.21	15.38
Pittsburgh	Rooms 434-436 New Federal Building	6,653.48	6,602.09	51.39
Rhode Island, Providence	32 Exchange Place	3,590.16	3,589.66	20.60
South Carolina, Charleston	712 Peoples Office Building	4,602.39	4,547.09	55.30
South Dakota, Sioux Falls	212 Security National Bank Building	10,698.64	10,347.54	351.10
Tennessee, Memphis	210 Federal Building	10,342.79	10,309.04	33.75
Texas:				
Dallas	813 First National Bank Building	9,772.97	9,880.07	83.90
Houston	1627 Shell Building	5,959.91	5,959.91	
Fort Worth	First National Bank Building	11,105.06	11,020.16	75.90
San Antonio	509 Frost Bank Building	5,729.55	5,702.05	27.60
Utah, Salt Lake City	404 Boston Building	4,155.20	4,022.30	132.90
Vermont, Burlington	206 Bank Street	4,171.31	4,171.31	
Virginia, Richmond	1430 Central National Bank Building	9,013.84	8,812.74	201.10
Washington, Seattle	1813 Exchange Building	5,726.09	5,712.34	13.75
West Virginia, Parkersburg	Union Trust Building	5,389.90	5,260.03	129.27
Wisconsin, Milwaukee	2003 Mariner Tower Building	5,610.29	5,528.09	82.20
Wyoming, Cheyenne	Post Office Building	4,472.16	4,109.68	362.48
Grand total		444,037.22	437,824.87	6,212.35